



# ECOFIBRE

1H22  
Results

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# Agenda

## 1H22 results

*Item*

*Presenter*

**Overview**

**Eric Wang**

Result

Jonathan Brown

Strategy

Eric Wang

Outlook

Eric Wang

# 1H22 overview

Losses increased as challenging environment impacts margins. Continuing to invest behind high conviction in our portfolio

- Revenue growth of 5% despite difficult US CBD market
  - continued growth in Hemp Black & Ananda Food revenue
  - core independent pharmacy channel flat on last half, lower vs pcp
- Continued tight management of operating costs in the face of significant inflation across wages and supply chain disruption
- Margins impacted in 1H22
  - full period impact of CBD price reduction implemented at end of 1H21
  - CBD inventory provision from over production 2 years ago. Current production levels balanced with sales demand
  - polymer price increases in Hemp Black. Pricing being renegotiated
- High conviction in commercial opportunity across the portfolio supports continued investment
  - Hemp Black solid client pipeline at different stages of development across multiple segments
  - Ananda Health clinical research progressing well and growth in ecommerce
  - Ananda Food expands client base via position as lowest cost / highest quality producer of 100% Australian hemp food

## Revenue

up from  
\$14.7m to  
**\$15.5m**

## NPAT

down from  
\$-5.5m to  
**-\$6.7m**

## Capital investment

**\$1.5m**

## R&D investment

**\$2.9m**

## Cash (\$5.9m)

+\$6.6m grants  
**\$12.5m**

## EPS (diluted)

**-2.03cps**

# 1H22 overview

## Business portfolio result

								
	1H22	1H21	1H22	1H21	1H22	1H21	1H22	1H21
Revenue	6.6	7.5	6.8	6.0	2.1	1.2	-	-
Gross margin	3.8	5.7	3.3	3.8	0.6	-	-	-
Other Income	0.5	-	0.9	-	-	0.1	0.2	(0.2)
Operating Expenses	(8.4)	(8.0)	(5.5)	(4.2)	(1.1)	(1.0)	(3.4)	(3.3)
Interest Expense	-	-	-	-	-	-	(0.6)	(0.5)
<b>PBT</b>	<b>(4.0)</b>	<b>(2.3)</b>	<b>(1.3)</b>	<b>(0.4)</b>	<b>(0.4)</b>	<b>(0.9)</b>	<b>(3.9)</b>	<b>(4.0)</b>
Income Tax							2.9	2.0
<b>NPAT</b>							<b>(1.0)</b>	<b>(2.0)</b>
Investments								
R&D (included in opex)	1.6	0.7	1.3	0.1	-	-	-	0.3
Capex	0.1	0.3	1.4	0.9	-	-	-	3.0

- Pharmacy segment revenues stabilised
- Lower revenue in non-professional channels.
- Margins reflect price reduction and \$0.6m in provisions
- Opex increase driven by marketing as sales conferences re-open

- Solid underlying growth. Full period for acquisition (+\$1.6m) offset by one-off mask revenue (-\$1.9m)
- Margins impacted by higher in polymer costs
- Opex includes annualised acquisition (+\$1.0m) and client development costs

- Steady growth in food and \$0.6m in seasonal planting seed sales
- Margins up from -3% to 31% as a result of reduced seed costs, scale benefits and higher margin seed sales
- Operating costs flat

- Other income includes FX movement
- Corporate operating costs flat



# Agenda

## 1H22 results

<i>Item</i>	<i>Presenter</i>
Overview	Eric Wang
<b>Result</b>	<b>Jonathan Brown</b>
Strategy	Eric Wang
Outlook	Eric Wang

