

Investor Presentation

September 2020



ELIXINOL GLOBAL LIMITED

ASX:EXL | OTC:ELLXF



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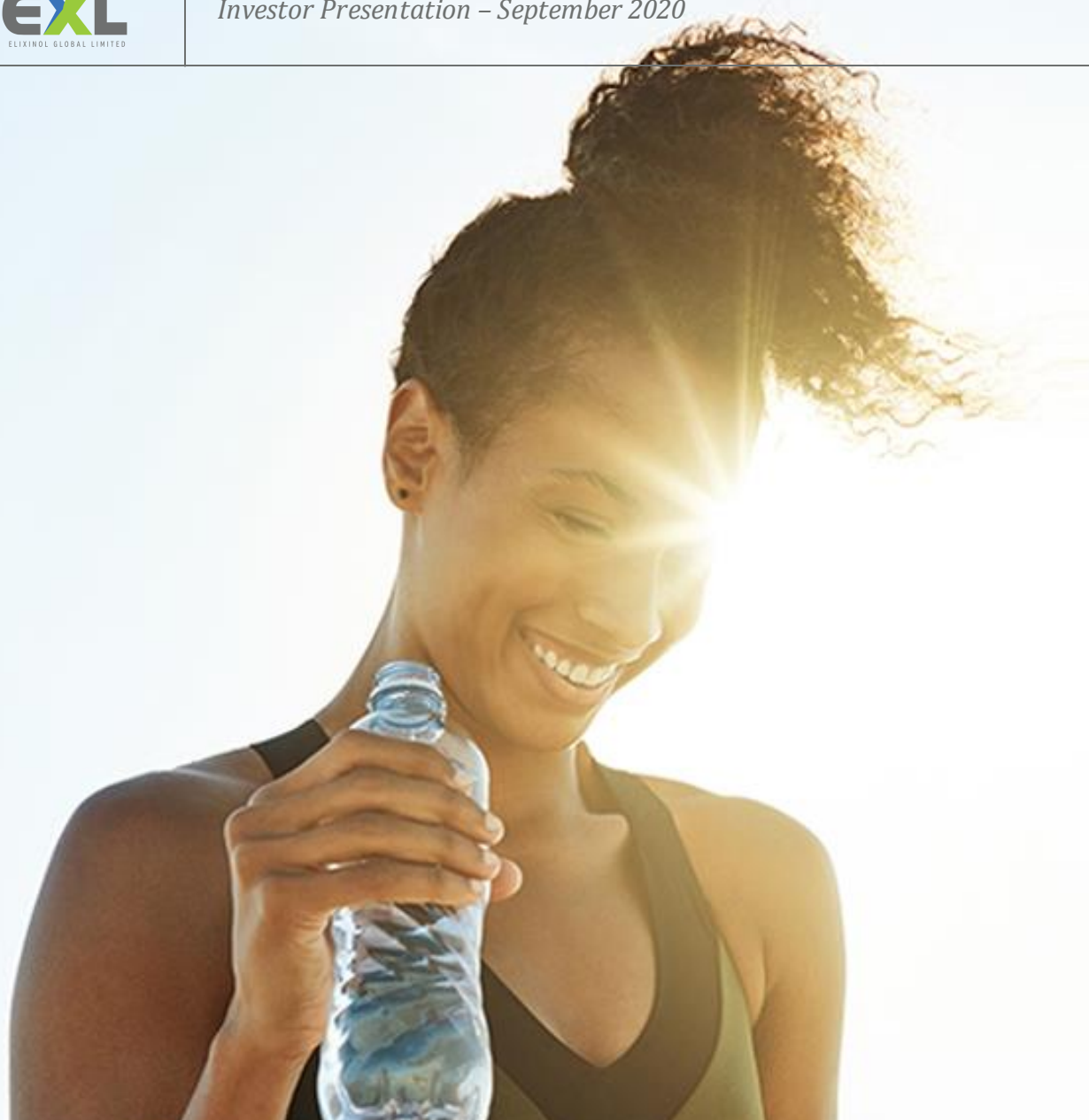
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OUR VISION:

Building a global, consumer led
and Elixinol-branded CBD
nutraceuticals business.

