



ASX Announcement: 26 February 2019

ELIXINOL GLOBAL LIMITED FY2018 RESULTS STRONG REVENUE GROWTH OF 121% SUPPORTED BY ROBUST BALANCE SHEET TO DRIVE FUTURE GROWTH

FY2018 KEY HIGHLIGHTS:

- Group revenue increased 121% to \$37.1m¹ driven by continued strong sales by Elixinol
- Underlying EBITDA of \$0.7m in FY2018 compared to breakeven in FY2017²
- Strong balance sheet with net cash of \$42.7m to drive international growth
- Elixinol investing to build a global presence, with significant capital deployed into scale-up, following positive regulatory developments
- Hemp Foods Australia invested for top line growth during FY2018 with revenue growing to \$4.9m³, up 51% on FY2017
- Nunyara Pharma unique 60 acre land holding purchased in Australia in early FY2019, post year end

Financial overview

A\$m (December year-end)	FY2017 ²	FY2018
Revenue	16.8	37.1 (up 121%)
Underlying EBITDA	(0.0)	0.7
Underlying NPAT	(1.9)	0.7
Statutory NPAT	(2.7)	(0.9)

Elixinol Global Limited (EXL or the Group) (ASX:EXL; OTCQX:ELLXF), a global company operating in the industrial hemp and emerging medicinal cannabis sectors, is pleased to release its FY2018 results for the financial year ending 31 December 2018.

EXL is a diverse portfolio of hemp and cannabis companies trading globally including:

- Elixinol - hemp-derived CBD business based out of Colorado, USA
- Hemp Foods Australia - hemp foods, raw materials and finished products
- Nunyara Pharma “Nunyara” - emerging medicinal cannabis business

Strong revenue growth reported in FY2018

For the first full trading year since its ASX listing in January 2018, EXL is pleased to report group revenue of \$37.1m for FY2018 representing substantial 121% growth over FY2017.

Underlying EBITDA of \$0.7m was achieved in FY2018 compared to breakeven in FY2017. Underlying NPAT was \$0.7m in FY2018 compared to \$(1.9)m loss in FY2017.

¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q4 FY2018 = 0.7170

² FY2017 is shown on a pro forma basis

³ Includes \$0.3m of intercompany sales of Sativa products (eliminated upon consolidation)



As at 31 December 2018, EXL has a strong net cash position of \$42.7m (\$42.9m cash and \$0.25m in debt).

Operational update

Key activities by geography during the year:

United States of America

Elixinol

Elixinol reported revenues of \$32.5m up 141% on FY2017. Elixinol has continued strong revenue growth across all sales channels which include direct to consumer, wholesale, private label and bulk sales led by broader consumer awareness and demand for hemp-derived CBD products.

In late December 2018, the much awaited 2018 US Farm Bill was signed by the US President, which saw hemp removed from the Controlled Substances Act. This major regulatory change paves the way for significant trade and marketing opportunities for the hemp-derived CBD industry. Research firm, Brightfield Group, revised its forecast for US market growth (September 2018), indicating that the US market size would grow from US\$174m in 2016 to US\$22bn by 2022 (a significant increase over its 2017 report projection of growth in sales to US\$2bn by 2022).

Elixinol's sales initiatives and development activities are focused on penetrating mainstream distribution channels in the US to commence national distribution of its unique, high-quality hemp CBD products; to increase its digital marketing presence to further grow direct to consumer e-commerce sales and continue to advance its technologies to support its existing key private label and bulk sale clients.

Elixinol also initiated technology upgrades to its direct to consumer logistics channel. Further updates to Elixinol's website www.elixinol.com are expected in Q1 FY2019. Furthermore, to help build national brand awareness, leading advertising, public relations and marketing agencies are expected to be appointed in early 2019.

As hemp products have become more accepted by US consumers, Elixinol launched SATIVA Skin Care to US consumers on 8 December 2018. During the year, Elixinol's new product development team advanced its R&D efforts in new technologies and formulations in preparation for new product launches in 2019.

