



**ASX Announcement
24 February 2020**

MARKET UPDATE

- **ELLE portfolio poised for launch**
- **Australian-made product range mitigates supply chain risk In China**
- **Private Label opportunities growing**
- **Recent Inventory build up ahead of stronger H2 sales growth**

MELBOURNE: 24 February 2020: Wellness and Beauty Solutions Limited (ASX: WNB) (“WNB” or “the Company”), an Australian beauty, wellness and lifestyle brand business, provides an update to shareholders outlining progress across the business to date in Q3 FY 2020.

ELLE portfolio poised for launch - strong interest from Australian and international retailers

The company has received strong interest in ELLE makeup, ELLE kids and ELLE Baby ranges ahead of formal launch in the coming months with Australian and international retailers, and a significant Asian distributor. The expansion of the ELLE retail network and product range has been a key area of operational focus during 1H FY 2020. The company is anticipating receiving opening orders in H2 in multiple territories with discussions in an advanced stage.

In preparation for retail launch, the Company is collaborating with ELLE Australia magazine, published by Bauer Media, on a targeted marketing campaign to support the ELLE makeup range. ELLE Australia magazine has a readership of 400,000¹ readers across its print, web and app platforms and provides a cross promotional platform directly to a customer audience that is already brand loyal. This campaign is intended to coincide with the range being stocked by a major retailer.

The ELLE online shopping portal will be launched in March 2020 as part of the Company's omnichannel sales strategy, along with a low-cost marketing campaign to build brand awareness with key beauty influencers in the lead up to the major brand launch.

ELLE - stock on hand for immediate supply

In preparation for retail distribution, and to ensure appropriate stock on hand, WNB has accelerated manufacturing of its ELLE makeup range and produced initial stock for ELLE Baby. The decision to invest in manufacturing stock ahead of delivery was reflected in the Company's operating costs incurred in Q2 FY 2020 contributing to a larger cash outflow in that quarter.

¹ **Roy Morgan, Magazine Cross-Platform Audience, 12 months to December 2019** Cross-Platform Audience is the number of Australians who have read or accessed individual magazine content via print, web or app.

WNB currently holds \$2.5m in wholesale valued stock, which is important to meet demands in the current retail environment.

The company has sufficient stock on hand of ELLE makeup to supply opening orders to interested Australian and international retail buyers with the ability to immediately manufacture further stock of ELLE kids and ELLE Baby ranges from its Australian supplier on receipt of sales orders.

Well placed to avoid full impact of potential China import issues relating to Coronavirus

ELLE kids and ELLE Baby are 100% Australian made with full control over supply chain from ingredients to packaging. These products are not impacted by potential supply chain and shipping issues related to the Coronavirus outbreak in China. In fact, WNB is well positioned to capitalise on the growing demand for wholly Australian-made products, with its ELLE kids and ELLE Baby range, and is ready for rapid scale up.

All ELLE makeup products use 100% Australian made ingredients, but the company is currently reliant on part of the packaging from China. WNB has not experienced delays to packaging to date and the existing stock provides supply protection if the Chinese imports become constrained in the remainder of FY20. The company is also actively identifying packaging alternatives if required.

Jbronze by Jennifer Hawkins is reliant on some Chinese supplied packaging, the company received deliveries in December and has good stock on hand and able to fulfil existing customer orders.

TANNED stock on hand is currently sufficient to meet current retail orders, however recent strong interest from new retailers and expectant increasing demand may impact some products depending on when the coronavirus issue is resolved. WNB is already exploring alternative local packaging components to ensure strong optionality.

WNB is in constant discussion with customers to monitor stock levels. It is also being updated by suppliers to monitor potential future risk and identifying options for risk mitigation.

MYER private label building

MYER has advised of high sales of the Heritage brand private label homeware range following the in-store launch in September 2019. WNB has delivered follow up orders in Q2 2020.

Due to the success of the brand, MYER is offering continued ranging of the Heritage brand, as well as exploring the potential for new ranges with the Giving Brands Company (GBCo). The company is also in discussions with other large retailers for private label opportunities which is a growing area of interest for retailers looking for higher-margin, owned product opportunities.

Advancing sales negotiations with major international retailers and distributor

In line with WNB's stated strategic objective of geographical expansion of wellness and beauty brands into Asia, Europe and North America, the Company continues to pursue sales opportunities.

Retailers we are currently actively engaged with have access into multiple global retailers across 25 markets, which maximises the GBCo's brand footprint enabling strategic manufacturing and economies of scale through 15,000 + retail doors.

GBCo is also in advanced negotiations with a global distributor for distribution of ELLE kids and ELLE Baby to key Asian markets including, Singapore, Thailand, Malaysia, Taiwan, Vietnam and the Philippines. Once a distribution agreement is signed, along with a formal announcement, a Company representative will attend retail buyer meetings with the distributor in Singapore and Thailand that are currently planned in Q3 FY2020, subject to safe travel conditions being in place.

Stringent cash flow management focus

WNB is taking a highly considered approach to balancing the need to invest in growth opportunities to scale the business with cash management.

While the multiple international retail opportunities will be pursued concurrently, the Company will focus on those that it believes will deliver firm purchase orders in the shortest timeframe alongside agency agreements that offer freight on board (meaning immediately on delivery to an Australian port) payment opportunities to support immediate cashflow.

With stock on hand and its position as a manufacturer of wholly Australian products for its ELLE kids and ELLE Baby ranges, WNB believes it is well placed to manage the staged execution of its growth strategy while remaining focussed on cash outflows and the consolidation of operational costs.

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This announcement has been approved for lodgement by the Board of the Company.

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About Wellness and Beauty Solutions Limited

Wellness and Beauty Solutions Limited has a suite of owned and licensed wellness, beauty and lifestyle brands and a network of nine *Immersion Clinical Spas* in Australia.

The clinics provide non-invasive medical aesthetic (NIMA) and wellness and beauty services using a highly experienced team of doctors, aesthetic nurse consultants, dermal therapists and beauty consultants.

Our suite of brands is sold to the professional and retail markets via our wholly owned subsidiaries The Giving Brands Company (GBCo) and True Solutions Australia. Our expanding brand portfolio includes, ELLE Makeup, ELLE kids, ELLE Baby, Jbronze, TANNED, nailKALM, Aesthetics RX, Glo Skin Beauty, Priori, Nanopore, Ilcsi, Lightfusion, and OMNILUX.