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# FY2019 Full Year Results

## Elixinol Global Limited

ASX: EXL, OTC: ELLXF  
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# Agenda

# HIGHLIGHTS & BUSINESS REVIEW

# 1



Calm Before, During & After the Storm. Kind of Amazing

## Key highlights for FY2019

### Revenue from Elixinol **branded products**

increased by 35% to \$16.1m  
and now represents 59% of total  
revenue (up from 37% PCP)

### **Strategic partnerships**

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

### Expanding **global presence**

of Elixinol branded products via  
our sales teams in the Americas,  
Europe & UK

### **Innovation & technology**

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

### **Regulatory environment**

impacted  
sales across all channels  
resulting in asset impairments,  
outlook remains positive

Strong balance sheet with  
**\$20.2m** cash and **\$22.4m**  
inventory to drive domestic  
and international growth

## Who we are

**Benefiting health  
and wellness in  
communities  
around the world**



**Elixinol is a global leader in the hemp derived CBD industry, innovating, manufacturing and selling Elixinol branded hemp derived CBD products**

**The Company's simplified business model is focused on:**

### Americas

- innovating, manufacturing and selling Elixinol branded hemp derived CBD products based in Colorado, USA

### Europe & UK

- educating and selling Elixinol branded and co-branded hemp derived CBD products

### Australia

- providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia

### Rest of world

- expanding distribution of Elixinol-branded, hemp derived CBD products globally through reputable distributors as key markets open

# Why we're different

## We believe Elixinol's products represent the highest quality in the market

### 1. Recognised and established global brand

Elixinol has industry leading products delivered in multiple forms

### 2. Diversified revenue streams and go market approach

A range of customer-led Elixinol branded products supported by a clear sales strategy and sold through multiple channels

### 3. Global reach

Elixinol has operational hubs in key markets of US, Europe and UK with its corporate office in Australia

Elixinol is expanding distribution of Elixinol branded products globally through reputable distributors as key markets open

### 4. Heritage in hemp

Elixinol has been a champion of hemp for over 25 years

For the past five years, Elixinol has been focussed on the science, research and development of world-class cannabinoid products, creating real wellness solutions for people

### 5. Global knowledge

A global footprint allows Elixinol to bring the highest quality products to people across the world, while giving Elixinol a global view of the dynamic and rapidly evolving cannabinoid market

### 6. Ahead of the curve

Elixinol's team is not only the leading experts in extraction, processing and formulation, our ancillary resources are leading the way in the global understanding of cannabinoid wellness

### 7. Quality first – always!

At Elixinol, we believe that by diligently working to create high quality Elixinol branded products that deliver real benefits to people, we can prove the worth of the hemp plant one convert at a time



## A diligent approach to ensure Elixinol is well positioned

**A focus on return on investment enables Elixinol the Company to leverage the significant capital that has been deployed in operations, eCommerce, raw materials and key people**

### Refined strategic focus

To deliver both short and long-term success

Very positive outlook for hemp derived CBD

Ideally positioned in US and Europe

### Simplified business model

Focusing resources on Elixinol's CBD business unit moving forward

Divested HFA, selling Nunyara assets and redeploying cash into Elixinol branded products

### Brand and product refresh

Total Elixinol brand refresh to be released in March 2020

Reduced number of products to suit customer demand

Expect new, innovative Elixinol branded products in 2020

### Investment in operations and eCommerce

Significant investments completed, including data-enabling ERP system and eCommerce system to support operations and marketing

### Established leadership team

Reshaped leadership team to drive growth in Elixinol branded products

Leadership team supported by key hires across sales, marketing, operations and compliance

### Cost control and capital management

Pathway towards positive cashflow and increased gross margins - converting inventory into cash

Cash control initiatives implemented to reduce ongoing cash requirements

# Refined Elixinol branded product mix

Optimised, customer-led range, with products launching from March 2020

## Consumer Products



### Dietary Supplements



- Tinctures
- Capsules
- Liposomes

### Topicals



- Elixinol Skin
- Balms & Sports Gels
- SATIVA Skincare

### Private Label / Bulk



Leveraging industry expertise, relationships and production capacity:

