



17 August 2023
Blis Technologies Limited
Annual Shareholder Meeting 2023

Chair's Address

Slide 1: Welcome

Good morning, and welcome everyone to the Blis Technologies Limited Annual Shareholder Meeting for 2023. My name is Aimee McCammon, and I am Acting Chair of the Board for Blis Technologies, while Geoff Plunket is away for a few months.

On behalf of my fellow directors, our Chief Executive, Brian Watson and all the Blis team it is my pleasure to welcome you all here today in person and to those of you attending online.

Slide 2: Voting and asking questions

Today we are providing both an in person and online attendance option for shareholders. It is pleasing once again to have so many shareholders join us online today, and to see so many of you in person.

When it comes to voting: For our shareholders in attendance here you may vote as usual on the voting card provided to you at the registration desk when you arrived. For shareholders online, you will be able to cast your vote online by pressing the "Get a voting card" button and validating yourself using your shareholder or proxy number. Please note that only shareholders, proxy holders or shareholder company representatives may vote.

Please refer to our virtual meeting online portal guide or contact the team at Link on 0800 200 220 if you require any assistance. Shareholders online will also be able to ask questions by clicking the "ask a Question" button. I encourage shareholders who have questions to send their questions through as soon as possible.

I am pleased to say that the meeting has been properly called and there is a quorum present. We will be using slides during the meeting. For those of you online you will be able to see these and follow along. They have also been posted to the NZX and are available on the Blis website.

A quick Health & Safety note - for those of you here with us, in the unlikely event of an emergency the building needs to be evacuated, please evacuate via the emergency exit doorways indicated. Follow the signs to the main staircase and out to the front entrance by the nearest assembly point.

Slide 3: Agenda

The agenda for this morning will include an overview from myself of the company's performance for the year to 31 March 2023 and on the strategy reset which was implemented last fiscal. Brian Watson, our CEO, will then provide you with a deeper review of the results, and on progress against our purpose.

There will then be an opportunity for shareholders to ask questions. We will first take questions from those in attendance here today and then any questions posted online that have not already been covered by responses to previous answers.

Following this we will then move to the formal business of the meeting. At that point I will outline the process for the discussion and voting on the two resolutions set out in the agenda.

At the meeting's conclusion, for those of you here with us we would be delighted if you would join the directors and the Blis team for light refreshments and further discussions.

Slide 4: Board Introductions

Before reviewing the company's performance, I would first like to introduce your Board. Their profiles are available on the Blis Technologies website and are also included within the annual report.

Aimee McCammon – as said I am your acting chair. I am currently CEO of Pic's Peanut Butter based in Nelson, and my background is in advertising, marketing and governance.

Geoff Plunket. Geoff is currently on a leave of absence, and we are hoping will be back in the seat as Chair in October. Geoff has served on the board since 2018 and been Chair since 2021.

Tony Balfour. Tony joined the board in April 2020. Tony brings to the board strong governance experience following a successful executive career as an international marketing and brand management leader. Tony holds several current directorships.

Dr Barry Richardson. Barry joined the board in 2018. Barry has a science background and brings both Blis specific and international biotechnology and nutritional dairy industry experience to the board.

Dr Jörn Andreas. Jörn is the Probi representative on the board. He has been a director of Probi since 2019 and is CEO of the Cosmetics Ingredients Division at Symrise. He was previously CFO at Probi. Jörn is up for election today.

Dr Alison Stewart. Alison joined the board in September 2018. Alison brings to the board substantial experience as a research and innovation leader. Alison is currently CEO of the Foundation for Arable Research.

Slide 5: Disclaimer

As we now move to an overview of the results, including some forward-looking comments, it is important to highlight the disclaimer included in the presentation which is now displayed.

Slide 6: Results Overview

Good progress was made in 2023 on our key objective of returning the company to a profitable trading position. In July last year we implemented a strategy reset, to focus on our strengths and return to a sustained profitable trading position.

Revenue was up by 14% to \$10.2m, with an EBITDA loss of \$600k. This EBITDA was much improved on the 2022 result. The second six months saw a positive EBITDA and net profit.

