



INVESTOR PRESENTATION

FULL YEAR FY19



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All currency amounts are in NZ dollars unless otherwise stated.





OVERVIEW

- FY19 Results and Impairments
- Sales and Markets
- Inventory, Debt and Cashflow
- Supply Business Update
- Strategy
- Strategic Review



FY19 RESULTS AND IMPAIRMENTS



FULL YEAR IN REVIEW



TOTAL REVENUE

\$171m

2018 \$178



OPERATING (LOSS)/PROFIT AFTER TAX

\$(7.6)m

2018 +\$9.3m



REPORTED (LOSS)/NET PROFIT AFTER TAX

\$(27.7)m

2018 +\$8.2m



NET DEBT

\$89m

2018 \$92m



OPERATING CASH INFLOW/(OUTFLOW)

\$21.1m

2018 (\$22.1m)



KEY FINANCIAL RESULTS

| For the year ended | 30 June 2019 | 30 June 2018 |
|--|-----------------|-----------------|
| Total revenue | \$171m | \$178m |
| EBITDA* operating | \$0.0m | \$21.6m |
| Equity earnings | \$0.4m | \$1.9m |
| Net (loss)/profit after tax – NPAT | \$(27.7)m | \$8.2m |
| NPAT (loss)/profit non-operating items | \$(20.1)m | \$(1.1)m |
| NPAT (loss)/profit operating | \$(7.6)m | \$9.3m |
| Earnings per share NPAT (NZ Cents) | (61.05) | 18.25 |
| Dividend per share (NZ Cents) | - | 6.00 |

*EBITDA: earnings before interest, tax, depreciation and amortization and adjusted for non-operating items

FAIR VALUE OF ASSETS

- Impairments recognised following recent unfavourable honey seasons and the interim conclusions from the current strategic review
- FY19 goodwill impairment:
 - Australia \$15,607,000
 - Europe \$2,027,000
 - Apiaries \$2,191,000
- FY19 equity accounted investees impairment:
 - Putake Group \$2,300,000

| | Reference to financial statements | 30 June 2019 \$'000 | 30 June 2018 \$'000 |
|---|---|---------------------------|---------------------------|
| Non-operating items reconciliation | | | |
| Net (loss)/profit after tax | | (27,717) | 8,211 |
| Add back non-operating items: | | | |
| Gain on deemed sale of 51% of Comvita China | Note 5 | (4,055) | - |
| Comvita China - release of inventory fair value – 1 month | | 566 | - |
| Goodwill impairment | Note 14 | 19,825 | - |
| Equity accounted investees impairment | Note 16b | 2,401 | 681 |
| Equity accounted investees - other | | (52) | (750) |
| Fair value movements - SeaDragon | Note 8 | 911 | 1,122 |
| Fair value movements – other | | 466 | - |
| Net operating (loss)/profit after tax | | (7,575) | 9,264 |