# 1H22 result

## Consolidated profit & loss

	1H22	1H21
Revenue	15.5	14.7
Direct costs	(7.6)	(5.2)
<b>Gross profit</b>	<b>7.8</b>	<b>9.5</b>
Other income	1.5	-
Operating expenses	(18.3)	(16.5)
Interest expense	(0.6)	(0.6)
<b>Profit (loss) before income tax</b>	<b>(9.6)</b>	<b>(7.6)</b>
Income tax benefit	2.9	2.0
<b>NPAT</b>	<b>(6.7)</b>	<b>(5.5)</b>
EBITDA	(6.5)	(5.0)
Gross margin	51%	65%
EBITDA margin	-42%	-34%

- Continued growth in revenues for Hemp Black and Ananda Food partially offset by lower result for Ananda Health
- Gross margin 51%:
  - Ananda Health margins 58% (67% excluding expiring stock)
  - Hemp Black 49% (down from 63%) primarily due to supply chain disruption for polymer inputs
  - Ananda Food achieves positive margins of 31% up from -3%
- Other income: US Employee Retention Credit for 1Q22
- Operating expenses includes increased investment in research & client development and spend in sales & marketing

# 1H22 result

Operating expenses - continued tight management in the face of significant inflation across wages and supply chain disruption

	1H22	1H21
Employees & contractors	6.9	7.8
Share based payments	0.9	1.6
Sales & marketing	1.2	0.9
Travel & accommodation	0.4	0.2
Equipment modification & maintenance	0.5	0.3
Short term leases	0.1	0.1
Legal & compliance	0.9	0.8
Accounting & audit	0.2	0.2
Depreciation & amortisation	2.5	2.0
Research & development	2.9	1.1
Bad & doubtful debts	0.1	0.3
Other	1.8	1.3
<b>Total operating expenses</b>	<b>18.3</b>	<b>16.5</b>

- \$1.8m increase in total costs included \$1.0m annualization of Hemp Black North Carolina (TexInnovate) cost base from 1H21
- Employment costs flat
  - \$1.4m Employment costs reallocated to R&D
  - \$0.5m related to annual impact of TexInnovate uplift
- Lower share based payments reflect finalisation of TJU contract and restructure of Ananda Health senior team
- Sales, marketing and travel (+\$0.5m) as Ananda Health sales conferences reopen
- R&D (+\$0.4m) to support clinical trials for US and Australian S3 application
- Depreciation (+\$0.5m) and Other Costs (+\$0.5m) including property taxes in Kentucky and North Carolina

# 1H22 result

## Balance sheet

	Dec 2021	Jun 2021
Cash & equivalents	5.9	8.6
Receivables	3.8	4.5
Inventory & biological assets	17.5	17.8
Other current assets	9.0	8.3
<b>Total Current Assets</b>	<b>36.2</b>	<b>39.2</b>
Intangible assets	52.9	51.6
Property, Plant & Equipment	47.0	47.1
Deferred tax assets	5.9	3.9
<b>Total Non-Current Assets</b>	<b>105.7</b>	<b>102.5</b>
<b>Total Assets</b>	<b>141.9</b>	<b>141.7</b>
Term loan	2.0	-
Trade & other payables	5.1	5.7
<b>Total Current Liabilities</b>	<b>7.1</b>	<b>5.7</b>
Term loan	8.0	10.0
Contingent consideration	13.1	12.4
Other	0.6	1.8
<b>Total Non-Current Liabilities</b>	<b>21.7</b>	<b>24.2</b>
<b>Total Liabilities</b>	<b>28.8</b>	<b>29.9</b>
<b>Net Assets / Total Equity</b>	<b>113.1</b>	<b>111.8</b>

- Cash movements:
  - operating cashflows -\$5.3m
  - investing cashflows -\$1.4m
  - financing cashflows +\$4.0m
- Working capital:
  - receivables down \$0.7m
  - inventory down net \$0.3m (includes growth in Hemp Black, Fx impacts and provision for Ananda Health finished goods). Majority of remaining Ananda Health inventory in 'golden oil' format which has very long shelf life
  - other current assets include receivables from US government for tax return (\$3.5m) and COVID Employee Retention Credit (\$3.1m)
- Term loan: \$2m due July 2022, \$8m due July 2023 (of which \$6m able to be extended to July 2024)

