

WELLFULLY COMPLETES MOU FOR MERGER WITH THE BRANDBASE

Wellfully Limited (ASX: WFL) (**Wellfully**, or the **Company**) is pleased to announce that it has completed a non-binding MOU with The Brandbase (**TBB**), a group of private companies consisting of Natural Mojo GmbH, Skingood Garden UG and IG Group Services GmbH, currently under the ownership and control of Capital D, a London-based Private Equity firm to merge with Wellfully.

TBB is a wellness products marketing company incorporated in Berlin whose brands include “Skingood Garden”, a wellness-centered skincare brand, and “Natural Mojo”, a wellness nutrition business. TBB’s simplified business model is focusing on:

- Managing its two brands and their corresponding ranges;
- Marketing its products through influencer and performance marketing; and
- Distributing its products through DTC (direct-to-consumer), marketplaces and B2B channels.

TBB generated sales revenue of A\$ 12.2 M in the 12 months ending September 2022 (unaudited) and currently operates at, or near to, breakeven.

TBB is a Sales & Marketing spin-off from the sale of its previous parent entity, Invisible Brands (a direct-to-consumer sales and marketing company whose marketing platform reaches over 100 million women and men across the world on social media every month selling brands such as HelloBody, Banana Beauty and Mermaid+Me to over 2 M customers), to Henkel AG & Co. KGaA (Henkel) in 2020.

Henkel, a German multinational chemical and consumer goods company, is active in both the consumer and industrial sectors. Listed on DAX, the company is organized into three globally operating business units (Laundry & Home Care, Beauty Care, Adhesive Technologies) and is known for brands such as Loctite, Persil, Fa, Pritt, Dial and Purex, amongst others.

If merged with Wellfully, it is expected that TBB would significantly increase Wellfully's revenues, improve gross margins, and provide a substantial acceleration of Wellfully's growth plan. The proposed transaction would take the form of a share exchange, whereby the Company would acquire 100% of TBB in exchange for the issue of new shares in Wellfully, to the value of A\$ 1 M and priced at the 15-day trailing VWAP at the

Directors
Mr Paul Peros
Mr Steven Schapera
Mr Jeffrey Edwards
Mr Andy Wortlock

CEO
Mr Paul Peros
Company Secretary
Mr Henko Vos

Registered Office
284 Oxford Street
Leederville
Western Australia
6007

Contact
Tel: +61 8 9443 3011
www.wellfully.net
ABN: 72 056 482 636

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closing of the transaction. Shareholders will be given the opportunity to vote on the purchase of TBB (if required) for the issue of any consideration shares, at an EGM.

Post-merger, it is expected that Capital D would hold about 18% of the shares in Wellfully and, being an institutional investor, this significantly strengthens the shareholder base of Wellfully. The Company will consider all financing options to drive its objective of ramping sales growth, as well as the implementation of a number of natural synergies based upon the post-merger integration plan.

The transaction is not subject to any other regulatory approvals.

The transaction itself is currently in evaluation, and may be subject to subsequent shareholder approvals in respect of the proposed earn-out (as detailed below) pursuant to Listing Rule 7.1 for the issue of earn-out shares to Capital D. Within the perimeter of consideration, Wellfully expects this merger to:

- 1. Broaden Wellfully's Brand portfolio beyond Réduit and Swisswell brands, to include Natural Mojo and Skingood Garden, with an immediate impact on WFL's sales revenue;**
- 2. Leapfrog access into new markets for Wellfully's existing products, most notably with Swisswell, through TBB's established DTC channels and distribution;**
- 3. Leverage Wellfully's supply chain capabilities to bring new efficiencies to TBB's current sourcing and supply-chain infrastructures, resulting in lower costs and improved margins to drive better business performance of the current TBB portfolio; and**
- 4. Secures WFL's first institutional investor, with about an 18% shareholding.**

While the transaction itself is yet to be formalized, the key elements under the MOU includes:

- **The transaction will be cashless:** Capital D will exchange 100% of the shares of the TBB company for Wellfully ordinary shares (WFL);
- **Value at closing A\$1m:** The value of the consideration shares is equivalent to A\$ 1m, based on the 15-day VWAP of WFL at the closing of the transaction (as an example, for the 15 day period up to 29 November 2022 the VWAP was \$0.0183 which in turn would result in the issue of approximately 54,646,203 ordinary shares in the Company);
- **An earnout fee of up to another \$1m will apply if revenue milestones are met:** A success-fee that is based on the audited revenues of TBB in the period January 1 – December 31, 2023, in WFL shares at a 15-day VWAP in the amount of up to

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another A\$ 1 M, linearly scaled between period revenues of A\$12.4m and \$21.7m corresponding to 0% - 100% of the consideration;

- **TBB liability reduction:** The current owners of TBB will seek a reduction of the liabilities of TBB prior to the transaction, from A\$1.6m to A\$0.8m;
- **Bridge loan:** A transitional cash loan of A\$ 0.6 M at EURIBOR +2% over 12-months will be provided by some of TBBs current shareholders to Wellfully; it will also be convertible at 15-day VWAP, to WFL ordinary shares, or repaid, at Wellfully's election;
- **Post-merger Plan:** This merger will be accompanied by a post-merger integration Plan designed to prioritize, and allow access to, key synergies between the two companies that will be detailed in the upcoming period. This Plan will also serve to support WFL's consideration of all financing options;
- **Board of Directors composition:** Capital D will be offered one Non-Executive Director position on Wellfully's Board of Directors.
- **Timetable:** Subject to agreement of formal documentation, the Company would expect to close the transaction in the coming weeks.

The MOU is non-binding and there is no guarantee that the transaction will complete. There are no other conditions precedent to the transaction.

Mr Stephan Lobmeyr, Co-founder of Capital D said: "We are extremely happy with the prospects of this transaction that delivers a new level of competitiveness and scale across our combined companies".

Mr Paul Peros, Chairman of Wellfully, also commented: "In addition to being accretive to both WFL and TBB shareholders, the new company will allow for the capture of market opportunities that were previously out of reach of the two stand-alone operations."

ABOUT WELLFULLY

Wellfully is a fully integrated, science-based wellness company. In addition to our own-brands, RÉDUIT and SWISSWELL, we also offer a portfolio of proprietary technologies and support partners by providing IP and expertise in magnetic array design, feasibility and efficacy, and claims testing, engineering and production.

ABOUT WELLFULLY'S TECHNOLOGIES

Wellfully has developed a number of physical enhancement technologies based on the interactions between ingredient molecules and weak atomic forces, positioning the

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Company as a world leader in the science of magnetic fields as they relate to drug or active-ingredient delivery.

The first of Wellfully's magnetic technologies was the Magnetic Microarray. Complex 3-D magnetic fields, produced by low-cost microarray film, influence the movement and penetration through the skin of drugs, active ingredients and formulations at the molecular level. This was licensed and commercialized in 2014.

The second magnetic technology, the Programmable Array technology, employs powered electromagnetic fields that can be altered to suit individual consumer's skincare needs. This was licensed for skincare applications in 2020.

The third magnetic technology uses magnetic fields to alter the wettability of a surface, substantially enhancing contact between liquid and solids. Magneto-Wetting underpins the Company's current developments in haircare, skincare and surface hygiene, in conjunction with Wellfully's recently developed Ultrasonic Misting technology. International patents have been filed.

FORWARD-LOOKING STATEMENTS

This announcement contains certain "forward-looking statements" concerning Wellfully. Where Wellfully expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis.

Forward-looking statements provided in this announcement are based on assumptions and contingencies which are subject to change without notice. Such forward-looking statements including statements regarding intentions, planned events and potential results are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements, and there are risks associated with Wellfully and the industry which may affect the accuracy of the forward-looking statements. Wellfully does not undertake any obligation to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this announcement or to reflect the occurrence of unanticipated events, except as may be required under applicable securities laws.

This release has been issued with the authorization of the Board.

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For more information:

Madeline Howson

Madeline.howson@advisir.com.au

Directors

Mr Paul Peros
Mr Steven Schapera
Mr Jeffrey Edwards
Mr Andy Wortlock

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