

ECOFIBRE

FY22
Results

Eric Wang, CEO
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AGENDA, FY22 RESULTS

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Overview

Eric Wang

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Eric Wang

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Eric Wang



FY22 OVERVIEW

Revenue growth in difficult trading conditions

Continue investing behind high conviction in our portfolio

- Revenue growth +5% in difficult trading conditions
 - Hemp Black +15% and Ananda Food +36%
 - Ananda Health -9% but core independent pharmacy channel +13%
- Profit margins impacted by supply chain and business disruption
 - Hemp Black polymer prices increased for three quarters in FY22 – costs reducing and customer prices increased
 - CBD finished goods inventory provision from production 2 years ago expired due to slowing sales - current production levels balanced with sales demand
- Managing operating costs and investment across three high conviction businesses.
 - higher operating costs (+18%) include investment in R&D, marketing and depreciation from previous years’ investments. Overheads are right-sized.
 - focused cost management with wage inflation and supply chain disruptions
- Established capabilities to target key markets
 - supplier consolidation increasing opportunity (Ananda Health, Ananda Food)
 - growth in market demand (Hemp Black).
- \$23.7m of cash available to fund business operations
 - access to \$23.7m funds available: cash + US grants due + undrawn credit
 - net debt \$11.5m

<p>Revenue up from \$28.8m to \$30.2m</p>	<p>NPAT down from \$-7.0m to -\$14.7m</p>
<p>Capital investment \$3.1m</p>	<p>R&D investment \$6.3m</p>
<p>Cash \$7.3m</p>	<p>EPS (diluted) -4.41 cps</p>

FY22 OVERVIEW

Positioned to maximise return on investments

Business model allows Ecofibre to deliver sustainability and social impacts

Ananda Health

- US pharmacy channel continues to recover
 - our investment in long term relationships sees us well positioned in a consolidating industry
- Australian sleep study due to complete September 2022
 - investment will position us as a first mover to supply Australians with accessible, affordable, over-the-counter CBD
- investment in women's health study (endometriosis, gynecological diseases) to support full patent applications




Hemp Black

- mixed success with new clients in FY22
 - initial orders from new turf client following R&D investment, significant long-term potential
 - other clients not able to proceed to scale
- /eco6 supply chain built (from genetics through to commercial applications).
 - uniquely positioned to lead the bio-based plastics market and be a provider of de-carbonisation solutions to clients
- vision is to sequester one billion kg of carbon by 2028 using hemp in conjunction with our commercial business model

Ananda Food

- leading the consolidation of Australian hemp food market
- acquired two businesses to support retail channel and expand shelf space in grocery
- strong growth in fibre planting seed business line with ~8x revenue growth in FY23

FY22 SEGMENTS

							ECOFIBRE	
	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21
Revenue	12.9	14.3	13.7	11.9	3.6	2.6	-	-
Gross margin	7.9	10.4	6.1	6.8	0.7	0.3	-	-
Other Income	0.6	3.7	0.9	1.2	-	0.1	0.7	(0.1)
Operating Expenses	(16.8)	(13.9)	(11.5)	(9.0)	(2.2)	(2.0)	(6.7)	(6.5)
Interest Expense	-	-	-	-	-	-	(1.3)	(1.1)
PBT	(8.3)	0.3	(4.5)	(1.0)	(1.6)	(1.6)	(7.4)	(7.7)
Income Tax							7.1	3.1
NPAT							(14.7)	(4.7)
Investments								
R&D (included in opex)	3.5	1.7	2.5	2.0	0.1	0.5	0.2	0.2
Capex	0.3	0.6	2.2	1.7	0.2	0.1	0.3	26.3

- Pharmacy segment revenues grew 13%
- Lower revenue in non-professional channels.
- Reduced COVID grants
- 61% margin includes price reduction and \$0.8m provisions
- Opex includes investment in clinical R&D (+\$1.5m) & marketing/travel (+\$0.4m), and higher legal to successfully defend 3rd party claim (+\$0.8m)

- Solid underlying growth. Full period for acquisition (+\$1.7m) offset by one-off mask revenue (-\$1.9m)
- 44% margin includes higher polymer costs and \$0.7m provisions
- Higher opex includes annualised acquisition (+\$0.9m), R&D and staff costs

- Steady growth in food and \$0.5m in seasonal planting seed sales
- Margins up from 11% to 20% as a result of reduced seed costs, scale benefits and higher margin seed sales, and lower provisions
- Operating costs in-line

