

ECOFIBRE

Half-Year Results FY21

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Agenda

1H21 results

<i>Item</i>	<i>Presenter</i>
1H21 overview & business update	Eric Wang
Financials	Jonathan Brown
Strategy & priorities	Eric Wang
Outlook	Eric Wang



1H21 overview

Balancing delivery of strategy while managing through disruption

Operational overview

- Highly committed to our strategy and industries
- Executing strategy while managing through disruptive period - building businesses not closing them
- CBD industry is highly competitive and COVID disruption magnified challenges – pricing and digital initiatives underway
- Ananda Food steady revenue growth from Woolworths and now supplying Coles
- Hemp Black acquisition complete and profitable

Financial overview

- Prudent management of costs while building new businesses and growing existing businesses
- Always focused on sustainable long-term EPS growth
- Strong balance sheet for return to profitability

Revenue
down **49%**
from \$29.0m to
\$14.7m

Normalised
NPAT down **172%**
from \$6.8m to
-\$4.9m

NPAT
down **178%**
from \$7.1m to
-\$5.5m

EPS (diluted)
down **173%**
from 2.36 cps to
-1.73cps

1H21 overview

Strategic context for managing through disruption

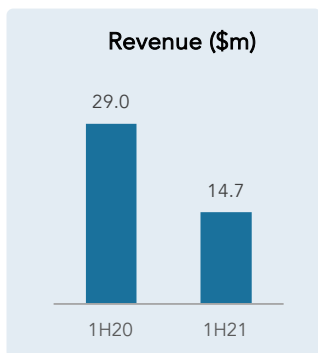
We have deep conviction in our chosen industries and strongly believe:

1. Hemp-derived full spectrum extract helps people live a better life and will play an important role in natural health care.
2. Plant-based diets will grow in prominence. Hemp seed is one of the highest quality, sustainable sources of plant-based protein.
3. Environmental sustainability is non-negotiable – manufacturers must deliver sustainability but do so with higher performance as consumers will not settle for less.

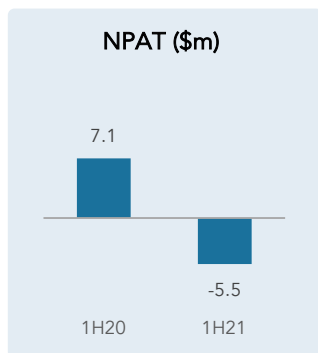


1H21 overview

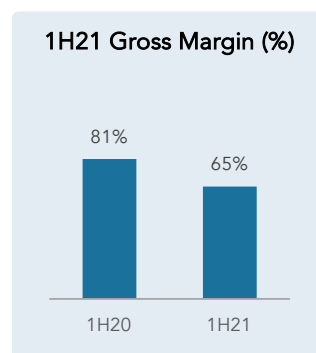
Earnings performance



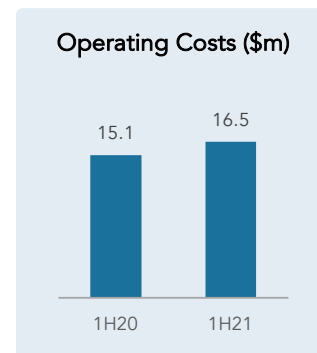
- Lower nutraceutical revenues partially offset by higher food and Hemp Black:
 - Health: \$7.5m, down 74% (1H20: \$28.3m)
 - Food: \$1.2m, up 61% (1H20: \$0.7m)
 - Hemp Black: \$6.0m (1H20: \$Nil)



- \$5.5m consolidated loss
- \$4.9m normalized loss
 - FX \$0.4m
 - Acquisition \$0.2m



