For personal use only

ECOFIBRE

Half-Year Results FY20

Eric Wang, CEO
Jonathan Brown, CFO

4 February 2020

For personal use only

Disclaimer

This presentation has been prepared by Ecofibre Limited ACN 140 245 263 ("Company"). It does not purport to contain all the information that a prospective investor may require in connection with any potential investment in the Company. You should not treat the contents of this presentation, or any information provided in connection with it, as financial advice, financial product advice or advice relating to legal, taxation or investment matters.

No representation or warranty (whether express or implied) is made by the Company or any of its officers, advisers, agents or employees as to the accuracy, completeness or reasonableness of the information, statements, opinions or matters (express or implied) arising out of, contained in or derived from this presentation or provided in connection with it, or any omission from this presentation, nor as to the attainability of any estimates, forecasts or projections set out in this presentation.

This presentation is provided expressly on the basis that you will carry out your own independent inquiries into the matters contained in the presentation and make your own independent decisions about the affairs, financial position or prospects of the Company. The Company reserves the right to update, amend or supplement the information at any time in its absolute discretion (without incurring any obligation to do so).

Neither the Company, nor their respective related bodies corporate, officers, their advisers, agents and employees accept any responsibility or liability to you or to any other person or entity arising out of this presentation including pursuant to the general law (whether for negligence, under statute or otherwise), or under the Australian Securities and Investments Commission Act 2001, Corporations Act 2001, Competition and Consumer Act 2010 or any corresponding provision of any Australian state or territory legislation (or the law of any similar legislation in any other jurisdiction), or similar provision under any applicable law. Any such responsibility or liability is, to the maximum extent permitted by law, expressly disclaimed and excluded.

Nothing in this material should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities. It does not include all available information and should not be used in isolation as a basis to invest in the Company.

This presentation contains reference to certain intentions, expectations, future plans, strategy and prospects of the Company. Those intentions, expectations, future plans, strategy and prospects may or may not be achieved. They are based on certain assumptions, which may not be met or on which views may differ and may be affected by known and unknown risks. The performance and operations of the Company may be influenced by a number of factors, many of which are outside the control of the Company. No representation or warranty, express or implied, is made by the Company, or any of their respective directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially or that any particular rate of return will be achieved. Given the risks and uncertainties that may cause the Company actual future results, performance or achievements to be materially different from those expected, planned or intended, recipients should not place undue reliance on these intentions, expectations, future plans, strategy and prospects. The Company does not warrant or represent that the actual results, performance or achievements will be as expected, planned or intended.

For personal use only

Agenda

1H20 results

Item	*Presenter*
1H20 highlights	**Eric Wang**
Financials	Jonathan Brown
Hemp Black update	Mark Sunderland Jeff Bruner
Outlook	Eric Wang

For personal use only

1H20 highlights

Revenue
*up **118%** from $13.3m to*
$29.0m

NPAT
up from $0.4m loss to
+$7.1m

PBT
up from $0.2m loss to
+$8.5m

Fully diluted EPS
*up **592%** from 0.5cps loss to*
+2.4cps

Strategic highlights

- Ananda Health entering major established distributor channels
- US headquarters / Hemp Black facility on schedule to open April 2020
- early commercialisation of Hemp Black on schedule for FY20
- Ananda Food continues to build momentum in Australia

Financial highlights

- delivering profitable growth while investing in future growth businesses
- disciplined approach on quality revenues and customers
- management of margins and costs
- focus on working capital efficiency so operating cashflows can fund investment programs

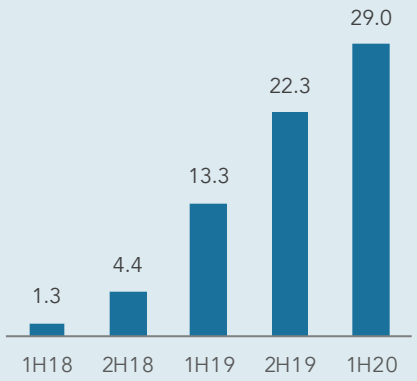
** All comparatives on this page reference the prior corresponding period (1H20 v 1H19)*

