



ANNUAL SHAREHOLDERS' MEETING

17 October 2019



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 financial statements for the year ended 30 June 2019;
- Includes non-GAAP financial measures such as Operating (Loss)/Profit and Operating EBITDA. These measures do not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. They should not be used in substitution for, or isolation of, Comvita's audited financial statements. We monitor these non-GAAP measures as key performance indicators and we believe it assists investors in assessing the performance of the core operations of our business. A reconciliation of NPAT to NPAT operating can be found in our Investor Presentation released on the NZX on 23 August 2019.
- 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.



AGENDA

- Welcome – Neil Craig
- Chairman’s Address – Neil Craig
- Executive Director’s Review
- Reports and Financial Statements
- Resolution 1: Comvita Constitution
- Resolution 2: Appointment and Remuneration of Auditors
- Resolutions 3 - 7: Director Elections
- General Business
- Afternoon Tea





CHAIRMAN'S ADDRESS

FY19 Financial Results

- Year in Review
- Key Financial Results

Other Notifiable Events

- Plantation Strategy
 - Purchase of China distribution company
 - Strategic and Organisational Review

A YEAR OF SIGNIFICANT CHANGE IN OUR TRADING ENVIRONMENT – a perfect storm was brewing

SUPPLY

- The new MPI regulations cannot be enforced ‘in-market’ and do not apply domestically, i.e. they only apply to honey packed in NZ and exported.
- New regulations had effect on the wholesale price of multiflora honey falling 60% in 12 months causing most apiaries to lose money.
- Yet Multiflora Manuka (allowed by regulation) competes directly with Monoflora Manuka – result is ‘unfair competition’ in-market and consumer confusion. Comvita does not sell Multiflora Manuka.
- Until rules are ‘tidied up’ (and we are working with industry bodies and MPI to do this) the only real protection to consumers wanting to buy genuine Manuka honey, is to **buy Monoflora Manuka packed in NZ.**
- Inclement weather impacts honey harvest third year in a row. Also over-crowding of hives chasing Manuka honey – Comvita apiary business runs at a significant loss.

A YEAR OF SIGNIFICANT CHANGE IN OUR TRADING ENVIRONMENT – a perfect storm was brewing

MARKETS

China announces new rules for cross-border e-commerce (applied January 2019).

- Daigou cross-border e-commerce (CBEC) trade out of Australia and NZ (ANZ) disrupted.
- Comvita's sales in ANZ decline by \$13m over prior year.
- Daigou channels still important, but greater emphasis now on CBEC and direct sales to China.

Poor US Market Sales

- Large US customer places no orders for all of FY19. Sales in US down -\$13m for the full year.
- Orders reinstated for current year and other channels opening up.

