



# Elixinol Global Limited

Investor update: September 2018

ASX: EXL | [www.elixinolglobal.com](http://www.elixinolglobal.com)

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# Investment highlights

- Elixinol Global (ASX: EXL) listed in January 2018 with strong institutional support
- EXL is a diversified business with two established consumer product brands in fast growing markets:
  - Elixinol – US based seller of cannabidiol-based dietary supplements (FMCG products with significant consumer following.) Elixinol exported into 40 countries
  - Hemp Foods Australia – Australia's largest supplier of hemp-derived foods (seeds, flours, oils, protein powder for direct to consumer and food manufacturing channels)
- Pharmaceutical business under development which can leverage expertise and knowledge from Elixinol. Progressing licence application with Australian Office of Drug Control for cultivation of medicinal cannabis
- Positioned internationally within significant and rapidly evolving markets of hemp-derived CBD, hemp-derived foods and medicinal cannabis – key investment themes and areas of legislative change and consumer interest
- **Maiden profit of \$0.6m and record revenues of \$14.9m reported in 1H FY2018**
- Seeking global market leading position through a mix of organic and acquisitive growth: scaling up to take strategic advantage of emerging markets

# Board and management team and market data

A senior team, experienced in complex regulatory operating environments

## Board and management team



### Andrew Duff | Non-Executive Chairman

Experienced ASX listed company director. Ex CFO of ASX100 company, Primary Healthcare (ASX: PRY), current Chairman of Cornerstone Health



### Paul Benhaim | CEO / Executive Director

Over 25 years' experience in the hemp industry and is the co-founder of Elixinol USA, Elixinol Pty Ltd and Hemp Foods Australia



### Linda McLeod | Managing Director

Over 30 years in business advisory, corporate finance, private equity and venture capital. Exec in Hemp Foods Australia and Elixinol Pty Ltd



### Stratos Karousos | Non-Executive Director

Lawyer with extensive cross-sector experience in M&A, ECM, corporate restructuring, PE transactions, JVs, & corporate governance



### Ron Dufficy | CFO and Company Secretary

Senior finance executive with significant experience growing highly regulated businesses in global markets. Formerly with Aristocrat (ASX: ALL) and CSR Ltd (ASX: CSR)



### Gabriel Ettenson | General Manager of Elixinol USA

Co-founder of and head of Elixinol USA team. Active member of several hemp lobbying groups.

## Substantial holders<sup>4</sup>

Raw With Life Pty Ltd (as trustee for Benhaim Trading Trust)	53.07%
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D&G Health LLC	12.36%
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## Elixinol Global (ASX: EXL) market data

Share price <sup>1</sup>	\$1.50
Market capitalisation <sup>1</sup>	\$154.4m
Shares on issue <sup>2</sup>	102,928,540
Escrowed shares <sup>2</sup> :	52,559 (to 27 Dec 2018) 77,870,572 (to 8 Jan 2020)
Cash at bank <sup>3</sup> :	\$14.2m
Debt <sup>3</sup> :	\$0.25m

## Share performance since IPO (Jan 2018)



# Diversified portfolio

1H FY2018 revenue by business unit



## Consumer Products

### Dietary Supplements



Revenue \$12.54m (84%)



30 products\*:

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

### Hemp Foods



Revenue \$2.34m (16%)



34 products\*:

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

## Pharmaceutical

### Medicinal Cannabis



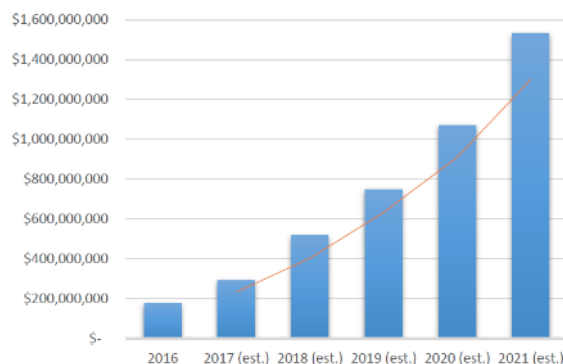
Seeking licence and permit

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

# Diversified across three rapidly growing markets

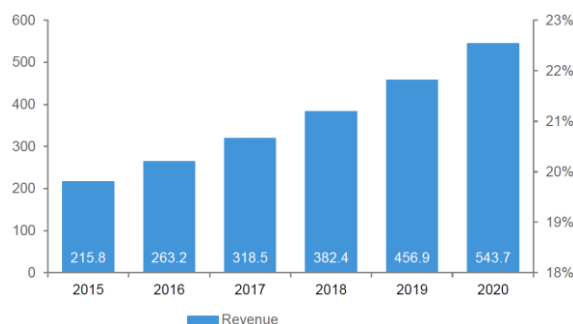
Businesses positioned within major growth themes

## Hemp derived CBD – US market size and projections



- Hemp derived CBD sales forecast to grow from US\$174m in 2016 to \$1.6b in 2021\*
- Market growing at **55% CAGR** as consumers understand the benefits of CBD.

