



ASX Announcement | July 16 2020
Althea Group Holdings (ASX:AGH)

Althea finishes FY20 with a record month and quarter

Investment Highlights:

Financial

- Althea achieved unaudited revenue of \$1.59 million for the quarter ended 30 June 2020, a new record and up 5% on the March quarter, notwithstanding COVID-19 disruptions
- June sales rebounded strongly for a record revenue month, following a COVID-19 affected April and May
- Cash receipts from customers totalled \$1.53 million for the quarter
- Unaudited revenue for FY 2020 totalled \$4.97 million, a 547% increase on FY 2019
- Althea is fully funded with approx. \$10.4 million cash on hand as at 30 June 2020

Operational

- **Australia** – finished the quarter with 7,295 patients, 583 of which were added in June. Post June, Althea has launched online sales functionality for its medicinal cannabis products
- **UK** – achieving strong month on month growth, entered MOU with Drug Science and received approval for five new clinic sites
- **Germany** - executed a three-year supply and distribution agreement with Nimbus Health GmbH, a pharmaceutical wholesaler with substantial market share of German medicinal cannabis sales
- **Canada** – Althea's wholly-owned subsidiary Peak Processing Solutions formally submitted its evidence package to Health Canada for its Standard Processing Licence and signed a binding cannabis beverage production agreement with Collective Project Limited

16 July 2020: **Australian pharmaceutical company Althea Group Holdings Limited (ASX:AGH) ('Althea' or 'the Company')** is pleased to provide its Appendix 4C cash flow statement for the quarter ended 30 June 2020, along with the following operational update.

Strong growth across key metrics despite COVID-19 disruption

With COVID-19 restrictions in effect across Australia at the start of the quarter, sales in April and May were lower than expected. However, as restrictions began to ease in late-May, sales saw a strong rebound in June, which became the Company's highest revenue month on record.

Althea reported unaudited revenue of \$1,594,297 for the three-month period ended 30 June 2020, a new record and a 5% increase on the \$1,524,359 recognised in the March quarter. Unaudited revenue for FY 2020 was \$4,969,098, representing growth of 547% on FY 2019's audited revenue of \$767,431.

In Australia, the Company finished the June quarter with 7,295 patients, 583 of which were added in June. The number of Healthcare Professionals (HCPs) that have prescribed Althea's medicinal cannabis products increased to 590, up 16% on the prior quarter.

The charts below summarise patient growth and HCP growth in the June quarter.

