

ASX ANNOUNCEMENT

CELLMID APPENDIX 4C – Q2 FY2021 BUSINESS ACTIVITY

Highlights for the quarter ending 31 December 2020

- **First orders from new Chinese distributor received:** In December 2020, Cellmid announced a ten-year, exclusive distribution agreement with Ourui Health Management (OHM). The first order has now been received and paid, in line with this agreement.
- **Consistent improvement in ecommerce in Australia and US:** Conversion rates, total number of transactions, total revenue, average order values and subscriptions all increased in our direct-to-consumer platforms in Australia and in the US.
- **Streamlined operations driving improved cashflow:** Over the past year, Cellmid has stabilized operational costs at \$2 million per quarter and reduced operational cash burn to around \$560K per quarter in Q2 FY2021. The current cash balance of \$4.6 million will be further boosted in Q3 FY2021 through the expected receipt of the R&D credit.
- **Board renewal to align with consumer health growth strategy:** Our new independent Chairman, Bruce Gordon, is supported by consumer brand specialist, Ms Sarah Eck-Thompson, as Alternate Director to Dennis Eck following the retirement of Dr David King and Dr Fintan Walton.

SYDNEY, Monday 25 January 2021: Cellmid Limited (ASX: CDY) provides the following business activity report for Q2 FY2021.

On 12 November 2020, Cellmid released its Growth Strategy Presentation which outlined core areas for revenue growth to achieve profitability. The Company is focused on the expansion of existing strategic partnerships and implementing new partnerships in the most profitable and consistent channels.

Consumer health revenue was in line with expectations in Q2 FY2021 at \$1.8 million. Although 21% down from Q2 FY2020, this was primarily due to the change in QVC's Jo-Ju® show schedules. Instead of the full day Today's Special Value (TSV) event a shorter, three-hour show was presented in December 2020.

The QVC show outperformed sales targets, and whilst the revenue was lower due to the shorter airtime, the margins improved, and overall sales will continue in the subsequent months unlike in previous years. It is expected that in FY2021 QVC sales will be similar to FY2020, however they will be more evenly distributed throughout the year.

Consumer health revenue in Q2 FY2021 was adversely impacted by the ongoing softness in the pharmacy channel in Australia and the lower volumes from prestige retailers in the US. As we continue to focus on shifting to ecommerce the effects of the pandemic are expected to diminish in these markets over the coming months.

On 22 January 2021 Cellmid received the first order pursuant to its exclusive Chinese distribution agreement with Ourui Health Management (OHM) (ASX announcement, 14 December 2020). The first order was in line with the terms of the contract and included 84,672 units of Jo-Ju® shampoo and lotion (ASX announcement 25 January 2021). The ten-year distribution agreement requires the purchase of 500,000 units of mixed products in the first year and one million units in the second year, increasing every year thereafter.

Advangen Inc - Japan

Consumer health revenue in Japan was down by 21% in Q2 FY2021 to \$1.39 million (Q2 FY2020 \$1.76 million) due to the QVC sales events schedule changes from last year as outlined before. Historically TSV events were held twice a year in June and November/December contributing to a lumpiness in revenue and skewed demand throughout the year to these lower margin events.

In FY2021, the Company decided to pursue a higher margin and more even revenue flow from QVC Japan throughout the year and focus on one TSV event in June 2021 and several shorter duration/higher margin shows throughout the year.

The Japanese subsidiary has been successful in booking the order with the contract manufacturer, and therefore securing the products for the OHM order, with delivery dates between February and April. The total revenue of \$530K from these orders will be paid before delivery.

Advangen International Pty Ltd - Australia

Consumer health sales in Australia were down 35% in Q2 FY2021 to \$324K (Q2 FY2020: \$497K). Although volumes from TV shopping, online sales and salons are gradually improving, the pharmacy channel, the most significant channel in the previous corresponding period, continues to remain soft.

Aeon International (Aeon), the Company's evolis® distributor for cross border e-commerce in China, has made their first two orders during Q2 FY2021 and the Company commenced delivery in December, with further deliveries expected in February. The evolis® T-mall store was launched by Aeon on 22 December together with a six-month marketing and advertising campaign.

Australian ecommerce performance (direct to consumer) continued to improve. During the last six months, since the launch of the new website in July 2020, overall conversion rates improved 186%. The total number of transactions was up 13% and online revenue increased 53% during the same period. Our strongest channel continues to be direct mail with an increase in engagement of 242% and a revenue

increase of 175% since June 2020. Our subscriber list, repeat customers, has also been increasing month on month since September 2020.

