

H1 FY2020 Results Presentation

31 August 2020



ELIXINOL GLOBAL LIMITED

ASX:EXL | OTC:ELLXF



Kind of Amazing

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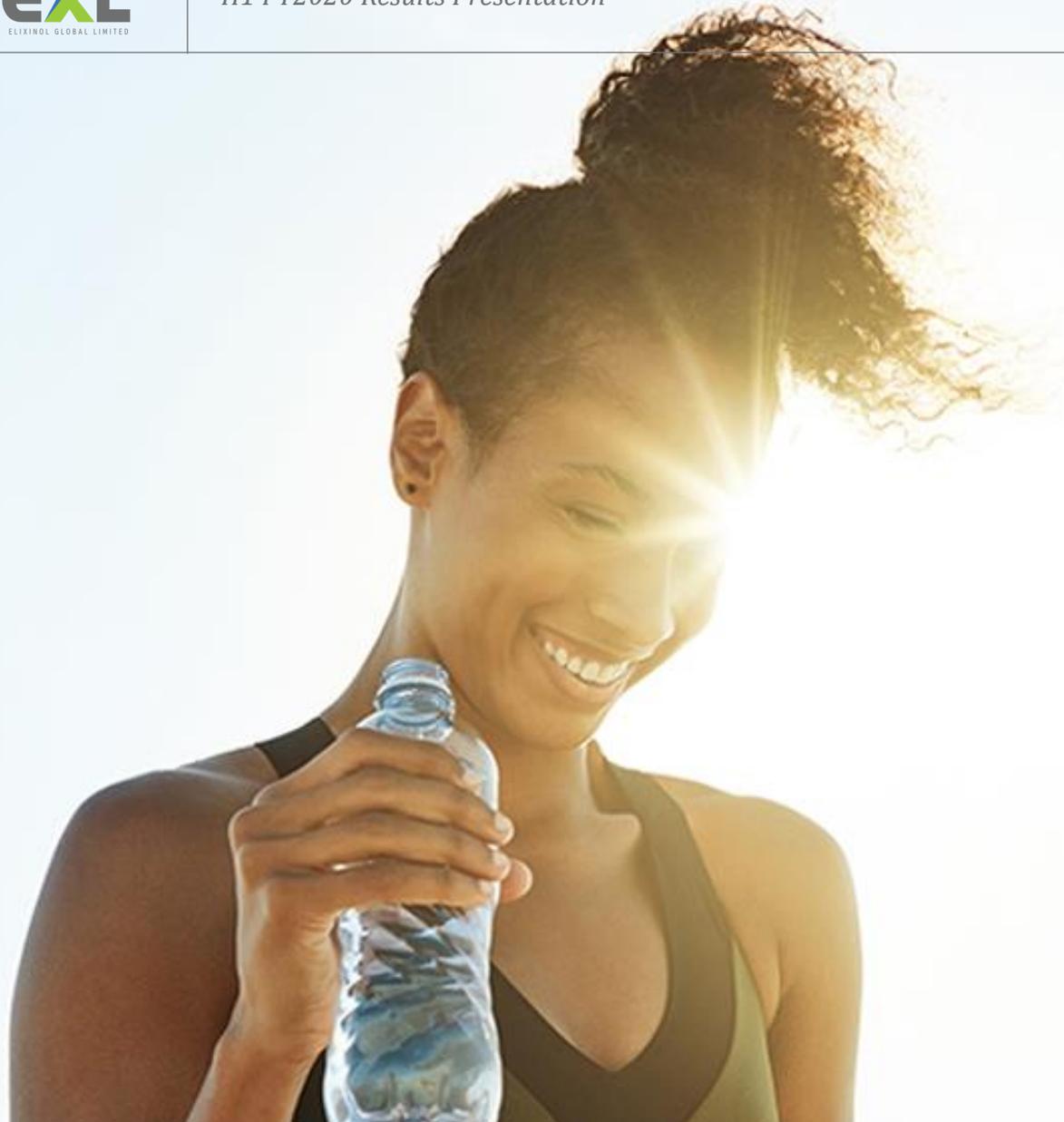
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OUR VISION:

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.



