

# ANNUAL GENERAL MEETING

30 July 2020



ELIXINOL

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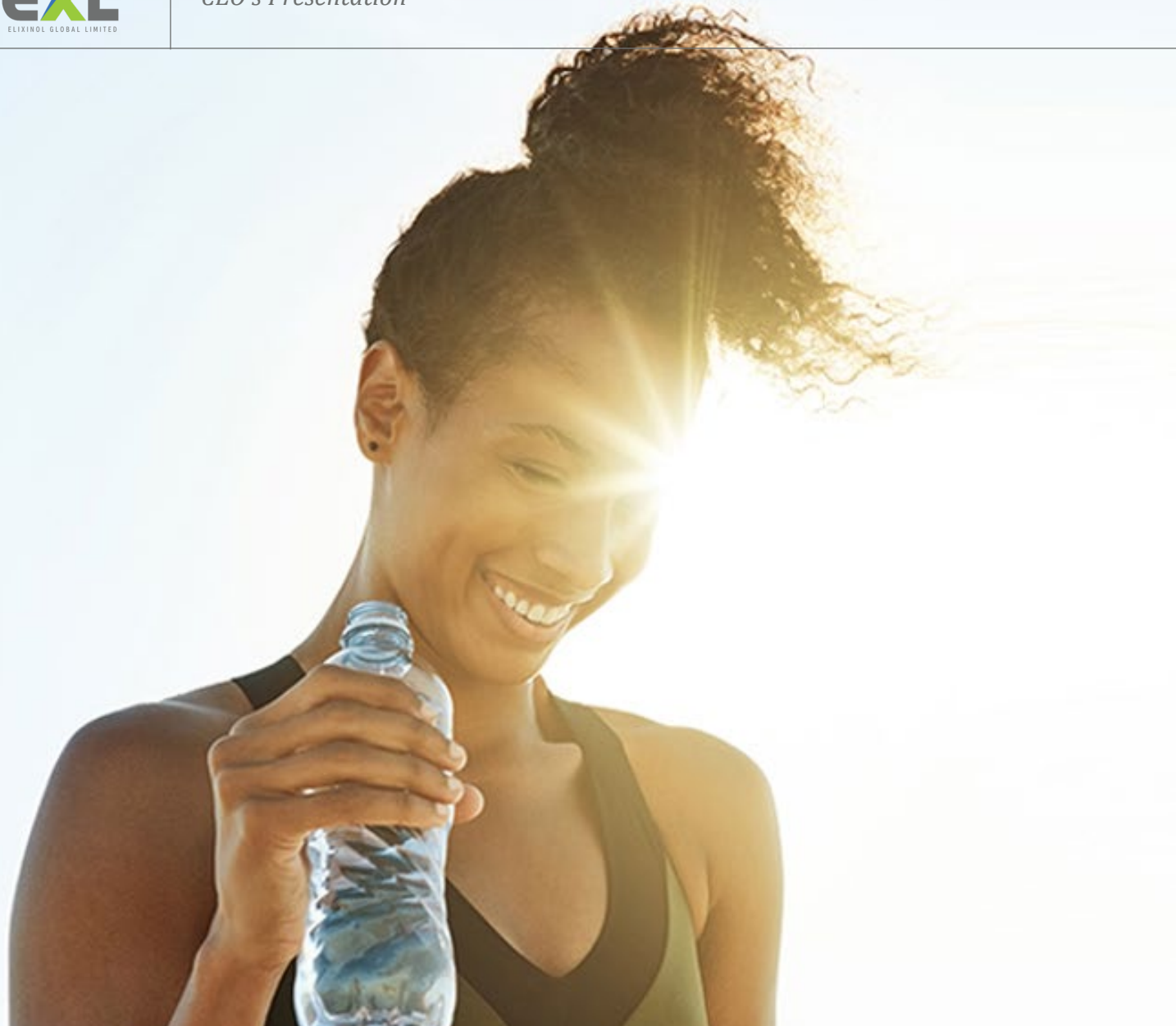
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# CEO'S PRESENTATION



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



### ***OUR VISION:***

Building a global, consumer led  
and Elixinol-branded CBD  
nutraceuticals business.

### ***OUR MISSION***

Making a positive contribution to  
people's health & wellness and  
the planet through the power of  
hemp products.



