



FY21 Results Presentation

February 2022



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Elixinol CBD Brand (Digestible & Topical Products)



Hemp Foods Australia (Foods, Supplements & Skincare)



VISION

To create a healthier everyday life through the power of hemp and plant-based products

AMBITION

Building a global, hemp-centric wellness consumer products company

PURPOSE

Changing lives naturally!



Quality & Efficacy



True Heritage



Natural & Sustainable

FY21 Executive Summary

Continued business optimisation efforts drive 50% improvement in Adjusted EBITDA result (FY21 vs pcp) despite 38% revenue declines. Additional significant cost reduction initiatives underway.

While revenues were down 38% from FY20, Elixinol also delivered a 39% reduction in normalised operating cash outflows to \$22.5m (FY20: \$37.0m), improved its profitability and reduced Adjusted EBITDA losses to \$11.5m (FY20: \$23.2m loss).



Elixinol Americas continued its transformation agenda towards a capital light and e-commerce led branded wellness products business. A more focused channel and product strategy delivered a 14 pts Gross Margin improvement to 71% (FY20: 57%) whilst operating expenses were reduced by 40% to \$10.6m (FY20: \$17.6m). This resulted in a 61% Adjusted EBITDA improvement to a loss of \$5.5m (FY20: loss of \$14.2m). Growth focus on e-commerce expansion supported by new product launches.

Hemp Foods Australia has increased its importance to the Group result accounting for 44% of total revenues at near break-even levels. After a soft start, revenues improved throughout the year quarter by quarter resulting in a stable revenue but significant profitability gains following further portfolio optimisation and enhanced channel strategy geared towards margin accretion. E-commerce grew by 36% materially contributing to an overall Gross Margin improvement of 7 pts to 34% (FY20: 27%). Adjusted EBITDA improved 33% to near break-even at a \$0.2m loss. Growth focus on expanding national distribution and portfolio expansion.

Europe and UK saw a strategic shift in operations following extended COVID-19 lockdowns that severely impacted traditional retail sales and a stale-mate in the UK CBD industry following a year of regulatory uncertainty during the roll out of the Novel Foods legislation. The Group consequently disestablished its unprofitable direct operations and transitioned to a licensing model at the end of FY21. Consequently Adjusted EBITDA improved by 49% to a loss of \$2.3m (FY20: loss of \$4.5m).

Strategic Review to maximise shareholder value: The Board has commenced a strategic review which will include consideration of merger, sale or other options for the Company as a whole or its business units. Further significant opportunities identified to reduce corporate overhead cost.

Operational Highlights

Group wide transformation and restructuring efforts have driven profitability and EBITDA gains across all business units.

Well capitalized, strong margins, continually lowering cost structures and new momentum from an economic recovery, improved e-commerce capability and new product launches sets the scene for a more buoyant FY22 outlook.

Large scale business transformation drives \$11.3m OPEX savings with further optimisation initiatives available.



Margin accretion strategy enhanced Group margins by 7 pts to 52% and delivered incremental \$0.7m in margins. Further opportunities throughout FY22 as low EU business margins fall away.



Elixinol Americas delivers largest EBITDA improvement despite challenging market context and continued brand investment. Margins at record high of 71% and new e-commerce platform creates new momentum.



Investment focus on AU and US markets with strongest competitive position simplifies our business model and enables Group to compete more effectively.



Hemp Foods Australia's strategy to focus on profitability and range optimisation allows for increased investment to remain competitive whilst improving EBITDA by 33%

