



Elixinol
Wellness

Quarterly Activities & Appendix 4C

Q2 Ending 30 June 2024

ASX ANNOUNCEMENT

Q2 FY24 Activities Review and Appendix 4C

30 July 2024: Elixinol Wellness Ltd (ASX:EXL) (“EXL”, “Elixinol”, “Company” or “Group”), a producer, manufacturer and distributor of sustainable plant-based nutrition and nutraceutical products, is pleased to report its Quarterly Activities Review and Appendix 4C for the three months ending 30 June 2024 (“Q2 FY24” or the “Quarter”).

Highlights

- **Sustained Growth:** Q2 Group revenue up **118% (\$2M) to \$3.7M from \$1.7M a year ago**. Q2 represents the 7th consecutive quarter of revenue growth. This uninterrupted growth is reflected in unaudited **H1 revenue which almost doubled to \$6.8M from \$3.5M PCP**.
- **Record Australian revenue:** Another record quarter with **Q2 sales of \$3.2M, a twofold increase over Q2 FY23, and 29% improvement on Q1’s \$2.5M**. With **H1 (unaudited) Australian revenue of \$5.8M (up 174% YOY)**, Elixinol’s recent acquisitions -The Sustainable Nutrition Group Ltd (TSN) and Ananda Food (AF)- are already having a meaningful impact on sales performance.
- **Elixinol Americas reports positive EBITDA:** Although revenue was softer again in Q2, **online sales grew by 10% over Q1 FY24 and wholesale orders almost doubled**. The transition to a lean e-Commerce business is now complete, and with a new Shopify site up and running, **H2 FY24 sales are expected to report significant improvement**. Importantly, despite lower sales, **the Americas made another positive contribution to Group EBITDA in Q2 (\$26K)**.
- **Strategic Achievements:** Completion of the Ananda Food (AF) acquisition at the end of Q1 cements Elixinol’s **leadership in plant-based nutrition across Australia**. By the end of Q2, all AF food lines had successfully transitioned to Victoria with no DIFOT impact and record orders dispatched in June.
- **Cost Management:** **Cost optimisation** picked up pace in Q2 with the Company implementing a **slimmed down organisational structure**. **Enhanced in-house processing is expected to yield COGS improvement and further cost savings** over the remainder of 2024 with gross margins across the Australian portfolio of **32% Q2 vs 29% in Q1**.
- **Cash balance of \$1.6M at 30 June:** Closing cash balance of \$1.6m at 30 June was impacted by an investment in inventory and ‘one-off’ costs associated with the integration of the AF business and facilities. While reported cash burn was \$1.8m, **excluding these one-off costs and investment, operating cash burn was \$637K**.
- **Outlook:** The Group continues to push towards its **FY24 sales target of \$16M-\$20M and EBITDA break-even in H2 FY24** through execution of its significant cost out program and gains from operations’ rationalisation. Additional marketing activity will also support revenue growth.

Q2 FY24 Performance

Group revenue climbed for the 7th consecutive quarter in Q2 to **\$3.7M**, 17% more than Q1 (\$3.04M) and 118% more than a year ago (Q2 FY23: \$1.7M). Notably, despite supply chain inflation, **Group margins held steady at 36%** thanks to **strict cost management and operational efficiencies**. This is also reflected in unaudited H1 revenue of **\$6.8M from \$3.5M** last year.

