

19 November 2019

## All Regions Experiencing Sales Growth

Blis reports all regions experiencing sales growth. Key highlights for six months to 30 September 2019 include:

- Trading revenue for the period was \$5.2m an increase of 77% compared to the same period last year
- EBITDA profit for the period was \$1.0m
- Australian product launch achieved strong retail support
- BLIS branded finished products on Amazon USA platform delivered solid revenue growth
- Regulatory approvals:
  - BLIS M18 FDA Generally Accepted as Safe (**GRAS**) “No Objection” approval
  - BLIS M18 Health Canada approval with strong claims
- Successful senior management recruitment programme
- Pipeline progress:
  - Novel delivery formats for our probiotic strains
  - Formulation and assessment of a topical skin format for BLIS Q24
  - Continued evaluation of Blis’ microbial library for new product opportunities

Blis CEO, Brian Watson commented “We are very pleased with the performance in the first six months of the year. We achieved strong revenue growth across all our trading regions and maintained the profitability of the business following our maiden profit last financial year. Our continued investment in marketing activity and R & D is driving a robust sales pipeline. Our deliberate weighting of investment into new markets in the second half of the financial year will see a focus on developing a China Cross Border e-Commerce sales channel and planning for a launch of the BLIS range into the Canadian market”.

## Regional performance

During the half year all regions saw sales growth compared with HY19.

Asia Pacific (incl. New Zealand) sales grew by 50% to \$1.8m. The period included the first autumn and winter of the distribution relationship with iNova Pharmaceuticals (Australia) Pty Limited (**iNova**) in Australia. Order fulfilment spanned both the end of the prior financial year and the first half of the current financial year. iNova’s pharmacy ranging capability, education of pharmacy staff and building of consumer brand awareness has provided an excellent platform for ongoing success in this important growth market. New Zealand sales have performed well compared with the same period last year, delivering robust growth. The Japanese market has also had consistent ordering from the established customer base.

Sales in Europe increased by 84% to \$2.4m compared to the prior period. This growth reflects the underlying strength of a number of existing markets in the region and building sales in several new markets. We have seen earlier ordering patterns by some key customers leading into the European winter than was experienced last financial year.

North American sales increased by 126% to \$1.0m during the period. This growth reflects both solid ingredient orders as well as consistent growth in BLIS branded finished products on the Amazon platform.

## Growth initiatives and R&D

Our eCommerce focus has continued to deliver results. Through targeted investment we have seen strong growth in the Amazon US channel. Our own eCommerce platform has been upgraded to a Shopify platform including an order subscription service for customers.

We continue to invest in developing our future pipeline unlocking market access, enhancing the evidence base for our products and driving R & D output. Our New Product Development process has delivered on some important milestones including progress being made on BLIS Q24 and deeper screening of our microbial strain library being undertaken. Four new clinical trials were published<sup>1</sup> further strengthening the evidence base of our products.

The company's continuing growth has led to the decision to strengthen the management team with the recruitment of Frank Spiewack as our Commercial Director, Dr Elliott Dunn as Science Manager – Research and Leo Wolff to the role of eCommerce lead.

We have engaged a panel of external experts in the dental field and held our first focused advisory meeting seeking feedback on our scientific and commercialisation focus in the dental health area. This process has validated the strength of product offer and the opportunities for growth.

It was particularly pleasing to receive validation of our marketing activity with the brand campaign winning the Health and Beauty sector award at TVNZ marketing awards. The campaign was designed to lift awareness and understanding of the novel ThroatGuard PRO proposition and resulted in the brand establishing itself as the number 1 product in the Throat Lozenge Category in New Zealand pharmacies.

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<sup>1</sup> The four published clinical trials are:

1. Pilot study to explore the prophylactic efficacy of oral probiotic *Streptococcus salivarius* K12 in preventing recurrent pharyngo-tonsillar episodes in pediatric patients. Marini G, Sitzia E, Panatta ML, De Vincentiis GC. *Int J Gen Med*. 2019 Jun 5;12:213-217. doi: 10.2147/IJGM.S168209. eCollection 2019.
2. Effects of *Streptococcus salivarius* K12 with nystatin on oral candidiasis-RCT. Hu L, Mao Q, Zhou P, Lv X, Hua H, Yan Z. *Oral Dis*. 2019 Sep;25(6):1573-1580. doi: 10.1111/odi.13142. Epub 2019 Jul 26.
3. A single-centre investigator-blinded randomised parallel group clinical trial to investigate the effect of probiotic strains *Streptococcus salivarius* M18 and *Lactobacillus acidophilus* on gingival health of paediatric patients undergoing treatment with fixed orthodontic appliances: study protocol. Kaklamanos EG, Nassar R, Kalfas S, Al Halabi M, Kowash M, Hannawi H, Hussein I, Salami A, Hassan A, Senok AC. *BMJ Open*. 2019 Sep 8;9(9):e030638. doi: 10.1136/bmjopen-2019-030638.
4. Oral probiotics reduce halitosis in patients wearing orthodontic braces: a randomized, triple-blind, placebo-controlled trial. Benic GZ, Farella M, Morgan XC, Viswam J, Heng NC, Cannon RD, Mei L. *J Breath Res*. 2019 May 31;13(3):036010. doi: 10.1088/1752-7163/ab1c81.

## **Regulatory approvals**

In the first half of the year two key regulatory milestones were achieved for BLIS M18. In the US the FDA issued a GRAS “No Objection” notice and Health Canada approved BLIS M18 with strong claims based on our efficacy dossier.

## **Financial performance**

Trading revenue for the period increased by 77% or \$2.3m to \$5.2m compared to the same period last year.

EBITDA was \$1.0m, an increase of \$1.3m compared with the prior period. Net Profit was \$0.8m, an improvement of \$1.3m from the \$0.5m deficit recorded for the corresponding prior period.

Total expenses of \$4.5m were up 29% on the prior period. The increase is principally due to an investment in the R & D pipeline together with market development initiatives including investment to grow our BLIS branded product opportunities in New Zealand retail market and across eCommerce channels in particular on Amazon in the USA. This will provide Blis a higher share of profit margins and enable sales direct to the buyer.

As at 30 September 2019, the Company held a net working capital position of \$3.1m. The net cashflows from operating activities are a \$1.8m inflow resulting in cash balances at 30 September 2019 of \$1.9m.

## **Outlook**

The first six months of the 2020 financial year has seen good growth in revenue across all regions compared with the same period last year.

There is a deliberate weighting of investment into new markets in the second half of the financial year with a focus on developing a China cross-border eCommerce sales channel and planning for a launch of the BLIS range into the Canadian market. The prudent management required to balance the pipeline investment and accelerated growth opportunities whilst maintaining the profitable growth objective will continue in the second half of the year.

Based on the continued strong growth expected from the ongoing investment in market expansion and pipeline development we reaffirm our previous FY20 guidance of sustained profitable growth and an EBITDA similar with FY19.

## **Ends**

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