

ECOFIBRE

2020 Full Year Results

Eric Wang, CEO
Jonathan Brown, CFO
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Agenda

FY20 results

<i>Item</i>	<i>Presenter</i>
FY20 highlights & business update	Eric Wang
Financials	Jonathan Brown
Strategy	Eric Wang
Hemp Black M&A	Eric Wang
Outlook	Eric Wang



FY20 highlights

Revenue

up **42%** from \$35.6m to

\$50.7m

PBT

up **276%** from \$4.6m to

\$17.3m

NPAT

up **119%** from \$6.0m to

\$13.2m

Fully diluted EPS

up **100%** from 2.17 cps to

4.34cps

Strategic highlights

- Ananda Health #1 brand for US pharmacies
- Ananda Food uses and channels expanding
- Hemp Black early commercialisation of IP
- Portfolio strategy beginning to deliver
- US Headquarters provides significant capacity for profitable growth in Ananda Health and Hemp Black

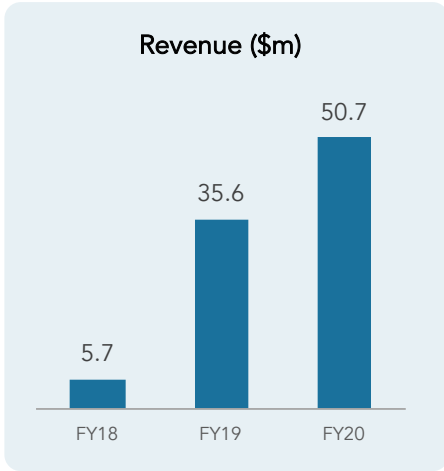
Financial highlights

- Growth in sales across all businesses to contribute as part of the portfolio
- Delivering on commitment to shareholder returns
- Strong balance sheet to support working capital growth requirements

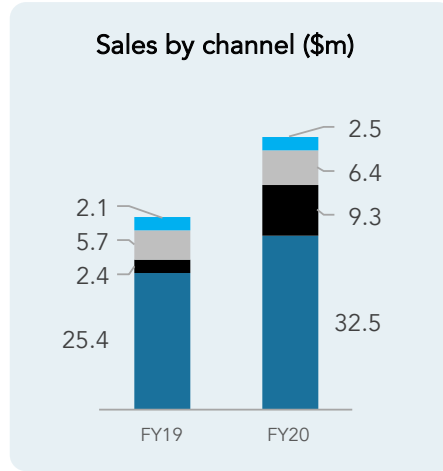


FY20 highlights

Business model focused on quality revenues and growth

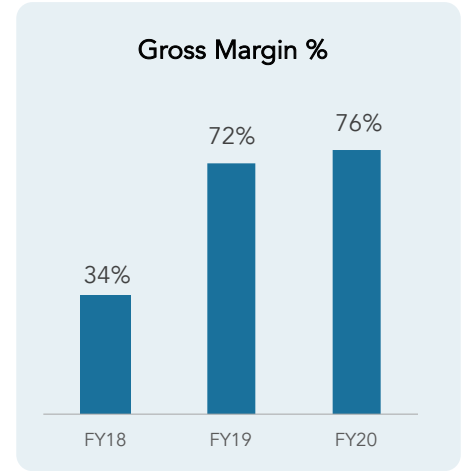


- Growth across all business lines
- Implementing actions to continue growth with expected changes in future economic conditions
 - re-prioritizing effort in core customer channels
 - new product categories



- Retail (b2c digital) **+18%**
- Wholesale (white label, bulk, other) **+13%**
- Wholesale (distributor) **+279%**
- Wholesale (direct to retailer) **+28%**

- 87% of sales from Ecofibre branded products, largest client ~4% of revenue
- Leveraging Ananda Health channel across Hemp Black and Ananda Food

