



# ANNUAL SHAREHOLDERS' MEETING

18 OCTOBER 2017

# IMPORTANT NOTICE

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This presentation is given on behalf of Comvita Limited. Information in this presentation:

- should be read in conjunction with, and is subject to, Comvita's Annual Reports, Interim Reports and market releases on NZX;
- is from audited financial statements for the year ended 30 June 2017;
- may contain projections or forward-looking statements about Comvita. Such forward-looking statements are based on current expectations and involve risks and uncertainties. Comvita's actual results or performance may differ materially from these statements;
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- is current at the date of this presentation, unless otherwise stated.

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All currency amounts are in NZ dollars unless otherwise stated.



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1. Welcome / Apologies – Neil Craig
2. Chairman's Address – Neil Craig
3. CEO's Address – Scott Coulter
4. Formalities and Resolutions
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7. Afternoon Tea



WELCOME TO

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# NEIL CRAIG

## CHAIRMAN'S ADDRESS



# CHAIRMAN'S SUMMARY

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## TOUGH YEAR

- Two significant external events
  - Changes to China's regulatory environment took a long time to work through
  - Extremely poor honey season
- We improved our balance sheet
  - China Resources placement
  - Medihoney® IP and share sale
  - Enabled us to maintain our long term strategy
- Reviewed and ratified our strategy
- Strong finish to FY17, and good start to FY18



SALES

**\$155.9m**



EARNINGS

**\$9.8m**



OPERATING  
EFFICIENCIES

**\$7.0m**



BALANCE SHEET

**\$51m** cash raised





# BOARD OF DIRECTORS

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Neil Craig  
Non-Executive Chairman



Alan Bougen (Founder)  
Non-Executive Director and  
Deputy Chairman  
(Retiring 2017 ASM)



Sarah Ottrey  
Independent  
Director



Luke Bunt  
Independent  
Director



Sarah Kennedy  
Independent  
Director



Murray Denyer  
Independent  
Director



Paul Reid  
Independent  
Director



Brett Hewlett  
Independent  
Director





## KEY FINANCIAL RESULTS

- Reported NPAT of \$9.8m
- One-off, non-operating profit of \$15.3m primarily from the sale of Medihoney® IP to Derma Sciences Inc. (now Integra LifeSciences)
- Operating loss of \$5.5m vs. market guidance of a loss of \$7.0m
- Policy of paying dividends out of after-tax operating profits at a payout ratio of 40-45%
  - We have a number of attractive M&A opportunities in front of us
  - No final dividend in respect of FY17
  - Expect dividends will resume in FY18

Financial results for the period ended	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)	2.00	-	18.00
Return on Capital Employed - ROCE	5.8%	-	14.3%

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





# BALANCE SHEET

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- FY17 net debt year end: \$61.9m
  - FY16 prior year end \$84.0m
  - HY17 \$82.4m
- Two liquidity events raised \$51.2m
  - China Resources placement \$21.2m at \$10.60 per share
  - Derma Sciences Inc.; \$30m
    - \$11m from share sale
    - \$19m from sale of IP
- Debt to equity now 38% (FY16 64%)

Key Balance Sheet Ratios as at	30 June 2017 \$'000	30 June 2016 \$'000	Change %
Total assets	256,692	243,268	6%
Raw material inventory	59,895	64,509	(7%)
Net debt	61,928	84,020	(26%)
Net debt to equity ratio	38%	64%	(41%)
Weighted average shares on issue	41,373	39,386	5%







# SALE OF MEDIHONEY® IP ASSESTS

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## DERMA SHARES SOLD TO INTEGRA LIFE SCIENCES (NASDAQ:IART)

- USD \$7 per share - \$11m proceeds



## SALE OF MEDIHONEY® IP

- \$19m proceeds for sale of Medihoney® brand and associated royalties
- Retained royalty free unrestricted use of the Medihoney® brand in perpetuity in over-the-counter (OTC) markets globally



