



ASX Announcement

28 February 2019

First Half 2019 (1H19) Company Financial Results

Wellness and Beauty Solutions Limited (ASX:WNB) (the 'company' or the 'Group') today reported a loss for the consolidated entity for the half year after providing for income tax of \$6.95M (31 December 2017: \$3.4M).

WNB Chairman Mr Angelos Giannakopoulos said "this result was impacted by the company's uncertain future early in the period and a number of issues identified post the acquisition of The Giving Brands Company Pty Ltd (GBCo) on 8 October 2018 and appointment of a new management team. A majority of the issues have been resolved or are being resolved."

"The company's cash position was strengthened by the injection of funds from a \$8.39M capital raise in October 2018 and provided the sufficient working capital for delivery of our strategic objectives as detailed at the company's Annual General Meeting on 28 November 2018. We have integrated the two operating businesses – our clinics and beauty brands – under the consolidated entity of WNB and established a sound foundation for the company into the future."

GBCo's beauty retail brands in-market performed strongly during the period, contributing revenue of \$0.85M since its acquisition.

The clinic network's revenue contribution during the half year was impacted by a number of factors including the sale of three clinics, significant disruption and uncertainty from the company's extended trading suspension, and the protracted time taken to complete the capital raising activities.

Extensive board and executive management changes, and the temporary closure of one clinic during a period of strategic review, also adversely affected the clinics' contribution to Group revenues. This was to a greater degree than was anticipated by the incoming directors and executive management. As a consequence, the Board has taken the prudent decision to write down \$3.4M in the value of acquisitions by the previous Board and management.

Ms Christine Parkes, appointed WNB Managing Director and Chief Executive Officer on 27 September 2018, said "the Group's focus in the second half is to drive improved financial performance from the clinic network, to extend in-market retail brands across more sectors and doors, and complete development of a number of new beauty brands targeting market release in 2019."

"Work is underway to reposition the clinic network. The clinics have been branded as *Immersion Clinical Spas* to reflect a broader offering, beyond the core non-invasive medical aesthetics (NIMA) services, to include professional tanning and spa treatments."

"As part of the transformation program, clinic staff are being engaged on delivery of our vertical integration strategy and the introduction of our proprietary beauty and wellness brands across the network. Training is underway to introduce spa services using our brands and we have refreshed the clinic aesthetics with a modest refurbishment achieved with painting and new flooring."

"While the turnaround of the clinic's performance has been slower than expected, our clear focus in 2H19 is to get all clinics in the network to a break even or cash positive position."

"Demand for GBCo's Jbronze tanning range remains strong in pharmacy and we are actively pursuing the opportunity to extend this brand into the grocery sector in 2019. Significant progress was also achieved to advance a number of new beauty brands that are targeted for market launch in 2019. These brands include ELLE

Colour Cosmetics, ELLE Kids and ELLE Baby ranges being developed under exclusive licence for the prestigious ELLE brand, through French-based Lagardère Active Enterprises¹. “

1H 19 Financial Performance

Revenue

Net revenue	1H19 (\$'000)	1H18 (\$'000)	Change
Total Face Group clinics (Discontinued)	376	1,351	-72%
Immersion Clinical Spas (Continuing)	5,003	8,568	-42%
The Giving Brands Company ¹	847	-	NA
TOTAL	6,226	9,919	-37%

¹The Giving Brands Company Pty Ltd was acquired on 8 October 2018

Total Face Group clinics (Discontinued operations)

Revenues from the clinic network were lower due to the sale of three clinics in August 2018. This resulted in a decrease of 72% in revenue contribution from these clinics compared to the previous corresponding period. At the time the clinics were sold by the previous Board and management, the Group's liquidity was weak. The sale of these clinics contributed cash to the ongoing operations and enabled the Group to continue trading whilst additional capital was raised

Immersion Clinical Spas (Continuing operations)

The impact of the company's extended trading suspension, the time taken to complete the capital raising activities, significant Board and executive management changes, and the temporary closure of one clinic during a period of strategic review contributed to a revenue decline of 42% from the Group's 10 *Immersion Clinical Spas* compared revenue recorded in HY18.

Giving Brands Company (GBCo)

GBCo was acquired on 8 October 2018 and its brand portfolio contributed revenue of \$0.85M post acquisition. This was consistent with expectations and the outlook for increased sales of GBCo brands in 2H19 is in line with the previously released annual forecast.

Operating expenses

Operating expenses from the continuing operations were 10% lower at \$9.16M compared to \$10.22M in the previous corresponding period. Corporate operating expenses were also lower and included a number of non-recurring expenses. A disciplined approach will be maintained to continue to drive a reduction in corporate overheads.

Non-recurring expenses

Non-recurring items in the Corporate operating expenses totalled \$0.93M and included losses from clinics sold, loss on equipment disposals, payment of staff entitlements to previous executive management employees, and GBCo acquisition costs.

¹ Lagardère Active is a business division of the Lagardère group, a global leader in content publishing, production, broadcasting and distribution, whose powerful brands leverage its virtual and physical networks to attract and enjoy qualified audiences. Lagardère is the owner of the [ELLE brand](#).

Impairments

An assessment of the carrying value of prior acquisitions against their operating performance resulted in an impairment charge to goodwill of \$3.41M for 1H19.

Cash flows

Net operating cash outflows of the consolidated entity in 1H19 were \$3.37M compared to \$0.36M in 2H18. Net cash inflows from financing activities in 1H19 were \$7.47M, primarily from capital raise activity, compared to \$1.01M in 1H18. The cash balance as at 31 December 2018 was \$5.73M, compared to \$0.82M in 1H18.

FY 2019 Outlook

The transformation program of our clinic network has begun and will be accelerated in 2H19. The company will focus on achieving stronger engagement by the *Immersion Clinical Spa* teams of the Group's vertical integration strategy and expanded service offering to substantially increase new and return customer numbers and deliver improved returns from all clinics.

GBCo is aggressively pursuing the numerous opportunities across the retail sectors for its current brands to deliver increased sales and solid revenue growth. Negotiations with large national retail outlets and an international distribution agent are well advanced and the company looks forward to announcing the outcome of these contract negotiations in the near future.

To deliver future growth, the Group is well advanced in new product development (NPD) of brands for ELLE and a major Australian department store that are targeted for retail launch in 2019. GBCo is working with AWW (Australian Women's Weekly) and Country Style to finalise brand ranges under development and programmed for market release in FY20.

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About Wellness and Beauty Solutions Limited

Wellness and Beauty Solutions has a network of 10 *Immersion Clinical Spas* in Australia and a suite of owned and licensed wellness, beauty and lifestyle brands.

Our suite of brands is sold to the professional and retail markets and include, Jbronze, Breathe and NailKALM, and products being developed in collaboration with ELLE, Country Style and the Australian Women's Weekly. Our network of 10 clinics provide non-invasive medical aesthetic and wellness and beauty services using a highly experienced team of doctors, aesthetic nurse consultants, dermal therapists and beauty consultants.