

Half-Year Report and Trading Update

Highlights

- Revenue for the first half of FY24 was \$5.7 million with all revenue derived from Company's owned brands and IP licensing.
- Wellnex has pivoted away from all previous business involving brokerage at the commencement of FY24 effecting the revenue for this period which was further impacted by the delay in the Pain Away acquisition
- Loss from operations was \$9.8 million which was primary driven by non-cash expenses of \$3.3 million and one-off expenses involving Pain Away transaction and inventory provisions of \$1.8 million.
- Net Assets of the Company up to \$6.5 million including a 60% increase in inventory holdings to \$5.0 million
- Strong start to the second half of FY24 with brand sales for the first 2 months of \$2.3 million at a margin of 45%.
- February brand sales were \$1.43 million and an operating profit \$301,000,
- Sales for March are budgeted to be \$1.7 million in brand and a further \$800,000 in IP licensing revenue.
- Strategic decisions made in the first half of FY24 coupled with the completion of the Pain Away transaction has transformed the Company where we will see increasing revenue, margins and profitability.

Wellnex Life Limited (**Wellnex, WNX or Company**) (ASX:WNX) is pleased to release its half year report and provide a trading update.

Half-Year Report

Revenue for the period was \$5.7 million, which was a decrease of 57% on the prior corresponding period. The decrease in revenue was expected as the Company exited from its historical brokerage business which generated significant revenue but did not provide any long-term value to shareholders. The brokerage business also distracted the Company from focusing on developing and growing its own brands.

IP licensing for the period also slowed, but we are seeing growth for the remainder of FY24, with additional supply partner launches.

The delayed settlement of Pain Away impacted the financial performance of the business during this period but has contributed to the Company recording its first operating profit in February.

The loss for the period of \$9.8 million was predominately because of non-cash impairments and expenses of \$3.3 million, one-off expenses of \$1.2 million in the acquisition of Pain Away and \$0.6 million in inventory provisions for non-continuing brands not owned by the Company. The loss for the period after adjusting for provisions, one-off expenses and non-cash expense was on par to the prior corresponding period despite the significant decrease in revenue

The net assets of the Company at the completion of the period was \$6.5 million, which is a significant increase from 30 June 2023 (\$0.6 million), which is mainly attributable to the completion of the Pain Away transaction.

The balance sheet will be further strengthened by the completion of a \$3.0 million placement with Pearl Funds Management at \$0.028 per share and 1:3 attaching option at \$0.05 expiring 30 June 2025. The first tranche of \$1 million has been received by the Company with the balance to be received in March 2024.

The Company is still pursuing a total of circa \$2.2 million through the administrator of Corio Bay Dairy Group for preferential creditor payments. The administrator has commenced mediation hearings with the relevant parties. Three parties have settled with funds held by the administrator and with a final dividend to be paid to the Company on the finalisation of all claims. As at 31 December 2023, no receivable asset is recognised with respect to these claims.

Trading Update

The benefits of the Pain Away transaction since completion in December 2023, have materialised and has justified the acquisition.

Sales of the Company's brands for the month of January and February was \$2.3 million, with February accounting for \$1.4 million of the sales. January is a traditionally a slow month, so we anticipate sales of our brands to average between \$1.5 - \$1.8 million per month for the remainder of FY24, with a budget of \$1.7 million for March.

The Company's focus in concentrating on our own brands and exiting the brokerage business has resulted in margins increasing from a historically 20% to an average of 45% for January and February.

This turnaround has resulted in the Company posting its first monthly operating profit for the month of February of \$301,000.

IP licensing slowed down in the first half of FY24, but we are seeing this improve with new products and territories coming online throughout CY24. The Company has already invoiced \$0.8 million in March (which is an addition to the budgeted \$1.7 million in brand sales) which will increase over the remainder of FY24 and beyond.

CEO, George Karafotias said, *"The first half of financial year 2024, while it had its challenges, was a pivotal moment for the Company. In the last 6 months we acquired the Pain Away business and transformed the Company into a totally focussed branded business. There is a strong Company focus to generate quality revenue that will add to the profitability of the organisation. Achieving our first operating profit in February is evidence we are on the right track with our aim and expectation to keep growing our margins and profits for the rest of this financial year and beyond."*

- ENDS -

This ASX announcement has been authorised by the Board of Wellnex Life Limited (WNL.ASX).

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About Wellnex Life

Wellnex Life Limited (ASX: WNX) is a consumer healthcare business with a track record for developing, licensing, and marketing registered products and brands to customers in the growing healthcare market segment. Since listing in 2021, Wellnex Life has successfully launched a host of brands and products now ranged in major retailers in the healthcare market space, pharmacies and supermarkets included. Its distribution arrangements have seen Wellnex Life secure significant licensing arrangements with major pharmaceutical companies in Australia and globally that have given the company's registered products a distribution channel with a steadily increasing global geographic footprint.

Wellnex Life has more recently agreed to acquire leading Australian topical pain relief brand Pain Away. Its addition to Wellnex Life's product offering both compliments and accelerates the potential growth of the company's business operations. This transformational acquisition gives added impetus to Wellnex Life's financial growth and scale and reinforces its place as a major and respected participant in the growing healthcare market, both in Australia and overseas.

To learn more, please visit: www.wellnexlife.com.au/

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