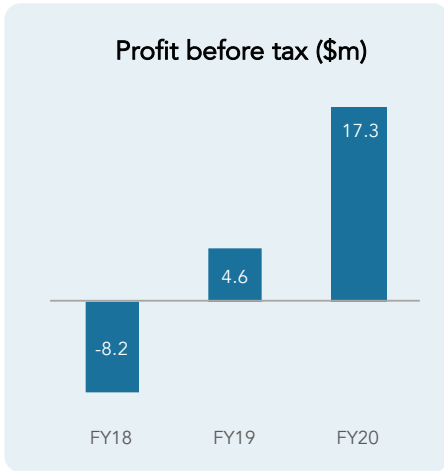


- Continuing to improve production efficiencies and input costs
- Partially offset by:
 - lower net revenue with move to distributor led business model
 - product mix (Hemp Black PPE margins c.50%)
 - \$0.5m impairment of inventory

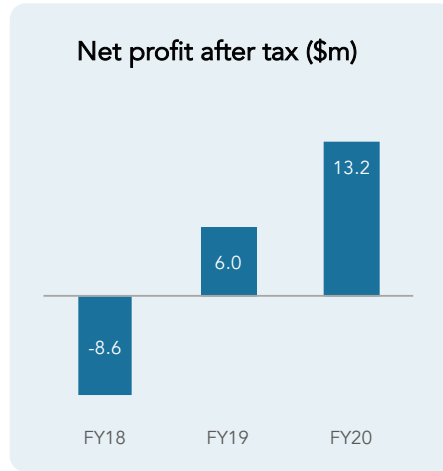


FY20 highlights

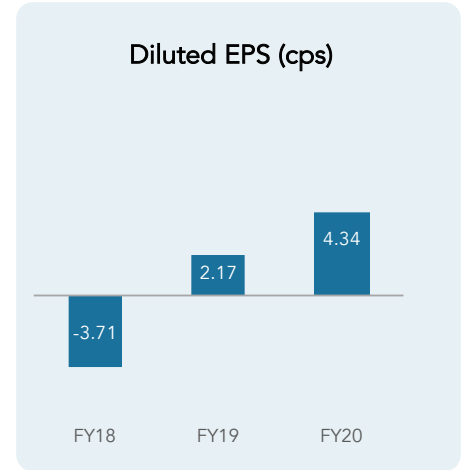
Continued focus on profitable, accretive growth



- Operational leverage underpins FY20 result
- Prior investments established strong infrastructure for scale benefits
- Strong, stable management team delivering sales growth, scale benefits and cost management



- Result includes
 - FY19 - \$0.9m tax credit & IPO costs
 - FY20 - \$3.8m for US government loan forgiveness & FX gain



- Shareholder outcomes always remain a priority
- 321.6m shares on issue + 8.0m in the money options.



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

FY20 result:

Revenue	\$46.8m
PBT	\$20.8m

FY20 highlights

Ananda Health – overview

Profit before tax up 63%, from \$12.7m to \$20.8m

Shift to distributor led model to improve access and service to independent pharmacies: now ranged with 2 of the top 3 pharmacy wholesalers (Cardinal Healthcare, McKesson) + multiple regional and specialist distributors.

Significant data integration and warehousing capabilities developed to support regional distribution partners

- Electronic Data Interchange (EDI) implemented for large customers
- Straight through processing of orders
- Inventory management systems

Production lines at new US Headquarters more than doubles capacity

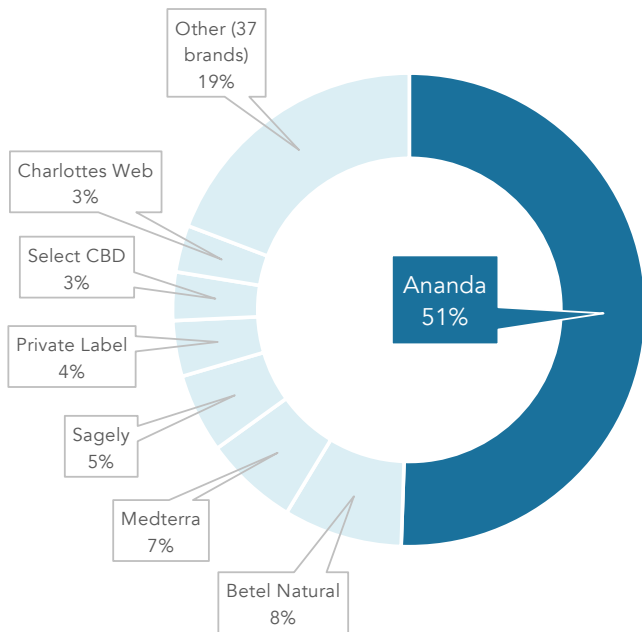
CVS Pharmacy on track to launch 2Q21

- Largest retail pharmacy chain in the US with c.10,000 outlets
- Strategic entry into health and beauty segments for Ananda Health

