

## ASX ANNOUNCEMENT

### CELLMID LIMITED NOTES TO THE APPENDIX 4C

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- **Diversified global revenue delivers accelerated sales growth for evolis®:** Consumer health sales<sup>1</sup> in Q2 FY2020 increased 19% to \$2.45M (2Q FY2019: \$2.06M) with strong sales growth in Australia (up 203% on 2Q FY2019) and in the US (up 132% on Q2 FY2019)
- **Increased investment in inventory to supply new channels in 2H FY2020:** The product manufacturing and operating cash outflow increased significantly in Q2 FY2020 in preparation for delivery into new distribution channels in Australia, Europe, China and the US in 2H FY2020.
- **Strong balance sheet to fund runway to profitability:** The cash balance was \$3.9 million as at 31 December 2019 and the inventories up 50% compared to same period last year to support growth targets in 2H FY2020.

**SYDNEY, Thursday, 30 January 2020: Cellmid Limited (ASX: CDY)** provides the following notes to its Appendix 4C Quarterly Cash Flow report for the second quarter of the 2020 financial year (Q2 FY2020).

Consumer health sales for Q2 FY2020 reached \$2.45 million, an increase of 19% on the previous corresponding period (pcp) of \$2.06 million. Strong sales growth in Australia of 203% in Q2 FY2020 on pcp, was driven by an increase in pharmacy sales and the start of television shopping events through openshop. Sales growth in these channels is expected to continue in the second half of FY2020 and beyond.

Healthy sales growth in the US of 132% in Q2 FY2020 on pcp was driven by new store launches with Neiman Marcus as well as new beauty distribution channels. Consumer health sales in Japan were stable in Q2 FY2020 due to timing of orders, which will push some sales into Q3 FY2020.

Cash balance at the end of the quarter was \$3.9 million, up from \$3.1 million at the end of the previous quarter. Customer receipts from sales came in at \$2.2 million for Q2 FY2020, which represents 100% increase on receipts for the same period last year (Q2 FY2019: \$1.1 million). The Company continues to build up its inventory in anticipation of an increase in sales in Australia, US, Japan and China in 2HY FY2020.

#### **Diversified distribution strategy delivering significant sales growth**

Existing and new distribution channels performed well in Q2 FY2020 due to improved brand communication of evolis®, increasing awareness of the products and strong market demand for the best-in-class anti-aging hair care and hair growth range.

## AUSTRALIA

The Australian consumer health segment generated revenue of \$496K in Q2 FY2020, up 203% on pcp (2Q FY2019: \$163K). This sales growth primarily came from the new national pharmacy retail partnership with API, which is expected to be launched in over 400 pharmacies from March 2020. In addition, television shopping channel openshop, launched in October 2019, early orders in export territories such as Germany and China and e-commerce sales have also started to deliver growing revenue. These channels are all forecast to deliver sustained revenue growth in 2H FY2020 and beyond.

## USA

The appointment of Advangen LLC CEO, Brian McGee, during the quarter has been important in the US to fully exploit existing retail partnerships and focus on opening new channels. Compared with the same period last year, sales have grown 130% in the USA.

The Company continued store launches of the évolis® Professional products across Neiman Marcus and the total number of stores is now 32. In addition, a number of new relationships have also been initiated during the period including Beauty Collection, Rymax and Dermstore and QVC USA. We are currently looking to secure a national distribution partner in the US for the professional salon market, which would underpin the targeted sales growth in the US from 4Q FY2020 and beyond.

## JAPAN

Japan continues to represent the largest percentage of sales within the Company with steady numbers in Q2 FY2020, due to timing of delivery of some orders, which will push these sales into Q3 FY2020. The TSV (Today's Special Value) event on 24 November 2019 delivered \$1.03 million revenue. Changes to packaging of the Jo-Ju® lotion implemented in late 2018 and the removal of shipping obligations means that profit margins on these sales continue to improve. A second TSV event is planned for June 2020.

## CHINA

Cellmid is pursuing a diversified channel strategy in China to maximise sales of both the heritage brands (Jo-Ju® and Lexilis®) as well as the new évolis® branded products. For its products with existing import permits (Jo-Ju® and Lexilis®) the Company is working with dedicated distributors, who largely sell through their e-commerce platforms. These channels have been delivering increasing sales attributed to the Japanese business.

Most recently, and while awaiting regulatory approval of the évolis® branded products, the Company has been pursuing cross border e-commerce through the partnership with Aeon International (ASX Announcement 1 October 2019). Sales from this channel, together with sales from the Fukangren agreement, will be attributed to the Australian business.

