



## ASX Announcement

26 April 2021

### **Q1 FY2021 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE**

***Green shoots in key markets; CannaCare acquisition opens up significant European opportunity***

#### **Key Highlights**

- **Highly value accretive acquisition of leading German hemp derived CBD player, CannaCare Health announced to deliver fast market entry and immediate, material scale in Europe's fastest growing CBD market**
- **Well-funded with \$23.3m in cash and equivalents to support acquisitive growth and sustain conditions in those markets still COVID-affected**
- **Q1 FY2021 revenue of \$2.3m – 26% decline on previous quarter vs Q4 FY2020 of \$3.1m, reflecting normal seasonality, compounded by COVID-19 in key markets**
- **Operating cash used for Q1 FY2021 (excluding CannaCare transaction costs) of \$3.6m, compared with \$9.0m for pcq and \$3.8m in Q4 FY2020**
- **Lead indicators for current quarter looking positive as UK comes out of hard lockdown and customers have started placing replenishment orders**
- **Elixinol products now supported by a valid novel food application under the UK Food Standards Agency (FSA)**

Elixinol Global Limited (**Elixinol** or the **Company**) (**ASX:EXL; OTCQB:ELLXF**) a global leader in the hemp derived CBD industry, innovating, and selling hemp derived CBD products, is pleased to release its business review and Appendix 4C cash flow statement for the quarter ended 31 March 2021 (**Q1 FY2021**).

Global CEO, Oliver Horn, commented "The first quarter of the calendar year is traditionally softer for retail, while consumers curb discretionary spend after Christmas and holiday trading periods. This seasonal trend was compounded by the continued impact of COVID in two of our key markets: the UK and US, where footfall into physical venues continued to be significantly reduced. Pleasingly, in March we saw green shoots start to appear both in the UK and the US as the impact of economic stimulus packages, easing of COVID restrictions came into effect and increased vaccination rates started lifting consumer confidence.

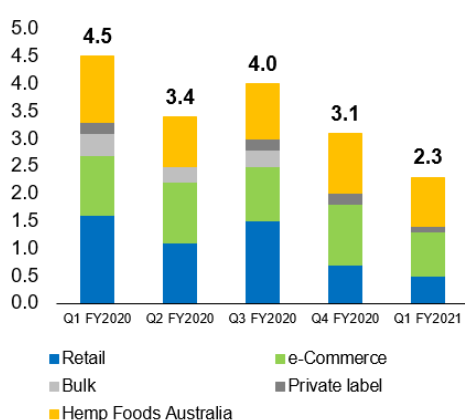
"Moving closer to summer and with the UK coming out of lockdown and vaccination programs being implemented, we expect to see an improvement in consumer spend. Our confidence is underscored by recent re-orders commencing in late March from major pharmacy channel customers, Superdrug, Well Pharmacy and PharmaCare. Now that we have our UK Novel Food Application validated by the UK Food Standards Agency, our products can remain in



distribution, and new customer opportunities are opening up with the benefit of this improved regulatory certainty.

“In March we announced the proposed acquisition of CannaCare, whose performance in Germany has been consistent with our expectations, supported by a successful skincare launch. We are now looking forward to presenting this transaction to shareholders at our coming AGM on 17 May and discussing the strategic importance and accretive EBITDA outlook that this acquisition is anticipated to bring to the Group.”

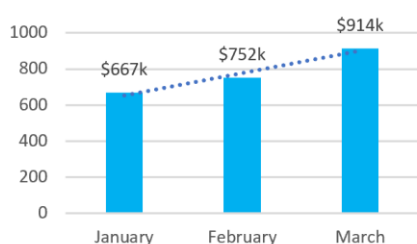
### Revenue by Quarter (A\$m)<sup>1</sup>



Elixinol reported revenue of \$2.3m for Q1 FY2021, representing a 26% decline on Q4 FY2020, with the softer quarter influenced by seasonality and COVID-lockdowns.

