



Annual General Meeting

31 May 2023



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Agenda

- Introduction
- Chair's address
- CEO update
- Official business
- Q&A



Introduction



Chair's Address

A woman is shown from the waist up, sitting on a beach chair. She is wearing a dark bikini top and has her arms raised in a celebratory gesture. She is smiling broadly, looking towards the sky. The background is a bright, golden sunset over the ocean, with soft clouds. The overall mood is one of joy and achievement.

CEO Update

Discover the Goodness of Hemp



Quality & Efficacy



True Heritage



Natural & Sustainable

Vision

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

Ambition

Building a global, natural wellness consumer products company

Purpose

Changing lives naturally!

Elixinol Americas (digestible & topical products)



Operational Highlights

Group wide transformation and restructuring efforts have continued to drive profitability and EBITDA improvements.

Large scale business transformation drives a further \$6.5m (35%) OPEX savings with additional optimisation initiatives implemented.



Investment focus on AU and US markets with strongest competitive position simplifies our business model and enables group to compete more effectively.



New product development pipeline expected to drive entry into new product categories and drive incremental growth.



Hemp Foods Australia's strategy to focus on profitability and range optimisation allows for increased investment to remain competitive whilst nearing EBITDA breakeven.



Elixinol Americas delivers continued EBITDA improvement despite challenging market context. Transition to an outsourced model now complete with margins remaining strong at 63% and momentum building from e-commerce platform.

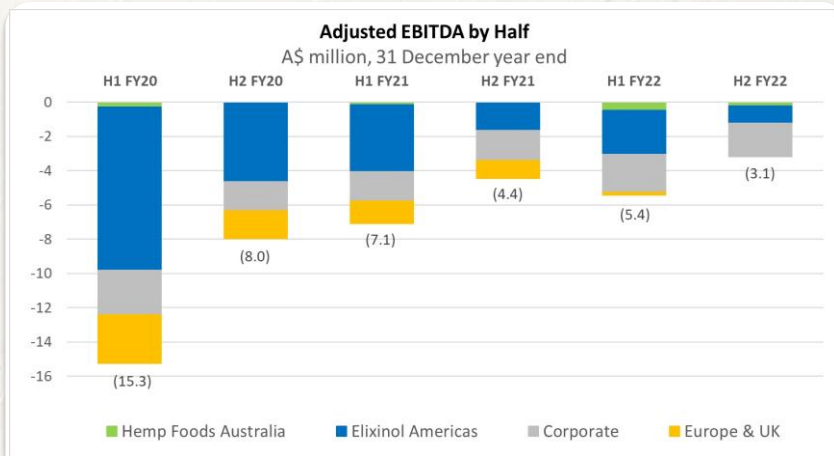


Corporate cost reductions
Corporate team reduced by 50% contributing to a further \$0.5m (13%) reduction in underlying cost base with further reductions identified for FY23.



FY22 Financial Highlights

Elixinol Wellness reports ongoing improvements in Adjusted EBITDA and reduced cash outflow



35% cost base reduction

Operational and corporate cost reduction initiatives have significantly reduced operating expenses in FY22 compared with FY21.

Adjusted EBITDA*

Ongoing improvement since FY20, despite lower revenues led by a significantly reduced cost base to support a simplified strategy.

A strategic review drove a cost reduction program and higher margin business driving performance improvements.

H2 FY21 includes \$1.6m non-recurring income from US Employee Retention Credit program.

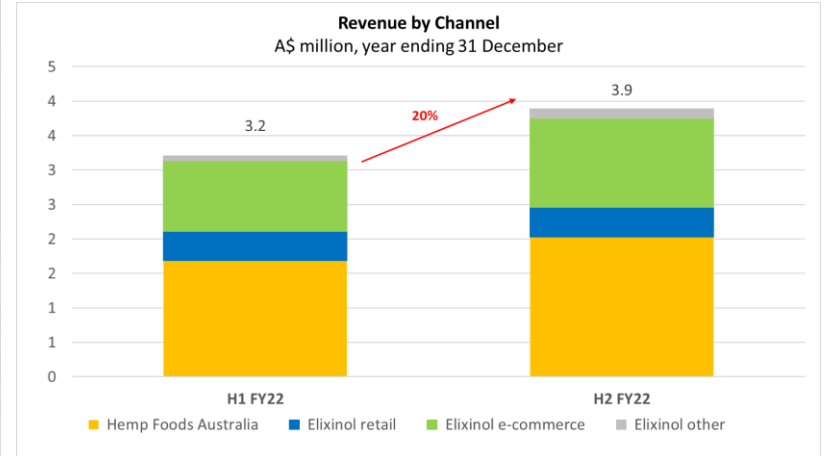
Funding Position**

With improving cash flow, approximately three quarters of funding as at 31 December 2022.

