



Elixinol Global Limited  
H1 FY2019 Results Presentation

ASX:EXL | OTCQX:ELLXF



# Disclaimer

This presentation contains summary information about Elixinol Group Limited (Elixinol) and its subsidiaries and their activities. The information in this presentation does not purport to be complete. It should be read in conjunction with Elixinol's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

The information contained in this presentation is not investment or financial product advice and has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek independent professional advice appropriate to their jurisdiction and circumstances.

To the maximum extent permitted by law, no responsibility for any loss arising in any way from anyone acting or refraining from acting as a result of this information is accepted by Elixinol, any of its related bodies corporate or its directors, officers, employees, professional advisers and agents (Related Parties). No representation or warranty, express or implied, is made by any person, including Elixinol and its Related Parties, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation.

An investment in Elixinol securities is subject to investment and other known and unknown risks, some of which are beyond the control of Elixinol or its directors. Elixinol does not guarantee any particular rate of return or the performance of Elixinol securities.

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Elixinol and associated entities of Elixinol and certain plans and objectives of the management of Elixinol. Forward-looking statements can be identified by the use of forward-looking terminology, including, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may" or "will", and similar expressions. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of Elixinol to be materially different from the results or performance expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding Elixinol's present and future business strategies and the political, regulatory and economic environment in which Elixinol will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation or warranty is made that any of these statements or forecasts (express or implied) will come to pass or that any forecast result will be achieved. Forward-looking statements speak only as at the date of this presentation and to the maximum extent permitted by law, Elixinol and its Related Parties disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, any assumptions or expectations set out in this presentation).

All figures in this presentation are A\$ unless stated otherwise and all market shares are estimates only. A number of figures, amounts, percentages, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, the actual calculations of these figures may differ from figures set out in this presentation.



**Elixinol**<sup>TM</sup>

TRUSTED GLOBAL CBD BRAND

## Financial Overview



# Key highlights for H1 FY2019

Revenue from Elixinol

## branded products

increased by 63% to \$7.5m and now represents 52% of total USA revenue (up from 36% PCP)

## Innovation & technology

focussed company producing high quality, consistent CBD extraction and bioavailable ingredients such as micro-encapsulation

## Strategic partnerships

provides significant global expansion opportunities via existing distribution channels as well as supply chain integration

H1 FY19 revenues increased

**19%** on H1 FY18

to \$18.3m<sup>1</sup> driven by continued strong sales by Elixinol branded products

Expanding our

## global presence

of Elixinol branded products via our sales teams in the Americas, UK, Europe, Japan and Australia

Strong balance sheet with net cash of

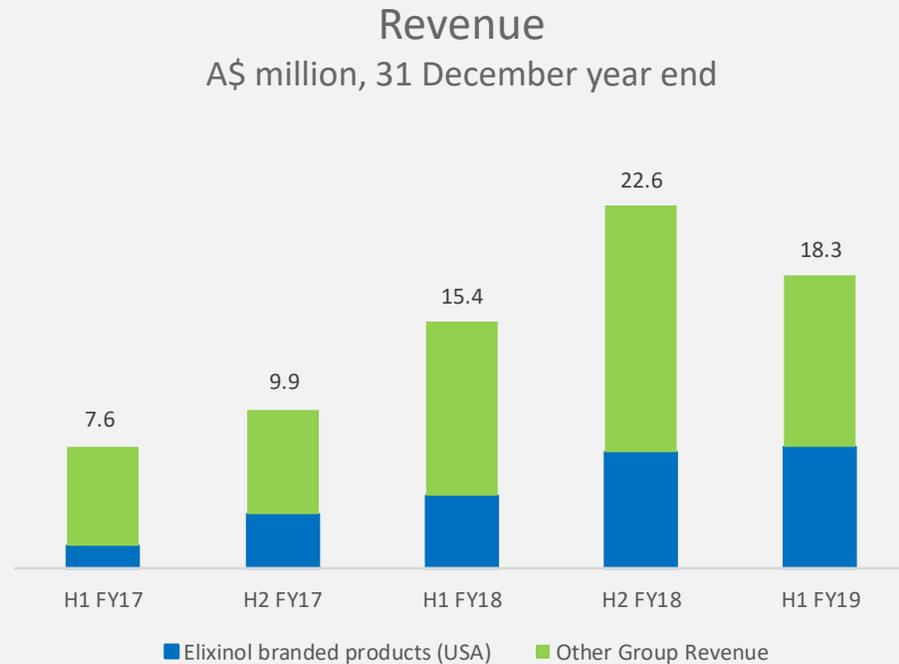
**\$47.9m**

to drive domestic and international growth

1) Shown on a pro-forma basis to include historical financials from Elixinol Japan (statutory financials include Japan only from 29 May 2019)

