



INVESTOR PRESENTATION

*HALF YEAR FY19
FEBRUARY 2019*



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All currency amounts are in NZ dollars unless otherwise stated.



OVERVIEW

- H1 FY19 results
- Sales and Markets
- Honey Harvest Update
- Debt and Inventory
- Cashflow
- Strategy and FY19 Outlook



H1 FY19 RESULTS

HALF YEAR IN REVIEW

TOTAL REVENUE



\$78m

\$101m - consolidated view of sales including the China JV*



NPAT - LOSS OF

\$2.7m



INSIDE CHINA GROWTH (slide 14-15)

**Sales \$26m, +13%,
Gross Margin +27%**



POSITIVE OPERATING CASHFLOW (slide 21)

\$6.3m

Figures are based on unaudited results to 31 December 2018.

*\$101m assumes 100% of China joint venture (JV) sales are consolidated into the group



KEY FINANCIAL RESULTS

Financial results for the six months ended	31 December 2018 unaudited	31 December 2017 unaudited
Total revenue	\$77.7m	\$83.6m
EBITDA*	\$1.3m	\$9.7m
Equity earnings	\$0.8m	(\$1.1m)
Net (loss) / profit after tax - NPAT	(\$2.7m)	\$3.7m
NPAT attributed to non-operating items	\$0.7m	\$0.3m
After tax operating (loss) / earnings	(\$3.4m)	\$4.0m
Earnings per share NPAT (NZ Cents)	(5.91)	8.31
Dividend per share (NZ Cents)	-	4.00

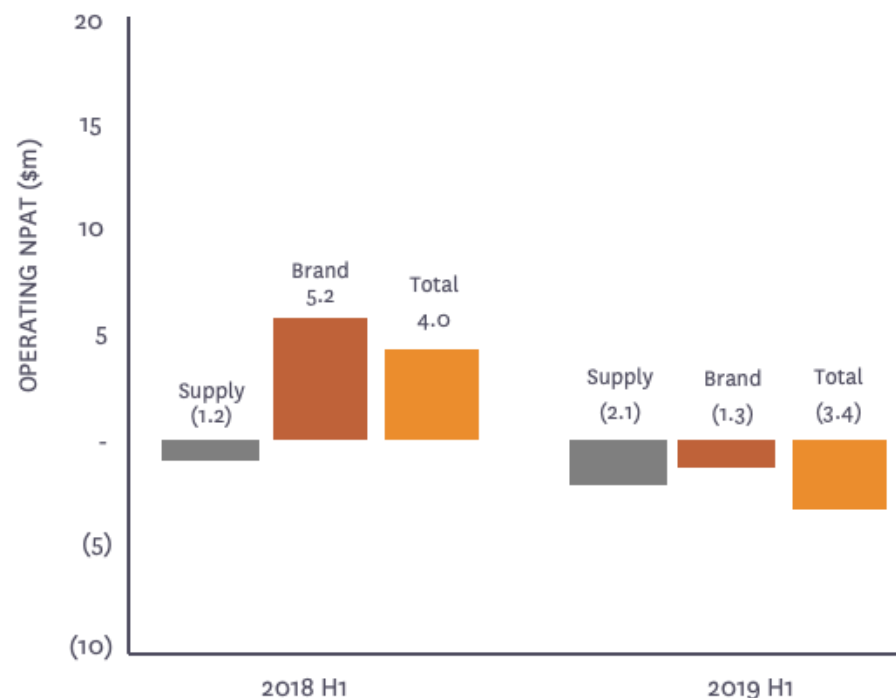
*EBITDA: earnings before interest, tax, depreciation and amortisation



BRAND & SUPPLY, OPERATING NPAT H1 FY19 COMPARED TO H1 FY18

SUPPLY & BRAND OPERATING NPAT SPLIT

- Brand business does not have the US uplift in H1 FY19 that was in H1 FY18
- Brand impacted as China distribution transitions to a direct model
- Supply impacted in H1 FY19 by very poor Northland harvest
- Honey harvest improved post Christmas. This will be reflected in H2 FY19