- Other income includes FX movement
- Corporate operating costs flat

AGENDA, FY22 RESULTS

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Result

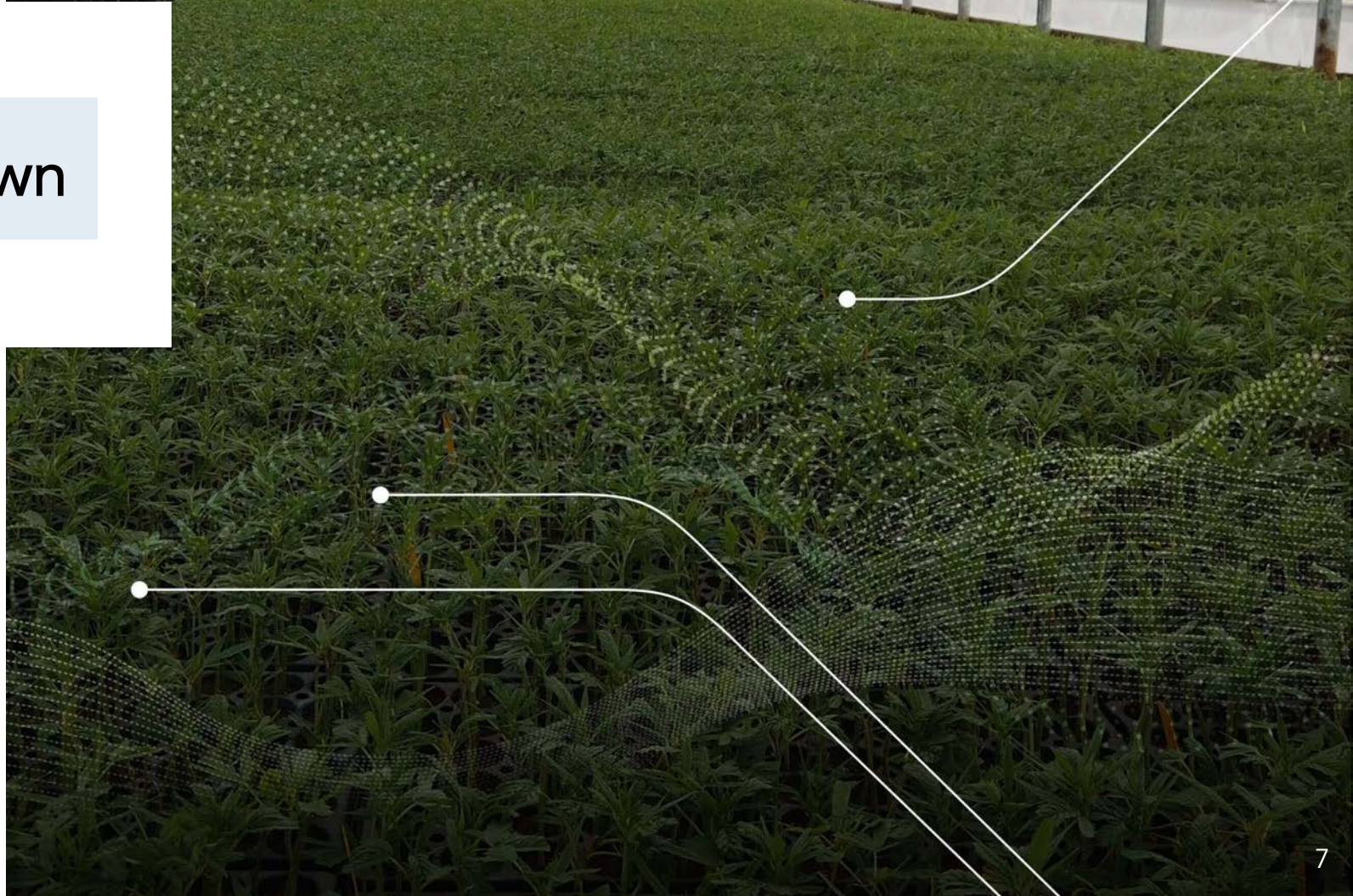
Jonathan Brown

Strategy

Eric Wang

Outlook

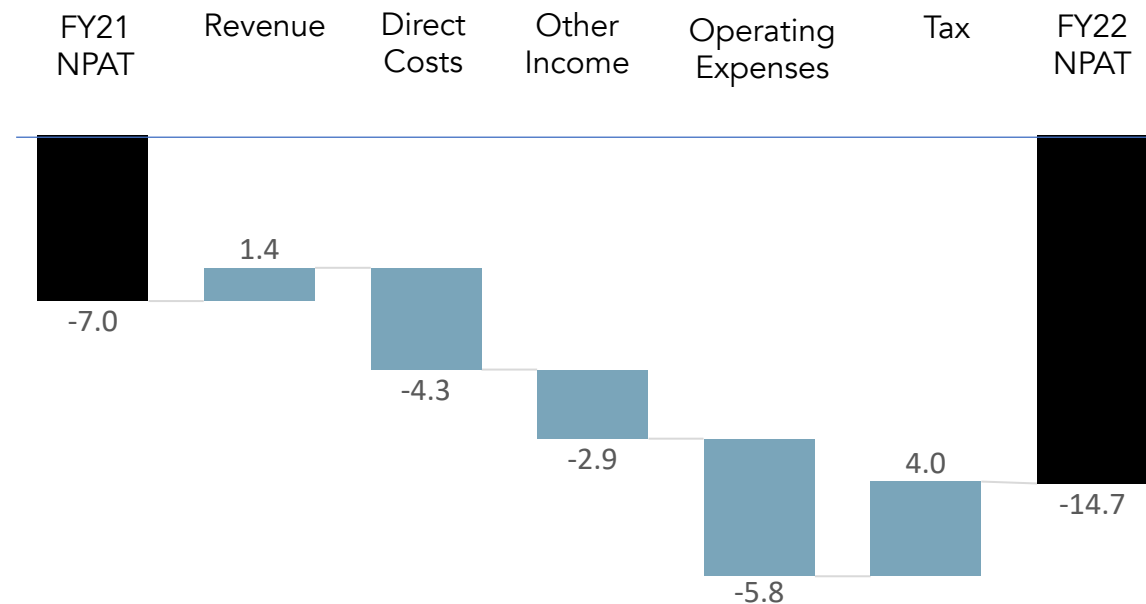
Eric Wang



FY22 RESULT

Consolidated profit & loss

	FY22	FY21
Revenue	30.2	28.8
Direct costs	(15.5)	(11.2)
Gross profit	14.7	17.6
Other income	2.1	5.0
Operating expenses	(37.2)	(31.4)
Interest expense	(1.4)	(1.2)
Profit (loss) before income tax	(21.7)	(10.0)
Income tax benefit	7.1	3.1
NPAT	(14.7)	(7.0)
EBITDA	(15.3)	(4.6)
Gross margin	49%	61%
EBITDA margin	-51%	-16%



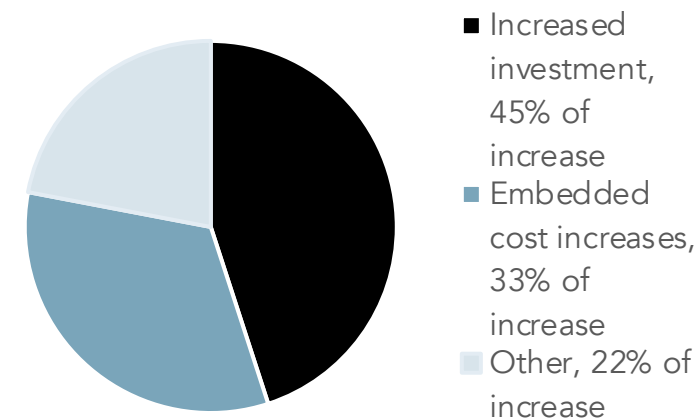
- Continued revenue growth in Hemp Black & Ananda Food partially offset by lower result for Ananda Health
- Gross margin 49%:
 - Ananda Health 61%
 - Hemp Black 44%
 - Ananda Food 20%
- Other income - US COVID relief programs ceased
- OPEX includes increased investment in R&D & marketing

FY22 RESULT

Operating expenses

	FY22	FY21
Employees & contractors	14.1	12.7
Share based payments	1.7	1.8
Sales & marketing	2.3	1.9
Travel & accommodation	0.7	0.4
Equipment modification & maintenance	1.0	0.9
Short term leases	0.2	0.2
Legal & compliance	1.8	1.4
Accounting & audit	0.4	0.4
Depreciation & amortisation	5.1	4.3
Research & development	6.3	4.4
Bad & doubtful debts	0.1	0.0
Other	3.6	3.0
Total operating expenses	37.2	31.4

Higher operating expenses (+\$5.8m, +18%) include investment in R&D and marketing, embedded cost increases for depreciation, property taxes and TexInnovate acquisition.



