



25 August 2022

## Strong earnings momentum and delivery on Comvita purpose

### Headlines

- **EBITDA \$30.1M** +18% and +110 bps vs PCP
- **Operating profit \$20.1M** +65% vs PCP
- **NPAT \$12.8M** +35% vs PCP
- **Record revenue \$209M** +9% vs PCP
- **Record margin 60.3% +640 bps to \$126M** +21.8% vs PCP
- **Record investment in brand \$28.1M** as long- term brand building continued
- **Strong top and bottom-line performance:**
  - Top and bottom-line growth in focus growth markets, China and North America
  - Top and bottom-line growth in Mānuka honey product category
  - Top and bottom-line growth Ecommerce, Ecommerce 39% of total revenue
- Business transformation plan on track
- Net debt increased by \$21.M since 30 June 2021 to \$25.5M, leverage ratio <1x
- Positive operating cashflow
- 40% reduction in total recordable injury frequency rate (TRIFR)
- Fully imputed final dividend of 3.0 cps declared, full year FY22 dividends of 5.5 cps +37%

<b>FINANCIAL RESULTS FOR THE YEAR ENDED</b>	<b>30 JUNE 2022</b>	<b>30 JUNE 2021</b>	<b>VARIANCE</b>
	<b>NZ \$M</b>	<b>NZ \$M</b>	<b>%</b>
Revenue	208.9	191.7	9.0%
Gross Profit	126.0	103.4	+21.8%
Marketing Investment	28.1	24.2	+15.9%
Operating Profit	20.1	12.2	+65.4%
EBITDA*	30.1	25.5	+17.9%
Net Profit after tax	12.8	9.5	+34.9%
Net Debt	25.5	4.6	+\$20.9m
Fully Imputed Dividend	5.5 cps	4.0 cps	+37%

\*EBITDA: Earnings before interest, tax, depreciation, and amortisation

Comvita (NZX:CVT) today announced a strong increase in earnings for the year ending 30 June 2022 at the top end of guidance. Net profit after tax increased by 35% to \$12.8M and operating profit increased by 65% versus (vs) the prior corresponding period (PCP). EBITDA for the period was \$30.1M +18% vs PCP to 14.4% of revenue a 110 bps improvement on the PCP, normalised EBITDA improved to 16% of revenue. Comvita also reported record revenue of \$209M +9% as all markets bar one returned to top line growth. In addition, Comvita recorded record gross profit of \$126M +22% vs PCP, percentage margin improved by a further 640 bps to 60.3% as its focus on core markets, channels, consumers and categories continued to drive sales, efficiencies and productivity. Comvita increased marketing investment to \$28.1M a 16% increase vs PCP as it looked to further differentiate from competition and tell its amazing founding story to discerning consumers around the world.

### COMVITA LIMITED

Comvita Limited, 23 Wilson Road South, Private Bag 1, Te Puke 3189, New Zealand. PH: +64 7 533 1426, FX: +64 7 533 1118



Net debt increased by \$21M since 30 June 2021 remaining below 1x leverage, primarily due to increasing inventory to offset global supply chain disruption and prepare for forecasted demand in FY23. The Directors were pleased to declare a fully imputed final dividend of 3.0 cps resulting in full year dividends of 5.5 cps an increase of 37.5% vs PCP.

Commenting on the performance, Comvita Chairman, Brett Hewlett, said “Three years ago the Board instigated a strategic review of the business which highlighted the inflexibility of our operating model, our loss of focus and the knock-on impacts to our performance when unexpected events occurred. Since then, we have been (and we continue to be) relentless in ensuring we are both focused and agile. This agility enables the organisation to take advantage of, and respond to, external impacts (positive or negative) effectively. We couldn’t anticipate the level of impact we have seen with Covid over the last few years, but as I hope you can see, we are generating real momentum in our business. We are delighted to announce the second-best earnings of all time at Comvita, an increase of 34% in earnings per share and a 37% year on year increase in dividends to our shareholders. The result shared today gives more evidence we can deliver revenue, margin and earnings growth while investing in long term brand and business building activity.”

Group CEO, David Banfield, says “I would like to start by thanking the whole team at Comvita for the incredible amount and quality of work that has gone in to delivering the result we are sharing today. It’s testament to the dedication and focus of our team that we are able to report strong growth in all our markets (both top and bottom-line), except one, increased investment in our brands, strong increase in profitability and an increase in dividends to our shareholders. I am proud that the whole team will become shareholders after delivering this year’s result. In addition to our core commercial activity, we have taken a big step forward with our aim to be a world leader in ESG and our aim to be the best employer in New Zealand, including launching our first Integrated Report and audited carbon footprint. We know that there is still plenty of opportunity to improve further, including digitisation of the entire business to release organisational time and capability. We are on track to deliver our 2025 plan of \$50M EBITDA.”

