



Chairman's and Chief Executive's Statement

For the six months to 30 June 2023



After a challenging 2022 our focus in 2023 has been on moving the Company towards profitability. We believe we will achieve this by a reduction in central costs and by the promotion of sales, both direct to consumers via e-commerce channels and through our existing partners delivering on forecasts and bringing in new customers, particularly in the USA and Asian markets. There has been progress in each of these areas in the first six months of 2023, and in particular since March 2023 when we initiated a number of changes to the management team.

This focus has resulted in a substantial increase in turnover (195%) and gross profit (154%) and a reduction in administration expenses (17.3%). This has led to a fall in our operating loss (28%) for the first six months of the year. Whilst encouraging, it's only a first step, and our focus remains on reaching profitability by broadening our customer base in more territories, building new partnerships with larger companies particularly in the USA and Asia, and controlling costs. This will create a more robust business for the future and will reduce the risk of revenues in future accounting periods being impacted by individual partners delaying launches, or by timing differences in restocking.

Strategic overview

Whilst our immediate focus is on reaching profitability this takes place within a strategic framework of:

- Focusing on a number of large partners in key strategic markets, particularly the USA and Asia;
- Improving our sales mix and margins by moving increasingly from ingredient sales to the sale of finished products, both through larger partners and direct-to-consumer through our own online store and other outlets such as T-mall.com in Asia and Amazon;
- Building first-generation product portfolio in weight management and extending our technology into new channels such as sports nutrition with LeanBiome®, and new product areas such gut and digestive health with WellBiome®;
- Progressing the commercialisation of our second-generation products, SweetBiotix® and Microbiome Modulators.

The first phase of strategy was to establish the credibility of our science and brands and the sustainability of the business through an initial focus on building sales of our first-generation products (SlimBiome®, LPLDL®) through business-to-business deals with multiple partners principally in Europe. The Company made rapid sales progress with combined sales of prebiotic and probiotic first-generation products of £1.5m (2020) and £2.2m (2021) and both the Probiotic (now ProBiotix Health plc) and Prebiotic trading businesses being EBITDA profitable in both years. SlimBiome® now has three clinical studies, health claims in numerous territories around the world, an extensive international IP portfolio, multiple awards, and accounts with well-known national (Holland and Barrett), and international brands (Myprotein). This has allowed us to extend our SlimBiome® brand into new territories (Asia, USA), expand into the sports nutrition channel, and launch a patented gut and digestive health product, WellBiome®.

Our strategic focus is now turning to the approaching commercialisation of the SweetBiotix® and Microbiome modulator family of products which offers shareholders the potential for significant value enhancement. 2023 has seen significant progress by both partners in the commercial scale production of SweetBiotix®, with final product taste tested and accepted by our US partner. Liquid and freeze-dried products are undergoing independent structural analysis and expert panel taste testing to determine sweetness, off tastes, aftertastes etc when compared to sucrose and other products after which we can start partner application development and launch plans. In the meantime our partners are undergoing early consumer testing as they prepare for launch.

All these actions increase the scale of the opportunity within OptiBiotix and our ability to deliver sustained growth for shareholders in the years ahead.

Commercial and scientific overview

Since the beginning of the current financial year we have:

- Invested significantly in new e-commerce channels, including Amazon in the UK, and Walmart in the USA, as well as Tmall.com in China. This has led to good sales growth which with continued investment we anticipate will continue throughout 2023 and beyond.
- Shifted our commercial focus to selling SlimBiome® Medical sachets in Europe and SlimBiome® shots in India and the Gulf states. These are designed to be consumed before meals and help users manage their weight by making consumers feel fuller for longer and reducing cravings for sweet and savoury snacks. This is a highly differentiated product which leverages growing market interest in injectable appetite control drugs like semaglutide. SlimBiome® Medical can be used with any weight management plan or calorie restriction plan and complements rather than competes in a crowded marketplace. The product enjoys high margins and became a top-selling line on Amazon UK in 2023 within its market segment.

