



ASX Announcement

27 January 2021

Q4 FY2020 APPENDIX 4C AND QUARTERLY BUSINESS UPDATE

Well-funded to support continued distribution build

Key Highlights

- Heavily oversubscribed capital raise provides new funding of \$20.5m, with strong support from institutional investors and existing shareholders
- Q4 FY2020 revenue of \$3.1m¹ a 22% decline on the previous quarter (\$4.0m), due to COVID-19 impacting retail channels in key markets
- Cost reduction measures implemented in H1 FY2020 resulting in net cash used in operating activities for Q4 FY2020 of \$3.8m, slightly up from \$3.5m in Q3 FY2020 and down from \$10.9m in the prior corresponding period (pcp) of Q4 FY2019
- Hemp Foods Australia delivers above expectations, contributing revenue of \$1.1m in Q4 FY2020, up 10% on the previous quarter and up 22% compared to Q4 FY2019
- Advancements in marketing and web services improved e-commerce customer acquisition with a 10% increase in new site users and 20% higher conversion rate
- First Elixinol product shipped under new product listing with SuperDrug, UK's second largest health and beauty retailer
- First Hemp Foods Australia product shipped under new product listing with Costco
- United Nations' Commission on Narcotic Drugs (CND) votes to accept the World Health Organisation's recommendation to reschedule cannabis

Elixinol Global Limited (**Elixinol** or the **Company**) (**ASX:EXL; OTC:ELLXF**) a global leader in the hemp derived CBD industry, innovating, and selling hemp derived CBD products, is pleased to release its business review and Appendix 4C cash flow statement for the quarter ended 31 December 2020 (**Q4 FY2020**).

Group CEO, Oliver Horn, commented "The December quarter was a critical one for Elixinol. Our long-term funding position was substantially strengthened through an oversubscribed capital raise, providing us the funding headroom to withstand further short-term impacts from the COVID-19 trading environment.

"Our key markets of the US and Europe were heavily impacted by the pandemic in the second half of Q4 FY2020, where footfall, especially into European pharmacy channels, was

¹ All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q4 FY2020 = 0.732; Historical revenues are unaudited.

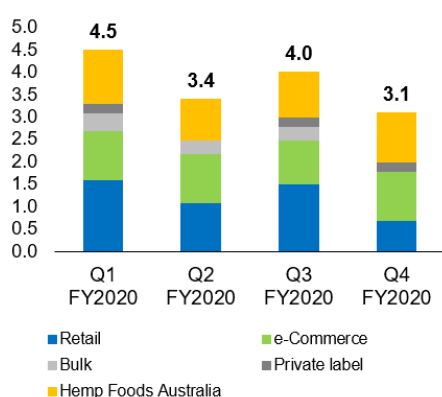


substantially limited due to mandatory hard lockdowns. This accounted for the vast majority of the quarter's revenue decline."

"Several silver linings came through the period, which we will see play out further into FY2021. The regulatory environment for cannabis and hemp shifted positively, driven by the United Nations, the World Health Organisation and US Federal Government election. Sales through our e-commerce channel grew substantially, contributing 35% of Group revenue, and Hemp Foods Australia, which is less hampered by COVID-19, demonstrated further improvement, also contributing 35% of overall revenue. In addition to distribution previously announced with Alliance Healthcare, Wells Pharmacy and Boots Ireland, we also secured extensive ranging with SuperDrug, the UK's second largest pharmacy chain, to whom we shipped first product in the December quarter. Our Essential Hemp branded hemp seeds were also ranged by all Costco stores across Australia."

"Given we enjoy strong relationships with our partners and are still making progress, as demonstrated by our new listing with SuperDrug, which we won despite the challenging COVID environment, we remain bullish about the Company's growth potential. As we move further into Q1 FY2021, our focus remains selling into the most COVID-resistant sales channels, maintaining tight cost controls and on achieving continued margin improvement."

Revenue by Quarter (A\$m)²



Elixinol reported unaudited revenues of \$3.1m for Q4 FY2020, representing a 22% decline on Q3 FY2020, due to COVID-19 impacting retail channels in key markets.

Elixinol continues to reposition itself towards a higher margin, consumer-led branded nutraceuticals model. The Company's focus on the use of e-commerce for driving sales through the COVID-19 operating environment, and the sale of high-margin Elixinol branded products, has shifted the revenue and margin mix, leading to a positive impact on overall profitability.

