



## ASX Announcement: 30 July 2020

### ELIXINOL GLOBAL LIMITED Q2 FY2020 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE MAKING SOLID STRATEGIC PROGRESS

#### Summary:

- Major Board and Management team restructure undertaken: Oliver Horn appointed Group CEO (former CEO of Swisse Wellness ANZ & North America); other key appointments in Australia and US
- Higher margin, Elixinol branded CBD consumer nutraceuticals strategy further embedded as key revenue channel focus
- Relaunched Elixinol brand (March 2020) selling well with 7/10 top products from new range
- Channel focus shifted primarily to e-commerce, TV home shopping and pharmacy to enable sales through COVID-19
- Q2 FY2020 normalised revenue of \$3.4m<sup>1</sup>, down 24% from Q1 FY2020 as COVID-19 impacts led to challenging retail macro dynamics:
  - revenue mix continued to shift towards higher margin, Elixinol branded products with 65% of total revenue in Q2 FY2020 from Elixinol branded products, versus 53% in Q2 FY2019
- Capital raising of ~\$11m with support from institutional and retail investors
- Nunyara land assets sold, adding \$2.6m cash to the balance sheet
- \$8.3m reduction in quarterly operating cash outflows from Q4 FY2019 to Q2 FY2020
- Elixinol US class action dismissed
- Post quarter:
  - Exclusive distribution agreement announced with PharmaCann to distribute Elixinol branded CBD products via the TGA Special Access Scheme
  - Strong momentum in Hemp Foods Australia's operating performance leads to decision to retain the business

**Elixinol Global Limited (Elixinol or the Company) (ASX:EXL; OTC:ELLXF)**, a global leader in the hemp derived CBD industry, innovating, manufacturing and selling hemp derived CBD products, releases its business review and Appendix 4C cash flow statement for the quarter ending 30 June 2020 (Q2 FY2020).

Group CEO, Oliver Horn, commented "*We have made strong strategic progress in what has been a challenging macro environment. The company's focus remains on our higher margin, Elixinol branded products and the response from customers in the US and Europe to our*

<sup>1</sup> All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q2 FY2020 = 0.66; Historical revenues are unaudited and are shown on a normalised basis which include Hemp Foods Australia Pty Ltd and exclude discontinuing operations of Elixinol Co Ltd (Elixinol Japan).



relaunched brand has been very pleasing. Our e-commerce platform continues to be optimised and is now generating strong business intelligence to support our sales and marketing efforts.”

“Post quarter, we were delighted to announce two major outcomes. Firstly, the Board decided to retain Hemp Foods Australia within the group given the positive momentum achieved in both operating and financial performance. We also announced that PharmaCann will sell Elixinol hemp-derived CBD products under the TGA’s Special Access Scheme in Australia. These opportunities leveraged with existing sales and marketing capability will contribute to future growth.”

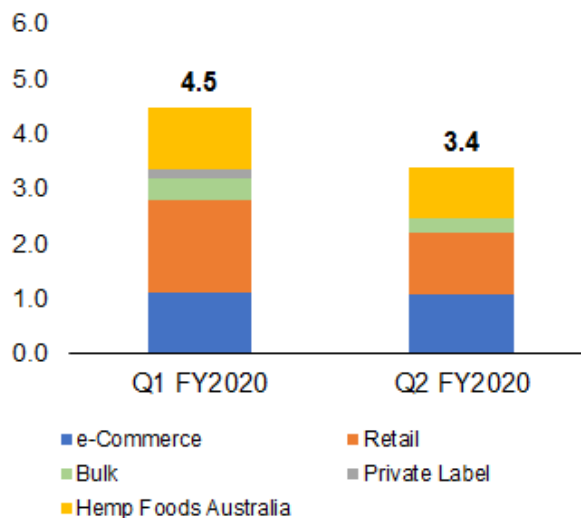
### Revenue by Quarter (A\$m)<sup>2</sup>

Elixinol reported unaudited, normalised revenue of \$3.4m (excluding discontinuing operations) for Q2 FY2020, representing a 24% decline on Q1 FY2020.

Revenue mix continued to shift towards higher margin, Elixinol branded products with 65% of revenue in Q2 FY2020 from Elixinol branded products, versus 53% in Q2 FY2019.

The disruptions the Company faced with transitioning its US e-commerce platform to Magento were rectified during the quarter and we continue to enhance site functionality. The Company is starting to benefit from these new digital capabilities and data to support our sales and marketing.