- Re-engaged with major partners that underperformed against our sales expectations in 2022, leading to:
 - A significant new investment in marketing by Optipharm in Australia, coupled with the launch online of their Optislim and Optiman ranges containing our OptiBiome® prebiotic fibre.
 - New orders from both The Hut Group and Holland & Barrett in the UK.
 - A substantial increase in the number of Apollo pharmacies in India and Nahdi pharmacies in Saudi Arabia selling GoFigure® products.
- Successfully launched new products, including our reformulated gut and digestive health WellBiome® functional fibre and mineral blend, which has been made available via our own online store and more recently on Amazon UK.
- Recruited three new partners in Asia who have all placed initial orders for SlimBiome and a major US weight management brand, with which we will be launching during the second half of 2023, initially in Europe and later in the USA.
- Published the results of a third human study on SlimBiome® which demonstrated statistically significant benefits to appetite and hunger regulation, with no safety, compliance or tolerance issues reported by the participating volunteers. This study underlines the effectiveness of a single dose of SlimBiome® in delivering hunger-free weight loss by non-invasive means. This study was timely given the growing consumer, media and pharmaceutical company interest in this field following NICE'S approval of the injectable drug semaglutide.

North America Sales and Business Development

We have a strong sales pipeline in North America and the USA made up of small, medium size, and a number of large US corporates (including a £9bn Multi Level Marketing company -MLM) that offer opportunities for sales growth in 2023 and beyond. The Company has received a number of orders from USA and Canadian partners who are owners of leading weight management or sports nutrition brands in the USA. We expect further orders in H2 from our pipeline of interested partners.

We continue to advance projects and expand our pipeline with North American companies with the US business looking to contribute \$287k of sales in its first full year of commercial operation. The Company will be exhibiting its SlimBiome®, LeanBiome®, and Wellbiome® products at Supply Side West, USA, in November 2023 with a view to progressing further opportunities in this market.

Consumer Health and Ecommerce sales

The Consumer Health Division is growing rapidly increasing sales by 65% in Q2 compared to Q1 and in the first 6 months of 2023 has already achieved higher sales than FY 2022. Amazon UK has been instrumental in achieving such success due to the increase in the customer base. The Company has successfully moved to Fulfilment By Amazon model (FBA). This model has allowed customers to receive faster delivery through Prime accounts. Slimbiome® is consistently in the top best sellers for anti-appetite-suppressants and achieved the highest sales in online history during Prime month in July 2023.

The key to growth is to expand our reach to customers via various channels globally (Amazon Germany, United Arab Emirates (UAE) and India) and to widen our product portfolio and increase brand awareness.

New customers such as Amazon UAE terms have been agreed and Slimbiome®, and Wellbiome®, and our gummies are being listed. Amazon Kingdom of Saudia Arabia (KSA) will follow suit as they have observed our strong presence in Nahdi Pharmacies in the territory. Amazon India has been identified as a huge potential and the Amazon account has been created. Next steps include getting the products listed ready for a strong sales push in Q4.

Our China business has seen our highest month of sales on Tmall in August 2023 and we envisage an even higher month in September 2023. This can be attributed to the work done with local KOL influencers in the region and a strategic move to sell more on the TikTok platform. Tmall has a large event in November 2023 which OptiBiotix will be participating in and should encourage further sales.

To widen our product portfolio, in Q4 2023 will bring new products including soups and porridges onto our own platform and subsequently to Amazon. By adding further to the range, this will allow an increase in average order value online and compensate for the peaks and troughs in the weight management cycle.

Competitor analysis of our WellBiome® product has indicated the Consumer Health Division needs to increase awareness through social channels and is currently focusing on recruiting influencers. With the increased awareness, our division will have more visits, brand recognition and most importantly sales. Competitors such as Symprove have sales of up to £15 million per annum with a heavy reliance on Influencers/social media. Based on our analysis we have competitive advantage on price and product including on pack health claims.

A competitor analysis for Wellbiome® has indicated value in a change in positioning from healthy ageing to gut and digestive health which will allow us to attract more customers. We have already begun targeting competitors with keywords/ads and have listed successfully with Amazon UK on FBA. We will follow a similar path with Slimbiome® in the months ahead.

