



22 August 2023

Record sales at Comvita

Headlines

- **Record revenue \$234M +12.1% vs PCP**
 - +\$25M and +12.1% vs PCP
 - H2 revenue +17.4% vs PCP
 - All market segments showed double digit revenue growth
 - Greater China revenue over \$100M for the first time
 - Ecommerce share of revenue 41.7% +19.1% vs PCP
- **Gross profit 58.0%**, normalised 59.5%* in line with plan
- **Operating profit \$24M +18.7% vs PCP**
- **\$33.5M EBITDA after ERP +11.4% vs PCP**
- **NPAT after ERP \$13.1M +2.8% vs PCP**
- **Record investment in our brand \$30.5M** supporting strong revenue growth
- Net debt \$53.4M in line with forecast
 - Inventory \$136M +3% vs PCP
- Positive operating cashflow of \$8M, \$29M H2
- Fully imputed final dividend of 3.0 cps declared
 - Full year FY23 dividends of 5.5 cps in line with PCP

| FINANCIAL RESULTS FOR THE YEAR ENDED | 30 JUNE 2023 | 30 JUNE 2022 | VARIANCE |
|--------------------------------------|--------------|--------------|----------|
| | NZ \$M | NZ \$M | % |
| Revenue | 234.2 | 208.9 | +12.1% |
| Gross Profit | 135.8 | 126.0 | +7.7% |
| Marketing Investment | 30.5 | 28.1 | +8.7% |
| Operating Profit | 23.9 | 20.1 | +18.7% |
| Operating Profit after ERP** | 26.8 | 20.1 | +33.0% |
| EBITDA*** after ERP | 33.5 | 30.1 | +11.4% |
| Net Profit after tax after ERP | 13.1 | 12.8 | +2.8% |
| Net Debt | 53.4 | 25.5 | +\$27.8m |
| Fully Imputed Dividend | 5.5 cps | 5.5 cps | - |

*Normalised gross profit excluding the stock write off from Cyclone Gabrielle.

** ERP investment of \$2.884M

*** EBITDA earnings before interest, tax, depreciation, and amortization

Comvita (NZX:CVT) today announced record revenue of \$234M for the year ending 30 June 2023. Revenue increased by \$25M vs the prior comparative period (PCP) or 12% as all market segments reported double digit revenue growth. The Greater China segment was particularly impressive with revenue exceeding \$100M for the first time and Comvita continuing to show market share growth. Half two (H2) revenue increased by 17% vs PCP as momentum continued through the markets. Operating profit increased by nearly 19% to \$24M as Comvita again delivered strong gross margins in line with its plan.

COMVITA LIMITED

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As previously updated, for both FY23 and FY24 Comvita will invest in re-implementing its ERP system to deliver organisational efficiency. As this is no longer able to be capitalised (SaaS), Comvita's key metric will be operating profit and EBITDA after ERP. Operating profit after ERP grew to \$27M, an improvement of 33% vs PCP and EBITDA after ERP improved by 11% in line with its plan. Comvita once again increased investment in its brand with total investment increasing to \$30.5M or +\$2.4M vs PCP as its business model again proved successful.

Net debt finished the year at \$53M, again in line with plan and a reduction of \$10M from its interim result. The Directors were pleased to declare a fully imputed final dividend of 3.0 cps bringing the total dividends for the year to 5.5 cps in line with PCP.

Commenting on the performance, Comvita Chairman, Brett Hewlett, said "We are absolutely delighted to be able to report record revenue performance and earnings in line with our plan in FY23. Despite material disruptions to the operating environment outside our direct control most notably Covid in half one (H1) causing delays to recovery in China, material movements in forex (FX) rates, and the terrible weather events throughout the summer affecting the contribution from our Apiary division, we again showed true resilience in delivering this result. The Directors and I are pleased to declare a fully imputed final dividend of 3.0 cps bringing total dividends to 5.5 cps for the full year. I want to thank David and the team for showing such fortitude and dedication to deliver another solid year of growth for Comvita's shareholders, while at the same time staying focused on delivering to our purpose and founding principles through the approved Harmony Plan. Our recent B Corp certification is testament to the professionalism of their work."

