



NZX AND MEDIA RELEASE

23 May 2013

COMVITA FINANCIAL RESULTS FOR THE YEAR TO 31 MARCH 2013

## COMVITA RESULTS AT UPPER END OF GUIDANCE - OUTLOOK HEALTHY

### Highlights

- Annual sales rose 8%, breaking through the \$100m milestone for the first time, to reach \$103.5m.
- Net profit after tax of \$7.4m achieved despite constrained Manuka honey supply and wholesale honey costs that rose sharply in the second half of the year.
- Strong demand in Asia combined with product and market diversity insulated Comvita earnings from the worst impact of Manuka honey shortages and honey cost increases.
- Manuka honey supply returning to normal as a result of an above average 2012-2013 summer flowering season and additional volumes through the acquisition of an additional high-quality Manuka apiary business.
- A clinical trial on Comvita Fresh Olive Leaf Extract showed significant positive results for blood sugar control in at-risk adult males.
- Continued strong growth in the medical honey category with annual royalties now in excess of \$1.3m.
- A final dividend of 9 cents per share has been declared by the Board, bringing total dividends for the year to a fully imputed 13 cents per share.

Financial results for the Year to 31 March	2013 \$M	2012 \$M	Change %
Revenue	103.5	96.0	7.8%
EBITDA*	14.7	15.5	(5.2%)
Net profit after tax	7.4	8.2	(9.8%)
Earnings per share (cents)	25.7	29.1	(11.7%)
Dividend (cents)	13.0	14.0	(7.1%)

\*Earnings before interest, tax, depreciation and amortisation.

Global natural health and beauty products company Comvita has today posted annual sales reaching a record \$103.5 million, despite a sharp rise in the cost of Manuka honey, a key ingredient for the Comvita product range.

Revenue for the year to 31 March 2013 rose 8% to \$103.5 million from \$96 million as we continued to grow sales in the high-value North Asian markets – notably China, Hong Kong and Korea.

However, earnings before interest, tax, depreciation and amortisation fell 5% to \$14.7 million due to challenging trading conditions in the United Kingdom, Europe and Australia, the strong New Zealand dollar and a squeeze on Manuka honey supply.

Manuka honey prices increased up to 50% during the year due to rising demand for this unique New Zealand product combined with a lower honey harvest following cold weather during the 2011/2012 Manuka flowering season. This followed an equally poor 2012/2011 harvest, which together had the impact of depleting our inventory of this key raw material.

Net profit after tax fell 10% to \$7.4 million, which is at the upper end of the revised earnings guidance we informed the market of in February 2013.

Comvita Chairman Neil Craig says: "Given the constraint on the supply of Manuka honey, one of our most important ingredients, we are satisfied with our financial results. Our significant investment in sales and marketing infrastructure in key export markets over the last few years has allowed us to pass on raw material price increases without dampening demand, albeit with some lag in financial impact on our profits.

"We have taken steps to shore up our Manuka honey supply with long term supply contracts, the acquisition in October 2012 of another large Manuka honey apiary business and the expansion of hive numbers. With 16,000 hives, Comvita is now one of the largest beekeepers in the country.

"Meanwhile, the 2013 Manuka honey harvest has been much better than the prior year and we expect the raw material supply to return to normal this year. This expected improvement vindicates our decision at the start of the year not to cut under-utilised sales and marketing capability and infrastructure in markets where we see long-term growth potential."

Comvita Chief Executive Brett Hewlett says: "As Comvita derives over 80% of revenue from international markets, we are delighted to have broken through the \$100 million annual revenue milestone against the challenge of a strong New Zealand dollar, and sharply rising honey costs, as a result of a severe shortage of Manuka honey.

"Market demand for our entire range of products remains strong. However, in Australia, the United Kingdom and Europe, trading continues to prove challenging.

"Growth in sales has been enabled by leveraging our premium brand positioning. This allows us to be relatively assertive in achieving price increases to reflect the increase in costs.

"We are also able to take advantage of our diverse markets and channels. We have, for instance, withdrawn from the least profitable sectors of the UK market and redeployed those resources to concentrate on the growing and profitable markets of North Asia – notably China, Hong Kong and Korea."

Collectively Asian markets now account for 44% of Comvita group sales. Comvita's brand awareness and premium image amongst the Asian community has been built from a base of visitors to New Zealand dating back almost 40 years.

Comvita this month strengthened this connection with the opening of a Comvita concept store in Auckland's Viaduct, one of New Zealand's premier congregation points for tourists. The store will reinforce and assist with brand awareness both domestically and in key tourist markets.

