



## Cellmid Investor Newsletter

21 December 2018



### Message from the CEO

Dear Shareholders,

As we approach the end of 2018, it is with great satisfaction that we look back on the significant progress that Cellmid has made in achieving its operational objectives over the past year. In recent months, we started selling évolis® Professional into the US market through a variety of channels including the premium US department stores, Bloomingdales and Neiman Marcus. The initial market feedback has been extremely positive as our unique, natural product suite is differentiated in the market by scientifically validated claims and that our in-store events and personalized consultation services have elevated our brand and our offerings. We are increasingly optimistic about the future sales opportunities for our évolis® products in the US market.

This optimism extends to our other international markets. In May 2018, we secured an exclusive distribution agreement to distribute our évolis® products into the Chinese market, the world's fastest growing consumer market. Our agreement with Fukangren ensures that we are well positioned to compete in a Chinese market with increasingly tighter product regulations. We will keep investors updated on the regulatory approval process and the expected timing of first sales in this important market.

In Q1FY19, we strengthened our balance sheet through a \$10.25 million capital raise and we are expecting record sales revenues of \$2.2 million in Q2FY19. We enter the second half of the financial year in a strong financial position with the ability to maintain our strategy to invest in sales growth and continue the trajectory towards profitability.

We've entered a growth phase where we are focused on executing a market penetration and channel growth strategy. With our product and company profile growing in key sales markets, we are pleased to be in a position where we are attracting high calibre senior leaders to capitalise on these opportunities.

We wish you all a safe and merry festive season and we look forward to updating you on our progress and positive trajectory in the new year.

Best wishes,

## Record sales of \$2.2 million expected in second quarter of FY19

With multiple sales channels across global consumer markets, Cellmid is expected to achieve a record sales quarter driven primarily through a successful television sales campaign in Japan and strong consumer demand from Christmas shoppers in the US. Cellmid continues to see positive trends in cash flow as a result of growing sales and strong cost management. As always, there remains a balance between building a growing and sustainable consumer anti-aging business and maintaining short term cash flow milestones.

Cellmid's Jo-Ju® Japanese hair growth products have proven to be one of the most successful cosmetics ever sold on the Japanese TV shopping channel, QVC. Just one sales event on 30 November 2018 generated approximately \$1.1 million in wholesale revenue for the company. This QVC Japan event, together with strong underlying sales in other channels, is expected to generate record sales of \$2.2 million for the second quarter of FY19.

QVC is one of Japan's biggest shopping platforms, and with around 50,000 regular customers it gives an opportunity to achieve extremely high exposure in a short period of time. As the infrequent events result in large periodic spikes in sales attributable to QVC, the company has been actively building additional distribution channels and markets to smooth the sales revenue distribution. In the Japanese market, Cellmid has recently launched its évolis® products, which will be sold outside in independent pharmacies, hair salons and online.

To read the ASX release please click [here](#).



## New Director of Marketing and Business Development sees 'tremendous potential' for évolis®

With Cellmid moving into the execution phase of its sales strategy, the Company is investing in building senior management and Board leadership to capitalise on opportunities.

In January, we welcome Director of Marketing and Business Development, Raj Ghatge, and we are pleased to share his reflections on the opportunities at Cellmid, the trends in the beauty industry and his views on opportunities.

Raj has extensive experience in the beauty industry, having previously spent 7 years as the Head of Marketing for The Jojoba Company, an Australian based company with a natural skincare product range. Prior to that, Raj spent 6 years in various Marketing roles with L’Oreal in Australia and New Zealand.

**Q: What attracted you to your new role as Global Marketing Manager at Cellmid?**

A: It is well established that anti-aging is the largest category within the broader beauty market. However, anti-aging in beauty is most commonly associated with skin aging such as fine lines and wrinkles, and less so anti-aging in hair care. When I was introduced to Cellmid and their anti-aging évolis® products, I immediately saw the tremendous potential of évolis® to lead this category. I see potential to educate consumers about anti-aging solutions for hair and was excited at the prospect of leading this opportunity at Cellmid.

