



## ASX Announcement: 29 October 2019

### ELIXINOL GLOBAL LIMITED Q3 FY2019 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE NORMALISED REVENUE GROWTH OF 12% ON Q3 FY2018

#### KEY HIGHLIGHTS:

- Q3 FY2019 group revenue of \$9.6m<sup>1</sup>, represents:
  - normalised revenue growth of 12% on the prior corresponding period (PCP) Q3 FY2018 of \$8.6m (normalised to exclude discontinued private label revenue);
  - represents 3% decline on the prior sequential period Q2 FY2019 of \$9.9m; and
  - 9% decline on the prior corresponding period (PCP) Q3 FY2018 of \$10.5m.
- Elixinol's partnership with PharmaCare continues to grow with additional product development opportunities
- Exclusive supply agreement with Pet Releaf for minimum US\$18 million over 18 months
- Key hires across sales, marketing, eCommerce and operations

**Elixinol Global Limited (Elixinol Global or the Company) (ASX:EXL; OTCQX:ELLXF)**, a global company operating in the industrial hemp and emerging medicinal cannabis sectors, is pleased to release its business review and Appendix 4C cash flow statement for the quarter ending 30 September 2019 (Q3 FY2019).

#### Normalised revenue growth of 12% on PCP

Elixinol Global reported unaudited group revenue of \$9.6m<sup>1</sup> for Q3 FY2019 representing 3% decline on the prior sequential period Q2 FY2019 and 9% decline over Q3 FY2019. In the Company's March 2019 quarterly update, a strategic decision to reduce focus on lower margin private label business in the US was communicated to enable increased capacity for expected future growth of higher margin branded products and provide the ability to capture further market share. Excluding this private label business, normalised revenue growth for Q3 FY2019 would have reported an increase of 12% on PCP.

#### Outlook

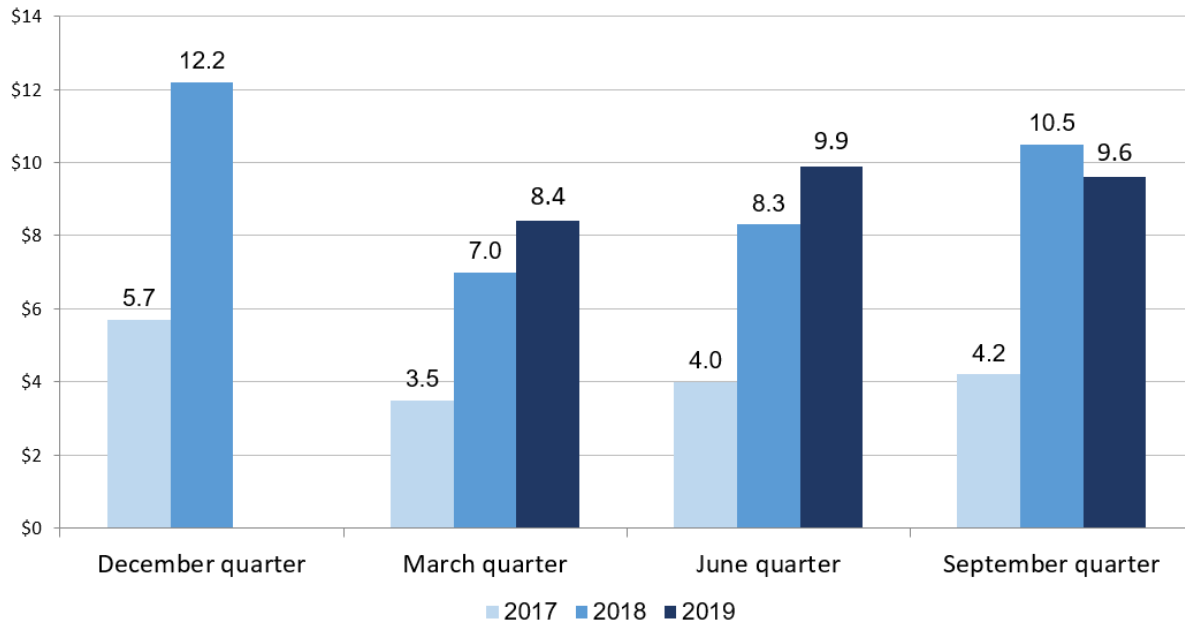
Stratos Karousos, Group CEO of Elixinol Global commented: "We continue to diversify our business across a variety of channels and have made significant investments in people and operations within a number of key geographies globally, including strong headway in Europe. We remain very confident in our future growth strategy as we continue to diversify our branded product mix through a multi-channel sales approach"

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<sup>1</sup> All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q3 FY2019 = 0.69; Effective 31 May 2019, Elixinol Co Ltd (Elixinol Japan) became a consolidated entity. Historical revenues are unaudited and are shown on a pro forma basis which include Elixinol Japan.



