

H1 FY21 Results Presentation

August 2021



 **ElixinolWellness**
Natural wellness for people and the planet

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Disclaimer



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FY21 Executive Summary

Continued business optimisation leads to improved EBITDA result, up by +53% (H1 FY21 vs pcp), and creates foundations for growth drivers.

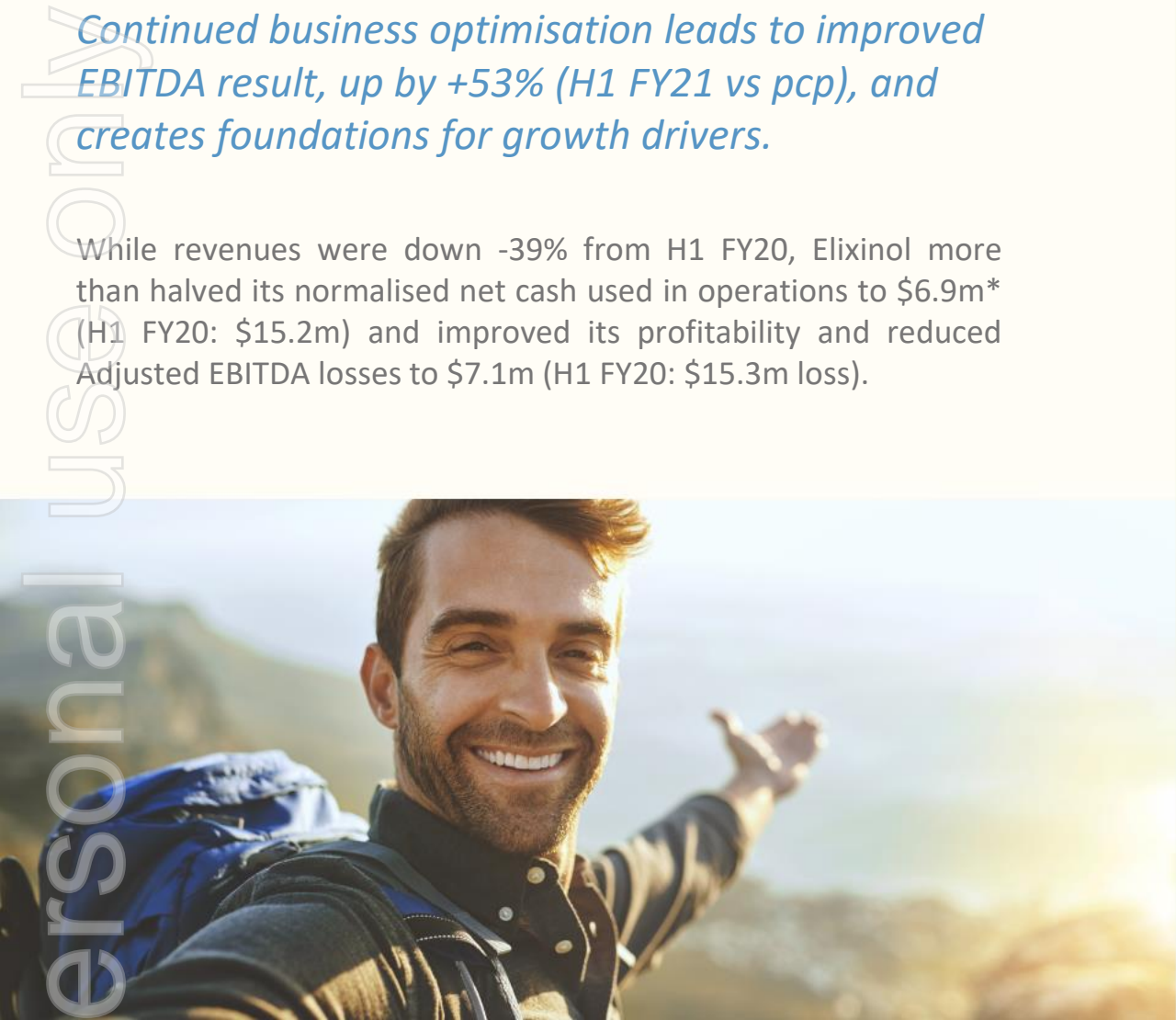
While revenues were down -39% from H1 FY20, Elixinol more than halved its normalised net cash used in operations to \$6.9m* (H1 FY20: \$15.2m) and improved its profitability and reduced Adjusted EBITDA losses to \$7.1m (H1 FY20: \$15.3m loss).