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



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



Sustainable growth through innovation
Continuous NPD & innovation drive.

H1 FY2020 FINANCIAL RESULTS



Key Highlights for H1 FY2020

Elixinol aggressively repositioned in H1 FY2020; operations have been reshaped to improve efficiency and effectiveness, the brand has been relaunched, and an upskilled leadership team was established whilst securing European distribution breakthroughs

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 H1'20 down -54% vs H1'19

US market and COVID pressures 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

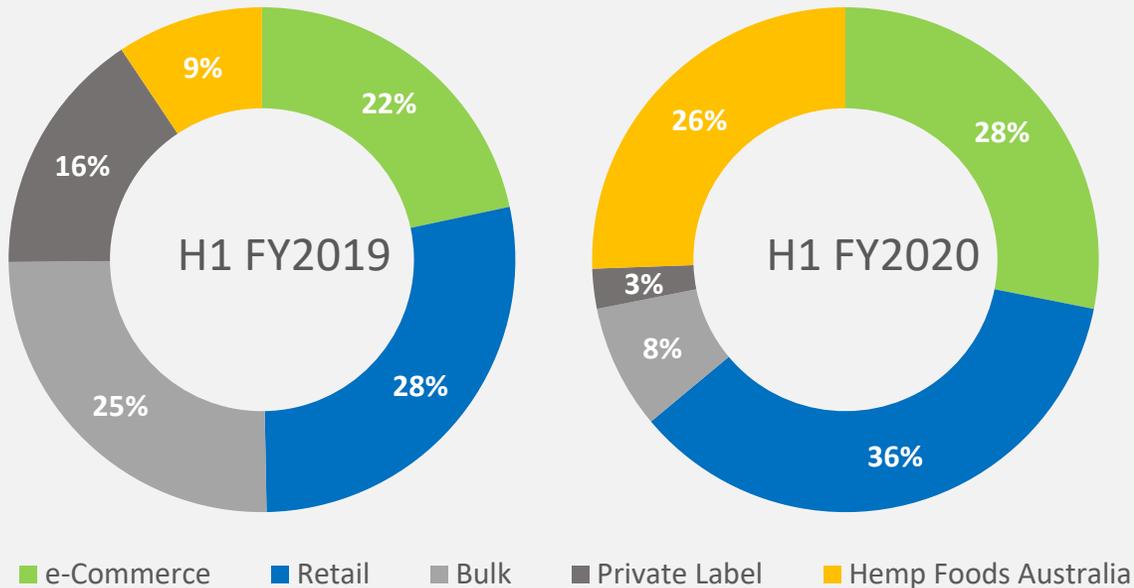
\$16.8m cash, virtually no debt, usable inventory to support revenue growth for >12 months



Key Highlights for H1 FY2020

Continued focus on branded consumer goods model to premiumise margins

Revenue channel mix
31 December year end



- **H1 FY2020 unaudited revenue from continuing operations of \$7.9m, down 54% (\$17.1m in H1 FY2019)**
 - COVID-19 impacts led to challenging retail market conditions
- **Continued focus on sales of Elixinol branded products through eCommerce and Retail channels**
 - Sales of Elixinol branded products increased to 64% of revenue in H1 FY2020 (50% in H1 FY2019)
 - Strategic decision to reduce focus on lower margin bulk & private label business