Elixinol continues to reposition itself towards a higher margin, consumer-led branded nutraceuticals model and has been exiting the lower margin bulk and private label businesses.



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## Elixinol brand relaunch

Following the relaunch of Elixinol branded products in late March 2020, during the June quarter, the Company continued to shift its channel strategy towards margin-accretive, Elixinol branded CBD consumer nutraceuticals as the key revenue driver.

The new, differentiated range has received positive, early feedback from customers. CBD has been blended with other actives, such as Turmeric, Chamomile, Ashwaganda and various vitamins, to create a wide range of Elixinol products with proven health benefits. This approach has enabled the Company to strengthen consumer communication with substantiated health claims. Product formulations have been driven by customer demand at both the enterprise and consumer level, and include tinctures, topicals, capsules, powders and CBD infused skincare / cosmetics.

The range launch has been supported through creative advertising solutions, specifically designed for the online and e-commerce environment. Underpinning the launch of our new product range is a comprehensive sales and marketing strategy, including an updated Magento e-commerce platform that provides leading digital capabilities to support our sales and marketing efforts in the rapidly expanding e-commerce channel. The online platform also delivers educational product support and enables the tracking of consumer shopping behaviour in real-time.

## BUSINESS UPDATE

### AMERICAS

In the US, the regulatory environment remains dynamic and varied but with a heightened expectation that the FDA will progress its rulemaking process regarding marketing of CBD products as dietary supplements. The current un-regulated CBD nutraceuticals market is highly oversupplied and remains very competitive. Additionally, COVID-19 factors continued to negatively impact sales in the Americas across all channels during the quarter.

During the quarter head count was reduced from 62 FTE to 37 FTE and thus contributing materially to the Company's overall reduction in quarterly cash outflows of \$8.3m comparing Q2 FY2020 to Q4 FY2019. The business has adequate inventory to support revenues for more than 12 months.

On 11 May 2020, it was announced that a class action had been dismissed against Elixinol, LLC, a Colorado Limited Liability Company (EXU.) The withdrawal of the class-action suit is vindication of the Company's position that its products are accurately labeled and that the plaintiffs' misleading conduct claims were without merit.



## **UK / EUROPE**

In Europe both the European and UK Food Standards Agency announced on 13 February 2020 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. As recently as two weeks ago, the EU put the Novel Foods application process on hold while it evaluates its stance on CBD. This means that the status quo in the EU in which the business is currently operating remains unchanged. The UK's position remains unchanged regarding the Food Standards Agency (FSA) Novel Foods authorisation process, so we are in the midst of continuing to manage the UK application process whilst awaiting the EU's ruling.

Elixinol's efforts in the European market have predominantly been focused on the UK and German markets, with channel priorities being national pharmacy, in-home TV shopping and e-commerce. For the remainder of CY 2020, these new relationships are expected to drive significant growth opportunities. Progress in European TV shopping channels has been strong, and in the last months the Company has also shipped its first order to Alliance Healthcare in the UK to accelerate the pharmacy distribution build. All EU e-commerce sites have now been transitioned to Magento and Elixinol is fully focused on building out its European digital sales channels and targeted sales and marketing.

## **AUSTRALIA**

On 25 May 2020, Elixinol Global announced that the share purchase agreement (SPA) for the sale of HFA was terminated by the buyer due to non-satisfaction of a condition precedent in the SPA, citing COVID-19 impacts. At the time the SPA termination was announced, the Company said it would continue to operate the HFA business pending an evaluation of all opportunities to capitalise on HFA's established position as one of Australia's leading hemp foods brands.

In H1 FY2020 the HFA business reported revenues of \$2.0m (unaudited) compared with \$1.6m in H1 FY2019. EBITDA losses have been significantly reduced to a loss of \$0.3m (unaudited) in H1 FY2020 compared with a loss of \$1.8m in full year FY2019. Given the improving financial performance and market dynamics, the Company announced on 20 July 2020 that it had decided to continue the HFA operations, whilst exploring potential to leverage the cost base and skillset in the HFA business to support opportunities emerging in the Australian cannabidiol (CBD) landscape.

On 27 July 2020, the Company announced a major step forward in bringing Elixinol branded CBD products to market through an exclusive distribution agreement with PharmaCann. PharmaCann has reach into all major Australian pharmacy chains and has access to a network of over 1600 medical practitioners. This agreement will enable Elixinol products to be brought to market under the TGA's existing Special Access Scheme. This agreement



together with a strengthening HFA business, from which the Group can leverage existing sales and marketing capability, will open up new opportunities for future growth.

