Althea Group Holdings

# Investor Presentation

June 2024

ASX:AGH

# ALTHEA GROUP PLATFORM

We operate three separate and distinct strategic business units: Peak Processing Solutions (Peak), Althea & MyAccess Clinics.

| RECREATIONAL CANNABIS | PHARMACEUTICAL CANNABIS | |
|---|---|---|
| PEAK | Althea | myaccess clinics |
| Peak partners with consumer-packaged goods companies to develop, manufacture and launch recreational cannabis products | Althea is a global leader in the sales and distribution of medicinal cannabis products | MyAccess Clinics is one of Europe's leading medicinal cannabis clinics |

AGH is focused on meeting demand in the world's largest federally regulated cannabis markets including Canada, Australia, the United Kingdom, Germany and strategically positioned in the development, manufacture and distribution of premium quality cannabis-based medicines and recreational cannabis products

PEAK

# USA Cannabis Beverages Opportunity

# POSITIVE TAILWINDS

Positive market response to DEA's decision, indicating potential growth opportunities for cannabis companies

Regulatory de-risking and potential productivity gains for Peak USA, amidst evolving regulatory landscape

Improved regulatory conditions and tax reforms could enhance Peak USA's competitive position and profitability

**Forbes**

## DEA Agrees To Reclassify Marijuana Under Federal Law, AP Reports

The DEA will reclassify marijuana under federal law, according to an Associated Press report. GETTY

The Associated Press reported on Tuesday that the U.S. Drug Enforcement Administration has agreed to reclassify marijuana under a federal law, capping the Biden administration's efforts to reform the

**USA TODAY**

## Biden administration plans to drastically change federal rules on marijuana

The Biden administration is poised to make a landmark change to the federal government's position on marijuana with a proposed plan that would no longer consider marijuana among the most dangerous and addictive substances.

In what would be the biggest change in marijuana policy the federal government has taken since pot was first outlawed, the Drug Enforcement Administration will take public comments on a plan to recategorize marijuana under the Controlled Substances Act, according to a source familiar with the process. The news was first reported by The Associated Press.

The Department of Justice will send its recommendation to reclassify marijuana from a Schedule I drug to a Schedule III drug to the White House Office of Management and Budget, according to the source, who was not authorized to speak publicly. The Justice Department is expected to transmit the recommendation today, the source said.

The plan wouldn't legalize marijuana at the federal level outright, but it would reclassify it from a Schedule I drug – believed highly dangerous, addictive and without medical use – to a Schedule III drug that can be lawfully prescribed as medication. Marijuana has been a Schedule I drug since the Controlled Substances Act was signed in 1970.

