



BUSINESS UPDATE

November 2020



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ABOUT US



Candy Club is an ASX listed, US-based confectionery company that is focused on its fast-growing B2B wholesale business, which has grown out of a long-running B2C subscription business. Candy Club operates through two main distribution channels – traditional brick-and-mortar stores and e-commerce.

COMPANY OVERVIEW



COMPANY BACKGROUND

- 📍 Founded in 2015, Candy Club started as a pureplay business-to-consumer (B2C) subscription-only business.
- 📍 Candy Club re-calibrated its strategy in September 2019, pivoting its business to focus on selling its products to brick and mortar retailers and eCommerce websites where a gap in the market for high-end confectionery products was identified.
- 📍 Since then, the B2B market has become the Company's primary driver, consistently hitting significant milestones every quarter across all its key metrics.
 - 🎯 Revenue
 - 🎯 Revenue growth
 - 🎯 Gross margin
 - 🎯 Total retail doors
 - 🎯 Number of customers
 - 🎯 Re-order rates
- 📍 Candy Club's strategy is to acquire prominent national retail accounts, as well as small and mid-size brick and mortar accounts and eCommerce websites of all sizes, in order to own the under-utilised retail space at point-of-sale.

B2B MARKET OPPORTUNITY

- Annual sales in the US confectionery market is US\$40bn. Candy Club has identified a massive untapped opportunity in this sector.

Key benefits of the candy category to retailers;



Annual sales of
US\$40 billion



Reliable gross
margins



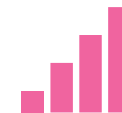
Long shelf life



Defensive
product



Increases average
order value



High ROI & lack
of markdowns



High turnover
rate



Drive incremental
store traffic



Non-cannibalistic to
existing products



Large demographic
appeal

WHITE SPACE STRATEGY



- 📍 In September 2019 the Company identified under-utilised counter space at premium retailers across the US as a growth opportunity and an untapped sales and distribution channel for Candy Club products.
- 📍 Today the “white space” opportunity is comprised of **3.2+ million retail brick and mortar doors AND a massive, fast-growing number of eCommerce outlets across all verticals**
- 📍 Candy Club offers retailers and eCommerce websites the opportunity to offer their customers a “premium candy store within a store” on a turn-key basis
- 📍 Candy Club is now being distributed by:
 - 🔧 Department stores
 - 🔧 Hotel, casino and gift shops
 - 🔧 Grocery, Apparel and dozens of additional brick and mortar verticals
 - 🔧 National retailer eCommerce website partnerships
 - 🔧 Third party eCommerce websites



Fresh Market (Miami)



Woodlands Market (San Francisco)



Kohl's (Chicago)