Group CEO and Managing Director, David Banfield, added "I am incredibly proud of the teams performance and want to thank the whole team for their absolute focus on performance, connection and creating their own legacy at Comvita. In addition to delivering record revenue and earnings in line with our plan, we also completed the acquisition of HoneyWorld™, became B Corp certified, reduced our carbon footprint, increased long-term investment in our brand and in our team and started work to map out our 2030 plan. We remain on track to deliver our FY25 plan of c\$50M EBITDA (20%) and are excited by the many growth initiatives we are working on across the group, though we still recognise that we have plenty of opportunity to improve further. Finally, I want to thank discerning consumers across the world who increasingly choose Comvita as their choice for natural wellness solutions to boost immunity and wellbeing."

Record group revenue – strong momentum in H2

Comvita reported strong growth in FY23 with revenue increasing by \$25M or 12% to \$234M vs PCP. Revenue in its market segments was particularly strong in H2 with revenue increased by 17% vs PCP. Comvita was particularly pleased to report that all market segments reported double digit revenue growth vs PCP, as its business model again proved successful. Ecommerce sales increased by 19% to 42% of the company's total revenue – a new milestone for the group.

Greater China segment breaks through \$100M level

Of particular note was the top and bottom line performance in the Greater China segment where Comvita reported revenue of \$109M, growth of 12% on PCP and a very strong H2 with revenue improved by 15%. Revenue growth also converted to bottom line growth with net contribution improved by 17% vs PCP to \$26.8M.



Gross profit in line with plan

In line with its plan Comvita delivered strong gross profit delivery with a reported GP of 58% though a normalised GP of 59.5%, when writing back inventory that was lost in Cyclone Gabrielle. In the last year Comvita has added further automation in its manufacturing facility to further increase utilisation, capacity and overhead recovery.

Record investment in our brand

The Comvita long-term business model 60.15.20 forecasts GP of at least 60%, a marketing investment to sales of 15% and an EBITDA margin of 20%. In this financial year, Comvita increased brand investment by \$2.4M or 8.7% to \$30.5M. This equates to around 13% of sales. This brand investment is helping Comvita grow share in key markets and also tell its compelling founding story to discerning consumers around the world.

Clinical trials and the discovery of Lepteridine™

This year Comvita announced breakthrough research on Lepteridine™, a unique natural compound found only in Mānuka honey, for digestive health. Comvita has a strong proprietary position with Lepteridine™ with 3 patents already granted and a further 22 patents pending to protect its research investment. Comvita's comprehensive clinical trial programme spans digestive, skin, immunity and metabolic health, aiming to deliver robust scientific evidence of the health benefits of our Mānuka honey and Propolis.

Investment in ERP system to increase efficiency and performance

In FY23 Comvita launched its plan to re-implement its existing ERP system with the latest release, refresh master data, redefine processes and create an automated scalable internal system. Due to changes in accounting standards (SaaS) it's not possible to capitalise these systems and process changes, hence Comvita will expense the cost of the implementation over the next year. In FY23 Comvita invested a total of \$2.9M in its ERP system and will invest a further \$7M in FY24. As at the end of FY23 Comvita remain on track to deliver the project in line with their plan and remain confident that the project will be closed out in FY24. This project is designed to materially increase organisational efficiency and accelerate performance as it automates today's manual tasks and is designed to save Comvita at least 20,000 hours per year.

Double digit earnings growth after ERP

In 2020 Comvita set out to build long-term resilience and growth in the business and are encouraged that this resilience can be evidenced in this result. Comvita was delighted to report that it delivered an 11% improvement in EBITDA after taking into account investment in its ERP system (\$2.9M) in the year and a 33% improvement in operating profit after ERP to \$26.8M.