We have seen a rebound in revenue from Europe, the first revenue from our strategic partnership with Probi and early signs of an improved performance following the strategy reset. We had improved B2B sales, as well as improved B2C in our priority markets.

Brian will also cover the 2023 financial results and first quarter FY24 in more detail in his presentation.

Slide 7: Strategy refresh

Blis has a proud science heritage and a proven track record in delivering innovative probiotic solutions for the global market. We are developing world class innovation right here in Dunedin. We now have three significant scientific innovations in the global market with BLIS K12®, BLIS M18® and BLIS Q24.

The strategy refresh has seen a renewed focus on Business to Business (B2B) opportunities with global partners. This is a much more tightly focused strategy which will deliver better scale and a return to profitability.

We are also very pleased to have recently announced the signing of an agreement with a significant Australasian skincare company to license our BLIS Q24 technology. The company will be using and marketing our live probiotic serum containing BLIS Q24®. The agreement allows for exclusivity for their brand domestically and in several global retail and online sales.

We continue our strong strategic partnership with Probi. This relationship has contributed capital funds and growth potential for Blis Technologies, and for Probi allowed them to expand their portfolio with our strains. We remain very pleased with this relationship. We are hitting the milestones we set ourselves, including the royalty payments coming on stream.

I would like to take this opportunity to acknowledge and thank all the Blis team for their commitment and contribution over the past year. And in particular for strong implementation of the strategy reset which has the business back on the track to profitability.

This is also a good time to acknowledge CEO Brian Watson who has given seven years of service to Blis Technologies. Brian has signaled his intention to step down in January next year. His commitment helped Blis move to profitability and steered the company through the Covid years. In particular I'd like to mention his focus and steady hand in bringing the strategic reset to fruition. We'd like to give our sincere and formal thanks. A search for a new CEO is currently underway.

We feel positive and excited about the future opportunities for the company. And about the ability of the company to grow in line with its potential. We are committed to delivering double digit revenue growth, and although this is not without risk, it will support our journey back to profitability.

I will now pass over to Brian for his address, after which there will be an opportunity to ask questions before we then move to the formal part of the meeting. Brian, over to you.

CEO Address

Slide 8:

Thank you Aimee.

On behalf of the management team I would like to welcome the shareholders in the room here in Dunedin and those online and thank you for your interest and support of the company.

Slide 9: The Blis leadership team

It is my pleasure to introduce the Blis leadership team. Detailed profiles of the team are available on our company website and have been included within the annual report. The team are present today and if relevant they will be available to respond to questions later in the meeting.

In July I announced of my resignation from Blis, after 7 ½ years I will be finishing up at the end of the calendar year supporting the transition to a new CEO. It's been a pleasure to lead a NZ based company that is recognised as a leader in the Probiotic industry globally. Our science is world leading and our products represent true innovation. The time feels right for me to step down, having worked on implementing the strategy reset and setting us on course to return to sustained profitable growth.

Slide 10: Probiotic supplements market

To kick off the presentation today I would like to share an overview of our addressable market and recent dynamics.

Our core addressable market, the probiotic supplements category remains the largest subcategory of the dietary supplements market. In 2022 Euromonitor estimated the Global retail revenue to be US\$8.2 B. Forecast growth across the category was for a CAGR of 3.7% between 2021 and 2026.

Of this global market North America represents 32% of global sales but can be considered a mature market with a forecast small decline in real terms over the 5-year period.

The standout region is Asia Pacific, which is the largest region and is forecast to grow market at 10% CAGR over the 5 years. In line with the attractive market conditions in Asia Pacific we will be focused on this region for new growth.

Overall, the Probiotic market remains extremely attractive but with greater competition it is important that we focus on our strength of probiotic innovation and ensure we have the right business model to remain competitive in the market.

Slide 11: Financial Results

Overall, the company trading revenue in FY23 was \$10.2m, 14% growth on the prior year. The EBITDA loss was \$0.6m, an improvement on the prior year. Importantly we were pleased to report a positive EBITDA of \$0.6m in the second half of the year following the strategy reset and believe these strategy changes will support a return to profitability.

