



Financial Year Ended - 30 June 2016

Introduction

- Capilano is the market leader for honey in Australia and one of the world's largest honey packers.
- Established in 1953 - with over 63 years of experience.
- A Brand that Australian's trust that is recognised for flavour, consistency and quality.
- Exporting to over 32 countries.
- Head Office is located in Brisbane, with operational sites in Brisbane (QLD), Perth (WA) and Maryborough (Vic).
- Capilano has entered into Joint Ventures in primary production beekeeping enterprises with Comvita and one of our biggest WA suppliers.



Where do we source our honey?



All Capilano brand honey is packed with 100% pure Australian honey sourced from some 600 beekeeper suppliers.



Financials FY16



- For the financial year we are pleased to report a net profit before tax (NPBT) of \$13.44m, which compares to \$11.13m for the same period last year, an improvement of over 21%.
- Revenue increased over 11% to \$133.4m due to continued growth in market share of branded retail products throughout the business.

	FY 16 \$	Previous Year FY15 \$	Movement Vs Last Year \$	
SALES REVENUE				
Total Honey Sales	125,591,514	115,363,327	10,228,187	9%
Non-Honey	7,838,410	5,112,382	2,726,028	53%
TOTAL GROSS SALES	<u>133,617,041</u>	<u>120,863,001</u>	<u>12,754,040</u>	11%
GROSS PROFIT	26,877,700	23,035,817	3,841,883	17%
Total Expenses	12,856,186	11,645,489	(1,210,697)	10%
Earnings Before Int. & Tax	14,065,575	11,551,281	2,514,294	22%
Interest	622,913	423,397	(199,516)	
Net Op. Profit Before Tax	<u>13,442,662</u>	<u>11,127,884</u>	<u>2,314,778</u>	21%
Less Tax	3,959,199	3,282,837	(676,362)	
Net Operating Profit After Tax	<u>9,483,463</u>	<u>7,845,047</u>	<u>1,638,416</u>	21%

Financials



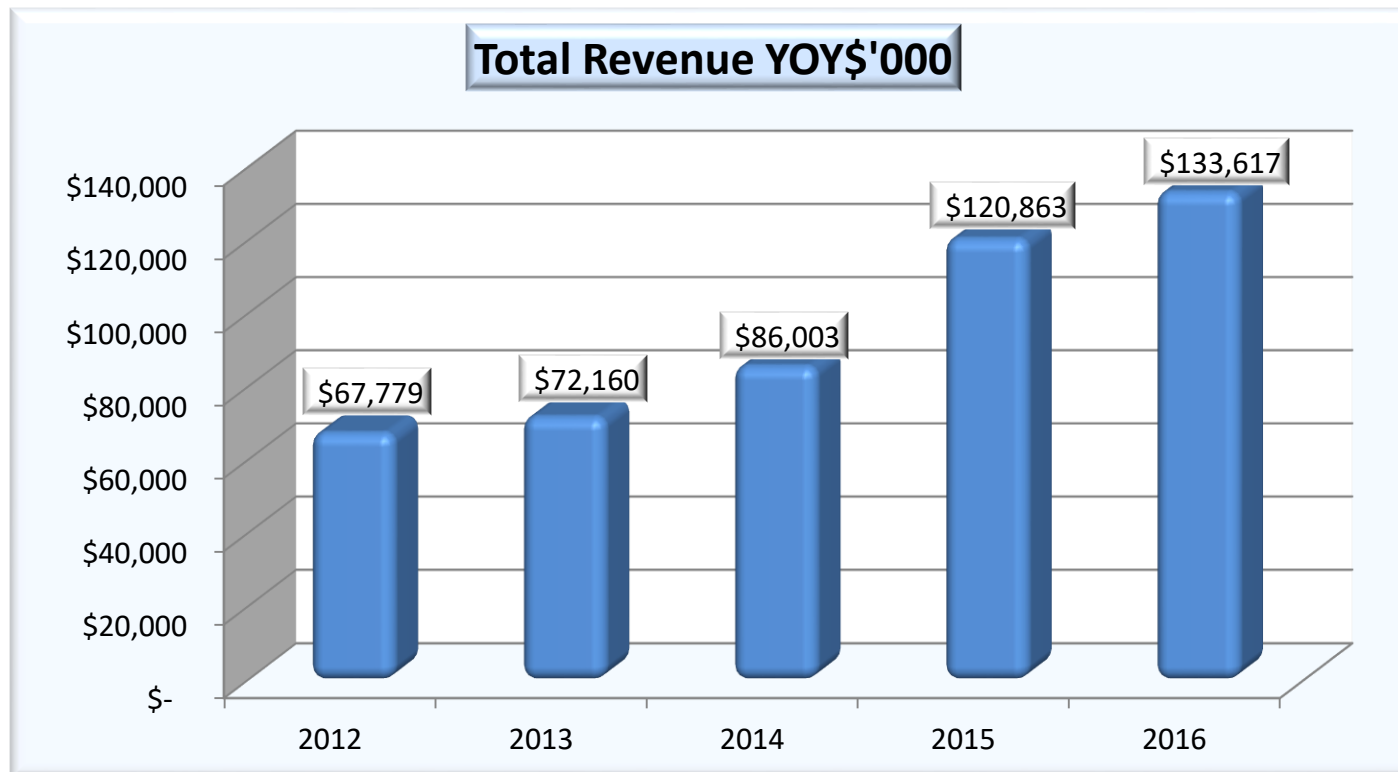
- Interest bearing net debt increased to \$9.6m as we fund acquisitions and the much greater working capital needs of our growing business.
- Inventory value for the period increased from \$23.3m to \$38.8m, with stock growing to 4,836 tonnes from the historical low of 2,018 tonnes for the same time last year.
- Increased inventory is assisting our ability to meet new sales demands and achieve the best quality product with respect to flavour.
- Debt is lower than half year due to capital raising.

