



H1 FY22 Results Presentation

August 2022



Disclaimer

This presentation contains summary information about Elixinol Wellness Limited (Elixinol Wellness) and its subsidiaries and their activities.

The information in this presentation does not purport to be complete. It should be read in conjunction with Elixinol Wellness' other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange, which are available at www.asx.com.au.

The information contained in this presentation is not investment or financial product advice and has been prepared without taking into account the investment objectives, financial situation or particular needs of any particular person. Before making an investment decision, investors should consider the appropriateness of the information having regard to their own investment objectives, financial situation and needs and seek independent professional advice appropriate to their jurisdiction and circumstances.

To the maximum extent permitted by law, no responsibility for any loss arising in any way from anyone acting or refraining from acting as a result of this information is accepted by Elixinol Wellness, any of its related bodies corporate or its directors, officers, employees, professional advisers and agents (Related Parties). No representation or warranty, express or implied, is made by any person, including Elixinol Wellness and its Related Parties, as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. An investment in Elixinol Wellness securities is subject to investment and other known and unknown risks, some of which are beyond the control of Elixinol Wellness or its directors. Elixinol Wellness does not guarantee any particular rate of return or the performance of Elixinol Wellness securities. Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.

This presentation contains certain forward-looking statements with respect to the financial condition, results of operations and business of Elixinol Wellness and associated entities of Elixinol Wellness and certain plans and objectives of the management of Elixinol Wellness. Forward-looking statements can be identified by the use of forward-looking terminology, including, the terms "believes", "estimates", "anticipates", "expects", "predicts", "intends", "plans", "goals", "targets", "aims", "outlook", "guidance", "forecasts", "may" or "will", and similar expressions. These forward-looking statements include all matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which because of their nature may cause the actual results or performance of Elixinol Wellness to be materially different from the results or performance expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding Elixinol Wellness' present and future business strategies and the political, regulatory and economic environment in which Elixinol Wellness will operate in the future, which may not be reasonable, and are not guarantees or predictions of future performance. No representation or warranty is made that any of these statements or forecasts (express or implied) will come to pass or that any forecast result will be achieved. Forward-looking statements speak only as at the date of this presentation and to the maximum extent permitted by law, Elixinol Wellness and its Related Parties disclaim any obligation or undertaking to release any updates or revisions to information to reflect any change in any of the information contained in this presentation (including, any assumptions or expectations set out in this presentation).

All figures in this presentation are A\$ unless stated otherwise and all market shares are estimates only. A number of figures, amounts, percentages, estimates, calculations of value and fractions are subject to the effect of rounding. Accordingly, the actual calculations of these figures may differ from figures set out in this presentation.



Table of Contents

- Vision & Purpose
- Financial Highlights
- Operational Highlights
- H1 FY22 Results Summary
 - Segment Performance
 - Financial Summary
 - Cash Flow
 - Financial Position
- Strategy & Outlook
 - Global Consumer Trends & Market Outlook
 - Global Strategy & Initiatives
 - New Product Development
- Summary

HEMP FOODS
AUSTRALIA
AMBASSADOR
**-SIMON-
TOOHEY**



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)



Quality & Efficacy



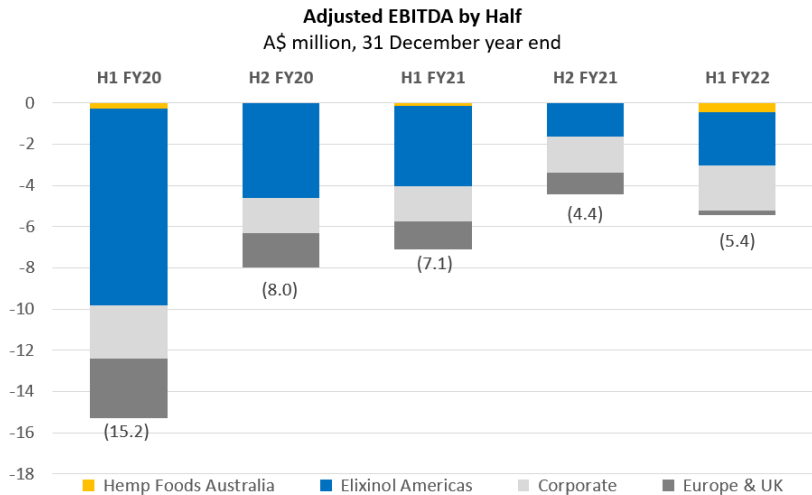
True Heritage



Natural & Sustainable

Financial Highlights

Elixinol Wellness reports ongoing improvements in Adjusted EBITDA and continues to be well capitalised with a strong funding position.



