



2020 Annual General Meeting – CEO Address Althea Group Holdings (ASX:AGH)

Althea Group Holdings Limited (ASX:AGH) ('Althea' or 'the Company') is pleased to provide the following address to be delivered by Althea CEO, Joshua Fegan, at the Company's 2020 Annual General Meeting to be held in Melbourne today, 26 November 2020.

CEO Address

On behalf of Althea, I would like to extend a warm welcome to those in attendance at our third Annual General Meeting, following our second full year as a publicly listed entity.

Althea was established in 2017 with the goal of supplying high-quality pharmaceutical-grade medicinal cannabis products to eligible patients suffering from debilitating conditions. Since establishment, and subsequent to the ASX listing, the Company has continued to meet milestones relating to growth across all aspects of the Althea business.

During the 2020 Financial Year, Althea continued to deliver strong results despite COVID-19 restrictions remaining in place, with the Company achieving key milestones across all jurisdictions.

In Australia we've realised rapid growth in both prescribing doctors and patients, despite unfavourable trading conditions, coupled with record sales, including online through Althea Concierge™. In Canada, although occurring after the FY20 financial year, in September we saw the granting of Peak Processing Solutions' ('Peak') Standard Processing License from Health Canada, with operations having commenced immediately and strong initial sales of Cannabis 2.0 products. In Europe, we continued to increase patient numbers in the UK through MyAccess Clinics and independent prescribers, and achieved milestones relating to Althea's imminent entry into the German market.

This past year we have seen exponential growth in the Australian Cannabis market. According to recent research by Australian cannabis industry expert FreshLeaf Analytics, the Australian market has grown 3x year on year and will close 2020 with around 30,000 active patients, equating to almost \$95M in product sales¹.

In Australia, Althea ended the 2020 Financial Year with 7,294 patients, more than seven times the 1,142 patients as of 30 June 2019. We have continued to achieve record growth throughout calendar year 2020 in patient numbers, with now over 10,000 total patients in Australia and this number growing at an exponential rate.

Based on the projected 30,000 active patients in Australia, Althea currently holds greater than 25% market share, and we will continue to grow patient numbers during 2021 thanks to our superior market access strategy, which has not changed since day one. The number of Australian Healthcare Professionals that have prescribed Althea's medicinal cannabis products has also increased significantly, almost tripling to 590 during the 2020 financial year, and more than 771 to date.

¹ <https://freshleafanalytics.com.au/freshleaf-analytics-q3-2020/>



With a major regulatory change proposed in relation to the status of cannabidiol (CBD) in Australia, CBD products are set to become available over the counter under the proposed Therapeutic Goods Administration ('TGA') reclassification. We applaud the interim decision by the TGA to amend the current Poisons Standard to down schedule CBD to allow greater access through a new Schedule 3 entry². The TGA has advised a final decision will be released in late December 2020 and we expect these proposed changes to drive further growth in the Australian cannabis market.

During the year, we also continued to achieve milestones in the United Kingdom, as we made significant progress in replicating the highly successful strategy we have employed in the Australian market of simplifying patient access to medicinal cannabis. We achieved major UK milestones during FY20, with Althea exporting the first UK shipment of medicinal cannabis products, the first Althea medicinal cannabis product sale in the UK and the official opening of MyAccess Clinics.

We continue to see encouraging patient trends in the UK, with early prescription behaviour following a similar pattern to that of Australia. In 2021, we aim to scale UK operations including increasing the in-field representative team and employing more doctors at our dedicated medicinal cannabis clinic, MyAccess Clinics.

Similar to Australia, we continue to see easing of restrictions in the UK, and in March 2020, the UK Department of Health and Social Care and Home Office, announced that following the relaxation of import restrictions, patients that are prescribed cannabis-based medicines would be able to get their treatment in days rather than months.

We expect these regulatory changes to result in further growth in this market, and with a UK patient target of 10,000 by the end of 2021, we again have set aggressive growth targets, as we seek to build further awareness and sales in this key territory.

