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anandaPROFESSIONAL



HEMP BLACK

anandahemp



anandahemp

anandahemp

SpectrumGels 900mg

SpectrumGels 900mg



anandafood

2019 Full Year Results

Eric Wang, CEO
Jonathan Brown, CFO

29 July 2019

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Agenda

2019 full year results

Item

Presenter

FY19 highlights & business update

Eric Wang

Financials

Jonathan Brown

Strategy and outlook

Eric Wang



FY19 highlights

Revenue

up **519%** from \$5.7m to

\$35.6m

PBT

up **156%** from \$8.2m loss to

+\$4.6m

NPAT

up **170%** from \$8.6m loss to

+\$6.0m

Fully diluted EPS

up **159%** from 3.7 cps loss to

+2.2cps

Strategic highlights

- first full year of commercialisation
- business model in place
- beginning to achieve scale
- strong capabilities across all businesses

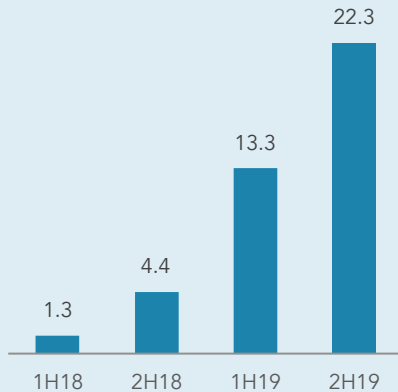
Financial highlights

- quality revenue growth
- margin expansion
- focused cost management
- positive cash from operations
- strong balance sheet

FY19 highlights

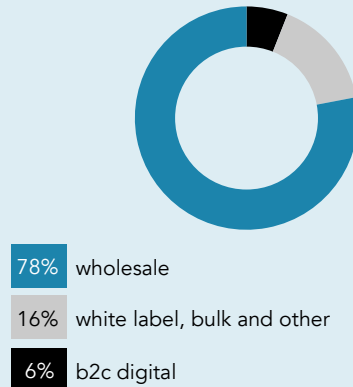
Business model focused on quality revenues and growth

Revenue (\$m)



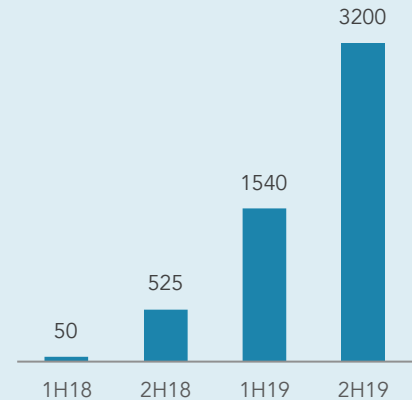
- Strong sales trajectory (Q4 FY19: \$12.3m)
- Approximately 70% of total revenue from US independent pharmacies

Sales by channel (%)



- 84% of sales from Ananda branded products
- Largest distributor / customer represents <4% revenue

US Independent Pharmacies (#)

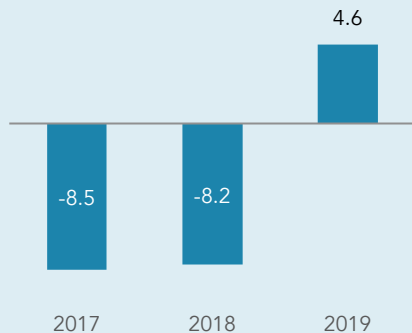


- 22,000+ independent pharmacies in the US

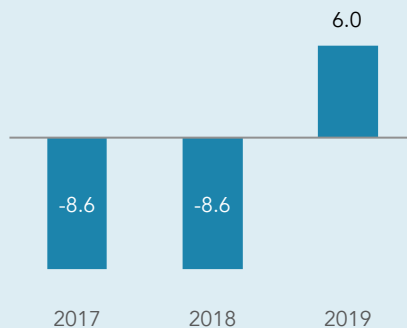
FY19 highlights

Business model focused on profitable growth

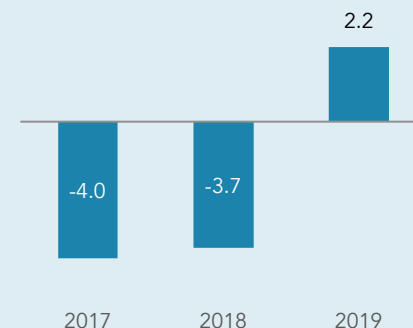
Profit before tax (\$m)



Net profit after tax (\$m)



Diluted EPS (cps)



- Business model strength now evident
 - investment in infrastructure across business lines
 - operational leverage

- First full year profit:
 - H1 FY19 \$0.4m loss
 - H2 FY19 \$6.4m profit
- H2 includes one-off tax credit \$1.6m

- Managing for shareholder outcomes
- 309.3m shares on issue + 17.3m in-the-money options and convertible note

FY19 highlights

Ananda Health – investment in business model beginning to show benefits



Strategic intent:

Be the preferred provider in the US practitioner and pharmacy channels by providing federally legal, safe, high quality product.