US operations continued its restructuring program reducing operating expenses by \$5.4m to \$5.7m (H1 FY20: \$11.1m). Critical new leadership capability is driving turnaround agenda anchored in e-commerce growth, a push towards national retail and new innovation initiatives. Q2 FY21 revenue up +4% over Q1 FY21.

Hemp Foods Australia contributed 40% of total revenues at near break-even levels. Stable revenue with improved margin profile as a result of portfolio optimisation initiatives. Strong growth in e-commerce, solid core range performance, new products launched and lower cost structure to enable a clear path to profitability. Q2 FY21 revenue grew strongly, up 19% over Q1 FY21.

Europe proved challenging, delivering only \$0.3m in revenue following extended COVID-19 lockdowns in the UK and a resulting oversupply situation while surplus stocks are being cleared and regulatory uncertainty further led to retailers pausing investment in the CBD category. However, operating expenses were reduced by -55% (from \$3.1 H1 FY20 to \$1.4m H1 FY21) thus resulting in a +54% EBITDA improvement.

* Excludes non-recurring transaction and severance costs.



Positive outlook as US market recovers, new product launches and e-commerce drive growth and business transformation continues

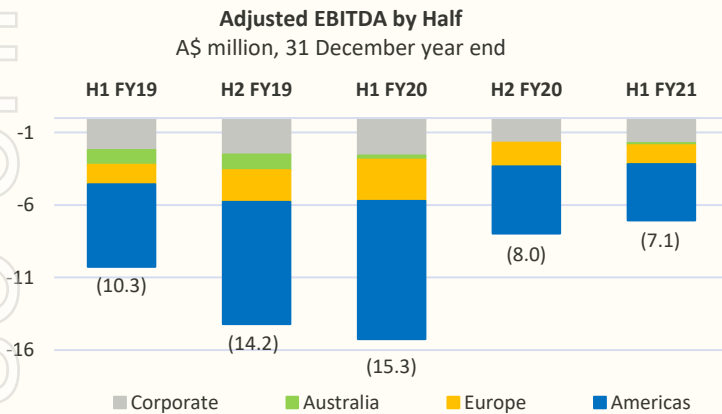
With the US CBD market stabilising, store traffic improving and the trend for CBD and plant-based products continuing, the Company currently expects an improving US trading environment whilst the Hemp Foods Australia business is providing a robust base line business.

New product launches and improved e-commerce capabilities will contribute to new revenue growth whilst cost will continue to be managed down as we complete the transition to a fully outsourced US supply chain.

In the short-term, the Company will focus investment in the US and Australia whilst evaluating the European landscape and regulatory process. Being on consumer trend and with a rejuvenated leadership team and product portfolio, the Company feels increasingly positive about its outlook. Elixinol remains well funded with \$19m in cash.

Financial Highlights

Elixinol is in the best EBITDA and cash position it has been over recent periods, on track for a strong turnaround.



Adjusted EBITDA*

Improved significantly between H1 FY21 and H1 FY20, despite lower revenues with a reduced cost base supporting a simplified strategy.

Cost reduction program and higher margin business driving performance improvements.

44%

Cost base reduction

Operational and corporate cost reduction initiatives have significantly reduced operating expenses H1 FY21 compared with H1 FY20.