Chart 1: Patient growth as at 30 June 2020

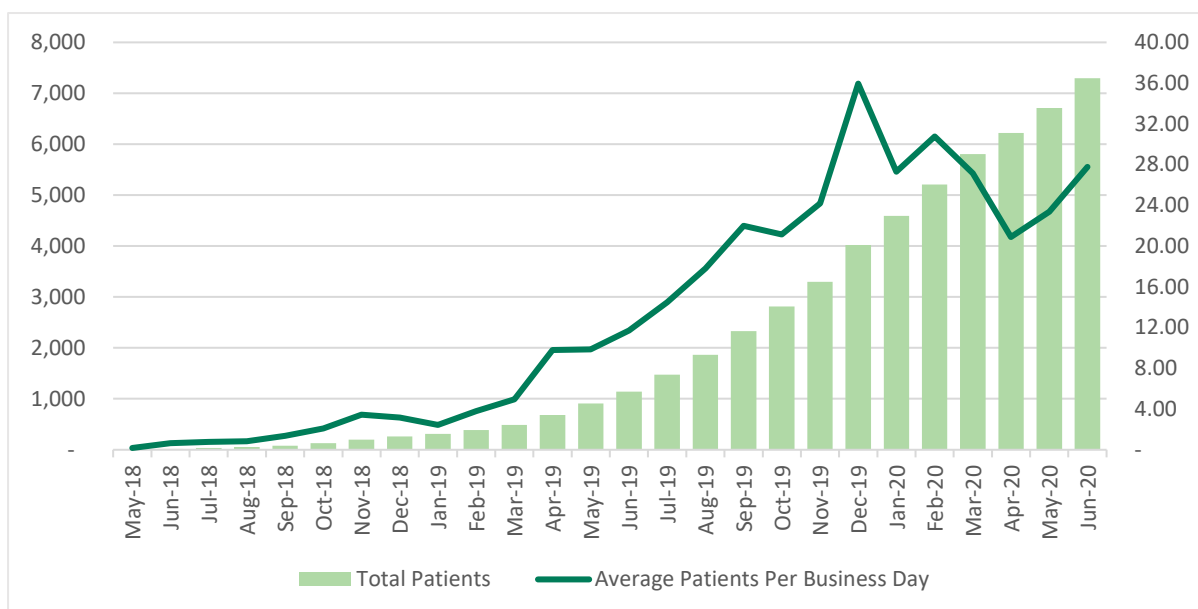
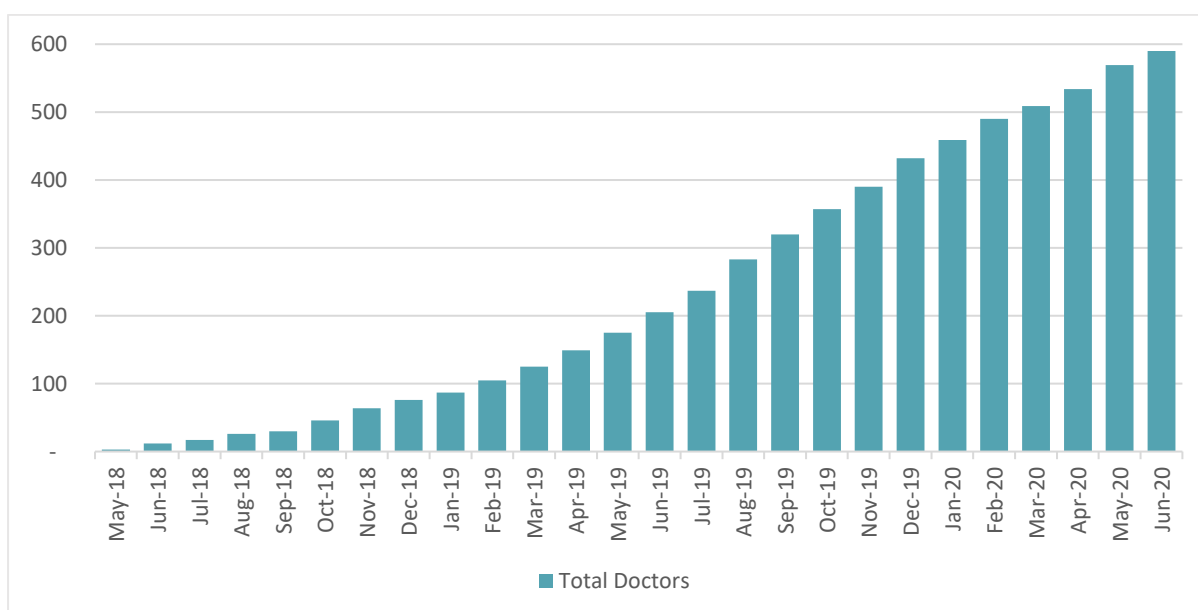


