



## ASX Announcement

15 March 2021

### ELIXINOL TO ACQUIRE 100% OF CANNACARE HEALTH

*Acquisition positions Elixinol as a leading pan-European CBD business and accelerates path to profitability*

#### Highlights:

- Elixinol signs binding agreement to acquire CannaCare Health GmbH (CannaCare), owner of CANOBO, one of Germany's leading CBD brands with #1 share in Germany's drugstore channel<sup>1</sup>
  - Upfront consideration of €9.0m consisting of €3.0m in cash plus €6.0m in Elixinol shares
  - Upon attainment of FY2021 revenues of €12.9m and 20% EBITDA, the maximum earn-out of €15.0m is payable in Elixinol shares making a total potential consideration of €24.0m
  - Germany is Europe's fastest growing CBD market, forecast to grow at +47% CAGR from 2020 to 2025, to a total market size of US\$0.6bn<sup>2</sup>
  - CANOBO has dominant retail distribution with over 4,500 bricks and mortar retail distribution points, and an extensive range of 20 products consisting of CBD oils, sprays and skincare products which are manufactured in Europe
- Expected to fast-track revenue and path to profitability growth for the Group:
  - CannaCare delivered €2.6m of revenue in FY2020 with breakeven EBITDA (unaudited) and the earn-out component of the consideration is not triggered until it achieves at least €6.5m revenue in FY2021
  - At the maximum FY2021 revenue earn-out threshold of €12.9m, CannaCare would be contributing >100% growth on standalone FY2020 Group revenue and contribute positive EBITDA
- Proposed acquisition is highly synergistic, enabling consolidation of European supply chain, ability to leverage existing cost base and capabilities and expand the combined product portfolio into new geographies and categories
- The combination of CannaCare with Elixinol's UK business is expected to create a pan-European business of scale, well positioned to capitalise on a burgeoning European CBD market

<sup>1</sup> Based on Brightfield Group's European CBD, January 2021 Report, management estimates that CannaCare holds 42% market share in the German drugstore channel

<sup>2</sup> Brightfield Group's European CBD, January 2021 Report



- Follows recent down-scheduling of CBD in Europe and aligns with Elixinol's vision of becoming "a global, hemp derived health and wellness consumer products business"
- Elixinol Board to be strengthened with the addition of Frank Otto, CannaCare's major shareholder and media entrepreneur
- Completion is subject to satisfaction of customary conditions precedent, approvals from the ASX and approval by Elixinol's shareholders, expected to be sought at the upcoming Annual General Meeting, anticipated to be held in mid-May 2021
- Investor briefing to be held on Tuesday 16 March 2021 at 11:00am, AEDT

Elixinol Global Limited (**Elixinol** or the **Company**) (**ASX:EXL**; **OTCQB:ELLXF**) is pleased to announce that it has entered into a binding agreement for its subsidiary (Elixinol B.V.) to acquire all of the issued share capital of CannaCare Health GmbH (**CannaCare**), a company incorporated in Germany (**Proposed Transaction**). The vendors of CannaCare are Mr Frank Otto, Ms Annette-Rosa Oplesch and an entity associated with Mr Michael Oplesch (**Vendors**). The Proposed Transaction is subject to the satisfaction of certain conditions precedent, the details of which are set out below.

### Key Agreement terms

The purchase price for the Proposed Transaction will be paid in two tranches. The first tranche will be payable on completion of the Proposed Transaction and will compromise €3.0m in cash, funded from existing cash reserves, and €6.0m paid by the issue of fully paid ordinary shares (**Shares**) in the capital of Elixinol. Based on an agreed price of Shares of \$0.2105, the number of Shares proposed to be issued to the Vendors in the first tranche is 43,864,133 (**First Tranche Shares**), which represents 14.0% of Elixinol's current issued capital (subject to shareholder approval). The First Tranche Shares will be subject to voluntary escrow from their date of issue until 31 March 2022.