# Agenda

## 1H22 results

*Item* *Presenter*

Overview Eric Wang

Result Jonathan Brown

**Strategy** **Eric Wang**

Outlook Eric Wang



# 1H22 overview

## Building a diversified and sustainable growth company

- EOF building a diversified growth company - portfolio now complete with three distinct businesses utilising all parts of the plant.
- Focused on highly attractive market segments
- Each business vertically integrated and focused on a differentiated market strategy
- EOF leading the industry to capture the full value of hemp's sustainability





**anandahealth**

*Be the preferred provider in the US practitioner and pharmacy channels by providing federally legal, safe, high quality product:*

# Ananda Health

## Overview

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Continuing to manage through challenging environment

- independent pharmacy and related online channels held steady
- non-professional channels (non-core) continue to struggle in a oversupplied segment
- national chain channel sales declined with continued lack of regulatory clarity

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Priorities for Ananda Health remain constant as we manage through a challenging environment

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

# Ananda Health

## Priority 1 - Professional market holding stronger in difficult conditions

**4Q20** – full impact of COVID begins in United States

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

**May 21** – e-comm channel for pharmacy customers launched

**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

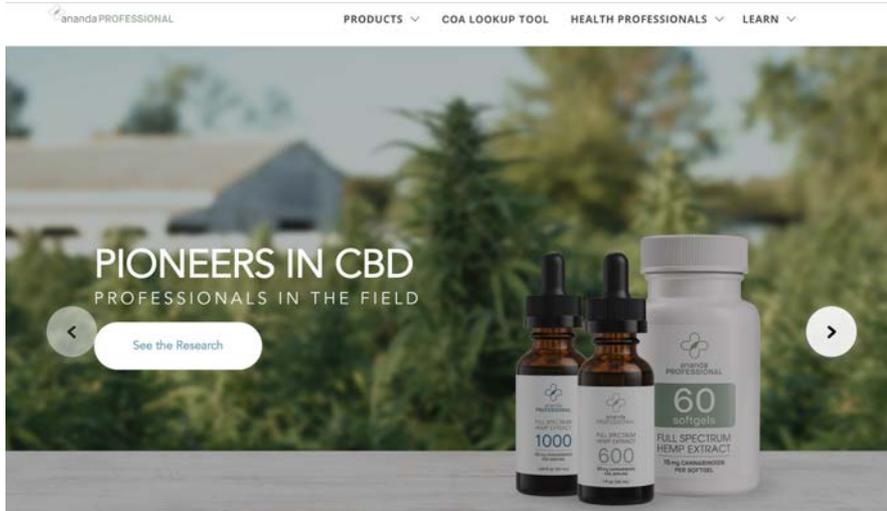
AUD m	1H20	2H20	1H21	2H21	1H22
US Independent Pharmacies	21.8	15.3	4.2	4.0	4.3
Ananda Hemp / Health Food Stores	3.2	1.5	2.2	1.9	1.3
CVS	-	-	0.6	0.3	0.2
Australia	-	0.0	0.1	0.0	0.2
Other (bulk, whitelabel)	3.3	1.9	0.4	0.5	0.5
<b>Total</b>	<b>28.3</b>	<b>18.7</b>	<b>7.5</b>	<b>6.7</b>	<b>6.6</b>

Heavily oversupplied segments  
Awaiting FDA regulatory clarity for ingestible products  
Focus on S3 over the counter market