Focused on supporting pharmacies, patients and front line workers during COVID and civil disruption

FY20 highlights

Ananda Health – protecting our reputation as pharmacy's most trusted CBD brand and leveraging relationships to add value to pharmacies



Ananda Health has built industry leading relationships with US retail pharmacies and their distributors, where we continue to focus on being the most trusted CBD brand for healthcare professionals.

In FY20 we extended our pharmacy healthcare offering to include:

- Hemp Black personal protection equipment (PPE), \$2.4m sales
- Initial distribution of Ananda Food and Hemp Black nutraceutical products commenced early FY21

IRI data. Graph shows composition of drug store class of trade for the most recent 52 week period ending 17 May, 2020. The drug store class of trade includes national and regional chain stores and independent pharmacies. Independent pharmacies represent 77% of all CBD sales in the channel.

FY20 highlights

Ananda Food – steady growth, but profits slower than expected



*Be the leading
hemp food supplier
in Australia and Asia*

FY20 result:

Revenue	\$1.5m
PBT	-\$2.2m



Path to scale & higher margins slower than planned – includes \$0.5m inventory write down.

Building a quality customer base for the long-term:

- Woolworth's Macro brand
 - Steady growth in volumes
 - Dehulled seeds and protein powder launched August 2019
 - Hemp seed oil to launch August 2020
- IGA
 - Group approval December 2019
 - Preferred hemp food supplier to Ritchies network
 - Stores focused on essentials during COVID so slow growth
- Protein powder to be used in upcoming plant based protein formats

British Retail Consortium Global accreditation enables access to global retailers

Peter Osborne, former Blackmores Asia Managing Director (2009-2020), appointed strategic advisor for Asia in March, 2020

FY20 highlights

Hemp Black – shift from research to commercial operation



HEMP BLACK

*Be the recognised
global leader in
sustainable high
tech hemp
applications*

FY20 result:

Revenue	\$2.4m
PBT	\$0.0m



Commercialisation started in Q4 resulting in breakeven for FY20

R&D largely complete - business shifting to commercial focus to build brand, use cases for HB technology and partnerships to deliver Hemp Black in a high growth and profitable manner

New US Headquarters serves as core infrastructure for production of Hemp Black inputs

Relationship with our Greensboro, NC manufacturing partner helped develop multiple value chain components and technologies including HB Element and HB Hide

Re-prioritised effort from athleisure wear to PPE in response to US market needs and potentially global demand

- Focused on customers who value anti-microbial properties, sustainability, quality (3D knitting) and safety
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Agenda

FY20 results



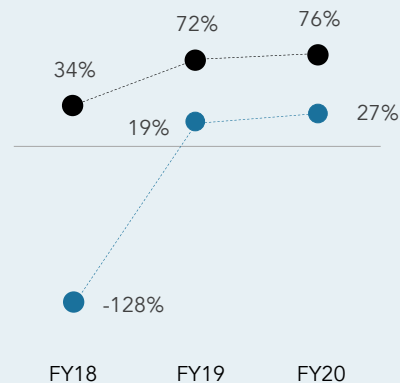
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FY20 financial results

Margins remain strong due to scale benefits from investment in infrastructure

Consolidated Profit & Loss AUD \$m	FY19	FY20	
Revenue	35.6	50.7	+42%
Direct costs	(9.8)	(12.3)	+26%
Gross profit	25.8	38.5	+49%
Other income	1.9	6.5	+242%
Operating expenses	(22.7)	(27.5)	+21%
Interest expense	(0.4)	(0.1)	-75%
Profit (loss) before income tax	4.6	17.3	+276%
Income tax benefit / (expense)	1.4	(4.1)	-393%
NPAT	6.0	13.2	+119%
Underlying NPAT	5.1	9.1	+79%
EBITDA	5.9	19.2	+224%
Underlying EBITDA	6.7	13.9	+108%

