



ANNUAL SHAREHOLDERS' MEETING

18 October 2018



IMPORTANT NOTICE



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 reports for the year ended 30 June 2018;
- 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;
- Includes statements relating to past performance, which should not be regarded as a reliable indicator of future performance;
- Is for general information purposes only, and does not constitute investment advice;
- Is current at the date of this presentation, unless otherwise stated.

While all reasonable care has been taken in compiling this presentation, Comvita accepts no responsibility for any errors or omissions.

All currency amounts are in NZ dollars unless otherwise stated.





NEIL CRAIG
CHAIRMAN'S ADDRESS



AGENDA



1. Welcome / Apologies – Neil Craig
2. Chairman’s Address – Neil Craig
3. Chief Executive Officer’s Review – Scott Coulter
4. Reports and Financial Statements
5. Resolution 1: Appointment and Remuneration of Auditors
6. Resolutions 2, 3 & 4: Directors’ Elections
7. General Business
8. Afternoon Tea



BOARD OF DIRECTORS



Neil Craig
Non-Executive
Chairman



Luke Bunt
Independent
Director



Sarah Kennedy
Independent
Director



Xin Wang
Non-Independent Director,
up for election at
2018 ASM



Paul Reid
Independent
Director



Brett Hewlett
Independent
Director



Murray Denyer
Independent
Director





CHAIR ADDRESS



- **FY18 Financial Results**
 - Year in Review
 - Key Financial Numbers
 - Separate Supply & Brand business reporting
- **Other Notifiable Events**
 - Plantation Strategy
 - Manuka honey definition
 - Purchase of 20% of Apiter
 - Potential Acquirer of Comvita
 - Strategic Direction Reappraisal





FY18 FINANCIAL RESULTS



YEAR IN REVIEW

- After tax operating earnings of \$9.3m was a \$14.8m rebound in profitability on net sales
- Revenue growth was up 19% on FY17
- Result well short of our earlier forecast of beating our record NPAT of \$17.1m, as a result of second consecutive poor honey season



TOTAL SALES

\$186m*

* China JV sales elimination of \$9.3m is deducted from this



OPERATING PROFIT AFTER TAX

\$9.3m



NET DEBT

\$92m



Figures are based on audited results to 30 June 2018.





KEY FINANCIAL RESULTS

- Sales increased 19% from FY17
- After tax operating earnings of \$9.3m
- China JV
 - Equity earnings – China contributing \$3.3m for 51% share of JV
 - Intercompany elimination of sales at \$9.3m
- Fully imputed dividends of 6 cents represents policy change (from payout ratio of 40-45% to 25-30% of NPAT)
- Net borrowings of \$92m mainly to build inventory of Manuka honey

Financial results for the year ended	30 June 2018 Audited	30 June 2017 Audited
Gross sales	\$186m	\$149m
China JV elimination of sales	\$(9.3)m	-
Net sales	\$177m	\$149m
Total revenue*	\$178m	\$156m
EBITDA**	\$20.5m	\$19.8m
After tax operating earnings	\$9.3m	\$(5.5)m
Dividend per share (NZ Cents)	6.00	2.00
Net borrowings	\$92.0m	\$62.0m

*Revenue includes other revenue from our apiaries and deferred revenue and royalties from Derma Sciences during FY17

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

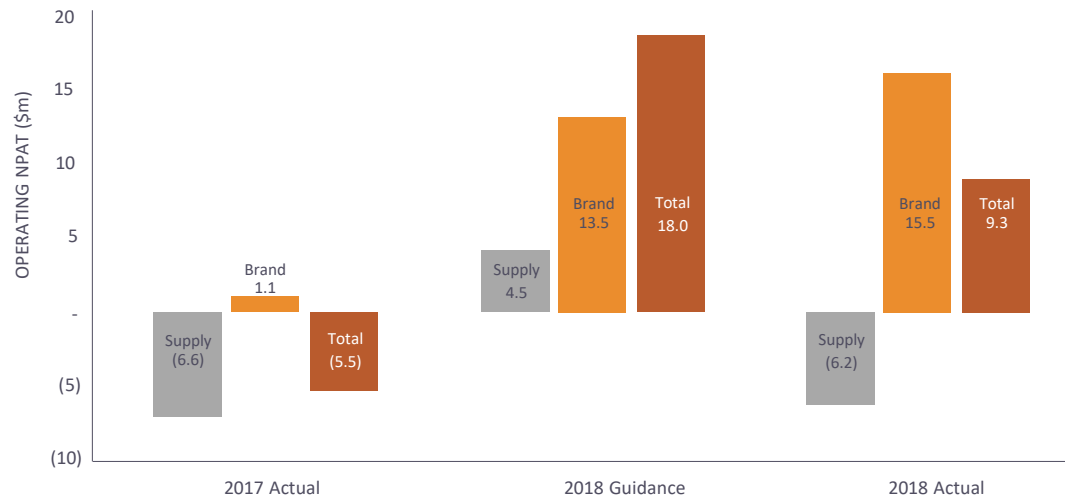


SUPPLY BUSINESS VS BRAND BUSINESS



- **Supply** business caused a \$10.7m negative fall against budget at an NPAT level, i.e. instead of \$4.5m expected profit, we recorded a \$6.2m loss after tax in the Supply business
- Underlying **Brand** business performed well in FY18. NPAT improved from \$1.1m to \$15.5m

