



15 April 2020

Ecofibre Limited

EOF 4C - Revenue up 42% pcp

3Q20 HIGHLIGHTS

- Revenue up 42% on prior corresponding period (pcp)
- Continued focus on shift to wholesale distribution model - two major independent pharmacy buying groups added in the quarter
- Balance sheet remains strong and debt free, and can support working capital requirements for all three business lines

Ecofibre Limited (Ecofibre, Company) (ASX:EOF, OTC-NASDAQ Intl Designation: EOFBF) is pleased to provide its Appendix 4C Quarterly Report for the three months ended 31 March 2020 (3Q20), including a brief update on the Company's trading performance.

3Q20 revenue up 42% on pcp

Unaudited revenue for 3Q20 was \$14.2m, up 42% on the prior corresponding period and down 4% on the prior quarter.

CEO Eric Wang stated, "The Company has delivered a strong result during a challenging period for our industry and the overall economy. Two important factors influenced this past quarter, the dislocation of US hemp-derived CBD companies and the onset of COVID-19."

"Since late last year, Ecofibre has been anticipating significant industry disruption as the standard of professionalism and quality required by distributors and customers continues to increase. During the quarter many lower quality manufacturers, with short-term strategies, involuntarily exited our industry."

"The economic uncertainty from the pandemic did not financially impact Ecofibre this quarter. However, we have adjusted plans and accelerated certain parts of our strategy in response to the near-term environment and the longer-term 'new normal'."





Ecofibre responds to the near-term environment and longer-term 'new normal'

- The Company continues to operate, with appropriate safety measures in place for staff, customers and the public. Ananda Health is considered an essential business under guidance issued by the US Cybersecurity & Infrastructure Security Agency (CISA).

"A key focus during the pandemic has been to increase support (including financial) to distributors, independent pharmacies and their patients", said Eric Wang. "Pharmacies are designated as essential businesses and have continued to trade as one of the few retail businesses that remain open to the public."

Ecofibre has not made any staff redundancies due to the pandemic and does not plan to do so.

- Ananda Health accelerated its transition to a distributor-led model focused on the pharmacy and practitioner channels. Two significant buying groups were added during the quarter and we expect most of the transition to be complete by the end of this calendar year.

This shift is based on our expectation that the hemp-derived CBD industry must align to the existing US health care wholesale distribution model in the medium to long term, and that Ananda Health will gain access to more pharmacies and practitioners over time.

Revenues have reduced as a result of our shift towards a distributor-led model. In this model, revenues reported by Ananda Health are net of distributor discounts.

- To support the acceleration of our strategy, Ananda Health has added highly experienced talent in product and sales. These roles include VP New Product Development and Regional VP of Sales.

- Hemp Black has adjusted its product launch plans and shifted this capacity to meet demand for personal protection equipment (PPE). We believe our technology, which allows us to incorporate anti-microbial properties into a range of products, will support present and future needs. We will provide further updates to the market as appropriate.

- The US Patent and Trademark Office issued the second Hemp Black patent: High Temperature Bio-Char Carbonisation and Micron Grinding and Classification for Inclusion into Master Batch polymerisation (Patent number 10619102). This patent covers the strategic process of manufacturing our activated hemp charcoal in such a way as to allow it to be used in a variety of textile and industrial uses. The trade name for the product covered by the patent is eco⁶, and is the foundation for our yarns, inks and paints using the hemp stalk.





- Ecofibre continues to work closely with our building contractors to ensure the new US Headquarters will open this month as planned. This LEEDS Platinum rated building will house expanded Ananda Health manufacturing, Hemp Black processing, US sales & marketing and US corporate services.
- Ananda Food continues to expand its relationship with Woolworths. During the quarter the business was selected as the direct supplier of Hemp Seed oil for the Woolworths Macro brand, and distribution into stores will begin October 2020.
- The Company continues to maintain its discipline on cost and balance sheet management.

CEO Eric Wang stated, "Ecofibre remains very positive over the medium-term as we expect to see clarity in the overall economy in due course. We do not see any need to make any changes to our stated strategy but in the short-term we are acting on opportunities to accelerate growth where they are aligned to our strategy. However, we continue to be disciplined and focused on serving our customers and creating long-term shareholder value at all times."

