



## September 2021 Quarterly Update

28 October 2021

### Key highlights:

- Quarterly cash receipts of \$2,555,000 representing a 24.9% increase on previous quarter
- Completed strategic CanPharma acquisition, providing immediate access to Germany - Europe's largest and fastest growing medicinal cannabis market
- Positioning for growth in key European market by appointment of Europe-based Group CEO and Executive Director
- Continued expansion of product range through the execution of multiple distribution agreements

**Health House International Ltd (ASX:HHI)** ("Health House" or the "Company"), an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe, is pleased to provide its operational update alongside its Appendix 4C for the three months ended 30 September 2021 (Q1 FY21).

### Health House Internationals CEO, Mr David Atwood commented:

*The quarter saw a 24.9% increase in cash receipts that reached a total of A\$2,555,000. This was driven by growth in sales in the UK and Australian businesses. In particular, the Australian operations successfully took advantage of continued growth in the Australian medicinal cannabis sector.*

*Following shareholder approval in July 2021, on 10 August 2021, the group completed on the acquisition of CanPharma, a German medicinal cannabis sales, distribution and manufacturing company. This represents the start of the implementation of a growth strategy to build a leading presence in Europe, the global region with the highest potential for medicinal cannabis sales."*

### 24.9% cash receipts increase in September 2021 quarter

Health House generated quarterly cash receipts of A\$2,555,000 in Q1 FY21, this represented growth of 24.9% when compared to previous quarter. Growth in cash receipts was mainly due to strong sales in Australia and the United Kingdom, with drivers including:

- Health House Australia
  - Expansion of product range through the execution of a number of distribution agreements,
  - The market seeing a 30% quarterly growth in the Therapeutic Goods Administration (TGA) SAS Category B approvals<sup>1</sup>
- Health House United Kingdom
  - Successfully navigating the challenges of COVID-19 and Brexit, which had initially negatively impacted European exports

### **CanPharma Acquisition**

On 10 August 2021, Health House completed the acquisition of CanPharma GmbH (the “Acquisition”). As part of the Acquisition CanPharma executive Dr Henrik Sprengel was appointed as a director and Mr David Attwood as the chief executive officer of the Company.

Mr Attwood and Dr Sprengel are both based in Europe and will focus initially on growing the Company’s European business.

Since completion of the Acquisition, CanPharma has commenced scaling its operations, which included:

- Appointment of new sales director and initiating the build out of its own sales team which will market CanPharma and third-party products direct to doctors in key German territories
- Selling extracts under own brand and flower from Bedrocan
- Developing relationships with a number of suppliers with a view to offering a wider range of products into the German market
- Incorporation of Kalapa Germany GmbH, a German limited company as 100% subsidiary of Kalapa Clinic S.L. in Spain, the pioneer medicinal cannabis consultancy for doctors and patients in the EU; in order to be able to offer consultancy and in Germany in the coming periods

Highlights of the CanPharma acquisition include:

- CanPharma provides a path to the patient in the only European medicinal cannabis market of scale: Germany
- One of the few German companies specialising in medicinal cannabis to hold a GMP manufacturing licence enabling repackaging, branding and release of product into the EU
- Led by a team of seasoned entrepreneurs and pharma-industry veterans

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<sup>1</sup> <https://www.tga.gov.au/medicinal-cannabis-role-tga>

- CanPharma is a sales and distribution company that is integrating pharma-industry best practice to build brand and educate doctors and patients
- Has been distributing medicinal cannabis in Germany since 2019 and has recently launched its own branded range of extracts in May 2021
- Owns Kalapa Clinic, the pioneer medicinal cannabis consultancy in the EU, with online services available in six languages. In addition to patient consultancy activities, Kalapa also provides educational training to health care professionals
- Based in Spain, the Kalapa Clinic provides a strong position from which to expand into the Spanish market when legislation allows.

### *Completion of Acquisition*

Under the terms of the Acquisition, Health House issued 18,000,000 shares and 18,000,000 performance shares to the CanPharma vendors as consideration. The Company has also issued a further 18,000,000 performance shares to CanPharma management as an incentive.

CanPharma management collectively hold securities issued under the Acquisition as follows:

Shares	Performance Shares (and Shares issued on conversion of Performance Shares)	Total
11,172,960	29,172,960	40,345,920

On 20 August 2021, Health House International Limited issued 900,000 Performance Shares and 450,000 fully paid ordinary shares to Gemelli Nominees Pty Ltd related to the Acquisition.