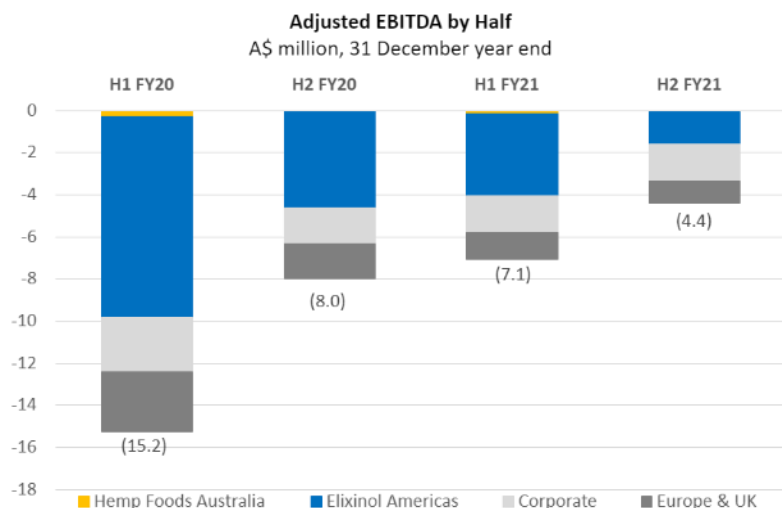


Corporate Cost Reductions
Normalised corporate cost reduced by 30% to \$3.4m* (FY20: \$4.9m) with further optimisation identified.



Group Financial Highlights

Elixinol Wellness is on a consistent EBITDA improvement trajectory having delivered its best EBITDA performance in recent periods and continues well capitalized with a strong cash position.



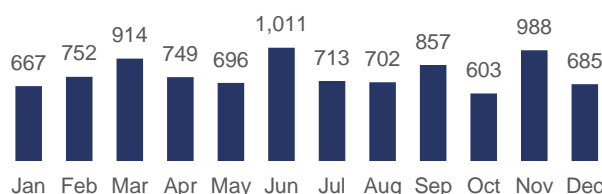
Adjusted EBITDA*

Improved significantly between FY21 and FY20, despite lower revenues with a reduced cost base supporting a simplified strategy.

Cost reduction program and higher margin business driving performance improvements.

H2 FY21 includes \$1.6m non-recurring income from US Employee Retention Credit program.

FY21 Revenues: \$9.3m (~38% vs PY) A\$'000, FY21



35%

Cost base reduction

Operational and corporate cost reduction initiatives have significantly reduced operating expenses FY21 compared with FY20.

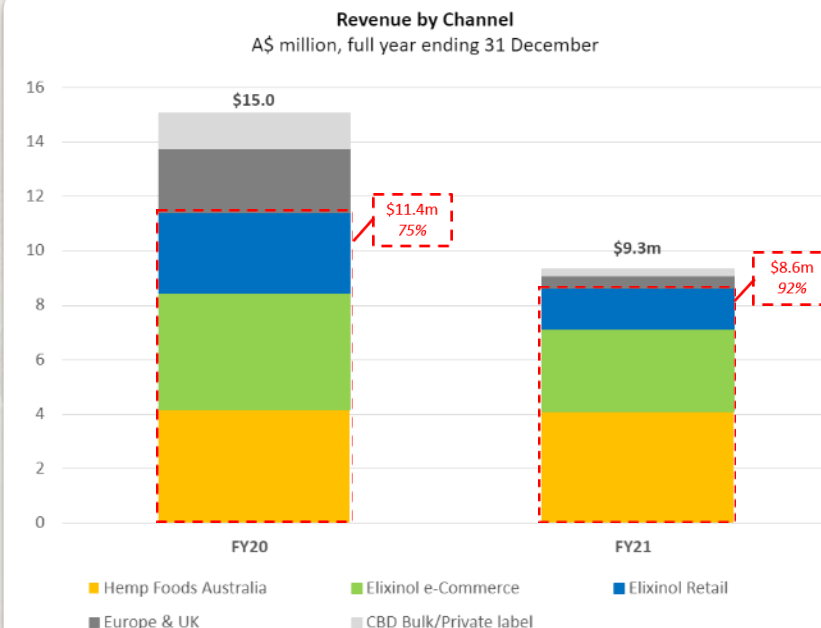
Well funded**

With improving cash flow, approximately five quarters of funding based on latest quarter.

\$14.7m

vs \$27.7m in FY20

5 qtrs



Revenue by channel

Divested low margin business to focus on higher margin branded products.

Driving margin improvement as business mix shifts towards e-commerce and branded consumer goods channels.

* Excluding non-cash impairments and share-based payments. ** \$12.6m Cash and cash equivalents at the end of the reporting period plus \$2.1m expected to be received from one-off US COVID-19 relief measures (\$1.6m from ERC program plus \$0.5m refund of taxes paid in prior financial years).

FY21 Financial Summary

Focus on higher margin branded products, e-commerce and tight cost controls drives significant profit improvement.

