

23 February 2024

Ecofibre Limited – 1H24 Results

HIGHLIGHTS

- 1H24 normalised EBITDA: $-\$5.0\text{m}$ (1H23 $-\$8.6\text{m}$)
 - Hemp Black $-\$1.2\text{m}$ (1H23 $-\$1.6\text{m}$) improved despite temporary pause in biomedical sales (now resumed)
 - Ananda Health $-\$1.0\text{m}$ (1H23 $-\$3.3\text{m}$) improved due to lower costs
- 1H24 NPAT $-\$45.7\text{m}$ (1H23 $-\$17.6\text{m}$)
 - $\$38.7\text{m}$ impairments including goodwill, Georgetown property
- Ongoing focus on cash
 - Cash $\$2.0\text{m}$ at 31 December 2023, increased to $\$9.7\text{m}$ at 31 January 2024
- Cash positive plan actions completed include;
 - Sale of food and pet products business
 - EOF Bio self-funding
 - Sale of 15% of holding in EOF-Bio
 - Marketing US properties for sale and leaseback

Ecofibre Limited (Ecofibre, Company) (ASX:EOF) provides an update on its financial results for 1H24, and the implementation of the Company's Cash Positive Plan.

1H24 Trading Performance

Ecofibre's normalised EBITDA loss for 1H24 was $\$5.0\text{m}$, down from a loss of $\$8.6\text{m}$ in the prior corresponding period. Normalised EBITDA improved in both of Ecofibre's two key business units, Hemp Black and Ananda Health.

This improvement was driven by a significant reduction in normalised operating costs, down 34% from $\$19.1\text{m}$ to $\$12.6\text{m}$.

Revenue declined 18%, from \$15.6m to \$12.7m, due to the previously advised temporary destocking of biomedical yarn by a key customer, weak trading in the US CBD market, and also the decision to sell the food and pet products business (now categorised as a discontinuing business in the financial statements).

The Company's total loss after tax for the period was \$45.7m, including \$38.7m impairment expenses relating to goodwill and other intangible assets (-\$27.0m), the Group's property in Georgetown, Kentucky (-\$8.7m), and other equipment and inventory (-\$3.0m).

Cash Positive Plan

Ecofibre remains focused on returning the business to positive operating cashflows in the short term, reducing financial risk in the medium term, and delivering on the four key priorities outlined at the Annual General Meeting in November 2023.

At 31 January 2024 cash in bank totalled \$9.7m. \$5.9m in Ecofibre and \$3.8m in EOF Bio.

1. *Focus on core businesses*

Following the departure of the Company's CEO in late November the Board's implementation of the Company's business portfolio review has accelerated, with a focus on monetising assets to reduce financing risk and fund growth in businesses able to be cash flow positive in the near term.

In February, the hemp food and animal products business was sold for \$3 million. \$2m cash on completion plus \$1 million earn-out. This business was high quality, but sub-scale and loss making.

2. *Reduce operating costs and debt*

As noted above, Ecofibre continues to focus on tight cost control, and is also taking steps to reduce debt and financial risk by selling targeted assets.

In January 2024, Ecofibre sold 15% of its holding in EOF-Bio LLC, the separate entity established to commercialise Ecofibre's life sciences intellectual property. This sale raised \$5 million.

The Board has also made the decision to market the Company's three freehold properties in the United States for sale to investors, subject to leaseback on terms to be negotiated, in order to repay a USD10m secured loan from Nubridge Commercial Lending LLC by 1 July 2024.

The Company's properties are expected to be worth significantly more than the loan value. In particular, the market value of the two properties in Greensboro, North Carolina is expected to be significantly higher than book value, offset by a lower market value for the property in Georgetown, Kentucky.

The Group will also seek proposals for the sale of other assets including surplus equipment, some or all of its hemp genetics, intellectual property or potential sale of a further stake in EOF Bio LLC.

3. Deliver ongoing revenue growth in Hemp Black

A key medium term growth engine for Ecofibre is Hemp Black. As expected, 1H24 revenue for Hemp Black was impacted pending the restart of medical yarn production in January 2024 and waiting for the commencement of Under Armour sales following the successful installation of new equipment in 1H24. 1H24 Hemp Black revenues were underpinned by strong Turf Yarn sales and Cruz Foam commissioning project income.

As the business continues to grow and expand the range of high-performance technologies available to customers, Hemp Black Inc. is changing its name to Ecofibre Advanced Technologies, Inc., and will rebrand its business operations in the coming month ahead of a planned program of global business development.

4. Realise value in EOF Bio

EOF-Bio was established by Ecofibre to commercialise latent value in the patent portfolio, developed over years of investment in clinical research, with the aim of using our emerging technology to improve women's health. Key to EOF-Bio's success is ensuring self-funding and augmenting its life-sciences commercialisation capabilities.

In January, the business closed a USD3 million capital raise to fund the business through April.

In February, Simon Allen will commence as CEO, initially for 4 months to extend by mutual agreement should the business continue to pass through key milestones. Simon has a stellar track record and reputation as a biotech executive and CEO over the last 30 years. He brings extensive life sciences, partnering and capital markets experience and we look forward to him adding similar value and leadership to EOF-Bio.

Appendix 4D Financial Results and the 1H24 results presentation are provided in the accompanying ASX announcements.

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About Ecofibre

Ecofibre owns a portfolio of high-quality advanced manufacturing businesses in the United States and Australia.

We operate three vertically integrated businesses focused on sustainable polymers and natural materials, natural health care, plant-based foods and genetics. In addition, we own a majority interest in a pharmaceutical business that is developing treatments for malignant and non-malignant gynecological diseases.

Hemp Black is an advanced manufacturing business with specialist capabilities in performance yarn extrusion and polymer compounding, sustainable materials and bioplastics. See hempblack.com.

Ananda Health is a leading US manufacturer of cannabinoid based health products for human and pet consumption. Our focus is on providing high-quality, research-backed products in Australia and the USA, targeting conditions including sleep, pain, anxiety, endometriosis, and other gynecological diseases. See anandaprofessional.com and anandahemp.com.au.

EOF Bio LLC owns the rights to commercialise a number of patents for the treatment of gynecological diseases, and continues to grow its portfolio of intellectual property through an active research partnership with the University of Newcastle in Australia.

Ananda Food owns one of the world's largest collections of hemp seed genetics. It is a leading, low-cost manufacturer of high-quality hemp food products in Australia, including oil, seed, and proteins. The business is also a leading supplier of genetics to the hemp fibre industry in the US and Australia. See anandafood.com.

Authorisation

This document is authorised to be given to the Australian Securities Exchange (ASX) by the Board of the Company.