OUR MISSION:

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



What we stand for....

VALUES



Heritage
Champions in hemp for 25 years.



Global Knowledge
Our global footprint delivers highest quality products.



Quality & Transparency
Our products are science & evidence backed.



Compliance Focus
We maintain a strict compliance focus in a dynamic landscape

MUST WINS



Strong global brand presence
Building our brands in Americas, Europe, ASIA, ANZ.



A profitable CPG model
Mature systems and capabilities with a well-managed supply chain.



Winning in E-Commerce and Pharmacy
Creating best in class E-commerce capability and global pharmacy distribution



Sustainable growth through innovation
Continuous NPD & innovation drive.



Rejuvenated Global Leadership

To facilitate the turn-around, new leadership capabilities have been put in place at all levels. Specific focus given to augmenting strategic, commercial and governance disciplines.



Chair - Helen Wiseman

Non-executive director and audit committee specialist with extensive international experience in food, pharmaceutical, natural healthcare, professional services, energy and natural resources and manufacturing industries. As a former partner of KPMG and previously named as one of the 2014 Australian Financial Review and Westpac 100 Women of Influence, she brings diversity and seasoned governance skills to the board.



Executive Director and Group CEO – Oliver Horn

Most recently CEO of Swisse Wellness for Australia and New Zealand (ANZ) and North America. With an established track record for exponential growth in established and emerging markets, Oliver has extensive experience in building premium global consumer brands, a deep knowledge of the vitamins, minerals and supplements (VMS) category, a track record of premium brand building and a passion for creating businesses with a positive and thriving workplace culture.



CEO Americas – Tom Siciliano

Extensive background in the cannabis industry, having served as president of Nutritional High International Inc., a marijuana manufacturing and distribution company, and as president and CFO for Canna Security America where he turned the company into the second largest security company within the cannabis industry. Prior to his work in the cannabis industry, Tom held senior executive roles at start-up companies, private equity firms and public Fortune 500 companies where he successfully orchestrated several turnaround results.

Repositioned EXL on track for 10-15%¹ growth

In H1 FY2020 Elixinol aggressively repositioned; operations have been reshaped to improve efficiency and effectiveness, the brand has been relaunched, and an upskilled leadership team was established.

Robust QoQ growth for Q3 FY2020

Elixinol expects to deliver 10-15% quarter on quarter revenue growth in Q3 FY'20

Operating under <45% cost profile

Performance improvement achieved with company operating at lower cost profile than FY'19

First growth signals under new team

September quarter is first full quarter of operating under new CEO, Oliver Horn

Expanded agreement with Well Pharmacy, UK

Elixinol store listing expanded to 8 products, 512 stores

New elixinolSkin CBD skincare range launching with Boots

Boots Ireland launching range across 74 of Boots' leading stores

HFA performance and growth continues

Team capability also being leveraged to develop Elixinol CBD products for AU sale.



STRATEGY

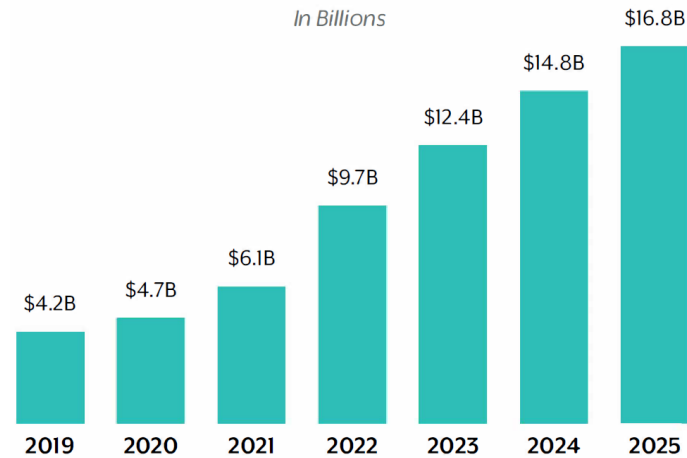


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Market Outlook & Regulatory Environment

Strong market opportunity across US and Europe

US CBD Market Size & Forecast (2019-2025)

