

30 May 2022

Me Today results for the twelve months ended 31 March 2022, non-cash impairment and pro-rata capital raise

Me Today Limited (NZX: MEE) has released its unaudited group results for the twelve months ended 31st March 2022.

The result includes nine months trading of the King Honey business since acquisition on 30 June 2021, together with twelve months trading for the other members of Me Today group. The group has changed its balance date to 30 June and will prepare audited financial statements for the fifteen-month period ended 30 June 2022, to be released to the market by 30 August 2022.

The result for the group records net sales of \$7.22m and an operating loss before tax of \$5.89m. In addition to operating losses, the group has incurred extraordinary non-cash items of \$11.92m. The total net loss for the year is \$17.81m. The extraordinary items are explained further below and include an impairment of \$9.9m of the Goodwill recognised on acquisition of the King Honey business.

In September 2021 the company advised the market that sales by the King Honey business would be significantly lower than expected. Sales revenue continues to be challenging creating cashflow pressure. The King Honey business has had a successful harvest with 380 tonnes of honey produced in the 2022 season just completed. In addition, King Honey has 265 tonnes of Honey available from the 2020 and 2021 seasons.

With the significant volume of honey stocks, the group has made the decision to downsize its Beekeeping operations and reduce the cashflow draw created by the next season's harvest. A decision has been made to close the Kaitaia, Kerikeri and Blenheim Beekeeping operations. The group will continue to review all aspects of the King Honey business to ensure the cost structure is sized right for sustainable growth.

To enable continued investment in brands, and to take advantage of international opportunities, the Me Today board has agreed to undertake a pro rata capital raise of up to \$10m through a rights issue of 1.3 new shares for every one share existing held at an issue price of 1 cent per new share. The record date and further details of the capital raise will be communicated to the market prior to 6 June 2022.

The company's largest shareholder, MTL Securities Limited, has agreed to apply for \$4.2m of new shares (comprising its \$3.416m entitlement and the balance as oversubscriptions). To the extent required by the Takeovers Code, MTL Securities has agreed that some of its existing shares would be reclassified as non-voting shares, contemporaneously with allotments under the capital raise.

The key aspects of the 31 March 2022 financial statements are explained further below.

- Total revenue for the group for the year is \$7.59m less marketing services provided by a customer of \$0.38m resulting in net revenue of \$7.22m
 - Gross revenue for the Me Today sale of goods and agency services segments was \$2.98m an increase of 104% on revenue of \$1.46m in the March 2021 year.

- Gross revenue for King Honey segment was \$4.61m
- The operating EBITDA loss for the group was \$4.27m, split between the business divisions as follows.
 - The Me Today sale of goods and agency services segment operating EBITDA loss was \$1.81m compared to an EBITDA loss of \$1.86m for the year ended 31 March 2021.
 - The King Honey segment operating EBITDA loss was \$1.21m.
 - The listed company and shared services operating costs were \$1.25m compared to \$982k for the year to 31 March 2021.
- The Group incurred extraordinary non-cash items of \$11.92m. Further explanation of these are provided below.

- **Goodwill Impairment**

The group has considered the future cash flows arising out of the sale of Manuka Honey through the King Honey division. As a result of the completion of discounted cashflow modelling the group has determined that the carrying value of Goodwill should be impaired by \$9.9m.

- **Accounting loss on current season harvest**

The accounting policies of the group require honey to be valued at fair value at harvest date. The group has made an assessment of the fair value of honey taking into account the value of the unique Manuka factor (UMF) rating of the new harvest. The value of the honey at harvest on 31 March has been determined at \$6.94m. The total cost to produce the 380 tonnes of honey in the year to 31 March 2022 was \$8.09m. As a result, a write down of \$1.1m has been recorded as a non-operating item in the financial statements. The honey inventory will increase in value over time and any financial benefit of that growth will be recorded in gross margin as the honey is sold.

- **Write-down of assets due to closure of Beekeeping Branches.**

As a result of the decision to close the three Beekeeping branches, assets with a carrying value of \$1.4m have been identified as assets available for sale. An amount of \$566k has been recorded as a non operating cost being the estimated loss on sale of these assets.

- **Inventory Valuation adjustment**

The original carrying value of honey inventory is \$18.6m after adjusting for the value of the 2022 harvest. The group has created provisions of \$3m in respect to inventory on hand at acquisition date to provide for risks in realising the carrying value of acquisition honey inventory. The carrying value of honey inventory at 31 March has been recorded as \$15.6m.

Summary of the 2022 year and opportunities into 2023.