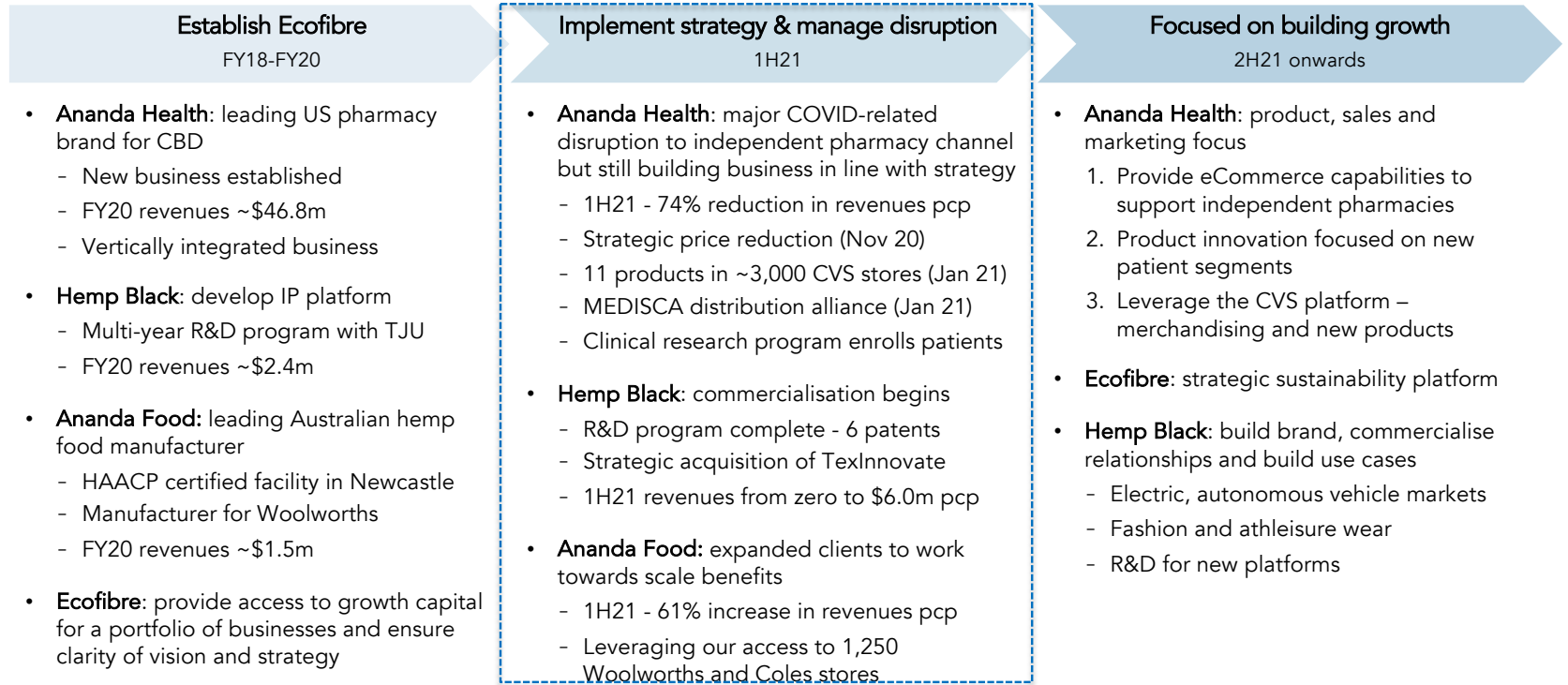
- Change in revenue mix impacted portfolio margin
- Ananda Health margins remain strong (76%)
- Ananda Health price change effective November 2020 will reduce Ananda Health margins but will be partially offset by operational efficiencies



- Operating costs up 9% pcp - includes operating costs of acquired business (\$2.4m)
- Cost controls in place: excluding acquisition - operating costs were down 7% pcp

1H21 Overview

Implementing strategy whilst managing disruption



1H21 Overview

Ananda Health – addressing factors that impacted revenues

- **Preceding COVID (1H20) to a period during COVID (1H21) we experienced a decline in independent pharmacy sales**
 - ~50% decline in average monthly re-order rate
 - ~50% decline in average monthly sales

Business disruption

- CBD sales negatively impacted due to store closures and social distancing mandates
 - CBD sales still require advice
 - Home delivery, drive through and curbside pickup limited in store interaction
 - Pharmacies focused on COVID related issues reduced focus on CBD
- Many pharmacies not enabled with online channel – some did and this was a positive



