

Wellnex agrees to transformative acquisition of leading Australian pain relief brand, Pain Away

HIGHLIGHTS:

- Wellnex has entered into a binding agreement to acquire the business and assets of Pain Away, one of Australia's leading topical pain relief brands
- Pain Away generated revenue of \$12.4m during the financial year ended 30 June 2022 (**FY22**) and is expected to generate \$13.7m for the financial year ended 30 June 2023 (**FY23B**)
- The acquisition is highly complementary to Wellnex's position in the consumer healthcare industry and adds immediate scale to Wellnex's portfolio of healthcare brands and products, enhancing its competitive position
- Pain Away is expected to be a highly profitable business under the ownership of Wellnex; Pain Away's contribution to FY23B EBITDA of the consolidated entity is \$5.1m on a pro forma basis, after accounting for anticipated add-backs, synergies and other savings¹
- Total purchase price of \$22.0m (including \$1.15m of inventory at cost), payable in cash; Wellnex intends to fully fund payment of the purchase price through equity financing
- Implied acquisition at 1.5x EV/FY23B Revenue and 4.1x EV/FY23B pro forma EBITDA
- On a consolidated post-transaction basis, total revenue for FY23B is expected to be \$42.5m and is forecast to grow c.48% year-on-year to reach \$62.9m during FY24B, with consolidated EBITDA for FY24B of \$9.0m²
- Completion subject to satisfaction of certain customary conditions by no later than 31 July 2023
- George Karafotias, CEO of Wellnex Life, will be holding a briefing at 12pm (AEST) on Tuesday 30 May 2023, to discuss the acquisition. [Register here or request a recording.](#)

Wellnex Life Limited (ASX: WNX, Company, Wellnex), a customer-focused healthcare company, is pleased to announce it has entered into a binding business sale agreement (**Sale Agreement**) to acquire 100% of the business and assets of Pain Away (together, **Pain Away**), a leading Australian pain relief brand for total cash consideration of A\$22.0m (**Proposed Transaction**).

The acquisition of Pain Away adds significant scale to Wellnex's "100%-owned" brand portfolio, whilst materially strengthening its financial profile given its strong gross margin (c.50%) generation and expected FY23B EBITDA contribution of \$5.1m on a pro forma basis, after accounting for anticipated add-backs, synergies and other savings.³

The acquisition of Pain Away is expected to drive Wellnex's consolidated revenue for FY24B to \$62.9m (with Pain Away budgeted revenue for FY24B of \$15.8m) and consolidated EBITDA to \$9.0m.

Pain Away is being acquired on an attractive multiple of 1.5x EV/FY23B Revenue and 4.1x EV/FY23B pro forma EBITDA.

The key terms of the Proposed Transaction are set out in Annexure A, and further information about the likely effect of the Proposed Transaction on the Company's financial measures (consolidated total assets, total equity interests, annual revenue, annual expenditure, EBITDA and annual profit before tax) is set out in Annexure B.

OVERVIEW OF PAIN AWAY

Established in 1999, Pain Away is the largest Australian-owned topical pain relief brand and the number 2 provider of topical pain relief products in Australia. It develops and manufactures topical pain relief products focused on joint and muscle pain using all natural ingredients.



Its current product range consists of 25 individual product SKUs across five main categories: creams, sprays, patches, lotions, and other (primarily tablets, capsules and bath salts).

These products are distributed nationally through over 6,000 pharmacy outlets across Australia (including Chemist Warehouse, Terry White Chemmart, Priceline Pharmacy, Amcal) as well as grocery retailers (including Woolworths, Coles and Aldi).

Pain Away has exhibited strong and consistent financial performance with three-year revenue cumulative annual growth rate (**CAGR**) to FY22A of 17%, complemented by gross margins of c.50%.⁴

Pain Away recorded \$12.4m of revenue for FY22A and during FY23B is expected to generate revenue of \$13.7m and pro forma EBITDA of \$5.1m after accounting for anticipated add-backs, synergies and other

savings, (including ~\$1.9m of “day 1” synergies that accrue to Wellnex immediately upon the completion of the acquisition).⁵

George Karafotias, Chief Executive Officer of Wellnex said: “Pain Away is a well-known and growing brand that has consistently achieved strong revenue growth and consistently high gross margins. What is really exciting about Pain Away is the opportunity to accelerate growth of the existing portfolio into grocery and international markets, whilst extending the brand into new categories in the market, such as pet health. The brand is also perfectly aligned to our medicinal cannabis strategy with our focus on pain relief.