**THE WALL STREET JOURNAL.**

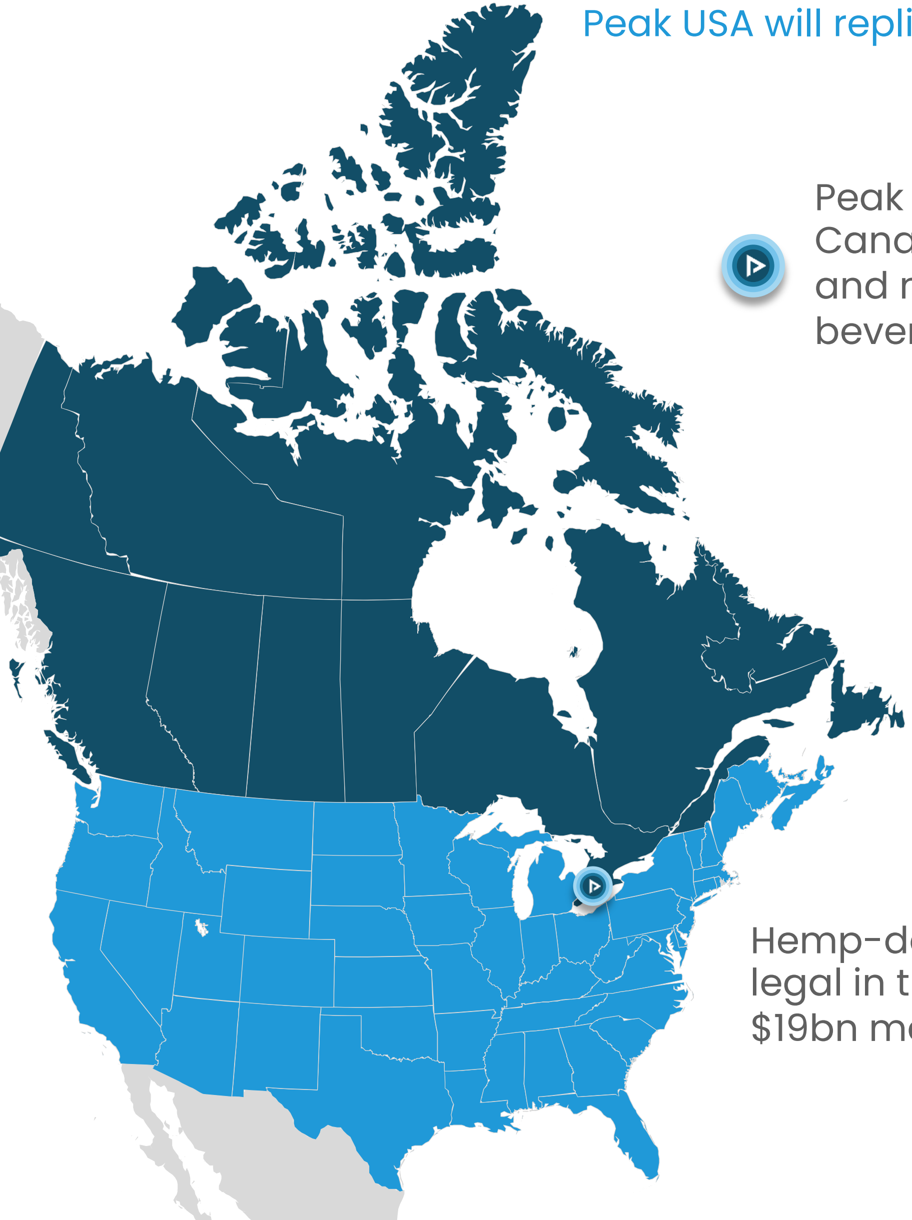
## Biden Administration Aims to Reclassify Marijuana as Less Dangerous Drug

The proposal would move marijuana out of the government's most restrictive drug classification.
PHOTO: EDUARDO MUNOZ/REUTERS

WASHINGTON—The Biden administration is seeking to reclassify marijuana as a less dangerous drug, a historic move that could make it much easier to buy and sell pot and make the multibillion-dollar industry more profitable.

# USA CANNABIS BEVERAGE OPPORTUNITY

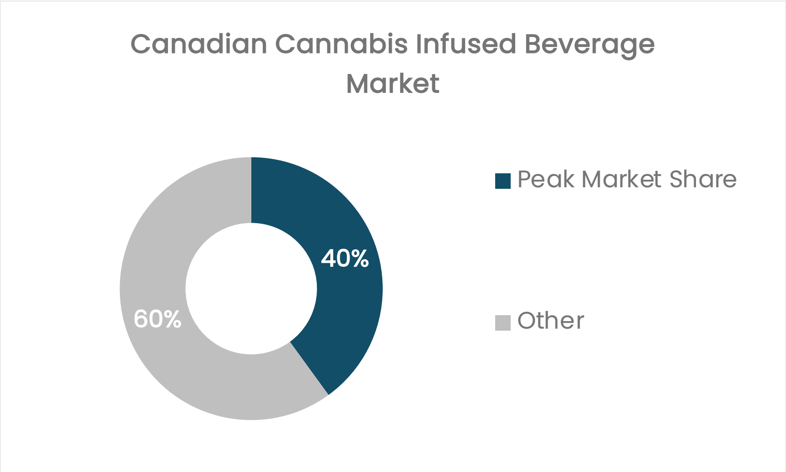
Peak USA will replicate the successful business model of Peak Canada, using our proprietary emulsion Envision™ to produce hemp-derived cannabis-infused beverages