- *Ananda programs in place to help re-engage customers*
- *Direct online sales portal being developed for our pharmacies*

Significant price / product competition

- ~3,500 CBD companies in 2020*
 - 3,425 had annual sales of <\$1m
 - Only 75 with >\$1m in annual sales
- Ananda is a premium priced product based on quality and research however;
 - Pharmacies carrying cheaper brands
 - Carried product formats that Ananda does not manufacture



- *Repriced Nov 20 - 15-25% reduction on specific SKU's*
- *New products / formats being introduced*

*Source: Brightfield Group

Distributor model underperformed

- Launched strategy Jan – Feb 20
- No significant focus from major distributors due to competing priorities, however face mask sales significant via this channel during early days of COVID
- Not distributing ingestible CBD products
- Distributor fees of ~20% impacts net revenues



- *MEDISCA distributes ingestible products and has committed focus to this category in the US and Australia*

1H21 Overview

CVS provides a scalable platform for future growth

- Balans Labs 11 topical health and beauty SKUs launched in November 2020 and completed Jan 2021
- ~3,000 stores (some stores carry both health and beauty product ranges)
 - 2500 health stores
 - 750 beauty stores
- Available for sale online via CVS.com
- Launched Hemp Black powered face mask – 120,000 units shipped to CVS stores
- Marketing activation campaigns in-progress



1H21 Overview

Clinical trial on agitation in dementia patients begins enrollment

Key update points

- FDA authorized Phase II clinical trial Dec 2020
- IND (investigational new drug) is for Ananda Professional Broad Spectrum (zero-THC) softgels.
- Placebo-controlled, double-blinded Phase II Clinical Trial
- Research conducted by Eastern Virginia Medical School and Old Dominion University
- **Key Outcomes:** CBD's efficacy on
 - agitation and sleep
 - anxiety
 - blood pressure, pulse, other biometrics
 - Caregiver burden

NIH U.S. National Library of Medicine

ClinicalTrials.gov



Market opportunity set

- Agitation Treatment
 - \$2.9B USD (2018)
 - CAGR 5% through 2027
- Alzheimer's Therapeutics
 - \$18.2B USD (2018)
 - CAGR 4.6%
 - North America: 29.3% of global market (2018)
- Global Sleep Aids
 - \$67.4B USD (2020)
 - CAGR 6.32% through 2025
 - OTC products largest growth category

1H21 Overview

Implementing strategy to commercialise Hemp Black

Pre-commercial activity

Dec 2017

Vision set - be the recognised global leader in sustainable high-tech hemp applications



Dec 2017 – Mar 2021

Partnership with Jefferson University to **develop IP portfolio**

- 6 patents issued
- 2 patents pending
- 20 pending applications
- Completed 2 years early



Oct 2019 – Aug 2020

Develop **supply chain and products** to commercialise IP

- /element
- /eco6
- /nano
- /ink
- /hide
- /fusion

Hemp Black strategic priorities

Establish the right infrastructure to commercialise IP
(Acquisition complete)



Profitably commercialise existing relationships



Build Brand



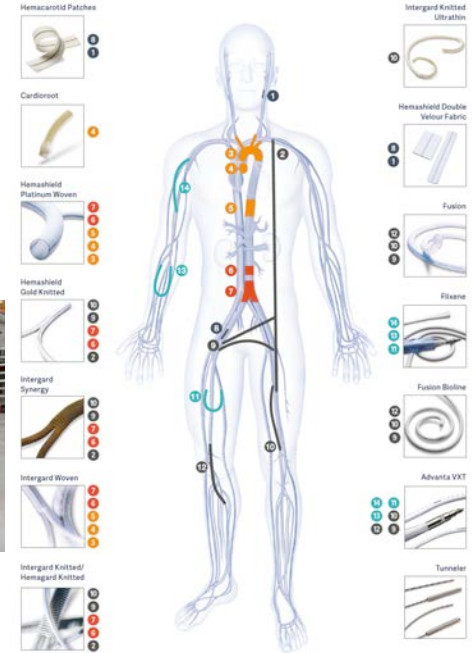
Develop use cases for our technology to educate new partners and customers