# Key highlights for H1 FY2019

Strong growth of 19% compared with prior corresponding period

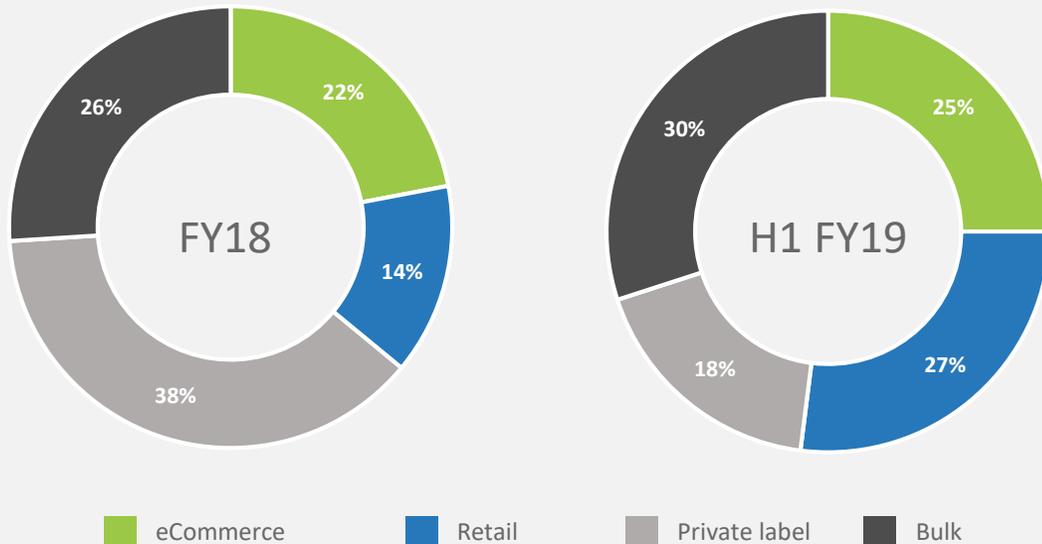


- Continued strong revenue growth of 19% in H1 FY19 compared with H1 FY18
- Revenue growth, excluding private label business, was 34% in H1 FY19 vs H1 FY18
- Elixinol branded products increased to 52% of USA revenues in H1 FY19 (36% in H1 FY18)

# Key highlights for H1 FY2019

Continued focus on sales of Elixinol branded products

Revenue channel mix, Elixinol USA  
31 December year end



- Continued focus on sales of Elixinol branded products through eCommerce and Retail channels
  - H1 FY19 sales of Elixinol branded products increased to 52% of revenue (36% in FY18)
- Elixinol branded products are currently sold in over 1,000 natural, specialty & national retailers in the USA
  - Elixinol and co-branded products are sold in over 1,000 additional retail stores globally
- Multi-channel distribution
- Strategic decision to reduce focus on lower margin private label business

# Financial summary

Significant investment in building scale to support expected future growth

## Financial highlights<sup>1</sup>

	H1 FY19	H1 FY18
Revenue	\$18.3	\$15.4
Gross Profit	\$8.8	\$8.6
EBITDA	\$(11.0)	\$0.8

## Profit and loss

(\$m)	H1 FY19	H1 FY18
Revenue	18.3	15.4
Cost of goods sold	(9.5)	(6.8)
Gross Profit	8.8	8.6
<i>Gross profit margin</i>	47%	56%
Operating expenses	(19.9)	(7.6)
EBITDA	(11.0)	0.8
PBT	(12.0)	0.4
NPAT	(9.8)	0.1

### Revenue

- Revenue increased 19% to \$18.3m in H1 FY19 from \$15.4m in H1 FY18
- Revenue from Elixinol USA branded products increased 63% in H1 FY19 to \$7.5m (\$4.6m in FY18)
- Europe & UK generated first revenues late H1 FY19

