



GLOUCESTER & PORTMAN CAPITAL

Research Update Report

16 October, 2017

SKIN ELEMENTS LIMITED

SPECULATIVE BUY

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KEY ASX DATA

ASX CODE:	SKN
	SKNO (\$0.20 Exercise Price Expiry: 31 Oct, 2018)
Share Price:	\$0.16
Option Price:	\$0.016
Number of Shares Outstanding:	76.715 M (Fully Diluted)
Market Capitalisation:	\$12.274 M
~Free Float (%):	28%
Listed Options:	38.775 M
Unlisted Options:	27.50 M
Cash (August, 2017)	\$1.4 mill
~ 52 Week Volume:	2,062,068
~ 52 Week Price Range:	\$0.10 - \$0.22

Listing Date (Raised \$3.71M): 6 January, 2017

RISK :

Liquidity Risk:	High
Project/Asset Risk:	Low
Location Risk:	Low

DIRECTORS:

Executive Chairman	Mr Peter Malone
Non-Executive Director	Mr Luke Martino
Non-Executive Director	Mr David Humann

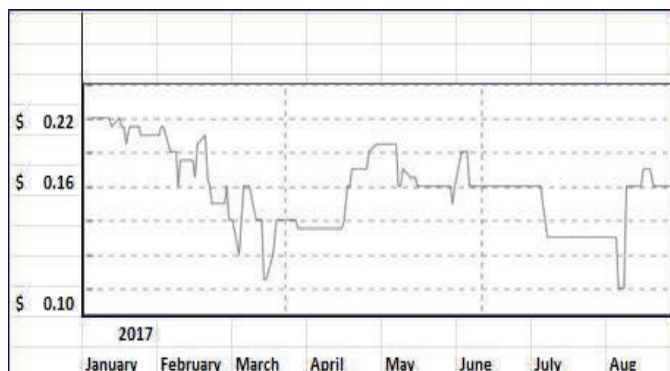
Company Secretary	Mr Craig Piercy
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EXECUTIVE MANAGEMENT:

Chief Financial Officer	Mr Craig Piercy
Chief Technical Advisor	Mr Leo Fung

INDUSTRY: Industrial

INDUSTRY SECTOR: Household & Personal Products



Skin Elements Price chart (source: webiress)

Skin Elements: Set for upside from these Price levels.

COMPANY SUMMARY

Skin Elements Limited (SKN or The Company) is an Australian owned and operated skin care company focused on the development, manufacture and sales of the natural skin care products - including Soléo Organics Sunscreen, Elizabeth Jane Natural Cosmetics, Elizabeth Jane Natural Anti-Aging Creams and recently acquired McArthur Organic Pawpaw Skin Care product ranges.

POSITIVE DEVELOPMENTS (so far this year)

- Appointed leading Australian laboratory Baxter Laboratories Pty Ltd (Baxter) as its preferred Manufacturing Partner for Skin Elements' range of natural and organic skin care.
- Completion of acquisition of McArthur Skincare, a leading Australian natural skin care business.
- Baxter Laboratories, the Company's preferred manufacturing partner, delivered a 10,000 tube production run of the Soléo Organics sunscreen for orders from Japan and Slovenia.
- New sales in the quarter included the US market and Hong Kong, plus Australia via distributors and direct online sales.
- Corporate and operational head office was expanded to provide an enhanced corporate environment for a larger personnel team post the McArthur Skincare acquisition.

INVESTMENT HIGHLIGHTS

- Marketing programs and plans for product range expansion are ongoing.
- Potential to expand in new markets and penetrate further in the existing markets.
- McArthur Skincare's acquisition gives it a ready market and distribution channels.
- Growing market for SKN's product.
- Baxter's expertise in the sunscreen sector is of key benefit to Skin Element.

OUR VIEW

- Our fundamental valuation (based on our DCF Valuation) and peer group comparative analysis suggests a 12 to 18 Month Price Target of up to AU\$0.73 per Share.

Full detailed calculation of DCF Valuation on Page 12.



GLOUCESTER & PORTMAN CAPITAL

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BRIEF SUMMARY



COMPANY OVERVIEW

Historically, SKN was a research and development company. For around ten years, it was interested in developing natural sunscreen technology. Since listing on the ASX in January 2017, SKN has worked its way up to an impressive range of products.

Skin Elements is an ASX-listed skin care company focused on the development of natural and organic skin care products, as an alternative to current chemical-based products. It has developed a portfolio of products which includes its lead product, the Soléo Organics 100% natural and organic sunscreen, McArthur pawpaw based natural therapeutic skincare, and the Elizabeth Jane Natural Cosmetics brand.

Skin Elements commence trading on the ASX on 6 January 2017. The IPO saw the Company successfully raise \$3.7 million in an oversubscribed Offer. The IPO resulted in the consolidation of more than 10 years development and experience.

Skin Elements has a strong IP portfolio, predominantly with its organic sunscreen product Soleo. The Skin Elements formulas are a unique combination of cutting edge science with all natural ingredients. The Company has completed a highly successful test marketing phase in major international markets and has regulatory approval with the USA FDA, TGA and other significant regulators. It has invested \$9m in R&D over an 8 year period.

The Company is making significant progress with a focus on developing distribution channels and markets for its lead product, the Soléo sunscreen. Test marketing sales in the health and lifestyles sectors successfully targeted major markets including; Australia, New Zealand, Japan, USA, Hong Kong, Indonesia and in EU countries. Over 350,000 tubes of lead product, Soléo Organics sunscreen, was sold during test marketing phase in 15+ countries.



