

ECS Botanics Holdings Ltd (ASX:ECS)



ASX Announcement

31 August 2023

ECS Botanics achieves positive EBITDA in FY23 and accelerates momentum following major contract wins

ECS Botanics Holdings Ltd (ASX: ECS) (“ECS” or the “Company”), a leading medicinal cannabis company, provides the following update on activities for the 12 months ending 30 June 2023 (FY23).

FY23 highlights:

- **Record FY23 Consolidated revenue of \$15.6 million, up 117% (FY22 \$7.2 million)**
- **EBITDA from continuing operations of \$1.6 million (10% EBITDA margin), reflecting focus on profitable growth**
- **Maiden positive NPBT from continuing operations**
- **Major long-term Australian and international supply agreements executed**
- **New initiatives to build ECS intellectual property.**
 - **Strategic partnership with Geocann to utilise its leading drug delivery technology in medicinal cannabis oils.**
 - **R&D yield trial to introduce light and heat capability, increasing yield and capacity**
- **A record 4.2 tonnes of medicinal cannabis produced a 51% production increase over the 2022/2023 season.**
- **Significant expansion of licenced production capacity (up to 13.7 tonnes) approved by Office of Drug Control**
- **Strong cash balance of \$2.5 million**
- **Industry recognition through multiple awards at the 2023 Cannabiz Awards**

Financial Highlights

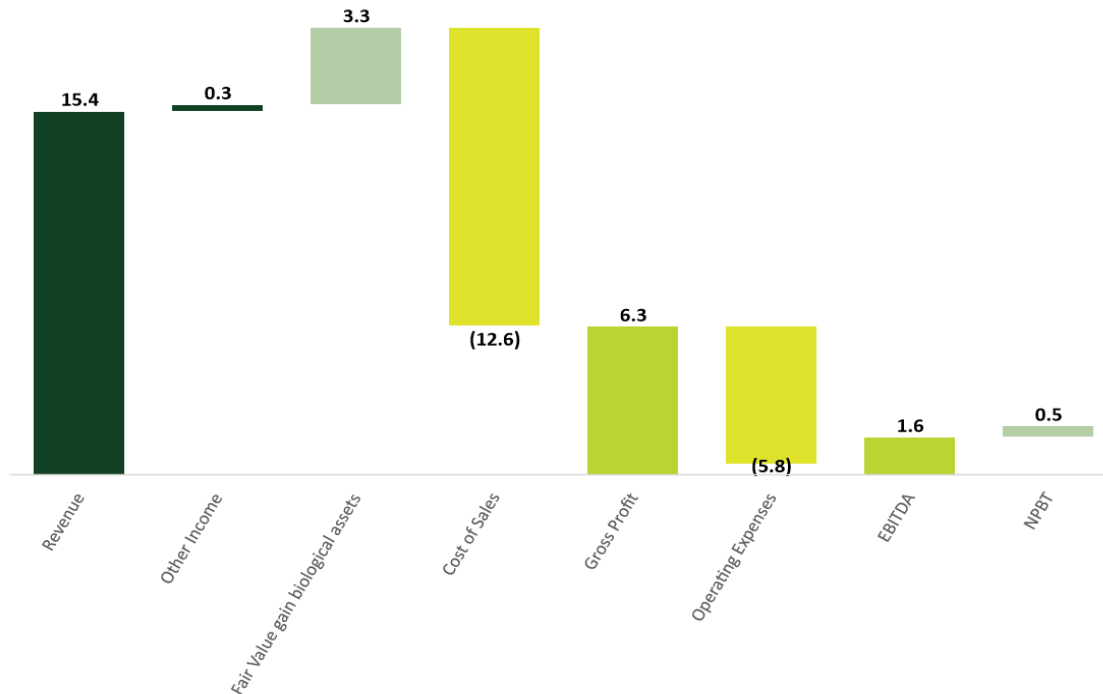
FY23 saw ECS grow through a substantial expansion phase while establishing a strong foundation for sustained growth in FY24 across all aspects of the business. Receipts from customers of \$16.0 million, representing a 180% increase on the previous year (FY22: \$5.7 million), were driven by continued strong demand for ECS’ innovative and organic medicinal cannabis oils and dried flower.