58% of Group revenues in Q4 were derived from Elixinol branded consumer wellness products in retail and e-commerce channels.

Elixinol's continued focus on building capability in the e-commerce channel contributed \$1.1m during the quarter, or 35% of overall Group revenue supporting improved margin delivery. This is up 10% on the \$1.0m reported in the previous quarter (vs Q3 FY2020).

Hemp Foods Australia contributed \$1.1m during the quarter, contributing 35% to the quarter's overall Group revenue. This is also up 10% on the \$1.0m reported in the previous quarter (vs Q3 FY2020) and up 22% vs Q4 FY2019.

² All dollar amounts are in AUD unless otherwise stated; Average AUD/USD for Q4 FY2020 = 0.732; Historical revenues are unaudited.



BUSINESS UPDATE

Americas business reports growth in e-commerce

During the quarter, Elixinol completed its transition towards an integrated in-house, web services and digital marketing team. This enables the Company to reduce external agency costs and provides the agility needed to successfully compete in the digital environment.

This translated into an extensive holiday campaign which drove quarter-on-quarter e-commerce channel growth in a competitive environment. The holiday campaign was supported by celebrity chef and certified nutritionist, Serena Poon.

These advancements in marketing and web services improved e-commerce customer acquisition, highlighted by a 10% increase in new website users and a 12% increase to the customer database from the prior quarter. Continued improvements to the Magento website platform have produced 25% longer user sessions, 42% higher page views and a 20% higher conversion to purchase rate driving continued growth in reported online sales.

A total of 500 affiliates, third party websites who promote Elixinol products under a referral agreement and receive a commission on sales, have now been onboarded to support Elixinol product sales through the e-commerce channel. Approximately 20% of the affiliate portfolio contributes recurring monthly sales, while the Company continues increased engagement and conversion with the newer affiliate members. This strategy provides much broader e-commerce distribution and consumer reach.

Elixinol branded capsules and tinctures continue to be Elixinol's top selling products with Daily Balance being Elixinol's best-selling capsule product. During the quarter Elixinol launched its new "Good Mood" gummies product line with increasing sales being reported across all key US markets. This new range of Elixinol branded dietary supplements contain 10mg of full spectrum CBD per gummy and include Mixed Berry, Passionfruit and Pineapple flavours with an Assorted offering showing early popularity with Elixinol's consumers.



Bricks and mortar retail channel revenue for Elixinol Americas declined during the quarter, impacted by COVID-19, due to significantly reduced footfall.



Elixinol Europe adds SuperDrug product listing to strong existing pharmacy distribution; sales impacted by COVID-19

Superdrug ☆ Shop Categories Shop Brands Valentine's Day Services Be Inspired Community I'm looking for 🔍

Multi-Vitamins (1)

brand

Search By Brand

Elixinol (6)

promotions

3 for 2 Mix & Match on selected Vitamins (6)

refine by price

Min £ 32

Max £ 33

Filter

currently in stock

In Stock (6)

formulation +

on promotion

On Promotion (6)

Elixinol Allure Blended CBD Powder
★★★★★ (0)
3 for 2 Mix & Match on selected Vitamins...
£32.99
£3299.00 each
1 Add

Elixinol Turmeric, Supporting Connective Tissue
★★★★★ (0)
3 for 2 Mix & Match on selected Vitamins...
£32.99
£3299.00 each
1 Add

Elixinol Digest, Supporting The Digestive System
★★★★★ (0)
3 for 2 Mix & Match on selected Vitamins...
£32.99
£3299.00 each
1 Add

Elixinol Dreams, Supporting Normal Psychological Function
★★★★★ (0)
3 for 2 Mix & Match on selected Vitamins...
£32.99
£3299.00 each
1 Add

Elixinol Immune Booster, Supporting The Immune System
★★★★★ (0)
3 for 2 Mix & Match on selected Vitamins...
£32.99
£3299.00 each
1 Add

Elixinol Serene, Sports Normal Mental Performance
★★★★★ (0)
3 for 2 Mix & Match on selected Vitamins...
£32.99
£3299.00 each
1 Add

First product was shipped to pharmacy chain, SuperDrug - the United Kingdom's second largest health and beauty retailer with 800 stores and a strong online presence.

Under this new agreement, 6 products are currently being sold from Elixinol's blended capsules range: Turmeric, Immune Booster, Digest, Serene, Allure and Dreams. The products are being rolled out to 100 stores across the month of January, to complement the listing in SuperDrug's online store.

