

Press release
25 May 2021

Cellular Goods PLC
("Cellular Goods" or "the Company")
Interim results

Cellular Goods, a UK-based provider of premium consumer products based on lab-made cannabinoids (LSE: CBX), announces its half-year results to 28 February 2021.

Highlights:

- Raised £13 million before expenses through a significantly oversubscribed flotation on the main market of the London Stock Exchange on 26 February 2021, with proceeds received after the period-end
- Became the first provider of premium consumer products based on lab-made cannabinoids to join the London Stock Exchange
- Secured David Beckham's DB Ventures as a significant equity investor with a 5% shareholding
- Loss before tax increased to £2.12m (H1 2020: £0.14m) reflecting business set-up costs and a one-off non-cash charge for share-based incentives for the team in the form of warrants
- Net cash as at 28 February amounted to £1.433m (H1 2020: £40,000). Net cash as at 25 May 2021 was £11.28m inclusive of IPO proceeds

Post-period highlights

- Commenced planned scale-up and investment in the Company's operational infrastructure with five senior hires to strengthen product development, marketing, and sales functions
- Proprietary product formulations, supply chain and manufacturing agreements, together with go-to-market sales strategy, are at advanced stages of being developed and finalised
- Secured services of expert advisors from skincare, sports medicine, and veterinary sectors.

Outlook

- On track for roll-out of the first consumer product range in Autumn 2021, starting with the launch of three skincare products followed by a 'movement' product range for the after-sport recovery market in Spring 2022
- With excellent progress being made across the business, together with growing public acceptance and scientific validation of the benefits of cannabinoids such as CBD and CBG, the Company looks to the future with confidence

Commenting on the results, Alexis Abraham, chief executive of Cellular Goods said: "The most significant milestone we achieved in the first half was our heavily oversubscribed flotation on the London Stock Exchange which has provided us with a strong foundation and public profile to become the leading and front of mind brand for consumer cannabinoid products.

"The notable support for an IPO of our size validates the growing acceptance and potentially huge demand for cannabinoid-based products over the long term. Though it is still early days for Cellular Goods, we are making excellent progress in executing on our strategy, have a strong balance sheet and there are compelling industry fundamentals; all of this provides the Board with great confidence."

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CHAIRMAN'S STATEMENT

Introduction

I am delighted to report the Company's first set of results since its debut on the main market of the London Stock Exchange on 26 February 2021; this means that the period under review covers only three days of activities as a listed plc.

No revenue was generated and a loss before tax of £2.12m was incurred in the first half (H1 2020: £0.14m loss) as the management team focussed on developing a business strategy and raising capital to fund the expansion of the Company.

Our vision is to establish Cellular as the leading UK-based brand for consumer products incorporating lab-made cannabinoids which are legally compliant, independently tested for quality, environmentally friendly, and not tested on animals.

A major milestone in realising that goal was achieved with our stock market listing, which raised additional capital of £13m before expenses and sparked an unprecedented level of public interest in an initial public offering of our size. The IPO was significantly oversubscribed, with more than 6,000 applications received from small investors. Share allocations were scaled down to maximise the opportunity for small investors to become shareholders in Cellular Goods and gain exposure to a major new trend in consumer products that is being driven by changing attitudes to, and greater understanding of, the benefits of cannabinoids.

Market size and strategy

According to BDS Analytics and Arcview Market Research, the market for annual CBD sales in the USA will surpass \$20 billion by 2024, while New York-based investment bank Cowen & Co estimated that the US CBD market could be \$15 billion per annum by 2025. Meanwhile, the Centre for Medicinal Cannabis estimated that 1.3 million British consumers were using CBD products, the market was growing at double digits annually, and could be worth almost £1bn a year by 2025.

These growth projections, allied with the disparity in the quality and consistency of products currently on the market, has opened an opportunity for a supplier of premium cannabinoid-based products with known and verifiable provenance to differentiate itself in the market.

Cellular Goods was established to develop efficacy-led and research-backed cannabinoid products leveraging lab-made cannabinoids such as CBD and CBG; the manufacturing process does not involve the cultivation or processing of the cannabis sativa plant. The Company's strategic decision to source lab-made cannabinoids offers significant quality advantages, is ethically and environmentally friendly, and mitigates the regulatory risks associated with the sourcing of plant-sourced cannabinoids.

Operational review

Solid progress has been made across the business since the IPO, with a growing team executing on our growth strategy. The initial focus is on two product verticals: a premium skincare range to be launched this Autumn followed by topical athletic recovery products in Q1 of 2022, with a pet care range anticipated in late 2022.