Adjusted EBITDA*

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

Cost reduction program and higher margin business driving performance improvements.

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

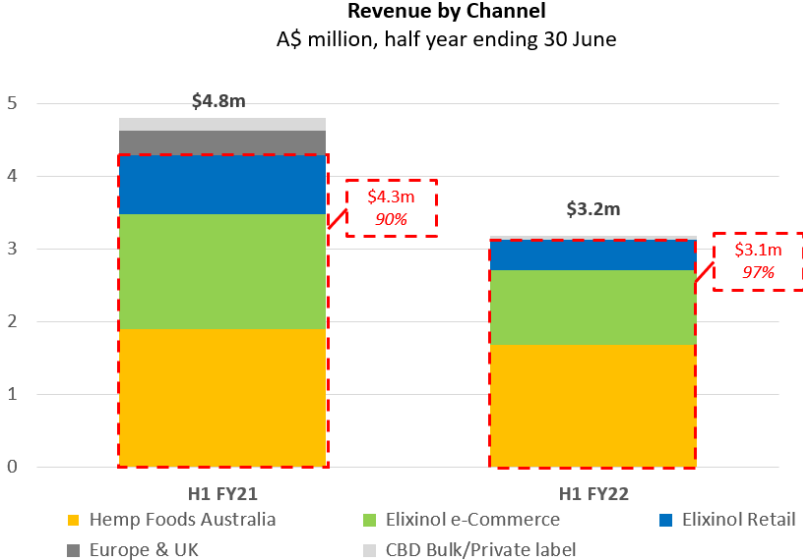
30% cost base reduction

Operational and corporate cost reduction initiatives have significantly reduced operating expenses in H1 FY22 compared with H1 FY21.

Well funded**

With improving cash flow, more than four quarters of funding as 30 June 2022.

\$8.5m vs \$14.7m in FY21 **+4 qtrs**



Revenue by channel

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. ** \$6.9m Cash and cash equivalents at the end of the reporting period plus \$1.6m expected to be received from one-off US COVID-19 relief measures (\$1.1m from ERC program plus \$0.5m refund of taxes paid in prior financial years).

Operational Highlights

Group wide transformation and restructuring efforts have continued to drive profitability and EBITDA gains across all business units.

Well capitalised, strong margins, continually lowering cost structures and new momentum from an economic recovery, improved e-commerce capability and new product launches sets the scene for a more buoyant outlook.

Large scale business transformation drives a further \$3.0m (30%) OPEX savings with additional optimisation initiatives implemented.



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



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



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




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



Corporate cost reductions
Corporate team reduced from 6 to 3 allowing a reduction in ongoing cost base to \$3.0m pa effective Q4 FY22 (FY21: \$3.9m)



A woman in a yellow jacket is shown from the side, smiling broadly with her arms raised in celebration. She is sitting on a beach, and the background features a vast ocean under a bright, hazy sky with soft clouds. The overall scene is bathed in a warm, golden light, suggesting a sunset or sunrise. In the bottom right corner, there are some small, dark, scrubby plants.

H1 FY22 Results Summary

Segment Performance

Driving EBITDA improvement across all business units.



A\$m
Revenue
Gross profit
GP%
Operating expenses
Other income/(expenses)*
Adjusted EBITDA

Australia	
H1 FY22	H1 FY21
1.7	1.9
0.5	0.6
31%	31%
(1.0)	(0.8)
0.0	0.0
(0.5)	(0.2)

Americas	
H1 FY22	H1 FY21
1.5	2.6
0.9	1.8
63%	72%
(3.7)	(5.7)
0.2	0.0
(2.5)	(3.9)

Rest of World	
H1 FY22	H1 FY21
-	0.3
-	0.1
-	24%
(0.1)	(1.4)
(0.1)	0.1
(0.2)	(1.3)

Corporate	
H1 FY22	H1 FY21
(2.2)	(2.0)
0.0	0.3
(2.2)	(1.7)



- Building profitable distribution with Costco, Woolworths
- Margins maintained despite rising input costs
- NPD investments to drive future growth

