



Elixinol Global Limited

1H FY2018 Results Presentation

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Agenda

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Key highlights for 1H FY2018



Key highlights for 1H FY2018

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Group results 1H FY2018

| | |
|--------------------------|--|
| Revenue | 1H FY2018 \$14.9m vs 1H FY2017 \$7.1m, 110% growth |
| Underlying EBITDA | 1H FY2018 \$0.8m vs 1H FY2017 (\$0.1)m loss |
| Underlying NPAT | 1H FY2018 \$0.6m vs 1H FY2017 (\$0.3)m loss |

1H FY2018 result delivers maiden profit for Elixinol Global

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Strong segment performance from Elixinol USA

| | |
|----------------------------|---|
| Revenue | 1H FY2018 \$12.5m vs 1H FY2017 \$5.7m, 119% growth |
| Gross profit margin | 1H FY2018 59.6% vs 1H FY2017 63.7% driven by growth in lower margin private label products |
| EBITDA | 1H FY2018 \$2.2m vs 1H FY2017 \$1.1m, 100% growth |
| EBITDA margin | 1H FY2018 17.2% vs 1H FY2017 19.9% investing for expected growth |

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Key milestones 1H FY2018

Northern Colorado High Plains Producers (NCHPP) joint venture

Entered joint venture with Kersey Ag Company LLC to supply and produce high-cannabidiol (CBD) hemp

Expansion of Elixinol USA production facility

Expanding USA facilities to 20,700 sq. ft. to increase production capacity to facilitate expected growth:

- 5,000kg of ethanol-extracted hemp CBD and 3,125kg of CO2-extracted hemp CBD
- will enable production of 24,000 bottles per day
- purchased adjacent land to provide an additional 20,000 sq. ft. expansion potential

US Farm Bill

2018 Farm Bill (includes Farming Act of 2018 legislation, S.2667) progressed through Senate. Presidential sign-off expected before the end of 2018, which would then enable:

- industrial hemp to be permanently removed from the purview of the Controlled Substances Act, allowing it to be regulated as an agricultural crop
- ability to advertise hemp derived products, access finance, banking and insurance services, provide better access to water rights

Business overview



Diversified portfolio

1H FY2018 revenue by business unit



Consumer Products

Pharmaceutical

Dietary Supplements

Hemp Foods

Medicinal Cannabis



Revenue \$12.54m (84%)

Revenue \$2.34m (16%)

Seeking licence and permit



30 products*:

- Tinctures
- Capsules
- Liposome
- Hemp oil
- Topical products



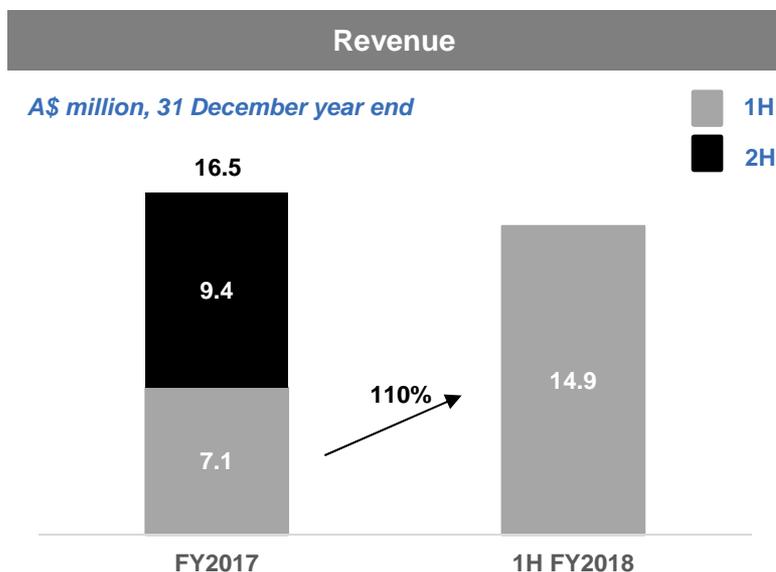
34 products*:

- Hemp seeds
- Hemp flour
- Hemp protein
- Hemp oil
- SATIVA Skincare

Submitted licence applications for cultivation and manufacture to Office of Drug Control (ODC) in 1H FY2018

