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OptiBiotix Health PLC
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OptiBiotix Health plc
("OptiBiotix" or the "Company")

Strategic and commercial update

OptiBiotix Health plc (AIM: OPTI), a life sciences business developing compounds to tackle obesity, high cholesterol, diabetes and skincare, provides a strategic and commercial update.

Strategic overview

The Company believes that the business is now at a strategic inflection point with first generation products gaining widespread acceptance in international markets with large partners and the imminent launch of second generation products affording potential for future sales growth and uplifts in shareholder value. This update seeks to capture the progress made with first generation products since the restructuring of the management team in 2023 and maps out the opportunities for 2024.

The Company recognised the risk of bringing new technology and products in an unproven field, the microbiome, to a conservative global food and supplement market where uniformity and risk avoidance is fundamental and innovation and acceptance of new technology and products is notoriously slow. To mitigate this risk, it founded and developed three companies in the emerging microbiome field: OptiBiotix Health plc (OPTI), ProBiotix Health plc ("PBX" or "ProBiotix")) and SkinBioTherapeutics plc ("SBTX"). These have similar science but use different approaches to modify the microbiome and have different applications and markets. OptiBiotix develops prebiotic fibres which are largely sold as food supplements and nutraceuticals, ProBiotix develops probiotics which are sold as supplements, whilst SkinBioTherapeutics develop solutions to improve skin health. Spinning these companies out of the OptiBiotix Group plc through listings on the public markets creates a tangible asset which can be disposed of to provide investors a dividend, as with the £10.25m dividend issued to OptiBiotix shareholders on the PBX listing in March 2022, or funds as with the £5.4m worth of share sales in SBTX since listing. This means that OptiBiotix has no debt, a strong balance sheet, and multiple plays in different areas of the emerging microbiome space.

In addition to founding and developing three companies, OptioBiotix layered its development portfolio by creating first generation products (principally SlimBiome® and subsequently WellBiome® in prebiotics and LP_{LDL}® in probiotics) of relatively moderate development risk using existing science, whilst in parallel developing more innovative second-generation products (SweetBiotix®, MicroBiome Modulators) that offer the potential for larger future returns. This strategy allowed the Company to achieve combined revenues of £2.2m in 2021 with both the probiotic (now ProBiotix Health plc) and prebiotic trading businesses being EBITDA profitable in both years.

Whilst global economic conditions temporarily impacted on progress during 2022 with high stock levels, lower retail footfall, and a lack of new product innovation in the industry, the last three quarters of 2023 have seen a gradual return to strong sales growth.

Commercial update

Since the restructuring of the management team in spring 2023 and Stephen O'Hara taking over commercial activities from Rene Kamminga, the Company has focussed on three main areas for sales growth:-

1. more active management of existing key accounts to increase sales;
2. increasing the number of partners, particularly in the USA and India to mitigate dependency on a small number of partners and;
3. investing in e-commerce channels nationally, and subsequently internationally.

The Company reports progress in each of these areas below and how this may impact on future growth.

Active management of existing key accounts

The Company is pleased to report progress on all of its key accounts in 2023 with unaudited sales reports showing:-

I. Sales of LeanBiome® to The Hut Group ("THG") 36.8% higher in 2023 than in 2022. THG's forecast for 2024 show a further 39% increase on 2023.
II. Holland & Barrett sales up substantially, albeit from a very low base in 2022.
III. Sales of SlimBiome to Paradise Fruits, a German company who produce gummies for Wallmart and for its online sales to China up 744% on 2022.
IV. Stock: there was 13.9metric tonne of SlimBiome® taken from stock held by two partners (Maxum and Cambridge Commodities) in 2023 compared to 2022 (up 39%) representing a value of £417K. Stock held by Cambridge Commodities, who supply the UK market including Holland & Barrett and THG, currently stands at 8.5metric tonne of SlimBiome and Maxum, who supply OptiPharm, hold 16.0metric tonne. The Company has commenced manufacture of replacement stock for Cambridge Commodities as it anticipates most of this stock will be used for existing orders planned for delivery in the next few months. Maxum stock use is averaging 1 metric tonne per month. The recent agreement with Costco and the appointment of Ravenswood, a subsidiary of Brenntag, should accelerate usage with the aim of stock replenishment later in 2024. The planned expansion by OptiPharm of its products into Asia and the USA is expected to increase demand for SlimBiome.
V. The Company is pleased that Apollo Pharmacies in India placed a new purchase order at the end of December 2023 to replenish stock sold in its pharmacies in 2023. This corresponds with the launch of products on Amazon India in Q2 2024. Online sales in India supported by social media channels represents a substantial opportunity for future growth.
VI. The deal the Company has with Tata allows OptiBiotix to use their Fossence® logo on products containing SlimBiome® or LeanBiome® in India. This brings a branded ingredient from a well-known and trusted source and enhances the credibility of our products to Indian consumers.