For personal use only

1H20 highlights

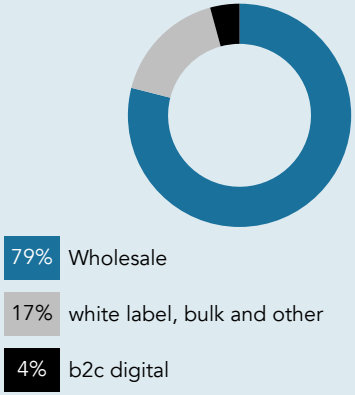
Business model focused on quality revenues

Revenue (AUDm)



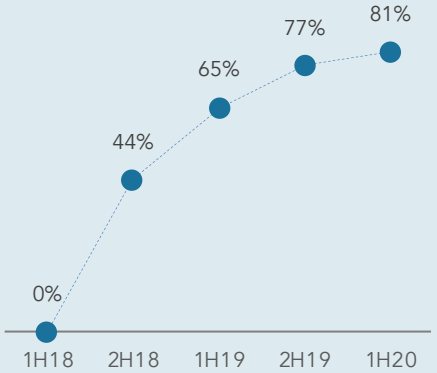
- Continued sales growth amid regulatory / competitive change
  - quarterly results more volatile
  - some competitor business models will come under pressure
- ~72% of total revenue from US independent pharmacies

Sales by channel (%)



- Distribution model maturing with large distributor / partnerships – shifting away from direct-to-pharmacy model
- 83% of sales from Ananda branded products

Gross Margin (%)



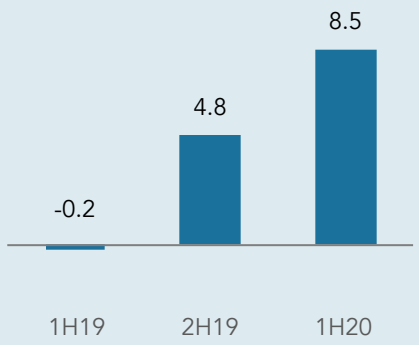
- Heavy focus on production efficiency to offset shift from direct to distributor model:
  - Production efficiencies
  - Supply chain inputs
  - Pricing discipline

For personal use only

1H20 highlights

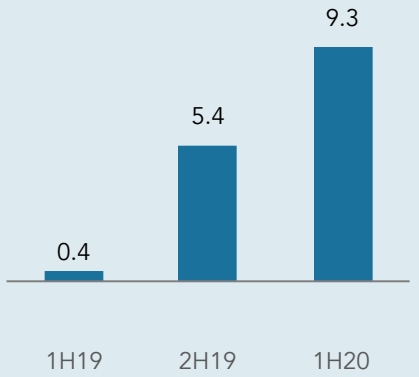
Delivering profitable growth while investing in new businesses

Profit before tax (AUDm)



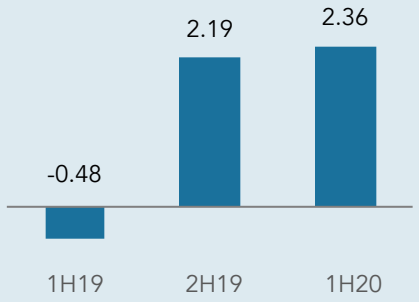
- Business model continues to deliver amid
  - ongoing regulatory change
  - competitive product markets
  - competitive farming / crop markets
  - irrational competitor behaviour

EBITDA (AUDm)



- Cost management underpins the scale benefits that the Company experiences during the competitive revenue environment
- EBITDA margin increases to 32% (2H19: 24%, 1H19: 3%)

Diluted EPS (cps)



- Statutory NPAT $7.1m in line with guidance
- 2H19 included a one-off $1.6m tax credit

For personal use only

1H20 highlights

Ananda Health – actively managing to keep ahead of industry change

anandahealth

Strategic intent:

Be the preferred provider in the US practitioner and pharmacy channels by providing federally legal, safe, high quality product.