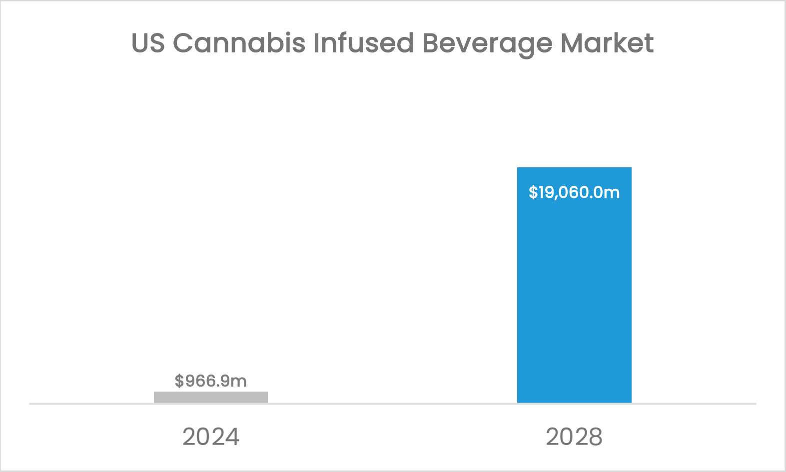


Peak Processing Solutions leads the Canadian market in contract development and manufacturing of cannabis-infused beverages with a **40% market share**

Peak USA will replicate the successful business model of Peak Canada, using our proprietary **emulsion Envision™** to produce hemp-derived cannabis-infused beverages

Hemp-derived THC cannabis beverages are legal in the USA and anticipated to represent a $19bn market by 2028




[1] ASX Announcement, 30 April 2024, Quarterly Results and Highlights for the period ending 31 March 2024; [2] https://www.marketdataforecast.com/market-reports/cannabis-beverages-market

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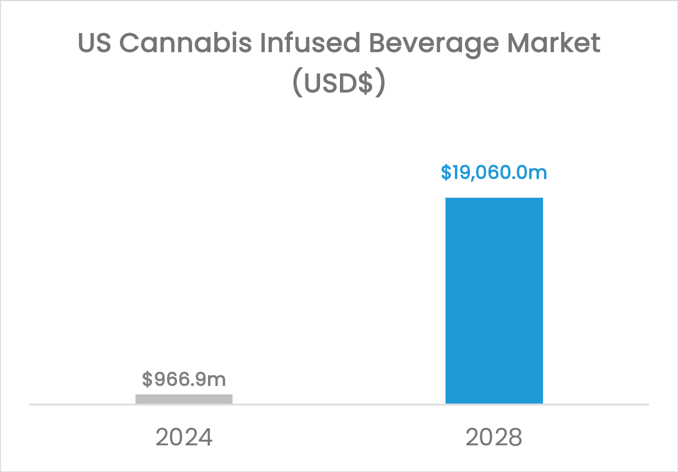
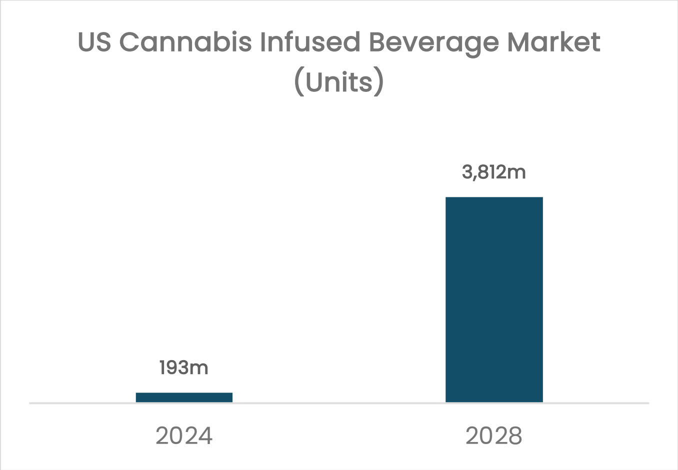