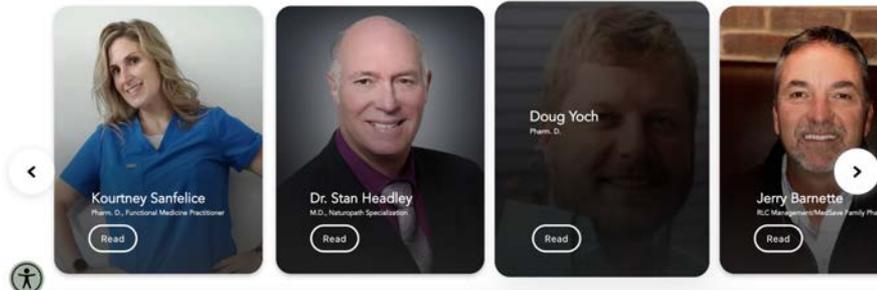
\* Includes e-commerce channel for pharmacy customers

# Ananda Health

## Priority 2 - ecommerce focused on the professional segment of patients and practitioners



### Trusted in the Field



### Ananda Health e-commerce statistics

- 37,000 total D2C customers
- Online orders Q4 2021 – 7,450
- Average order size ~\$100
- Return customer rate 40%
- 242 active referring pharmacies since May 2021

### Outcome is focused on 'customer for life'

- High conversion and return rates
- Quality customers over quantity

# Ananda Health

Priority 3 - Australian S3 CBD market is a very attractive opportunity and core to our skillset

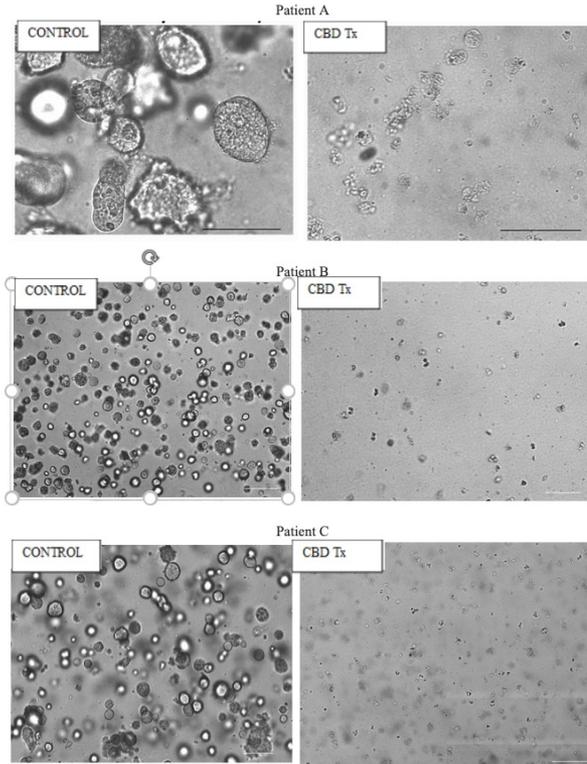
S4 / S8 Prescription only medication	-v-	S3 Pharmacist only medicine
<ul style="list-style-type: none"> <li>All medicinal cannabis products: CBD, THC, smokable flower</li> <li>Market Size (non-THC products) - c.\$85m *</li> </ul>	Products / market size	<ul style="list-style-type: none"> <li>&gt;98% CBD content, non-intoxicating only</li> <li>Market Size 2.2m patients, \$200m^</li> </ul>
<ul style="list-style-type: none"> <li>GP / doctor visit for medical assessment</li> <li>Contact one of <u>600+</u> authorised prescribers, prescription written, patient contacts pharmacy, pharmacy orders product, patient collects product</li> </ul>	Access	<ul style="list-style-type: none"> <li>Consult with pharmacist at one of <u>6,000+</u> locations, pharmacist recommends and dispenses 30 day supply for condition</li> </ul>
<ul style="list-style-type: none"> <li>Prescriber consultation fee: \$150-300 (on-going)</li> <li>Product: as per selection</li> </ul>	Total patient costs	<ul style="list-style-type: none"> <li>Pharmacist consultation fee: \$0</li> <li>Product: as per selection</li> </ul>
<ul style="list-style-type: none"> <li>Multiple products available</li> <li>Manufactured in US facility</li> <li>All products non-intoxicating</li> </ul> 	Ananda capabilities	<ul style="list-style-type: none"> <li>Intend to register multiple products</li> <li>Manufactured in US facility</li> <li>Leverage existing marketing material for #1 US pharmacy brand</li> </ul> 