Established a quality network of distribution partnerships to provide operational leverage

- 14 FTE in sales and marketing functions

Selectively launched additional topical and ingestible products to meet segment needs

Continued to invest heavily in the Ananda education platform

- CBD 360, on-line training and observational studies to support pharmacists and practitioners

2017/18 investment in production capabilities underpin margin expansion today

- 51,000 kg of hemp processed for CBD oil in FY19
 - gross margin for 2H FY19 >75%
-



Clear market share leader of CBD products across all US retail pharmacies¹ (as measured by sales)

FY19 highlights

Ananda Food – infrastructure complete to underpin profitable growth



anandafood

Strategic intent:

Be the
leading hemp
food supplier
in Australia
and Asia.

Established a full suite of in-house capability to deliver four core hemp seed product lines

- HACCP certified – food safety highest priority
- significant processing and packaging capacity for end to end production
- highly efficient processing capability

Planted 705ha across three States (TAS, NSW and QLD)

- 100% of crops harvested - no lost crops
- ~900 ton of hemp seed available to support growth of the business

Focused on consumer education

- quality and freshness that comes from Australian sourced seeds
- end consumer recipe development
- dietary education



*Ananda Food supplying Woolworths Macro Brand with
100% Australian grown hemp food beginning August 2019*

FY19 highlights

Hemp Black – infrastructure for business model to be completed FY2020



HEMP BLACK

Strategic intent:

Be the
recognised
global leader
in sustainable
high tech hemp
applications

IP developed and patents filed in partnership with Thomas Jefferson University

- Ecofibre has exclusive commercial licence in perpetuity
- in-house testing protocols developed and externally validated
- core inputs are Ananda Hemp extract and Hemp Black carbon

Five 'core' product lines being established with corresponding supply chains to support future profitable growth

- key supply chain partners established
- new processing facility build underway in USA
- core processing equipment at various stages of completion / development

End consumer product lines in development to highlight 'core' product attributes

- anti-odor, anti-microbial, conductivity, sustainability
-



Early commercialisation begins in FY2020

Agenda

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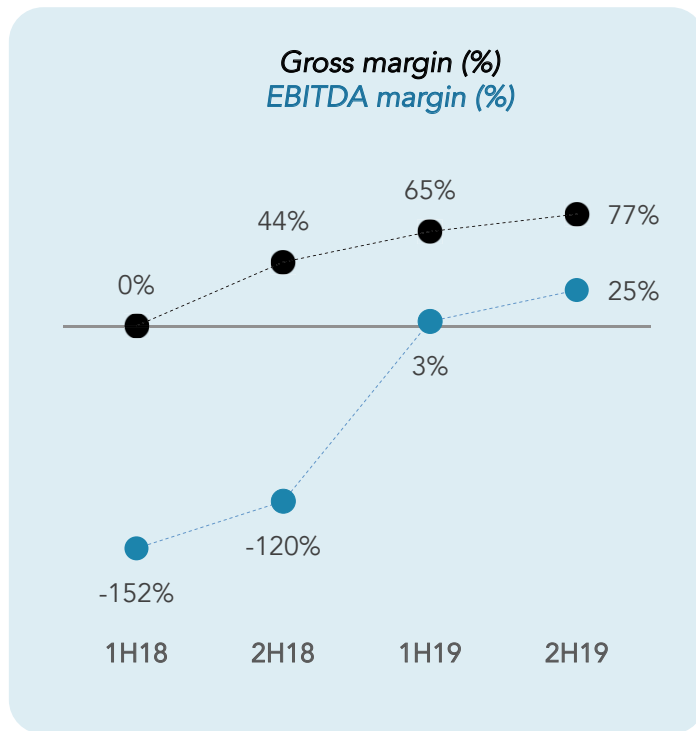
Eric Wang