## Hemp derived foods – global market size and projections\*



- Hemp derived foods sales forecast to grow from US \$215.8m in 2015 to \$543.7m in 2020
- The global hemp-based foods market is expected to post a **CAGR of 20.3%** during the forecast period
- Demand for APAC countries for hemp-derived foods is expected to grow due to consumer demand for non-meat protein sources

## Medicinal cannabis – Australian market projections

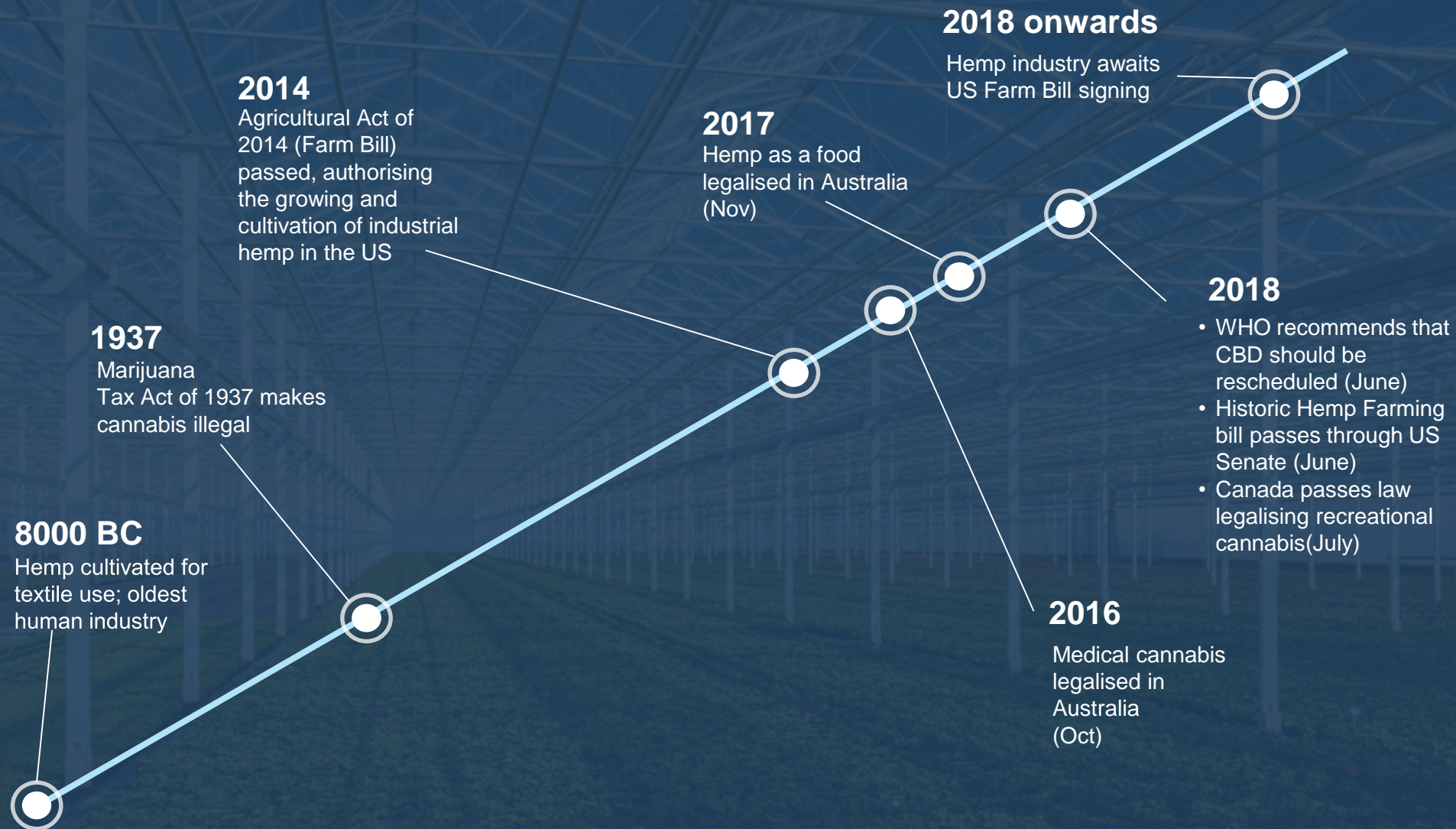
Developing multi-billion market with domestic and international opportunities