\*Freshleaf Analytics H2 2021. Australian Medicinal Cannabis Market

^Forecasted on legal and illegal market: Freshleaf Analytics Q3 2020. Australian Medicinal Cannabis Market – Patient, Product and Pricing Analysis

# Ananda Health

## Priority 4 - Partnership to address large unmet clinical need for treating gynecological



Successful responses shown above are consistent for all (31) patients to date.

- focused on addressing the significant need for new treatment and management options for gynecological diseases. Gynecological cancers account for >15% of cancers diagnosed in women globally.
- photos demonstrate that diseased cells of varying gynecological diseases (CONTROL) were completely eradicated upon treatment with Ananda Health's proprietary formulation (CBD Tx).
- four patents filed with USPTO following groundbreaking results in a clinical set-up study conducted with the University of Newcastle

*"Our work with Ecofibre addresses a pressing unmet clinical need to provide new treatment and management options for gynecological diseases. Women with metastatic gynecological cancers have limited treatment options. The 5-year survival rate of many gynecological cancers is lower than other solid cancers and has not significantly improved in the last 20 years. We are excited about these initial results and now developing strong scientific rationale for the clinical application of CBD for various gynecological disorders." Professor Pradeep Tanwar*



**HEMP BLACK**

*Be the recognized  
global leader in  
sustainable high tech  
hemp applications:*

# Hemp Black

## Overview

### Growth in revenue driven by

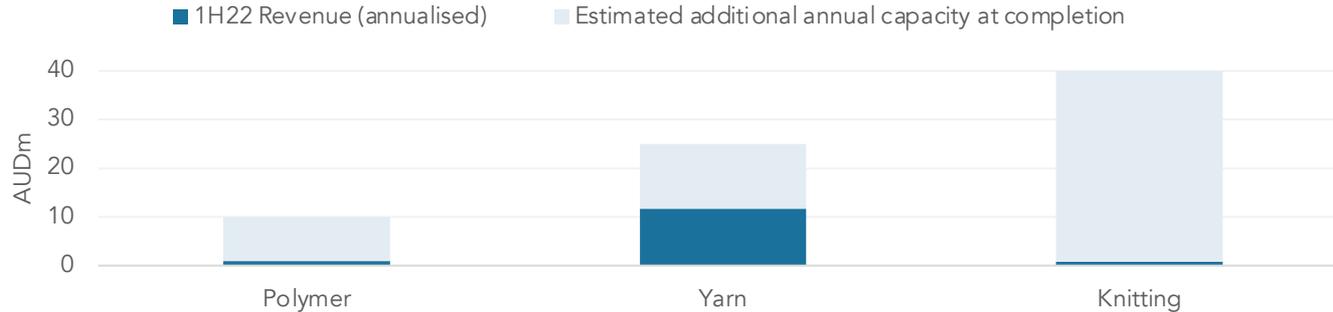
- core high performance yarn manufacturing capabilities, medical and outdoor turf lines
- revenues from new clients as product development stages completed

Strategic priorities remain constant – progressing delivery

1. Fill manufacturing capacity with existing and new clients
2. Establish new use cases for /eco<sup>6</sup> as a 100% bio-based carbon black