The initial skin care range comprises a serum, a face-oil and an after-shaving moisturiser. Formulations for each of these products are due to be finalised this week after several months of extensive development in-house and at our UK-based contract manufacturer.

Cellular Goods has progressed from prototype development to the advanced stages of formulation development and product testing. These formulations are based on the Company's proprietary formulations incorporating lab-made cannabinoids; compounds which have demonstrated anti-inflammatory, anti-oxidant and anti-microbial properties. The next and final step in the rigorous product development process will commence shortly focusing on product quality, consistency, performance and other key attributes.

In line with industry best practice, the Company will conduct trials and consumer surveys for all the new products to obtain feedback to substantiate product claims. These steps are expected to take approximately three months to complete after which all notifications concerning cosmetic products will be filed in accordance with UK/EU regulations. The culmination of this process is the completion of all necessary steps for the approval and release of the first product range.

Branding and packaging design for the skincare range, led by creative director Sara Hemming, has gone through several iterations and the packaging design has now been finalised and is ready for launch upon completion of the requisite product development steps. Hemming has an established track record, having worked with luxury and lifestyle brands such as Stella McCartney and Jimmy Choo, and as creative director for David Beckham.

Development of the first two products in the 'movement' range for sports recovery and daily body maintenance is also moving at pace. The formulations for this range are currently undergoing in-vitro testing to validate the use of cannabinoid-based products for relieving muscle strain and pain relief after physical activity, an area which is already supported by a wealth of anecdotal evidence.

The skincare range is expected to go on sale initially in the UK and Europe direct to consumers through the Company's website and leading social media channels, prioritising its marketing on channels which produce the greatest customer engagement and return on investment. The existing Company website is being redeveloped to include a fully transactional platform in time for the market launch. In addition, several micro-sites tailored for social media are under development to maximise the online opportunity.

At the same time, the Company is continuing to evaluate the optimal partners through whom to sell its products via third party online retailers and traditional bricks-and-mortar players who will contribute to broader exposure, and consumer recognition and acceptance.

The Company is currently partnered with four leading cannabinoid producers and moving forward on volume supply agreements to ensure security of supply of cannabinoids including CBD and CBG. Purchase orders relating to the initial run of skincare products have been placed with two of these suppliers. We anticipate that these two volume supply agreements will be executed in the next fortnight.

All four of the producers have experience and expertise in the manufacture of pharmaceutical grade cannabinoid compounds through lab-based processes, thereby securing a consistent supply of legally compliant raw materials that are not derived from plant material.

In April 2021, the Company strengthened its operational capability with the appointment of Istok Nahtigal as the head of process and applied sciences with responsibility for developing, monitoring and optimising the Company's relationships with its manufacturing

partners. Two further senior hires were made to the product development team to support quality assurance and project delivery. In addition, the Company also contracted three expert consultants to advise on the development of athletic recovery, pet care and skincare ranges.

Financial Review

No revenue was generated and a loss before tax of £2.12m was incurred in the first half (H1 2020: £143,000 loss). These reflect start-up costs of the business, professional fees principally connected with the flotation and other expenses relating to the development of the Company's business strategy.

Administrative expenses increased from £143,000 to £2.12m, partly reflecting a one-off, non-cash charge of £1.227m for share-based incentives to attract and retain management, advisers and staff.

Loss per share amounted to 0.012 pence (H1 2020: a loss of 0.001 pence).

Net cash was £1.433m at 28 February 2021 and stood at £11.28m at 25 May 2021 following receipt of net IPO proceeds.

Outlook

The tremendous public interest in Cellular Goods' launch on the London Stock Exchange has provided a strong foundation for the Company to execute on its long-term growth strategy.

Excellent progress is being made for the roll-out of the first consumer product range starting with the launch of a trio of skincare products in Autumn 2021 followed by a 'movement' line-up for the sports recovery and daily body maintenance markets in Q1 of 2022.

With Cellular Goods on track to deliver on its launch strategy, together with the continued tailwinds provided by growing public acceptance and scientific validation of the benefits of cannabinoids, the Company looks to the future with great confidence.

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Period 1 September 2020 to 28 February 2021 £	Period 1 September 2019 to 29 February 2020 £	Year to 31 August 2020 £
Revenue	4	-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Administrative expenses		(2,119,043)	(142,747)	(329,949)
Operating loss	5	(2,119,043)	(142,747)	(329,949)
Finance income		-	-	63
Loss before taxation		(2,119,043)	(142,747)	(329,886)
Taxation		-	-	-
Loss for the period		(2,119,043)	(142,747)	(329,886)
Basic and diluted loss per share - pence	6	0.012	0.001	0.257

All transactions arise from continuing operations.