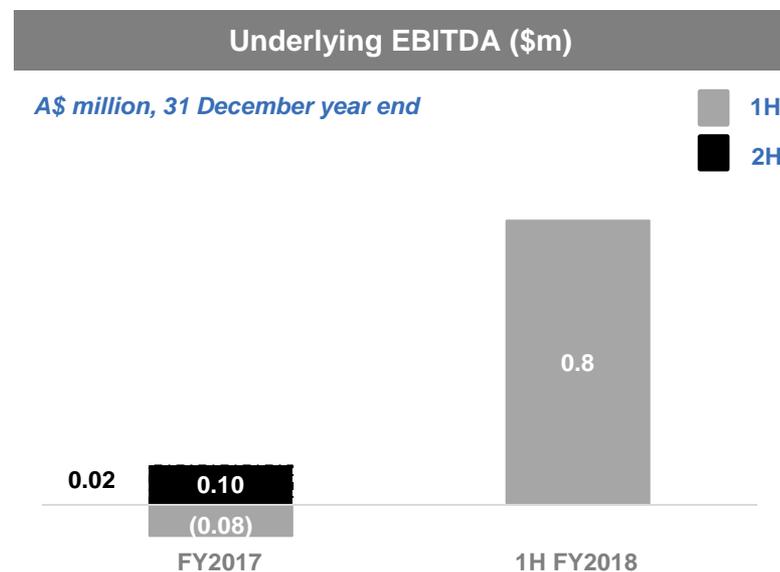
Strong growth trajectory across key metrics

EXL has maintained a strong growth trajectory and delivered a maiden profit in 1H FY2018



Comments

- Organic revenue growth of 110%
- Underpinned by strong growth in dietary supplements (Elixinol USA)
- Favourable legislative changes have provided enhanced business and product profile



Comments

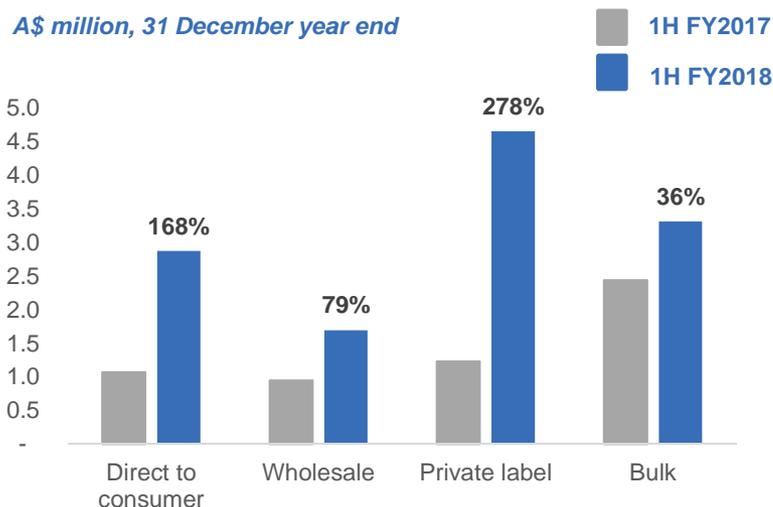
- Significant EBITDA improvement driven by Elixinol USA
- Maiden group profit achieved
- Investing for expected future growth and production efficiencies
- Marketing activities and capability being strengthened with key employee hires to drive sales of branded products

Revenue growth by Consumer Products segment

Growth across all revenue segments with a clear strategy to drive higher margin products

Elixinol USA

A\$ million, 31 December year end

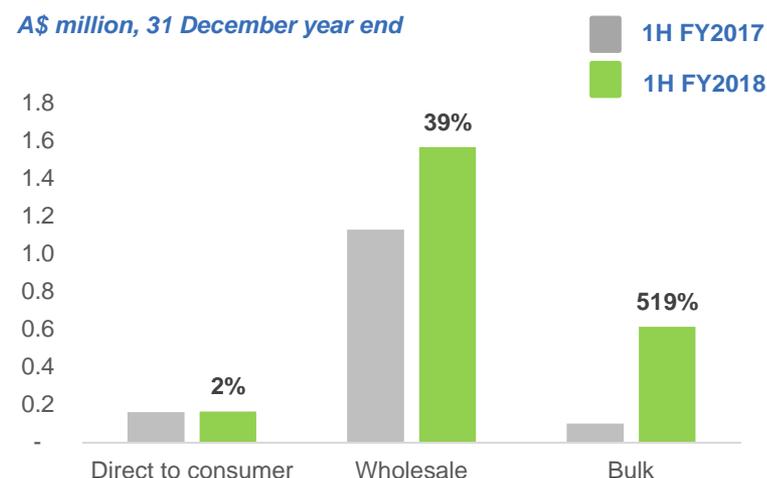


Comments

- Continued focus on direct to consumer sales of branded products which are higher margin
- Increased volumes of lower margin private label sales
- Production efficiencies expected as the business continues to scale

