



FY2020 Financial Results

27 August 2020

ASX: CDY



Cellmid is leading innovation in anti-aging haircare globally with deep expertise in hair biology and an increasing digital and social commerce footprint in Australia, USA, Japan and China



Forward looking statements

This presentation contains 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 presentation. Actual results could differ materially depending on factors such as the availability of resources, regulatory environment, the results of advertising, sales activities and competition. In addition, there is significant uncertainty exists due to the COVID-19 pandemic, which may be manifested as government policy changes, travel and trade restrictions, adverse foreign currency exchange rate movements and, without limitation, other macroeconomic parameters.

INNOVATIVE ANTI-AGING HAIR CARE PRODUCTS

The only anti-aging haircare product range that is based on natural ingredients, clinically and scientifically validated, and effective in reducing hair loss and increasing hair growth

- ‘First in class’ and ‘best in class’ clinically validated anti-aging hair care products
- TGA listed with therapeutic claims (promote hair growth, reduce hair loss, and maintain healthy hair follicles)
- Over 15 years of dedicated research into hair growth and hair biology, discovery of new actives and formulations
- Patented FGF5 inhibitor technology, which addresses hair loss by extending the growth phase of the hair cycle

évolis® Professional



évolis® Pharmacy



Joju® and Lexilis®



AGENDA

1. FY2020 Highlights
2. Consumer Health: Segment Reporting
3. Growth Strategy: Implementation
4. Lyramid: Segment Reporting
5. Outlook



FY2020 HIGHLIGHTS

RESILIENCE THROUGH COVID-19 DISRUPTION

- **Strong sales momentum in early FY2020:** In 1H FY2020, 18 new distribution channels in Australia, USA, Japan, Europe and Asia were established and expanded, which was expected to continue accelerating sales growth in 2H FY2020.
- **Retail closures led to stable results:** Q4 total revenue was a record high of \$3.06m, although second half results were lower than expected due to the drop in bricks and mortar retail activity in Japan, Australia and the USA, and the effective closure of Chinese export trade for several months.
- **Switch to e-commerce in 2H FY2020:** Cellmid's focused investment in e-commerce ensured that online sales continued when retail stores closed, through its own website, partner websites and through social commerce.
- **Slight margin compression:** Gross margins decreased slightly from 73% in 1H FY2020 to 71% in 2H FY2020, due to an increase in shipping costs in the 2H FY2020.
- **No significant supply chain interruptions:** Increased spending on inventory in 1H FY2020 meant that there was no product shortage during the 2H FY2020 when Chinese trade was restricted due to the pandemic.
- **New product line in diagnostics:** Cellmid signed supply, introducer and distribution agreements for a range of SARS-CoV-2 antibody and PCR tests. However, this has not had an immediate impact on the financial results.
- **Discussions around midkine portfolio slowed down:** Negotiations with potential funding and research partners for the midkine assets have slowed down since March 2020; expected to resume again in 1H FY2021.

CONSUMER HEALTH – FY2020 HIGHLIGHTS

AUD\$M	FY2020	FY2019	FY2018
Consumer Health Revenue	7.44	7.34	5.65
Consumer Health Revenue Growth	1%	30%	25%
Cost of Goods Sold	(2.18)	(2.13)	(2.16)
Consumer Health Operating Profit/(Loss)	(1.34)	(0.69)	(1.2)

Cellmid is progressing towards operational profitability of its consumer health business and is expecting further sales growth in FY2021 through resumed export to China, increased sales to premium salons in the US, and expanded digital and social commerce in all markets.