SUPPLY & BRAND OPERATING NPAT SPLIT



OTHER NOTABLE EVENTS

- Manuka plantation strategy
- Ministry of Primary Industries' new Manuka honey certification standard for exports introduced
- Purchase of 20% of Apiter in Uruguay on 1 July 2018
- Potential acquirer of Comvita and due diligence process
- Review of strategic direction resulting in more targeted focus on Manuka honey and Propolis



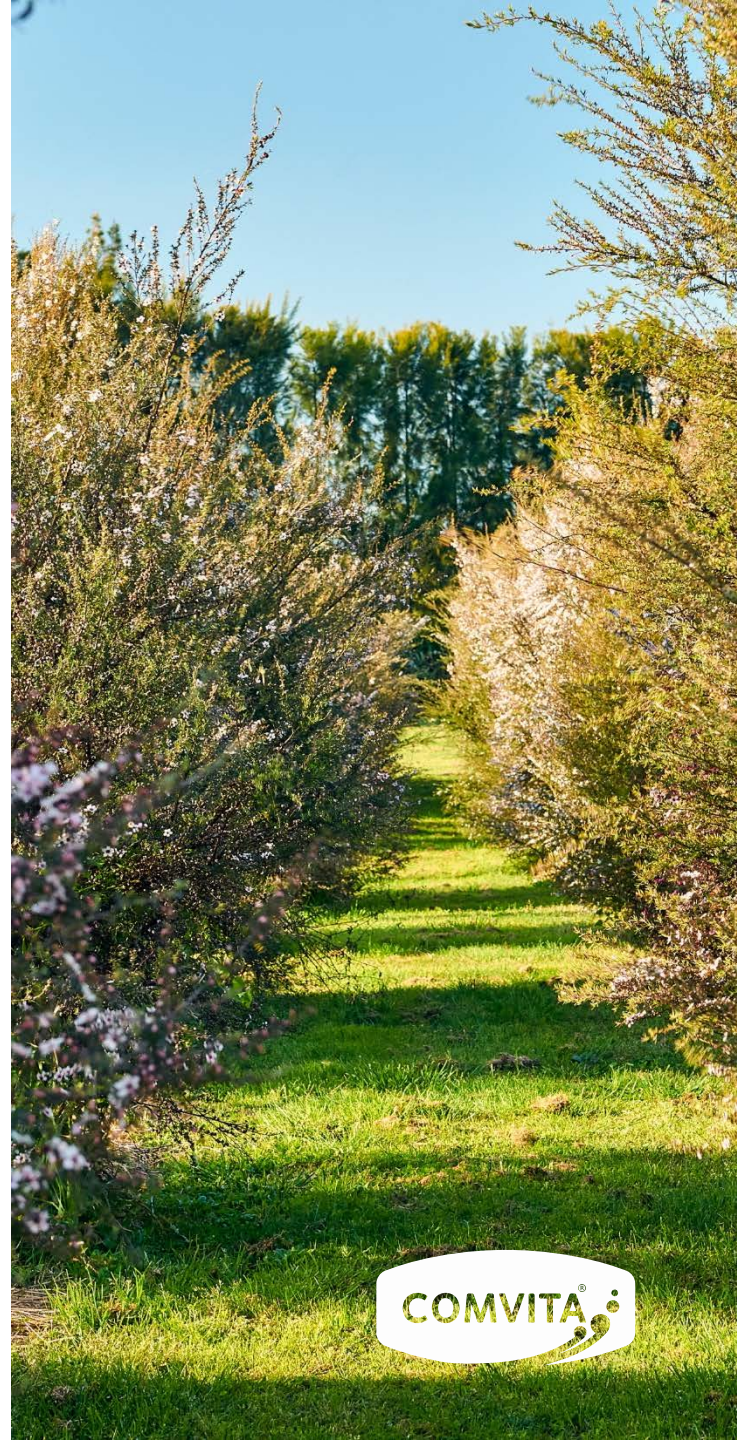
COMVITA®



PLANTATION STRATEGY



- Significant investment made already by Comvita over more than a decade in a Manuka breeding programme and the agronomics of Manuka plantations
- Following a large number of commercial trials and field testing, we now have 14 seed nurseries in different geographic/climatic locations
- 2,000 ha of hill country already planted in land owned, or controlled by Comvita on a long-term basis
- We are now increasingly confident on the economics of growing Manuka provided the correct location and the Manuka strain bred for that location, is chosen for planting
- Plantation will require significantly more capital which may come directly into the Supply business, if the Board chooses to do so
- The Board is currently exploring different capital structures to fund our plantation strategy



MPI MANUKA HONEY DEFINITION

THERE IS NOW A LEGALLY ENFORCEABLE DEFINITION FOR NEW ZEALAND MANUKA HONEY EXPORTS

- Clear, legally enforceable standards for Monofloral Manuka honey will eliminate fringe operators
- Independent testing required by law for export certification
- Additional complexity in both manufacturing and procurement has increased costs particularly in the area of laboratory testing of honey
- Comvita has been able to adjust quickly to new standard
- Provides additional confidence to invest and grow Manuka honey supply via plantations using Comvita's in house breeding programme of the last 12 years
- Loophole for domestic sales of Manuka honey needs to be closed

INVESTMENT - APITER

SUBSEQUENT EVENT – 20% INVESTMENT

- Propolis is the key supporting ingredient to Manuka, accounting for circa \$18m of revenue pa.
- There is a high level of consumer awareness in Asian countries (particularly China) of the health and wellbeing properties of Propolis, but our sales have been constrained by limited raw material supply from New Zealand.
- Propolis is made by bees from plant resin of certain tree species – with latitude and climate very similar to New Zealand. Apiter produces high quality Propolis from Uruguay and has phenolic and flavonoid levels similar to New Zealand produced Propolis.
- On 2 July 2018, Comvita completed the investment of 20% in Apiter (Uruguay Propolis supplier), securing exclusive supply. Purchase price USD\$6.25m including USD \$600k CVT shares.
- We expect to increase our range (from products already developed by Apiter), now that we are not supply constrained for high quality source material.