- Employee costs (+\$1.4m) included
 - higher costs in Hemp Black (+\$1.2m) including annual impact of TexInnovate acquisition (+\$0.5m), increased wages
 - headcount savings in Ananda Health
- Sales, marketing and travel (+\$0.7m) as sales conferences reopen
- R&D (+\$1.8m) includes investment in clinical trials (+\$1.5m)
- Depreciation (+\$0.8m) and Other Costs (+\$0.6m) including property taxes

FY22 RESULT

Balance sheet

- Cash movements:
 - operating cashflows -\$10.6m
 - investing cashflows -\$3.0m
 - financing cashflows +\$12.5m
- 8% appreciation of USD denominated assets and liabilities
- Working capital:
 - receivables down \$0.4m
 - inventory down \$1.5m
 - provisions impact -\$1.8m
 - FX impact for Ananda Health and Hemp Black +\$1.1m
 - net inventory use -\$0.8m
 - other current assets include receivables from US government for tax return (\$3.9m) and COVID Employee Retention Credit (\$3.1m)
- Term loans:
 - \$11.5m unsecured debt due July 2023 (of which \$6m able to be extended to July 2024)
 - USD3.6m secured funds received in June, USD6.4m in July. Repayable June 2024.
 - \$2m current liability repaid July 2022
 - net debt (term loans less cash) \$11.5m

	Jun 2022	Jun 2021
Cash & equivalents	7.3	8.6
Receivables	4.1	4.5
Inventory & biological assets	16.3	17.8
Other current assets	9.0	8.3
Total Current Assets	36.7	39.2
Intangible assets	56.2	51.6
Property, Plant & Equipment	47.0	47.1
Deferred tax assets	9.7	3.9
Total Non-Current Assets	112.9	102.5
Total Assets	149.6	141.7
Term loan	2.0	-
Trade & other payables	6.1	5.7
Total Current Liabilities	8.1	5.7
Term loans	16.8	10.0
Contingent consideration	14.0	12.4
Other	0.8	1.8
Total Non-Current Liabilities	31.5	24.2
Total Liabilities	39.6	29.9
Net Assets / Total Equity	109.9	111.8

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SEEDING THE SOLUTION









Our focus is to be the global leader in sustainable hemp solutions that address health issues and decarbonize a wide range of emission intensive industries around the world.

HEMP HAS DISTINCT ADVANTAGES

- Industrial hemp is legal in all major economies
- Arguably the most decarbonizing commercial biomass
- One of the highest quality plant proteins
- Proven efficient source of CBD and other natural cannabinoids
- Industrial hemp is used to produce more than 25,000 products



STALK

-  Fashion
-  Building & Construction
-  Bio-based composites
-  Conductive materials
-  Ink & coatings
-  Infrastructure
-  Healthcare
-  Bio-based plastics

FLOWER

-  Medicine
-  Supplements
-  Beauty Care Products

SEED

-  Food
-  Flour
-  Animal Feed
-  Oils
-  Protein Powder
-  Body Care Products



HEMP IS OUR CORE INPUT

FLOWER

SEED

STALK

NATURAL HEALTH CARE

PLANT-BASED FOOD

SUSTAINABLE MANUFACTURING

Total Addressable Market (\$bn)

Sleep (\$67.4bn), anxiety (\$19.8bn), Women's health (\$9.4bn) Pain (\$52bn)

USD \$10.6bn growing to \$15.6bn by 2026

Bio-based composites growing to USD \$51.2bn by 2026
Carbon Black \$17.5bn, focused on non-rubber market (\$1.75bn)

Key Products

Hemp-derived CBD products
CBD-based beauty range

Hemp hearts (seeds)
Hemp protein powders
Hemp seed oil
Equine feed and animal products

Bio-based composite products
Bio-based inks & coatings
Performance textiles

Key Brands



HEMP IS OUR CORE INPUT

FLOWER

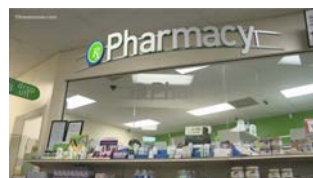
SEED

STALK

NATURAL HEALTH CARE

PLANT-BASED FOOD

SUSTAINABLE MANUFACTURING



Key Customers



Think negative.

*Be the recognized global leader in
sustainable, high-tech
hemp solutions*

PRIORITIES

1. Fill manufacturing capacity with existing and new clients
2. Establish new use cases for /eco6 as a 100% bio-based carbon black

PRIORITY 1 – FILL CAPACITY

Fill manufacturing capacity with new and existing clients

Delivered ongoing revenue growth across all businesses

- turf and medical yarns (up 18% to \$11.3m)
- polymer, knitted, multi-filament and equipment sales up 26% to \$2.4m, with capacity remaining
- pathway to translate investment in R&D for specific clients into profitable growth drivers

Increased our production capability and capacity since acquisition of TexInnovate, and matching this to our new client pipeline:

- new turf yarn client on-boarded July 2022
 - optimised existing capacity +c.30% from 1Q23
 - strong further demand beyond current purchase orders
- client pipeline – ‘at scale’ commercialization taking longer than expected, focus natural anti-odor yarn
 - premium US department store - owned label performance wear (Q2FY23)
 - global shoe manufacturer – new seamless shoe design
 - Zoot – driverless electric vehicles (on-going sales and awaiting full roll out)
 - expanding product line with existing global furniture brand - final design phase



PRIORITY 2 – DECARBONISATION SOLUTIONS FOR CLIENTS

Established /eco6 supply chain and partnering to provide carbon negative solutions

Together with our customers, we will deliver sustainable bio-based materials that revolutionize industrial production while sequestering one billion kilograms of carbon by 2028

To achieve this vision, we will support ~200,000 acres of hemp production over the next 5 years underpinned by our /eco6 supply chain

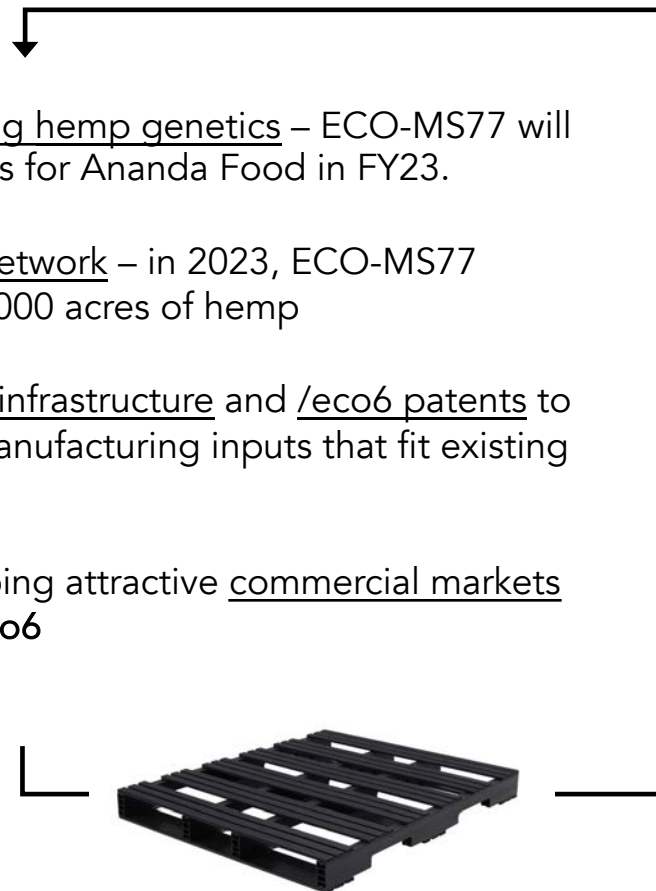
/eco6 is a direct replacement for petroleum-based carbon black and is certified by the USDA as a 100% biobased product

- total market opportunity as a carbon black replacement is over \$1B for our target segment of plastics and inks
- potential is significantly higher as a bio-based plastic
 - carbon black usage as black pigment – c2%
 - /eco6 usage as a bio-based input – c25%
- initial focus on shipping pallets

/eco6 supply chain established

- a) Established high-yielding hemp genetics – ECO-MS77 will yield AUD\$4-5M in sales for Ananda Food in FY23.
- b) Built a strong farming network – in 2023, ECO-MS77 genetics will grow ~23,000 acres of hemp
- c) Established processing infrastructure and /eco6 patents to value-add hemp into manufacturing inputs that fit existing supply chains
- d) Identifying and developing attractive commercial markets and applications for /eco6

Sustainable growth cycle





*Be the preferred provider to
practitioner and pharmacy
channels*

PRIORITIES

1. Be the #1 CBD brand for US pharmacies & healthcare professionals
 2. Ensure our CBD customers stay with us for life
 3. Be the #1 CBD brand in Australia
 4. Advance gynecological cancer research portfolio towards commercial opportunities
-

PRIORITY 1 – US PROFESSIONAL MARKET

Be the #1 CBD brand for US pharmacies and healthcare professionals

Apr 21 – launched CBD chews range, women’s health products

May 21 – e-comm channel for pharmacy customers launched

4Q20 – full impact of COVID begins in United States

Nov 20 – first price reduction in three years implemented across selected products, commenced initial stocking of CVS Pharmacy

1Q22 – Delta, Omicron variants predominant in the United States

AUDM	1H20	2H20	1H21	2H21	1H22	2H22
US Independent Pharmacies	21.8	15.3	4.2	4.0	4.3	4.9
Ananda Hemp / Health Food Stores	3.2	1.5	2.2	1.9	1.3	0.3
CVS	-	-	0.6	0.3	0.2	0.2
Australia	-	0.0	0.1	0.0	0.2	0.5
Other (bulk, whitelabel)	3.3	1.9	0.4	0.5	0.5	0.4
Total	28.3	18.7	7.5	6.7	6.6	6.3