### Gross profit margin

- Elixinol continues to focus on high quality hemp derived CBD products, however current product regulation and quality standards have led to discounted prices across the market
- Major US national retailers expect tighter pricing which impacted margins
- Existing 3<sup>rd</sup> party support manufacturing has led to higher costs related to transitioning to new Colorado production facility
- New Colorado production facility commissioned H2 FY19 to deliver future cost efficiencies from Q4 FY19

### Operating expenses

- Significant increase in operating expenses to prepare for expected future growth:
  - marketing expense increased to 21% of revenue H1 FY19 (7% in H1 FY18)
  - The increase was primarily to drive brand awareness, advertising, market research, new branding and new product development
  - 134 full time equivalent employees at 30 June 2019 vs 59 at 30 June 2018

### EBITDA

- Reported EBITDA reflects preparing the business to support a larger revenue base

1) Shown on a pro-forma basis to include historical financials from Elixinol Japan (statutory financials include Japan only from 29 May 2019)

# Cash flow

Strategic investments and capital deployed to scale and build capacity for future growth

## Cash flow highlights

(\$m)	H1 FY19	H1 FY18
Operating activities	(28.9)	(1.3)
Investing activities	(12.8)	(3.6)
Financing activities	46.9	-
<b>Net increase in cash</b>	<b>5.2</b>	<b>(4.9)</b>
Effect of movement in forex	-	0.2
Opening cash on hand	42.9	18.8
<b>Closing cash on hand</b>	<b>48.1</b>	<b>14.2</b>

### Operating cash flow

- Includes \$17.3m in payments to build inventory and deposits to secure future inventory in anticipation of increasing consumer demand

### Investing cash flow

- \$6.2m cash component of investment in Pet Releaf
- \$2.6m Nunyara land purchase
- \$3.2m Colorado production facility
- \$1.0m delayed settlement of original NCHPP capital injection
- (\$1.2m) cash acquired from Elixinol Japan

### Financing cash flow

- \$46.9m net proceeds from equity capital raising

# Strong financial position

(\$m)	30 June 2019	31 December 2018
<b>Current assets</b>		
Cash & cash equivalents	48.1	42.9
Trade & other receivables	4.1	3.4
Inventories	20.0	7.0
Other	6.6	3.7
<b>Total current assets</b>	<b>78.8</b>	<b>57.0</b>
<b>Non-current assets</b>		
Property, plant & equipment	12.6	6.0
Investments	10.5	4.5
Intangible assets	86.9	86.2
Other	7.1	0.8
<b>Total non-current assets</b>	<b>117.1</b>	<b>97.5</b>
<b>Total assets</b>	<b>195.9</b>	<b>154.4</b>
<b>Liabilities</b>		
Trade & other payables	4.2	5.9
Other current liabilities	2.5	1.3
Deferred tax liability	1.2	3.1
Other non-current liabilities	3.8	0.4
<b>Total liabilities</b>	<b>11.7</b>	<b>10.7</b>
<b>Total equity</b>	<b>184.2</b>	<b>143.7</b>

## Strong cash position

- Cash balance of \$48.1m to support future growth

## Increased working capital to support ongoing growth

- Inventory on hand increased to \$20.0m
- Prepayments of \$4.3m to secure future raw materials

## Investment for expected future growth

- Investment in new Colorado production facility
- Strategic partnerships and joint ventures

## Liabilities

- Includes adoption of new Australian accounting standard AASB 16



**Elixinol**  
RAPIDLY DISSOLVING  
**HEMP CBD LIPOSOMES**  
IMPROVES YOUR FITNESS PERFORMANCE  
Focus | Endurance | Resilience | Repair  
STRESS REDUCTION  
Relaxing | Reduced anxiety

Use this discount code to receive  
**10% OFF YOUR ORDER**  
**THRIVE10**  
ELIXINOL.COM

**Elixinol**  
**HEMP CBD EXTRACT LIPOSOMES**  
ULTRA-BIOAVAILABLE & HYPER-ABSORBABLE CBD FORMULA

Stay cool and enjoy the gift of summer weather. Add Elixinol Hemp CBD Extract Liposomes to your summer routine. These liposomes are ultra-bioavailable and hyper-absorbable, so you can enjoy the benefits of CBD all day long. Elixinol Hemp CBD Extract Liposomes are the only hemp-derived CBD product that is ultra-bioavailable and hyper-absorbable. Elixinol Hemp CBD Extract Liposomes are the only hemp-derived CBD product that is ultra-bioavailable and hyper-absorbable.

