



December 2021 Quarterly Update

27 January 2022

Key highlights:

- Quarterly cash receipts of A\$4,028,000 representing a 57.6% increase on the previous quarter
- Strong sales across the group, particularly in Australia and the UK
- German subsidiary, CanPharma, implements a number of key strategic activities to support future growth

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 31 December 2021 (Q2 FY21).

Health House International’s CEO, Mr David Atwood commented:

We are extremely pleased with our results this quarter, we saw a 57.6% increase in cash receipts which exceeded A\$4 million for the first time. We also saw an increase in our drawn down debtor financing facility and a small increase in receivables.

The team have worked tirelessly in driving the growth in sales in the UK and Australian businesses. In particular, the Australian operations successfully took advantage of regulatory changes and momentum in the Australian medicinal cannabis sector.

57.6% cash receipts increase in December 2021 quarter

Health House generated quarterly cash receipts of A\$4,028,000 in Q2 FY21, this represented an increase of 57.6% when compared to the previous quarter. In addition to the 57.6% increase in cash receipts, in the UK, a strong trading performance in the Christmas period enabled the group to work with its invoice discounting partner to increase the facility available to the group. As at the quarter end, the Company had drawn down A\$543,000 (30 Sep: A\$272,000) under this facility. Growth in cash receipts was mainly due to strong sales in Australia and the United Kingdom, with drivers including:

- Health House Australia
 - Regulatory change which allowed a wider range of products to be dispensed by pharmacists favouring the Health House platform that holds market leading range
 - Strong sales despite low quarter-on-quarter increase in TGA Approvals¹
 - Expansion of product range through the execution of a number of distribution agreements
- Health House United Kingdom
 - Strong trading across the customer base in the quarter
 - Enhanced invoice discounting facility
- Health House Germany (CanPharma GmbH)
 - The quarter was the first full quarter of integration of the German operations of CanPharma GmbH leading to moderate additional cash receipts for the Group as CanPharma works to further develop its operations.

Key Operational Achievements

Australia

During the quarter, Health House Australia continued to be one of the leading sources of education to doctors and patients. Health House considers its education as a key driver to grow both the Australian medicinal sector as well as strengthening the Health House brand to increase sales.

In the quarter, Health House Australia expanded its activities in Victoria to provide direct support to pharmacists to obtain the right product for their customers. This is in addition to its well-established activities in Queensland, Western Australia and New South Wales. Furthermore, Health House Australia has expanded its range of products to enhance a “one-stop-shop” offering to pharmacists.

Germany

During the quarter, despite significant disruption from the fourth wave of COVID, CanPharma has continued scaling its operations and implementing its strategy, which includes:

- Continuing the building out of its sales force in key strategic regions in Germany: this team will market CanPharma branded and third-party products direct to doctors
- Selling extracts under own brand and flower from Bedrocan
- Re-started direct import of own-brand flowers

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

- Developing regulatory pathways in order to bring a number of innovative products into the German market
- Started with build out of “pharma-focused” strategy to differentiate within the market:
 - o Implemented an observational trial into the effect of CanPharma brand extracts on patients’ quality of life and doctors’ prescribing habits
 - o Took and minority stake in the Patient Support Programme (PSP – pharma industry best practice to support patients and drive adherence to prescription) Provider that had helped design CanPharma’s PSP
 - o Agreed to provide training courses to doctors within the region of North Rhine as a pilot for wider collaboration across the country
 - o Becoming a preferred supplier to a statutory insurance company for the supply of extracts

United Kingdom

The UK saw another strong quarter of growth across its customer base. The Health House UK team should be proud of their achievements and continued collaboration with its EU based customers as they ensured supply met demand while navigating the post-BREXIT regulatory framework. Health House UK also managed to continue to supply its customers without delay, despite the challenging impact of the Omicron variant on global logistics.

Additional Information

Financial Snapshot

The Company’s net cashflow used in operations for the quarter was \$2,133,000. The Company’s operational expenses mainly comprised of inventory and operating costs (\$3,653,000), staff costs (\$976,000), administrative and corporate costs (\$1,475,000).

Cash receipts included \$4,028,000 predominantly 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 ¹	2,653,000	2,300,000
Business development – Asia/Pacific ¹	1,880,000	1,650,000
Online platform development ²	-	900,000
Acquisitions of complementary businesses	-	1,750,000
Working capital	1,353,000	910,000
Expenses associated with the acquisition ³ (including expenses of the offers)	-	590,000
	5,886,000	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 \$91,000 comprising Director Services of \$87,000 and Non-Director Services – and serviced office expenses of \$4,000, as well as payments to associates during the quarter of approximately \$47,000 comprising of legal and strategic consulting services of \$33,000 and rent of \$14,000.

The Company closed the quarter with a cash position of \$1,417,000. The Company is in discussions with multiple parties that have the capacity to provide funding for the company through debt or equity. The Company is confident of being able to raise sufficient funding to continue to operate as it continues to grow revenues through Australia, Germany and the United Kingdom.

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)

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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