On or around 31 March 2022, the second tranche of the purchase price will be payable. That portion of the purchase price represents an earn-out and will be structured by the issue of performance securities to the Vendors (**Performance Securities**). The Performance Securities convert into Shares subject to the amount of revenue that CannaCare achieves in FY2021. The maximum earn-out payable is €15.0m and is dependent on targets related to CannaCare's FY2021 revenue and EBITDA. CannaCare must achieve FY2021 revenue of at least €6.5m for any earn-out to be payable (CannaCare achieved approximately €2.6m revenue (unaudited) in FY2020). While limiting downside risk, the earn-out structure aligns and incentivises the Vendors to increase the upside potential.

The maximum number of Shares that can be issued on conversion of the Performance Securities is 165,180,893. If the maximum number of Shares are issued to the Vendors on conversion of the Performance Securities, the Vendors will hold approximately 39.98% of the Company's total issued share capital (based on the issued share capital of the Company as at today's date).

The Proposed Transaction is subject to certain conditions precedent being either satisfied or waived, including that shareholders approve the Proposed Transaction, the issue of the Performance Securities and the First Tranche Shares. In addition, Elixinol is awaiting ASX's response to its request for in-principle advice regarding the issue of the Performance



Securities. As a result, there is a condition precedent as part of the Proposed Transaction to the effect that any changes to the terms of the Proposed Transaction required by the ASX must be implemented by the parties, otherwise the Proposed Transaction will not proceed. Accordingly, the terms of the Proposed Transaction are subject to the ASX's response to the request for in-principle advice.

In accordance with the ASX's guidance on the issue of Performance Securities, the Company has engaged Grant Thornton Australia Pty Ltd to provide an independent expert report to opine on whether the issue of the Performance Securities is fair and reasonable to non-participating shareholders.

The Company anticipates that it will seek shareholder approval at its upcoming annual general meeting, expected to be held in mid-May 2021.

As part of the Proposed Transaction, Mr Frank Otto is to be appointed to the Elixinol Board as Non-Executive Director. The existing CannaCare management team will continue to operate the business with Mr Michael Oplesch becoming a consultant to CannaCare and member of CannaCare's Advisory Board.

The following sets out some key effects to the Company as a result of the Proposed Transaction proceeding:

**Annexure A** sets out some other material terms in relation to the Proposed Transaction.

### **A highly transformative acquisition**

Global CEO of Elixinol, Oliver Horn commented, *"We are incredibly excited about this transformational opportunity which leapfrogs Elixinol closer to its vision of becoming a profitable, global, hemp derived consumer goods wellness business."*

*"CannaCare was founded in 2018, is based in Hamburg and manufactures and distributes an extensive range of 20 CBD products which are produced in Europe. CannaCare's brand CANOBO has very quickly established itself as the leading brand in bricks and mortar retail with a total of over 4,500 distribution points of which 2,200 are with Rossmann - Germany's #1 drugstore chain; 680 with Mueller; 180 with Budnikowski and a further 1,500 individual pharmacies. CANOBO's product range consists of CBD oils, sprays and cosmetic products with many of these being organic. CANOBO is Germany's first CBD brand investing in broad-reach media with numerous TV commercials having contributed to its wide consumer appeal. Similar to Elixinol, CannaCare pursues a capital-light model with an outsourced supply chain. All products are subject to strict quality controls and independent testing."*

*"By acquiring CannaCare we gain a strong foothold in Europe's fastest growth market of Germany and, together with our established UK business, will become a leading pan-European business of scale. This acquisition enables us not only to quickly reach critical scale but importantly opens up new opportunities to cross sell our portfolios, leverage the new scale to reduce our cost of doing business and apply best practices across global business. CannaCare is a dynamic, high growth business with an outstanding leadership team. The announcement that CBD had been down scheduled in Europe late last year led us to move quickly to take advantage of what we see as being a highly strategic opportunity to accelerate our globalisation, grow revenue and accelerate our pathway to profitability."*



CannaCare's major shareholder and vendor Frank Otto commented, "We are delighted for CannaCare to continue its impressive growth trajectory with Elixinol, a global trailblazer in the hemp based food and wellness space. The compatibility of the businesses will give yet another boost to CANOBO on its trajectory to become the leading German brand in the fast growing CBD market."

### European market overview

In December 2020, The United Nations Commission on Narcotic Drugs (CND) accepted a World Health Organisation (WHO) recommendation to remove cannabis and cannabis resin from Schedule IV of the 1961 Single Convention on Narcotic Drugs. This down scheduling is expected to lead to a novel foods regime for CBD being implemented across Europe. The CND vote recognises CBD's potential and this improving regulatory environment makes Europe a very attractive growth market.