- Medicinal cannabis (MC) is a nascent industry in Australia
- EXL's strategy is to develop MC products to service Australian demand, and to access export opportunities



# Hemp and cannabis – rapidly evolving landscape

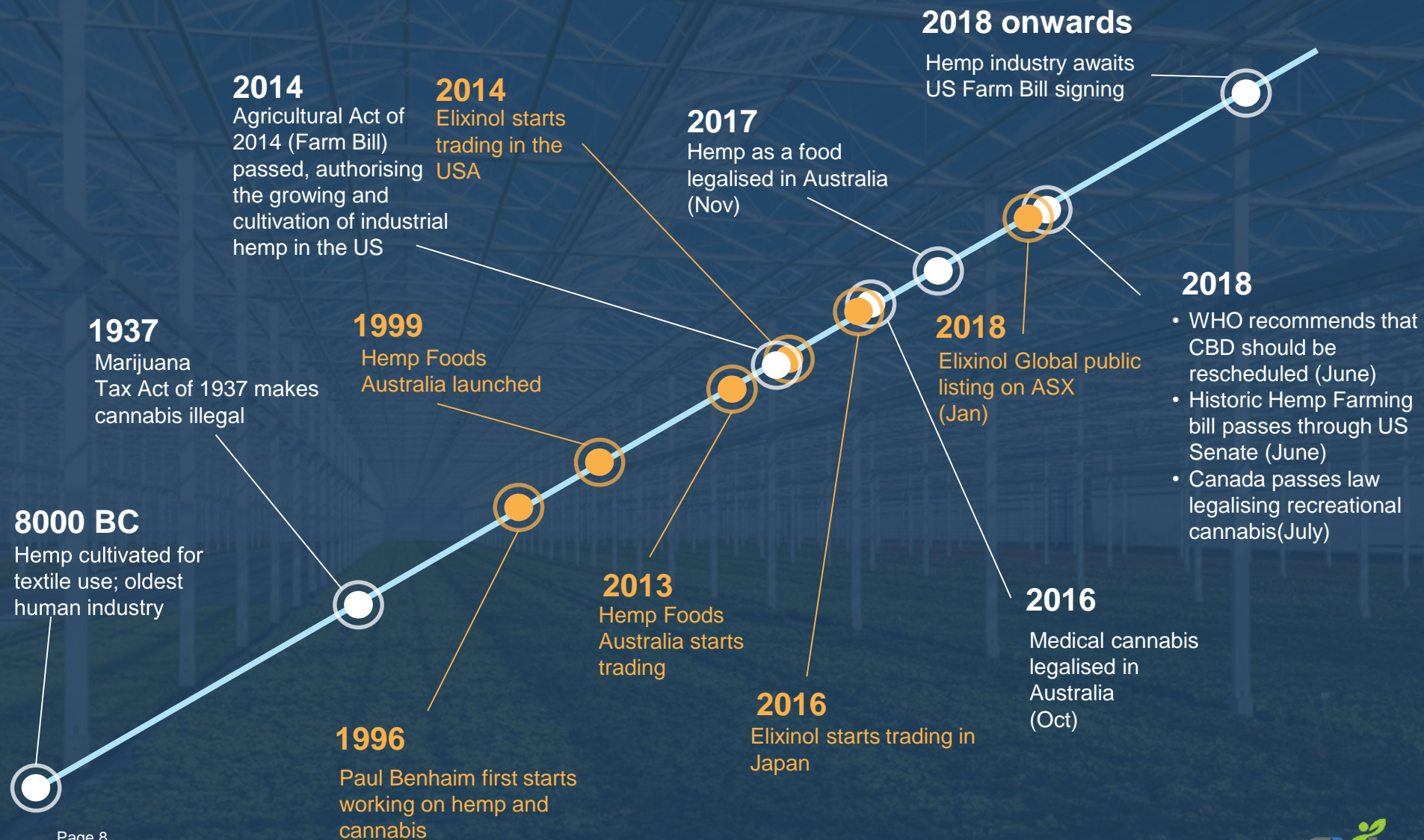
A tide of change is sweeping through hemp and cannabis industries, led by global governments





