For the Six Months to
30 September 2020

HALF YEAR REPORT

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HY21 Highlights.

$5.8m
Revenue increase
of 11%

$1.1m
Net surplus
up 41%

BLIS branded finished product sales through online channels
up 128%

North America sales
up 237%

Purity Life
appointed as Canadian distributor

Roolife appointed
as agent and distributor for CBEC activity into China

UltraBLIS™ online launch in New Zealand

New skincare product format finalised

Half year report.

Chair & Chief Executive's Report

In the first six months of the 2021 financial year Blis Technologies has delivered solid revenue growth and profitability despite challenging selling conditions in all markets as a result of the effects of the COVID-19 pandemic.

Trading revenue for the six months ended 30 September 2020 (HY21) increased $0.6m (+11%) to $5.8m compared to the same period in the prior financial year. Of note is the strong revenue growth in BLIS branded finished products being achieved online. The 128% growth in digital sales revenue is through our own website and on the Amazon US platform.

Across our regions we have seen sales performance directly correlating to the dominant sales channels present in each respective market. Those regions with greater direct selling or online sales channels have seen sales growth. However, in markets where we are more reliant on the pharmacy retail channel, the impact of COVID-19 lockdowns has reduced retail foot traffic resulting in softer performance. This has been particularly evident in Europe but also in Australasia.

Total expenses of $4.9m were up 8% on the prior period. The increase is principally due to higher investment in the R & D pipeline together with increased market development initiatives across eCommerce channels in particular on Amazon in the USA.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased $0.2m (+23%) to $1.3m.

Net Profit for the period was $1.1m, an increase of $0.3m (+41%).

As at 30 September 2020, the Company held a net working capital position of $4.8m. The net cashflows from operating activities are a $0.5m inflow resulting in a cash balance at 30 September 2020 of $3.1m.

Trading conditions

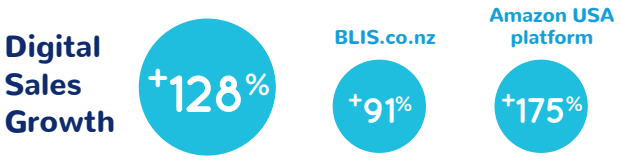
The COVID environment has changed our trading environment in both positive and negative ways.

Key challenges for HY21 have included:

- COVID-linked impacts including reduced air freight capacity to key overseas sales markets and reduced retail foot traffic for over the counter sales in pharmacies.

- Health Canada-Delays in finalising new product applications based on COVID related workload and restricted working conditions. Normal performance standards and target timelines were suspended.

On the upside we have seen a strong lift in our finished product online sales and sales to our ingredient customers. These impacts are most evident in our US sales performance which now represents our largest revenue contributor, overtaking Europe during the half year. Along with this we have seen strong consumer interest in our product range as buyers have searched for proven immunity solutions.



In regions where we have traditionally been strong in the pharmacy channel the trading conditions are more challenging. It has been widely reported that based on lockdowns and shifting shopping patterns, foot traffic to retail locations is down around the world. In line with this we have seen weaker sales in our pharmacy based channel, however we have seen recent evidence of a recovery across most regions.

Regional performance

North America

Revenue growth of 237% to $3.3m

The strong rate of growth in North American sales was on the back of both strong BLIS® finished goods sales on Amazon USA and strong ingredient sales. Amazon USA represents an important growth driver for the Company, not only are we seeing growth across our existing BLIS® finished goods portfolio, we have now also launched UltraBLIS™ on this platform from October. Our ingredient sales in North America have also grown strongly with virtually all of our customer base in this market focused on either direct selling or online selling.

Europe/Middle East

Revenue decline 47% to $1.3m

Our customer base in this region has typically focused on the pharmacy retail channel which has seen a dramatic downturn based on COVID lockdowns across Europe. These challenging market conditions have meant that normal orders to support a winter stock build that would have occurred in the 2nd quarter have been delayed until the 3rd quarter. Overall we expect sales to recover and be broadly in line with normal winter stock builds.