STRATEGIC FOCUS

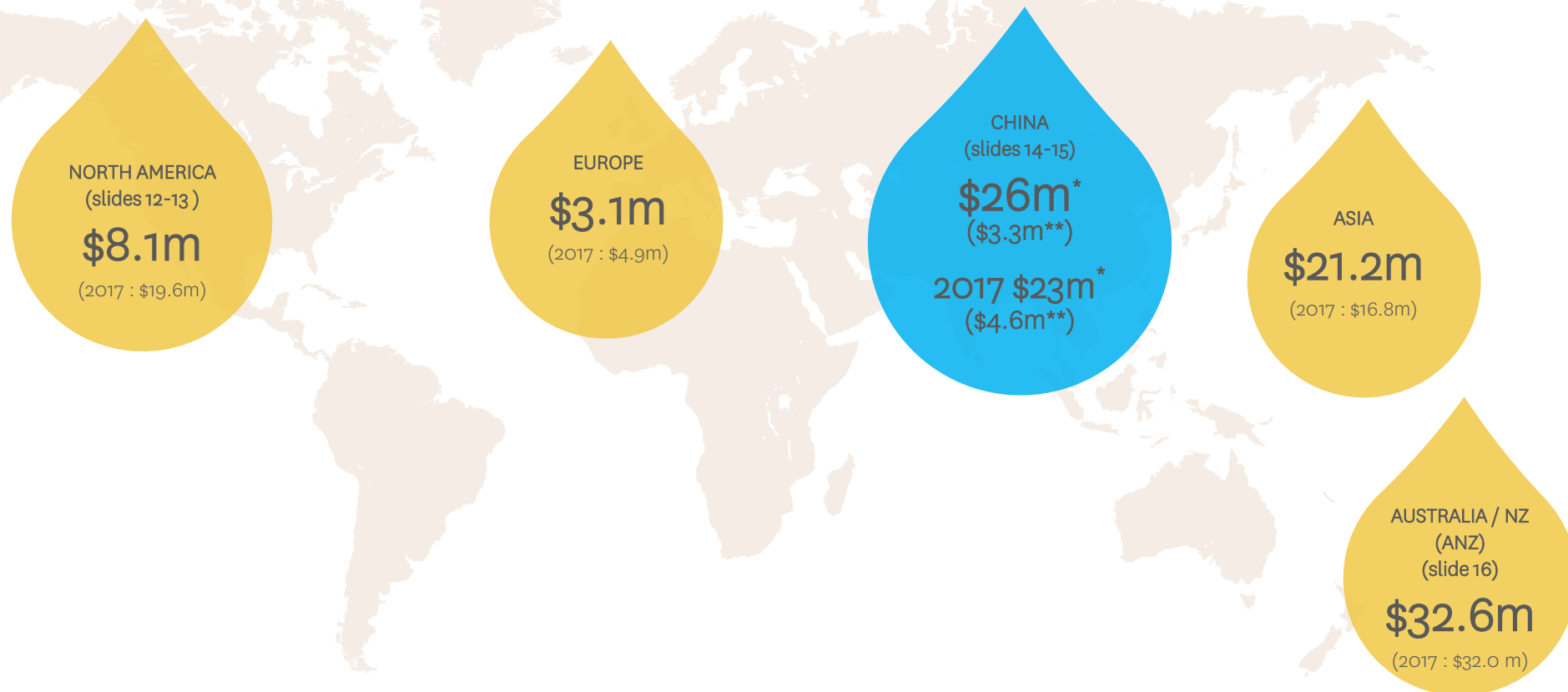
- Enhance profitability
 - Grow EBITDA margins through consistent pricing strategy, cost control and productivity gains
- Build Manuka honey distribution
 - Directly into China through our China JV
 - Evolve distribution to direct relationships with cross-border e-commerce (CBEC) channels
 - North America and UK/Europe
- Supply business
 - Minimise impact of poor harvest on our apiary business
 - Develop partnerships to provide the capital to develop Manuka plantations



SALES AND MARKETS



SALES FOR THE HALF YEAR ENDED 31 DECEMBER 2018



Figures are based on unaudited results to 31 December 2018. Other sales of \$6.2m (2017: \$6.7m).

