



## **WNB Q3 FY20 APPENDIX 4C & COMMENTARY**

### **Highlights:**

- **Launch of MICRO19 hand sanitiser range to deliver new product sales in Q3'20**
- **Heads of Agreement for MICRO19 Joint Venture executed to enable rapid scale-up of production of Australian made product range**
- **Temporary closure of Immersion Clinical Spa network in line with COVID-19 Government regulations**
- **Reduced cost base in Q3'20 with savings across manufacturing, operations and staff**
- **Positive outlook for Q4 FY2020 as production of MICRO19 range ramps-up**
- **New Non-Executive Chairman appointed - specialist in fast-growth and company turnarounds**
- **Agreement on conversion of unlisted Convertible Notes reduces liabilities by \$1.5M**

**MELBOURNE: 30 April 2020:** Wellness and Beauty Solutions Limited (ASX: WNB) ("WNB" or "the Company") provides the following notes to its Appendix 4C Quarterly Cash Flow report for the third quarter of the 2020 financial year (Q3 '20).

WNB's cash receipts were \$3.058M in Q3 '20 (\$3.855M in Q2' 20) with lower cash receipts across both the products division - The Giving Brands Company (GBCo) and True Solutions Australia - and the services division (Immersion Clinical Spa). This result reflects the challenging retail environment that started with Australia's bushfire crisis in January and was compounded by the COVID-19 pandemic later in the quarter.

Despite lower cash receipts, net operating cash outflow for the quarter was \$2.125M, an 11.3% improvement on the previous quarter (\$2.397M) due to savings across product manufacturing and operating costs, staff, administration and corporate costs.

- **Launch of MICRO19 to open new sales channels and respond to urgent community need :**

In March 2020, WNB launched a proprietary anti-bacterial product range "MICRO19" in direct response to the demand for hand and surface spray sanitiser to protect people against the spread of COVID-19. During Q3'20, WNB received its first order for MICRO19, valued in excess of \$400K with receipts to be recognised in Q4, and has since had significant interest from domestic and international retailers, businesses and large public organisations.

Subsequent to quarter end, WNB executed a binding Heads of Agreement to form a Joint Venture (JV) to enable rapid scale-up of production of its Australian made MICRO19 products and position the brand to meet ongoing demand for hand hygiene. The JV also delivers greater certainty of supply of ingredients and packaging (*refer to ASX announcement lodged 15 April 2020*).

Manufacturing of MICRO19 is underway with the first delivery expected within weeks. The MICRO19 JV partners have already invested more than \$500,000 into operations and expects to realise more than \$1M in sales from the initial production run of 200,000 tube products.

During the quarter, GBCo piloted its wholly owned Australian made TANNED product range into a number of pharmacy Ultra stores, whilst also partnering with Pacific Magazines for its Girlfriend magazine's 'Search for a Role Model' competition.

A cooler summer and extensive bushfires across Eastern Australia resulted in the tanning segment tracking below retailer expectations. The outbreak of COVID-19 further affected the sales performance of GBCo and True Solutions for the quarter.

- **Immersion Clinical Spas contribution lower:**

Revenue from the Immersion Clinical Spa network in Q3'20 was affected by difficult trading conditions which have been ongoing in this segment for some time. As a result of Federal Government COVID-19 regulations introduced in late March 2020, WNB has temporarily closed its nine-clinic network to protect the safety of its customers and staff. Clinic staff have been temporarily stood down.

The company is currently reviewing a number of options regarding the clinic network and will update the market at the appropriate time.

- **Cash position low with the Board confident of near-term opportunities to improve:**

The company achieved an 11.3% reduction in net operating cash outflows for the quarter. This was achieved through reductions in product manufacturing costs, operating expenses and staff costs resulting mostly from planned consolidation of the GBCo & True Solutions businesses. An 11.8% reduction in administration and corporate costs against the previous quarter was recorded for the period. Corporate costs remained high due to payments required for corporate professional services.

Payments noted in Section 6 of the accompanying Appendix 4C related to Directors fees and salaries for the quarter.