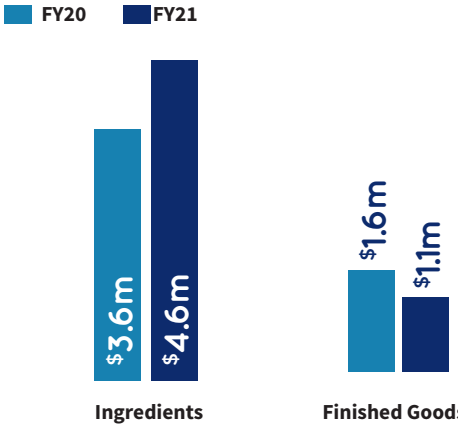
Asia Pacific

Revenue decline 35% to $1.2m

We have seen a significant reduction in foot traffic across Australia and New Zealand pharmacy channels. Along with this it has been widely reported that both Australia and New Zealand have seen an extremely mild cold and flu season which typically drives significant pharmacy foot traffic over winter. For the 12 months to 30 September the New Zealand pharmacy throat category sales were down 23% on the previous 12 months. Pleasingly our products have performed well, with ThroatGuard PRO® remaining the top selling throat lozenge in this channel*. In the Japan market we have seen good growth with the customer base typically selling direct to consumer.

BLIS branded finished goods

Revenue breakdown:



Growing the sales of branded finished goods is a strategic priority for Blis. By developing the BLIS PROBIOTICS™ brand we build a strong, direct relationship with the end consumer and generate sales with a higher margin. While the strong trend to online sales has supported this goal, the impact of lockdowns on pharmacy retail has impacted the growth momentum in markets where we have focused on the pharmacy channel.

Market growth initiatives

UltraBLIS™

Late in FY20 we launched UltraBLIS™ through our own online website. This unique product offer is based on BLIS K12 and two other strains that also have a good evidence basis in immunity, has quickly become our best-selling product through this sales channel. From September we moved to the next phase of the product launch with UltraBLIS™ being available in the pharmacy retail channel in New Zealand. Launches are planned for the next 6 months and will include release on Amazon USA and on our Chinese cross-border and e-Commerce platform.

** IRI NZ pharmacy sales data up to end of September 2020*

Canada

In August we finalised an agreement with Purity Life Health Products LP (Purity Life) for the distribution of BLIS® branded products into the pharmacy and health store retail channels in Canada. Unfortunately, due to COVID related workload and restricted working conditions in Canada, normal performance standards and timelines were suspended resulting in delays in receiving Health Canada approvals for final packaging. With the approvals now granted, we can progress with our plan to launch in the 4th quarter of this financial year.

China cross border eCommerce (CBEC)

COVID related restrictions on international travel has resulted in a dramatic decline in the Daigou or re-seller market. As a result, we have reassessed our strategy and partner search with a focus on cross border eCommerce selling into China. An agreement with ASX-listed RooLife Group Limited has been finalised for digital marketing, eCommerce operations and logistics support in China. RooLife has proven trusted channels to market in China and provides support across platform and mobile development, digital marketing, eCommerce, online and offline sales and payment solutions in China. RooLife will implement the launch of BLIS PROBIOTICS™ on Alibaba's Tmall and Alipay platforms together with providing brand building activity through social media and engagement with Chinese influencers. This activity will provide a strong base for our Tmall Flagship store launch in the 4th quarter of the financial year.

R&D pipeline

Ongoing investment in our pipeline is prioritised to delivering market leading probiotic based solutions across our target health and wellness categories:

- Upper respiratory/immunity
- Dental heath
- Skincare and personal care

In dental health we have seen strong growth in consumer interest for both bad breath solutions as well as solutions for teeth and gum health. We see exciting opportunities to drive innovation in the category based on our unique probiotic strains and, during the half year, have continued to progress novel formulations within our development programme.

Our skincare development programme has continued to progress at a pleasing rate. With extensive market research undertaken in both New Zealand and California delivering positive consumer feedback, we have now finalised the final product format and moved to detailed planning for the launch of our first skincare offer. We believe the skincare market provides a very attractive growth opportunity for the Company.