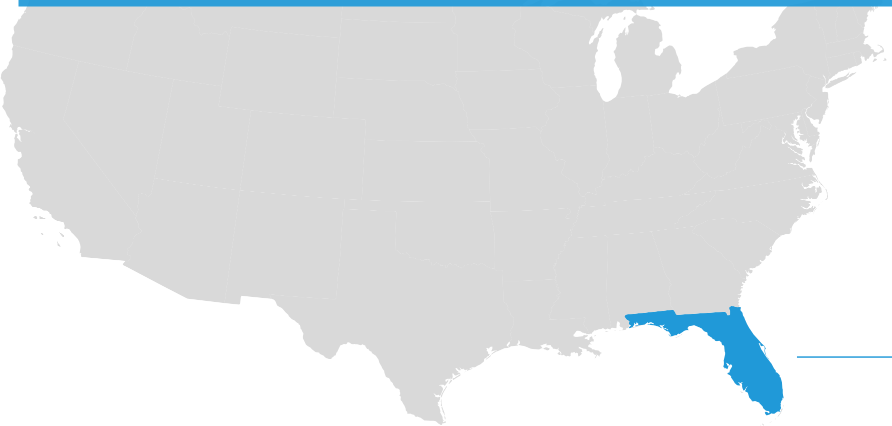

## Florida Entry – CY24

With a population of 22 million and minimal competition, Florida emerges as the ideal debut market for Peak USA's launch

Peak USA aims to launch five premium cannabis-infused beverages in the US market in July 2024, with six more beverages from CDMO partners planned for later in the year

Peak will implement a business-to-business (B2B) distributor sales strategy within Florida market initially

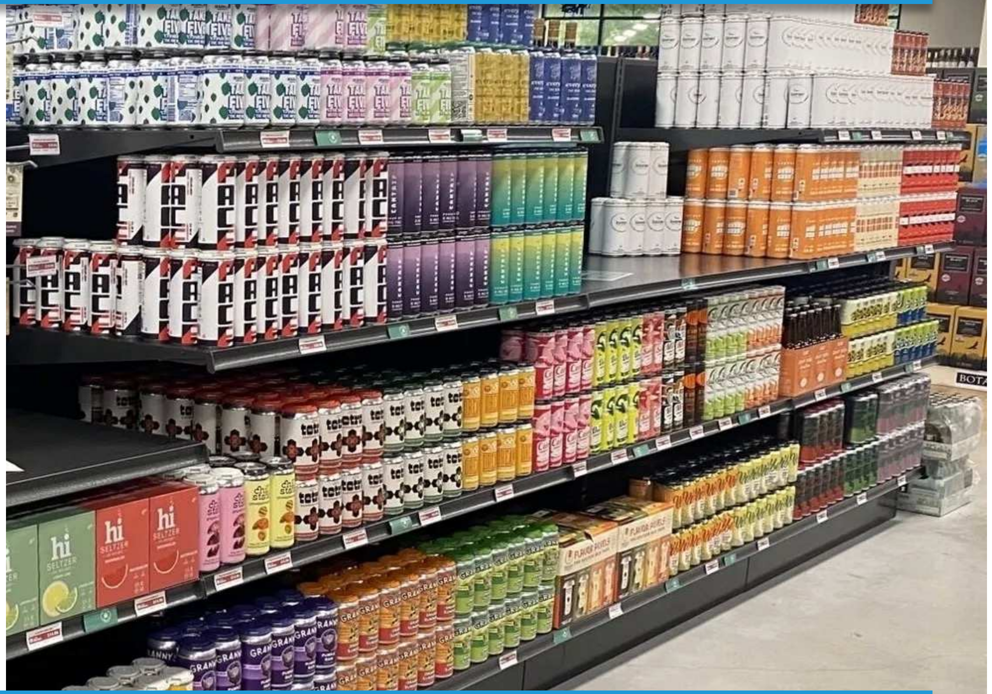
Peak will concentrate on a nationwide direct-to-consumer (D2C) sales strategy via its ecommerce platform, an approach already being utilised following the launch of Melo Seltzer




Peak through its partnership with Flora have officially launched its first range of THC infused beverages, *Melo Seltzer*, through its online website and is set to commence distribution through wine and liquor stores shortly


US Focused Products in Development

## Existing US Stocked Product (sold in liqour stores)


## Peak & Flora – Melo Seltzer




# AGH Consolidated Group Highlights FY24 (Q1-Q3)

# FINANCIAL HIGHLIGHTS

FY24 to date has seen a significant focus on cost reduction & increasing revenues to deliver positive cashflows