INVESTMENT ACTIVITY

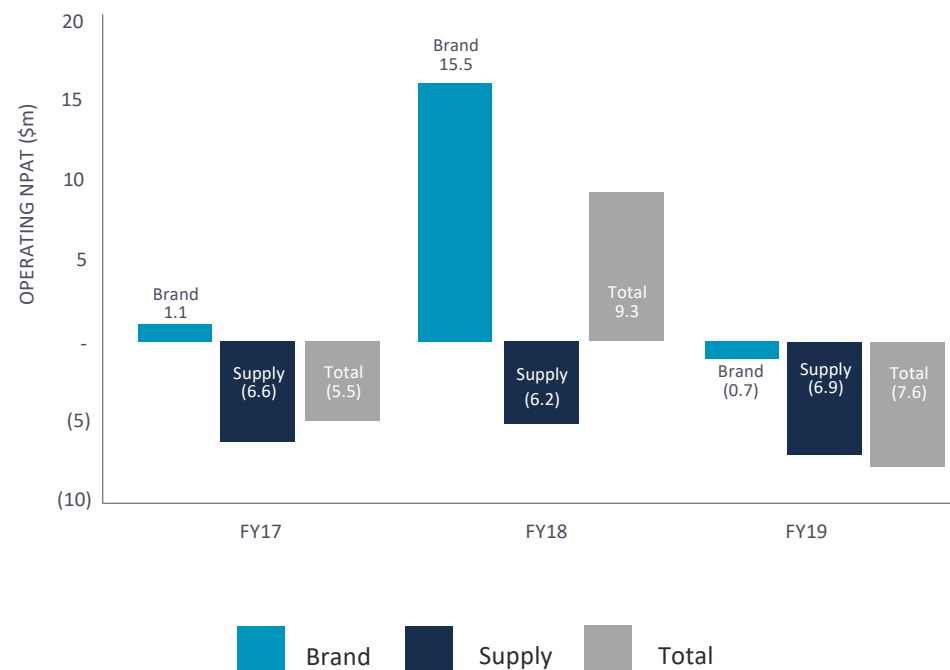
CHINA ACQUISITION

- 51% acquired in July 2017
- Remaining 49% acquired 31 May 2019
 - Business combination achieved in stages
 - 4,050,000 shares issued as part consideration, balance was \$3m in cash
 - \$4.1m gain recognised in other income on deemed sale of 51% previously owned interest
 - FY18 profit elimination of \$9.3m recognised for inventory sold to the China JV still on hand is released on 100% consolidation
- Value of Comvita China inventory on hand at 31 May increased to sale price less costs to sell. The release of this fair value adjustment will impact FY20 profit i.e. China sales of this inventory will be at 0% profit until this inventory is sold through
- Acquisition accounting and determination of fair values of assets and liabilities acquired to be finalised in FY20





SUPPLY & BRAND OPERATING NPAT SPLIT





SALES AND MARKETS



SALES



CHINA* \$52m (China entity)

2018 \$46m*



AUSTRALIA/NZ \$69.6m

2018 \$82.6m



ASIA \$41.3m

2018 \$36.8m



NORTH AMERICA \$13.4m

2018 \$26.8m



EUROPE \$6.2m

2018 \$8.7m

* Represents in market sales of the China entity which are not included in Comvita group revenue up until 31 May 2019 as equity accounted



CHINA

| | FY19 | FY18 | FY17 |
|----------------------|-------------|-------------|-------------|
| Sales (China Entity) | 52,096 | 45,696 | N/A |
| Sales (To China JV) | 26,904 | 12,095 | 28,640 |

- Now 100% owner of Chinese distribution company
- Pricing strategy:
 - Lifted margins and harmonised pricing between offline and online
 - Set up consistent wholesale pricing through ANZ and Cross Border E-Commerce (CBEC) that is aligned with China pricing
- Targeting growth inside China, online and offline where the Comvita brand is very strong
- Strategy starting to impact – initial drop in ANZ sales now starting to convert to China and CBEC
- Built capability in-market
 - Senior appointments made for e-commerce, marketing and retail
 - Establishing an excellent platform for growth



AUSTRALIA & NEW ZEALAND (ANZ)

| | FY19 | FY18 | FY17 |
|-------|--------|--------|--------|
| Sales | 69,562 | 82,557 | 64,929 |

- Decline in Sales to smaller daigou re-sellers as Chinese Government tightens rules on informal e-commerce traders
- Chinese and ANZ pricing and promotional planning aligned
- Direct supply from ANZ to CBEC platforms
- Sales balance is changing:
 - Over time we expect to see sales in Australia and New Zealand slow as regulatory impacts continue to affect Daigou re-sellers
 - Increasing direct sales to CBEC platforms
 - Increasing sales inside our China business



ASIA

| | FY19 | FY18 | FY17 |
|-------|--------|--------|--------|
| Sales | 41,261 | 36,813 | 32,363 |

- Continued growth in Korea, Japan and Hong Kong
- Japan digital focus in Rakuten targeting increasing into broader distribution both in digital and wholesale
- Hong Kong increased distribution through Mannings pharmacy chain
- Current disruption in Hong Kong is affecting sales in the short-term
- Korea had strong growth in e-commerce and duty-free



NORTH AMERICA

| | FY19 | FY18 | FY17 |
|-------|--------|--------|-------|
| Sales | 13,361 | 26,835 | 3,846 |

- Lower sales in FY19 due to gap in orders from Costco, and large Costco pipeline fill in FY18
- Good underlying growth since FY17
- Continued growth in Amazon – will transition from Vendor Central (where Amazon set the price) to Seller Central (where we set the price) in FY20
- Comvita Kids Elixirs and Soothing Pops listed in Whole Foods premium retailer and CVS pharmacy stores, going into stores now



EUROPE

| | FY19 | FY18 | FY17 |
|-------|-------|-------|-------|
| Sales | 6,211 | 8,664 | 7,395 |

- Poor year as went through customer and management changes
- Still battling with adoption of MPI quality standards in the UK
- Changes made in FY19 will have benefits in FY20
 - Distribution in Amazon DE
 - Distribution in DM online in Germany
 - Management changes and cost reduction