Chairman David Neu appointed CEO effective 1 February 2020

Top-tier distribution partnerships formalized as greater regulatory clarity provided for major corporations

- independent pharmacy buying groups
- grocery / health foods
- adult health

Maintained top-line discipline with quality customers and business

- focused on quality relationships with well-established partners and market leaders as they enter the market
- continue to maintain discipline over a “very active” next 12 months

Continued focus on pharmacy education

- Ananda Digital University
- three research studies announced to support professional education

Ongoing improvements to production capability / efficiency

- internal efficiencies to support shift in distribution model
- continuous improvement on genetic quality

For personal use only

1H20 highlights

Ananda Food – focus on developing and educating Australian market

anandafood

Strategic intent:

Be the leading hemp food supplier in Australia and Asia.

Woolworths initial Macro Brand in-store stocking complete

- hemp seed and protein powder now ranged in all Woolworths stores
- NZ Countdown stores stocked in December
- working to extend product ranges in Macro brand and other categories

Beginning rollout of Ananda Food into IGA

- quality sign-off by head office in November
- financial approvals and logistical compliance completed in December
- major multi-store group approvals completed in December
- roll-out focus in NSW and VIC

Production facility (currently HACCP certified) progressing to British Retail Consortium Global (BRCG) standard to meet the highest food safety requirements that allow Ananda Food to supply any major retailer or manufacturer globally.

Planted 800ha in Tasmania in late 2019 - estimated yield in excess of 1,000 tonnes utilising Ecofibre's genetics.

For personal use only

1H20 highlights

Hemp Black – infrastructure for business model to be completed FY2020

HEMP BLACK

Strategic intent:

Be the recognised global leader in sustainable high-tech hemp applications

Five 'core' product lines established

- supply chain partners in place as required
- new processing facility to be completed in April 2020 as per schedule – Hemp Black equipment commissioned and operational by June 2020

Early commercialization activity for FY2020:

- *early revenues* from athleisure wear utilising Hemp Black technologies launching Q4 FY2020 to build brand and technology awareness
- *product development* in progress with partners across a range of applications and industries. Revenue generation to begin from these products over the course of FY2021
- *testing and development* for certain applications requiring longer lead times due to regulatory (e.g. EPA and FDA) approvals. Revenue generation post FY2021

For personal use only

Agenda

1H20 results

Item	*Presenter*
1H20 highlights	Eric Wang
Financials	Jonathan Brown
Hemp Black update	Mark Sunderland Jeff Bruner
Outlook	Eric Wang

For personal use only

1H20 results

Continued focus on quality revenues and strong cost management

Consolidated Profit & Loss AUD $m	1H19	2H19	1H20	1H20 v 1H19%
Revenue	13.3	22.3	29.0	118%
Direct costs	(4.7)	(5.2)	(5.6)	19%
Gross profit	**8.7**	**17.1**	**23.5**	**171%**
Other income	1.5	0.3	0.2	(84%)
Operating expenses	(10.1)	(12.6)	(15.1)	49%
Interest expense	(0.2)	(0.1)	(0.1)	(69%)
Profit (loss) before income tax	**(0.2)**	**4.8**	**8.5**	**4094%**
Income tax (expense) benefit	(0.2)	1.6	(1.5)	703%
NPAT	**(0.4)**	**6.4**	**7.1**	**1882%**
Underlying NPAT	(0.4)	5.5	6.8	1813%
EBITDA	0.4	5.4	9.3	2215%
Underlying EBITDA	0.4	6.2	9.3	2215%
Gross profit margin	***65%***	***77%***	***81%***	
EBITDA margin	***3%***	***24%***	***32%***	

Revenues & Direct Costs

- revenue continues to be driven by independent pharmacies
- shift toward wholesale partners will continue
- strong cost controls and processing efficiencies will offset distributor fees (netted out in revenues)

Other Income

- R&D refund shifts to non-refundable tax credit as group turnover >$20m p.a.

