

Holista Colltech Limited

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Appendix 4C and Activities Report: Encouraging Finish to 1H22 with quarterly sales receipts at new record highs

ASX Announcement

28 July 2022

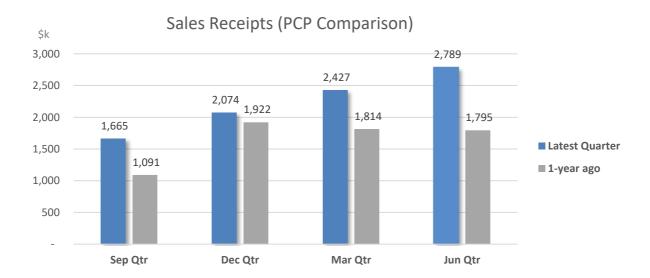
Highlights:

- Quarterly sales receipts hit a fresh high of \$2.8m (+55.4% over pcp)
- Operating cash flow improved despite step-up in investments to build inventory to protect against inflation and supply chain disruptions
- 1HFY22 revenue expected to be around 26% higher than last year at \$4.5m (subject to final audit)
- Holista's largest business, Health Supplements, was a standout with June quarter sales up >38% pcp
- Positive full year outlook with multiple growth opportunities (e.g., new product innovations and further potential sales to Berjaya Group of companies)

Holista Colltech Limited (ASX: HCT, "**Holista**" or "the **Company**") is pleased to provide the following quarterly update and commentary on its Appendix 4C for the three months to 30 June 2022 (2QFY22).

Summary of cash position

Holista's operating cashflow improved as customer sales receipts hit a fresh high in the latest quarter of \$2.8 million. This represents an increase of 55.4% over the previous corresponding period (pcp), meaning 2QFY22 vs. 2QFY21, and 14.9% quarter-on-quarter (QoQ), meaning 2QFY22 vs. 1QFY22.



Operating cash outflow in the June quarter was \$117,000, which is less than half that of the pcp and QoQ when outflow reached \$372,000 and \$354,000, respectively.

What is notable about the improved operating cash flow was this was achieved despite a larger-than-normal advance ordering of raw materials in response to strong and growing forward orders for its products and supply chain disruptions.

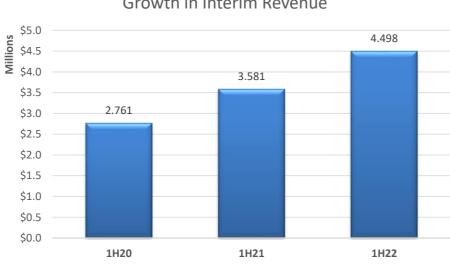
Holista's cash and cash equivalent holdings at the end of the quarter was \$0.7 million, a decline over 1QFY2022 due to debt repayments and the large investment in inventory as outlined above.

As detailed in Item 6.1 of the accompanying Appendix 4C, the Company paid \$158,000 in relation to overhead reimbursement costs, consulting fees and directors remuneration to its related parties and associates.

Operating activities

Subject to the final external audit, total sales across all Holista's divisions came in at \$1.9 million in the June quarter, which represents an 8% increase over the pcp.

The strong finish to the June quarter puts Holista in a good position to deliver a circa 26% increase in interim revenue to \$4.5 million when it releases its 1HFY22 results next month. This figure is subject to final audit.



Growth in Interim Revenue

The growth momentum in the first half is persisting into the current half, and to ensure the Company can meet future demand for its products and to overcome the rising costs and supply chain challenges, Holista stepped up the purchase of quantities of raw materials.

As a result, product manufacturing and operating costs increased by \$56,000 QoQ to \$1.5 million in the June quarter, but the Company still managed to deliver an improved operating cash flow. It's worth noting that Holista also invested heavily to build inventory in the March quarter.

Other major expenses include \$774,000 in staff costs and \$382,000 for administration and corporate costs.

Divisional performance

Holista's Health Supplements division was the largest contributor to total revenue as quarterly sales increased 38.4% over the pcp to \$1.5 million. The Company continued to leverage its market leading brand position to capitalise on the strong ongoing demand for health supplements in the wake of the COVID-19 resurgence. Sales of Holista's recently launched water soluble vitamin D product also contributed to this growth.

The Company's Food Ingredients division recorded sales of \$386,000 in the June quarter, which is slightly below sales of \$427,000 in the pcp. Delays in shipment to the US due to port congestion and disruptions in global supply chains were the primary reasons for the dip in sales.

Importantly, the decline in sales reflects a timing issue and not a loss of sales. Holista is expecting this division to rebound in the current half.

Meanwhile, the Ovine Collagen division did not record sales in the latest quarter as Behn Meyer Thailand did not make any purchases in the period. The international conglomerate is contractually obligated to purchase at least four more tonnes of Holista's collagen product before the end of 2022.

The Infection Control division, which is the newest division in the Group, did not register any sales in the quarter as Holista is focusing its efforts on the B2B markets.

The underperformance of the Infection Control and Ovine Collagen businesses will not have a significant financial impact on Holista as both contributed less than 6% to FY21 group revenue.