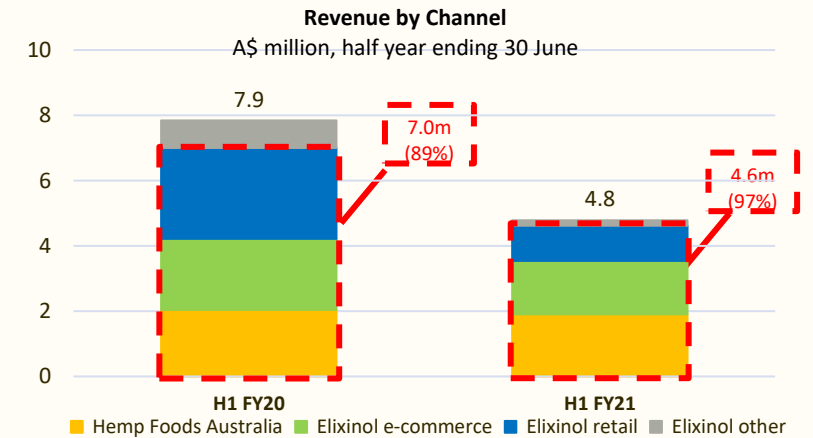
Well funded**

With improving cash flow, more than six quarters of operating cash on hand based on latest quarter.

\$19.0m

vs \$27.7m in FY20

>6 qtrs



Revenue by channel

Divested low margin business to focus on higher margin Elixinol branded products.

Driving margin improvement as business mix shifts towards e-commerce and branded consumer goods channels.

Key markets impacted by COVID-19 through the period.

* Excluding non-cash impairments and share-based payments. ** Cash and cash equivalents at the end of the reporting period.

Operational Highlights

Despite a highly challenging business and regulatory environment, Elixinol Wellness continued to deliver on its strategy to become a consumer centric, high margin branded consumer goods company.

As a result of enterprise-wide transformation initiatives, the Company is now in a strong position to capitalise on the improving US economic outlook with Hemp Foods Australia providing a robust baseline.

Large scale business transformation largely completed
and further optimisation initiatives being implemented.



All business units showed significantly improved EBITDA
contributing to an overall cost reduction of \$7.7m vs H1 FY20



Achieved 52% average gross margin
up from 37% H1 FY20 following strategy to focus on high margin channels with branded consumer goods.



Supports healthy joints —
and your life in motion.



HFA performing strongly up +19%
in Q2 vs Q1 FY21 and benefitting from higher margin optimised business model



US returning to +4% growth
In Q2 vs Q1 FY21 helped by new bricks & mortar distribution



Crucial new leadership capability build
New US and EU leadership and new Global R&D / Innovation Director role in place

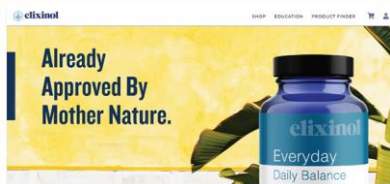


Elixinol Brand Highlights

Through H1 Elixinol invested further in positioning its brand towards the natural nutraceutical category. A new, high performing range of products was launched where our CBD is blended with other actives for improved efficacy and the ability to make health claims. Expanded online and offline distribution points secured through H1 support an improving H2 outlook.

New Brand Positioning

Targeting consumers that prefer natural product solutions over pharmaceuticals.



Let Nature Shine

Nature's best ingredients – for your full potential.

SHOP NOW

New Products

New product solutions with specific health benefits and improved bio-availability.



New Customers

Secured national UK distribution via Superdrug and numerous e-retailers in the UK and US.



FEELUNIQUE



Hemp Foods Australia Brand Highlights

We optimised our portfolio, deleting low margin grocery products and adding new core products. Together with strong growth in e-commerce, these changes drove profitability improvements for HFA.



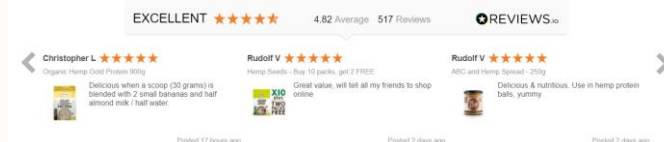
E-commerce +54%*

Revenues from e-commerce now account for 11% of sales vs 7% H2 FY20 and are driving margin accretion.