POTENTIAL ACQUISITION OF COMVITA

- On the basis of prospective buyers' credentials, stated intentions for the business and non-binding, incomplete proposal on price per share, we allowed a third party (not currently on our share register) to undertake due diligence on Comvita
- In negotiations that followed our profit downgrade on 16 April 2018, we could not agree on price and the Board decided it would not recommend a sale of the business
- A unanimous decision of Directors not to support a bid at a lower price was made after confidential consultation with the two largest Comvita shareholders plus founder Alan Bougen. Without their support, any bid would not have been successful
- All aspects of the proposal including the potential bidder and proposal on price, remain confidential



STRATEGIC DIRECTION

- The Board and Management undertook a full strategic review of the business post the potential bid for Comvita not proceeding
- Result
 - A much tighter focus on products from Manuka honey and Propolis
 - A lower overhead cost structure will result from the tighter focus with increased in-market spend in support of Comvita Brand and Manuka honey and Propolis product ranges
- This more focused direction will lead to a sharper focus on profit generation rather than revenue growth from a more diversified product strategy





SCOTT COULTER CEO REVIEW

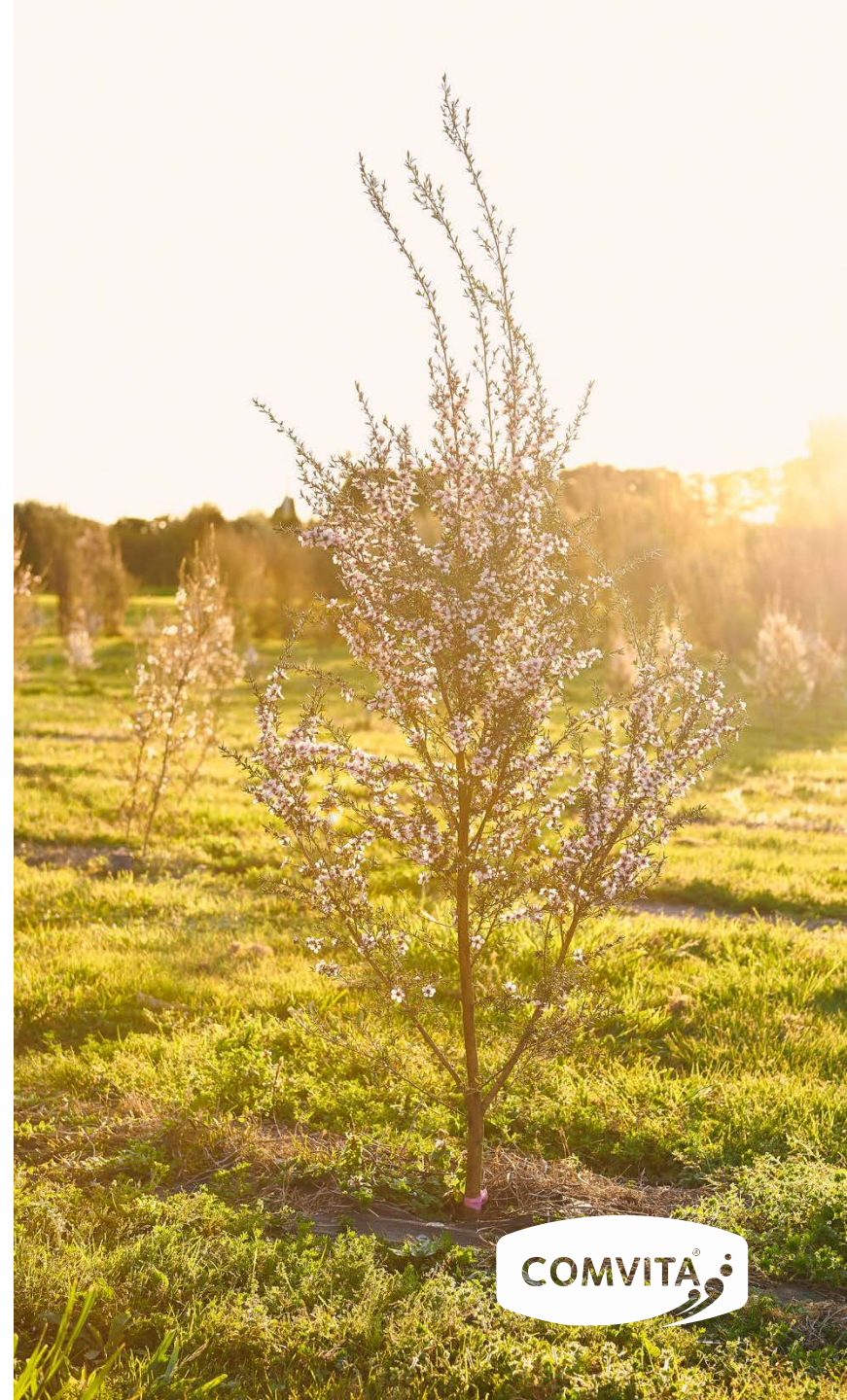




OVERVIEW



- Leadership team
- Markets and operations
- Agricultural risk and mitigation
- Strategy
- FY19 Outlook



