

29 August 2023

Me Today results for the year ended 30 June 2023

Me Today Limited (NZX: MEE) today announced its audited Group results for the year ended 30 June 2023.

The Group recorded net revenue of \$7.88m and a loss after tax of \$12.97m. The operating EBITDA loss was \$5.15m after adding back non-recurring and non-cash items of \$7.82m as explained further below.

Gross revenue for the Group before the costs of marketing services provided by a customer was \$9.20m. This was split between the King Honey business at \$5.82m, Me Today branded sales of \$2.78 and agency services revenue at \$0.60m.

Given the large holding of Manuka honey, the Group decided to further reduce the size of its beekeeping operation as announced to the market on 11 July 2023. Once the restructure is complete the Beekeeping operation will have approximately 1,600 hives operating out of Turangi.

Together with the reduction in beekeeping, the business has continued to reduce expenditure across its operation in line with its previously stated strategy. As described further below, the Group continues to create sales opportunities across its three core brands. The sales activity comes from new customers and repeat business with existing customers.

The Group continues to receive support of its lenders the Bank of New Zealand and the Jarvis Trust. As part of the acquisition of the King Honey business, the vendor the Jarvis Trust is due repayment of a \$5m subordinated loan on 30 June 2024. The group has agreed with Jarvis Trust to extend the repayment date of the Jarvis Trust loan to 31 March 2025, subject to all necessary approvals under the NZX Listing Rules.

With the support of the lenders, the reduction in cost base and the forecast sales the Group believes it has sufficient funding to meet operational requirements for the coming year. The Group will continue to review its cost base and make necessary adjustments as required. It is also considering funding alternatives to lower a part of its term debt which may include the sale of assets or raising new capital.

As part of the year end audit process the group considered the carrying value of its intangible assets given the continuing challenging market for selling Manuka honey. The result is the directors have decided to make a further impairment by writing down the value of the intangible assets associated with the King Honey asset by an additional \$2.36m.

An overview of the activity of the Group for the year is summarized as follows.

Me Today and the Good Brand Company

The strategy in respect to the Me Today brand continues to be the investment into the brand locally in New Zealand and Internationally.

In New Zealand the brand has a strong national presence in pharmacy and grocery stores with Me Today stocked in all Countdown stores and partnerships with major pharmacy banners Chemist Warehouse and Bargain Chemist. Me Today also has a good presence in selected Unichem and Life Pharmacy stores as well as a number of good independents throughout New Zealand.

The international strategy remains focused on the following core markets, US, Japan, Ireland, the UAE and Australia.

- In Ireland the brand is listed with Chemist Warehouse and Tesco and is also stocked in selected pharmacy stores around the country.
- In the US the positioning of the brand is in partnership with major Online platforms. The USA business of Me Today has a logistics hub based out of Arkansas with orders distributed from this warehouse nationwide in the USA. The brand is also in discussion with bricks and mortar retailers, and it is fulfilling orders through a west coast broker.
- Repeat orders continue in Japan and the UAE and we continue to develop the brand and partnerships in these markets.
- In Australia we have an Online presence, and we are in discussions with two large retailers in respect to a wider listing.

Across all markets Online sales are proving to be a good way of building the brand footprint and creating interest in the brand to enable access to big box retailers.

Together with the core market strategy the brand continues to invest in new product development. Launched in the 2023 financial year have been the following new products.

- 3 UMF rated Me Today Manuka Honey products
- 4 Me Today Manuka Honey Lozenges
- 9 new Me Today supplements
- 4 Me Today Manuka Active skincare products

Projects under development for launch in the remainder of the 2023 calendar year include.

- Me Today Super Honey which will see a range of infused honey products launched

From a product development perspective we will continue to see development across the 3 key product platforms being: Manuka Honey, Supplements and skincare.

The Good Brand Company

The Good Brand Company represents the groups brands being: Me Today and Superlife whilst also representing 4 other agency brands. The group has invested in people growing the expertise and skillset of its staff to support the growth of The Good Brand Company's stable of brands and has capacity to bring on new agency brands with the right fit.

The King Honey business

King Honey operates a fully integrated Hive to table Manuka honey business. It has production, storage and a bottling facility in Taupo and operates a beekeeping operation based out of Turangi. As discussed above the beekeeping operations have been further reduced through the closing of the Wairarapa unit leaving a 1,600-hive operation managed from Turangi. King Honey has a large quantity of beekeeping equipment which means that it has the ability to increase hive numbers as demand requires.

