

ASX Announcement | 31 July 2024
Althea Group Holdings (ASX:AGH)

Quarterly Results and Highlights for the period ending 30 June 2024

AGH achieves record cash receipts of \$34.5 million in FY2024

Financial Highlights:

Group

- AGH recorded \$7.8 million in receipts from customers for the quarter ending 30 June 2024, reaching a record \$34.5 million for FY24
- Net cash used in operating activities decreased by 61% during FY24, down from \$6.9 million in the prior corresponding period, to \$2.7 million
- The Company's recently completed organisational review is on track to deliver \$4 million in annualised savings
- The AGH Board is providing FY25 guidance in the range of \$50 million to \$60 million and positive EBITDA of between \$4 million and \$7 million

Division

- **Recreational cannabis** - AGH's wholly owned subsidiary, Peak Processing Solutions ('Peak'), achieved \$4.9 million in cash receipts from customers for the Quarter, an increase of 16.7% from the previous quarter
- **Pharmaceutical cannabis** - AGH's global cannabis-based medicines business, ('Althea'), achieved \$2.9 million in cash receipts from customers for the Quarter

31 July 2024: **Althea Group Holdings Limited (ASX:AGH) ('AGH', or 'the Company')**, a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products, is pleased to present its Appendix 4C cash flow statement and operational update for the quarter ended 30 June 2024 ('Quarter', 'Reporting Period').

Financial update for the June Quarter

AGH has successfully completed the restructuring and overhead reduction phases of its cost reduction program, a crucial part of the Company's recently announced organisational review. This strategic restructuring has already resulted in \$2.9 million in annualised savings, effective from May 2024. Phase 3 of the program, focused on supply chain optimisation, is currently underway and is projected to generate an additional \$1.1 million in annualised savings.

With total annualised cost savings reaching \$4 million, the Company anticipates significant improvements in cash flow.

Highlights for the Quarter include:

- AGH recorded \$7.8 million in receipts from customers for the quarter ending 30 June 2024, reaching a record \$34.5 million for FY24



- Net cash used in operating activities decreased by 61% during FY24, down from \$6.9 million in the prior corresponding period, to \$2.7 million
- Net cash used in operating activities included one-off and non-recurring outflows of \$578,000, which included \$190,000 in redundancy payments
- Peak achieved \$4.9 million in receipts from customers for the Reporting Period - an increase of \$700,000 from the previous quarter
- Althea achieved \$2.9 million in customer receipts for the reporting period. This figure, while slightly below projections, was anticipated due to the Company's strategic transition to two new suppliers
- Althea successfully negotiated enhanced supply conditions with its new suppliers, securing better cost pricing (boosting gross profit margins), more favourable payment terms (improving cash flow), and a commitment to a high-quality, reliable product supply moving forward
- Althea's continuous supply of medicines is expected to return to normal in Q1FY25
- The AGH Board is providing FY25 guidance in the range of \$50 million to \$60 million and positive EBITDA of between \$4 million and \$7 million
- Subsequent to the Quarter, AGH successfully completed a \$2.0 million placement (excluding fees) in July 2024, bolstering its cash on hand position

Operational update for the Quarter

Recreational cannabis - Peak Processing Solutions

US cannabis beverages joint venture

Subsequent to the Quarter, the Company formalised a joint venture with Flora Growth Corporation (FLGC:NASDAQ) to enter the expanding US cannabis beverages market.

The US cannabis beverages market, valued at USD\$966.92 million in 2024, is projected to grow at a CAGR of 54.30% to reach USD\$19.06 billion by 2028¹.

The joint venture will launch six cannabis infused beverages, including three 5mg THC seltzers and three 10mg THC sodas, to be sold online and through US wine and liquor stores from August 2024.

Peak intends to replicate its Canadian success, where it has 40% market share in cannabis beverages, by manufacturing its proprietary cannabis emulsion Envision™ in the US from locally sourced hemp, which will become the active ingredient in its US made cannabis beverages.

The joint venture business model is capital light and marks a significant step in the Company's strategic US expansion.

¹ <https://www.marketdataforecast.com/market-reports/cannabis-beverages-market>



Image 1: The JV's range of cannabis beverages include Melo seltzers (5mg THC)



Pharmaceutical cannabis - Althea Symbion partnership

During the quarter, Althea secured a distribution agreement with Symbion, a leading national wholesaler in Australia, effective April 22, 2024. This will enable Althea's medicinal cannabis products to be distributed through Symbion's network of over 3,850 retail pharmacies and 1,350 hospitals.

With the Australian medicinal cannabis market treating over 1 million patients since 2016², this partnership aims to enhance accessibility and streamline distribution, marking a significant step in expanding Althea's reach.

Althea launches Atmos cannabis dried flower range

Althea launched a new range of medicinal cannabis dried flower products during the Quarter, Atmos by Althea™, in collaboration with Canadian producer Rocket Factory.