FEEL LIKE YOURSELF FASTER  
ELIXINOL.COM

**Elixinol**  
This is your season.  
CHOOSE YOU AND CBD.

RAPIDLY DISSOLVING HEMP CBD LIPOSOMES  
IMPROVES YOUR FITNESS PERFORMANCE  
Focus | Endurance | Resilience | Repair  
STRESS REDUCTION  
Relaxing | Reduced anxiety

USE THIS DISCOUNT CODE TO RECEIVE  
**10% OFF YOUR ORDER**  
**THRIVE10**  
ELIXINOL.COM

**SATIVA**  
ORGANIC HEMP SKINCARE

BY **Elixinol**  
PURITY | REPLENISH | REJUVENATE  
Your skin and hair will love the combination of purity, replenishment, and rejuvenation. Elixinol Sativa Organic Hemp Skincare is the only hemp-derived CBD product that is ultra-bioavailable and hyper-absorbable. Elixinol Sativa Organic Hemp Skincare is the only hemp-derived CBD product that is ultra-bioavailable and hyper-absorbable.

AMAZING RESULTS YOU CAN SEE & FEEL  
ELIXINOL.COM/SATIVASKINCARE

# Strategic Priorities

# Elixinol's strategy for long-term growth

Continued investment in the Elixinol brand, industry leading quality, innovative products and expanding distribution

Elixinol's strategy is focused on the following key areas:

- Expanding its distribution, team and footprint globally
- Product development of technologically innovative high quality hemp derived CBD products
- Increasing domestic and international distribution of Elixinol branded products
- Entering other vertical markets
- Further developing existing relationships with its customers and suppliers

## Trusted brand reputation

- Elixinol is known in the market for producing safe consistent high quality tech based hemp derived CBD products

## Highest quality raw materials

- Colorado grown hemp
- Mitigating risk in other states
- Backed by rigid testing standards
- Hemp Authority certified

## Innovative products

- Formulations
- Bio-available
- Water soluble
- Odour free
- Taste free
- THC free
- Powders, liquids, tinctures, pastes

## Global presence

- Expanding global distribution footprint
- Multi-channel sales approach
- Leveraging global network

**Continued success of integration across the value chain to further secure the company's position as a global market leader of technologically innovative high quality hemp derived CBD products**

# Strategic priorities

Disciplined approach to drive future growth

## CONTINUED FOCUS ON ELIXINOL BRANDED PRODUCTS

- Constructive discussions with large retailers as well as large food, drug and mass retail segment
- New Elixinol branded products launching in H2 FY19
- Accelerating sales and marketing efforts
- Effective use of distribution channels
- Improving brand recognition via social media and physical channels

## GROW ECOMMERCE PRESENCE

- Recent investment in eCommerce platform provides leading digital capabilities and strength in a rapidly expanding retail channel
- Platform provides trusted educational support on the benefits of high quality hemp derived Elixinol branded CBD products
- Ability to monitor consumer trends and behaviour in real-time

## INNOVATION & TECHNOLOGY

- Pipeline of new products in various stages of development
- Implementing leading processing and extraction methods
- Microencapsulation technology offers a wide variety of uses for product formulations
- Powders and liquids, tasteless, odourless and water soluble efficacious options

## GLOBAL CHANNEL DEVELOPMENT

- Continued development within the Americas, UK, Europe, Japan and Australian markets
- Key focus on market opportunity, execution and brand recognition
- Strategic partnership deals with RFI, PharmaCare, MedVec, Bionova and Pet Releaf provides significant global expansion opportunities to leverage existing distribution channels

## SUPPLY CHAIN INTEGRATION

- Significant high quality raw materials secured in preparation for growth
- Expanded production facility will support more than double our capacity from Q4 FY19
- Outsourced capacity via RFI, H&W and other strategic partners allows:
  - further growth potential
  - extended network distribution