SOURCE: Skin Elements Ltd

In March, SKN appointed Baxter Laboratories as its preferred Manufacturing Partner for Skin Elements'



range of natural and organic skin care products. Baxter will be responsible for producing and packaging commercial scale quantities of Soleo Organics sunscreen product range for distribution into major retail markets. Baxter will also produce and package the Company's Elizabeth Jane Natural Cosmetics product range, upon the completion of its product development program.

In May this year, Skin Elements successfully completed the acquisition of the business



and business assets of Tom McArthur Pty Ltd, the owner and manufacturer of the McArthur Skincare range of therapeutic and cosmetic skin care products (total cash and scrip consideration \$1m). The acquisition transforms Skin Elements into a substantial Australian natural skin care company.

McArthur Skincare generated total sales of approximately \$23 million since inception in 2010. It has a comprehensive range of 17 natural pawpaw-based skin care products. Post-acquisition, SKN has an expanded product range of 29 products covering therapeutic skin care, sun care, and cosmetic skin and beauty care.



EJNC is a new product range from SKN, the progress of the Elizabeth Jane Natural Cosmetics skincare new range is not full known at this stage, but the company aims to deliver a new and exciting commercial launch in the medium-term of over the next 12 months.



PRODUCT OVERVIEW

The **Skin Elements** formulas are a unique combination of cutting edge science with all natural ingredients. SKN's highly skilled team of Naturopaths and Formulating Chemists have spent many years working with natural ingredients and testing formulas to deliver the final Skin Elements product range.

- Naturopathically Based
- Committed to using natural, high quality ingredients
- 100% Australian made

Key ingredients are specially selected based on scientific research. Skin Elements choose not to use any of the following: parabens or any other synthetic preservatives, chemical UV-absorbers, petrochemicals, mineral oils, artificial fragrances or colours, synthetics surfactants like sodium lauryl sulfate, genetically modified ingredients or ingredients containing synthetics by-products.

Skin Elements has developed three brands – Including recent acquisition of skin care brand - **McArthur Skin Care**

1. **Soléo Organics Sunscreen**
2. **Elizabeth Jane Natural Cosmetics with the Elizabeth Jane Natural Anti-Aging Creams (EJNC) and recently acquired Skin Care Group -**
3. **McArthur Organic Pawpaw Skin Care product ranges.**



SOURCE: Skin Elements Ltd

SOLEO ORGANICS



For SKN, Soléo has been its star product. This chemical free sunscreen has regulatory approval in Australia, the US, Canada, Japan and several other countries – which is a major deal considering the rigour applied to sunscreen regulations in several of these countries.

The Organic sunscreen product received multiple international awards, from Elle Magazine, EWG (Environmental Working Group) and Sprig (Washington Post). And it happens to be EWG's #1 rated sunscreen. According to SKN, Soléo enjoys competitive advantages like innovative Formulation, Plant Extracts and Natural Minerals, Proven UV Performance against Damaging Sunlight, Broad Spectrum UVA and UVB Protection and Water Resistant.

SKN's focus has been on the commercial launch of the Soléo Sunscreen in more markets. This will involve the development of the brand extension and increased scale manufacture and distribution of the Soléo Sunscreen product range. Test marketing sales in the health and lifestyles sectors successfully targeted major markets including; Australia, New Zealand, Japan, USA, Hong Kong, Indonesia and in EU countries. Further, Baxter Laboratories, the Company's preferred manufacturing partner, use over 350,000 tubes in test marketing of the Soléo Organics sunscreen.

SKN also plans of releasing Soléo Naturals alongside Organics.

Soleo Organics
"Best beach and sport sunscreen
from 1700+ brands tested!"
- Environmental Working Group -

Protected all year round... *naturally*

suitable for babies, kids and adults with sensitive skin // 3hr water resistant spf30+
broad spectrum protection // free from synthetic preservatives // free from
chemical uv absorbers, nano particles and titanium dioxide // free from als
petroleum by-products // skin-caring natural moisturisers and anti-oxidants

soleo
organics
www.soleoorganics.com

Soleo Organics
Protecting your
loved ones
from the sun...
naturally



We understand that your families health is your first priority because enhancing health + wellness - naturally is ours. Soléo Organics is an Australian made, all natural, organic sunscreen ideal for all ages and all skin types. Soléo Organics has 3 hour water resistance spf 30 + broad spectrum protection and is free from synthetic preservatives, chemical UV absorbers, nano particles, titanium dioxide, SLS and petroleum by-products. Soléo Organics has a Naturopathically formulated lotion which is packed with all natural ingredients, botanical extracts, natural moisturisers, antioxidants and vitamins.



Soléo Organics
The only triple
award-winning organic
& natural sunscreen
in the world

SPF 30+ 3-Hour Water Resistant

Soleo Organics sunscreens contain NO chemical UV-absorbers • NO synthetic preservatives • NO titanium dioxide • NO benzoxazoles • NO petrochemicals • NO artificial fragrances • NO nano particles

Skin Elements Pty Ltd, 34 Ord Street, West Perth, WA 6005
P: (08) 9486 4792 F: (08) 9486 4793 E: info@skinatural.com www.soleoorganics.com
Soléo Organics - Available in all good pharmacies and health stores Australia wide.

SOURCE: Skin Elements Ltd

MCARTHUR SKIN CARE RANGE



SKN acquired McArthur's Skincare range after it completed the acquisition of the leading Australian natural skin care business McArthur Skincare. Skin Elements entered into a Binding Agreement (Agreement) to acquire McArthur Skincare for a total cash and share consideration of \$1 million in May this year (ASX announcement, 19 April 2017).

