



Wattle Health announces acquisition of Brand Solutions Australia

Wattle Health Australia Limited (“Wattle Health” or “the Company”) (ASX: WHA) is pleased to announce that it has entered into a binding Asset Sale Agreement (**ASA**) to acquire the assets of leading brand and distribution businesses Brand Solutions Australia and Pharma Solutions Australia (together the **Business** or **BSA**) (**Proposed Transaction**). Representing this refreshed market position, a name transition to Wellnex Life will be put to shareholder approval.

Benefits of the acquisition

- BSA was established in 2010 and has a strong history of growing revenue and profitability, with circa \$14.5 million sales in FY20.
- The expanded portfolio of brands provides a diversified range of products in fast-growing consumer health and wellness sectors.
- BSA also provides access to more efficient manufacturing and speed to market whilst adding significant R&D capabilities for new product development.
- Extensive and experienced sales and marketing team with its own national Pharmacy field team.
- BSA has Joint Venture and supply relationships with major retail and supplier partners.
- BSA founder and principal director Zack Bozinovski joins Wattle as Executive Director and Chief Strategy Officer following completion of the Proposed Transaction.

Wattle Health will be hosting an investor briefing on Thursday 15 April at 1pm AEST where Executive Director, George Karafotias, will discuss the Proposed Transaction and provide a

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general investor update. Register here - <https://wattlehealth.investorportal.com.au/investor-briefing/>

Rationale for acquisition

BSA was established in 2010 and has become a respected Melbourne-based brand development, brokerage and distribution business. BSA owns and represents over 15 strategic brands in the health and wellness sector including distribution for brands such as Simply 7 and Compeed. The company's key sector experience includes servicing major supermarket and Pharmacy chains nationally. Its success in developing and promoting brands extends to international distribution partners. BSA currently represents the Wattle Health brands Uganic and Little Innoscents and had secured ranging for both brands in Chemist Warehouse and Australian Pharmaceuticals Industries (**API**) amongst other key customers it serviced on behalf of the Company.

Wattle Health Australia's Executive Director, George Karafotias, said,

"This acquisition remains true to what Wattle Health first set out to do – innovate, develop and grow sustainable Australian health and wellness products and share them with the world and ultimately provide shareholder value. BSA, with its product development expertise and strong retail customer relationships across Pharmacy and Grocery, positions us strongly to achieve this at greater scale – locally and globally. While the business pivots for future growth, we also remain a business proudly using Australian milk to produce nutritional and care products for all life stages."

"Another great outcome of this is welcoming BSA founder and Managing Director, Zack Bozinovski, as Executive Director and Chief Strategy Officer. Zack has previously held senior executive roles with numerous leading Australian businesses such as Uncle Tobys, Goodman Fielder, PepsiCo and Sigma Pharmaceuticals".

Proposed Transaction details

Wattle Health is buying the assets of BSA for a total \$2.75 million in cash and the issue of \$2 million in fully paid ordinary Wattle Health shares (**Shares**) at a deemed issue price of \$0.15

per Share. Wattle Health will also pay the vendors of BSA deferred earn out consideration (comprising cash and further Shares), subject to the performance of BSA, measured on EBITDA hurdles (see Annexure 1 for material details of the ASA). BSA has demonstrated growth in its revenue and profitability with circa \$14.5 million sales in FY20 and continued growth in FY21. Wattle Health is fully funded to execute the transaction and is well positioned to deliver on its business objectives throughout 2021 – and beyond.

The key terms of the Proposed Transaction are attached in the Annexure at the end of this announcement.

Completion of the Proposed Transaction under the Asset Sale Agreement is subject to the satisfaction of a number of conditions precedent, which are summarised in the Annexure.

These conditions include Wattle Health obtaining shareholder approval for a change in nature / scale of its business under ASX Listing Rule 11.1.2, amongst other things. The Company intends to seek these shareholder approvals (including approval to issue the consideration shares to the vendors under ASX Listing Rule 7.1) at its upcoming Annual General Meeting.