- **Stable YOY sales growth:** Consumer health revenue increased by 1% to \$7.44m in FY2020 (FY2019: \$7.34m). Strong positive momentum in 1H FY2020 was capped in 2H due to COVID-19 business disruption.
- **New distribution channels:** During full FY2020, 20 new distribution channels were established and expanded across premium beauty retailers, pharmacies and television shopping channels in Australia, USA, Japan, Europe and Asia.
- **Record Q4 sales:** Total revenue in Q4 were \$3.06m, the highest revenue to date in any one quarter due to QVC Japan and resuming exports to China in June.
- **Switch to e-commerce:** In FY2020, online sales accounted for a greater proportion of total consumer health sales, including own websites, online retail partner websites and some social commerce.
- **New hair loss patents:** Cellmid has secured three new hair loss patents including for the formulation of évolis® in Australia, Japan and China.

CONSOLIDATED – FY2020 HIGHLIGHTS

AUD\$M	FY2020	FY2019	FY2018	% change FY2020/FY2019
PROFIT & LOSS				
Total Revenue	8.55	8.35	6.83	up 2%
Net Loss After Tax	(4.91)	(5.91)	(2.71)	down 17%
BALANCE SHEET				
Cash	6.97	3.08	1.60	up 126%
Receivables	1.87	2.29	1.03	down 18%
Inventories	2.61	1.62	1.18	up 61%
Total Current Assets	11.63	7.23	4.16	up 61%
Total Loans	1.03	1.02	3.17	up 1%
Net Assets	9.81	5.86	1.86	up 67%

- **Investment in inventory and marketing:** In FY2020, inventory increased to \$2.61M (FY2019: \$1.6m) and advertising and marketing expenses increased by \$390K to reflect the expansion of distribution channels and expected future sales growth.
- **Strengthened balance sheet:** Cellmid raised a total of \$8.8M (before costs) in FY2020 including \$6.3M in April 2020 and \$2.5M in October 2019, which boosted the end of year cash balance to \$6.97M.
- **Ongoing focus on operational efficiencies:** Cellmid continued to improve internal operations in 2H FY2020 and the Company remains in a strong position to deliver on its strategic objectives, subject continuing economic uncertainties in FY2021.
- **No supply chain issues:** Increased investment in inventory during 1H FY2020 resulted in adequate supply and no interruption to orders during most of the lockdown in China in 2H FY2020 and a record Q4 FY2020 revenue.

EXPANSION OF DIAGNOSTIC ASSETS

- **Supply Agreement:** Cellmid signed supply, introducer and distribution agreements for a range of SARS-CoV-2 antibody and PCR tests, including the Wondfo SARS-CoV-2 antibody (Wondfo Test) test. The first commercial shipment of the Wondfo Test was received in April 2020.
- **Test validation:** The Wondfo Test is listed on the Australian Register of Therapeutic Goods (ARTG). It was submitted to the TGA's post-market surveillance team. Appointed by the TGA, the Doherty Institute subsequently evaluated the Wondfo Test and the results confirmed the manufacturer's stated performance in the most relevant period of 14+ days from onset of symptoms (see ASX announcement, 15 June 2020).
- **Key Hires:** Boosted capabilities in the diagnostic business by adding a senior business development manager focusing on the marketing of the different COVID-19 testing modalities.
- **New products:** Curating a strong portfolio of complementary diagnostic products including IgM/IgG split antibody, ELISA, rapid and laboratory based PCR tests.



CONSUMER HEALTH: SEGMENT REPORTING



AUD\$M	FY2020	FY2019	FY2018	% Δ FY2020/FY2019
Reported Revenue	5.61	5.93	4.23	down 5%
Operating Profit	0.51	1.66	0.71	down 71%

FY2020 Highlights

- Japanese consumer health revenue was down by 5% in FY2020, largely as a result of interruptions to trading with China and reduced salon trade in Japan.
- Japanese revenue accounted for around 75% of total consumer health sales.
- Operating profit was adversely affected by loss of sales in China, increased investment in advertising and marketing and the évolis® launch which was halted after salon closures in 2H FY2020.
- Television shopping channel, QVC, delivered two strong Today's Special Value (TSV) sales days in December 2019 and June 2020 (\$2m in revenue).
- Economic disruptions prevented the fulfillment of export orders to China during most of 2H FY2020 and shipping only resumed in June 2020. In Q4, delivery of some of these orders contributed to record sales.
- The Advangen concept store was closed down temporarily in FY2020 and the launch of the évolis® Professional branded products was also halted as a result of the closure of salons due to the pandemic.
- The Jo-Ju® branded FGF5 inhibitor products for women remains the largest single brand for the Group.