PRODUCT SEGMENTS OF TOTAL SALES

PERSONAL CARE

\$4m

(2018: \$5m)



MEDICAL

\$10m

(2018: \$7m)



HEALTHCARE

\$38m

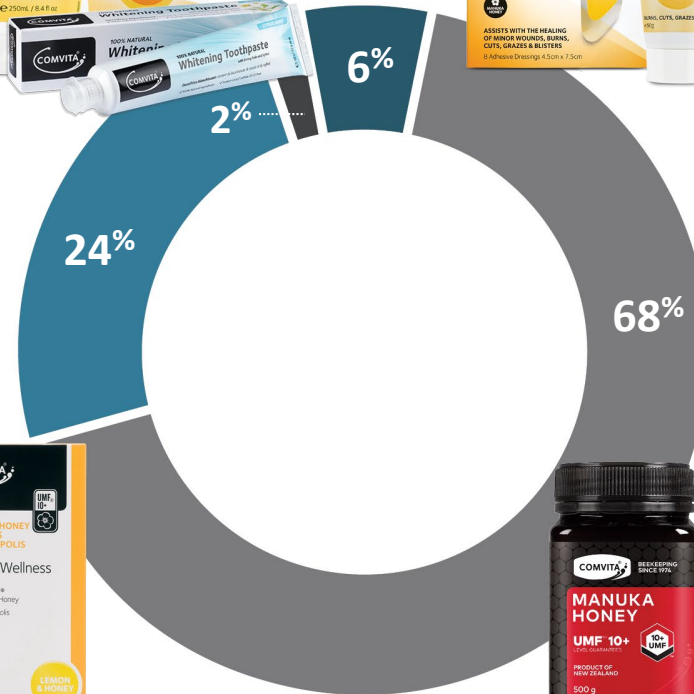
(2018: \$42m)



FUNCTIONAL FOODS

\$108m

(2018: \$132m)





MPI HONEY STANDARDS

- MPI introduced new export standards for Manuka honey in February 2018
 - Monofloral Manuka
 - Multifloral Manuka
- Comvita supports the implementation of a Manuka honey standard, but improvements to the standard are needed:
 - The New Zealand domestic market does not enforce the MPI standard, some companies have used this as an opportunity to clear non-compliant inventory. New Zealand needs to adopt the MPI standard.
 - Multifloral Manuka should be removed from the standard. It confuses consumers and will impede long-term value creation for the industry
- Impact of MPI standard has been:
 - Multifloral Manuka is competing directly against the genuine Monofloral Manuka in the UMF 5+ category
 - Non-compliant honey stocks have been cleared in the New Zealand market disrupting sales of genuine product
 - Non-Manuka honey's have fallen in price from \$8-12/kg to \$4-5/kg. This has impacted Apiary profitability
- We believe that our focus on high UMF Monofloral Manuka honey is the only sustainable strategic option.



INVENTORY, DEBT AND CASHFLOW

INVENTORY AND DEBT

- Secure inventory position going into new season
- Raw materials (mainly UMF Manuka honey):
 - 30 June 2019, \$84m
 - 30 June 2018, \$89m
- Finished goods:
 - 30 June 2019, \$48m (includes China)
 - 30 June 2019 \$26m (excludes China)
 - 30 June 2018, \$26m
- Trade receivables down \$25m
- Net debt down to \$89m from \$104m at the half year, and \$92m at the same period last year

| Balance Sheet | 30 June 2019 \$'000 | 30 June 2018 \$'000 |
|----------------------------------|------------------------------------|------------------------------------|
| Total assets | 310,638 | 318,567 |
| Total inventory | 132,192 | 116,492 |
| Trade receivables | 30,878 | 55,813 |
| Working capital | 155,162 | 167,942 |
| Net debt | 88,936 | 91,753 |
| Total equity | 173,355 | 189,692 |
| Net debt to equity ratio | 51% | 48% |
| Weighted average shares on issue | 46,302 | 44,981 |



CASHFLOW

| Cash flow movements | 30 June 2019 \$'000 | 30 June 2018 \$'000 | Movement \$000 |
|----------------------|------------------------|------------------------|-------------------|
| Operating activities | 21,086 | (22,118) | 43,204 |
| Investing activities | (17,704) | (6,991) | (10,713) |
| Financing activities | 2,239 | 29,379 | (27,140) |
| Net movement | 5,621 | 270 | 5,351 |