Post the reporting period, Elixinol has launched, via all regular US channels, a new branded product of water soluble, full spectrum, rapidly dissolving CBD powdered drink mixes. 'Create' version intended for the morning, 'Build' for the day, and 'Dream' before bed, designed for daily enjoyment.



Commissioning of Elixinol's Louisville facility is well advanced, following minor construction delays. Final commissioning is expected during H1 FY2019 which will more than double current production capacity. Once commissioned, operations will expand from an 8,700 sq ft facility to 20,700 sq ft, resulting in new production capabilities of 5,000 kg of ethanol extracted hemp CBD extract and 3,125 kg of CO2 extracted hemp CBD extract, with a bottling capacity of 24,000 bottles per day.

Elixinol entered into a farming joint venture, NCHPP in April 2018. The first harvest of high quality CBD hemp occurred in the final quarter of FY2018, with initial yields being lower than expected and anticipated to improve in future crop cycles. Outside of the NCHPP JV, Elixinol has secured the supply of raw material to deliver FY2019 revenues in excess of its current growth trajectory.

Australia

Hemp Foods Australia

Hemp Foods Australia reported revenues of \$4.9m⁴ up 51% on FY2017. Growth has been supported in regular channels (B2C, B2B, distributor and export) with the addition of Essential Hemp snack bar range.

To support the company's growth initiatives, 2018 saw a significant restructure of the sales and marketing functions to assist with driving into the mass consumer market, and provide improved efficiencies in the distribution of all Hemp Foods Australia's hemp products. Hemp Foods Australia also continues to develop arrangements for local supply of hemp seeds whilst continuing its normal operating activities with existing overseas suppliers.

During FY2018, Hemp Foods Australia invested in the development of new products and new food categories. A number of new product launches took place during the year which included the launch of SATIVA Skin Care to Australian consumers and a range of snack bars under the Essential Hemp™ brand. With the frozen and ready meal category forecast to see solid growth, Hemp Foods Australia has also been positioning itself to bring plant based nutritional products to consumers. Our focus into the branded product categories has started successfully in Q1 2019 with our hemp burgers launched into the plant based ready meal category.

Nunyara Pharma (Medical Cannabis)

In late FY2018, EXL's Australian based medical cannabis company Elixinol Pty Ltd was renamed "Nunyara Pharma Pty Ltd". The name change was designed to clearly differentiate the pharmaceutical grade medical cannabis activities of Nunyara from those of EXL's Colorado-based business, Elixinol, which is focused on hemp-derived CBD dietary supplements and fast moving consumer goods.

⁴ Includes \$0.3m of intercompany sales of Sativa products (eliminated upon consolidation)



Nunyara's licence submissions for the cultivation and manufacturing of medicinal cannabis continue to be under review by the Office of Drug Control (ODC) and we remain optimistic despite the ODC being unable to provide any timing on the granting of both licences.

The Development Application (DA) for the Nunyara's integrated cultivation and manufacture facility is under review. The comprehensive operational plan for the facility is completed and a project manager has been appointed to oversee the construction of the facility. A future focus will be on the construction of the company's state of the art facility.

The unique 60-acre lot is located in the Northern Rivers District of New South Wales, Australia and was purchased on 7 February 2019 for \$2.6m. The first stage of the integrated state of the art medical cannabis cultivation and manufacturing facility will be a 5,000m² footprint on a secured 4.9-acre lot within the 60 acre property, with significant capacity to expand the proposed greenhouses as required and in-built expansion capacity within the proposed GMP certified, pharmaceutical grade manufacturing facility. Nunyara intends to leverage the significant know-how and experience of Elixinol's Colorado operations.

Rest of World

Set against a favourable macro environment, a number of key initiatives were deployed in FY2018 to drive top line revenue growth across EXL's businesses internationally in FY2019 and beyond. A core focus for Elixinol is growing sales in US, Japan, Europe and more recently New Zealand where Elixinol has recently entered and commenced sales.