1H21 Overview

Hemp Black Biomedical: ultra-high performance medical yarns used for vascular and cardiothoracic surgery solutions

- Supplier to Getinge, global leader in healthcare and life sciences
- ISO 9001 medical implant yarn extrusion and production facility
- Full vertical integration from polymer through to yarn extrusion, texturing, twisting and backwinding all in a single facility
- Output required - highest yarn standards for quality control in the industry
- Current annualised revenues ~\$5-6m AUD
- Primary growth driver is # of vascular surgeries globally



1H21 Overview

Ananda Food focused on achieving scale benefits



Expanded customer base

- 61% increase in revenues pcp
- focus on new product development with Woolworths
- manufacturer of products for Coles
- becoming the Australian hemp food processor of choice
- leveraging our access to 1,250 Woolworths and Coles stores

Continued focus to reduce variable growing & manufacturing costs

- Growing
 - owned genetics and seed yields enabled 25% reduction in contracted seed costs vs prior season
 - now raising planting seed for sale to US hemp-fibre growers
- Manufacturing
 - ongoing yield improvements at Beresfield manufacturing facility
 - further improvements expected in seed oil yield / cost

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1H21 results

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1H21 result

Consolidated Profit & Loss

	1H20	1H21	1H21 v 1H20
Revenue	29.0	14.7	-49%
Direct costs	(5.6)	(5.2)	-7%
Gross profit	23.5	9.5	-60%
Other income	0.2	-	-107%
Operating expenses	(15.1)	(16.5)	+9%
Interest expense	(0.1)	(0.6)	+661%
Profit (loss) before income tax	8.5	(7.6)	-189%
Income tax benefit / (expense)	(1.5)	2.0	+238%
NPAT	7.1	(5.5)	-178%
Underlying NPAT	6.8	(5.0)	-172%
EBITDA	9.3	(5.0)	-154%
Underlying EBITDA	9.3	(4.1)	-145%
Gross margin	81%	65%	
EBITDA margin	32%	-34%	

- Earnings result driven by Ananda Health revenue impact
- Gross margin 65%: includes impact from business mix, Ananda Health margin remains strong @ 76%
- Operating costs up 9% pcp:
 - excluding acquisition (\$2.4m) cost down 7% pcp

1H21 result

Operating Expenses

	1H20	1H21
Employees & contractors	6.7	7.8
Share based payments	1.7	1.6
Sales & marketing	1.4	0.9
Travel & accommodation	0.5	0.2
Equipment modification & maintenance	0.2	0.3
Short term leases	0.1	0.1
Legal & compliance	0.5	0.8
Accounting & audit	0.2	0.2
Depreciation	0.9	2.0
Research & trials	1.4	1.1
Bad & doubtful debts	0.6	0.3
Other	0.9	1.3
Total operating expenses	15.1	16.5

- Continued focus on operating costs:
 - employees and contractors – increase reflects staff from acquisition offset by lower variable incentives in Ananda Health
 - sales and marketing – lower as a result of not attending sales conferences due to COVID
 - legal and compliance costs – includes TexInnovate transaction costs
 - Other costs – increases in insurance, utilities and IT costs
- Continue managing the size and shape of our cost base to support portfolio strategy
 - sales and marketing to increase 2H21
 - Final Jefferson R&D & option costs in 2H21 (1H21: \$1.0m)
 - Clinical research investment to slow after 2H21

1H21 result

Balance Sheet

	Jun 20	Dec 20
Cash & equivalents	18.3	13.5
Receivables	9.4	5.2
Inventory & biological assets	12.3	16.6
Other current assets	5.4	2.7
Total Current Assets	45.5	38.0
Intangible assets	0.7	52.4
Property, Plant & Equipment	35.7	49.0
Deferred tax assets	2.5	4.4
Total Non-Current Assets	38.8	105.8
Total Assets	84.3	143.8
Trade & other payables	10.7	7.7
Loans (current)	-	-
Total Current Liabilities	10.7	7.7
Term loan	10.0	10.0
Contingent consideration	-	11.9
Other	0.6	0.6
Total Non-Current Liabilities	10.6	22.5
Total Liabilities	21.3	30.2
Net Assets / Total Equity	63.0	113.6