The initial offerings include Althea Cosmic T-25 and Althea Blast T-18, targeting mid-THC and high-THC segments. These dried flower products are cultivated with advanced techniques to ensure highest quality and are GMP-certified for distribution in Australia and the UK.

The launch marks a significant expansion into the premium dried flower product category and Althea plans to introduce additional Atmos by Althea™ products in the coming months.

² <https://www.ahpra.gov.au/News/2024-02-20-medical-cannabis-treatment.aspx?hsenc=p2ANqtz--7eCcwjgzFu991cVegKmNR3a6L6MJQ5X7QLs5opzCFisrSU2F6yfiKNuG6z9x3A1vV5g-H>

Additionally, during the quarter, Althea initiated a transition to a new medicinal cannabis oil contract manufacturer. Although this decision was not made lightly, it was in the best interests of ensuring reliability moving forward. This transition led to temporary stock outages and missed sales, but the company anticipates its full range of medicines will be fully stocked by Q1 FY25.

AGH CEO, Joshua Fegan said: "AGH's recent strategic initiatives are set to significantly boost financial performance. Peak, our recreational cannabis business, is poised to make a substantial contribution in FY25, driven by a significantly improved outlook in Canada and its expansion into the US cannabis beverage market. Additionally, the transition to Althea's new medicinal cannabis suppliers is expected to enhance gross profit margins through improved cost pricing and better cash flow, thanks to more favourable payment terms. AGH is on track to achieve FY25 guidance in the range of \$50 million to \$60 million in revenue and a positive EBITDA between \$4 million and \$7 million, further strengthening the company's financial outlook."

In item 6 of the Appendix 4C cash flow report for the Quarter, payments to Related Parties of \$202,000 comprised of salary paid to Chief Executive Officer and fees paid to Non-Executive Directors.

-ENDS-

Authorised by: Robert Meissner, Company Secretary

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Althea Group Holdings Limited (ASX:AGH)

Althea Group Holdings Ltd ('AGH') is a global leader in the manufacturing, sales and distribution of cannabis-based medicines and recreational cannabis products. AGH services these sectors via two distinct business units. Althea, the company's pharmaceutical business, offers a comprehensive range of cannabis-based medicines which are made available to patients via prescription. Peak Processing Solutions, AGH's recreational cannabis business, produces legal cannabis products purchased by adult consumers in retail stores.

AGH operates in highly regulated and legal cannabis markets across the world with burgeoning





Althea
Group
Holdings

operations in North America, Europe and Australia.

To learn more about Althea Group Holdings, please visit: www.altheagroupholdings.com

For more information on Althea, please visit: www.althea.life

For more information on MyAccess Clinics, please visit: www.myaccessclinics.com

For more information on Peak, please visit: www.peakprocessing.com



Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Althea Group Holdings Limited

ABN

78 626 966 943

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	7,778	34,426
1.2 Payments for		
(a) research and development	1	1
(b) product manufacturing and operating costs	(3,736)	(15,645)
(c) advertising and marketing	(46)	(463)
(d) leased assets		
(e) staff costs	(3,447)	(14,425)
(f) administration and corporate costs	(1,293)	(6,624)
1.3 Dividends received (see note 3)		
1.4 Interest received		3
1.5 Interest and other costs of finance paid	(14)	(61)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	2	68
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(755)	(2,720)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(112)	(938)
(d) investments		
(e) intellectual property		
(f) other non-current assets		

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from disposal of:		
(a) entities		
(b) businesses		
(c) property, plant and equipment		5,088
(d) investments		
(e) intellectual property		
(f) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(112)	4,150

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)		140
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings		1,000
3.6 Repayment of borrowings	(40)	(4,313)
3.7 Transaction costs related to loans and borrowings		(135)
3.8 Dividends paid		
3.9 Other (provide details if material)	(387)	(1,488)
3.10 Net cash from / (used in) financing activities	(427)	(4,796)

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,155	4,278
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(755)	(2,720)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(112)	4,150

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(427)	(4,796)
4.5	Effect of movement in exchange rates on cash held	32	(19)
4.6	Cash and cash equivalents at end of period	893	893

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	250	1,496
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (Term Deposits)	583	658
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	833	2,154

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(202)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(755)
8.2 Cash and cash equivalents at quarter end (item 4.6)	833
8.3 Unused finance facilities available at quarter end (item 7.5)	
8.4 Total available funding (item 8.2 + item 8.3)	833
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.1
<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
<p>Answer: The Company expects the net operating cash flows to improve in the coming quarters on the basis that there were \$578,000 in one-off and non-recurring outflows in this quarter. The Company also transitioned to new suppliers and saw some temporary stock outages during the quarter. Stock levels will normalise again in Q1FY25</p>	
8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
<p>Answer: The Company completed a \$2 million dollar capital raise in July 2024, resulting in an adjusted quarters of funding available to 3.8</p>	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, based on the answers to 8.6.1 and 8.6.2.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: July 2024

Authorised by: The Board of Directors

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.