



ASX Announcement

29 August 2018

Elixinol Global delivers strong revenue growth, maiden profit and a solid platform to facilitate future growth

1H FY2018 key highlights:

- Strong Group revenue growth to \$14.9m, up 110% on 1H FY2017 driven by strong sales in Consumer Products
- Maiden Group profit, highlights the growing profitability of Consumer Products division
- Underlying EBITDA of \$0.8m, an improvement of \$0.9m (1H FY2017 of (\$0.1m) loss)
- Entered NCHPP joint venture with Kersey Ag Company LLC to supply and produce high-cannabidiol (CBD) hemp
- Expansion of Elixinol USA production capacity from 8,700 square foot to 20,700 square foot and is on track for completion in late FY2018
- 2018 Farm Bill progressed through the US Senate with presidential sign off expected before the end of 2018, opportunity to accelerate growth for Elixinol USA
- Elixinol Australia (medicinal cannabis) licence applications for cultivation and manufacturing submitted and progressing

Financial overview

A\$m	1H FY2018	1H FY2017	% Change
Revenue	14.9	7.1	+110%
Underlying EBITDA ¹	0.8	(0.1)	+900%
Underlying NPAT	0.6	(0.3)	+300%
Statutory NPAT	0.1	(0.7)	+114%

Elixinol Global Limited (ASX:EXL, Group or the Company), a global company operating in the industrial hemp, dietary supplements and emerging medicinal cannabis sectors, is pleased to announce its 1H FY2018 financial results.

Strong revenue growth was reported for EXL of \$14.9m, up 110% on 1H FY2017. This was driven by a strong increase in sales within its Consumer Products division. Underlying EBITDA of \$0.8m was up on 1H FY2017 of (\$0.1m) resulting in a maiden profit for the Group.

Paul Benhaim, EXL CEO commented: "This is a solid first half yearly result for EXL as an ASX listed company. We have delivered exceptionally strong top line growth, which has seen the Company more than double its size and enabled us to report our first profit position.

¹ Underlying EBITDA excludes a non-cash share based payment expense



Since listing in January 2018, the business has continued on its strong growth trajectory. Significant business building initiatives have been put in place to increase cultivation and manufacturing capability for Elixinol in the US, including the NCHPP JV supply agreement and relocation to a new production facility to come on stream later this year in Colorado. We expect growth in the Hemp Foods Australia business to be supported by launches of our own finished food products and penetration in the cosmetics segment through our SATIVA Skincare range.”

Consumer Products Division

Elixinol USA

Elixinol USA, our hemp-derived CBD dietary supplements business, reported revenues of \$12.5m, up 119% on 1H FY2017. EBITDA was \$2.2m, up 100% on 1H FY2017. The EBITDA margin declined slightly to 17.2% from 19.9% in 1H FY2017 due to strong volume growth in lower margin private label sales. Other segments which include direct to consumer, wholesale and bulk, were all strong performers. Elixinol USA has made substantial investments to facilitate future growth and enable production efficiencies, with the full realisation of benefits expected in FY2019.

Elixinol USA is following a disciplined approach to driving growth, supported by investment in farming and production capabilities. A sales strategy is in place to drive growth in the higher-margin direct to consumer and private label branded products segments. Key sales hires focused on retail distribution were made in 1H FY2018 to drive sales in the direct to consumer segment which is higher margin. Additionally, investment was made in an improved e-commerce platform and an increased marketing activity during the period.

The NCHPP cultivation joint venture with Kersey Ag Company LLC (**JV**) entered into in April 2018 is expected to provide a reliable supply of high cannabidiol (**CBD**) hemp. The JV brings a cultivation capacity of 700 acres, of which 173 acres were planted in 1H FY2018. The vertically integrated operation in Colorado, USA, expects to commission a new GMP certified production facility in late calendar 2018 which will more than double the usable capacity for processing, manufacturing and fulfilment operations, expanding the footprint of the facilities from 8,700 square foot to 20,700 square foot, an increase of 12,000 square feet. Production capabilities will become 5,000 kg of alcohol-extracted hemp CBD and 3,125 kg of CO2 extracted CBD extract. Further expansion plans are underway in the medium term for an additional 20,000 square foot facility.

A number of new products are expected to be launched in calendar 2019 in the branded lifestyle skin care and pet markets.

The 2018 Farm Bill progressed through the US Senate in June 2018. Presidential sign off is expected before the end of 2018. Once signed, the Bill may open up opportunities and accelerate growth for Elixinol USA. Opportunities include the ability to advertise hemp derived products through



mainstream platforms, increased access to banking and insurance services and provide better access to water rights.

Elixinol USA has an existing export footprint with sales to 40 countries. Major activities are underway to further develop localised marketing and sales activities and strengthen customer channels in Europe and Japan including optimising existing distribution agreements and alliances.

Hemp Foods Australia

Hemp Foods Australia, our hemp-derived foods business, reported revenue of \$2.3m, up 71% on 1H FY2017.

Strong growth in bulk sales (up 519%) following regulatory change in late Calendar2017. Hemp Foods Australia's largest segment, wholesale, also achieved strong growth of 39% compared to 1H FY2017.

Hemp Foods Australia's sales and marketing teams were expanded to focus on mainstream FMCG distribution channels with existing and new products. New products includes the SATIVA Skincare range which was recently launched and additional Hemp Foods Australia products are expected to be launched in late 2018 and 2019.

Hemp Foods Australia is investing in localised crop production in Victoria and other Australian states. As production ramps up, a seed import strategy has been implemented to ensure supply of hemp seeds until localised crops are available.

Pharmacuetical Division

Elixinol Australia (medicinal cannabis)

During 1H FY2018, Elixinol Australia submitted its licence applications to the Office of Drug Control (ODC) for the cultivation and manufacturing of medicinal cannabis.

The Company is responding to a request for further information pertaining to its Cultivation licence application under subsection 14J from the ODC.

Outlook

Paul Benhaim stated, "We are closely monitoring ongoing 2018 Farm Bill legislative changes in the US which, if passed will strengthen our Elixinol USA business considerably and open up its ability to trade nationally and accelerate growth. In Hemp Foods Australia, new product offerings will continue to be launched with the support of its enhanced sales and marketing function. Elixinol Australia is awaiting approval from the Office of Drug Control for its submitted cultivation and manufacturing licences which are steadily progressing through the approval progress and we remain hopeful of a positive outcome."



Shareholder briefing

An investor presentation and Q&A session to discuss the Elixinol Group's 1H FY2018 financial results will be held at 11:00 am (AEST) today.

The event will be recorded and a replay will be made available at www.elixinolglobal.com following the session.

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About Elixinol Global

Elixinol Global Limited (ASX: EXL) through its businesses has a global presence in the cannabis industry including hemp-derived CBD dietary supplements, food and wellness products, as well as the cultivation and manufacture of medicinal cannabis products. Elixinol Global's businesses include:

- Elixinol USA, which was founded in 2014, is a manufacturer and global distributor of industrial hemp based dietary supplement and skincare products, with operations based out of Colorado, USA;
- Hemp Foods Australia, which was founded in 1999, is a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products;
- Elixinol Australia, which was founded in 2014 to participate in the emerging Australian medicinal cannabis market and submitted licence applications for cultivation and manufacture to the Office of Drug Control (ODC) in early CY 2018. These applications are currently pending approval.

See more at www.elixinolglobal.com