(\$,000's)	2014	2015	2016
Earnings Per Share (EPS)	0.54	0.91	1.10
Net Debt	7,593	4,665	9,626
Net Assets	28,583	33,705	55,764
Current Ratio (Current Assets / Current Liabilities)	2.26	1.54	2.33
Debt Ratio (Total Liabilities / Total Assets)	42.5%	50.8%	44.1%
Interest Cover (EBITDA / Interest)	13.9x	31x	25x

The Market



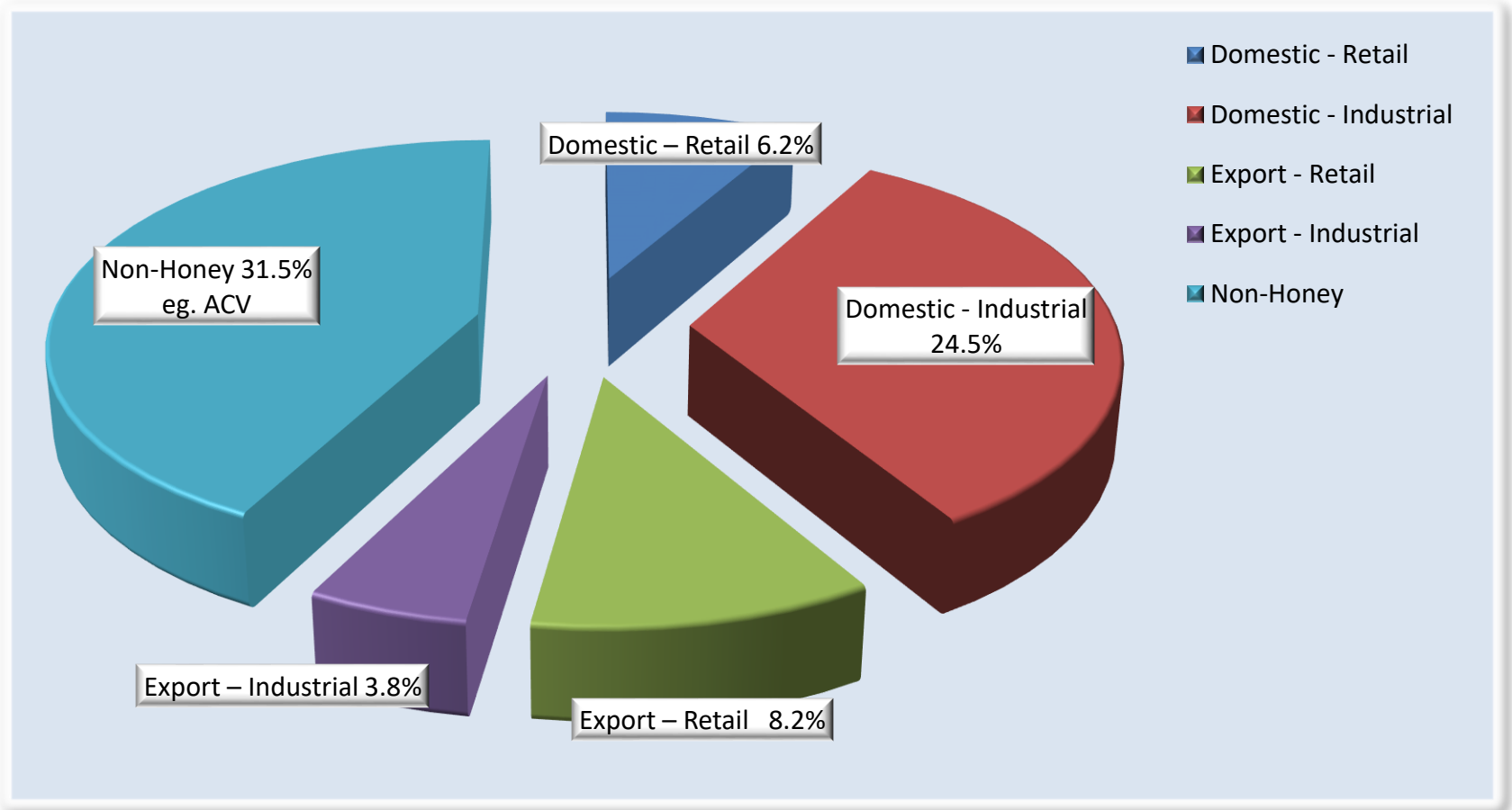
- Brand recognition, awareness and consumer preference remains with Capilano.
- Branding update on shelf, including converting Beevital Manuka to Capilano branded Manuka.
- Expansion of Barnes Natural Brand has occurred into Australian pharmacy and international markets.