Increasing the number of new partners, particularly in India and USA

The strategy in 2023 was shifting the focus from Europe to large partners in key strategic markets, particularly the USA and Asia. This broadens the partner base and reduces revenue dependency on a small number of partners whilst accessing larger markets with substantially higher sales volumes. Strong progress has been made:-

- At the start of 2024, the Company was pleased to announce the launch of LeanBiome® in MuscleTech's Nitro Tech Ripped range, a premium protein powder designed to support athletes who want to lose fat and build lean muscle. LeanBiome® is now included in two leading sports nutrition brands, Myprotein and MuscleTech, across the world, a market worth $44bn in 2021. The Company sees the sports nutrition market as an area of growing interest and opportunity for its LeanBiome® brand with the scientific evidence increasingly showing that optimising an athletes gut microbiome could improve an athletes' stamina, lower inflammation, and support physical fitness (Frontiers | Editorial: Nutrition to support gut health and the microbiome in athletes (frontiersin.org) Having two major global sports nutrition brands making a significant investment in LeanBiome® highlighting it as a key science based differentiator should provide investors a good indication to the potential opportunity developing within the sports nutrition market. If successful, this will have a material impact on future revenues, and open up further opportunities in sports nutrition around the world.
- Late-stage discussions with a large publicly listed pharmaceutical company in India for a launch of SlimBiome® containing products in India with forecast sales for OptiBiotix in Y1 of £1.2m and Y5 of £6.7m. This is a significant opportunity as the partner is looking to make a substantial investment in marketing to establish SlimBiome® as a major brand in India.
- Continuing discussions with a leading US corporate on launching SlimBiome® in H2 2024. This is a major US corporate and if discussions progress as hoped, this will have a substantive impact on revenues from the US market in the years ahead.

The Company is pleased to report the progress made since March 2023 in attracting a significant number of new partners from the USA and Asia, but also in the UK with Boots online. The key now is active account management to ensure partners invest in actively marketing and distributing OptiBiotix's products.

E-commerce

E-commerce sales for 2023 were 287% up on 2022 driven by strong growth in China of gummies and large increases in Amazon Prime subscriptions. This progress led the consumer health business to profitability in October and November 2023. Gummy supply and sales in China vary between £20,000 to £50,000 per month partially moderated by stock availability and the Chinese New Year. The Company intends to promote heavily on TikTok and Tmall in March and April 2024 with new stock and hope to have a clearer picture of likely regular monthly sales going forward after this period. A TikTok channel has been established in the UK with a view to emulating the success obtained with TikTok China. The Company's Amazon Europe sales channel is now active

and the Company is working on ways to deliver products through Amazon Prime. The aim is to launch product on Amazon UAE in late Q1 2024 and Amazon India in early Q2 2024.

The Company is rationalising and refreshing its product range, removing some products and introducing new ones, particularly in the snacking category, firstly on OptiBiotix online and then gradually across Amazon. The first new product to be launched is a SlimBiome® soup which will be followed by indulgent snack bars. This will allow an increase in the average order value online. The Company is in the process of reducing the pack size of its GoFigure bars from 30 to 12, to reduce the price entry point and allow direct comparison with online competitor products.

With more products, more channels to market, and an increase in advertising investment, OptiBiotix anticipates strong growth in e-commerce throughout 2024.