- Positive operating cash inflow of \$21.1m
- Investment activities \$17.7m:
 - Capacity building
 - State of the art warehousing capacity at Paengaroa, largely completed
 - Acquired a stake in Apter, Propolis manufacturer
 - Acquired Daykel Apiaries (queen breeders)
 - Factory upgrade
 - Land and planting for Manuka plantations



SUPPLY BUSINESS UPDATE



HONEY SUPPLY

KIWI BEE APIARIES

- Weather and honey harvest prior to Christmas very poor, Northland and East Coast apiaries - below average results.
- Post-Christmas results were patchy but some areas had good crops.
- New MPI standards is placing additional competitive pressures, leading to over-crowding on "wild" land sites holding good quality Manuka
- Extensive post-harvest analysis has been carried out on the performance of all Manuka sites to ensure only the most productive are retained.
- Third party suppliers represent 65% of our honey supply. We are not solely reliant on Kiwi Bee Apiaries for all our Manuka honey supply.
- Acquired Daykel Queen Breeding enterprise providing access to improved bee genetics which can have a significant bearing on honey harvest productivity.



HONEY SUPPLY PLANTATIONS

- Our best defence against loss of productivity on wild sourced Manuka honey is to grow our own, with scale.
- 2100 hectares planted during FY19 with 2.3m million trees.
- In total, 4100 hectares of plantations with a combined potential annual harvest of 115 tonnes of high grade Manuka honey.
- Breeding programme advancing. Now propagating third generation high performing cultivars.
- 2.7 million trees currently in nurseries ready for planting next winter.



PROPOLIS SUPPLY – INVESTMENT IN APITER

- In July 2018, Comvita purchased 20% share of Apiter, South America's largest manufacturer of Propolis.
- The investment in Apiter removes our future supply constraints for this key ingredient and provides us with manufacturing capability including a new medical grade laboratory and production plant.
- With a combination of NZ and Uruguayan sourced propolis Comvita has secured supply to meet on a 5x increase in demand.



OLIVE LEAF EXTRACT SUPPLY

- Sustainable farming practises introduced
- Small capital expenditure to improve operating efficiency and productivity
- Olive Leaf Extract supply sufficient to meet 5x increase in demand



STRATEGY

COMVITA STRATEGY:



1. GROW SUPERIOR SUPPLY

- Security of high quality, market compliant raw materials
- Most efficient and productive producer in the industry



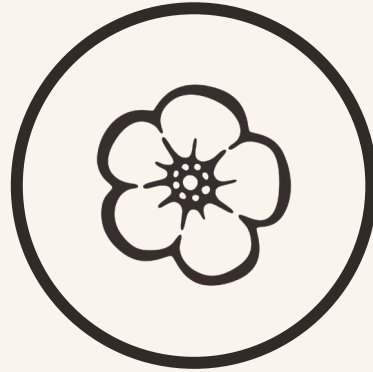
2. WIN WHERE IT COUNTS

- Focused distribution in targeted markets
- Channels optimised for profitability and consumer intimacy



3. INVESTING IN OUR BRAND

- So more people know and love our brand
- Innovate from the core
- Market led



STRATEGIC REVIEW



STRATEGIC REVIEW

- The company is still in the process of working through its Strategic Review.
- As a first step, a comprehensive review of the underperforming assets has taken place with a number of corrective actions in place, some of which have been reflected in the FY19 annual accounts.
- The company is also progressing towards operational separation of its Supply and Branded businesses to enable clearer focus for the respective management teams:
 - The Supply team will focus on productivity improvements, optimisation of raw material supply chains and delivery to market, in specification and on time.
 - The Brand team will focus on revenue generation within targeted markets and channels, premiumisation of our brand and building consumer intimacy and profitability.
- More details will be provided at the Annual Shareholders' Meeting in October.

LEADERSHIP TEAM



Scott Coulter
Chief Executive Officer



Colin Baskin
Chief Supply Chain
Officer



Julianne Keast
Chief Financial
Officer - Acting



Ben Shaw
Chief Marketing
Officer



Simon Potheary
Chief Sales
Officer



Saada McNamee
Chief People & Culture
Officer

BOARD OF DIRECTORS



Neil Craig
Non-Executive Chairman



Luke Bunt
Independent
Director



Murray Denyer
Independent Director
(resigned 16 August 2019)



Bob Major
Independent Director
(effective 1 September 2019)



Paul Reid
Independent
Director



Brett Hewlett
Executive
Director



Sarah Kennedy
Independent
Director



THANK YOU