Operating Expense

- tight controls (see next slide)

Income Tax Expense

- US tax @ 26% average rate, Australian losses @ 30%

Underlying Performance

- adjusted for IPO costs in 2H19 & initial recognition of deferred taxes

For personal use only

1H20 results

Strategic cost management

Consolidated Operating Expenses AUD $m	1H19	2H19	1H20	1H20 v 1H19%
Employees & contractors	5.2	5.3	6.7	29%
Share based payments	1.9	1.9	1.7	(12%)
Sales & marketing	0.5	1.1	1.4	160%
Travel & accommodation	0.3	0.4	0.5	52%
Equipment modification & maintenance	0.2	0.2	0.2	9%
Rent	0.3	0.4	0.1	(60%)
Legal & compliance	0.5	1.3	0.5	9%
Accounting & audit	0.1	0.1	0.2	90%
Depreciation	0.3	0.6	0.9	129%
Other	0.8	1.3	2.9	295%
Total operating expenses	**10.1**	**12.6**	**15.1**	**48%**
*Operating cost ratio **	*76%*	*56%*	*52%*	

Employees & Contractors / Share Based Payments

- added several senior roles in July 2019 to underpin long term growth across the business
- includes sales commissions

Sales & Marketing

- rebranding of Ananda Hemp
- increased attendance at major distributor events / conferences

Rent / Depreciation

- introduction of AASB 16 leases shifts rent expense to depreciation / interest
- new building depreciation +$1.2m p.a from May 2020

Other

- R&D crop not commercialised ($1.0m)

Ongoing operating leverage evident in cost base

** Total operating expenses / revenue*

For personal use only

1H20 results

Maintaining low risk, flexible balance sheet

Consolidated Balance Sheet AUD $m	1H19	2H19	1H20	1H20 v 1H19%
Cash & equivalents	5.9	25.7	23.2	291%
Receivables	2.1	2.8	6.4	211%
Inventory & biological assets	7.1	9.0	10.0	40%
Other current assets	0.9	1.2	1.9	107%
Total Current Assets	16.0	38.7	41.4	159%
Intangible assets	0.3	0.3	0.3	-
PP&E (incl. leases)	4.5	6.7	15.4	243%
Deferred tax asset	-	2.0	3.7	100%
Total Non-Current Assets	4.8	9.0	19.4	301%
Total Assets	**20.8**	**47.8**	**60.8**	**192%**
Trade & other payables (incl. leases)	6.3	3.8	5.5	(12%)
Loans (current)	0.3	1.3	-	(100%)
Tax payable	0.1	-	1.6	1792%
Total Current Liabilities	6.6	5.1	7.1	7%
Loans and borrowings	3.6	-	-	(100%)
Deferred tax liability	-	0.4	0.4	100%
Lease liabilities	-	-	0.8	100%
Total Non-Current Liabilities	3.6	0.4	1.2	(67%)
Total Liabilities	**10.2**	**5.5**	**8.3**	**(18%)**
Net Assets / Total Equity	**10.7**	**42.2**	**52.5**	**393%**

Cash & equivalents:

- operating cashflows **+ $ 4.6m**
- investing cashflows **- $ 6.9m**
- financing cashflows **- $ 0.3m**

Operating cashflows

- composition of current assets shifts with business changes:
  - shift in distribution model with payment terms increases receivables
  - lower cost credit card provider, cash reserve classified as other current asset ($1.2m)
- 2nd half cashflows will include first payments for Ananda Food grain harvest (c$2m)

Investments

- ongoing investments fully funded: cash & operating cashflows.
- complete construction of Kentucky facility
- additional capability to support new Ananda Health products

Financing

- remaining loans settled during period
- cash balances will reduce in 2H20 as major investments completed, before increasing in FY21

