

ASX ANNOUNCEMENT

ANAGENICS LIMITED (ASX: AN1) - Q3 FY2022 BUSINESS ACTIVITY REPORT

- **New leadership driving business changes**
- **Building revenue, identifying new opportunities**
- **Integration of BLC acquisition**
- **Reducing operational costs and refining strategy**

SYDNEY, Thursday, 28 April 2022

Commentary on Q3 FY2022 group financials

Total revenue and other income was \$2.17 million¹ in Q3 FY2022 an increase of 121% from corresponding period in FY 21 reflecting the acquisition of BLC and 36% decrease from prior period reflecting seasonality.

The cashflow performance for the year to date and likely full financial year remains insufficient to fully absorb corporate overheads, and multiple revenue and cost strategies have already been implemented to rectify this going forward. The Board along with the senior management team continue to review and optimise operations to deliver sustainable profitability as a priority. This process can be expected to result in changes to the existing corporate structure and the commercial approach to international market penetration.

Net operating cash outflows for the quarter of \$1.6 million includes final payment of employment entitlements to Maria Halasz, former CEO and Managing Director of Anagenics Limited, of \$0.24 million (after tax) on her retirement from the Group on 28 February 2022. This payment along with director fees make up the related party payment as disclosed in item 6.1 of the accompanying Appendix 4C. Other significant contributors to cash outflow include build up of inventory purchases for the Japanese QVC event which took place in early April (sales will be included in Q4 FY2022). Cash balances remain strong and are expected to be sufficient until the return of group cash profitability.

Previously the company has released information on sales activity relating to specific business events (and sku's), including outcome of QVC sales channel activities in Japan. Given the acquisition of BLC and enhanced scale and diversity of the business, going forward the company does not intend to release this level of detail in individual announcements. Results from April QVC sales activity in Japan were below previous year activity but, encouragingly, the acquisition of BLC and continued financial performance remains strong

¹ All figures quoted in the Business Activity Report are unaudited and may change subject to audit adjustments.



and ahead of prior period. QVC remains an important sales channel for Japanese operations, and for international Evolis sales activity which will continue.

Building revenue, identifying new opportunities

The Group is currently evaluating various M&A and brand distribution opportunities. These are designed to immediately increase revenue, drive economies of scale and expand the total brand portfolio and offering to customers in the beauty segment of the total market.

Reducing operational costs

As part of the comprehensive review of operational expenditure, numerous cost saving measures were identified. The full benefit of these cost savings will increase in coming months, ultimately annualising up to approximately \$1.0 million over FY2023.

The integration of the BLC business into the existing Group has continued in the current quarter with the successful merger of warehouse operations in March 2022. This was an important milestone in combining the two businesses and will generate additional annual cost savings. Similar integrations are planned over next 6-12 months designed to drive transformational change and realise synergies by operating as one single business.

As part of restructuring Board and subcommittee functions, the Audit Committee and Nomination and Remuneration Committee responsibilities have been assumed by the full Board. In addition, in recognition of need to drive business to profitability and positive cashflow the Board has unanimously agreed to cancel all Board fees for a 6 month period commencing May 1, 2022.

Approved for release by the Board of Directors.

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Anagenics Limited (ASX: AN1)

Anagenics is a health and beauty-tech business growing shareholder value through the global distribution and sales of its proprietary and licensed brands of differentiated, clinically validated anti-aging solutions. BLC Cosmetics Pty Ltd is Anagenics' wholly owned subsidiary focused on sales and distribution of leading Australian and international brands of cosmetic and wellness products. Advangen Pty Ltd is Anagenics' wholly owned subsidiary engaged in the development and sale of proprietary first in class, best in class, clinically validated products for hair, skin and body. For further information, please see www.anagenics.com and www.evolisproducts.com.au.

Forward looking statements

This announcement may have forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks that may cause the actual results, performance or achievements of Anagenics to be materially different from the statements in this announcement. Actual results could differ materially depending on factors such as, amongst other, the availability of resources, regulatory environment, the results of marketing and sales activities and competition.

Appendix 4C

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

Name of entity

ANAGENICS LIMITED

ABN

69 111 304 119

Quarter ended ("current quarter")

31 MARCH 2022

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	2,283	7,622
1.2	Payments for		
	(a) research and development	(30)	(100)
	(b) product manufacturing and operating costs	(1,279)	(3,119)
	(c) advertising and marketing	(326)	(1,086)
	(d) leased assets	-	-
	(e) staff costs	(1,398)	(3,562)
	(f) administration and corporate costs	(831)	(2,813)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	15
1.5	Interest and other costs of finance paid	(8)	(20)
1.6	Income taxes paid	(17)	(20)
1.7	Government grants and tax incentives	30	623
1.8	Other		
1.9	Net cash from / (used in) operating activities	(1,570)	(2,460)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities (net)	-	(932)
	(b) businesses	-	-
	(c) property, plant and equipment	(2)	(79)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(2)	(1,011)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	979
3.6	Repayment of borrowings & leasing	(272)	(793)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(272)	186

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,284	6,728
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,570)	(2,460)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2)	(1,011)

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(272)	186
4.5	Effect of movement in exchange rates on cash held	(18)	(21)
4.6	Cash and cash equivalents at end of period	3,422	3,422

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	2,958	4,789
5.2	Call deposits	136	136
5.3	Bank overdrafts	328	359
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,422	5,284

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	426
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.</i> <i>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	1,110	1,110
7.2	Credit standby arrangements	328	328
7.3	Other (please specify)		
7.4	Total financing facilities	1,438	1,438
7.5	Unused financing facilities available at quarter end		-
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. <u>Japan</u> Working capital financing \$0.3M (JPY 30.0M) unsecured and at call. Unsecured 10 year loan with Keiyo Bank; \$1.1M (JPY 100.7M) at 0.80% - 1.50% p.a with various maturity dates: • \$0.2M (JPY 21.5M) – 25 March 2025 • \$0.3M (JPY 22.2M) – 12 March 2028 • \$0.6M (JPY 57.0M) – 24 December 2026 <u>Australia</u> Premium Funding (insurance) with Hunter Premium Funding Pty Limited (\$10,091 at 4.29%) - payable by 30 April 2022.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,570)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,422
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,422
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.2
	<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?

Answer: 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?

Answer: 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?

Answer: N/A

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.

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.

Date:28 April 2022.....

Authorised by: **Board of Directors – Anagenics Limited.....**
(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.