

# **Fitell Corporation – FY2023 Earnings Conference Call**

**- Tuesday, October 31, 2023 8:30 a.m. ET**

## **Company Speakers:**

Jamarson Kong (CFO)

Yinying “Sam” Lu (CEO)

## **Investor Relations Speakers:**

Yiru Xu

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## **Operator**

Good day and welcome to Fitell Corporation’s fiscal year of 2023 financial results conference call. All participants will be in listen-only mode. Should you need assistance, please signal a Conference Specialist by pressing the star key followed by Zero.

After today’s presentation, there will be an opportunity to ask questions. To ask a question you may press \* then 1 on your touch-tone phone. To withdraw your question, please press \* then 2. Please note this event is being recorded. I would now like to turn the conference over to investor relations – Yiru Xu.

## **Introduction and Forward-Looking Statements**

Thank you, operator. Thank you all for joining us for Fitell’s fiscal year of 2023 financial results conference call. Fitell has issued a press release announcing the fiscal year of 2023 financial results yesterday afternoon. A copy of Fitell’s annual report on Form 20-F can be found on [sec.gov](https://www.sec.gov).

Please note that this call is being recorded Live and will be available for replay. I ask that you please take a moment to review our forward-looking statements. During the call, we’ll be making forward-looking statements about the company's performance and business outlook. These statements are based on how we see things today and contain elements of uncertainty. For additional information concerning the factors that can cause actual results to differ materially from our forward-looking statements, please refer to our cautionary statement and risk factors stated in our annual report on Form 20-F.

Joining me on the call today are the CEO of the company – Ms. Yinying “Sam” Lu and CFO – Mr. Jamarson Kong. I would now turn the call over to our CEO. Sam, please go ahead.

## Opening Remarks - Yinying “Sam” Lu, CEO

[Slide 5] Thank you, Yiru, and thank you, everyone, for joining us today. I will begin today’s call by providing an overview of our business performance during the fiscal year of 2023. We will then provide a detailed overview of our fiscal year 2023 financials, highlighting the financial performance of each product category.

[Page 6] Now turn to Slide 6, I’d like to briefly introduce our company for those who are new to our story. Fitell is an online retailer of quality gym and fitness equipment, we also provide other complementary fitness services. Our mission is to build an ecosystem with a whole fitness and wellness experience powered by technology. In 2021, we’ve launched the following three new business verticals: first, smart connected equipment, which includes interactive bikes and workout mirrors; second, AI-powered interactive platform - it’s an online training content to interact with trainers, follow members and track workout progress. Third, our boutique fitness clubs licensing, we target at health-conscious customers with high-disposable incomes.

[Page 7] Now turn to Slide 7. I would like to briefly discuss our fitness brands.

- Muscle Motion - a supplier of home gym and commercial strength training equipment, emphasize on weights, bar, power racks and etc.
- Rapid Motion - it covers products that are similar to Muscle Motion but with a strong focus on commercial items.
- FleetX - it focuses on cardio equipments, such as rowing machines, exercise bikes, treadmills.

[Page 8] In May 2021, we have initiated our smart connected equipment that includes interactive bikes, treadmills and workout mirrors with built-in touchscreen and training content platform. Expect to launch in March 2024.

[Page 9] We have launched out licensing business with mYSTEPS Training Clinic in late 2021. We have helped mYSTEPS opening 6 fitness centers in Eastern China as of April 25, 2022. Going forward, we are seeking opportunities to expand our licensing partnership footprint in the Asia-Pacific regions.

[Page 10] We are also developing an AI-powered interactive platform called “1FinalRound”. It is a customized solution which comes with pre-installed with our interactive fitness equipment. visual and trackable workout progress. It has customized one-on-one remote coaching, and online and offline users participate in the training either on their own schedule or via livestreaming to interact with other subscribed members.

[Page 11] The Company has the following pathways toward growth in the next two to three years. First, increase fitness equipment product marketing, including expanding strategic investment on marketing campaigns in key opinion leaders, and sponsoring sports events and outdoor advertisement. Second, develop private-label cardio equipment. Develop our proprietary branded cardio equipment to increase our profit margin. Third, develop gym direct mobile application. Develop a native mobile application to further expand the marketing platform. This strategy will also be beneficial in tracking consumer trends and purchasing data. Next, expand licensing partnership footprint in the Asia-Pacific regions with other selective partners. Additionally, expand into this market in Australia and southeast Asia, to grow brand awareness and improve member experience. Leverage our database of customers to increase interactive cardio equipment sales and subscription revenues and continue to launch new and innovative contents and products. Finally, seize opportunities to explore other revenue streams, including developing a host of solutions for white-label functional health supplement products, expanding businesses into used fitness equipment sales, and expanding business segments.