Management focused on improving **capital efficiency**

- annualised ROA 26% with ongoing investment in all three businesses

Balance sheet remains **low risk** and provides **strategic flexibility**

For personal use only

Agenda

1H20 results

Item	*Presenter*
1H20 highlights	**Eric Wang**
Financials	Jonathan Brown
Hemp Black update	Mark Sunderland Jeff Bruner
Outlook	Eric Wang

For personal use only

Hemp Black

Commercial model

HEMP BLACK / feedstock

- HEMP BLACK / eco[6]
- Ananda full spectrum extract

HEMP BLACK / technology

- HEMP BLACK / ink
- HEMP BLACK / origin
- HEMP BLACK / element
- HEMP BLACK / nano
- HEMP BLACK / hide
- HEMP BLACK / fusion

HEMP BLACK / markets

- targeted development of end retail products – narrow category focus to build brand awareness, control brand story and demonstrate technology
- co-brand and supply to selected brands / partners
- 'bulk sales' of manufacturing inputs
- License intellectual property

For personal use only

HEMP BLACK / eco^6

Hemp black / eco^6 is an environmentally friendly, non-toxic, organic black pigment. Initial laboratory testing shows significant bacterial reduction.

eco^6 / TECHNOLOGY

Produced through the pyrolyzing of the carbon-rich stalk of the hemp plant.

What's used now?

Black pigment is the most common color in the world – used for fillers, dyes, inks, tinting, and for other darkening applications. The main material used to add the color black is the petroleum-based 'carbon black' - classified as a Group 2B carcinogen (eye irritation, lung disease)

Hemp Black/ eco6 is the first carbon black alternative to achieve Platinum Material Health Certification based on Cradle to Cradle guidelines.

Material Health
PLATINUM

eco^6 / MARKETS

Hemp Black / eco^6 can be used in a number of applications to reinforce, color, or add conductivity to different components during the manufacturing process.

Potential applications across a number of industries:

- printing inks
- automotive
- pigment/ filler interior/exterior furniture, fabrics and materials
- electronics
- food and beverage
- medical
- beauty and cosmetics
- packaging and labels

For personal use only

HEMP BLACK / ink

Hemp black / ink replaces carbon black with our bio-based Hemp Black / eco^6 and using a water base, we reduce petroleum and potentially dangerous fumes, protecting our environment, our workers and our community.

ink / TECHNOLOGY

Hemp Black / ink is a conductive, anti-static sustainable black ink with a UPF of 50+. This technology can be used on various substrates for a wide variety of printing applications.

As a byproduct of waste from eco^6, the ink development has advanced in the last several months from screen-printing, to digital printing and conductive inks.

At a comparable percentage of carbon by weight to traditional black ink, Hemp Black / ink has an excellent jetness and proven colorfastness to crocking and laundering.

Depending on the end use, the ink can be used as a closed-circuit source to power various technologies.

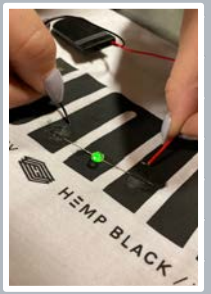
ink / MARKETS

The global printed textile market size was estimated at $146.5 billion in 2018 and expected to grow.

Hemp Black / ink is currently used for analog textile printing and is being developed into a digital ink for a wider range of applications which include both textiles and paper substrates.

Industries include:

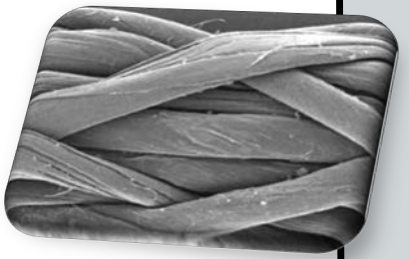
- textile
- apparel
- branding-packaging
- conductive inks
- ex. biosensors and RFID
- commercial / home uses



For personal use only

HEMP BLACK / origin

Hemp black | origin is a higher-performance, conductive, carbon infused fibre. Our Hemp Black /eco^6 is engineered into the core of the fibre allowing the fabric to stay odor free, conduct current and enable smart textiles in a highly integrated manner.



origin / TECHNOLOGY

This carbon infused high-performance fibre is ushering in an era of adaptive and intelligent textiles. Origin is created from the combination of Hemp Black / eco^6 with thermoplastic fibre batches which include recycled polyester, nylon, PLA and other plant based materials and a series of other high tenacity performance fibres.