- *\$26m represents in market sales of the China JV which are not included in Comvita group revenue, as equity accounted (2017: \$23m)
- **\$3.3m represents the sales from Comvita to the China JV before elimination (2017: \$4.6m)



UNDERSTANDING THE UNDERLYING TRENDS - KEY MARKETS

- Group sales and margins normalised for last years US pipeline fill
- China (JV sales inside China)
- ANZ – Focus on UMF honey
- Brand Strength – a case study



GROUP SALES NORMALISED FOR NORTH AMERICAN PIPELINE FILL IN PRIOR YEAR

	H1 FY19	H1 FY18
Sales North America	\$8.1m	\$19.6m

- Large North American retailer filled their stores in the first half of FY18 in both the United States and Canada
- No sales to this customer in the US since the first half of FY18 as they overstocked another brand. All the sales in to this customer in FY19 have been to Canada (where Comvita has an exclusive position)
- Normalising for this pipeline fill gives an underlying growth rate for the rest of Comvita of 10%



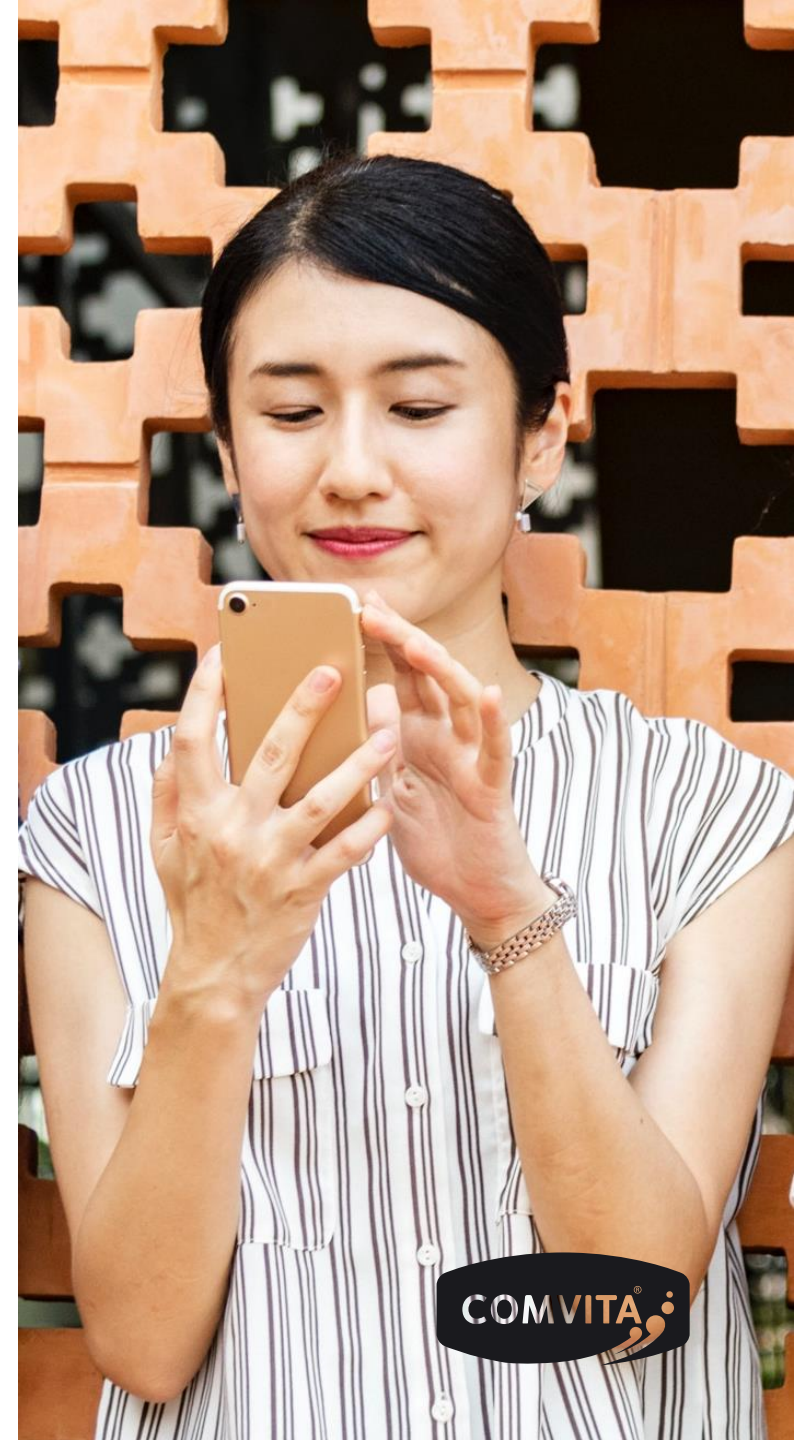
NORTH AMERICAN DISTRIBUTION

- Secured one of the top US natural products brokers
- Amazon