The Consumer Health Division has the advantage of receiving online sales income immediately and allows more control of our brand/IP/messaging and less reliance on distributors to grow the brand.



OptiBiotix Health India

OptiBiotix Health India (“OHI”) was formed in November 2021 as a mid to long term strategic investment in the world’s most populous nation forecast to have the highest population of medium to high level income customers in the world. The formation of OHI has helped OptiBiotix avoid high import taxes and control the purchase and sale of ingredients (SlimBiome®) and final product (GoFigure®) manufactured and sold in India.

After a slow start following the launch of products with Apollo in September 2022 we are now seeing momentum increase with 529 stores in major cities now selling GoFigure products with the aim of 1000 stores by year end. This has helped sales grow by 500% in the last 5 months. These increased sales will not be reflected in H1 but will impact on restocking requirements in H2 when Apollo have agreed to extend the product range. Apollo carried out a consumer survey which showed:

- There was a 87% customer return rate of customers buying GoFigure® products.
- There were 23% new customers to Apollo pharmacies who just bought GoFigure® products.

This customer feedback is consistent with feedback from THG who gained 40% new customers with the introduction of LeanBiome® to their Myprotein® product range. These launch experiences transform the proposition in commercial discussions with new partners as it demonstrates our products customer appeal and its ability to attract new and returning customers.

The business in India has a strong pipeline with emerging and leading players in weight management and sports nutrition and if launches go to plan we would anticipate sales in the region of £130k this financial year.

Results

OptiBiotix results for the six months ended June 30 2023 are set out below. These results are for the Group’s new structure following the listing of ProBiotix Health (PBX) plc on the AQSE Growth Market on 31 March 2022 with PBX costs and revenues no longer included from that date. When making comparisons with 2022 it should be noted that H1 2022 accounts included costs and revenues for the combined group (ProBiotix and OptiBiotix) up to the end of March 2022.

The results show revenue from continuing operations for the six months of £351k (H1 2022: £119k), a 195% increase in sales. 85% of this income was received in the second quarter (April to June 2023) following changes to the leadership team. Administration expenses are down 17% (H1:2023 £918k, H1 2022: £1,108) reflecting cost saving measures and recovery of some of the debt provision reported in 2022 accounts. This includes a proportional settlement payment to the departing CEO, Rene Kamminga. There is a £286k (28%) reduction in operating loss, from £1,046k in 2022 to £760k in 2023 which will reduce further with the full

year effect of cost improvement measures including removing Cenkos as joint broker, the departure of Rene Kamminga in March 2023, and the reduction of the board from four to two non-executives in July 2023. As in previous years, there was no contribution in this period from licence or royalty payments which tend to be received in the second half of the year.

The Company has a healthy balance sheet with gross assets of £9.9m (31 December 2022: £11.5m) with circa £893k cash (31 December 2022: £1.1m) at the end of June 2023. Once R&D tax credits are claimed and recoverable VAT repayments are added, the balance would be £1.02m (31 December 2022: £1.24m).

Post period end the Group generated gross proceeds of £399k from the sales of SBTX shares.

The Board senior management and advisers

The Board took decisive action in December 2022 and in H1 2023 to reduce Board, management and advisory costs in order to ensure each part of the business and subsequently the Group achieve operational profitability as soon as possible. These actions included the termination of joint brokerage with Cenkos Securities plc at the end of March 2023, the stepping down of Rene Kamminga, CEO of OptiBiotix Ltd, who left the business on 28 February 2023, and a voluntary 20% reduction in all directors’ salaries from 1 January 2023. With twice as many non-executive directors as executive directors Stephen Hammond and Chris Brinsmead agreed to step down as Non-executive directors at the Company’s Annual General Meeting in July 2023. The overall aim of the measures was to reduce cost throughout 2023 and beyond.

We anticipate further restructuring of the board and management team of OptiBiotix as ProBiotix Health plc develops its independence and we reduce the number of senior employees currently shared with ProBiotix Health plc under shared service agreements.