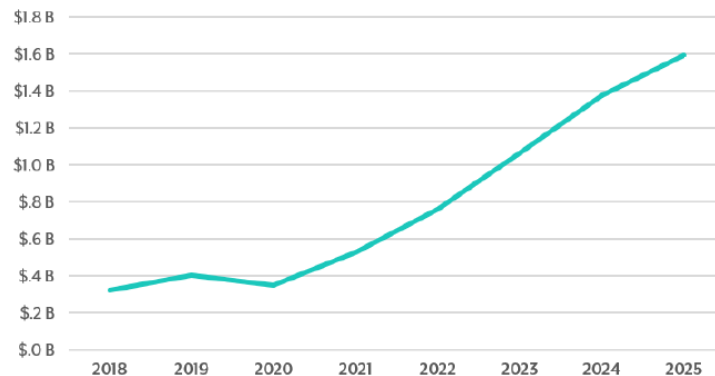


According to Brightfield Group:

US CBD market¹:

- US\$4.2B in 2019 expected to grow to US\$16.8B by 2025
- Forecast growth 2020-2025 CAGR of 26%

European CBD Market Sizes, 2018-2025



European CBD market²:

- US\$0.4B in 2019 expected to grow to US\$1.6B by 2025
- Forecast growth 2020-2025 CAGR of 46%

Regulation differs across key markets

US regulatory framework uncertain:

- Highly competitive and under-regulated market. In mid-term, move to increased regulation expected to favour compliant companies such as Elixinol.

European Novel Foods application:

- In early 2020, UK Food Standards Agency (FSA) announced 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. EU paused application process.

Fast developing Australian market:

- TGA assessing descheduling of CBD to schedule 3 in early 2021 allowing for OTC prescriptions. Elixinol able to enter market via PharmaCann agreement under TGA Special Access Scheme.

Note: (1) Source: Brightfield Group: Navigating Seismic Shifts July 2020 US CBD Report; (2) Source: Brightfield Group: European CBD, April 2020 Report

Enhancing our Business Model

Strategic efforts continue to be focused on improving cash flow, margin accretion and adding competitive competencies.

Improved Cash Flow

Q3 Revenue growth 10-15%

All regions expect quarterly growth
Europe representing strongest growth

Reduced OPEX

Moving into H2 FY'20 with
an annualised cost base
approx. 45% lower than FY'19

Cash Outflow Reduction

47% reduction in operating
cash outflows from \$17.6m in
Q4 FY'19 to \$9.3m in Q2 FY'20

Right sizing the business

Global headcount reduction
31 Dec 2019 - 129
30 Jun 2020 - 62 (down 52% vs Dec)

Enhanced Margins

Global E-Commerce (Q2 vs Q1)

28% of global sales in H1 FY'20 came via
E-Commerce sales of higher margin
Elixinol branded products (comp.
with 22% in H1 FY'19)

Revenue from Branded Channels

64% of total global sales in H1 FY'20
comes from higher
margin Elixinol branded products
(compared with 50% in H1 FY'19)

Supply Chain Optimisation

Lower COGS by simplifying Europe and
adapting US to market dynamics

New Competencies

Global E-Commerce

New E-Commerce leadership in Europe
and Americas supported by new
agency partners

Supply Chain in US

New leadership and transition to capital
light model

Finance in US & EU

New leadership in Americas and Europe
focused on cost management and cash
flow

Marketing in US & EU

New marketing personnel across regions
to improve brand equity & innovation



Agile and Responsible COVID Response

Trend toward wellness becoming increasingly important in a COVID-19 environment.

Amplify CBD wellness benefits



- Position products to be relevant during COVID
- Accelerated launch of relevant SKUs
- Rolled out pharmacy training on health benefits
- Maintain good advertising investment in online & home TV

Improved Awareness

Safeguarding business continuity



- People are our 1st priority
- Health & safety measures implemented in all facilities
- Sufficient inventory to navigate shortfalls

Assured Supply

Channel Shift to E-commerce, TV shopping & pharmacy



- Increased support for e-commerce capability journey & marketing
- Offering B2B online services & outbound calling
- Increased promo frequency for TV home shopping
- UK pharmacy launch

New & Resilient Revenue

Responsible capital management



- Highly disciplined cost management
- Optimised cost structure
- Increased promo frequency for TV home shopping

Well-funded

Continued investment in building global brand

The NEW Elixinol range is ideally positioned to participate in the global growth of nutraceutical wellness products. UK distribution gains in pharmacy lay foundation for growth.

