

Q2 FY23 Quarterly Activities – record revenue quarter**Announcement highlights:**

- Record cash receipts of \$7.6 million in Q2 FY23, an increase of 61% on PCP (Q2 FY22: \$4.7 million). Further growth expected in coming quarters with innovative brand launches and increasing contract manufacturing orders.
- Net cash loss for the period at -\$186,000 - a reduction of 93% on PCP (Q2 FY22: -\$2.9 million).
- Record revenue in first half of FY23 of \$13.2 million (unaudited), up 54% on PCP (H1 FY22: \$8.6 million), driven by growth in Wellnex's owned brands and contract manufacturing.
- Launch of new e-commerce platform and brand, [TheSet.Co](#), provides exposure to the \$1.5 billion online health and wellness market for self-care products.
- Acquisition of premium tooth whitening brand, [Mr. Bright](#), expected to drive revenue and margins.
- Upcoming launch of [Pharmacy Own](#) in Q3 FY23 in an exclusive distribution agreement with CH2.
- Raised \$5.965 million in capital through strongly supported Share Purchase Plan (\$2.815 million) and placement to strategic investors (\$3.15 million) cornerstoned by Homart Pharmaceuticals.

Wellnex Life Limited (ASX: WNX), customer-focused health and wellness brand and product company, is pleased to release its cashflow and activities report for the quarter ended 31 December 2022 (Q2 FY23). This quarter has seen a record performance in revenue and brand offerings, as well as a significant reduction in cash losses.

Cash receipts for the quarter were \$7.6 million, an increase of 61% on the prior corresponding period (PCP) (Q2 FY22: \$4.7 million), with growth expected to continue in Q3. The net cash loss in Q2 reduced by 93% to \$186,000 compared to PCP (Q2 FY22: -\$2.9 million), primarily driven by the growth in cash receipts. In Q2 FY23, Wellnex invested circa \$400,000 in marketing and circa \$4.2 million in inventory. Wellnex will continue to make significant investment in new brands and products for the remainder of FY23 to further drive revenue and enhance margins.

Revenue for the first half of FY23 was a record \$13.2 million (unaudited), an increase of 54% on PCP (H1 FY22: \$8.6 million). The company is seeing strong growth in its wholly owned brands and contract manufacturing and anticipated that this will continue. Wellnex reaffirms its revenue guidance for FY23 of \$29 million.

Payment made to related parties as outlined under Section 6.1 of the Appendix 4C relate to the director fees and salaries paid during the quarter.

TheSet.Co - Skincare

During Q2 FY23, Wellnex launched a new e-commerce channel and range of skincare products, [TheSet.Co](https://www.set.co.au); a business-to-consumer sales channel which enables entry to the \$1.5 billion online health and wellness market for self-care products (Frost & Sullivan – The Online Retail Market, July 2022). The launch of the *TheSet.Co*, with an initial 19 products, provides the opportunity to grow revenue as well as enhance margins.

Wellnex intends to further increase the product offerings on *TheSet.Co* with new products to be launched in coming quarters to meet consumer demand.



Mr. Bright - Teeth Whitening

Wellnex finalised the acquisition of premium teeth whitening brand, [Mr. Bright](https://www.mrbright.com.au), during Q2 FY23 via the issue of 15 million fully paid ordinary shares. *Mr. Bright* has seen year-on-year revenue growth and has strong brand awareness and margins. Wellnex is focused on expanding the distribution channels for *Mr. Bright* in the Australian market.

Sales from Mr. Bright products will be reflected in the coming quarters.



Pharmacy Own - Medicines

During Q2 FY23, Wellnex continued to progress the launch of [Pharmacy Own](#) medicines. The launch will bring a strong offering of over-the-counter (OTC) medicines to market that will provide consumers equivalent efficacious products to the major brands currently found in the Australian market. Wellnex entered into an exclusive distribution agreement for *Pharmacy Own* medicines with CH2, Australia's only fully integrated pharmaceutical and medical consumable distributor, which services over 2,500 pharmacies.