## Revenue growth – quarterly (A\$m)<sup>2</sup>



Elixinol Global's US based wholly owned subsidiary Elixinol LLC (**Elixinol**) continues to focus on gaining distribution through nationally recognised retail outlets. Elixinol's products are now sold at over 1,100 natural, specialty & conventional supermarkets in the USA.

As Elixinol continues to expand, the Company has hired experienced staff to fulfil growth areas in sales, marketing, eCommerce and operations.

### Appendix 4C

The Company continued to invest in key areas of the business to pursue its strategy and focus on increasing its distribution of branded products through a multi-channel approach to grow revenues and capture market share.

The Company continues to invest and prepare for a significant increase in global demand in the hemp derived CBD market. The business continues to invest in building sales distribution, growing brand awareness through marketing activities, as well the appropriate supporting infrastructure. The Company also has built significant inventory of high-quality Elixinol branded products in anticipation of expected future growth. During the quarter, inventory on hand increased by \$6.0m to \$26.0m.

The Company continues to deploy capital to accelerate growth of its European business which, during Q3 FY2019, incurred \$1.3m net operating cash outflows.

<sup>2</sup> All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q3 FY2019 = 0.69; Effective 31 May 2019, Elixinol Co Ltd (Elixinol Japan) became a consolidated entity. Historical revenues are unaudited and are shown on a pro forma basis which include Elixinol Japan.



Capital expenditure during Q3 FY2019 totaled \$2.3m, which included \$1.3m in equipment and fit out related to the commissioning of the new Colorado production facility which more than doubles current capacity. The Company has no ongoing significant capital expenditure commitments.

### **Further developments throughout the period**

#### **United States of America**

The Company continued its strategy to focus on higher margin branded products. During the period 52% of USA revenues were generated from Elixinol branded products. Private label sales to Pet Releaf continues to grow strongly which offset expected declining sales in the bulk channel.

#### **Elixinol enters exclusive CBD supply agreement with Pet Releaf**

In August 2019, Elixinol entered into a manufacturing and supply agreement (**Agreement**) with Altmed Pets, LLC, trading as Pet Releaf (**Pet Releaf**). Pet Releaf is the pioneer and market leading brand for hemp-derived CBD oils, topicals and treats for pets. Pet Releaf products are sold in over 4,000 independent pet stores across USA and globally and also sold online. Elixinol has exclusively produced and supplied CBD extract sourced from USDA Organic certified hemp strains grown specifically for Pet Releaf since inception in mid-2014. In April 2019, Elixinol acquired a 25% equity interest in Pet Releaf.

Key components of the Agreement are:

- an initial 18-month term (term) which can be renewed annually for multiple years; and
- Pet Releaf to purchase a minimum US\$18.0 million worth of products over the term.

#### **US regulatory update**

The primary challenge currently facing the hemp-derived CBD industry is a lack of a regulatory framework which is yet to be defined by the Food and Drug Administration (**FDA**). Elixinol continues to promote and support the development of appropriate regulation through its membership of the Board of the U.S. Hemp Roundtable. The FDA has announced that it will unveil its timetable for action this fall.

#### **Europe**

#### **Elixinol partners with PharmaCare to release CBD products**

In July 2019, Elixinol Global's Dutch based wholly owned subsidiary Elixinol B.V. (**Elixinol Europe**), announced it had partnered with PharmaCare to create a co-branded CBD capsule range to be sold under the Naturopathica brand. Naturopathica CBD+ will be sold via Europe's leading health and wellness retailer, Holland & Barrett's online store, [HollandandBarrett.com](http://HollandandBarrett.com) and in over 800 Holland & Barrett retail stores. Naturopathica CBD+ encompasses six capsule-based SKU's that blend Elixinol's high strength, full spectrum CBD with specific vitamins and minerals to target different areas of health and wellbeing.

Elixinol continues to work with PharmaCare on additional product development opportunities.



### Distribution agreements for Benelux and Finland

- In August 2019, Elixinol Europe signed an exclusive distribution agreement with 25th Group (Benelux Distributor) for the sale of Elixinol branded products across various retail channels in Belgium and Luxembourg for a period of five years.
- In September 2019, Elixinol Europe signed an exclusive distribution agreement with Harmonia Life for sales of Elixinol branded products across various retail channels in Finland for a period of five years.

The exclusive distribution agreements with 25<sup>th</sup> Group and Harmonia Life follows Elixinol Global's other recently announced exclusive distribution arrangements for Germany, United Kingdom and New Zealand and is in line with Elixinol Global's growth strategy to establish distribution arrangements in targeted locations across various channels to leverage the significant long term opportunities within the global hemp and cannabis market.

### **Australia**

#### Hemp Foods Australia

Hemp Foods Australia's strategy has been to develop and bring to market branded finished goods using healthy hemp derived ingredients. Hemp Food Australia's latest products, Grounded Veggie Patties (i.e. Hemp Burgers), began to be stocked by one of Australia's mainstream supermarkets across 960 stores. Grounded Nut Butters and Essential Hemp Seed Oil Capsules have also been released to the market in September and October through the existing distribution channels. In addition, Hemp Food Australia's core range has also been expanded with the release of Hemp Seed Flavoured Oil and Hemp Flavoured Protein in the Essential Hemp range.