Hemp Foods Australia

A\$ million, 31 December year end



Comments

- Strong growth in bulk sales driven by favourable regulatory change to legalise hemp in Australia for human consumption
- Investment in sales and marketing teams with focus on direct to consumer sales and wholesale

Elixinol Global 1H FY2018 growth initiatives

Disciplined approach to drive future growth

Elixinol USA *hemp-derived CBD dietary supplements*

- Investment in farming and production capabilities to facilitate future growth
- Key sales hires focused on retail distribution which is higher margin
- Continued focus on core products and expanding the product range
- Established global distribution platform servicing 40 countries
- Expansion of operations in Europe and Japan
- Optimise existing distribution agreements and alliances
- Improved Ecommerce platform and investment in marketing
- Continue successful influencer outreach programs

Hemp Foods Australia *hemp-derived foods*

- Key sales hires to target core products and new product launches
- New product development in process with first products expected to be launched in 2H FY2018 with a focus on mainstream FMCG channels
- Australian winter crops planted
- SATIVA skincare products launched via health stores and online channels

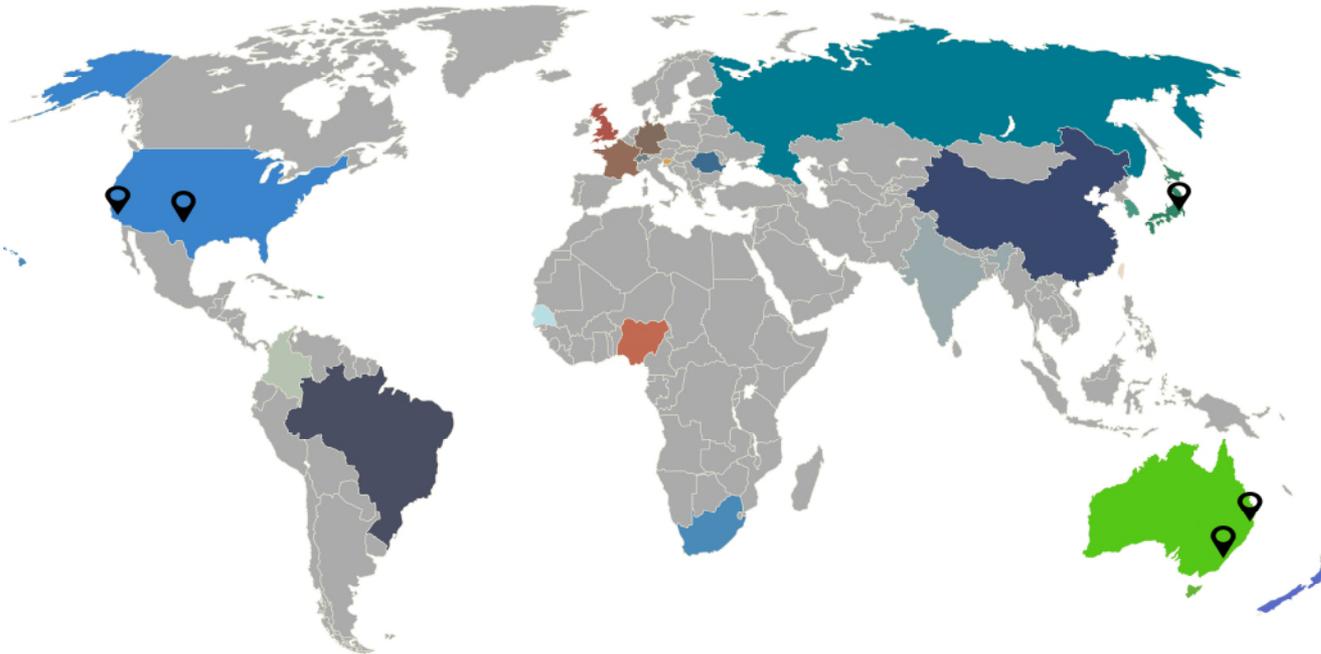
Elixinol Australia *medicinal cannabis*

- Progressing license applications with the Office of Drug Control (ODC)
- Advanced plans prepared for build-out of integrated cultivation and manufacture facility
- Finalising the development of medical education program for proprietary products