- Cash movement:
 - operating cashflows -\$5.6m
 - investing cashflows -\$27.0m and financing cashflows +\$28.8m matched for acquisition
 - exchange rate movement -\$1.0m
- Close management of working capital
 - receivables reduced by \$4.2m
 - higher inventory includes \$2.9m in Hemp Black & slower sales in Ananda Health
- Hemp Black acquisition completed 21 August 2020:
 - USD42.0m business and operating assets
 - 50% upfront / 50% earnout over 5 years
 - 50% cash, 50% equity @ \$2.48
 - USD6.7m real estate
- 2H21 outlook:
 - low capex - building and major investments complete
 - USD 2.0m from 2nd forgivable PPP loan program
 - AUD 4.3m receivable from TJU on exercise of 8.0m options

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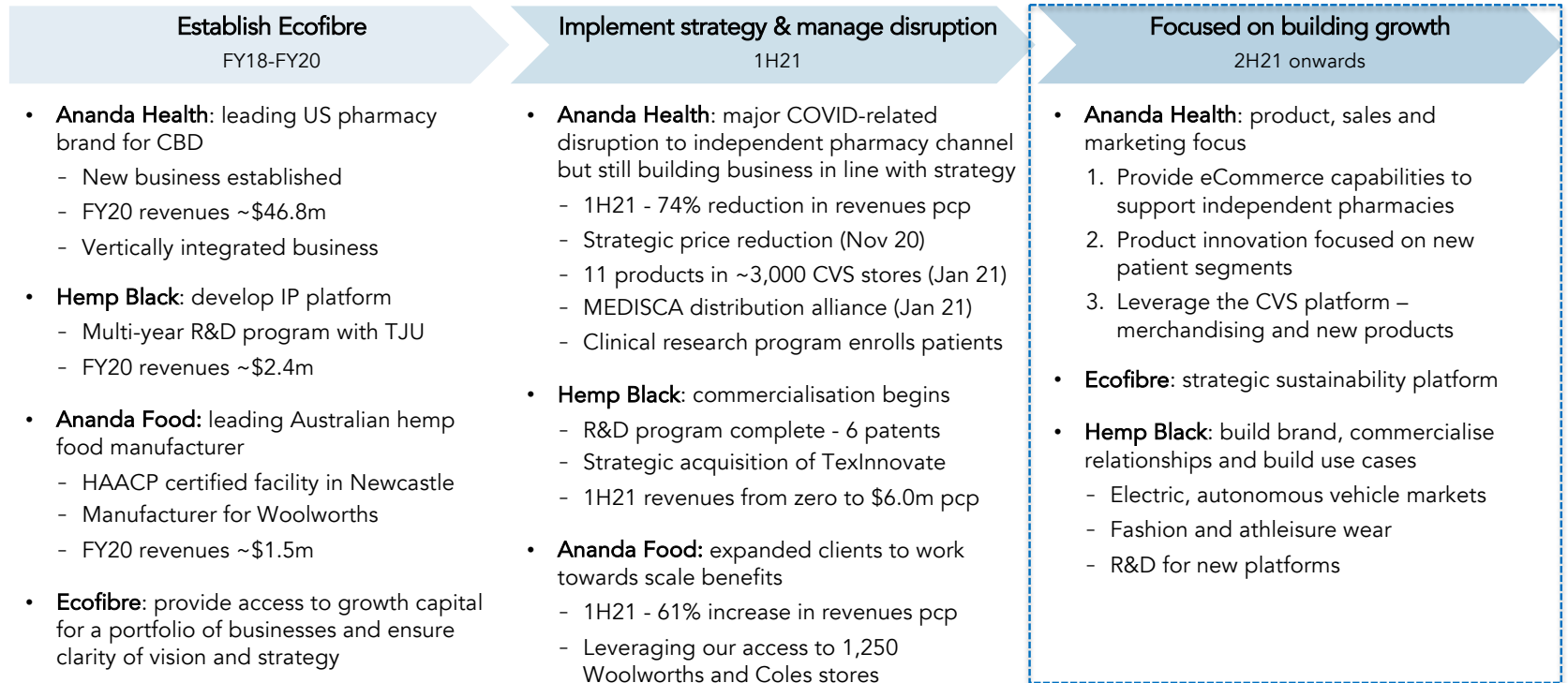
1H21 results