# What we stand for....

## VALUES



**Heritage**  
Champions in hemp for 25 years.



**Global Knowledge**  
Our global footprint delivers highest quality products.



**Quality & Transparency**  
Our products are science & evidence backed.



**Compliance Focus**  
We maintain a strict compliance focus in a dynamic landscape

## MUST WINS



**Strong global brand presence**  
Building our brands in Americas, Europe, ASIA, ANZ.



**Winning in E-Commerce and Pharmacy**  
Creating best in class E-commerce capability and global pharmacy distribution



**A profitable CPG model**  
Mature systems and capabilities with a well-managed supply chain.



**Sustainable growth through innovation**  
Continuous NPD & innovation drive.





# RESULTS HIGHLIGHTS

*Improving fundamentals to build a global CBD consumer brand*

## New brand identity launched

All global markets implemented launch

## Extended global reach

Early success building omni-channel EU / UK distribution with mayor distribution partners

## Leaner operating model

Moving into H2 2020 with an annualised OPEX cost base approx. 45% lower than FY'19

## Revenues Q2'20 down -24% vs Q1'20

US market and COVID pressure but Europe contributing positively.

## Reduced operating cash outflows

47% reduction in quarterly operating cash outflows from \$17.6m in Q4'19 to \$9.3m in Q2'20

## Sufficient inventory and virtually no debt

\$16.8m cash, virtually no debt, usable inventory to support revenue growth for >12 months



# ENHANCING OUR MODEL

*Thriving in a V.U.C.A Environment*

## Improve Cash Flow

### **Revenue Growth Markets**

EU/UK: 39% growth Q2 FY'20 (vs Q1 FY'20)  
HFA: 25% growth H1 FY'20 (vs H1 FY'19)

### **Reduced OPEX**

Moving into H2 2020 with  
an annualised cost base  
approx. 45% lower than FY'19

### **Cash Outflow Reduction**

47% reduction in operating  
cash outflows from \$17.6m in  
Q4 FY'19 to \$9.3m in Q2 FY'20

### **Right sizing the business**

Global headcount reduction  
31 Dec 2019 - 129  
30 Jun 2020 - 62 (down 52% vs Dec)

## Enhance Margins

### **Global E-Commerce (Q2 vs Q1)**

28% of global sales in H1 FY'20 comes  
From E-Com sales of higher margin  
Elixinol branded products (comp.  
with 22% in H1 FY'19)

### **Revenue from Branded Channels**

64% of total global sales in H1 FY'20  
comes from higher  
margin Elixinol branded products  
(compared with 50% in H1 FY'19)

### **Supply Chain Optimisation**

Lower COGS by simplifying Europe and  
adapting US to market dynamics

## Simplify

### **Making it easier to do business with**

Improving service model by creating  
outbound sales team, adding B2B and  
affiliate programs to e-  
commerce functionality.

### **ERP system**

All Elixinol business units on  
Microsoft Dynamics 365,  
providing scalable business processes  
to support future growth



# AGILE + RESPONSIBLE COVID RESPONSE

*Making necessity a virtue*

## *Safeguarding business continuity*



- People are our 1<sup>st</sup> priority
- Health & safety measures implemented in all facilities
- Sufficient inventory to navigate shortfalls

*Assured Supply*

## *Channel Shift to E-commerce, TV shopping & pharmacy*



- Increased support for e-commerce capability journey & marketing
- Offering B2B online services & outbound calling
- Increased promo frequency for TV home shopping
- UK pharmacy launch

*New & Resilient Revenue*

## *Responsible capital management*



- Highly disciplined cost management
- Optimised cost structure
- Increased promo frequency for TV home shopping

*Well-funded*

## *Amplify CBD relevance*



- Position products to be relevant during COVID
- Accelerated launch of relevant SKUs
- Rolled out pharmacy training on health benefits
- Maintain good advertising investment in online & home TV