## **JAPAN**

Also post quarter, the Company was pleased to announce that it had signed a new exclusive trademark and know-how licensing agreement with Elixinol Japan, which will enable the Company to manufacture and distribute locally made products to meet market specific regulatory and consumer requirements. Under this agreement, Elixinol Global will receive royalties of 3% in the first year and 5% royalties in subsequent year of which a portion will be reinvested into the market to fuel further growth. This 2 + 3-year agreement allows Elixinol Global to continue to benefit from the brand equity that has been created in the Japanese market over the last five years.

## **\$11m capital raise supported by institutional and retail investors**

On 26 May 2020 the Company announced it had completed a capital raise, raising ~\$11m with support from institutional and retail investors. Funds will be used to support operating cash flow, consumer brand building and distribution build.

The Company thanks existing and new shareholders for the support provided.

## **Corporate structure changes**

As announced on 6 April 2020, Founder and Non-Executive Director Mr Paul Benhaim became Chairman of the Board and Mr Oliver Horn, former CEO Swisse Wellness ANZ and North America was appointed Non-Executive Director. Chairman and Non-Executive Director Mr Andrew Duff and Non-Executive Director Mr Greg Ellery resigned from the Board.

As announced to the ASX on 21 April 2020, Elixinol appointed Mr Oliver Horn as Group CEO. Mr Horn has extensive global industry experience, leadership credentials and passion for wellbeing. Mr Horn replaced former Group CEO Mr Stratos Karousos.

In addition, Elixinol announced on 21 April 2020 the appointment of Mrs Helen Wiseman to the Elixinol Global Board as Non-Executive Director. Mrs Wiseman has extensive international experience in food, pharmaceutical, natural healthcare, professional services, energy, natural resources and manufacturing industries.

## **For more information please contact:**

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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, manufacturing and selling hemp derived CBD products. The Companies simplified business model is focusing on:

- In the Americas, innovating, manufacturing and selling Elixinol branded hemp derived CBD products based in Colorado, USA
- In Europe & UK, educating and selling 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
- Globally, expanding distribution of Elixinol branded hemp derived CBD products through reputable distributors as key markets open.

See more at [www.elixinolglobal.com](http://www.elixinolglobal.com)

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

Elixinol Global Limited
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**ABN**

34 621 479 794
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**Quarter ended ("current quarter")**

30 June 2020
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<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,051	7,023
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,977)	(6,620)
(c) advertising and marketing	(1,129)	(2,301)
(d) leased assets	(218)	(385)
(e) staff costs	(3,851)	(8,338)
(f) administration and corporate costs	(2,153)	(4,790)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	53	75
1.5 Interest and other costs of finance paid	(20)	(61)
1.6 Income taxes paid	(8)	(4)
1.7 Government grants and tax incentives	-	-
1.8 Other (N/A)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,213)</b>	<b>(15,257)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(12)	(86)
	(d) investments	-	-
	(e) intellectual property	(15)	(3)
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(g) entities	-	-
	(h) businesses	230	-
	(i) property, plant and equipment	2,564	2
	(j) investments	-	-
	(k) intellectual property	-	-
	(l) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (N/A)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>2,767</b>	<b>(87)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	10,989	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,224)	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(442)	(291)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-



3.9	Other (N/A)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>9,323</b>	<b>(291)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	11,094	20,380
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,213)	(15,257)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2,767	2,680
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,323	9,032
4.5	Effect of movement in exchange rates on cash held	(203)	(62)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>16,768</b>	<b>16,768</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	16,768	3,094
5.2	Call deposits	-	8,000
5.3	Bank overdrafts	-	
5.4	Other (provide details)	-	
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>16,768</b>	<b>11,094</b>

**6. Payments to related parties of the entity and their associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1	425
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter  
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*Note: the term "facility" includes all forms of financing arrangements available to the entity.*

*Add notes as necessary for an understanding of the sources of finance available to the entity.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-

7.5 **Unused financing facilities available at quarter end** -

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(6,213)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	16,768
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	16,768
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	2.70

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A – more than 2 quarters

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

30 July 2020

Date: .....

By the Board

Authorised by: .....  
(Name of body or officer authorising release – see note 4)

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.