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2H21 Focus

Re-establish Ananda Health growth platform and accelerate Hemp Black



2H21 Focus

1. Ananda Health: provide e-commerce capabilities to pharmacies

- Help pharmacies improve customer access in new environment
- 85% of Ananda Professional retailers have a website but only 7% currently sell CBD to patients online
 - many sites are not eCommerce enabled – information only
 - Challenges exist with credit card providers not allowing CBD sales
- With a decline in in-store traffic, Ananda Professional is launching an eCommerce portal that allows pharmacies to sell Ananda CBD online while removing the burden of managing an online store
- Launching mid-2021 with increased focus on:
 - Digital shopping
 - Direct-to-consumer campaigns to increase patient access & engagement
 - Attracting new customers to pharmacies
- Channel conflict managed by ensuring Ananda Professional patients are tied to their local independent pharmacy



2H21 Focus

2. Ananda Health: product innovation to address a genuine issue in women's health

Key points

- Endometriosis prevalent in 10-15% of women
 - 37% of infertility / >70% pelvic pain patients
 - Treatments limited to pain killers, hormonal therapy, and surgery
- Prevalence of Pelvic Pain
 - 80% of women; 50% monthly
 - 93% use pain medication
- Solutions where pharmacies best placed to serve
- Research-driven product innovation resulted in:
 - CBD-infused Endo relief cream
 - CBD-infused Flora balancing gel
 - CBD-infused Intimate oil (existing product)
- Launching into US pharmacies February 2021
- Plans to make available in Australia in 2021

Market

Pelvic Pain

- 80% lifetime incidence
- USD \$7.4B (2018)

Endometriosis

- USD \$1.93B (2018)
- USD \$2.42B (2026e)
- Pharmacy: 30.1% (2018)



2H21 Focus

2. Ananda Health: product innovation to address diabetic patients

- Support diabetic patients - one of the most important customer segments for independent pharmacies
- Collaboration between Ananda and Hemp Black to develop a product system – ingestible, topical and textile
- Launched February

Includes:

- Hemp Black socks
 - Asymmetrical fit for left & right foot
 - Cooling and anti-odor
 - Seamless knitting and cushioned
- Ananda CBD cooling lotion
- Ananda full spectrum soft-gel capsules



2H21 Focus

3. Leverage the CVS platform – merchandising and new products

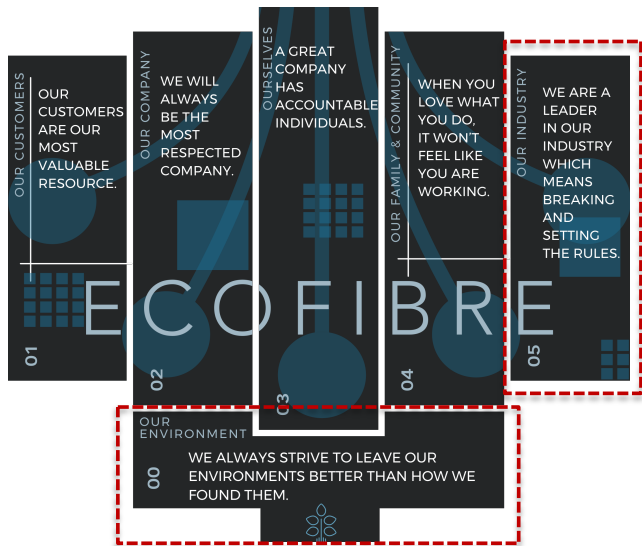
- March 21 – three additional SKU’s in 1500 stores and online
 - Launched with custom retail display for elevated brand experience
- May 21 - Exclusive brand placement on the CVS vitamin beacon for 1 year. Only CBD brand on this endcap display
- July 21 – Beauty line expansion into another 450 stores with 7 beauty SKU’s
- Marketing activation funds committed to provide:
 - Retail display pilot program – expanded store count is our objective
 - On and off-site digital marketing campaigns
 - Brand page and rich-content for all Balans Labs products
 - 1000 influencer sample packs to drive trial, social posts and reviews