A\$'m	FY21	FY20
Revenue	9.3	15.0
Cost of goods sold	(4.4)	(8.3)
Gross profit	4.9	6.7
GP%	52%	45%
Operating expenses	(18.8)	(29.1)
Non-operating (expenses)/income	2.4	(0.8)
Adjusted EBITDA	(11.5)	(23.2)
Depreciation and amortisation	(1.5)	(3.2)
Impairment of assets	(3.9)	(74.2)
Share-based payments	(0.2)	0.3
Interest income/(costs)	(0.0)	0.0
Profit/(loss) before tax	(17.1)	(100.3)
Tax benefit/(expense)	0.1	(4.2)
Profit/(loss) after tax	(17.0)	(104.5)

- Strategy to focus on branded products and e-commerce channels driving significant margin improvement from 45% to 52%
- Business optimisation and tight cost control driving a reduction in operating expenses by 35% vs pcp

FY21 Business Unit Performance

EBITDA improvement across all business units.

A\$'m
Revenue
Gross profit
GP%
Operating expenses
Other income/(expenses)*
Adjusted EBITDA



Americas	
FY21	FY20
4.8	8.5
3.4	4.9
71%	57%
(10.6)	(17.6)
1.7	(1.5)
(5.5)	(14.2)

- Impacted by COVID-19 & CBD category consolidation
- Focus on e-comm & branded goods drives margin accretion
- 40% cost reduction

\$8.7m / 61% EBITDA improvement



Europe	
FY21	FY20
0.5	2.3
0.1	0.8
25%	32%
(2.5)	(5.2)
0.1	(0.1)
(2.3)	(4.5)

- Impacted by COVID-19
- Market stalled due to regulatory uncertainty
- Ceased direct trading Q4 FY21, low cost licensing model from FY22

\$2.2m / 49% EBITDA improvement



Australia	
FY21	FY20
4.1	4.2
1.4	1.1
34%	27%
(1.8)	(1.5)
0.2	0.1
(0.2)	(0.3)

- Portfolio optimisation driving margin improvement
- Building profitable distribution with Costco, Woolworths
- Near breakeven

33% EBITDA improvement

Corporate

FY21	FY20
(3.9)	(4.9)
0.4	0.6
(3.5)	(4.3)

- \$0.3m Sydney office sub-lease income
- Includes non-recurring transaction costs of \$0.5m
- 31% cost reduction**