We have completed an extensive due diligence program with the assistance of RSM (financial DD) and Holding Redlich (legal DD) and are confident in the quality of the business and assets we are acquiring.

On behalf of Wellnex, I want to thank everyone involved in bringing this transaction to fruition and especially Elias Nasser and Michael Joseph from Pain Away in trusting us with a brand they have developed over a long period of time.”

STRATEGIC RATIONALE

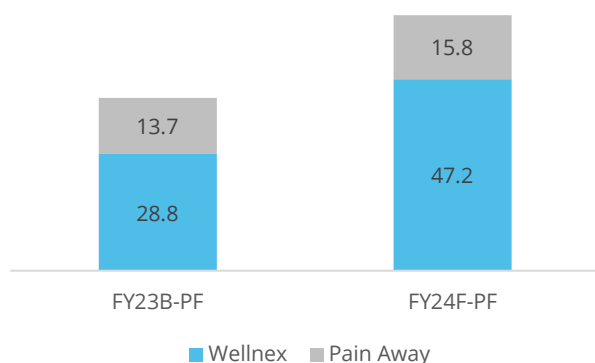
The acquisition of Pain Away will strategically strengthen Wellnex and accelerate its growth and market position in the healthcare market whilst providing significant growth opportunities across its existing business.

- **Established brand** – number 2 ranked brand in the defensive topical pain relief category of consumer health
- **Strong revenue and gross margins** – three-year CAGR for period ending Dec-22 LTM of 17% and strong gross margins above 50%
- **Significant synergies** – ~\$1.9m of synergies identified at completion of acquisition⁶
- **High EBITDA profit margins** – EBITDA margin of 37% on a pro-forma basis for FY23B (EBITDA of \$5.1 m), delivering high operating free cash flow
- **Adds to defensive product portfolio** – reinforces Wellnex’s strategic focus to be an owner of brands and IP in defensive healthcare segments
- **Customer expansion** – opportunities to grow sales in the grocery channels which currently represent only 9% of revenue
- **Geographic expansion** – 100% of revenue derived from Australia, significant upside to expand internationally (especially in Asia)
- **Product extensions** – opportunities to expand into other product categories and further accelerate into the pet segment with recently developed products
- **Medicinal cannabis opportunity** – Pain Away’s brand positioning in pain relief is highly complementary to our medicinal cannabis strategy

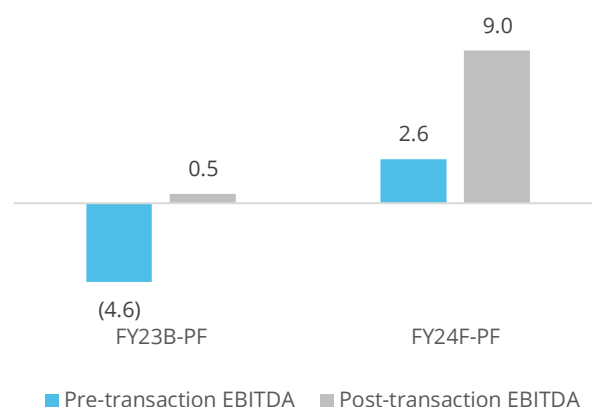
FINANCIAL IMPACT

The acquisition materially improves the financial performance of Wellnex on a pro forma basis, increasing FY23B revenue to \$42.5m and EBITDA to \$0.5m, and which is forecast to further improve during FY24B to reach revenue of \$62.9m and EBITDA of \$9.0m.⁷

Consolidated Revenue (\$m):



Consolidated EBITDA (\$m):



Salter Brothers Capital acted as lead adviser, Holding Redlich acted as legal adviser and RSM as financial adviser, to the Proposed Transaction.

Completion of the Proposed Transaction is not subject to a financing condition precedent, and accordingly there is a risk that the Proposed Transaction will not proceed and the Sale Agreement will be terminated if the Company is unable to successfully complete its capital raising (outlined below). There is also a risk that the up-front deposit will be forfeited, if the Sale Agreement is terminated under certain circumstances (refer to Annexure A for further details).