Other

- The Company has engaged with a new manufacturer in Australia to replicate its existing gummies to support cross border trade into China. This will reduce production costs and the time and transport cost in sending gummies from Europe to China.
- The Company has engaged with a USA and European partner to develop high protein gummies to broaden the product range offered to the sports industry.
- The Company has developed a low calorie SlimBiome® soup which contains 4.4g of fibre and just under 3g of protein per serving which will be launched in Q1 2024. This will be followed by an Indulgent Bar, a premium positioned tasty snack. These are part of the growing Snacksmart range developed to support the growing interest in healthy snacking.
- The Company has engaged a social media group to highlight similarities and support the promotion of SlimBiome® as a healthy and safe option to the anti-obesity GLP-1 agonist drugs. Both SlimBiome® and GLP-1 agonists regulate insulin response and promote the feelings of fullness by slowing down stomach emptying and supporting the feeling of fullness reducing food intake. The Company believes that SlimBiome®, if correctly promoted may offer a viable alternative to some customers who are looking for a non-pharmaceutical option to control hunger and food cravings.
- Amazon India is on track for Q2 2024 launch with assets finalised and licenses approved. The Company will support this with social media marketing. The aim is to emulate the success achieved in China.
- The Company has developed a high protein (10g), high fibre (7g) protein bar with a local manufacturer for the Indian market. The taste is similar to India's leading bar, RiteBite, which sells over one billion bars per year, but with fewer calories, higher fibre, and less fat.
- The Company has included SweetBiotix® in a finished product for a large global partner with a view for an upcoming launch. The Company hopes to see SweetBiotix® in an increasing number of products launched throughout 2024.
- The Company has received preliminary forecasts from DSM-Firmenich, one of its SweetBiotix® partners, of >100,000 metric tonne per annum. Whilst a preliminary forecast it demonstrates the scale of intent and the size of the opportunity.

Stephen O'Hara, CEO of OptiBiotix Health plc said: *"We are pleased to report substantial progress over the last 12 months with our first-generation products returning to sales growth, a number of well-known corporate partners reaching agreements (e.g Tata, Brenntag,) and launching new products with major brands (MuscleTech) in new channels. We are also pleased to see continued growth of online sales, particularly in China, and are looking to replicate this success in other territories, such as India. These all have the potential to bring in significant future revenues. With all parts of the business returning to strong growth and a pipeline of potential multi million pound deals in India and the USA, we are excited about the future.*

"Finally, we are pleased with progress on SweetBiotix®, its first introduction into a finished product, and the scale of the opportunity forecast by DSM Firmenich. We believe we have a number of substantive opportunities, any one of which would be transformational for the Company and shareholders alike, and collectively change the future of the business."

This announcement contains information which, prior to its disclosure, was considered inside information for the purposes of the UK Market Abuse Regulation and the Directors of the Company are responsible for the release of this announcement.

Forward-Looking Statements

Certain statements made in this announcement are forward-looking statements. These forward-looking statements are not historical facts but rather are based on the Company's current expectations, estimates, and projections about its industry; its beliefs; and assumptions. Words such as 'anticipates,' 'expects,' 'intends,' 'plans,' 'believes,' 'seeks,' 'estimates,' and similar expressions are intended to identify forward-looking statements. These

statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and other factors, some of which are beyond the Company's control, are difficult to predict, and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements. The Company cautions security holders and prospective security holders not to place undue reliance on these forward-looking statements, which reflect the view of the Company only as of the date of this announcement. The forward-looking statements made in this announcement relate only to events as of the date on which the statements are made. The Company will not undertake any obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances, or unanticipated events occurring after the date of this announcement except as required by law or by any appropriate regulatory authority.

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About OptiBiotix - www.optibiotix.com

OptiBiotix Health plc (AIM: OPTI), which was formed in March 2012, brings science to the development of compounds which modify the human microbiome - the collective genome of the microbes in the body - in order to prevent and manage human disease and promote wellness.

OptiBiotix has an extensive R&D programme working with leading academics in the development of microbial strains, compounds, and formulations which are used as active ingredients and supplements. More than twenty international food and healthcare supplement companies have signed agreements with OptiBiotix to incorporate their human microbiome modulators into a wide range of food products and drinks.

OptiBiotix is also developing its own range of consumer supplements and health products. The Company's current areas of focus include obesity, cardiovascular health, and diabetes.

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