Looking ahead, the focus of the Company will be on investing in areas that offer the highest return. To support that process and ensure a focus on profitability the Company is developing profit and loss metrics for each part of the business with the aim of each area (USA, India, Ecommerce, B2B) reaching profitability, at least on a monthly basis by the end of the calendar year.

Outlook

After a challenging 2022 the Company took decisive action to reduce costs and focus on sales and bringing in new customers, particularly in the USA and Asian markets. There has been progress in each of these areas which has been reflected in much improved results. These changes, further sales growth, full year cost reductions, and income from licence or royalty payments which tend to be received in the second half of the year should help the Company on its path to return to the

levels of growth and EBITDA profitability achieved in 2020 and 2021. However, this is only the start and the Company must continue to bring in new partners, build on line sales in more territories, and launch its second generation products if it is to continue this upward trajectory.

The Board recognises that whilst sales in H1 were strong it is working in a very volatile external environment and until it increases its number of partners it is very reliant on sales performance of a limited number of large partners where timing differences in restocking large orders can have a material impact on reporting revenues in that accounting period. To mitigate this risk the Company has sought to increase the number of partners buying its products, of which Boots and Costco are good examples, and build its e-commerce presence in multiple territories to create a more robust business for the future.

OptiBiotix is operating in an exciting and evolving market place with gut health and modulation of the human microbiome attracting ever-increasing interest as the potential solution to a wide and growing range of life-style related health challenges. Unique, innovative products take time to gain market acceptance and our products are no exception. We believe their strong science, clinical studies, and broad IP portfolio together with the industry awards and great customer reviews are starting to attract growing international recognition and with this more sales opportunities. Successful launches with established national and international retailers such as Holland and Barrett, Europe's largest health and wellness retailer with over 1,600 stores in 18 countries across the world, gives our product credibility furthering sales opportunities in other territories. This has changed discussions from the science to commercial discussions on which products to launch and timings of launch. The agreements with Boots, Costco, and a large USA sports nutrition brand in the last few months are good examples of this and if successful have the potential to contribute significantly to revenues in 2024 and beyond.

Our early success in the USA and Asian markets with new customers support this proposition with initial sales suggesting high growth potential in these markets. This is supported by the credibility of our science and success stories with partners like THG and Apollo which demonstrates our products customer appeal and its ability to attract new and returning customers.

We are confident that our strategy will continue to deliver sales growth in 2023 whilst the approaching commercialisation of our second-generation SweetBiotix® family of products and microbiome modulators offer exciting potential for future growth. We believe the launch of either of these products will be transformational for the Company and offer shareholders the potential for a significant enhancement in the value of the Company.

This is in addition to the Company having a continued exposure to the considerable growth potential in probiotics and skincare through the Group's shareholdings in ProBiotix Health plc and SkinBioTherapeutics plc.

N Davidson and S O'Hara
27 September 2023

Consolidated Statement of Comprehensive Income

For the six months to 30 June 2023



Continuing operations	Notes	6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
Revenue		351	119	457
Cost of sales		(193)	(57)	(213)
Gross Profit		158	62	244
Share based payments		–	(6)	(11)
Depreciation and amortisation		(93)	(117)	(224)
Other administrative costs		(825)	(985)	(2,498)
Administrative expenses		(918)	(1,108)	(2,733)
Operating loss		(760)	(1,046)	(2,489)
Finance income/(costs)		–	–	–
Share of (loss)/profit from associate		(226)	91	(83)
Loss on investments		(1,066)	(6,788)	(8,620)
Profit on disposal of investments		198	–	16
Profit on disposal of subsidiary		–	21,647	21,647
Provision against associate valuation		–	–	(8,030)
Profit/(Loss) before Income tax		(1,854)	13,904	2,441
Income tax		8	12	146
(Loss)/Profit for the period		(1,846)	13,916	2,587
Other Comprehensive Income		–	–	–
Total comprehensive income for the period		(1,846)	13,916	2,587
Total comprehensive income attributable to the owners of the group		(1,846)	13,916	2,587
Dividends		–	(10,258)	–
Non-controlling interest		–	–	–
		(1,846)	3,658	2,587
Earnings/(loss) per share				
Basic & Diluted – pence	4	(2.09)p	4.15p	2.93p