# Hemp Black

## Priority 1 - Filling our \$75m capacity with new and existing clients



<b>Existing capability at acquisition (Aug 20)</b>	<ul style="list-style-type: none"> <li>5lb/hr – R&amp;D scale</li> </ul>	<ul style="list-style-type: none"> <li>ultra-high performance medical yarn</li> <li>outdoor turf</li> </ul>	<ul style="list-style-type: none"> <li>3D flat knitting x 12</li> </ul>
<b>New capabilities</b>	<ul style="list-style-type: none"> <li>50lb/hr – pilot scale</li> <li>500lb/hr – commercial scale</li> </ul>	<ul style="list-style-type: none"> <li>Single component yarn #1</li> <li>Single component yarn #2 (2H22)</li> <li>Bi and tri-component yarn (2H22)</li> </ul>	<ul style="list-style-type: none"> <li>3D circular knitting x 11</li> </ul>
<b>Client development pipeline in progress or recently completed</b>	<ul style="list-style-type: none"> <li>4 Ocean reclaimed ocean plastics</li> <li>/eco6 masterbatch</li> </ul>	<ul style="list-style-type: none"> <li>Medical sock conductive yarns</li> <li>Glow in the dark yarns for safety applications</li> <li>Expansion of outdoor turf with /eco6 and /element</li> <li>/element yarn for global shoe manufacturer</li> </ul>	<ul style="list-style-type: none"> <li>High end department store owned brand seamless athletic wear</li> <li>Medical socks with automated feedback</li> <li>Additional components for Zoox</li> <li>One-piece knitted shoe for global footwear company</li> </ul>

# Hemp Black

## Pipeline for new industrial manufacturing clients continues to fill

### Develop

- Concept development with client's innovation teams
- Design and samples made with client's product development teams
- Internal feasibility review for scale manufacturing and commercial viability
- High volume samples purchased by client

Automobile  
industry

ZOOX

Medical socks



Global leader in  
outdoor turf –  
yarn extrusion.  
/element

Global shoe  
manufacturer  
/element and  
3D knitting

### Deliver

- Contract / commercial terms established. Initial purchase order
- Manufacturing and COGS incurred by Hemp Black
- Delivery of commercial scale production - revenue recognition for Hemp Black



ZOOX

Leading US  
department store  
3D knitting,  
/element



### Operationalise

- Long-term manufacturing program and continuous improvement



# Hemp Black

## Priority 2: What is carbon black?

### Carbon black



fossil fuels  
*(petroleum oil, coal tar, ethylene cracking tar, natural gas)*

### *Feedstock*

### HEMP BLACK /eco6

rapidly renewable  
industrial hemp



incomplete  
combustion of  
petroleum

### *Process*

pyrolysis with thermal  
oxidizer; no emissions  
other than oxygen



group 2B  
carcinogen

### *Toxicity*

non-carcinogenic  
*platinum material health certificate from Cradle-to-Cradle*



high-performance  
industrial carbon

### *Output*

high-performance  
industrial carbon



CARBON BLACK

*emits*

2.4 kilograms of CO<sup>2</sup>

*For every kg used*

HEMP BLACK

*sequesters*

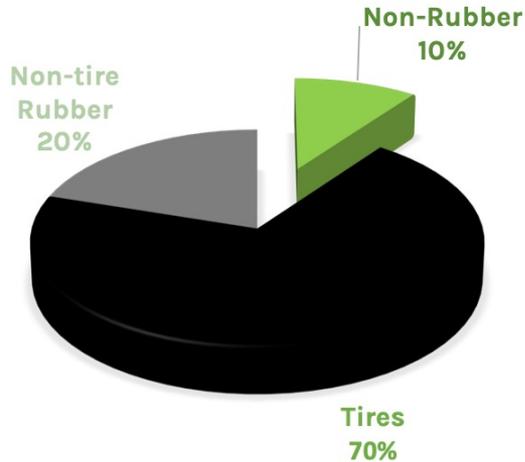
6.8 kilograms of CO<sup>2</sup>

# Hemp Black /eco<sup>6</sup>

Ecofibre's /eco<sup>6</sup> patents open opportunities as a direct replacement for carbon black as an ingredient in the plastics, inks and coatings segments