During the financial year to 31 March 2022 the group focused on the integration of the King Honey business into the wider Me Today group. At the same time the company continued to execute the Invest and Grow strategy set up to foster growth of the Me Today brand. Importance was also

placed on nurturing existing King Honey customer relationships whilst growing new ones. Locally and globally opportunities in the growing health and wellness spaces have developed. The landscape has been more difficult due to COVID-19 challenges impacting supply chain and overseas travel.

The group now operates in 3 clear health and wellness categories:

1. Manuka Honey
2. Supplements
3. Skincare

Strong commercial relationships are developing with new customers across each of these 3 categories.

The largest opportunity the group has is with Bee+ through Access Corporate Group (ACG) & its brand management division Access Brand Management (ABM). ABM and the Me Today Group jointly own the *Bee+* Manuka Honey brand. ABM continues to sell through its high levels of Bee+ inventory and the group continues to closely work with ABM to maximize the opportunities that their network offers. Discussions are ongoing with ACG in respect to sales plans and market opportunities into 2023 and beyond. The opening of borders enabling face to face meetings is making it easier to develop a strong partnership for the future.

In addition to the ACG and the Bee+ brand relationship the group has continued to build new Manuka Honey opportunities through group owned Brands Me Today and SuperLife. The multi brand portfolio being created provides opportunity for synergy in engaging distributors, sales force and marketing agencies internationally.

The *SuperLife* brand has now launched within both NZ and international markets.

- SuperLife is available in selected SuperDrug stores in the UK and on SuperDrug online.
- SuperLife launched in NZ across selected Pharmacy and Pak n Save stores.
- SuperLife is available through SuperLifeManuka.co.nz and SuperLifeManuka.co.uk and on Amazon.co.uk.
- The German opportunity for SuperLife is still progressing with product now expected to ship in July 2022.
- The UK and Irish markets continue to show interest in the SuperLife brand with the product launching into John Bell & Croydon in London in June 2022.
- In Switzerland the Group has signed an agreement with a partner to distribute Me Today supplements and skincare as well as SuperLife Manuka Honey.

Me Today continues to expand internationally with Me Today now available in New Zealand, Australia, Japan, Ireland, and the United Kingdom.

- In New Zealand Me Today has continued to grow its retail footprint and is now available in selected Unichem and Life Pharmacy stores, selected independent Pharmacy stores, Chemist Warehouse, Bargain Chemist, and various online retailers. As of May 2022, a selection of Me Today supplements have been ranged in 190 Countdown stores New Zealand wide, further strengthening the presence of Me Today in the New Zealand market.
- In Australia Me Today launched nine TGA approved supplements and eleven skincare products into Adore Beauty's Australian and New Zealand websites late 2021 with two other online platforms ranging Me Today in 2022.

- The UK and Irish markets continue to show interest in the Me Today brand with Supplements and Skincare launching into John Bell & Croydon alongside SuperLife in May 2022. Me Today is now in over 100 retail stores in Ireland including selected pharmacy outlets, online and through Chemist Warehouse Ireland stores. Me Today launched into Dunnes Stores in April 2022 and has signed an agreement to launch 12 Skincare SKUs into Tesco supermarkets in June 2022.
- In Japan and in partnership with Mash Beauty Co Lab, Me Today has launched a range of Me Today skincare into Mash Beauty's Biople stores across Japan. Mash Beauty introduced the brand at its Biople Fes in October 2021 to media and influencers with the brand being well received. Mash has also indicated that Me Today will roll out to its Cosme Kitchen stores in 2022. A pipeline of NPD is being developed for the Japanese market across all key categories.
- Me Today has signed an agreement with a distributor and launched a range of Skincare into retail and online in Romania and Hungary in May 2022. The distributor has also agreed to distribute SuperLife.
- In other parts of Europe, the group is progressing discussions around distribution of Me Today and SuperLife products in Sweden, Finland, Italy, Austria, France and Poland.
- The Group also sees the USA as an opportunity with a strategic focus to drive branded presence in market through online and retail across Supplements, Skincare and Manuka Honey. The Group has employed a senior sales manager to work directly with potential key partners in market. A pipeline of product has been through initial regulatory review with launch into market late 2022/ early 2023.

As borders open, the group expects to see more interest in its products from global travellers. The opening up of the Duty-Free channel and the Tourism channel will bring revived demand from an area of retail that was strong for King Honey prior to the COVID-19 pandemic. The opportunity now exists across Me Today, SuperLife and BEE+.

At Me Today our group mission is "To produce world leading products that support people to manage their overall health and wellness". We believe we will do this "by formulating, manufacturing and marketing desirable consumer products that help people to live better lives daily".

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