### **Honey supply**

In response to the increasing demand for Manuka honey and the sharp rise in purchase costs, we took measures throughout the year to increase ownership and control of core raw material sourcing.

The October 2012 acquisition of the Kiwi Honey apiary business in the Whanganui area provides us with an additional 3000 hives. This followed on the acquisition of a Waikato apiary in the 2012 financial year and Kiwibee Medical in 2008. At the same time, we expanded our hive numbers across all operating units located in four major regions across the North Island. We can now satisfy 30% of our total honey requirement from Comvita owned and operated apiaries.

### **Fresh Olive Leaf Extract**

Comvita's strategy of reducing our reliance on Manuka honey by diversifying into other ingredient platforms such as Propolis and Fresh Olive Leaf Extract is important in providing robust future earnings.

Fresh Olive Leaf Extract is showing particular promise. During the year the highly-respected Liggins Institute at The University of Auckland released the results of a clinical trial which clearly demonstrate the beneficial effects of Comvita fresh Olive Leaf Extract in supporting normal blood sugar levels in at-risk adults. The results indicate Olive Leaf Extract may have a place as an adjunct therapy for the delay or prevention of type II diabetes in the growing at-risk population.

On the strength of this evidence new Comvita products have been released, including 'Olive Leaf Extract Blood Sugar Support' listing on the Australian Therapeutic Goods Administration database. In a partnership with Massey University (New Zealand) and Reading University (England) a new clinical trial is underway on the cardiovascular benefits of Olive Leaf Extract.

At the end of last year we acquired new land in Queensland, Australia and have stepped up olive tree plantings and the production of Fresh Olive Leaf Extract in anticipation of increased demand in the current financial year and beyond.

### **Balance sheet**

Net debt has increased to \$25.3m as a result of further investment in our supply chain and expanding our manufacturing capacity, along with the increased working capital including inventory requirements that come with a growing business.

Our net debt to EBITDA ratio remains at a conservative level of 1.7x. Further, at the time of this announcement, our investment in Derma Sciences, whose shares are listed on the NASDAQ (DSCI), is circa NZ\$16m. During the year, in addition to the NZ\$1.3m in royalties from Derma Sciences, we received a capital milestone payment from Derma Sciences of NZ\$1.2m.

### **Outlook**

Our continuation of a dividend payout ratio of approximately 50% of after tax profits is indicative of our confidence in the year ahead.

More than two decades of investment in sales distribution and marketing, particularly in our high-value markets in Asia, continues to deliver for the company. It allows us



to prosper despite generally difficult market conditions in some countries. Meanwhile, a better Manuka flowering in the 2012-2013 summer has eased pressure on Manuka honey supply.

Our focus for the remainder of the year includes: continuing to 'shore up' the Manuka honey supply chain through increasing hive ownership and longer-term contractual relationships with apiarists; continuing to focus on high growth Asian markets; optimising our sales and marketing infrastructure and expanding our product range in efficacious products consistent with our brand. Finally, we will continue to make the most of the exciting Fresh Olive Leaf Extract clinical trial results from The Liggins Institute.

# Ends #

**For more information:**

**Brett Hewlett**  
Chief Executive  
Tel: + 64 21 740 160

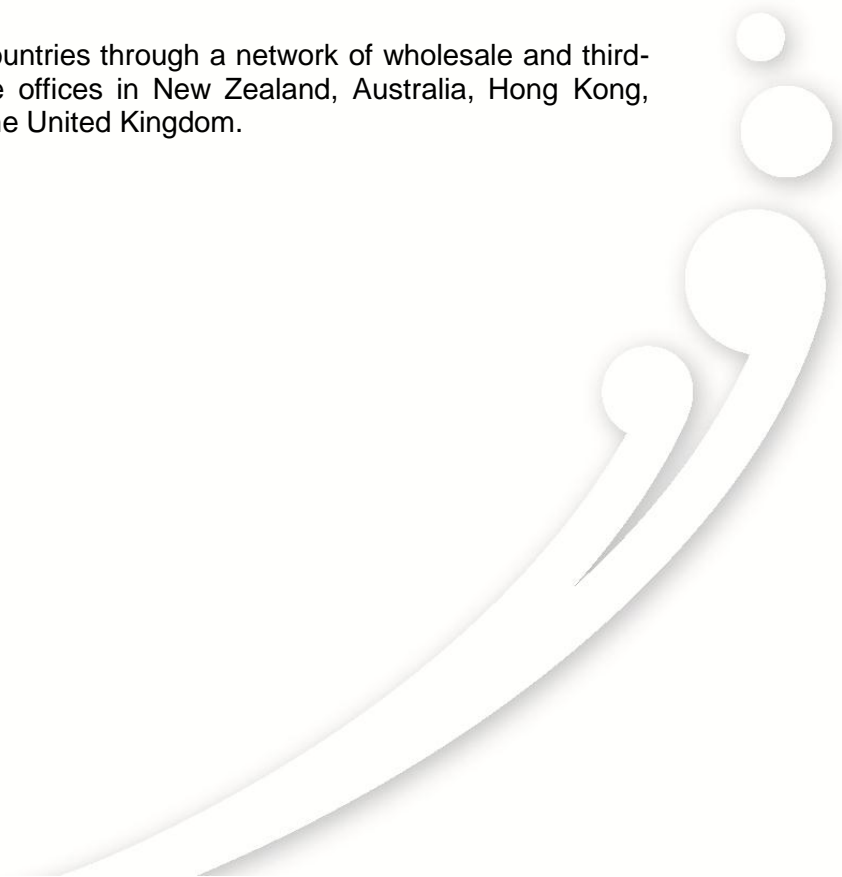
**Neil Craig**  
Chairman  
Tel: +64 21 731 509

