



19 November 2020

Strong HY21 performance despite challenging market conditions

Financial performance highlights¹

- Revenue of \$5.8m, up 11%
- Net surplus of \$1.1 m, up 41%
- North America sales up 237%
- BLIS® branded finished product sales through online channels up 128%

Operational performance highlights

- New distribution relationship with Purity Life for upcoming Canada launch
- New agency and distribution agreement with RooLife to support ramped up cross border eCommerce activity
- UltraBLIS™ online launch in New Zealand
- New skincare product format finalised

In the first six months of the 2021 financial year Blis Technologies has delivered solid revenue growth and profitability despite challenging selling conditions in all markets as a result of the effects of the COVID-19 pandemic.

Trading revenue for the six months ended 30 September 2020 (HY21) increased \$0.6m (+11%) to \$5.8m compared to the same period in the prior financial year. Of note is the strong revenue growth in BLIS® branded finished products being achieved online through our own website and on the Amazon US platform.

Across our regions we have seen mixed revenue performance based on the sales channel mix. In those regions where we have a greater reliance on either direct selling or the online sales channels, we have seen very strong performance. However, in markets where we are more reliant on the pharmacy retail channel the impact of COVID lockdowns and overall impact on retail foot traffic has seen softer performance. This has been particularly evident in Europe but also in Australasia where our growth momentum has been impacted.

Total expenses of \$4.9m were up 8% on the prior period. The increase is principally due to higher investment in the R & D pipeline together with increased market development initiatives across eCommerce channels in particular on Amazon in the USA.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased \$0.2m (+23%) to \$1.3m.

¹ Changes are compared to performance for the same period last year

Net Profit for the period was \$1.1m, an increase of \$0.3m (+41%).

As at 30 September 2020, the Company held a net working capital position of \$4.8m. The net cashflows from operating activities are a \$0.5m inflow resulting in a cash balance as at 30 September 2020 of \$3.1m.

Trading conditions

The COVID environment has changed our trading environment in both positive and negative ways.

Key challenges for HY21 have included:

- COVID-linked impacts including reduced air freight capacity to key overseas sales markets and reduced retail foot traffic for over the counter sales in pharmacies.
- Delays finalising Health Canada product approvals – Based on COVID related workload at Health Canada, normal timelines and performance standards were suspended leading to delays in finalising final product labelling approvals.

On the upside we have seen a strong lift in our finished product online sales and sales to our ingredient customers who sell direct to consumers. These impacts are most evident in our US sales performance which now represents our largest revenue contributor, overtaking Europe during the half year. Along with this we have seen strong consumer interest in our product range as buyers have searched for proven immunity solutions.

- BLIS® online sales growth + 128%
 - BLIS.co.nz + 91%
 - Amazon USA platform +175%

In regions where we have traditionally been strong in the pharmacy channel the trading conditions are more challenging. It has been widely reported that based on lockdowns and shifting shopping patterns, foot traffic to retail locations is down around the world. In line with this we have seen weaker sales in our pharmacy-based channel, however we have seen recent evidence of a recovery across most regions along with our customer base adapting their selling models to focus more on direct to consumer sales.

Regional performance

North American sales +237% to \$3.35m

The strong rate of growth in North American sales was on the back of both strong BLIS® finished goods sales on Amazon USA and strong ingredient sales. Amazon USA represents an important growth driver for the company, not only are we seeing growth across our existing BLIS® finished goods portfolio, we have now also launched UltraBLIS™ on this platform from October. Our ingredient sales in North America have also grown strongly with virtually all of our customer base in this market focused on either direct selling or online selling.

Europe, Middle East sales -47% to \$1.3m

Our customer base in this region has typically focused on the pharmacy retail channel which has seen a dramatic downturn based on COVID lockdowns across Europe. These challenging market conditions have meant that normal orders to support a winter stock build that would have occurred

in the 2nd quarter have been delayed until the 3rd quarter. Overall, we expect sales to recover to be broadly in line with normal winter stock builds.

Asia-Pacific sales - 35% to \$1.2m

We have seen a significant reduction in foot traffic across Australia and New Zealand pharmacy channels. Along with this it has been widely reported that both Australia and New Zealand have seen an extremely mild cold and flu season which typically drives significant pharmacy foot traffic over winter. For the 12 months to 30 September the New Zealand pharmacy throat category sales were down 23% on the previous 12 months. Pleasingly our products have performed well, with ThroatGuard Pro™ remaining the top selling throat lozenge in this channel*. In the Japan market we have seen good growth with the customer base typically selling direct to consumer.