It is a highly synergistic and value accretive transaction, which immediately transforms Skin Elements into a natural skin care company of significant scale and size – generating substantial turnover and sales from the McArthur Skincare product range.

McArthur Skincare is an established, highly successful 100% Australian owned and operated company which has generated total sales of approximately \$23 million since inception in 2010. It has a comprehensive range of 15 natural pawpaw-based skin care products.

McArthur Skincare has a highly successful, multi-channel sales model. This includes global retail direct online sales from the Company website, supported by digital media sales channels. Its products are also well stocked by leading Australian pharmacies and health food stores. McArthur Skincare is positioned on all major social media channels with 28,000+ followers on Facebook, a Facebook store, an eBay store, and for China; a presence through AustPost on Tmall, JD and Lazada.

Skin Elements will utilise McArthur Skincare's established sales channels to drive sales of its Soléo-branded products, and will also establish new sales and distribution channels for the entire SKN consolidated product range in key global markets.

The product holds a great potential as the feedback from pharmacies and stores stocking it has been positive. McArthur Skincare's products are in over 500 pharmacy and health food stores across Australia. The company proposes to expand its product range in 2017 to include the following additional products, all of which will contain McArthur Pawpaw Extract™: - skin whitening cream, baby skincare products including a baby balm, facial and body scrubs, facial masks.

Browse our FACIAL CARE RANGE



Browse our HAIR CARE RANGE



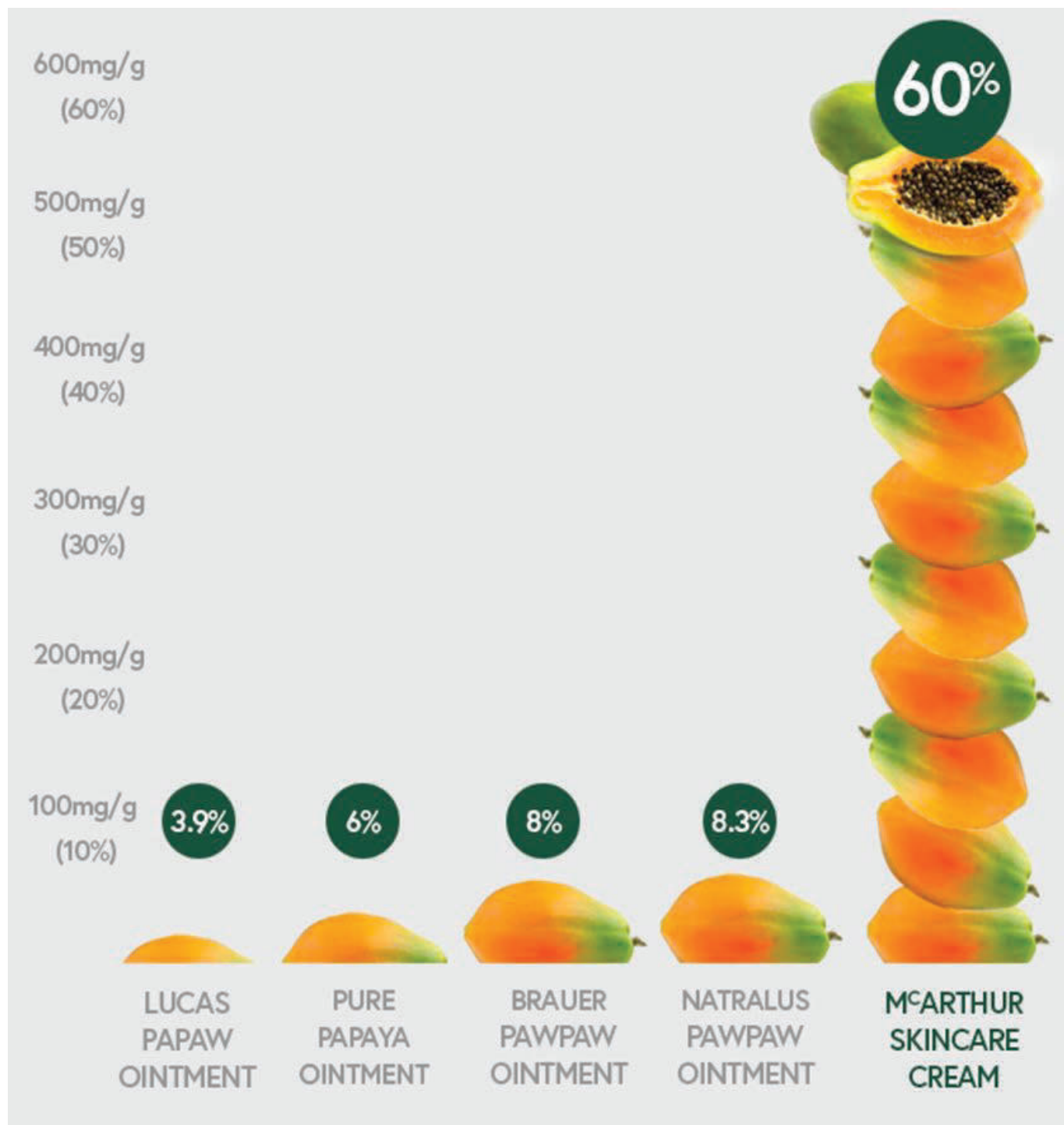
Browse our BODY CARE RANGE



SOURCE: Skin Elements Ltd

MCARTHUR SKIN CARE RANGE (Continued)