CBD blended capsules, proven health benefits



UK Distribution

Launched Elixinol range into UK pharmacy:



- Launch with **Well Pharmacy**, the UK's 3rd biggest pharmacy chain with 760 stores. Expanded distribution into 512 stores with 8 products including new custom-developed water-soluble tinctures.

- Supply Agreement with **Alliance Healthcare**. AHC supplies over 110,000 pharmacies, doctors, health centres and hospitals from over 288 distribution centres in 11 countries.



Home TV Shopping

- Ongoing monthly live broadcasts with Ideal World, the UK's biggest free-to-view shopping channel



Expanding into high growth CBD Skincare

*Our new elixinolSkin CBD skincare range opens up new growth channels with fewer regulatory constraints.
Boots Ireland secured as first-to-market launch partner.*



UK Distribution

Boots Ireland Launch

- Complete range of 8 products launching in 74 of Boots major stores across its network of 87 stores.
- The launch is being supported by an extensive Christmas gifting program and an integrated marketing campaign across radio, print and digital media formats.



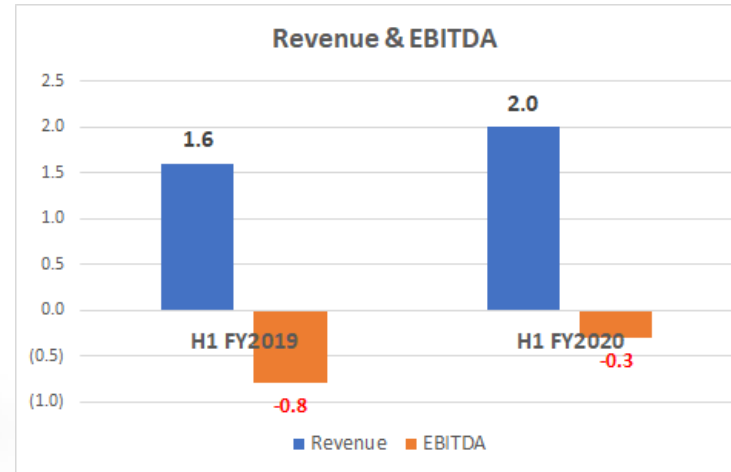
Vegan

Cruelty Free

Natural

Leveraging HFA for Growth and CBD Play.

Hemp Foods Australia is one of the most established and well-known hemp foods brands in Australia. Consistent growth with improved margins and leaner operations. Platform to build AU CBD route to market.



Accessing AU CBD Market

- Developing bespoke products for distribution in Australia under TGA 's Schedule 4 Special Access Scheme.
- Distribution agreement with PharmaCann to access practitioner and pharmacy network



Expanding Global Footprint

Our growing global reach offers diversified opportunity and reduces single market risk.

AMERICAS

- **Est. 2014. One of most trusted brands (*CBD insider)**
- Colorado HQ. 37 FTE managing sales, marketing, production and logistics
- Growth focus:
 - NPD
 - Wellness Channel
 - E-commerce
- Exports into Latin America



EMEA

- **Est. 2018. #1 mover advantage**
- UK & NL entities with dispersed team of 10 FTE managing sales, marketing & distribution
- Fully outsourced supply chain
- Growth focus on UK & GER:
 - Pharmacy
 - E-commerce
 - TV shopping
- Long-term distribution arrangement with South Africa



ASIA

- **Most established and leading brand in Japan**
- Licensing agreement with Elixinol Japan, supply of HFA products
- HFA testing route to market into China cross border E-Commerce
- Growth focus:
 - Invest in Japan
 - Monitor SEA

ANZ

- **Leading hemp foods brand**
- Sydney based Global HQ with 5 FTE
- HFA Byron Bay Office with 10 FTE managing production, sales & marketing of finished goods & bulk, exports to South Africa and Japan
- >1,200 distribution points
- Growth focus:
 - CBD via PharmaCann
 - HFA hemp foods through NPD & E-Com