**$27m**

### Customer Receipts

Up 13% over PCP driven by continuing growth in the cannabis pharmaceutical business

**$14m**

### Pharmaceutical Cannabis

Increase of 32% over pcp

**-11%**

### Product Costs

Down to $12.1m, an 11% reduction on PCP, with further supply chain optimisation underway

**$13m**

### Recreational Cannabis

Down 2% on pcp due to planned facility upgrade in July 2024, requiring a 6 week full facility shutdown

**-69%**

### Operating Cash Outflows

Down to $2m from $6.5m with annualised cost savings worth a further $2.5m implemented in April 2024

**55%**

### Average Production Margin

Industry leading margins, with further margin growth anticipated

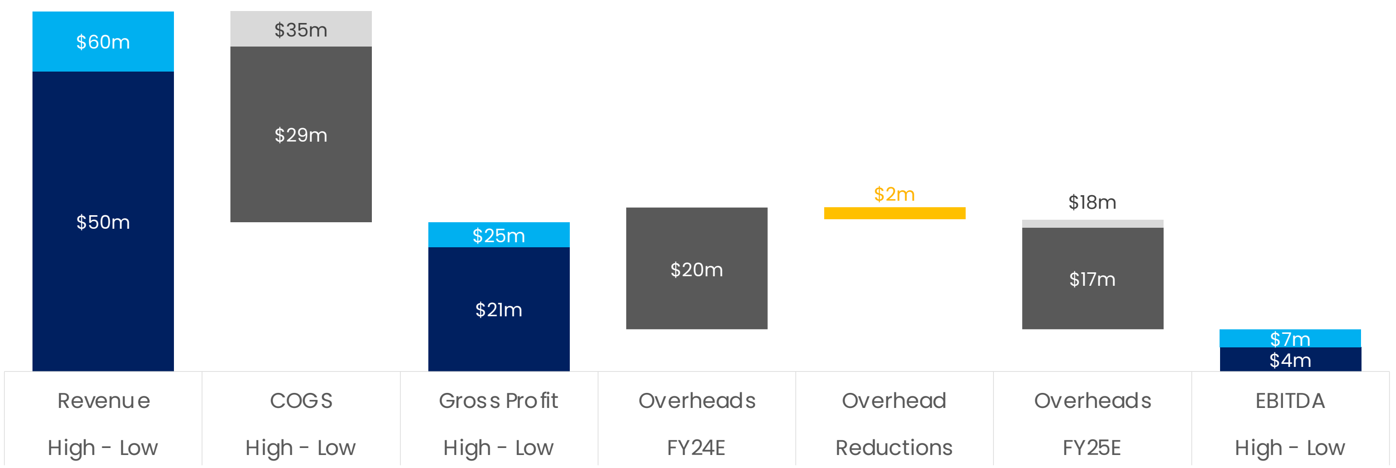
# RESTRUCTURE YIELDING IMPROVED RESULTS

Strong outlook for H2 FY24 and beyond, with cost restructure and growing cash receipts to deliver positive cash flows

**Restructure & cost reduction program implemented**

- AGH has completed the restructuring phase of its cost reduction program, identified as part of the Company's recently announced organisational review
- The restructure is expected to deliver approximately $2.5m annualised savings from May 2024
- $1.8m in salary reductions have now been implemented
- $0.7m in operational overhead cost savings identified
- Furthermore, the pharmaceutical division's COGS may decrease by ~$1m in FY25 due to explored supply chain optimizations
- **The Board provides FY25 guidance range of:**
    - **Revenue of $50m to $60m in revenue, translating to;**
    - **EBITDA of $4m to $7m**

**FY25E EARNINGS PROJECTIONS[1]**




[1]Earnings projections based on guidance range and incorporating the benefit of overhead reductions of ~$2m in FY25

PEAK

# Recreational Cannabis Highlights FY24 (Q1-Q3)

# PEAK HIGHLIGHTS

FY24 has seen a significant focus on cost reduction & increasing revenues to deliver positive cashflows