Gross margin (%)
Underlying EBITDA margin (%)





FY20 financial results

Continued focus on strategic cost management

Consolidated Operating Expenses AUD \$m	FY19	FY20
Employees & contractors	10.5	12.0
Share based payments	3.8	2.7
Sales & marketing	1.6	2.9
Travel & accommodation	0.7	0.7
Equipment modification & maintenance	0.4	0.4
Rent	0.7	0.3
Legal & compliance	1.8	1.0
Accounting & audit	0.2	0.4
Depreciation	0.9	2.0
Research & trials	0.4	2.3
Bad & doubtful debts	0.0	1.0
Other	1.6	1.9
Total operating expenses	22.7	27.5

- **Operating leverage continues to improve:**
 - FY19 opex / revenue = **64%**
 - FY20 opex / revenue = **54%**
- **Lower opex in 2H20** – costs reduced in line with revenues including share based payments, contractor costs and sales commissions
 - 1H20 = **\$15.1m**
 - 2H20 = **\$12.4m**
- **Managing the size and shape of our cost base** to support portfolio strategy
 - Hemp Black research costs reducing with a shift to commercialisation
 - Increasing investment in research & trials for Ananda Health to support core strategic initiative to deliver growth in CBD market



FY20 financial results

Strong financial position

Consolidated Balance Sheet AUD \$m	FY19	FY20
Cash & equivalents	25.7	18.3
Receivables	2.8	9.5
Inventory & biological assets	9.0	12.3
Other current assets	1.2	5.4
Total Current Assets	38.7	45.5
Intangible assets	0.4	0.7
Property, Plant & Equipment	6.6	35.6
Deferred tax assets	2.0	2.5
Total Non-Current Assets	9.0	38.8
Total Assets	47.8	84.3
Trade & other payables	3.8	10.7
Loans (current)	1.3	-
Total Current Liabilities	5.1	10.7
Other non-current liabilities	-	10.6
Deferred tax liability	0.4	-
Total Non-Current Liabilities	0.4	10.6
Total Liabilities	5.5	21.3
Net Assets / Total Equity	42.3	63.0

- Change in cash:
 - operating cashflows **+\$ 5.8m**
 - investing cashflows **-\$ 22.5m**
 - financing cashflows **+\$ 9.4m**
- Shift in size and composition of working capital – reflects ongoing growth and move to wholesale distribution model
- US Headquarters \$24.6m and investment in equipment
- Flexible short-term loan to support uncertain economy for FY21
- Low risk balance sheet and no constraints for inorganic activity



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Strategy and outlook	Eric Wang



Strategy

No change to Ecofibre's approach to developing the industrial hemp market

- **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



Strategic priority - Ananda Health

Next major growth catalyst is shift from 'early adopters' to 'early mass'

This shift in hemp-derived CBD patients requires that companies invest in research and *produce quality data that meets the standards of regulators, doctors, medical practitioners and pharmacists.*

Clinical Research Programs:

IRB-accredited research to advance the clinical evidence of hemp extract

Refer ASX announcement dated 13 July 2020 for further details.

STUDY	PATIENT POPULATION	LOCATION	STATUS
Opioid Reduction	Chronic Opioid	Louisville, KY	Published 2019
Pain	Spinal Stenosis	Philadelphia, PA	Enrollment Ongoing
Neuropathic Pain	Breast, Colon + Ovarian Cancer	Philadelphia, PA	Enrollment Ongoing (FDA Approved)
Anxiety + Sleep	Dementia	Norfolk, VA	Enrolling 2020 (Pending FDA approval)

} EOF investment of USD1.8m to study the safety and efficacy of Ananda products

Strategic priority - Ananda Food

Next major growth catalyst is consumer education

The shift in the use of hemp as a food requires consumer education on it's health benefits and multiple 'use cases', and the use of hemp foods as a core ingredient highlighting its specific health and nutritional benefits.

Plant Omega+

Combination of hemp seed oil + algae-derived Omega 3 supplement to give a good profile of plant-based Omega 3. Also more sustainable than fish-based alternatives.



Activated hemp charcoal

Hemp derived charcoal capsules for detox / cleansing.