Sales of *Pharmacy Own* products will commence in February 2023. Significant revenue and elevated margins are expected from the sale of *Pharmacy Own* products.



Medicinal Cannabis

Wellnex's pivotal Joint Venture (JV) with OneLife Botanicals will enable the company to enter the lucrative and growing medicinal cannabis market with a strong product offering for the Special Access Scheme (SAS) market in Australia in Q3 FY23. The SAS market was forecast in excess of \$400 million in 2022, up from \$230 million in 2021 (Fresh Leaf Analytics, Australian Medicinal Cannabis Market, H2 2021).

During the quarter, Wellnex continued to advance its aim to be one of the first to bring a registered medicinal cannabis product under Schedule 3 (S3) to market. The S3 classification will allow consumers to obtain medicinal cannabis products over-the-counter from a pharmacy without needing a prescription.



Capital Raise – SPP & strategic placement

Wellnex conducted a strongly supported Share Purchase Plan (SPP) during Q2 FY23 which raised \$2.815 million, significantly exceeding the initial minimum target of \$2 million. The capital is to be used to accelerate the Company's medicinal cannabis strategy and to fund various brand launches.

Wellnex also secured strategic investors, including Homart Pharmaceuticals, to take up a placement of \$3.15 million. The investment by Homart enables Wellnex to form a strong relationship with a respected participant in the health and wellness market that will assist the Company to continue to grow.

This announcement has been authorised for release on the ASX by the company's board of directors.

ENDS

Further information:

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About Wellnex Life

Wellnex Life (ASX: WNX) is an Australian brand and distribution company of customer-focused health and wellness products. The company's large portfolio, first-to-market strategy and established retail distribution network provide an attractive business model for growth and profitability. Wellnex's mission is to deliver health, wellness and vitality solutions to consumers in Australia and worldwide.

To stay up to date with Wellnex Life news and announcements, register your details on the [Wellnex Life investor portal](#).

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

WELLNEX LIFE LIMITED

ABN

77 150 759 363

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,588	12,826
1.2 Payments for		
(a) research and development	(19)	(197)
(b) product manufacturing and operating costs	(4,911)	(9,218)
(c) advertising and marketing	(408)	(1,023)
(d) leased assets	-	-
(e) staff costs	(1,392)	(2,823)
(f) administration and corporate costs	(600)	(1,042)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	5
1.5 Interest and other costs of finance paid	(211)	(444)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refund/(paid))	(237)	(355)
1.9 Other (costs for CBDG administration)	-	-
1.9 Net cash from / (used in) operating activities	(186)	(2,271)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(632)	(632)
(c) property, plant and equipment	-	(15)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	-	(42)
2.2	Proceeds from disposal of:		
	(a) entities	(35)	(35)
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Loan repayment from other entity	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (costs of CBDG administration)	(71)	(71)
2.6	Net cash from / (used in) investing activities	(738)	(795)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,930	5,930
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(408)	(574)
3.5	Proceeds from borrowings	2,399	6,777
3.6	Repayment of borrowings	(3,198)	(7,999)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Share applications to be refunded	-	-
3.9	Other (repayment of lease liabilities)	-	-
3.10	Net cash from / (used in) financing activities	4,723	(4,134)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	911	3,642
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(186)	(2,271)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(739)	(796)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,723	4,134
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	4,709	4,709

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	4,317	450
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in trust)	392	461
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,709	911

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	343
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	5,300	(1,119)
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	5,300	(1,119)
7.5	Unused financing facilities available at quarter end		4,181
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
	Secured Revolving Trade and Debtor Facility with Scottish Pacific of \$5.3 million Term: Minimum of 24 months (July 2023) Interest Rate: BBSY plus 4%.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(186)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,709
8.3	Unused finance facilities available at quarter end (item 7.5)	4,181
8.4	Total available funding (item 8.2 + item 8.3)	8,890
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	47
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	N/A	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	N/A	
8.6.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	N/A	
	<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

24 January 2023

Date:

The Board of Directors

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.