



**International Distributor of  
Medicinal Cannabis**

**ASX ANNOUNCEMENT**

**ASX CODE: HHI**

**31 July 2022**

## **June 2022 Quarterly Update**

### **Key highlights:**

- **Quarterly cash receipts of A\$4.3M bring total for FY22 to A\$15.2M**
- **Robust sales across the group, particularly in Australia**
- **In July 2022, Health House International Limited signed a non-binding term sheet with Creso Pharma Limited ("Creso") for Creso to acquire Health House**
- **Previously announced merger with Zelira terminated due in the context of changed capital market conditions**

**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 June 2022 (Q4 FY22).

### **Health House International's CEO, Mr David Attwood commented:**

*We are pleased to again generate in excess of A\$4million in cash receipts this quarter. FY22 was very positive for the Group with Health House increasing its annual cash receipts by 88% to A\$15.2 million (FY21 A\$8.1 million).*

*Health House is also excited by the prospect of joining the Creso group. Should it proceed, the proposed merger of Health House with Creso would create a extended global organisation with*

*strong medicinal cannabis production and distribution capabilities, giving shareholders exposure to cannabis markets across three continents including the global leader, North America*

### **A\$4.3mn cash receipts in quarter; FY22 receipts reaching A\$15.2mn**

Health House generated quarterly cash receipts of A\$4,269,000 in Q4 FY22. This was comparable to the previous quarter (A\$4,368,000) and took 2H FY22 to A\$6,583,000 a 31% increase on 1H FY22.

In the full year to 30 June 2022 (FY22), Health House generated A\$15,219,000 in cash receipts.

Receipts and sales compared to last quarter varied across the group:

- Health House Australia
  - Maintained similarly high level of sales to last quarter despite disruption from regulatory changes and supply constraints
- Health House United Kingdom
  - Maintained similarly high level of sales to last quarter despite regulatory disruption at a customer level and funding constraints affecting purchases
- Health House Germany (CanPharma GmbH)
  - Restricted cash affected stock purchases, however total sales in Germany continued to scale in this quarter leading to an increased contribution to cash receipts from CanPharma in Germany

### **Non-binding term sheet**

Subsequent to quarter end, on 29 July 2022, HHI entered into a non-binding term sheet with Creso Pharma Limited (ASX: CPH) (**Creso**), under which it is proposed that Creso will acquire 100% of the shares in Health House by way of a scheme of arrangement to be undertaken by Health House (**Scheme**). The Scheme will be subject to shareholder and Court approval in accordance with the requirements of Part 5.1 of the Corporations Act 2001 (Cth).

The proposed transaction is subject to the Creso completing satisfactory due diligence on Health House's businesses and the satisfaction of a number of other conditions standard for transactions of this nature.

Under the Scheme, Creso will issue shares to Health House shareholders giving Health House shareholders approximately a 7.3% interest in the expanded capital of Creso, and valuing

Health House at \$4,630,388 based on Creso's current share price and representing a 67% premium to Health House's market capitalisation based on the closing price of Health House shares prior to Health House's voluntary suspension.

CPS Capital Group Pty Ltd is acting as Health House's corporate advisor for the proposed merger.

### **Scheme implementation deed terminated with Zelira**

In February 2022, HHI and Zelira Therapeutics Limited (ASX: ZLD) (Zelira) signed a binding terms sheet under which it was proposed Zelira acquire 100% of the shares in Health House by way of a scheme of arrangement (Scheme). The companies executed the scheme implementation deed on 19 April 2022.

On 22 June 2022, the parties announced that they had agreed to terminate the merger in the context of the substantial change in market conditions since the announcement of the proposed Scheme and following consultation with key stakeholders regarding the likelihood all conditions precedent would be met, specifically whether a sufficient number of shareholders would vote in favour of the Scheme in the circumstances.

On the same date, Health House requested a voluntary suspension of the trading of its shares whilst it completed a material capital raise: as at the date of this update, the shares remain suspended.

### **Key Operational Achievements**

#### Australia

In the quarter, Health House Australia's marketing team continued to work with partner pharmacies to improve margins per order, as well as commencing the implementation of a new IT backend in order to improve warehouse efficiency as well as facilitate increased distribution capacity.

Health House Australia's representation at major industry event (United in Compassion) resulting in substantial follow up with potential new suppliers and customers.

## Germany

CanPharma continued to audit new suppliers to enhance portfolio of medicinal cannabis flowers to match demand from the self-payer channel, whilst progressing negotiations with suppliers to extend range of extracts including dronabinol. Furthermore, CanPharma undertook a team restructure in order to reduce cash outflows.

## United Kingdom

Health House UK saw growth in UK domestic non-prescription business due to increased social events post-lockdown. We continue to expand suppliers and diversify supply chain to reduce impact of product shortages and price increases, whilst seeing a benefit from a disruption in local competitor service provision and a steady increase in prescription fulfilment.

HHI (UK) applied for a variation to its licence to enhance the scope of the business and improve purchasing ability and completed an extensive refurbishment of the premises for improved efficiency, fire upgrade and enhanced workspace

## **Additional Information**

### Financial Snapshot

The Company's net cashflow used in operations for the quarter was \$411,000. The Company's operational outflows mainly comprised of inventory and operating costs (\$2,800,000), staff costs (\$904,000), administrative and corporate costs (\$870,000).

Cash receipts represented \$4,269,000 mainly generated from sales in Australia and the United Kingdom with increasing contribution from Germany.

### Listing Rule 4.7C.2

Health House confirms its operations are significantly funded by cash receipts from customers and Group expenditure since the date of admission, being 16 April 2021, exceeded the "use of funds: statement on expenditure program in the prospectus" prior to the end of the 31 December 2021 quarter. Health House will no longer provide 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" against the estimated expenditure on those items in the "use of funds: statement on expenditure program in the prospectus".

Health House will no longer be providing the use of funds comparison in its Appendix 4C.

Listing Rule 4.7C.3

In item 6 of the attached Appendix 4C, HHI recorded payments to related parties during the quarter of approximately \$154,000 comprising Director Services of \$102,000 and Non-Director Services –and serviced office expenses of \$5,000, as well as payments to associates during the quarter of approximately \$47,000 comprising of legal and strategic consulting services of \$34,000 and rent of \$13,000.

The Company closed the quarter with a cash position of \$974,000.

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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