

ECS Botanics Holdings Ltd (ASX:ECS)



ASX Announcement

28 January 2025

B2C business maintains strong growth momentum; ECS' shift to B2B and B2C model successfully progressing

ECS Botanics Holdings Ltd (ASX: ECS) ("ECS" or the "Company"), a leading medicinal cannabis company, provides an update on activities for the quarter ending 31 December 2024 (Q2 FY25).

Q2 FY25 Highlights:

- Continued rapid growth of the B2C business – Q2 sales of \$1.2 million, up 339% on prior quarter (QoQ), and now representing 33% of total sales
 - Launched B2C products VESIsorb® & OzSun
- Total quarterly revenue of \$4.9 million, down 2% on prior quarter (QoQ), and 33% on prior corresponding period (pcp) as the volume of medicinal cannabis oils sold reducing by \$2.4 million (pcp) due to patient demand shifting to other dosage forms.
- Cash receipts of \$4.7 million, up 7.3% QoQ, but down 28% on pcp as focus remains on growing B2C sales, which has a longer receivable profile
- Record order book of \$10.8 million, the bulk of which is expected to be collected over the coming six months
- Increased PCE-grown cannabis yields by 50%; on track for record harvest in 2025
- Medical Advisory Board appointed to guide patient-focused activities and ECS product education
- Adequately funded, with \$4.7 million of available cash and bank facilities and expecting to be generating positive cash flow within the next six months due to improved sales volumes and stabilisation of B2C working capital.

Financial Update

The financial results for the second quarter of FY25 reflect ECS' strategic shift toward an expanding B2C segment, which is now generating a greater proportion of the Company's sales. In addition, in response to shifting market demand toward flower-based products, and a transition from oils to other formats such as pastilles and capsules, the Company has adjusted its product dosage forms to align with market demand.

Unlike the B2B model, the B2C approach requires upfront investments before generating sales and receiving cash. This transition has impacted sales and cash receipts, which ECS anticipates resolving within the next three to six months. Once this phase concludes, the Company expects to benefit from higher B2C profit margins, a larger customer base, and increased brand value—positioning ECS for stronger long-term growth.



ECS reported revenue of \$4.9 million in Q2 FY25, reflecting a 2% decrease QoQ and a 33% decline compared to Q2 FY24 (\$7.3 million). Changes in patient demand have been driven by a shift toward flower-based products as well as a transition from oils to other formats such as pastilles and capsules. ECS was an early adopter of pastilles, importing these products; however, quality and supply challenges necessitated the qualification of a new supplier, which had a temporary halt in sales. Shipments from the new supplier, including VESIsorb® pastilles, will commence early in the third quarter.

ECS recently launched medicinal cannabis capsules including VESIsorb® capsules. The Company has a strong order book for capsules with a rapidly growing demand.

Quarterly cash receipts from customers amounted to \$4.7 million, representing a 7.3% increase QoQ, but a 27.8% decline compared to pcp (\$6.5 million). These figures reflect the short-term impact of the Company's business transition.

To date, ECS' entry into the B2C segment has exceeded expectations, generating \$1.6 million in revenue, which is a 339% increase compared to the previous quarter. Since May 2024, ECS has onboarded 380 prescribing doctors, a key driver of this growth. An additional 400 prescribers are expected to be onboarded by May 2025.

Overall, the Company's outlook remains positive. ECS has built a strong sales pipeline, with an unprecedented sales order book standing at \$10.8 million. These orders, which exclude B2C sales of the AVANI and OzSun brands, are scheduled for delivery within this financial year.

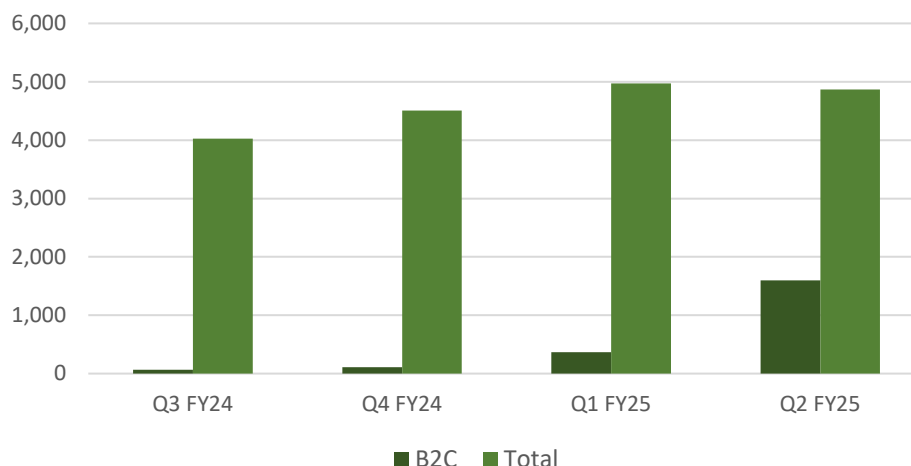
New product launches, including VESIsorb® and OzSun, have supported domestic sales efforts, while ECS' premium-grade flower continues to drive strong export demand. Both B2C and B2B channels have benefited from ECS' record harvest in 2024, and the Company is on track for another record harvest in 2025.