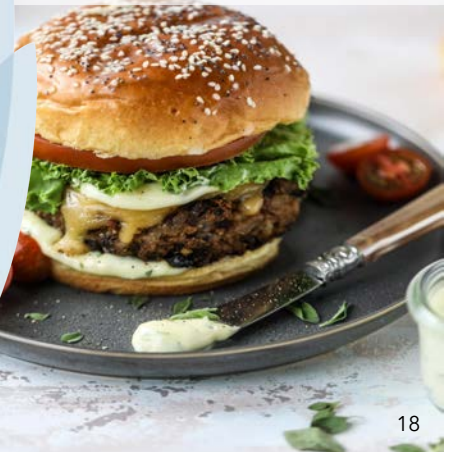


Plant Protein

Chocolate flavoured hemp protein powder + macca powder that also includes fibre, vitamins and minerals.



Ananda Hemp protein provides 24mg iron / 100g – up to 4x more than soy protein



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Hemp Black strategic priorities

1. establish the right infrastructure to profitably commercialise Hemp Black IP
2. build brand
3. develop use cases of our technology to educate new partners and customers
4. profitably commercialise existing relationships



Hemp Black – Ecofibre’s first acquisition

Acquiring a portfolio of businesses with deep technical expertise and existing customers across a range of high-performance textile disciplines

Triad Polymers - best-in-class provider of performance masterbatch and custom compounding to the plastics industry for technical textiles, packaging and injection molding. Also one of the very few companies globally that can produce bi-component and tri-component polymer fibers

Trident Fibers - manufactures custom polymer-based yarns used for internal medical implants and applications

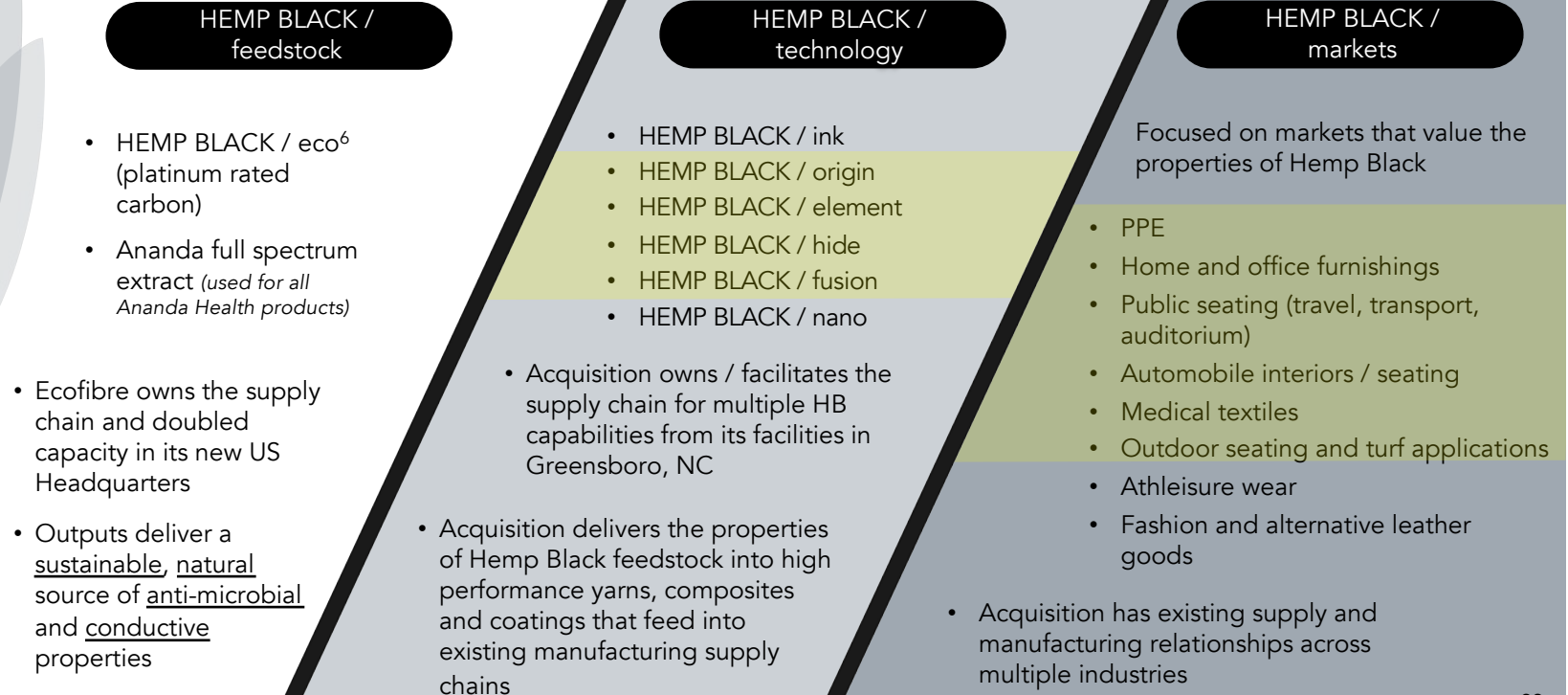
Fibex – premier synthetic yarn manufacturer for outdoor turfs for sports fields, playgrounds and other outdoor uses