# Hemp and cannabis – rapidly evolving landscape

A tide of change is sweeping through hemp and cannabis industries, led by global governments





# Key financial highlights for 1H FY2018

1

## Group results 1H FY2018

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

**1H FY2018 result delivers maiden profit for Elixinol Global**

2

## Strong segment performance from Elixinol USA

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

3

## 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

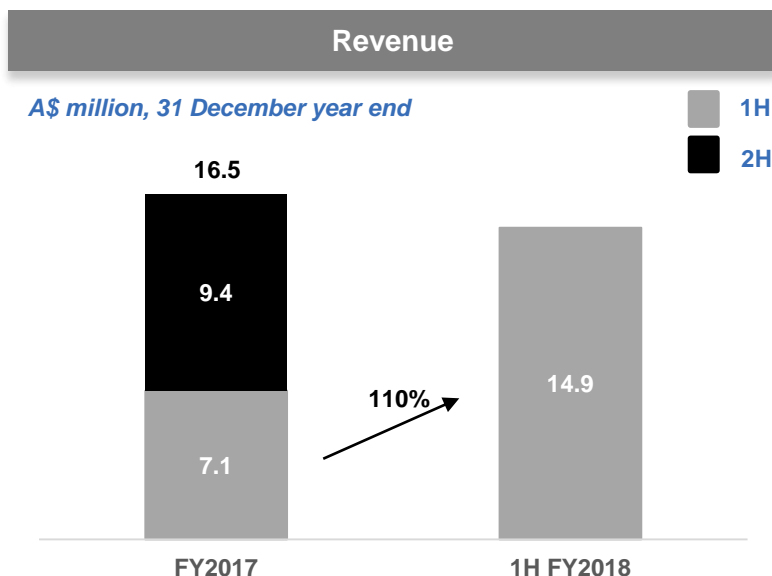
### **US Farm Bill**

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

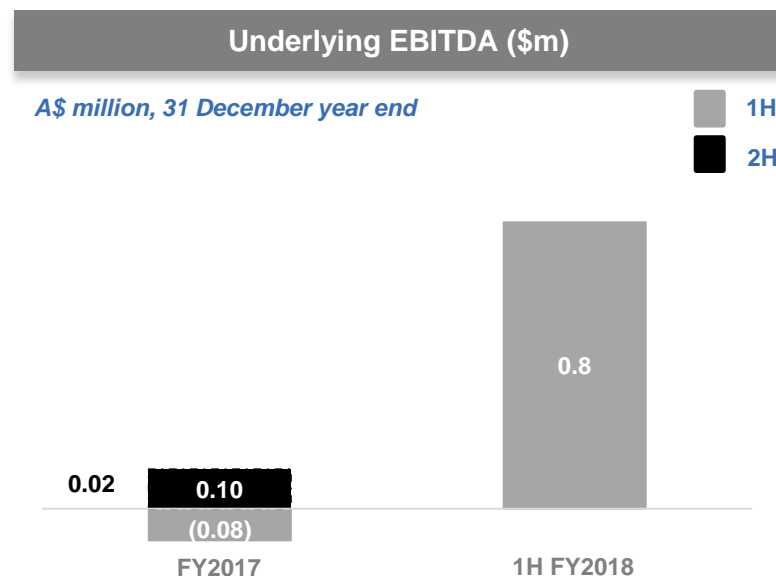
# Strong growth trajectory across key metrics

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



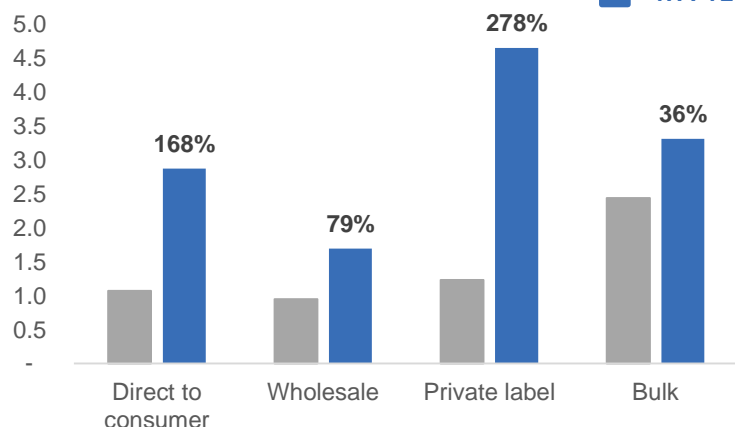
# Revenue growth by consumer products segment