FULL YEAR OPERATING RESULT



TOTAL REVENUE

\$171m

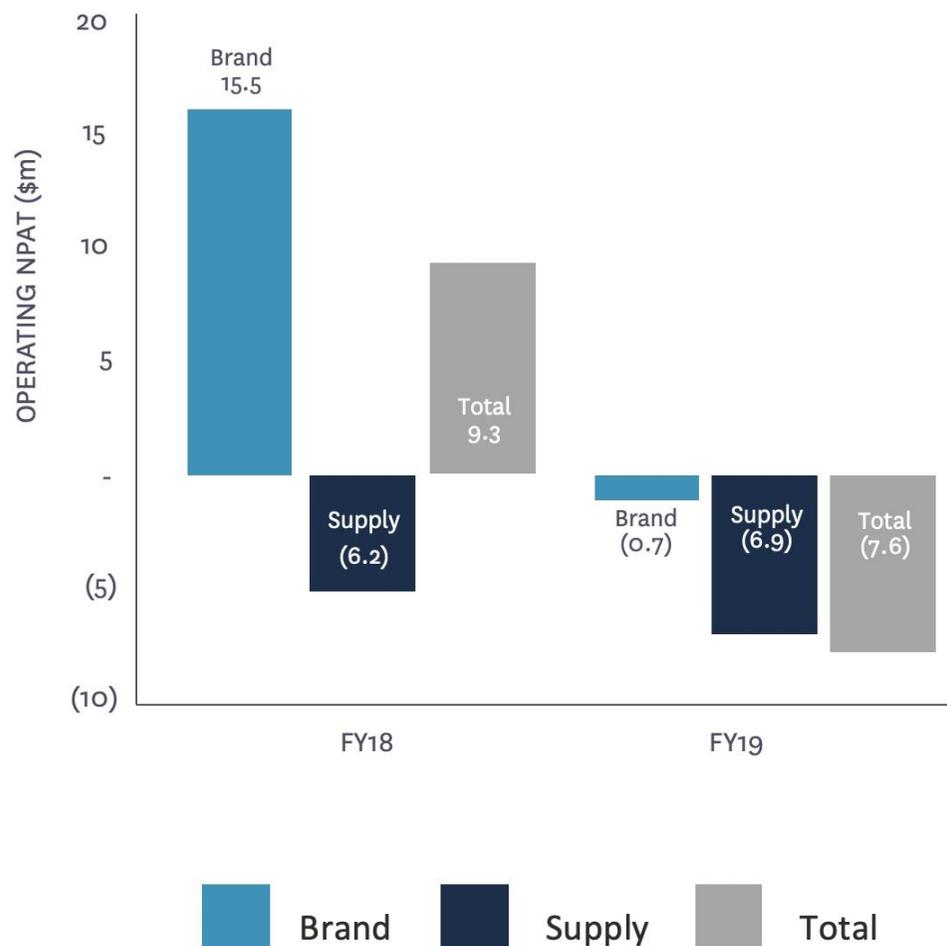
2018 \$178



OPERATING (LOSS)
/ PROFIT AFTER TAX *

\$(7.6)m

2018 +\$9.3m



* Operating (Loss)/Profit after Tax is a non-GAAP measure. We monitor this as a key performance indicator and believe it assists investors in assessing the performance of the core operations of our business.

FAIR VALUE OF ASSETS

- Impairments recognised following recent unfavourable honey seasons and the interim conclusions from the current strategic review
- FY19 goodwill impairment:
 - Australia \$15,607,000
 - Europe \$2,027,000
 - Apiaries \$2,191,000
- FY19 equity accounted investees impairment:
 - Putake Group \$2,300,000

REPORTED FINANCIAL RESULTS

For the year ended	30 June 2019	30 June 2018
Total revenue	\$171m	\$178m
EBITDA operating *	\$0.0m	\$21.6m
Equity earnings	\$0.4m	\$1.9m
Net (loss)/profit after tax – NPAT	\$(27.7)m	\$8.2m
NPAT (loss)/profit non-operating items	\$(20.1)m	\$(1.1)m
NPAT (loss)/profit operating *	\$(7.6)m	\$9.3m

*EBITDA operating: earnings before interest, tax, depreciation and amortisation and adjusted for non-operating items. EBITDA and NPAT operating are non-GAAP measures. We monitor these as a key performance indicators and believe it assists investors in assessing the performance of the core operations of our business.

INVENTORY AND DEBT

- Secure inventory position going into new season
- Raw materials (mainly UMF Manuka honey):
 - 30 June 2019, \$84m
 - 30 June 2018, \$89m
- Finished goods:
 - 30 June 2019, \$48m (includes China)
 - 30 June 2019, \$26m (excludes China)
 - 30 June 2018, \$26m
- Trade receivables down \$25m
- Net debt down to \$89m from \$104m at the half year, and \$92m at the same period last year

Balance Sheet	30 June 2019 \$'000	30 June 2018 \$'000
Total assets	310,638	318,567
Total inventory	132,192	116,492
Trade receivables	30,878	55,813
Working capital	155,162	167,942
Net debt	88,936	91,753
Total equity	173,355	189,692
Net debt to equity ratio	51%	48%
Weighted average shares on issue	46,302	44,981



CASHFLOW

Cash flow movements	30 June 2019 \$'000	30 June 2018 \$'000	Movement \$'000
Operating activities	21,086	(22,118)	43,204
Investing activities	(17,704)	(6,991)	(10,713)
Financing activities	2,239	29,379	(27,140)
Net movement	5,621	270	5,351