Financial Summary

Continued focus on sales of Elixinol branded products

(\$m)	H1 FY2020	H1 FY2019
Revenue	7.9	17.1
Cost of goods sold	(4.9)	(9.1)
Gross profit	3.0	8.0
Gross profit margin	38.0%	46.8%
Share of associate losses	(0.5)	0.5
Operating expenses	(17.3)	(19.5)
Adjusted EBITDA	(14.8)	(11.0)
Depreciation and amortisation	(2.0)	(1.0)
Interest income/(costs)	0.1	0.2
Impairment of assets	(60.3)	(0.2)
Profit/(loss) before tax	(77.0)	(12.0)
Tax expense	(4.6)	2.1
Profit/(loss) from continuing operations	(81.6)	9.9

Revenue

- 54% decline H1 FY2020 vs H1 FY2019 driven by:
 - COVID-19 impacts led to challenging retail market conditions
 - Termination of low margin private label contracts
- Branded product sales increased to 64% of revenue in H1 FY2020 (vs 50% in H1 FY2019)

Cost of goods sold

- In house production suspended due to COVID related impacts and inventory on hand to support revenue growth for more than 12 months

Gross profit

- Americas: 45% H1 FY2020 vs 50% H1 FY2019 driven by non-recurring transition costs
- Europe/UK: 32% H1 FY2020 vs 33% H1 FY2019 reflecting distributor sales channel mix
- Hemp Foods Australia: 25% H1 FY2020 vs 18% H1 FY2019 driven by operational efficiencies

Operating expenses

- Marketing investment including brand development:
 - 18% of revenue in H1 FY2020 (vs 21% in H1 FY2019)
- Europe & UK expenses of \$3.1m H1 FY2020 vs \$1.6m H1 FY2019
- Headcount of 62 at 30 Jun'20 vs 129 at 31 Dec'19 (down 52%)
- Moving into H2 FY2020 with an annualised OPEX cost base approx. 45% lower than FY2019

Impairment of assets (non-cash)

- Primarily COVID-19 related impacts – goodwill and other intangibles (\$30.5m), inventory related provisions (\$20.2m), the Altmed Pets investment (Pet Releaf) (\$4.7m) and property, plant and equipment (\$4.9m)

Cash Flow

47% reduction in quarterly operating cash outflows

(\$m)	H1 FY2020	H1 FY2019
Operating activities	(15.2)	(28.9)
Investing activities	2.7	(12.8)
Financing activities	9.0	46.9
Net increase/(decrease) in cash	(3.5)	5.2
Opening cash on hand	20.4	42.9
Effect of change in foreign exchange	(0.1)	-
Closing cash on hand	16.8	48.1

Operating activities

- Significant focus to improve cashflows
- 47% reduction in quarterly operating cash outflows from \$17.6m in Q4'19 to \$9.3m in Q2'20
- Moving into H2 FY2020 with an annualised OPEX cost base approx. 45% lower than FY2019

Investing activities

- \$2.6m proceeds from Nunyara land sale

Financing activities

- \$9.8m (net) proceeds from capital raising
- \$0.7m repayment of lease liabilities

Financial Position

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

(\$m)	30 Jun 2020	31 Dec 2019
Current assets		
Cash and cash equivalents	16.8	20.2
Trade & other receivables	1.3	1.5
Inventories	8.9	21.3
Other	2.0	8.4
Total current assets	29.0	51.4
Non-current assets		
Property, plant and equipment	4.7	12.7
Investments	3.3	8.4
Intangible assets	1.1	40.0
Other	2.9	8.6
Total non-current assets	12.0	69.7
Total assets	41.0	121.1
Liabilities		
Trade and other payables	3.4	3.0
Other current liabilities	3.0	3.0
Non-current liabilities	2.4	3.7
Total liabilities	8.8	9.7
Total equity	32.2	111.4

Current assets

- \$16.8m cash on hand
- Inventory net of impairments valued at \$8.9m
- Inventory on hand to reduce future cash requirements and support revenue growth for more than 12 months

Non-current assets

- Property, plant and equipment impaired by \$4.9m driven by decision to move to a capital light model utilising inventory on hand and reducing operating cost
- \$2.6m Nunyara land sold (for proceeds of \$2.6m)
- Pet Releaf investment impaired by \$4.7m
- Intangible assets fully impaired except for website development & ERP system
- Valuation allowance recorded against deferred tax assets

Liabilities

- Virtually no debt
- \$3.3m AASB16 lease liabilities (\$1.2m current, \$2.1m non-current)

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



STRATEGY AND OUTLOOK



THE NEW ELIXINOL

The NEW Elixinol range is ideally positioned to participate in the the global growth of nutraceutical wellness products.

