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Health House International to expand into Europe's largest medicinal cannabis market through acquisition of German medicinal cannabis company, CanPharma

HIGHLIGHTS

- **100% acquisition via an all-scrip transaction**
- **CanPharma provides exposure to the highly valuable German medicinal cannabis market**
- **Expands activities into the European Union providing a strong foundation for continued future growth through other potential value accretive acquisitions**
- **Reinforces Health House International as a global player with an expanding geographic footprint**
- **Key CanPharma personnel to be appointed to leadership positions including CEO**

Health House International Limited (**ASX:HHI**) (**Health House** or **the Company**) is delighted to announce the proposed acquisition of CanPharma GmbH (**CanPharma**), a privately held company with operations in both Germany and Spain. Subject to approval from Health House shareholders, and all conditions of sale being met, Health House will acquire 100% of CanPharma through an all-scrip transaction (**Acquisition**).

CanPharma holds the highest level of pharmaceutical licences from German regulators allowing it to import, manufacture and distribute cannabinoid-based products both in flower and oil extract form. In addition, CanPharma owns Kalapa Clinic (**Kalapa**) with headquarters in Barcelona, the first medicinal cannabis consultancy in Europe. Kalapa provides specialist advice to health care professionals and patients around the appropriate use of cannabis-based medicines in treating a range of conditions.

CanPharma currently imports and distributes third-party dried flower into Germany as well as a number of CanPharma-branded products. CanPharma is ideally positioned to access the continued growth in patient numbers throughout Germany.

Completion of the Acquisition will allow the consolidated group to fully exploit one of the world's fastest growing pharmaceutical sectors. With revenue streams from multiple countries including Australia, the United Kingdom and Germany, Health House will provide shareholders with leverage to the growth in the global medicinal cannabis sector.

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CanPharma Highlights

- CanPharma provides a path to the patient in the only European medicinal cannabis market of scale: Germany
- One of the few German companies specialising in medicinal cannabis to hold a GMP manufacturing licence enabling repackaging, branding and release of product into the EU
- Led by a team of seasoned entrepreneurs and pharma-industry veterans
- CanPharma is a sales and distribution company that is integrating pharma-industry best practice to build brand and educate doctors and patients
- Has been distributing medicinal cannabis in Germany since 2019 and has recently launched its own branded range of extracts in May 2021
- Owns Kalapa Clinic, the pioneer medicinal cannabis consultancy in the EU, with online services available in six languages. In addition to patient consultancy activities, Kalapa also provides educational training to health care professionals
- Based in Spain, the Kalapa Clinic provides a strong position from which to expand into the Spanish market when legislation allows.

The acquisition of CanPharma provides a number of benefits including:

- Strengthening Health House's medicinal cannabis distribution platform by adding a strong presence in Europe's largest medicinal cannabis market
- Expanding Health House's access to patients, deepening the understanding of patients needs through generation of data
- Addition of European-based senior management with extensive industry experience
- Expansion and diversification of other potential revenue streams across the group
- Providing German doctors and patients with a wider range of products from the Health House portfolio of products
- Expanding medicinal cannabis education in Germany
- Positioning for other expansion opportunities in Europe

As part of the Acquisition, CanPharma founder Dr Henrik Sprengel will remain CEO of CanPharma and be appointed as an executive director of Health House, and CanPharma CFO Mr David Attwood will be appointed Group CEO of Health House, assuming overall responsibility for the combined group's activities including investor-facing functions.

Dr Henrik Sprengel

Dr Sprengel is co-founder of both CanPharma and Kalapa Clinic where he has gained extensive experience in the field of medicinal cannabis. Before founding CanPharma, he was CEO of the company builder Grupo HS3, which successfully launched several international projects across a

number of industries, with a focus on internet and technology. Henrik started his career as a lawyer at Clifford Chance; he later held several international senior management positions in global media company Bertelsmann, and as country manager for Spain and Mexico for a German media and tech company. Henrik holds postgraduate degrees in law (LLM, PhD) and an MBA (INSEAD, Fontainebleau/Singapore).

David Attwood

Mr Attwood currently acts as CanPharma's CFO and brings extensive cannabis sector knowledge along with a strategic view of emerging opportunities in regulated markets. Before joining CanPharma, David led the consulting team at cannabis industry insights leader, Prohibition Partners. He has also held several roles in other regulated sectors (electronic cigarettes, renewable energy) and was a manager in Tax and Legal at PwC. David holds an undergraduate degree in law (LLB, Nottingham University) and an MBA (IESE, Barcelona); and is qualified as a chartered accountant (ICAEW).

Health House Chairman, David Wheeler commented *"This is a wonderful opportunity and value accretive acquisition for the Health House business, its team and shareholders. CanPharma is a quality business with a highly respected team of entrepreneurs and industry specialists - the opportunity to engage with CanPharma and to ultimately agree terms to acquire the business is a very significant event for the newly listed Health House and is entirely consistent with its stated ambitions to be a globally significant distributor of medicinal cannabis products. We look forward to having Henrik join the Board and welcome David to the role of Group CEO as we continue to look for opportunities to build the Health House global footprint."*

CanPharma founder and Chief Executive Officer, Dr Henrik Sprengel said *"We are delighted to join forces with a strong partner such as Health House and having access to the experience of its blue-chip team and its Australian market-leading distribution platform. Together, we are poised to build a winning position in Germany and leverage this blueprint into the rest of the EU to assume a leadership position in Europe, the region with the largest medicinal cannabis potential."*

Transaction details

Health House has entered into a binding terms sheet (**Terms Sheet**) with CanPharma to acquire 100% of the issued capital of CanPharma GmbH (**Sale Shares**) from its current shareholders.