2H22 - COVID related challenges ending for US pharmacies in 3Q22

- independent pharmacy and related online channels held steady
- closing Ananda Hemp as the non-professional channels continue to struggle as a oversupplied segment.
- national chain channel limited movement without regulatory clarity

PRIORITY 1 – US PROFESSIONAL MARKET

Capture greater shelf space in our core US pharmacy channel

Ananda Health launching second brand to capture additional shelf space in existing pharmacy network

myeveryday CBD launches September 2022

- smaller and more affordable product range
- expand shelf space and target value conscious segment
- leverage existing production capacity and support overall manufacturing margins

Increases utilisation of existing Kentucky manufacturing infrastructure



PRIORITY 3 – AUSTRALIAN CBD MARKET

Be the #1 CBD brand in Australia

Be the #1 CBD brand in Australia by focusing on the pharmacy over-the-counter market

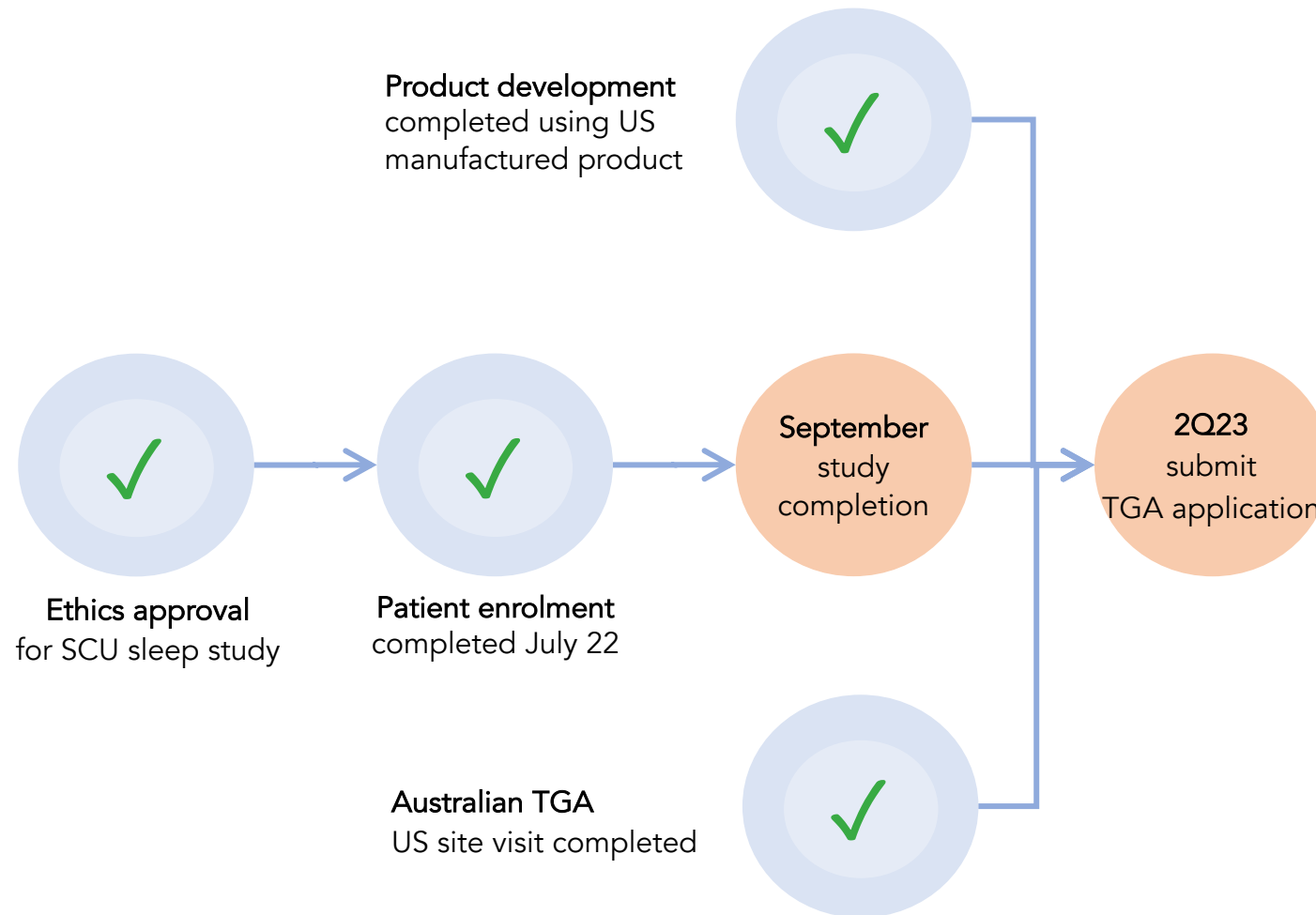
- be the first mover in the S3 registration process
- leverage US manufacturing capability and pharmacy market expertise (education and sales support)