PRODUCT DIFFERENTIATION



MASS MARKET PRODUCTS



Confetti Drops



Gummy Dinos



Sour Pink Cadillacs



Rainbow Sour Belts



Chocolate Pretzels



Blue Razz Laces



M&M's



Hershey's



Snickers



Sour Patch Kids



Haribo Gummy Bears



Skittles

JAN – OCT 2020 AT A GLANCE

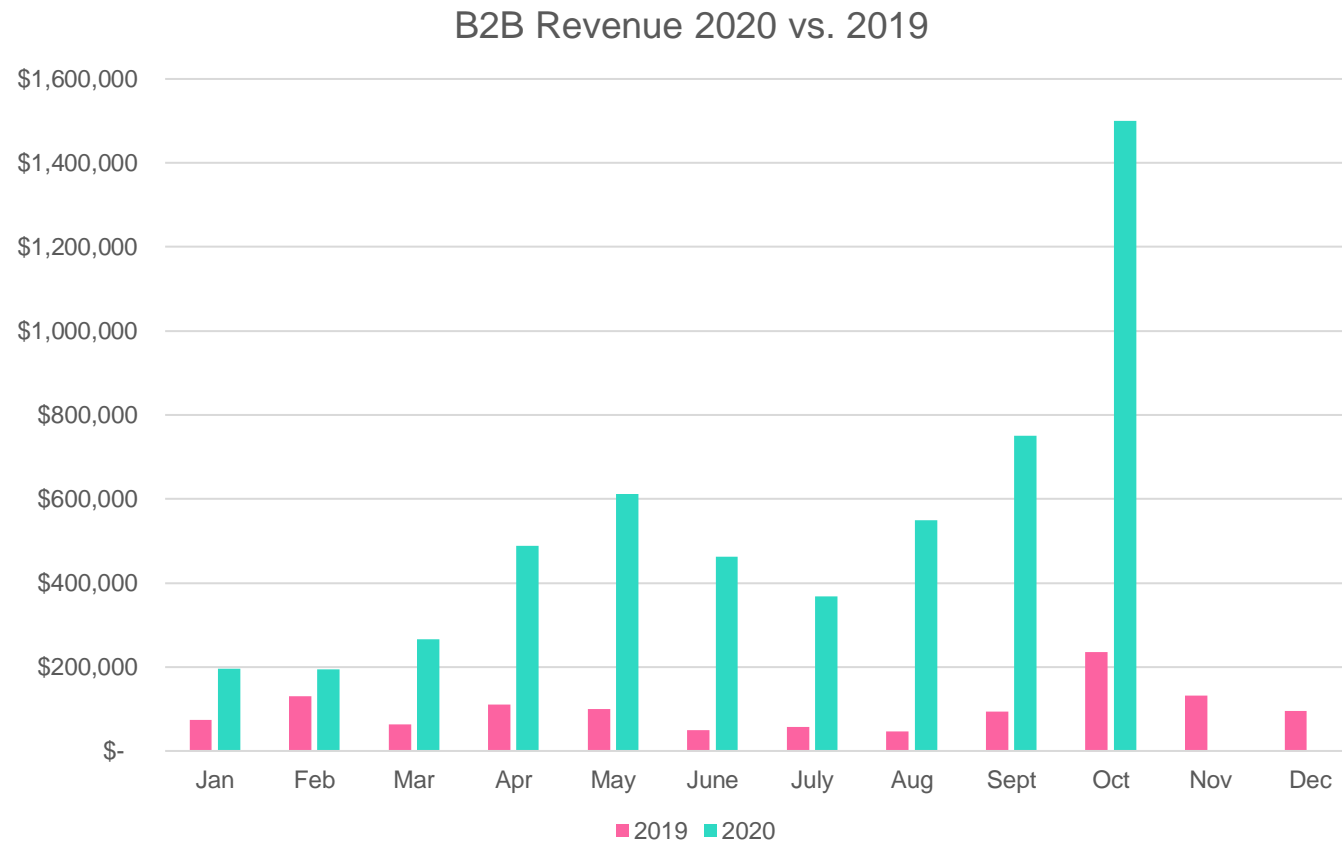
- 2020 has been a transformational year for Candy Club as the business will record a remarkable 5x– 6x increase in B2B revenue on a YoY basis despite operating in an extremely challenging environment in the US
- The Company is beyond the ‘proof of concept stage’ and believes it has the products, customers, new business development pipeline and people to build the leading specialty market confectionery company in the US over the next several years

	JAN – OCT 2019	JAN – OCT* 2020	JAN – OCT* YoY Change	OCTOBER* 2020
Total gross revenue	US\$4.1m	US\$7.6m	85.4%	US\$1.7m
B2B Revenue	US\$1.0m	US\$5.4m	440.0%	US\$1.5m
B2C Revenue	US\$3.1m	US\$2.2m	-29.0%	US\$0.2m
Gross margins	40.0%	42.4%	+18.4 pts	43.0%
EBITDA	-US\$3.4m	-US\$1.9m	44.1%	+US\$0.02m

**October 2020 (estimate)*

JAN – OCT 2020 AT A GLANCE

- 📍 Candy Club's B2B growth rate is accelerating on a YoY basis from 100% in the months preceding the COVID-pandemic to an average of almost 800% during the last 3 months as the Company found new digital markets to sell its B2B products during the pandemic and as its traditional brick and mortar business began to return in August 2020



