



ASX Announcement

TOTAL FACE GROUP LIMITED

Company Update

3 July 2018

Total Face Group Ltd (ASX:TFG) (“TFG” or “Company”) provides the following Company update.

In line with previous market announcements, the Company has been involved in confidential negotiations regarding the future direction and structure of the business.

The negotiations were driven from the Strategic Review process the Company undertook with the assistance of Ernst and Young Transactional Services (EYTAS).

The Company advises that the Strategic Review process has now been concluded and is pleased to announce:

- 1) the further divestment of three clinics;
- 2) the acquisition, subject shareholder approval and the successful completion of a proposed capital raising, of The Giving Brands Company Pty Ltd (GBCo); and
- 3) proposed capital raising.

Further divestment of three clinics

Post the conclusion of the engagement with EYTAS, we have continued to negotiate with various parties with the primary focus on divesting from loss making clinics.

Subject to finalisation of formal sale and purchase agreements, the Company is pleased to announce that it has binding term sheets in place to sell a further three clinics, one in Sydney and two in Victoria. These clinics will realise a further \$1.4m before the end of July 2018. The three clinics have a combined forecast FY18 revenue base of \$2.2m and EBITDA loss of \$0.1m.

The Company advises that any future divestment will be strategically planned and based on maintaining positive commercial returns.

Acquisition of GBCo

The Company is very pleased to announce that it has entered into a binding Term Sheet to acquire, subject shareholder approval and the successful completion of a proposed capital raising, a 100% interest in GBCo.

GBCo is a fully integrated brand immersion company that owns, licenses and partners with multiple brands in the beauty industry. GBCo has a team with expansive management and operational expertise with a seasoned proven track record of creating rich clear brand stories.

In addition, GBCo has access to substantial retail and professional doors throughout Australia providing the right platform to successful launch new brands. These doors include Chemist Warehouse, Priceline Pharmacy, Coles and Woolworths.

Current brands in the market include Jbronze by Jennifer Hawkins, and nailKALM which are set for further growth as doors are expanded and funding for marketing campaigns is in place. Several new brands are in design phase and are also set for short-term go to market campaigns once properly funded.

Through License agreements with the highest selling national magazines GBCo has access to broader customer touch points into varied demographics along with collaboration and subscriber base opportunities.

Highlights

2016

- May - GBCo is created by cosmetic industry entrepreneur Christine Parkes
- Dec - successfully acquired the Jbronze brand by Jennifer Hawkins

2017

- Jan - deployed Jbronze into Chemist Warehouse TerryWhite Chemmart, Priceline and Independent Pharmacy Doors
- Mar - moved in to the new premises in Cheltenham, Victoria
- May - significant reduction in production costs through change of suppliers
- Aug - launched 3 new products - Dry Luxe Tan Oil, Body Mitt and the Professional Rapid Pro Fast Dry tan under the J Bronze brand
- Dec - successful collaboration engagements with Georgia Gibbs (~1m followers)

2018

- Jan - engagements with Country Style Magazine and the world's largest female magazine Elle
- Feb - initial engagement with major distributor and license agreement with Xerion
- Feb - development of "TANNED" a millennial tanning brand with advanced negotiations to add celebrity ambassador influencers with ~1m followers
- Apr - engagement undertaken with Marie Claire & In Style Magazine
- Apr - rebrand and development of INfinite Cosmeceuticals
- May - engagements with Myer, House & Garden and The Australian Women's Weekly
- June - initial discussions with Men's and Women's Health Magazine with a view to launch in 2019

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The acquisition of GBCo provides a pivot point for TFG to build a much stronger business through:

- 1) Diversifying the revenue base into mainstream retail doors.
- 2) Vertically integrating the Company's retail skincare business through the development and rollout of our own range of skincare products.
- 3) The introduction of professional tanning locations within the existing clinic infrastructure through the Jbronze by Jennifer Hawkins brand of tanning Products.
- 4) Implementation of brand ambassadors to stimulate engagement to drive traffic with renewed endorsement thus creating a platform of growth for new and repeat clientele into the clinic network.

GBCo has access to over 1,500 cosmetic formulas where IP to formulas brought to market will be transferred to TFG under the conditions of the acquisition.

The acquisition of GBCo is subject to Shareholder approval and the successful completion of a proposed capital raising, and will result in the vendors of the business receiving shares in TFG equal to 12% to 15% of the total shares on issue post the successful completion of the proposed capital raising.

The financials for GBCo are summarised in the table below:

	2017	2018	2019	2020
	(A)	(A/F)	(F)	(F)
Revenue	447	1,860	7,134	12,408
COGS	207	996	4,524	7,817
Gross Profit	238	864	2,610	4,591
	53%	46%	37%	37%
Expenses	191	807	1,646	2,729
EBITDA	49	87	964	1,861
	11%	4.7%	13.5%	15%

Proposed capital raising

A condition precedent to the acquisition of GBCo is the successful completion of a capital raising to ensure the business plan is appropriately funded.

In this regard the Company proposes to undertake a capital raising of between \$4m and \$6m by way of a combination of placement to sophisticated investors and Rights Issue to existing Shareholders.

Further details of the proposed capital raising will provided to the market once finalised.

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Board and Executive Changes

The Company advises that Lynda Adler has resigned as a non-executive director of the Company effective immediately.

Upon execution of the transaction the Board will also announce:

- Executive Chairman Paul Fielding will resign as Executive Chairman and become the Company's Non-Executive Chairman;
- Christine Parkes will be appointed the Company's Managing Director and CEO; and
- Christine Parkes will be appointed to Board as an Executive Director.

These changes, in the opinion of Directors, are necessary to effectively undertake strategic growth in the remaining clinic network and to execute and deliver GBCo's business plan.

Expected Timeline

Execute GBCo Share Sale & Purchase Agreement	13 th July 2018
Notice of Meeting to Shareholders	16 th July 2018
Finalise sale of clinics	31 st July 2018
Complete GBCo transaction	15 th August 2018
Lift suspension from trading	15 th August 2018

Any questions regarding this announcement can be directed to Mr Paul Fielding on +61 (03) 8547 3600.

Yours Sincerely,

Paul Fielding
Executive Chairman

Total Face Group Limited

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