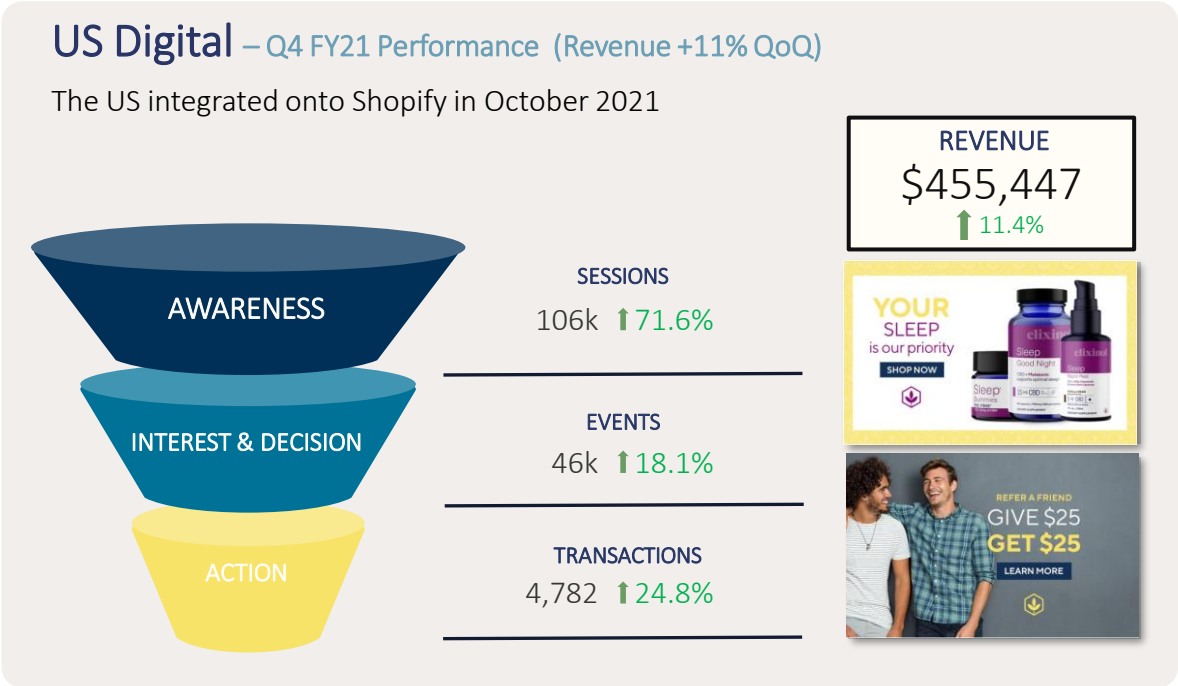
\$1.3m / 30% EBITDA improvement**

* Includes government grants COVID-19 relief measures and share of gains/(losses) from equity accounted investments.

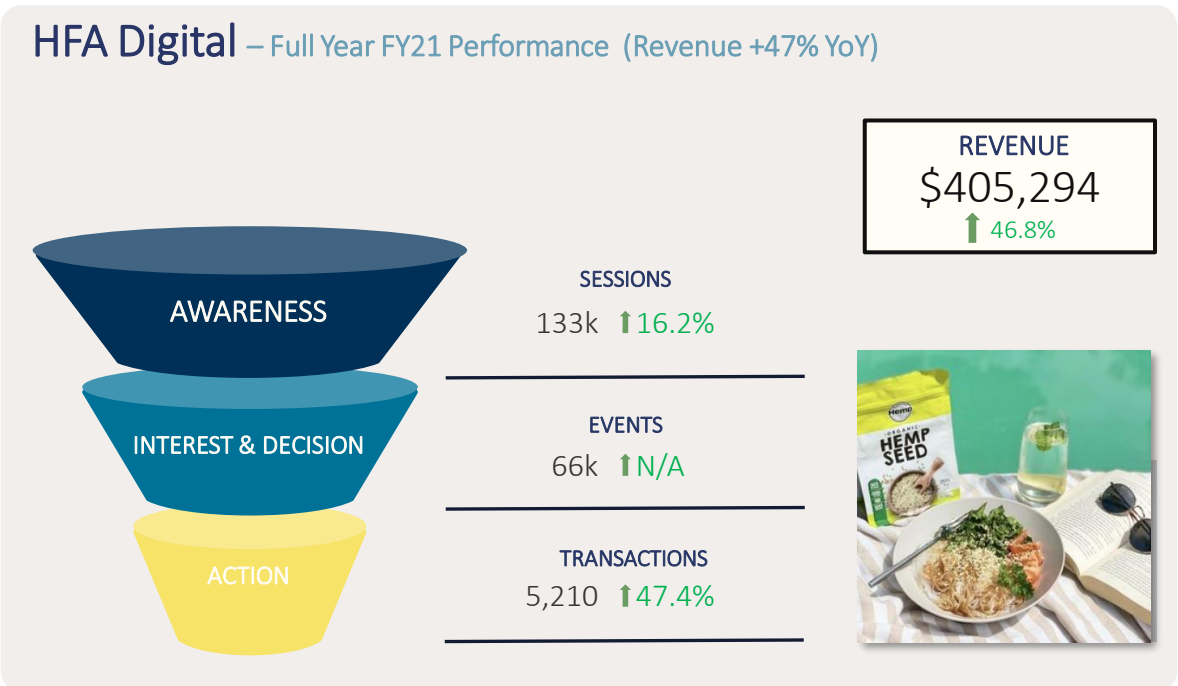
** Normalised to exclude non-recurring transaction costs of \$0.5m.

Digital Strategy Drives Growth and Profitability

39% of revenue was derived from e-commerce in FY21 (FY20: 33%). Continued efforts to move towards a digital growth business have yielded strong progress, with more upside ahead as the business focuses on attracting new consumers and improving user experience.



US: New e-commerce platform launched in October FY21 delivering material performance gains and new functionalities such as subscription services and a loyalty program. E-commerce accounted for 63% of segment revenues.



AUS: HFA benefited from COVID lockdowns and subsequent consumer shift to online whilst increasing its investment in traffic driving initiatives. E-commerce accounted for 12% of segment revenues.