Europe is the world's second largest CBD market after the USA and the market is forecast<sup>3</sup> to more than quadruple over next 5 years growing from US\$0.6b in 2020 to US\$2.3b in 2025. Germany is the second largest European market, after the UK, and is forecast to be the fastest growing (47% 5yr CAGR) reaching approximately US\$600m by 2025.

### Additional benefits to Elixinol

Subject to CannaCare achieving the maximum earn-out (at €12.9m revenue and 20% EBITDA in FY2021), the Proposed Transaction has the potential to double revenue (based on Elixinol Group FY2020 revenue) for Elixinol on a consolidated, pro-forma basis.

Further synergistic opportunities are anticipated in product cost savings, based on increased purchasing volumes and operational efficiencies as we create an integrated pan-European business unit. The contribution of CannaCare is expected to lead to a significant improvement in Elixinol's EBITDA position and accelerate Elixinol's pathway to profitability in the near-term (with material long-term synergy potential).

The Proposed Transaction provides a platform to launch the Elixinol brand into the German market, and access additional German speaking countries, such as Austria and Switzerland. Equally, the CANOBO product range creates new commercial opportunities in the UK market, using Elixinol's existing customer relationships.

Board composition and share register will be improved through the addition of highly influential Vendors, well known within the European market.

### Investor briefing

Investors are invited to attend a special briefing whereby Elixinol's Global CEO and Executive Director, Oliver Horn and Global CFO, Ron Dufficy will discuss the transaction in more detail.

<sup>3</sup> Source: Brightfield Group: European CBD, January 2021 Report



The call will take place on Tuesday, 16 March 2021 at 11:00am, AEDT. Register to attend via the following link:

[https://us02web.zoom.us/webinar/register/WN\\_FEW1KGpIRh-qYpnog5vdkw](https://us02web.zoom.us/webinar/register/WN_FEW1KGpIRh-qYpnog5vdkw)

This document was authorised to be given to the ASX by the Board of the Company.

**Investor relations please contact:**

Ron Dufficy, Global Chief Financial Officer

[ron.dufficy@elixinolglobal.com](mailto:ron.dufficy@elixinolglobal.com)

**Media please contact:**

Cherie Hartley, IR Department

[cherie.hartley@irdepartment.com.au](mailto:cherie.hartley@irdepartment.com.au)

**About Elixinol**

Elixinol Global Limited (ASX:EXL; OTCQB:ELLXF) is a global leader in the hemp industry, innovating, marketing and selling hemp derived nutraceutical, cosmetic and food products. The Company's simplified business model is focusing on:

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp derived nutraceutical products based in Colorado, USA
- In Europe and the UK, educating and selling high quality Elixinol branded and co-branded hemp derived nutraceutical and skincare products based in Utrecht, The Netherlands and London, UK
- In Australia, providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia
- Hemp Foods Australia Pty Ltd, a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and raw materials, and finished products
- Across the Rest of World, expanding distribution of Elixinol branded hemp derived products through reputable distributors as key markets open.

See more at [www.elixinolglobal.com](http://www.elixinolglobal.com)

**About CannaCare**

CannaCare® Health is one of the leading German manufacturers and wholesalers of high-quality cannabidiol (CBD) products. Key attributes:



- Break-even EBITDA business with a strong growth trajectory
- Highly experienced and capable management team with strong sales, marketing, operations and finance experience
- CannaCare has built its CANOBO line of CBD products into one of the leading CBD brands in Germany, estimated by management to be in top three by market share
- CANOBO offers an extensive hemp based CBD product portfolio including nutraceuticals, cosmetics, and sports products
- CANOBO has a strong leadership position in national drugstore chains such as Rossmann and Mueller, two of Europe's largest drugstore chains, with an estimated 4,500 distribution points and strong track-record with HSE24 Germany's biggest TV shopping channel. CANOBO products are available in CannaCare's online store [www.canobo.de](http://www.canobo.de), as well as in pharmacies - both in-store and online.
- Newly launched comprehensive skincare range endorsed by German media celebrity Jorge Gonzalez with over 700 bricks and mortar retail distribution points plus listings across e-retailers and German TV shopping channel HSE24