The Market



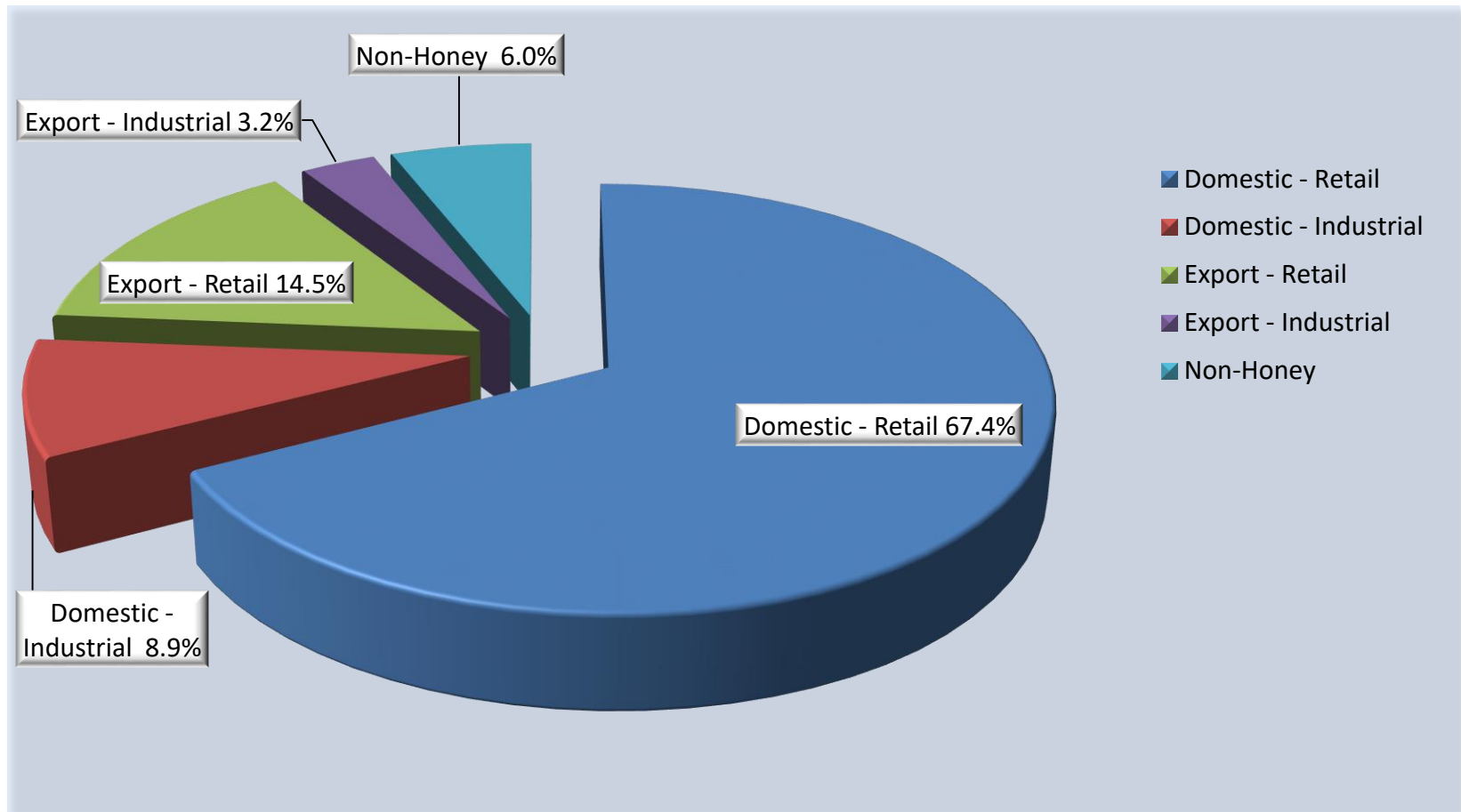
➤ Components of Sales Growth – 2016 vs 2015