The potential properties available in this functional fibre include moisture management, temperature regulation, frictionless possibilities, anti-static and conductivity.

origin / MARKETS

The carbon infused fibres can be found in many industry applications:

- apparel
- RFID Protection
- smart textiles
- wearable technology
- engineered interior and exterior fabrics and materials
- multifilament and monofilament extrusion

For personal use only

HEMP BLACK / element

Hemp black / element is an empathetic fibre innovated to keep this product clean and green and odor free. Our proprietary full spectrum hemp extract is infused into the core of the fibre, providing lasting properties through use and care

element / TECHNOLOGY

Hemp extract can be infused with a range of polymer fibres, for example PLA, (r)PET, Nylon 6 and bio-based polymers.

Master Batch processing expertly delivering properties to be a part of the 'DNA' of the Polymer → Fibre → Yarn → Fabric.

Initial laboratory testing shows significant bacterial reduction, including MSSA and MRSA.

The foundation of our technology focuses on the science, bringing consumers top rated products that perform. Mechanical. Chemical; and Bio tested at multiple levels to ensure efficacy.

element / MARKETS

Hemp Black branded yoga line

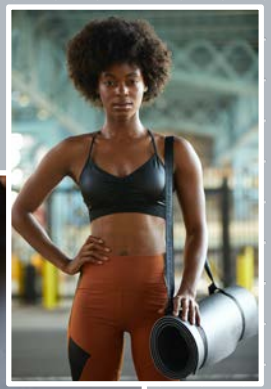
Hemp Black / element will first be featured in our own line of branded product, demonstrating the high-performance capabilities of the technology.

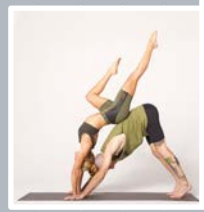
In the United States yoga is a $30+ billion category, including a wide range of apparel and accessories.

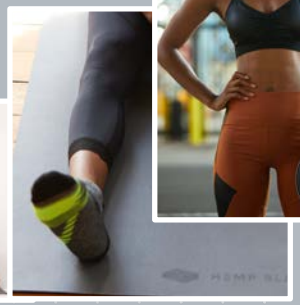
Directly launching the Hemp Black brand into a demanding, premium retail segment allows Ecofibre to shape the development of the brand story.

Other applications

- Medical-Wound care
- Footwear
- Socks
- Military







For personal use only

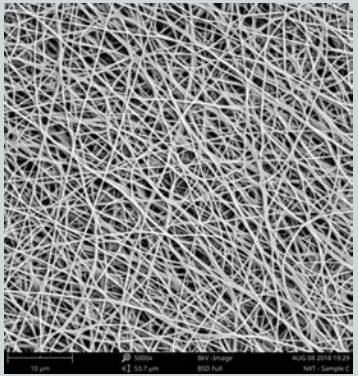
HEMP BLACK / nano

Hemp black / nano is an advanced film electro-spun into nano fibres with our proprietary full spectrum hemp extract.

nano / TECHNOLOGY

This disruptive textile offers water repellency and wind resistance in the form of a lightweight, breathable product that can be bonded to other materials or stand alone.

Initial laboratory tests show significant antibacterial reduction of MRSA and MSSA, and successful bug repellency.



(Image at 5000x magnification)

nano / MARKETS

Used as a lining or outer shell, Hemp Black / nano is extremely light and breathable. With its ability to be bonded to porous and non-porous substrates, industries it can be used in are:

- technical outerwear
- accessories
- outdoor gear, i.e. tarps and tents
- medical and wound care

For personal use only

HEMP BLACK / hide

Hemp black / hide is an eco-conscious alternative to leather.

hide / TECHNOLOGY

Hemp black / hide has enhanced durability and is produced with 90% less energy than conventional synthetic leather.