In early 2019, a team of highly experienced sales and marketing employees commenced with Elixinol to drive the Group's launch into Europe. Sales hubs have been established in the Netherlands, Spain and United Kingdom and a new e-commerce website was launched Q1 FY2019 to facilitate European sales. Product fulfillment will be supported by local European based contract manufacturers. The European strategy incorporates both a direct sales force and sales via existing distributors. Market research shows that the European cannabis market alone will drive annual sales of €115.7bn by 2028 (European Cannabis Report 2018).

In November 2018, the Group's ownership interest in Elixinol Japan was increased to 50.5% (not currently consolidated into our results) via a \$2.2m investment to fund working capital. Elixinol's focus in Japan has been on strengthening the management and sales function to support anticipated sales growth of Elixinol's CBD products. Additionally, R&D activities for novel hemp/CBD products specifically catering to the Japanese market are currently being undertaken.

Entry into the New Zealand market followed the passage of New Zealand's Misuse of Drugs (Medicinal Cannabis) Amendment Act in December 2018, which re-classified CBD with low levels of THC as prescription medicine and removes CBD as a Class B1 controlled drug. This change enables patients to import product from Elixinol's CBD range and the first shipment has successfully occurred.

Elixinol continues to explore opportunities throughout Asia and Central and Southern America and will ensure the market is fully informed of any future developments.



Growth Initiatives

EXL is investing in top line revenue growth and production efficiencies across all businesses. This is being led through:

- Continuing R&D into bio-available and water-soluble bio-technologies
- Securing supply for growing demand
- Implementing Enterprise Resource Planning systems
- Manufacturing capacity
- Distribution
- Increased investment into marketing
- Growing world-class team
- E-commerce

Outlook

Paul Benhaim, CEO of Elixinol Global stated, “We are very pleased with our revenue growth of 121% for FY2018 across our businesses globally.

Meetings with large national outlets have indicated that support from the FDA and United Nations will be the next major catalyst for industry growth in both the hemp and cannabis sectors leading to consumer awareness creating demand.

Previous drivers behind these sectors have been supported by several recent positive regulatory changes, including the passage of the US Farm Bill last December, the World Health Organisation’s recommendation to the United Nations Committee of Narcotic Drugs to reschedule cannabis, the European Parliament’s support and New Zealand’s recent move to recognise CBD as a simply prescribed product.

Our robust balance sheet allows the Group to leverage our decades of experience to confidently execute on our strategic growth plans.”



Reconciliation to FY2018 underlying EBITDA and NPAT

(\$m)	FY2018
Statutory NPAT	(0.9)
Tax expense	0.4
Depreciation & amortisation	0.8
Interest income/finance costs	(0.4)
Statutory EBITDA	(0.1)
<i>Share based payment expense</i>	0.8
Underlying EBITDA	0.7
Statutory NPAT	(0.9)
Share based payment expense (after tax)	0.6
Amortisation acquired intangibles (after tax)	0.3
Tax benefit of losses	0.7
Underlying NPAT	0.7

* FY2017 is shown on a pro forma basis. EXL reports in A\$ million and on a 31 December year end.

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About Elixinol Global

Elixinol Global Limited (ASX:EXL; OTCQX:ELLXF) through its businesses has a global presence in the cannabis industry including hemp-derived CBD dietary supplements, hemp food and wellness products, as well as cultivation and manufacture of medicinal cannabis products. EXL's businesses include:

- Elixinol LLC ("Elixinol"), founded in 2014, is a manufacturer and global distributor of hemp dietary supplement and skincare products, with operations based out of Colorado, USA.
- Hemp Foods Australia Pty Ltd ("Hemp Foods Australia"), founded in 1999, is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products.
- Nunyara Pharma Pty Ltd ("Nunyara"), formerly known as Elixinol Australia, was founded in 2014 to participate in the emerging Australian medicinal cannabis market and submitted licence applications for cultivation and manufacture to the Office of Drug Control in early 2018. These applications are currently pending approval.

See more at www.elixinolglobal.com