Elixinol is finalising its repositioning towards a higher margin, consumer-led branded nutraceuticals model. The Company's focus on the use of e-commerce for driving sales through the COVID-19 operating environment, and the sale of higher-margin Elixinol branded products, continues to shift the revenue and margin mix, leading to improved EBITDA levels across all business units. Elixinol's e-commerce channel contributed around \$833k or 36% of overall revenue. Hemp Foods Australia contributed \$871k or 37% to the quarter's revenue result.

### Revenue by Month (A\$)



As illustrated by the breakdown shown, Group revenue steadily improved across the course of the quarter as consumers recovered from Christmas trading periods; COVID-related restrictions started to ease in the UK and the impact of US stimulus packages took effect.

Operating cash used for Q1 FY2021, excluding CannaCare transaction costs, was \$3.6m, substantially improved compared with \$9.0m in Q1 FY2020 and down from \$3.8m in Q4 FY2020. Elixinol finished the quarter well-funded with \$23.3m in cash and equivalents to support its growth strategy and is well positioned to take advantage of an improving outlook in its key markets.

<sup>1</sup> All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q1 FY2021 = 0.7727; Q1 FY2021 revenues are unaudited.



## BUSINESS UPDATE

### Americas business achieves margin growth through higher e-commerce channel

Throughout the quarter, Elixinol's US business showed improvement, growing from a low base across the period. Revenue through the e-commerce channel now represents 64% of Americas revenue, which comes with much higher margins than in traditional bricks and mortar environments. E-commerce transaction conversions across e-commerce channels improved 26% between February and March.

As the Elixinol team continues to focus on e-commerce channel growth to hedge against physical retail trading environments, a mix of online and offline marketing campaigns and activations are being run.

**Elixinol Good Night capsules** have been included in the "Oscars Bags" – luxury bags provided to nominees of the Oscars awards, positioning Elixinol product with a luxury audience both online and offline. Media coverage of Elixinol's participation in the bags has converted in Vogue and GQ magazines.

A new product is being launched in the US to coincide with spring and easing of lockdowns.



Elixinol's new Immune Gut Health capsules are the first CBD product to include the power of Ginfort™ - concentrated ginger with 13x more ginger actives than other any other ginger extract.

Ginger has been used for centuries for medicinal, dietary and culinary purposes. Although best known to help digestion and settle stomachs, ginger's anti-inflammatory and antioxidant properties support a strong immune system.

The unique combination of full-spectrum CBD and Ginfort™'s concentrated ginger actives allows support a healthy immune system at a time when a strong immunity has never been more important.

The Immune Gut Health capsules will be promoted via an extensive on and offline campaign with USA Today. Included in the campaign will be magazine inserts and inclusion in a special "Coronavirus updates" section on usatoday.com which is expected to attract about 1.5m visitors during the month of promotion.

### Green shoots appearing with UK business as major pharmacy chains place first new orders in months

COVID-related bricks and mortar retail shutdowns in the UK led to a softer January and February, before revenue lifted by 180% in the month of March. This improvement timed with the easing of longstanding lockdowns the UK. It also followed the news in late February that the UK Food Standards Agency (FSA) had validated EIHA consortium partners, including Elixinol, Novel Food application and can remain for sale on the UK market until the FSA has approved the application. This represented critical regulatory progress, which enabled Elixinol products to be sold under business-as-usual conditions in the UK and has resulted in new business opportunities as retailers react positively to more regulatory certainty.



Following FSA validation and post-quarter, Elixinol has received an order from PharmaCare for the co-branded Naturopathica CBD+ range, which is sold in Holland & Barrett, the UK's leading health and wellness retailer. Naturopathica CBD+ is being sold via Holland & Barrett's online store, HollandandBarrett.com, and over 800 Holland & Barrett retail stores.

Existing brick and mortar customers, Superdrug and Well Pharmacy, have also placed new product orders for the first time in months.