Cash on hand as at 31 March 2020 was \$0.292M after payment of \$1.136M in Q3'20 in trade financing.

- **Liabilities reduced following agreement on conversion of unlisted Convertible Notes:**

This week the company executed a Deed of Variation and Conversion with holders of unlisted convertible notes (Notes) for the conversion of the outstanding liabilities to fully paid ordinary shares. The Company agreed with relevant Note holders to convert 1,505,000 Notes into 100,333,333 Shares with a conversion price of \$0.015 (1.5 cents) per Note, with the conversion of 100,000 being conditional upon relevant approvals being received as the notes are held by an associate of the former chair of WNB. The Company will also issue Shares at the same price for accrued interest payable to converting Note holders, which will result in the issue of a further 2,540,548 Shares.

#### **Outlook for Q4:**

The Board of WNB, under new Chairman, Mr Julian Glynn, will focus its effort in Q4'20 to ensure the company's organisational structure and operational processes enable the rapid deployment of resources to extract maximum near-term value from WNB's products division, the company's core revenue stream.

As the company expects its Immersion Clinical Spa network to remain closed for the duration of Q4'20 due to Government COVID-19 regulations, a concentrated effort will be focussed on exploiting all sales opportunities for MICRQ19 and other core GBCo products in the current dynamic retail conditions optimising the True Solutions sales force to broaden that reach.

Changed consumer behaviour in the COVID environment has created a significant uplift in sales demand through digital and online retail channels, allowing stronger Direct to Consumer (DTC) sales to be achieved at a higher margin return to the company. WNB's product division is adapting its marketing strategy in line with this change which it expects will contribute to a reduced marketing spend in the quarter.

Cognisant of the need to carefully balance investment in growth opportunities against cash management, the Board will give close oversight to reducing corporate costs and assessing options for a potential restructure with particular attention on operational changes being implemented to best harness the company's collective talent and an adoption of a leaner low-cost operational model.

While the MICRO19 product range is forecast to deliver an increasing financial contribution from Q4'20 the company is confident the strong consumer demand for hand and home hygiene products will be strong now and into the future, with increased focus on personal hygiene continuing to be a normalised practice.

As a result of agreements with suppliers, the MICRO19 JV is able to produce between 200-500K units of MICRO19 a month. WNB will receive a quarterly management fee under the terms of the JV.

The company continues to closely monitor the impact of COVID-19 and will be as responsive as possible to the different and quickly changing circumstances. With the previously planned launch of GBCo brands, ELLE make-up, ELLE kids and ELLE Baby product ranges on hold due to COVID-19, WNB continues to advance discussions with several parties for distribution and sales into Singapore, a core gateway to the Asian market. Further, strong relationships with international retailers continue to be maintained. This will assist WNB to be well positioned to execute opportunities once the trading landscape and supply activities change post COVID restrictions being redefined.

With the unpredictability of the current environment, WNB withdraws any previously communicated financial forecast for the current and future financial years.

**-- ENDS --**

This announcement has been approved for lodgement by the Board of the Company.

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**About Wellness and Beauty Solutions Limited**

Wellness and Beauty Solutions Limited has a suite of owned and licensed wellness, beauty and lifestyle brands and a network of nine *Immersion Clinical Spas* in Australia.

Our suite of brands is sold to the professional and retail markets via our wholly owned subsidiaries The Giving Brands Company (GBCo) and True Solutions Australia (TSA). Our expanding brand portfolio includes, MICRO19, ELLE Makeup, ELLE kids, ELLE Baby, Jbronze, TANNED, nailKALM, Aesthetics RX, Glo Skin Beauty, Priori, Nanopore, Ilcsi, Lightfusion and OMNILUX.