## MILESTONES

- USD \$2m when reach US \$25m sales
- USD \$3m when reach US \$37.5m sales





# MANUKA HONEY DEFINITION

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This is a big deal for the Manuka honey industry. It will mean certification of all Manuka honey leaving New Zealand



- Industry is aligned
  - Establishment of Apiculture NZ
  - UMFHA® (UMF Honey Association) has 120 members
  - Major players agree on most of the key issues facing the industry
- The Ministry of Primary Industries (MPI) has committed to working with industry on the definition and we expect an announcement by the end of the year
- Comvita's science team recently published a definitive scientific paper in internationally recognised publication, "Food Chemistry". This paper was also presented this month at Apimondia, the global apiculture conference
- Hopeful of agreement with MPI on the Certification standard shortly



# MANUKA HONEY – MYRTLE RUST

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## MYRTLE RUST

- Very low risk to industry
  - Nothing since our 27 June market update has caused us to change our view.
- In Australia for seven years
  - No wild infections of *Leptospermum* species reported
  - No impact on honey production



WELCOME TO

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SCOTT  
COULTER  
CEO'S ADDRESS



# YEAR IN REVIEW

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## MAINTAINED FOCUS ON STRATEGY

- Kept our focus in FY17 on re-shaping the business to deliver on our long term strategic objectives
  - Sourcing our raw ingredients
  - New product innovation
  - Balancing our market growth between East and West
  - Acquisitions (China strategy)





# LEADERSHIP TEAM

STRONG TEAM: RESHAPED AND BROADENED WITH A FOCUS ON COMMERCIAL EXECUTION, HIGH PERFORMANCE CULTURE AND E-COMMERCE



**Scott Coulter**  
Chief Executive Officer



**Mark Sadd**  
Chief Commercial Officer  
M&A, Partnerships, Governance with a focus on China JV, Apiaries and other investments



**Julianne Keast**  
Chief Financial Officer - Acting  
7 years managing finance for Comvita



**Kate Selway**  
Chief People & Culture Officer - Acting  
7 years in People & Culture



**TBC**  
New Chief Digital Officer role  
An increasing number of sales are made via digital channels



**Ben Shaw**  
Chief Marketing Officer



**Simon Pothecary**  
Chief Sales Officer



**Sharon Hollenstein**  
Chief Innovation Officer



**Colin Baskin**  
Chief Supply Chain Officer





# GLOBAL TRENDS VISION AND STRATEGY

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# GLOBAL TRENDS

## THAT INFLUENCE THE NATURAL HEALTH MARKET



Aging populations and emergence of lifestyle diseases, e.g., mobility cardiovascular, diabetes, antibiotic resistance



Consumers taking a pro-active approach towards managing their health



Rapid growth of e-commerce and cross boarder platforms



Consumers need to trust the source of their food supply

**Comvita's vision and strategy positions us perfectly to take advantage of these global trends**





# VISION

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## SOURCE TO SHELF



**CLOSE, DIRECT LINKS WITH CONSUMERS IN KEY MARKETS**



**CONNECTED TO THE SOURCE**



**NATURAL PRODUCTS THAT WORK, BACKED BY SCIENCE**



**TRUSTED**



# COMVITA STRATEGY ON TRACK

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## \$400M BY FY21



**CONSUMER-FOCUSSED BUSINESS**



**DIRECTLY CONNECTED TO THE SOURCE**



**INNOVATION**



**ACQUISITIONS**



**EARNINGS FOCUS**





# CONNECTING TO THE SOURCE

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# MANUKA HONEY

41,500 HIVES

- Regional spread of apiaries designed to mitigate weather events
- Building Joint Venture partnerships with strong management to increase growth
- Moving to land owner partnerships utilising Manuka plantation opportunities