### **Record revenue growth despite material negative Covid impacts**

Revenue increased by 9% to \$209M, despite material negative Covid impacts particularly in China where offline sales declined 46% in the period from March to June, due to Covid lockdowns. Comvita was delighted to report strong top and bottom-line growth and **market share growth** in its focus growth markets of **China and North America** (the number one and two honey markets in the world), with its long-term brand investment model delivering in these crucial markets. Performance in its core Mānuka honey category was again strong with double digit revenue and profit growth vs PCP.

### **All markets showing profitable growth, except one**

Of note was all segments and markets within those segments (except one) reported both top and bottom-line growth, despite continued investment in marketing and building team capability to enable long term growth, bar one. The breadth and the underlying strength of this performance gives Comvita real confidence in its long-term opportunity. Comvita’s unique business model with highly capable and empowered people on the ground making it closer to customer, closer to consumer, and faster to act, continued to differentiate it from its competition. In Japan Comvita has seen some market specific headwinds that they are in the process of working through to ensure that they realise the opportunity in a market that traditionally loves premium, high-quality brands.



### **Ecommerce sales reach 39% of total sales**

In 2020 Comvita set out an ambitious target for 50% of all sales to be through ecommerce by 2025. This year saw ecommerce sales representing 39% of total sales an increase of 15% vs PCP at accretive gross margins. Note that for every 10% increase in digital share of total company sales, gross margin for the group improves by around 100 bps therefore Comvita expects to see a further improvement in gross margin of around 250 bps by 2025 due to this focus. Comvita also launched its proprietary global Direct to Consumer ecommerce platform in to five of its markets, enabling it to have one global view of consumer behaviour and needs. Data and associated insights will be a critical component of competitive advantage in the future and a key differentiator between 'exporters' and connected and adored brands. Comvita has invested significantly to enhance knowhow and capability in this area enabling it to continually focus on services and products that add value to its discerning consumers.

### **Record margin 60.3% +640 bps**

Comvita reported record margin of \$126M, +22% vs PCP and 60.3% +640 bps as its focus on core markets, customers, channels and products again delivered. Comvita's focus has meant that over the last two and a half years they have been able to increase gross margin from around 43% to the result that is being shared today (over 60%). Aside from the positive impact of digital channel growth, Comvita has further initiatives underway to further improve utilisation and increase recoveries.

### **Long term investment in brand building continues**

In line with its 60:15:20 2025 business plan (60% margin, 15% marketing to sales and 20% EBITDA to sales) Comvita increased marketing investment by an additional \$3.8m or 16% to be 13.4% of revenue +80 bps vs PCP. Comvita's marketing investment is part of its transformation plan and positions Comvita as a premium lifestyle consumer brand. Comvita was particularly excited to launch a number of co-branding initiatives with other high-quality brands around the world further increasing brand awareness and association equity.

### **ESG and carbon neutrality**

Comvita has set out its long-term aim to be recognised as a global leader in ESG related performance including becoming carbon neutral by 2025 and net positive by 2030. Its published Harmony Plan sets out its commitment on climate action, social impact, bee welfare and supporting biodiversity. Comvita are delighted to share our greenhouse gas emissions inventory for scope 1,2,3 emissions. This is also shown at a gross and net level after subtracting the sequestration benefits of our Mānuka forests. In addition, Comvita have shared their first ever Integrated Report which includes a value creation model.

### **Focus growth markets performing strongly**

Comvita's focus growth markets, China and North America, again showed strong performance in this period with both markets delivering strong top and bottom-line growth and market share growth.

Revenue in mainland China grew by 9% and net contribution by 26% despite material disruption to offline sales between March and June, with offline sales down by around 46% during this period. Comvita further grew market share and continue to have a larger share in Mānuka honey than numbers 2 to 10 combined. Furthermore during this period brand investment increased by a further \$1M as they looked to increase household penetration in key consumer groups. Comvita launched many local collaborations with high profile brands and signed new partnerships that will help the long-term potential in China be realised. One local NPD programme delivered huge national reach with over 217 million views of this product in the first 48 hours.