Comparison Chart of Pawpaw Concentration



New Products in 2018

McArthur Skin Care will be expanding its product range in 2018 to include the following additional products, all of which will contain McArthur Pawpaw Extract TM:

- ◆ Skin Whitening Creams
- ◆ Baby Balm
- ◆ Baby Eczema Cream



SOURCE: Skin Elements Ltd

ELIZABETH JANE NATURAL COSMETICS (EJNC) SKIN CARE RANGE

Future Product Line

Skin Elements' unique competitive edge:

- ◆ High performing formulas using scientifically proven ingredients
- ◆ Chemical free bases rich in natural & organic actives
- ◆ Perfect alliance of skin + science + organic



The Future in natural skincare is *Elizabeth Jane Natural Cosmetics (EJNC)*:



*9 Premium products with no synthetic chemicals,
and contain a unique EJ5 Complex for ageless skin.
Test marketing commenced in UK, Middle East & Asia.*



EJNC, which is an emerging brand from the company, contains only natural ingredients, plant extracts and vitamins with proven effective results. It is seen as a premium and effective alternative to synthetic chemical based skin care product.

Since the focus was mainly on the Soléo, EJNC took a backseat. In its last update on the product, SKN said the product range has undergone phase two of its research and development program and the testing of manufacturing processes to ensure they would meet the requirements of large scale production.

SKN says it is in a position to follow on from the initial test marketing program having taken place so far in the UK, the Middle East and Asia to further test the market with the aim to market launch this product range.

Going forward, SKN says it will also focus on the development of the Elizabeth Jane Natural Cosmetics product range, which has 10 separate products within its range (including an anti-wrinkle cream), with a view to achieving a market launch in the medium term (2018/19). EJNC, which is an emerging brand from the company, contains only natural ingredients, plant extracts and vitamins with proven effective results. It is seen as a premium and effective alternative to synthetic chemical based skin care product.



SOURCE: Skin Elements Ltd

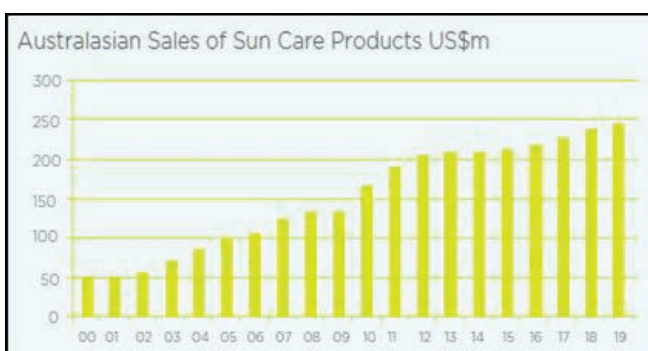
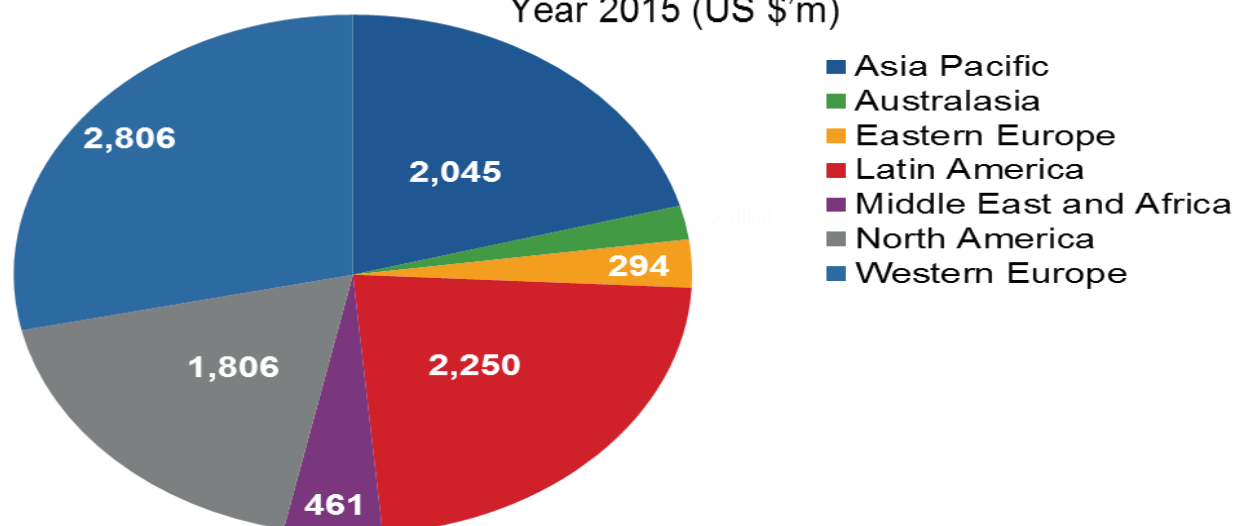
MARKET OVERVIEW - GLOBAL SUNCARE SALES

World is witnessing an ongoing trend towards replacing what people (predominantly women) were using on their skin in the past — synthetic chemicals, many of which with unknown long-term effects — and replacing them with a natural or organic element instead. Several studies note that the trend of removing synthetic products in favour of natural/organic equivalents is here to stay. There is a fast growing group of consumers now seeking natural and organic skincare products and sunscreen for everyday usage.

- The global beauty care market was worth about US\$379 billion in 2013 with projections to reach US\$461 billion by 2018.
- Organic personal care forecasted to be US \$15.8 billion by 2020
- Growth of organic skincare to be CAGR 9% until 2020
- The organic skincare products segment is expected to increase at a CAGR of 10% from 2016 to 2025, according to a report by Grand View Research.

