

# Half Year Brokers Presentation

February 2017



ACN: 009 686 435



Financials | Sales | Joint ventures | Outlook



# Profit for half-year Dec16



	Dec-15	Dec-16
	Previous Half Year Actual	Current Half Year Actual
<b>Total Honey Sales</b>	<b>62,925,927</b>	<b>63,016,170</b>
Non-Honey	3,982,247	3,417,263
Other Sales	158,191	88,640
<b>TOTAL GROSS SALES</b>	<b>67,066,366</b>	<b>66,522,074</b>
<b>GROSS PROFIT</b>	<b>13,367,684</b>	<b>13,888,276</b>
G.P. Percentage	22%	23%
<b>Total Expenses</b>	<b>5,766,452</b>	<b>8,136,482</b>
<b>Earnings Before Interest &amp; Tax</b>	<b>8,019,837</b>	<b>7,634,488</b>
Interest	249,100	160,695
<b>Net Operating Profit Before Tax</b>	<b>7,770,737</b>	<b>7,473,793</b>
Less Tax	2,268,234	1,570,891
<b>Net Operating Profit After Tax</b>	<b>5,502,504</b>	<b>5,902,901</b>
Depn & Amortisation (included in Exp)	813,082	788,374
<b>Earnings per share (cents)</b>	<b>64.0</b>	<b>62.4</b>

- Sales revenue influenced by a key customer's move to net pricing and less low margin export bulk sales.
- Non-Honey down due to lower sales in the export market for Apple Cider Vinegar.
- GM up due to sales of more premium products.
- Expenses increased due to a greater marketing and research cost, principally for the launch of Beeotic®. Staff and utility costs increased.
- Effective tax rate lower as capital gain was offset against previous capital tax losses.
- Earnings per share effected by newly issued shares of 860,360.
- Profit was up on a NPAT comparison.



# Comparison Accounts



Capilano Honey Limited Group - 6 months to 31 December	<i>FY16 Half Year (\$m)</i>	<i>Current Half Year (\$m)</i>
Revenue	\$67.10	\$66.52
Adjusted rebates	-	\$1.44
Adjusted comparable revenue	\$67.10	\$67.96

Capilano Honey Limited Group - 6 months to 31 December	<i>FY16 Half Year (\$m)</i>	<i>Current Half Year (\$m)</i>
Stock Revaluations	\$1.42	(\$1.33)
Additional Marketing/New Product Cost	-	(\$1.32)
Capital Gain	-	\$2.07
<b>Total</b>	<b>\$1.42</b>	<b>(\$0.58)</b>

- Major retailer removed trading term rebate to move to net price, with no impact on margin.
- Capital gain of \$2.07m from selling Manuka assets into newly established Joint Venture.
- A greater marketing cost delivered initial Beeotic® sales of \$2.3m, meeting our expectations.
- Revaluation of inventory for changes in raw honey price.



