

2Q FY2021 B2B Revenue increased 56% YoY and expects to report a record month for July with B2B demand expected to grow 4.7x to \$1.65m YoY

Quarterly Activities Report & Appendix 4C for the quarter ended 30 June 2021

Melbourne, Australia – Candy Club Holdings Limited (ASX: CLB) ("**Candy Club**" or "**the Company**") is pleased to announce its results for the three months ending 30 June 2021 ("**2Q FY2021**"). Note that all dollar figures are in US dollar terms unless otherwise specified.

Total gross revenue of \$3.05 million was achieved in 2Q FY2021, representing an increase of 29% year-on-year ("**YoY**"). This was driven by its business-to-business ("**B2B**") segment posting \$2.37 million in gross revenue during the quarter (+56% YoY).

On a quarter-on-quarter ("**QoQ**") basis, the segment fell 29% mainly due to seasonality. There were no candy gifting festive holidays during the quarter while 1Q FY2021 experienced two strong holidays – Valentine's Day and Easter.

Financial Highlights

	2Q FY2020 (<i>actual</i>)	1Q FY2021 (<i>actual</i>)	2Q FY2021 (<i>estimate</i>)	QoQ Change	YoY Change
Total gross revenue	\$2.35m	\$4.10m	\$3.05m	-26%	29%
B2B revenue	\$1.52m	\$3.36m	\$2.37m	-29%	56%
B2C revenue	\$0.83m	\$0.74m	\$0.67m	-9%	-19%
Gross margins	41%	43%	43%	Unchanged	+2 ppts
EBITDA*	-\$0.49m	-\$0.99m	-\$1.46m	-47%	-198%
NOCF	-\$0.93m	-\$1.52m	-\$3.14m**	-107%	-238%

*EBITDA is reported on an operating basis prior to any non-cash audit adjustments and accruals

**The majority of the 2Q FY2021 NOCF of \$3.14 million went to build additional inventory required to support expected strong 2H customer demand

Note: Figures in value and percentages tabulated above may not add up due to rounding and are unaudited figures.

Operational Performance

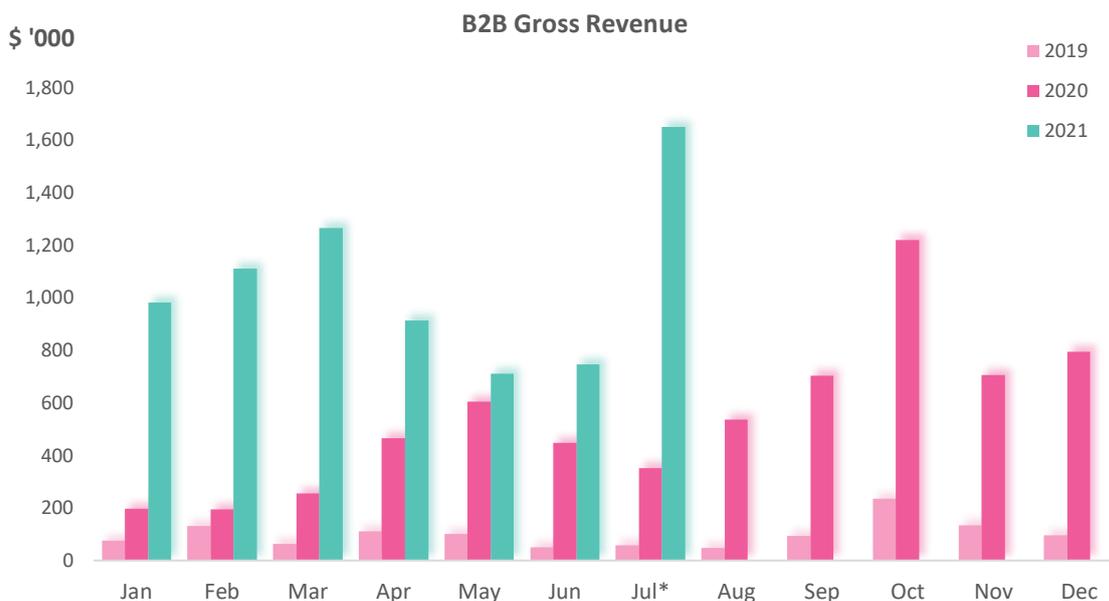
Candy Club continued to meet or exceed all operating KPI expectations in 2Q FY2021.

The Company's total number of retail doors continued to grow to more than 19,000 and the number of B2B customers exceeded 12,000 as of 2Q FY2021. Quarterly reorder rates from its top 25 customers once again achieved an impressive 96%¹ off the back of strong consumer demand.