**MEDIBEE APIARIES**  
(50% owned Joint Venture )  
**3,600 hives**

**NGA PI**  
(33% owned Joint Venture )  
**800 hives**

**KIWI BEE KERIKERI**  
**6,500 hives**

**KIWI BEE AUCKLAND**  
**1,200 hives**

**KIWI BEE WAIKATO**  
**4,000 hives**

**KIWI BEE EAST COAST**  
**3,500 hives**

**KAIMANAWA**  
(50% owned Joint Venture )  
**6,000 hives**

**MAKINO**  
(50% owned Joint Venture )  
**400 hives**

**KIWI BEE HAWKES BAY**  
**3,500 hives**

**KIWI BEE WHANGANUI**  
**5,000 hives**

**PUTAKE**  
(50% owned Joint Venture )  
**3,000 hives**

**KIWI BEE WAIRARAPA**  
**4,000 hives**



# PANHANDLE STATION

KAKAHI VALLEY, OHURA



2,900HA DRY STOCK STATION



200HA OF EXISTING MANUKA



PLANTED 250HA FY17



1,250HA OF PLANTATION POTENTIAL



WILL TAKE UP TO 1,500 HIVES





# MAKINO STATION Ltd.

MAKINO ROAD, RAETIHI



1,530 HA DRY STOCK STATION



700HA OF EXISTING MANUKA



800HA OF PLANTATION POTENTIAL



PLANTED 130HA FY17





# AKIRA STATION

## WAIRARAPA



430HA DRY STOCK STATION



400 HIVES ON EXISTING MANUKA



PLANTED 110HA FY17



WILL TAKE UP TO 500 HIVES





# INNOVATION

## STRATEGIC GOAL:

### Transform how we do innovation at Comvita

- Faster growth of core bee product innovation
- Product diversification
- \$2.2m of sales from new-to-the-business innovation
  - Eye Health
  - Drinking Vinegar
  - Reduced-sugar lozenges
- Expect sales >\$10m in FY18







# BUILDING A PRODUCT PORTFOLIO FOCUSSED ON OUR CUSTOMERS CORE HEALTH NEEDS

## EXTEND BEE PRODUCTS



BEE BASED PRODUCTS:  
Manuka honey, Propolis,  
Royal Jelly, Pollen

## DRIVE CATEGORY GROWTH



MEDIHONEY®



MARINE & OMEGA



OLIVE LEAF

## EXPAND



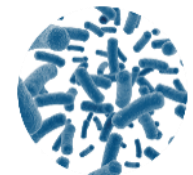
MILK



BERRY



KIWIFRUIT



PROBIOTICS



# MEDIHONEY® ADHESIVE WOUND DRESSING

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## LAUNCH OF MEDIHONEY® ADHESIVE DRESSINGS

OCTOBER 2017

- Medical device approval (CE Mark) obtained in New Zealand, Australia, Hong Kong and the UK
- USA launch (FDA version) early next calendar year
- Current market size for OTC adhesive wound dressings in these markets alone is \$1billion.





# EYE HEALTH

## NEW ZEALAND - SOURCED BLACKCURRANTS

- Eye health is one of the largest health concerns in Asia
  - New Zealand blackcurrant has excellent levels of anthocyanins
- Launched eye health product
  - Targeted at young, working professionals, sales already circa \$1m
- Good demonstration of Comvita's brand strength, outside of bee products
- About to launch Macular Health product, targeted at 50+ age group