HIGHLIGHTS – SALES



- ☛ Candy Club has secured distribution through 12+ prominent national retailers including Bloomingdales, Macy's, Nordstrom Rack, Kohl's, Caribou Coffee, Fresh Markets, Hallmark Stores and Winco
- ☛ The Company has also built a strong, loyal and fast growing following of small, independent retailers and digital eCommerce websites who purchase its products via several online B2B marketplaces
- ☛ **EVERY major retailer the Company has worked with has expanded the relationship due to strong consumer sell-through**
- ☛ A growing retailer pipeline of nearly 6,000+ customers and 13,000+ doors, strong consumer sell through-rates and high retailer re-order rates of 90%+ by on a QoQ basis by its top 25 customers, which has driven significant YoY growth in 2020

HIGHLIGHTS – SALES



- 📍 The Company has no client concentration with any one retailer or in any one vertical
- 📍 Candy Club has enormous upside potential with its current customers, where store penetration is at ~33% of all locations and growing

Returning national and regional B2B customers



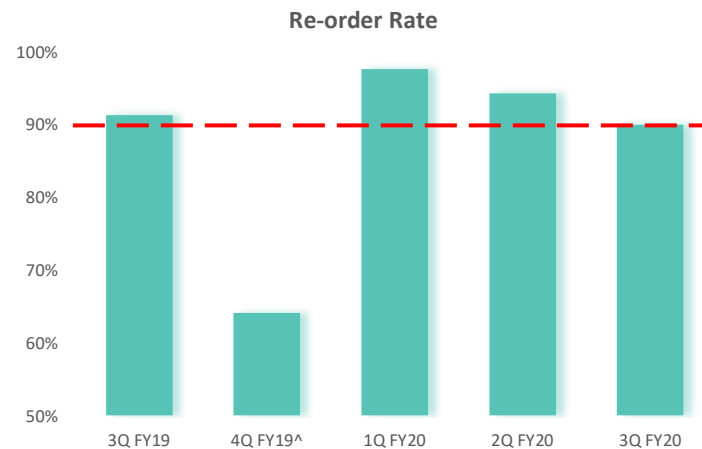
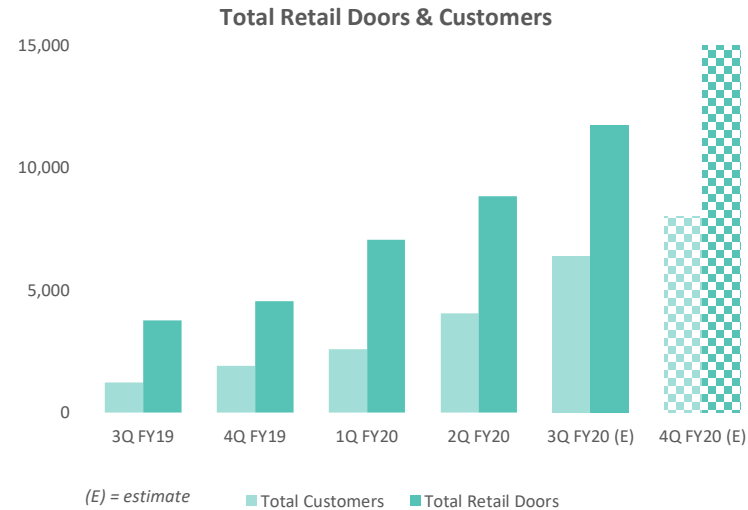
New national and regional B2B customers



HIGHLIGHTS - CORPORATE

- ☉ Candy Club has a strong management team with an outstanding track-record of business building with deep experience in the confectionery sector
- ☉ The Company has built a robust B2B customer acquisition strategy with multiple revenue streams including:
 - ☉ Dedicated internal sales staff (6) which focuses on large national and mid-size accounts
 - ☉ 3rd party selling agents & brokers (3) with extremely strong relationships at some of the largest retailers in the US who sell on a commission only on basis
 - ☉ Independent sales reps (50+) who focus on selling to small, independent retailers who sell on a commission only basis
 - ☉ Digital lead generation campaigns, that are highly scalable with a measurable ROI, to acquire eCommerce based e-tailers and social influencer marketers
- ☉ Candy Club is executing a roadmap of key initiatives that it believes will allow it to aggressively expand its distribution, revenue and gross margins and drive significant shareholder value in the coming 12 – 24 months
- ☉ Candy Club expects to achieve profitability (EBITDA-positive) for the month of October 2020
- ☉ Candy Club's debt lenders have continued to support the Company's growth as its inventory finance line has grown from \$1mm to \$2mm since April and its AR lender has purchased 100% of receivables presented to date.