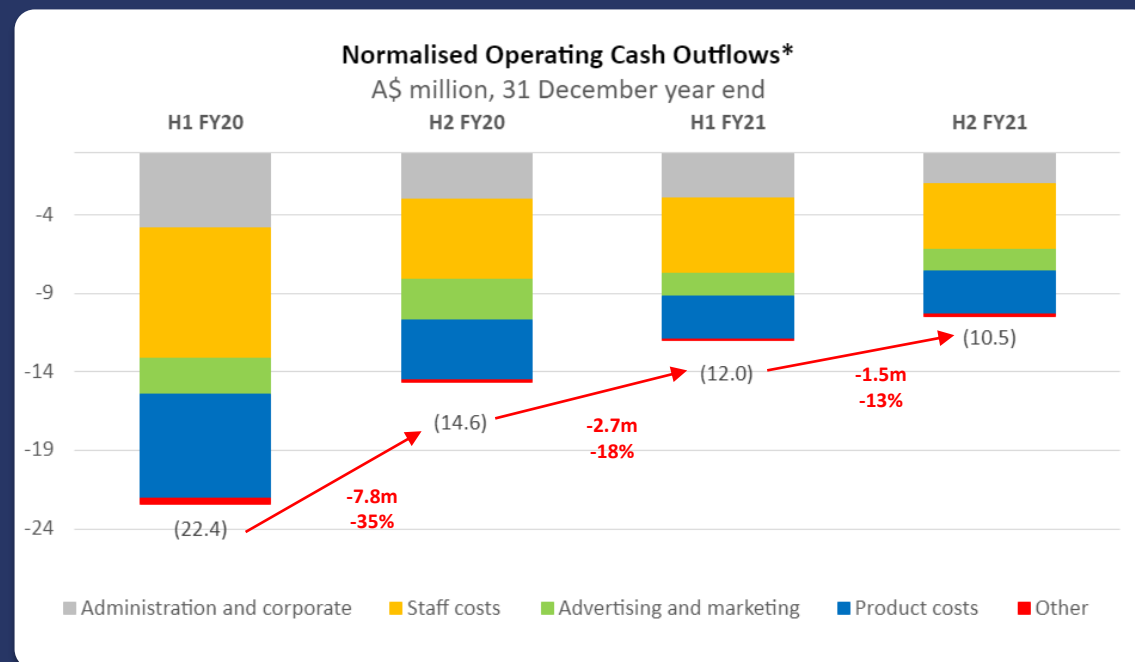
Note: 1. ‘Other’ refers to Referral, Social and Display

FY21 Cash Flow

38% reduction in cash used in operations.

A\$m	FY21	FY20
Operating activities	(14.1)	(22.6)
Investing activities	0.2	2.6
Financing activities	(1.2)	27.5
Net increase/(decrease) in cash	(15.1)	7.5
Opening cash on hand	27.7	20.4
Effect of change in foreign exchange	-	(0.2)
Closing cash on hand	12.6	27.7

- Simplified operating model has driven significant cost savings:
 - 38% reduction in cash used operating activities vs FY20
 - 39% reduction in normalised operating cash outflows vs FY20
- Based on Q4 FY21, approximately 5 quarters of funding (including \$2.1m expected to be received from one-off US COVID-19 relief measures)
- Further cost reductions underway to address corporate cost structure



* Excludes non-recurring government grants, transaction and severance costs

FY21 Financial Position

Well funded with \$12.6m cash and virtually no debt.

A\$m	31 Dec 2021	31 Dec 2020
Current assets		
Cash and cash equivalents	12.6	27.7
Trade & other receivables	3.0	1.2
Inventories	2.2	4.7
Other	1.8	1.8
Total current assets	19.6	35.4
Non-current assets		
Property, plant and equipment	1.3	2.5
Investments	2.6	2.3
Intangible assets	0.5	0.9
Other	1.3	1.4
Total non-current assets	5.7	7.1
Total assets	25.3	42.5
Liabilities		
Trade and other payables	2.2	2.8
Other current liabilities	2.5	2.2
Non-current liabilities	1.5	1.8
Total liabilities	6.2	6.8
Net assets	19.1	35.7