Near breakeven EBITDA

- Impacted by COVID-19 & CBD category consolidation
- Transition to outsourced supply chain complete
- 35% cost reduction

\$1.4m (36%) EBITDA improvement

- Impacted by COVID-19
- Market stalled due to regulatory uncertainty
- Ceased direct trading Q4 FY21, low cost licensing model from FY22

\$1.1m EBITDA improvement

- Includes \$0.3m non-recurring legal & termination costs
- Corporate team reduced from 6 to 3 effective H2 FY22

Overhead cost reducing to \$3m pa effective Q4 FY22

* Includes government grants COVID-19 relief measures and share of gains/(losses) from equity accounted investments.

** Normalised to exclude non-recurring transaction costs of \$0.5m.

Financial Summary

Focus on branded products, e-commerce and tight cost controls drives significant profit improvement.

A\$'m	H1 FY22	H1 FY21
Revenue	3.2	4.8
Cost of goods sold	(1.7)	(2.3)
Gross profit	1.5	2.5
GP%	47%	52%
Operating expenses	(7.0)	(10.0)
Non-operating (expenses)/income	0.1	0.4
Adjusted EBITDA	(5.4)	(7.1)
Depreciation and amortisation	(0.4)	(0.8)
Impairment of assets	(1.1)	(2.6)
Share-based payments	(0.1)	(0.3)
Interest income/(costs)	-	(0.1)
Profit/(loss) before tax	(7.1)	(10.9)
Tax benefit/(expense)	-	0.1
Profit/(loss) after tax	(7.1)	(10.8)

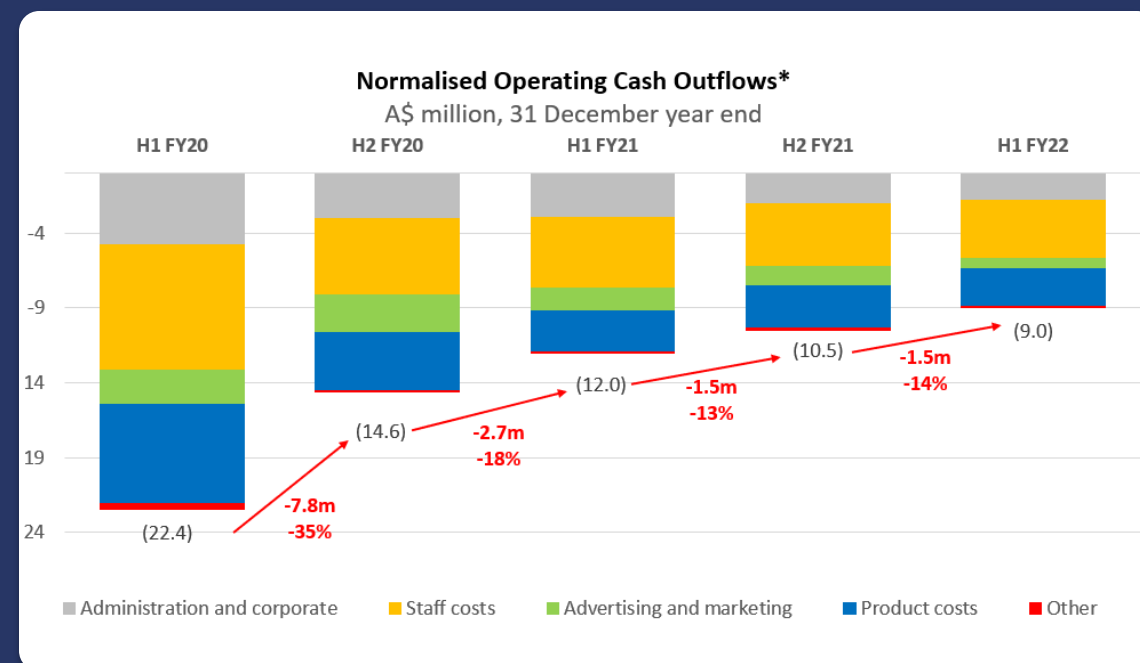
- Strategy to focus on higher margin branded products and e-commerce channels
- Margin reduction driven by shift to a capital light model and increased supply chain inputs
- Business optimisation and tight cost control driving a reduction in operating expenses by 30% vs PCP

Cash Flow

34% reduction in cash used in operations.