KPI'S - TOTAL RETAIL DOORS, CUSTOMERS & RE-ORDER RATES



^ The lower re-order rate in 4Q FY2019 was mainly due to a massive influx of new customers during the quarter.

- ☉ Candy Club's total number of retail doors continued to increase from 4500 as at 31 December 2019 to more than 13,000 as at 31 October 2020.
- ☉ The number of customers has grown nearly 4x from 1,888 as at 31 December 2019 to nearly 8,000 today
- ☉ The number of retail doors and customers are expected to reach 15,000 and 10,000, respectively, by the end of FY2020.
- ☉ Re-order rate is the rate a customer repeats an order.
- ☉ The average quarterly re-order rate has met or exceeded 90% in four of the last five quarters.
- ☉ The high re-order rate is bolstered by positive feedback and high ratings received from customers on retailers' websites.

WHY WE ARE WINNING – RETAILERS AND CONSUMERS LOVE OUR PRODUCTS

- 📍 Faire and Tundra are two of the most prominent online wholesale platforms that carry Candy Club's products.
- 📍 Candy Club's retailer satisfaction ratings are outstanding as Faire averages at 4.8 out of 5 while on Tundra the rating averages at 5 out of 5. Our product ratings are high because our products sell well and consumers LOVE them.

F A I R E

June 28

★★★★★

Awesome Candy

The candy taste amazing! Perfectly packaged! The only complaint I have is the display :(I spent 3 hours getting everything put together and stocked. I came in the next morning to a collapsed display and candy containers everywhere. It is not supportive at all. Do not put all your candy on the display at one time!

June 25

★★★★★

Love it!

Such a hit! Everything is so delicious and FRESH! Will definitely keep their products in my store!

June 22

★★★★★

Fun stuff!!

It's been selling well since we put it on the shelves. Love the colorful product and great packaging. Delivered quickly and perfectly! We appreciate that more than we can ever fully express!! We are all busy and we so appreciate businesses that deliver fast and without any supply issues! No one has time to track down missing pieces. This company is wonderful!

tundra



Mermaid Friends Gift Set

JUNE 25, 2020

★★★★★



Lemonade Rings

JUNE 25, 2020

★★★★★



Sour Gummy Octopus

JUNE 20, 2020

★★★★★



Strawberry Sour Belts

JUNE 20, 2020

★★★★★



Peach Hearts

JUNE 20, 2020

★★★★★



Cotton Candy Sour Belts

JUNE 20, 2020

★★★★★

WHAT OUR RETAIL CUSTOMERS ARE SAYING

📍 Meredith S., Category Manager /Lead Buyer – National Grocery Chain

📍 ***“The displays look great in stores and sales-wise, the items are performing very well! We’ve sold almost 6000 units so far which I think puts us around a 35% sell through to date. – 1 month into selling period”.***

📍 Elizabeth W., New Business Development – National Department Store Chain

📍 ***“AMAZING. It’ll only get even better when the total experience with spotlights, etc. goes live. Can’t wait to see sales next week!”***

📍 Brian S., Vice President Business Development – National Department Store Chain

📍 ***“SOOOOOOOOOOOO HAPPY. I actually enjoyed some of those candies pictured on the large sign”.***

📍 Lisa S., Buyer – Regional Gift Shop Chain

📍 ***“Sales are good! The additional stores just got their shipment this week/late last week. I’ve already seen sales in some of the new stores, very exciting!”***

📍 Jules T., Buyer (core products) – National Airport Retailer

📍 ***“Jessica, we are excited for the expansion to these new locations! Thank you for your continued partnership.”***

VISION



- ⦿ The Company believes that it has the opportunity to become the largest specialty market confectionery brand in the US over the next several years
- ⦿ Candy Club is focused on continuing to build on sales and marketing initiatives and expand its distribution footprint as it has only penetrated a fraction of the addressable market
- ⦿ To that end, several key strategic initiatives are underway that Candy Club's leadership believes will accelerate the company's growth, including:
 - ⦿ New product development in premium candies, seasonal candies, additional packaging executions at various price points and new merchandising display units.
 - ⦿ New business development selling partnerships to assist in scaling our customer and revenue base.
 - ⦿ Marketing initiatives to continue building the Candy Club brand through PR, social media and reputation management activities.
 - ⦿ Scaling the recently launched B2B customer acquisition digital advertising campaigns to grow the B2B customer and revenue base further.