Slide 12: Revenue split

Looking at the split of revenue, ingredient sales have recovered but are not yet at the level seen pre COVID, whereas sales of our branded finished product were at record levels in FY23.

Revenue from B2B sales grew by 11% on the prior year. This growth was driven by a recovery in our European business, and the first of the new royalties from the Probi licensing agreement.

B2C sales grew by 21% over the prior year, supported by ongoing growth in the Amazon platform in the US, Pharmacy retail growth here in NZ and solid Daigou sales targeting consumers in Asia.

Slide 13: Regional split

This next slide summaries our regional performance in FY23.

Sales in the APAC region grew by 14% compared with the prior year. The NZ market grew by 33% driven by growth in both the Pharmacy retail market and solid Daigou sales.

Japan ingredient sales were flat compared with the prior year where we experienced pressure on customers to maintain margins given the devaluation of the Japanese Yen to the US dollar. During the year we proactively provided some price relief to our Japanese distributor which was passed on to their customers.

Europe sales grew by 61%. This market is primarily serviced through our long-standing distribution partner Bluestone Pharma (BSP). Through FY23 the easing of previous COVID related restrictions allowed BSP and their customer base to return to normal promotional activity including face to face selling to health professionals. Toward the end of the year, we finalized a renewed agreement with BSP.

Regional revenue in North America declined by 28%. In the face of challenging market conditions and an uncertain economic climate, many existing customers reduced stock levels and ordered on a just-in-time basis which resulted in a decline in our ingredient business.

Following a review of the North American (USA and Canada) probiotic ingredient market, a decision has been made to consolidate our representation in this important market. With Probi AB acting as our sole distributor for North America from August 2023.

In contrast to the ingredient revenue decline, we have seen growth in B2C business in the region with Amazon US sales growing by 50%. Through FY23 we have implemented new service provider relationships to optimise our Amazon presence and ensure the right mix of promotional activity to drive efficient growth.

Slide 14: FY23 operational achievements

In July 2022 we confirmed a shift in our strategy, aimed at focusing on our strengths and returning to a sustained profitable trading position. In line with this strategy shift we have realigned staff to B2B and B2C structures. We have narrowed our B2C markets and transitioned out of deprioritized areas, which has had an immediate impact on our cost base underpinning a return to profitability in the second half of the financial year.

We are pleased with the progress of the Probi partnership. During the year Probi started supplying licensed BLIS K12[®] and BLIS M18[®] to customers resulting in the first royalty payments in the second half of the year. We have also shifted to an exclusive relationship for North America distribution.

In the R & D space we have completed 2 projects with Probi in line with our intent to collaborate and utilize each other's strengths. We continued to strengthen the evidence base for our strains with 12 new publications driven both internally and externally, which is important validation of experts' desire to work with our strains and products. And we have continued to progress our patent portfolio with a new filing for next generation K12[®] and M18[®] offers, as well as progressing the status of new filings initiated in previous years.

Slide 15: Probi strategic partnership

Back in 2021 we entered the strategic partnership with Probi aimed at generating revenue growth through their broader market presence and established customer base. Along with this we saw exciting potential for R & D collaboration and ultimately the opportunity to secure capital to underpin the business.

The Probi partnership has moved to the next phase with the commencement of royalty payments by Probi on sales of licensed BLIS K12[®] and BLIS M18[®]. These royalties complement our own direct and distributor-based ingredient sales.

We are pleased with the spirit of collaboration between the companies with customer engagement being shared effectively to generate new leads and opportunity.

Along with this we have completed 2 new R & D collaborations which represent positive future opportunities.

Slide 16: Strategic review

In July 2022 we confirmed a shift in our strategy, aimed at focusing on our strengths and returning to a sustained profitable trading position.

Our strengths center around scientific discovery and probiotic innovation, and this remains the foundation of our business.

Under the new strategy sustained profitability will be driven by growth of our Business to Business (B2B) revenues through partnerships with established market players rather than investment to build new consumer brands and markets.

Our B2B revenue focus includes growing our existing BLIS probiotic ingredient sales, further developing our finished product capabilities to support private label opportunities, and generating royalty revenue from licensing our technology and innovation.

