



24 February 2022

## Record First Half Earnings at Comvita

### Headlines

- **Record H1 operating profit \$7.2m**, +39.4% versus PCP (+2.0m)
- **Record H1 EBITDA \$12.1m**, +14.1% versus PCP (+\$1.5m)
  - Double digit top and bottom-line growth in focus growth markets, China and North America
  - Double digit top and bottom-line growth in Mānuka honey product category
  - Double digit top and bottom-line growth Comvita.com (D2C)
- Revenue growth +6.1% despite significant Covid headwinds
- Gross profit (GP) +760 bps to 56.6%
- Marketing investment +\$2.3m or +21% as long-term brand building activity continued
- Business transformation plan on track
- Net debt increased by \$21.7m since 30 June 2021 to \$26.3m, primarily inventory
- 79% reduction in total recordable injury frequency rate (TRIFR)
- Fully imputed interim dividend of 2.5 cps declared

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED \$M	31 DECEMBER 2021 UNAUDITED	31 DECEMBER 2020 UNAUDITED	VARIANCE %
Revenue	104.9	98.9	+6.1%
Gross Profit	59.4	48.5	+22.5%
Marketing Investment	13.3	11.0	+20.9%
Operating Profit	7.2	5.2	+39.4%
EBITDA*	12.1	10.6	+14.1%
Net Profit/(Loss) after tax	3.5	3.5	+1.0%
Net Debt	26.3	13.9	+\$12.4m
Fully Imputed Dividend	2.5 cps	0	+2.5 cps

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

Comvita (NZX:CVT) today announced record earnings (operating profit and EBITDA) for the six-month period ending 31 December 2021. **Operating profit** increased by **39.4% to \$7.2m** and **EBITDA** improved to \$12.1m vs \$10.6m, **+14.1% vs PCP** as its 2025 FOCUS strategy continued to deliver earnings improvement. Net profit after tax (NPAT) increased by 1% due to the high effective tax rate of 40.5% in this period, caused by non-deductible expenses including M&A costs (full year effective tax rate is expected to normalise). Net profit before tax increased by 32.8% vs PCP. Net debt increased by \$12.4m on last year and \$21.7m since 30 June 21, primarily due to increasing inventory to offset global supply chain disruption. The Directors were pleased to declare a fully imputed interim dividend of 2.5% cps.

### Good revenue growth despite material negative Covid impacts

Revenue increased by 6.1% to \$104.9m, in reported currency and 6.5% in constant currency despite material negative Covid impacts (offline direct sales were down 7%). Comvita was delighted to report strong double-digit top and bottom-line growth and **market share growth** in its focus growth markets of **China and North America** (the number one and two honey markets in the world) with its long term brand

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investment model delivering in these crucial markets. Performance in its core Mānuka honey category was again strong with double digit revenue and profit growth vs PCP.

### **Long term investment in brand building continues**

In line with its 60:15:20 2025 business plan Comvita increased marketing investment by an additional \$2.3m or 20.9% to be 12.7% of revenue. Comvita's marketing investment is part of its transformation plan and positioning Comvita as a premium lifestyle consumer brand. During this period Comvita launched a world first collaboration with Microsoft utilising their HoloLens mixed reality to bring the magic of the hive to consumers at the World Expo held in Dubai, as part of Comvita's sponsorship of the Expo. In addition, they launched multiple brand partnerships with other leading brands driving mutual association equity and consumer affinity.

### **Comvita commits to far reaching ESG goals**

Comvita has set out its long term aim to be recognised as a global leader in ESG related performance including becoming carbon neutral by 2025 and net positive by 2030. Its published Harmony plan sets out its commitment on climate action, social impact, bee welfare and supporting biodiversity. Comvita continued to invest in ESG related activity in line with its purpose and confirmed its commitment to produce Science Based Targets for long term greenhouse gas reduction.

### **Digitisation continues at pace**

Direct to Consumer Sales through Comvita's owned sites (D2C) increased by 12% vs PCP, at accretive gross margins as this long-term strategy saw positive early signs. In addition, Comvita Invested heavily in transforming its online platform to further enhance the consumer experience. Comvita's new web platform with enhanced functionality will launch in Q3 FY22. Comvita's 2025 aspiration is for digital sales to be 50% (currently 33%) of total revenue at accretive gross margins. During this period as a key part of its digital transformation Comvita increased email registrations by 50% vs PCP and concentrated efforts on a frictionless and enhanced consumer focus in its Direct to Consumer (D2C) channels.

Commenting on the performance, Comvita Chairman, Brett Hewlett, said "We are delighted to announce record first half earnings at Comvita against a very strong PCP and despite continuing material Covid related headwinds. Our FOCUS business model, control of costs, investment in brand and excellent execution from a highly capable team, gives us confidence that we are on track to deliver guidance in FY22 and more importantly on track to deliver our 2025 plan. The Board and management have continued to transform the business at pace, looking to ensure we deliver the performance that all Comvita stakeholders should expect. The result shared today gives more evidence that we can deliver revenue, margin and earnings growth while investing in long term brand and business building activity. Your Board are pleased to declare a fully imputed dividend of 2.5 cps in this interim period, highlighting our confidence in the momentum we see within the business."