2H21 Focus

Sustainability and innovation are core values for Ecofibre

Environmental sustainability is non-negotiable – manufacturers must deliver sustainability but do so with higher performance as consumers will not settle for less



Ecofibre's assertions:

- Most consumers believe sustainability is important
- However, they won't sacrifice quality and performance for sustainability
- This is why sustainability is hard – but it does not have to be a Zero Sum Game

Ecofibre's **innovation** makes sustainability a Positive Sum Game:

- Hemp is arguably the most environmentally sustainable input in the world
- However, you cannot give consumers hemp in the form of a scratchy, itchy, t-shirt just to be sustainable – they will not go backwards
- We provide manufacturers **innovative 'inputs'** to incorporate sustainability such as:
 - A safer, highly sustainable carbon black for printing, cosmetics and paints
 - Anti-odor fabrics that don't use precious metals that wash into the water
 - A high-performance vegan leather that is anti-microbial and consumes up to 90% less energy than conventional synthetic leather

This is 
HEMP BLACK

2H21 Focus

Hemp Black creates sustainable inputs for fashion and high performance applications

/ eco⁶

This organic activated carbon, **HEMP BLACK™ / eco⁶** is light weight, low density, and conductive, with limitless integration opportunities in high-performance textile, industrial, and fashion products.

As the **first carbon black product to be awarded a Platinum Level Material Health Certificate from Cradle to Cradle**, our bio-based **HEMP BLACK™ / eco⁶** is optimized for human and environmental health.



/ ink

Our patented, bio-based **HEMP BLACK™ / eco⁶**, from hemp grown in the United States, is dispersed in a sustainable and non-toxic water based aqueous solution to produce grey, jet black and conductive printing outputs. **By replacing carbon black, the traditionally used pigment in black ink, we eliminate petroleum and potentially dangerous fumes, protecting our water and our workers.**

With a matte black finish and the ability to be applied to porous and non-porous substrates, **HEMP BLACK™ / ink** is an advanced printing solution that offers odor neutralization, conductivity and ultraviolet light protection.



/ nano

Our proprietary full spectrum hemp, in combination with specific essential oils, provides unique odor neutralizing and insect repellent properties.

These exclusive blends are electro spun into an advanced film fiber capable of various degrees of porosity, known as **HEMP BLACK™ / nano**.

The cutting-edge textile substrate can be bonded to other materials, providing engineered shelter from wind and water.



/ element

This hemp is fused with advanced sustainable polymers such as recycled polyester, creating new, exclusive material technology.

The adaptive, strategically engineered fiber derived from this process, HEMP BLACK™ / element, delivers odor neutralizing performance. This in turn results in fewer washes, saving water, energy and time.

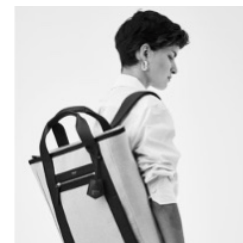


/ hide

This eco-conscious alternative to leather is engineered with our proprietary full spectrum hemp, delivering lasting odor neutralizing performance.

Sustainable in design, **HEMP BLACK™ / hide** is produced with 90% less energy than conventional synthetic leather and backed by **REPREVE®** performance fiber made from recycled plastic bottles.

Products made with **REPREVE®** help conserve energy and natural resources. For every square yard of **HEMP BLACK™ / hide**, we recover 11 green plastic bottles that may have otherwise ended up in a landfill.



