



# H1 FY23 Results Presentation

30 August 2023



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## Vision

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

## Ambition

Building a global, natural wellness consumer products company

## Purpose

Changing lives naturally!



## Elixinol Americas (digestible & topical products)



# Operational Highlights

Group wide transformation and restructuring efforts continues to drive profitability and EBITDA improvements.



**Hemp Foods Australia’s focus on revenue growth and profitability** with a complete brand and packaging refresh enabling new distribution and ranging opportunities.



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



**New product development pipeline** expected to drive entry into new product categories and drive incremental growth.




**Large scale business transformation drives a further \$2.5m (36%) OPEX saving** with additional optimisation initiatives implemented.



**Elixinol Americas continues to deliver EBITDA improvement** despite challenging market context.



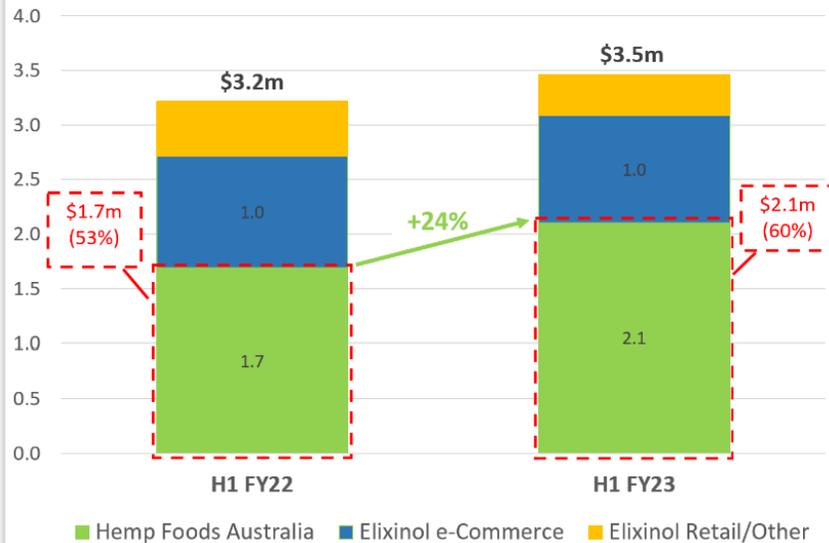
**Corporate cost reductions** Corporate team reduced by 66% contributing a further \$0.8m (36%) reduction in underlying cost base.



# Financial Highlights

Adjusted EBITDA significantly improved for the 7<sup>th</sup> consecutive half year period.

**Revenue by Channel**  
A\$ million, half year ending 30 June



## Revenue by channel

24% growth in Hemp Foods Australia, strategically important market and growing its share of total business.

Elixinol eCommerce revenues flat in a challenging market context, driven by subscription-based revenues and a loyal customer base.

## 36% cost base reduction

Operational and corporate expense reduction initiatives have continued to significantly reduce operating expenses.

**\$4.5m in H1 FY23**

vs \$7.0m in H1 FY22



## 56% improvement in normalised net operating cash utilised

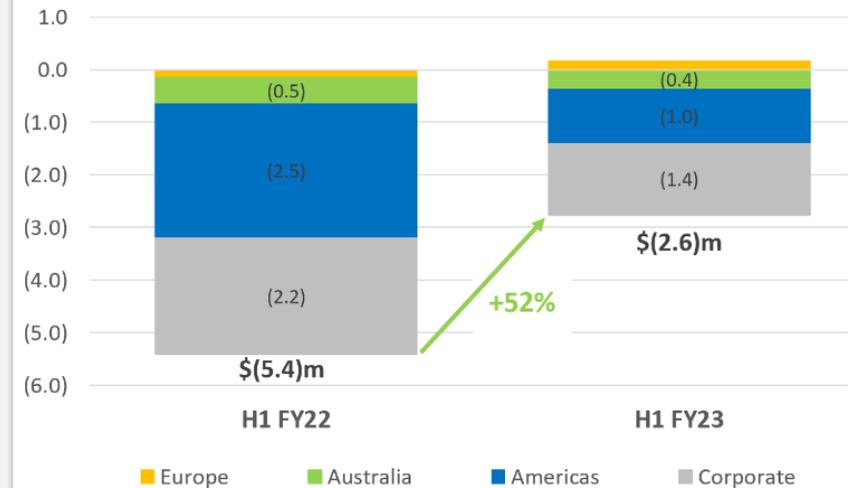
Ongoing improvement since FY20, despite lower revenues, due to ongoing business optimisation efforts.