Another Australian Record

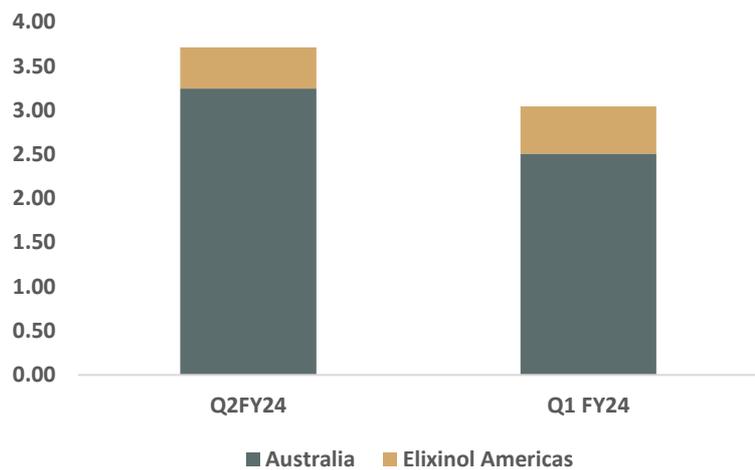
Elixinol's **Australian business** continues to go from strength to strength with **sales of \$3.25M in Q2**. Revenue more than doubled from **\$1.06M a year ago**. On a **like-for-like basis**, including TSN and Ananda Food, **revenue climbed 32% PCP (Q2 FY23:\$2.45M)** with a **gain of 29% over Q1 (\$2.51M)**.

Sales increased across most brands and channels with Hemp Foods Australia (HFA) **up 27% on Q1 and 41% PCP. Mt. Elephant** echoed this trend with revenue gains of **17% and 29%** respectively, while **Ananda Food (AF)** contributed **\$686K** to Q2 revenue (**53% PCP**). The Australian Superfood Co. (TASCO) and **bulk ingredients** bucked this trend with flat to slightly softer sales of **\$331K and \$417K** respectively, during the quarter. Distributors and Grocery were the strongest channels.

Cash Receipts and Outflows

The Group recorded **cash receipts of \$3.7M in Q2 FY24**, **\$758K more than last quarter** and **\$1.85M up on a year ago** before the TSN and Ananda acquisitions.

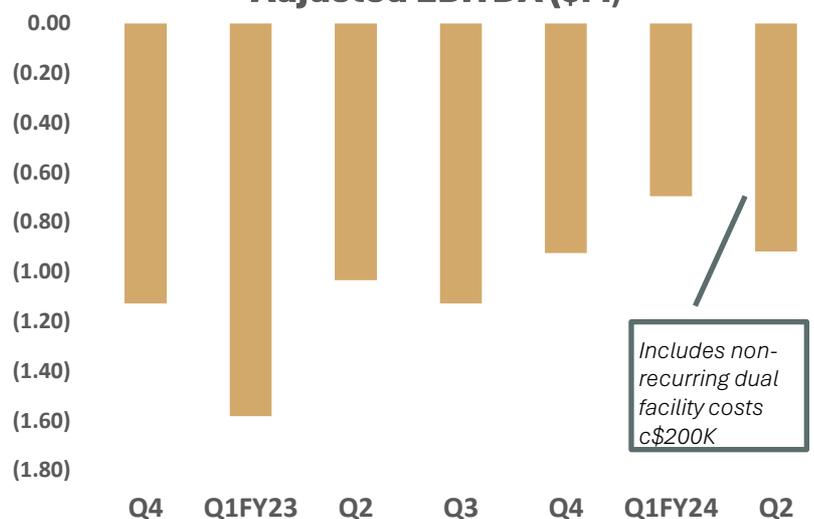
Group Revenue (\$M)



Cash used in **Q2** operating activities jumped from **\$1.8M in Q1 to \$3.0M**, mainly due to one-off expenditures (**\$450K**) related to the corporate transactions, commencing business integration, additional inventory purchases (**\$591K**) and corporate restructuring. Other expenditures was deployed to support revenue generation through product development, brand building, and the continued expansion of retail distribution in Australia. Without the one-off costs, operational cash burn during the quarter was **\$637K**, 10% lower than **Q4 FY23's** spend of **\$700k**.

Management will continue strict cost control to ensure the Company achieves break-even EBITDA in H2. By the end of Q2, all Ananda food lines had been successfully transitioned to Victoria (Geelong) with no DIFOT impact and record orders dispatched in June. Scaling and synergies are expected to deliver more COGS improvement and savings in line with the Company's goal of finally extinguishing EBITDA losses in 2024.

