



ASX Announcement
26 February 2021

FY2020 RESULTS

Accelerating our strategy in pursuit of growth and improved capital efficiency

Key operational highlights:

- **Global reset initiatives result in strong balance sheet, lower cost with improved operational efficiencies and new growth catalysts through Elixinol brand relaunch and Hemp Foods Australia**
- **Margin improvement in H2 FY2020 as business mix continues to shift towards retail and e-commerce**
- **Elixinol Americas business performance down on prior year but repositioned towards higher margin growth channels with a lower cost base**
- **Elixinol Europe's business improves modestly with new growth catalysts in place**
- **Hemp Foods Australia breaks even across H2 FY2020, continues to deliver above expectations with revenue of \$4.2m in FY2020 (\$3.5m in FY2019), growth of 20% on PCP**
- **Improving regulatory outlook in all major markets**

Key financial highlights:

- **Well-funded with Group net assets of \$35.7m including cash reserves of \$27.7m**
- **Substantial corporate cost reduction program led to a 45% reduced cost base**
- **FY2020 audited revenue from continuing operations of \$15.0m, down 51% (\$30.7m in FY2019) due to strategic exit of bulk and private label channels and COVID-19 impacting retail channels in key markets**
- **Revenue contribution from sales of Elixinol and Hemp Foods branded products in FY2020 was \$13.5m (90% of Group revenue) compared with \$19.6m in FY2019 (64% of Group revenue)**
- **Adjusted EBITDA¹ losses of \$22.9m in FY2020 improved from losses of \$24.6m in FY2019, with significant improvement between H1 FY2020 (\$14.8m loss) and H2 FY2020 (\$8.1m loss), despite lower revenue, with a reduced cost base supporting a more focused strategy**

¹ Excludes non-cash impairments.



Elixinol Global Limited (**Elixinol** or the **Company**) (**ASX:EXL**; **OTCQB:ELLXF**) a global leader in the hemp derived CBD industry, innovating, marketing and selling hemp derived nutraceutical, cosmetic and food products is pleased to release its Appendix 4E and Annual Report for the year ended 31 December 2020 (**FY2020**).

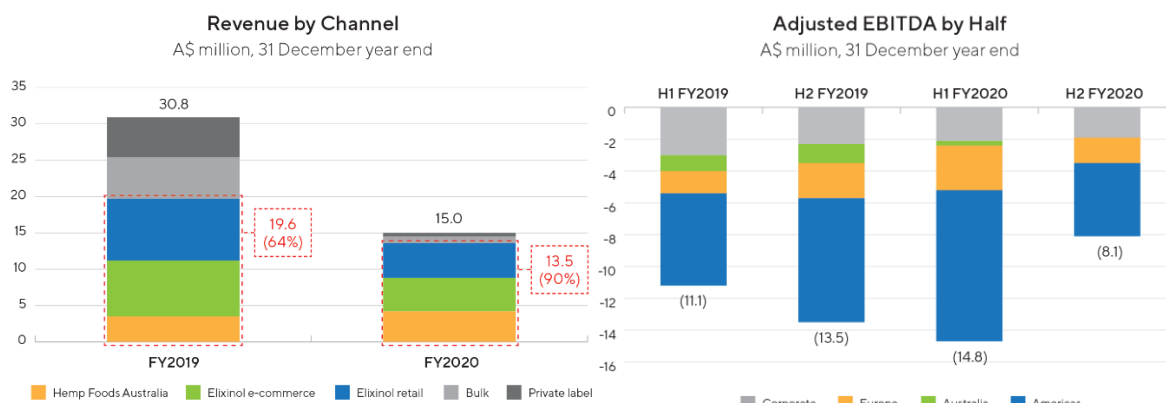
Global CEO, Oliver Horn, commented *“While much of the past 12 months has been challenging for traditional retailers, we made great strides forward in our pursuit of sustainable growth and improved capital efficiency. Our strategy to reduce our cost base and shift the business towards higher margin channels, while bringing new products to market and entering new categories, is starting to show success via an improving bottom-line.*

We made selective investment decisions in both team capability and new product initiatives throughout the year. We put growth catalysts in place through several strong distribution and listing relationships for our products across Europe. We also substantially improved our e-commerce capabilities and saw our Hemp Foods Australia business showing robust growth and breaking-even in the final two quarters of the year.

We are ideally positioned to benefit from the growing consumer trend for hemp derived health and wellbeing products and with a regulatory environment that is shifting in our favour, a strong funding position and many emerging opportunities, we are excited about what lies ahead as we continue through FY2021 and beyond.”

FINANCIAL PERFORMANCE

Elixinol’s cash used in operations for the year ended 31 December 2020 was \$22.6m representing a significant improvement compared with FY2019 of \$51.1m. Revenue from continuing operations in FY2020 was \$15.0m, down 51% (\$30.7m in FY2019) primarily due to the exit of bulk and private label channels and COVID-19 impacting retail channels in key markets. Revenue contribution from sales of higher margin Elixinol and Hemp Foods branded products in FY2020 was \$13.5m (90% of Group revenue) compared with \$19.6m in FY2019 (64% of Group revenue).