SKN with its range of 29 different products including skin care, sun care and beauty enhancement, is poised well to benefit from this trend.

Global Sales of Sun Care Products by Region
Year 2015 (US \$'m)



Source: Euro monitor International Limited: Beauty and Personal Care system 2015 edition.

Euro-monitor estimated the global retail sales of sun care products only to be US\$10bn in 2015 and forecast to grow further to US\$12.3bn by 2019. Australia is considered a high-risk country in terms of sun exposure, so it does present a massive opportunity for SKN. According to Euro monitor, Australian sunscreen market reached AUD \$147 million in 2015, forecast to be AUD\$163 million in 2020.

Not just Australia, SKN's sunscreen line is set to be launched in the US very soon, as well as 15 McArthur products on the market currently. SKN is also very keen to break into the Chinese market, but the company plans to first tackle the US and Australian markets, before expanding to Europe and Asia.

OVERALL - MARKET OVERVIEW

Global Market for Skin Care = Opportunity

The global skin care market is a significant segment. In 2014 the global skin care segment generated sales of US\$111 billion. The global sales values in skin care are expected to grow at a rate of 3.4% and is expected to exceed US\$131 billion by 2019.¹

The growth will be driven by emerging markets in Asia Pacific which will account for almost 60% of the skin care segments total value growth by 2019.²

Natural Skin Care

Within the Natural skin care category, Grand View Research announced that the global organic and natural beauty market was likely to reach US\$15.98 billion by 2020, as demand for organic skin care, hair care and other cosmetics drives consumers to seek natural and organic labels.³

In addition, new market analysis released by Persistence Market Research has shown that with the year-on-year growth in organic and natural beauty products, the global market should be worth near approximately US\$22 billion by 2024. These figures suggest approximate growth of 8-10% per year. The current natural and organic beauty market was reached the value of US\$11 billion in 2016, Analysts expect the markets value to double in the next eight years.⁴

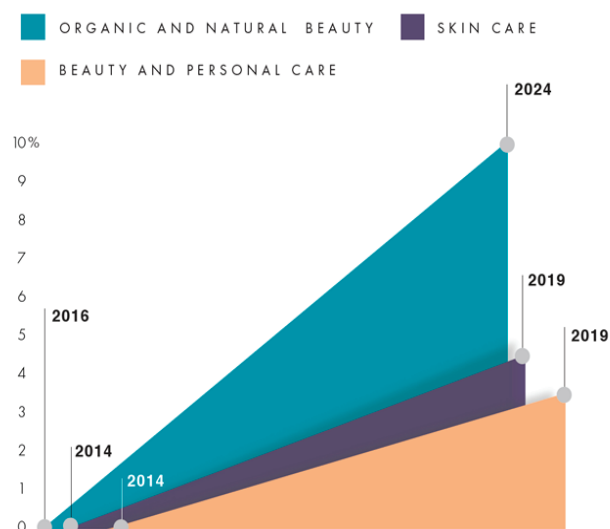
The growth of the global natural and organic personal care product market is driven by factors such as the expansion of distribution channels increasing online customer reach and modern retailers shift towards offering premium personal care products on their shelves.

Also new product development and increasing spending capacity of consumers on premium products are primary factors driving overall growth of global natural and organic personal care product market.

Natural Skin Whitening

Within the beauty market one of the fastest growing segments is Skin Whitening. Skin Whitening has in the past been dominated by harsh chemical based skin whitening products. As people become more educated, there has been a growing demand for natural alternatives, with Asia demanding more products that are based around Pawpaw. The McAthur Skin Care Range of Whitening Cream which is currently being trialled will contain a very high concentrate of Pawpaw extract, vitamin B3 and vitamin C, premium natural ingredients for this type of product.

GLOBAL SALES GROWTH



The global market for skin lighteners is driven by the growing desire for light-coloured skin among both men and women primarily from the Asian, African and Middle Eastern regions. A most recent survey conducted by an independent Research Group, noted that 4 out of 10 women surveyed in Hong Kong, Malaysia, Philippines and South Korea used a Skin Whitening cream.⁵

SKN as a new up and coming Australian owned and operated Skin Care Company, developing their current natural and organic skin care products, including their expansion and development of further new skin care ranges to meet increasing demands. We believe SKN's will greatly benefit from this market growth. As this global market segment is forever increasing, with a specific market expansion in the natural and organic personal products, heavily driven by the growing Global consumer market.

We forecast this expansion and growth will reflect in SKN's market capitalisation and share price; as SKN increases its market share throughout Australia, Asia, China, South America, US and Europe, to meet the Global consumer increasing demands.

Source: Skin Elements Limited

¹Euromonitor International – Passport-Beauty and Personal Care 2015 Edition – Global & Regional – Historic & Forecast 2015 – Historic, Current Prices, Forecast Constant 2014 Prices.

²Euromonitor International – Passport-Beauty and Personal Care, Passport: the Future of Skin Care – Game Changing Trends and Influencers, June 2015, page 4.