Chart 2: HCP growth as at 30 June 2020

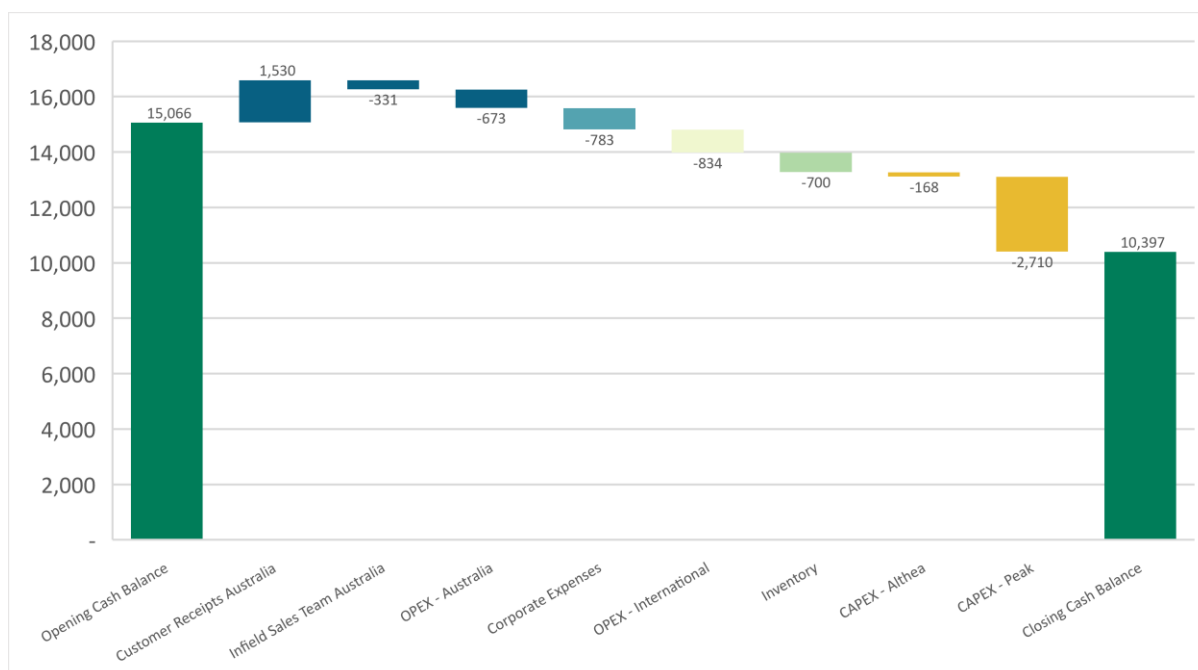


Cash receipts from customers totalled \$1.53 million for the quarter.

Althea's healthy balance sheet sees the Company fully funded and in a strong financial position to meet its current and future financial obligations across its global operations with approx. \$10.4 million cash on hand as at 30 June 2020.

The chart below summarises cash outflows in the June quarter.

Chart 3: Bridging chart for quarter ended 30 June 2020 ('000)



Net operating cash outflow for the quarter was \$1.63 million, a reduction of 40% from the previous quarter.

As of 31 March 2020, the Company had spent \$5.8 million in capital expenditure towards its Canadian-based Peak Processing Solutions facility, well below the \$10.32 million allocated under the use of funds at the time of acquisition and capital raising [ASX Announcement: 25 July 2019].

Peak capital expenditure payments totalling \$2.75 million in the June quarter were a result of the decision to enhance the Peak facility with upgraded production capabilities and technologies, including but not limited to, beverage analyser, water de-aerator, nitrogen generator and construction of an in-house analytical laboratory, in order to save on third party product testing costs. Management believes these enhancements will return greater efficiencies in production, higher margins, and superior quality products for customers. Total capital expenditure for the September quarter is expected to be reduced to approximately \$1.6 million and that will complete the current investment cycle.

Peak capital expenditure remains within the original budget communicated at the time of the Peak acquisition and capital raising.

Update on global operations

Australia

Althea employs an infield sales team in Australia who are charged with the medical education of HCPs on Althea medicinal cannabis products and are supported by the online platform Althea Concierge™.

During the June quarter, the team's interactions with HCPs were fewer due to COVID-19 restrictions. In order to mitigate this, the team pivoted to virtual meetings with HCPs where possible.