LEADERSHIP TEAM



Scott Coulter
Chief Executive Officer



Mark Sadd
Chief Commercial Officer



Julianne Keast
Chief Financial
Officer - Acting



Kate Selway
Chief People & Culture
Officer - Acting



Ben Shaw
Chief Marketing
Officer



Simon Potheary
Chief Sales
Officer



Colin Baskin
Chief Supply Chain
Officer





FY18 REVIEW MARKETS AND OPERATIONS

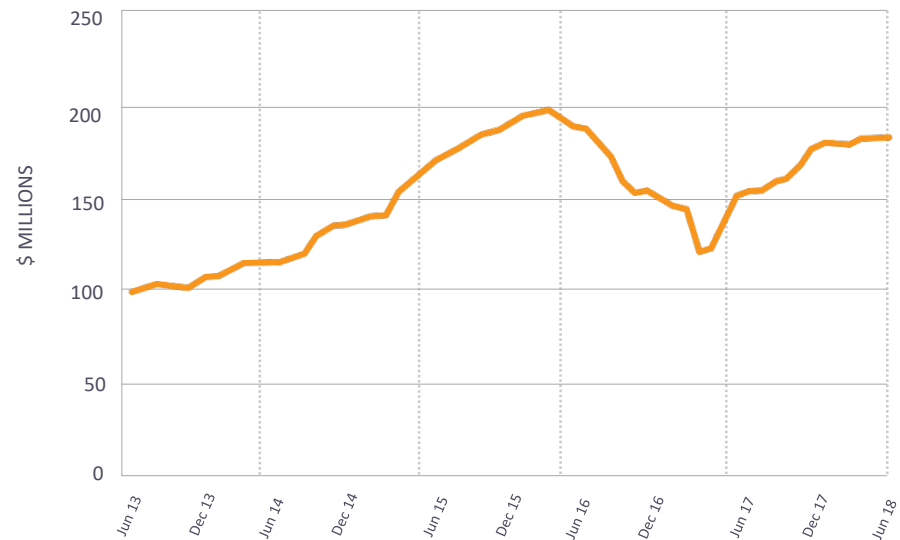


BUSINESS HAS RETURNED TO GROWTH

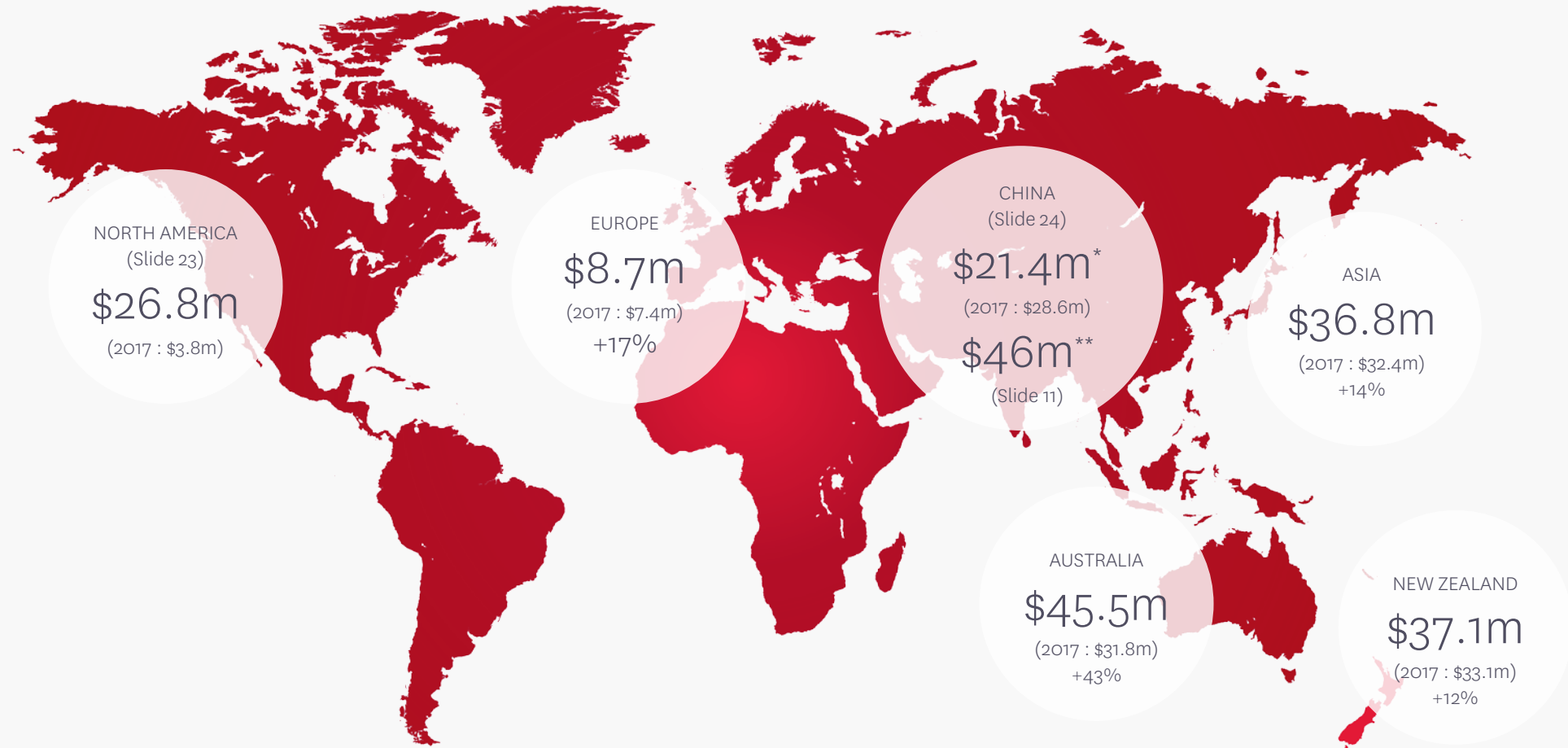


- Grey channel sales have recovered strongly, year on year by 58%
- Strategic goal – East/West balance
 - North American breakthrough sales driven by COSTCO and Amazon
- Same store sales growth in Hong Kong 5% and Korea 10%

