23 August 2019

Comvita announces full year audited result

For the year ended 30 June 2019, Comvita (NZX:CVT) today confirms a net operating loss after tax of $7.6m on revenue of $171m. Net profit after tax (NPAT), including non-operating adjustments, is a loss of $27.7m.

Financial results for the year ended	30 June 2019 Audited	30 June 2018 Audited
Revenue	$171m	$178m
EBITDA* excluding non-operating items	$0.0m	$21.6m
NPAT	$(27.7)m	$8.2m
NPAT attributed to non-operating items	$(20.1)m	$(1.1)m
NPAT excluding non-operating items	$(7.6)m	$9.3m
Earnings per share NPAT (NZ Cents)	(61.05)	18.25
Dividend per share (NZ Cents)	-	6.00
Net debt	$89m	$92m
Net operating cashflows	$21m	$(22)m

*EBITDA: Earnings before interest, tax, depreciation and amortisation

Comvita Chairman Neil Craig, said "this is an extremely disappointing conclusion to a year of significant change. We had to absorb a number of external events simultaneously, that conspired to impact our business negatively. Sales volume and margin have been directly impacted by the changes to market access rules imposed by the Chinese government on daigou resellers, at the same time as New Zealand's Ministry for Primary Industries imposed tighter specifications on the export of branded Manuka honey. As reported in May this year, our owned apiary business, Kiwi Bee had another poor season, and we were forced to absorb an unanticipated hit to our gross profit of more than $6m."

"Whilst we implemented a number of bold strategic initiatives to address the issues, namely ensuring greater control of sales to China by owning in-market distribution and making structural changes to our apiary business to minimise the impact of a poor season, it was clearly too late to remedy the shortfall and engineer a turnaround in FY19. With control over our supply chain for our core ingredients and our distribution business in most markets still showing solid signs of growth, the Board is confident of restoring positive sales momentum and positive earnings in the next fiscal year."

At the beginning of June 2019, the company announced that it had established a special purpose sub-committee to conduct a review of the under-performing assets of the business, as well as structural, balance sheet, leadership and organisational considerations. Leader of the review, Executive Director Brett Hewlett, said "changes have already started at the company. Early in the process we looked to draw out any skeletons from the balance sheet cupboard and deal quickly to impediments to improving performance in FY20."

“Given the recent history of poor honey harvest, adjusting for the recent changes to the regulatory environment, and under the shadow of a languishing share price that undervalues collectively the Groups non-current assets, we have chosen as a Board to act conservatively, and realise impairments to the value of some of those assets now. The non-operating adjustments of $20.1m, mostly impairments of goodwill intangible assets, has been necessary to clear the way for a more focused reset of our strategy. This will also ensure that we are not unnecessarily hindered as we strive to returning to net positive earnings growth.”

“We are well placed to capitalise on our leading brand position in China, the fastest growing consumer market in the world, and we will be pooling our global resources to ensure we restore positive sales momentum and earnings in FY20.”

More details of the strategic review, which is still ongoing, including an update of the Company’s search for a new CEO, will be announced at our ASM in October 2019.

Ends.

For further information:
Comvita Executive Director, Brett Hewlett, 021 740 160
Comvita Chair, Neil Craig, 021 731 509

Background information
About Comvita (www.comvita.co.nz)
Comvita (NZX:CVT) is a global natural health company committed to the development of innovative products, backed by ongoing investment in scientific research.