FY19 financial results

Margin expansion – driven by scale & cost control

Consolidated Profit & Loss AUD \$m	FY18	FY19	YoY%
Revenue	5.7	35.6	+519%
Direct costs	(3.7)	(9.8)	+160%
Gross profit	2.0	25.8	+1211%
Other income	3.5	1.9	-48%
Operating expenses	(13.2)	(22.7)	+72%
Interest expense	(0.5)	(0.4)	-32%
Profit (loss) before income tax	(8.2)	4.6	+156%
Income tax expense (benefit)	(0.4)	1.4	+443%
NPAT	(8.6)	6.0	+170%
Underlying NPAT	(8.6)	5.1	+159%
EBITDA	(7.3)	5.9	+181%
Underlying EBITDA	(7.3)	6.7	+191%



FY19 financial results

Continued focus on strategic cost management

Consolidated Operating Expenses AUD \$m	FY18 H1	FY18 H2	FY19 H1	FY19 H2
Employees & contractors	2.3	3.6	5.2	5.3
Share based payments	-	2.3	1.9	1.9
Sales & marketing	0.7	0.5	0.5	1.1
Travel & accommodation	0.4	0.2	0.3	0.4
Equipment modification & maintenance	0.4	0.2	0.2	0.2
Rent	0.3	0.2	0.3	0.4
Legal & compliance	0.1	0.2	0.5	1.3
Accounting & audit	0.1	0.1	0.1	0.1
Depreciation	0.1	0.2	0.3	0.6
Other	0.5	0.8	0.8	1.3
Total operating expenses	4.9	8.3	10.1	12.6

- **Operating leverage** evident in cost base:
 - FY19 opex / revenue = **64%**
 - FY18 opex / revenue = **229%**
- **Reshaped cost base** to support strategy
 - focused on product, sales & marketing
 - increase role of technology
 - commercial approach to R&D
 - reduced overhead costs
- **Share based incentives**
 - staff aligned to performance drivers
- **Sales & marketing**
 - B2B focus
 - limited / no retail advertising
- **Legal & compliance**
 - includes IPO costs in H2

FY19 financial results

Strong financial position

Consolidated Balance Sheet AUD \$m	FY18	FY19
Cash & equivalents	2.8	25.7
Receivables	1.0	2.8
Inventory & biological assets	3.7	9.0
Other current assets	0.8	1.2
Total Current Assets	8.2	38.7
Intangible assets	0.3	0.3
Property, plant & equipment	2.7	6.7
Deferred tax asset	-	2.0
Total Non-Current Assets	3.0	9.0
Total Assets	11.2	47.8
Trade & other payables	3.6	3.8
Loans (current)	0.9	1.3
Total Current Liabilities	4.5	5.1
Deferred tax liability	-	0.4
Loans (non-current)	5.1	-
Total Non-Current Liabilities	5.1	0.4
Total Liabilities	9.6	5.5
Net Assets / Total Equity	1.6	42.3

- Increase in **cash & equivalents**:
 - operating cashflows **+\$ 2.4m**
 - investing cashflows **-\$ 4.7m**
 - financing cashflows **+\$ 25.1m**
- Funds from IPO and EBITDA growth (revenue, cost control) support **strategic investment program**
- **Low debt**, reducing to Nil
- Managed balance sheet for **low risk** and **strategic flexibility**

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Strategy

Ecofibre's approach to developing the industrial hemp market

Context: due to the competitive nature of our newly forming industries, Ecofibre will limit discussion to high level commentary. The following is our approach to our strategy and execution.

- **Strong purpose:** we only enter markets where we believe our products can improve the lives and well-being of people and the sustainability of our planet
- **Clear focus:** we target customers and segments that our capabilities and values are aligned to
 - Quality, safety and transparency
 - Education
 - Sustainability
- **Design to last:** our business models must be profitable, sustainable and provide flexibility as we operate in a highly fluid industry
- **Execute with conviction:** patience to properly invest in infrastructure and brand. Conviction that our products improve the lives of people and our planet means we take a long-term view on these businesses