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	As at 30 June 2023 Unaudited £'000	As at 30 June 2022 Unaudited £'000	As at 31 December 2022 Audited £'000
ASSETS				
Non-current assets				
Intangibles		1,463	2,233	1,540
Property, plant & equipment		–	2	–
Investments	5	3,711	6,761	5,022
Investment in associate	5	2,903	11,333	3,129
		8,077	20,329	9,691
CURRENT ASSETS				
Inventories		179	128	178
Trade and other receivables		666	434	521
Current tax asset		106	68	106
Cash and cash equivalents		893	1,509	1,052
		1,844	2,139	1,857
TOTAL ASSETS		9,921	22,468	11,548
EQUITY				
Shareholders' Equity				
Called up share capital	6	1,824	1,760	1,824
Share premium		2,958	2,545	2,958
Share based payment reserve		939	933	939
Merger relief reserve		1,500	1,500	1,500
Retained Earnings		1,838	15,014	3,684
Total Equity		9,059	21,752	10,905
LIABILITIES				
Current liabilities				
Trade and other payables		514	255	278
		514	255	278
Non – current liabilities				
Deferred tax liability		348	461	365
		348	461	365
TOTAL LIABILITIES		862	716	643
TOTAL EQUITY AND LIABILITIES		9,921	22,468	11,548

Consolidated Statement of Changes in Equity

For the six months to 30 June 2023



	Called up Share Capital £'000	Share Premium £'000	Share- based Payment Reserve £'000	Non Controlling Interest £'000	Merger Relief Reserve £'000	Retained Earnings £'000	Convertible loan note £'000	Total Equity £'000
Balance at 31 December 2021	1,759	2,537	927	35	1,500	11,320	93	18,172
Profit for the period	–	–	–	–	–	13,916	–	13,916
Dividends	–	–	–	–	–	(10,258)	–	(10,258)
Transfer on loss of control	–	–	–	–	–	–	(93)	(93)
Share issues	1	8	–	–	–	–	–	9
Transfer within reserves	–	–	–	(35)	–	35	–	–
Share based payment	–	–	6	–	–	–	–	6
Balance at 30 June 2022	1,760	2,545	933	–	1,500	15,014	–	21,752
Loss for the period	–	–	–	–	–	(11,330)	–	(11,330)
Fundraising commission	–	(24)	–	–	–	–	–	(24)
Share issues	64	437	–	–	–	–	–	501
Share based payment	–	–	6	–	–	–	–	6
Balance at 31 December 2022	1,824	2,958	939	–	1,500	3,684	–	10,905
Loss for the period	–	–	–	–	–	(1,846)	–	(1,846)
Balance at 30 June 2023	1,824	2,958	939	–	1,500	1,838	–	9,059

Consolidated Statement of Cash Flows

For the six months to 30 June 2023

	6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
Reconciliation of loss before income tax to cash outflow from operations			
Operating loss	(760)	(1,046)	(2,489)
Decrease/(Increase) in inventories	(1)	(36)	(76)
(Increase)/decrease in trade and other receivables	(144)	658	1,116
(Decrease)/increase in trade and other payables	236	(211)	(19)
Share Option expense	–	6	11
Amortisation of patents	92	118	224
Net cash outflow from operations	(577)	(512)	(1,233)
Tax paid	(9)	98	124
Net cash outflow from operating activities	(586)	(414)	(1,109)
Cash flows from investing activities			
Purchase of intangible assets	(15)	(58)	(168)
Net cashflow re disposal of subsidiary	–	(35)	(188)
Proceeds on disposal of investments	442	–	25
Net cash (outflow)/inflow from investing activities	427	(507)	(331)
Cash flows from financing activities			
Share issues	–	9	485
Net cash inflow from financing activities	–	9	485
Increase/(decrease) in cash and equivalents	(159)	(498)	(955)
Cash and cash equivalents at beginning of year	1,052	2,007	2,007
Cash and cash equivalents at end of year	893	1,509	1,052

Notes to the Half Yearly Report

For the six months to 30 June 2023



1. General Information

Optibiotix Health Plc is a company incorporated and domiciled in England and Wales. The company's registered office is in York. The company is listed on the AIM market of the London Stock Exchange (ticker: OPTI).

