



NZ's Manuka Tea Tree Honey sector treatise.

20 years of strategic miscalculation of native taonga market positioning.

The highest share market price for Comvita (CVT) on the NZX since the company went public in 2003 was NZ\$12.13. This all-time high was reached on May 24, 2016.

On Friday, November 14th 2023, the shares closed at NZ\$0.53 after shareholders voted down a director recommended Takeover Offer.

Q: Why did New Zealand's manuka honey sector "poster child" see such a dramatic reversal of fortune?

A: For the reasons set out in this treatise.

Tribal Health Corp

N IVERSON - DIRECTOR

The Manuka Honey Sector – What Went Wrong?

Once the poster child / star of the mānuka honey business, there's no **one reason** why both the industry and Comvita have found themselves under serious financial stress. Instead, a mix of tough market dynamics, internal problems, and strategy missteps have converged. The core strategic flaw / trap and arguably *the* existential issue, not just for Comvita but for the entire New Zealand mānuka sector is this:

It attempted to build a billion-dollar expectation on a single plant, a single product, and a single narrative. In essence, a “one trick pony”

As one will note in the strategic framing / summary that follows, when one of these pillars cracked, the whole structure shook. Why this “one-trick pony” problem became so dangerous. Not just for Comvita but the entire “manuka honey” industry.

1. Structural Market Pressure and Oversupply

- The mānuka honey sector has gone through a “structural reset”: there's been prolonged oversupply, pricing volatility, and weaker demand in key markets.
- Comvita's own leadership has pointed to “*prolonged market disruption ... particularly in China*”.
- Over-production between ~2017–2022 led to a glut of honey, which many of Comvita's competitors are now clearing aggressively.

2. Slumping Demand in China

- China has always been a very important market for Comvita. But demand there sharply weakened: Comvita's China sales fell materially.
- Contributing factors included macro-economic headwinds in China and the cancellation of big shopping festivals / events that Comvita had previously relied on.
- Reports filed with the NZX state that the weakening of this market heavily hit both revenues and margins.

3. Competitive Pressure & Discounting

- Comvita press releases state the it has been forced into aggressive discounting to compete, especially as rival players clear out inventory.
- That this promotional activity has eroded margins, especially on their more “entry-level” or lower-grade honey ranges.
- The competition is not just about price, but also about channel — online competitors, fragmented supply chains, and new entrants are squeezing Comvita.

4. High Cost Inventory / Legacy Cost Structure

- NZX filings reveal that Comvita has taken big non-cash impairments in its latest financials. In its FY 2025 results, it recorded impairments on legacy inventory, underperforming investments, and fixed/intangible assets.

- Reports indicate that a lot of the inventory being carried was bought or manufactured when prices were higher; now it's having to write down that high-cost stock.
- On top of that, its cost base has structural rigidity — fixed costs from international operations, overhead, and a previously more complex org structure.

5. **Internal / Governance Issues: Accounting Irregularities**

- Comvita discovered accounting irregularities in its China subsidiary, which led to overstating after-tax earnings by ~NZ\$1 million in FY23 and ~NZ\$3 million in FY24.
- The Company reported that an independent review disclosed that sales and receivables in China had been misreported.

6. **Heavy Losses, Impairments, and Eroding Equity**

- For FY 2025 (year ended 30 June), Comvita reported to the Stock Exchange a net loss before tax of about NZ\$21.9 million.
- On top of the underlying loss, there were very large non-cash impairments: e.g., inventory provisions, write-downs, fair value adjustments.
- These impairments significantly reduced Comvita's net assets.
- Without a stronger capital base, its "financial headroom" is very limited — meaning it doesn't have much space to absorb shocks or invest aggressively.

7. **Restructuring, but Slow to Pivot**

- In response, Comvita is reportedly doing a major restructuring: cutting jobs (67 roles), slimming leadership, closing or rethinking underperforming geographies (e.g., shifting EMEA to distributor-led model).
- They are targeting cost savings of NZ\$10 – 15 million annually.
- However, Comvita leadership advised the NZX that they "*weren't fast enough*" to adapt to the new market realities.
- Their turnaround is still very much a work in progress. It does appear that progress has been made in reducing inventory, cutting debt, improving cash flow etc. but the scale of the large headwinds is a challenge.