King Honey manages the production of the BEE+ and SuperLife brands as well as contract packing on behalf of a number of other labels.

BEE +

The group continues to have a good relationship with the Bee+ Brand through Access Corporate Group (ACG) and its brand management division Access Brand Management (ABM). ABM and the Me Today Group jointly own the *Bee+* Mānuka honey brand.

In conjunction with ABM, Me Today has developed new product offerings with the BEE+ brand which it has produced and delivered during the FY23 year. ABM are committed to the development of the brand and Me Today are continuing to support ABM in respect to the growth of the brand.

SuperLife

SuperLife provides the Group with a Mānuka honey brand that competes in different parts of the market to both Me Today and BEE+. It has customer and distributor relationships across a number of international markets. The opportunities within these markets continue to change as the sell-through rate of products is established.

The largest opportunity for SuperLife continues to be the relationship with a US grocery chain. Sell through has been positive for FY23 with sales into the US for SuperLife more than NZD \$1m for the 2023 financial year. Range extension and new product development opportunities exist with this retailer.

Outside NZ and the USA, the focus markets for SuperLife are Germany, Romania and the UAE with sales and reorders into these markets over the past six months.

The key aspects of the Group’s consolidated financial statements for the year to 30 June 2023 is explained further below:

- The Operating EBITDA loss for the Group was \$5.15m, split between the business divisions as follows.
 - The Me Today sale of goods and agency services segment operating EBITDA loss was \$2.53m.
 - The King Honey segment operating EBITDA loss was \$1.23m.
 - The listed company and shared services operating costs were \$1.39m.

Operating EBITDA excludes one-off and non-cash items amounting to \$7.82m from the net loss after tax of \$12.97m.

The \$7.82m of expenses consisted of the following.

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| • Loss on Harvested Honey | \$2.22m |
| • Finance Costs | \$0.59m |
| • Fair Value loss on Biological Assets | \$0.54m |
| • Depreciation and Amortisation
not capitalised to biological assets | \$0.45m |
| • Amortisation of the customer relationship asset | \$1.08m |
| • Impairment of customer relationship asset | \$2.36m |

- Restructuring & Acquisition costs \$0.45m
- Write Down of Assets held for sale \$0.13m

Total Expenses deducted from EBITDA **\$7.82m**

Further explanation of these are provided below.

- **Loss on Harvested Honey**

As advised earlier in the year the 2023 Harvest was significantly impacted by the adverse weather events in early 2023. The total yield achieved from the hive placements was 61 tonnes of honey. The yield was down 50% on what is expected from an average season. In addition, the quality in terms of active manuka factor, of the Manuka honey harvested was also significantly lower meaning the value of the honey harvested was much less than anticipated. These factors resulted in a loss on harvest of \$2.22m.

- **Impairment of the Customer Relationship Asset**

The Group completed a valuation of intangibles acquired at acquisition. Customer relationship assets were separately identified and valued at \$9.3m at acquisition date. The Group has determined 8 years as the appropriate useful life for this asset resulting in an annual amortisation charge of \$1.08m.

In addition, as part of the year end audit process the directors completed a discounted cashflow valuation of the King Honey cash generating unit. Following the completion of this assessment a decision has been taken to write down the intangible asset by a further \$2.36m.

- **Closure of beekeeping branches and Consolidation of the Taupō Production Facility**

The following costs have been incurred as a result of the decision to reduce the size of the beekeeping operation and the consolidation of the Taupō Production Facility.

- The reduction in hive numbers has resulted in a biological asset fair value loss of \$0.54m.
- Property, plant and equipment and biological assets with a combined carrying value of \$0.57m have been identified as assets held for sale. These have been assessed at fair value resulting in a write down of \$0.13m. \$0.09m remain unsold as 30 June 2023.
- Restructuring costs of \$0.337m have been incurred in relation to closing beekeeping branches and consolidating the Taupō Production Facility.

The Group's outlook for the year ahead remains challenging. However, the Group is confident that it has the right strategies in place to reduce costs and improve sales across its brands. The Group will continue to review its options for funding and will make further announcements as appropriate.

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