- Pet Releaf
- Infusion Strategies
- Other private label and bulk

## Elixinol branded products – the new breed

**New Elixinol branded product range launching from March 2020: carefully researched, highly targeted**



- Elixinol's focus is on hemp derived CBD formats that consumers in our key markets recognise as supplements
- New Elixinol branded products are driven by customer demand at both enterprise and consumer level:
  - Tinctures
  - Topicals
  - Capsules
  - Powders
  - Gummies and
  - CBD infused skincare / cosmetics
- Elixinol's formulations are crafted by experts and designed for optimal effect
- Rationales for, and desired effect of, each of Elixinol's branded products are thoughtful and well-researched
- Each of Elixinol's branded product combines high quality hemp derived CBD with specific vitamins and minerals to target different areas of health and wellbeing
- Elixinol's branded products are made with full or broad-spectrum oil at the core of the formulation with increasing demand for broad spectrum

# Revenue growth in high margin Elixinol branded products

## Focus on branded products to drive higher margins

### Branded / co-branded products (eCommerce, Retail, Europe & UK)

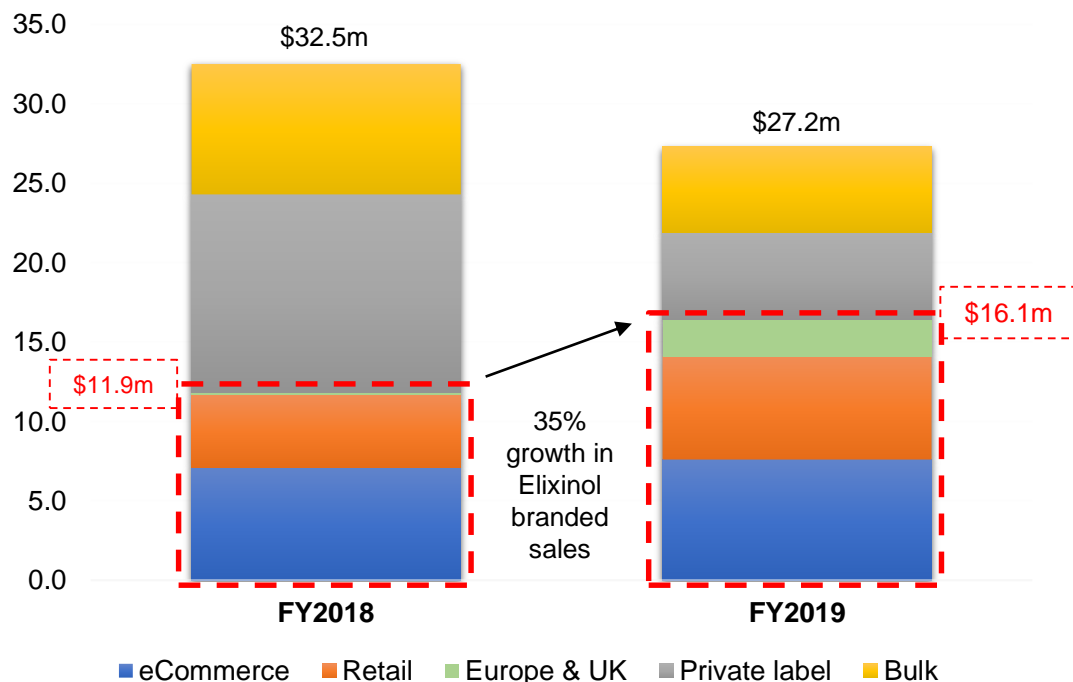
- 35% growth in high margin branded and co-branded sales driven by retail penetration in the US and entry into Europe & UK:
  - FY2019 \$16.1m vs FY2018 \$11.9m
  - Elixinol branded and co-branded products represent 59% of total sales (37% in FY2018)

### Bulk and Private label

- Bulk sales have declined 34% due to influx of cheap, poor quality product (lack of product regulation):
  - FY2019 \$5.7m vs FY2018 \$8.2m
- 56% decline in Private label sales due to termination of low margin contracts to allow Elixinol to focus on its branded products:
  - FY2019 \$5.5m vs FY2018 \$12.4m

## Revenue by Channel

A\$ million, 31 December year end



## Growth Drivers

**Firmly positioned to drive continued growth of Elixinol's branded products**



- **Key sales hires** to focus on optimising and expanding retail distribution partnerships
- **New product development** with skincare range expanded in the USA and to be launched in Europe & UK in Q2 CY2020
- **Scaling eCommerce platform** alongside innovative advertising campaigns, including utilisation of influencers in sports, lifestyle and well-being segments
- **Doubled production capacity** in the USA with new 12,000 sq. ft. Colorado facility for processing, manufacturing and fulfillment operations
- **European Food Standards Agency** (EFSA) has outlined pathway for CBD products to achieve novel food status. Elixinol plans to submit its application by 31 March 2021 deadline. After this date, only products which have submitted a valid application will be allowed to remain on the market