Consideration Shares

Subject to shareholder approval, Health House will issue 11,753,061 fully paid ordinary shares in the Company (**Consideration Shares**) as consideration for the Sale Shares.

Performance Shares

In addition, CanPharma will issue 36 million performance shares to CanPharma shareholders and management (**Performance Shares**) in three equal tranches converting into ordinary shares on achievement of the following performance milestones:

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- (a) 12,000,000 Class A Performance Shares - CanPharma achieving cumulative revenues of €5,000,000 over a 24-month period from the date of completion (**Completion Date**)
 - (b) 12,000,000 Class B Performance Shares - CanPharma achieving cumulative revenues of €10,000,000 over a 24-month period from the Completion Date;
 - (c) 12,000,000 Class C Performance Shares - CanPharma achieving cumulative revenues of €15,000,000 over a 24-month period from the Completion Date

A copy of the full terms of the Performance Shares will be included in the Company's notice of general meeting to be dispatched prior to the end of May 2021. An independent expert's report on the fairness and reasonableness of the issue of the Performance Shares will accompany the notice of meeting.

Debt-to-Equity

Health House has agreed to issue 6,246,939 fully paid ordinary shares in the Company (**Debt Consideration Shares**) in a debt-to-equity swap in settlement of outstanding debt to related parties of CanPharma.

Advisor Fee

Health House has agreed to pay a 2.5% introduction fee to Gemelli Nominees to be settled in shares and Performance Shares (**Advisor Shares**) as follows:

- (a) 450,000 fully paid ordinary shares in the Company;
- (b) 300,000 Class A Performance Shares;
- (c) 300,000 Class B Performance Shares; and
- (d) 300,000 Class C Performance Shares.

On a fully diluted basis (i.e., assuming all Performance Shares convert), the total consideration for the Acquisition comprises 55,350,000 fully paid ordinary shares representing approximately 25.8% of total issued capital in the Company as at the Completion Date.

The securities to be issued under the Acquisition will be subject to ASX-imposed escrow requirements with escrow periods ranging up to 16 April 2023.

Conditions Precedent

Completion of the Acquisition is subject to each of the following conditions being satisfied or waived by the appropriate party:

- (a) (**legal due diligence**) Health House being satisfied with its legal due diligence investigations in respect of CanPharma;
- (b) (**CanPharma group restructure**) CanPharma disposing of its shares in Spanish company Global Group Kalapa SL whilst retaining the Kalapa Clinic business;
- (c) (**debt restructure**) CanPharma's external debt arrangements being restructured;

- (d) **(shareholder approvals)** Health House obtaining all legal, regulatory and shareholder approvals necessary to undertake the proposed acquisition, including shareholder approvals for:
- (i) the issue of the Consideration Shares, the Debt Consideration Shares, the Performance Shares and the Advisor Shares;
 - (ii) the appointment of Dr Henrik Sprengel as a director of Health House; and
 - (iii) the establishment of an employee incentive plan;
- (e) **(vendor approvals)** CanPharma obtaining all legal, regulatory, shareholder and debtholder approvals necessary to undertake the proposed Acquisition;
- (f) **(ASX waivers)** receipt of any waivers and approvals required from ASX in order to effect the transactions contemplated by the Terms Sheet;
- (g) **(escrow agreements)** receipt by Health House of voluntary escrow agreements in a form required by Health House from each holder of securities issued under the Acquisition, which agreements to specify that the escrow periods shall expire up to 16 April 2023;
- (h) **(no material adverse change)** there having been no material and adverse change in the financial condition or operations of CanPharma prior to Completion; and
- (i) **(no breach)** neither Health House nor the CanPharma vendors being in material breach of the terms of the sale agreement (including but not limited a material breach of any warranty) providing no party can rely on its own breach to prevent Completion.

Timetable

Health House is in the process of preparing its Notice of General Meeting at which it expects to seek the relevant shareholder approvals to enable the Acquisition to complete. The indicative timetable for the completion of the transaction is as follows:

Event	Date (week ending)
ASX announcement of Acquisition	14 May 2021
Dispatch notice of meeting seeking shareholder approval for the proposed Acquisition	21 May 2021
General meeting of shareholders	25 June 2021
Completion of Acquisition	2 July 2021

*The timetable above is indicative only and subject to change

This announcement has been approved and authorised for release by the board of Health House International Limited.

David Wheeler
Executive Chairman

ABOUT HEALTH HOUSE

Health House International is an international pharmaceutical distributor specialising in, but not limited to, the distribution of medicinal cannabis products across Australasia, United Kingdom and Europe.

The Company is a fully licenced and regulated specialised importer, exporter, consolidator and distributor of medicinal cannabis products currently distributing 11+ medicinal cannabis products to pharmacies, prescribers, specialist medicinal cannabis clinics and researchers across Australasia. With its Wholesale Dealers and Controlled Drugs licences the Company supplies pharmacies, hospital, government departments, veterinarians and other wholesalers with medicinal cannabis and general pharmaceutical products in the UK and Europe.

ABOUT CANPHAMA



CanPharma is a fully-licensed medical cannabis distributor with unique product portfolio, with the goal of becoming a leading European pharmaceutical company, and to improve quality of life by providing advanced cannabinoid-based products.

CanPharma supplies pharmacies throughout Germany with high quality products; it educates patients, doctors and pharmacies about the professional use of medicinal cannabis.

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