CBD blended capsules, proven health benefits



NEW SPORTS CAMPAIGN



SKINCARE LAUNCH

*Our new elixinolSkin range opens up new growth channels with fewer regulatory constraints.
Boots Ireland secured as first-to-market launch partner.*



elixinol Skin



Vegan

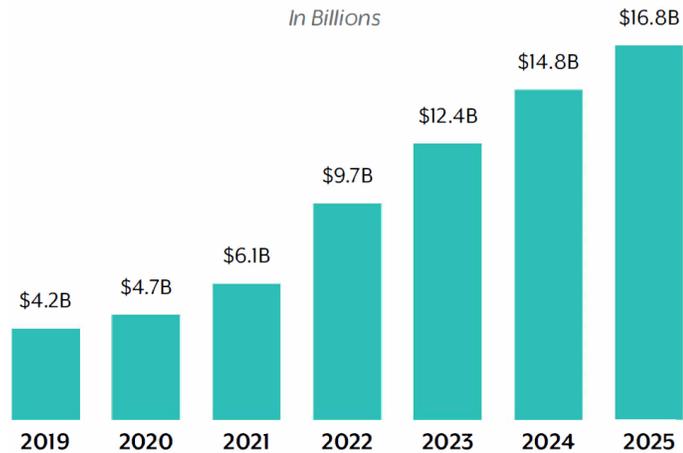
Cruelty Free

Natural

Market Outlook & Regulatory Environment

Strong market opportunity across US and Europe

US CBD Market Size & Forecast (2019-2025)

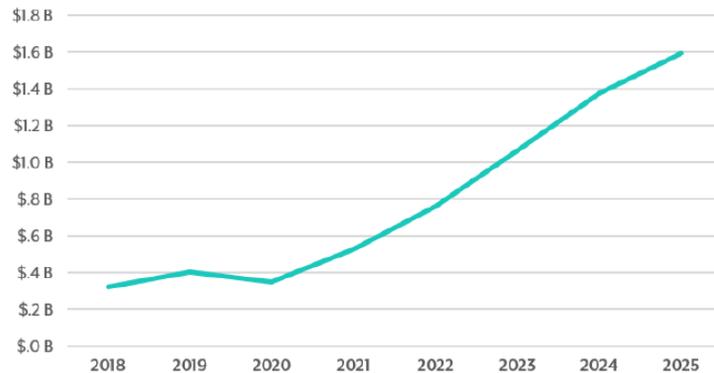


According to Brightfield Group:

US CBD market¹:

- US\$4.2B in 2019 expected to grow to US\$16.8B by 2025
- Forecast growth 2020-2025 CAGR of 26%

European CBD Market Sizes, 2018-2025



European CBD market²:

- US\$0.4B in 2019 expected to grow to US\$1.6B by 2025
- Forecast growth 2020-2025 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: Navigating Seismic Shifts July 2020 US CBD Report; (2) Source: Brightfield Group: European CBD, April 2020 Report

GLOBAL GROWTH

Our established global reach offers diversified opportunities and diversifies risk.