FY2021 Expansion Opportunities

- Export sales to China:** Increasing sales of heritage brands into China through partnerships with Chinese distributors of Jo-Ju® and Lexilis®.
- Export sales to other Asian countries:** Expansion of distribution to Korea and Singapore.
- New products lines into existing channels:** Several new product lines have been developed including skin care, which will be placed into existing channels.





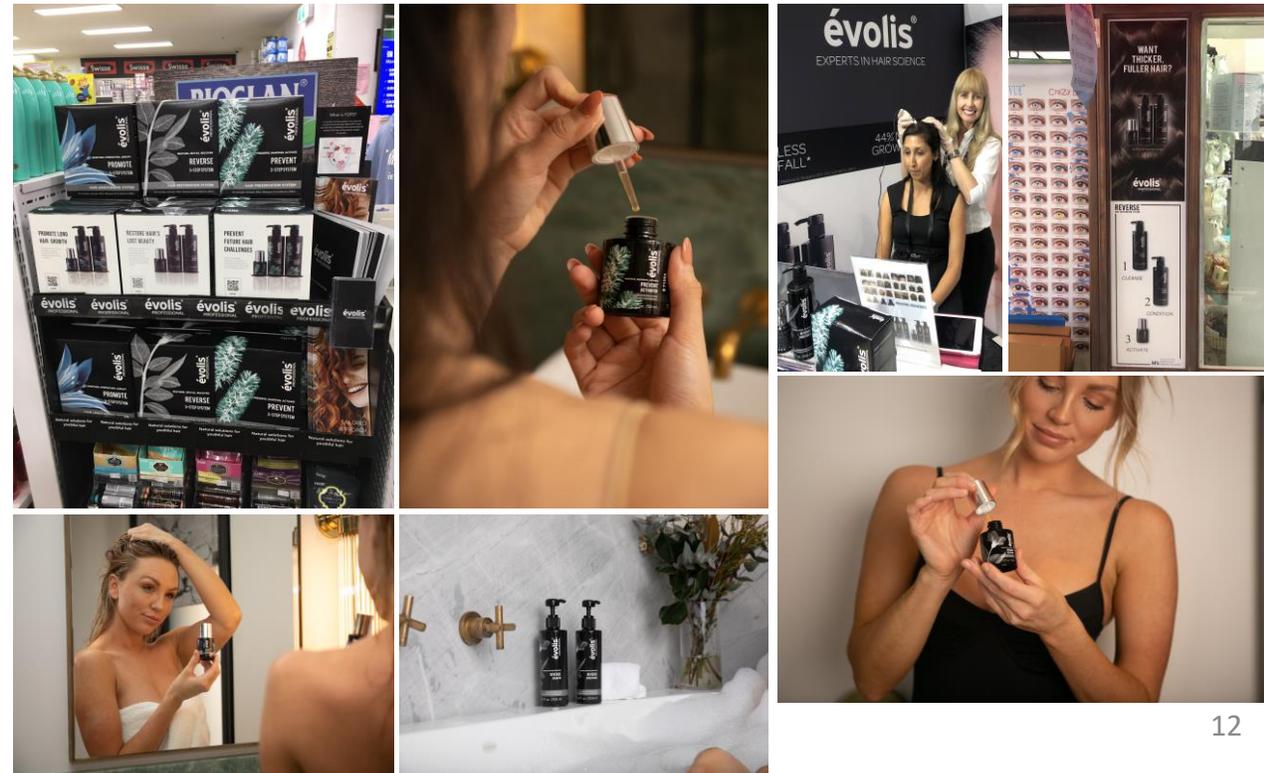
AUD\$M	FY2020	FY2019	FY2018	% Δ FY2020/FY2019
Reported Revenue	1.19	0.99	1.21	up 21%
Operating Loss	(1.18)	(1.50)	(1.7)	down 21%

