

# Cellmid Ltd

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## Cellmid Ltd's Maria Halasz talks revenue growth in Proactive Q&A Sessions™

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Maria Halasz, CEO, has exclusively joined Proactive Q&A Sessions™ to discuss the company's revenue growth and global product roll-out.

**Cellmid Ltd (ASX:CDY)** continues to grow revenues from its FGF5 inhibitor hair growth products in Australia and Japan, and is expanding distribution into new territories.

Cellmid holds the largest and most comprehensive portfolio of intellectual property relating to the novel targets midkine (MK) and FGF5 globally.

Midkine modulates many important biological interactions such as cell growth, cell migration and cellular adherence.

These functions are relevant to cancer, inflammation, autoimmunity, ischemia, nerve growth/repair and wound healing.

To find out more, we are joined exclusively by Maria Halasz, CEO for Cellmid, in Proactive Q&A Sessions™.

PROACTIVE INVESTORS: Welcome Maria.

**In a February investor call, Cellmid outlined a FY16 \$2M revenue target for Japan. Can you please provide an update on achieving this target, and where the funds will be allocated?**

Maria Halasz: Thank you John. Our consumer health business is focused on fulfilling the market need for clinically validated hair growth products that actually work. We are the first in 30 years with a topical hair growth brand, evolis®, that has a scientific basis and clinical efficacy data.

Our products are particularly differentiated as they are also safe and effective for women, not just men. When you consider that 30% of all women over 35 years old would have some form of hair loss you can see why our evolis® products have reached such strong market penetration early on.

In fact we are well on track to achieve our target \$2 million sales in Japan and will be able to report strong sales growth in Australia too; this against very limited advertising spending.

In July 2015 we raised \$4 million to fund our Australian and Japanese launch, and have been prudently deploying this capital to establish distribution in Australia, set up a sales force and secure the most profitable sales channels.

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We haven't started our full scale advertising yet, planning to deploy a call-to-action sales generating program from mid-July, as our national sales team has now secured critical distribution levels in pharmacies.

Instead of the Australian advertising, we have dedicated funding early on for our US and Chinese expansion, as both of these markets represent much very significant revenue potential for us.

We have accelerated the product development, testing and regulatory work for our US market entry given the more immediate sales potential there, but have also been actively working with potential Chinese partners.

## **With the funding allocation for Australian product development, what current sales gaps would these products potentially fill, and what is a general timeline from development to commercialisation?**

Maria Halasz: Immediately after our full pharmacy launch in May 2015 we started working on the other key market opportunity, which is the professional and salon channel.

We have recently launched the evolis® professional product range, which includes 13 products addressing 4 key hair concerns; volume, hair quality, anti-aging and colour treated hair care.

In addition to our market leading FGF5 technology these products have a range of anti-oxidants to maximise hair and scalp health, plus they are SLS, silicon and paraben free, contain certified organic extracts and are at the very cutting edge of hair technology.

We launched these products with great success in mid-June at the Hair Expo in Melbourne, where we have received strong interest from both professional salon owners and retail customers.

We will build distribution and sales in salons gradually to reduce capital exposure, and will continue to fund the growth of business from revenue rather than raising capital from the market.

## **What is the key demographic targeted in the U.S. sales roll-out, and how could spend per customer compare to the Japanese or Australian markets?**

Maria Halasz: We have not yet released our full plans for the US expansion as there are some commercial sensitivities around giving away too much to the competition. However, we expect to target the female hair loss/anti-aging hair care market first, as competition in this segment is very limited and we are acknowledged to be the leading product.

Spending per customer in the US overall is likely to be similar to that in Australia on the basis of our initial market review. However, there are variations in how male/female or under 30/over 30 customers spend their money, especially when compared with our Japanese customer base.

In Japan, older female consumers form are largest customer group, whereas in Australia we see a lot more purchasing activity amongst younger people, and that includes men and women.

## **Taking a global view, what are the actual and projected growth figures, and expected tipping point timeline into profitability?**

Maria Halasz: Our Japanese and Australian businesses are quite different. Japan funds local operations from local sales, and profitability can be crystallised a lot faster than in Australia.

On the other hand Australia carries all the global expansion costs, including those to the US, Chinese and European markets. Furthermore, R&D and product development expenditure is also accrued to the Australian parent.

Our goal is the efficient deployment of the capital to grow our global foot print significantly. We want to be a force in hair growth globally, and will be spending the next three to four years to achieve that.

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How that will work out in the long run for us? We have already shown the strong revenue growth that can be achieved in a defined, well developed market such as Australia. We have achieved 50-100% annual growth in Japan and Australia in the past and expect this trend to continue for some time.

We work with 70% plus gross margin and therefore our business has a very strong profitability potential. The potential is also there for us to have a highly profitable global business in the medium term of 3-4 years.

## **Looking forward, would Cellmid consider distribution arrangements with partners to accelerate the company's hair loss product sales into new markets and territories?**

Maria Halasz: Our objective has so far been to reduce risks and deploy capital prudently to fund our business. To achieve that, it is inevitable that we look for strong partnerships with distributors or agents. Especially in markets we lack expertise.

However, it has been important to us to retain control of the brand in Australia. We learnt a lot about our customers and their needs and the market dynamics that allow for our product to be successful. We have also learnt a lot about the pitfalls which prepares as well for finding the right partners.

## **Can you also provide an update on the 2016 expected news flow for other patents in Cellmid's portfolio?**

Maria Halasz: Our most likely news flow will be coming from overseas markets, first the US, but there are major research, regulatory and product development milestones that we expect to knock down in China and Europe in the coming months as well.

On our drug development front we are in the final stages of getting Lynamid and Kinera, our midkine subsidiaries, ready for clinical development. With the progress we have made during the recent Midkine Symposium in Budapest we expect to see value to accrue to this programs as get closer to the clinic.

## **Finally, why should an investor consider adding Cellmid to their portfolio?**

Maria Halasz: With a market cap of under \$30 million Cellmid is generating millions in revenue and that revenue is growing annually at 70-100% from our consumer health businesses in Australia and Japan.

Major value inflection points such US, European and Chinese sales are expected to kick in in the short to medium term, while the high value biotech assets are getting ready for clinical development; and major value increase.

PROACTIVE INVESTORS: Thank-you Maria.

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