In the absence of face-to-face meetings, Althea Concierge™ continued to play a key role in providing virtual training to HCPs and supporting them with product information, clinical evidence, SAS-B applications and patient treatment plans.



Sales were lower than expected in April and May but saw a strong recovery in June, which became a record revenue month for Althea. Likewise, while the growth in the number of HCP prescribers was impacted in April and May due to a lower number of interactions, the Company is now starting to see the resumption of an upward trend as restrictions are eased and people return to their doctors or increasingly use telemedicine services.

Post the quarter, Althea launched online sales functionality of its medicinal cannabis products after a comprehensive update to Althea Concierge™. In an Australian first, patients are able to purchase medicinal cannabis products via Althea Concierge™ and receive home delivery of their medications, eliminating the need to visit a pharmacy and/or a doctor, when the system is used in combination with telemedicine [ASX announcement: 8 July 2020].

United Kingdom

June was Althea's strongest month to date in the UK with unaudited revenue of \$50,090, up 140% from \$20,841 in May, as the business begins to see growth accelerate.

Althea advises that it is unable to report new patient numbers in the UK as, unlike in Australia, it does not receive patient details, only the orders from pharmacies for product. Thus, revenue will be the key metric used for monitoring the Company's progress in the UK.

As was the case in Australia, the Company's UK infield sales team faced issues caused by COVID-19 and the country's lockdown, which spanned the entire June quarter. The UK did not begin easing restrictions until early July, and as such the Company expects to see a further boost to sales in the September quarter.

Despite lockdown disruptions, Althea's UK business remains robust. The Company's UK MyAccess Clinics are providing consultations to a growing number of patients – mainly via telemedicine due to COVID-19 – with enquires and appointments at the highest level to date. Althea also plans to add online sales functionality to Althea Concierge™ in the UK in the coming months.

Althea is benefitting from a recent regulatory change in the UK which has eased import restrictions on cannabis-based medicines. Due to this regulatory change, Althea is now able to import larger quantities of cannabis-based products to the UK and hold enough supplies for future use by existing and new patients with prescriptions [Press release: 3 March 2020].

In June, MyAccess Clinics announced that it had entered a memorandum of understanding (MOU) with UK independent scientific committee Drug Science and had also received approval for five new clinic locations [ASX Announcement: 24 June 2020].

Drug Science is running Project Twent21, the UK's first national pilot for medical cannabis which aims to enrol 20,000 patients before the end of 2021. In doing so, Drug Science will create the largest body of evidence for the effectiveness and tolerability of medical cannabis, with the goal of demonstrating to policymakers that it should be widely available and affordable.

When the Project Twent21 directory page goes live on the Drug Science website, patients will be able to self-refer to participating clinics (including MyAccess Clinics) or an independent consultant, in accordance with the patients' needs.

Germany

Althea continues to make steady progress in Germany, announcing in May that it has executed a three-year supply and distribution agreement with Nimbus Health GmbH ('Nimbus'), a pharmaceutical wholesaler with substantial market share of German medicinal cannabis sales [ASX Announcement: 1 May 2020].



Under the agreement and following approval by German regulatory authorities, Nimbus will sell and distribute the Company's full suite of medicinal cannabis products under the Althea brand name in Germany. The two entities will jointly establish yearly sales targets as well as marketing and commercial strategies.

Althea will receive payment for the products it supplies to Nimbus, along with a percentage of sales and full ownership of the real-world anonymised patient data collected through Althea Concierge™.

The Company expects to receive the required regulatory approvals soon and is aiming to ship its first product to Germany in Q4 CY20.

In the meantime, Althea continues preparatory work with Nimbus. The Company is currently finalising its market access strategy for Germany, which includes plans to establish an infield sales team and launching a localised version of Althea Concierge™ and HCP education platform *Medicinal Education in Cannabinoids (MEDIC)*.