# Statement of Financial Position



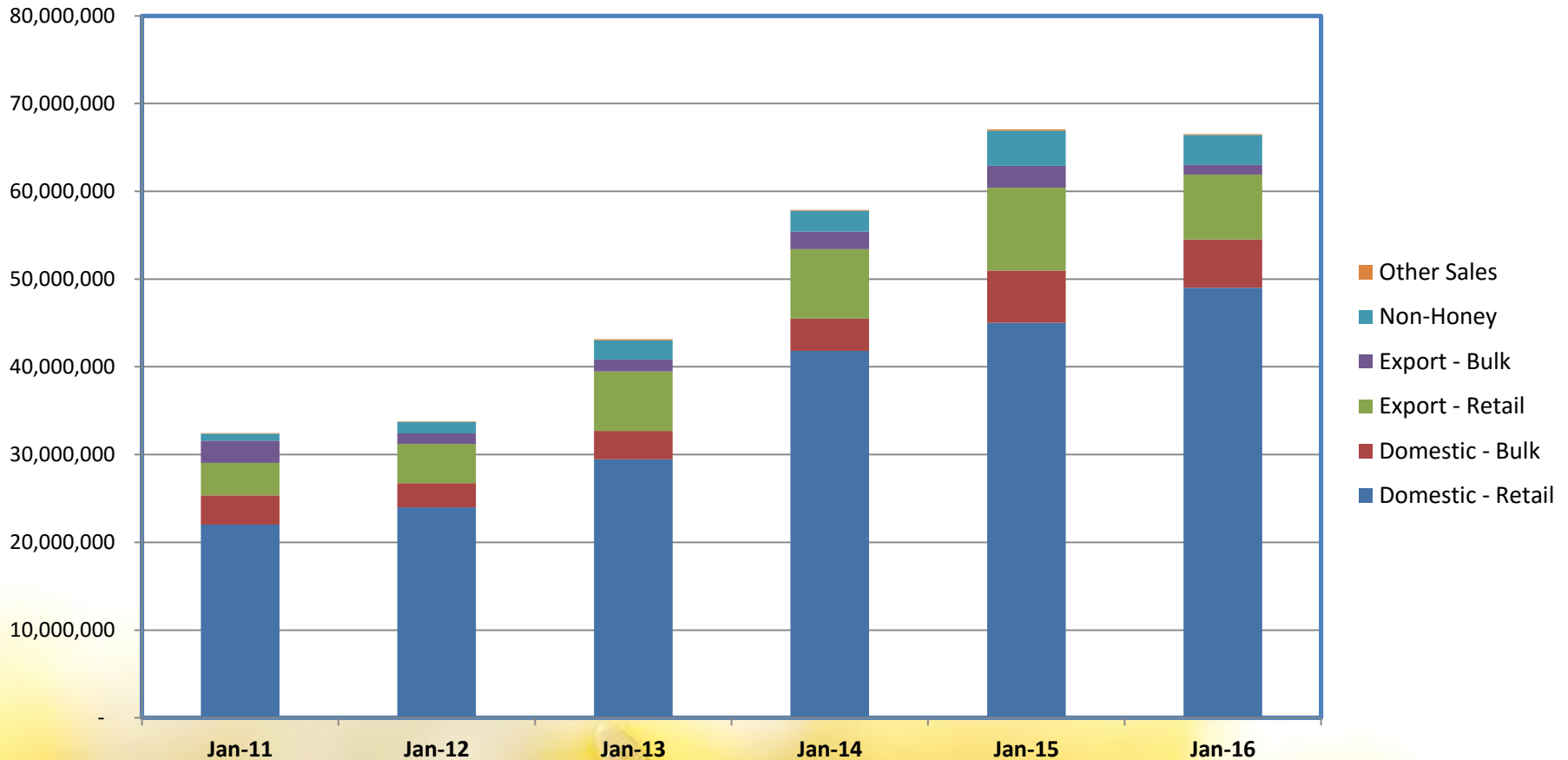
	Dec-16	Jun-16
<b>TOTAL CURRENT ASSETS</b>	<b>64,283,343</b>	<b>77,940,680</b>
<b>TOTAL NON-CURRENT ASSETS</b>	<b>26,371,458</b>	<b>21,794,540</b>
<b>TOTAL ASSETS</b>	<b>90,654,801</b>	<b>99,735,220</b>
<b>TOTAL CURRENT LIABILITIES</b>	<b>21,809,289</b>	<b>33,411,510</b>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>7,233,164</b>	<b>10,559,588</b>
<b>TOTAL LIABILITIES</b>	<b>29,042,453</b>	<b>43,971,098</b>
<b>NET ASSETS</b>	<b>61,612,348</b>	<b>55,764,122</b>
<b>TOTAL EQUITY</b>	<b>61,612,348</b>	<b>55,764,122</b>

- Balance sheet remains strong, with plenty of capacity.
- Net Assets backing increased from \$4.56 to \$6.51 as debt was reduced.
- Current assets lower as cash was used to pay down debt.
- Currently using less than half of our available bank facility with plenty of scope to increase this facility as and when needed.
- Non-Current assets increased with investment in beekeeping joint ventures.
- Liabilities down as debt and creditors are reduced.