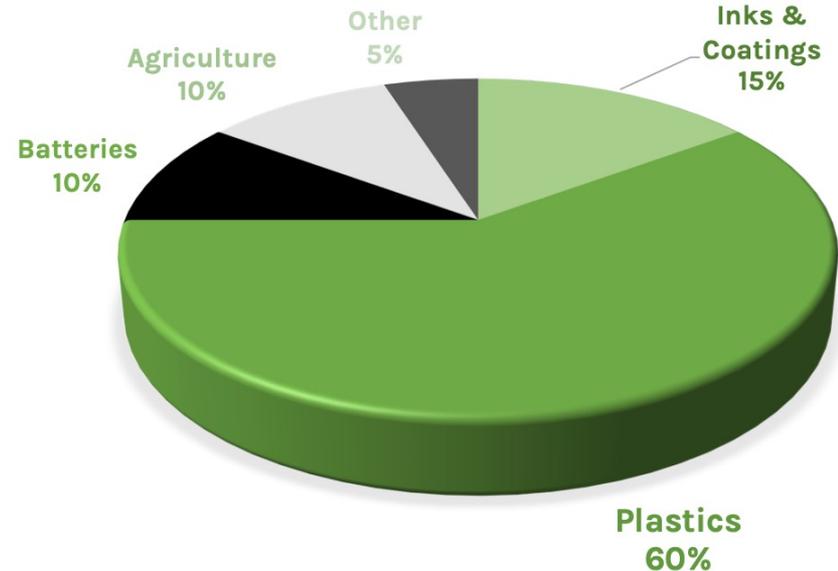
## CARBON BLACK MARKET

8.1M metric tons produced per annum for \$17.5B



## NON-RUBBER USES

810K metric tons produced per annum for \$1.75B



# Hemp Black

Use case: previous investment in capacity and IP enables large scale /eco<sup>6</sup> opportunities

- The global plastic pallets market size is expected to reach \$10.4B USD by 2028 at a CAGR of 5.6% from 2021 to 2028.
  - Fastest growing segment - robust, long-term, contamination-free, and eco-friendly
  - Not susceptible to moisture which can shelter bacteria and pests
- Companies increasingly opting for returnable pallets to reduce plastic waste caused by expendable or one-way pallets
- Plastic pallets typically made from robust materials such as polypropylene and high-density polyethylene  
In development phase of commercial pallets with biobased content between 25% - 50% which currently do not exist





*Be the leading hemp  
food product and  
ingredient supplier in  
Australia and the USA:*

# Ananda Food

## Overview

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**Revenue** growth driven by

- range expansion in Woolworths and Coles (white label clients)
- establishing planting seed exports
- new product launches

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Operations approaching **cashflow positive**

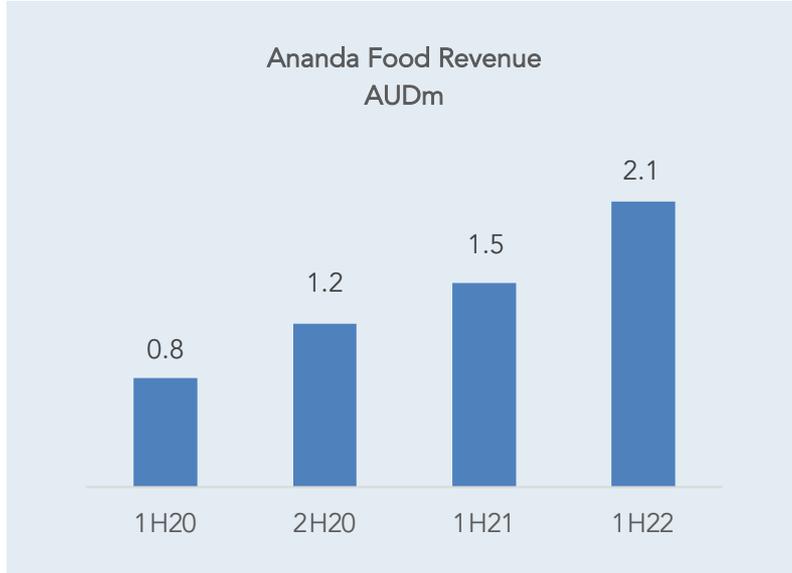
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**Significant progress** on our three strategic priorities in 1H22 led to improvement in gross margins from -3% to 31%

