



ASX ANNOUNCEMENT

19 February 2019

### **BUSINESS OPERATIONS UPDATE**

Melbourne, Australia, – Candy Club Holdings Limited (ASX: CLB) (the “Company”) a leading premium confectionary business, is pleased to provide the following business operations update:

#### **Highlights:**

- The Company’s wholesale (B2B) business achieved \$500,000 in revenue in first two quarters of operations
- B2B is anticipated to be a key growth driver for the Company with more than 300 individual retail accounts, in under six months
- Strong Q4 ‘18 retail sales in B2B and customer re-order rates bode well for Q1 and CY ‘19 prospects
- Performance of the Company’s direct-to-consumer (D2C) subscription business has improved during Q1 ‘19 as Customer Acquisition expense (CAC) is reduced
- Targeting profitability in Q4 CY ‘19
- Successful Q1 ‘19 Trade show activity in Atlanta, Dallas, NYC and Las Vegas in the USA has resulted in new national accounts
- Appointment of new CFO and VP of Marketing

#### **B2B Performance Update:**

Performance of the Company’s B2B operations, which launched in July ‘18, has significantly exceeded internal sales expectations achieving ~A\$500,000 in revenue across more than 300 individual retail accounts in under six months of operations.

Most pleasingly, B2B experienced strong retail sales and re-order rates in Q4 ‘18 and as a result demand has been above internal expectations. The addition of a large number of new retail accounts has led to a material increase in the number of locations, which carry the Company’s product line.

It is anticipated that strong re-order rates should translate to a material increase in the number of locations to be rolled across B2B customers. The combination of accounts being won on a consistent basis, strong retail sales and re-order rates, point to a significant quarter over quarter growth in Q1 ‘19 for this business segment.

### **D2C Performance Update:**

The D2C subscription business continues its positive momentum as new marketing leadership combined with a revamped and diversified customer acquisition strategy have contributed to a ~40% decrease in CAC since early December '18. Acquiring subscribers at these levels is anticipated to be highly profitable for the Company.

### **Profitability in CY '19:**

As the Company endeavors to achieve profitability in Q4 CY '19, it will continue to run the D2C business efficiently while investing in the B2B business. Several cost-optimization initiatives and margin improvement programs are expected to facilitate this.

### **Board Appointments:**

The Company welcomes four experienced directors to join founder and CEO, Keith Cohn on the Company's board. The IPO capital raising had strong support from the board, with the board owning ~33% of the shares on issue, being the top four shareholders in the Company. The board consists of:

Mr. Keith Cohn, Executive Director, CEO & Founder:

- 20+ years' consumer industry experience, serial entrepreneur and start-up executive
- Founder & former CEO of Vendare Media, a leading adtech company with 300 employees and annual sales of ~A\$200M
- Founder & former CEO of Bardon Advisors, a boutique adtech company that was acquired by Media Trust for A\$30M
- Former executive with Mattel, Hasbro and Equity Marketing where he was responsible for creating, growing and managing product lines which generated in excess of A\$500M in revenue during his 10 years as a marketing executive

Mr. Robert Hines, Non-Executive Chairman:

- Member of the Australian Institute for Company Directors since 1997, including serving on the AICD Board from 2000 to 2004
- Held a number of board positions since 2001, including chairman of Genetraks Ltd, group chairman of the CEO Circle, executive director of VeCommerce Ltd and non-executive director of Sportsbet Pty Ltd
- A member of the advisory board of Griffith University from 2002 to 2004
- Current positions include chairman of the advisory board of Sportsbet Pty Ltd
- Previous executive positions include CEO of Racing Victoria Limited 2008-2012, CEO of Jupiters Limited from 2000-2005 and CEO of AWA Limited from 1997-2000

Mr. James Baillieu, Non-Executive Director:

- Served as senior vice president of business development at Aconex Limited (ASX: ACX) where he was an early investor and consultant
- Aconex was an ASX 200 listed company that was acquired by Oracle Corporation for US\$1.6B in 2018
- Currently non-executive chairman of Bid Energy Limited (ASX: BID)
- Spent more than seven years as a consultant with McKinsey & Co assisting businesses in Australia and internationally with strategy and operational improvement
- Previously a lawyer who practiced in commercial law with Mallesons Stephen Jaques in the 1990s. Holds an LLB (first class honours) and BA from the University of Melbourne

Mr. Zachry Rosenberg, Non-Executive Director:

- Founding partner of Capital Zed, a private growth capital investor, with significant minority investments in Australia, New Zealand, the US, Hong Kong and the United Kingdom
- Current board roles include Unleashed Software Limited (NZ), The Influential Network (USA), Predictive Hire Pty Ltd (AU) and Intelledox Pty Ltd (AU), as well as a number of private investment companies and vehicles
- Zac also serves as a board advisor to Bid Energy Limited (ASX: BID)
- Previous roles include managing director and head of investment banking of Canaccord Genuity (Melbourne) from 2012-2015 and as MD / head of investment banking during 2009-2012 at Keefe, Bruyette & Woods (Hong Kong)

Mr. Chi Kan Tang, Non-Executive Director:

- Founding partner of Asia Summit Capital, a private equity firm focused on consumer growth and the technology sector in Indonesia and Southeast Asia
- Prior to this, Kan developed considerable experience in the online and landbase gaming industry with particular expertise in markets within the Asia-Pacific region
- In 2003, Kan co-founded AsianLogic Limited, a Hong Kong based gaming company. During his time at Asianlogic, he took on numerous senior roles and responsibilities from CFO in the early stages of the company growth, to business development director and was promoted to chief executive officer of Asianlogic from 2009 to 2014
- Kan has also launched a series of SMEs including multiple F&B, leisure and 7-Eleven franchises in Hong Kong and the Philippines
- Kan is a qualified Chartered Professional Accountant (CPA) and qualified Chartered Financial Analyst (CFA) and holds a Bachelor of Commerce from the University of Alberta

### **Management Appointments:**

In order to build a strong leadership team capable of guiding the Company's growth objectives the Company has appointed Nicholas Giordano as Chief Financial Officer and Chad Burbach as Vice President of Marketing.

Nick's area of expertise includes finding better COGS efficiencies, and he has a proven track record of reducing COGS through more efficient product vendors, moving warehouse locations. He has also driven

cash savings through improved inventory forecasting and reduced logistics costs through proper planning and utilizing alternate transportation modes.

### **Trade Shows**

The Q1 '19 trade show activity in Atlanta, Dallas, NYC and Las Vegas bode well for the Company's continued success and revenue acceleration for this business. This had led to winning a number of key accounts, highlighted by an award won at the Atlanta gift show.



### **Outlook:**

The opportunity to build a large specialty market confectionary business exists because of the sheer size of the market opportunity in the USA, with the USA confectionary market expected to grow to \$40 USD Billion by 2023<sup>1</sup>. The Company aims to meet the needs of both retailers and consumers as it executes an

omni-channel strategy by onboarding new retail accounts and consumer subscriptions as it builds out its overall business strategy.

“Candy Club continues to execute well in all segments of our business. We are off to a strong start in 2019 in both the wholesale and direct-to-consumer segments. With the recent completion of the IPO, the addition of a few key hires and several cost containment measures in place, we now turn our full attention to building the best specialty market confectionary business in the industry,” says Keith Cohn, founder and CEO of the Company.

<sup>1</sup> Data according to the National Confectioners Association 2017 annual report

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### **About Candy Club:**

Candy Club is a leading specialty market confectionary company which operates a wholesale business and a direct-to-consumer subscription business in the USA. Founded in 2015 by serial entrepreneur Keith Cohn, the Company is executing an omni-channel strategy with a vision to become the world’s leading specialty market confectionary company. The Company is headquartered in Los Angeles, CA, United States.