Material year-on-year movements

The FY23 result was impacted by a number of material year-on-year movements. These included a positive EBITDA gain of \$4.5M due to insurance recoveries associated with Cyclone Gabrielle's impact on its Hawkes Bay facility. The company was negatively impacted year-on-year by FX movements (\$4.1M) and the extreme weather that accompanied Cyclone Gabrielle resulted in a breakeven performance (zero contribution to group profits) from the Apiary division vs \$2.9M contribution in FY22. In addition, Comvita invested \$2.9M in its ERP system as noted above.



HoneyWorld™ acquisition

On the 5 July Comvita reported that it had completed the debt funded acquisition of HoneyWorld™ in Singapore for a consideration of S\$8.5M (NZ\$10M). This represents a strategic deployment of capital in a long-term growth market in order to accelerate its revenue and earnings growth. This addition to the Comvita group is immediately earnings accretive based on current forecasts and helps build Comvita's share of the market in Singapore to around 50%.

B Corp certified

Comvita has achieved B Corp certification marking a significant milestone in their commitment to responsible and sustainable business practices and joining a global community where business is a force for good. Comvita became the first listed business in NZ to change its constitution reflecting its commitment to consider all stakeholders in its decision making when its shareholders voted overwhelmingly in favour of the resolution at its 2022 Annual Shareholder Meeting (ASM). High quality retailers globally are demanding evidence of brand integrity, especially around ESG performance claims and B Corp provides that evidence and will open up new distribution opportunities globally. This achievement reflects Comvita's determination to leave the world in a better place as captured in its market leading Harmony Plan. Certified B Corporations are leaders in the global movement for an inclusive, equitable, and regenerative economy. Comvita joins a global community of like-minded companies that strive to balance profit with purpose, seeking to use business as a force for good.

Net debt, inventory, cashflow and dividends

Net debt reduced by \$10M since Comvita reported interim results in February 2023 and finished at \$53.4M in line with plan. The two primary causes of their temporary net debt increase were inventory (due to global supply chain volatility) and timing of creditor payments due to a strong H2. Net debt is currently above the Directors long-term goal, and with the addition of the debt funded acquisition of HoneyWorld™ management and the board are reviewing opportunities to accelerate debt reduction. Comvita are forecasting to deliver positive cashflow each half between now and the end of FY25. In FY23 The company delivered an \$8M positive cashflow with H2 especially strong at \$29M. The Directors were pleased to confirm a fully imputed final dividend of 3.0 cps bringing the total to 5.5cps in line with PCP.

FY24 guidance

Comvita is forecasting double digit EBITDA growth in FY24 including investing \$7M in ERP and \$3.5M in ongoing transformation. ERP and transformation investment is forecast to finish by June 2024. Comvita expects to deliver strong operating cashflows and a double digit reduction in inventory.

Looking forward – premium natural health and wellness brand

Comvita are making strong progress on delivery of its focus 2025 plan that is targeted to deliver a 20% EBITDA margin of c\$50M by the end of FY25. The addition of HoneyWorld™ to the Comvita group will accelerate growth and strengthen its brand share across the APAC region, further building on the retail capability gained from running their own stores in Hong Kong SAR and Korea. Comvita is also excited by brand partnerships they are undertaking with other high profile global brands who share the same discerning, quality focused consumer base.

“When we first shared our three-part plan back in 2020, we stated that we would:

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



I am absolutely delighted with the progress we are making in so many areas. In particular, to deliver record revenue of \$234M, double digit growth in all market segments and an operating profit growth of 18.7%, despite material impacts outside our direct control, gives me real confidence in our future prospects. We continue to invest in long-term brand building activity alongside investing in our team to enable even better performance. We still have lots of room for improvement to deliver the true potential of Comvita, the team and I remain committed to payback the support and trust we have received from all stakeholders and move forward in to FY24 and beyond with real excitement. Once again, I would like to close by thanking the team for the massive effort and commitment to deliver this strong result” concluded 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 600+ 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 1-2million 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.