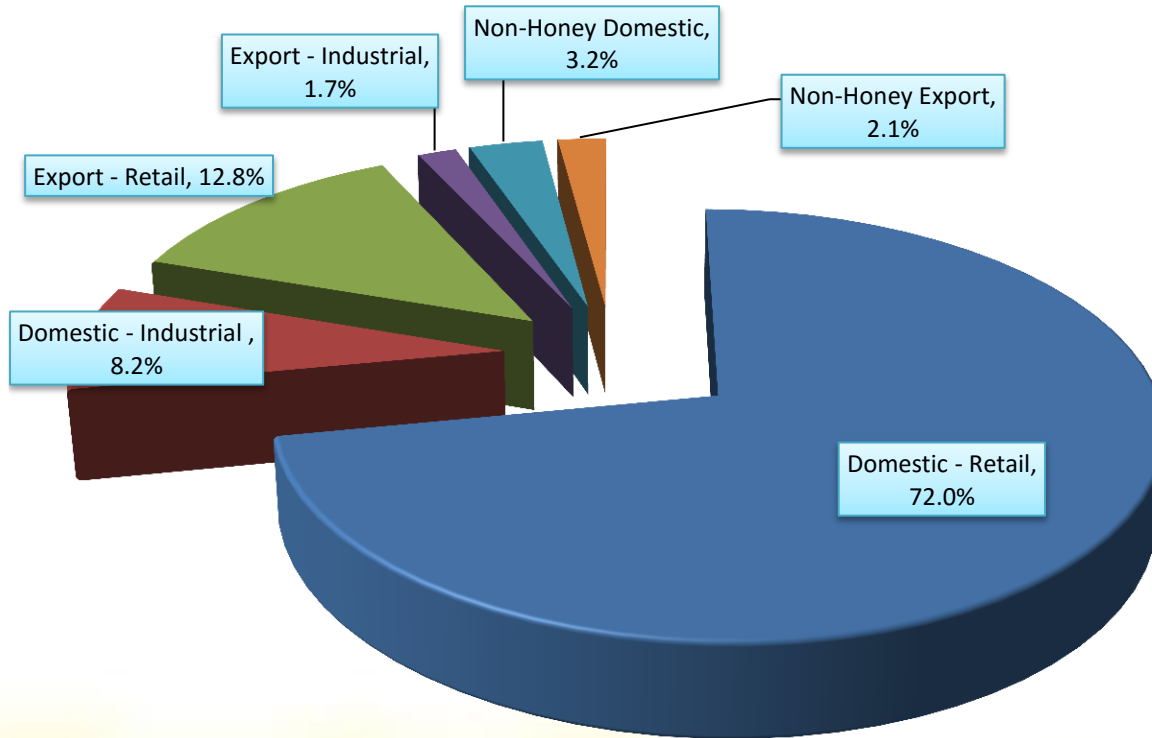




# Revenue Over Time (6 months, no adjustments)



# Revenue Split FY17 (6 months)



# Sales Export (6 months)

- Export Apple Cider Vinegar (ACV) sales did not cycle to the same degree as a consequence of the pipeline fill last financial year and some one-off demand.
- Industrial low margin bulk honey sales reduced based on demand and some were exited due to insufficient margin.
- Saudi (Middle East) market was suspended due to Biosecurity inspired trade barriers on Australian honey, hopefully now being overcome by Australian Government trade officials.
- A small reduction in South-east Asian sales occurred because of cheaper competition and the increasing premium positioning of Australian honey.
- Continued effort to achieve varied international regulatory approvals for Beeotic® prebiotic honey aims to improve distribution.



*Training pharmacy assistants on premium Australian Capilano products*





# China Sales Growth



- Mainland China retail sales now 18% of total export, as Beeotic® and Manuka sales begin and increase.
- Selling direct into Chinese Pharmacies, (1700 stores) and training 1000 pharmacy in-store sales staff.
- Our China Tmall Flagship ecommerce store has been recently launched.
- Social media campaign in China planned to align with the ecommerce site launch.
- Sales to China grew 87%, as we increase our endeavours in this market.



