

BLIS Technologies

NZX: BLT

Pitched by Kevin Li

21/05/20

Overview



Price (20/05/20)	\$0.09
52 Week Range	\$0.03 - \$0.09
Market Cap	\$99m

- Blis Technologies is a biotechnology company specialising in oral probiotics
- Products include powders and lozenges for ENT, mouth, teeth and gum
- Founded in 2000 and based in Dunedin. Listed on NZX in 2001.
- Developed and own the probiotic strains BLIS K12™ and BLIS M18™
- Blis are entering an exciting time as they look to grow exponentially in the coming years

Key People

- Board of Directors includes a variety of expertise, notably in start-ups, chemistry and biology
- John Tagg – founder
 - Has studied and researched bacteria for the majority of his career



Oral Probiotics

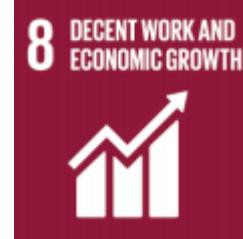


- Probiotics are microorganisms that have benefits for human health - good bacteria
- Oral probiotics are for the health of our mouth
- BLIS K12 and BLIS M18 work by 'crowding out' bad bacteria and inhibit them from coming back. This is what makes K12 and M18 different to other oral probiotics.
- BLIS K12 and BLIS M18 occur naturally, but only 2% of the population have them at levels high enough to be effective.
- Many studies conducted by both Blis and third parties on benefits of K12 and M18

Sustainability



Research of new strains
to promote positive
health outcomes



Contribute to NZ economy
through export revenues



Support and fund
ongoing research at UoO



World-leading research



Board and management
reflect diversity

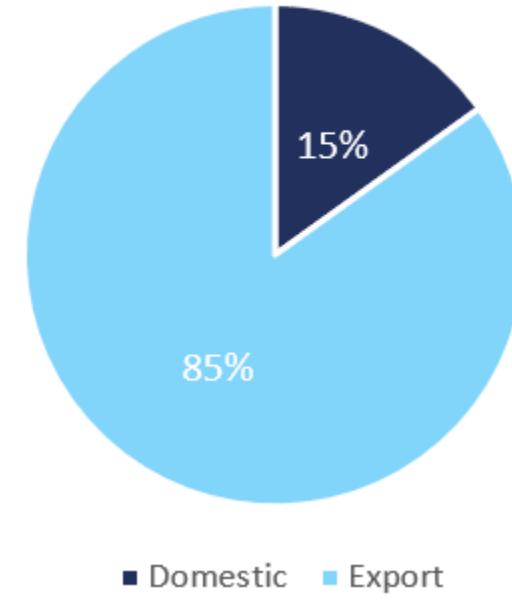


Moving towards full internal
accreditation of internal
manufacturing facilities

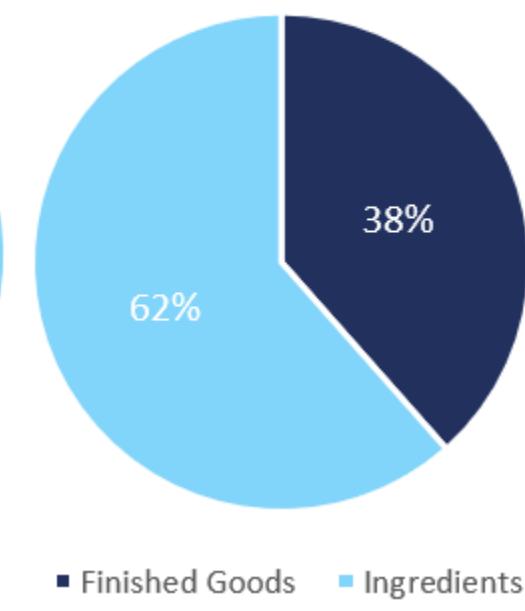
Revenue - Products

- FY19 saw a 59% increase in total revenue, driving a 5 Year CAGR of 45%
- FY19 was their first profitable year due to:
 - Broad revenue mix
 - Stronger regulatory positions (new regulatory approvals, FDA GRAS)
 - Development of robust internal capabilities
- Ingredients: revenue from ingredients supplied to manufacturers making Blis probiotics under their own brand name/co-branded name
- Additional \$0.3m in other revenue
- Right to access is royalties from license fees other companies pay Blis
 - As the industry grows, Blis can profit off of competitors selling oral probiotics as most contain K12 and M18