³www.grandviewresearch.com/industry-analysis/organic-personal-care-market

⁴www.persistencemarketresearch.com/market-research/natural-organic-personal-care-product-market.asp

⁵<http://business.inquirer.net/215898/yes-asia-is-obsessed-with-white-skin>

FINANCIAL SUMMARY REPORT 2017 - SKIN ELEMENTS POISED FOR GROWTH

Consolidated Statement of Financial Position - June 2017

	Notes	Consolidated As at 30 Jun 2017 \$	As at 30 Jun 2016 \$
CURRENT ASSETS			
Cash and cash equivalents	3	1,407,153	8,918
Trade and other receivables	4	48,657	2,243
Other receivables	5	125,047	49,214
Inventories	7	422,820	89,198
Research and development receivable	6	196,584	156,008
TOTAL CURRENT ASSETS		2,200,261	305,581
NON-CURRENT ASSETS			
Intangible assets	8	9,874,493	8,671,782
TOTAL NON-CURRENT ASSETS		9,874,493	8,671,782
TOTAL ASSETS		12,074,754	8,977,363
CURRENT LIABILITIES			
Trade and other payables	9	737,586	289,665
Borrowings – related parties	10	44,201	44,611
TOTAL CURRENT LIABILITIES		781,787	334,276
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	982,366	-
TOTAL NON-CURRENT LIABILITIES		982,366	-
TOTAL LIABILITIES		1,764,153	334,276
NET ASSETS		10,310,601	8,643,087
EQUITY			
Issued capital	12	13,033,994	9,245,988
Reserves	13	116,816	-
Accumulated losses	14	(2,840,209)	(602,901)
TOTAL EQUITY		10,310,601	8,643,087

Above is SKN Consolidated Statement of financial position as at 30 June, 2017

SOURCE: Skin Elements Ltd - Preliminary Financial Report 2017.

Skin Elements delivered strong progress in the sales and distribution of its Soleo Organics product range during the year. Revenues from all product sales for the year ending 30 June 2017 were \$310,753, an increase of over 72% on the corresponding figure for the previous year. Sales for the Soléo Organics sunscreen included Japan, Slovenia, Hong Kong and Australia, and in the US, via online retailer Amazon - and the Company will continue to work to expand its sales and distribution footprint for its entire product range during 2018.

It is noted that SKN's financial position for the year was impacted by significant one-off expenses associated with its IPO and ASX listing, and the acquisition of the McArthur Skincare business. In addition, the Company has integrated key McArthur Skincare personnel into the business and has also expanded its corporate and operational head office in West Perth, Western Australia to provide an enhanced corporate environment for its growing team. With these expenses now accounted for and with the integration of the McArthur Skincare business now completed; SKN is well positioned to deliver strong growth in the year ahead.

We believe SKN has achieved great progress in its first year of operations as an ASX listed company, and now with the Company's foundations laid, leave it well placed to deliver strong growth.

Which in turn, we expect SKN to reflect value for its shareholders during 2018/19.

DCF VALUATION

For valuation, we have mainly focussed on the EBIT. Most of our assumptions are very conservative, and thus, so is our price target. Going by the growth potential, SKN has much more potential than what may be reflected by the numbers given their limitations. However, still we forecast a future price target range over the next 12 to 18 months of **AU\$0.65 to AU\$0.73**, suggesting massive upside potential compared to the current share price. We believe the market has still not factored the expansion potential of the McArthur valuation, including future sales and overall potential from the global growth and growing demand in the personal care segment for organic/natural products .

Below is the sensitivity table, it represents how the share price changes with respect to the change in the discount rate (Re) and the Long-term growth rate (g). In our specific case we have taken G at 3.5%, which is very conservative, considering the company is just getting started. So, as can be seen in the table below the valuation increases with the increase in the long-term growth rate, and decreases as the discount is increased.

Re/G	2%	2.50%	3%	3.50%	4%
10%	0.89	0.94	1.01	1.08	1.17
11%	0.78	0.83	0.88	0.94	1.00
12%	0.70	0.74	0.78	0.82	0.87
13%	0.64	0.67	0.70	0.73	0.77
14%	0.58	0.61	0.63	0.66	0.69

Source: Calculated on forecasted financial & assumptions from Gloucester & Portman Capital,

PEER REVIEW

	SKN	BWX	ANO	ZNO	SECTOR
Market Cap	12.27M	518.57M	18.16M	14.17M	
Outstanding Shares	76.715M	92.30M	585.84M	14.63M	
Share Price (current)	0.16	5.60	0.031	0.235	
EPS*	0.041 (E)	0.14	0.1	-0.04	101
PE	3.89	40.94	28.20	32.29	16.86
Gross Profit (%)	111%	36.30%	18.60%	N/A	33%

Source: Webiress Company Information Research, calculations based on assumptions & Forecasted financials by Gloucester & Portman Capital.

**EBIT has been assumed to be net profit.*

We have compared SKN with Advanced Nano Technologies Ltd (ANO.ASX), BWX Ltd (BWX.ASX), and Zoono Group Ltd (ZNO.ASX).

All these companies are ASX listed and operate in the same sector. In terms of market cap, SKN is the smallest of these Companies while BWX is the largest.

SKN is currently trading at just 3.89x of its first year expected earnings. This is way below its peers and the sector average suggesting a massive upside potential. If we calculate the PE based on our above DCF Valuation, the figure comes at 16.80x. This number is closer to the industry average, though, still below other companies, suggesting further upside potential for SKN.

Even though EPS of SKN is more or less in-line with the peers, it is below the sector average. This we believe - SKN may have higher potential and room to grow to these levels.

SKN is just starting to expand into new markets and penetrate deeper in the home market. This along with added advantage of the recent acquisition of McArthur and its organic Pawpaw skin care range, will help the company to rake in greater sales and also provide great confidence to the investors.

POTENTIAL RISKS

Highly diverse mix of brands such as Banana Boat, Nivea, Sunsense and Hamiltons are well known to Australian consumers. But, typically been based on chemical UV absorber blends and synthetic preservatives.

