

# Investor Presentation.

Monday 15th November 2021



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



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# Disclaimer

# Business Overview

Summary	
ASX listing (EXL)	2017
Share Price <sup>1</sup>	A\$0.105
Market Capitalisation <sup>1</sup>	A\$30m
Revenue H1 FY21	A\$4.8m
Board & Management	
Chair	Helen Wiseman
Non Exec Director	Paul Benhaim
Global CEO	Oliver Horn
Global CFO	Ron Dufficy
Company Secretary	Teresa Cleary

<sup>1</sup>As at close of trading, Friday, 12<sup>th</sup> November 2021

*'A global consumer wellness business build on the goodness of hemp'*



One of the most established & trusted US CBD brands. Human and pet wellness products. Capital light outsourced branded consumer goods model based in Colorado, USA



Australia's #1 hemp foods company. Extensive range of foods, skincare and supplements. Bulk and finished goods provider with integrated manufacturing. Based near Byron Bay, NSW, Australia.



**Quality & Efficacy**



**True Heritage**



**Natural & Sustainable**



## Elixinol CBD Brand (Digestible & Topical products)



## Hemp Foods Australia (Foods, Supplements & Skincare)



## Vision

To create a healthier everyday life through the power of hemp and plant-based products

## Ambition

Building a global, hemp-centric wellness consumer products company

## Purpose

Changing lives naturally!



**Quality & Efficacy**



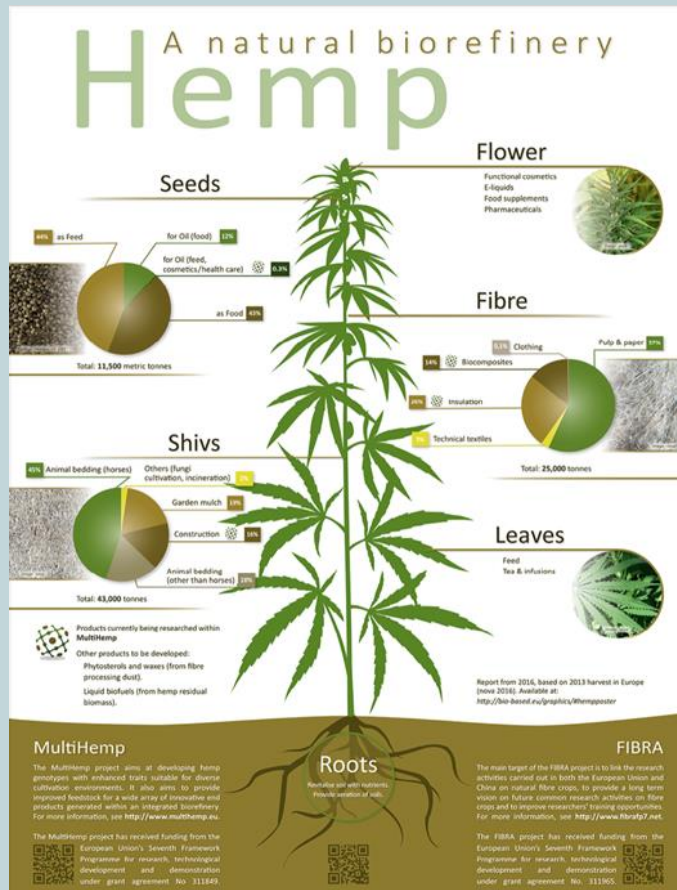
**True Heritage**



**Natural & Sustainable**

# Why hemp? Sustainability & health benefits.

The hemp plant is nature's powerhouse. Highly sustainable, 100% usage and with powerful health & wellbeing benefits as a food or in nutraceutical products.



One plant – can use seeds, flower, fibre, shiv and leaves for multiple uses



Fast growing – matures in 90 days



Carbon capture – captures approx. 10x more CO<sub>2</sub> than pine trees (which take 20yrs to mature)



Sustainable – pest, weed & drought resistant and doesn't require pesticides / herbicides



A superfood – contains protein, dietary fibre, contain the highest amount of PUFAs (Polyunsaturated Fatty Acids) like Omega 3 and 6



Source of CBD – naturally low THC, declared as safe by WHO, UN removes cannabis from Schedule IV of 1961 Convention on Narcotic drugs



A new food – legalized for food in 2017 in Australia

# Hemp, an answer to the growing trend for plant-based nutrition.

The rise in dietary trends such as vegan / vegetarian and flexitarian has seen consumers turn to plant-based foods, with increasing numbers of people turning their backs on meat. This mindset has paved the way for superfoods and eating trends around the globe. In Australia, millions are reducing their meat intake and interest in plant-based alternatives is gaining considerable momentum.