Revenue - Exports vs Domestic



Revenue - Products

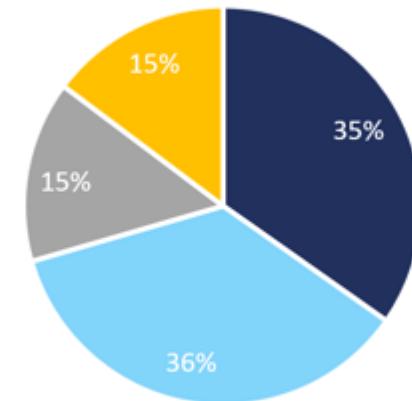


Domestic	\$1.2m	Finished Goods	\$3.1m
Export	\$6.9m	Ingredients	\$5.0m

Revenue - Region

- Asia Pacific (excl. NZ): 239% increase to \$2.9m
- EMEA: 5% increase to \$3.0m
- North America: 45% increase to \$1.2
- NZ: 60% increase to \$1.2m

Revenue by Region



■ Asia Pacific ■ Europe, Middle East & Africa ■ North America ■ NZ

Revenue by Region



Business Drivers and Competitive Advantage

- Strong R&D – John Tagg, at the forefront of innovation
- Leader of a growing industry – awareness around oral probiotics, meeting the growth of the industry
- **IP on K12 and M18 – most all oral probiotics contain these ingredients, and so competitors need to pay royalties for using it**



STRATEGY

Strategic Priorities

Positioning

- Ensuring the Blis brand is recognisable
- International distribution partners and Amazon launch

Supply Chain

- Partnership with manufacturers
- Offshore fermentation supplier for production of K12 and M18

Pipeline

- Callaghan Innovation grant
- Developing BLIS Q24 – skin probiotic
- Library of catalogued organisms
- Patent filings to strengthen brand

People and Performance

- High performance culture
- External consultants

Going Forward



- Focused on developing a China cross-border eCommerce sales channel
 - Daigou – Surrogate Shoppers; eCommerce presence; domestic presence
- Launching in Canada
 - Distribution partners and eCommerce
- Working with old and new distribution partners to expand international sales
 - iNova – Asia Pacific, new African markets
 - Bluestone Pharma – EMEA

Going Forward

- Focussing more on online sales
 - Recently hired an eCommerce lead
 - Amazon and Daigou
- Continuing to push R&D
 - BLIS Q24
 - Supported by international patents filings and regulatory approvals



Path to Sustaining Profitability



Increasing sales volume internationally

Through new and existing distribution relationships



Improvement initiatives at Dunedin manufacturing site

Reducing overall cost and waste



Partnerships with large scale manufacturers

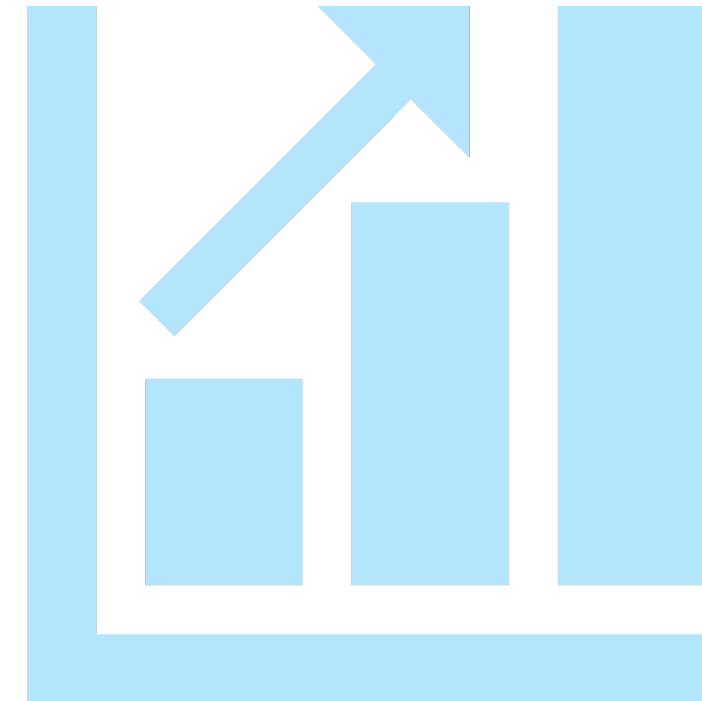
Less distribution expenses, leveraging facilities