Elixinol Global international footprint

An established platform that can be leveraged for consumer products

Global platform for growth



- Avenues to market established in 40 countries with mix of direct sales and via distribution partners
- Facilities (pins) in:
 - Sydney and Bangalore, Australia
 - Colorado and California, USA
 - Tokyo, Japan
- Expansion plans underway, supported by marketing strategies in:
 - Europe
 - Japan

Elixinol USA: positioned for future growth

Increased capacity and product development to drive earnings and margin improvement

Doubling our production capability

- Elixinol USA is relocating to a new facility in Colorado, USA, designed to be GMP certified and will more than double the usable capacity for processing, manufacturing and fulfilment operations:
 - **existing:** 8,700 square foot office, lab and warehouse
 - **near term expansion:** an additional 12,000 square foot facility to be commissioned late 2018
 - **medium term expansion:** adjacent land with plans to build an additional 20,000 square foot facility
- New production capabilities to be commissioned late FY2018:
 - 5,000 kg of ethanol extracted hemp CBD extract
 - 3,125 kg of CO2 extracted hemp CBD extract
 - bottling capacity increased to 24,000 bottles per day

Product development

- Existing products: tinctures, capsules, liposome, hemp oil, topical products
- Medium term plans: skin care, pet markets
- New product development in process

Customer channels

- Key sales hires to focus on:
 - national retailers
 - direct to consumers
 - distributors
 - medical and allied health professionals

Cultivation

- Entered a joint venture arrangement with Kersey Ag Company LLC to supply and produce high-cannabidiol (CBD) hemp (**NCHPP JV**):
 - 700 acres of irrigated farmland immediately available
 - 173 acres of high CBD hemp planted in 1H FY2018

Hemp Foods Australia: industry leader

Focus on growth of core products and new product offerings

Products and new product development

- Core product range includes hemp oils, flours, seeds, protein
 - currently sold via e-commerce and health food shops
- Hemp Foods Australia supplying to major FMCG brands including Grill'd Healthy Burger Chain, Emma and Toms and Alpine Breads
- SATIVA Skincare products launched in 1H FY2018
 - includes a cleanser, serum, moisturiser, deodorant, hand and body wash, shampoo, conditioner, lip balm and hand cream
 - provides new distribution opportunities for Hemp Foods Australia products
- New product development in process with first products expected to be launched in 2H FY2018 new branding and packaging expected to be launched in FY2019

Cultivation and supply

- First harvest of hemp in Victoria completed during 1H FY2018, following legalisation enabling sale of hemp derived foods in late 2017
- Lower yields than expected; as farming knowledge builds
- Cultivating growing seed in Queensland in 2018 for future growth
- Importation of raw organic hemp seeds to run in parallel as domestic production ramps up

Customer channels

- Sales and marketing teams expanded to focus on mainstream FMCG distribution channels with existing and new products

Elixinol Australia (medicinal cannabis)

Advanced development plans are prepared

Awaiting licencing

- Strategy to enter Australian medicinal cannabis market and develop export capability
- Submitted licence applications for cultivation and manufacture to the Office of Drug Control (ODC) in 1H FY2018
- Progressing licence application with ODC (s14J additional information requested for Medical Cannabis Licence)

Advanced development plans in place

- Advanced development plans are prepared for the roll out for medicinal cannabis products:
 - completion of site selection
 - development of operational plan
 - plans developed for cultivation and pharmaceutical grade manufacturing facility
 - development of proprietary CBD/THC formulations and
 - distribution strategy

Current activities

- Developing a clinical trial strategy including early stage, pre-clinical work
- Planning medical outreach program

1H FY2018 financial results



Financial summary

Growth across all revenue segments to achieve maiden profit

| (\$m) | 1H FY2018 | 1H FY2017 |
|-------------------------------|--------------|--------------|
| Revenue | 14.9 | 7.1 |
| Cost of goods sold | (6.5) | (2.6) |
| Gross profit | 8.4 | 4.5 |
| <i>Gross profit margin</i> | <i>56.2%</i> | <i>63.4%</i> |
| Other income | 0.1 | 0.1 |
| Operating expenses | (7.6) | (4.7) |
| Share of associate loss | (0.3) | - |
| Statutory EBITDA | 0.6 | (0.1) |
| Underlying EBITDA | 0.8 | (0.1) |
| Interest income | 0.2 | - |
| Depreciation and amortization | (0.4) | (0.4) |
| Profit before tax | 0.4 | (0.5) |
| Tax expense | (0.2) | (0.2) |
| Statutory NPAT | 0.1 | (0.7) |
| Underlying NPAT | 0.6 | (0.3) |

