

ANAGENICS

ASX ANNOUNCEMENT

ANAGENICS Q2 FY2022 BUSINESS ACTIVITY REPORT

- **Completion of BLC Cosmetics Pty Ltd (BLC) acquisition with the payment of \$1 million in cash and issuing of 32,786,885 shares to HGL Limited**
- **First joint report for the merged entity showing increased scale with \$3.91 million in revenue and other income in Q2 FY2022 (\$1.87 million in Q2 FY2021)**
- **Agreement signed with Sasi Group Pty Ltd, the owners of the Original & Mineral branded professional hair products for the manufacture and supply of a full range FGF5 inhibitor hair loss products**

SYDNEY, Friday, 28 January 2022: Anagenics Limited (ASX: AN1) (the Company) provides the following business activity and Appendix 4C for Q2 FY2022, which is the first joint report of the merged entity, including BLC Cosmetics Pty Ltd.

Commentary on Q2 FY2022 group financials

Total revenue and other income was \$3.91 million¹ in Q2 FY2022 (Q2 FY2021: \$1.87 million). Consumer health revenue was \$3.36 million for the quarter and Anagenics received \$500,380 from the Australian Taxation Office under the Research and Development Tax Incentive Scheme for the 2021 financial year. Receipts from customers was \$3.11 million (Q2 FY2021: \$1.39 million). The underlying quarterly operating cash outflow was \$815K, up on \$560K in Q2 FY2021. The Company's cash balance as of 31 December 2021 was \$5.28 million compared with \$6.69 million on 30 September 2021.

Completed the acquisition of BLC

The Company signed a Share Sale Agreement with HGL Limited (HGL) to acquire 100% of the shares in BLC, a distributor for a range of prestige Australian and international anti-aging, wellness and beauty brands (ASX announcement 16 September 2021). The transaction was completed on 2 November 2021 with the issuing of 32,786,885 shares and a payment of \$1 million in cash to HGL. The share issue was approved at the general meeting of Anagenics' shareholders on 22 October 2021 (ASX announcement 22 October 2021). The settlement of the acquisition also marked the completion of the Company's transition to a consumer health business with its proprietary and licensed anti-aging, wellness and beauty brands, and the rebranding with the change of name to Anagenics Limited.

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

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BLC Cosmetics Pty Ltd

BLC's revenue was \$2.61 million in Q2 FY2022, driven by strong demand from the professional channel despite persisting pandemic conditions as some salons and spas remained closed or have restricted trading hours and continued to face staff shortages.

The e-commerce team launched four core BLC brand websites driving direct-to-consumer (DTC) sales. The Company's business-to-business (B2B) e-commerce platform also performed well during the period following the opening in NSW and VIC. E-commerce is expected to show further growth in the second half of FY2022 as digital advertising will increase on the DTC websites.

Integration of the businesses commenced during the quarter with the planning of shared warehousing and ERP systems. Anagenics' évolis® branded products were launched on the BLC website and key BLC brands have been launched on the évolis® ecommerce platform. The combined teams have been working effectively to deliver the foreshadowed synergies in the business.

CEO of BLC, Nikki Somerset, will leave the business on 31 March 2022 to pursue other opportunities. An outstanding leader, Nikki has turned BLC into a thriving sales and marketing organization during her five-year tenure. The board of Anagenics wishes to express their sincere appreciation to Nikki and wish her well in her future endeavours.

Advangen Pty Ltd

Revenue for Q2 FY2022 was \$824K, down 54% from Q2 FY2021 (\$1,805K), the result of the delayed timing of QVC, lower export volumes in Japan and ongoing disruptions from the COVID-19 pandemic. Australian consumer health revenue in Q2 FY2022 was \$293K (FY2021: \$330K) and Japanese revenue was \$481K (FY2021: \$1,389K). As noted, this decline was primarily due to a restructured QVC show schedule with a sales event in January, instead of December as in previous years. Export to China has also been lower than in FY2021 due to new regulatory changes imposed on hair loss products generally in the local market. Application is in progress to obtain relevant approvals, however the timing of receiving these, hence the timing of revenue from this channel, is uncertain.

