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ASX Announcement | 15 April 2020
Althea Group Holdings (ASX:AGH)

Althea revenue increases 39% in March quarter amid record sales

Investment Highlights:

- Althea achieved unaudited revenue of \$1,524,359 for the quarter ended 31 March 2020, up 39% from the December quarter
- Cash receipts from customers totalled \$1,487,679 for the quarter
- Unaudited revenue for March was \$606,351 up approx. 30% from February and the best month on record
- Cash outflow for the March quarter was approx. \$1.4M less than forecasted
- Althea is fully funded and ended March 2020 with approx. \$15.07M of cash on hand

15 April 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 March 2020, along with the following operational update.

Althea posts its best quarter on record despite seasonality, bushfires and COVID-19

The March quarter presented multiple challenges in the macro environment, including seasonality associated with the Christmas holidays, devastating fires throughout New South Wales and Victoria and finally COVID-19, which effectively caused a nationwide shut down. Despite these challenges, Althea was able to post its highest month ever in terms of sales in March and closed out the March quarter with sales 39% higher than the December quarter.

Althea recorded unaudited revenue of \$1,524,359 for the three-month period ended 31 March 2020, up from \$1,095,057 in the previous quarter, representing a quarter-on-quarter increase of 39%. Unaudited revenue for March was \$606,351 up 30% from February and the Company's best month on record.

The Company finished the latest quarter with 5,803 patients, with 596 new patients added in March. The number of Healthcare Professionals ('HCPs') having prescribed Althea's medicinal cannabis products also increased to 509, as at 31 March 2020.

Chart 1: Patient growth as at 31 March 2020

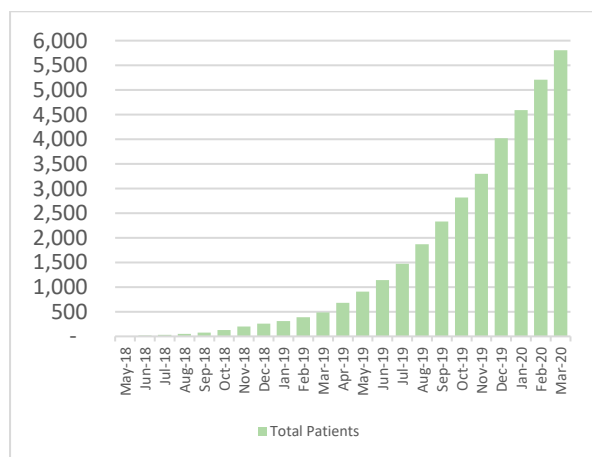
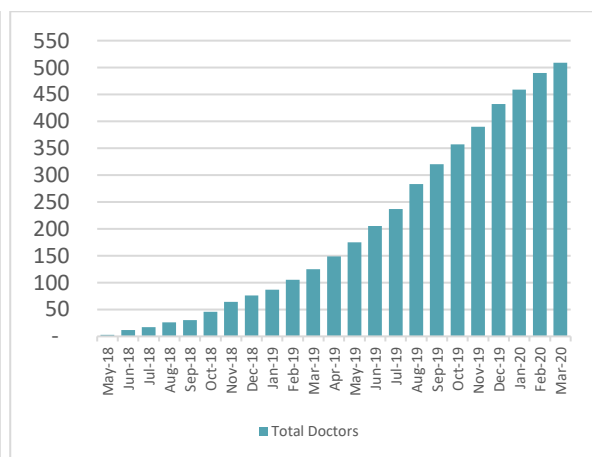


Chart 2: HCP growth as at 31 March 2020





Cashflow from the quarter

Cash receipts from customers was \$1,487,679 for the quarter (up approx. 65% on the previous quarter).

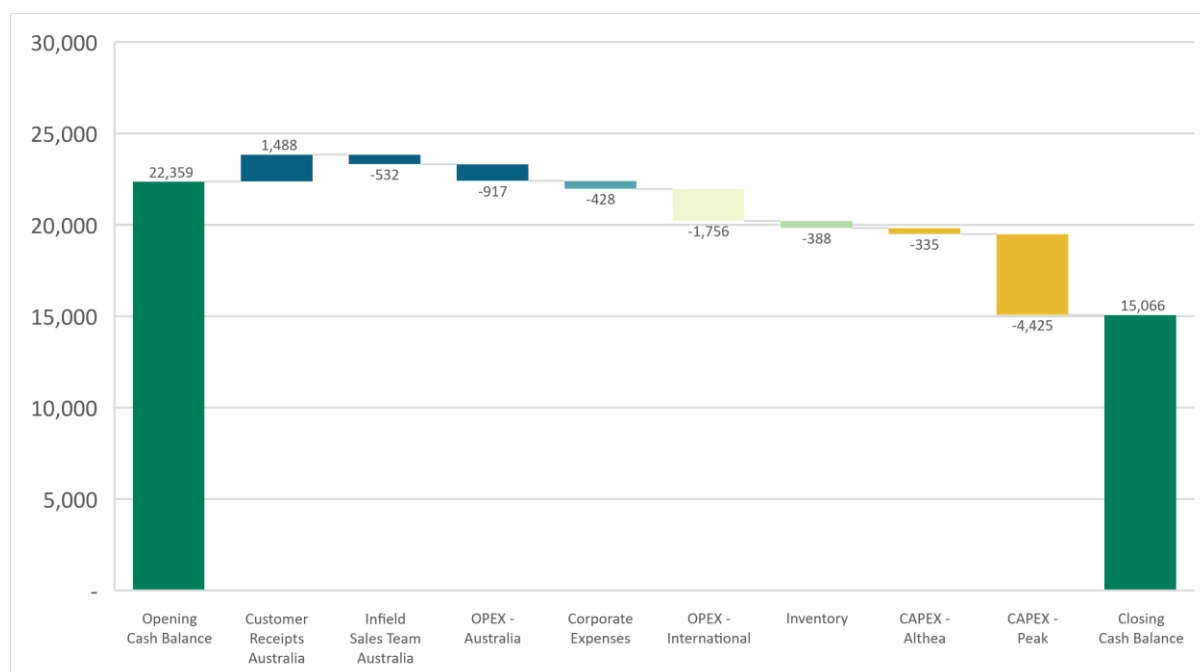
Cash outflow for the quarter was \$7.3M and less than the forecasted \$8.8M (as per previous 4C), of which \$2.5M was operational and \$4.8M capital expenditure.