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Adjusted EBITDA² losses were \$22.9m in FY2020, an improvement from losses of \$24.6m in FY2019. Significant improvement was achieved between H1 FY2020 (\$14.8m loss) and H2 FY2020 (\$8.1m loss), despite lower revenue, with a reduced cost base supporting a more focused strategy.

The Group recognised the majority of non-cash impairments (including goodwill) of \$74.2m for the year ended 31 December 2020 in H1 (H1 FY2020 \$69.0m vs H2 FY2020 \$5.2m), compared with \$61.1m in FY2019.

Elixinol continues to reposition itself towards a higher margin, consumer-led hemp derived health & wellness consumer goods model and has substantially completed its exit from lower-margin bulk and private label channels.

The Company is well funded to execute its business plan and is virtually debt free.

BUSINESS UPDATE

Repositioning leads to margin and performance improvements

Under new group leadership and with a renewed Board, Elixinol's business has been aggressively repositioned to a more focused business with substantial cost reductions and improved cashflows. A substantial operational and corporate cost reduction program was completed in June 2020, leading to an annualised cost base approximately 45% lower than FY2019.

Channel growth in e-commerce

FY2020 has also seen a shift in strategy towards 'digital first'. Owning this direct consumer relationship has become an essential attribute to generating value and improving profitability. Elixinol's focus on building e-commerce capabilities has been rewarded, with this channel contributing to 33% of overall Group revenue in FY2020, up from 26% in FY2019.

Elixinol bedded down the Magento e-commerce platform and progressed its transition to an integrated in-house, web services and digital marketing team. This enables the Company to reduce external agency costs and provides the agility needed to successfully compete in a digital environment with rapid content creation. Advancements in marketing and web services improved e-commerce customer acquisition with a 10% increase in new website users and 20% higher conversion rate in Q4 FY2020.

Elixinol Americas – costs refined, repositioned for efficiency

Americas reported revenue of \$8.5m for the year ended 31 December 2020 (FY2019 \$25.0m) and Adjusted EBITDA losses of \$14.2m loss for the year (FY2019 \$13.6m). A significant reduction of losses was achieved in H2 FY2020 of \$4.6m compared with \$9.5m in H1 FY2020, taking a further step towards profitability.

² Excluding non-cash impairments.



Revenue for Elixinol Americas declined in FY2020, especially in the last quarter, as sales were impacted by enforced lockdowns, related to COVID-19.

An entirely new leadership team was put in place to accelerate the US business transformation towards a leaner consumer goods model. Crucially, Elixinol enhanced its digital marketing capabilities, both in terms of leadership capabilities as well as through an improved agency roster. Throughout the year, the full-time equivalent head count was reduced from 98 to 39, contributing materially to the Company's overall reduction in quarterly cash outflows. Operations have continued to move towards a capital light model using readily available third-party manufacturing capacity thus further reducing operating cost. As a result of the increased need for online shopping in the COVID-19 environment, online sales now represent approximately 50% of Elixinol Americas revenue. During Q4 FY2020, Elixinol Americas progressed its transition towards an integrated in-house, web services and digital marketing team.

A total of 500 affiliates, third party websites who promote Elixinol products under a referral agreement and receive a commission on sales, have now been onboarded to support Elixinol product sales through the e-commerce channel. Approximately 20% of the affiliate portfolio contributes recurring monthly sales, while the Company continues increased engagement and conversion with the newer affiliate members. This strategy provides much broader e-commerce distribution and consumer reach.

To further optimise the business and adjust to a COVID-19 environment, Elixinol also expanded its out-bound calling and telemarketing capability providing a cost-effective way to service retailers.

Elixinol branded capsules and tinctures continue to be Elixinol Americas' top selling products with Daily Balance being the best-selling capsule product.

While the US market for CBD products remains highly competitive with varied state regulations, following election of the democratic government, movement is expected towards further legalisation, increased industry support and the classification of CBD as a dietary supplement. Elixinol welcomes more regulatory certainty and is well positioned to benefit from a reinforced US regulatory environment.

European business grows modestly, impacted by COVID-19 restrictions; new retail distribution show positive results

Revenue for Elixinol Europe improved slightly over the year. Expected growth was impacted by enforced COVID-19 lockdowns experienced during the key trading periods in Q4 FY2020. However very positive progress was made throughout the year winning new distribution agreements.

The European segment, which includes Elixinol BV and Elixinol Limited (**Elixinol Europe**), reported revenue of \$2.3m for the year ended 31 December 2020 (FY2019 of \$2.3m) and EBITDA losses of \$4.5m (vs FY2019 of \$3.6m).



First product was shipped to pharmacy chain, SuperDrug - the United Kingdom's second largest health and beauty retailer with 796 stores and a strong online presence.