**Global CEO, Oliver Horn said, "These UK orders are signs of optimism that we're coming out the other side of what has been a difficult trading period. We are encouraged by what we're seeing in our lead indicators and expecting revenue improvement in Q2 FY2021."**

### **Hemp Foods Australia update**

Hemp Foods Australia (HFA) continued to contribute a significant portion of Group revenue, with 39% coming in via HFA. Margins also improved throughout Q1 FY2021 vs the prior quarter, with the now optimised cost base. HFA continues to operate close to break-even. Consistent focus on e-commerce resulted in 12% of sales coming from this channel and showing consistent month on month growth. March saw nearly 13k sessions representing a 20% month on month improvement and 70% growth year on year.



The new, certified organic Hemp Gold launch is performing well with advanced discussions on new listings. Hemp Gold is a high-quality protein powder made of dehulled hemp seeds with 20% more protein content than standard hemp protein powder.

### **CannaCare acquisition to position Elixinol as a leading pan-European CBD business and accelerate path to profitability**

On 15 March, Elixinol signed a 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.

Europe is the world's second largest CBD market after the USA and the market is forecast<sup>2</sup> to more than quadruple over the 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.

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.

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



In FY2020 CannaCare delivered \$4.3m (€2.6m) of revenue with breakeven EBITDA (unaudited). In Q1 FY2021 CannaCare delivered \$1.5m (€0.9m) of revenue with slightly positive EBITDA (unaudited). The proposed acquisition is highly synergistic, enabling consolidation of the 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 an EBITDA accretive pan-European business of scale, well positioned to capitalise on a burgeoning European CBD market.

Shareholders will be invited to vote on the acquisition at Elixinol's upcoming Annual General Meeting, which will be held on Monday, 17 May 2021, commencing at 10.00am AEST. To view a copy of the Notice of Meeting, which includes an independent valuation report, please visit [www.elixinolglobal.com](http://www.elixinolglobal.com).

#### Appendix 4C commentary

During the quarter the Company reported operating cash expenditures of \$6.6m, which, excluding \$0.3m in CannaCare transaction costs, represents an 11% reduction from the previous quarter of \$7.1m reported in Q4 FY2020. These expenditures were directed towards increasing new sales and distribution channels and to further Elixinol's strategy to build a global consumer brand and were incurred across the Company's business segments as follows: Americas \$3.3m, Europe \$1.0m, Australia \$1.0m, Corporate \$1.0m and \$0.3m CannaCare transaction costs.

The Company reported an aggregate amount of payments to related parties totaling \$161,000. These payments comprise of non-executive director fees and executive director remuneration.

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

#### For more information please contact:

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## About Elixinol

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

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp derived CBD products based in Colorado, USA
- In Europe & UK, educating and selling high quality Elixinol branded and co-branded hemp derived CBD products based in Amsterdam, 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
- Hemp Foods Australia is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products
- Across the Rest of World, expanding distribution of Elixinol branded hemp derived CBD products through reputable distributors as key markets open.

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

## Appendix 4C

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

**Name of entity**

Elixinol Global Limited

**ABN**

34 621 479 794

**Quarter ended ("current quarter")**

31 March 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	2,586	2,586
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,082)	(1,082)
(c) advertising and marketing	(833)	(833)
(d) leased assets	(93)	(93)
(e) staff costs	(2,350)	(2,350)
(f) administration and corporate costs	(1,909)	(1,909)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	15	15
1.5 Interest and other costs of finance paid	(16)	(16)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	42	42
1.8 Other – transaction costs	(332)	(332)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(3,972)</b>	<b>(3,972)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(32)	(32)
(d) investments	-	-
(e) intellectual property	(63)	(63)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(95)</b>	<b>(95)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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	(110)	(110)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(269)	(269)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(379)</b>	<b>(379)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	27,743	27,743
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,972)	(3,972)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(95)	(95)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(379)	(379)
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>23,295</b>	<b>23,295</b>

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	23,295	27,743
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>23,295</b>	<b>27,743</b>

**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**

161

-

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.

N/A

**8. Estimated cash available for future operating activities****\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(3,972)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

23,295

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

23,295

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

5.9

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?

N/A – more than 5 quarters

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?

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?

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.

26 April 2021

Date: .....

The Board

Authorised by: .....  
(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.