VISION (cont.)

- ④ Development of a company-owned and operated B2B selling portal and other technology-stack improvements.
- ④ Doubling the Company's operational throughput to meet its current and future revenue demand.
- ④ Re-evaluate the B2C subscription business for ways to efficiently grow this segment.

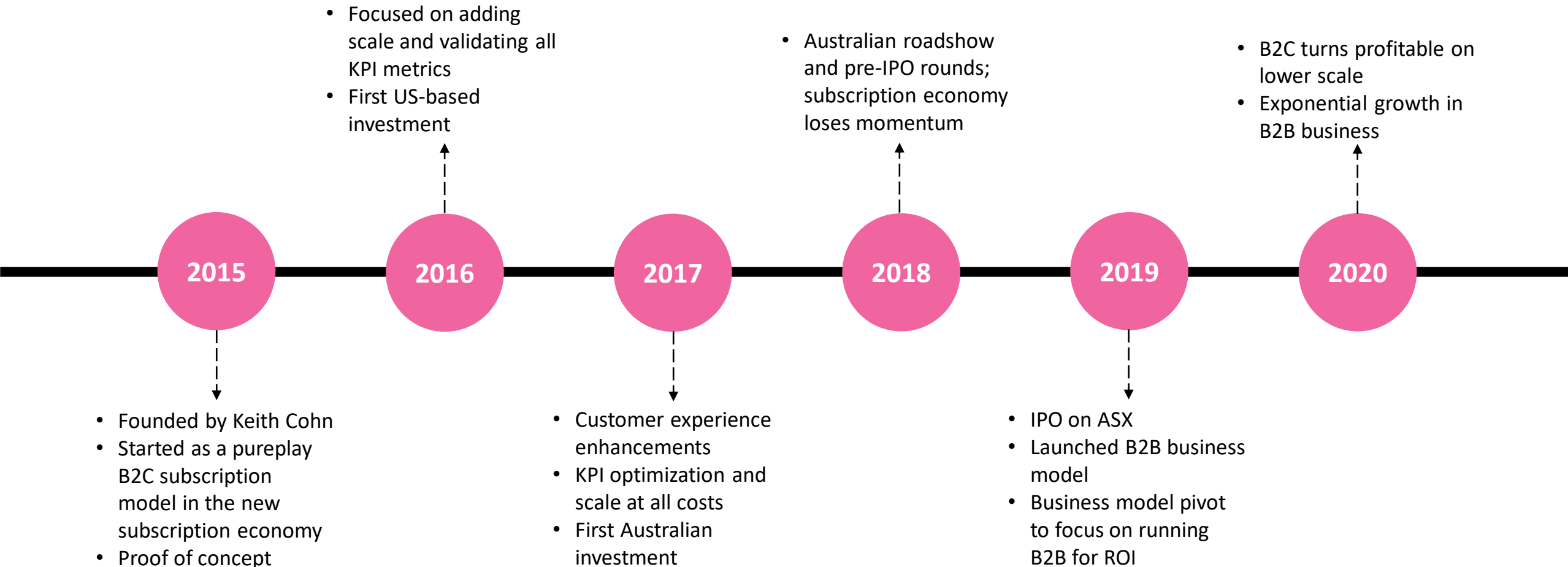
THE FUTURE LOOKS BRIGHT

- ☯ The Company's leadership believes that if it is successful in building a business that achieves a US\$50 million run-rate, an attainable goal in the next 18-24 months based on its recent growth trajectory, it will be in position to generate significant shareholder value, including a potential liquidity event via acquisition from a strategic buyer or PE firm
- ☯ Other snacking businesses recently acquired that the Company considers relevant comps include:
 - ☯ Tate's Bake Shop >>> Acquired by Mondelez for US\$500 million (est. 10x+ revenue multiple)...*Fortune Magazine May 07, 2018*
 - ☯ Smart Sweets >>> Acquired by TPG Growth for US\$360 million (9x revenue multiple from 2019 sales)...*CNBC August 8th, 2019; Forbes, October 22, 2020*
 - ☯ Justin's Peanut Butter>>> Acquired by Hormel Foods for US\$286 million (est. 8x revenue multiple)...*Denver Post, May 18, 2016; www.foodbusinessnews.com May 19, 2016*
 - ☯ Krave Jerky >>> Acquired by Hershey's for US\$220 million (est. 8x revenue multiple)...*Business Wire, January 29, 2015; www.fooddive.com May 4, 2020*

APPENDIX



CANDY CLUB TIMELINE



CANDY INDUSTRY OVERVIEW

**Annual sales exceeds
US\$40 billion with
2% growth p.a.**

**97% US
household
penetration**

**A customer makes 18
purchases annually on
average**

- 📍 Candy is **the primary category** sold at the check-out register with 100% penetration in the mass market, including:
 - 🔗 Big-box (discount) stores – Walmart, Target
 - 🔗 Grocery chains – Kroger's, Publix
 - 🔗 Pharmacy chains – CVS, Walgreen's
 - 🔗 Gas stations, convenience stores and many other verticals

WHITE SPACE STRATEGY