- Positive operating cash inflow of \$21.1m
- Investment activities \$17.7m:
 - Capacity building
 - State of the art warehousing capacity at Paengaroa
 - Acquired 20% stake in Apiter, Uruguayan Propolis manufacturer
 - Acquired Daykel Apiaries (preeminent queen bee genetics business)
 - Factory upgrade
 - Land and planting for Manuka plantations



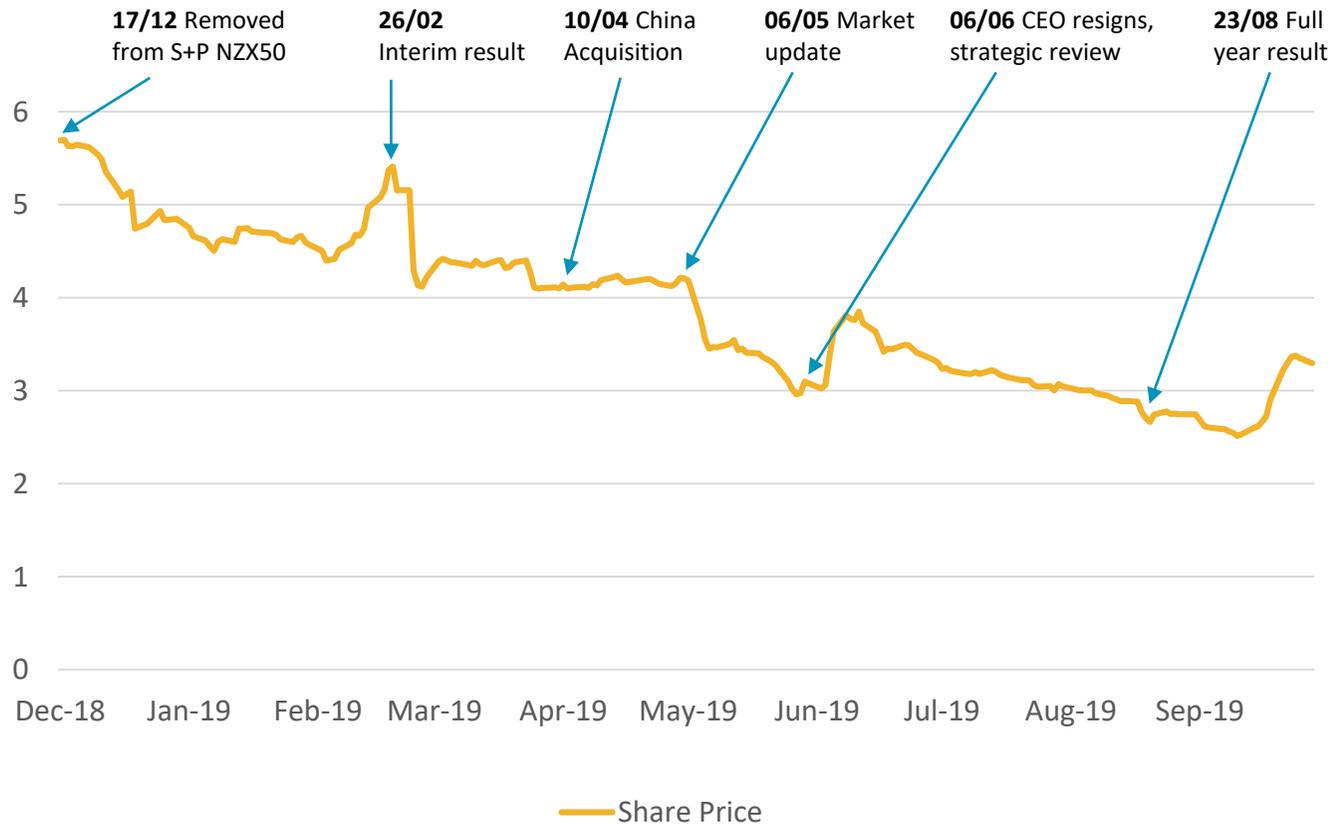


INVESTMENT ACTIVITY CHINA ACQUISITION

- 51% acquired in July 2017
- Remaining 49% acquired 31 May 2019
 - Business combination achieved in stages
 - 4,050,000 shares issued as part consideration, balance was \$3m in cash
- 100% Comvita China will be the key part of Comvita's profitable growth for the next few years. It will allow greater control and flexibility in-market and synchronisation of pricing and marketing through all channels into China