TRANSACTION FUNDING

In order to fund the purchase price of \$22.0m (comprising an up-front deposit with the balance to be paid at completion) and associated transaction fees, the Company intends to raise funds by way of equity financing. The equity financing will comprise:

- (a) an initial placement of fully paid ordinary shares (**Shares**) to raise \$2.2m (before costs) (**Initial Placement**);

- (b) a non-renounceable pro-rata 1-for-4 entitlement offer to raise up to \$5.3m (before costs) (**Entitlement Offer**); and
 - (c) a second placement of 400m Shares to raise \$20m (before costs) (**Second Placement**, together with the Entitlement Offer, the **Substantive Capital Raising**),
- (together, the **Offers**).

Wellnex has appointed Salter Brothers and JB Advisory as lead managers, and Holding Redlich as legal advisers, to the Substantive Capital Raising.

Initial Placement

The Company has completed the Initial Placement to entities associated with strategic investor and existing shareholder Homart Pharmaceuticals (**Initial Placement Subscribers**). Prior to the Initial Placement, Homart Pharmaceuticals (via its associated entities) held 11.13% of the Company's issued share capital, following participation in the Company's capital raising placement in October 2022.

The funds of \$2.2m raised under the Initial Placement have been applied towards payment of the deposit for the Proposed Transaction under the Sale Agreement.

The average issue price per Share under the Initial Placement will be equivalent to the issue price of the Substantive Capital Raising (refer below), where the Proposed Transaction completes by 15 August 2023. Under all other circumstances, the average issue price per Share under the Initial Placement will be \$0.04. On the basis of a Substantive Capital Raising issue price of \$0.05, an aggregate of 44m Shares will be issued under the Initial Placement (representing ~10.6% of the Company's pre-Initial Placement issued Share capital). The maximum number of Shares that can be issued under the Initial Placement is 55m shares (for example, if the Proposed Transaction terminates, or does not otherwise complete by 15 August 2023), representing ~13% of the Company's pre-Initial Placement issued capital.

The \$2.2m Initial Placement has been structured as follows:

- (a) 10m Shares were issued to the Initial Placement Subscribers (**Tranche 1 Shares**); and
- (b) the Initial Placement Subscribers are also entitled to receive additional "top up" Shares (**Tranche 2 Shares**), the number of which will be determined based on the relevant average issue price of the Initial Placement (as detailed above). By way of example, on the basis of a Substantive Capital Raising issue price of \$0.05 (and assuming the Proposed Transaction completes by 15 August 2023), 34m top up Shares will be issued.

For every 1 Share issued under the Initial Placement, the Initial Placement Subscribers will also be entitled to receive 1 free attaching option in the capital of the Company, exercisable at \$0.10 and expiring 2 years from the date of issue (**Attaching Options**). The issue of the Attaching Options is subject to shareholder approval under ASX Listing Rule 7.1, which the Company intends to seek at an extraordinary general meeting, to be convened in accordance with the indicative timetable below.

Homart will also have the right to appoint a nominee director to the Board of Wellnex, upon issue of the Initial Placement Tranche 2 Shares.

All Shares under the Initial Placement will be issued under the Company's available placement capacity under ASX Listing Rule 7.1, and will rank pari passu with the Company's existing Shares on issue. The Company will apply for quotation of the Shares issued under the Initial Placement. The Attaching Options will not be quoted.

Entitlement Offer and Second Placement

The purchase price under the Proposed Transaction will be funded by a substantive capital raising to be conducted at an issue price of \$0.05 per Share, comprising a pro-rata non-renounceable 1-for-4 entitlement offer to raise \$5.3m (before costs) (**Entitlement Offer**), and a placement of 400m Shares to sophisticated investors to raise \$20m (before costs) (**Second Placement**, together with the Entitlement Offer, the **Substantive Capital Raising**).

The issue price of \$0.05 under the Substantive Capital Raising represents a 5.6% discount to the closing price of Wellnex Shares on 17 May 2023 (being the last trading day before the date of this announcement).