**Q: You have extensive experience in the beauty industry – what do you like about the évolis® products and how they are positioned in the market?**

A: There are a couple of things that stand out for me. Firstly, évolis® is a pioneering anti-aging hair care brand and we are creating a new category within a very lucrative anti-aging market. Secondly, it was the scientific validation of évolis® products. Consumers are looking for points of differences when selecting beauty brands, and there is a growing movement toward products that are scientifically validated and/or naturally derived. évolis® has both and is the only scientifically validated hair care range to target the hair life cycle. Thirdly, the products are of the highest quality and efficacious whilst being formulated with 100% natural working actives and fourthly, the products are positioned within the masstige category in terms of price and distribution which makes évolis® an affordable luxury brand, which in itself is a trending and fast growing category.

**Q: Where do you see the opportunities for growth for the évolis® products over the next 2-3 years?**

A: I see three main areas for growth; e-commerce, driving more aggressive growth in Australian retail and targeting the strong international retail markets, primarily USA, UK & Asia. Cellmid has already been focusing on these markets and opportunities, so the main objective for my team is to drive opportunities more aggressively and ensuring we are maximizing every channel and customer engagement.

## US beauty editors and influencers buzzing over évolis®

The évolis® Professional range has gained the trust and love of both US customers and influential beauty editors. The beauty market is incredibly competitive and only the best products receive the attention of beauty editors and influencers. In the lead up to Christmas, the busiest retail period of any year, évolis® products are capturing the attention and being featured and recommended on pages of prestigious, and highly syndicated, publications including Elle, Allure, Cosmopolitan, NewBeauty and Forbes as well as in store Christmas gift catalogues with Neiman Marcus.

According to Kristin Lisi, Director at Absolute R Relations, a PR company that represents the évolis® product range in the US and a specialist in beauty products, there will be continued strong growth in the anti-aging hair care product segment in 2019, with a focus on natural ingredients.

*“Consumers are becoming smarter and expecting more out of their beauty purchases and évolis® delivers clinically-backed products that provide results; a win-win in the consumers’ eyes.*

*And just like consumers, beauty editors, bloggers and influencers have all become more discerning with their beauty choices. If a brand makes specific claims, there must be concrete proof behind it.”*

Being able to provide media with meaningful comments from évolis® experts that distil the true science of the beauty and cosmetics industries into plain and accessible language, while dispelling common myths, has helped the brand to break through the noise of the hundreds of other products that editors, bloggers and influencers receive on a daily basis.

In 2019, the PR focus will be on the new dry shampoo launch as the print market sources stories for the spring and summer audiences in the US. The évolis® products will continue to be positioned as first-in-class, best-in-class, clean products with scientifically validated claims backed by industry experts.

## Évolis® Professional won 2018 AskMen Grooming Award!

Évolis® Professional Prevent Activator has won the 2018 AskMen Grooming awards as the best natural alternative for hair loss product. AskMen is a popular online destination for men that attracts 14 million monthly unique visitors worldwide and covers grooming, fitness, dating and more. Every year AskMen's expert panel thoroughly tests and evaluates 100's of products across 10 categories to choose the best beauty products of the year.

To see this year's winners click [here](#).

## Best Natural Alternative For Hair Loss



évolis Professional Prevent Activator

## Cellmid's midkine researchers invited to the Gates Grand Challenges meeting

Graham Robertson, Head of Research and Development at Cellmid was invited to attend the Bill and Melinda Gates Grand Challenges meeting this year, following the submission of a project proposal to the Gates Foundation to further study midkine. Grand Challenges is a family of initiatives fostering innovation to solve key global health and development problems. This year's annual meeting was a great opportunity to introduce the potential applications of the midkine technology to a wider audience of experts and further discuss possible future collaborations.

### About Cellmid

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