IMPACT ON CVT SHARE PRICE

SHARE PRICE DECEMBER 2018 TO SEPTEMBER 2019



BOARD OF DIRECTORS



Neil Craig
Non-Executive Chairman



Brett Hewlett
Deputy Chairman
Executive Director
(effective 6 June 2019)



Paul Reid
Independent
Director



Murray Denyer
Independent Director
Head of Remuneration, People &
Culture Committee
(resigned 16 August 2019)



Sarah Kennedy
Independent Director
Head of Remuneration,
People & Culture Committee



Luke Bunt
Independent Director
Head of Audit & Risk
Committee



Bob Major
Independent Director
(effective 1 September 2019)



Xin Wang
Independent Director
(resigned 2 April 2019)



**BRETT HEWLETT
EXECUTIVE DIRECTOR
STRATEGIC AND ORGANISATIONAL
REVIEW**



REVIEW

- Immediate corrective actions
- Demand side focus areas
- Looking for supply chain efficiencies
- Changes to leadership
- Organisation structure
- FY20 Outlook

IMMEDIATE CORRECTIVE ACTIONS

Better, before bigger

SUPPLY SIDE

- Adjust hive numbers to suit best wild harvest Manuka resource
- Scale the plantation model to build more sustainable Manuka farming practises
- Target constant improvements in productivity and efficiencies of supply chain
- Exit from underperforming joint ventures
- Optimise margin by smart raw honey purchasing and inventory management
- **Seek to become the most efficient and economically sustainable producer of high quality raw materials and ingredients in the industry...**

DEMAND SIDE

- Focus Markets
 - China
 - North America
- Manage the correction in ANZ and establish new channels that are more sustainable
- Modify distribution models for efficiency in other markets where Comvita has a good position
- Restructure accordingly Supply/Demand
- Reduce operating overhead costs
- **Innovate from the core and seek to add value to our Consumer in everything we do...**





FOCUS MARKETS STRATEGY

CHINA* \$52m

2018 \$46m*

GROW

NORTH AMERICA \$13.4m

2018 \$26.8m

GROW

AUSTRALIA/NZ \$69.6m

2018 \$82.6m

HOLD

ASIA \$41.3m

2018 \$36.8m

HOLD

EUROPE \$6.2m

2018 \$8.7m

CONSOLIDATE

* Represents in-market sales of the China entity which are not included in Comvita group revenue up until 31 May 2019 as equity accounted



CHINA

GROW

	FY19	FY18	FY17
Sales (\$'000)	52,096	45,696	N/A

- World's fastest growing consumer market and NZ's #1 trading partner
- Now 100% owner of Chinese Comvita company
- #1 Manuka honey brand developed over 16+ years
- Chinese are large consumers of honey – taken for health reasons
- Chinese partner, now our largest shareholder
- Targeting growth inside China, online and offline where the Comvita brand is very strong
- Strategy starting to impact – initial drop in ANZ sales now starting to convert to China and CBEC

Current Chinese Total Addressable Market (TAM) for Manuka honey is estimated at US\$1b



NORTH AMERICA

GROW

	FY19	FY18	FY17
Sales (\$'000)	13,361	26,835	3,846

- Largest consumers of honey and premium natural health products in the world
- Costco has been an effective beachhead customer
- Build market share of premium honey market. Value add and convenience products focus
- Build distribution reach into premium retail and online channels
- Comvita Kids Elixirs and Soothing Pops listed in Whole Foods premium retailer and CVS pharmacy stores, going into stores now

Current US Total Addressable Market (TAM) for Manuka honey is estimated at US\$320m



HOLD

AUSTRALIA & NEW ZEALAND (ANZ)