September completion of the largest ever CBD sleep trial to support a Schedule 3 (over-the-counter) registration

- AUD1.4m investment with Southern Cross University
- c.350 patients
- enrolment complete, final patients complete ten-week treatment period in September

S3 Registration on track for submission in 2Q23

- TGA review process up to one year
- Beginning to establish pharmacy distribution partnerships



PRIORITY 4 – WOMENS HEALTH STUDY

Advance gynecological diseases research portfolio towards commercial opportunities

Ananda Health is committed to developing CBD-based solutions to address a gap in the treatment of gynecological diseases and overall women's health

Clinical set-up study undertaken by University of Newcastle in 2H21

- Ananda proprietary formulation
- positive outcomes observed in a range of gynecological diseases
- Ecofibre filed four provisional patent applications with the United States Patent & Trademark Office (USPTO) in October 2021

Final patent submissions on track for October 2022 deadline

- research program expanded to support IP protection and commercialization pathway
 - completing in vitro data collection
 - support phase II studies
- staged investment based on research milestones - \$1.1m invested to date



CBD and endocannabinoids help regulate
1. the oviduct 2. in the ovary 3. in the endometrium



anandafood

*Be the leading hemp food
supplier in Australia*

PRIORITIES

1. Be the lowest cost producer
 - continuing to build processing scale
 - continuous improvement in crop yields resulting in lower input costs
 - optimize production and sales mix from seed using all by-products
 2. Grow the category via product innovation and brand
 3. Be the leading provider of hemp fibre planting seed in the US and Australia
-

PRIORITY 1 – FOOD PRODUCTION

Be the lowest cost producer

Delivering on our priority of being the lowest cost producer of hemp foods and products

FY22 initiatives included:

- investment in automation and processing efficiency
- increased use of by-products via animal-based product lines
- actively participate in Australian market consolidation to increase scale through the acquisition of two former white label clients

Our investments have delivered:

- best in class and highly efficient BRCGS and HACCP food processing facility - only Australian facility with all 3 major categories of hemp food: de-hulled seed, oil and protein / fibre
- unique & IP protected genetics - one of the few vertically integrated Australian growers and processors
- new processing capability for animal products to improve utilisation of entire hemp seed

This is resulting in increased margins and ability to grow market share

Soul Seeds acquisition 4Q22 (\$0.25m)

Coles supply relationship moves 3rd party white label to direct supply

- drive same-store retail growth & opportunity for new product development in Coles
- expand Soul Seeds brand reach domestically and internationally

ECS Botanics food and wellness acquisition (1Q23, \$0.25m)

- further strengthens supply relationship with Coles and Woolworths
- new customers, new complementary product lines

PRIORITY 2 – FOOD MARKET SIZE AND SHARE

Grow the category via product innovation and brand

Hemp food category growth will continue as hemp becomes more cost-competitive vs alternatives eg. pea and soy protein

Ananda Food is focused on product innovation and increasing its proportion of branded product sales to further accelerate market growth and increase market share:

- branded, premium horse feed product launched
- pipeline of new product R&D, including use of hemp protein as a TVP (textured vegetable protein)
- increased retail marketing investment, including branded direct to consumer ecommerce and store sales via acquisitions



Ananda Equine feed uses the power of hemp to provide the natural goodness of fermentable super fibres, high quality protein and antioxidants with probiotics in a feed that is naturally low in sugar and starch.