See more at [www.canobo.de](http://www.canobo.de)





## ANNEXURE A

Key Terms	Description
<b>Terms of Performance Securities</b>	<p>The Performance Securities that convert into Shares in the circumstances referred to above are, among other things, not transferable, do not entitle the Vendors to any voting entitlements or dividends, do not bear any interest, and are unsecured.</p> <p>If there is a reorganisation (including consolidation, sub-division, or return of capital) of the share capital of the Company while the Performance Securities are on issue, then the rights of the Vendors in relation to the Performance Securities will be changed to the extent necessary to comply with the ASX Listing Rules, subject to the economic benefit and other rights of the Vendors in relation to the Performance Securities not being diminished or terminated following such amendment.</p>
<b>Shortfall</b>	<p>If the maximum number of Second Tranche Shares exceeds the maximum of 165,180,893 Shares, then in effect the Company must seek shareholder approval to issue the shortfall, or pay to the Vendors the cash equivalent of the shortfall. For example, this scenario occurs if the maximum earnout of €15,000,000 is payable at an exchange rate of 1.5389 EUR:AUD and the 15 day VWAP as at 31 March 2022 is below A\$0.1397.</p>
<b>Warranties and indemnities</b>	<p>The Vendors have provided certain warranties and indemnities in relation to the issued share capital of CannaCare and in relation to the business of CannaCare that in the Company's view is customary for a transaction of this nature in the German market.</p>
<b>Period between exchange and closing</b>	<p>Between the period that commences on the date of the agreement to enter into the Proposed Transaction and that ends on completion of the Proposed Transaction, the Vendors are required to cause CannaCare to, among other things, be conducted in the ordinary course of business.</p>
<b>Completion</b>	<p>Completion of the Proposed Transaction is anticipated to be Monday, 5 July 2021.</p>



<b>Protection of earn-out</b>	As noted above, the number of Shares to which the Vendors are entitled on conversion of the Performance Securities depends on the amount of earn-out that is payable. During FY2021, the Company must not do certain things that are intended to, or that may reasonably be expected to, reduce the EBITDA or revenue of CannaCare during FY2021. However, the Company is not precluded from taking any actions or measures that, among other things, are taken with the prior written consent of the Vendors, that are taken to prevent serious disadvantage to the Company, are provided for in the business plan of CannaCare or are required by law.
<b>Acceleration of earn-out</b>	If the Company removes Oliver Haist as managing director of CannaCare or Michael Oplesch as member of CannaCare's advisory board in FY2021, the maximum earn-out (€15,000,000) shall be immediately due and payable, except where such removal was made for cause or with the Vendors' written consent.
<b>Call option</b>	The Vendors have a call option over the issued share capital in CannaCare until such time as the earn-out (if any) is paid. The call option can only be exercised where the Company is subject to an insolvency event.
<b>Non-compete and non-solicitation</b>	For a period of two years after closing of the Proposed Transaction, each of the Vendors must refrain from competing, directly or indirectly, with the business operated by CannaCare and must refrain from, directly or indirectly, recruiting or soliciting an employee of CannaCare away from CannaCare.





ASX:EXL | OCTQB:ELLXF

# Proposed acquisition of CannaCare Health to create a leading Pan-European CBD business

15 March 2021



Kind of Amazing

# Disclaimer

**This presentation contains summary information about Elixinol Global Limited (Elixinol) and its subsidiaries and their activities.**

The information in this presentation does not purport to be complete. It should be read in conjunction with Elixinol's other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at [www.asx.com.au](http://www.asx.com.au).

The information contained in this presentation is not investment or financial product advice and has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek independent professional advice appropriate to their jurisdiction and circumstances.

To the maximum extent permitted by law, no responsibility for any loss arising in any

way from anyone acting or refraining from acting as a result of this information is accepted by Elixinol, any of its related bodies corporate or its directors, officers, employees, professional advisers and agents (Related Parties). No representation or warranty, express or implied, is made by any person, including Elixinol and its Related Parties, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation.

