

12 November 2014

Half year result positions Comvita for full year earnings growth

For the first six months to 30 September 2014 Comvita reports a net after tax loss of \$3.3 million on sales of \$59.7 million. This is an improvement in the forecast provided to the market on 24 September. This half year result compares to a reported net after tax loss of \$0.8 million and sales of \$43.4 million for the same period of the prior year.

The half year result reflects the accounting treatment of Comvita's beekeeping operations, a negative impact of the non-cash revaluation of warrants held in Derma Sciences (NASDAQ:DSCI), and the one-off costs associated with the acquisition of New Zealand Honey Ltd. These items account for \$3.4 million of the reported loss of \$3.3 million.

Comvita will pay a 4 cents per share fully imputed interim dividend (the same as 2014). This will be paid on 5 December 2014 for those shares registered on 28 November 2014.

For the full year through to the end of March 2015, sales are forecast to be \$142.5 million, a 24% increase from \$115.3 million in the prior year and the company forecasts NPAT of \$9.5 million, a 25% increase from \$7.6 million in the prior year.

Comvita today announces a 1 for 5 renounceable rights issue to raise up to \$24.4 million from existing shareholders.

Year-of-two-halves

Comvita CEO Brett Hewlett said, "Previously the company has given guidance that the operating profit for the half year was 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."

"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 results in a negative effect on the NPAT result for the first half of the year."

Strategic initiatives realised

"Comvita has completed a three year strategic initiative to increase direct ownership of Manuka honey supply, including the acquisition of New Zealand Honey Limited. That acquisition incorporated a long term honey supply agreement with New Zealand Honey Producers Co-operative Limited. This additional security of supply has enabled Comvita to continue with growth plans in their key Asian markets and in Australia and New Zealand."

"Also supporting the supply strategy is the joint venture, Kaimanawa Honey Limited, with the East Taupo Land Trust, a registered Maori authority of Ngati Tūwharetoa, which was announced earlier this week."

Positive outlook for the full year

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Mr. Hewlett said, "Since providing guidance back in September, sales momentum has continued to build surpassing our internal expectations in the key markets. This gives us additional confidence in the projected earnings provided for the full year. We note this projection is sensitive to the outcome of the summer honey harvest, the value of product sales and the value of the warrants that we hold in NASDAQ listed Derma Sciences."

"The outlook for the full year is due to a number of factors. Firstly, supply chain issues which have impacted raw materials pricing and availability in the past are largely settled and therefore we are able to grow organically. Secondly, demand in-market for Comvita's products is generally strong, and we still have a number of opportunities to exploit, either in new product offerings or in the entry to new geographic markets. This will lead to further sales growth. Finally, we are confident that our investment in business infrastructure and systems will provide us with the opportunity to realise accelerated earnings growth through operating leverage."

Rights Offer

Comvita today announces a 1 for 5 renounceable rights issue to raise up to \$24.4 million from existing shareholders, which will strengthen the balance sheet, providing working capital for honey inventory and capacity for value enhancing acquisitions.

New shares issued on 19 December 2014 from the Rights Issue will not qualify for the interim dividend paid on 5 December 2014.

Comvita's Chairman, Neil Craig said, "Our continued growth, and particularly our investment over the past five years in apiary business acquisitions, olive leaf production land, and expansion and infrastructure build have largely been funded from operating cash flows, long and short term borrowings and the strategic investment made by Derma Sciences of NZ\$8.9m in September 2013. As we grow, and given the seasonal nature of the honey harvest, we also require increased working capital during the New Zealand Spring. This is because we must invest in inventory and beekeeping processes prior to our large northern hemisphere selling period for a significant proportion of our product range."

"This capital raising will help address these issues, by allowing for a reduction in bank debt by the full amount of the proceeds received pursuant to the Offer. This will provide further equity to support the businesses investment in honey inventory as well as affording financial capacity to consider acquisitions."

Mr. Craig said, "We remain committed as a Board and Management to deliver both steady and growing income and dividends, and sustainable revenue growth."

Ends

For further information:

Brett Hewlett, Comvita CEO, 021 740 160

Neil Craig, Comvita Chairman, 021 731 509

Julie Chadwick, Comvita Communications Manager, 021 510 693

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 freshly picked 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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