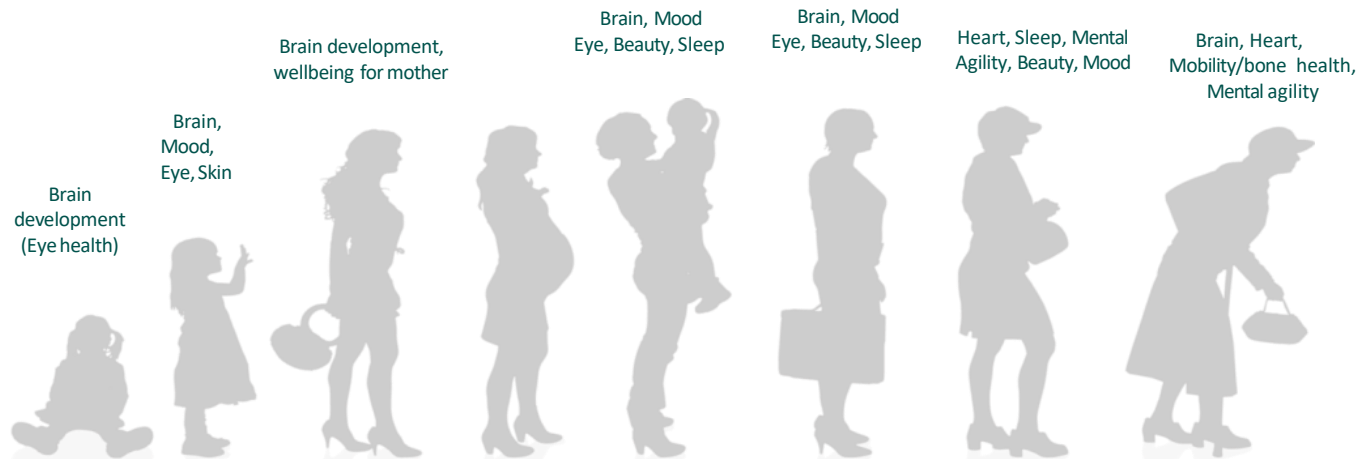




# MARINE BIOACTIVES (including Omega 3)

THE MARINE BIOACTIVES PORTFOLIO IS DESIGNED TO ADDRESS KEY CONSUMER HEALTH CONCERNS THROUGHOUT EACH LIFE STAGE

- Omega 3 Gummies launched
- New Omega 3 range to be launched next year using New Zealand manufactured Omega 3 fish oil sourced from SeaDragon
- Omega 3 fish oil market is USD \$9.94b and expected to grow at 13.8% from 2015 to 2020 driven predominantly by Asia.





# FRESH PICKED™ OLIVE LEAF EXTRACT (OLE)

## EXPANDING INTO CARDIOVASCULAR HEALTH

- Targeting the three highs:
  - Blood sugar
  - Cholesterol
  - Blood pressure
- Leveraging clinical trial results:
  - Regular OLE intake may be associated with a 9-14% reduction in Coronary heart disease risk and a 20-22.5% reduction in risk of stroke and heart attack

***“The evidence for OLE improving cardiovascular health is compelling”***

*Professor of Medicine at UCLA in Los Angeles, USA,  
Professor Matthew Budoff, Cardiologist*



# PREMIUM BRANDING

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- Brand refresh for Bee product range in FY18
  - Super premium positioning for high end (20+) Manuka honey range
  - Broadening of range appeal at the lower end (5+, 10+) to support Western market growth
  - Anti-counterfeit initiatives
- Link to premium branding video:  
<https://youtu.be/gQOILFClaik>





# KEY MARKETS

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## STRATEGIC GOAL: EAST-WEST BALANCE

- **Australia and New Zealand**
  - Efficient, low cost business model will provide favourable sales leverage as the grey channel recovers
  - Building on pharmacy distribution
- **Hong Kong**
  - Focus on productivity is starting to pay off, with a 37% increase in net contribution. We expect strong sales growth in FY18
- **Japan and Korea**
  - Grew 13% and 21% respectively
  - Success in TV home shopping and duty free
- **UK and Europe**
  - Grew 13% in GBP terms
  - New listings in Boots, the Chemist and Holland & Barrett, the UK's largest health food chain
  - Expect good growth in FY18



# MARKETS (Continued)

- **North America**

- Will be a significant step up in sales and profitability across US and Canada
- Continue with online success in Amazon
- New distribution agreement in USA and Canada natural health markets; expect to ship pre-Christmas
- Listing in 200 COSTCO stores in the US and 100 COSTCO stores in Canada