# FY2019 FINANCIAL RESULTS

# 2



A Better Way to Feel Better. Kind of Amazing

# Financial Summary: scale built to support expected growth

(\$m)	FY2019	FY2018
Revenue	<b>27.2</b>	32.5
Cost of goods sold	<b>(11.6)</b>	(14.1)
Gross profit	<b>15.6</b>	18.4
Gross profit margin	57%	57%
Share of associate losses	<b>(1.6)</b>	(0.7)
Operating expenses	<b>(36.9)</b>	(16.7)
EBITDA	<b>(22.9)</b>	1.0
Depreciation and amortisation	<b>(2.4)</b>	(0.6)
Interest income/(costs)	<b>0.4</b>	0.4
Impairment of assets	<b>(48.8)</b>	-
Profit/(loss) before tax	<b>(73.6)</b>	0.8
Tax expense	<b>7.2</b>	(0.5)
Profit/(loss) from continuing operations	<b>(66.4)</b>	0.3
Profit/(loss) from discontinued operations	<b>(17.1)</b>	(1.2)
Profit/(loss) after tax	<b>(83.3)</b>	(0.9)

\* Elixinol reports in A\$ million and on a 31 December year end

## Revenue

- 35% growth in Elixinol branded / co-branded product sales
- 16% decline FY2019 vs FY2018 driven by:
  - Termination of low margin private label contracts
  - Bulk market flooded with cheap, poor quality product

## Cost of goods sold

- In house production commenced Q4 FY2019, which is expected to produce ongoing cash savings and reduction in product costs

## Gross profit

- Americas: 60% FY2019 vs 57% FY2018 driven by Elixinol branded products
- Europe and UK: 35% in FY2019 reflecting distributor strategy

## Operating expenses

- Sales & marketing costs \$10.9m FY2019 vs \$6.0m FY2018 (up 82%)
- Employee expenses \$13.1m FY2019 vs \$5.7m FY2018 (up 130%)
- Headcount of 119 at 31/12/2019 vs 69 at 31/12/2018 (up 72%) (headcount reduced to 93 in Q1 FY2020)
- Includes Europe expenses of \$3.5m FY2019 vs \$0.5m FY2018
- Expanding operations to support expected future growth in high margin Elixinol branded products

## Impairment of assets (non-cash)

- Reset of expectations, following a disappointing FY2019
- \$39.4m Goodwill and \$9.4m Inventory

## EBITDA

- FY2019 scale built to support expected future revenue growth in high margin Elixinol branded products

## Cash Flow: reinvestment to support expected future growth

(\$m)	FY2019	FY2018
Operating activities	<b>(51.0)</b>	(5.3)
Investing activities	<b>(18.0)</b>	(8.5)
Financing activities	<b>46.4</b>	37.8
Effect of change in foreign exchange	<b>0.1</b>	0.1
Net increase/(decrease) in cash	<b>(22.5)</b>	24.1
Opening cash on hand	<b>42.9</b>	18.8
Closing cash on hand*	<b>20.4</b>	42.9

### Operating cash flow

- Includes \$26.4m investment which increased and secured inventory to support future consumer demand
- Inventory can be converted into Elixinol branded finished products or sold as bulk oil to provide additional cashflow
- \$22.9m in EBITDA losses driven by rapid scale positioning the business for growth of high margin Elixinol branded products

### Investing cash flow

- \$6.3m investment in Colorado production facility to provide operating efficiencies and a significant increase in scale
- \$6.2m cash investment in leading pet CBD brand “Pet Releaf”
- \$2.6m Nunyara land purchase
- \$1.0m delayed settlement of original NCHPP capital injection
- \$0.9m investment in ERP and eCommerce systems to drive efficiency and scalability

### Financing cash flow

- \$50m capital raising completed in June 2019

\* Elixinol reports in A\$ million and on a 31 December year end. Closing cash balance includes \$0.2m classified as assets held for sale.