¹ Candy Club's quarterly reorder rates from its top 25 customers last achieved a 96% in Q4 FY2020, while over 90% was achieved for Q1 FY2021.



Candy Club's B2B segment remained strong in 2Q FY2021, achieving quarterly gross revenue growth of 56% YoY to \$2.37 million. This comes amid the challenging operating environment in the US, which continues to be impacted by the COVID-19 pandemic. While the thousands of small businesses derived from the Company's e-commerce strategy are driving the recent growth, Candy Club expects the traditional brick-and-mortar retailers to significantly grow the Company's overall business by 2H FY2021 in anticipation of the US economy reopening.



*Jul 2021 is an estimate based on sales demand for the month

Balance Sheet

As of 30 June 2021, Candy Club had \$6.8 million in cash on hand with another approximately \$5 million in cash expected to be received in 2H FY2021 after shareholder approval on directors allocations from the April capital raise (ASX announcement dated 14 April 2021) at the upcoming AGM on 30 July 2021 and the remaining \$2.5 million draw of the \$7.5 million WTI debt facility becomes available once Candy Club meets the key performance indicators (refer (ASX announcement dated 14 April 2021) the Company has assessed and is confident to achieve.

In addition to the nearly \$12 million in cash the Company is expected to have access to, Candy Club has grown its inventory balance to almost \$6 million at mid-July from approximately \$4 million in 1Q FY2021. This is to meet expected strong customer demand in 2H FY2021.

Outlook

Candy Club's prospects for FY2021 remain extremely positive despite the challenging operating environment in the US.

In FY2020, the Company generated a majority of its annual revenue in 2H when much of the US was largely subject to "shelter-in-place" orders amid the COVID-19 pandemic. In anticipation that most of the US will reopen, Candy Club expects to continue to see the majority of annual revenue being recorded in 2H FY2021. The Company has had a good head start for 2H FY2021 with very strong B2B demand in July, estimated to be \$1.65 million. This is a 371% increase or a 4.7x increase YoY.

	July 2020 (actual)	July 2021 (estimate)	YoY Change (estimate)
Total gross revenue	\$0.57m	\$1.91m	236%
B2B revenue	\$0.35m	\$1.65m**	371%
B2C revenue	\$0.22m	\$0.26m	0%
Gross margins	44%	43%	-1 pts
EBITDA*	-\$0.21m	-\$0.36m	-67%

*EBITDA is reported on an operating basis prior to any non-cash audit adjustments and accruals

**July B2B is an estimate and based on sales demand for the month

Note: Figures in value and percentages tabulated above may not add up due to rounding and are unaudited figures.

Additional highlights and initiatives for 2H FY2021 include:

- A record month is expected in July with total sales demand of \$1.9m including \$1.65m in B2B demand
- Expanding business development relationships with the leading 3rd party B2B platforms in the US;
- Launched Candy Club's proprietary B2B platform in July which is expected to lower overall acquisition costs per customer and greatly increase LTV of its online B2B customers
- Successfully securing two orders shipping in 4Q FY2021 for test programs in a top 3 US grocery chain and a top 3 US general merchandise retailer
- Launching six pop-up retail concepts, leveraging a partnership with a leading retail specialist International Retail Group (IRG)
- On-demand local delivery (30 minutes or less) is currently in seven markets and is expected to expand to over 30 markets later this year via a partnership with CloudKitchen
- Successfully recruiting two accomplished senior executives (VP Sales and VP Supply Chain and Operations) in July to help execute the Company's aggressive growth strategies in FY2021 and beyond
- The production capacity expansion plan previously announced is on track to launch in early August. This initiative will help the Company meet customer demand through FY2022 and assist in expanding gross margins by the end of 4Q FY2021
- Significant consumer advertising in the US's leading magazine publications through its partnership with Accelerate 360
- Further product line expansion with collectible packaging and unique product and packaging executions targeting new distribution channels
- Exploring international distribution partnerships and proprietary product development expected to launch in FY2022
- Expansion of the Company's B2C segment in 4Q FY2021

"Candy Club is on track to deliver a great FY2021 and expects to deliver a record 3Q and 4Q this year," said Candy Club founder and CEO Keith Cohn. "Even with a good portion of the US closed down last year due to the COVID-19 pandemic, we still achieved 60% of our total revenue in the second half of the year. This year we also expect a strong 2H performance given anticipated demand for our products and a US economy that is continuing to re-open. Given all of our strategic initiatives, we believe we are setting ourselves up for not only a great FY2021 but for continued growth in the years to come."