A\$m	H1 FY22	H1 FY21
Operating activities	(5.3)	(8.0)
Investing activities	-	(0.2)
Financing activities	(0.4)	(0.6)
Net increase/(decrease) in cash	(5.7)	(8.8)
Opening cash on hand	12.6	27.7
Effect of change in foreign exchange	-	-
Closing cash on hand	6.9	19.0

- Simplified operating model has driven significant cost savings:
 - 34% reduction in cash used operating activities vs H1 FY21
 - 14% reduction in operating cash outflows vs H2 FY21
- Based on Q2 FY22, approximately 5 quarters of funding (including \$2.1m expected to be received from one-off US COVID-19 relief measures)
- Cost reductions implemented to reduce corporate cost structure



* Excludes non-recurring government grants, transaction and severance costs

Financial Position

Well funded with \$6.9m cash and virtually no debt.

A\$m	30 June 2022	31 December 2021
Current assets		
Cash and cash equivalents	6.9	12.6
Trade & other receivables	2.5	3.0
Inventories	2.2	2.2
Other	1.2	1.8
Total current assets	12.8	19.6
Non-current assets		
Property, plant and equipment	0.4	1.3
Investments	2.8	2.6
Intangible assets	0.1	0.5
Other	1.2	1.3
Total non-current assets	4.5	5.7
Total assets	17.3	25.3
Liabilities		
Trade and other payables	1.7	2.2
Other current liabilities	1.9	2.5
Non-current liabilities	1.2	1.5
Total liabilities	4.8	6.2
Net assets	12.5	19.1

- \$6.9m cash on hand plus \$1.6m expected to be received from one-off US COVID-19 relief measures
- Strong working capital management
- Reduced capital expenditure requirements due to simplified, capital light business model



Strategy & Outlook



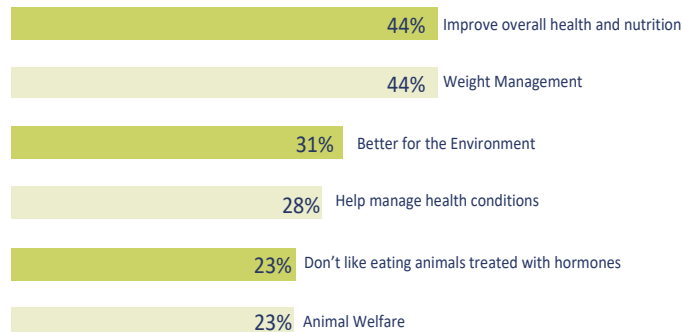
Outlook: Hemp food and CBD products an answer to the growing trend for plant-based nutrition and nutraceuticals

Hemp food in Australia

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. In Australia, millions are reducing their meat intake and interest in plant-based alternatives is gaining considerable momentum.

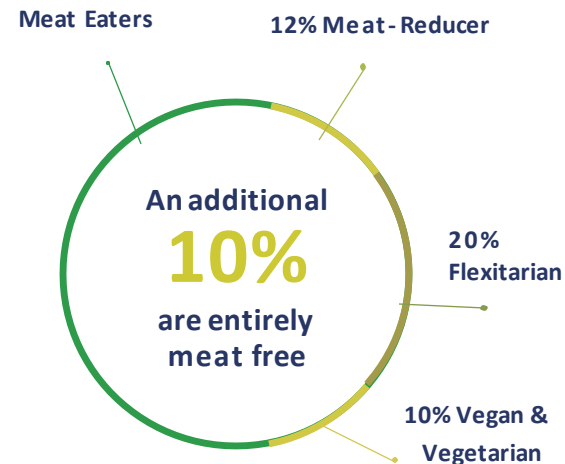


Top Reasons for wanting to incorporate more Plant-Based Foods



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

Australians defined by Flexitarian has increased by **20%**
 20% of meat eaters have reduced their meat consumption