FY2020 Highlights

- Australian consumer health revenue increased by 21% in FY2020 and accounted for around 16% of total consumer health sales.
- Cellmid signed an agreement with TV shopping channel, Openshop, in October 2019 for the sale of évolis® Professional range and have since aired a number of live and recorded shows.
- Cellmid signed a trading agreement with national distribution partner, API/Priceline in November 2019 for the évolis® Professional brand to be stocked in 400 stores nationally. An in-store launch was planned for March 2020 with experiential marketing events in all states. These events were postponed, but online education of pharmacy staff has recommenced.
- Ongoing investment in e-commerce infrastructure and digital marketing capabilities enabled the switch to online sales in 2H FY2020, which now accounts for around 40% of total sales in Australia.
- The Australian operations also fund international business development activities and are responsible for growing the UK and European markets.

FY2021 Expansion Opportunities

- **Further collaboration with Priceline:** Cellmid will continue to invest in the strategic partnership with Priceline through online education, training and customer engagement.
- **Continued expansion of ecommerce:** Cellmid will continue to invest in its e-commerce, digital marketing and social media infrastructure and capability to increase brand awareness and continue growing the e-commerce subscription recurring revenue base





AUD\$M	FY2020	FY2019	FY2018	% Δ FY2020/FY2019
Reported Revenue	0.63	0.42	0.2	up 51%
Operating Loss	(0.67)	(0.85)	(0.3)	down 21%

FY2020 Highlights

- Consumer health sales in the US increased by 51% in FY2020 and accounted for around 8% of total sales.
- This positive result was achieved in difficult trading conditions with the closing of the largest retail partners; premium department stores Neiman Marcus, Bloomingdales and Saks.
- Although bricks and mortar retail stalled, these department stores re-focused on their e-commerce platforms and continued to order.
- New online partnerships secured during FY2020 include Dermstore, Beauty Collections, Macys.com and most recently, Amazon.com (June 2020) pushed ecommerce revenue to 60% of total.
- The exclusive agreement with premium salon distributor, Tru Beauty, became effective on 1 August 2020 and delivers on a key milestone for the US.
- The appointment of CEO Brian McGee ensured that sales activity into existing channels and opening new ones remained strong during the period of travel restrictions.

FY2021 Expansion Opportunities

- **Impact from premium salon distributor:** The agreement with Tru Beauty came into effect on 1 August 2020 and will contribute to sales growth in FY2021.
- **Impact from Amazon:** Sales on Amazon US commenced in June 2020 and is expected to contribute to sales growth in FY2021 as Amazon EU and UK initiatives.
- **Continued expansion of e-commerce and social commerce:** Cellmid continues to invest in its e-commerce, digital marketing and social commerce infrastructure and capability to increase brand awareness and grow the e-commerce subscription recurring revenue base



GROWTH STRATEGY: DEMONSTRATING TRACK RECORD OF IMPLEMENTING KEY OBJECTIVES

EXPERIENCED MANAGEMENT TEAM



Maria Halasz | CEO and Managing Director
Strategy, Business Development, Life Sciences



Raj Ghatge | Marketing Director
Brand Building, e-commerce



Dr Dominic Burg | Chief Operating Officer
Data Analytics, Regulatory, Life Sciences