New Core Range

Addition of Australian grown hemp and premium Hemp Gold range with higher protein, smoother texture and better taste.



Portfolio Optimisation

Deletion of low margin grocery range has driven 7% growth in gross profits H1 FY21 vs H1 FY20.



*H1 FY21 vs H2 FY20

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Global E-commerce Highlights Q2 FY21

40% of revenue was derived from e-commerce in H1 FY21. Continued efforts to move toward a digitally native business have yielded strong progress, with more upside ahead as we focus on attracting new consumers and improving user experience.



US Digital

H1 Performance '21
(% Change Q2 vs Q1 '21)



Revenue **+2.2%**

Average Order Value **+5%**

E-commerce Conversion Rate **+4.5%**

EU Digital

H1 Performance '21
(% Change Q2 vs Q1 '21)



Revenue **+36%**

Average Order Value **+29.4%**

E-commerce Conversion Rate **+27.8%**

HFA Digital

H1 Performance '21
(% Change Q2 vs Q1 '21)



Revenue **+17.2%**

Average Order Value **+4.4%**

E-commerce Conversion Rate **+3.2%**

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FY21 Segment Performance

Significant EBITDA improvement across all business units.



A\$'m
Revenue
Gross profit
GP%
Operating expenses
Other income/(expenses)*
Adjusted EBITDA

Americas	
H1 FY21	H1 FY20
2.6	4.8
1.8	2.1
72%	44%
(5.7)	(11.1)
0.0	(0.5)
(3.9)	(9.5)

Europe	
H1 FY21	H1 FY20
0.3	1.0
0.1	0.3
24%	29%
(1.4)	(3.1)
0.1	(0.1)
(1.3)	(2.8)

Australia	
H1 FY21	H1 FY20
1.9	2.0
0.6	0.6
31%	27%
(0.8)	(1.0)
0.0	0.1
(0.2)	(0.4)

Corporate	
H1 FY21	H1 FY20
(2.0)	(2.5)
0.3	0.0
(1.7)	(2.5)

- Impacted by COVID-19 & CBD category consolidation
- Focus on e-com & branded goods drives margin accretion
- 58% cost reduction

\$5.6m / 59% EBITDA improvement

- Impacted by COVID-19
- Market stalled due to regulatory uncertainty
- 55% cost reduction

\$1.5m / 54% EBITDA improvement

- Portfolio optimisation results in revenue dip but drives 4 basis point margin improvement
- \$0.2m/50% EBITDA improvement

\$0.2m / 50 % EBITDA improvement

- \$0.3m Sydney office sub-lease income
- Includes non-recurring transaction costs of \$0.5m
- 40% cost reduction**

\$1.3m / 52 % EBITDA improvement**

* Includes share of gains/(losses) from equity accounted investments.

** Normalised to exclude non-recurring transaction costs of \$0.5m.

FY21 Financial Summary

Focus on higher margin branded products and e-commerce, and tight cost controls driving significant profit improvement.

A\$m	H1 FY21	H1 FY20
Revenue	4.8	7.9
Cost of goods sold	(2.3)	(4.9)
Gross profit	2.5	3.0
GP%	52%	37%
Operating expenses	(10.0)	(17.7)
Non-operating (expenses)/income	0.4	(0.5)
Adjusted EBITDA	(7.1)	(15.2)
Depreciation and amortisation	(0.8)	(2.0)
Impairment of assets	(2.6)	(69.0)
Share-based payments	(0.3)	0.5
Interest income/(costs)	(0.1)	0.1
Profit/(loss) before tax	(10.9)	(85.6)
Tax benefit/(expense)	0.1	(4.6)
Profit/(loss) after tax	(10.8)	(90.3)

- Strategy to focus on Elixinol branded products and e-commerce channels driving significant margin improvement from 37% to 52%
- Business optimisation and tight cost control driving a reduction in operating expenses by 44% vs pcp