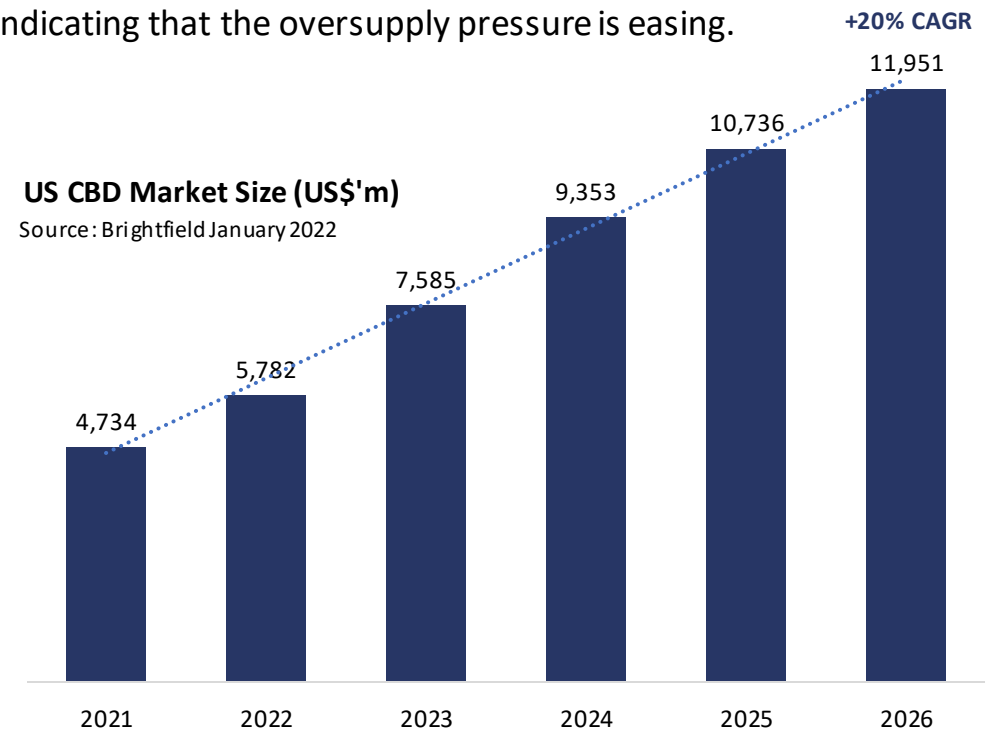
Source: Hungry for plant-based Australian consumer insights, Oct 2019.

CBD in U.S.A.

Sales are expected to reach \$12.0 billion by 2026, driven by accelerated growth of ingestibles, as well as larger mainstream distribution channels, like grocery. The regulatory environment is developing positively with new Congressional bills receiving bi-partisan support and California legalising CBD as a dietary supplement. Prices appear to be stabilising indicating that the oversupply pressure is easing.

US CBD Market Size (US\$m)

Source: Brightfield January 2022



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



Accelerate e-commerce growth

- Increase traffic through paid social, influencers and pay-per-click investment
- Further improve user experience and site speed
- Activate B2B e-commerce function



Let Nature Shine

Nature's best ingredients — for your full potential.

SHOP NOW



Broaden national retail distribution in all regions

- US: Participate in bricks & mortar category recovery
- Australia: Costco, Woolworths, Coles and pharmacy chains distribution drive



NEW

Immune Support starts here.

New Immune Cut Health the only CBD capsule with QIVON®

SHOP NOW



Innovate in functional foods & CBD nutraceuticals

- US: New formats and scientifically proven formulations
- Australia: Continued portfolio expansion into snacks, protein powders as well as rejuvenation of existing product ranges



Improve profits through business optimisation

- Optimise US supply chain outsourced in Q1 FY22
- Continued cost reduction including corporate
- Continued focus on higher margin e-commerce and high margin branded products

Initiatives

Sustainability

Internal Wellness Culture

Quality & Compliance

Customer & Consumer Insights

Foundations

New Product Development

Investment in building a R&D and innovation capability has delivered a wide reaching new product launch pipeline that will see new product throughout FY22.



Elixinol will expand offering with new formats and complex formulations.

LAUNCHED

- Sleep liposomes
- Sleep gummies
- THC free warming balm

H2 FY22

- Adaptogen capsule
- Extra strength gummies
- Functional gummies
- Functional tinctures
- CBD-free VMS beadlet capsules



HFA brand relaunch and packaging overhaul will be accompanied by new protein and snack category expansions.

LAUNCHED

- Refreshed and expanded protein range
- 100% recycled packaging
- Mixed berry protein shake

H2 FY22

- Hemp seed mixes
- Nutrition on the go shake
- Salted caramel protein shake



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

Strong balance sheet with \$8.5m of funding and virtually debt free



Strategic review complete resulting in a reduced cost base and a clear strategic direction to be a global natural wellness business

Thank you

