

ASX ANNOUNCEMENT

ANAGENICS LIMITED (ASX: AN1) – Q4 FY2022 BUSINESS ACTIVITY REPORT

- **Adding revenue opportunities**
- **Operational cost savings improving cashflow**
- **AN1 actively pursuing M&A opportunities**

SYDNEY, Tuesday, 26 July 2022

Commentary on Q4 FY2022 group financials

Total revenue and other income in Q4 FY2022 for the Group was \$2.97 million¹, an increase of 11% from the corresponding period in FY 21. The BLC business in Australia and New Zealand continued to drive revenue growth in the quarter from sales made by major key brands – Thalgo, Hydro Peptide and Priori. Revenue gains from the BLC business will annualise next financial year and continue to grow with the onboarding of a new brand, INIKA Organic, from 1 July 2022.

Revenue gains in the quarter were however partly offset by underperformance from the existing Advangen business, primarily Japan, which recorded lower volumes on the prior corresponding period - \$1.12 million (FY21: \$1.79 million). The suspension of business activity in China due to COVID-19 imposed lockdown restrictions limited traditional buying activity whilst in the Japanese domestic market QVC TVS (annual television sale promotion) was unexpectedly cut short due to an earthquake thereby reducing total promotional air-time.

Sales volumes for the remaining Advangen businesses (Australia and US) have performed largely consistent to the prior corresponding period in FY21, benefiting from an increase in activity sourced from cross border ecommerce into China and improvement in website (direct to consumer) traffic volumes generally.

Net operating cash outflows in Q4 reduced to \$0.1 million due mainly to the timing of collections on Japan's QVC sales. Cost saving measures implemented under the new leadership team in Q3 commenced realisation in Q4 (YTD: \$0.2M)

As noted in the Q3 FY2022 Activity report, all Directors of the AN1 Board have also agreed to a temporary 6 month freeze in their Director fees. Payments to related parties in Q4 of \$0.2M relate to PAYG income tax liabilities remitted to the Australian Tax Office in relation to salaried remuneration which was paid to certain Directors in Q3.

¹ All figures quoted in the Business Activity Report are preliminary and subject to any year end audit adjustments.



Building revenue, optimizing cost base and pursuing M&A

As previously announced, AN1's losses narrowed in the second half with revenue growth and cost saving initiatives commenced in the last quarter of FY22 which are expected to annualise up to \$1.2M over FY23. Continued growth in BLC's revenue and profit and a full year contribution are also expected to drive AN1 profit growth in FY23. AN1 is also in active discussions to simplify business operations to focus on profitable growth. Despite a difficult period, AN1 remains committed to achieving run-rate profitability before acquisitions during the FY23 year.

During Q4 AN1 signed an exclusive distribution agreement with Total Beauty Network Pty Ltd for the distribution of its INIKA Organic make-up and skincare brand, to the Australian salon and spa market.

As recently announced² the Group welcomed the appointment of Scott Greasley, Executive Director, to the Board of AN1. Scott and the senior leadership team have now partnered to continue exploring and identifying various existing M&A and brand distribution opportunities designed to immediately introduce new revenue, drive economies of scale needed achieve profitable growth.

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.

² Refer ASX 08 July 2022 - "Appointment of Executive Director, Corporate and Trading Update".

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")

30 JUNE 2022

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	3,181	10,803
1.2	Payments for		
	(a) research and development	(11)	(111)
	(b) product manufacturing and operating costs	(771)	(3,890)
	(c) advertising and marketing	(358)	(1,444)
	(d) leased assets	-	-
	(e) staff costs	(1,102)	(4,664)
	(f) administration and corporate costs	(1,031)	(3,844)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	13	28
1.5	Interest and other costs of finance paid	(6)	(26)
1.6	Income taxes paid	(8)	(28)
1.7	Government grants and tax incentives	-	623
1.8	Other	-	-
1.9	Net cash from / (used in) operating activities	(93)	(2,553)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities (net)	-	(932)
	(b) businesses	-	-
	(c) property, plant and equipment	-	(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 (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	24	24
	(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	24	(987)

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	(68)	(861)
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	(68)	118

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,422	6,728
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(93)	(2,553)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	24	(987)

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(68)	118
4.5	Effect of movement in exchange rates on cash held	-	(21)
4.6	Cash and cash equivalents at end of period	3,285	3,285

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	2,821	2,958
5.2	Call deposits	136	136
5.3	Bank overdrafts	328	328
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,285	3,422

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	177
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	1,011	1,011
7.2	Credit standby arrangements	319	319
7.3	Other (please specify)		
7.4	Total financing facilities	1,330	1,330
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; \$1.0M (JPY 94.9M) at 0.80% - 1.30% p.a with various maturity dates: \$0.2M (JPY 19.6M) – 25 March 2025 \$0.2M (JPY 21.3M) – 12 March 2028 \$0.6M (JPY 54.0M) – 24 December 2026		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(93)
8.2	Cash and cash equivalents at quarter end (item 4.6)	3,285
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	3,285
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	35.3
	<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:26.July 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.