- 📍 There are several reasons why this opportunity exists, including:
 - 🔩 Category leaders are more mass market-focused and their products are not a good fit for specialty market retailers due to pricing, package and lack of product differentiation
 - 🔩 Fragmented specialty market manufacturers that are limited to selling their own product range
 - 🔩 Lack of innovation and investment
- 📍 Candy Club is uniquely qualified to dominate this landscape of over 3.2 million retail doors.
 - 🔩 B2C subscription model seeded the marketplace with consumer advertising and brand recognition.
 - 🔩 B2C model created scalable supply chain with access to diverse product line to all manufacturers and candy types.
 - 🔩 Public entity with access to resources.
 - 🔩 Scalable infrastructure.
 - 🔩 Skilled management team and board with track record of building businesses at scale.

WHITE SPACE STRATEGY



📍 Being successful in the specialty market requires:



Differentiated
products



Premium
products



Giftable
packaging



Higher price
points

... and Candy Club has it all

INCOME STATEMENT

<i>in US\$ million</i>	1Q FY2020	2Q FY2020	3Q FY2020	OCT 2020*	JAN – OCT 2020*
Gross Revenue	1.41	2.35	2.18	1.67	7.61
Discounts & Refunds	-0.18	-0.17	-0.08	-0.03	-0.46
Net Revenue	1.23	2.18	2.10	1.64	7.15
Cost of Goods Sold	-0.71	-1.28	-1.19	-0.93	-4.11
Gross Margin	0.52	0.90	0.91	0.71	3.04
<i>Gross Margin (%)</i>	<i>42.3%</i>	<i>41.3%</i>	<i>43.3%</i>	<i>43.3%</i>	<i>42.5%</i>
Selling Expenses	-0.23	-0.35	-0.39	-0.28	-1.25
Contribution Margin	0.29	0.55	0.52	0.43	1.79
<i>Contribution Margin (%)</i>	<i>23.6%</i>	<i>25.2%</i>	<i>24.8%</i>	<i>26.2%</i>	<i>25.0%</i>
Operating Expenses	-0.96	-1.01	-1.05	-0.37	-3.39
Public Expenses	-0.10	-0.10	-0.10	-0.04	-0.34
EBITDA	-0.77	-0.56	-0.63	+0.02	-1.94
Other Income/Expenses	-0.08	-0.20	-0.13	-0.04	-0.45
Net Income/(Loss)	-0.85	-0.76	-0.76	-0.02	-2.39

*October 2020 (estimate)

Note: Figures in value and percentages tabulated above may not add up due to rounding.