## Appendix 4C

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

**Name of entity**

WELLNESS AND BEAUTY SOLUTIONS LTD

**ABN**

43 169 177 833

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

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,058	9,103
1.2 Payments for		
(a) research and development	-	(1)
(b) product manufacturing and operating costs	(2,365)	(7,343)
(c) advertising and marketing	(445)	(919)
(d) leased assets	-	-
(e) staff costs	(1,679)	(5,141)
(f) administration and corporate costs	(726)	(1,757)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	5
1.5 Interest and other costs of finance paid	(46)	(371)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	76	143
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,125)</b>	<b>(6,281)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(47)	(91)
(d) investments	-	-
(e) intellectual property	-	(70)
(f) other non-current assets	-	(68)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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	-	103
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(47)</b>	<b>(126)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	6,000
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	-	(360)
3.5	Proceeds from borrowings	268	2,437
3.6	Repayment of borrowings	(1,136)	(2,032)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Payment of lease liabilities	(175)	(542)
3.9	Other (provide details if material)	-	150
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(1,043)</b>	<b>5,653</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,507	1,046
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,125)	(6,281)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(47)	(126)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(1,043)	5,653
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>292</b>	<b>292</b>

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	292	3,507
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>292</b>	<b>3,507</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
\$A'000**

178

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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

Wages and Directors fees

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<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>		
7.1 Loan facilities	172	172
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	7,388	4,156
7.4 <b>Total financing facilities</b>	<b>7,560</b>	<b>4,328</b>

7.5 <b>Unused financing facilities available at quarter end</b>	3,232
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- 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.

Unsecured Loan from Hennesy Capital Partners - \$172,040  
 Secured Facility of \$4.0M with Timelio Pty Ltd for debtor and trade finance - drawn to \$767,626  
 Secured Convertible notes were issued in 2017 to a total value of \$3,300,000 (refer to ASX announcements dated 8 June 2017, 1 November 2018 and 27 April 2020 for further information).  
 Unsecured finance from Fee Synergy - \$11,536  
 Unsecured finance from Premium Funding for business insurances (Macquarie, Iqumulate & Attvest) - \$76,804

8. <b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,125)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	292
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,232
8.4 Total available funding (Item 8.2 + Item 8.3)	3,524
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	1.66

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

WNB does expect to see the improvement in the current level of negative operating cash flows during the coming quarters.

In March 2020, WNB launched the MICRO19 hand sanitiser range to offset lower product sales in other business areas. Since then WNB has already received its first order from Chemist Warehouse for in excess of \$400K, with these receipts to be recognised in Q4 FY20. WNB has also received significant inbound interest from other retailers and businesses. WNB has also recently executed a Heads of Agreement to form a Joint Venture to enable more rapid scale-up of MICRO19 production.

WNB's nine professional clinics will continue to be impacted with continued closure due to COVID-19. WNB is exploring a number of recently announced government funding incentives which will assist in subsidising any employee related expenses.

WNB also expects to continue to reduce its cost base in future quarters.

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?

The WNB Board is exploring additional funding options and is confident of the company's future funding position. The Board has no reason to believe that it will not be able to raise further funds to continue its ongoing operations with both debt and equity options under consideration.

WNB has recently announced that it has entered into a Deed of Variation and Conversion with holders of 1,505,000 unlisted convertible notes (Notes) for the conversion of the outstanding liabilities, totalling \$1,505,000, to fully paid ordinary shares. Of those convertible notes, 100,000 notes are held by an associate of the former Chair of WNB which can only be converted in compliance with Listing Rule 10.11. WNB is currently investigating the most appropriate way to convert those notes.

The Company currently has additional placement capacity, approximately 147.5 million securities, in the event that a capital raising is conducted over the future quarters.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

WNB expects to continue normal business operations and meet its business objectives as well as financial commitments.

In WNB's products segment (the Giving Brands Company, Micro19 and True Solutions), WNB expects to deliver growth through the ramp-up of sales of its MICRO19 hand sanitiser product range in Q4 FY20, which will complement WNB's existing brand portfolio.

WNB has announced the temporary closure of its services business - Immersion Clinical Spa – in accordance with COVID-19 Government regulations. The Company expects the Immersion Clinical Spa Network to remain closed for the duration of Q4 FY20.

## 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.

30 April 2020

Date: .....

By the Board

Authorised by: .....  
(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.