It does not contain any PVC, plasticizers, heavy metals or phthalates and is made up of PU with rPET backing

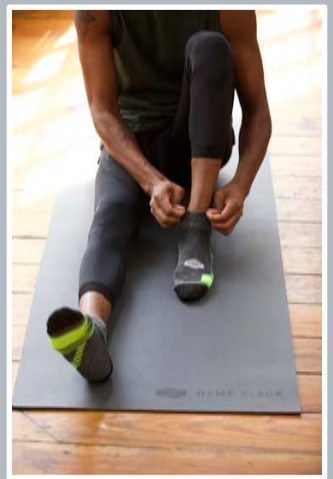
Initial laboratory testing shows anti-bacterial reduction when in contact with MSSA or MRSA.

hide / MARKETS

Synthetic leathers are becoming increasingly popular in the fashion industry, finding eco-friendly vegan alternatives is important to the consumer experience.

Leather products that contain the properties of our full spectrum hemp extract oil is particularly enticing in the following industries-Cleaner, Greener, Anti-Odor and Anti-Bacterial

- travel
- footwear
- bags / small goods
- yoga mat
- furniture
- apparel
- automotive



For personal use only

HEMP BLACK / fusion

Hemp Black / fusion combines both our Hemp Black / eco[6] and full spectrum hemp extract with a high tenacity performance fibre. This high-performance, conductive, carbon infused fibre is innovated to be anti-static.

fusion / TECHNOLOGY

Hemp Black / fusion has its technology added at the masterbatch level, making the valuable properties a part of the "DNA" of the fibre. This ensures the properties of both Hemp Black / origin and Hemp Black / element are retained within the fibre, even after laundering.

This fibre can be extruded as multiple high functioning, cross sectional shaped filaments such as a trilobal, in order to be integrated into various end uses.

fusion / MARKETS

Still in the development stages, Hemp Black / fusion can be found in emerging markets similar to Hemp black / origin and Hemp Black / element.

Potential Markets:

- military
- medical
- footwear
- apparel
- RFID Protection
- smart textiles
- wearable technology
- plastics, Indoor/outdoor, textiles

For personal use only

Outlook

Ecofibre's three businesses operate in distinct industries, and are at various stages of development. We remain confident in each business, however it is not possible to accurately forecast financial results for the portfolio at this time. We will continue to update the market on developments on a quarterly basis.

Whilst there is a significant amount of market activity that includes, but is not limited, to irrational competitive behaviour, an increasing number of new entrants and increased vigilance by quality customers, Ananda Health should continue to experience quality growth. The business is focused on the attractive long-term opportunity for this industry and will continue to operate in a manner commensurate with this view.

Ananda Food will have steady sales growth underpinned by quality clients. The business will not be profitable on a full year basis and will be around breakeven for 2H FY20.

