



ASX Announcement | 29 January 2020
Althea Group Holdings (ASX:AGH)

Althea revenue increases 45% in December quarter

INVESTMENT HIGHLIGHTS:

Patient numbers and sales

- 4,018 patients had been prescribed Althea medicinal cannabis products as at 31 December 2019
- An average of 36 new patients were added each business day in December, up 48% from November 2019
- Althea achieved unaudited revenue of AUD\$1,095,057 for the quarter ended 31 December 2019, up 45% quarter-on-quarter

Peak acquisition and progress

- In July 2019, Althea agreed to acquire Canadian cannabis extraction and contract manufacturing company Peak Processing Solutions ('Peak') and raised AUD\$30 million via an Institutional placement to fund the acquisition
- During the December quarter, the company completed settlement of the Peak acquisition
- Peak has made significant progress in line with the operational timeline and is on track to produce and ship products in Q2 CY20, as previously advised

29 January 2020: Australian pharmaceutical company Althea Group Holdings Limited (ASX:AGH) ('Althea' or 'the Company') is pleased to provide its Appendix 4C cash flow statement for the quarter ended 31 December 2019 along with the following operational update.

Patient numbers, prescriber numbers and sales continue to rise in Australia

The December quarter saw Althea exceed its target of 4,000 patients by 31 December 2019, finishing the year with 4,018 patients, having added 719 patients in December alone.

The month-on-month growth rate has continued to accelerate with an average of 36 new patients added each business day in December 2019, up 48% from November 2019.

Chart 1: Patient growth as at 31 December 2019

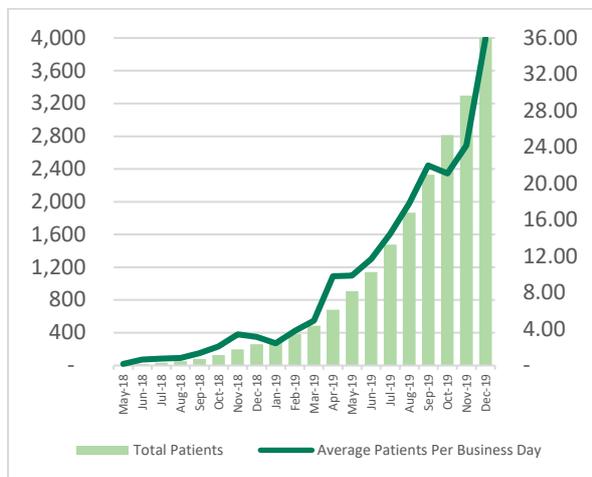
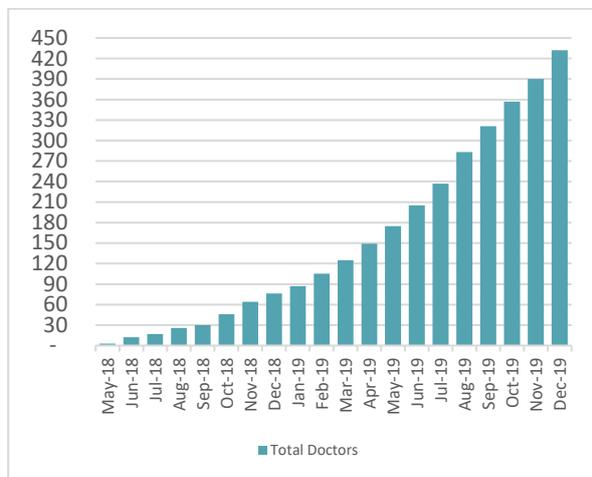


Chart 2: HCP growth as at 31 December 2019



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The number of Healthcare Professionals ('HCPs') prescribing Althea's medicinal cannabis products also continues to grow rapidly, with 432 HCPs prescribing Althea medicinal cannabis products by the end of the 2019, compared to 76 in the year prior.

The strong growth in HCPs is underpinned by *Althea Concierge*, the company's proprietary prescribing software.