**-\$2.4m in H1 FY23**

vs -\$5.4m in H1 FY22



**Adjusted EBITDA by Half**  
A\$ million, half year ending 30 June



## Adjusted EBITDA<sup>1</sup>

Ongoing improvement since FY20, led by a reduced cost base to support a simplified strategy.

Cost reduction program driving performance improvements.

<sup>1</sup> Excluding non-cash impairments and share-based payments.

# H1 FY23 Results Summary



# Segment Performance

Driving EBITDA improvement across all business units.

BYRON BAY BORN 1999  
**Hemp Foods**  
 AUSTRALIA

**elixinol**

A\$'m	Australia		Americas		Rest of World		Corporate	
	H1 FY23	H1 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22	H1 FY23	H1 FY22
Revenue	2.1	1.7	1.3	1.5	-	-	-	-
Gross profit	0.7	0.5	0.9	0.9	-	-	-	-
GP%	32%	31%	66%	63%	-	-	-	-
Operating expenses	(1.0)	(1.0)	(2.1)	(3.7)	-	(0.1)	(1.4)	(2.2)
Other income/(expenses)*	0.0	0.0	0.2	0.2	0.2	(0.1)	0.0	0.0
<b>Adjusted EBITDA</b>	<b>(0.4)</b>	<b>(0.5)</b>	<b>(1.0)</b>	<b>(2.5)</b>	<b>0.2</b>	<b>(0.2)</b>	<b>(1.4)</b>	<b>(2.2)</b>



- Building profitable distribution with Costco, Woolworths
- Margins slightly improved despite rising input costs
- Operating costs maintained including investment in NPD

**Near breakeven EBITDA**

- Impacted by regulatory uncertainty and CBD category consolidation
- Elixinol Life launched August 2023
- 43% cost reduction

**\$1.5m (60%) EBITDA improvement**

- Market stalled due to regulatory uncertainty
- Ceased direct trading Q4 FY21, low-cost licensing model from FY22
- Recovery of additional \$0.2m arbitration award

**\$0.4m EBITDA improvement**

- Includes \$0.2m non-recurring legal & termination costs\*
- Corporate team reduced from 6 to 3 (2 effective H2 FY23)

**\$0.8m EBITDA improvement**

# Financial Summary

Tight cost controls drive significant profit improvement.

A\$m	H1 FY23	H1 FY22
Revenue	3.5	3.2
Cost of goods sold	(1.9)	(1.7)
Gross profit	1.6	1.5
GP%	46%	47%
Operating expenses	(4.5)	(7.0)
Non-operating (expenses)/income	0.3	0.1
Adjusted EBITDA	(2.6)	(5.4)
Depreciation and amortisation	(0.3)	(0.4)
Impairment of assets	(0.3)	(1.1)
Share-based payments	(0.4)	(0.1)
Interest income/(costs)	0.1	-
Profit/(loss) before tax	(3.4)	(7.1)
Tax benefit/(expense)	-	-
Profit/(loss) after tax	(3.4)	(7.1)

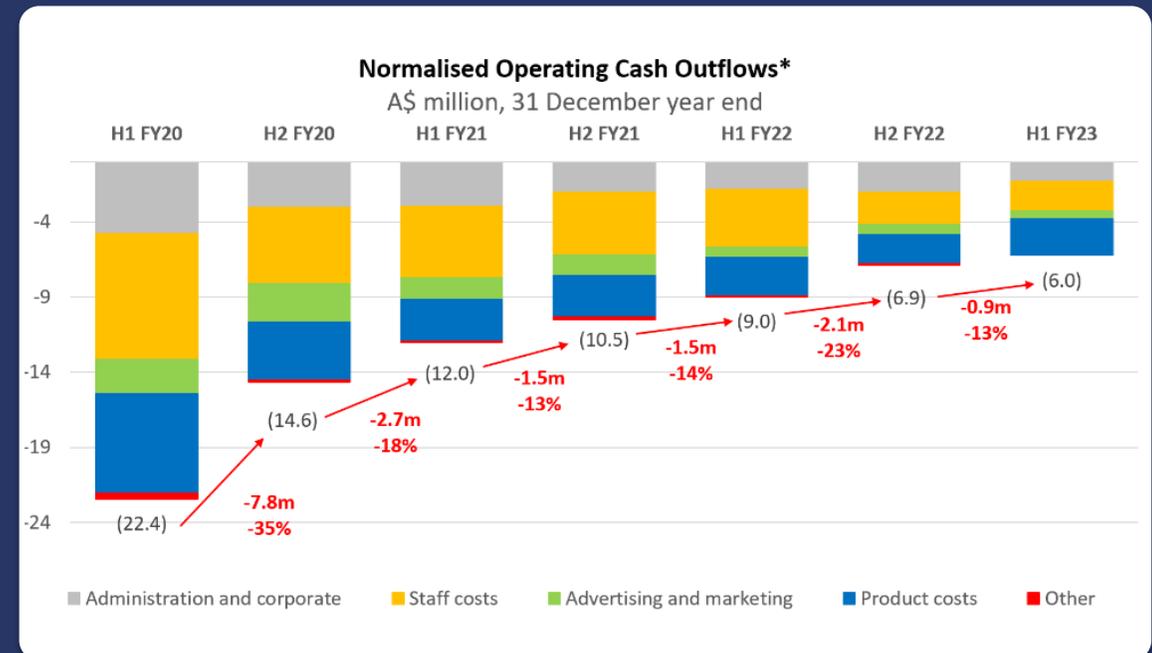
- 9% revenue growth vs PCP, led by 24% growth in Hemp Foods Australia
- Business optimisation and tight cost control driving a reduction in operating expenses by 36% vs PCP