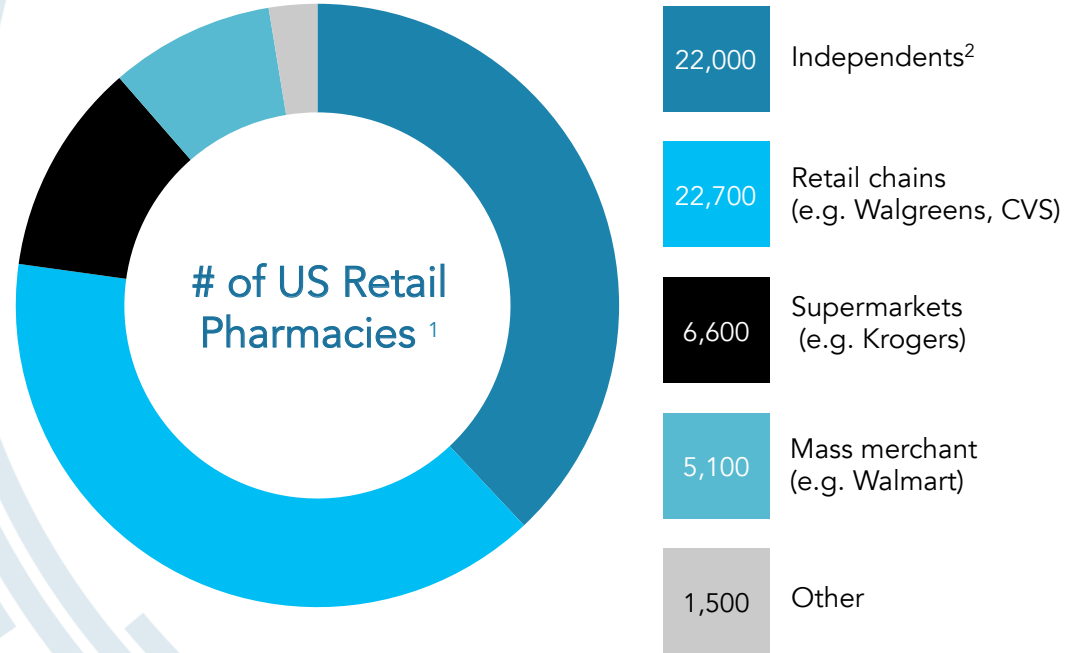
Strategy

The purpose for our businesses is very clear



Ananda Health

The US retail pharmacy market is attractive and aligned to our capabilities and values around safety, education and transparency



¹ does not include hospital pharmacies, veterinarians, and practitioners
² includes distributor affiliated (e.g. AmerisourceBergan Good Neighbor Pharmacy [4,800], McKesson Health Mart [4,800])

Ananda Food

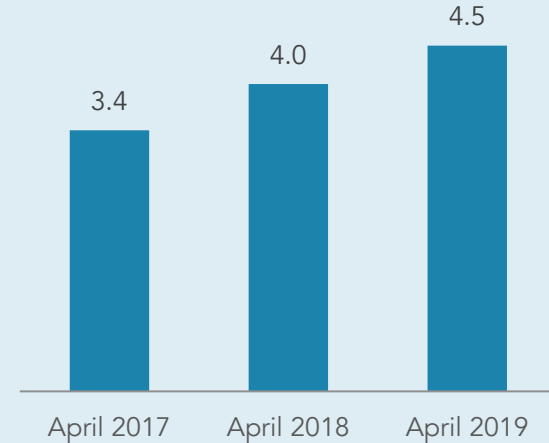
Conviction that plant-based proteins will play an important role in a healthy diet going forward

- Ananda Food controls the end to end value chain for all four core product lines
- Only uses 100% Australian grown hemp seed for quality, food traceability and safety
- HACCP certified hemp food facility in NSW
- Partnered with chef Michael Moore on consumer education and product development

As consumer demand for plant-based products accelerates, ingredient manufacturers are seeking points of differentiation. Plant based food and beverage sales in 2018 exceeded \$3.7bn in the United States, rising 17% over 2017, according to the Good Food Institute, Washington, and there are few signs the pace of category growth is going to decelerate.

*Food Business News
9 April, 2019*

US plant based foods (USDbn) ¹



¹ The data represents retail sales of plant-based foods that directly replace animal products, including meat, seafood, eggs, and dairy, as well as meals that contain plant-based alternatives, and was obtained over the 52-week period ending April 21, 2019 from the SPINScan Natural and Specialty Gourmet, and SPINScan Conventional Multi Outlet (powered by IRI) channels.