### Strong Sales & Springboard

- $13m in receipts from customers between Q1 and Q3 FY24
- Slight decrease in sales of 2% over PCP attributable to the facility upgrade that required a facility shutdown in July 2023
- The decision to interrupt Peak's beverage production line for a month allowed the installation of a tunnel pasteurizer, which enhances Peak's cannabis-infused beverage offerings and streamlines operations for key customers

### Cannabis-infused Beverages

- The Canadian adult-use cannabis market was expected to be worth CAD$6.4b in 2023[1]
- The cannabis beverage product category represents approximately 2.1% of the market, or CAD$134m, and is growing quickly
- Peak estimates that it now produces 40% of all cannabis-infused beverages available in Canada
- Peak has existing production capacity to more than double its current sales

### Market Consolidation

- Competition in the Canadian market has seen many licensed producers of cannabis retreat
- Many of the lower order operators closing down have been contract manufacturers, reducing competition for Peak
- Existing brands, many of them with strong in-market sales, are looking for a new supply chain
- Peak is in active discussions with multiple new customers and is set to capitalise on this industry consolidation

# OUR CUSTOMERS

## Managing some of Canada's top performing cannabis brands.

- Collective Project is a renowned brand, developed by Collective Arts Brewing, specialising in crafting high-quality cannabis-infused beverages
- Toyo Smoke is an award-winning, design-focused brand that seamlessly blends the best of cannabis with preeminent retail
- BC BUD CO. is a house of brands based out of British Columbia providing product to consumers across 6 provinces
- Ambr Cannabis provides a variety of high-quality cannabis products
- Ray's Lemonade is a leading brand in the legal cannabis-infused beverage market, with a significant market presence in Washington
- Yandi Fresh design and deliver high-quality, all-natural cannabis beverages
- Senorta is a cannabis infused beverage brand, known for producing its cannabis infused margarita
- Canopy is a global, best-in-class cannabis company and CPG organisation with a focus on improve lives
- TeaPot is a line of cannabis-infused iced teas, providing a mellow, non-alcoholic experience
- Sweet Juice focus on producing a collection of THC-infused classis tasty drinks with modern ingredients
- Cookies is the most globally recognised cannabis company, offering over 70 proprietary cannabis cultivar and more than 2,000 products
- Voila produce cannabis-infused, clean sparkling water, focused o offering a low-calorie alternative to sugary soda and cold brews

# Pharmaceutical Cannabis Highlights FY24 (Q1-Q3)

# ALTHEA HIGHLIGHTS

Strategic commercial initiatives have Althea well placed for profitability and growth

### Strong Sales Growth & Increasing Patient Base

- $14m receipts from customers between Q1 and Q3 FY24
- 32% increase over PCP
- With over 60,000 patients using our products, Althea is one of the largest suppliers of cannabis-based medicines globally

### Strong Margins

- Althea has sustained competitive pricing, boosted sales to patients, and achieved gross profit margins of over 50% by prioritising cannabis extracts

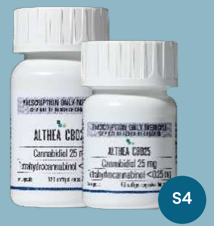
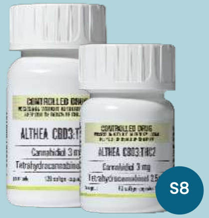
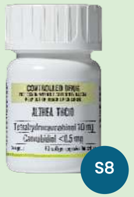
### Althea's Competitive Advantage

- Althea recently became the worlds first and only supplier of EU-GMP certified THC-based softgel capsules
- The innovative range of Althea softgel capsules offers a fixed-dose oral formulation, providing gradual onset and extended duration of effect
- Althea softgel capsules may be preferred by doctors for the management of chronic conditions such as anxiety, pain, and sleep difficulties

# SOFTGEL CAPSULES

Softgel capsules provide consistent dosing in a familiar and convenient format, supporting overall compliance for patients, which may result in even greater patient retention