- **COSTCO**

- 85 million members
- 700 stores worldwide
- Top US retailer of organic food and wine
- Initial indications are sell through has been positive

- **Our North American revenues excluding medical honey sales to Integra LifeSciences will exceed \$30m (prior year \$3.7m)**







# ACQUISITIONS – CHINA JOINT VENTURE (JV)

CHINA IS A KEY PART IN OUR FUTURE GROWTH

*THE CHINA JV IS AN IMPORTANT STEPPING STONE TO GET CLOSER TO OUR CUSTOMERS*

- The JV is a circa \$50m revenue business
- New leadership team appointed and governance structure established
- Equity accounted not consolidated
- Clear strategic plan for growth



WELCOME TO

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# MR ZHU GUANGPING

Joint Venture Partner

CHINA





# CHINA JOINT VENTURE

## STRATEGY – PRODUCT

FY18

FY19

FY20

FY21



FOCUS ON BUILDING LEADERSHIP  
IN BEE PRODUCTS



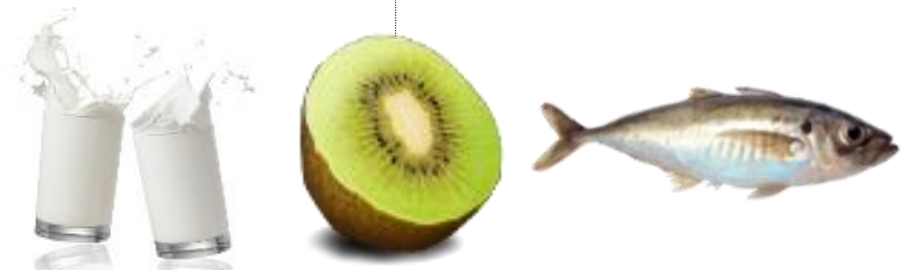
TEST AND LEARN – NEW INNOVATION



LEVERAGE CAPABILITY IN BEE PRODUCTS



LANCH OF NEW INNOVATION



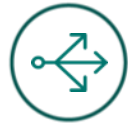
# CHINA JOINT VENTURE

## STRATEGY – CHANNEL



### E-COMMERCE

- Strategic Partnership with JD.com and Tmall
- Expand X-border coverage



### TVHS

- Expand number of channels



### RETAIL STORES

- Expand stand alone stores in Shanghai, Beijing, Chengdu



### WHOLESALERS

- Actively manage 45 wholesalers who cover parts of China we can't reach



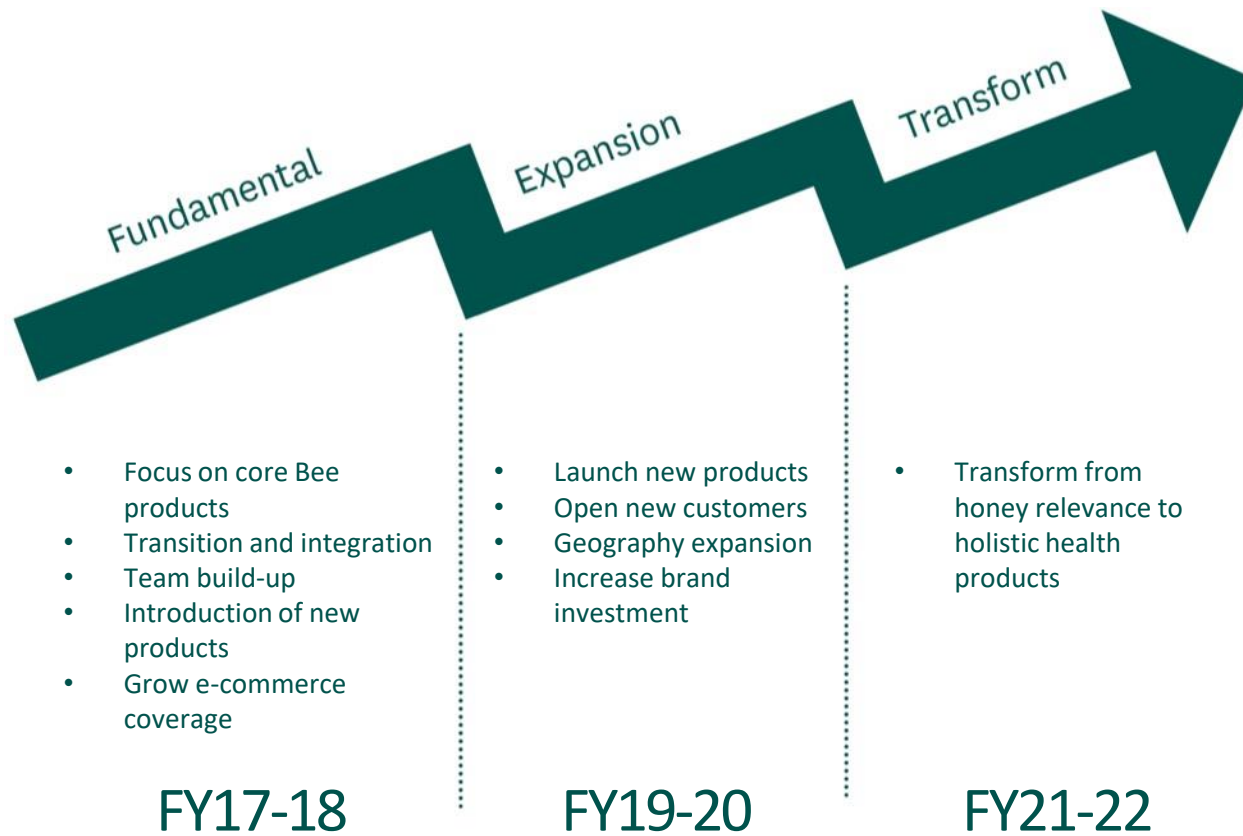
### PREMIUM RETAIL

- Expand distribution in Health and beauty, Pharmacy and Hypermarkets with targeted product lines





# CHINA ROAD TO SUCCESS





# OUTLOOK

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# OUTLOOK – October 2017

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- Previous guidance (22 August):
