22 August 2017

2017 result an improvement on guidance;
Return to full profitability expected for 2018.

For the 12 month period ending 30 June 2017, Comvita (NZX:CVT) today announced a Net Profit after Tax (NPAT) of $9.8m on sales of $156m. After adjusting our NPAT for favorable non-operating impacts, primarily the sale of the Medihoney® brand to Derma Sciences, Inc., this results in an after-tax operating loss of $5.5m. This compares favorably to an after tax operating loss guidance of $7m reported to the market on 5 April 2017.

Financial results for the period	12 months to 30 June 2017 Audited	12 months to 30 June 2016 Unaudited	15 months to 30 June 2016 Audited
Revenue	$156m	$192m	$231m
EBITDA *	$19.8m	$37.0m	$39.4m
EBITDA % of revenue	13%	19%	17%
Net profit after tax - NPAT	$9.8m	$18.1m	$18.5m
NPAT attributed to non-operating items	$15.3m	-	($1.4m)
NPAT excluding non-operating items	($5.5m)	-	$17.1m
Earnings per share NPAT (NZ Cents)	23.74	-	46.91
Dividend per share (NZ Cents)	2	-	18
Return on Capital Employed - ROCE	5.8%	-	14.3%

* EBITDA: earnings before interest, tax, depreciation and amortisation

Comvita Chairman Neil Craig, said "It has been well communicated that we have had a difficult year with two significant external events having impacted our business. Firstly, the changes to the regulatory environment for the grey market channel sales from New Zealand and Australia to China and secondly, the extremely poor honey season. The stronger than expected end to the 2017 financial year now extending into the new year, together with significant permanent cost savings and other initiatives, provides us with a good deal of confidence as we head into 2018. This optimism is of course predicated on a return to a normal 2017-2018 summer honey production season."

"Our balance sheet has also been strengthened during the year with two major events; the Derma Sciences, Inc. IP and share sale as well as a share placement to China Resources in October 2016. These transactions have enabled us to maintain our longer-term strategy to ensure that we are well placed to deliver on both our 2018 and our 2021 forecasts."

"With an after-tax operating loss being generated this year, no final dividend will be made in respect of the 2017 year. This is consistent with our existing dividend policy of a 40-45% payout ratio of after-tax operating profits. We also announced on 12 January 2017 that the capital proceeds from the Derma Sciences Inc. transaction will initially be applied to debt reduction and then for funding strategic initiatives and potential acquisitions currently under consideration by Comvita. We expect a recommencement to dividends after our six month result to 31 December 2017."

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Comvita CEO Scott Coulter says, “We have without doubt had a very challenging year and for me personally, it has made me immensely proud of the resilience and determination of the people at Comvita to not just work through a difficult time, but to maintain complete focus on the strategic initiatives to deliver on our longer-term strategy. We have reshaped the business on a number of fronts during FY17 and this has given us all a sense of confidence moving into 2018.”

Outlook

- The company has a number of new business opportunities in North America and South-East Asia and as a result we have lifted our 2018 revenue and profit forecast based on actual orders received and anticipated follow-on orders.
- The China Joint Venture (JV) as previously communicated 03 July, 2017, became operational on 1 July and this will contribute immediately to our underlying operating earnings. This JV also provides an advantage over our international competitors who have heavy dependency on the grey market channel to China which can be subject to regulatory change.
- Manufacturing recoveries will be much improved during FY18 due to the increased factory throughput and from a partial recovery in sales to the grey channel to China through New Zealand and Australia. This recovery will also see the realisation of positive sales leverage of the largely fixed cost base in the Australian business.
- During the year, we also focused heavily on our fixed operating expenses and have made some significant long-term savings to the company’s cost base.
- Offsetting these savings in the short term, the company is investing in both marketing and product development in 2018 to ensure our longer-term sales growth targets are achieved.

“In summary, based on an assumption of a normal 2017/18 honey production season and a partial recovery of the grey channel we would expect after tax operating earnings for FY18 to be at least equal to our after tax operating earnings of $17.1m achieved in FY16 (over the comparable 12 month period),” Mr. Coulter said.

For a more detailed analysis in regards to the FY17 year and the FY18 outlook, please also refer to the Financial Statements and Investor Presentation respectively, loaded onto the Comvita website:
http://www.comvita.co.nz/store/comvitanz/results-reporting

Ends.

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Background information
About Comvita (www.comvita.co.nz)
Comvita (NZX:CVT) is a global natural health company committed to the development of innovative products, backed by ongoing investment in scientific research.