Hemp Black

A major opportunity that requires significant scale and a differentiated value proposition

'Core' products

- 1) **Hemp Black** – carbon infused high-performance fibre and intelligent textile
- 2) **Hemp Black Ink** – carbon infused conductive water based ink
- 3) **Hemp Black Hide** – Ananda full spectrum extract vegan leather
- 4) **Hemp Black Element** – Ananda full spectrum extract infused polymer fibre
- 5) **Hemp Black Nano** – Ananda full spectrum extract nano-film

Partners



- Research partner - IP development



- Commercial production and R&D



- Material development and commercial production

Sustainability certifications



- First carbon black to receive platinum recommendation by MBDC



- Pursuing full C2C certification once new facility complete



- B-Corp pending certification



- Targeting LEED Platinum for new US facility

Strategy execution

First new investment in executive capability in 15 months (page 1 of 2)

David Neu

Executive Chairman

Ananda Health

Former President **AmerisourceBergen** (NYSE: ABC) Drug Corporation and **Good Neighbor Pharmacy**, one of the largest global pharmaceutical sourcing and distribution services companies with \$160B+ in annual revenues.

Served on the Board of Directors of the **National Association of Chain Drug Stores** and former chairman of the Healthcare Distribution Alliance.

Executive committee chair of the USC School of Pharmacy Board of Councilors and co-founder of the Neu Center for Supportive Medicine and Cancer Survivorship at Thomas Jefferson University.

Focus: Ananda Health

Jerry Newton

Chief Operating Officer (starts 19 August 2019)

Ecofibre

Career in senior executive roles at **Deere and Company** (NYSE: DE) as Global Director in the US and Russia.

Currently serving as COO of Solomon Corporation, a portfolio company of PE firm **Oaktree Capital**.

Deep experience in operational excellence, successful scaling of organisations on aggressive growth trajectories and quality management.

B.S from University of Arkansas and awarded Outstanding Mechanical Engineering graduate. MBA from the Tuck School of Business at Dartmouth.

Focus: Ananda Health / Hemp Black

Strategy execution

First new investment in executive capability in 15 months (page 2 of 2)

Rob Hasselman

Chief Marketing Officer

Ananda Health

Sales & marketing professional with 25+ years of consumer packaged goods and healthcare industry experience.

Former executive at Wellspring, a PE portfolio company focused on consumer healthcare and personal care brands in the US and Canada.

Former Group Product Director for McNeil Consumer Healthcare (**Johnson & Johnson Consumer Business Sector**).

Marketing lead for the \$900M McNeil Pediatric and Specialty **over the counter franchises**. **Brands included Children's Tylenol, Motrin & Benadryl.**

B.A in Marketing from Arizona State University.

Focus: Ananda Health

Georgie Rist

National Account Manager (starts 19 August 2019)

Ananda Health & Ananda Food

Currently National Account Manager and Country Manager (USA) for **Bioceuticals (Blackmore's practitioner brand)** responsible for 30% of brand's sales in Australia and US market entry.

Previously served as National Communications Manager at **Swisse Wellness**.

Served as media spokesperson for Dietician's Association of Australia.

Strong experience in sales and market growth for brands in the practitioner segments in Australia and the US.

Qualified Dietician and Nutritionist. Bachelor of Nutrition and Dietetics from Monash University

Focus: Ananda Health / Ananda Food

Outlook

Ecofibre is undergoing rapid growth in developing industries and any financial guidance at this time may be inaccurate and therefore potentially misleading.

Accordingly, we will not provide detailed financial guidance at this time, however, the Company will keep the market fully informed via quarterly reports until our results become more predictable. For FY20 we can advise:



Ananda Health should continue to experience strong quality growth as we do not expect any market share or size limitations for the foreseeable future. We have existing capacity to supply product to achieve multiples of our FY19 sales and expect further scale benefits. The regulatory environment is favourable and is expected to remain stable as the hemp industry enjoys bi-partisan US support.



Ananda Food will have steady sales growth underpinned by quality clients. The business will deliver its maiden profit as the awareness of hemp as a high-quality food grows. The business' infrastructure can support much higher growth and scale benefits.



Hemp Black will begin early commercialisation as we complete the build of our core infrastructure. We have strong confidence in this significant long-term opportunity.

Q&A



Appendix

Reconciliation of underlying EBITDA and NPAT

AUD \$m	FY17	FY18	FY19
Underlying NPAT			
Statutory NPAT	(8.6)	(8.6)	6.0
IPO costs expensed, after tax	-	-	0.7
Initial recognition of deferred taxes (net)	-	-	(1.6)
Underlying NPAT	(8.6)	(8.6)	5.1
Underlying EBITDA			
Statutory NPAT	(8.6)	(8.6)	6.0
Tax expense (benefit)	0.1	0.4	(1.4)
Depreciation	0.4	0.3	0.9
Finance costs	0.5	0.5	0.4
EBITDA	(7.6)	(7.3)	5.9
IPO costs expensed	-	-	0.8
Underlying EBITDA	(7.6)	(7.3)	6.7



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