	FY19	FY18	FY17
Sales (\$'000)	69,562	82,557	64,929

- Decline in sales to smaller daigou re-sellers as Chinese government tightens rules on informal e-commerce traders
- New honey standards confusing/disrupting
- Sales balance is changing:
 - Over time we expect to see sales in ANZ slow as regulatory impacts continue to affect daigou re-sellers
 - Increasing direct sales to CBEC platforms
 - Increasing sales inside our China business
 - ANZ channels to market will evolve

ASIA

	FY19	FY18	FY17
Sales (\$'000)	41,261	36,813	32,363

- **Hong Kong** impacted by civil unrest. Remains a premium gateway market for tourists and locals
- Shared resources and cost efficiencies between mainland China and Hong Kong organisation
- Continued growth in **Korea and Japan** through increased online and offline distribution
- Japan digital focus in Rakuten targeting increasing into broader distribution both in digital and wholesale
- Korea had strong growth in e-commerce and duty-free



EUROPE

CONSOLIDATE

	FY19	FY18	FY17
Sales (\$'000)	6,211	8,664	7,395

- Still battling with adoption of MPI quality standards in the UK and dysfunctional competitor behaviour
- Brexit issues to contend with
- New distribution channels in Germany – a cleaner market
- Looking to stabilise and will review options in 2020

PRODUCT SEGMENTS OF TOTAL SALES

PERSONAL CARE

\$4m

(2018: \$5m)



MEDICAL

\$10m

(2018: \$7m)



HEALTHCARE

\$38m

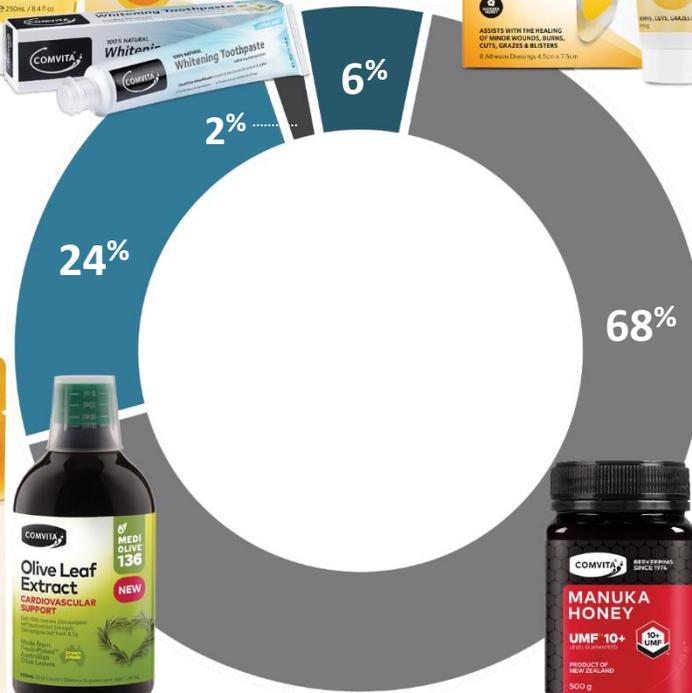
(2018: \$42m)



FUNCTIONAL FOODS

\$108m

(2018: \$132m)





MPI HONEY STANDARDS

- MPI introduced new export standards for Manuka honey in February 2018
 - Monofloral Manuka
 - Multifloral Manuka
- **Comvita supports the focus on high UMF Monofloral Manuka honey as the only sustainable strategic option.**
- Improvements to the standards are needed:
 - The NZ domestic market does not enforce the MPI standard, some companies have used this as an opportunity to clear non-compliant inventory. NZ needs to adopt the MPI standard.
 - Multifloral Manuka should be removed from the standard. It confuses consumers and will impede long-term value creation for the industry.
- Impact of MPI standard has been:
 - Multifloral Manuka is competing directly against the genuine Monofloral Manuka in the UMF 5+ category.
 - Non-compliant honey stocks have been cleared in the NZ market disrupting sales of genuine product.
 - Non-Manuka honey prices have fallen by as much as 60%. This has impacted apiary profitability.