## CORPORATE

- Changes to senior leadership group to execute on key growth opportunities
- Recruitment of additional 15-25 staff to facilitate growth in sales and marketing
- Optimise channel and product mix for margin improvement to drive profitability globally
- Increasing global scale expected to provide operating leverage
- Expanding global executive office in Sydney

# Multi-channel approach

To support and drive revenue growth

Elixinol's key focus is on direct to consumer sales



**Elixinol Branded Retail Sales**  
natural, specialty & national retailers



**Elixinol Branded eCommerce Sales**



**Elixinol Branded Sales**  
Allied Health Professionals

## Elixinol's Multi-Channel Approach

Additional sales via multi-channel approach



**Certified Organic Range**



**Co-Branding**



**Affiliate Sales**



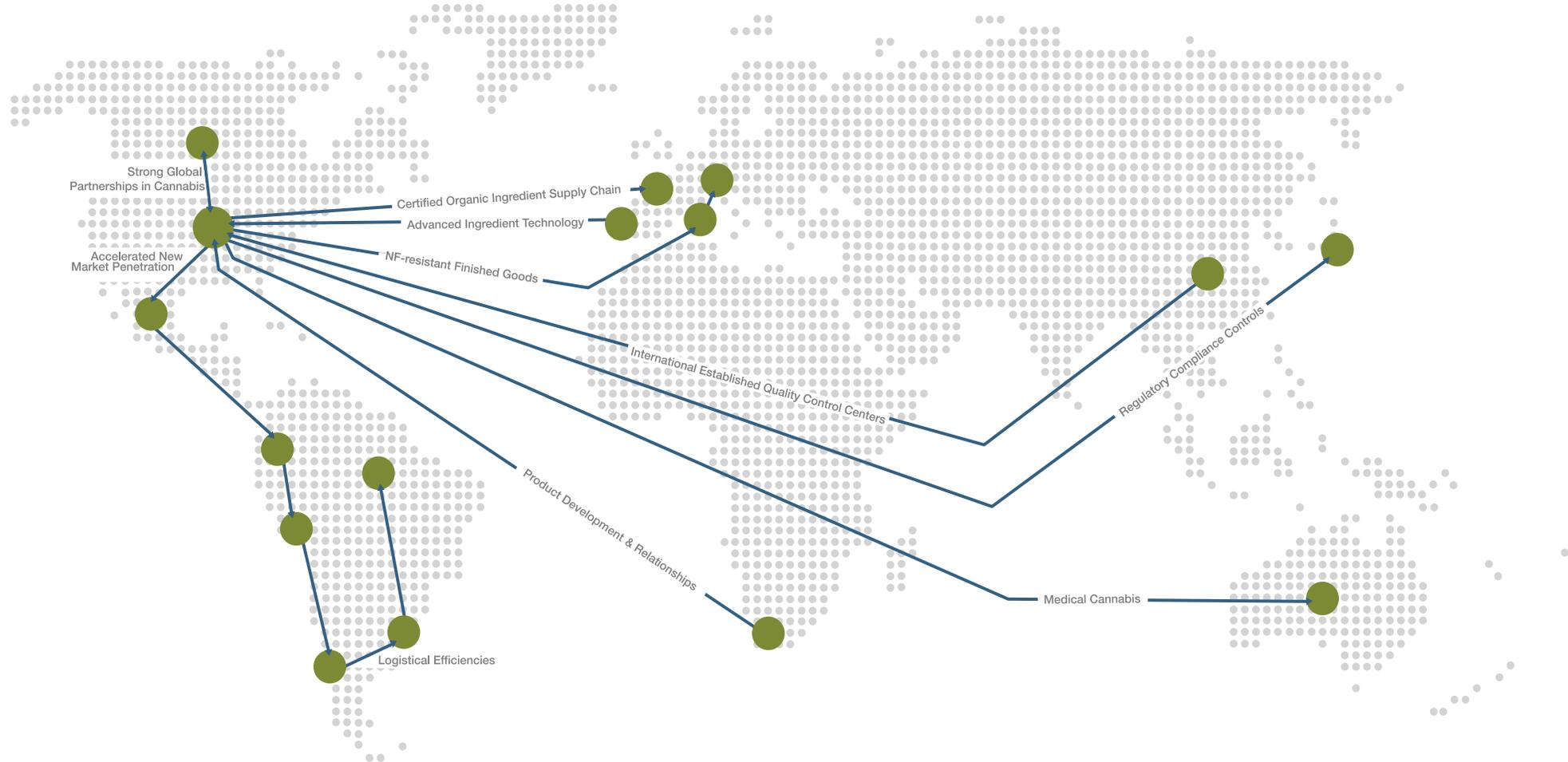
**3<sup>rd</sup> Party eCommerce of Elixinol Branded Products**