Adjusted EBITDA (\$M)



* Adjusted to exclude non-cash impairments, share-based payments and non-recurring expenditure.

Brand Updates

Hemp Foods Australia (HFA) launched **Functional Drinking Chocolate and Chai, and Functional Broths** in its top 3 distributors in June. The launches went well with early indications of strong customer take up during the month.

Hemp Foods Australia achieved sales growth of 34% Q2 YOY and also achieved strong loyalty growth. A key driver was the distributor channel that delivered 74% growth YOY.

Mt Elephant launched 4 SKU's in Coles in Q2 and continued growth in brand loyalty, which has been tracking **above the category average** in grocery, with **41.8%** by the end of the quarter, which drove revenue 20.7% higher YOY.

During Q2, the Company proactively recalled 3 Mt. Elephant SKUs based on a predicted cross contamination of an allergen. The financial impact of this is forecast to be c\$200K.

Elixinol USA

Despite challenges relating to Shopify platform updates and some temporary out-of-stocks, sales are starting to pickup with **online store sessions up by 17% on Q1. Online store sales also grew by 10% during the quarter** with both order value and returning customer rates exhibiting significant improvement. **Wholesale orders surged by an impressive 189%**. These favourable indicators provide a strong foundation for better sales performance in H2 and a corresponding increased contribution to Group EBITDA. **Elixinol USA contributed \$26K to Group EBITDA in Q2.**

Geelong Scaling and Synergies



Chair, David Fenlon, believes that “Elixinol is on track to achieve profitability and sales of \$16M-\$20M this year. The integration of Ananda is already starting to unlock efficiencies with corresponding COGS benefits and improved EBITDA. Like Australia’s Olympians, the Elixinol Team has a razor-sharp focus on the Olympic motto of “Citius - Altius - Fortius” (Faster - Higher - Stronger).”

Hemp Food Australia – New Products



Cash Balance

As of 30 June 2024, EXL had available funding of \$1.6M, post payment for Ananda Food and one-off expenses. Non-reoccurring expenses in Q2 of \$450k as well as the product recall expenses had an impact on the cash burn rate. Without these one-off expenses, the Company's cash burn rate was \$637k. As detailed earlier, in Q2, the Company invested significantly in inventory to enable it to deliver its FY24 sales forecast.

The Company can also drawdown available finance, which provides early access to trade debtors and assists in funding inventory purchases.

Related Party Statement

In accordance with Listing Rule 4.7C.3 payments to related parties of \$128K were made during Q2. These payments comprise Non-Executive Director fees and payments to Executive Director Natalie Butler who joined the Board at the end of Q1 FY24. EXL's Non-Executive Directors are continuing to perform additional duties while the Company recruits a new CEO.

For information and insight, please click on the link below.

<https://investorhub.elixinolwellness.com/link/Dex0be>

Authorised for release by the EXL Board of the Company.

For further information, please contact:

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Note: None of the information included in this announcement should be considered individually material, unless specifically stated. All figures in this announcement are provided on an unaudited basis. This Report may include certain statements, estimates, or projections with respect to the anticipated future performance of the Group, and any ongoing or future projects. These statements, estimates or projections are based on assumptions about future events and management actions that may not necessarily take place and are subject to significant uncertainties. No representation is made as to the accuracy of those statements, estimates or projections

About Elixinol Wellness

Elixinol Wellness Limited (ASX: EXL) is a leader in the global hemp industry, innovating, marketing, and selling hemp and other plant-derived food, skincare, and nutraceutical products:

In Australia, Elixinol Wellness operates a vertically integrated business which produces, manufactures, and distributes a range of highly complementary products delivered across four verticals – human nutrition, human wellness, pet wellness and superfood ingredients. These products are sold under brands including Hemp Foods Australia, Mt Elephant, Ananda Food, Soul Foods and Field Day and are sold through grocery, wholesale, and e-commerce channels. The Australian Superfood Co also supplies Australian natives and superfood ingredients to white label customers as well as food, beverage, and beauty manufacturers.