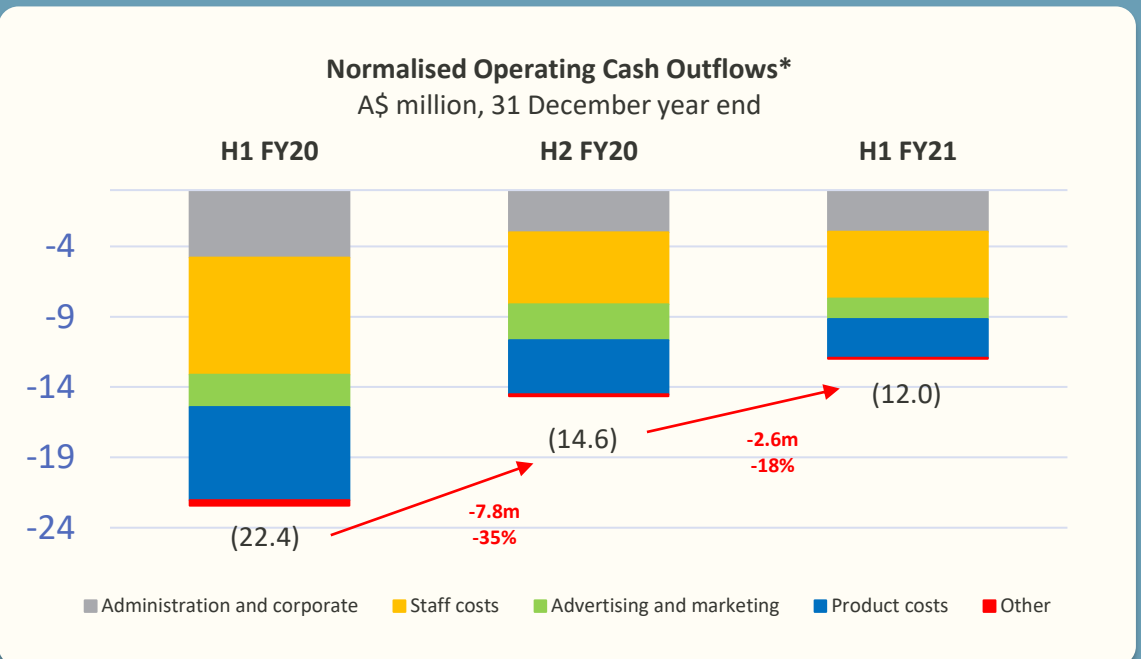
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FY21 Cash Flow

47% reduction in cash used in operations.

A\$'m	H1 FY21	H1 FY20
Operating activities	(8.0)	(15.2)
Investing activities	(0.2)	2.7
Financing activities	(0.6)	9.0
Net increase/(decrease) in cash	(8.8)	(3.5)
Opening cash on hand	27.7	20.4
Effect of change in foreign exchange	-	(0.1)
Closing cash on hand	19.0	16.8

- Simplified operating model has driven significant cost savings:
 - 47% reduction in cash used operating activities vs H1 FY20
 - 18% reduction in normalised operating cash outflows vs H2 FY20
- Based on Q2 FY21, more than 6 quarters of cash on hand, improving cash flows expected to extend further



* Excludes non-recurring transaction and severance costs

FY21 Financial Position

Well funded with \$19m cash and virtually no debt.

A\$'m	30 Jun 2021	31 Dec 2020
Current assets		
Cash and cash equivalents	19.0	27.7
Trade & other receivables	1.5	1.2
Inventories	2.0	4.7
Other	1.7	1.6
Total current assets	24.2	35.4
Non-current assets		
Property, plant and equipment	2.2	2.5
Investments	2.4	2.3
Intangible assets	0.7	0.9
Other	1.8	1.4
Total non-current assets	7.1	7.1
Total assets	31.3	42.5
Liabilities		
Trade and other payables	2.2	2.8
Other current liabilities	2.1	2.2
Non-current liabilities	1.8	1.8
Total liabilities	6.1	6.8
Net assets	25.2	35.7

- \$19m cash on hand
- Strong working capital management
- Reduced capital expenditure requirements due to simplified, capital light business model

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Outlook & Strategy

Elixinol Wellness is well positioned to benefit from the wellness macro trend.