INDUSTRY

Industry Overview

- Global probiotic industry is expected to reach USD\$69.3m by 2023 at a CAGR of 7%
- General increase in people understanding the benefits of good bacteria
- Increased access and transparency of health-related information



Competitors



- Specialise in gut probiotics
- Some oral probiotic products include K12 and M18



- Have patents for some strains of their oral probiotics
- Mostly focus on gut health



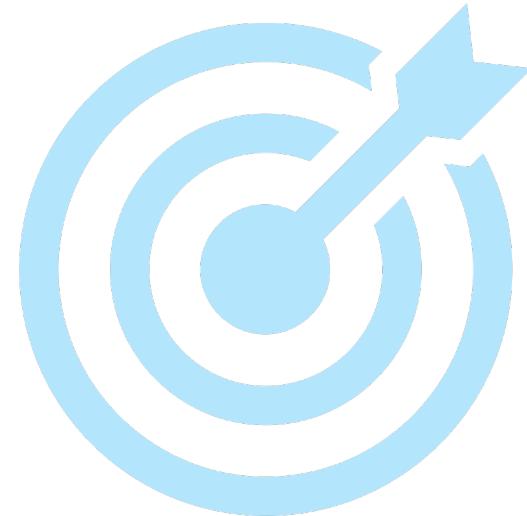
- Specialise in bacteria and yeast
- Include ingredients for oral health and gut health



- Science driven B2B company
- Focus on a range of probiotics

Position of Blis

- Both B2B and B2C
- Core competency is R&D for specifically oral health
 - Branching into skin health (BLIS Q24)
- Presence in international markets
 - Superior distribution networks



Demand Drivers and COVID-19



- Before COVID-19 Blis have been doing very well, beating earning projections and becoming profitable while also anticipated to have another successful year
- Increased demand as more people become conscious of their health and immune system. This will continue beyond COVID-19
- Consumers value the science behind probiotic products and recognise the correlation between oral health and probiotics is driving demand
- Improving oral health can reduce trips to the dentists and decrease this cost for consumers

Risks

Risks and Mitigation

Long lead times

- Partnering with manufacturers with larger facilities and are closer to the market

Regulatory approvals and delays (including delays)?

- They prioritise IP certifications as it supports their R&D research
- Recent regulatory approvals in Australia, Europe and US show that they are making good progress

COVID-19 disrupting their supply chain and distribution

- During Level 4, they were classified as an essential service
- Will ease in the coming months

Someone discovers another oral probiotic, and then hold the IP to it

- Blis have access to the 2000 bacteria strains John Tagg has catalogued and are already looking at which ones can be turned to a probiotic product

Financials

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 \$'000	2018 \$'000
REVENUES			
Revenue	2a	8,400	5,285
Interest received		6	3
		8,406	5,288
LESS			
Distribution expenses		120	87
Marketing expenses		787	402
Occupancy expenses		164	156
Employee benefits		2,074	2,251
Raw materials and consumables		2,305	1,354
Operating expenses		2,553	2,072
Finance expenses	22	8	
	2b	8,025	6,330
SURPLUS / (DEFICIT) BEFORE TAX	2b, 4, 5	381	(1,042)
Income tax expense	3	-	-
SURPLUS / (DEFICIT) FOR THE YEAR		381	(1,042)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME/ (DEFICIT) FOR THE YEAR		381	(1,042)
Surplus / (deficit) for the year is attributable to:			
Equity holders of the parent		381	(1,042)
		381	(1,042)
Comprehensive income for the year is attributable to:			
Equity holders of the parent		381	(1,042)
		381	(1,042)
Earnings / (Deficit) per Share:			
Basic (cents per share)	14	0.03	(0.09)
Diluted (cents per share)	14	0.03	(0.09)
Net tangible assets per Share:			
Basic (cents per share)	14	0.26	0.20
Diluted (cents per share)	14	0.26	0.20