High Fibre



Quality Plant Protein



Laminitic Safe



<1% Sugar & Starch



Natural Antioxidant & Probiotic



Gluten Free

PRIORITY 3 – PLANTING SEED

Be the leading provider of hemp fibre planting seed in the US and Australia

Becoming the leading provider of hemp fibre planting seed in the US and Australia

- ECO-MS77 widely considered the best fibre genetic in the US based on yield and ability to grow in all US latitudes
- demand currently exceeds supply
- strong margins

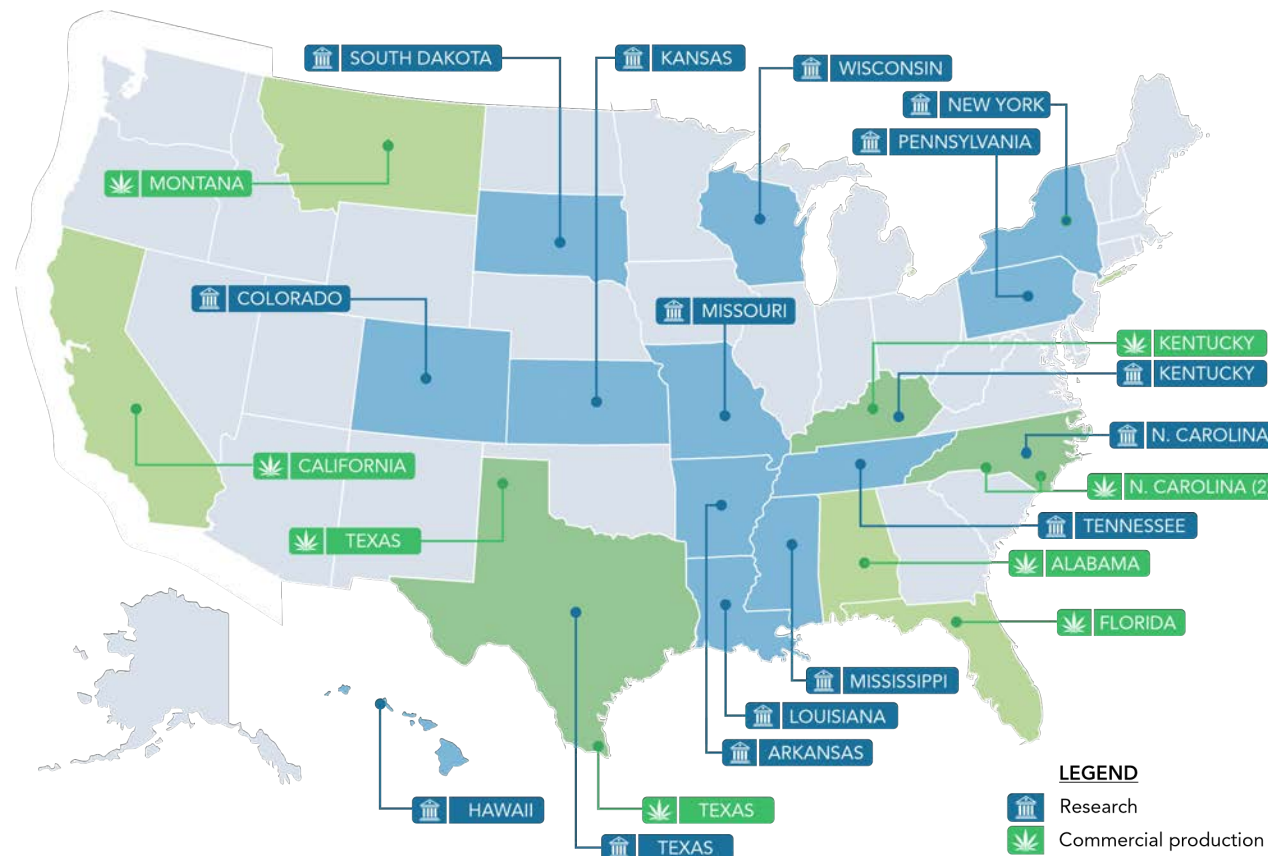
Since 2016, Ecofibre has conducted growing trials across 18 States and 15 Universities to validate and market our genetics.

Expanded capability in seed propagation

- extended growing areas to include North Queensland
- begin seed propagation in the US to reduce transport costs and supply chain risks

Sales have grown from \$0.1m (FY21) to \$0.5m (FY22). Forecast to increase to \$4-5m in FY23 subject to yields.

This business supports Hemp Black's /eco6 strategy to ensure supply of hemp feedstock through relationships with fibre growers.



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OUTLOOK

Ecofibre remains confident in its strategies and the outlook for the industries and markets in which we participate.

We expect the Company to incur a smaller loss in FY23, with a clear pathway to profitability and positive cashflow in FY24.

Hemp Black will experience continued growth with new core clients. We expect Hemp Black to be profitable in FY23 with the contribution from the execution of our /eco6 strategy.

Ananda Health will continue its recovery in the pharmacy channel and myeveryday CBD will provide solid growth. However, the business will not return to profitability in FY23. A key to profitability in FY24 will be the Australian over-the-counter market, where product registration is subject to TGA approval.

Ananda Food will continue to experience solid growth. The launch of new animal-based products and the expansion of our fibre planting seed business will make this business profitable in FY23.