  - After-tax operating earnings for FY18 to be at least equal to after-tax operating earnings of \$17.1m achieved in FY16\*
- Update to guidance:
  - With first quarter sales ahead of internal budget at 35% up on the same period last year, a solid recovery in the grey channel into China and significant North American sales now a reality, Comvita has confidence in a profit greater than \$17.1m
- Assumptions and risks
  - Grey channel continues to recover
  - Return to 'normal' honey season
  - North America and South East Asia growth
  - China Joint Venture contribution to future profitability
  - Savings from FY17 partially reinvested in marketing and product development to drive further sales
- A further update to this seasons honey harvest will be made early in the new calendar year

\*comparable 12 month period unaudited



The background features several olive branches with green leaves scattered across a white surface. In the bottom left corner, a pair of dark, vintage-style scissors is partially visible. The central text is enclosed in a dark green rectangular frame.

**“THE COMPANY  
IS VERY WELL PLACED  
TO MEET ITS  
LONG-TERM, STRATEGIC  
OBJECTIVES.”**

Neil Craig - Chair





# FORMALITIES AND RESOLUTIONS

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## FORMALITIES

- Reports and Financial Statements

## RESOLUTIONS

1. Appointment and Remuneration of Auditors
2. Re-elect Neil Craig
3. Re-elect Sarah Kennedy
4. Elect Brett Hewlett
5. Elect Paul Reid



GENERAL BUSINESS

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FAREWELL TO

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# ALAN BOUGEN

CO-FOUNDER



THANK YOU

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