The company has no other recognised gains or losses for the current period.

The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	As at 28 February 2021 £	As at 29 February 2020 £	As at 31 August 2020 £
ASSETS				
Current assets				
Trade and other				

receivables	7	11,309,040	90,241	89,828
Cash and cash equivalents		1,433,055	39,909	9,224
TOTAL ASSETS		12,742,095	130,150	99,052
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	8	(657,044)	(26,250)	(182,291)
TOTAL LIABILITIES		(657,044)	(26,250)	(182,291)
NET ASSETS/(LIABILITIES)		12,085,051	103,900	(83,239)
EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Share capital	9	504,750	128,750	128,750
Share premium		12,879,176	195,025	195,025
Retained earnings		(1,298,875)	(219,875)	(407,014)
TOTAL EQUITY		12,085,051	103,900	(83,239)

The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium	Retained earnings	Total
	£	£	£	£
Balance at 1 September 2019	103,250	29,250	(77,128)	(55,372)
Loss for the period	-	-	(142,747)	(142,747)
Total comprehensive income for the period	-	-	(142,747)	(142,747)
Shares issued	25,500	165,775	-	191,275
Total contributions by owners	25,500	165,775	-	191,275
Balance at 29 February 2020	128,750	195,025	(219,876)	103,900
Balance at 1 March 2020	128,750	195,025	(219,876)	103,900
Loss for the period	-	-	(187,139)	(187,139)
Total comprehensive income for the period	-	-	(187,139)	(187,139)
Balance at 31 August 2020	128,750	195,025	(219,876)	(83,239)
Balance at 1 September 2020	128,750	195,025	(407,014)	(83,239)
Loss for the period	-	-	(2,119,043)	(2,119,043)
Total comprehensive income for the period	-	-	(2,119,043)	(2,119,043)
Shares issued	376,000	13,784,000	-	14,160,000
Share issue expenses	-	(1,099,849)	-	(1,099,849)
Share-based payments	-	-	1,227,182	1,227,182
Total contribution by owners	376,000	12,684,151	1,227,182	14,287,333

Balance at 28 February 2021	504,750	12,879,176	(1,298,875)	12,085,051
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The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

STATEMENT OF CASH FLOWS

	6 months to 28 February 2021	6 months to 29 February 2020	Year to 31 August 2020
	£	£	£
Cashflow from operating activities			
Loss before income tax	(2,119,043)	(142,748)	(329,886)
Add: non-cash share-based payment charge	1,227,182	-	-
Increase in trade and other receivables	(247,712)	(15,241)	(12,877)
Increase in trade and other payables	458,186	1,952	156,041
Net cash flows from operating activities	(681,387)	(156,037)	(186,722)
Cash flows from financing activities			
Proceeds from issue of shares	2,166,000	191,275	191,275
Share issue expenses	(60,782)	-	-
Net cash inflow from financing activities	2,105,218	191,275	191,275
Net movement in cash and cash equivalents	1,423,831	35,238	4,553
Opening cash and cash equivalents	9,224	4,671	4,671
Opening cash and cash equivalents	1,433,055	39,909	9,224

The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Information on the Company

The Company was incorporated in England and Wales on 25 August 2018 as Leaf Studios Limited, but subsequently re-registered as a public limited company and renamed as Leaf Studios PLC. On 29 September 2020, the Company's name was changed to Cellular Goods PLC.

The registered office is 9th Floor, 16 Great Queen Street, London, WC2B 5DG. The principal activity of the Company is establishing a biosynthetic CBD retail business. The Company gained admission to the Official List (by way of a Standard Listing under Chapter 14 of the Listings Rules) and trading on the London Stock Exchange on 26 February 2021.

2. Basis of preparation and principal accounting policies

This condensed consolidated interim financial information was approved for issue by the Board on 24 May 2021.

The Company's directors are responsible for the preparation of the unaudited interim financial statements.

The preparation of unaudited interim financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited interim financial statements and the reported amounts of expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Directors consider that in the proper preparation of the unaudited interim financial statements there were no critical or significant areas which required the use of accounting estimates and exercise of judgement by management while applying the Company's accounting policies.

This condensed consolidated interim financial information has not been audited and does not include all of the information required for full annual financial statements. The financial figures included within this interim report have been computed in accordance with IFRS applicable to interim periods, and this report constitutes an interim financial report as set out in International Accounting Standard 34: Interim Financial Reporting.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The functional and presentational currency is UK Sterling.

3. Going concern

The Directors have assessed the current financial position of the Company, along with future cash flow requirements, to determine if the Company has the financial resources to continue as a going concern for the foreseeable future.