Due to the material nature of the divestment of ECS’ Food and Wellness Assets and the Tasmanian Business that occurred in FY23, the waterfall view of the Profit and Loss for Continued Operations for FY23 provides a more insightful view of ECS’ underlying business.

Trading Revenue for FY23 was \$15.4 million, up 191% on prior year (\$5.3 million), building further momentum heading into the new year. FY23 EBITDA for ongoing operations was \$1.6 million and EBITDA margin was 10%.



FY 2023 Continued Operations \$ million



Over the year, the Company achieved positive net operating cashflow, reflecting strong demand for ECS' products, and cost-effective cultivation methods. The Company remains well funded, with a cash balance of \$2.5 million as at 30 June 2023, and access to a recently expanded National Australia Bank (NAB) loan facility of \$2 million which remains undrawn.

Commenting on the results, ECS Managing Director, Nan-Maree Schoerie said:

"It has been a transformational year for ECS, as we have become a profitable business producing pharmaceutical-grade medicinal cannabis and Australia's lowest cost and most sustainable cultivator and manufacturer.

"Significant pharmaceutical contracts helped us more than double revenue from our continued operations in FY23 to a record \$15.4 million, and achieve for the first time positive EBITDA and NPAT of \$1.6 million and \$0.5 million respectively.

"Several multi-year contracts signed with domestic and international customers will start in earnest in FY24, while our partnership with Sunpharma for advanced resin extraction promises increased profitability for our oil products.

"We manufactured a record 4.2 tonnes of product through our cost-effective and sustainable cultivation methods, a 51% production increase over the 2022/23 growing season, and made significant advancements in innovation and operational excellence to enable us to scale more effectively. The Office of Drug Control approved the expansion of our pharmacy-grade manufacturing facility which will allow an increase to 15 acres with 26 protective cropping enclosures, lifting our potential annual production capacity to 13.7 tonnes of medicinal cannabis products to EU-GMP standards.

"Harnessing ECS's pharmaceutical GMP facilities and continuing to evolve our intellectual property remains pivotal in our pursuit of a differentiated strategy. An example is our successful securing of a 10-year license for VESIsorb, granting ECS access to leading technology and positioning us as a technology leader in pharmaceutical-grade Medicinal Cannabis Oils. VESIsorb increases the



bioavailability of cannabinoids by 400%, making it substantially more cost-effective, and is uniquely absorbed by the user three-times faster than current methods.

“We have built a strong foundation as our core underlying business generates cash and we have a capital-light business model that allows us to grow and manage scale as demand dictates. Investing in pharmaceutical biotechnology will allow us to manufacture an increasing number of products to EU-GMP standards, selling pharmaceutical-grade products to customers in Australia and a growing number of overseas markets.”

Operational Update

Major Agreements Signed

In January 2023, ECS entered a three-year agreement with the German company Ilios Santé GmbH ("Ilios Santé") to supply medicinal cannabis products, generating a minimum revenue of \$9.9 million for the Company. Under the agreement, ECS will exclusively provide four medicinal cannabis strains to Ilios Santé.

In June 2023, ECS signed two binding offtake agreements, worth a total of \$11.9 million, with Entoura Pty Ltd ("Entoura") and Precision Pharmaceuticals Pty Ltd ("Precision") for the supply of medicinal cannabis dried flower. These agreements demonstrate the scaling benefits from recent capacity upgrades, which have led to enhanced yields, the incorporation of additional outdoor fields, and the expansion of protective cropping enclosures. Under these agreements, ECS will provide Entoura with \$10.2 million worth of Good Manufacturing Practice (GMP) manufactured dried flower over three years, and deliver \$1.7 million worth to Precision Pharmaceuticals over a 12-month period.

