



26 August 2021

Strong earnings improvement at Comvita

Headlines

- Reported NPAT \$9.5M vs. (\$9.7M) in PCP
- Reported EBITDA* \$25.5M, + \$21.3M vs. June 2020 or +511%
 - Double-digit top and bottom-line growth in focus growth markets, China, and USA
 - Double digit top and bottom-line growth in Mānuka product category
 - Double digit top and bottom-line growth in digital channels
- Gross profit +730 bps to 53.9%
- Marketing Investment +\$8.7M or +56%
- Business transformation plan on track
- Net debt reduced by \$10.9M to \$4.6M, inventory reduction \$11.7M, operating cash inflow \$24.8M
- 9% reduction in total recordable injury frequency rate (TRIFR)
- Fully imputed dividend of 4 cps declared

Comvita (NZX:CVT) today released its full year audited results for the year ending 30th June 2021, reporting a full year EBITDA at the top end of its market guidance at \$25.5M. This represents an increase of +511% versus the prior corresponding period (PCP) driven by strong performance in its focus growth markets, focus channels and categories, underpinned by \$12.1M of benefits from its transformation programme over the last 18 months.

Reported net profit after tax was \$9.5M versus a loss of \$9.7M in the PCP as work to both focus and simplify the organisation delivered results.

Reported net debt was \$4.6M vs \$15.5M in PCP as Comvita continued to focus on good internal management of cashflows and working capital. Inventory reduced by \$11.7M and SKU count by 30%.

Comvita is pleased to announce resumption of dividend payments and have declared a fully imputed dividend of 4 cps representing a payout of 30% of NPAT.

Revenue in constant currency increased by 1.5% as strong performance in its focus growth markets of China +31% and USA +23% offset material headwinds in its Australia, New Zealand (ANZ) and Hong Kong segments. Underlying revenue grew 5.4%*. It was encouraging to report that Q4 ANZ revenue increased by 17% versus PCP and 33% versus Q3. While the UK market was negatively impacted at revenue level (primarily due to Brexit and Covid impacts), it was encouraging to see the market breakeven at net contribution, proving the longer-term opportunity in Europe, Middle East and Africa (EMEA).

Comvita Chair Brett Hewlett commented “As I shared at the Annual Shareholder Meeting in October 2020, FY21 was a crucial year for Comvita as we looked to prove the significant potential that exists to all stakeholders. We are pleased to report strong earnings growth at the top end of guidance, good management of cash and working capital and to be able to reward our shareholders with the resumption of dividends. In addition, we are particularly encouraged to publish our first Green House gas emissions report in this year’s annual report as we embark on our journey to be carbon neutral by 2025 and carbon positive by 2030. We believe our unique business model, with significantly increased investment in our brand and supported by our environmental and social causes, will see Comvita recognised by the investment community as a sustainable premium FMCG brand with associated multiples”.

CEO David Banfield added “I would like to thank the whole team at Comvita for their absolute focus on delivering the results we share today. The business has gone through significant change in order to arrive at this point, it hasn’t always been easy, but we know that this is crucial to enable us to deliver the true potential of Comvita, captured in our 2025 plan. Our 60:15:20 plan sets out our aim to deliver a GP in excess of 60%, marketing to sales ratio of 15% and an EBITDA ratio of 20% by 2025. Today is an important step on that journey. We are genuinely excited by the growth opportunities that lay ahead of us”.

Strong performance in focus growth markets

Comvita was particularly encouraged by its performance in its focus growth markets of China and North America. In local currency, China market sales (the world’s biggest honey market), increased by 31% with strong performance delivered across all channels. Despite increasing marketing investment by 139% versus PCP, net contribution increased by 25% as top line growth translated to strong earnings improvement. Comvita remains the clear brand and market leader in China. In North America, total revenue in local currency increased by 23% and net contribution by 18%, despite increasing marketing investment by over 80%. Comvita is the fastest growing Mānuka honey brand in North America***

Comvita has a unique business model in the category. Its subsidiary model is designed to ensure that it is better connected to both customer and consumer needs in market and by being closer to customer, it can be more agile and responsive to changing customer needs around the world.