Comvita North America posted another strong result in the worlds biggest Monofloral Mānuka honey market with revenue increased by 29% and net contribution by 78%. Retail sales grew by 43% and digital sales by 12% as momentum continued. Comvita is the fastest growing Mānuka honey brand in North America and is achieving market share growth in a category where the fundamentals are strong and significant opportunity exists to grow extensively.

### **Australia and New Zealand delivers top and bottom-line growth**

Comvita are pleased to report that revenue in Australia and New Zealand increased by 7% and net contribution by 10% despite increased investment in our brand. A highly considered approach has been taken to work with partners both for national consumption and in the Asian health segment who want to work with Comvita to amplify their premium brand credentials overseas. This focus and partnership is paying off for all sides and it's visible to see that there is great opportunity to build meaningful long-term mutual opportunities together.

### **Net debt, inventory and cash**

Given ongoing disruption to global supply chains Comvita decided to increase inventory during this period which has had a corresponding negative impact on net debt. Inventory is expected to stay at similar levels to this years close throughout FY23. This is only a change until such time that global supply chains normalise. Comvita stands by its view that optimum inventory levels would be circa \$85M by 2025.

### **\$30.1M reported EBITDA (14.4%) normalised EBITDA 16%**

Comvita's reported EBITDA of \$30.1M or 14.4% represents an increase of 18% and +110 bps vs PCP. The normalised<sup>1</sup> EBITDA of 16% (+210 bps vs PCP) shows the progress Comvita are making to deliver their 2025 target of a 20% EBITDA margin.

### **FY23 guidance**

Comvita is forecasting double digit earnings growth in FY23 with a strong bias to the second half. Ecommerce sales are forecast to be above 40% and are targeting a further 100 bps improvement in gross margin and marketing. Transformation investment is forecast to increase to \$5.5M. Comvita aim to share a guidance range in Q2 once a clear view on timing of China offline retail re-opening.

### **Looking forward – premium FMCG ESG brand**

Comvita's 2025 plan is designed to deliver a business model that achieves a GP of at least 60%, delivers long term investment in its brand by investing 15% in Brand building activity and delivering a 20% EBITDA margin. This model, underpinned by its aim to be carbon neutral by 2025 and a global leader in ESG, is designed to set Comvita up for long term profitable growth. The 2025 ambition is underpinned by focus on continued delivery of a three-part plan to:

- 1: Stabilise performance
- 2: Transform the organization
- 3: Build long term resilience and growth

1. Normalised EBITDA reflects EBITDA adjusted for transformation expenditure of \$2.4M and non-operating costs of \$1.0M. Comvita are targeting to conclude their transformation spend in FY24, Therefore they have shown a normalized EBITDA of 16% for FY23. (FY22 13.9%)



“These are extraordinary times and as such delivering the second highest earnings result of all time at Comvita gives me immense pride and confidence in the progress we are making. I love the fact that while delivering strong financial performance and improvements in all key ratios, we are also delivering on our purpose that is captured in our powerful Harmony Plan. We have increased our investment in global projects for social and environmental impact and also invested in local projects in New Zealand that protect flora and fauna and support local communities. In addition, we have increased investment in our team, in order to recognise their performance, and also to live to our aim to be the best employer in New Zealand. This is now the fifth consecutive reporting period where we have delivered double digit earnings growth at or above guidance: we see real momentum in the business in all key areas but still recognise how much opportunity we have to improve further. We remain committed to pay back the support and trust shown by the Board, the extended Comvita whānau and all our stakeholders” concludes Banfield.

**David Banfield**  
CEO

**Brett Hewlett**  
Chair

ENDS.

For further information contact:

Kelly Bennett, One Plus One Communications

Mobile: +64 21 380 035

Email: [kelly.bennett@oneplusonegroup.co.nz](mailto:kelly.bennett@oneplusonegroup.co.nz)

### **Background information**

Comvita (NZX:CVT) was founded in 1974, with a purpose to heal and protect the world through the natural power of the hive. With a team of 550+ people globally, united with more than 1.6 billion bees, we are the global market leader in Mānuka honey and bee consumer goods. Seeking to understand, but never to alter, we test and verify all our bee-product ingredients are of the highest quality in our own government-recognised and accredited laboratory. We are growing industry scientific knowledge on bee welfare, Mānuka trees and the many benefits of Mānuka honey and propolis. We have pledged to be carbon neutral by 2025 and carbon positive by 2030, and we are planting 1-2million native trees every year. Comvita has operations in Australia, China, North America, South East Asia, and Europe – and of course, Aotearoa New Zealand, where our bees are thriving.