- \$12.6m cash on hand plus \$2.1m expected to be received from one-off US COVID-19 relief measures
- Strong working capital management
- Reduced capital expenditure requirements due to simplified, capital light business model

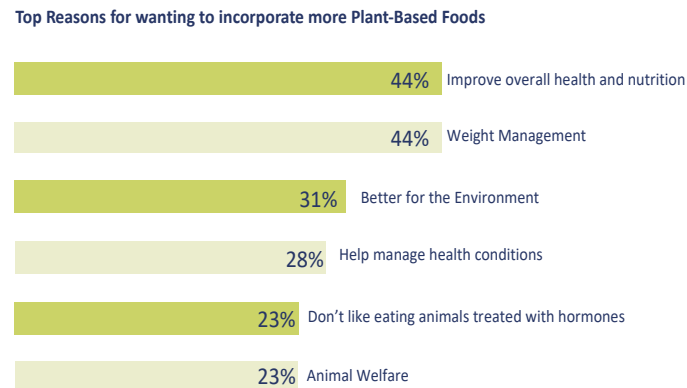
A woman is shown from the waist up, sitting on a beach and looking up with her arms raised in a celebratory gesture. She is smiling broadly. The background is a bright, hazy sunset over the ocean, with soft, golden light and scattered clouds. The overall mood is one of joy and achievement.

Outlook & Strategy

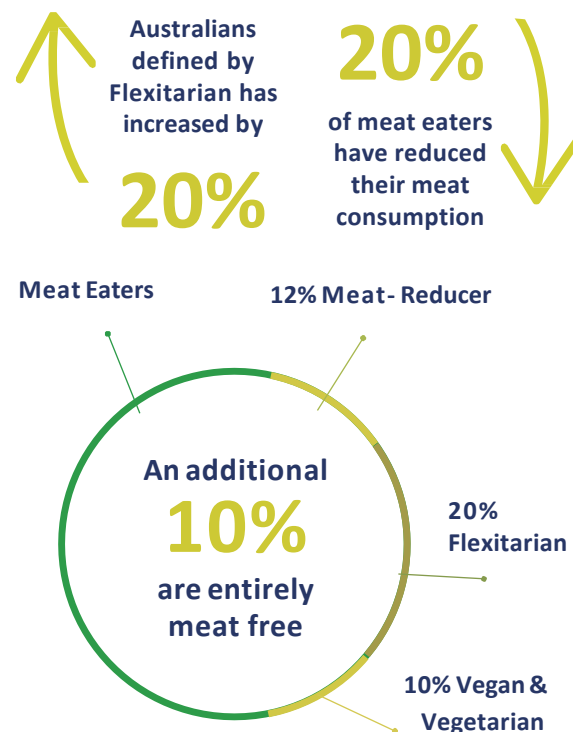
Outlook: Hemp food and CBD products an answer to the growing trend for plant-based nutrition and nutraceuticals

Hemp food in Australia

The rise in dietary trends such as vegan / vegetarian and flexitarian has seen consumers turn to plant-based foods, with increasing numbers of people turning their backs on meat. In Australia, millions are reducing their meat intake and interest in plant-based alternatives is gaining considerable momentum.



Source: "What you Need to Know About the Meteoric Rise in Flexitarian Eating." Mattson. August 2017