### **Post 30 September 2019**

Elixinol Global discovered internally a breach of compliance following the recent review of each global business unit's operations.

The non-compliance relates to the strict requirements in Japan on sourcing CBD from only hemp stalk and seed. The Company expects that the investigation (which involves an independent legal expert) will be completed by mid-November 2019.

The Company increased its ownership in Elixinol Japan from 10% to 50.5% for A\$2.2 million in September 2018. In H1 FY2019 Elixinol Japan contributed A\$1.6m revenue (but was not expected to contribute to earnings in FY 2019), which represents 8.7% of group pro forma revenue of A\$18.3m for H1 FY2019.

The Company will be assessing the commercial viability of the hemp-derived CBD business unit within Elixinol Japan and provide a market update after that assessment is completed. Compliant sources of CBD are being investigated with the goal of continuing the ongoing business.

The Company will continue to focus on building upon its recently announced successes in expanding its distribution in other markets.



**For more information please contact:**

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**About Elixinol Global**

Elixinol Global Limited (ASX:EXL; OTCQX:ELLXF) is a global leader in the cannabis industry, selling hemp-derived CBD dietary supplements, hemp food and wellness products, as well as the cultivation and manufacture of medicinal cannabis products.

Elixinol Global's businesses include:

- Elixinol LLC (Elixinol), a manufacturer and global distributor of industrial hemp based dietary supplement and skincare products, with operations based out of Colorado, USA;
- 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; and
- Nunyara Pharma Pty Ltd (Nunyara), founded in 2014 to participate in the emerging Australian medicinal cannabis market. Nunyara submitted licence applications for cultivation and manufacture to the Office of Drug Control in early 2018. The Manufacture Licence has been approved whilst the Medicinal Cannabis Licence is currently pending approval.

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

## Appendix 4C

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

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

**Name of entity**

Elixinol Global Limited

**ABN**

34 621 479 794

**Quarter ended ("current quarter")**

30 September 2019

<b>Consolidated statement of cash flows</b>	<b>Current quarter A\$'000</b>	<b>Year to date (9 months) A\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,951	26,397
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(11,669)	(39,704)
(c) advertising and marketing	(2,632)	(8,752)
(d) leased assets	(103)	(671)
(e) staff costs	(4,361)	(10,697)
(f) administration and corporate costs	(2,732)	(7,544)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	192	564
1.5 Interest and other costs of finance paid	(41)	(108)
1.6 Income taxes paid	-	(189)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	9
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(11,395)</b>	<b>(40,695)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(2,239)	(8,427)
(b) businesses (see item 10)	-	-
(c) investments	-	(7,200)

<b>Consolidated statement of cash flows</b>	<b>Current quarter A\$'000</b>	<b>Year to date (9 months) A\$'000</b>
(d) intellectual property	(69)	(168)
(e) other non-current assets	-	-
<b>2.2 Proceeds from disposal of:</b>		
(a) property, plant and equipment	10	70
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
<b>2.3 Cash flows from loans to other entities</b>	-	-
<b>2.4 Dividends received (see note 3)</b>	-	-
<b>2.5 Cash acquired on equity settled business combination</b>	-	1,214
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(2,298)</b>	<b>(14,511)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	50,000
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(15)	(2,827)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	(156)	(359)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(171)</b>	<b>46,814</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1 Cash and cash equivalents at beginning of quarter/year to date	48,141	42,922
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(11,395)	(40,695)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2,298)	(14,511)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(171)	46,814

<b>Consolidated statement of cash flows</b>		<b>Current quarter A\$'000</b>	<b>Year to date (9 months) A\$'000</b>
4.5	Effect of movement in exchange rates on cash held	10	(243)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>34,287</b>	<b>34,287</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	14,239	13,088
5.2	Call deposits	20,048	35,053
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>34,287</b>	<b>48,141</b>

**6. Payments to directors of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter  
\$A'000**

203

-

6.1 represents payment of non-executive director fees and executive director remuneration.

**7. Payments to related entities of the entity and their associates**

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter  
\$A'000**

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8. <b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. <b>Estimated cash outflows for next quarter</b>	A\$'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(12,585)
9.3 Advertising and marketing	(2,466)
9.4 Leased assets	(100)
9.5 Staff costs	(4,910)
9.6 Administration and corporate costs	(2,992)
9.7 Investments and other capital expenditure	(1,193)
<b>9.8 Total estimated cash outflows</b>	<b>(24,246)</b>

10. <b>Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)</b>	Acquisitions	Disposals
10.1 Name of entity	N/A	N/A
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

### 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.



Sign here: .....  
Company Secretary

Date: .....29 October 2019.....

Print name: .....Ron Dufficy.....

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.