HONEY SUPPLY KIWI BEE APIARIES

- Extensive post-harvest analysis has been carried out on the performance of all Manuka sites to ensure only the most productive are retained.
- A staged transition to Comvita plantations for a more intensive and efficient form of apiary management will evolve.
- Acquired Daykel queen genetics enterprise providing access to improved bee genetics which can have a significant bearing on honey harvest productivity.
- Third party suppliers represent 65% of our honey supply. We are not solely reliant on Kiwi Bee Apiaries for all our Manuka honey supply.



HONEY SUPPLY PLANTATIONS

- Our best defence against loss of productivity on wild sourced Manuka honey is to grow our own, with scale.
- 2,100 hectares planted during FY19 with 2.3 million trees.
- In total 4,100 hectares of plantations with a combined potential annual harvest of 115 tonnes of high grade Manuka honey.
- Breeding programme advancing. Now propagating third generation high performing cultivars.
- 2.7 million trees currently in nurseries ready for planting next winter.



PROPOLIS SUPPLY – INVESTMENT IN APITER

- In July 2018, Comvita purchased 20% share of Apiter, South America's largest manufacturer of Propolis.
- The investment in Apiter removes our future supply constraints for this key ingredient and provides us with manufacturing capability including a new medical grade laboratory and production plant.
- With a combination of NZ and Uruguayan sourced propolis Comvita has secured supply to meet a 5x increase in demand.





OLIVE LEAF EXTRACT SUPPLY

- Sustainable farming practices introduced
- Small capital expenditure to improve operating efficiency and productivity
- Olive Leaf Extract capacity sufficient to meet a 5x increase in demand
- #1 brand in Australia

CORE ELEMENTS OF COMVITA STRATEGY: REFOCUS



1. GROW SUPERIOR SUPPLY

- Security of high quality, market compliant raw materials
- Most efficient and productive producer in the industry

2. WIN WHERE IT COUNTS

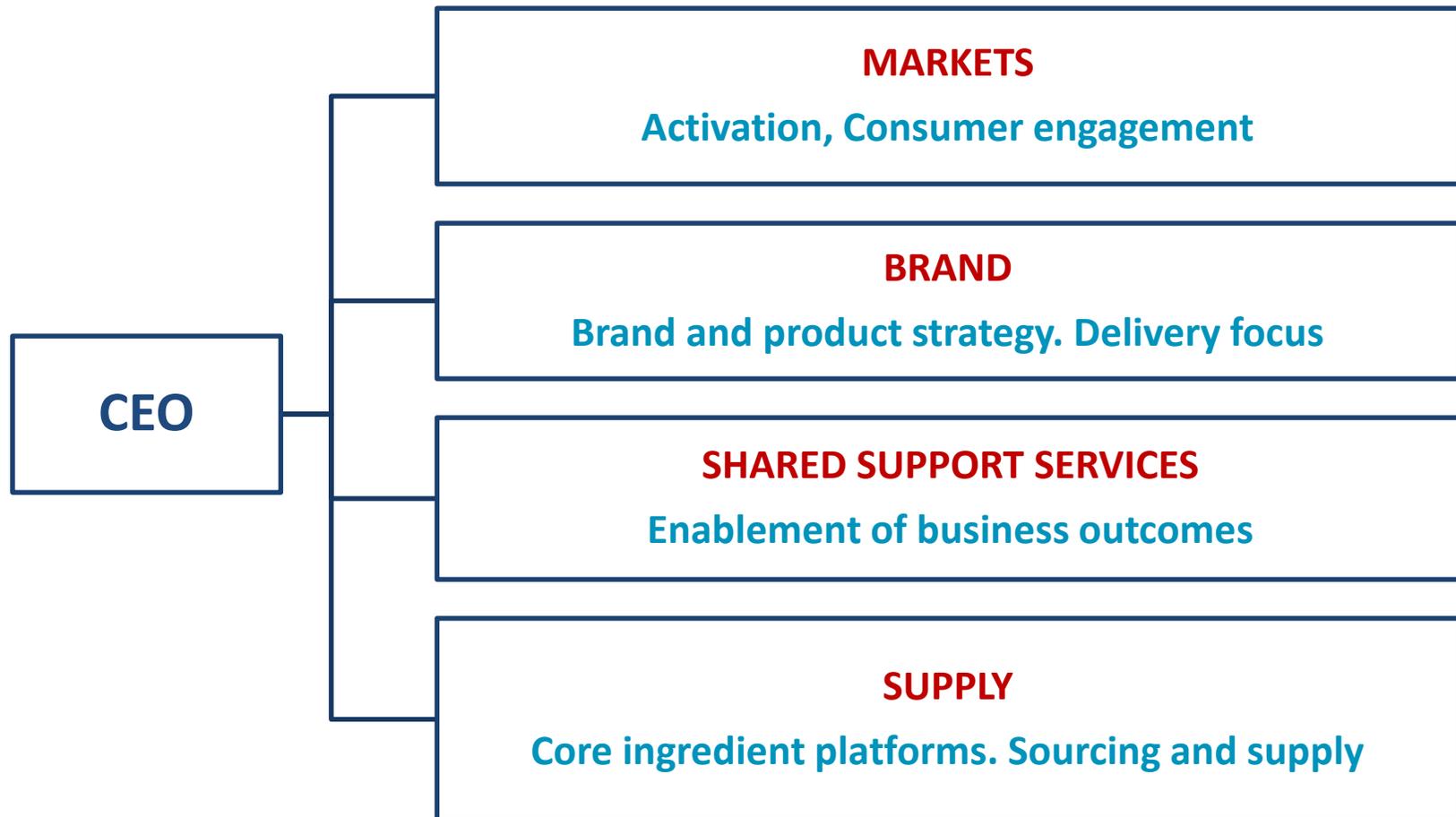
- Focused distribution in targeted markets
- Channels optimised for profitability and consumer intimacy