Superdrug in-store

Further new growth channels came on stream, including via a listing with Well Pharmacy, the UK's third largest pharmacy chain with 760 stores and with Boots Ireland, with whom Elixinol launched the elixinolSkin CBD skincare range product as first-to-market partner.



Boots elixinolSkin range



Well Pharmacy

During the fourth quarter, the United Nations (UN) Commission on Narcotic Drugs (CND) accepted a World Health Organization (WHO) recommendation to remove cannabis and cannabis resin from Schedule IV of the 1961 Single Convention on Narcotic Drugs. Late in 2020 the European Commission backed away from its preliminary stance that CBD should be treated as a narcotic and can now be regulated as food. These positive changes from the UN, WHO and the European Commission are expected to positively impact the Company's ability to conduct business in its key regions.

Under its membership with the European Industrial Hemp Association (EIHA), an application to the Food Standards Agency was submitted in February 2021 supporting the sale of the Company's products in the UK.



With resilient pharmacy and TV shopping channel relationships in place, Elixinol is emerging as a leading UK CBD provider. Enabled by the recent over-subscribed capital raise, the rapidly developing market puts Elixinol in a favourable position to also pursue M&A opportunities to create a global business of scale.

According to Brightfields' January 2021 CBD report, Europe's CBD market reached US\$554m in 2020 and is expected to grow to nearly US\$2.3b by 2025, with a five-year compound annual growth rate (CAGR) of 33%. The largest CBD markets in Europe today are those of the United Kingdom and Germany, which is estimated to be US\$290m and US\$90m markets in 2020, respectively. Over the medium term, the growth in Germany is expected to outpace the rest of Europe driving it to become the second-largest European CBD market at US\$617m by 2025.

Hemp Foods Australia (HFA) update

HFA achieved strong growth with improved margin performance throughout FY2020 and now, with leaner operations, accounts for one third of Elixinol's Group revenue. It is the largest and one of the most recognisable hemp foods brands in Australia.

Australia reported revenue of \$4.2m for the year ended 31 December 2020 (vs FY2019 loss of \$3.5m) and EBITDA loss of \$0.3m (vs FY2019 loss of \$2.2m). The strong EBITDA improvement was driven by shifting the portfolio mix to higher margin segments, new cost optimisation measures and an increasing overall productivity. HFA grew revenue by 10% during Q4 FY2020, leading it to be break-even on an operating cash basis for the second consecutive quarter.

Under a new agreement, HFA also started supplying global retailer and warehouse club, Costco in Q4 FY2020 with its new line of Australian grown hemp seeds.

Throughout Q4 FY2020, HFA also launched a new Organic Hemp Gold™ Protein Powder and Seed Oil range aimed at further premiumising HFA's portfolio.





Australian CBD opportunity

On 15 December 2020, Australia's Therapeutic Goods Administration (**TGA**) confirmed the de-scheduling of CBD from Schedule 4 to Schedule 3, thus enabling CBD products that are registered with the TGA to be widely distributed across pharmacies. It is Elixinol's current view that the pre-existing Special Access Scheme (under Schedule 4) offers a more immediate opportunity for Elixinol products. The skillset and knowledge of the HFA team is being leveraged to develop bespoke products to meet the needs of healthcare practitioners.

LOOKING FORWARD

Elixinol Group's FY2021 priorities will continue to reflect the Company's transformation into a leading global hemp derived health & wellness consumer goods company with a strong reputation for quality and innovation.

The year ahead will be one of further global market expansion, seeking profitable scale opportunities, an accelerated shift towards digital channels and a heightened emphasis on R&D and Innovation initiatives.

After resetting its entire global business and with favourable regulatory developments across the globe, Elixinol is now in an enviable position to be able to create a sustainable global consumer goods business with a purpose.

This document was authorised to be given to the ASX by the Board of the Company.

For more information please contact:

Ron Dufficy
Global Chief Financial Officer
ron.dufficy@elixinolglobal.com

About Elixinol Global

Elixinol Global Limited (ASX:EXL; OTC:ELLXF) is a global leader in the hemp derived CBD industry, innovating, marketing and selling hemp derived nutraceutical, cosmetic and food products. The Company's simplified business model is focusing on:

- In the Americas, innovating, marketing and selling high quality Elixinol branded hemp derived CBD products based in Colorado, USA;
- In Europe & UK, educating and selling high quality Elixinol branded and co-branded hemp derived CBD products based in Amsterdam, The Netherlands and Cheshire, UK;
- In Australia, providing stronger unified planning and support across the group to enable the various regional offices to focus on operational strategy and execution through its Global Executive Office based in Sydney, Australia;
- Hemp Foods Australia, a leading hemp food wholesaler, retailer, manufacturer and exporter of bulk and branded raw materials, and finished products; and
- Across the Rest of World, expanding distribution of Elixinol branded hemp derived CBD products through reputable distributors as key markets open.

See more at www.elixinolglobal.com

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