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Holista CollTech (ASX:HCT) signs Chinese distribution agreement

Health Care

ASX:HCT MCAP \$14.31M



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CEO, Dr Rajen Manicka
 Sourced: Valentus

- Holista CollTech (HCT) subsidiary Holista Biotech has signed an exclusive distribution agreement with Mutiara Seribumi
- Under the five-year agreement, Mutiari will exclusively distribute Holista's ovine collagen into the Chinese market
- Holista's agreement with Mutiari is subject to positive product trials in China, and the grant of Chinese regulatory approvals
- The revenue from this agreement will fund the expansion of the company's Collie plant in Western Australia
- Holista CollTech is up 14.29 per cent and trading at 5.6 cents per share

Holista CollTech (HCT) subsidiary Holista Biotech has signed an exclusive distribution agreement with Mutiara Seribumi.

Based in Malaysia, Mutiara has over two decades of experience in supplying ingredients to Chinese cosmetics and food companies. Under the five-year agreement, Mutiari will exclusively distribute Holista's sheep-derived collagen product into the Chinese market.

Mutiari believes that Holista's cosmetic-grade collagen product is the perfect substitute for epidermal growth factor (EGF), a protein which China's Government banned the use and marketing of in cosmetic products at the beginning of this year.

Additionally, Holista's collagen comes from Australian sheep, which are relatively disease-free. There are also very few religious or cultural barriers in Australia regarding the use of sheep-derived products.

In comparison, China's population of 1.4 billion includes many Buddhists and Muslims, who would avoid products derived from cows and pigs.

Holista's distribution agreement with Mutiari will not come into effect until a positive outcome results from product trials, and Chinese regulatory approvals are granted. A Chinese, state-owned cosmetic manufacturer is already testing Holista's collagen products in such trials.

Mutiara will be responsible for importing Holista's collagen product into China, and for obtaining all the necessary approvals. Holista will not have to fund any of the approval processes, since the Chinese cosmetics manufacturer will take care of it.

Overall, the testing, validation, and licensing processes in China are expected to take several months to complete. Once the trials and approvals are successfully completed, Mutiara will commit to buying the entire 48-ton annual production capacity from Holista's Collie plant in Western Australia over the following 12 months.

In order to retain exclusivity in China, Mutiara will need to gradually increase its minimum annual order over the five years. In the agreement's second year, Mutiara will increase its minimum annual order to 144 tons, followed by 288 tons in year three.

In the agreement's fourth and fifth years, the minimum annual order will stand at 576 tons.

Mutiari will pay a 50 per cent deposit each time that it places an order, and pay other half before Holista facilitates the delivery of the collagen. The agreed price for the collagen product currently stands at \$75 per kilogram, although Holista has the right to increase the price with a 90-day written notice.

Holista expects that the revenue earned through this five-year distribution agreement will be enough to fund the expansion of its Collie plant in WA. This expansion may start to take place from the agreement's second year and onwards.

Holista CollTech is up 14.29 per cent, trading at 5.6 cents per share at 10:07 am AEST.