*New pharmacy ranging China*



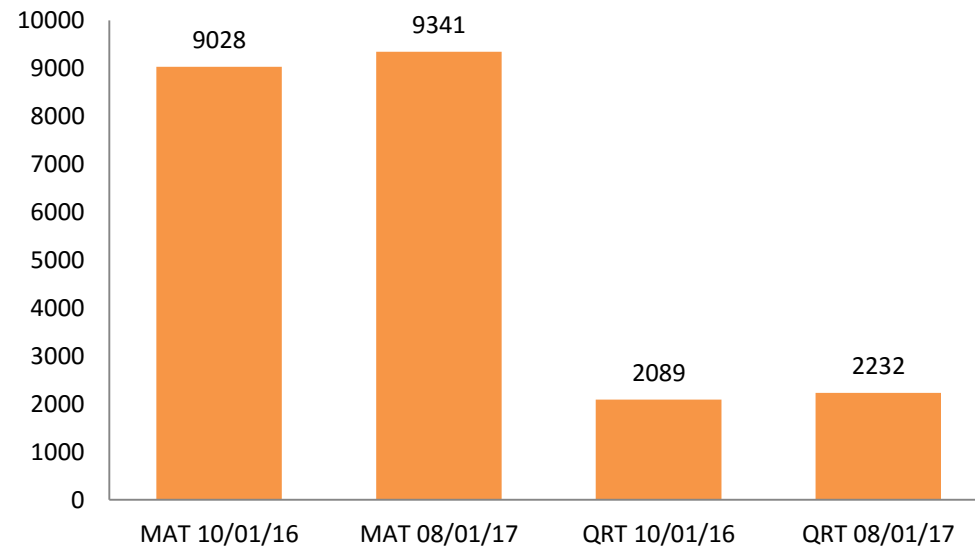


# Sales Domestic (6 months)



- Capilano's domestic sales were up in volume 9.4%, with a greater contribution from new products and increased ranging.
- Changes in branding and ranging reduced Manuka sales initially as we transitioned to a greater Capilano Manuka branding. Market share has recovered following the new branding initiative.
- Manuka sales were bolstered by recent publicity from scientific research demonstrating its antibacterial potency.
- Increased promotions took place this half as customers were looking for value and there was more Australian honey on the market.
- Total retail market growth of 3.5% over last year in tonnes was achieved, with 6.8% evident in the last quarter.

## Total Honey Tonnes Domestic Retail



MAT: Moving Annual Total

QTR: Last Quarter

Source: Aztec data supermarket (exclude ALDI)

# Beekeeping Joint Ventures

- Two beekeeping joint ventures initiated, one focused on Manuka in northern New South Wales and the other based in the high production regions of south-west Western Australia.
- Currently focusing on increasing hive numbers to fully utilise floral resources.
- Training new beekeepers to support future growth and production capacity.
- Manuka season continues, but production has been lower than last year, which is seasonal and impacting all beekeepers.
- Joint ventures have made strategic acquisitions to increase floral resources.
- Subject to climatic conditions, we are confident of the future positive earnings potential of these ventures, in addition to the benefits of improved supply security.



# Outlook

- Focus remains on export and premium product sales.
- Further Beeotic® distribution and marketing is planned for second half.
- Achieving in-market pull and improved sales on much better distribution in China is a priority.
- Expansion of pharmacy distribution domestically is underway.
- Improving manufacturing costs and reducing complexity in product range.
- Continuing uncertainty over the size of the Australian crop for this FY will be closely watched, noting that we have adequate inventory on-hand to manage demand. The Australian crop is expected to be much higher next FY based on the predicted flowering patterns of key eucalypts.
- Improving retail Apple Cider Vinegar distribution domestically and in other international markets, with accompanying marketing activities to drive awareness.
- The business continues to be well placed to benefit from increased volume, with ample capacity.





# Key Points



- NPAT was up to \$5.90m.
- Domestic market sales in growth.
- Balance sheet remains strong.
- Progressing export sales plans to improve the contribution from this segment.
- Australian beekeeper contracted honey supply has notably increased, as has inventory holdings.
- Beekeeping ventures commenced and in full operation, including our 'Keeping Futures' program to support the next generation of skilled beekeepers.