FY20 Guidance

We are experiencing an unprecedented period of economic and social change where markets are changing rapidly. Whilst providing detailed guidance at this time is challenging, we understand our obligations to keep shareholders informed whether that news is good or bad.

Our income, unlike many in our industry has remained relatively stable over recent quarters. Subject to no major changes to our trading conditions and stable exchange rates, we expect our 2H20 NPAT to be broadly in line with our 1H20 NPAT.

Appendix 4C Cash Flow Discussion

As at 31 March 2020 the Company's cash position was \$16.9m (unaudited).

- Cashflows from **operating** activities in the quarter totaled \$0.2m, including:
 - Receipts from customers of \$10.9m, in line with the prior quarter (2Q20: \$11.2m). Trade Receivables increased in line with terms for distributors, from \$6.4m to \$10.1m; and
 - Cash operating costs of \$10.7m (2Q20: \$10.6m) included payment of US income tax instalments totaling \$2.7m.
- Cashflows from **investing** activities in the quarter (\$7.0m) primarily related to construction of our US Headquarters. Most of the remaining costs for the building will be paid in 4Q20. Ecofibre will fund these investments through existing cash resources and operating cashflow.





Investor Relations and Media please contact:

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About Ecofibre

Ecofibre is a provider of hemp products in the United States and Australia.

In the United States, the Company produces nutraceutical products for human and pet consumption, as well as topical creams and salves. See www.anandahemp.com and www.anandaprofessional.com.

In Australia, the Company produces 100% Australian grown and processed hemp food products including protein powders, de-hulled hemp seed and hemp oil. See www.anandafood.com.

The Company is also developing innovative hemp-based products in textiles and composite materials in partnership with TexInnovate in the United States. See www.hempblack.com.

The Company owns or controls key parts of the value chain in each business, from breeding, growing and production to sales and marketing. Our value proposition to customers is built on strong brands and quality products.

Authorisation

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



Appendix 4C

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

Name of entity

Ecofibre Limited

ABN

27 140 245 263

Quarter ended ("current quarter")

31 March 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	10,857	35,677
1.2	Payments for		
	(a) research and development	(1,304)	(1,304)
	(b) product manufacturing and operating costs	(2,914)	(10,856)
	<i>Grower payments, Ananda Health</i>	-	(2,037)
	<i>Grower payments, Ananda Food</i>	(6)	(1,093)
	<i>Production costs</i>	(2,908)	(7,726)
	(c) advertising and marketing	(747)	(2,105)
	(d) leased assets	(76)	(206)
	(e) staff costs	(3,029)	(8,685)
	(f) administration and corporate costs	(697)	(3,447)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	85	227
1.5	Interest and other costs of finance paid	(22)	(143)
1.6	Income taxes paid	(2,722)	(3,956)
1.7	Government grants and tax incentives	-	12
1.8	Other (credit card reserve)	719	(449)
1.9	Net cash from / (used in) operating activities	150	4,765
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(6,950)	(13,964)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	114	195
	(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 (provide details if material)	(186)	(160)
2.6	Net cash from / (used in) investing activities	(7,022)	(13,929)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (payment for principal portion of lease liabilities)	(148)	(423)
3.10	Net cash from / (used in) financing activities	(148)	(423)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,184	25,740
4.2	Net cash from / (used in) operating activities (item 1.9 above)	150	4,765
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,022)	(13,929)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(148)	(423)
4.5	Effect of movement in exchange rates on cash held	687	698
4.6	Cash and cash equivalents at end of period	16,851	16,851

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	2,797	5,356
5.2	Call deposits	3,540	2,916
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	10,514	14,912
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,851	23,184

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	119
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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

Item 6.1: Directors' salaries and fees, excludes GST where applicable.

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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
7.1	-	-
7.2	-	-
7.3	-	-
7.4	-	-

7.5 Unused financing facilities available at quarter end

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- 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.

8. Estimated cash available for future operating activities**\$A'000**

8.1	Net cash from / (used in) operating activities (Item 1.9)	150
8.2	Cash and cash equivalents at quarter end (Item 4.6)	16,851
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	16,851
8.5	Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	112

- 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?

Answer: n/a

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?

Answer: 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?

Answer: n/a

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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.

Date: 15 April 2020



Authorised by:
 (Name of body or officer authorising release – see note 4)
 Jonathan Brown, Chief Financial Officer

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.

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