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

## Elixinol USA

A\$ million, 31 December year end

■ 1H FY2017  
■ 1H FY2018



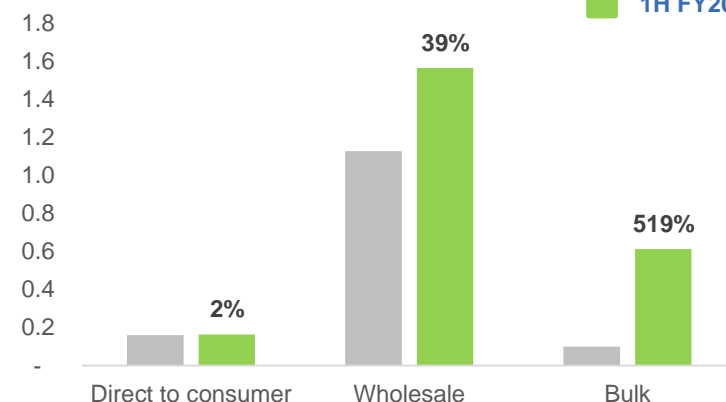
### Comments

- 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

■ 1H FY2017  
■ 1H FY2018



### 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*

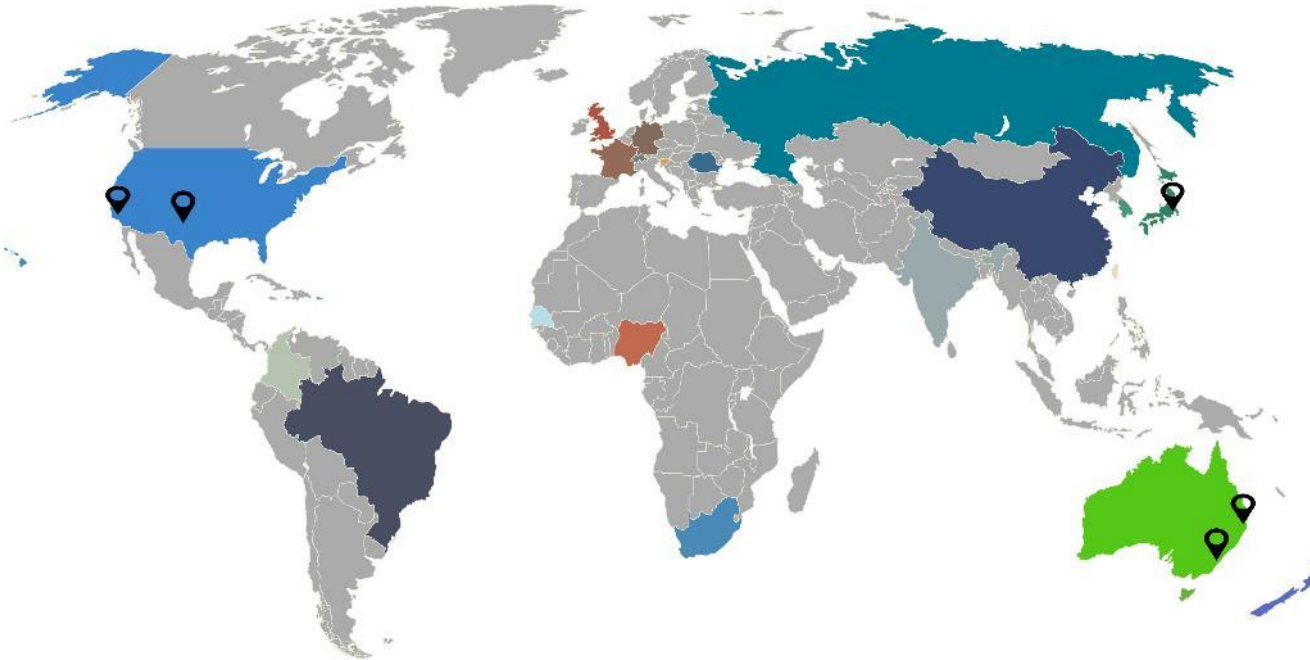
- Progressing license applications with the Office of Drug Control (ODC)
- Advanced plans prepared for build-out of integrated cultivation and manufacture facility
- Finalising the development of medical education program for proprietary products