Environmental, Social and Governance (ESG) practices

To support our commitment to robust ESG practices, an ESG Committee has been established, comprising staff from across the Company. The Committee is tasked with identifying where change can be made that is meaningful and relevant to our stakeholders. By embedding and monitoring these changes we will be able to start a programme of reporting that provides greater transparency for stakeholders and complies with the new requirements for climate reporting. Our annual report will provide a full update on priorities and our progress across the following focus areas:

- Advance health and wellbeing
- Be a valuable contributor to society
- Reduce our environmental impact
- Be a significant contributor to an innovation economy

Outlook

The COVID pandemic has impacted our business in a variety of ways, however we have been able to maintain growth and continue to progress both new market and R&D pipeline opportunities that set us up for a strong second half of FY21 and beyond. Consumer demand remains strong however the channel purchase preference has shifted strongly to online. Our customer base and our own BLIS® branded finished products are well positioned for this change in buyer behaviour.

The second half of the FY21 year will see the Canadian market launch as well as execution of key elements of our CBEC channel focus including the launch of our Alibaba TMall flagship store. We are excited by the early success of our new UltraBLIS™ product and will launch the product on Amazon and into CBEC prior to March 2021.

Based on continued growth in product sales, investment into new markets and support of the R&D pipeline we reaffirm our guidance of sustained profitable growth while maintaining an EBITDA similar to the $2.1m earned in FY20.

Tony Offen
Chairman

Brian Watson
Chief Executive Officer

Financial Statements

For the six months ended 30 September 2020

Consolidated Statement of Comprehensive Income.

For the six months ended 30 September 2020

	Notes	Six Months 30 Sep 2020 (Unaudited) $'000	Six Months 30 Sep 2019 (Unaudited) $'000	12 Months 31 Mar 2020 (Audited) $'000
REVENUES				
Revenue	3.1	5,794	5,205	10,642
Other Income	3.2	153	71	217
Total revenue and other income		**5,947**	**5,276**	**10,859**
EXPENSES				
Distribution expenses		152	65	160
Marketing expenses		1,148	643	1,642
Occupancy expenses		33	32	85
Employee benefits		1,394	1,230	2,558
Raw materials and consumables		957	1,223	2,229
Operating expenses		1,184	1,310	2,553
Finance expenses		12	14	30
Total expenses		**4,880**	**4,517**	**9,257**
SURPLUS BEFORE TAX		**1,067**	**759**	**1,602**
Income tax expense		-	-	-
SURPLUS FOR THE PERIOD		**1,067**	**759**	**1,602**
Other comprehensive income		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**1,067**	**759**	**1,602**
Surplus for the period is attributable to:				
Equity holders of the parent		1,067	759	1,602
		1,067	**759**	**1,602**
Comprehensive income for the year is attributable to:				
Equity holders of the parent		1,067	759	1,602
		1,067	**759**	**1,602**
Earnings per Share:				
Basic (cents per ordinary share)		0.10	0.07	0.14
Diluted (cents per ordinary share)		0.10	0.07	0.14
Net tangible assets per Share:				
Basic (cents per share)		0.48	0.33	0.39
Diluted (cents per share)		0.48	0.33	0.39

Consolidated Statement of Changes in Equity.

For the six months ended 30 September 2020

	Unaudited			
	Share Capital	Retained earnings/ deficit	Share option Equity reserve	Total attributable to Group
	$'000	$'000	$'000	$'000
OPENING EQUITY – 1 APRIL 2020	**37,424**	**(32,394)**	**26**	**5,056**
Surplus for the year	-	1,067	-	1,067
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**1,067**	**-**	**1,067**
Equity contributions and distributions	**-**	**-**	**-**	**-**
Share option equity reserve	-	-	-	-
	-	**-**	**-**	**-**
CLOSING EQUITY – 30 SEPTEMBER 2020	**37,424**	**(31,327)**	**26**	**6,123**
OPENING EQUITY – 1 APRIL 2019	**37,380**	**(33,996)**	**37**	**3,421**
Surplus for the year	-	759	-	759
Other comprehensive income	-	-	-	-
Total comprehensive income	**-**	**759**	**-**	**759**
Equity contributions and distributions	**-**	**-**	**-**	**-**
Share option equity reserve	-	-	-	-
	-	**-**	**-**	**-**
CLOSING EQUITY – 30 SEPTEMBER 2019	**37,380**	**(33,237)**	**37**	**4,180**

Consolidated Balance Sheet.