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

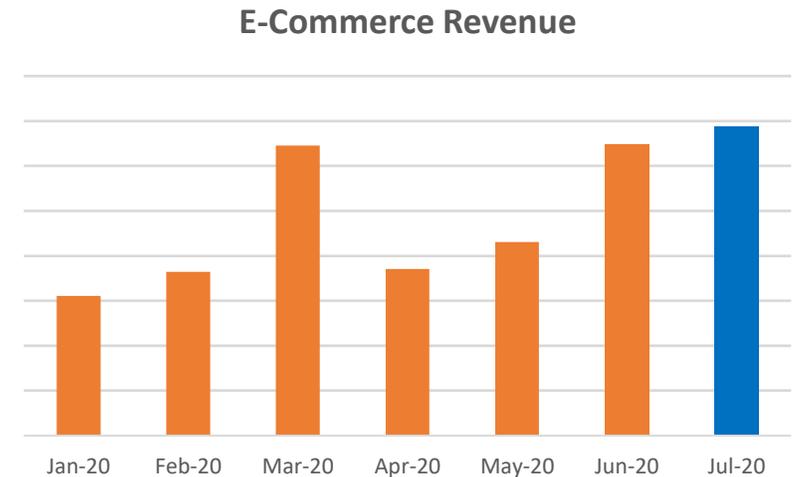
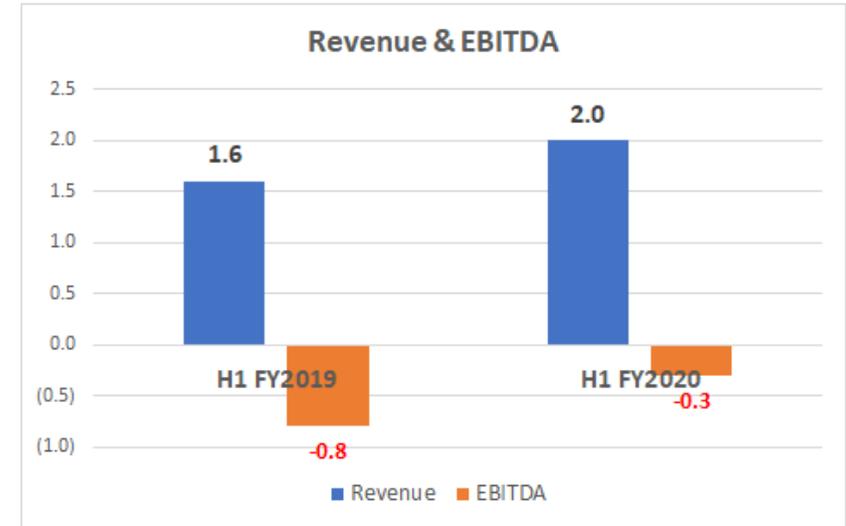
ANZ

- **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

Consistent growth with improved margins and leaner operations



AGILE + RESPONSIBLE COVID RESPONSE

We harness the COVID-19 necessities to become a better business

Amplify CBD wellness benefits



- 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

Safeguarding business continuity



- People are our 1st 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

July Performance & Outlook

With a completely new brand, new leadership, a reduced cost base and a stabilised US business, we are now looking forward to our European operations contributing to an improved H2 outlook on the back of some notable breakthroughs.

Encouraging July Performance

Group:

- All business units achieved July forecasts with strong cost controls

Americas:

- Exceeded July revenue forecasts by +25% and EBITDA forecast by +42% with best performance after 3 stable months April – June

Australia:

- Hemp Foods Australia record sales month for profitable core SKUs since Q4 2018 and exceeded EBITDA forecast.

Europe:

- Exceeded EBITDA forecast, launched Elixinol skincare and secured expanded distribution

Break-throughs in Europe

Launched Elixinol range into UK pharmacy:

- Launch of 5 SKUs into 80 stores within Well Pharmacy, the UK's 3rd biggest pharmacy chain with 760 stores. Anticipated range and distribution extension for September.



Elixinol CBD skincare :

- Full Elixinol CBD Skincare launch confirmed with 8 SKUs in 70 stores with Boots Ireland, one of Ireland's biggest pharmacy chains, from September onwards.



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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