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Company Announcements Office
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BLC COSMETICS TO MERGE WITH CELLMID TO CREATE LEADING ANTI-AGING HEALTH AND BEAUTY TECH COMPANY

Key Highlights:

- **HGL Ltd (ASX: HNG) continues to unlock & drive value in its portfolio through another strategic merger.**
- HGL has agreed for its 100% owned subsidiary **BLC Cosmetics Pty Ltd (BLC) to merge with ASX-listed Cellmid Limited (ASX: CDY)**. The combined group will create a highly synergistic health and beauty business.
- **HGL to receive upfront consideration of \$3 million:** HGL will receive \$1 million cash and \$2 million in shares representing approximately 15% of Cellmid's post transaction shares outstanding. HGL may also receive an earn-out based on incremental earnings in FY22.
- **Scale, synergies, and accelerated growth:** The merged business will significantly increase in scale (to approximately \$15m Pro-forma FY21 revenue) & enable it to access material revenue and cost synergies.
- **HGL continues to sustainably drive portfolio value growth:** HGL is an active and supportive shareholder that utilizes its multi-decade old, trusted networks to identify strategies to enhance value. HGL will have representation on the Cellmid Board and expects a long-term partnership for the benefit of all stakeholders.

HGL Ltd is pleased to advise that it has signed a share sale agreement for Cellmid Limited to merge with BLC by way of acquiring 100% of the shares in BLC, on the following terms:

Transaction Terms

- Cellmid will pay a total of \$3 million on settlement in the first tranche of the transaction, of which \$1 million will be payable in cash and \$2 million by the issuing of 32,786,885 Cellmid shares at 6.1 cents each, a 20% premium to the Company's share price on the date prior to this announcement. The \$3 million purchase price represents an EBITDA multiple of six, on BLC's projected earnings for the year ended 30 September 2021.
- Cellmid may also pay a second tranche, subject to an increase in BLC's EBITDA during FY22. The second tranche will be calculated as three times the incremental EBITDA growth over FY21. The second tranche will also be payable in cash and shares; the first \$700K in cash and the remaining in shares issued at a price which is the lower of 9 cents or the VWAP over the previous 30 days prior to issue.



Strategic Rationale for the Merger

The merger of the two businesses creates a profitable, market leading anti-aging health and beauty tech company with premium products across hair care, skin care and supplements. The merger with Cellmid will not only expand BLC's product range, but it will enable synergistic revenue growth opportunities through shared sales channels.

Key areas of synergies likely to deliver revenue growth include cross-selling of Cellmid's own brands into BLC's professional channels in Australia and New Zealand; offering BLC's brands to Cellmid's customer base; and cross promotion on the combined digital platforms with the view to creating an exclusive technology and information driven marketplace for prestige anti-aging brands. Operational synergies have been identified to deliver savings in warehousing, shipping, and fulfillment as well as in administration.

BLC is a profitable business with exclusive long-term distribution rights for established premium, international health and beauty brands. BLC expects to deliver ~\$7 million in revenue in FY21 representing 20% growth on FY20 despite extensive disruptions from Covid related lockdowns. Further growth is expected in FY22 as part of the enlarged Cellmid group.

HGL Continues to Sustainably Drive Portfolio Value Growth

HGL is an active and supportive shareholder that utilizes its multi-decade old, trusted networks to identify strategies to enhance value. This merger is another example of HGL adding material value to its investee companies for the benefit all shareholders.

In May 2021, HGL merged its JSB Lighting business with FOS Capital (ASX: FOS) prior to its IPO. FOS is trading up 25% since listing with further growth expected. HGL anticipates playing a similar long-term supportive role with Cellmid. HGL has been the major shareholder in BLC for over 10 years and looks forward to the next phase of its growth.

Chairman, HGL, Sandy Beard said:

"The merger between Cellmid and BLC is a highly synergistic transaction that is likely to far outperform the individual growth potential of either of the standalone companies. HGL looks forward to supporting the combined business through its long-term growth trajectory"

CEO, Cellmid, Maria Halasz said:

"The acquisition of BLC will enable us to effectively double our revenue immediately, progress towards profitability and achieve the necessary scale in the market to cross-sell our premium product range in our joint distribution channels."



HGL will have representation on the Cellmid Board and expects a long-term partnership for the benefit of all stakeholders.

Cellmid will call a meeting of the shareholders in the coming days to seek approval of the issuance of shares to HGL. Cellmid's board unanimously support the transaction and between them own 12.6% of shares outstanding.

For more information, please contact Phillip Christopher, HGL, on 0412 509 967

HGL Limited (ASX: HNG)

HGL is a diversified investment company with a focus on driving shareholder returns by investing in a broad range of opportunities across private equity, listed equities, funds management, real property, debt funding and other alternative investments. For further information, please see www.hgl.com.au.