As at 30 September 2020

	Note	Six Months 30 Sep 2020 (Unaudited) $'000	Six Months 30 Sep 2019 (Unaudited) $'000	12 Months 31 Mar 2020 (Audited) $'000
ASSETS				
Current Assets				
Cash and short term deposits		3,083	1,908	3,214
Trade and other receivables		1,594	1,580	1,570
Prepayments		142	140	202
Inventory		942	492	685
NZX bond		75	75	75
TOTAL CURRENT ASSETS		**5,836**	**4,195**	**5,746**
Non Current Assets				
Property, plant and equipment		491	638	567
Finite life intangible assets	2	859	339	404
Right-of-use assets		300	482	341
TOTAL NON CURRENT ASSETS		**1,650**	**1,459**	**1,312**
TOTAL ASSETS		**7,486**	**5,654**	**7,058**
LIABILITIES				
Current Liabilities				
Trade and other payables		922	947	1,520
Current borrowings		45	44	43
Lease liabilities		76	91	76
Foreign exchange contracts		22	36	3
TOTAL CURRENT LIABILITIES		**1,065**	**1,118**	**1,642**
Non Current Liabilities				
Non current borrowings		61	108	85
Lease liabilities		237	248	275
TOTAL NON CURRENT LIABILITIES		**298**	**356**	**360**
TOTAL LIABILITIES		**1,363**	**1,474**	**2,002**
NET ASSETS		**6,123**	**4,180**	**5,056**
OWNERS EQUITY				
Share capital		37,424	37,380	37,424
Retained earnings / (deficits)		(31,327)	(33,237)	(32,394)
Share option equity reserve		26	37	26
TOTAL EQUITY		**6,123**	**4,180**	**5,056**

Tony Offen / Chairman

Geoff Plunket / Director

These financial statements have been authorised for issue 19 November 2020.

Consolidated Statement of Cashflows.

For the six months ended 30 September 2020

	Note	Six Months 30 Sep 2020 (Unaudited) $'000	Six Months 30 Sep 2019 (Unaudited) $'000	12 Months 31 Mar 2020 (Audited) $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from / (applied to):				
Receipts from customers		5,931	6,076	11,626
Interest received		9	8	26
Payments to suppliers and employees		(5,450)	(4,227)	(8,425)
Finance costs		(12)	(14)	(30)
Net cash inflow / (outflow) from operating activities	**4**	**478**	**1,843**	**3,197**
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from / (applied to):				
Capitalise intangible costs		(542)	(61)	(94)
Purchase of property, plant and equipment		(49)	(55)	(73)
Sale of property, plant and equipment		57	-	-
Net cash inflow / (outflow) from investing activities		**(534)**	**(116)**	**(167)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from / (applied to):				
Repayment of borrowings		(22)	(677)	(701)
Repayment of lease liabilities		(39)	(39)	(72)
Repayment of share option		-	-	33
Net cash inflow / (outflow) from financing activities		**(61)**	**(716)**	**(740)**
Net increase / (decrease) in cash held		**(117)**	**1,011**	**2,290**
Add cash and short-term deposits at start of period		3,214	924	924
Foreign exchange differences		(14)	(27)	-
Balance at end of period		**3,083**	**1,908**	**3,214**
COMPRISED OF:				
Cash and short-term deposits		3,083	1,908	3,214
		3,083	**1,908**	**3,214**

Notes to and Forming Part of the Consolidated Financial Statements.

1. BASIS OF REPORTING

Reporting Entity

The unaudited consolidated condensed interim financial statements presented are those of Blis Technologies Limited (the "Company") and its subsidiary Blis Functional Foods Limited (the "Group").

The Group's principal activity is developing healthcare products based on strains of bacteria that produce bacteriocin activity for sale in New Zealand and overseas.