Gary McCaw | Sales Director
Sales Leadership, Pharmacy, Retail



Ko Koike | Managing Director, Advangen Inc
Business Development, Strategy



Dr Bart Wuurman | CEO (Lyramid)
Life Sciences, Commercialisation



Dr Graham Robertson | Head of R&D
Life Sciences, R&D



Bryan McGee | CEO (USA)
Business Development, Operations

GROWTH STRATEGY: IMPLEMENTATION

Strategic objectives	1. Diversify distribution	2. Expand e-commerce through own website and online partnerships	3. Expand leadership team	4. New product launch	5. Prepare for separation of businesses
<p>FY2020 Execution</p>	<ul style="list-style-type: none"> ✓ Started television shopping channel Openshop in Australia ✓ Commenced export sales to Germany ✓ Secured cross border e-commerce and social commerce partners to China ✓ New channels in the USA including macys.com, Beauty Collections, Dermstore, Amazon and Tru Beauty ✓ Agreements with QVC UK, QVC USA and QVC Germany ✓ New distribution agreement for Korea ✓ Investment in e-commerce 	<ul style="list-style-type: none"> ✓ Launched updated website with better customer segmentation ✓ Launched subscription service ✓ Improved e-commerce metrics ✓ Partnered with Adore Beauty, Dermstore, Macys.com, Douglas.com, Beauty Collections ✓ Improved on social media platforms, ✓ Instagram and Facebook in Germany to support Douglas 	<ul style="list-style-type: none"> ✓ Appointed Brian McGee as CEO of the USA operations 	<ul style="list-style-type: none"> ✓ Launched the STYLE & TREAT Dry Shampoo in October 2019 ✓ Completed formulation, design and pre-production product development for the masstige FGF5 inhibitor products ✓ Completed product development for first anti-aging skincare brand and soft-launched on T-mall 	<ul style="list-style-type: none"> ✓ Actively engaged with a number of potential collaboration and funding partners during the period for Lynamid

E-COMMERCE STRATEGY VALIDATED

- Over the past 18 months, Cellmid has actively invested in its own e-commerce infrastructure and digital marketing capabilities plus distribution partnerships with online retailers
- This e-commerce growth strategy was validated in 2HY2020, enabling Cellmid to effectively switch channels from bricks and mortar to online due to the structural disruption of the retail trading environment
- Nieman Marcus online has continued to perform well, despite the closure of Nieman Marcus retail stores in 2HY2020
- In FY2020, Cellmid started selling évolis® on Dermstore, Beauty Collections, Priceline and Amazon
- In August 2020, Cellmid established an exclusive distribution agreement with premium salon distributor, Tru Beauty Concepts, focused on online education of salon professionals and accessing their partnership with Salon Interactive, an online portal for salon e-commerce

Cellmid now generates approximately 60% of its US sales and around 40% of Australian sales through online channels.



Neiman Marcus

D DERMSTORE

DOUGLAS

afterpay 

évolis®

amazon

Saks Fifth Avenue

trubebauty
C O N C E P T S

ADOREBEAUTY

LYRAMID: SEGMENT REPORTING

STRATEGIC REVIEW - SEPARATE LYRAMID ASSETS

Cellmid's strategy is to unlock shareholder value by separating the consumer health and biotech businesses



- **New patents:** Additional patent coverage was received for its “Improved Midkine Antibody” patent in Europe, providing further protection for its humanized antibody candidates targeting the C domain of midkine.
- **Intellectual Property portfolio:** Cellmid currently has 54 granted midkine patents, four patent applications under examination and one in Patent Cooperation Treaty filing state.
- **Stalled discussions around midkine portfolio:** Negotiations with potential funding/research partners stalled between March and July 2020.

OUTLOOK

FY2021: UPCOMING MILESTONES

- Increase market penetration in China through cross border e-commerce
- Increase market penetration into China through offline marketing taking advantage of the import permits for Jo-Ju® and Lexilis®
- Expansion of online sales in the US through Amazon, Dermstore, Beauty Collections, Salon Interactive and new channels
- Increase US salon sales through the new agreement with premium salon distributor Tru Beauty
- Expansion of export business of all brands from Japan to Asia
- New strategic partnerships to white label products
- Exploring new market verticals including telehealth
- Executing the separation of the Lyramid and Advangen businesses