MOVING ANNUAL TOTAL SALES
(12 Month rolling)



GLOBAL SALES FY18 VS FY17



Figures are based on the year end audited results to 30 June 2018.

Other sales of \$11.5m (2017: \$18.7m).

* \$21.4m represents the sales from Comvita to the China JV before elimination of \$9.3m.

** \$46m represents in market sales of the China JV which are not included in Comvita group revenue, as equity accounted.



NORTH AMERICA

RESULTS

- Sales grew to \$26.8m
- Strong sell-through from newly established relationship with COSTCO. Distribution in 100 stores in Canada and 200 of 500 COSTCO stores in US
- COSTCO US in a high stock position of another brand with impact in first half FY19
- Will be extending distribution into natural health channels in both North America and Canada
 - Hired new Sales Manager to drive growth in this sector
- E-commerce sales in Amazon increased 53% further strengthening our position in the US market



CHINA JOINT VENTURE

RESULTS



- Sales inside China meeting expectations and profit ahead of internal targets
 - Sales \$46m
 - Share of earnings \$3.3m
- Good expansion in e-commerce business
 - growth from 38% to >50% of sales
- Strategy to grow bee products and leveraging our brand strength in Manuka honey
- Consistent pricing between channel is challenging. Retail, e-commerce, wholesale and the ANZ 'Grey Channel'



PRODUCT SEGMENTS OF TOTAL REVENUE



PERSONAL CARE

\$5m

(2017: \$4m)



MEDICAL

\$7m

(2017: \$11m including royalties)

FUNCTIONAL FOODS

\$132m

(2017: \$90m)

HEALTHCARE

\$42m

(2017: \$43m)

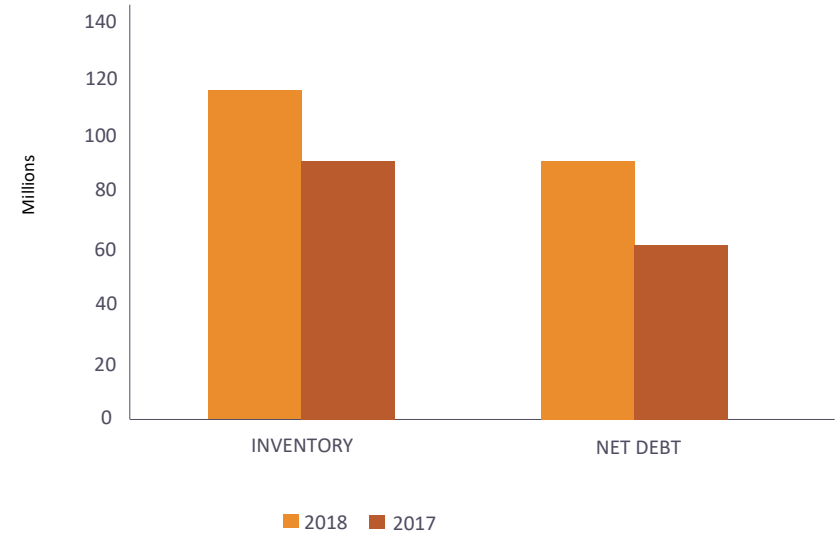


INVENTORY



- Invested for growth
- Strong inventory position
 - 30 June 2018, \$116m
 - 30 June 2017, \$88m
- Finished goods
 - Consistent at \$26m whilst sales grew by 19%
 - Service level delivery remains stable at 96%
- Raw Materials
 - \$89m of raw material stock
 - Second poor honey season has led to more aggressive purchasing to ensure we have honey to deliver FY19
- MPI changes to Manuka definition provides new market opportunities

NET DEBT INVENTORY





NEW WAREHOUSE

- Enables consolidation of warehouse operations across the business
- Storage of honey to optimise quality
- Solar power in line with company sustainability values