Today's consumer views wellness across six dimensions. "79% of the consumers say they believe that wellness is important, and 42% consider it a top priority. Consumers in every researched market reported a substantial increase in the prioritization of wellness over the past two to three years."
McKinsey 'Feeling Good' 8th April 2021



Better health

Extends beyond medicine and supplements to include medical devices, tele-medicine, and remote healthcare services, as well as personal health trackers



Better fitness

Was steadily increasing over time before experiencing some upheaval over the past year, with many consumers struggling to maintain pre-COVID-19 fitness levels



Better nutrition

Has always been a part of wellness, but now consumers want food to help them accomplish their wellness goals in addition to tasting good



Better appearance

Primarily relates to wellness-oriented apparel ("athleisure") and beauty products (skincare and collagen supplements), but also includes service-oriented offerings like nonsurgical aesthetic procedures



Better sleep

Now goes beyond traditional sleep medication, like melatonin, to app-enabled sleep trackers and other sleep-enhancing products



Better mindfulness

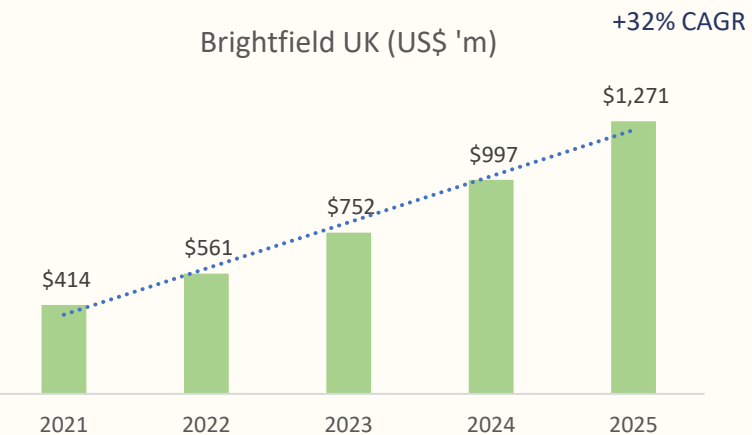
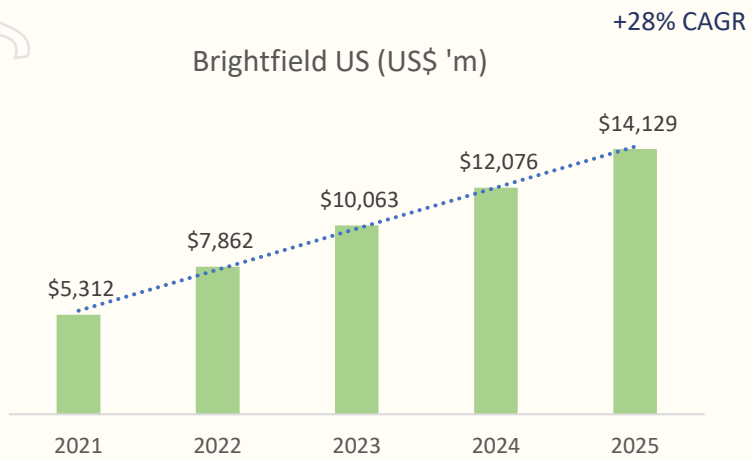
Has gained mainstream consumer acceptance relatively recently, with meditation-focused apps and meditation-oriented offerings



Chris Hemsworth buying HFA hemp seeds

Global Regulatory Outlook & Market Dynamics

Sustained growth outlook as consumers are adopting CBD at a rapid rate but legislation is progressing only slowly.