An investment in Elixinol securities is subject to investment and other known and unknown risks, some of which are beyond the control of Elixinol or its directors. Elixinol does not guarantee any particular rate of return or the performance of Elixinol securities.

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This presentation contains certain forward-looking statements with respect to the

financial condition, results of operations and business of Elixinol and associated entities of Elixinol and certain plans and objectives of the management of Elixinol. Forward-looking statements can be identified by the use of forward-looking terminology, including, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may" or "will", and similar expressions. These forward-looking statements include all matters that are not historical facts.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of Elixinol to be materially different from the results or performance expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding Elixinol's present and future business strategies and the political, regulatory and economic environment in which Elixinol will operate in the future,

which may not be reasonable, and are not guarantees or predictions of future performance. No representation or warranty is made that any of these statements or forecasts (express or implied) will come to pass or that any forecast result will be achieved. Forward-looking statements speak only as at the date of this presentation and to the maximum extent permitted by law, Elixinol and its Related Parties disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, any assumptions or expectations set out in this presentation).

All figures in this presentation are A\$ unless stated otherwise and all market shares are estimates only. A number of figures, amounts, percentages, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, the actual calculations of these figures may differ from figures set out in this presentation.

## Elixinol CBD



## elixinolSkin CBD



## Hemp Foods Australia



## Our Vision

Building a global, hemp derived, health and wellness consumer products business.

## Our Mission

Making a positive contribution to people's health, wellness and the planet through the power of hemp products.

# Transaction summary

*Elixinol plans to acquire leading German-based CBD business, CannaCare, to accelerate its vision of becoming a global, hemp-derived health and wellness consumer products business.*

## Overview of CannaCare

- CannaCare's CANOBO brand is the leading company for premium CBD products in Germany's retail market (drugstores<sup>1</sup>, pharmacies) with over 4,500 distribution points selling a range CBD oils, sprays and cosmetics
- Break-even business with a strong growth trajectory
- FY2020 revenue of €2.6m at break-even EBITDA (unaudited)
- 1<sup>st</sup> CBD brand to invest in extensive broad reach media and TV commercials
- Operating a capital light outsourced supply chain model similar to Elixinol UK
- Existing management team to remain in place. Major shareholder, Frank Otto, will join Elixinol's Board, bringing significant experience in the German and European markets

## Purchase Consideration

- Up-front purchase price of €9m, comprising:
  - €3m cash; and
  - €6m of Elixinol scrip
- Up-front consideration implies 3.5x EV/revenue (LTM 31 December 2020) and 2.2x EV/revenue (based on annualised run-rate Q4 FY2020 revenue)
- Performance-based earn-out of up to €15.0m in Elixinol scrip, subject to achieving certain earn-out milestones

## Earn-out Mechanism

- Maximum earn-out payable is €15.0m and CannaCare must achieve revenue during FY2021 of at least €6.5m for any earn-out to be payable (subject to a minimum EBITDA margin hurdle of 20%)
- Adjustment mechanism in place where FY2021 revenue achieved is greater than €6.5m but below minimum EBITDA threshold
- Earn-out to be paid in Elixinol scrip on or around 31 March 2022

## Expected Financial Impact

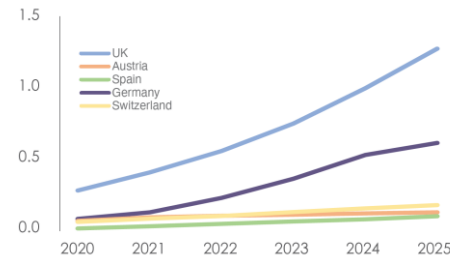
- CannaCare delivered €2.6m of revenue in FY2020 with breakeven EBITDA and is expecting significant growth in FY2021
- At minimum threshold of €6.5m for an earn-out to be paid, CannaCare revenue would constitute +66% revenue growth on Elixinol Global's FY2020 audited revenue
- Acquisition expected to fast-track revenue growth and accelerate pathway to group profitability
- Substantial long-term synergy potential