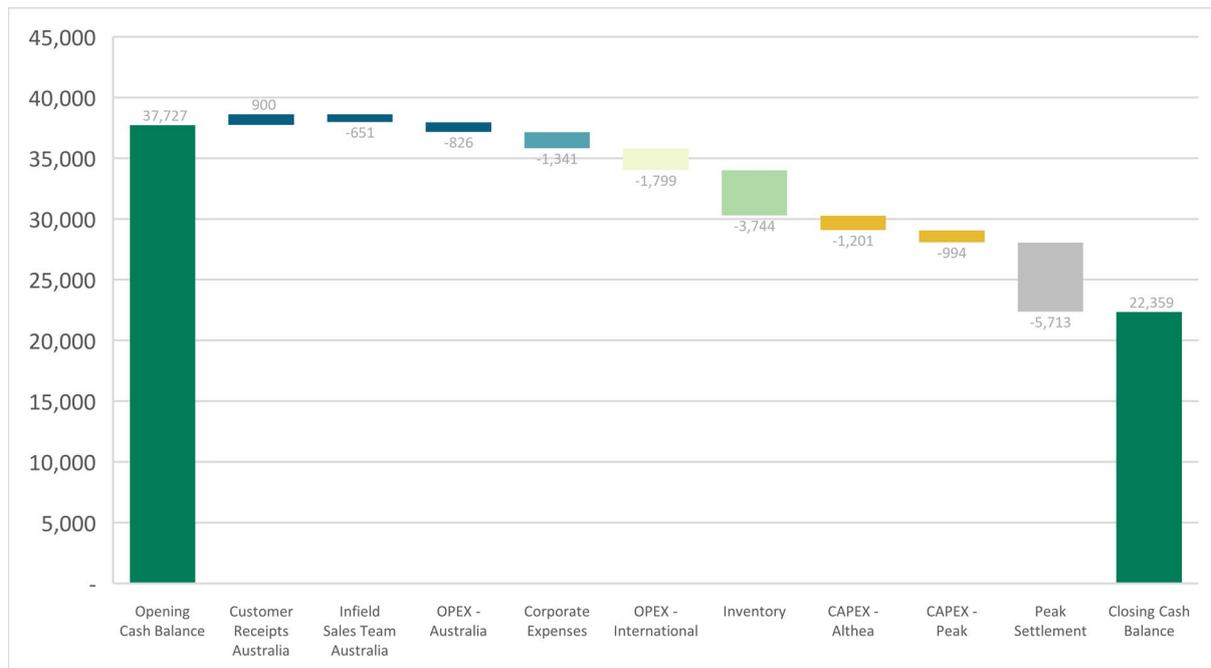
Althea recorded unaudited revenue of AUD\$1,095,057 for the period, up from AUD\$755,385 in the previous quarter, representing a quarter-on-quarter increase of 45%.

Cashflow from the quarter

Althea's strong balance sheet sees the Company in a solid financial position to meet its current and future financial obligations including funding its Australian business, which is nearing profitability, growth and expansion of its European operations, and completion of the Peak facility in advance of its expected licence from Health Canada.

The chart below summarises cash outflows in the December quarter.

Chart 3: Bridging chart for quarter ended 31 December 2019



Infield sales team – Australia

Althea employs an infield sales team in Australia who are charged with the medical education of HCPs about Althea medicinal cannabis products which are supported by the *Althea Concierge* prescriber tool. In Australia, HCPs must apply to the Therapeutic Goods Administration (TGA) in advance of prescribing medicinal cannabis and are therefore an integral part of the supply chain. HCPs can prescribe Althea medicinal cannabis products to as many patients as they see fit, which reduces the cost of onboarding prescribers over time.

The cost of educating doctors is a key driver of the recent results and is vital to Althea's continued success.

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Operational expenses (OPEX) – Australia

Support functions for Althea in Australia, including medical affairs and administration.

Corporate expenses

Global support team assisting all areas of the group's operations.

Operational expenses (OPEX) – International

Operational expenses for the global operations of the group. Althea UK and Peak Processing Solutions are covered in this amount.

The company undertook a vast amount of regulatory work in the UK during the December quarter, including in relation to pharmacovigilance, health economics and strategy for the potential market authorisation of its product(s) in Europe. Also included are some MyAccess Clinics set up costs, which are non-recurring.

Costs in the UK are expected to reduce in the quarter ending 31 March 2020, with management implementing cost control initiatives as a result of some regulatory headwinds experienced in the second half of 2019. Certainty over Brexit, as a result of the general election held in the UK in December, should provide more stability in the regulatory environment during 2020 and beyond.

In Canada, Peak Processing Solutions operating expenditure remains in line with the budget and forecast prepared at the time of the acquisition.

Inventory

In December 2018, Althea's board of directors introduced a policy to hold approx. 12 months' worth of stock on hand at all times to ensure there are no disruptions to patient supply. Due to this company policy and amid increasing demand for Althea products in Australia and the UK, the company invested in AUD\$3.2 million of inventory in the December quarter.