The conclusion of this assessment is that it is appropriate that the Company be considered a going concern. For this reason, the

Directors continue to adopt the going concern basis in preparing the unaudited interim financial statements.

4. Revenue

The Company did not generate revenue during the period (29 February 2020 and 31 August 2020: nil).

5. Operating loss

Total administrative expenses include share-based payments of £1,227,182. The related credit to equity is taken to retained earnings.

6. Loss per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the company by the weighted average number of Ordinary Shares in issue during the period.

	28 February 2021 £	29 February 2020 £	31 August 2020 £
Loss used to calculate basic and diluted earnings per share	(2,119,043)	(142,747)	(329,886)
Weighted average number of shares used in calculating basic earnings per share	171,448,611	121,202,778	128,416,667
Weighted average number of shares used in calculating diluted earnings per share	171,448,611	121,202,778	128,416,667
Basic loss per share (pence)	(0.012)	(0.001)	(0.257)
Diluted loss per share (pence)	(0.012)	(0.001)	(0.257)

7. Trade and other receivables

	28 February 2021 £	29 February 2020 £	31 August 2020 £
VAT debtor	128,084	10,241	-
Prepayments	134,456	-	-
Share capital unpaid	11,045,500	-	-
Other debtors	1,000	80,000	89,828
	<u>11,309,040</u>	<u>90,241</u>	<u>89,828</u>

There were no receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above.

8. Trade and other payables

	28 February 2021 £	29 February 2020 £	31 August 2020 £
Trade creditors	511,283	26,250	-
Accruals	145,761	-	182,291
	<u>657,044</u>	<u>26,250</u>	<u>182,291</u>

All liabilities are payable on demand or have payment terms of less than 90 days.

9. Share Capital

	28 February 2021 £	29 February 2020 £	31 August 2020 £
504,750,000 (February 2020 and August 2020: 128,750,000) Ordinary shares of £0.001 each	<u>504,750</u>	<u>128,750</u>	<u>128,750</u>

In the six months to 28 February 2021, the Company issued 376,000,000 Ordinary shares of £0.001 each, at an average price of £0.03766, raising £14,160,000 before share issue expenses.

The Ordinary Shares have been classified as Equity. The Ordinary Shares have attached to them full voting and capital distribution rights.

10. Capital and reserves

Share capital represents issued Ordinary shares of £0.001 each, all of which are fully paid.

Share premium is the amount subscribed for share capital in excess of nominal value less attributable share issue expenses.

Retained earnings is the cumulative loss of the Company attributable to equity shareholders.

11. Share-based payments

The Company has issued 52,460,000 warrants to subscribe for additional share capital of the Company. Each warrant entitles the holder to subscribe for one ordinary equity share in the Company. The right to convert each warrant is unconditional.

The right to subscribe for ordinary shares in the Company is subject to minimum vesting periods of up to three years. Relevant warrants are subject to a lock-in period of 12 months from 26 February 2021, the Company's date of admission to trading on the London Stock Exchange. This restriction applies to all warrants, exercised or otherwise.

Equity-settled share-based payments are measured at fair-value (excluding the effect of non-market-based vesting conditions) as determined through use of the Black-Scholes technique, at the date of issue.

Warrants issued	Weighted Average Exercise price	28 February 2021 Number	29 February 2020 Number	31 August 2020 Number
At the beginning of the period - pence		-	-	-
Issued in the period - pence	2.903p	52,460,000	-	-
At the end of the period - pence	2.903p	52,460,000	-	-

The total share-based payment charge for warrants in the period was £1,227,182, all of which has been charged to administrative expenses. The share-based payment charge was calculated using the Black-Scholes model. All warrants have an exercise period between one and three years from the date of issue.

Volatility for the calculation of the share-based payment charge in respect of the warrants issued was determined by reference to movements in the relative share prices of a selected peer-group of companies listed on the London Stock Exchange.

The inputs into the Black-Scholes model for the warrants issued in the period are as follows:

	28 February 2021 Warrants issued
Weighted average share price at grant date - pence	5.0
Weighted average exercise prices - pence	2.9
Weighted average volatility	75%
Expected life in years	2.13
Weighted average contractual life in years	2.13
Risk-free interest rate	1.5%
Expected dividend yield	0%
Weighted average fair-value of warrants granted (pence)	<u>2.63</u>

The warrants were issued in three placements.

The share price at the date of grant for each of these was 5 pence.

The warrant exercise prices at the date of grant were 1 pence or 5 pence.

The share-based payment charge has been simultaneously credited to retained earnings.

The total number of warrants issued to directors was 24,000,000.

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