The financial information set out in this Half Yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The group's statutory financial statements for the period ended 31 December 2022, prepared UK-adopted under International Financial Reporting Standards ("IFRS"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498 (3) of the Companies Act 2006.

Copies of the annual statutory accounts and the Half Yearly report can be found on the Company's website at <http://www.optibiotix.com/>.

2. Basis of preparation and significant accounting policies

This Half Yearly report has been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom.

The interim financial statements have been prepared in accordance with the accounting policies set out in the Annual Report and Accounts for the year ended 31 December 2022.

3. Segmental Reporting

In the opinion of the directors, the Group has one class of business, in three geographical areas being that of identifying and developing microbial strains, compounds and formulations for use in the nutraceutical industry. The Group sells into four highly interconnected markets, all costs assets and liabilities are derived from the UK location.

Revenue analysed by market

	6 months to 30 June 2023 £'000	6 months to 30 June 2022 £'000	Year ended 31 December 2022 £'000
Probiotics	–	24	24
Functional Fibres	351	95	433
	351	119	457

Following the loss of control of Probiotix Health plc on 31 March 2022, all group revenues since then have been derived from functional fibres.

Revenue analysed by geographical market

	Period ended 30 June 2022 £'000	6 months to 30 June 2022 £'000	Year ended 31 December 2022 £'000
UK	142	48	136
US	–	15	100
India	–	–	61
Rest of world	209	56	160
	351	119	457

During the reporting period one customer represented £116,256 (33.1%) of Group revenues. (June 2022: one customer generated £49,668 representing 41.8% of Group revenues)

4. Earnings per Share

Basic earnings per share is calculated by dividing the earnings attributable shareholders by the weighted average number of ordinary shares outstanding during the period.

Reconciliations are set out below:

	Earnings £'000	6 months to 30 June 2023 Weighted average Number of shares No.	Profit per-share Pence
Basic and diluted EPS			
Basic and diluted EPS	(1,847)	88,279,952	2.09

	Earnings £'000	6 months to 30 June 2022 Weighted average Number of shares No.	Profit per-share Pence
Basic and diluted EPS			
Basic and diluted EPS	3,658	88,047,596	4.15

	Earnings £'000	Year to 31 December 2022 Weighted average Number of shares No.	Profit per-share Pence
Basic and diluted EPS			
Basic and diluted EPS	2,587	88,279,952	2.93

As at 30 June 2023 there were 7,182,907 outstanding share options.



5. Investments

Available for sale investments

	£'000
Carrying value	
At 31 December 2021	13,651
Revaluations	(6,890)
Carrying amount	
At 30 June 2022	6,761
Revaluations	(1,730)
Disposal of shares	(9)
Carrying amount	
At 31 December 2022	5,022
Disposal of shares	(244)
Revaluations	(1,067)
	3,711

Investment in associates

	£'000
Carrying value	
At 31 December 2021	–
Additions	11,242
Share of profit	91
Carrying amount	
At 30 June 2022	11,333
Share of loss	(174)
Impairment in the period	(8,030)
Carrying amount	
At 31 December 2022	3,129
Share of loss	(226)
Carrying amount	
At 30 June 2023	2,903
Total value of investments at 30 June 2023	6,614

6. Share Capital

Issued share capital comprises:

	6 months to 30 June 2023 Unaudited £'000	6 months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
Ordinary shares of 2p each 87,940,601	1,824	–	1,824
Ordinary shares of 2p each 88,065,601	–	1,760	–
	1,824	1,760	1,824

7. Post balance sheet events

On 26 July 2023 Stephen Hammond and Chris Brinsmead stepped down from the Board.

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To find out more please contact OptiBiotix on:

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