**Bulk/Private Label**

# A truly global brand

An international distribution platform that can be leveraged to drive growth



# Elixinol's product portfolio

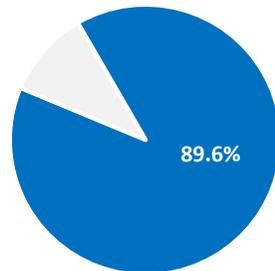
A global consumer brand focused on the health and wellness category



- CBD-based dietary supplements
- 45 products\* (tinctures, capsules, liposomes, hemp oil, topical products, SATIVA Skincare)



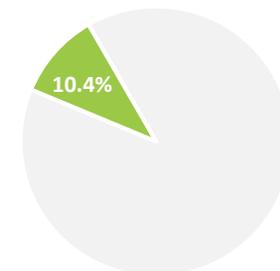
H1 FY19 revenue: A\$16.4m



- Hemp derived food and cosmetics
- 43 products\* (hemp seeds, hemp flour, hemp protein, hemp oil, SATIVA Skincare, Hemp Burgers, Capsules, Nut Butters and Honey)



H1 FY19 revenue: A\$1.9m



\* Stock Keeping Units (SKUs)

# United States - Opportunity and growth

Brand leadership position with over 50% sales through branded products

## Opportunity

- Historic passing of the US Farm Bill de-scheduled hemp from Controlled Substances Act
  - removes substantial barriers to trade and enables mainstream marketing, promotion & banking
  - final stage with FDA clarification expected soon
- US consumer adoption and government de-regulation have rapidly accelerated growth trajectory of industrial hemp and cannabis industry
- Elixinol one of few suppliers that can meet strict retailer requirements for safety and manufacturing

## Growth

- Growing more locations with existing retailers
- Adding more SKUs to existing distribution channels
- Increasing distribution channels
- Leveraging Infusion Strategies to expand revenue opportunities in adjacent markets such as food, beverages and nutraceutical products
- 91 FTE to support ongoing growth
- Acquired 25% equity interest in Pet Releaf in May 2019 with follow up order received for US\$18m
  - the most widely distributed hemp and CBD pet product in the market
  - sold online and through 4,000 retail pet locations globally
- Clear eCommerce and sales strategy
- Planned direct retail sales promotions and growth
- New York Processor Agreement received

US CBD Market Size<sup>1</sup>  
(US\$bn)