## Financial Position: Cash and inventory to support growth

(\$m)	31 Dec 2019	31 Dec 2018
<b>Current assets</b>		
Cash and cash equivalents	20.2	42.9
Trade & other receivables	1.5	3.4
Inventories	22.4	7.0
Other	8.3	3.7
<b>Total current assets</b>	<b>52.4</b>	<b>57.0</b>
<b>Non-current assets</b>		
Property, plant and equipment	12.7	6.0
Investments	8.4	4.5
Intangible assets	38.9	86.2
Other	8.5	0.7
<b>Total non-current assets</b>	<b>68.5</b>	<b>97.4</b>
<b>Total assets</b>	<b>121.0</b>	<b>154.4</b>
<b>Liabilities</b>		
Trade and other payables	3.2	6.6
Other current liabilities	2.8	0.6
Deferred tax liability	-	3.1
Other non-current liabilities	3.7	0.4
<b>Total liabilities</b>	<b>9.7</b>	<b>10.7</b>
<b>Total equity</b>	<b>111.3</b>	<b>143.7</b>

### Cash on hand to support future growth

- \$20.2m cash on hand

### Inventory on hand to reduce future cash requirements

- Inventory on hand increased to \$22.4m
- Inventory can be converted into Elixinol branded finished products or sold as bulk oil to provide additional cashflow
- ongoing requirement to hold inventory expected to reduce as supply chain matures
- Deposits for supply of hemp biomass to be delivered in 2020

### Investment for expected future growth

- \$8.1m total investment in Colorado production facility to provide efficiencies and a significant increase in scale
- \$2.6m Nunyara land purchase
- \$8.2m investment in leading pet CBD brand Pet Releaf (25.43%)

### Liabilities

- No debt
- \$4.6m AASB16 lease liabilities (\$1.0m current, \$3.6m non-current)

\* Elixinol reports in A\$ million and on a 31 December year end

## STRATEGY & OUTLOOK

# 3



Action for Your Bodies Reaction. Kind of Amazing



## Strategic priorities: disciplined approach to driving future growth

### Strategic focus on high margin Elixinol branded products

- Constructive discussions continue with large retailers as well as large food, drug and mass retail segment
- New Elixinol branded products launching in March 2020
- Accelerating sales and marketing efforts of Elixinol branded products
- Improving brand recognition via social media and physical channels

### Growing eCommerce presence

- Recent investment in eCommerce platform provides leading digital capabilities and strength in a rapidly expanding retail channel
- Elixinol's eCommerce 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 and technology

- Pipeline of new, innovative Elixinol branded products in 2020
- Implementing leading processing and extraction methods
- Microencapsulation technology offers a wide variety of uses for Elixinol branded product formulations
- Powders and liquids, tasteless, odourless and water-soluble efficacious options

### Global channel development

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

### Supply chain integration

- Significant high-quality raw materials secured in preparation for growth of Elixinol's branded products
- Expanded production facility in Colorado will support more than double capacity
- Outsourced capacity via RFI, H&W and other strategic partners allows:
  - further growth potential
  - extended network distribution

### Corporate

- Reshaped leadership team to execute on key growth opportunities for Elixinol branded products
- Turning inventory into cash
- Pathway towards positive cashflows
- Cash control initiatives
- Optimise channel and product mix for margin improvement to drive profitability globally
- Increasing global scale expected to provide operating leverage

# Outlook

## Stratos Karousos, Elixinol Group CEO stated:

“ It's pleasing to see sales of Elixinol branded products have increased 35% in FY2019. This highlights Elixinol's leadership team are executing on our refined strategy of focusing on high margin Elixinol branded hemp-derived CBD products. Although revenues in Q3 and Q4 FY2019 were disappointing, we undertook swift action to divest non-core assets and simplify the business model. With a continued focus on cost control and the execution of various working capital reduction initiatives, the future quarterly cash burn rate is planned to be lower than historical run rates. Additionally, our operating budget, which is not predicated upon regulatory development in the US and Europe & UK, provides a pathway towards positive cashflow and increased gross margins.

I am excited about our total brand refresh which will be launched in March 2020. Our Elixinol branded product range has been optimised to suit customer demands and we have a pipeline of new, innovate products which will be launched during 2020.

We will continue to focus on return on investment to enable the company to leverage the significant capital that has been deployed in operations, e-Commerce, raw materials and key people. Elixinol's refined strategy on hemp derived CBD in the US, Europe & UK ensures Elixinol is well positioned to grow its high margin branded products, despite prolonged regulatory developments, with a pathway to positive cashflows and will be able to capitalise on the expected global growth in the hemp derived CBD market in 2020 and beyond.

We will continue to build on the initiatives that are underway to deliver value to all shareholders. ”

Q&A

4



Works as Hard as You Do. Kind of Amazing

## For more information:

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