Comvita
Joint venture with Capilano in Australia

Comvita (CVT) plans to leverage its premium brand positioning, exploit its established distribution channels and use its control of raw material sourcing as a key competitive advantage. The JV with Capilano Honey (ASX: CZZ) (a honey sourcing operation) is part of this plan. Our forecasts and our c NZ$9.20/share valuation are under review.

CVT has announced that it has entered into a Memorandum of Understanding with Australia’s leading honey marketer CZZ. Both companies market honey and manage apiary operations for the production of manuka honey produced from the Leptospermum tree. The incorporated joint venture will be owned 50:50 by CVT and CZZ. It will operate a number of Leptospermum honey producing apiary businesses in Australia to secure the supply of honey for the production of medical and natural health products.

Manuka honey is sought after because of its medicinal properties and its impact on general health and well-being. The Asian markets are particularly interested in these benefits and manuka honey is growing in popularity with Asian tourists visiting Australia and NZ and also with Asians in their home markets. As the standard of living increases so does the interest in health and well-being. In China, where pollution is an issue of much concern, there is increased emphasis and awareness of health issues. In our view these factors will continue to drive demand for manuka honey.

The manuka honey market is supply constrained rather than demand constrained and therefore in our view the two major operatives in Australia and NZ joining forces to increase the supply of premium honey is potentially valuable to both parties.

<table>
<thead>
<tr>
<th>Year end</th>
<th>Revenue (NZ$m)</th>
<th>PBT* (NZ$m)</th>
<th>EPS* (c)</th>
<th>DPS (c)</th>
<th>P/E (x)</th>
<th>Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>03/15</td>
<td>152.7</td>
<td>16.3</td>
<td>29.9</td>
<td>13.0</td>
<td>33.4</td>
<td>1.3</td>
</tr>
<tr>
<td>03/16e</td>
<td>206.9</td>
<td>26.1</td>
<td>45.2</td>
<td>18.0</td>
<td>22.1</td>
<td>1.8</td>
</tr>
<tr>
<td>06/16e</td>
<td>236.9</td>
<td>29.5</td>
<td>52.3</td>
<td>18.0</td>
<td>19.1</td>
<td>1.8</td>
</tr>
<tr>
<td>06/17e</td>
<td>247.3</td>
<td>32.9</td>
<td>57.5</td>
<td>23.0</td>
<td>17.4</td>
<td>2.3</td>
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<tr>
<td>06/18e</td>
<td>296.9</td>
<td>41.8</td>
<td>72.7</td>
<td>28.0</td>
<td>13.8</td>
<td>2.8</td>
</tr>
</tbody>
</table>

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments. Year end will change from 31 March to 30 June in 2016.

2 March 2016

Price NZ$10.00
Market cap NZ$400m

Net debt (NZ$m) 30 September 2015 59.8
Shares in issue 39.9m
Free float 83.4%
Code CVT
Primary exchange NZX
Secondary exchange N/A

Comvita (CVT) is a manufacturer and marketer of honey-based products and fresh olive leaf extract products. The products are used for health, skin care and medical uses. Approximately 80% of its products are exported to Australia, Asia, North America and the UK.

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