Statutory base

The Company is a profit-oriented entity, domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is an FMC reporting entity under the Financial Markets Conduct Act 2013. The financial statements have been prepared in line with the requirements of these Acts and the Financial Reporting Act 2013.

Basis of Preparation

The unaudited consolidated condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") and comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), as appropriate for interim financial statements (NZ IAS 34). The interim financial statements should be read in conjunction with the Group annual report for the year ended 31 March 2020.

The unaudited consolidated condensed interim financial statements were authorised for issue by the Board of Directors on 19 November 2020.

Basis of Measurement

The unaudited consolidated condensed interim financial statements have been prepared on the historical cost basis, except for the derivative financial instruments that are measured at fair value at the end of each reporting period. Historical cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The same accounting policies and critical judgements, estimates and assumptions are applied in these unaudited consolidated condensed interim financial statements as were applied in the preparation of the Group's consolidated financial statements for the year ended 31 March 2020.

The unaudited consolidated condensed interim financial statements are presented in thousands of New Zealand dollars. The New Zealand dollar is the Group's functional currency.

The unaudited consolidated condensed interim financial statements do not include all the information required for full financial statements.

Critical Judgements, Estimates and Assumptions

In the application of NZ IFRS, the Directors are required to make judgements, estimates and assumptions about carrying values of asset and liabilities that are not readily apparent from other sources. The judgements estimates and assumptions used in the preparation of these unaudited consolidated condensed interim financial statements are consistent with those used in the Group's consolidated financial statements for the year ended 31 March 2020.

Significant Accounting Policies

The accounting policies in the unaudited consolidated condensed interim financial statements are the same as those applied in the Group's consolidated financial statements for the year ended 31 March 2020.

2. SIGNIFICANT TRANSACTIONS AND EVENTS FOR THE CURRENT PERIOD

The following significant transactions and events affected the financial performance and financial position of the Group for the six month period ended 30 September 2020:

Internally-generated Intangible Assets – Capitalised Development Expenditure

During the period, development work was undertaken that satisfied the requirements for recognition in line with the accounting policies applied in the Group's consolidated financial statements for the year ended 31 March 2020 for finite life intangible assets. The capitalised development expenditure to date totals $542,000, with additional development work expected to be incurred prior to 31 March 2021. The newly capitalised finite life intangible assets are expected to generate economic benefits in 2021 and subsequent years.

3. REVENUE AND OTHER INCOME

3.1 REVENUE

Revenue consists of the following items:	Six Months 30 Sep 2020 (Unaudited) $'000	Six Months 30 Sep 2019 (Unaudited) $'000	12 Months 31 Mar 2020 (Audited) $'000
Point in time recognition:			
Sale of goods – domestic sales			
Finished goods	637	676	1,663
Ingredients	13	23	45
Sale of goods – export sales			
Finished goods	439	863	1,445
Ingredients	4,587	3,545	7,290
Over time recognition:			
Right to access	118	98	199
	5,794	**5,205**	**10,642**

3.2 OTHER INCOME

	Six Months 30 Sep 2020 (Unaudited) $'000	Six Months 30 Sep 2019 (Unaudited) $'000	12 Months 31 Mar 2020 (Audited) $'000
Grant income	142	58	181
Other income	2	5	10
Interest income	9	8	26
	153	**71**	**217**

4. RECONCILIATION OF NET SURPLUS WITH CASHFLOWS FROM OPERATING ACTIVITIES

	Six Months 30 Sep 2020 (Unaudited) $'000	Six Months 30 Sep 2019 (Unaudited) $'000	12 Months 31 Mar 2020 (Audited) $'000
NET SURPLUS FOR THE PERIOD	**1,067**	**759**	**1,602**
Adjustments for non-cash items:			
Amortisation	73	145	256
Depreciation property, plant and equipment	69	125	156
Depreciation right of use assets	41	-	82
Foreign exchange loss / (gain)	1	27	9
ECL provision	-	-	(6)
Loss / (gain) on fair value of foreign exchange contracts	22	-	3
Loss on disposal of fixed assets	-	-	19
Loss on disposal of intangible assets	14	-	-
	1,287	**1,056**	**2,121**
Movement in working capital			
Trade and other receivables	(6)	795	797
Prepayments	59	80	18
Inventories	(263)	(121)	(308)
Trade payable and contract liability	(599)	33	569
	(809)	**787**	**1,076**
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	**478**	**1,843**	**3,197**