AGRICULTURAL RISK AND MITIGATION

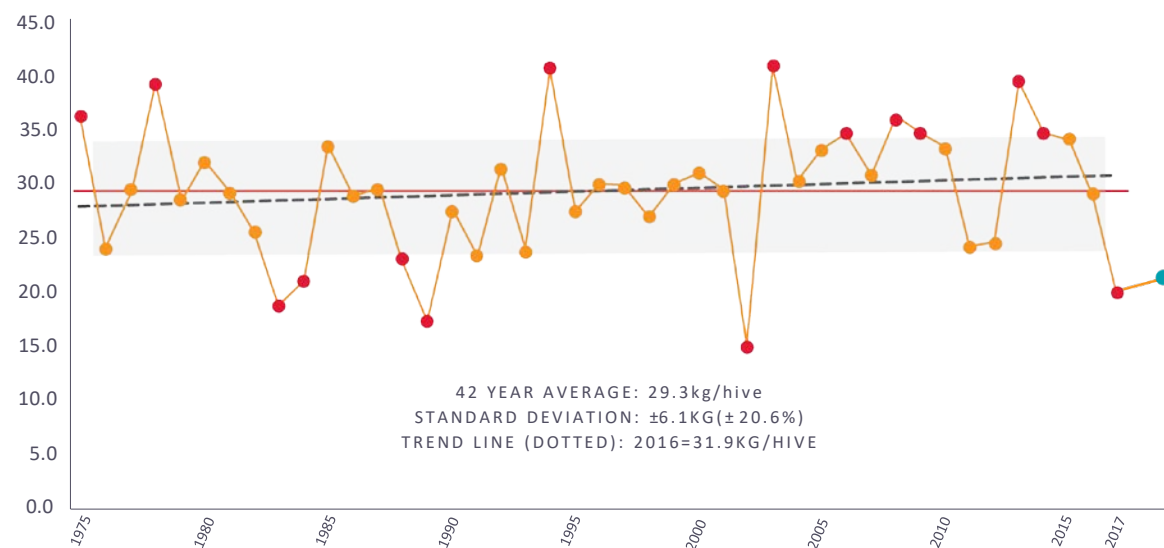


MANUKA HONEY

EXTERNAL FACTORS

- Red dots on the graph are where the harvest is more than two standard deviations from the mean
- 2002 crop impacted by Varroa
- 2017/18 season only marginally better than 2016/17
- Over the last 42 years the trend line has been positive on crop yield

NZ HONEY PRODUCTION KG/HIVE



Source MPI



RESHAPING OUR APIARY BUSINESS TO MINIMISE AGRICULTURAL RISK

Improved Product Mix

- Improved site selection post MPI changes
- Increased pollination revenue – stable income stream

Cost structure moving from fixed to more variable

- Reduction in fixed term employees (ongoing since 2017/18)
- Changes to temporary labour contracts
- Less hives, but similar number of supers to deploy if seasonal conditions allow

	FY18 Actual	FY18 Adjusted for reshaped business	Reshaped business model
Kg per hive	16.5*	16.5	24**
NOPAT***	(\$6.2m)	(\$6.2m)	\$2.0m
Improved Product Mix		\$2.0m	
Cost structure		(\$2.0m)	
Result	(\$6.2m)	(\$2.2m)	\$2.0m

*16.5kg harvest volume in FY18

**MPI Source – 42 year average harvest 29.3kg/hive – 24kg c. 1 standard deviation from the mean

*** NOPAT Net Operating Profit after Tax for Supply business

RESHAPING OUR APIARY BUSINESS

- Additional honey supers can be added on top of the hive to collect more honey when conditions are optimal

HONEY
SUPERS

COMVITA®



STRATEGY



CHANGE IN STRATEGY:

Comvita's long-term vision hasn't changed from that of the founders, to look after the health of the community by creating natural products that work.

But right now we need to focus. We believe focusing on a narrower product range for the next five years will help us grow our profitability faster.

"Our vision was to care for the health of our community with natural products that work."



CHANGE IN STRATEGY:

- Comvita embraced diversification principally due to concerns over long-term Manuka honey supply
- 2016 strategy had a sales target of \$400m made of:
 - \$280m core (Manuka honey and Propolis based) products
 - \$120m of diversified products
- Core products still on track
- Our diversification strategy to deliver \$120m of non-honey products has not met our expectations
- We have reset our current strategy to focus on core products and have adjusted the overhead structure of our business to reflect this change
- Over the next five years we have modelled a lower sales, lower cost business model that delivers greater profitability
- Execution risk lower due to the focus on core products
- Manuka Plantations will deliver on foreseeable UMF Manuka honey demand from our customers