The net operating cash outflow for Q2 FY25 was \$1.3 million, reflecting strategic investments in ECS' proprietary brand, retail strategy, and the establishment of global strategic partnerships—key elements of the Company's long-term growth strategy. Following the appointment of Nick Thomas as COO in November, ECS has streamlined its leadership team by reallocating responsibilities. The Company expects to achieve positive cash flows within the next six months as the strong order book is fulfilled, the Terphogz business commences and the B2C segment stabilises.

As of 31 December 2024, ECS remains adequately funded, with a cash balance of \$1.5 million and access to a National Australia Bank loan facility of \$3.2 million, approved during the quarter and remaining undrawn.



Contribution of B2C to Total Sales (\$'000)



Operational Update

PCE-grown cannabis yield increase

During the quarter, ECS harvested the first yield from its new Protective Crop Enclosures (PCEs) which produced 656 kilograms (wet weight) of medicinal cannabis flower. This marks a 50% increase compared to the previous highest harvest of 437 kilograms of the same strain.

The improved yields are the result of ECS' PCE design improvements that included extensive R&D work into lighting and heating for year-round cultivation. In addition to higher yields, the enhanced PCE design has contributed to a further improvement in flower quality of "A-grade" buds, reinforcing ECS' reputation for producing premium, organic, medicinal cannabis.

The initial PCE harvest places ECS on track for a record harvest in 2025.

New product launches

OzSun

As part of the Company's B2C strategy and aim to make medicinal cannabis more accessible, ECS launched a new lower-priced brand, OzSun. The organic, sun-grown, medicinal cannabis dried flower range comprises 20% Indica, 25% Indica and 23% Sativa at competitive prices. These products were launched in November and December and sales have been strong with positive reviews from patients who welcome the price point. OzSun also provides ECS with another channel to market for outdoor flower as oil sales decline.



VESIsorb®

ECS launched its first product utilising the advanced delivery system, VESIsorb®, during the quarter.

ECS holds a ten-year exclusive license agreement for the patented VESIsorb® from global cannabis company, Geocann®, covering Australia, New Zealand, the United Kingdom, and extends to Europe for ECS product formulations.

The 'Avani Advanced 2 mg CBD Soft Gel Capsules powered by VESIsorb®' is the first product to launch in the Avani Advanced brand, with rollout supported by the B2C sales team. The manufacture of two additional products a 2.5mg THC combined with 20mg CBD capsule as well as a 5mg THC pastille will commence in Q3. Unlike MCT based products the VESIsorb® delivery system emulsifies the Cannabidiol thus allowing absorption through the stomach and directly into the bloodstream for faster and greater absorption. A randomised double blinded clinical trial demonstrated 440% increased absorption and 300% increase in absorption speed. A 5mg THC pastille is thus equivalent to a 20mg pastille.

Medical prescribers

The Medical Sales Liaison (**MSL**) team have driven rapid adoption for ECS' products, with 380 medical prescribers onboarded in the five months to December 2024. This growth trajectory positions ECS to exceed 700 prescribers by May 2025 – 12 months since the team's inception.

The MSL is comprised of five staff based in Queensland, NSW, and WA, along with a Commercial General Manager. In November, a Victorian based MSL was onboarded to expand geographical reach. The team's efforts highlights their commitment to ensuring Australian patients have access to high quality, organic and novel medicinal cannabis products.

Medical Advisory Board

To strengthen its B2C business, ECS has established a Medical Advisory Board (**MAB**) to provide expert guidance, oversight, and education to the medical industry to support patient outcomes.

All MAB members are experienced medical practitioners, widely regarded as thought leaders in medicinal cannabis medicine. They understand the importance of good clinical practice, sound advice, and the value of medicinal cannabis as an option to support patient wellbeing.