1. Lowest cost producer
    - continuing to build scale
    - continuous improvement in crop yields resulting in lower input costs
  2. Product innovation and brand
    - launched new equine feed product in 2Q22
  3. Becoming the leading provider of high quality hemp fibre planting seed genetics in the US and Australia
-

# Ananda Food

Steady growth in hemp foods continuing, and capitalising on seed demand



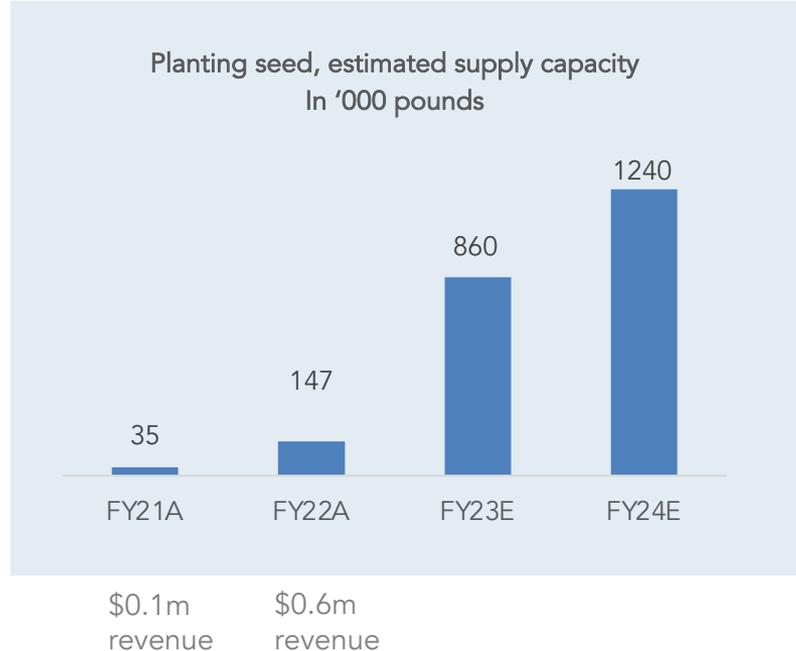
*Steady growth continues*

- Growth from existing and new customers
- Expect continued growth in planting seed sales



# Ananda Food

## Leading provider of hemp seed genetics in Australia and the US



- In FY22 Ecofibre supported commercial and trial crops in 9 States and 11 Universities
- ECO-MS77 widely considered the leading fibre genetic in the US due to yields and ability to grow in all US latitudes
- Fibre seed exports and sales
  - 35k lbs. in FY21
  - 147k lbs. in 2H22
  - demand currently outstrips supply
- One year lag in growing and selling seed
- Propagation of planting seed previously only in Australia. FY22 has propagation occurring in AUS and the US to costs and reduce transport risk.



# Agenda

## 1H22 results

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Overview	Eric Wang
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<b>Outlook</b>	<b>Eric Wang</b>

# Outlook

The Company remains confident in our strategies, continuing to manage through disruption, and double-downed focus on specific business drivers and commercialisation of investments.

We see independent pharmacy focus returning to more normal operations, excess supply leaving the market and our e-commerce platform growing. However, the timing for the recovery of Ananda Health to pre-COVID levels remains uncertain.

We see the Australian S3 over the counter market as a highly attractive opportunity and continue to progress the registration program as rapidly as possible to secure a market leadership position.

We expect continued growth in Hemp Black and Ananda Food as clients seek our advantaged manufacturing capabilities. We expect improved gross margins as we manage through inflationary pressures.