Completed expansion of facility to 15 acres and additional PCEs

In August 2022 the Office of Drug Control approved the expansion of the licenced facility. As a result, the secure area was increased from 7 to 15 acres. At full production, the facility can now produce 13.7 tonnes of Medicinal Cannabis.

Construction of the security infrastructure along with the finalisation of all six protected cropping enclosures ("PCE") were completed in March 2023, bringing the total operational PCE count to 17. Upgrades to drying and trimming rooms were incorporated, aligning all post-harvest facilities with the GMP standard required by German regulators. These enhancements reflect the innovative techniques utilised across all of ECS' outdoor farms, guaranteeing consistent and exceptional quality for our cannabinoid products.

Intellectual Property

In June 2023, ECS Botanic entered an exclusive partnership with a global cannabis company, Geocann, for a ten-year deal to utilise its VESIsorb® technology in medicinal cannabis-based formulation products in Australia, New Zealand and the United Kingdom. The exclusivity extends to Europe for ECS product formulations.

The partnership with Geocann will allow ECS to utilise the VESIsorb® technology in its products, to further position the Company's products as market-leading. In addition, both ECS and Geocann have agreed to collaborate on further innovative product development.

The Company launched the first of its own brand dried flower products for the veteran's pain-relief market during the year. Initial sales have been successful, and the Company is investigating possible product expansion.

Successful Production Season

Over the past 12 months, ECS produced a record 4.2 tons of dried cannabis flower, an increase of 51% on the previous year, all of which is scheduled to be sold into medicinal markets in Australia or



overseas. The significant increase in production stems from increased outdoor production and the successful integration of six new operational PCEs.

ECS conducted a trial within one of its newly established PCEs, utilising the recently installed additional 75kW of solar energy to provide light and heat, to extend the growing season and production capacity. The trial assessed the commercial and quality implications of incorporating supplemental lighting and heating, thereby enabling the addition of more crop cycles. Initial results from the trial have been promising.

Recognition through multiple awards

In June 2023, ECS secured three major industry accolades, including the highly coveted titles of 'Best Place to Work', 'Cultivator or Manufacturer of the Year', and 'Business Leader of the Year'. The awards are evaluated by prominent figures in the cannabis industry, demonstrating our ability to consistently deliver high-standard products and outline a clear path to profitability.

Sale of ECS Botanic's Tasmanian Cannabis Farm

In November 2022, the Company completed all previously announced restructuring initiatives that will allow it to service burgeoning medicinal cannabis market opportunities more effectively. This included the conclusion of the sale of the Tasmanian business and assets for \$3.0 million and the finalisation of the divestment of the Food and Wellness business for \$0.25 million.

Outlook: Entering FY24 with major momentum

Commenting on the outlook, ECS Managing Director, Nan-Maree Schoerie said:

"ECS is consistently advancing within the cannabis sector, not only as Australia's lowest cost, most sustainable producer, but also as a leader in improving the bioavailability and effectiveness of cannabis products. As we continue our expansion efforts to focus on maximising economies of scale, we aim to grow our intellectual property (IP) portfolio to build a more valuable business that offers strong levers of growth.

"As we move forward, we will continue to build our foundational business and place added emphasis on investing in pharmaceutical biotechnology, a key focus for the Company's future endeavours. We are confident in our ability to be Australia's lowest-cost medicinal cannabis cultivator and manufacturer through innovation, quality and operational excellence to drive growth in revenue and profitability."

Authorised on behalf of ECS Botanic Holding Ltd by Nan-Maree Schoerie, Managing Director.

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About ECS Botanic Holdings Ltd

ECS Botanic Holdings Ltd is an Australian medicinal cannabis cultivator and manufacturer located in Northwest Victoria. ECS utilises progressive and innovative cultivation methodologies to produce quality medicine in a sustainable way, adopting regenerative and organic horticultural practices and renewable energy sources. Licenced by the Australian Therapeutic Goods Administration to manufacture GMP (equivalent to PIC/S, EU agencies are all PIC/S members) certified products, ECS has become a leading provider of high-quality, affordable medicinal cannabis.

For further information, please contact: info@ecs-botanics.com