The MAB is comprised of Dr Rupert Backhouse, Dr Phil Burrell, Dr Natasha Feingold, Dr Charlotte Middleton, Dr Christopher Schneider, Dr Justin Welsh and Dr Jane Chapman.

Biographies of each member can be found on the ECS website.

Terphogz



The Company has made good progress in identifying and qualifying partners for the sales of Terphogz products in Germany, UK and New Zealand. Product registration will occur in Q3 FY25 with sales commencing shortly thereafter.

Outlook

ECS Managing Director, Nan-Maree Schoerie, commented on the Company's future:

"Our business is at a pivotal moment, with strong growth in the B2C segment driving both revenue and customer engagement. This shift, supported by our dedicated Medical Sales Liaison team and the successful launch of innovative products like VESIsorb® and OzSun, positions ECS to achieve a stronger market presence while increasing profitability.

"Export demand for our premium-grade medicinal cannabis remains robust, reflecting global recognition of Australia's agricultural excellence and the quality of ECS' organic cultivation practices. Additionally, the integration of the Terphogz® product line into our portfolio will unlock new export opportunities, further diversifying our revenue streams.

"With optimal growing conditions and a 50% yield increase from our enhanced Protective Crop Enclosures, we are on track to deliver another record harvest in 2025. This expanded production capacity ensures we can meet rising global demand while supporting our growing domestic sales pipeline.

"Over the next six months, we expect to see the benefits of our strategic shift to a B2C and B2B hybrid model materialise, driving positive cash flow and delivering improved value for our shareholders. ECS is in its strongest position to date, with exceptional farming assets, a scalable brand portfolio, and a rapidly expanding customer base. We are well-equipped to continue meeting patient needs and driving improved value for our shareholders."

Corporate

Production and manufacturing costs amounted to \$3.2 million. Payments to related parties (\$235,510) under Section 6.1 of Appendix 4C were made to Director related entities. This comprised \$194,399 for Director fees, and \$41,111 for Pharmaceutical and IT consultancy services.

Authorised on behalf of ECS Botanics Holdings Ltd by Nan-Maree Schoerie, Managing Director.

-ENDS-

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About ECS Botanics Holdings Ltd

ECS Botanics 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.

Appendix 4C

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

Name of entity

ECS Botanics Holdings Limited

ABN

98 009 805 298

Quarter ended ("current quarter")

31 December 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	4,721	9,122
1.2 Payments for		
(a) research and development	-	(4)
(b) product manufacturing and operating costs	(3,220)	(6,018)
(c) advertising and marketing	(95)	(140)
(d) leased assets	-	-
(e) staff costs	(2,314)	(4,190)
(f) administration and corporate costs	(312)	(745)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	(75)	(98)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	6	6
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,288)	(2,062)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1,525)	(2,359)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(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	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,525)	(2,359)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	1,758	2,929
3.6	Repayment of borrowings	(109)	(167)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,649	2,762

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,661	3,156
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,288)	(2,062)

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)	(1,525)	(2,359)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,649	2,762
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,497	1,497

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	1,497	2,661
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)	1,497	2,661

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	(236)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$194,399
	Company secretarial, registered office services	\$ -
	Pharmaceutical and IT consultancy services fee paid to Director related entities	\$41,111

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>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	3,200	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	3,200	-
7.5	Unused financing facilities available at quarter end		3,200
7.6	<p>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> <p>NAB has approved an increase in the Corporate Market Loan from \$2 million to \$3.2 million. The loan is structured with a interest payment only. The expiry date of the Corporate Markets Loan is 31/07/2027 and there are no additional debt reduction dates currently scheduled.</p> <p>Additionally, we have secured an increase of \$3.4 million in our Asset Finance facility, raising the total from \$1 million to \$4.4 million. As of 31 December 2024, approximately \$2.8 million of this facility has been utilized, leaving \$0.6 million available for capital expenditure. The company will repay the principal and interest on a monthly basis throughout the term of the loan.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,288)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,497
8.3	Unused finance facilities available at quarter end (item 7.5)	3,200
8.4	Total available funding (item 8.2 + item 8.3)	4,697
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	3.6
	<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>	
8.6	<p>If item 8.5 is less than 2 quarters, please provide answers to the following questions:</p> <p>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?</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer: N/A</p> </div> <p>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?</p> <div style="border: 1px solid black; padding: 5px; margin-top: 5px;"> <p>Answer: N/A</p> </div>	

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?

Answer: N/A

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: 28 Jan 2025

Authorised by: The Board of ECS Botanics Holdings Limited
(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.