

Wellnex Life Limited (ASX:WNX)

Q3 FY24 Quarterly Report and Appendix 4C

Positive Operating Cashflow

Key Highlights

- Cash Receipts for the quarter was \$3.12 million with receipts from Pain Away commencing in February
- First operating positive cashflow recorded for a quarter of \$304,000, compared to -\$2.55 million in the previous quarter
- Increasing brand sales with the acquisition of Pain Away has increased margins for this quarter to 32% compared to 13% from the prior corresponding period
- Appointment of industry experts to the board of Wellnex increasing its experience and corporate governance
- UK approval received for Wellnex's TGA registered paracetamol soft gel liquid analgesic to commence sales in the UK with Haleon
- Wellnex signed an international distribution agreement with Homart Pharmaceuticals to take Wellnex's brands into Asia

Wellnex Life Limited (ASX:WNX) ("**Wellnex**" or "**Company**") is pleased to provide the following operational update along with its Appendix 4C for the quarter ended 31 March 2024 ("**Q3 FY24**").

Strong Cash and Revenue

Cash receipts for Q3 FY24 was \$3.12 million with net operating cash inflow for the period was \$0.3 million, with cash receipts to increase in the coming quarters with a full quarter of Pain Away receipts and Haleon recommencing orders during the quarter.

Wellnex, during the quarter and after the acquisition of Pain Away, implemented a restructure of the business resulting in operational savings of circa \$1.5 million in annual costs. This has not impacted the operations of the business but is a result of the business being able to put all resources to continue to grow our brands.

The acquisition of Pain Away and the continued growth of all other brands has resulted in margins increasing from 13% in the prior corresponding period to 32% in the current quarter. This reflects the company's revenue being predominately generated from Wellnex's high margin brands.

Wellnex Life Limited

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The Company had available funding at the end of the quarter of \$4.6 million with an additional \$1 million in a placement received in April 2024.

In addition, the Company through the administrator of Corio Bay Dairy Group (CBDG) continues to pursue preferential creditor claims with proceedings commenced. There remains circa \$1.9 million in claims that have commenced mediation.

Marketing Cost for the quarter was circa \$0.24 million down from \$0.4 million in the previous quarter and inventory purchases was circa \$1.15 million.

Transaction costs of \$0.5 million was associated costs with the Pain Away transaction and the placement conducted in the March.

Payments made to related parties as outlined under Section 6.1 of the Appendix 4C relate to the director fees and salaries paid during the quarter.

Board Changes

Wellnex during the quarter strengthened the board with key appointments that will bring the Company industry experience and enhanced corporate governance. The key appointment of Chair has been filled by Chemist Warehouse director, Mr Mario Tascone.

The other key appointment was, Mr Andrew Vidler and Mr Jeffrey Yeh with a combined experience of over 50 years in the consumer health industry.

UK Approval

As announced on 29 June 2023, Wellnex and Haleon agreed to extend its existing arrangement for the Australian market, by increasing the product offering and territories to take advantage of the unique and innovative products Wellnex has received TGA approval in the Australian market.

During the quarter, Haleon received UK approval for the paracetamol soft gel liquid analgesic to commence sales in the UK under the Panadol brand, with first sales expected to commence in FY25.

International Distribution

Wellnex signed an exclusive international distribution agreement with Homart Pharmaceuticals for Wellnex's brands to be distributed into the Asian markets.

Homart for over 30 years has built a successful distribution network for all its own brands into the Asian market, predominately into China, Taiwan and Vietnam which will provide opportunities to Wellnex to generate significant sales in this lucrative market.

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Corporate

Wellnex during the quarter completed a placement on the same terms as the entitlement issue for the acquisition of Pain Away , with the balance of \$1 million of the placement completed in April.

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

For further information, please contact:

Wellnex Life Limited (ASX:WNX)

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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 acquired 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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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

WELLNEX LIFE LIMITED

ABN

77 150 759 363

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,126	10,210
1.2 Payments for		
(a) research and development	(103)	(180)
(b) product manufacturing and operating costs	(1,455)	(8,855)
(c) advertising and marketing	(241)	(1,032)
(d) leased assets		
(e) staff costs	(870)	(2,473)
(f) administration and corporate costs	(320)	(967)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
1.5 Interest and other costs of finance paid	(183)	(590)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (GST refund/(paid))	350	442
1.9 Other (costs for CBDG administration)	-	-
1.9 Net cash from / (used in) operating activities	304	(3,443)

*Product manufacturing of circa \$1.5 million for the launch of Pharmacy Own and the launch of Nighty Night and new products for Wakey Wakey

**Circa one off marketing expenses of \$400,000 for the preparation for the launch of new Wakey Wakey lines and Nighty Night

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	(1,941)	(15,420)
(c) property, plant and equipment	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) investments	-	(66)
	(e) intellectual property	(10)	(142)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	104
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Loan repayment from other entity	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash acquired from CBDG Administration)	-	(11)
2.6	Net cash from / (used in) investing activities	(1,951)	(15,535)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,250	17,880
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(532)	(2,275)
3.5	Proceeds from borrowings	1,252	6,771
3.6	Repayment of borrowings	(1,315)	(3,532)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Share applications to be refunded	-	-
3.9	Other (repayment of lease liabilities)	-	-
3.10	Net cash from / (used in) financing activities	1,655	18,845

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	583	1,780
4.2	Net cash from / (used in) operating activities (item 1.9 above)	304	(3,443)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,951)	(15,535)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,655	18,845
4.5	Effect of movement in exchange rates on cash held	0	(0)
4.6	Cash and cash equivalents at end of period	591	1,646

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	455	447
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (funds held in trust)	136	136
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	591	583

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	146
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,300	(1,268)
7.2 Credit standby arrangements	-	-
7.3 Other (Director's loan)	2,513	(2,513)
7.4 Total financing facilities	7,813	(3,781)
7.5 Unused financing facilities available at quarter end		4,032
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
Secured Revolving Trade and Debtor Facility with Scottish Pacific of \$5.3 million Term: Minimum of 24 months (July 2023) Interest Rate: BBSY plus 4%.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	304
8.2 Cash and cash equivalents at quarter end (item 4.6)	591
8.3 Unused finance facilities available at quarter end (item 7.5)	4,032
8.4 Total available funding (item 8.2 + item 8.3)	4,623
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
N/A	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
N/A	
8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
N/A	
<i>Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

30 Apr 2024

Date:

The Board of Directors

Authorised by:
 (Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.