Transitioning to Wellnex Life

The combination of BSA's portfolio with Wattle Health's growing Uganic and Little Innoscents brands will further extend the company's influence in the Australian and global health and wellness markets.

To fully capture the dynamic nature of the business, a new name - Wellnex Life - is proposed. This boldly conveys the focus on better health and wellness outcomes and the ability to take authentic Australian innovation to the world. Most significantly, it reflects a deep commitment to develop sustainable products that enrich people's lives at every stage – from infants to seniors.

The logo for Wellnex Life features the word "WELLNEX" in a bold, dark blue, sans-serif font, followed by "LIFE" in a lighter blue, sans-serif font. The letter "I" in "LIFE" is stylized with a small blue heart shape above it.

The change of Company name will be presented at the upcoming Annual General Meeting. Upon shareholder approval, the new ASX ticker code will be WNX.

All this comes off the back of February's acquisition of the final 20% of the Little Innoscents skin-care brand, which recorded 47.7% growth throughout the COVID challenges of 2020 (period 1 July 2020 to 28 February 2021 compared to prior corresponding period).

Investor briefing

Wattle Health will be hosting an investor briefing on Thursday 15 April at 1pm AEST where George Karafotias will discuss the BSA acquisition and the benefits it brings in greater detail. Click the link below to register for the investor briefing.

<https://wattlehealth.investorportal.com.au/investor-briefing/>

We would also like to encourage all shareholders to register for electronic updates on our website by clicking on this link - <https://wattlehealth.investorportal.com.au/register-details/>

The release of this announcement has been authorised by the board.

ENDS

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Annexure

Key Terms of the Proposed Transaction under Asset Sale Agreement (ASA)

Term of ASA	Details
Assets being acquired	<p>The Company's wholly-owned subsidiary will acquire the businesses and assets of the Brand Solutions Australia business and the Pharma Solutions Australia business (Business).</p> <p>The Company will guarantee the performance of its subsidiary's obligations under the ASA.</p>
Conditions Precedent	<p>Completion of the Proposed Transaction under the Asset Sale Agreement (Completion) is subject to a number of conditions precedent being satisfied or waived (Conditions Precedent), being:</p> <ul style="list-style-type: none"> • the Company obtaining all shareholder approvals required under the ASX Listing Rules and Corporations Act for the Proposed Transaction and the issue of the Consideration Shares and Consideration Options (as described in further detail below); • the Company's shares being reinstated to quotation on the ASX; • the Sellers obtaining novation or assignment of certain material contracts of the Business; • the Company lodging a prospectus which includes an offer of the Consideration Shares (which are to be issued at Completion) to the Sellers; and • Key employees (including Business founder Zack Bozinovski) entering into employment agreements with the Company on agreed terms.
Consideration	<p>General</p> <p>The consideration payable:</p> <ul style="list-style-type: none"> • will be a combination of cash and the issue of new Shares (Consideration Shares); and • comprises an upfront consideration component (cash and Consideration Shares) and a deferred earn-out consideration component (cash and Consideration Shares), which will be payable progressively upon achievement of prescribed Business performance targets. <p>Upfront consideration payable at Completion</p> <p>The upfront consideration payable at Completion will be:</p> <ul style="list-style-type: none"> • the "Completion Amount", being: <ul style="list-style-type: none"> ○ \$2.75 million in cash (plus or minus Completion adjustments); ○ \$2 million to be satisfied through the issue of 13,331,667 Consideration Shares at a deemed issue price of \$0.15 per share; and • up to \$500,000 in cash to repay existing debt of the Business.