H1 FY2020 FINANCIAL RESULTS

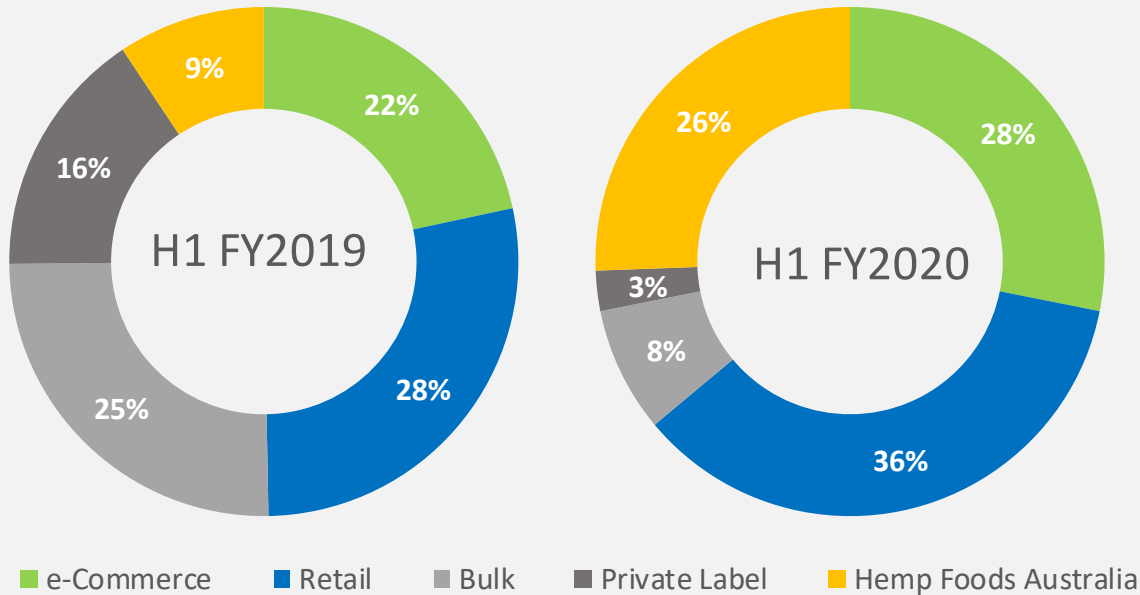


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Key Highlights for H1 FY2020

Continued focus on branded consumer goods model and premium margins.

Revenue channel mix
31 December year end



- **H1 FY2020 revenue from continuing operations of \$7.9m, down 54% (\$17.1m in H1 FY2019)**
 - COVID-19 impacts led to challenging retail market conditions
- **Continued focus on sales of Elixinol branded products through e-Commerce and retail channels**
 - Sales of Elixinol branded products increased to 64% of revenue in H1 FY2020 (50% in H1 FY2019)
 - Strategic decision to reduce focus on lower margin bulk & private label business

Financial Summary

Continued focus on sales of Elixinol branded products.

(\$m)	H1 FY2020	H1 FY2019
Revenue	7.9	17.1
Cost of goods sold	(4.9)	(9.1)
Gross profit	3.0	8.0
Gross profit margin	38.0%	46.8%
Share of associate losses	(0.5)	0.5
Operating expenses	(17.3)	(19.5)
Adjusted EBITDA	(14.8)	(11.0)
Depreciation and amortisation	(2.0)	(1.0)
Interest income/(costs)	0.1	0.2
Impairment of assets	(69.0)	(0.2)
Profit/(loss) before tax	(85.7)	(12.0)
Tax expense	(4.6)	2.1
Profit/(loss) from continuing operations	(90.3)	9.9

Revenue

- 54% decline H1 FY2020 vs H1 FY2019 driven by:
 - COVID-19 impacts led to challenging retail market conditions
 - Termination of low margin private label contracts
- Branded product sales increased to 64% of revenue in H1 FY2020 (vs 50% in H1 FY2019)

Cost of goods sold

- In house production suspended due to COVID related impacts and inventory on hand to support revenue growth for more than 12 months

