**ASX Announcement**
**22 September 2020**

# *Elixinol expecting to deliver 10-15% quarter on quarter revenue growth in Q3 FY2020*

**Key Highlights**

- **All regions on track to report revenue growth for Q3 FY2020, leading to a 10-15% revenue growth expectation for Elixinol over Q2 FY2020**
- **Financial performance improved under materially reduced operational and corporate cost profile - 45% lower[1] moving into H2 FY2020, over FY2019**
- **Elixinol Europe distribution with Well Pharmacy UK, the region's third largest pharmacy group, expanded to 8 products across 512 stores**
- **Elixinol's skincare range, *elixinolSkin* being launched with Boots Ireland**
- **Hemp Foods Australia performance and growth improvement continues**

Elixinol Global Limited (**Elixinol** or the **Company**) **(ASX:EXL; OTC:ELLXF**) is pleased to announce a trading update for the September quarter (**Q3 FY2020**).

Despite the COVID-19 situation impacting Elixinol's markets, the Company expects to deliver 10-15% quarter on quarter revenue growth in Q3 FY2020. The September quarter is the first full quarter through which Elixinol has operated under Group CEO, Oliver Horn and all regions are on track to deliver revenue growth for the September quarter, whilst having materially reduced operational and corporate costs, resulting in a cost base 45% lower than FY2019.

Elixinol's Group CEO Oliver Horn said: "We are delighted to be seeing very encouraging results across all our key reporting metrics and through each business unit as a result of the decisive repositioning efforts implemented through H1 FY2020. Our strategy to focus on Elixinol branded consumer goods and higher margin consumer channels, such as e-commerce, is translating to revenue growth and margin improvement. Our reduced cost base has significantly reduced operating cash outflows."

Mr Horn continued, "Elixinol's US business has returned to a state of growth, despite very challenging trading conditions. We are pleased with the substantial progress made in Europe, where we secured broad in-store distribution with the Well Pharmacy chain and are currently launching our new *elixinolSkin* range with Boots Ireland. I am now confident that we have made the right strategic choices to create a sustainable growth business and we are looking

[1] Refer H1 FY2020 results announcement of 31 August 2020 https://www.elixinolglobal.com/site/PDF/4daa27c6-2d04-440d-978f-01cd40c90c30/H1FY2020ResultsASXAnnouncement

forward to leveraging the solid foundations we have built as we approach key seasonal trading periods."

## Repositioning leads to margin and performance improvements

Under new group leadership and with a renewed board, in H1 FY2020, Elixinol's business was aggressively repositioned, leading to substantial cost reductions and improved cash-flows. Key initiatives included:

- Extensive leadership changes at Board and operational level, bringing new strategic, commercial and governance disciplines
- Substantial operational and corporate cost reduction program completed in June 2020, leading to an annualised cost base which is approximately 45% lower than FY2019
- Implementation of a sophisticated e-commerce backbone via a customised Magento, to drive higher margin sales and support expected increased demand for Elixinol branded products
- Successful relaunch of the Elixinol brand along with a new global product line-up
- Development of key new listings in pharmacy and TV shopping channels
- A review was conducted of the Hemp Foods Australia (**HFA**) business. Improved performance led to the decision to retain HFA within the Group

The above initiatives have led to increased revenues across all of Elixinol's regions, higher margins and a significantly reduced cost base. As a result, the Company is on track to report 10-15% revenue growth for Q3 FY2020 versus Q2 FY2020.

While these are encouraging improvements, Elixinol operates in regions where COVID-19 continues to impact trading conditions, particularly in traditional retail environments.

## Americas business returns to growth

Revenue for Elixinol Americas has returned to growth in Q3 FY2020 versus Q2 FY2020. Elixinol has repositioned itself towards the higher margin, consumer-led branded nutraceuticals category and is exiting lower margin bulk and private label. The Company's focus on the use of e-commerce for driving sales through the COVID-19 operating environment, and the sale of high-margin Elixinol branded products, has shifted the margin mix, leading to a positive impact on overall profitability.

To support this growth, Elixinol created leaner, more agile teams and significantly reduced cost whilst remaining focused on its strategy to create a profitable global nutraceuticals brand. Given the Company's strong inventory position and in line with a capital-light strategy, in-house manufacturing was temporarily decommissioned while the economics remain in favour of an outsourced manufacturing model.

**European business gathers pace**

In August, it was announced that Well Pharmacy, the UK's third largest pharmacy chain with 760 stores, had launched 5 Elixinol branded CBD products (blended capsules: Dreams, Serene, Turmeric, Immune Boost and Digest) across 80 stores.

As of late September, Well Pharmacy will expand distribution to more than 500 stores and add three new custom-developed products into the range. The new products are water-soluble tinctures (Serene; Turmeric and Dreams) containing active ingredients.

The *elixinolSkin* range is being launched in Boots pharmacies across Ireland, with the complete range of 8 CBD-derived skincare products to be available 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.

This launch is a breakthrough which follows over a year of extensive research and development. The *elixinolSkin* range offers new growth opportunities for Elixinol in the high growth, global skincare category.

**Hemp Foods Australia (HFA) update**

HFA continued to grow with improved margin performance throughout Q3 FY2020. In tandem with marketing HFA branded products, the team's capability is being leveraged to develop bespoke Elixinol products for distribution in Australia. These new products will support the

agreement through which PharmaCann will distribute Elixinol products under Schedule 4 of the Therapeutic Goods Administration's (**TGA's**) Special Access Scheme.

The Company continues to monitor for emerging profitable opportunities following the TGA's preliminary conclusion on 9 September 2020 that CBD will be moved to Schedule 3 and made available over the counter in pharmacies.

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

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**About Elixinol Global**

Elixinol Global Limited (ASX:EXL; OTC: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
- In Australia, providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia
- Hemp Foods Australia Pty Ltd (Hemp Foods Australia), 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