Under the Entitlement Offer, eligible shareholders will be entitled to subscribe for 1 new Share for every 4 Shares held on the relevant record date, at an issue price of \$0.05 per Share. A maximum of 105,929,797 new Shares⁸ (subject to rounding for fractional entitlements) will be issued under the Entitlement Offer, to raise up to \$5.3m (before costs). The Entitlement Offer will not be underwritten.

The issue of new Shares under the Second Placement is subject to shareholder approval under ASX Listing Rule 7.1, which the Company intends to seek at an extraordinary general meeting to be convened in accordance with the indicative timetable set out below. Settlement of the Second Placement will be conditional upon completion of the Entitlement Offer. The Second Placement will not be underwritten.

The Company's Shares has been placed into voluntary suspension from Monday 22 May 2023, whilst the Second Placement bookbuild is undertaken.

The new Shares to be issued under the Entitlement Offer and the Second Placement will rank pari passu with the Company's existing Shares on issue. The effect of the Offers on the Company's capital structure is set out below.

Effect of Offers on the Company's capital structure

Particulars	Shares	Options	Performance Rights	Convertible Notes
On issue as immediately prior to Initial Placement	413,719,190	79,841,000	15,000,000	1
To be issued under Initial Placement	55,000,000 ⁹	27,500,000 ¹⁰	0	0
To be issued under Entitlement Offer	105,929,797 ¹¹	0	0	0
To be issued under Second Placement	400,000,000 ¹²	0	0	0
TOTAL	974,648,987	107,341,000	15,000,000	1

An indicative timetable for the Proposed Transaction and Offers is set out below. The Company reserves the right to amend the timetable, subject to the ASX Listing Rules.

Indicative timetable

Event	Date (2023)
Trading halt	Thursday, 18 May
Settlement of Initial Placement, issue of Tranche 1 Shares under Initial Placement	Friday, 19 May
Enter voluntary suspension	Monday, 22 May
Commencement of bookbuild for Second Placement	Wednesday, 24 May
Lodgement of Prospectus with ASIC	Tuesday, 13 June
Lodgement of Prospectus and Appendix 3B with ASX	Tuesday, 13 June
"Ex" Date (date from which Shares commence trading with the entitlement to participate in the Entitlement Offer)	Thursday, 15 June
Record Date to determine entitlements under Entitlement Offer	7.00pm (AEST) on Friday, 16 June
Entitlement Offer opens	Tuesday, 20 June
Last date to extend closing date of Entitlement Offer	Friday, 7 July
Entitlement Offer closes	Wednesday, 12 July
Shareholder meeting to seek approval under Listing Rule 7.1 for the issue of Attaching Options and Second Placement Shares	Thursday, 13 July
Announcement of Entitlement Offer results and shortfall	Monday, 17 July

Issue of Entitlement Offer Shares, and lodgement of Appendix 2A	Wednesday, 19 July
Issue of Tranche 2 Shares under Initial Placement, Attaching Options, Second Placement Shares and shortfall Shares under Entitlement Offer (if any), and lodgement of Appendix 2A and 3G	Tuesday, 25 July
Completion of Proposed Transaction	By 31 July

JOIN A BRIEFING

George Karafotias, CEO of Wellnex Life, will be holding an online, live briefing at 12pm (AEST) on Tuesday 30 May 2023, where he will discuss the acquisition. [Register here or request a recording.](#)

ENDS

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

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About Wellnex Life:

Wellnex Life Limited (ASX: WNX) is a consumer healthcare business that specialises in developing and licensing healthcare brands and products to bring to market. Listed in 2021, Wellnex has successfully launched and licensed cutting-edge brands in emerging specialty categories and has established key partnerships and agreements with leading companies in the Australian and global health space. Wellnex is focused on building a portfolio of brands and businesses that can improve the health of consumers, that will ultimately create value for shareholders.

