

24 September 2014

Strategic Update and Earnings Outlook

Comvita's strategic initiative to increase security of Manuka honey supply is resulting in a significantly improved annual sales and earnings outlook for the business. Ownership of what is now a very large beekeeping operation is delivering value. However, it has resulted in significant structural changes for the business, and the associated financial reporting, further exacerbating the year-of-two-halves. Comvita will report a lower first half and a higher second half year net earnings result.

- Sales for the six months ending September 2014 are estimated to be \$56 million, up from \$43 million in the prior year. Sales for the full year through to the end of March 2015 are forecast to be in the range of \$140 - \$145 million, up from \$115 million in the prior year.
- Net profit after tax (NPAT) for the period ending September 2014 is estimated to be a loss of approximately \$4.0 million, compared to a loss of \$0.8 million in the prior year. For the full year ending March 2015, the company forecasts NPAT of \$9 - \$10 million, up from \$7.6 million in the prior year.

Strategic initiatives realised

Comvita has recently completed a three year strategic initiative to increase direct ownership of Manuka honey supply to around 50% of the company's total needs for this coming season. Additionally in May this year the company concluded the acquisition of South Island based New Zealand Honey Ltd. That acquisition incorporated a long term honey supply agreement with NZ Honey Producers Co-operative. Armed with this additional security of supply, Comvita has been able to forge ahead with growth plans both in the key Asian markets and also closer to home in Australia and NZ.

Year-of-two halves further exacerbated

At the annual shareholders meeting in July, the company gave guidance that the operating profit for the half year is likely to be lower than the prior year, and that the full year will be higher. This is partly due to our year-of-two-halves given the imbalance of sales between the northern hemisphere and southern hemisphere seasons. However, another key contributing factor is that ownership of a very large beekeeping operation has resulted in structural changes to the business. The accounting treatment for beekeeping operations, means that the profit benefit for the wider business, generated from the cost advantages of ownership, can only be recognised after the honey harvest is collected in the period January-March 2015. This therefore has a negative effect on the NPAT result for the first half of the year.

Comvita CEO, Brett Hewlett said, "We thought it was important to communicate how the changes to the business impact the half year and full year reporting. The performance of the business is trending in line with internal forecasts and we expect to be able to report an increase in net earnings of greater than 20% for the full year. We will keep the market informed if there is any material change to this outlook."

Profit guidance

NPAT for the period ending September 2014 is estimated to be a reported loss of approximately \$4.0million, compared to a loss of \$0.8 million for the same period in the prior year. This difference has resulted from the accounting treatment of our beekeeping operations, a negative impact of the non-cash revaluation of warrants held in Derma Sciences (NASDAQ:DSCI), and the one-off acquisition costs associated with New Zealand Honey Ltd. These differences account for \$3.4 million of the estimated loss of \$4.0 million.

For the full year ending March 2015 the company forecasts NPAT of \$9 - \$10 million, up from \$7.6 million in the prior year. The full year earnings forecast is sensitive to the outcome of the New Zealand summer honey harvest, the actual market sales and any further revaluations up or down, of Derma Sciences warrants held by Comvita.

Comvita's result for the first half of 2015 will be reported on 27th November 2014.

Ends

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Background information

About Comvita (www.comvita.com)

Comvita (NZX:CVT) is a global natural health company committed to the development of innovative products, backed by ongoing investment in scientific research. We are the world leaders in Manuka (leptospermum) honey and fresh-picked Olive Leaf Extract, which are at the core of the Comvita product range.

We have approximately 50% of honey supply under direct ownership or control, with the balance of supply from long term contractual and partnership arrangements. Comvita pioneered the development and use of medical grade Manuka honey and was the first to receive FDA approval (2007). We partner with US wound care company Derma Sciences, Inc. (NASDAQ:DSCI), the global licensee for Medihoney® specialist wound care products, which are used in hospitals and medical centres around the world. Comvita's Olive Leaf Extract is grown, harvested, extracted and bottled at the world's largest specialised olive leaf grove, with over one million olive trees.

Comvita sells into more than 18 countries through a network of our own branded retail locations, online (nine country specific e-commerce websites) and third-party outlets. We have over 450 staff located in New Zealand, Australia, Hong Kong, Japan, Taiwan, South Korea, United Kingdom and USA.

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