 - Sales grew 15% from \$2.0 H1 FY18 to \$2.3m H1 FY19
- Comvita Kids Elixirs and Soothing Pops
 - Listed in Whole Foods
 - Distribution build happening now across other retailers
 - Sales start in September 2019 (for winter season in the US) – will be a FY20 impact



CHINA STRATEGY

- Distribution strategy
 - Targeting growth inside China, online and offline
 - China brand strength will drive Daigou, cross-border e-commerce and tourism markets
- Pricing strategy – lift margins and harmonise pricing between offline and online distribution
- Build capability
 - In e-commerce, marketing and retail



CHINA (JV SALES INSIDE CHINA)

- Pricing strategy – lift margins and harmonise pricing between offline and online

H1 FY18 to H1 FY19	Sales H1 FY19	Growth
Sales	\$26m	+ 13%
GM\$		+ 27%
GM%		+ 6.9%

- Pricing strategy starting to impact – able to grow and lift margins
- Building platform for growth - hired new key roles marketing and e-commerce
- Marketing investment increasing – in line with strategy

ANZ UMF HONEY SALES - PRICE AND SALES GROWTH

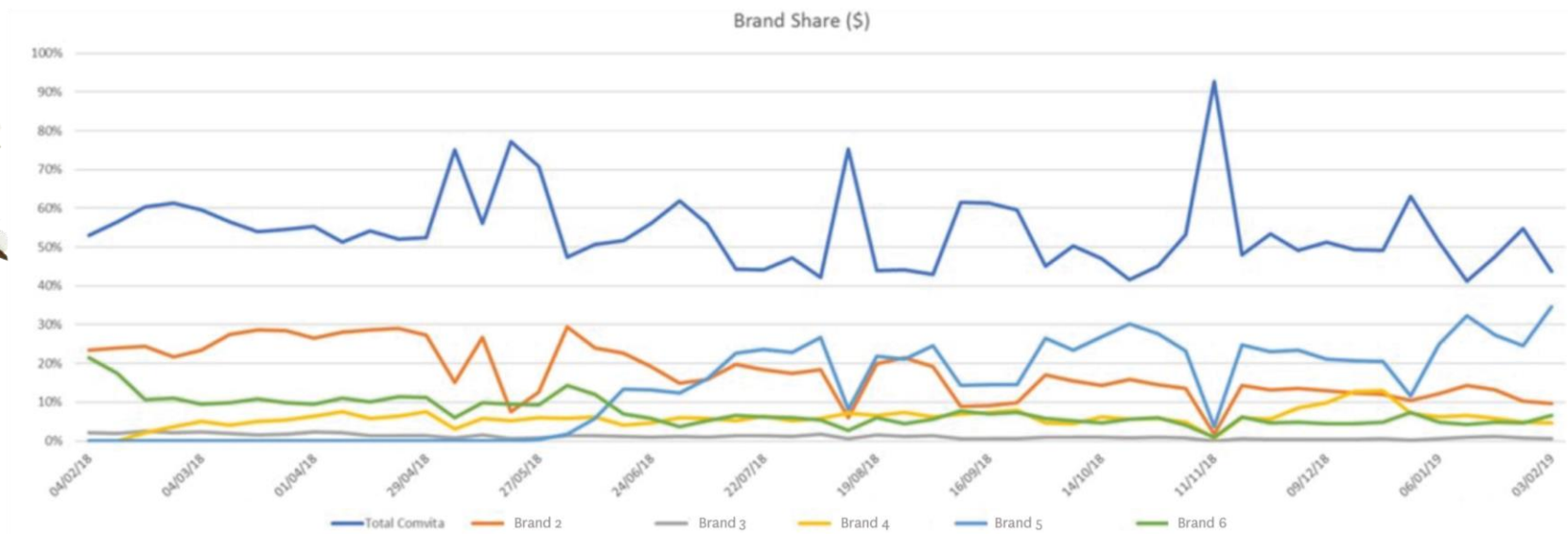
H1 FY18 to H1 FY19	Growth
Sales	+ 29%
GM\$	+ 37%
GM%	+ 3.2%