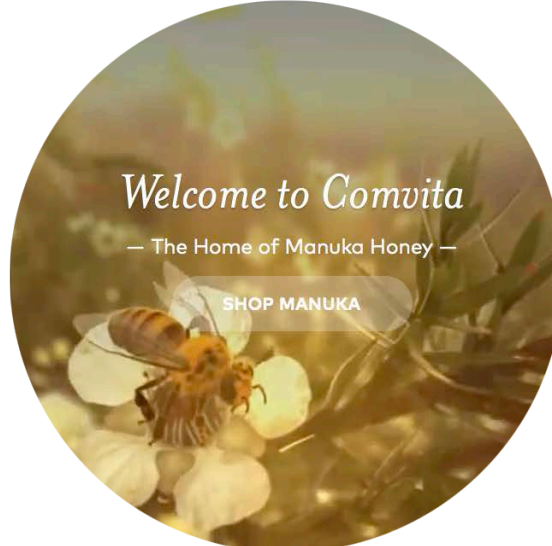


COMVITA STRATEGY: #1 IN MANUKA HONEY GLOBALLY



1. GROW SUPERIOR SUPPLY

- To secure more high UMF honey



2. WIN WHERE IT COUNTS

- To be available where our customers prefer to shop



3. INVESTING IN OUR BRAND

- So more people know and love our brand

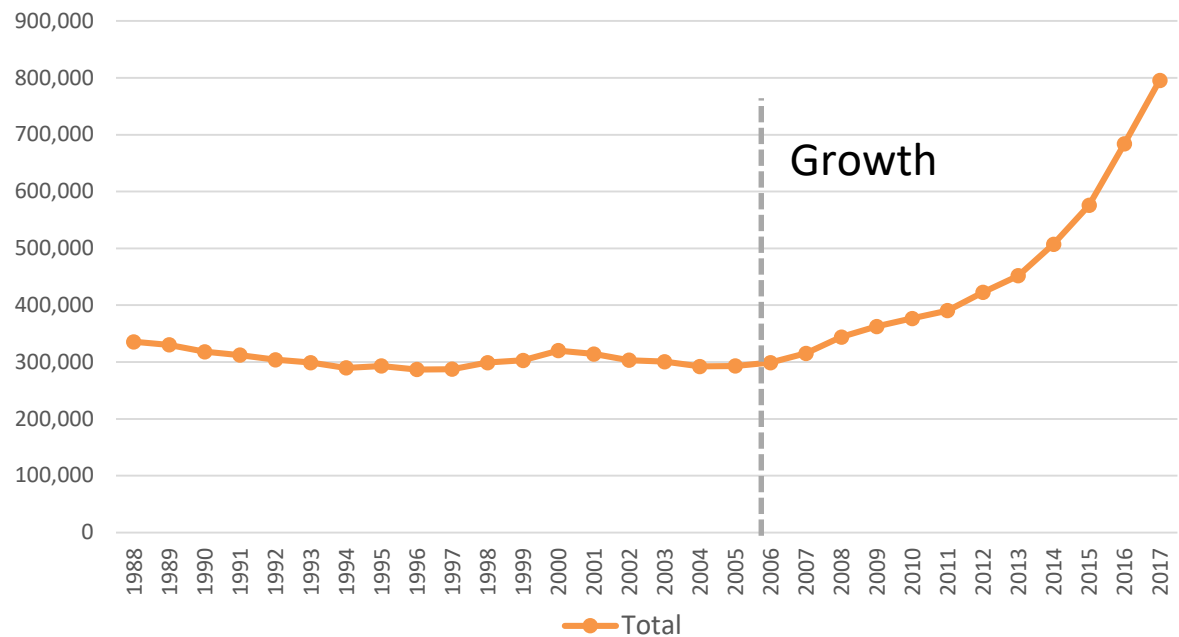


STRATEGY

GROW SUPERIOR SUPPLY

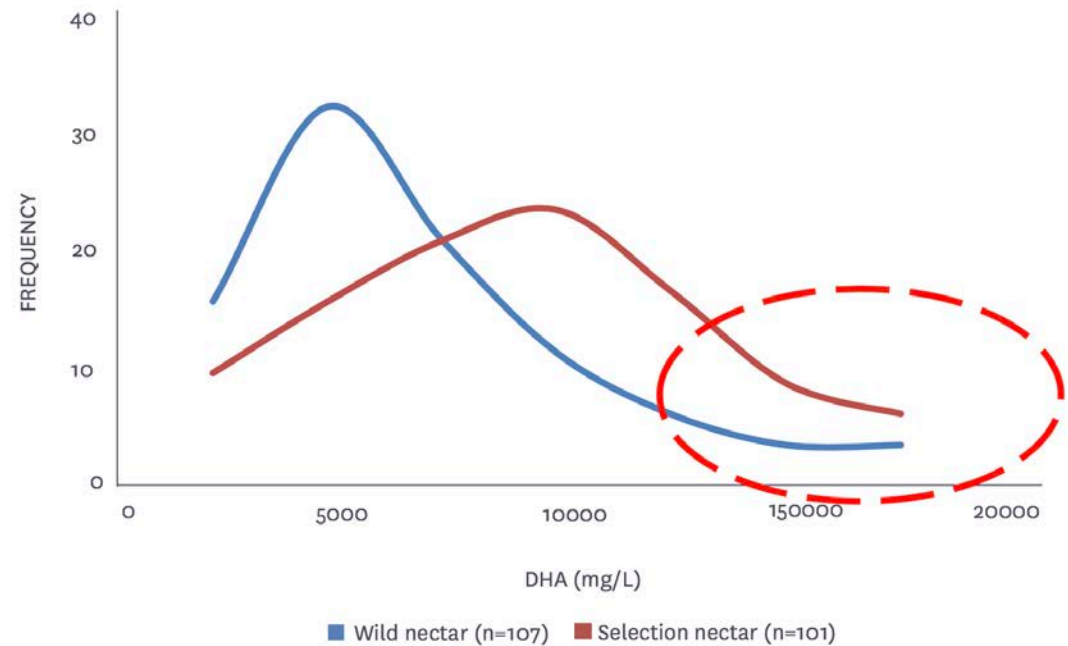
- Plantations will provide us the high UMF honey we need to grow our business
- Balance of supply in the 5+ UMF grade will come from additional hive growth in NZ

REGIONAL GROWTH IN BEEHIVE NUMBERS



GROW SUPERIOR SUPPLY MANUKA PLANT BREEDING

- Plantations will provide us with the ability to grow
- Focus on the breeding programme has been;
 - To improve DHA quality in nectar across different varieties while extending and managing flowering periods to mitigate agricultural risk
- Provide geographic and climatic tolerances
- Improve plant vigour and pest and disease tolerance
- Capability to eco-source seed





GROW SUPERIOR SUPPLY PLANTING & PROPOGATION

- We have 14 seed nurseries across the country with most of Manuka's genetic material in them to provide a broad base for cross breeding
- Over 2,000 ha of Commercial plantations with over two million trees planted
- Plan to grow to 19,400 ha by 2027
- Scale up of nursery capability underway