## EUROPE

On 9 October 2019 sales of the evoliss® professional REVERSE range commenced on [www.douglas.de](http://www.douglas.de), servicing the German market. Following the successful launch, the full evoliss® Professional collection will be available and other German speaking countries will also be serviced by Douglas from the fourth quarter of FY2020. It is expected that QVC UK and QVC Germany will go live between April and July 2020, further diversifying revenue in one of the most profitable channels, TV shopping, for the brand.

Cellmid CEO, Maria Halasz said "Our second quarter results show the success of our global revenue diversification strategy with consumer health sales accelerating in both Australia and the US. In addition, we are in the early stages of expansion in both Europe and China. We have established several new distribution channels in these regions, and we have invested substantial resources into inventory and marketing to deliver in our growth targets in 2H FY2020. We have every reason to expect continued acceleration in our revenue growth over the years ahead."

## **MIDKINE ANTIBODY PROGRAM**

The Company is in the process of planning for the Midkine Symposium in May 2020, where significant new findings will be discussed on midkine biology and its clinical application. Information on the program and its relevance to the Company's active partnering strategy will be unveiled before the meeting.

Approved for release by the Board of Directors.

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**Cellmid Limited (ASX: CDY)**

Cellmid is an Australian life sciences company with a consumer health business and biotech assets in development. Advangen is Cellmid's wholly owned subsidiary engaged in the development and sale of first in class, best in class, clinically validated anti-aging products for hair, skin and body. Advangen has a range of FGF5 inhibitor hair growth products which are sold in Australia, Japan, USA and China. Advangen has a rich portfolio of hair growth and anti-aging hair care assets which include formulations of products on market, trademarks, patents and patent applications, proprietary assays and manufacturing processes. For further information, please see [www.cellmid.com.au](http://www.cellmid.com.au) and [www.evolisproducts.com.au](http://www.evolisproducts.com.au). Cellmid's wholly owned subsidiary, Lynamid, develops innovative novel therapies and diagnostic tests for age related diseases including inflammatory and autoimmune conditions. Lynamid holds the largest and most comprehensive portfolio of intellectual property relating to the novel targets midkine (MK) globally.

**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 Cellmid to be materially different from the statements in this announcement. Actual results could differ materially depending on factors such as the availability of resources, regulatory environment, the results of marketing and sales activities and competition.

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<sup>i</sup> All revenue and expenditure figures are quoted as "unaudited". Audited half year accounts will be released to the market on or before 28 February 2020.

## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

CELLMID LIMITED

**ABN**

69 111 304 119

**Quarter ended ("current quarter")**

31 December 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,169	4,770
1.2 Payments for		
(a) research and development	(230)	(366)
(b) product manufacturing and operating costs	(1399)	(1,926)
(c) advertising and marketing	(478)	(761)
(d) leased assets	-	-
(e) staff costs	(1,163)	(2,219)
(f) administration and corporate costs	(793)	(1,774)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
1.5 Interest and other costs of finance paid	(24)	(58)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	840
1.8 Other (provide details if material)	72	54
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(1,845)</b>	<b>(1,437)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.2</b> Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3</b> Cash flows from loans to other entities	-	-
<b>2.4</b> Dividends received (see note 3)	-	-
<b>2.5</b> Other (provide details if material)	-	-
<b>2.6</b> <b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	2,544	2,544
3.2 Proceeds from issue of convertible notes	(136)	(136)
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	84
3.6 Repayment of borrowings	(38)	(38)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10</b> <b>Net cash from / (used in) financing activities</b>	<b>2,370</b>	<b>2,454</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	3,108	3,082
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,845)	(1,437)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2,370	2,454

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	252	(214)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>3,885</b>	<b>3,885</b>

<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	3,885	3,108
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,885</b>	<b>3,108</b>

<b>6. Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2	192
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
NIL	

<b>7. Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2	150
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	
NIL	

<b>8. Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
8.1 Loan facilities	1,332	1,332
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
<u>Australian Facilities</u>		
Hunter Premium Funding A\$ 47,000                      Interest Rate 5.20%      Unsecured		
<u>Japanese Facilities</u>		
Keiyo Bank Ltd JPY90,746,000 (A\$1,261,000) Interest Rate 1.50%      Unsecured		
Chiba Bank Inc. JPY1,817,000 (A\$24,000) Interest Rate 2.10%      Unsecured		

<b>9. Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1 Research and development	(200)
9.2 Product manufacturing and operating costs	(500)
9.3 Advertising and marketing	(300)
9.4 Leased assets	-
9.5 Staff costs	(1,100)
9.6 Administration and corporate costs	(550)
9.7 Other (provide details if material)	-
<b>9.8 Total estimated cash outflows (not including revenue)</b>	<b>(2,650)</b>

<b>10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	<b>Acquisitions</b>	<b>Disposals</b>
10.1 Name of entity	NIL	NIL
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		



**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.

Sign here: .....

Date: 30 January 2020

(CEO / Managing Director)

Print name: Maria Halasz

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.