*Improved Awareness*



# THE NEW ELIXINOL

*Fresh and differentiated range*

CBD blended capsules, proven health benefits



## NEW SPORTS CAMPAIGN



# SKINCARE LAUNCH

*21<sup>st</sup> Century skincare, powered by CBD*



**elixinolSkin**



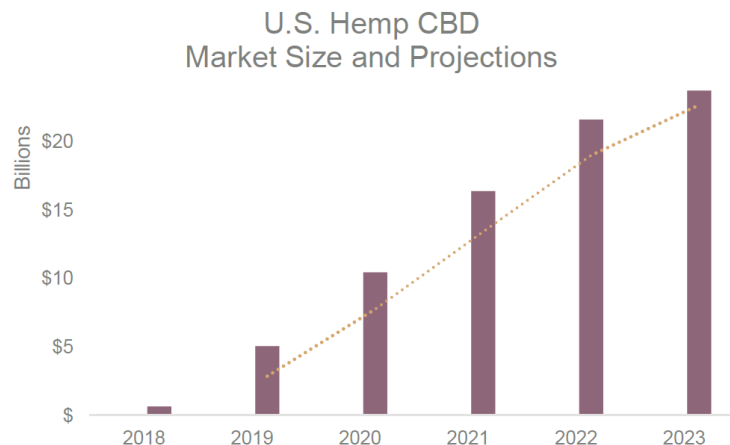
Vegan

Cruelty Free

Natural

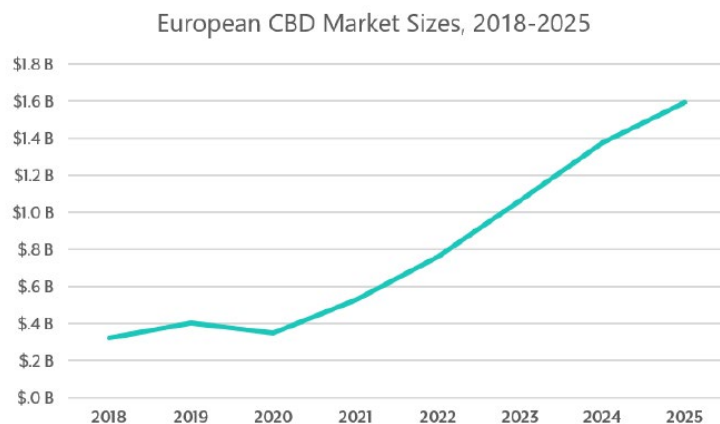
# Market Outlook & Regulatory Environment

## Strong market opportunity across US and Europe



### US market<sup>1</sup>:

- Brightfield Group says the US hemp derived CBD market reached \$4.1b in sales in 2019<sup>(2)</sup>. Forecasts U.S. Hemp CBD market CAGR from 2019-2023 of 47%<sup>(1)</sup>



### European market<sup>2</sup>:

- According to Brightfield Group, Europe's CBD market reached US \$0.4b in 2019 and is expected to grow to nearly \$1.6b by 2025, with a five-year CAGR of 46%

## Regulation differs across key markets

### US regulatory framework uncertain:

- Highly competitive and under-regulated market. In mid-term, move to increased regulation expected to favour compliant companies such as Elixinol.

### European Novel Foods application:

- In early 2020, UK Food Standards Agency (FSA) announced that those looking to market ingestible CBD products will have to submit an application for Novel Foods to keep products on shelves beyond March 2021. EU paused application process.

### Fast developing Australian market:

- TGA assessing descheduling of CBD to schedule 3 in early 2021 allowing for OTC prescriptions. Elixinol able to enter market via PharmaCann agreement under TGA Special Access Scheme.