Commentary

Revenue

- growth across all revenue segments has enabled Elixinol Group revenues to increase 110% vs PCP
- dietary supplements (84% of 1H FY2018 revenue)
- hemp foods (16% of 1H FY2018 revenue)

Cost of goods sold

- variable input costs of raw material, packaging and production

Gross profit

- impacted by strong growth in volumes from lower margin private label sales

Operating expenses

- increased Group costs to expand business operations and facilitate expected future growth
 - sales and marketing costs
(1H FY2018 \$3.0m vs 1H FY2017 \$1.2m)
 - employee expenses
(1H FY2018 \$2.6m vs 1H FY2017 \$1.3m)
- NCHPP JV commences farming operations

Underlying EBITDA

- significant improvement driven by Elixinol USA business
- excludes non-cash share based payment expenses
- maiden Group profit achieved

Tax expense

- first time the Group has paid tax

Cash flow

Re-investment to facilitate expected future growth

| (\$m) | 1H FY2018 | 1H FY2017 |
|-----------------------------|--------------|--------------|
| Operating activities | (1.3) | (1.2) |
| Investing activities | (3.6) | (0.5) |
| Financing activities | - | 16.3 |
| Net decrease in cash | (4.9) | |

Commentary

Operating cash flow

- working capital expenditure to facilitate expected future growth
- deposits to secure raw material for FY2019 harvest
- income taxes paid on US profits

Investing cash flow

- \$1.5m investment in NCHPP JV
- \$1.7m investment in production equipment that will provide a significant increase in scale and efficiencies
- \$0.2m investment in ecommerce development
- \$0.2m increase in other PPE capex: delivery vehicle, office furniture and computer equipment

Financing cash flow

- no debt transactions during the period

Strong financial position

Strong cash position and minimal debt

| (\$m) | 30 June 2018 | 31 Dec 2017 |
|---------------------------------|-----------------|----------------|
| Current assets | | |
| Cash and cash equivalents | 14.2 | 18.8 |
| Trade & other receivables | 1.8 | 1.2 |
| Inventories | 4.0 | 2.5 |
| Other | 1.5 | 0.8 |
| Total current assets | 21.5 | 23.3 |
| Non-current assets | | |
| Property, plant and equipment | 2.8 | 1.1 |
| Investments | 2.1 | - |
| Intangible assets | 80.6 | 80.6 |
| Other | 0.4 | 0.1 |
| Total non-current assets | 85.9 | 81.8 |
| Total assets | 107.4 | 105.1 |
| Liabilities | | |
| Trade and other payables | 3.0 | 1.1 |
| Contract liabilities | 0.7 | 0.2 |
| Other liabilities | 1.0 | 1.5 |
| Deferred tax (non current) | 3.1 | 3.2 |
| Total liabilities | 7.8 | 6.0 |
| Total equity | 99.6 | 99.1 |

Commentary

Strong cash position

- strong cash position of \$14.2m
- increase in inventories to support expected growth

Investment for expected future growth

- investment in production capacity to significantly increase the scale of operations
- investments refers to the strategic investment in NCHPP JV
- goodwill provisionally accounted with the provisional value of the Elixinol brand name increased

Liabilities

- trade and other payables increased to support inventory purchases and includes \$0.9m NCHPP investment instalment (to be paid in 2H FY2018)
- contract liabilities represent growth in deferred revenues and timing of shipments
- other liabilities decreased due to IPO related accruals carried at 31 Dec 2017

Q&A



Appendix



Reconciliation to 1H FY2018 underlying EBITDA and NPAT

| (\$m) | 1H FY2018 |
|---|------------|
| Statutory NPAT | 0.1 |
| Tax expense | 0.2 |
| Depreciation & amortisation | 0.4 |
| Interest income/finance costs | (0.2) |
| Statutory EBITDA | 0.6 |
| Share based payment expense | 0.2 |
| Underlying EBITDA | 0.8 |
| | |
| Statutory NPAT | 0.1 |
| Share based payment expense (after tax) | 0.1 |
| Amortisation acquired intangibles (after tax) | 0.2 |
| Tax benefit of Australian losses | 0.2 |
| Underlying NPAT | 0.6 |

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