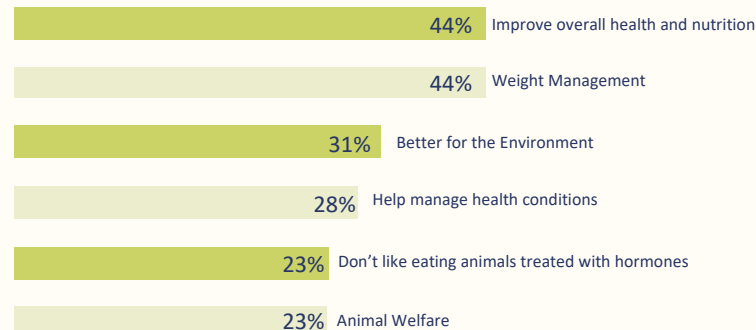
## Top 3 consumer reasons...

1. Improve health & nutrition
2. Weight management
3. Better for environment

- 1 in 3 Australians are consciously limiting their meat consumption
- 67% of consumers are most likely to try plant-based cuisine in a home environment.
- 43% of meat-reducers are baby boomers.
- 57% of Vegans and 61% of Vegetarians are Millennials



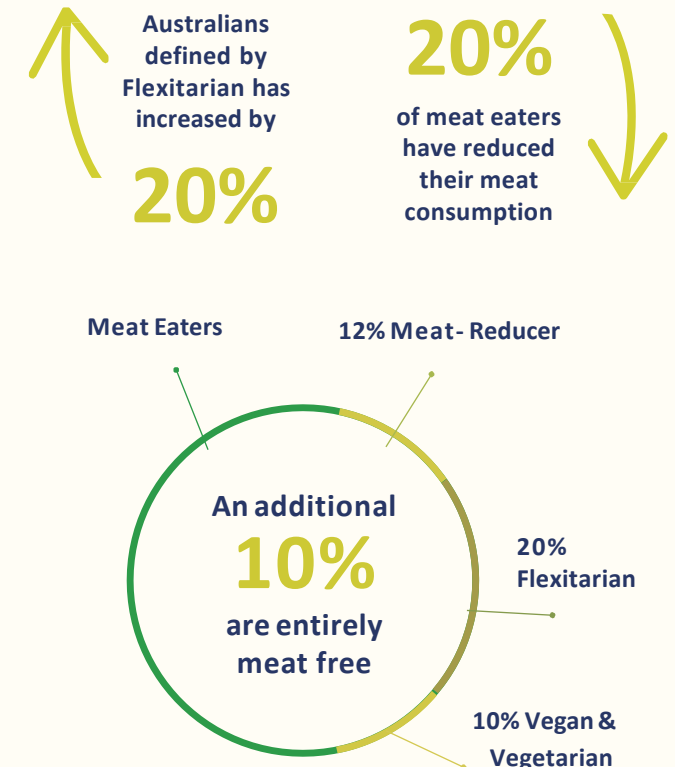
Top Reasons for wanting to incorporate more Plant-Based Foods



Source: "What you Need to Know About the Meteoric Rise in Flexitarian Eating." Mattson. August 2017

## Key health benefits:

- Complete and highly digestible protein (30%)
- Seeds contain more protein than flax or chia
- Contains all 9 essential amino acids
- Plant based source of omega 3, 6 & 9
- Rich in minerals, vitamins and anti-oxidants
- Edible source of GLA not found in fish, soy, flax or chia
- Naturally low in carbs, sugar and salt
- Free from GMO, dairy, soy, gluten



Source: Hungry for plant-based Australian consumer insights, Oct 2019.