# 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 Bangalow, 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



# Elixinol USA: focus for next 12 months

Focus on strong growth in home markets, new product development and marketing

- Grow market share in US; deliver growth in attractive markets (Europe, Asia)
- Scale teams to support expanded business
- Deploy and optimize new US-based plant and equipment
- Expand range through Elixinol branded products and reselling external ranges with cultural fit
- Optimise existing distribution agreements and alliances
- Ecommerce platform scaled up, alongside investment in innovative above the line advertising campaigns (e.g. billboards, TV, radio) and strong focus on online / SEO
- Increase use of affiliate marketing channels – work with US influencers to continue to market CBD product range to sport, lifestyle and wellbeing segments
- Key sales hires to focus on retail distribution enabling margin improvement



# 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

# Hemp Foods Australia: focus for next 12 months

Strong growth in Australia, driving raw and finished product sales via multi-channel approach

- Grow Australian market share and secure top 1 position for hemp food branded products
- Select Hemp Foods Australia owned brands to be marketed by Elixinol in USA and other countries
- Grow range – first 2 finished products expected to be launched by end of 2H FY2018
- Optimise existing distribution agreements, push into mainstream channels with branded products
- Continue to push into previously untouched channels via SATIVA skincare range
- Appoint third party sales force to target new line launches
- Strong marketing plan - including mix of above the line and below the line, including growth in brand ambassadors and influencers
- Focus on higher margin channels in branded FMCG range





# Elixinol Australia (medicinal cannabis)

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## Advanced development plans are prepared

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### 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

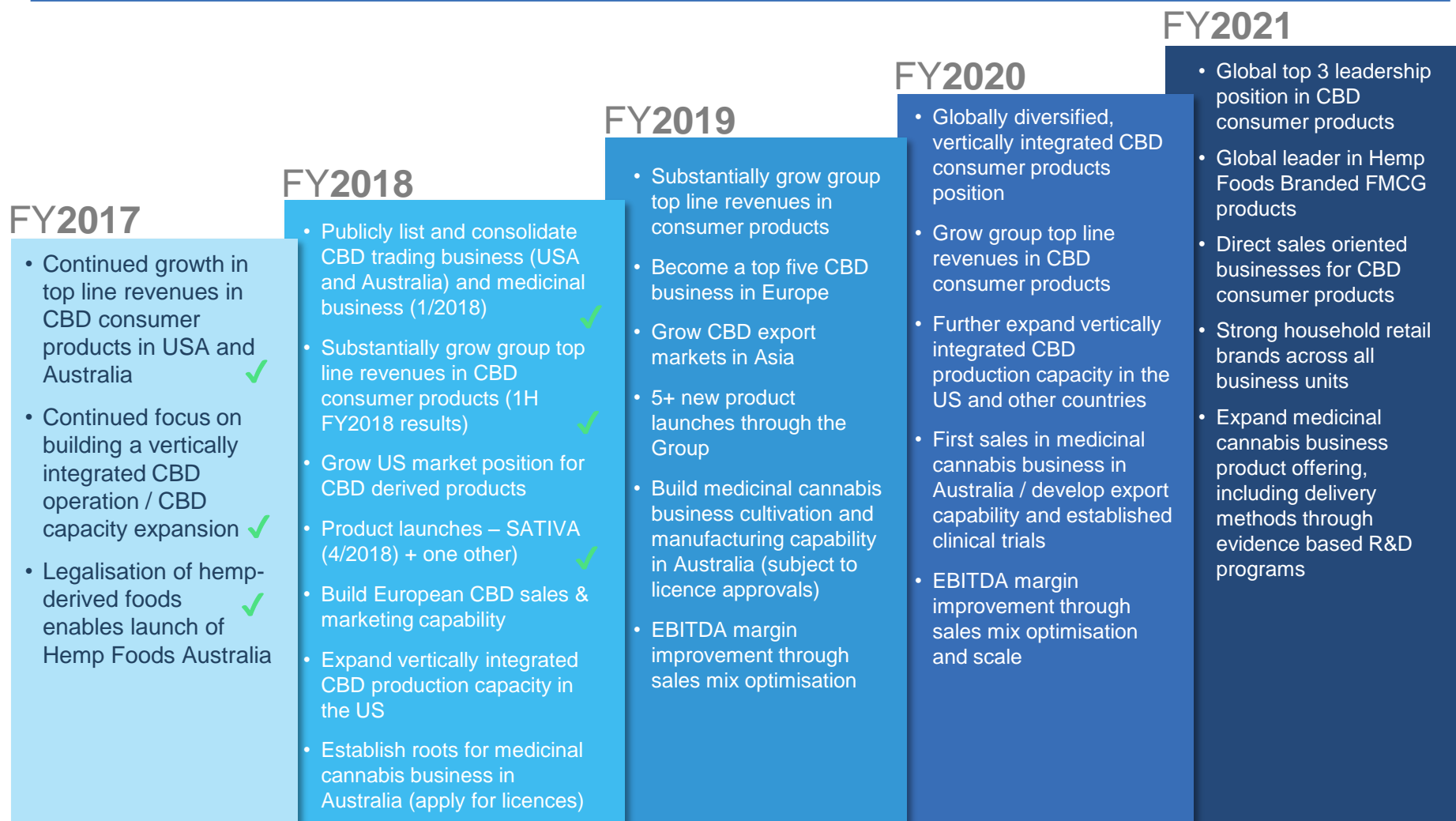
- Advanced development plans are prepared for the roll out for medicinal cannabis products:
  - completion of site selection
  - development of operational plan
  - plans developed for cultivation and pharmaceutical grade manufacturing facility
  - development of proprietary CBD/THC formulations and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