1.) Source: Quartz/Harris Poll & AGP

# Europe & UK - Opportunity and growth

## New market launch started positively

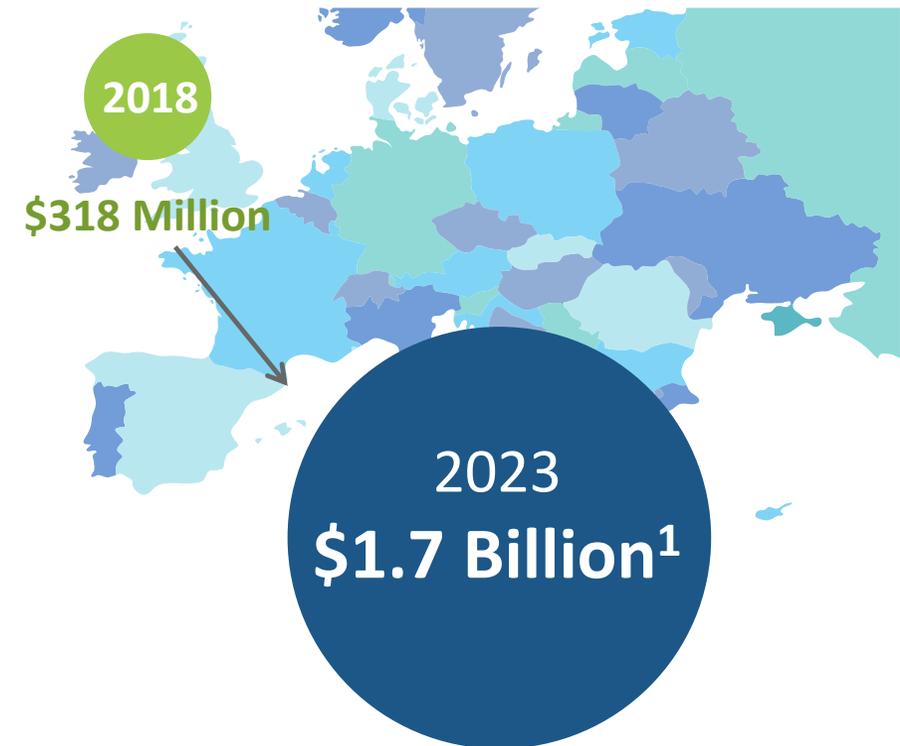
### Opportunity

- Similar changing legislation to US
  - some countries further ahead, some further behind
- Europe’s CBD market expected to grow at a 42% CAGR to \$1.7B by 2023
  - largest European CBD markets today is the UK; Germany expected to become largest market by 2023
  - Elixinol is now well positioned in this market with hubs across Europe
- Elixinol now being sold at major European high street chain, pharmacies, health stores and other retailers
  - Pharmacy channel opportunity with Cambrian Alliance strategic alliance
  - new distributor channels being discussed, predominantly in the UK
- Potential legislative updates to support Elixinol’s THC Free technology
- European Registration of products underway
- Sales and distribution agreement with Pharmacare (June 2019)
  - initial order was 60,000 units, 6 SKUs across initial 25 stores
  - launching UK TV advertising campaign to market the new co-branded partnership in Holland & Barrett

### Growth

- Growing more locations with existing retailers
- Adding more SKUs to existing distribution channels
- Increasing distribution channels
- Recently expanded sales teams in key centers across Europe to total 14 FTE
- Partnered with Cambrian Alliance Group, one of UK’s largest pharmacy buying groups
  - clients control 1,200+ member pharmacies
- Expand range with existing JV and distributors (eg Pharmacare)
- Follow up orders from Pharmacare received, now in 800 stores (August 2019)
- Topical range production starting by Q4 FY19

## Europe CBD market size expected growth



1.) Source: Brightfield Group

# APAC - Opportunity and growth

A very large opportunity

<p><b>Opportunity</b></p>	<ul style="list-style-type: none"> <li>• Elixinol owns 51% interest in Elixinol Japan through JV             <ul style="list-style-type: none"> <li>– Elixinol Japan has been developing brand presence in Japan since 2016</li> </ul> </li> <li>• Utilising expanded production facility in Colorado for expansion throughout APAC</li> <li>• Hemp derived CBD products as manufactured by Elixinol are considered and may be sold as Medical Cannabis products in Australia</li> </ul>
<p><b>Growth</b></p>	<ul style="list-style-type: none"> <li>• Growing more locations with existing retailers</li> <li>• Adding more SKUs to existing distribution channels</li> <li>• Increasing distribution channels</li> <li>• 23 FTE</li> <li>• Commenced sales in Tokyo Airport (February 2019)</li> <li>• Major private label customer expects expansion with numerous new food &amp; beverage products</li> <li>• First branded product line into Australian major retail             <ul style="list-style-type: none"> <li>– Hemp Burgers (frozen plant based protein products) now available throughout Woolworths chain</li> </ul> </li> <li>• Sativa products manufactured in Australia exported to USA</li> <li>• Manufacturing license for Nunyara received             <ul style="list-style-type: none"> <li>– awaiting cultivation license</li> </ul> </li> </ul>



**Asian medicinal  
cannabis expected  
to generate  
\$5.8B US  
by 2024<sup>2</sup>**

1) The Economist: April 2019  
2) Prohibition Partners



# Supply Integration

# Technology

Investing in technology to maximise bioavailability of Elixinol's hemp derived CBD products

## Strategy

- Elixinol will continue to invest in technologies that allow CBD to be more efficacious, cost-effective and useful in formulations with quality and scale
- Our experience and reputation has led to other industries reaching out to our qualified team identifying technologies not yet used in our industry to improve the speed of absorption, levels of absorption, sensory profile (taste, odour, texture) and other factors
- we believe this strategy will provide Elixinol and significant FMCG (CPG) companies a unique offering to the market alongside our high quality, GMP supply chain