The Company has been negotiating supply and collaboration partnerships as part of its broader growth strategy to fully exploit its proprietary technologies and signed a second 'white label' agreement with Sasi Group Pty Ltd (Sasi) in December 2021 for the manufacture and supply of Anagenics' FGF5 inhibitor hair growth products under the O&M brand. The agreement covers a full range of products including shampoos, conditioners and supplements utilising proprietary hair loss prevention and hair growth technologies.

Significant changes in monthly and quarterly sales are expected to continue in the near term as Advangen's most significant sales channel, QVC television shopping, traditionally delivers 70% of its annual sales during two major sales months throughout the year. Sales to China are expected to increase once approvals are in place and white label supply agreements will also contribute to fluctuations in month-to-month revenue.

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Lynamid Pty Ltd

Lynamid Pty Ltd (Lynamid), the exclusive licensee of Anagenics' midkine intellectual property portfolio, was acquired by Roquefort Investments PLC (LSE: ROQ, Roquefort) during the quarter. Details of the acquisition are outlined in the announcement made to the London Stock Exchange on 29 September 2021 by Roquefort.

Related party payments

Anagenics paid \$167K to related parties and their associates during the quarter comprising executive and non-executive director fees, as disclosed in item 6.1 in the accompanying Appendix 4C.

COVID-19 update

Anagenics employees are fully vaccinated, and staff continue to work from the Company's offices, warehousing facility or from home, as appropriate. Anagenics has been complying with various COVID regulations by state and federal governments to provide a safe work environment.

Revenues in Q2 FY2022 have been affected by slow or partial opening of businesses in NSW and VIC, ongoing staff shortages, and difficulty recruiting new staff. The Company has sufficient raw materials and inventory, and it is unlikely to be affected by supply chain issues in the near term.

Approved for release by the Board of Directors.

End

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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 DECEMBER 2021

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	3,112	5,339
1.2 Payments for		
(a) research and development	(25)	(70)
(b) product manufacturing and operating costs	(1,308)	(1,836)
(c) advertising and marketing	(566)	(759)
(d) leased assets	-	-
(e) staff costs	(1,294)	(2,108)
(f) administration and corporate costs	(1,246)	(2,043)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	9
1.5 Interest and other costs of finance paid	(3)	(12)
1.6 Income taxes paid	-	(3)
1.7 Government grants and tax incentives	510	593
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(815)	(890)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities (net)	(932)	(932)
(b) businesses	-	-
(c) property, plant and equipment	(39)	(77)
(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	(971)	(1,009)
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	718	979
3.6	Repayment of borrowings & leasing	(336)	(521)
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	382	458
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,695	6,728
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(815)	(890)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(971)	(1,009)

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)	382	458
4.5	Effect of movement in exchange rates on cash held	(7)	(3)
4.6	Cash and cash equivalents at end of period	5,284	5,284

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	4,789	1,285
5.2	Call deposits	136	5,038
5.3	Bank overdrafts	359	372
5.4	Other (provide details)		-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,284	6,695

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	167
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	1,347	1,347
7.2	Credit standby arrangements	359	359
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,706	1,706
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>Working capital financing \$359,195 (JPY 30.0M) unsecured and at call.</p> <p>Unsecured 10 year loan with Keiyo Bank; \$1,273,527 (JPY 106.4M) at 0.80% - 1.50% p.a with various maturity dates:</p> <ul style="list-style-type: none"> • JPY 23.2M – 25 March 2025 • JPY 23.2M – 12 March 2028 • JPY 60.0M – 24 December 2026 <p><u>Australia</u></p> <p>Premium Funding (insurance) with Attest Finance Pty Ltd (\$13,729 at 3.97%) and Hunter Premium Funding Pty Limited (\$59,525 at 4.29%) - payable by 30 April 2022.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(815)
8.2	Cash and cash equivalents at quarter end (item 4.6)	5,284
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	5,284
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	6.5
	<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 January 2022.....

Authorised by: **Audit Committee – 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.