



18 November 2021

Challenging market conditions in US impact half year results

The first half year (HY22) has seen a continued focus on growing revenue from the BLIS PROBIOTICS™ range and on positioning the Company for future growth. Undoubtedly the main highlight during this period is the completion of a long-term strategic partnership with Probi, establishing a license agreement to drive future revenue and R&D collaboration opportunities.

Key revenue initiatives include the launch of the BLIS PROBIOTICS™ range into Canada and the launch of the Live Probiotic Hydration Serum under the new Unconditional Skincare Co brand. These initiatives highlight our ability to bring unique probiotic propositions to market.

Our focus continues to be growing our Blis branded range of products to complement our ingredient sales, which by their nature can be more variable. Growing our Blis branded range increases our direct connection with the end consumer.

Financial Performance

COVID-19 continues to present short term challenges for the business and HY22 was significantly impacted by lower ingredient revenue, particularly in the USA market. Revenue from ingredient sales was down by 51%, which was primarily due to a 79% reduction in the USA ingredient business. This reduction was offset in part by a 37% increase in revenue from the BLIS PROBIOTICS™ range. Overall revenue was down by 33% to \$3.9m.

The reduction in revenue from the ingredient business is consistent with reported results from other global probiotics companies. In the early stages of the covid pandemic, it is now apparent that our customer base actively built inventories in order to respond to the pandemic. We also saw several new online customers enter the market. In HY22 however we have seen a reset with customers tightly managing stock holdings in response to weaker and more uncertain market conditions. Customers are also moving to a more “just in time” reorder schedule to reduce market risk.

Total expenses for the business were up 24% compared with the same period last year (HY21) as we invested in new roles to build capability across the company, invested in new market development and R&D to support our long-term priorities.

The decline in revenue and increased investment in launch activities has resulted in an EBITDA deficit of \$1.5m, a net deficit for the period of \$1.8m and net operating cash outflows of \$1.4m. The cash issue of shares to Probi in July introduced \$9.2m of cash, resulting in cash balances held at the end of September 2021 to \$9.6m, also strengthening closing equity to \$13.0m.

New market initiatives

The 37% increase in Blis branded finished products reflects the ongoing growth in eCommerce channels, along with new revenue streams from skincare and the Canada launch.

Canada

We launched our products on the Canada Amazon platform in March 2021, with retail availability progressively building from April 2021. Early retail activity has concentrated on working with our distribution partner Purity Life establishing retail ranging. This ranging activity is exceeding expectations with significant interest in stocking our products. The Amazon eCommerce platform and other established ecommerce sites are being used to support this retail activity.

Skin

We continue to receive positive product reviews that validate this breakthrough innovation. However, we do recognise the uniqueness of our product offer and that it will take time to build awareness and trial of our product. Since the launch we have seen steady increases in sales and importantly a solid proportion of repeat business. Over the second half of the year, we will continue to refine our promotional mix and plan for other market launches.

Strategic Partnership with Probi

In July we announced the long-term strategic partnership with Probi establishing a licence and supply agreement under which Probi has rights to manufacture and sell BLIS K12™ and BLIS M18™, leveraging their established global customer base. The strategic partnership also provides for R&D collaboration to leverage joint strengths in probiotic innovation to enhance our respective product innovation pipelines.

We have made a positive start to the long-term collaboration with Probi with significant early activity including the technical transfer of proprietary knowledge to facilitate Probi's production, training and supporting Probi's sales team, and R&D engagement to identify synergies and opportunities for sharing expertise.

R&D activity

In HY22 we have continued to build our intangible asset portfolio with a new provisional patent filing. We also continue to strengthen our evidence base and the scientific backing of our unique probiotic strains with several new scientific publications and clinical reviews. Our new product development pipeline has been further strengthened with good progress on our probiotic toothpaste and complementary skincare offers to expand the skincare range. Our probiotic toothpaste prototype is now ready for consumer testing following significant internal sensory testing and optimisation. Other initiatives include the release of a first batch of a dairy free BLIS K12™ released, and positive progress on a BLIS M18™ dairy free offer.

Outlook:

We remain optimistic that new revenue streams we have established will provide growth into the future, however the rate of growth will be subject to global market conditions impacted by the COVID-19 pandemic.

We expect to see a stabilisation of our ingredient sales as we move into the northern hemisphere winter and the uncertain trading conditions stabilise returning our existing business to growth. We have made a strong start to the Probi relationship having trained the Probi sales team and transferred technical knowledge to facilitate their customer engagement and ultimately production of our products. Our outlook for this relationship remains extremely positive and we expect royalty revenues to commence in the new financial year, FY23.

Guidance is for full year revenue to be between \$8.6m and \$9.1m with an EBITDA deficit in the range of \$2.3m to \$2.7m.

Ends

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About Blis Technologies Ltd

Delivering proven health benefits through evidence-based, advanced probiotics

Blis Technologies is an NZX-listed manufacturer of advanced probiotic strains that go beyond the gut. Combining innovation with evidence-based research and the highest quality production controls enables the delivery of probiotic solutions for specific health targets including throat health, halitosis (bad breath), immune support, teeth and gum health and skin health. BLIS® products are sold throughout New Zealand and in Australia, Asia, Europe and the USA. More information about Blis Technologies Ltd can be found at www.blis.co.nz.

Website: www.unconditionalskin.com

Instagram: @unconditionalskin #BLISQ24 #USC

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