\$4.4m

vs \$8.5m in H1 FY22

3 qtrs



20% revenue growth

H2 FY22 vs H1 FY22

Divested low margin business to focus on higher margin branded products.

Driving margin improvement as business mix shifts towards e-commerce and branded consumer goods channels.

* Excluding non-cash impairments and share-based payments.

** \$2.9m Cash and cash equivalents at the end of the reporting period plus \$1.5m expected to be received from one-off US COVID-19 relief measures.

Q1 FY23 Key Highlights

In line with our profitability focus, we took further costs out of the business in Q1 FY23 and laid further foundations to enable the proposed acquisition of The Sustainable Nutrition Group (TSN).

Financial and corporate snapshot

- Q1 FY23 revenue up 13% versus Q1 FY22, HFA revenue up 28% versus Q1 FY22
- Operating cash used was \$1.5m, in line with the prior quarter. Expenditures are expected to significantly reduce in the coming quarters.
- Solid funding position of \$5.0m*



Proposed TSN acquisition

- TSN acquisition will increase the size and scale of Elixinol Wellness
- Group will own and operate brands across four key verticals



Product development and distribution growth

- Strong sales of Seed Mix in Coles nationally
- Rollout of Hemp Seed Oil across Woolworths stores nationally and promotional activity with Costco.
- Elixinol Life expected to launch in Q2 FY23
- BRITISH CANNABIS™ relaunch Elixinol Skin



Strategic Review



- Leader in innovating, marketing and selling hemp derived and plant-based products
- Operations across the United States and Australia delivering significant global reach
- Well positioned in the global consumer wellness trend for natural and plant-based food and nutraceuticals

- Premium hemp and plant-based health brand with Tier 1 Australian retail relationships
- Producer, manufacturer and distributor of premium hemp and plant-based health products
- Operates in high-growth market verticals: plant-based food, pet supplements and sustainable ingredients
- Developing proprietary hemp isolate & concentrate product

- Creates a global plant-based food, health and wellness company
- Highly complementary product range and shared new product development capabilities within the combined group
- Scope for cost and revenue synergies to be realised over time
- Expanded distribution network providing cross-sell opportunities and the ability to expand existing relationships with partners and distributors



Aligned vision to build a leading global plant-based food, health & wellness company

Background and Strategic Rationale



Creates a global plant-based food, health and wellness company

- Optimises access to supply chains in Australia – access to large Australian based hemp-growing farmer network
- Strengthens product portfolio across health food nutrition, hemp-based nutraceuticals such as CBD and pet nutritional supplements



Highly complementary product set with improved product innovation

- Number of brands increase from 4 to 8
- Unique products increase from 67 to 143 across the human nutrition, food, CBD, pet and wellness verticals
- Combined group new product development and IP sharing will assist in driving cost effective growth



Expands distribution network

- Immediately broadens distribution capabilities across Australia to over 4,000 locations
- Substantial cross-sell opportunity for EXL and TSN brands
- Expand existing relationships with partners and distributors
- Accelerates e-commerce growth with increased product range



Increases size and scale

- Aims to realise economies of scale through the rationalisation of operations and distribution channels
- Cost and revenue synergies expected to be realised over time, as well as margin expansion through the consolidation of operations



Leveraged to strong sector tailwinds

- Positioned to leverage the mainstream shift towards plant-based, sustainable nutrition products
- The global plant-based protein market is expecting significant growth¹

¹ Food Frontier: Hungry for plant based: Australian Consumer Insights, Colmar Brunton, October 2019

Highly complementary product range

Combined group to deliver products across 4 key verticals

Human Nutrition

CBD Consumer Products

Pet Wellness

Skin Health



Combined group unique products to increase from 67 to 143

Leveraging a diversified distribution network

Immediately broadens the distribution network

Retail:

- ✓ Strengthened retail network with complementary expansion in distribution channel for both EXL and TSN
 - Combined Australian distribution of over 4,000 stores:
 - Hemp Foods Australia products stocked in circa 3,500 stores
 - TSN products stocked in circa 500 incremental stores
 - Ability to broaden and increase existing relationships with partners and distributors for combined group

