



ASX Announcement
31 August 2020

WNB FY20 FINANCIAL RESULTS COMMENTARY

Highlights for the financial year ended 30 June 2020:

- Revenue of \$10.30M (+3.7% of FY19) and net loss after tax of \$11.79M (\$13.32M net loss in FY19);
- The Company's performance was severely impacted by both the bushfires and the COVID-19 pandemic. These events particularly impacted WNB's Immersion Clinical Spa Network;
- Expanded sales and distribution channels for Giving Brands Company and True Solutions products, \$5.78M FY20 revenue contribution;
- Launch of MICRQ19 anti-bacterial product JV - first revenues received in Q4'20 and strong FY21 sales pipeline;
- Expansion to Asia launching ELLE Makeup and MICRQ19 into Singapore
- Significant cost reduction & HR restructuring program implemented in Q4'20. Increased savings to be realised in FY21;
- Strengthened balance sheet with conversion of \$1.4M of convertible notes and agreed a 16-month extension with quarterly amortisation to \$1.6M of remaining notes;
- Immersion Clinical Network remains closed in COVID-19 environment with options to extract value being pursued. The clinics had an EBITDA loss of \$1.2M in FY20 (\$0.7M loss in FY19) and there was a \$2.93M impairment charge in FY20; and
- Sales revenue per month for the Wellness and Lifestyle Products segment for July and August 2020 are strongly up on sales for the previous six months, despite the ongoing COVID-19 pandemic.

MELBOURNE: 31 August 2020: Wellness and Beauty Solutions Limited (ASX: WNB) ("WNB" or "the Company") provides the following notes to its Appendix 4E Preliminary Final Report for the 12 months to 30 June 2020 (FY20).

- **Wellness and Lifestyle products impacted by COVID-19 & bushfires**

WNB reported revenue of \$10.30M in FY20, up 3.7% on FY19, the previous corresponding period (PCP). WNB incurred a net loss after tax of \$11.79M (\$13.32M net loss in FY19), which were largely due to the depreciation and impairment expense incurred by the Immersion Clinical Spa Network (the Clinics). The Clinics had an EBITDA loss of \$1.2M in FY20 (\$0.7M loss in FY19) and there was a \$2.93M impairment charge in FY20.

The Wellness and Lifestyle Products segment recorded an EBITDA loss of \$2.5M in FY20 (FY19: loss of \$1.2M). Trading in July and August 2020 is significantly higher than trading in the 2H FY20.

Revenues from the Wellness and Lifestyle Products segment – comprising The Giving Brands Company (GBCo) & True Solutions Australia (TSA) – were \$5.78M, up from \$1.29M in FY19. The acquisition of TSA early in FY20 (August 2019) was an important contributor to this revenue growth. Underlying organic growth in the products division was below Management expectations due to the unprecedented retail challenges for wellness and lifestyle products over the period.

The launch of MICRQ19, a proprietary anti-bacterial hand sanitiser and surface spray range made a small contribution to the products division revenue (\$0.2M) via GBCo's 50/50 JV, which commenced in May 2020. This contribution is expected to grow significantly in FY21 as increased customer demand for hygiene products are predicted to continue. MICRQ19 was also launched into Singapore, marking an important expansion into international markets.

Subsequent to the reporting period, GBCo executed an exclusive distribution agreement with a \$3M minimum sales target over 3 years, with CARE Distributors to supply MICRQ19 product to the Australian transport and infrastructure industries. It already has a strong sales pipeline.

WNB's Immersion Clinical Spa network generated revenue of \$4.5M in FY20, prior to its closure due to the COVID-19 pandemic. This was significantly below FY19 revenue of \$9.0M. The Clinics incurred an EBITDA loss of \$1.2M in FY20 (\$0.7M EBITDA loss in FY19) and consequently WNB has incurred an \$2.9M impairment charge in FY20 following the losses in this division.

- **Operating cost reductions**

In Q3'20 WNB's refreshed Board, under new Chairman Mr Julian Glynn, implemented a cost reduction program focussed on generating savings across the business. On an annualised basis, the measures implemented are expected to save at least \$0.4m across production, personnel, marketing and professional services. Further savings are expected to occur into FY21, particularly as WNB executes its plans to consolidate marketing, digital and online retail channels. WNB has also received support from the Federal Government's *JobKeeper* program since March 2020, and expects this to continue into FY21, albeit it in a reduced form in accordance with the revised scheme.

- **New sales channels & expanded distribution for JBronze, Tanned, & ELLE**

During FY20 WNB has focussed on expanding distribution and sales channels for its product range. In May 2020, GBCo executed an exclusive agency agreement with BRIMAG PTE LTD (trading as Thurston Agencies) to represent and sell the ELLE makeup, kids and baby ranges, as well as MICRQ19, in the markets of Singapore, Malaysia and Hong Kong. The agreement contains a minimum sales threshold for exclusivity to be maintained. Since this time, GBCo has received \$1.7M in purchase orders with the relevant ELLE stock already dispatched and in transit to Asia.

Additionally, in June 2020, WNB announced that Jbronze by *Jennifer Hawkins* will be sold in 800+ Coles stores and WNB expects Jbronze will achieve annualised sales of over \$2M in FY21.

TANNED was ranged in Chemist Warehouse for the first time in three of its Ultra stores and via e-commerce.

- **Strengthened balance sheet**

WNB undertook two capital raisings in FY20 - a \$6.0M placement in November and December 2019 and a further \$1.52M placement and Share Purchase Plan in May 2020.

In May 2020, WNB also agreed with Convertible Noteholders to extend the term of the Notes to 15 October 2021 (principal value \$1.62M). Under the revised agreement, WNB will redeem 10% of the Notes every quarter, beginning 15 October 2020 until the final redemption date. This followed the conversion of 1.4M of Convertible Notes in April 2020, reducing WNB's current liabilities by \$1.5M.

The capital raisings and variation to the terms of the Convertible Notes are important steps for WNB in strengthening its balance sheet and financial position and to enable continued investment and growth of the business.

Cash on hand as at 30 Jun 2020 was \$1.041M, in line with the PCP.

- **Outlook**

WNB's business strategy in FY21 remains focussed on of the expansion of the sales and distribution of its GBCo and TSA product range, including MICRO19. Careful cost management will remain a key focus as WNB moves toward a lower-cost and sustainable business model. Sales revenue per month for the Wellness and Lifestyle Products segment for July and August 2020 are strongly up on sales for the previous six months despite the ongoing COVID-19 situation.

Subsequent to the reporting period, WNB announced the acquisition of Organic Nation, a range of anti-ageing skin and body care products currently sold in more than 100 clinics outlets in Australia and Canada. It also announced the appointment of Care Distributors to distribute MICRO19 products to the transport and infrastructure sectors.

WNB is currently considering options to extract value from its Immersion Clinical Spa network

-- ENDS --

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

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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.

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 (TSA).

Disclaimer

All statements other than statements of historical fact included on this announcement including, without limitation, statements regarding future plans and objectives of the Company or any of the other parties referred to herein, are forward-looking statements. Forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of WNB that could cause actual results to differ from the results expressed or anticipated in these statements.