Elixinol USA sells high quality Elixinol branded hemp and other plant-derived nutraceutical and skincare products.

See more at www.elixinolwellness.com

Appendix 4C

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

Name of entity

Elixinol Wellness Limited

ABN

34 621 479 794

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,702	6,646
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(3,005)	(4,789)
(c) advertising and marketing	(248)	(443)
(d) leased assets	98	172
(e) staff costs	(1,092)	(1,851)
(f) administration and corporate costs	(860)	(1,384)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	19	23
1.5 Interest and other costs of finance paid	(30)	(66)
1.6 Income taxes paid/(received)	(2)	(3)
1.7 Government grants and tax incentives	-	-
1.8 Other – non recurring	(450)	-
1.9 Net cash from / (used in) operating activities	(1,868)	(2,145)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(g) entities	-	-
(h) businesses	-	(2,000)
(i) property, plant and equipment	(33)	(45)
(j) investments	-	-
(k) intellectual property	-	-
(l) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	2,112	2,265
	(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	Cash acquired on equity settled business combination	-	200
2.6	Net cash from / (used in) investing activities	(2,079)	420

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	3,164
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	(178)	(395)
3.5	Proceeds from borrowings	56	296
3.6	Repayment of borrowings	(265)	(468)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	(387)	2,597

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,749	708
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,868)	(2,145)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,079	420
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(387)	2,597
4.5	Effect of movement in exchange rates on cash held	4	(3)
4.6	Cash and cash equivalents at end of period	1,577	1,577

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	1,577	1,749
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,577	1,577

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	128
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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.

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)	638	622
7.4 Total financing facilities		-
7.5 Unused financing facilities available at quarter end		16
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.	<p>A Trade Debtor Finance facility of up to \$1,500,000 was established with Scottish Pacific Business Finance Pty Ltd ("ScotPac"), in December 2023. As of 30 June 2024, \$622,180 of this facility was drawn against a total available drawdown of \$638,000. The interest rate on drawn amounts is 10.74% p.a. secured against the assets of wholly owned subsidiary, Elixinol Wellness (Byron Bay) Pty Ltd. The minimum term of the facility is two years from 20 December 2023.</p>	

8 Estimated cash available for future operating activities	\$A'000
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8 Net cash from / (used in) operating activities (item 1.9)	(1,868)
.	
1	
8 Cash and cash equivalents at quarter end (item 4.6)	1,577
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2	
8 Unused finance facilities available at quarter end (item 7.5)	16
.	
3	
8 Total available funding (item 8.2 + item 8.3)	1,593
.	
4	
8 Estimated quarters of funding available (item 8.4 divided by item 8.1)	0.9
.	
5 <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 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

6

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?

The Company expects net operating cash outflow to decrease in the future. This is due to a high level of non-recurring cash outflows in the quarter and approximately \$200K in transition costs from the Ananda Food acquisition. Additionally, investments in new product launches and additionally inventory of \$590k occurred during the quarter. Furthermore, from July 2024, synergies from the Ananda acquisition and enhanced revenue growth should reduce normalised net operating cash outflow further.

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?

During the quarter, the Company sold its non-core investment in Pet Releaf raising additional capital. It also has up to \$1,500,000 available through a Trade Debtor Finance facility to support future working capital requirements. Increased sales and operational synergies from the Ananda Food acquisition are also expected to reduce cash outflow going forward.

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?

The company anticipates continuing operations and achieving its business objectives. It plans to secure funding through existing and new facilities to support these goals. Additionally, it expects to reduce net cash outflows by leveraging current and new revenue initiatives and realising scale and operational synergies following recent business acquisitions and organisational restructuring.

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:30 July 2024.....

Authorised by:The Board.....
(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.