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	<p>Deferred consideration payable after Completion</p> <ul style="list-style-type: none"> • Subsequent to Completion, and subject to the continuous employment of founder Zack Bozinovski, Earn Out Amounts (described below) will be payable to the Sellers in respect of the Earn Out Periods (being FY22, FY23 and FY24), if certain EBITDA targets are met by the Business during those Earn Out Periods. • Earn Out Amounts will be paid in cash and through the issue of new Consideration Shares (which will be issued upon automatic conversion of the Consideration Options, as described below).
<p>Earn Out Amounts and Consideration Options</p>	<p>Consideration Options</p> <p>At Completion, the Company will be required to issue the FY22, FY23 and FY24 Consideration Options, which will each be convertible into Consideration Shares as part of the deferred earn out consideration payable to the Sellers during those FY22, FY23 and FY24 Earn Out Periods.</p> <p>Earn Out Amounts</p> <ul style="list-style-type: none"> • The Earn Out Amounts are calculated for each Earn Out Period by comparison of the actual EBITDA performance of the Business for that financial year against a target EBITDA of \$791,667 (EBITDA Hurdle). • If the actual EBITDA (as determined by the Company's auditor) for an Earn Out Period is less than or equal to the EBITDA Hurdle, no Earn Out Amount is payable and no Consideration Shares can be issued pursuant to the corresponding Consideration Option. • If the actual EBITDA for an Earn Out Period is greater than the EBITDA Hurdle, an Earn Out Amount equal to: (6.0 x EBITDA for the relevant Earn Out Period less the Completion Amount) x 50%, is payable for that Earn Out Period. <p>The Earn Out Amounts will be payable in a combination of cash and Consideration Shares, as follows:</p> <ul style="list-style-type: none"> • in respect of each Earn Out Amount, 25% must be paid in cash, and 75% must be paid to the Sellers in Consideration Shares (via the automatic conversion of the Consideration Option corresponding to that relevant Earn Out Period, at the Conversion Price). • The Conversion Price for each Consideration Option will be the lower of: <ul style="list-style-type: none"> ○ the VWAP of Shares over the 5 day period ending the due date of payment of the relevant Earn Out Amount; or ○ if any capital raisings are undertaken by the Company in the 6 month period prior to the due date of payment of the relevant Earn Out Amount, the lowest price paid for Shares under those capital raisings, provided that the Conversion Price will be no less than \$0.15 per Share.
<p>Other terms regarding Consideration Shares and Options</p>	<ul style="list-style-type: none"> • The Company intends to seek shareholder approval under ASX Listing Rule 7.1 for the issue of the new Consideration Shares and Consideration Options. • All Consideration Shares will be subject to 12 month voluntary escrow restrictions from their date of issue. • Despite any other provision of the ASA, the number of Consideration Shares to be issued to the Sellers (together with the Shares already held by the

	Sellers) must not exceed a combined holding of 19.9% of the Company's issued Share capital.
Warranties	The ASA contains warranties and indemnities from the Sellers and Buyer which are considered standard for an agreement of this nature. The period within which a warranty claim can be made by the Company is 18 months from Completion.
Sellers' costs	The Company agrees to pay the Sellers' reasonable costs of the Proposed Transaction, capped at a maximum of \$100,000.
Termination and break fee	<p>Either the Sellers on one hand, or the Buyer on the other hand, has the right to terminate the ASA if:</p> <ul style="list-style-type: none">• the Conditions Precedent are not satisfied by 30 June 2021 (or such later date agreed by the parties); or• the Sellers or the Buyer (as applicable) fails to comply with their obligations to complete the Proposed Transaction (after it becomes unconditional). <p>The Company will pay the Sellers a break fee of \$250,000, if the Proposed Transaction is terminated other than as a result of the Sellers failing to comply with their obligations to complete the Proposed Transaction (after it becomes unconditional).</p>
Non-Competition	The Sellers and Zack Bozinovski, have each agreed not to compete and to use all reasonable efforts to procure that its associates do not compete with the Business from Completion up until payment of the FY24 Earn Out Amount (unless terminated earlier).
Appointment to Board	Subject to Completion, the Company has agreed to appoint Zack Bozinovski as a director of the Company.