2H21 Focus

Build brand and use cases for sustainable performance and fashion

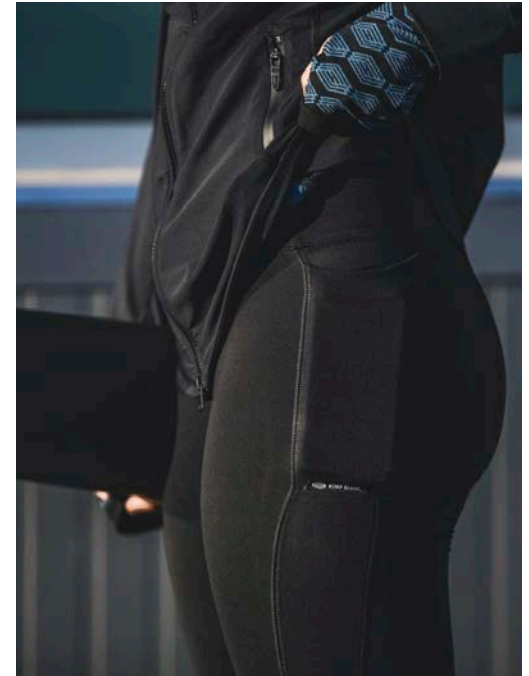


OROTON + HEMP BLACK

Founded in 1938, Oroton is one of Australia's oldest and most revered luxury accessory brands.

Oroton collaborated with Hemp Black to incorporate / hide and / nano technologies into a full collection featuring anti-microbial linings, handles, and straps.

Premieres Spring 2021.



2H21 Focus

Working with existing clients to commercialise Hemp Black and drive innovation

- Hemp Black is a manufacturer of engineered 3D knitted fabrics for the interiors of Zoox autonomous ride-hailing vehicles
- 3D knitting capacity and technical know-how at Hemp Black (vertically integrated supply chain)
- Current manufacturing today supports Zoox testing programs
- Capacity exists today to fully support Zoox rollout plans



About Zoox

Based in Foster City, CA, Zoox is reinventing personal transportation—making the future safer, cleaner, and more enjoyable for everyone. Its vision for mobility goes beyond the vehicle itself to include a comprehensive and cohesive autonomous mobility platform, including charging and maintenance infrastructure and fleet management tools, in addition to vehicle software and hardware. This full-stack approach enables a more comprehensive, rider-focused deployment of the Zoox vision for urban mobility. Zoox is an independent subsidiary of Amazon.com, Inc.

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Outlook

Ecofibre has extremely high conviction in our chosen industries:

- natural health
- plant-based diets
- environmentally sustainable performance

We expect Ananda Health to continue to experience a level of disrupted trading for the near term as COVID testing and vaccinations are the main priority for US pharmacies. We will continue to invest in our core and will not reduce our long term focus for short term results.

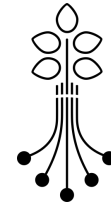
Hemp Black and Ananda Food will continue to see growth as they establish new clients / markets and achieve scale respectively.

The Company expects to have a loss of around \$1.5m in 2H21 resulting in a FY21 loss of around \$7m.

Appendix

Reconciliation of underlying earnings and acquisition summary

Reconciliation of underlying NPAT and EBITDA, AUD \$m	1H20	1H21	Balance sheet impact, Acquisition, USD \$m	1H21
Underlying NPAT			Acquired Assets:	
Statutory NPAT	7.1	(5.5)	Fixed Assets	4.5
Initial recognition of deferred taxes (net)	(0.3)	-	Inventory	0.8
Acquisition costs	-	0.2	Goodwill @ discounted value	35.1
Foreign exchange	-	0.4	Total	40.4
Underlying NPAT	6.8	(4.9)	Consideration:	
Underlying EBITDA			Upfront – Cash	9.7
Statutory NPAT	7.1	(5.5)	Upfront – Current liability	0.8
Tax expense (benefit)	1.5	(2.0)	Upfront – Equity (Issued Capital)	10.5
Depreciation	0.9	2.0	Earn-out – Cash (Liability)	9.1
Interest expense	0.1	0.6	Earn-out – Equity (Share Reserve)	10.3
Interest revenue	(0.2)	-	Total	40.4
EBITDA	9.3	(5.0)		
Acquisition costs	-	0.4		
Foreign Exchange	-	0.5		
Underlying EBITDA	9.3	(4.1)		



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