The Market



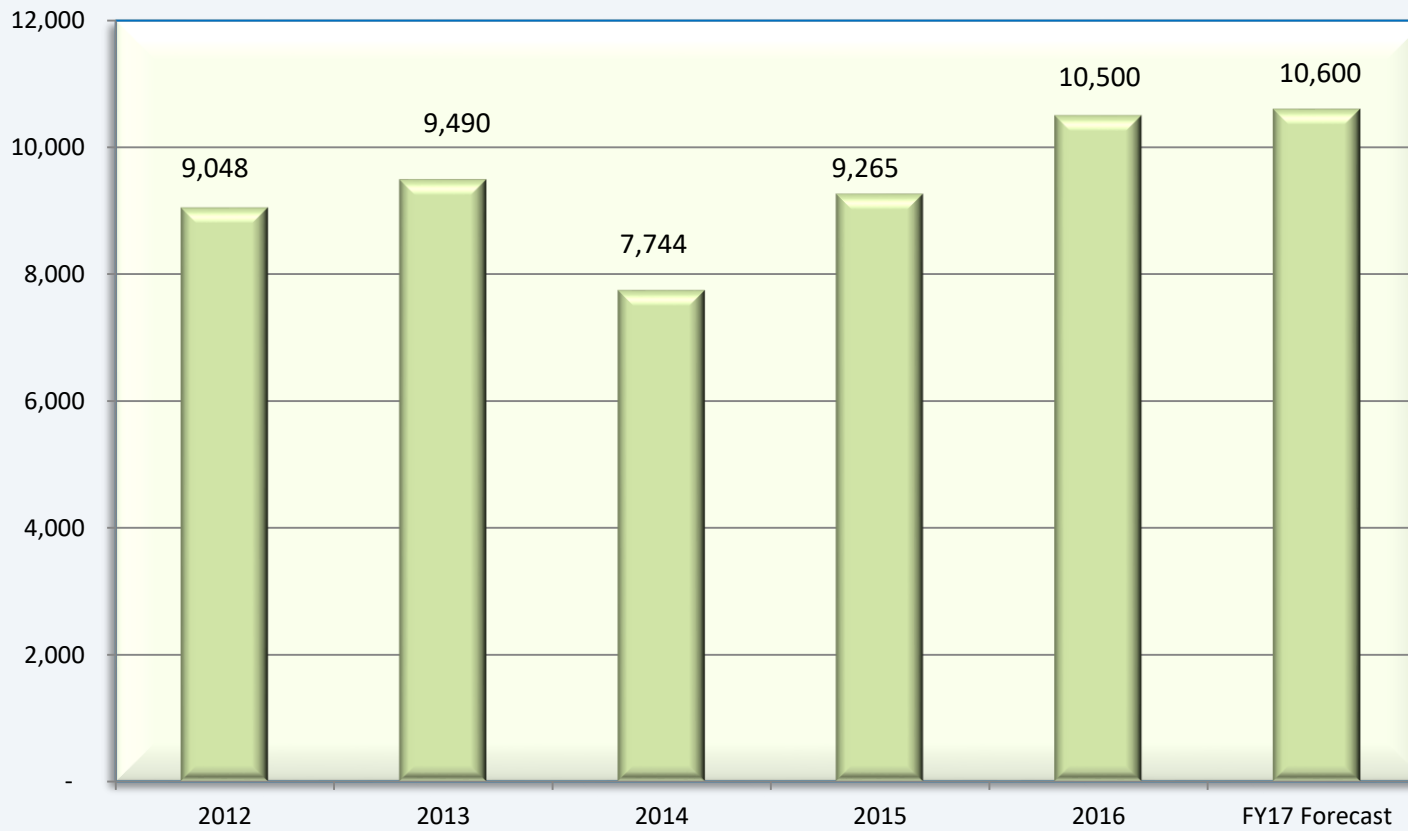
➤ Total Sales Revenue by Segment - 2016



Australian Honey Supply (t)



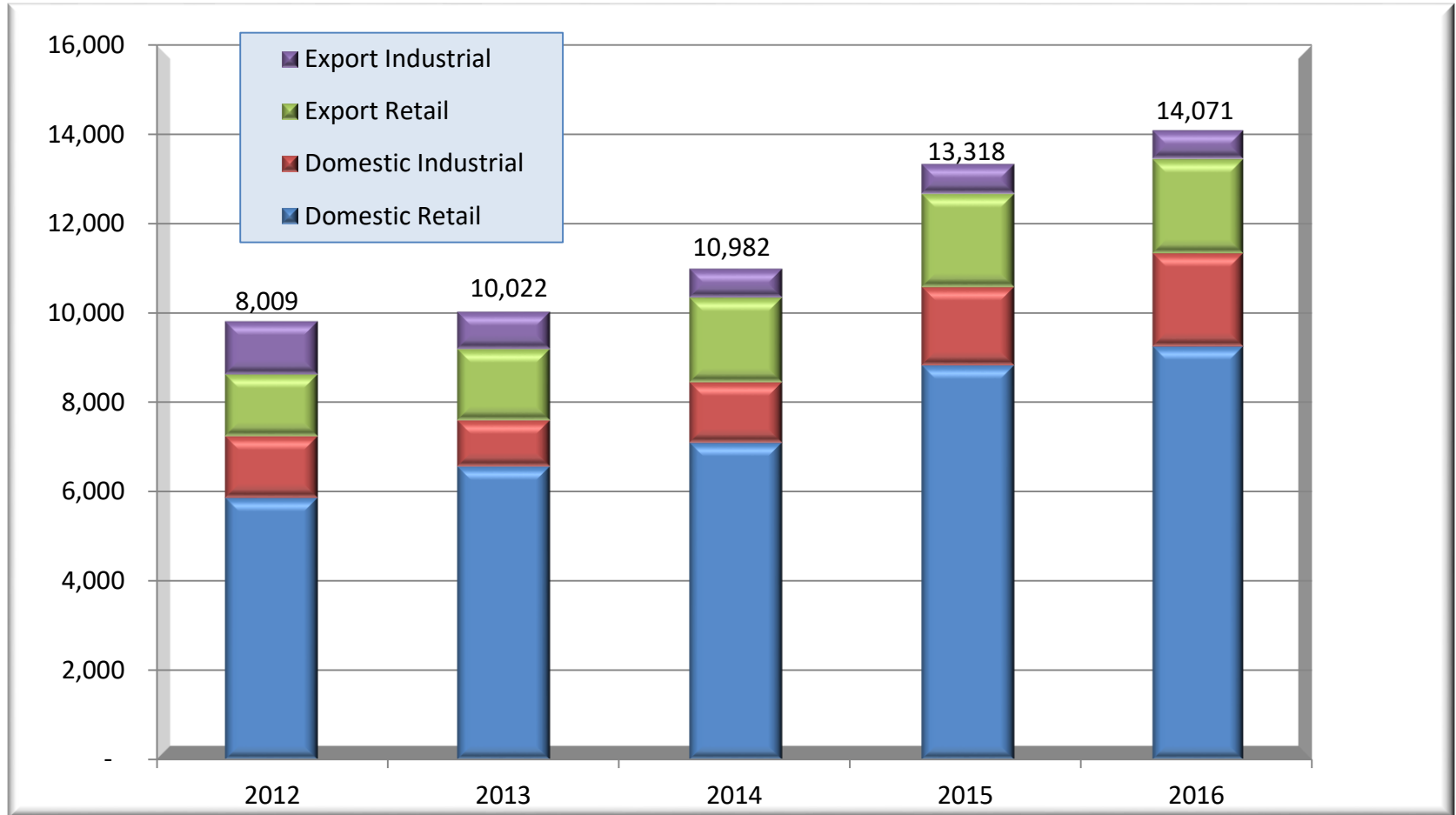
- Australian honey remains fundamental to Capilano's business and future.
- This year's crop is progressing and honey deliveries are expected to be higher.