BALANCE SHEET



in US\$ million

	as at 30 SEPT 2020
Cash	0.97
Accounts Receivable	0.27
Inventory	3.73
Other current assets	0.52
TOTAL CURRENT ASSETS	5.49
Fixed assets	0.03
Other assets	0.42
TOTAL LONG TERM ASSETS	0.45
TOTAL ASSETS	5.94
Accounts Payable	1.48
Other current liabilities	0.63
TOTAL CURRENT LIABILITIES	2.11
Long Term liabilities	1.91
TOTAL LIABILITIES	4.02
APIC - Stock options	1.17
Equity - All rounds	33.71
Retained earnings	-30.58
Net income	-2.38
TOTAL EQUITY	1.92
TOTAL LIABILITIES & EQUITY	5.94

Note: Figures in value and percentages tabulated above may not add up due to rounding.

STATEMENT OF CASH FLOW

<i>in US\$ million</i>	1Q FY2020	2Q FY2020	3Q FY2020
Beginning Cash	0.53	0.35	0.64
Cash from provided/(used) from Operating Activities	-1.19	-0.93	-1.90
Cash from provided/(used) from Investing Activities	0.00	-0.10	-0.01
Cash from provided/(used) from Financing Activities	1.01	1.32	2.26
Increase (Decrease) in cash during period	-0.18	0.29	0.35
Ending Cash	0.35	0.64	0.99

Note: Figures in value and percentages tabulated above may not add up due to rounding.

CAP TABLE & TOP SHAREHOLDERS



- 📍 Total shares outstanding: 258,632,192
- 📍 Total options outstanding: 104,095,038
- 📍 Total convertible notes outstanding: 1,319,600
- 📍 Total shares on a fully diluted basis: 401,844,030

Position	Holder Name	Holding	% IC
1	JCKB PTY LTD	49,300,514	19.06%
2	CITICORP NOMINEES PTY LIMITED	21,742,715	8.41%
3	CHI KAN TANG	12,498,117	4.83%
4	INSTANZ NOMINEES PTY LTD <HEARTS A/C>	9,912,500	3.83%
5	SABONE INTERNET INVESTMENTS LLC	9,457,221	3.66%
6	JAMES CLIVE KNOX BAILLIEU	8,712,910	3.37%
7	MR JAMES CLIVE KNOX BAILLIEU	5,976,218	2.31%
8	BEDWELL PTY LTD <BEDWELL DISCRETIONARY A/C>	5,506,509	2.13%
9	GINGA PTY LTD <TG KLINGER SUPER FUND>	5,360,000	2.07%
10	KEC VENTURES II LP	5,322,351	2.06%
	Total	133,789,055	51.73%
	Total issued capital - selected security class(es)	258,632,192	100.00%

DIRECTOR HOLDINGS AND SUBSTANTIAL SHAREHOLDERS

📍 Director Holdings

Chi Kan Tang	30,379,049 Ordinary Shares 11,214,711 Listed Options 260,000 Convertible notes with a face value of US\$1, conversion price A\$0.04 (4 cents), for each Share issued upon Conversion the noteholder will receive 1 listed CLBO Option. 254,400 Convertible notes with a face value of US\$1, conversion price A\$0.125 (12.5 cents).
James Baillieu	63,988,942 Ordinary Shares 25,161,506 Listed Options 420,000 Convertible notes with a face value of US\$1, conversion price A\$0.04 (4 cents), for each Share issued upon Conversion the noteholder will receive 1 listed CLBO Option. 385,200 Convertible notes with a face value of US\$1, conversion price A\$0.125 (12.5 cents).
Andrew Clark	2,831,780 Ordinary Shares 1,250,000 Listed Options 3,100,000 Unlisted options
Keith Cohn	10,957,619 Ordinary Shares 15,600,000 Unlisted Options 2,000,000 Performance Shares

📍 Substantial Shareholders

Holder Name	Holding	% IC
James Baillieu and Assoc.	63,988,942	24.74
Chi Kan Tang	30,379,049	11.74
Instanz Nominees Pty Ltd and Assoc.	17,754,042	6.86

EXECUTIVE BOARD



Keith Cohn

Founder, CEO & Executive Director



- More than 20 years of experience in the consumer industry, a 4x serial entrepreneur and startup executive.
- Founder & CEO, Vendare Media, a leading adtech company with 300 employees and annual sales of A\$200 million.
- Founder & CEO, Bardon Advisors, a boutique adtech company. Acquired by Media Trust for A\$30 million.
- Former Executive with Mattel, Hasbro, Equity Marketing.