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

¹ Add-backs, synergies and other savings total c.\$6m, including approximately \$1.9m of 'day 1' synergies as a result of acquiring the assets of Pain Away and absorbing the business and operations into its existing infrastructure. Anticipated add-backs, synergies and other savings assume that, amongst other things: a majority of all administrative and corporate expenses, and employee costs, of Pain Away will be absorbed by Wellnex's current employees, resources, business infrastructure and existing arrangements; there will be reductions in marketing spend as a result of scale efficiencies; all third party sales costs (including outsourced / contracted sales representatives, etc.) will not be incurred under new ownership (on the basis that Wellnex has sufficient sales resourcing employed / available); Wellnex will use its existing properties to service the incremental business and therefore no additional material leases or office spaces will be required; Wellnex incurs its own professional fees and does not expect incremental costs following the integration of Pain Away; and that Wellnex will be able to carry its existing rebate arrangements (for its current product portfolio) across to its portfolio of Pain Away products after completion of the Proposed Transaction. For a detailed breakdown of acquisition synergies, refer to the investor presentation lodged by Wellnex with ASX on the date of this announcement.

² Forecast revenue contribution from the Pain Away business is based on Pain Away's FY23 year to date revenue and historical growth rate. Assumptions supporting revenue growth of Wellnex's underlying business include: growth in gross

margins, as Wellnex's higher margin wholly-owned brands increase as a portion of total revenue (refer to Wellnex's ASX announcement dated 12 April 2023 titled "Company Update"); continuing growth of Wellnex's wholly-owned brands through brand recognition and increased distribution channels; and extension of brands with new products being progressively brought to market. By way of example, Wellnex has recently secured new SKU's in Coles, Woolworths and Chemist Warehouse. Wellnex has also launched its 'Pharmacy Own' brand, and is in the process of securing distribution for its 'Mr Bright' brand. FY24 EBITDA forecast is based on current margins for Pain Away, and reflects a growth in gross margins for Wellnex (on the basis that Wellnex's higher margin wholly-owned brands will increase as a portion of total revenue).

³ See endnote 1.

⁴ Average Pain Away gross margins for the last 3 years is ~50%, which is expected to be maintained through FY24.

⁵ See endnote 1.

⁶ See endnote 1.

⁷ See endnote 4.

⁸ Calculated on a post Initial Placement Tranche 1 Shares allotment basis.

⁹ This assumes that the maximum number of Shares are issued under the Second Placement, and that the Entitlement Offer successfully completes (noting that settlement of the Second Placement will be conditional upon completion of the Entitlement Offer).

¹⁰ This assumes that the maximum number of Shares is issued under the Initial Placement.

¹¹ This number (which is subject to rounding for fractional entitlements) assumes that the Entitlement Offer is fully subscribed, and that no Shares (other than the Initial Placement Tranche 1 Shares) are issued by the Company prior to the record date.

¹² See endnote 8.

Annexure A – Key Material Terms of the Proposed Transaction under Sale Agreement

Term of Sale Agreement	Details
Parties	The Company will acquire certain assets of the Pain Away business from 365 Health Australia Pty Limited (ACN 151 146 977), Ziptime Pty Limited (ACN 151 147 161), One Zero Pty Limited (ACN 128 389 524) and Twisobell Health Pty Limited (ACN 151 054 492) (together, the Sellers) (Proposed Transaction).
Assets to be acquired	<p>The assets being acquired under the Proposed Transaction will comprise assets owned and used by the Sellers in their operation of the Pain Away business, including without limitation the intellectual property in the ingredients lists for the Pain Away products, and their associated TGA registrations, the Pain Away registered trade marks, inventory, and certain other contracts such as a lease and manufacturing agreement.</p> <p>The assets being acquired specifically excludes the “Athelite Business” which will continue to be conducted by the Sellers, subject to the restraints outlined below.</p>
Conditions Precedent	<p>Completion of the Proposed Transaction under the Sale Agreement (Completion) is subject to a number of conditions precedent being satisfied or waived (Conditions Precedent), being:</p> <ul style="list-style-type: none"> the Company obtaining all necessary ASX approvals (including shareholder approval) required under the ASX Listing Rules in relation to the Proposed Transaction¹; and the novation and extension of a key product manufacturing agreement, or in the alternative, a new manufacturing agreement being entered into by Wellnex and the manufacturer, on substantially similar terms (Manufacturing Agreement Condition).
Consideration	<p>The purchase price for the Proposed Transaction is \$22.0m (subject to customary adjustments) in cash, which will comprise a deposit of \$2.2m, payable upon execution of the Sale Agreement (Deposit), with the balance of the purchase price payable at Completion.</p> <p>If the Sale Agreement is terminated prior to Completion for any reason other than due to:</p> <ul style="list-style-type: none"> an insolvency event having occurred in relation to any of the Sellers; a material breach of the Sale Agreement by any of the Sellers’ a material adverse change having occurred in relation to the Pain Away business; or the Manufacturing Agreement Condition not being fulfilled (despite the Company complying with its obligations to fulfil it to the best of its endeavours), <p>then the Sellers will be entitled to retain the Deposit.</p>