Advangen LLC - USA

The US operation was significantly affected by the worsening pandemic during Q2 FY2021. Sales in the US were down 44% in Q2 FY2021 to \$112K (Q2 FY2020: \$199K), due to lower volumes from prestige retailers. The Company has been pleased with the strong volumes coming through the Amazon evolis® Professional store, which was launched in June 2020.

The business environment in the US remains inherently uncertain and has been significantly impacted by COVID-19 and political developments. As a result, operations relating to the prestige channel have been paired back and costs reduced to reflect the uncertain growth prospects there. However, ongoing growth is planned for direct to consumer and third-party ecommerce channels.

US ecommerce performance (direct to consumer) continued to improve, although from lower base. During the last six months overall conversion rates are up twenty-fold compared with the same period last year. The total number of transactions was up tenfold and online revenue increased 997% during the same corresponding period. Direct traffic was driving the strongest engagement and was up 99% during the last six months and there was a twenty-fold increase in revenue from this channel. Subscriptions continued to increase month on month between August and November, with smaller increase in December.

Commentary on Q1 Cashflow

Cash receipts in Q1 FY2021 were \$1.4 million and our underlying operating expenses stabilized at around \$2 million (\$4 million in Q2 FY2020) due to the ongoing streamlining of operations. Our cash balance as of 31 December 2020 was \$4.6 million and the Company expects to receive around \$650K in R&D tax refund in Q3 FY2021 for expenses incurred in FY2020. Related party payments totaling \$161K have been made during the quarter comprising of executive and non-executive directors' fees and salaries for the board members.

Lynamid – funding and partnership activities

Cellmid is in active negotiations for the divestment of Lynamid and will update the market of any material developments in that regard in due course.

Update on the impact of COVID-19 pandemic

The pandemic continued to impact US demand in the prestige retail channel in Q2 FY2021 and other channels in the US remain uncertain in the immediate future. However, the impact of the pandemic is expected to diminish on operations in Australia in the coming months. Japan has recently reverted to a state of emergency,

which required slight changes to working hours of the Cellmid staff, but no other affects are expected.

The Company is no longer receiving government support as a result of the pandemic. Our team members are working from our offices in all locations as we continue to implement hygiene measures and physical distancing between working stations.

Approved for release by the Board of Directors.

End

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Cellmid Limited (ASX: CDY)

Cellmid is a health and beauty-tech business growing shareholder value through the global distribution and sales of its proprietary brands of differentiated, clinically validated anti-aging solutions. Advangen Limited 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. For further information, please see www.cellmid.com.au 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 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.

Appendix 4C

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

Name of entity
CELLMID LIMITED
ABN
69 111 304 119
Quarter ended ("current quarter")
31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter (3 months) \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,397	3,484
1.2 Payments for		
(a) research and development	(49)	(111)
(b) product manufacturing and operating costs	(371)	(550)
(c) advertising and marketing	(267)	(455)
(d) leased assets	-	-
(e) staff costs	(846)	(1,726)
(f) administration and corporate costs	(461)	(1,400)
1.3 Dividends received (see note 3)		-
1.4 Interest received	7	15
1.5 Interest and other costs of finance paid	(10)	(24)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	40	166
1.8 Other (IKON settlement)	-	(1,407)
1.9 Net cash from / (used in) operating activities	(560)	(2,008)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(3)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (6 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	-	(3)
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	-	-
3.6	Repayment of borrowings & leasing	(184)	(343)
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	(184)	(343)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	5,375	6,970
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(560)	(2,008)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(3)

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(184)	(343)
4.5	Effect of movement in exchange rates on cash held	(80)	(65)
4.6	Cash and cash equivalents at end of period	4,551	4,551

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	4,415	5,240
5.2	Call deposits	136	135
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,551	5,375

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	161
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. 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	1,095	1,095
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,095	1,095
7.5	Unused financing facilities available at quarter end		0
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.		
	<p><u>Japan</u></p> <p>Unsecured 10 year loan with Keiyo Bank; \$1,022,102 (JPY 81.2M) at 1.20% - 1.50% p.a with various maturity dates:</p> <ul style="list-style-type: none"> • JPY 15.0M – 25 September 2024 • JPY 30.4M – 25 March 2025 • JPY 26.8M – 12 March 2028 • JPY 9.0M – no specific maturity date <p><u>Australia</u></p> <p>Insurance Premium Funding with Attest Finance Pty Ltd; \$73,166 at 4.61% payable by 30 April 2021.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(560)
8.2	Cash and cash equivalents at quarter end (item 4.6)	4,551
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	4,551
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.1
	<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:25 January 2021.....

Authorised by: **Audit Committee – Cellmid 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.