Knitmasters – manufacturer of highly technical 2-D and 3-D knitted fabrics for a range of high performance uses

TexInnovate – designs and manufactures equipment for the four manufacturing business being acquired

Hemp Black

The acquisition accelerates the build of HB infrastructure for commercial activity





Hemp Black

Transaction overview

Consideration

- **Business (USD42m)** – machinery and equipment, inventory, goodwill & know-how
 - Upfront payment followed by earnout
 1. completion – 50%
 2. 3rd anniversary – 16.7%
 3. 4th anniversary – 16.7%
 4. 5th anniversary – 16.6%
 - Earnout target
 1. Financial: acquired entities deliver USD\$6m EBIT for two consecutive years
 2. Time based vesting: earliest of 3rd, 4th and 5th anniversary dates. If target met 5th anniversary then all payments still vest.
 - Each tranche 50% equity / 50% cash
 - Equity for all tranches priced at 5-day VWAP following execution
- **Land and Buildings (cUSD7m)** – two properties used by the business in Greensboro, NC
 - Final price determined by independent appraisal
 - 100% cash

Completion

- 31 August 2020 - subject to due diligence
- c.AUD\$26m cash required at completion

Financial Impact

- Funding – cash resources:
 - AUD18.3m cash @ 30 June
 - AUD29.5m cash from private placement to 4 existing institutional investors
- Placement pricing
 - \$2.50 per share (closing price @24/7/20)
 - in line with 5-day VWAP post latest 4C announcement
- Accretive transaction at target profitability
- Indicative & simplified transaction EPS @ target profitability = 25cps
 - USD6m EBIT
 - Fx assumed AUD:USD 70c
 - 30% tax rate
 - Assume \$2.50 for all new equity

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Outlook

Ecofibre's businesses continue to experience rapid change in new, evolving industries which now includes a more volatile US economy. An experienced management team is actively managing growth through these unusual times.

The Company cannot accurately provide revenue or profit guidance at this time but will keep the market fully informed via quarterly reports until our results become more predictable.

The Company will consider paying a dividend for FY21. This position is based on the Company's cash position, confidence in delivering profitable growth in Ananda Health and a pathway to profitability for Hemp Black and Ananda Food.

Q&A

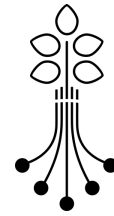




Appendix

Reconciliation of underlying EBITDA and NPAT

AUD \$m	FY19	FY20
Underlying EBITDA		
Statutory NPAT	6.0	13.2
Tax expense / (benefit)	(1.4)	4.1
Depreciation	0.9	2.0
Net interest expense / (income)	0.4	(0.1)
EBITDA	5.9	19.2
IPO costs expensed	0.8	-
PPP loan	-	(1.6)
FX gain	-	(3.7)
Underlying EBITDA	6.7	13.9
Underlying NPAT		
Statutory NPAT	6.0	13.2
IPO costs expensed	0.7	-
PPP loan	-	(1.3)
FX gain	-	(2.6)
Initial recognition of net Deferred Tax Asset	(1.6)	(0.2)
Underlying NPAT	5.1	9.1



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CONTACT

investor-relations@ecofibre.com