

26 November 2024

Favourable result despite challenging economic backdrop

Blis Technologies Ltd (Blis) had a favourable first half of the financial year to 30 September 2024 (1HY25) compared to the same period last year (1HY24), despite the challenging macroeconomic backdrop.

In late September 2024 Blis became aware that a key customer had filed a patent for the BLIS K12™ and BLIS M18™ fermentation process in three key jurisdictions. The patent filings remain a concern to Blis. Further details on the patent issue are set out later in this report.

Financial Overview

Revenue for 1HY25 was up 25% to \$6m compared to the same period last year, with increases in both the B2B and B2C sales channels. Blis has benefited from a clear focus on the key growth drivers of the business, built around our two 'hero' ingredients of BLIS K12™ and BLIS M18™. The over-riding objective remains to deliver sustained profitability for all our key stakeholders.

An unaudited net surplus for 1HY25 of \$0.2m compares with a loss of \$0.7m for the same period last year. EBITDA was \$0.3m, which can be compared against a loss of \$0.6m for the same period last year. The net surplus and EBITDA for 1HY25 are both stated after inclusion of \$0.3m of expenditure to update for China market access regulation changes. Net cash inflow from operating activities was \$0.7m for 1HY25. Cash and cash equivalents and short-term deposit balances are \$8.9m at 30 September 2024.

B2B Revenue

B2B revenue of \$3.8m for 1HY25 was a 23% increase on the same period last year, driven by ingredient revenue of \$3.1m. Ingredient revenue grew by 33%, with increases across all our key territories of Europe, North America and Japan as a result of favourable ordering patterns from the dominant customers in each of those markets. Private label sales grew a modest 14% and continues to be an important growth driver for the future for Blis. To complete the B2B picture, royalties were down 17% on the same period last year, reflecting US market weaknesses in line with the current global trends as noted in the earlier comments.

B2C Revenue

B2C revenue of \$2.2m was a 29% increase on the same period last year. NZ Pharmacy wholesale continues to show strong growth as our new NZ sales and distribution partner, Wilson Consumer Products Limited, activates the joint business plan with executional excellence. In a challenging environment, the NZ Pharmacy wholesale revenue was up 25% on the same period last year. The growth exceeds the immunity and probiotics category as a whole, and as a result, Blis continues to grow its market share.

Daigou wholesale revenue was down 28% on the same period last year for the second consecutive year, which has necessitated the business to challenge its approach in this area. On 15 November 2024 Blis announced a new partnership with Chinese distributor Orange Daylily to act as the

distributor for Blis' branded finished goods product line BLIS Probiotics™ in China. The total wholesale business delivered 41% of our total B2C revenue in 1HY25.

Growth in Direct to Consumer revenues was nominally driven by Blis' Amazon revenue growth of 40%, which is significant given it is 43% of the total B2C business. There have been new products launched and the sales team are fine tuning forecasts as they gauge consumer demand through analysing re-order rates. For example, consumers trading up from Throat Health 30's to Throat Health 60's delivers increased revenue at a higher price point.

Ecommerce through the Blis webstore also showed strong growth of 61% on 1HY24. Several excellent digital campaigns underpinned the result with more planned in the second half of the year with learnings being applied to ensure future campaigns are more targeted, more cost effective and thus deliver improved return on investment.

Regulatory and R&D

The China regulatory access work continues as per the critical path in the project plan. As previously communicated, this will ensure Blis and its strategic business partners continue to have unrestricted access to this key strategic market, which is second in size to the USA market, into 2025 and beyond. In 1HY25 there has been six new publications on the BLIS® probiotic strains. Key publications related to the ability of specific probiotic sugars to enhance the antimicrobial potency and range of our oral strains, and a clinical study demonstrating the ability for Blis K12™ to alleviate oral mucositis symptoms in head and neck cancer patients, highlighting the potential for a new application in a therapeutic setting. This on-going research and development work strengthens our evidence base and provides valuable new data for our sales and marketing activity.

Patent issue

As noted previously Blis became aware in late September 2024 that a key customer had filed a patent for the BLIS K12™ and BLIS M18™ fermentation process in three key markets. The patent application contained confidential Blis information which had been provided under Non-Disclosure Agreements.

Blis has taken legal advice and is working to have these matters resolved. As part of this process negotiations are currently underway with the key customer. A market update will be provided when the negotiations are complete.

The Blis Team

It is pleasing to note that in 1HY25 following some minor staffing changes in April 2024 to increase the commercial focus, Blis has continued to enjoy stability in terms of staff turnover. This helps to ensure we have the right blend of new talent, bringing in fresh ideas coupled with the experience and knowledge that more senior Blis team members bring to the table to meet our customers' needs. Blis continues to invest in the development of its team. A good example of that in action is the intern programme which Blis does every summer, where senior/post graduate University students work alongside John Hale's team in the lab on various research and development initiatives. Lastly it is important to note Blis will be running its annual employee engagement survey in 2HY25. This is an important initiative to get feedback and key insights to ensure we remain a great place to work for key talent.

Outlook

In line with our strategic plan, we will continue to focus on key areas across both B2B and B2C channels to deliver sustainable revenue growth and improved profitability.

As noted earlier, we continue to negotiate with the parties involved in the patent dispute. We will continue to keep shareholders up to date with progress as it is made.

As always, we appreciate your continued support.

Ends

For further information, please contact:

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About Blis Technologies Ltd

Delivering proven health benefits through evidence-based, advanced probiotics

Blis Technologies is an NZX-listed manufacturer of advanced probiotic strains that go beyond the gut. Combining innovation with evidence-based research and the highest quality production controls enables the delivery of probiotic solutions for specific health targets including throat health, halitosis (bad breath), immune support, teeth and gum health and skin health. BLIS® products are sold throughout New Zealand and in Asia, Europe and the USA. More information about Blis Technologies Ltd can be found at www.blis.co.nz.

Website: www.blis.co.nz
Instagram: @blisprobiotics #blisk12 #blism18 #blisq24
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