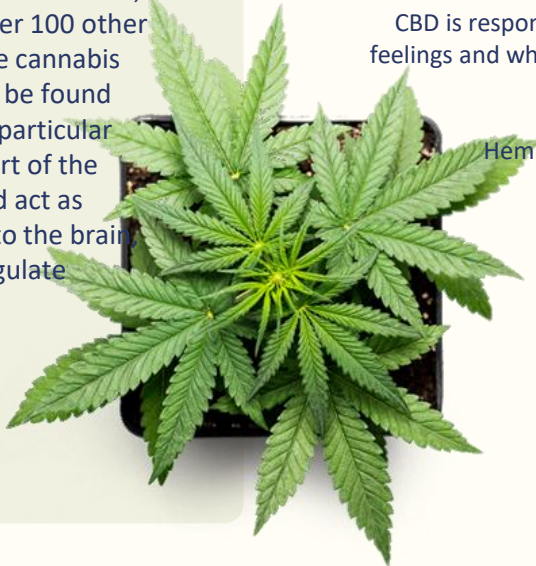


# What is hemp CBD?

CBD is generally derived from the hemp plant which contains high levels of CBD and low levels of THC. Cannabinoids, such as CBD, interact with the body's natural endocannabinoid system and can help relieve pain and have shown promise as a treatment for depression, anxiety, PTSD, insomnia and epilepsy.

**CBD is the acronym used for cannabidiol, one of the 100+ different cannabinoids found in the Cannabis sativa plant.**

Cannabinoids are naturally occurring chemicals found in the cannabis plant. You might have heard of CBD and THC. While they are the often the most well-known, they are just two types of over 100 other cannabinoids that exist in the cannabis plant. Cannabinoids can also be found naturally in the body. These particular types of cannabinoids are part of the endocannabinoid system and act as messengers sending signals to the brain, gut or other parts to help regulate basic bodily functions.



## The difference between CBD/THC

**CBD** and **THC** are both naturally occurring cannabinoids found in the cannabis plant. While they both affect the body by communicating with the endocannabinoid system, they each play different roles. THC (tetrahydrocannabinol) is the psychoactive chemical responsible for creating the 'high'. CBD is non-psychoactive.

CBD is responsible for more calming, relaxed feelings and when acting with THC can counter some of those effects.

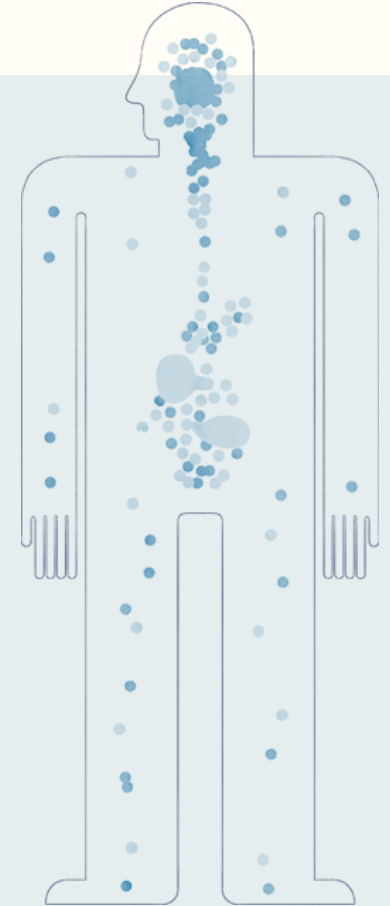
Hemp plants generally contain more CBD and cannabis plants contain more THC.



## Endocannabinoid System and You

Cannabinoids are not only found in the cannabis plant—they're also naturally occurring chemicals found in the body. The cannabinoids created in the body are part of the endocannabinoid system, and they act as messengers sending signals to the brain, gut or other parts of the body to help regulate basic bodily functions. When you consume cannabinoids, they affect the body talking to the endocannabinoid system.

The cannabinoids created in the body are part of the endocannabinoid system, and they act as messengers sending signals to the brain, gut or other parts of the body to help regulate basic bodily functions.