- Althea softgel capsules are available in CBD-dominant, balanced and THC-dominant formulations
- Attractively priced for patients with strong margins, Althea believes softgel capsules are the next generation of cannabis extracts, superseding bottled oils

| ALTHEA PRODUCT | | PACK SIZE | TGA CATEGORY |
|---|---|---|---|
|  S4 | **Althea CBD25**<br>25 mg CBD,<br><0.25 mg THC<br>per capsule | 60 & 120 capsules | **TGA category 1 capsule**:<br>CBD medicinal cannabis product (CBD ≥98%) |
|  S8 | **Althea CBD3:THC2**<br>3 mg CBD,<br>2.5 mg THC<br>per capsule | 60 & 120 capsules | **TGA category 3 capsule:**<br>Balanced medicinal cannabis product<br>(CBD <60% and ≥40%) |
|  S8 | **Althea THC10**<br>10 mg THC,<br><0.5 mg CBD<br>per capsule | 60 capsules | **TGA category 5 capsule:**<br>THC medicinal cannabis product (THC >98%) |

CBD-DOMINANT
BALANCED
THC-DOMINANT

# MYACCESS CLINICS HIGHLIGHTS

Delivering predictable and recurring sales of Althea products

### Increasing Patient Numbers In UK & Ireland

- MyAccess Clinics has consulted with over 10,000 patients in the UK
- MyAccess Clinics is having its strongest financial year to date, with over $1.2m of sales generated
- MyAccess Clinics recently launched in Ireland and is servicing a growing number of patients using a framework where medicinal cannabis can be reimbursed

### Germany's Legalisation Of Cannabis

- The Federal Council of Germany has given its approval to the bill legalising recreational cannabis for personal use
- Starting from 1 April 2024, adults aged 18 and over are allowed to possess up to 25 grams of cannabis in public spaces and 50 grams and cultivate up to three cannabis plants in private homes

### Germany Clinic Launching 2HCY24

- Removing cannabis as a narcotic would also create more patient access opportunities to medicinal cannabis in Germany
- AGH plans to leverage this momentum by expanding MyAccess Clinics to Germany in the second half of 2024

# CORPORATE OVERVIEW

| Key Market Statistics | Althea Group Holdings (ASX:AGH) |
|---|---|
| ASX code | AGH |
| Share price (5 June 2024) | $0.027 |
| Market capitalisation | $10.9m |
| Shares on issue | 405,332,442 |
| GISC clarification | Pharmaceutical, Biotechnology & Life Sciences |

| Name | Numbers held | % total of shares issued |
|---|---|---|
| Joshua Michael Fegan | 57,588,651 | 14.20 |
| HSBC Custody Nominees (Australia) Limited | 27,914,525 | 6.89 |
| Adman Lanes Pty Ltd | 25,750,000 | 6.35 |
| Mancann Pty Ltd | 10,000,000 | 2.47 |
| Hootch Pty Ltd | 7,500,000 | 1.85 |
| Citicorp Nominees Pty Ltd | 7,222,257 | 1.78 |
| Hosanda Corporation Pty Ltd | 5,475,000 | 1.35 |
| Mr Thomas Mark Nowak | 5,000,000 | 1.23 |
| Pitcher Investments Pty Ltd | 4,070,000 | 1.00 |

# BOARD OF DIRECTORS

A highly credentialed & experienced Board, with deep experience in Pharmaceuticals, biotechnology & FMCG

## Andrew Newbold

Chairman & Independent Non-Executive Director

Extensive experience as director of numerous private companies and not-for-profit organisations

20 years' experience as a commercial lawyer and has played an integral role in the development of various businesses.

## Joshua Fegan

Chief Executive Officer & Founder

Founder of Althea Group with extensive experience in business building, sales and marketing

Proven business and strategy skills and previously held numerous senior management roles at national value-based retailer, Strathfield Group

## Penelope Dobson

Independent Non-Executive Director

Accomplished business executive in healthcare industry and trained pharmacist in New Zealand, three decades at global pharma Merck & Co, in a variety of commercial roles

Formerly Deputy Chair of the Australian Nuclear Science and Technology Organisation Board, and a non-executive director at Invetus Pty Ltd

## Alan Boyd

Independent Non-Executive Director

Former Chief Financial Officer and Company Secretary of Ridley Corporation, an ASX-listed provider of high-performance animal nutrition solutions

Alan has occupied the same position with listed biotechnology companies Avexa Limited and Zenyth Therapeutics Limited

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