Group CEO, David Banfield, says "This is another important step in delivering on our transformative plan at Comvita and setting us up for success for the long term. We see real momentum in our performance and are delighted to be able to report good revenue growth and record first half earnings despite Covid headwinds. Our performance has been underpinned by material improvement in gross margin, double digit growth in our focus growth markets of China and North America, double digit growth in Mānuka honey and in our D2C channels. I am extremely proud of the way the team have responded and want to recognise the significant effort and commitment that has gone in to deliver the results that we share today. There are many additional elements going on behind the scenes to set us up for the long term, however, for now we return to focus on H2 delivery and FY23 planning."



### **Focus growth markets performing strongly**

Comvita's focus growth markets, China and North America, again showed strong performance in this period with both markets delivering double digit top and bottom-line growth and market share growth.

China is the world's biggest honey market valued at \$1.8b, Comvita's long term goal is to target market growth (growing the total addressable market) and market share growth. Revenue in China grew by 13% and net contribution by 40% versus PCP as Comvita delivered market share growth and enhanced its brand reputation with some high profile in-market partnerships. Comvita are pleased to have signed two new partnership agreements in H1 that will start to deliver in H2. Investment into the brand continued positioning Comvita as a premium lifestyle brand with investment increased by 8% vs PCP.

Comvita North America posted another strong result with revenue increased by 48% and net contribution by 75% (although there was a delay in timing of some marketing activities to H2 with only 40% of brand investment in H1). Comvita is the fastest growing Mānuka honey brand in North America and is achieving market share growth in a category where the fundamentals are strong and significant opportunity exists to grow extensively in the world's second biggest honey market.

### **Unique business model continues to differentiate Comvita**

Comvita has a unique 'End to End' business model with around 350 people employed in markets outside of New Zealand. This ensures that Comvita is better connected to customers and consumers in market and can adapt at speed to meet local market changes and needs. This model also enables the business to continue to perform strongly even with travel and tourism being so restricted. Comvita have started to further transform their approach to digital sales within this model to ensure continued focus on the role and performance of marketplace relative to a more intimate direct to consumer channel.

### **Australia and New Zealand sales flat as market shows underlying growth**

Comvita are pleased to report that revenue in Australia and New Zealand was flat year on year, with improved demand experience month on month since July giving confidence that Comvita can return to top line growth in H2. While net contribution declined versus PCP this was entirely due to brand investment in line with Comvita's plan to win at home. New Asian Health model is showing encouraging signs despite Covid disruption and is forecast to further amplify brand investment in mainland China.

### **Transformation on track**

Comvita has made good progress on its 2025 focus strategic plan (60.15.20) evidenced by the 760bps improvement in its GP to 56.6% (+\$10.9m vs PCP) enabling the \$2.3m increase in marketing (now representing 12.7% of revenue vs 11.1% PCP). This transformation and simplification activity has resulted in a further 35% reduction in SKU count on top of the 30% that was delivered in 2021.

### **Net debt, inventory, and cash**

Given ongoing disruption to global supply chains Comvita decided to increase inventory during this period which has had a corresponding negative impact on net debt. This is only a temporary change and Comvita stands by its view that optimum inventory levels would be circa \$85m by 2025. In addition Comvita Invested \$5m in its new JV with Caravan in the US which is designed to support its long term ambition in topical use of Mānuka honey and propolis and to add to its long term incremental growth agenda.



### **Opex includes investment in due diligence activity**

During this period Comvita carried out DD on a potential scale transaction that was not completed at this time. Comvita believes that with the ongoing strength in its core business model and the cash generative nature of its 2025 business plan, it's in an ideal position to lead consolidation of the demand side of the Mānuka honey industry and in return increase quality of products for all consumers, improving satisfaction and de-risking the category.

### **Internal digital transformation**

Up until now digital transformation has been focused on consumer facing technology. Phase two (internal digital transformation) will kick off in H2 to ensure scalable and automated internal processes. Comvita believe that this will further improve profitability, reduce risk and future proof the business. The final leadership team appointment of a new Chief Technology Officer has now been made and is designed to significantly enhance capability in this area.

### **Full year guidance maintained, interim dividend declared**

Comvita maintained full year guidance of an EBITDA range of NZD \$27-\$30m for the period ending 30 June 2022. Comvita announced a fully imputed interim dividend of 2.5 cps reflecting confidence in its ability to deliver to its guidance despite ongoing Covid disruptions.

### **Looking forward – premium FMCG ESG brand**

Comvita's 2025 plan is designed to deliver a business model that achieves a GP of at least 60%, delivers long term investment in its brand by investing 15% in Brand building activity and deliver a 20% EBITDA margin. This model, underpinned by its aim to be carbon neutral by 2025 and a global leader in ESG is designed to set Comvita up for long term profitable growth. It's underpinned by its focus on continued delivery of its three-part plan to:

- 1: Stabilise performance
- 2: Transform the organisation
- 3: Build long term resilience and growth

“This record operating profit growth of 39.4% marks the fourth consecutive reporting period since I joined where we have reported earnings growth in line with Guidance and as importantly reaffirmed our strong belief that we are well positioned to deliver our 2025 plan. By sharing our 2025 goals we hope that all stakeholders are able to see that we are on track and that our investment is very much focused on long-term thinking and acting. We remain committed to pay back the support shown by the Board, the extended Comvita whānau and all our stakeholders.” concludes Banfield.

**David Banfield**  
CEO

**Brett Hewlett**  
Chair

ENDS.

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### **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.