We have rationalised our Business to Consumer (B2C) market priorities. Our B2C market focus is now on profitable growth of established sales channels rather than heavy investment to open new markets and build new consumer brands, a key factor supporting a quicker return to profitability.

Underpinning our strengths in scientific discovery and probiotic innovation, we reconfirmed our commitment to ongoing research and development (R&D) investment. This investment will support a platform of B2B opportunities into the future.

Slide 17: R&D focus

A cornerstone of our strategy is continued investment in building a strong innovation pipeline building on our strengths.

Our first priority is to strengthen our core business and support BLIS K12[®] and BLIS M18[®] ongoing growth potential. This includes strengthening our evidence base to allow market expansion to new health targets.

The new evidence on the anti-viral benefits of BLIS K12[®] are an example of this, and we are already using this data in market but will continue to build on this over time.

Along with this we will continue our focus on formulation innovation to meet consumer preferences, examples of this are the new product initiatives focused on topical skincare, a fast melt delivery format in collaboration with Probi and probiotic toothpaste innovation.

The new market potential of probiotic skincare has also been prioritised, and we were pleased to announce our first B2B licensing agreement for our live probiotic serum formulation just yesterday.

Early research initiatives include exciting developments looking at combinations of pre biotics with our existing probiotic strains, enhancing their activity and delivering on the concept of Synbiotics.

We are also collaborating on Post Biotics, again leveraging our existing strains as sources for these Post Biotics concepts.

Slide 18: Strategy refresh – One year on

Having rolled out this revised strategy just over a year ago we are pleased with our progress and remain confident it will support our return to profitability.

A key element of the shift was a realignment into B2B and B2C units allowing for clear focus and performance tracking.

Revenue for both of these units are growing and we were pleased to have delivered break-even EBITDA in the first quarter of this year, following up to a positive EBITDA in the second half of last financial year.

We are also very pleased to have announced the agreement with a significant Australasian cosmetic skincare company to license our live probiotic serum containing BLIS Q24[®]. The agreement allows for exclusive marketing of the Blis developed serum formulation under the partner's brand domestically and in export markets where the partner has a significant presence in both retail and online sales.

Our strategy has been to secure partnerships with established regional brands who have the capability to launch this breakthrough product in selected markets. This relationship further validates the value of our innovation and the exciting future for our B2B skincare focus.

The relationship will provide new ingredient revenue and technology licensing royalties expected to have a small positive impact on earnings in FY24 and solid growth in the following years.

We have agreed with this new customer to keep details confidential until their planned launch, given the highly competitive nature of the cosmetic industry and the markets they operate in.

Slide 19: Q1 Performance and Outlook

In July we released the unaudited first Quarter results, which saw revenue growth of 18% and a break-even EBITDA result.

Revenue for the three months to 30 June 2023 was \$2.8m, an increase of \$0.4m compared with the same period last year. EBITDA was breakeven compared with a loss of \$0.3m in the same period last year.

Following a profitable second half of FY23, we are pleased to start the year with a break-even quarter in line with our expectations.

The first quarter revenue growth is driven by our B2B business, with an increase in Probi royalties and a lift in US ingredient sales for the quarter. Our B2C revenue for the quarter was similar to the same period last year.

We continue to see the refreshed strategy and business model drive revenue growth and support our journey back to profitability.

We feel positive and excited about the future opportunities for the company and about the ability of the company to grow in line with its potential. We are committed to delivering double digit revenue growth, and although this is not without risk, it will support our journey back to profitability.

A market update on our progress will be provided with the half-year interim report.

Slide 20: In summary:

As a business we are focusing on our core strength, delivering probiotic innovation.

We are committed to a return to profitability and delivery of double-digit revenue growth and remain confident that we have the strategy to deliver this.

The strategy focuses on commercializing this innovation through business to business selling and partnerships. The Probi partnership represents a good example of this model, and it remains an important part of our future growth plans.

We will continue to support a narrow mix of business to consumer opportunities where we are well established, but our focus will be on delivering profitable growth rather than opening new market opportunities ourselves.

With that I will hand over to Aimee who will facilitate the questions section of the meeting.

Thank you.