¹ ASX has confirmed that, based solely on information provided by Wellnex, Listing Rules 11.1.2 and 11.1.3 do not apply to the Proposed Transaction. Accordingly, Wellnex will not be required to obtain shareholder approval for the Proposed Transaction, or re-comply with ASX’s admission and quotation requirements pursuant to Chapters 1 and 2 of the Listing Rules.

Inventory	<p>The assets acquired include inventory (comprising agreed quantities of finished saleable products and raw materials with a minimum specified shelf life, and product packaging) to the minimum value of \$1.15m.</p> <p>Corresponding adjustments will be made to the purchase price if the value of inventory (determined on the stocktake date, being one business day prior to Completion) is below or exceeds the target value of \$1.15m. If the inventory value exceeds the threshold of \$2.5m, Wellnex has the option, but is not obliged, to purchase some or all of the excess inventory.</p>
Completion	<p>Completion must occur within 10 business days of the date on which the last Condition Precedent is satisfied, but in any event, no later than 31 July 2023 (Sunset Date).</p>
Warranties	<p>The Sale Agreement contains warranties and indemnities from the Sellers and Company which are considered standard for an agreement of this nature. The period within which a warranty claim can be made by the Company is 24 months from Completion.</p>
Termination	<p>Either the Sellers on one hand, or the Company on the other hand, has the right to terminate the Sale Agreement prior to Completion if:</p> <ul style="list-style-type: none"> • an insolvency event occurs in respect of the other party; • the other party commits a material breach of the Sale Agreement, and fails to remedy such breach within 10 business days after receiving notice of the breach; or • a Condition Precedent is not satisfied by the Sunset Date. <p>The Company also has the right to terminate the Sale Agreement prior to Completion if a material adverse change occurs in relation to the Pain Away business.</p>
Restraint	<p>The Sellers and their associates have each agreed not to compete with the Pain Away business or solicit customers or employees of the business for a period of 5 years from Completion, in Australia and New Zealand.</p> <p>However, they will not be restrained from conducting the “Athelite Business”, subject to them agreeing not expand the range of “Athelite” products beyond the existing product range; for a period of 2 years post-Completion.</p>

Annexure B – Likely effect of Proposed Transaction on the Company’s financial measures

A	B		C		D		E
Particulars	Before Proposed Transaction (\$)	Notes	Increase/decrease due to Proposed Transaction (\$)	Notes	After Transaction	Notes	% change due to Transaction
Method of calculation	From latest audited / audit reviewed figures		Projected actual increase/decrease due to transaction		B +/- C		C/B
Consolidated Total Assets	26,417,000	1	27,496,490	4	52,913,490	6	104%
Consolidated Total Equity Interests	7,859,000	1	27,496,490	4	34,355,490	6	350%
Consolidated Annual Revenue	18,607,000	3	12,373,000	5	30,980,000		66%
Consolidated Annual Expenditure	26,242,000	3	5,940,000	5	32,182,000		23%
Consolidated EBITDA	(6,346,000)	3	5,088,000	5	(1,258,000)		80%
Consolidated Annual Profit Before Tax	(7,449,000)	3	5,088,000	5	(2,361,000)		68%

Notes:

- (1) Based on Wellnex audit reviewed balance sheet as at 31 December 2022, as reported.
- (2) Based on Wellnex shares on issue as at 18 May 2023.
- (3) Based on Wellnex audited P&L as at 30 June 2022.
- (4) Assumes Wellnex will raise ~\$27.5m under its capital raising, comprising \$2.2m under Initial Placement, \$5.3m under Entitlement Offer, and \$20m under Second Placement.
- (5) Based on Pain Away’s P&L (unaudited) as at 30 June 2022
- (6) Assumes the costs of the Proposed Transaction will be \$1,000,000.