



ASX ANNOUNCEMENT
QUARTERLY UPDATE & APPENDIX 4C
TOTAL FACE GROUP LIMITED (ASX: TFG)

27th April 2017

Company Announcements Office
Australian Securities Exchange
10th Floor, 20 Bond Street
SYDNEY NSW 2000

Dear Sir/Madam,

Re: Appendix 4C – Quarterly Report

Please refer to the 'Appendix 4C' attached for cash flows for the third quarter ended 31 March 2017 for Total Face Group Limited (TFG, the Company).

Highlights

- Again delivered a positive operating cash flow of \$0.3m in what is the slowest quarter for the business
- Cash receipts from customers were \$4.7m for the quarter taking YTD receipts from customers to \$15.4m
- Recouped a further \$175k in cooperative marketing spend from Zeltiq Aesthetics Inc.
- Three acquisitions completed their first 12 months under the TFG brand with all three delivering growth in earnings
- Ended the quarter with a cash balance of \$1.4m

Operational Update

Historically Q3 is the slowest quarter for the business. Despite this, the Company again delivered a positive cash flow from its operations of \$0.3m, with receipts from customers of \$4.7m for the quarter. This result cements the Company's ongoing ability to generate free cash flows from its operating activities.

Receipts from customers in March were \$1.9m against \$1.5m and \$1.3m for February and January respectively. The Apr-Jun quarter will be measurably stronger than Q3 and will deliver further positive cash flows from operations.

TOTAL FACE GROUP

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CoolSculpting®

On the 14th February 2017, Dublin-based Allergan Plc (Allergan) agreed to pay \$2.48 billion in cash for Zeltiq Aesthetics Inc. (Zeltiq), owners of the CoolSculpting® technology. The transaction is expected to be completed in the second half of calendar 2017. The Company views Allergan's acquisition of Zeltiq as a positive reinforcement of its strategic decision to invest in the body fat reduction market and that it validates the decision to do so using the CoolSculpting® technology.

From a current operational point of view, whilst we continued to see growth in the number of cycles sold during Q3 (Q3 831, Q2 816, Q1 540), the lack of general market awareness has resulted in much slower uptake by consumers in Australia than originally forecasted. The DTC (Direct to Consumer) marketing campaigns expected to be launched by Zeltiq from the beginning of calendar 2017 have not eventuated. It is now the Company's understanding that DTC marketing campaigns are unlikely to commence until the acquisition by Allergan is completed.

The expected revenue shortfall in FY17 for this modality will now be in the vicinity of \$3.5m with a corresponding EBITDA impact of ~\$1.0m.

Again, we see the acquisition of Zeltiq by Allergan as a positive step and feel strongly that market awareness campaigns in Australia will be significantly improved in the second half of calendar 2017.

With the largest fleet of CoolSculpting® machines and the largest pool of trained clinicians in Australia, TFG is in a strong position to capitalise on any increase in market awareness. Together with our strong relationship with both Zeltiq and Allergan we remain confident in the future of our investment in this modality.

Injectables

Our injectables business remains the cornerstone modality with a further \$2.9m in receipts from customers during Q3 taking YTD receipts from customers to \$9.7m. At a Group level, the injectables business continues to operate in line with internal expectations.

On the 18th February 2017, Allergan released a new injectable product Belkyra® for the reduction of submental (beneath the chin) fat. The Company's Dr Alison Jamison (Queensland) and Dr Cath Porter (Sydney), both part of Allergan's Advisory Board for the product, have begun offering this new treatment to our clients. We are in the process of training further clinical staff to enable its introduction across all regions.

During the quarter we retained our suite of 17 Doctors and 22 registered nurses and continued to engage with both Allergan and Galderma to provide our clinical team with industry leading training.

Skin Solutions

Our Skin Solutions business achieved a further \$1.3m in receipts from customers during Q3 taking YTD receipts from customers to \$4.2m. At a Group level, the skin solutions business has had a mixed performance with "in clinic" treatments operating in line with expectations. However, our "out-of-clinic" or retail skin care sales have not performed in line with expectations.

As a result, a key focus during Q3 was on strengthening our retail skin care business through a more focussed approach to the product ranges offered in clinic for out-of-clinic care. During the quarter, the Company worked closely with Ultracuticals to strengthen the relationship which will see their product range introduced across our Victorian clinics in Q4.

We will continue to offer the aliangé range of skin care products across our Queensland clinics given its strong efficacy with the client base in that Region.

Further, the Company spent considerable time evaluating skin tightening treatments. As a result, one such treatment, Ultherapy®, is being trailed across our clinics. Ultherapy® uses ultrasound energy to lift and tighten the skin naturally without surgery, helping clients achieve a fresher, more youthful look on areas from their brow to their Décolletage.

