

Cellular Goods

AGM Q&A

Strategy

What is the Company's growth strategy?

The Company's long-term strategy is to establish a leading wellness brand that offers high-quality and efficacious products that help people Feel Better, Look Better and Function Better thanks to potent, safe, and legally compliant cannabinoids. We launched our first products in December 2021 with Feel Better and Look Better ranges, namely the ingestibles / supplements and skincare ranges, which we will continue to strengthen and develop in 2022.

In addition, we will advance our plans for a Function Better range aimed at the after-sports recovery and daily body maintenance market.

What are the Company's key objectives for 2022?

Our objectives for 2022 are to build on the Company's major achievements in 2021, when we started commercial operations after our IPO in February and ended the year with the soft launch of our inaugural product range in December. Our focus now is to generate significant revenues from product sales, develop and launch new ranges and create wider consumer recognition of our brand.

Do you plan to diversify into the pharmaceuticals market?

We do not plan to enter the pharmaceuticals sector in the foreseeable future.

Cellular Goods is operating in an increasingly crowded market, what are your plans to differentiate vs competitors?

Cellular Goods has adopted a highly distinctive brand positioning that brings together two of the biggest post-pandemic trends: wellness and the rekindled respect for science-backed research and innovation. And we do it by unleashing the amazing properties of cannabinoids – novel and exciting molecules with many wellness properties – which up until recently were not allowed to be used in consumer goods.

We are the only UK listed company that is using lab-produced cannabinoids that are cleaner, safer and more sustainable ingredients. Moreover, our premium skincare products are the first in the UK to be formulated with cannabigerol (CBG) – an exciting minor cannabinoid which will help to revolutionise the cannabinoid sector.

Exclusively using lab-made cannabinoids leads to better and more consistent product performance of our products vs those using plant-based cannabinoids. Of course, the market is always changing. We continuously monitor the market to ensure we stay ahead of the curve on emerging consumer trends.

Our products are also designed to be unisex to maximise their appeal.

Financials

What are your revenue and profit forecasts for 1 – 3 years?

Product sales commenced from last month, however we are still at a very early stage of our development. We will provide a trading update in due course, however we do not provide any revenue or profit forecasts.

How did the December product launch go and what was the customer feedback?

We have had an encouraging response to our soft launch in December though it is too early to draw conclusions. A full-scale marketing campaign is expected to commence during the first quarter of 2022. We are particularly pleased with the high customer reviews scores which are currently at 4.5 out of 5. We aim to do even better with high scores by the time our Spring campaign launches! Our top product in December was the Feel Better supplement capsules that received a 5.0-star rating from customers. Interestingly, we also received great feedback from customers who say they have benefitted from improved sleep. The second most loved product was the after-shave balm, which got 4.8. We couldn't be happier with such positive feedback from our customers.

Why did the Company incur significant costs for share-based incentives in 2021 and were any cash bonuses paid to management or staff?

There were approximately £1.3m of non-cash charges known as 'share-based payments' in the accounts for the year to 31 August 2021. This is a required accounting entry that recognises the potential costs associated with transactions such as warrants; which in our case were granted to management and the operational team at the time of the Company's flotation. Warrants are a very common way to incentivise management and staff for the long term. No monies have been, or will actually be paid to anyone. Were holders not to exercise their warrants the associated cost would be reduced. This cost is calculated using the standard Black-Scholes valuation model which is based on various key inputs including forecast share price growth, share price volatility, dividend yield and dates of exercise. To reiterate this £1.3m doesn't actually get paid to anyone; it is a deemed cost and the other side of the accounting entry was a credit to our reserves.

Product marketing and development

What is your marketing strategy?

The Company is initially selling its products direct-to-consumer through its own website following the soft launch in December 2021. As a first step, this launch was supported with a targeted marketing strategy that prioritises the Company's resources on online and social media channels that are likely to be the most cost-effective, generate the greatest consumer engagement and return on investment.

A much more extensive and visible omni-channel marketing campaign will be implemented as part of the next phase of our strategy. This will be timed to commence in the first quarter, in line with industry best practice, when new wellness and beauty products go on sale. We have lined up a roster of leading consumer product agencies for digital advertising, public relations, content marketing and sales promotion for this purpose.

Is the Company going to use TV and other traditional media advertising?

Our media strategy is simple: we will be where our potential customers are. No major spend has been allocated at present to television, press or billboard campaigns, which are expensive and may not generate adequate returns on such investment. That said we are not ruling out these channels if they help us reach our customers. The media choices for the campaign will be driven by the media consumption profiles of our potential customers in a targeted approach that will help drive sales. Our emphasis will be digital and online marketing, which is measurable, cost effective and where we are likely to gain the attention of our target audiences. As a start-up we have a strong focus on ROI, which we are balancing with the need for high reach of our target audience. Consumer PR and social media marketing will also feature prominently in our strategy.

Do you plan to make your products available through third party online or high street retailers?

Our priority is to establish Cellular Goods as an expert and premium wellness brand. We continue to evaluate a range of potential partnership opportunities with retail organisations – whether physical or online – to stock our products. We are selective in our approach as, in addition to scaling opportunities, such partnerships need to help Cellular Goods build its image as an expert and premium wellness brand. We will update shareholders in the event of any significant news.

Do you plan to launch multi product packages?

Yes, new skincare sampling sachets are being developed to allow for trial of our amazing products. Our customers can also count on us for their Christmas 2022 gifting needs as we are working to bring an exciting range of gift set options across our Feel Better and Look Better ranges.

What are your plans for male face-care to compliment the after-shave balm?

Cellular Goods is a unisex brand. This is one of our unique points of difference. All our products are formulated to meet the needs of any gender, including the After-Shave moisturiser. As we expand our Look Better range in 2022 we will be delighted if you expand your daily skincare routine with our products.