### **Operational Activities**

#### Financial Snapshot

The Company's net cashflow used in operations for the quarter was \$964,000. The Company's operational expenses mainly comprised of inventory and operating costs (\$1,684,000), staff costs (\$800,000), administrative and corporate costs (\$499,000) and costs associated with the acquisition of CanPharma of (\$363,000).

Cash receipts included \$2,555,000 mainly generated from sales in Australia and the United Kingdom.

#### Listing Rule 4.7C.2

Below is a comparison of Health House's actual expenditure on the individual items in the "use of funds: statement of expenditure program since the date of admission", being 16 April 2021, against

the estimated expenditure on those items in the “use of funds: statement on expenditure program in the prospectus”.

Use of funds	During the quarter	Per Prospectus
Business development – UK/Europe <sup>1</sup>	3,086,000	2,300,000
Business development – Asia/Pacific <sup>1</sup>	1,313,000	1,650,000
Online platform development <sup>2</sup>	-	900,000
Acquisitions of complementary businesses	668,000	1,750,000
Working capital	1,305,000	910,000
Expenses associated with the acquisition <sup>3</sup> (including expenses of the offers)	249,000	590,000
	6,621,000	8,100,000

Notes:

1. Business development is significantly funded by cash receipts from customers in each market.
2. Online platform development has not yet commenced, however remains a part of the Health House’s future business activities.
3. Some expenses associated with the acquisition were incurred and settled prior to admission.

#### Listing Rule 4.7C.3

In item 6 of the attached Appendix 4C, HHI recorded payments to related parties during the quarter of approximately \$184,000 comprising Director Services of \$62,000 and Non-Director Services – consulting services provided prior to completion of the CanPharma acquisition of \$90,000, and legal and strategic consulting services provided by associates prior to completion of the CanPharma acquisition of \$26,000 and serviced office expenses of \$6,000.

The Company closed the quarter with a strong cash position of \$3,419,000.

## **Forward Looking Activities**

Health House and the entities it controls (the Group) looks forward to continuing implementing its growth strategy, by focusing on growing revenues by expanding its core operations to become the leading international pharmaceutical distributor, specialising in medicinal cannabis products.

Health House believes that the medicinal cannabis sector will converge with the traditional pharmaceutical industry across all aspects of the value chain including sales processes, delivery systems, standards of evidence, regulatory oversight and digital innovation. The Company is focused on leading the development of the sector with this in mind.

### *Distribution and geographical expansion*

Health House is focused on expanding its operations in key strategic markets including Australasia, the UK and Europe. It will do this by leveraging its existing and extensive industry relationships, to enter into new distribution agreements to build out its product range and supplier base.

### *Sales Team and Marketing*

To support its growing operations and expanding global footprint, Health House will strengthen its team to support customers and suppliers and to focus on product sales and marketing together with ongoing market development. As markets demand it, it will bring pharma-industry best practice in sales and patient care.

### *Education and Digital Innovation*

Health House has been a pioneer in medicinal cannabis education in Australia. Following the acquisition of CanPharma, the Group now incorporates Kalapa Clinic, the first medicinal cannabis patients and doctors' consultancy in the EU. Health House believes that the medicinal cannabis sector is in its infancy and growth requires education and building trust with patients: it will do this by leveraging and expanding existing activities into current and other geographies.

Consistent with its belief in the convergence of medicinal cannabis with the traditional pharmaceutical sector, Health House will develop digital tools to order to generate data and loyalty along the patient journey.

### *Acquisitive expansion*

Health House's Board, management team and advisors have a proven track record of identifying and implementing strategic acquisitions and successfully integrating these into existing businesses.

Health House believes that it continues to be well placed to attract and identify potential acquisition targets in strategic markets to build out its business and expand its geographic distribution footprint.

This announcement has been approved and authorised for release by the board of Health House International Limited.

**David Attwood**  
**Chief Executive Officer**

**About Health House ([www.healthhouse.com.au](http://www.healthhouse.com.au))**

Health House International and the entities it controls (**the Group**) is an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe.

The Group is a fully licenced and regulated specialised importer, exporter and distributor currently distributing medicinal cannabis products from 14 producers to pharmacies, prescribers, specialist medicinal cannabis clinics and researchers across Australasia. In the UK and Germany, the Group holds all relevant licences (including GMP manufacturing), Wholesale Dealers and Controlled Drugs licences the Company supplies pharmacies, hospitals, government departments and other wholesalers with medicinal cannabis and general pharmaceutical products in the UK and Europe. The Group also integrates education of patients and healthcare professionals in the use of medicinal cannabis as a core part of its activities and is developing digital tools to enable a holistic understanding of usage.

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