3. INVESTING IN OUR BRAND

- So more people know and love our brand
- Innovate from the core
- Market led

ORGANISATIONAL REVIEW: NEW COMPANY STRUCTURE

- Delineation between Brand and Supply
- New Leadership structure
- Flatter, leaner organisation





STRATEGIC REVIEW SUMMARY

- Investing for profitable growth in focused markets of China and North America
- Looking to improve productivity and remove costs from supply chain in general
- There is a new 'norm' for Manuka farming and we are leading the way
- We will adopt a new organisation model that is more focused, flatter and leaner than before
- Targeting to appoint a new CEO before end of 2019
- We are evolving the Board to lead the changes required



OUTLOOK FOR FY20

- A year to stabilise, reset and refocus.
- We are aiming to be back in the black this financial year on modest growth in revenue.
- We will generate cash and pay down debt.
- We will lay down solid foundations under a new CEO for a rebound in FY21.



RESOLUTIONS



RESOLUTIONS

- **Formalities**

Reports and Financial Statements

- **Resolutions**

- Adoption of new constitution
- Appointment and remuneration of Auditors
- Director Elections
 - Re-elect Mr. Paul Reid
 - Re-elect Ms. Sarah Kennedy
 - Elect Mr. Bob Major
 - Elect Mr. Zhu Guangping
 - Elect Mr. Cheng Dayong



RESOLUTION 1: COMVITA CONSTITUTION

To consider, and if thought fit to pass,
the following special resolution:

*“That the existing Constitution of
Comvita Limited be revoked and the
Constitution tabled at the Annual
Meeting and signed by the
Chairman for the purposes of
identification be adopted with effect
from the close of the meeting.”*



RESOLUTION 2: APPOINTMENT AND REMUNERATION OF AUDITORS

To consider, and if thought fit to pass,
the following ordinary resolution:

“That the meeting record the re-appointment of KPMG as the auditors of the Company for the current financial year ending 30 June 2020 pursuant to section 207T of the Companies Act 1993, and authorise the Board to fix KPMG’s remuneration.”