SKN since it's in a growing phase and has plenty of new product development on its plate, requires a good amount of working capital. Its cash burn is something that needs to be watched, though, SKN, has growing sales and further revenues forecast for 2017/2018 with growing sales and profits forecast by GPC in the future for SKN, as it gradually increases market share locally and throughout Asia, China, South America, USA, Europe and UK.

SKN does not really have very much direct competition and this gives SKN their super edge in the market place. However, Any current rival and established brand (or even a new player) could come up with similar product offerings, which may possibly effect SKN's market share, though only a possibility, as SKN has already expanded its market share locally, including begun advance negotiations Globally in China/Asia on possible large overseas contract sales.

FINANCIAL SUMMARY AND FORECAST

	2017-18 (E)	2018-19 (E)	2019-20 (E)	2020-21 (E)	2022-23 (E)
Revenue	5,000,000	12,000,000	36,000,000	43,200,000	51,840,000
EBIT	3,150,000	7,560,000	22,680,000	27,216,000	32,659,200
FCF	2,400,000	5,760,000	17,280,000	20,736,000	24,883,200
WC Change	500,000	1,200,000	3,600,000	4,320,000	5,184,000
EBIT Margin	63%	63%	63%	63%	63%
Outstanding shares	76,715,000	85,550,000*	105,550,000*	135,550,000*	155,550,000*
EPS**	0.04	0.09	0.21	0.20	0.21
EPS Growth		115%	143%	-7%	5%

Source: The above forecasted financial & assumptions from Gloucester & Portman Capital,

*Forecasted Outstanding shares for the relevant periods, based on assumed future proposed dilution from capital raisings and/or future acquisitions.

**EPS has been assumed to be net profit.

Share Price & Volume Chart



Source: Webiress

BOARD OF DIRECTORS

**Mr Peter Malone - Executive Chairman**

Mr Malone has over 30 years' experience in global financial markets and has been responsible for raising AUD100m+ for technology development companies. He has a proven track record in managing technology development programs.

Previously, Mr Malone had developed a wide range of technology programs, from idea stage to reality.

Previous CEO to listed companies, he has a Masters degree from UWA and has taught and consulted in Australia, USA, Europe and Asia in business and management.

Mr Malone is responsible for the strategic direction of the Company and has now taken on the role as Managing Director and Chief Executive Officer of the Company.

**Mr David Humann - Independent Non -Executive Director**

Mr Humann is a Fellow of the Institute of Chartered Accountants, a Fellow of CPA Australia and a Fellow of the Australian Institute of Company Directors.

Mr Humann has worked extensively in Price Waterhouse Coopers (PWC). He was managing partner Perth, Strategic Planning and Marketing Director Australasia, member of the Australasian Policy Committee, Senior Partner Hong Kong and China, and Managing Partner Asia Pacific Region. Mr Humann was also a member of the PWC World Board and its Global Executive Committee.

He is currently the Chairman of Mincor Resources NL and a director of Future Directions International Pty Ltd.

In the past three years he has also held chairman of directors roles in, Logicomms Limited (2009 to 2012), Exxaro Australia Sands Pty Ltd (1998 to 2012) and Advanced Braking Technologies Ltd (2007-2012).

**Mr Luke Martino - Independent Non-Executive Director**

Luke Martino is a Fellow of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors, having worked for over 20 years with major accounting firms, where he held senior leadership positions and Board memberships including Lead Partner of Deloitte's Growth Solutions practice in Perth until 2007 when he left to set up and established boutique corporate advisory and accounting firm, Indian Ocean Advisory Group. Luke Martino is also a Director of Indian Ocean Corporate Pty Ltd, Non-Executive Director of Pan Asia Corporation Limited (ASX: PZC), as well as the Company Secretary for South East Asia Resources Limited (ASX: SXI). He was also a former

Director of NuEnergy Capital Limited, an Australian publicly listed company and South Pacific Resources, a Canadian publicly listed company, Non-Executive Chairman Director of Central Asia Resources Limited (ASX: CVR) and former company secretary of Blackgold International Holdings Limited (ASX: BGG).

EXECUTIVE MANAGEMENT

**Mr Craig Piercy - Company Secretary & CFO**

Mr Piercy has over 20 years' experience in corporate, accounting and finance. He has worked extensively in development of technology ventures into successful commercial businesses. Mr Piercy is a member of the Institute of Chartered Accountants, and he has been previously responsible for listing and ongoing management of public companies in Australia and the USA.

**Mr Leo Fung - Chief Technical Advisor**

Mr Fung is the founder and developer of the Soléo skin care Intellectual Property and holds an extensive natural products background.

15 years extensive natural products background Degree in Naturopathy / Applied Science, Key role in Skin Elements to identify potential areas for market growth & develop new products to meet demand. Manages a team of chemists & production staff, along with cutting edge R&D program with Significant experience successfully dealing with government regulatory bodies including TGA, FDA & KFSA.