5. SHARE CAPITAL

	30 Sep 20 (Unaudited)		30 Sep 19 (Unaudited)		31 Mar 20 (Audited)	
	No. of shares	$'000	No. of shares	$'000	No. of shares	$'000
Balance at the beginning of the period (fully paid)	1,107,653,565	37,424	1,107,653,565	37,380	1,107,653,565	37,380
Shares issued pursuant to CEO Share plan	-	-	-	-	-	44
Balance at the end of the period	**1,107,653,565**	**37,424**	**1,107,653,565**	**37,380**	**1,107,653,565**	**37,424**

6. CAPITAL COMMITMENTS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

There are no capital commitments or material contingent assets or contingent liabilities as at 30 September 2020 (30 September 2019: $Nil).

7. INVESTMENT IN SUBSIDIARY

Subsidiary	Percentage Held 30 Sep 20	30 Sep 19	31 Mar 20	Balance Date	Principal Activity
Blis Functional Foods Limited	100%	100%	100%	31 March	Non-trading

8. SEGMENTAL REPORTING

8.1 Operating Segments

The Group is internally reported as a single operating segment to the chief operating decision-maker.

8.2 Revenue from major products and services

	Six Months 30 Sep 2020 (Unaudited) $'000	Six Months 30 Sep 2019 (Unaudited) $'000	12 Months 31 Mar 2020 (Audited) $'000
The Group's revenues from its major products and services were as follows:			
BLIS® products	5,794	5,205	10,642
Non-core business	153	71	217
Total Revenue	**5,947**	**5,276**	**10,859**

Non-core revenues include interest received, grant revenue and contract manufacturing revenue of non BLIS® branded products

8.3 Revenue from major products and services

	Revenue from external Customers			Non current Assets		
	Six Months 30 Sep 20 (Unaudited) $'000	Six Months 30 Sep 19 (Unaudited) $'000	12 Months 31 Mar 20 (Audited) $'000	Six Months 30 Sep 20 (Unaudited) $'000	Six Months 30 Sep 19 (Unaudited) $'000	12 Months 31 Mar 20 (Audited) $'000
New Zealand	651	707	1,708	1,650	1,459	1,312
Asia Pacific (excl. NZ)	511	1,061	2,010	-	-	-
Europe, Middle East & Africa	1,288	2,446	3,964	-	-	-
North America	3,344	991	2,960	-	-	-
Total Trading Revenue	**5,794**	**5,205**	**10,642**	**1,650**	**1,459**	**1,312**
Grant revenue	142	58	181	-	-	-
Other revenue	2	5	10	-	-	-
Interest received	9	8	26	-	-	-
Total Revenue	**5,947**	**5,276**	**10,859**	**1,650**	**1,459**	**1,312**

Revenues for the six months to 30 September 2020 include $2,818k, $1,282k, and $409k, which arose from sales to the Group's three largest customers.

Revenues for the six months to 30 September 2019 include $2,414k, $700k, and $597k, which arose from sales to the Group's three largest customers.

Revenues for the year ended 31 March 2020 include $3,923k, $2,190k and $1,034k which arose from sales to the Group's three largest customers.

9. SUBSEQUENT EVENTS

There were no subsequent events post 30 September 2020 (2019: nil).

BLIS Technologies

Company Directory.

Company number
1042367

Issued capital
1,107,653,565 Ordinary Shares

Registered office
Blis Technologies Limited
81 Glasgow Street, South Dunedin
Dunedin 9012

Shareholders
Listed on the NZX Main Board

Share registrar
Link Market Services Limited
Deloitte Centre, 80 Queen street
Auckland

Directors
A Offen
G Plunket
A Balfour
Dr B Richardson
Dr A Stewart

Chief executive
B D Watson

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