- Pricing strategy -
 - Lift e-commerce prices inside China to bring them into line with retail prices
 - Stabilise prices in the wholesale channels through consistent pricing to customers across ANZ
 - Chinese and ANZ pricing and promotional planning aligned
- Starting to positively impact margins – more slowly than in China due to inventory held by wholesalers impacting FY19 sales, and customer mix
- CBEC Direct sales to Kaola, Tmall global, JD Global
 - TDI (Tmall Direct Imports) under negotiation
 - Price and contract negotiations have impacted sales run-rate



BRAND STRENGTH - UMF HONEY CASE STUDY

LEADING PHARMACY RETAILER



Sourced by Aztec data

- Market share maintained with key competitor entering the market
- Significant price premium and is the dominant brand - Singles day promotion – Comvita secured 93% market share – with pricing similar to competitors
- Category of Manuka honey sales grew 51% over the calendar year, Comvita grew 65% over the same period

PRODUCT SEGMENTS OF TOTAL REVENUE

PERSONAL CARE

\$2m

(2017: \$2m)



MEDICAL

\$4m

(2017: \$4m)



HEALTHCARE

\$18m

(2017: \$20m)



FUNCTIONAL FOODS

\$53m

(2017: \$58m)



INVENTORY, DEBT AND CASHFLOW

INVENTORY AND DEBT

- Secure inventory position going into new season
 - 31 December 2018, \$119m
 - 31 December 2017, \$99m
- Finished goods
 - Consistent at \$26m
- Service level delivery remains stable at 96%
- Raw materials
 - \$104m of net debt
 - \$91m of raw material stock (mainly high UMF Manuka honey)
- A strategic focus on working capital management to reduce net debt is a key focus of FY19
 - Currently \$95m at the end of January
- Trade receivables down \$9m reflecting improved collections from China JV and larger customers

Key Balance Sheet Ratios as at	31 December 2018 <i>unaudited</i> \$'000	31 December 2017 <i>unaudited</i> \$'000
Total assets	326,971	296,625
Total inventory	119,040	98,643
Trade receivables	40,771	50,283
Working Capital	164,576	155,200
Net debt	103,764	82,639
Total Equity	187,006	186,850
Net debt to equity ratio	55%	44%
Weighted average shares on issue	45,337	44,848



CASHFLOW

- Operating cash inflow of \$6.3m
(HY 2018 outflow: \$17.4m)
- Investment activities \$17.9m:
 - Capacity building
 - State of the art warehousing capacity at Paengaroa, largely completed
 - Acquired a stake in Apiter, Propolis manufacturer
 - Balance, factory capacity upgrade, and land for Manuka plantations

Cash flow movements	31 December 2018 unaudited	31 December 2017 unaudited	Movement
Operating cash inflow/(outflow)	6,337	(17,409)	23,746
Investing activities	(17,911)	(4,175)	(13,736)
Financing activities	14,632	21,838	(7,206)
Cash and cash equivalents	8,026	4,931	3,095

HY19 HONEY HARVEST UPDATE



HONEY SEASON – GAME OF TWO HALVES

- Weather and honey harvest prior to Christmas very poor, Northland and East Coast apiaries - below average results
- Post Christmas results have been much better
- Overall, honey season better than last year - early estimates are for circa 20kg/hive, versus 16kg/hive last year, still below our target of 24kg/hive
- Quality (i.e. UMF activity) of the honey is unknown as very little of our Manuka crop has been tested to date as it is still being extracted. Some of the harvest is still in the field.
- It is still too early to make an accurate forecast for the season, we expect the result to be a loss but much better than last years result. Anecdotal reports suggest that our apiary has performed very well compared with other players in the market.