### **Financial Highlights - Jamarson Kong**

[Slide 12] Thank you, Yinying, I'm Jamarson Kong - CFO of Fitell. I will review the fiscal year of 2023 financials with you and I will be available for the Q&A session if you have any questions. Before I review the number, let me remind you that all figures I discuss are for this reporting period - fiscal year of 2023, unless I stated otherwise. Additionally, any year-over-year comparison is to June 30 of 2022. Now, let's go over our 2023 financial results.

[Page 13] I will begin with an overview of our consolidated results on Slide 11. In the fiscal year of 2023, Fitell generated approximately 4.8 million in revenue. Our gross profit is about 2.2 million with a net income of approximately -1.6 million. Our gross profit margin is fairly consistent with last year's, which is 45.3%. I will deep dive into each category and segment in the next slide.

[Page 14] In this slide, I will dive deeper into the financial performance of each of our product categories. Our revenue consists of 3 product categories: merchandise revenue, sales of consumable products and revenue from licensing customers. Merchandise revenue represents the sales of our gym and fitness equipment products; consumable products are various lifestyle products; last but not least, licensing business include licensing and management consultant income and agency fee for distributing other miscellaneous items.

Merchandise revenue was about 4.0 million for the fiscal year ended June 30, 2023. It accounts for approximately 84% of our total revenue. The decrease was mainly attributable to the decrease in sales order, which was due to the decrease of disposal income of Australian households caused by the inflation and increasing interest rate. In addition, there is also a slight decrease in the average revenue per order.

Consumable products include, but not limited to, coffee and nutritional supplement products. The sales of consumable products were about 223 thousand in fiscal year 2023, which accounted for about 4.7% of the total revenue. The sales of consumable products increased about 11.6% compared to the same period last year. The increase was mainly due to our efforts in diversifying our revenue streams to mitigate the other negative effects.

Our licensing business generated approximately 540 thousand, and it accounts for approximately 11.2% of our total revenue. The decrease was mainly due to the temporary suspension of the overseas expansion plan due to the inflation and rising interest rates in global markets.

[Page 15] Our growth in both number of customers and orders from FY2022 to FY2023 was affected by inflation and raising of interest rate in Australia. We have received about 15 thousands orders and acquired approximately 23 thousand customers in 2023, an decrease of 42.6% and 41.1%, respectively, compared to the same period of 2022. The average order value per sales order have slightly decreased by 3% in FY2023 compared to FY2022. Members - 171,905 members by end of FY2023, compared to 167,264 members at the end of FY2022.

Despite it was a challenging year with declining revenues for us, especially in the merchandise sales and licensing business segments, our management team remains dedicated to working tirelessly to promote our products and retain our loyal customers. Instead of being disheartened by the setback because of the downfall of the global economic market, we have doubled down our efforts to promote business growth. We are committed to innovative strategies, market research and we will continue to expand the licensing business service again in the Asian market when we identify the beneficial opportunities. We believe that the company will show resilience and reap the rewards of growth and success in the near future.

[Page 16] Next, I will go over the key subsequent event after our fiscal year 2023. On August 8, 2023, we successfully listed on Nasdaq and raised a net proceeds of approximately \$13.6 million for the issuance of 3,000,000 shares of common stock. On October 23, the Board promoted Yinying Lu, Fitell's board of directors promoted general manager of GD Wellness, to CEO of the Company. With that, I will now turn the call back to our investor relations - Yiru.

## **Q&A Session**

Thank you, Sam and Jamarson. Before we open the call to your questions, please also note that we will only be able to respond to questions about our financial and operating results. To ask a question, you may press \* then 1 on your phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press \* then 2.

## **Conclusion**

On behalf of Fitell, we want to thank you for your interest and participation in this call. If you would like to speak with us further, please contact investor relations. The contact information is listed at the end of the press release. Operator - you may conclude the call.

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.