Canada – Peak Processing Solutions

In April, Althea's wholly-owned subsidiary Peak Processing Solutions ('Peak') formally submitted its evidence package to Health Canada, the final step in the application process for its Standard Processing Licence [ASX Announcement: 7 April 2020].

Upon granting of the licence, Peak will offer a unique opportunity for Canadian consumer-packaged goods companies and other non-licensed entities, including beverage and alcohol companies, to launch products into the Canadian adult-use cannabis market.

In the interim, Peak has taken delivery of and commissioned production equipment at its facility. The beverage canning line is now fully operational, and Peak is manufacturing test batches of (non-cannabis) products.

In June, Peak entered into a binding cannabis beverage production agreement with Collective Project Limited, the cannabis-focused sister company of Collective Arts Brewing Limited [ASX Announcement: 22 June 2020].

The agreement is an important milestone and early validation of the industry-leading production capabilities Peak can offer customers following the granting of its Standard Processing Licence.

Post the quarter, the Company was informed by Health Canada that its licence application was under active review and has received further correspondence accordingly. Althea will update the market with progress in due course.

Althea CEO Josh Fegan said: "We are very pleased with our strong end to the 2020 fiscal year. With the Australian bushfires and COVID-19 crisis, it was a challenging year for Australians and the rest of the world. Althea has this year proved its resilience, achieving record revenue despite disruptions caused by the nationwide lockdown while also steadily expanding our global operations. We look forward to achieving our next major milestone, which will see our subsidiary Peak obtaining its Standard Processing Licence and ramping up our business in Canada."

In Item 6 of the Appendix 4C cash flow report for the quarter, payments to Related Parties of ~\$204,000 comprised of salary paid to Chief Executive Officer and their associates and fees paid to Non-Executive Directors.

-ENDS-



Authorised by: Robert Meissner, Company Secretary

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Althea Group Holdings Limited (ASX:AGH)

Althea Group Holdings Ltd (ASX:AGH) is a global pharmaceutical company and supplier of medicinal cannabis. Althea also offers a range of education, access and management services to support eligible patients and healthcare professionals in navigating medicinal cannabis treatment pathways.

Althea currently operates within highly regulated medicinal cannabis markets including Australia, United Kingdom and Germany, with plans to expand into emerging markets throughout Asia and Europe.

To learn more, please visit: www.althea.life

Appendix 4C

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

Name of entity

Althea Group Holdings Limited

ABN

786 269 669 43

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,530	4,563
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(700)	(6,353)
(c) advertising and marketing	(278)	(4,135)
(d) leased assets	(77)	(419)
(e) staff costs	(1,648)	(5,438)
(f) administration and corporate costs	(513)	(4,692)
1.3 Dividends received (see note 3)		
1.4 Interest received	6	218
1.5 Interest and other costs of finance paid	(3)	(31)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(1,683)	(16,287)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(2,761)	(8,749)
(d) investments		(1,855)
(e) intellectual property	(118)	(1,398)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
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		(1,134)
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	(2,879)	(13,137)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		30,000
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		(1,329)
3.5	Proceeds from borrowings	45	45
3.6	Repayment of borrowings		(3,315)
3.7	Transaction costs related to loans and borrowings		(543)
3.8	Dividends paid		
3.9	Other (provide details if material)		215
3.10	Net cash from / (used in) financing activities	45	25,074

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	15,066	14,918
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,683)	(16,287)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,879)	(13,137)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	45	25,074
4.5	Effect of movement in exchange rates on cash held	(152)	(171)
4.6	Cash and cash equivalents at end of period	10,397	10,397

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	10,143	14,812
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	254	254
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,397	15,066

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

204

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

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

7.5 **Unused financing facilities available at quarter end**

7.6 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.

8. Estimated cash available for future operating activities

\$A'000

8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,683)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	10,397
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	10,397
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.18

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

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?

Answer: N/A

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?

Answer: N/A

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

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:16 July 2020.....

Authorised by:ROBERT MEISSNER.....
(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.