# German CBD market is highly attractive<sup>1</sup>

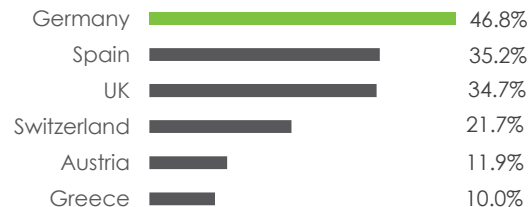
*CannaCare presents an opportunity to take a significant share of Europe's fastest growing CBD market.*

- #1 Positive regulatory developments as the European Court of Justice ruled CBD is not a narcotic and CBD products should enjoy free movement within and across Europe. Novel Foods Application to be re-instated.
- #2 2nd largest and fastest growing CBD market in Europe. Estimated retail value in 2020 of US\$90m, expected to grow to US\$617m by 2025 (CAGR 47%)
- #3 Total addressable market (excludes Vapes) in 2020 of US\$53m growing to US\$477m in 2025 (CAGR 55%)
- #4 Key channels include online, pharmacies, drugstores, organic grocery and specialty CBD retail account for 80-90% of distribution
- #5 Market highly fragmented with no brand having more than single digit market share
- #6 Good access point to markets in Austria and Switzerland (Europe's No.3 and No. 4 markets) that together provides total market of US\$147m in 2020 growing to US\$322m by 2025 (CAGR 17%)

European CBD Markets Size (US\$m)<sup>1</sup>



European CBD Markets 2020-2025 CAGR<sup>1</sup>



# CannaCare overview

*CannaCare presents an opportunity to take a significant share of Europe's fastest growing CBD market.*

- Established 2018, based in Hamburg
- Extensive product range with 20 SKUs mainly consisting of oil, sprays and cosmetics marketed under CANOBO brand
- CANOBO #1 brand in German bricks and mortar retail with over 4,500 distribution points and an estimated market share of 42%<sup>1</sup> in the drugstore channel
- CANOBO first brand investing in broad reach media with several TV ads driving national consumer appeal
- Capital light model with outsourced supply chain
- Investment in new organic product certification
- Strict quality controls and independent testing regime





# CannaCare distribution and routes-to-market

*CannaCare enjoys a dominant position in traditional retail with particularly strong penetration in the drugstore channel (~42% market share<sup>1</sup>) and pharmacies.*

## Pharmacy/Drugstores



**ROSSMANN**  
Mein Drogeriemarkt

Leading drugstore chain – 2,200 POS



Drugstores – 680 POS



Drugstores – 180 POS



1,500 Pharmacy distribution

## E-Commerce



Major online retailer & publisher



Premium online cosmetics retailer



Premium online cosmetics retailer

## Home Shopping



Leading European omnichannel retailer reaching ~45m German, Austrian and Swiss households

## Supermarket



Leading German supermarket with over 50 stores

## Online

Platform transitioning from Shopify to Magento in Q1 2021 to support growth and scalability

# Key people

## FRANK OTTO

*Strategy Partner & Shareholder*

Serial founder in the media industry

Founder and investor of many successful corporations (e.g. VIVA Music-Television)

Will join the Board of Elixinol Global as Non-Executive Director



## OLIVER HAIST

*Managing Director*

L'Oréal – Group Key Account Manager FMCG

Philips – International Head of Sales FMCG

Leifheit – Export Director

Estée Lauder – Head of Sales and Marketing Germany



# Synergies and growth outlook

*An acquisition of CannaCare will deliver Elixinol immediate material scale in Germany, while creating significant long-term value through a high growth market trend, identified cost synergies and potential cross-selling opportunities.*

## Synergy Potential

- ✓ Procurement savings by leveraging buying power of combined group
- ✓ Integration of supply chains leading to cost-out and enhanced efficiencies
- ✓ Leaner combined management and organizational structure
- ✓ Dual brand offering provides differentiation while capturing bigger share
- ✓ Access to fast growing adjacent German speaking markets
- ✓ Cross-selling mutually exclusive and differentiated product portfolio

## Growth Drivers

- #1 Improved regulatory environment legitimising CBD as food product and driving wider distribution and consumer adoption.
- #2 German market growing to US\$617m by 2025 (CAGR 47%)<sup>2</sup>
- #3 New cosmetics range with large scale distribution expected
- #4 ATL & BTL media investment driving consumer awareness and demand
- #5 New e-commerce platform and growing customer acquisition
- #6 New product launches and range extensions (eg. sleep, immune)

