

## ASX ANNOUNCEMENT

### CELLMID ACQUIRES BLC COSMETICS TO CREATE LEADING ANTI-AGEING HEALTH AND BEAUTY TECH COMPANY

- **Cellmid to acquire highly synergistic health and beauty business:** Cellmid signed a share sale agreement to acquire 100% of BLC Cosmetics Pty Ltd (BLC), an exclusive distributor for established premium health and beauty brands, in a deal including cash and shares in two tranches.
- **BLC is profitable with around \$7 million revenue<sup>1</sup> and growing:** BLC's revenue continued to grow in FY2021 despite a pandemic affected year, largely driven by its professional distribution channels. It is expected that this will be enhanced by Cellmid's inhouse e-commerce capabilities in FY2022 and beyond.
- **Top line synergies to accelerate revenue growth:** The merged business will have synergistic distribution channels and opportunities for cross selling into the respective professional and retail customer base.
- **Increased scale and accelerated path to profitability:** The merged entity will have double the revenue of the existing business with significant opportunities for cost savings, driving profitability.
- **No capital raising.** Cellmid is fully funded and will be making cash payment related to the deal from its reserves without any further capital raising.

**SYDNEY, Thursday, 16 September 2021: Cellmid Limited (ASX: CDY)** is pleased to advise that it has signed a share sale agreement (SSA) with HGL Limited (ASX: HNG), to acquire 100% of the shares in BLC Cosmetics Pty Ltd (BLC), on the following terms:

#### Tranche 1

Cellmid will pay a total of \$3 million on settlement, expected in late October 2021, which represents an EBITDA multiple of six on BLC's projected FY2021 earnings of \$500K, as follows:

- \$1 million will be payable in cash from the Company's existing cash reserves.
- The remaining \$2 million will be paid by the issuing of 32,786,885 shares at 6.1 cents each, a 20% premium to the Company's share price at the time of signing.
- The shares will be issued under Listing Rule 7.1, subject to shareholders' approval and will be voluntarily escrowed for a period of 24 months. The share issue represents 15% of the post-issue capital of Cellmid.

#### Tranche 2

Should there be an increase in BLC's EBITDA between FY2021 and FY2022, Cellmid will also pay Tranche 2 after October 2022. Tranche 2 will be calculated as three times the incremental

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<sup>1</sup> BLC's financial year ends 30 September 2021. The \$7M revenue is unaudited.

growth between a base FY2021 EBIDTA of \$500K, and BLC's FY2022 audited EBIDTA. Any Tranche 2 payment will be made in cash and shares as follows:

- The first \$700K will be payable in cash and is expected to be paid from the Company's reserves at the time.
- The remaining amount is payable in shares issued at a price which is the lower of 9 cents or the VWAP over the previous 30 days prior to the issue.
- The number of shares to be issued under Tranche 2 is capped at 50 million and will be subject to shareholders' approval at the time.
- Tranche 2 shares will be subject to 12 months voluntary escrow.
- If the value of the Tranche 2 payment exceeds the aggregate of \$700K in cash and 50 million shares the excess will also be settled in cash.
- Should there be no growth in BLC's EBITDA in FY2022, there will be no second tranche payment made to HGL Limited.

### **Timing and settlement**

Cellmid will call a general meeting of shareholders to seek approval of the share issue under Listing Rule 7.1. Due diligence has been completed by the parties and there will be no other pre-condition to the acquisition. The transaction is expected to be completed at the end of October 2021. Upon settlement HGL Limited will nominate a non-executive director to the Cellmid board. Cellmid's existing senior management will remain in place and BLC's current CEO, Nikki Somerset, will retain her role following the acquisition. Cellmid's board unanimously support the transaction and between them own 12.6% of the Company's shares.

Separately to the transaction, but with the same effective date, Sarah Eck-Thompson will cease to be an alternate director to Dennis Eck.

### **Acquisition a major milestone in Cellmid's growth strategy**

The acquisition of BLC is a major milestone in Cellmid's growth strategy to build a profitable, market leading anti-aging health and beauty tech company with premium products across hair care, skin care and supplements. Cellmid already has a strong proprietary product and technology portfolio, including the évolis® brand of clinically validated hair care products, with a global distribution footprint. The merger with BLC will not only expand Cellmid's product range in premium skin care, it will also enable synergistic revenue growth opportunities through shared sales channels. Importantly, with an expanded product range, the larger Cellmid will be able to fully utilize its recently established e-commerce capabilities, where achieving scale is significantly enhanced by the merged product offering.

BLC is a profitable business with exclusive long-term distribution rights for established premium, international health and beauty brands. It has a strong sales network throughout Australia to distribute into professional beauty channels, including over 500 beauty salons. Expecting around \$7 million in revenue in FY2021 (year ending 30 September 2021) it is likely to book close to 20% growth on the previous financial year despite extensive disruptions from lockdowns. BLC's brand portfolio includes leading global cosmeceutical skin care brands such as HydroPeptide and Piori as well as a synergistic portfolio of prestige European professional anti-ageing brands including Thalgo and Comfort Zone. BLC's success has been built on the mutual support between the company, its people and its brands which will continue under the same management in the combined Cellmid group.

The acquisition of BLC will create a leading health and beauty tech company with premium brands across both hair and skin care, a global distribution footprint and strong sales capabilities into the professional beauty network in Australia and New Zealand with inhouse e-commerce capabilities. Key areas of synergies likely to deliver revenue growth include cross-selling of Cellmid's own brands into BLC's professional channels in Australia and New Zealand, offering BLC's brands to Cellmid's customer base, cross promotion on the combined digital platforms with the view to creating an exclusive, technology and an information driven marketplace for prestige anti-aging brands. Operational synergies have been identified to deliver savings in warehousing, shipping and fulfillment as well as in administration.

HGL Limited, the owner of BLC, is a diversified investment company with a focus on driving shareholder returns by investing in a broad range of opportunities across private equity, listed equities, funds management, real property, debt funding and other alternative investments.

"The acquisition of BLC will enable us to effectively double our revenue immediately, progress towards profitability and achieve the necessary scale in the market to cross-sell our premium product range in our joint distribution channels." said Cellmid CEO, Maria Halasz.

"The merger between Cellmid and BLC is a highly synergistic transaction that is likely to far outperform the individual growth potential of either of the standalone companies. HGL is looking forward to supporting the combined business through its long-term growth trajectory" said Chairman of HGL Limited, Sandy Beard.

Approved for release by the Board of Directors.

**Investor Enquiries:**

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**Cellmid Limited (ASX: CDY)**

Cellmid is a health and beauty-tech business growing shareholder value through the global distribution and sales of its proprietary brands of differentiated, clinically validated anti-aging solutions. Cellmid is engaged in the development and sale of first in class, best in class, clinically validated anti-aging products for hair, skin and body. For further information, please see [www.cellmid.com.au](http://www.cellmid.com.au) and [www.evolisproducts.com.au](http://www.evolisproducts.com.au).

**Forward looking statements**

This announcement may have forward-looking statements that are subject to risks and uncertainties. Such statements involve known and unknown risks that may cause the actual results, performance or achievements of Cellmid to be materially different from the statements in this announcement. Actual results could differ materially depending on factors such as the availability of resources, regulatory environment, the results of marketing and sales activities and competition.