Consolidated Statement of Changes in Equity

For The Year Ended 31 March 2019

	Notes	Share capital \$'000	Retained earnings/ (Deficit) \$'000	Share Option Equity Reserve \$'000	Total attributable to Group \$'000
OPENING EQUITY - 1 APRIL 2017		37,298	(33,335)	54	4,017
Surplus/ (deficit) for the year		-	(1,042)	-	(1,042)
Other comprehensive income		-	-	-	-
Total comprehensive income		-	(1,042)	-	(1,042)
Equity contributions and distributions					
Share Option Equity Reserve	14	40	-	(8)	32
CLOSING EQUITY - 31 MARCH 2018		37,338	(34,377)	46	3,007
Surplus/ (deficit) for the year		-	381	-	381
Other comprehensive income		-	-	-	-
Total comprehensive income		-	381	-	381
Equity contributions and distributions					
Share Option Equity Reserve	14	42	-	(9)	33
CLOSING EQUITY - 31 MARCH 2019		37,380	(33,996)	37	3,421



Consolidated Balance Sheet

For the Year Ended 31 March 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
CURRENT ASSETS			
Cash and short term deposits	6	924	1,059
Trade and other receivables	7	2,372	694
Prepayments		220	89
Inventory	8	371	343
NZX Bond	6	75	75
Foreign exchange contracts	20(e)	4	-
		3,966	2,260
LESS CURRENT LIABILITIES			
Trade and other payables	11	929	581
Contract liability		22	-
Current borrowings	12	700	121
Foreign exchange contracts	20(e)	-	10
		1,651	712
WORKING CAPITAL			
		2,315	1,548
NON CURRENT ASSETS			
Property, plant and equipment	9	669	785
Finite life intangible assets	10	566	843
		1,235	1,628
NON CURRENT LIABILITIES			
Non-current borrowings	12	129	169
NET ASSETS			
		3,421	3,007
OWNERS EQUITY			
Share capital	14	37,380	37,338
Share option equity reserve	15	37	46
Retained earnings/ (deficits)		(33,996)	(34,377)
TOTAL EQUITY			
		3,421	3,007