Peak Processing Solutions invested AUD\$600,000 in cannabis active ingredients required for early production, which is slated for March / April 2020.

Capital expenditure (CAPEX)

The company continued to invest in its proprietary tool, *Althea Concierge* in the December quarter. The patient and prescriber tool will remain an integral part of Althea's high value proposition.

Investment in the buildout of the Peak facility remains on track to be completed in the quarter ending 31 March 2020, as per the operational timeline presented to shareholders in July 2019. Expenditure on the Peak fit out remains within budget, as per the amounts communicated at the time of acquisition.

Peak settlement

This is a one-off cost for settlement of the Peak acquisition, including Peak's existing plant (building) and equipment, and is in line with the use of funds presented to shareholders in July 2019.

Cost savings - Logistics provider

Althea recently switched from a third-party logistics provider (3PL) to a new fourth-party logistics (4PL) provider in Australia and expects to realise approximately 30% in savings per annum as a result. The change also helped realise operational efficiencies that will reduce the amount of Althea resources needed to manage orders on an ongoing basis as sales continue to grow rapidly.

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Skype facility – Delayed for review

The Company is undertaking a review of its need for the proposed Skype facility and has put the project on hold due to the shift in the international cannabis landscape, particularly with respect to the increasing number of cannabis cultivators (growers). The company has a priority to allocate working capital to sales and distribution activities and will evaluate whether at this point in time full vertical integration through ownership of the entire supply chain, including cultivation, will provide the best strategy for delivering an efficient and cost effective supply of Althea medicinal cannabis products to patients globally.

The review will focus primarily on ensuring that Althea continues to employ economies of scale in bringing its pharmaceutical grade products to market, including the potential to utilise contract manufacturing organisations, such as Althea’s wholly owned subsidiary, Peak Processing Solutions.

Althea CEO Josh Fegan said: “If we were to grow cannabis in Australia at this point in time, we simply couldn’t be competitive based on existing demand levels. This of course will change over time, especially considering the exceptional patient growth being achieved by Althea. Product affordability is extremely important to Althea and demonstrating price leadership has and always will be front of mind for us.

We will prioritise our working capital on sales and distribution activities, thereby creating the market for medicinal cannabis products, at the same time as achieving the greatest possible market share. Althea was built on the premise of everyday doctors prescribing our products to everyday patients and after three years, significant investment and great support from our shareholders, the world we envisioned is coming to fruition and we see the future as very bright.”

-ENDS-

Authorised by: Robert Meissner, Company Secretary

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Althea Group Holdings Limited (ASX:AGH)

Althea Group Holdings Ltd (ASX:AGH) is a global pharmaceutical company and supplier of medicinal cannabis. Althea also offers a range of education, access and management services to support eligible patients and healthcare professionals in navigating medicinal cannabis treatment pathways.

Althea currently operates within highly regulated medicinal cannabis markets including Australia and the United Kingdom, with plans to expand into emerging markets throughout Asia and Europe.

To learn more, please visit: www.althea.life

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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

Althea Group Holdings Limited

ABN

786 269 669 43

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (.....months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	900	1,545
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(4,107)	(4,816)
(c) advertising and marketing	(1,015)	(2,801)
(d) leased assets	(191)	(265)
(e) staff costs	(1,389)	(2,198)
(f) administration and corporate costs	(1,694)	(3,247)
1.3 Dividends received (see note 3)		
1.4 Interest received	59	176
1.5 Interest and other costs of finance paid	(4)	(7)
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(7,441)	(11,613)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,708)	(1,781)
(b) businesses (see item 10)		
(c) investments	(1,855)	(1,855)

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	(487)	(967)
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		(1,134)
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(4,050)	(5,738)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		30,000
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		(1,329)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(3,315)	(3,315)
3.7 Transaction costs related to loans and borrowings	(543)	(543)
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	(3,858)	24,814

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	37,727	14,918
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(7,441)	(11,613)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(4,050)	(5,738)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(3,858)	24,814

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(19)	(22)
4.6	Cash and cash equivalents at end of quarter	22,359	22,359

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	22,359	37,727
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)	22,359	37,727

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

143

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. Financing facilities available <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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	(600)
9.4 Leased assets	(195)
9.5 Staff costs	(1,200)
9.6 Administration and corporate costs	(1,800)
9.7 Other (CAPEX for Peak facility)	(4,960)
9.8 Total estimated cash outflows	(8,755)

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

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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:  Date:29 January 2020.....
(Company Secretary)

Print name:ROBERT MEISSNER.....

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.

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