GROW SUPERIOR SUPPLY PLANTATION SITE LAKE TUTIRA HAWKES BAY





GROW SUPERIOR SUPPLY WILD MANUKA VS PLANTATION



- Small amount of canopy
- Minimal flower growth
- Short flowering season



- Extensive flowers
- Bush habit
- Longer flowering period
- Higher UMF



COMVITA STRATEGY: #2 WIN WHERE IT COUNTS

- To be available where our customers prefer to shop
- Optimise channel profitability
- Global price harmonisation



COMVITA STRATEGY: #3 INVEST IN OUR BRAND

- Increase our market investment so more people are aware of and love our brand
- Use our core ingredients for innovation
- Build our digital and marketing capability





INVEST IN OUR BRAND INNOVATION FROM THE CORE

- Investment in product development will be with our core ingredients of Manuka honey and Propolis





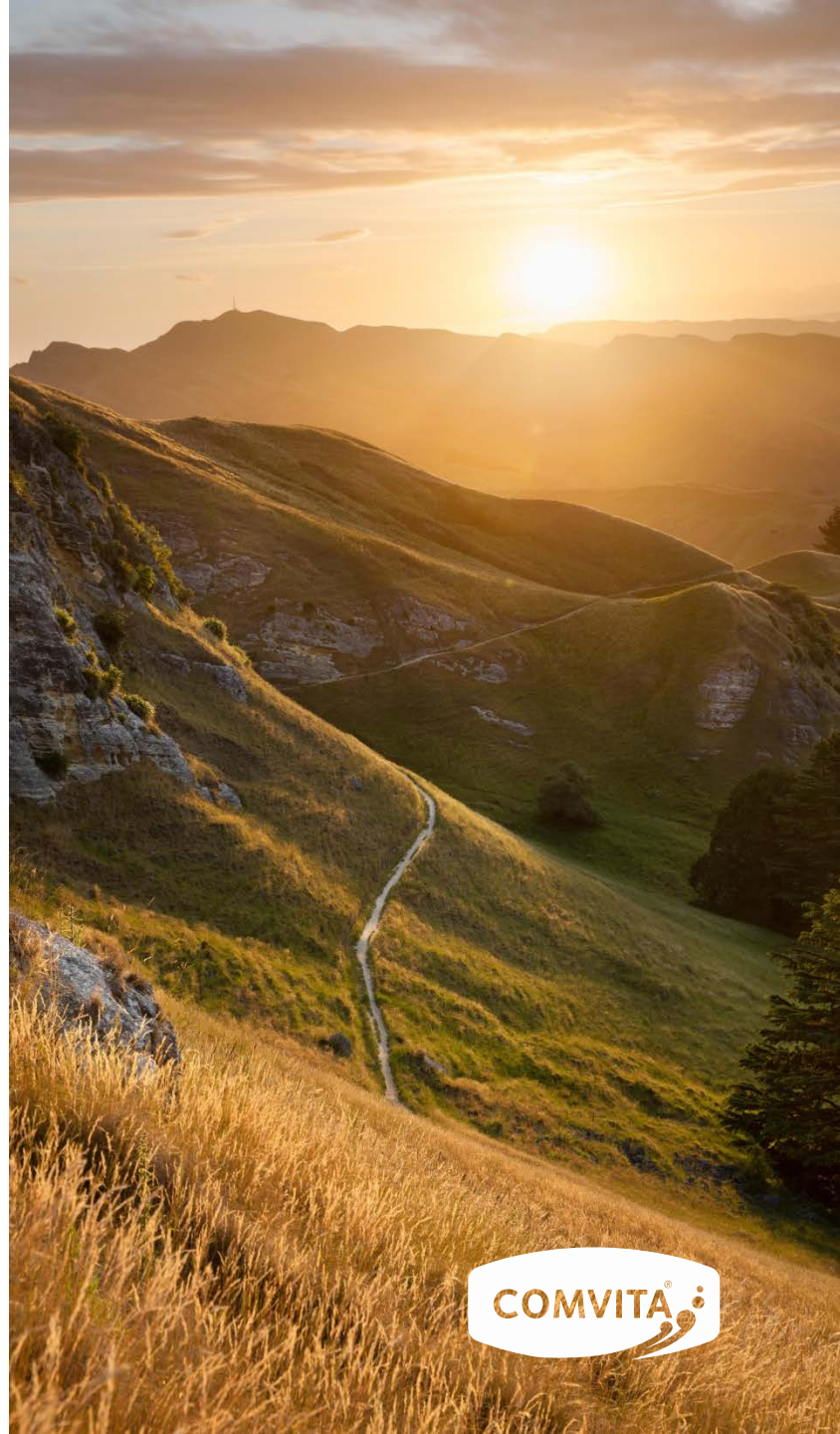
OUTLOOK





OUTLOOK

- Redefining the strategic direction has been a strong focus of the Board and Management, post the potential bid for the Company
- With our revised strategy, we are confident of both sales and profit growth for the full year
- First half grey channel sales into China up on 2018, but negatively impacted by protracted price negotiations
- North American sales slow due to inventory overhang from another New Zealand honey brand, hence we won't see the 'pipeline fill' into COSTCO that we saw last year
- Lowering of the fixed overhead in our Supply business and in the Brand business provides us with a lot of confidence for this financial year and beyond





RESOLUTIONS



RESOLUTIONS

FORMALITIES

Reports and Financial Statements

RESOLUTIONS

- Appointment and Remuneration of Auditors
- Directors' Elections:
 - Re-elect Mr. Lucas Nicholas Elias Bunt
 - Re-elect Mr. Murray John Denyer
 - Elect Ms. Xin Wang





GENERAL BUSINESS