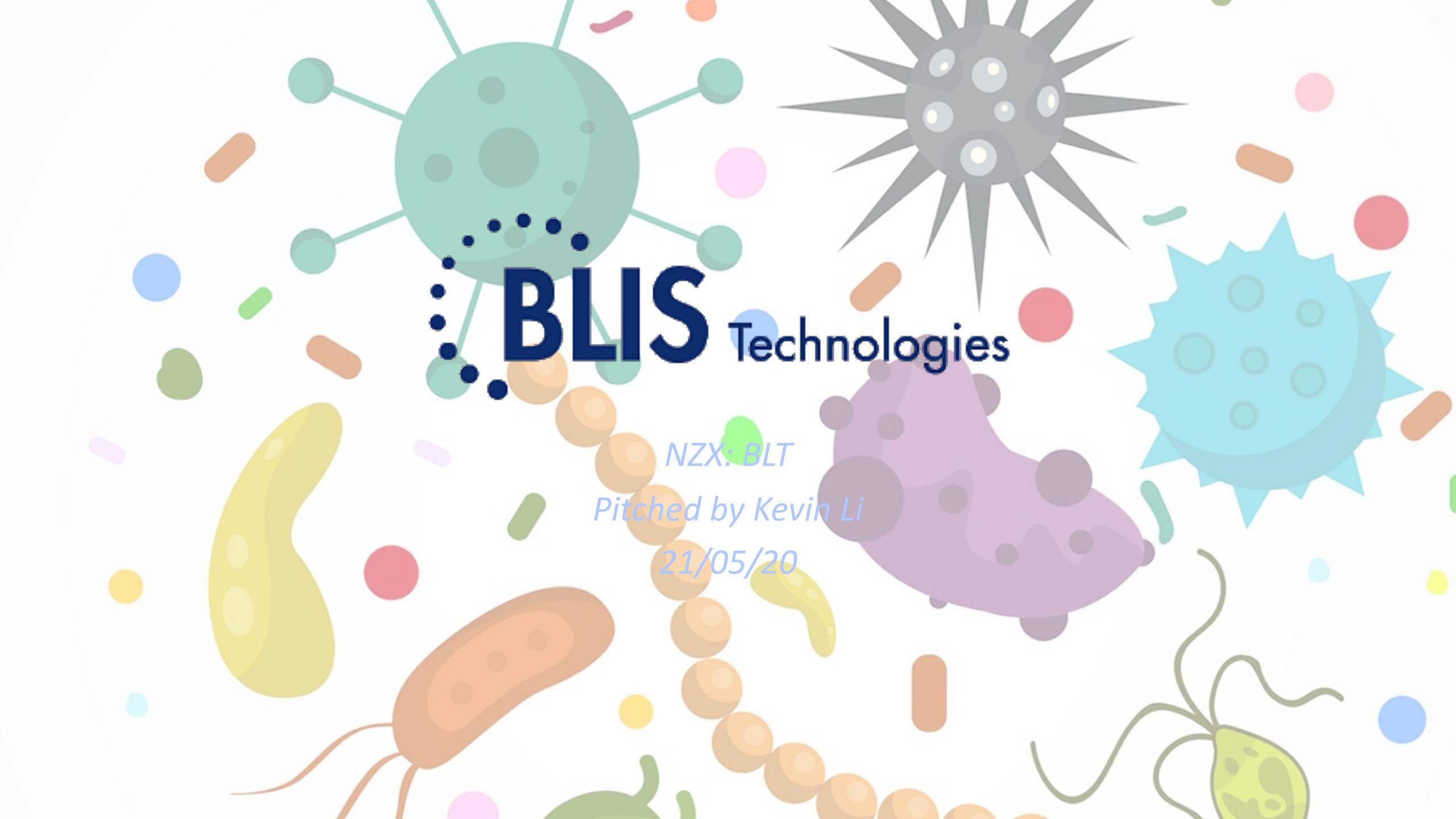
Consolidated Statement of Cash Flows

For the Year Ended 31 March 2019



	Notes	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from / (applied to):			
Receipts from customers		6,771	5,734
Interest received		6	3
Payments to suppliers and employees		(7,338)	(5,611)
Finance costs		(22)	(8)
Net cash inflow/ (outflow) from operating activities	19	(583)	118
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from / (applied to):			
Capitalised Intangible costs	10	(55)	(121)
Purchase of property, plant and equipment	9	(75)	(355)
Net cash inflow (outflow) from investing activities		(130)	(476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from / (applied to):			
Drawdown of borrowings		579	290
Repayment of borrowings		(40)	0
Repayment of share option		33	32
Net cash inflow/ (outflow) from financing activities		572	322
Net increase/(decrease) in cash held		(141)	(36)
Add cash and short term deposits at start of year		1,059	1,065
Foreign exchange differences		6	30
Balance at end of year		924	1,059
COMPRISED OF:			
Cash and short term deposits		924	1,059
		924	1,059

	2019 \$'000	2018 \$'000		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(a) Revenue							
Revenue consists of the following items:							
Point in time recognition:							
Sale of goods - domestic sales							
Finished Goods	1,187	765	New Zealand	1,226	765	1,235	1,628
Ingredients	39	-	Asia Pacific (excl NZ)	2,866	851	-	-
Sale of goods - export sales			Europe, Middle East & Africa	2,971	2,828	-	-
Finished Goods	1,934	221	North America	<u>1,222</u>	<u>841</u>	-	-
Ingredients	4,953	4,256	Total Trading Revenue	8,285	5,285	1,235	1,628
Grant revenue	115	-	Interest received	6	3	-	-
Other revenue	46	43	Grant revenue	<u>115</u>	<u>-</u>	-	-
Over time recognition:			Total Revenue	<u>8,406</u>	<u>5,288</u>	<u>1,235</u>	<u>1,628</u>
Right to access	<u>126</u>	<u>-</u>					
	<u>8,400</u>	<u>5,285</u>					



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