# Cash Flow

56% reduction in normalised net operating cash utilised.

A\$m	H1 FY23	H1 FY22
Operating activities	(0.6)	(5.3)
Investing activities	(1.0)	-
Financing activities	1.7	(0.4)
Net increase/(decrease) in cash	0.1	(5.7)
Opening cash on hand	2.9	12.6
Effect of change in foreign exchange	-	-
Closing cash on hand	3.0	6.9

- Simplified operating model has driven further significant cost savings:
  - 56% reduction in normalised net operating cash utilised vs H1 FY22
  - 13% reduction in operating cash outflows vs H2 FY22
- Cost reductions implemented to simplify business model and reduce corporate cost structure



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

# Financial Position

\$3.0m cash on hand as at 30 June 2023.

A\$m	30 June 2023	31 December 2022
<b>Current assets</b>		
Cash and cash equivalents	3.0	2.9
Trade & other receivables	2.8	4.0
Inventories	1.7	1.7
Other	0.6	0.7
<b>Total current assets</b>	<b>8.1</b>	<b>9.3</b>
<b>Non-current assets</b>		
Property, plant and equipment	0.3	0.4
Investments	2.9	2.8
Intangible assets	0.2	0.2
Other	0.5	0.8
<b>Total non-current assets</b>	<b>3.9</b>	<b>4.2</b>
<b>Total assets</b>	<b>12.0</b>	<b>13.5</b>
<b>Liabilities</b>		
Trade and other payables	1.4	1.4
Other current liabilities	1.9	2.0
Non-current liabilities	0.4	0.9
<b>Total liabilities</b>	<b>3.7</b>	<b>4.3</b>
<b>Net assets</b>	<b>8.3</b>	<b>9.2</b>

- \$3.0m cash on hand as at 30 June 2023
- Continued prudent working capital management
- Reduced capital expenditure requirements due to simplified, capital light business model



# Strategy & Outlook



# Business Transformation



- Leader in innovating, marketing and selling hemp derived and plant-based products
- Operations across the United States and Australia delivering significant global reach
- Well positioned in the global consumer wellness trend for natural and plant-based food and nutraceuticals

- Premium hemp and plant-based health brand with Tier 1 Australian retail relationships
- Producer, manufacturer and distributor of premium hemp and plant-based health products
- Operates in high-growth market verticals: plant-based food, pet supplements and sustainable ingredients
- Developing proprietary hemp isolate and concentrate product

- Creates a global plant-based food, health and wellness company, with pro forma Australian revenues to immediately almost double
- Highly complementary product range and shared new product development capabilities within the combined group
- Immediate cost synergies with potential future revenue synergies
- Expanded distribution network providing cross-sell opportunities and the ability to expand existing relationships



Aligned vision to build a leading global plant-based food, health & wellness company

# Background



**Creates a global plant-based food, health and wellness company**



**Highly complementary product set with improved product innovation**



**Expands distribution network**



**Increases size and scale**



**Leveraged to strong sector tailwinds**

# Strategic Rationale

- Strengthens product portfolio across health food nutrition, hemp-based nutraceuticals such as CBD and pet nutritional supplements
- Optimises access to large Australian based hemp-growing farmer network
- Hemp protein isolate development expected to deliver a highly differentiated ingredient offering

- Number of brands increase from 4 to 8
- Unique products across the human nutrition, food, CBD, pet and wellness verticals
- Combined group new product development and IP sharing will assist in driving cost effective growth

- Immediately broadens distribution capabilities across Australia to over 4,000 locations
- Substantial cross-sell opportunity for EXL and TSN brands
- Expand existing relationships with partners and distributors
- Accelerates e-commerce growth with increased product range