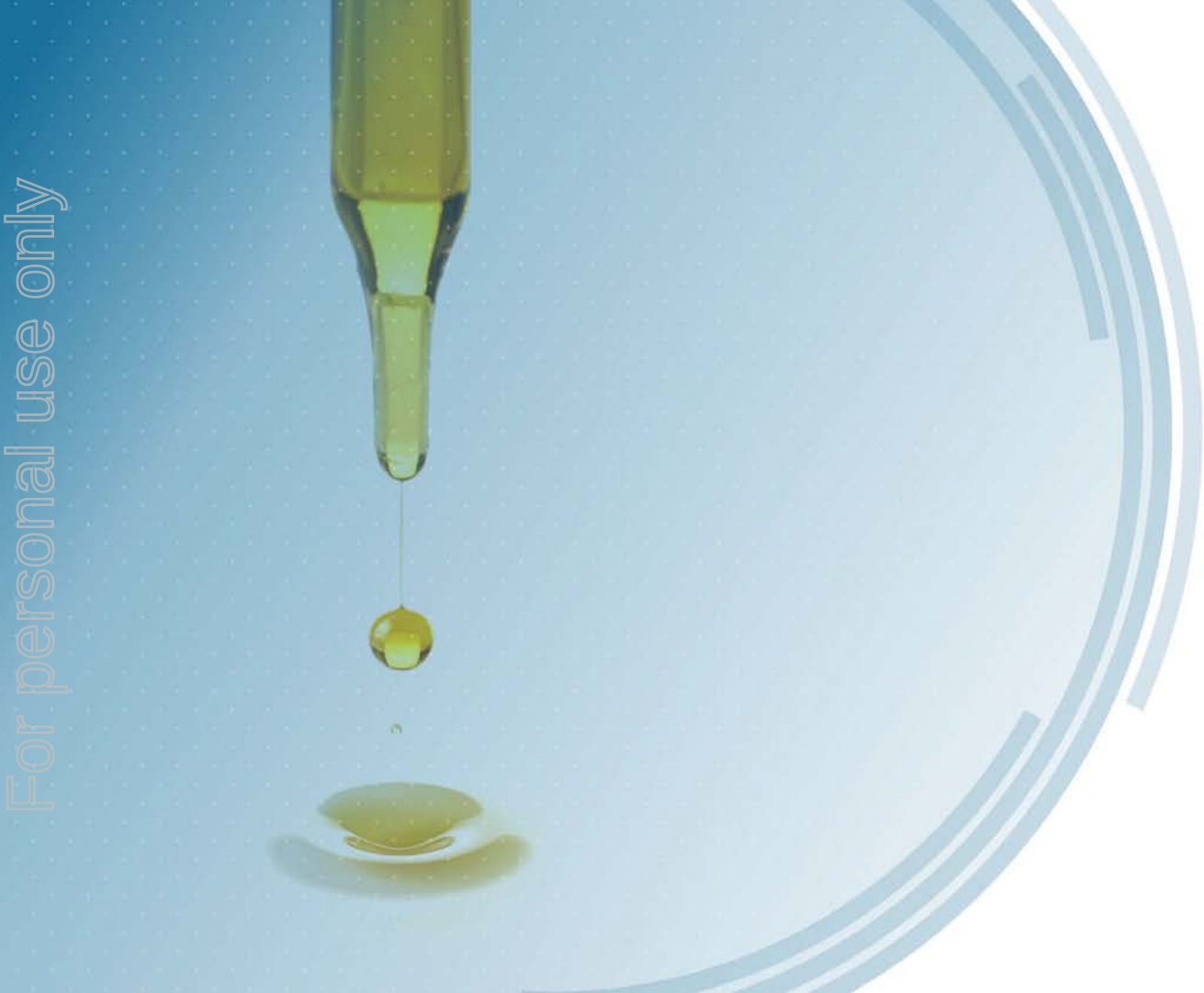
We are continuing with product development and roll-out of core infrastructure. We remain confident of long term commercial success.

For personal use only

Appendix

Reconciliation of underlying EBITDA and NPAT

AUD $m	1H19	2H19	1H20
Underlying NPAT			
Statutory NPAT	(0.4)	6.4	7.1
IPO costs expensed, after tax	-	0.7	-
Initial recognition of deferred taxes (net)	-	(1.6)	(0.3)
Underlying NPAT	**(0.4)**	**5.5**	**6.8**
Underlying EBITDA			
Statutory NPAT	(0.4)	6.4	7.1
Tax expense (benefit)	0.2	(1.6)	1.5
Depreciation	0.3	0.6	0.9
Interest expense	0.3	0.1	0.1
Interest revenue	-	(0.1)	(0.2)
EBITDA	**0.4**	**5.4**	**9.3**
IPO costs expensed	-	0.8	-
Underlying EBITDA	**0.4**	**6.2**	**9.3**



For personal use only

ECOFIBRE

CONTACT

investor-relations@ecofibre.com