This treatment is congruent with both Injectable and CoolSculpting® treatments and allows TFG to provide clients with combination therapies that deliver superior results to clients.

Acquisitions

During the quarter, three of the Company’s acquisitions – Face Today (Sydney), Rejuven8 (Penrith) and LaseByTheSea (Mornington, VIC) – completed their first 12 months under the TFG brand. All three clinics have delivered growth in their results against initial consideration baselines as shown in the following table:

Clinic	Baseline EBITDA*	EBITDA Achieved*	Growth	Total Consideration
Face Today	\$233,796	\$271,862	16.28%	\$882,563
Rejuven8	\$250,000	\$313,917	25.6%	\$750,000
LaseByTheSea*	\$434,781	\$492,955	13.38%	\$400,000

* LaseByTheSea acquisition was based on revenue targets

What the results above show is that the Company has been able to not only successfully identify and integrate existing industry clinics but also grow their earnings profile through existing and new revenue streams.

Capital Management

As previously flagged, the Company retains the ability to refinance up to \$3.0m of CoolSculpting® machines to increase its cash reserves. During the quarter a number of options have been pursued and the Company expects this position to change during the current quarter.

Company Leadership

During the quarter the company announced the appointment of two key individuals – Kerstin Grant (Head of Operations) and Kathryn Bran (Group Manager Facial Aesthetics) – to strengthen the operational management of the Company in preparation for the next phase of growth.

Both appointees have settled in well and present a positive presence among customers, clinics and clinicians.

Summary and Outlook

The Company remains uniquely placed to continue to strengthen its position as a market leader in the non-invasive aesthetic industry. We have a world class clinical team with the largest cohort of Doctors. We have a very strong executive team with the industry knowledge and commercial acumen to ensure the Company continues to:

- operate within the regulatory framework;
- focus on treatments that combine to improve the outcomes for our clients;
- identify further acquisitions and bring them under the TFG brand; and
- further develop its TESSA system to ensure the right level of customer engagement while at the same time providing operational governance.

The positive cash flow achieved in Q3 provides the Company with every confidence that previous periods of negative cash flow from operating activities are now behind us.

In terms of the outlook for the remainder of FY17, we expect Q4 to be ahead of our Q2 numbers on the back of continued growth in CoolSculpting®, an improved performance in our retail skin care sales as a result of the rollout of the Ultraceuticals in our Victorian clinics and a continued robust performance from our injectables modality.

In light of the statements made in this report, the Company now expects to deliver full year revenues of \$21m and an EBITDA of \$1.8m excluding one- offs.

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

TOTAL FACE GROUP LTD

ABN

43 169 177 833

Quarter ended ("current quarter")

31 MARCH 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,678	15,409
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(2,143)	(6,721)
(c) advertising and marketing	(232)	(815)
(d) leased assets	(10)	(31)
(e) staff costs	(1,876)	(5,501)
(f) administration and corporate costs	(260)	(1,114)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	9
1.5 Interest and other costs of finance paid	(41)	(116)
1.6 Income taxes paid	-	(48)
1.7 Government grants and tax incentives	-	48
1.8 Other (provide details if material)	159	375
1.9 Net cash from / (used in) operating activities	276	1,495
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(117)	(3,299)
(b) businesses (see item 10)	(188)	(7,234)
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	(148)	(430)
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (acquisition costs & lease deposits)	(57)	(613)
2.6 Net cash from / (used in) investing activities	(510)	(11,576)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	10,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(757)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(125)	(392)
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	(125)	8,851

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	1,730	2,601
4.2 Net cash from / (used in) operating activities (item 1.9 above)	276	1,495
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(510)	(11,576)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(125)	8,851
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	1,371	1,371

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 \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,371	1,371
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)	1,371	1,371

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	59
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	
CEO remuneration and rent of corporate head office to related entity.		

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	-
9.2	Product manufacturing and operating costs	3,179
9.3	Advertising and marketing	180
9.4	Leased assets	10
9.5	Staff costs	1,982
9.6	Administration and corporate costs	377
9.7	Other (provide details if material)	-
9.8	Total estimated cash outflows	5,728

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	i) Lase By the Sea (earn out) ii) Rejuven8 (earn out) iii) Sunshine Vein Clinic iv) PB Gibson	
10.2 Place of incorporation or registration	i)VIC ii)NSW iii)QLD iv)ACT	
10.3 Consideration for acquisition or disposal	i) \$25,000 ii) \$37,500 iii) \$100,000 iv) \$25,000	
10.4 Total net assets	n/a	
10.5 Nature of business	Non-surgical Cosmetic Clinics	

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.

Sign here: 
(Company secretary)

Date: ...27/4/2017.....

Print name:Liza Juegan.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.