STRATEGY & OUTLOOK



COMVITA STRATEGY: #1 in Manuka Honey Globally



GROW SUPERIOR SUPPLY

- To secure more high UMF honey
- Breeding and planting of genetically superior Manuka plants
- Secure best growing locations
- Reduce agricultural risk



BUILD DISTRIBUTION

- To be available where our customers prefer to shop
- Increase China & North America distribution
- Optimise channel profitability
- Global price harmonisation



INVEST IN MARKETING

- So more people know and love our brand
- Use our core ingredients for innovation
- Digital capability & marketing

GROW SUPERIOR SUPPLY

- New partnership with MyFarm
 - MyFarm provides capital to fund our supply growth
 - Comvita provides beekeeping expertise and unique Manuka cultivars to provide MyFarm investors an acceptable return
- 2000ha of plantations will be planted in FY19
- Daykel Apiaries acquired - top class queen breeding operation will drive continued productivity growth. Early reports from our science program indicate the Daykel Queens we had in place this season are producing 2kg more honey per hive.



BUILDING DISTRIBUTION

- USA – Whole Foods listings for kids winter range
 - Including Whole Foods, our kids range will be distributed in over 1000 stores this winter
- China cross-border e-commerce
 - Built direct links with key platforms Kaola, Tmall global, JD Global
 - 25% growth for singles day compared with the prior period
- Europe
 - Amazon DE (Germany) launches March
 - Online launch with DM – Drogerie Markt, Germany's largest drugstore chain scheduled for July
- Japan – E-commerce and TV home shopping driving growth
 - In the Japanese version of Black Friday, Comvita UMF5+ was the largest selling item in Japan on Rakuten, out of 253 million items – it sold more than Nintendo!



INVEST IN BRAND AND MARKETING

- New packaging launching in all key markets
- Early sales data looks promising
 - Rate of sale in Canada (our first launch market) is double that of previous packaging



CELEBRITY INFLUENCER

- To build broader Comvita brand awareness, two celebrity partnerships were lined up to create brand visibility and consumer engagements in January 2019.
- In the week leading to the shopping and gifting peak of Chinese New Year, our two celebrities released two posts of video and image content on personal Weibo and Little Red Book platforms.



11M+
IMPRESSIONS



13,000+
ENGAGEMENT



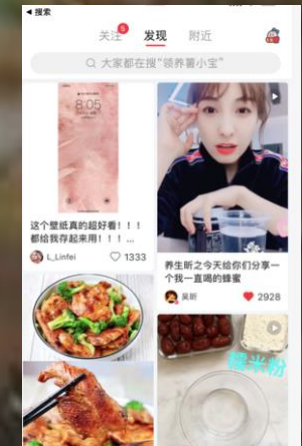
Du Ruoxi Weibo post along with her celebrity husband's engagement



Wu Xin Little Red Book video post, introducing the product with her personal user experience



Listed as Hot Weibo topic



Top Recommended post on Little Red Book



OUTLOOK – February 2019

- Brand business
 - Focus on growing formal channels to China
 - Making good progress on direct distribution to CBEC
 - Pricing strategy being implemented, good gains in GM\$ and GM% in target channels
 - New distribution coming on stream in the US and Europe/UK will be upside for FY20
- Supply business - honey harvest likely to impact full year earnings compared to our expectations
 - Harvest better than last year
 - Northern and Eastern regions poor, Southern and Western North Island better
 - Apiary business model made some solid improvements – will continue to develop in FY20
- Overall
 - Expect full year operating earnings to lower than last year
 - Will update further once we know harvest quality and timing for new distribution build



LEADERSHIP TEAM



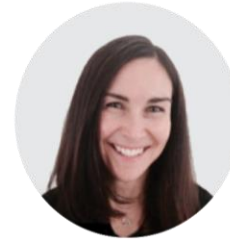
Scott Coulter
Chief Executive Officer



Mark Sadd
Chief Commercial Officer



Julianne Keast
Chief Financial
Officer - Acting



Saada McNamee
Chief People & Culture
Officer



Ben Shaw
Chief Marketing
Officer



Simon Potheary
Chief Sales
Officer



Colin Baskin
Chief Supply Chain
Officer



BOARD OF DIRECTORS



Neil Craig
Non-Executive Chairman



Luke Bunt
Independent
Director



Sarah Kennedy
Independent
Director



Xin Wang
Non-Executive
Director



Paul Reid
Independent
Director



Brett Hewlett
Independent
Director



Murray Denyer
Independent
Director



THANK YOU