- Pro forma Australian revenues to immediately almost double
- Aims to realise economies of scale through the rationalisation of operations and distribution channels
- Immediate cost synergies and additional revenue synergies expected to be realised over time

- Positioned to leverage the mainstream shift towards plant-based, sustainable nutrition products
- The global plant-based protein market is expecting significant growth<sup>1</sup>

<sup>1</sup> Food Frontier: Hungry for plant-based: Australian Consumer Insights, Colmar Brunton, October 2019

# Highly Complementary Product Range

Combined group to deliver products across 4 key verticals

## Human Nutrition



## CBD Consumer Products



## Pet Wellness



## Skincare



# Leveraging a Diversified Distribution Network

Immediately broadens the distribution network

## Retail:

- ✓ Strengthened retail network with complementary expansion in distribution channel for both EXL and TSN
  - Combined Australian distribution of over 4,000 stores:
    - Hemp Foods Australia products stocked in circa 3,500 stores
    - TSN products stocked in circa 500 incremental stores
  - Ability to broaden and increase existing relationships with partners and distributors for combined group

## E-commerce: Digital strategy to drive growth and profitability

- ✓ Accelerates growth in established e-commerce platforms
  - Combined group to have 7 e-commerce sites
  - Increased SKU and product range to drive growth, website traffic and online sales
  - Potential to leverage US e-commerce channels for TSN products

## Wholesale: Strengthens wholesale offering

- Potential to cross-sell TSN products through EXL US platform and relationships

		
<h3>Retail</h3>		
<h3>E-commerce</h3>		
<h3>Wholesale</h3>		

# Increase in Operational Scale and Size

## Increased scale with a clear pathway to profitability

- Significant uplift in revenue immediately realised through combination
- Ongoing margin expansion expected through the consolidation of operations
- TSN and Hemp Foods Australia targeting cash-flow breakeven in H1 FY24



### Strategic reviews:

- EXL's strategic review focused on reducing annualised operating costs by approximately **\$3.2m**
- TSN's strategic review placed an emphasis on optimising the company's product SKU's and reducing operating expenditure
- TSN reduced annualised operating costs by **\$1.1m**

## Access to a large Australian based hemp-growing farmer network



- Access to a farmer network cultivating and harvesting hemp seed on behalf of TSN and EXL
- Strong farming yields of up to 1.9T/ha in FY22
- Large 800sqm, Certified (HACCP, GFSI – stage 1, stage 2) processing facility with significantly increased de-hulling capacity

## Expected to realise economies of scale within the larger combined group

- Operations consolidated into a single manufacturing facility by 1 Sep 2023
  - TSN's Geelong facility can satisfy dehulling and packing requirements for the combined Group
  - Warehousing, packaging and dispatch to be managed from a central hub

### Identified cost reductions / synergies:

- Scope to significantly reduce freight charges
- Expected consolidation of farmer networks likely to improve supplier costs for the combined group
- Expected reduction in corporate costs
- Expected to reduce annualised operating costs by **\$2.3m**

# Strong Tailwinds

Group ideally positioned to benefit from significant macroeconomic tailwinds

## Plant-based protein market

- Rise in dietary trends such as vegan / vegetarian and flexitarian has seen consumers turn to plant-based foods
- Global plant-based protein market expected to significantly grow from US\$10.3bn in 2020 to US\$17.5bn in 2027F<sup>1</sup>

## Significant near-term market growth driven by...



Shift towards overall health and nutrition



Rising agricultural costs



Greater consciousness on environmental impact



Increasing accessibility of meat alternatives



Increased awareness of animal wellness in relation to animal-based products

**32%** of Australians are “flexitarians” or “meat reducers”<sup>1</sup>

**46%** increase in Australian plant-based grocery sales in FY20<sup>2</sup>

**2x** plant-based products in Australian Supermarkets<sup>2</sup>

1. Food Frontier: Hungry for plant based: Australian Consumer Insights, Colmar Brunton, October 2019  
2. Food Frontier; 2020 State of the Industry, Australian Plant Based Meat Sector

## CBD in the USA

- EXL has right sized the US business to drive cost effective growth within the US CBD market
- According to latest Brightfield Group report (2023), CBD sales expected to reach \$10.3bn by 2028\* (assuming the implementation of federal regulation by 2024)

**Industry and bi-partisan support for CBD to be recognised as a dietary supplement in the US expected to be a significant catalyst for the market**



# Summary

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

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

**Ongoing business transformation** to a leaner cost structure, further strengthening fundamentals



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

**TSN acquisition** now complete and will increase the size and scale of Elixinol Wellness

**\$3.0m cash on hand** as at 30 June 2023

Thank you