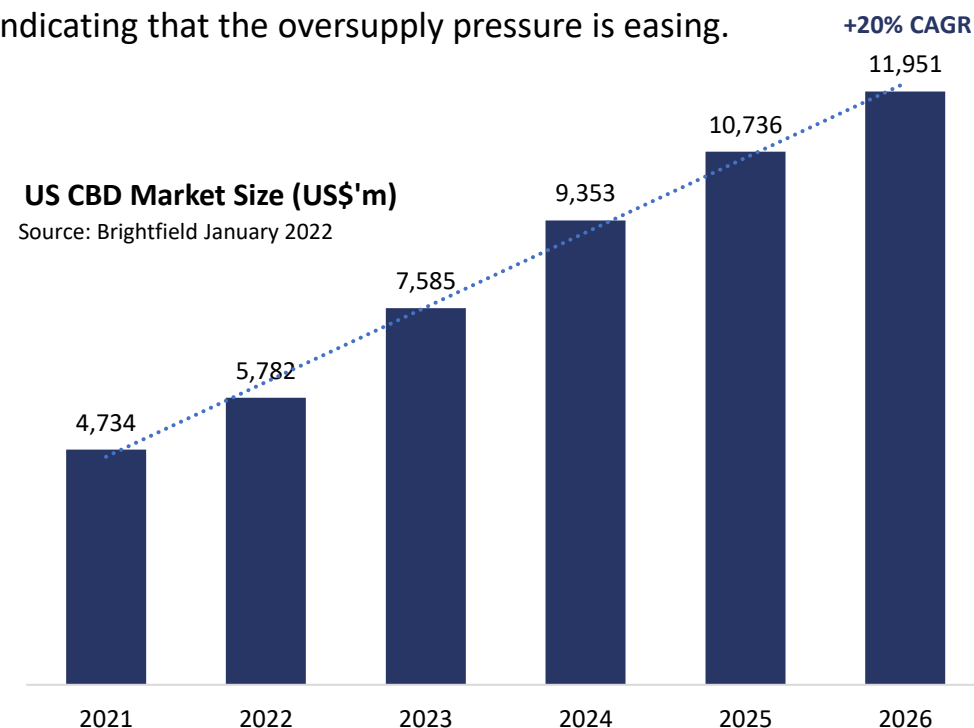
Source: Hungry for plant-based Australian consumer insights, Oct 2019.

CBD in U.S.A.

Sales are expected to reach \$12.0 billion by 2026, driven by accelerated growth of ingestibles, as well as larger mainstream distribution channels, like grocery. The regulatory environment is developing positively with new Congressional bills receiving bi-partisan support and California legalising CBD as dietary supplement. Prices appear to be stabilizing indicating that the oversupply pressure is easing.

US CBD Market Size (US\$'m)

Source: Brightfield January 2022



Global Strategy & Initiatives

VISION: To create a healthier everyday life through the power of hemp & plant-based products

REGIONAL PRIORITIES: As we re-build profitability, we will focus our investments on our most established markets in the US and Australia where we have a strong competitive position whilst maintaining a watching brief in the EU/UK depending on regulatory progress.

Goals

Initiatives

Foundations



Accelerate e-commerce growth

- Increase traffic through paid social, influencers and pay-per-click investment
- Further improve user experience and site speed
- Activate B2B e-commerce function



Let Nature Shine

Nature's best ingredients — for your full potential.

SHOP NOW



Broaden national retail distribution in all regions

- US: Participate in bricks & mortar category recovery
- Australia: Woolworths, Coles and pharmacy chains distribution drive



Immune Support starts here.

New Immune Out Health: the only CBD capsule with 'Ginger'.

SHOP NOW



Innovate in functional foods & CBD nutraceuticals

- US: New formats and scientifically proven formulations
- Australia: Continued portfolio expansion into snacks, protein powders as well as rejuvenation of existing product ranges



Improve profits through business optimisation

- Complete US supply chain outsourcing by Q1 FY22
- Continued cost reduction including corporate
- Further margin accretion through shift towards high margin e-commerce and high margin NPD

Sustainability

Internal Wellness Culture

Quality & Compliance

Customer & Consumer Insights

New Product Development Initiatives

FY21 investment in building a R&D and innovation capability has delivered a wide reaching new product launch pipeline that will see new product throughout H1 FY22.



Elixinol will expand CBD offering with new formats and complex formulations.

LAUNCHED

- Sleep Liposomes
- Sleep Gummy
- THC Free Warming Balm

COMING

- Functional gummies
- Functional tinctures
- Functional capsules



H1 FY22



HFA brand relaunch and packaging overhaul will be accompanied by new protein and snack category expansions.

- New Protein range
- 100% recycled packaging launch
- Seed mixes
- Complete nutrition shake



Summary

Well positioned in global consumer wellness trend
for natural and plant-based food
and nutraceuticals



Business transformation
has improved
and will further strengthen
fundamentals

Improved outlook
due to a better economic
environment and end of COVID-
19 restrictions

New product development pipeline will drive entry into new
product categories and drive
incremental growth

**Strong balance sheet with
\$14.7m of funding**
and virtually debt free
(as of 31 December 2021)



Strategic Review
will create new options to
maximise shareholder value
further



Thank you



ElixinolWellness
Natural wellness for people and the planet