Cash at end of quarter was \$15.07M.

Althea’s healthy balance sheet sees the Company fully funded and in a strong financial position to meet its current and future financial obligations across its global operations.

The chart below summarises cash outflows in the March quarter.

Chart 3: Bridging chart for quarter ended 31 March 2020 ('000)



The following provides an overview of several categories within the chart above.

Infield sales team – Australia

Althea employs an infield sales team in Australia who are charged with the medical education of HCPs on Althea medicinal cannabis products and are supported by the *Althea Concierge*™ online platform. In Australia, HCPs must apply to the Therapeutic Goods Administration in advance of prescribing medicinal cannabis making the infield sales team 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 education of HCPs is a key driver of the recent results and forms an integral part of Althea’s market access strategy. In March 2020, Althea brought its sales team in-house, with sales activities no longer outsourced to a third-party contract sales organisation. The Company expects a reduction in related expenditure along with an increase in productivity, based on the restructure.

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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 MMJ UK Ltd ('Althea UK'), MMJ Clinic Group Limited t/a MyAccess Clinics and Peak Processing Solutions ('Peak') are covered in this amount.

Inventory

In December 2018, Althea's board of directors introduced a policy to hold approximately 12 months' worth of stock on hand at all times to ensure there are no disruptions to patient supply. This policy remains in place and it is particularly important to keep high levels of inventory based on the Company's growing sales and given the potential disruption to global imports / exports caused by the coronavirus.

Capital expenditure (CAPEX)

Investment in the buildout of the Peak facility was completed in the quarter ending 31 March 2020. Expenditure on the Peak fit out was within budget, as per the amounts communicated at the time of acquisition.

Althea CBD100 update

The successful launch of Althea CBD100 continued into the new year, with the product representing approx. 25% of total sales for the March quarter.

Telehealth + Althea Concierge™ key to growth during pandemic

Althea's infield sales team in Australia and the United Kingdom have pivoted to support HCPs virtually in many of their interactions. This is in direct response to the coronavirus pandemic. Althea prescribers are mostly adept in Althea Concierge™ and are therefore prime candidates to continue consulting with patients utilising video streaming technologies, otherwise known as telehealth.

Classified as essential workers and essential services, HCPs such as GPs and Specialists and medical clinics and pharmacies respectively, are able to continue to operate throughout the coronavirus pandemic.

Althea is undoubtedly a leading supplier of medicinal cannabis globally and remains on foot to support our HCPs and patients, virtually or in person, for the duration of this pandemic and beyond.

Althea CEO Josh Fegan said: "Against all the odds the March quarter was a great success for Althea. Revenue certainly exceeded our expectations, whilst strong patient and prescriber growth continued. Gross profit margins have improved due to restructuring of commercial arrangements, with cash collection also now faster. We have also now seen some great regulatory progress in the UK in early March, which we believe will bear fruit in the medium term, and with our Canadian production facility completed and Health Canada evidence package submitted last week, we can look forward to some exciting news coming out of Peak in the months ahead."

-ENDS-

Authorised by: Robert Meissner, Company Secretary

For further information, please contact:

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Althea

Josh Fegan

CEO & Managing Director

M: 1300 70 20 20

E: contact@althea.life

Media Enquiries

Dan Francome

Media Relations

P: +613 9650 5096

E: dfrancome@althea.life

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 cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Althea Group Holdings Limited

ABN

786 269 669 43

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	1,488	3,033
1.2 Payments for		
(a) research and development		
(b) product manufacturing and operating costs	(597)	(5,693)
(c) advertising and marketing	(1,056)	(3,857)
(d) leased assets	(77)	(342)
(e) staff costs	(1,592)	(3,790)
(f) administration and corporate costs	(951)	(4,179)
1.3 Dividends received (see note 3)		
1.4 Interest received	36	212
1.5 Interest and other costs of finance paid	(2)	(28)
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	(2,751)	(14,604)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) businesses		
(c) property, plant and equipment	(4,447)	(5,988)
(d) investments		(1,855)
(e) intellectual property	(313)	(1,280)
(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) 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	(4,760)	(10,258)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		30,000
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		(1,329)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		(3,315)
3.7	Transaction costs related to loans and borrowings		(543)
3.8	Dividends paid		
3.9	Other (provide details if material)	215	215
3.10	Net cash from / (used in) financing activities	215	25,029
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	22,359	14,918
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,751)	(14,604)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,760)	(10,258)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	215	25,029
4.5	Effect of movement in exchange rates on cash held	3	(19)
4.6	Cash and cash equivalents at end of period	15,066	15,066

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	14,812	22,359
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	254	
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	15,066	22,359

**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**

149

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

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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

7.5 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.

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8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,751)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	15,066
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	15,066
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5.47

- 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:

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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:

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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:

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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
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Authorised by: Robert Meissner
.....
(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.