



# Capilano Honey Limited

Tracking well in accordance with our plan

# Re-structured for profit ....



- Cost model was changed by changing business model
- Our business was built to handle large honey surpluses with factories, overheads, and margins to do it.
- The cost reduction program continues to progress well to suit the new needs of the business.
- Significant volumes of marginal profit business used to soak up excess honey supply have been relinquished.
- Supply requirements have also changed to adapt to the business; quota pool is reducing.

# However, challenges still remain



- Private label impact
  - Competitors are still willing to sell at very low margins.
  - Private label growth still pressure branded selling prices squeezing profit from the Capilano brand.
- Exchange rates
  - rose from US 0.67 to US 0.98 (-46%) in first half slashing our export revenues
  - our business was over 40% export
- Margins are still squeezed hard.



# Biggest challenge in 2009-10

- NAB requested significant debt reduction during annual review to conform with new facility covenants.
- In response:
  - Capital raising was completed raising more than \$2 million
  - Under-utilised asset sales were carried out
  - Major working capital reduction was done
- Debt reduced by \$8.6m over 10 months.
  - \$28.5 million at 1 July 2009.
  - \$19.9 million at 30 April 2010.
  - \$18.5 million target 30 June 2010
- Target reduction \$10 million almost complete.
- New bank facilities were accepted from 1 July 2010.

# Improved Capilano operational results



\$'000's	FY2008	FY2009	Dec 2010 YTD	April 2010 YTD
Revenue	64,175	78,493	40,806	60,481
NPBT	(9,095)	793	(1250)*	(813)*^
NPAT	(7,488)	707		
Honey Price	2.55	3.17		3.42
Marginal increase in cost of honey on LY	4,000	5,500		2,475

\* BEFORE non cash GOODWILL IMPAIRMENTS OF \$2664K ARISING FROM EXITING EXPORT MARKET SEGMENTS and TAX EFFECT \$575k.

^ INCLUDES ONE-OFF COSTS of RESTRUCTURING \$1000K (Bank, Legal, Redundancy expenses)



## Our marketing efforts include:

- Agribusiness Award – 2009 Australian Export Awards
- Agribusiness Winner – Premier of Queensland Export Awards
- Honey sampling with Good Taste magazine
- Honey sampling and Education kits at Agricultural shows
- Better Homes & Gardens promotional bag honey sampling
- Recipe ideas in New Idea, Good Taste and Superfood Ideas

# More recent marketing efforts -



- Website update
- 'Totally Wild' national TV show segment on Journey of Honey.
- Sponsoring Courier Mail Spelling Bee Competition with reach throughout Queensland schools.

# Communication...



- Newsletters
- Beekeeper informal meetings
- District visits
- Releases:
  - 9 October 2009 letter to suppliers on capital raising
  - 23 October 2009 first Quarter Result
  - 26 October 2009 letter to suppliers on capital raising
  - 4 November 2009 letter to suppliers on capital raising
  - 23 November 2009 letter to suppliers on capital raising
  - 15 December 2009 Market Update
  - 31 December 2009 Half Year Report
  - 12 February 2010 issue of Prospectus
  - 15 February 2010 Media Release on capital raising
  - 9 April 2010 update on changing bank facilities and debt reduction
  - 23 April 2010 Closure of Rights Issue notice





# Share Price history shows ...

- Past share prices are influenced by the low number of trades and sparse volumes traded.
- Share price is affected by:
  - dividends paid
  - perception of future growth
  - share liquidity
  - rumour & un-informed gossip

# Share Price future affected by...



- Share liquidity:
  - level of control
  - availability of shares
- Capital Raising
  - removed restrictions on number of shares able to be held
  - removed controlling mechanism of the Foundation Share
  - increased number of shares available
  - raised \$0.8 million from beekeepers and \$1.2 million from investors
  - capital replaces debt used to fund working capital
- Profit will reduce debt and deliver dividends.

# Outlook



- We have a changed business model to address the changed trading environment.
- Maintain a balance between honey price, dividends and profit retention to fund the business.
- The future of our industry will be affected by the change in Capilano's position on crop surpluses.
- Our beekeepers are important to our company.



Questions?