### Current activities

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

# Strategic outlook: delivering on our corporate strategy

Capturing substantial global growth opportunity in hemp-CBD and medicinal cannabis



# For more information:

Paul Benhaim  
Chief Executive Officer  
[paul@elixinolglobal.com](mailto:paul@elixinolglobal.com)  
+61 407 767 709

Ron Dufficy  
Chief Financial Officer  
[ron.dufficy@elixinolglobal.com](mailto:ron.dufficy@elixinolglobal.com)  
+61 428 881 718





# Appendix



# 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)
<b>Gross profit</b>	<b>8.4</b>	<b>4.5</b>
<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)	-
<b>Statutory EBITDA</b>	<b>0.6</b>	<b>(0.1)</b>
<b>Underlying EBITDA</b>	<b>0.8</b>	<b>(0.1)</b>
Interest income	0.2	-
Depreciation and amortization	(0.4)	(0.4)
<b>Profit before tax</b>	<b>0.4</b>	<b>(0.5)</b>
Tax expense	(0.2)	(0.2)
<b>Statutory NPAT</b>	<b>0.1</b>	<b>(0.7)</b>
<b>Underlying NPAT</b>	<b>0.6</b>	<b>(0.3)</b>

## 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
<b>Net decrease in cash</b>	<b>(4.9)</b>	

### 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
<b>Current assets</b>		
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
<b>Total current assets</b>	<b>21.5</b>	<b>23.3</b>
<b>Non-current assets</b>		
Property, plant and equipment	2.8	1.1
Investments	2.1	-
Intangible assets	80.6	80.6
Other	0.4	0.1
<b>Total non-current assets</b>	<b>85.9</b>	<b>81.8</b>
<b>Total assets</b>	<b>107.4</b>	<b>105.1</b>
<b>Liabilities</b>		
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
<b>Total liabilities</b>	<b>7.8</b>	<b>6.0</b>
<b>Total equity</b>	<b>99.6</b>	<b>99.1</b>

## 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



# Reconciliation to 1H FY2018 underlying EBITDA and NPAT

(\$m)	1H FY2018
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<b>Statutory NPAT</b>	<b>0.1</b>
Tax expense	0.2
Depreciation & amortisation	0.4
Interest income/finance costs	(0.2)
<b>Statutory EBITDA</b>	<b>0.6</b>
Share based payment expense	0.2
<b>Underlying EBITDA</b>	<b>0.8</b>

<b>Statutory NPAT</b>	<b>0.1</b>
Share based payment expense (after tax)	0.1
Amortisation acquired intangibles (after tax)	0.2
Tax benefit of Australian losses	0.2
<b>Underlying NPAT</b>	<b>0.6</b>