# 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

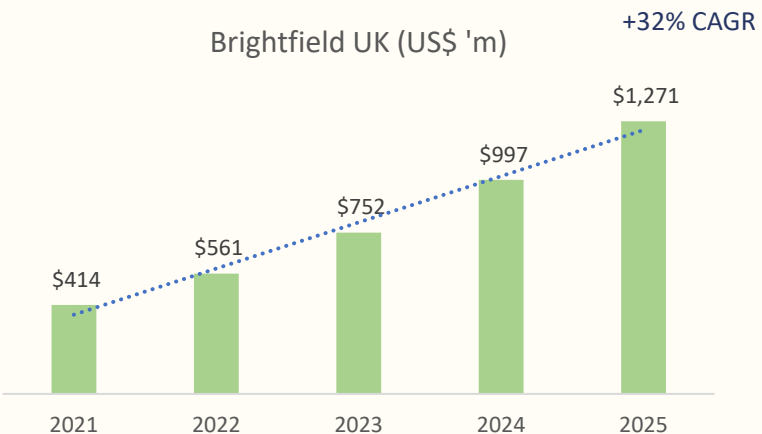
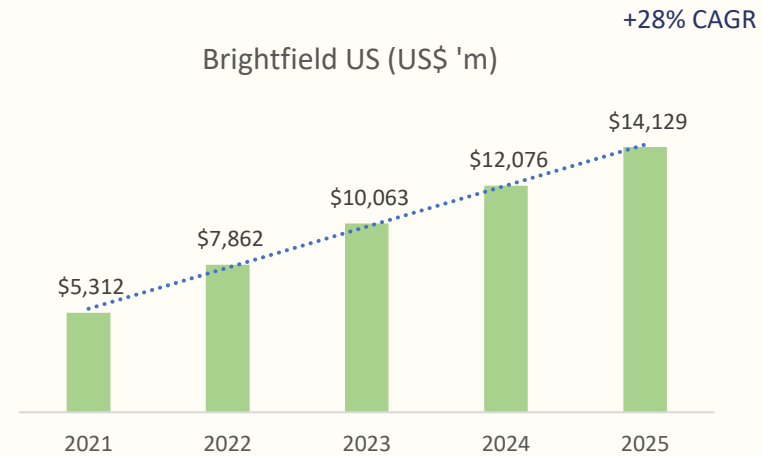


Chris Hemsworth buying HFA hemp seeds



# 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 20<sup>th</sup> 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)
  - 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.

# 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

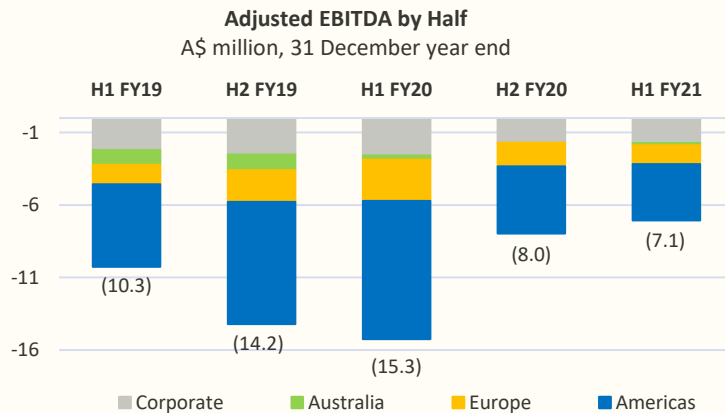


**Crucial new leadership capability build**  
New US and EU leadership and new Global R&D / Innovation Director role in place



# 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.

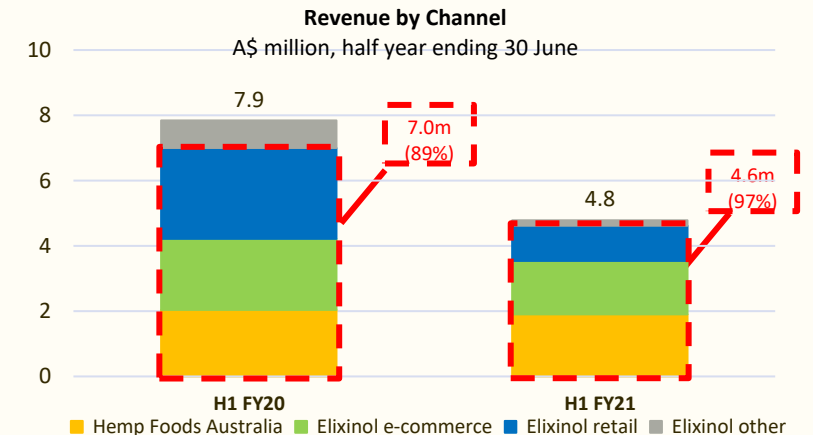
## Well funded\*\*

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.

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





# 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

## 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

## 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

## 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

**Sustainability**

**Internal Wellness Culture**

**Quality & Compliance**

**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 30<sup>th</sup> June 2021)

# Thank you