

31 August 2023

## **Business Update: Melodiol Continues Strong Revenue Growth Trajectory**

### **Highlights:**

- **Group revenues for the half-year amounted to \$6,995,000, representing a 62% increase on the prior corresponding period (H1 2022: \$4.317m)**
- **Strong revenue trajectory evidenced by 101% increase in revenues from Q1 '23 to Q2 '23**
- **Melodiol on track to deliver further revenue growth in Q3 '23**
- **Key subsidiaries, Mernova Medicinal Inc., and Health House International, each delivered a cash flow or EBITDA positive quarter during H1 2023, indicating an ongoing trend of significant revenue growth and cost discipline at operating subsidiaries**
- **Post-balance date, Melodiol also signed an LOI for the sale of two of its fully-owned subsidiaries, Sierra Sage Herbs LLC and Halucenex Life Sciences Inc., for an initial up-front consideration of US\$5m, including US\$2m in non-dilutive cash; transaction would allow Melodiol to increase focus on accelerating growth at Mernova and HHI**

**Melodiol Global Health Limited (ASX:ME1, FRA:1X8) ('Melodiol' or 'the Company')** is pleased to provide this Business Update to accompany its Half-Year Report and Accounts for the six-month period ended 30 June 2023 ('H1 FY2023').

During the period, Melodiol continued to gain traction with its multi-channel revenue strategy across global markets, targeted M&A and ongoing research & development.

The Company is well positioned to consolidate its business model as a leading supplier of medical and recreational cannabis and innovative health products heading into H2 2023 and the years ahead.

### **Revenue Trajectory:**

Reflecting the group's strong operational momentum across global markets, Melodiol recorded half-year revenues of \$6,995,000 on a currency-adjusted basis, up 62% on the prior corresponding period.

The H1 sales result was led by strong growth for Melodiol's 100%-owned subsidiary Mernova Medical Inc. ('Mernova'), a Health Canada GPP-compliant cannabis production company, which continued to expand its presence across key Canadian target markets and, in Q1'23, became the first Melodiol division to generate positive cash flow from operations.

Alongside Mernova's momentum, Melodiol also completed the acquisition of Health House International Limited (HHI), a leading distributor of medical cannabis products in Australia and the UK. The integration of HHI as a fully-owned subsidiary resulted in a material increase to group revenues which is expected to continue in the second half of the financial year. Notably, HHI's operating subsidiaries have delivered strong revenue, alongside positive EBITDA margins over the course of 2023.

## **Profitability:**

The Company's comprehensive loss for the period was \$27.6m, which included (1) non-cash accounting adjustments for impairment (\$10.4m), depreciation and amortisation (\$1.2m), and fair value adjustments (\$0.7m); (2) non-operating items such as finance costs (\$5.1m); and (3) several other non-operating items expected to reduce in frequency over time such as M&A integration costs, heightened legal and regulatory fees associated with capital raisings and M&A transactions, among others. This is evidenced by the fact that cash outflows from operations totaled only \$6.9m for the half year. The Company believes that following the completion of M&A integrations and further streamlining of operations, it has the ability to significantly improve its financial metrics in the future.

**Chief Executive Officer Mr William Lay said:** *"The half-year period to June 30, 2023 was a period in which the Company converted its stated growth trajectory into genuine revenue momentum and established the framework for further growth in sales.*

*Operationally, group sales were underpinned by the ongoing outperformance of Melodiol's fully-owned subsidiary Mernova Medical Inc, which continues to go from strength-to-strength with its leading range of cannabis products in the Canadian market. With Mernova reporting record quarterly sales heading into the end of H1, Melodiol further broadened its global revenue profile through the successful acquisition of Health House International, a leading supplier of medical cannabis products in Australia and internationally.*

*The HHI acquisition complements Mernova by extending the addressable markets Melodiol serves, while also opening up the potential for advanced R&D and new product development through its existing suite of licenses that cover storage, distribution and the import/export. The momentum from our core operating divisions is evident through both our half-year results and the Company's latest announcements post balance-date, which highlight that positive revenue and earnings trends have continued into the September quarter.*

*Melodiol heads into the second half of the year well-positioned to execute on its key strategic objectives; to become a leading supplier of best-in-class cannabis and hemp products globally, while playing a leading role in developing the pathway to market for innovative controlled-drug treatment solutions, in direct consultations with leading producers and federal health regulators."*

**-Ends-**

## **Authority and Contact Details**

This announcement has been authorised for release by the Board of Melodiol Global Health Limited.

**For further information, please contact:**

### **Investor Enquiries**

Melodiol Global Health Limited

E: [info@melodiol-global-health.com](mailto:info@melodiol-global-health.com)

P: +61 (0) 497 571 532

## About Melodiol

Melodiol Global Health Limited (ASX:ME1) brings the best of cannabis and other plant-based products to better the lives of people and animals. Melodiol strives for the highest quality in its products. It develops cannabis, hemp-derived and other plant based therapeutic, nutraceutical, and lifestyle products with wide consumer reach.

To learn more please visit: <https://melodiolglobalhealth.com/>

## Melodiol offices:

**Australia:** Suite 5 CPC, 145 Stirling Hwy, Nedlands, WA, 6009

**Canada:** 59 Payzant Drive and 50 Ivey Ln, Windsor, Nova Scotia, B0N 2T0

## Forward Looking statements

This announcement contains forward-looking statements with respect to Melodiol and its respective operations, strategy, investments, financial performance and condition. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of Melodiol could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition and government regulation.

The cautionary statements qualify all forward-looking statements attributable to Melodiol and persons acting on its behalf. Unless otherwise stated, all forward-looking statements speak only as of the date of this announcement and Melodiol has no obligation to up-date such statements, except to the extent required by applicable laws.