Sales Segments Over Time



➤ Total honey sales in tonnes per market



Beekeeping Enterprises

- Manuka honeys continue to be an important product offering.
- Manuka makes up only 5% of total Australian receivables, with the aim to improve this production.
- This operation is progressing well and expanding.
- Improving hive numbers is aimed to increase supply and create more flexibility.
- Supply is always dependent on seasonal conditions.
- With the new JV in WA we are aiming to improve the honey supply of floral WA honeys.
- In the beekeeping enterprises we are planning expansion through organic growth and strategic acquisitions.
- Direct involvement in the industry gives us the opportunity to help foster the next generation of beekeepers.



Manuka Retail Sales



- Capilano brand Manuka honey was re-branded to increase differentiation of antibacterial activity and improve shelf presence.
- Expansion of Manuka sales through Australian pharmacies continues with Barnes Naturals. Barnes Naturals brand is the leading Manuka brand (units) in pharmacy (AZTEC 18/09/2016).
- Capilano Manuka honey has also been launched through the pharmacy channel in China.





Beeotic® Prebiotic Honey

A tablespoon a day for better gut health



- ✓ **TGA Listed Product – Aust L 276640.**
- ✓ 100% Natural Australian Honey.
- ✓ Clinically tested with University of New South Wales.
- ✓ Each batch is tested for prebiotic content at an independent laboratory.
- ✓ Capilano has an provisional patent application covering the 'how and why' of prebiotic honey.
- ✓ Approximately one tablespoon (14mL) per day was shown as the effective dosage in clinical trials.
- ✓ Shelf stable. Does not need to be refrigerated.
- ✓ The same great Capilano taste.



Beeotic® Prebiotic Honey



Beeotic is the world's first clinically tested prebiotic honey.

Gut health is a global health trend, with sales growing strongly due to increasing scientific evidence that “your health starts in your gut”.

Prebiotics stimulate the growth of healthy microflora that populate your large intestine. When these healthy microflora (beneficial bacteria) are allowed to flourish, they help keep you healthy and strong.

The Australian Digestion (Probiotic) category nationally is worth \$ 71.7m in annual scan sales, growing at 11.8% (MAT 24/01/2016). This doesn't include functional foods such as Activia, Yakult or Vaalia.

Beeotic has been approved as a complementary medicine, listed with the TGA. Capilano's Richland's (QLD) factory was licenced for complementary medicine manufacturing.

Prebiotic honeys are specifically selected and tested.

Beeotic prebiotic honey is unique – it both nourishes the good bacteria in the gut while suppressing the bad bacteria.



Category Opportunity

Digestion category growing strongly

Beeotic is a shelf stable product, providing a significant advantage over many existing probiotic products, which need to be kept refrigerated.

Health & wellness honeys are growing strongly within the category. Beeotic is aimed to continue and increase this growth:

- Increase consumption of honey as consumers will take Beeotic daily as part of their health routine;
- Increase household penetration of honey;
- Bring new users to the honey category;
- Provide an attractive export opportunity, especially in Asia, for Australian honey.



Outlook



- Capilano has increased its marketing investment as we launch our new health & wellness Beeotic range. Sales of this product are progressing well domestically, and we have commenced distribution into China through the pharmacy channel.
- Our premium Barnes Naturals and re-branded Manuka sales continue to perform.
- Capilano is well positioned to take advantage of an increasing Australian honey supply and we are focussed on growing our premium markets locally and internationally.
- Greater supply of Australian honey has seen increased ranging in the domestic market and more competition, including a return of more regular discounting.





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