Additional information

Payments to related parties and their associates during the quarter was \$203,000 which consists of salaries for the CEO, Keith Cohn, and one non-executive director, Andrew Clark, for providing additional services beyond the standard scope of his non-executive role.

Cash was expended on operating activities during the quarter as per below:

	\$US'000
Research and development	10
Product manufacturing and operating costs	3,899
Advertising and marketing	580
Leased assets	31
Staff costs	624
Administarion and corporate costs	599
Interest and finance costs paid	171

This announcement has been authorised by the Board of Directors.

Justyn Stedwell

Company Secretary

Candy Club Holdings Limited

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About Candy Club

Candy Club Holdings Limited (Candy Club) is a leading specialty market confectionery company which operates a business-to-business (B2B) and business-to-customer (B2C) division in the United States of America. Broadly, confectionery encompasses sugar confectionery, chocolates and gum.

Founded in 2015 by entrepreneur Keith Cohn, Candy Club executes an omnichannel strategy with a vision to become the world's leading specialty market confectionery company.

Candy Club is headquartered in Los Angeles, California, United States.

Forward-looking statements

This ASX release contains certain references to forecasts, estimates, assumptions, projections, and other forward-looking statements and statements regarding the intent, belief or current expectations of Candy Club. The words "likely", "expect", "aim", "should", "could", "may", "prospect", "anticipate", "predict", "believe", "plan", "forecast" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this ASX release are based on current expectations, estimates and projections about Candy

Club's business and its financial performance and the industry in which it operates. They may also be based on assumptions and contingencies which are subject to change without notice and/or risk factors associated with an investment in Candy Club. These forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors, which are, or may be, beyond control of Candy Club. These forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from the results, performance or achievements expressed or implied in this ASX release. Events and actual circumstances frequently do not occur as forecast and these differences may be material. Accordingly, investors are cautioned not to place undue reliance on any forward-looking statement contained in this ASX release, which speak only as of the date of this ASX release.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

CANDY CLUB HOLDINGS LIMITED

ABN

96 629 598 778

Quarter ended ("current quarter")

30 JUNE 2021

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (6 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	2,776	6,115
1.2 Payments for		
(a) research and development	(10)	(21)
(b) product manufacturing and operating costs	(3,899)	(6,769)
(c) advertising and marketing	(580)	(1,136)
(d) leased assets	(31)	(53)
(e) staff costs	(624)	(1,488)
(f) administration and corporate costs	(599)	(1,059)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid	(171)	(245)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(3,138)	(4,656)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(34)	(105)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(34)	(105)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,648	6,788
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(706)	(719)
3.5	Proceeds from borrowings	5,000	5,278
3.6	Repayment of borrowings	(1,569)	(1,857)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	8,373	9,490
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,540	2,017
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,138)	(4,656)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(34)	(105)

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (6 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,373	9,490
4.5	Effect of movement in exchange rates on cash held	49	44
4.6	Cash and cash equivalents at end of period	6,790	6,790

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$US'000	Previous quarter \$US'000
5.1	Bank balances	6,790	1,540
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6,790	1,540

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	203
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		
<i>6.1 Includes payment of wages and salaries, directors fees and consulting fees</i>		

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	5,000	5,000
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		0
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	<p><u>Venture Lending & Leasing IX Inc.</u> - Candy Club executed a debt facility in April 2021 for up to US \$7.5m of which US\$5 million has been drawn down. Under the debt facility, there will be Interest only (12%) payments for twelve (12) months followed by thirty (30) months of principal and interest repayments. An additional US\$2.5m draw down is available on August 31, 2021 or October 31, 2021, based on achievement of key milestones, which Candy Club believes it is on track to meet.</p> <p>The debt facility will rank as first priority lien and be secured by all of Candy Club's assets.</p>	

8. Estimated cash available for future operating activities	\$US'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(3,138)
8.2 Cash and cash equivalents at quarter end (item 4.6)	6,790
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	1,971
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	2.16
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: Yes. The Company expects to have the cash it requires to meet its operating requirements. The above calculation does not factor in the additional \$5 million in cash it expects to receive in the next 90 days.</p>	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Candy Club believes it currently has the working capital needed to considerably scale the business, as it expects to receive up to US\$5m in the next 90 days, namely the aforementioned US\$2.5m incremental draw from the debt facility (subject to the relevant key milestones being achieved) and an additional US\$2.5m subject to and upon shareholder approval at the AGM for two major shareholders' pro rata investment from the April 2021 Equity raise.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 23/07/21

Authorised by:Justyn Stedwell.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.