RESOLUTION 3: DIRECTOR RE-ELECTION – MR. PAUL REID



Paul is an innovative thinker who understands digital trends and application in the commercial area. Currently Paul is Chair of Figured (an accounting platform for farming businesses) and Volpara Health Technologies Limited (ASX:VHT), Director of Christchurch Airport and Pukeko Pictures GP (Global Entertainment Company) and an advisory board member to several technology businesses.

He has held a number of key executive roles in the transformation of businesses including NZ Post Group, Air New Zealand, MetService and Carter Holt Harvey. Paul holds honours degrees in Mathematics and Operations Research. Paul joined the Comvita Board in May 2017.

RESOLUTION 4: DIRECTOR RE-ELECTION - MS. SARAH KENNEDY



Sarah is a Director of Lifestream International, a 100% New Zealand owned company specialising in bioavailable, ethical, plant-based health foods. Prior to this she was the CEO of Designer Textiles International. From 2011 to 2014, Sarah was with Fonterra and held roles as Vice President International Farming based in China, Managing Director of Dairy Nutrition and Managing Director of RD1 - Fonterra's chain of rural retail stores. Prior to that, Sarah had 10 years as Managing Director of Healtheries/Vitaco NZ Limited and during this time she handled the sales and distribution role for Comvita in NZ. During her time at Healtheries, she oversaw the merger of Healtheries with Nutralife, doubling the size of the organisation and increasing market share significantly in both NZ and Australia, along with taking the business into international markets.

Sarah is originally a veterinarian by training and has held a number of other senior executive positions in agribusiness and food industries. Sarah joined the Comvita Board in July 2015.

RESOLUTION 5: DIRECTOR ELECTION - MR. BOB MAJOR



Bob Major has a Master's degree in Science from Massey University. He has spent the majority of his career in various roles within the New Zealand dairy industry, working for Fonterra, the New Zealand Dairy Board and the New Zealand Dairy Research Institute. He has held global leadership roles for Fonterra in a number of areas including strategy, mergers and acquisitions, ingredients sales and marketing and innovation. He has held regional leadership roles in the Middle East, Hong Kong and China, and was on the senior leadership team of both the New Zealand Dairy Board and Fonterra.

Bob is Chairman of Gibbs Holdings (Nelson) Ltd, and a director of Kiwirail, BioVittoria and Miro Berries. He Chairs High Value Nutrition, one of the National Science Challenges, the Avocado Primary Growth Partnership and is a member of the Oriens Capital Investment Committee. Bob is a past Chair of The Mud House Wine Group and has been a director of Westland Milk Products, the Sealord Group and Barker Fruit Processors. Bob is a Chartered Fellow of the New Zealand Institute of Directors.

RESOLUTION 6: DIRECTOR ELECTION – MR. ZHU GUANGPING



Mr. Zhu Guangping established Shenzhen Comvita Natural Food Co. Ltd in 2004, which introduced the Comvita brand into the China market and set up the first franchised store of Comvita. Shenzhen Comvita Natural Food Co. Ltd was Comvita's exclusive distributor in China for 12 years prior to selling 51% to Comvita in 2017. Comvita acquired the balance of 49% in July 2019.

In addition to Comvita business, Mr. Zhu owns and operates businesses in manufacturing, real estate and retail. He has extensive experience in business management, strategy, investment and luxury goods industries. He has held directorship and chairmanship positions in a number of public and private companies in China and Hong Kong. Mr Zhu holds an EMBA from CKGSB. Mr Zhu is the husband of Li Wang, Comvita's largest shareholder with approximately 17.2% of Comvita. If elected, Li will be Mr Zhu's alternate.

RESOLUTION 7: DIRECTOR ELECTION – MR. CHENG DAYONG



Mr. Cheng Dayong is the General Counsel of the Legal & Secretarial Department at China Resources Enterprise, Limited. China Resources own approximately 9.2% of Comvita. Mr Cheng joined China Resources Group in 2003. Prior to that, he had worked in private practice and has extensive experience in corporate and commercial legal work as well as regulatory compliance.

Mr. Cheng holds a Bachelor of Laws degree from the University of International Business and Economics, China. He is a member of All China Lawyers Association and a resident of Hong Kong.



THANK YOU