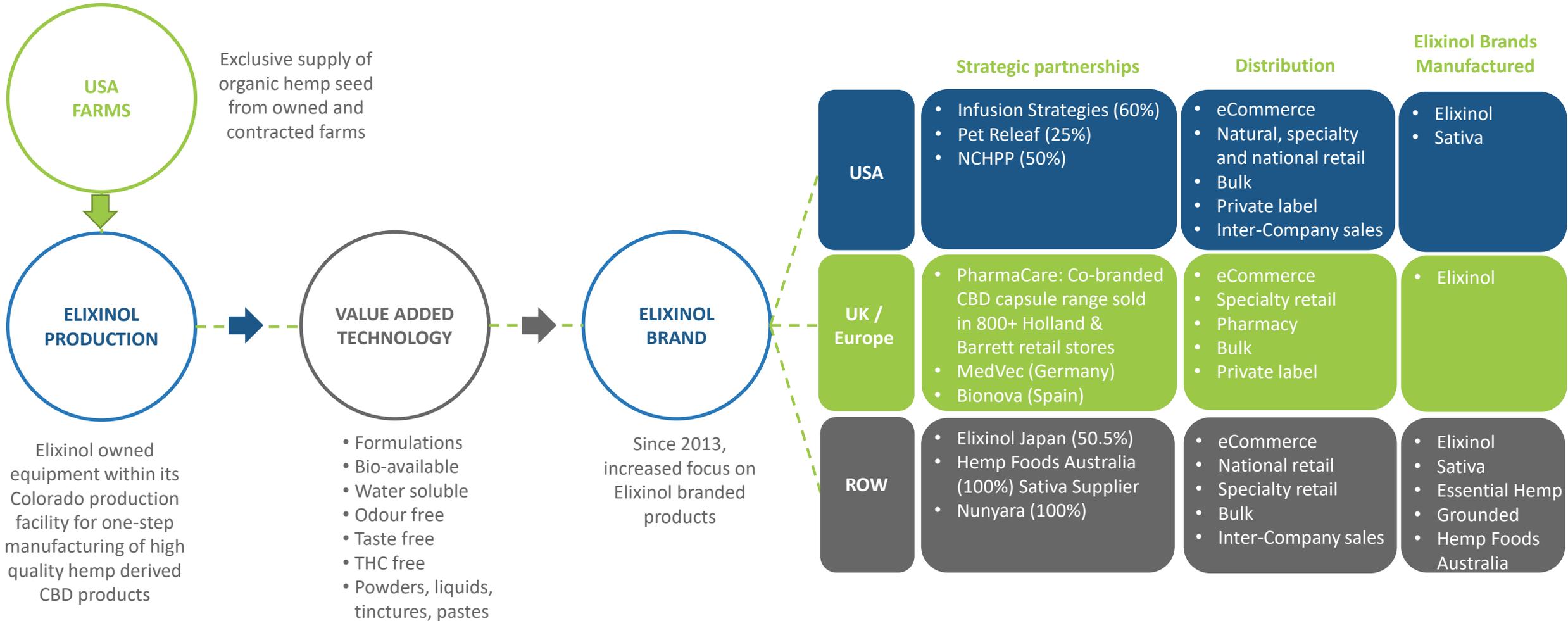
## Microencapsulation Technology

- Elixinol acquired global intellectual property rights for microencapsulation technology
  - increases absorption, efficacy and uniformity of ingredients with a product;
  - offers a wide variety of uses for food, beverage and nutraceutical product formulations;
  - adds protection against environmental factors once ingested; and
  - better preservation of the encapsulated active ingredients
- Technology will enable Elixinol to maximise bioavailability of its high quality hemp derived CBD products



# Transparency – from seed to shelf

Supply chain integration and strategic manufacturing partnerships provides Elixinol with a unique positioning, offering consumers and retailers product integrity, traceability and scalability





**For more information please contact:**

Ron Dufficy

Chief Financial Officer

[ron.dufficy@elixinolglobal.com](mailto:ron.dufficy@elixinolglobal.com)

[www.elixinolglobal.com](http://www.elixinolglobal.com)