**Julie Chadwick**  
Communications Manager  
Tel: +64 21 510 693

**About Comvita ([www.comvita.co.nz](http://www.comvita.co.nz))**

Comvita (NZX:CVT) is an international natural health and beauty company committed to the development of innovative products, backed by credible scientific research. We are the global leader in Manuka (leptospermum) honey and fresh-picked Olive Leaf Extract, which are at the core of the Comvita product range. We have more than 35,000 beehives under contract and direct control with more than 5000 producing specialist medical-grade Manuka honey. Comvita's Fresh Olive Leaf Extract is grown, harvested, extracted and bottled at the world's largest specialised olive leaf grove, with over 580,000 olive trees.

Comvita sells into more than 18 countries through a network of wholesale and third-party outlets and online. We have offices in New Zealand, Australia, Hong Kong, Japan, Taiwan, South Korea and the United Kingdom.





**Name of listed issuer: Comvita Limited**  
**For the full year ended: 31 March 2013**

This report has been prepared in a manner which complies with New Zealand International Financial Reporting Standards and gives a true and fair view of the matters to which the report relates and is based on audited accounts.

**CONSOLIDATED OPERATING STATEMENT**

Current Full Year NZ\$7,371; Previous Corresponding Full Year NZ\$8,224.

Total operating revenue: NZ\$103,529, Up 8%; Previous Corresponding Full Year NZ\$95,928.

**OPERATING SURPLUS BEFORE UNUSUAL ITEMS AND TAX:**

Current Full Year NZ\$10,446; Previous Corresponding Full Year NZ\$11,561.

Unusual items for separate disclosure: Current Full Year nil; Previous Corresponding Full Year NZ \$nil

**OPERATING SURPLUS BEFORE TAX:**

Current Full Year NZ\$10,446; Previous Corresponding Full Year NZ\$11,561

Less Tax on operating profit: Current Full Year NZ\$3,075; Previous Corresponding Full Year NZ\$3,337

**OPERATING SURPLUS AFTER TAX BUT BEFORE NON-CONTROLLING INTERESTS:**

Current Full Year NZ\$7,384, Previous Corresponding Full Year NZ\$8,224

Less non-controlling interests: NZ(\$13), Previous Corresponding Full Year: NZ\$nil

Equity Earnings: NZ\$5; Previous Corresponding Full Year NZ\$2.

**OPERATING SURPLUS AFTER TAX ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER :**

Current Full Year NZ\$7,384; Previous Corresponding Full Year NZ\$8,224.

Extraordinary items after tax attributable to Members of the Listed Issuer: Nil

**OPERATING SURPLUS AND EXTRAORDINARY ITEMS AFTER TAX ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER:**

Current Full Year NZ\$7,384; Previous Corresponding Full Year NZ\$8,224.

Earnings per share: 25.71cps; Previous Corresponding Full Year 29.10cps

Net tangible assets per share: \$1.34p.s. Previous Corresponding Full Year \$1.15p.s.

Final Dividend Payable: 9 cents per share

Date Payable: 28 June 2013

Imputation tax credit on latest dividend: fully imputed

**Contacts:**

Neil Craig, Chairman, Comvita Limited : 021 731 509

Brett Hewlett, Chief Executive, Comvita Limited : 021 740 160