Double digit top and bottom-line growth in both digital sales and Mānuka honey

Comvita continued its strong performance in both its focus Mānuka honey category and in the digital channel with both recording double digit top and bottom-line growth. Constant currency digital sales grew 17% versus PCP to 35% of total group sales. Mānuka honey sales increased 10% versus PCP as the continued focus delivered results.

Comvita strategy on track - Building a Better Business

– Stabilise results, transform the organisation and deliver long-term resilience and growth

Stabilise results

The results shared today show that we have come a long way to stabilise performance at Comvita. Not only have we returned to profitability with a reported NPAT of \$9.5M versus a loss of \$9.7M in the PCP, we have also significantly simplified the business to set up Comvita for long-term profitable growth. Despite significant headwinds in ANZ, we have been able to prove the underlying resilience of our model. In doing this, we have reduced our monthly revenue required to break even to \$13.5M, despite a material increase in investment in our brand. It is encouraging that ANZ performance in Q4 was +17% versus PCP and +33% versus the previous quarter highlighting that we can now start to build revenue again in FY22.

Comvita improved its GP by 730 BPS versus PCP in this period, in line with its aim to deliver a 60% GP by 2025. This was delivered through focus growth markets (China and North America), focus channels (digital) and focus categories (Mānuka honey), along with productivity improvements.

Inventory was reduced by \$11.7M and SKU count by 30% as our focus on ensuring good management of working capital and SKU profitability continued. Operating cash inflow was \$24.8M and net debt finished the period at \$4.6M.

Transformed organisation

We have now completed our restructuring process. Our attention now fully focuses on optimisation and creating an aligned performance driven culture at Comvita. We have a clear view of the steps required to drive profitable growth across all segments and returns for all stakeholders. We have also proven that our new harvest model works, further increasing organisational resilience and reducing risk associated with variability of the weather.

Our \$25M (\$15M +\$10M) transformational plan remains on track to deliver by 2025. In the first 18 months, we have delivered over \$12M of improvements, investing \$1.2M to deliver this in FY21. In FY22 we will invest a further \$2.5M in transformation projects.

Long-term resilience and growth

Our focus remains on setting Comvita up for long-term resilience and growth. We have a clear view and understanding of what it will take to win in our focus growth markets, our focus channels and our focus categories. Our new business model ensures that we have funds available to tell discerning consumers around the world 'why Comvita' and also share the founding story of Alan and Claude from 1974/5 that we know resonates with consumers today. We now focus on delivering our FY22 guidance, and further building trust with all our stakeholders on our journey to deliver our 2025 plan.

David Banfield added "A year ago, I shared that we were looking to deliver a rebound in performance in FY21. I am delighted that we have achieved that, but much remains to be done to deliver world class performance and experience for our consumers around the world. We know that we have an incredible opportunity to put in place the foundations that will enable Comvita and our bees to thrive for years to come and we remain absolutely committed to this cause. This starts by delivering our FY22 guidance and ensuring that we become recognised as a sustainable, premium FMCG brand. I look forward to sharing further progress at our Annual Shareholder Meeting in October."

Brett Hewlett Chair

David Banfield CEO

On behalf of the Board of Directors

Ends.

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Note:

**EBITDA earnings before interest, tax, depreciation and amortisation, constant currency revenue and underlying revenue are non-GAAP measures. We monitor these as key performance indicators and believe they assist investors in assessing the performance of the core operations of our business. Constant currency revenue and underlying revenue are both defined in our Investor Presentation.*

***Previous corresponding period.*

****SPINS data*

Background information

Comvita (NZX:CVT) was founded in 1974, with a purpose to heal and protect the world through the natural power of the hive. With a team of 500+ people globally, united with more than 1.6 billion bees, we are the global market leader in Mānuka honey and bee consumer goods. Seeking to understand, but never to alter, we test and verify all our bee-product ingredients are of the highest quality in our own government-recognised and accredited laboratory. We are growing industry scientific knowledge on bee welfare, Mānuka trees and the many benefits of Mānuka honey and propolis. We have pledged to be carbon neutral by 2025 and carbon positive by 2030, and we are planting more than two million native trees every year. Comvita has operations in Australia, China, North America, South East Asia, and Europe – and of course, Aotearoa New Zealand, where our bees are thriving.