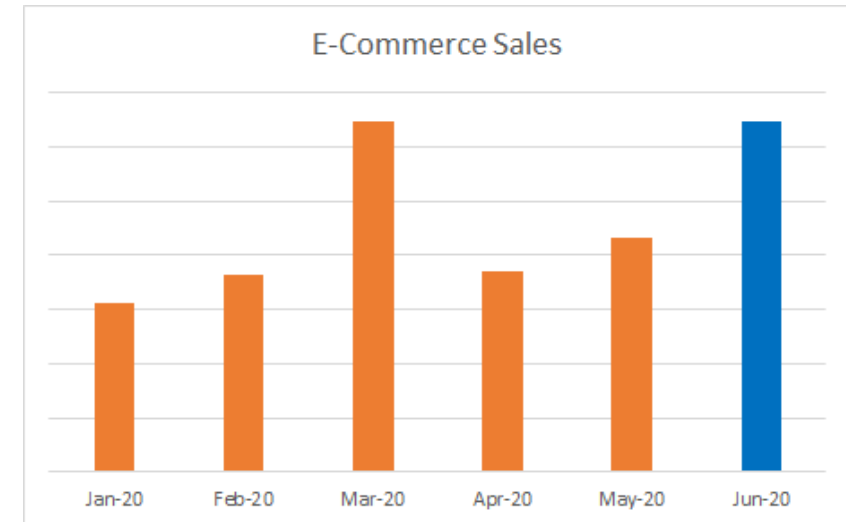
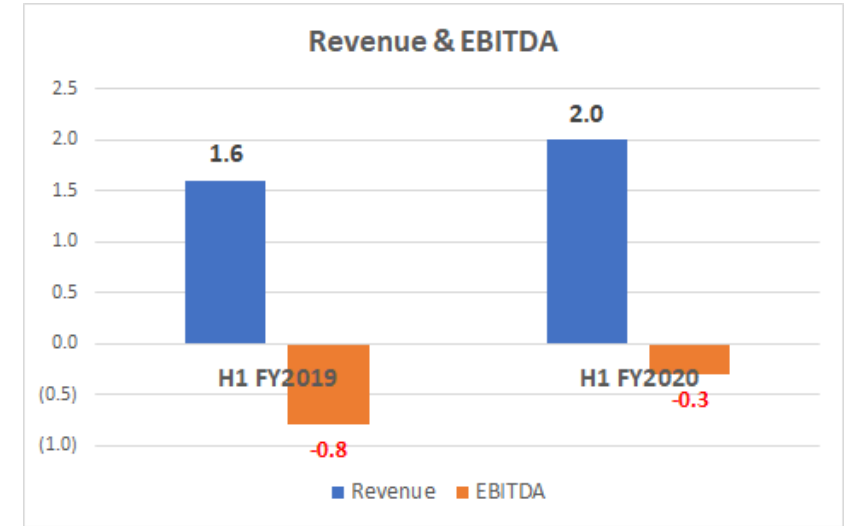
Note: (1) Source: Brightfield Group: *Hemp-Derived CBD Market Overview and Analysis*, 2019 (2) Source: Brightfield Group: *European CBD*, April 2020 Report, 2020





# HEMP FOODS AUSTRALIA

*Consistent growth with improved margins and leaner operations*



# GLOBAL GROWTH

*Early global reach offers diversified opportunities*

## AMERICAS

- **Est. 2014. One of most trusted brands (\*CBD insider)**
- Colorado HQ. 37 FTE managing sales, marketing, production and logistics
- Growth focus:
  - NPD
  - Wellness Channel
  - E-commerce
- Exports into Latin America



## EMEA

- **Est. 2018. #1 mover advantage**
- UK & NL entities with dispersed team of 10 FTE managing sales, marketing & distribution.
- Fully outsourced supply chain
- Growth focus on UK & GER:
  - Pharmacy
  - E-commerce
  - TV shopping
- Long-term distribution arrangement with South Africa



## ASIA

- **Most established and leading brand in Japan**
- Licensing agreement with Elixinol Japan. Supply of HFA products.
- HFA testing route to market into China Cross Border E-Commerce
- Growth focus:
  - Invest in Japan
  - Monitor SEA

## ANZ

- **Leading hemp foods brand**
- Global Syd HQ with 5 FTE
- HFA Byron Bay Office with 10 FTE managing production, sales & marketing of finished goods & bulk, exports to South Africa, Japan.
- >1,200 distribution points
- Growth focus:
  - CBD via PharmaCann
  - HFA hemp foods through NPD & E-Com

**Hemp Foods**  
AUSTRALIA



# Takeaways

Elixinol positioned within **high growth category** of global CBD

**Trusted & established brand** with fresh nutraceuticals offering

**Expanding global presence of Elixinol** branded products

Revenue growth from Elixinol branded products in **B2C channels, driving margin accretion**

**Skincare opening new growth** channels with less regulatory risk

**Virtually debt free, \$16.8m of cash** and inventory to drive growth

**SUPPORTS HEALTHY ANTIOXIDANT ACTIVITY**

450MG CBD PER BOTTLE







## FOR MORE INFORMATION

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