BLIS® branded finished goods

Revenue breakdown:

Ingredients	+28% to \$4.6m
Finished goods	-31% to \$1.1m

Growing the sales of branded finished goods is a strategic priority for Blis. By developing the BLIS PROBIOTICS™ brand we build a strong, direct relationship with the end consumer and generate sales with a higher overall margin. While the strong trend to online sales has supported this goal, the impact of lockdowns on pharmacy retail has impacted the growth momentum in markets where we have focused on the pharmacy channel.

Market growth initiatives

UltraBLIS™

Late in FY20 we launched UltraBLIS™ through our own online website. This unique product offer is based on BLIS K12™ and two other strains with an immunity evidence base and has quickly become our best-selling product through this sales channel. From September we moved to the next phase of the product launch with UltraBLIS™ being available in the pharmacy retail channel in New Zealand. Launches are planned for the next 6 months and will include release on Amazon USA and on our Chinese cross-border e-commerce platform.

Canada

In August we finalised an agreement with Purity Life Health Products LP (Purity Life) for the distribution of BLIS branded products into the pharmacy and health store retail channels in Canada. Unfortunately, due to COVID related restricted working conditions in Canada and increased workload, there were significant delays in receiving Health Canada approvals for final packaging beyond normal performance standards established by Health Canada. With the approvals now granted, we can progress with our plan to launch in the 4th quarter of this financial year.

China Daigou and Cross border eCommerce (CBEC)

COVID related restrictions on international travel has resulted in a dramatic decline in the Daigou or re-seller market. As a result, we have reassessed our strategy and partner search with a focus on cross border e-commerce selling into China. An agreement with ASX-listed RooLife Group Limited has been finalised for digital marketing, eCommerce operations and logistics support in China. RooLife has proven trusted channels to market in China and provides support across platform and mobile development, digital marketing, eCommerce, online and offline sales and payment solutions in China. RooLife will implement the launch of BLIS PROBIOTICS™ on Alibaba's Tmall and Alipay platforms together with providing brand building activity through social media and engagement with Chinese influencers. This activity will provide a strong base for our Tmall Flagship store launch in the 4th quarter of the financial year.

R&D pipeline

Ongoing investment in our pipeline is prioritised to delivering market leading probiotic-based solutions across our target health and wellness categories:

- Upper Respiratory /Immune health
- Dental health
- Skincare and personal care

In dental health we have seen growth in consumer interest for both bad breath solutions as well as solutions for teeth and gum health. We see exciting opportunities to drive innovation in the category based on our unique probiotic strains and, during the half year, have continued to progress novel formulations within our development programme.

Our skincare development programme has continued to progress at a pleasing rate. With extensive market research undertaken in both New Zealand and California delivering positive consumer feedback, we have now finalised the final product format and moved to detailed planning for the launch of our first skincare offer. We believe the skincare market provides a very attractive growth opportunity for the company.

Environmental, Social and Governance (ESG) practices

To support our commitment to robust ESG practices, an ESG Committee has been established, comprising staff from across the company. The Committee is tasked with identifying where change can be made that is meaningful and relevant to our stakeholders. By embedding and monitoring these changes we will be able to start a programme of reporting that provides greater transparency for stakeholders and complies with the future requirements for climate reporting. Our annual report will provide a full update on priorities and our progress across the following focus areas:

- Advancing health and wellbeing
- Be a valuable contributor to society
- Reduce our environmental impact
- Be a significant contributor to an innovation economy

Outlook

The COVID pandemic has impacted our business in a variety of ways, however we have been able to maintain growth and continue to progress of both new market and R&D pipeline opportunities that

set us up for a strong second half for FY21 and beyond. Consumer demand remains strong however the channel purchase preference has shifted strongly to online. Our customer base and our own BLIS® branded finished products are well positioned for this change in buyer behaviour.

The second half of the FY21 year will see the Canadian market launch as well as execution of key elements of our CBEC channel focus including the launch of our Alibaba Tmall flagship store. We are excited by the early success of our new UltraBLIS™ product and will launch the product on Amazon and into CBEC prior to March 2021.

Based on continued growth in product sales, investment into new markets and support of the R&D pipeline we reaffirm our guidance of sustained profitable growth while maintaining an EBITDA similar to the \$2.1m earned in FY20.

Ends

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About Blis Technologies Ltd

Delivering proven health benefits through evidence-based, advanced probiotics

Blis Technologies Ltd 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 and teeth and gum 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.