EXECUTIVE BOARD



James Baillieu

Chairman



- 📍 Mr Baillieu brings a wealth of corporate experiences to Candy Club, having previously served as Non-Executive Chairman of BidEnergy Limited (ASX: BID), which was the best performing stock on ASX under his leadership.
- 📍 Mr Baillieu was also an early investor in Aconex Limited (ASX: ACX) and Senior Vice President of Business Development, and spent more than seven years as a consultant with McKinsey & Co, assisting businesses in Australia and internationally with strategy and operational improvement.
- 📍 Mr Baillieu holds an LLB (First Class Honours) and Bachelor of Arts from the University of Melbourne.
- 📍 Mr Baillieu is working with Candy Club management team to focus the Company on its fast-growing B2B offering.

EXECUTIVE BOARD



Andrew Clark

Non-Executive Director



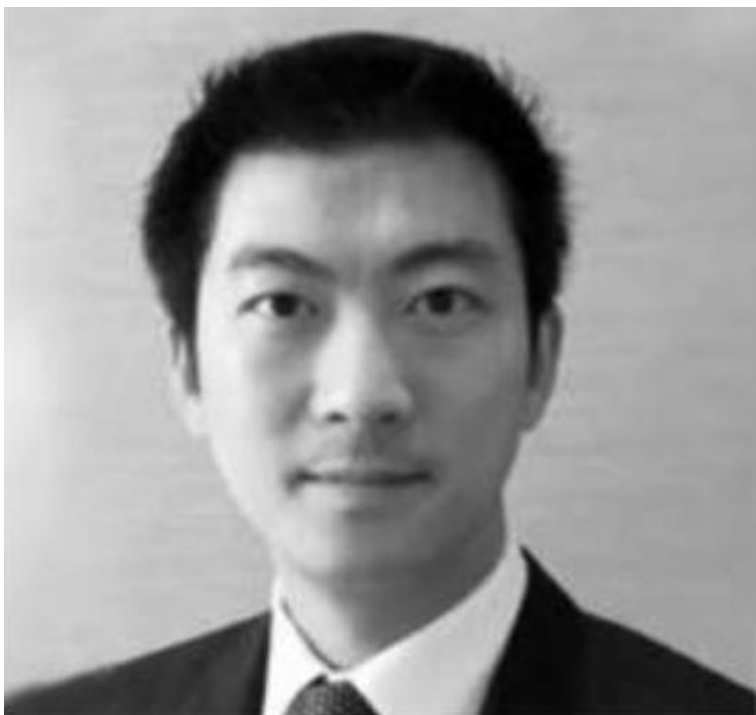
- Mr Clark joined Candy Club Board with a wealth of knowledge gained in executive and senior leadership positions whilst working for more than 20 years in the Consumer Goods sector.
- Domestic and global roles held in large multinational and national public businesses and smaller private equity businesses covering manufacturer/supplier, wholesaler/retailer and technology/platform operations in the Australian, UK and US markets.
- Previously held roles at Cadbury Schweppes, Reckitt Benckiser; Nestle; Metcash and irexchange.
- A record of success in helping businesses deliver consistent growth, develop and implement business strategies, transform business operations as well as deep functional expertise in commercial activities including sales, marketing and supply.

EXECUTIVE BOARD



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.
- 📍 Kan co-founded Asianlogic which was listed on UK's AIM stock exchange in 2007 raising over US\$100 million and successfully returned as a private company through management buyout in 2009.
- 📍 During his time in Asianlogic, he took on numerous senior roles & responsibilities from CFO in the early stages of the company growth to Business Development Director and was promoted to Chief Executive Officer in 2009 until 2014.
- 📍 A qualified Chartered Professional Accountant (CPA) and a Chartered Financial Analyst (CFA), Kan is a true online gaming industry visionary having joined on of industry's first live streaming online casino company, Dragon Sports & Gaming Ltd "DrHo888" in 2001.



Thank You.