NEW



NEW



# Key terms and funding

*Earn-out structure de-risks the transaction and limits downside, while enhancing upside potential and incentive alignment.*

## Key terms

Purchase Price	Upfront Consideration	<ul style="list-style-type: none"> <li>• €9m total upfront consideration to acquire 100% of CannaCare, comprising: <ul style="list-style-type: none"> <li>– €3m (A\$4.6m) fixed payment in cash payable at completion</li> <li>– €6m (A\$9.2m) fixed payment in Elixinol ordinary shares payable at completion</li> <li>– Elixinol scrip to be issued based on an agreed price of A\$0.2105 Elixinol share price, representing the 2 month VWAP as at 22 Feb 2021</li> <li>– Shares issued as part of this tranche will be subject to voluntary escrow from their date of issue until 31 March 2022</li> </ul> </li> </ul>
	Earn-out	<ul style="list-style-type: none"> <li>• €15.0m maximum earn-out payable to CannaCare shareholders and will be paid in Elixinol ordinary shares at or around 31 March 2022, subject to one of the following targets being met: <ul style="list-style-type: none"> <li>– Adjusted EBITDA of €2.58m is achieved; or</li> <li>– If Adjusted EBITDA margin is greater than 20% and revenue is €12.9m or higher</li> </ul> </li> <li>• To the extent CannaCare does not achieve an Adjusted EBITDA margin of 20%, however achieves an Adjusted EBITDA of greater than €1.3m in FY2021, part of the earn-out will become payable (subject to a further 50% discount)</li> <li>• Earn-out to be 100% funded by Elixinol shares: <ul style="list-style-type: none"> <li>– Share price will be calculated based on 15 day VWAP immediately prior to 31 March 2022</li> <li>– Foreign exchange rate to be calculated based on RBA published prevailing AUD:EUR, immediately prior to conversion</li> </ul> </li> <li>• Elixinol shares relating to the Earn-out to be issued on or near 31 March 2022</li> </ul>
Condition		<ul style="list-style-type: none"> <li>• The transaction is subject to customary conditions, including but not limited to: <ul style="list-style-type: none"> <li>– An independent expert opining that the transaction is in the best interests of Elixinol security holders</li> <li>– Elixinol shareholder approval</li> <li>– ASX in principle advice regarding the issue of Performance Securities</li> </ul> </li> </ul>

# Timetable

Event	Date
Despatch of Notice Of Meeting to shareholders (including Independent Expert's Report)	Thursday, 15 April 2021
Annual General Meeting	Monday, 17 May 2021
Targeted transaction completion	Monday, 5 July 2021
Issue of Upfront Consideration Shares	Monday, 5 July 2021
Issue of Earn-out Consideration Shares	Thursday, 31 March 2022
Upfront Consideration Shares released from voluntary escrow	Thursday, 31 March 2022

# Summary: accelerating the path to profitability

*The proposed CannaCare acquisition accelerates Elixinol's vision of becoming a global, hemp derived health and wellness consumer products business.*

- ✓ Fast market entry and delivers immediate, material scale in Europe's fastest growing CBD market (CAGR of ~47% over 2020-25)<sup>1</sup>
- ✓ Established CBD brand with leading position in Germany and #1 brand<sup>1</sup> in drug store channel, with over 4,500 distribution points
- ✓ Robust financial profile with high growth outlook and clear pathway to profitability
- ✓ Recent changes to regulatory framework driving positive momentum in European CBD market
- ✓ Lean and scalable capital-light business model currently primed to capitalise on regional tailwinds
- ✓ Creates a leading pan-European CBD business with global reach and diversification outside of US market
- ✓ Earn-out structure materially de-risks transaction and limits downside, while aligning interests with vendors to increase upside
- ✓ Highly capable management team bringing significant experience and regional expertise







## For more information

**For investor relations please contact:**

Ron Dufficy, Global Chief Financial Officer  
[ron.dufficy@elixinolglobal.com](mailto:ron.dufficy@elixinolglobal.com)

**For media please contact:**

Cherie Hartley, IR Department  
[cherie.hartley@irdepartment.com.au](mailto:cherie.hartley@irdepartment.com.au)