E-commerce: Digital strategy to drive growth and profitability

- ✓ Accelerates growth in established e-commerce platforms
 - Combined group to have 7 e-commerce sites
 - Increased SKU and product range to drive growth, website traffic and online sales
 - Potential to leverage US e-commerce channels for TSN products

Wholesale: Strengthens wholesale offering

- Potential to cross-sell TSN products through EXL US platform and relationships

		
Retail	     	         
E-commerce	  	   
Wholesale	  	    

Increase in operational scale and size

Increased scale with a clear pathway to profitability

- Significant uplift in revenue immediately realised through combination
- Ongoing margin expansion expected through the consolidation of operations
- TSN and Hemp Foods Australia targeting cash-flow breakeven in H1 FY24



Strategic reviews:

- EXL's strategic review focused on reducing annualised operating costs by approximately **\$3.2m**
- TSN's strategic review placed an emphasis on optimising the company's product SKU's and reducing operating expenditure
- TSN reduced annualised operating costs by **\$1.1m**

Access to a large Australian based hemp-growing farmer network



- Access to a farmer network cultivating and harvesting hemp seed on behalf of TSN and EXL
- Long term supply relationships with farming suppliers
- Strong farming yields of up to 1.9T/ha in 1H FY22
- Large 800sqm, Certified (HACCP, GFSI – stage 1, stage 2) processing facility with significant de-hulling capacity

Expected to realise economies of scale within the larger combined group

- Scope to consolidate hemp operations into a single manufacturing facility
 - TSN's Geelong facility can satisfy dehulling and packing requirements for the combined Group
 - Warehousing, packaging and dispatch to be managed from a central hub

Identified cost reductions / synergies:

- Scope to significantly reduce freight charges
- Expected consolidation of farmer networks likely to improve supplier costs for the combined group
- Expected reduction in corporate costs
- Expected to reduce annualised operating costs by **\$2.3m**

Indicative Timetable

Event	Indicative Date
Entry into Scheme Implementation Deed	29 November 2022
First Court Date	Late June 2023
Scheme Meetings	Early August 2023
Second Court Date	August 2023
Effective Date	August 2023
Record Date	August 2023
Implementation Date	August 2023

**Scheme to be
completed by
August 2023**

Note: All dates are indicative only and subject to change. The dates assume no delays or complications with respect to any of the Court and regulatory approvals and are dependent on the timing or satisfaction of the conditions precedent.

Strong industry tailwinds

Group ideally positioned to benefit from significant macroeconomic tailwinds

Plant-based protein market

- Rise in dietary trends such as vegan / vegetarian and flexitarian has seen consumers turn to plant-based foods
- Global plant-based protein market expected to significantly grow from US\$10.3bn in 2020 to US\$17.5bn in 2027F¹

Significant near-term market growth driven by....



Shift towards overall health and nutrition



Rising agricultural costs



Greater consciousness on environmental impact



Increasing accessibility of meat alternatives



Increased awareness of animal wellness in relation to animal based products

32% of Australians are “flexitarians” or “meat reducers”¹

46% increase in Australian plant-based grocery sales in FY20²

2x plant-based products in Australian Supermarkets²

1. Food Frontier: Hungry for plant based: Australian Consumer Insights, Colmar Brunton, October 2019
2. Food Frontier; 2020 State of the Industry, Australian Plant Based Meat Sector

CBD in the USA

- EXL has right sized the US business to drive cost effective growth within the US CBD market
- According to latest Brightfield Group report (2023), CBD sales expected to reach \$10.3bn by 2028* (assuming the implementation of federal regulation by 2024)

Industry and bi-partisan support for CBD to be recognised as a dietary supplement in the US expected to be a significant catalyst for the market



Summary

Well positioned in global consumer wellness trend for natural and plant-based food and nutraceuticals



Business transformation to a leaner cost structure, further strengthening fundamentals

Improved outlook due to a better economic environment and end of COVID-19 restrictions

New product development pipeline will drive entry into new product categories and drive incremental growth

\$5.0m available funding¹ including post-quarter capital raise and underwritten SPP



TSN Acquisition will increase the size and scale of Elixinol Wellness

1. Cash held as at 31 March 2023 was \$1.8m, including \$1.0m collected from the IRS with an additional \$0.5m collected post quarter end. Cash balance also includes \$0.4m collected from the successful German arbitration award with a further \$0.4m expected to be received in Q2 FY23. Including the post quarter capital raise of \$1.25m and \$1.0m proceeds expected from an underwritten SPP, available funds now total \$5.0m.



 **Elixinol Wellness**
Natural wellness for people and the planet

Thank you