Gross profit

- Americas: 45% H1 FY2020 vs 50% H1 FY2019 driven by non-recurring transition costs
- Europe/UK: 32% H1 FY2020 vs 33% H1 FY2019 reflecting distributor sales channel mix
- Hemp Foods Australia: 25% H1 FY2020 vs 18% H1 FY2019 driven by operational efficiencies

Operating expenses

- Marketing investment including brand development:
 - 18% of revenue in H1 FY2020 (vs 21% in H1 FY2019)
- Europe & UK expenses of \$3.1m H1 FY2020 vs \$1.6m H1 FY2019
- Headcount of 62 at 30 Jun'20 vs 129 at 31 Dec'19 (down 52%)
- Moving into H2 FY2020 with an annualised OPEX cost base approx. 45% lower than FY2019

Impairment of assets (non-cash)

- Primarily COVID-19 related impacts – goodwill and other intangibles (\$39.2m), inventory related provisions (\$20.2m), the Altmed Pets investment (Pet Releaf) (\$4.7m) and property, plant and equipment (\$4.9m)

Cash Flow

47% reduction in quarterly operating cash outflows.

(\$m)	H1 FY2020	H1 FY2019
Operating activities	(15.2)	(28.9)
Investing activities	2.7	(12.8)
Financing activities	9.0	46.9
Net increase/(decrease) in cash	(3.5)	5.2
Opening cash on hand	20.4	42.9
Effect of change in foreign exchange	(0.1)	-
Closing cash on hand	16.8	48.1

Operating activities

- Significant focus to improve cashflows
- 47% reduction in quarterly operating cash outflows from \$17.6m in Q4'19 to \$9.3m in Q2'20
- Moving into H2 FY2020 with an annualised OPEX cost base approx. 45% lower than FY2019

Investing activities

- \$2.6m proceeds from Nunyara land sale

Financing activities

- \$9.8m (net) proceeds from capital raising
- \$0.7m repayment of lease liabilities



Financial Position

\$16.8m cash, virtually no debt, usable inventory to support revenue growth for more than 12 months.

(\$m)	30 Jun 2020	31 Dec 2019
Current assets		
Cash and cash equivalents	16.8	20.2
Trade & other receivables	1.3	1.5
Inventories	8.9	21.3
Other	2.0	8.4
Total current assets	29.0	51.4
Non-current assets		
Property, plant and equipment	4.7	12.7
Investments	3.3	8.4
Intangible assets	1.1	40.0
Other	2.9	8.6
Total non-current assets	12.0	69.7
Total assets	41.0	121.1
Liabilities		
Trade and other payables	3.4	3.0
Other current liabilities	3.0	3.0
Non-current liabilities	2.4	3.7
Total liabilities	8.8	9.7
Total equity	32.2	111.4

Current assets

- \$16.8m cash on hand
- Inventory net of impairments valued at \$8.9m
- Inventory on hand to reduce future cash requirements and support revenue growth for more than 12 months

Non-current assets

- Property, plant and equipment impaired by \$4.9m driven by decision to move to a capital light model utilising inventory on hand and reducing operating cost
- \$2.6m Nunyara land sold (for proceeds of \$2.6m)
- Pet Releaf investment impaired by \$4.7m
- Intangible assets fully impaired except for website development & ERP system
- Valuation allowance recorded against deferred tax assets

Liabilities

- Virtually no debt
- \$3.3m AASB16 lease liabilities (\$1.2m current, \$2.1m non-current)

Takeaways

Elixinol
positioned
within
**high growth
global CBD
categories**

**Trusted &
established
brand**
with fresh
nutraceuticals
offering

**Expanding
global presence**
with break-
through
distribution in UK

**10-15% QoQ
Revenue growth
expected
Q3 vs Q2 FY'20**
with all regions
in growth

**Optimised
business model**
with lower cost
and new
capabilities

**Virtually debt
free, \$16.8m of
cash** and
inventory to
drive growth

**SUPPORTS HEALTHY
ANTIOXIDANT ACTIVITY**

450MG CBD PER BOTTLE





FOR MORE INFORMATION

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