During the quarter, United Nations Commission on Narcotic Drugs (CND) accepted a World Health Organization (WHO) recommendation to remove cannabis and cannabis resin from Schedule IV of the 1961 Single Convention on Narcotic Drugs.

This UN vote recognises CBD's potential, which Elixinol believes will positively impact the Company's ability to conduct business in its key regions. Over the last two years Elixinol has built a substantial base in Europe which has contributed significantly to our recent performance improvement, and from which new value will be unlocked over the coming quarters. Given the



significant influence of the UN, we also expect positive follow-on effects into other countries where we operate.

Elixinol is confident its product range will be supported by a Novel Food application across all of Europe. Under its membership with European Industrial Hemp Association (EIHA), in the UK, Elixinol expects to submit its application to Food Standards Agency in February and is well progressed with the compilation of its submission for the rest of Europe. EIHA and its members are awaiting European Food Standards Agency confirmation of the renewed submission process.

The improving regulatory environment makes Europe a very attractive growth market and due to Elixinol's strong balance sheet, the Company is now in a position to evaluate new organic and inorganic opportunities to accelerate its global expansion.

Hard lockdowns in Ireland and the UK severely impacted footfall into pharmacy stores, providing challenging trading conditions for Elixinol's new product launches in these regions thus further reinforcing the continued investment in direct sales channels such e-commerce and TV shopping.

Hemp Foods Australia (HFA) update

HFA grew revenue by 10% during Q4 FY2020, leading it to be break-even on an operating cash basis for the second consecutive quarter. Continued margin improvement was also achieved.

Initial pipe-fill and replenishment orders of HFA's Essential Hemp branded seeds were shipped throughout the period under a recent Australian national listing with global retailer and warehouse club, Costco. Further promotions are scheduled for the current quarter.

CBD in Australia

The Therapeutic Goods Administration confirmed the descheduling of CBD from Schedule 4 to Schedule 3, thus enabling CBD products that are registered with the TGA to be widely distributed across pharmacies. However, Elixinol considers the existing special access scheme Schedule 4 environment a more immediate opportunity and is developing bespoke products for healthcare practitioners.

Appendix 4C commentary

Pursuant to listing rule 4.7C.1, at item 1, the Company reported a total of \$7.1m in operating cash expenditures during the quarter, representing a 3% reduction from the previous quarter (vs \$7.3m in Q3 FY2020), to further its strategy to build a global consumer brand and increase sales distribution. This expenditure was incurred across the Company's business segments as follows: Americas \$3.7m, Europe \$1.3m, Australia \$1.1m and Corporate \$1.0m.

Pursuant to listing rule 4.7C.3, at item 6.1 the Company reported an aggregate amount of payments to related parties totaling \$161,000. These payments represent payment of non-executive director fees and executive director remuneration.

This document was authorised to be given to the ASX by the Board of the Company.



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, marketing and selling hemp derived CBD products. The Company's simplified business model is focusing on:

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

See more at www.elixinolglobal.com

Appendix 4C

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

Name of entity

Elixinol Global Limited

ABN

34 621 479 794

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,265	14,095
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(1,544)	(10,465)
(c) advertising and marketing	(1,241)	(4,850)
(d) leased assets	(99)	(547)
(e) staff costs	(2,619)	(13,448)
(f) administration and corporate costs	(1,704)	(7,798)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	101
1.5 Interest and other costs of finance paid	(15)	(15)
1.6 Income taxes paid	(8)	(46)
1.7 Government grants and tax incentives	138	365
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(3,820)	(22,608)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(192)	(295)
(d) investments	-	-
(e) intellectual property	(1)	(33)
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	230
	(c) property, plant and equipment	85	2,652
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(108)	2,554

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	20,488	31,477
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	(1,296)	(2,520)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(285)	(1,414)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	18,907	27,543

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	12,787	20,380
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,820)	(22,608)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(108)	2,554

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	18,907	27,543
4.5	Effect of movement in exchange rates on cash held	(23)	(126)
4.6	Cash and cash equivalents at end of period	27,743	27,743

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	27,743	12,787
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	27,743	12,787

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

**Current quarter
\$A'000**

161

-

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

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.

N/A

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

(3,820)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

27,743

8.3 Unused finance facilities available at quarter end (Item 7.5)

-

8.4 Total available funding (Item 8.2 + Item 8.3)

27,743

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

7.3

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

1. 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 7 quarters

2. 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.

Date: 27 January 2021
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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.