US regulatory framework progressing slowly:

- Market remains fragmented and highly competitive, but cannabis reform continues to build momentum under Democratic government. Congress passes SAFE Banking Act on 20th April. Multiple Congressional bills in process to accelerate FDA approval.
 - H.R. 841: Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act (February 2021)
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 - Cannabis Administration and Opportunity Act (CAOA) (July 2021)
- Consumer Brands Association (CBA), representing over 2000 brands incl. Coca Cola, Pepsico, lobbies US regulators to set CBD rules.
- It is widely expected that the FDA will regulate CBD as a dietary supplement within 18 months.

EU market no progress on Novel Foods regulation while UK market awaits clarification from FSA.

- No new regulatory progress in EU since December 2020 when it was announced that, following the ruling of the Court of Justice of the European Union (CJEU), the European Commission decided that cannabidiol (CBD) will not be regulated as a drug and can be qualified as food.
- UK Food Standards Agency (FSA) required that those looking to market ingestible CBD products will have to submit an application for Novel Foods to keep products on shelves beyond March 2021. EXL, under its European Industrial Hemp Association (EIHA) Novel Food consortium membership, successfully submitted its Novel Food Application allowing products to remain in distribution whilst the UK Food Safety Authority (FSA) processes applications. Despite industry expectations, the FSA has not been able to process Novel Food Application submissions leaving brands and retail customers uncertain which products will be able to remain in distribution.

Global Strategy & Initiatives

Vision: To create a healthier everyday life through the power of hemp & plant-based products

Regional Priorities: As we re-build profitability, we will focus our investments on our most established markets in the US and Australia where we have a strong competitive position whilst maintaining a watching brief in the EU/UK depending on regulatory progress.

Goals

Initiatives

Foundations

Accelerate e-commerce growth

- Increase traffic through paid social, influencers and pay-per-click investment
- Improve user experience and site speed
- Drive mobile optimisation
- Launch loyalty schemes
- Open Amazon stores

Sustainability

Broaden national retail distribution in all regions

- US: appoint new national distribution partner
- Australia: Woolworths, Coles and pharmacy chains distribution drive
- Europe: UK national chains distribution drive with bespoke products & activation of Superdrug

Internal Wellness Culture

Innovate in functional foods & CBD nutraceuticals

- US: New CBD ranges to targeting THC free, pet wellness, look better, move better, and fast absorption
- Europe: Bespoke new UK CBD product range
- Australia: Functional foods & food as medicine

Quality & Compliance

Improve profits through business optimisation

- Complete US supply chain outsourcing by Q1 FY22
- Continued cost reduction
- Further margin accretion through shift towards high margin e-commerce and high margin NPD

Customer & Consumer Insights

New Product Development Initiatives

Extensive market research in the US, AU and UK has informed a 12-month new product development pipeline grounded in the latest consumer trends and scientific research.



Elixinol will enter new consumer occasions and recruit new consumers with science-led combination products.

- Pet wellness
- Zero THC consumer



The CBD you trust, now for your dog.

SHOP NOW



- New UK specific range
- Beauty wellness
- Mental wellness
- Mobility & movement
- Immune health
- Fast absorption tech

H2 FY21

H1 FY22



Re-launch HFA brand and create functional food products supported by health claims. Food as medicine.

- Masterbrand rebranding
- In development...
 - Legal CBD alternatives
 - Nutritional supplements
 - New protein range



- Launch functional food ranges...
 - Immunity
 - Digestive health
 - Movement

Summary

Business transformation

has improved
and will further strengthen
fundamentals



Well positioned in global consumer wellness trend

for natural and plant-based food
and nutraceuticals

Improved outlook

due to a better economic
environment and rejuvenated
regional leadership

**E-commerce shows
momentum** and will further
benefit from new optimisation
initiatives

**New product development
pipeline** will drive entry into new
product categories and drive
incremental growth



Strong balance sheet with \$19m of cash

and virtually debt free
(as of 30th June 2021)

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Thank you



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Natural wellness for people and the planet