TOP 20 SHAREHOLDERS (As at 6 September 2017)

Rank	Name	A/C designation	24 Aug 2017	%IC
1	SOVEREIGN EMPIRE PTY LTD		10,130,781	13.23
2	LAWLEY GROUP PTY LTD	THE PROPERTY HOLDINGS	8,075,048	10.55
3	SUNADVANCE GROUP LIMITED		5,000,250	6.53
3	WILLPOWER TRADING LIMITED		5,000,250	6.53
4	SOVEREIGN EQUITIES PTY LTD		4,570,325	5.97
5	TOP OCEANIA INTERNATIONAL LIMITED		4,375,000	5.72
6	TOM MCARTHUR PTY LTD		3,000,000	3.92
7	CLARE MALONE		1,500,000	1.96
8	HEKIMA PTY LTD	OCEAN	1,333,333	1.74
9	LJM CAPITAL CORPORATION PTY LTD		1,250,000	1.63
10	AUSTRALIAN EXECUTOR TRUSTEES LTD	KENTGROVE CAPITAL FUND	1,230,000	1.61
11	CHENG GU		1,140,000	1.49
12	CALIBRE CAPITAL INC.		875,000	1.14
13	CHRIS SMAILES & SHARON SMAILES	SMAILES FAMILY SUPER FUND	625,000	0.82
14	ROBIN ARMSTRONG		600,000	0.78
15	TOP OCEANIA INTERNATIONAL LIMITED		539,636	0.70
16	MS JESSICA YUJIA MAO		500,000	0.65
16	MODOMIO PTY LTD		500,000	0.65
16	SALLY-ANNE MALONE		500,000	0.65
16	WHITE LINE CAPITAL PTY LTD	WHITE LINE UNIT	500,000	0.65
16	NEIL BOWIE & TERESE BOWIE	FEDERATION SUPER FUND	500,000	0.65
16	FRANK MALONE		500,000	0.65
16	DUNCAN MACLEAN		500,000	0.65
16	XAVIER MALONE		500,000	0.65
16	LAKEHOUSE INVESTMENTS PTY LTD		500,000	0.65
16	JO-ANNA MALONE		500,000	0.65
16	IMPACT NOMINEES PTY LTD		500,000	0.65
17	GEORGE TENNENT		487,500	0.64
18	KEITH FLYNN	KEITH FLYNN & FAMILY SUPER FUND	461,250	0.60
19	GUANGWEI FAN		430,000	0.56
20	GREGORACH PTY LTD	GRIGOR FAMILY	416,667	0.54
Total			56,540,040	73.86
Balance of register			20,009,961	26.14
Grand total			76,550,001	100.00

Directors Holdings (As at 6 September 2017)

DIRECTORS / EXECUTIVE MANAGEMENT	FULLY PAID ORDINARY SHARE HOLDINGS	LISTED OPTION HOLDINGS	UNLISTED OPTION HOLDINGS
MR PETER MALONE	11,351,634	5,675,817	5,675,817
MR LUKE MARTINO	1,250,000	1,625,000	625,000
MR DAVID HUMANN	10,000	5,000	-
MR CRAIG PIERCY	4,570,324	2,285,161	2,285,161
MR LEO FUNG	-	-	-
TOTAL	17,181,958	9,590,978	8,585,978

SOURCE: Linked Market Services Ltd, Miraqlle Platform.

Above Holdings in SKN are Related interests held by Directors and Executive Management.

GLoucester & Portman Capital's View

Recommendation Criteria and Investment View

Gloucester & Portman Capital Investment view is based on an absolute 1 - 2 Year total return equal to capital appreciation plus yield.

BUY	HOLD	SELL
>30%	30% - 5%	<5%

Risk Rating by Gloucester & Portman Capital and its Analysts/Advisors is based on a Four Tier Risk Rating Category of the following:

Very High , High, Medium and Low Risks. The Risk Rating is a subjective rating based on the following factors:

Management Track Record, Industry Risk, Jurisdictional Risk, Asset or Project Risk, Forecasting Risk and Financial Risk, inclusive of cash flow analysis.

The Views expressed in this Research Update Report, accurately reflect the personal views of Gloucester & Portman Capitals Advisor/Analysts, about the subject issuer and its securities.

SKN Risk Rating is stated on front cover page, with a Risk Rating of High.

CONCLUSION

We reiterate our speculative Buy recommendation for SKN with a target price range over the next 12 to 18 months of up to AU\$0.73.

We find the current price level attractive and recommend therefore that investors with a higher risk profile consider including SKN in their portfolio. The share price does not reflect that SKN is a company that is growing, improving and expanding. The company has demonstrated the ability to implement its growth strategy which includes the expansion of their Skin Care product range with cash flows and future profits, upgrading and expansion of the existing business through acquisition of new skin care businesses, and sealed further acquisitions. The company also strengthened the management team, enhanced industrial relations and started capital market activities.

The SKN share price is currently trading at an estimated 2017 P/E of 3.89x and an estimated P/E RATE of 6.80x expected in FY18 with a forecast Target price range of AU\$0.65 to \$0.73, over the next 12 to 18 months.

We initiate with a Speculative Buy recommendation, offering a Price triggers in the short term could be the completion of the companies future acquisitions and a possible contract with a major distributor in Asia and China, which may result in a significant increase in sales and revenues, due to the possible large market share out of Asia/China, with a better-than-expected full year results for 2018. Further increased investor awareness of SKN with release of new organic/natural Skin Care Ranges and future possible acquisitions of other similar organic/natural brands .

RISKS

Despite the advanced status of Skin Elements Limited (**SKN**) and its skin care business/assets it is important to acknowledge that an investment in SKN is still of a speculative nature, High Risk and that investors need to be aware of the potential High risk of a volatile share price. The value of the shares may be dependent on the success of future cash flows, projected cash flows, business expansion and/or future acquisitions of skin care products/businesses.

The projects and company will be subject to all normal long term and short term factors which affect the capital markets including fluctuations in commodity prices, credit availability from banks, interest rates, changes in corporate tax rates or the introduction of new taxes and environmental compliance issues, etc.

Potential investors need to be aware that normal share market risk conditions apply, including commodity price, FX/currency fluctuations, market sentiment, supply and demand and general economic outlook. Normal research and development risks also apply as well as operating, environmental and IP/title risks.

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