Aligning with our international expansion strategy, in May 2020, we signed a three-year Supply and Distribution Agreement with Nimbus Health GmbH ('Nimbus Health'), a pharmaceutical wholesaler.

This month, Germany's health department (BfArM) granted all necessary licenses for the sale and distribution of Althea products in Germany, with an initial order of 2,000 Althea products expected to be delivered to Nimbus Health, in December 2020.

During 2021, we aim to further educate Healthcare Professionals, with our cannabis-extracts (Althea cannabis oils) expected to resonate with the wider German medical community, and Althea Concierge™ forming the cornerstone of our market access.

Nimbus Health will sell and distribute Althea's full suite of extract products under the Althea brand name and will adopt the same strategy that we have successfully implemented in Australia and the UK, underpinned by a highly trained infield sales team and a localised version of Althea Concierge™. The combination of these initiatives with Nimbus' local expertise, perfectly positions Althea to become a market-leading medicinal cannabis brand in Germany.

² <https://www.tga.gov.au/sites/default/files/notice-interim-decisions-proposed-amendments-poisons-standard-acms-and-joint-acms-accs-meetings-june-2020.pdf>



To add further depth to our growing Althea product range, in October 2019 we launched a new full spectrum CBD product marking a milestone as Althea's first highly concentrated CBD product, formulated specifically to compete with 'CBD only' products, which are generally purified or isolate CBD.

The full spectrum product is manufactured in Australia to Good Manufacturing Practice (GMP) standards and has been exported to international markets. Althea CBD100 has been well received by patients and Healthcare Professionals and represented approximately a quarter of total sales in the second half of FY20.

Over the following 12 months, we aim to continue product development with numerous prescription and non-prescription cannabis products currently under development. We expect some newly developed products to become available during 2021.

With Canada undergoing its next step of cannabis legalisation, a new industry has exploded with potential. Cannabis 2.0 saw edibles containing cannabis and cannabis concentrates become legal in October 2019, with Althea's wholly-owned subsidiary, Peak Processing Solutions positioned at the forefront of this burgeoning industry.

In September 2020, Peak immediately commenced operations following the granting of a Standard Processing License from Health Canada. Althea acquired Peak in October 2019, with the aim of manufacturing Cannabis 2.0 products on behalf of third parties, as well as supplying medicinal products to our own pharmaceutical operations. The first products manufactured by Peak will be delivered to Althea in December 2020.

With the granting of the Health Canada licence and regulatory hurdles cleared, negotiations were accelerated with various customers, and the Peak team were quick to convert leads into contracts. As announced in November 2020, Peak has already signed deals with revenue forecasts of up to CAD\$4.65M over the next 12 months, with further Peak agreements anticipated during the 2020 calendar year.

Strong financial milestones have been set for 2021, as Peak must generate CAD\$7m of revenue and CAD\$2m EBITDA within 12 months of being granted the Standard Processing License, in order for its previous owners to earn their next tranche of performance rights. Similarly, Peak must generate CAD\$25m of revenue and C\$12.5m EBITDA within 18 months of being granted the Standard Processing License for its previous owners to earn their final tranche of performance rights. These revenue targets align with our own expectations in Canada and we are confident that the Peak team will be able to meet or exceed these targets.

In July 2019, we completed a successful capital raise for a A\$29.7m to fund the acquisition of Peak and further growth initiatives. As at 30 September 2020, the Company held \$6.985m in cash, strongly positioning us heading into 2021, as we execute further growth strategies to increase shareholder value, with Companywide break-even expected within the March 2021 quarter.

I would like to thank shareholders, the Althea Board, all staff across the wider Althea organisation, and our global network of Healthcare Professionals, for their continuing support.

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Althea Group Holdings Limited (ASX:AGH)

Althea is an Australian licensed producer, supplier and exporter of pharmaceutical grade medicinal cannabis and is listed publicly on the Australian Securities Exchange (ASX:AGH). Althea also offers a range of products, 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 Germany, emerging markets throughout Asia and other parts of Europe.

To learn more, please visit: www.althea.life

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