Investing and financing activities

The \$5,000 cash outflow from Investing Activities in the June quarter was for the purchase of office equipment.

Holista also recorded a \$350,000 net outflow from Financing Activities as it pays down debt, with the amount reflecting the difference between what it received and what it repaid in trade financing during the period.

Outlook

Holista is in a sound position to deliver an improved 1HFY22 result next month. The unaudited sales from the past two quarters suggest the Group revenue will be around a third higher than the same period last year.

The outlook for the full year is positive as Holista has multiple avenues to grow the business. These include:

- Continued momentum in Health Supplements: Holista's largest division is expected to deliver further growth as the Company sees continued demand from consumers for its products.
- Relationship with Country Farms/Starbucks: Holista is working closely with Berjaya Group (the owner of Country Farms and several international franchise brands in Malaysia) to ramp up sales of its Health Food Ingredients to the group following initial sales of GI LiteTM for Starbucks Malaysia and 80LessTM for Country Farms, as announced to the market in April this year.
- New products: The recent introduction of new products, such as the all-natural Nano Silver Disinfectant and water-soluble vitamin D, and the upcoming launch of

other innovations, are expected to contribute positively to Holista's Supplements and Infection Control divisions.

Strategies to manage volatility: Holista is well placed to manage inflation and supply chain challenges in this volatile environment thanks to the significant investment it has made in building its inventory of raw materials in 1HFY22, and other cost saving measures implemented over the past several months.

This announcement has been approved by the Board of Directors.

-ENDS-

About Holista Colltech Limited

Holista Colltech Ltd ("Holista" or "the Company") is an innovator in health and wellness solutions based in Perth, Western Australia. It is listed on the Australian Securities Exchange (ASX:HCT).

Holista's core business divisions are Dietary Supplements, Healthy Food Ingredients, Ovine Collagen and Infection Control Solutions. The suite of health and food related solutions, combines the best of nature and science to address evolving needs in order that people may live healthier lives.

Key products include one of the market-leading and best-selling health supplements, low-GI food ingredients used by leading food manufacturers, disease-free ovine collagen, all-natural and non-toxic effective sanitisers for consumers and industrial applications.

Over the years, the company has successfully developed and patented leading technologies in the field of Global Health and Wellness Industry.

Holista is passionate about combining economic success with enriching lives for a sustainable future.

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Appendix 4C Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

HOLISTA COLLTECH LIMITED (ASX: HCT)	

ABN	Quarter ended ("current quarter")
24 094 515 992	30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,789	5,216
1.2 Payments for	-	-
(a) research and development	(11)	(38)
(b) product manufacturing and operating costs	(1,489)	(2,922)
(c) advertising and marketing	(197)	(416)
(d) leased assets	-	-
(e) staff costs	(774)	(1,493)
(f) administration and corporate costs	(382)	(701)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(15)	(32)
1.6 Income taxes paid	(38)	(85)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	(0)	-
1.9 Net cash from / (used in) operating activities	(117)	(471)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:	-	-
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(5)	(51)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	31
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	(0)	-
2.6 Net cash from / (used in) investing activities	(5)	(20)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities 3.5 Proceeds from borrowings	-	-
<u> </u>	959	1,947
3.6 Repayment of borrowings	(1,309)	(1,971)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	(0)	-
3.10 Net cash from / (used in) financing activities	(350)	(24)

4. Net increase / (decrease) in cash and cash		
equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,149	1,213
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(117)	(471)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(5)	(20)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(350)	(24)

ASX Listing Rules Appendix 4C (17/07/20)

Page 2

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4.5 Effect of movement in exchange rates on cash held	22	1
4.6 Cash and cash equivalents at end of period	699	699

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	449	649
5.2 Call deposits	250	500
5.3 Bank overdrafts	-	-
5.4 Other (Restricted cash)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	699	1,149

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	158
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

7. Financing facilities

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 Total financing facilities

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
427	427
659	329
1,086	757

7.5 Unused financing facilities available at quarter end

329

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.

Loan facilities

The bankers' acceptance bears interest of 3.69% (2021: 3.43%).

The term loan is repayable over 240 monthly instalments (principal plus interest) of \$2,882 (2021: \$2,923) which commenced on 1 October 2020. The term loan bears interest rates of 3.75% (2021: 3.50%) per annum. Both facilities are secured by the following:

- ·Fixed deposits with licensed banks of the Group and the Company;
- •Facility agreement
- •First party assignment over the office lots of the Company;
- Deed of assignment of rental proceeds;
- •Executed fresh letter of authorisation, memorandum of deposit and letter of off-set;and
- •Guarantee by a director of the Company

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(117)
8.2 Cash and cash equivalents at quarter end (item 4.6)	699
8.3 Unused finance facilities available at quarter end (item 7.5)	329
8.4 Total available funding (item 8.2 + item 8.3)	1,028
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	8.79
Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as for the estimated quarters of funding available must be included in item 8.5.	"N/A". Otherwise, a figure

3.6	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
	Answer:
	N/A
	8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to
	Answer: N/A
	8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives
	Answer:
	N/A
	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.

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.

Date:	28/7/2022
Authorised by: .	By the Board
	(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.