8. **Need for Recapitalisation / Strategic Change**

- Because of the depth of the challenge, the Comvita board signed a **Scheme Implementation Agreement** with a third party (Florenz) to acquire 100% of Comvita shares at \$0.80 per share. The so called "fair value" reference point supported by the board).
- The board saw this as the strongest way to reset the balance sheet, reduce funding risk, and give Comvita scale and capital strength for the future.

- But at a special meeting, the shareholders turned down the Florenz takeover meaning that the Company must now reorganise capital because the challenge is not just operational, but structural.

Despite its earlier success, why It happened to Comvita

- Comvita's growth for years was buoyed by a booming global demand for premium mānuka honey. But success masked some risks: overinvestment, assuming demand would always stay hot, not fully preparing for a price or supply correction.
- The business model built for growth (especially in China) didn't sufficiently hedge for downturns. Fixed costs, overseas operations, and a complex cost structure made it less nimble.
- When demand softened or prices came under pressure, these structural weaknesses were exposed.
- On top of that, governance and reporting issues (e.g. accounting irregularities) undermined financial trust, this potentially raising the Company's cost of capital.

Bottom Line / Summary

Both the industry players as well as Comvita's decline is not simply bad luck. It reflects a "perfect storm" of:

- **over-supply** and **structural risk** in the mānuka honey market,
- **weaker demand** (especially in China),
- **aggressive discounting** from competitors,
- a heavy **legacy cost structure**,
- **accounting and governance missteps**, and
- insufficient **capital flexibility** when the times turned.

So while the company is trying to reset via cost-cutting, inventory reduction, debt reduction and now a capital restructuring, whether the reset will be enough depends on execution and whether market conditions calm and / or improve to the extent necessary to recover

The Company has told the NZX that it is confident of returning to profitability in FY26, but the scale of impairment already taken suggests that a deep restructuring is a must.

There is no short-term fix.

However an understanding of the strategic risk background (which follows) has enabled the development of a "**NZ tea tree industry reset**" paper which is now available to approved parties. (**DOC-4005**).

The Manuka Honey Sector – Strategic Risk Background

“Trying to build an industry on One Plant & One Product”

Over-concentration on a single biological source (*Leptospermum Scoparium*)

STATEMENT

Comvita made the same strategic misstep that affected many New Zealand operators: it relied heavily on a single product—mānuka honey—derived from a single plant, the New Zealand mānuka tea tree. In doing so, the company overlooked the broader potential of the NZ tea-tree family, particularly **kānuka (*Kunzea Ericoides*)**, an equally important species with a long history of traditional use and significantly greater therapeutic potential.

Rather than grounding the industry in over a thousand years of cultural and customary use as natural infection-control remedies, the sector chose to anchor its value proposition almost entirely in **modern scientific research** focused solely on mānuka honey. This product-centric, single-species strategy ultimately proved narrow and high-risk.

In hindsight, this over-concentration created the structural vulnerabilities now evident across the sector. Highlighted by the failures of operators such as Manuka Bioscience and HoneyLab. Continuing to depend on mānuka honey as the primary revenue engine is increasingly untenable. Its credibility has been eroded globally through market saturation, legal disputes over naming rights, and a series of adverse industry events/hits. All of which have compounded financial stress for both Comvita and the wider mānuka sector.

These “hits” only serving to compound both the sector’s and the company’s fight to survive. Lets look at these strategic failings which interalia included:

(1) INDUSTRY RISK WAS ALWAYS THERE

The entire industry tied its fortunes to one prestige narrative. For nearly two decades, the international story was:

“Mānuka honey is a miracle product with unique medicinal benefits worth a premium.”
This strategy leading to (a) **overplanting**, (b) **overstocking**, and (c) **overhyping**.

All of this creating the illusion of a scalable commodity. When in reality (1) the biological constraints were never removed and more equally importantly, (2) narratives have half-lives. After years of marketing battles, lawsuits, and trademark fights

- consumer trust **eroded**,
- who owns the word “mānuka?”. (**Not New Zealand** as many Courts have now ruled).
- media coverage shifted from *miracle* to *controversy*,
- competitors (especially Australia) undermined NZ exclusivity claims,
- and global buyers became more skeptical.
- And when a brand relies on one narrative and that narrative slips, so do margins.

(2) NO MAJOR PRODUCT DIVERSIFICATION

This is the critical strategic failure.

Comvita, and many others attempted to **build an entire vertically integrated value chain around one ingredient as the core product.**

But unlike (a) dairy (hundreds of SKUs), (b) kiwifruit (broad cultivar IP portfolio), (c) wine (regional and varietal diversity), the mānuka sector never created a diversified, resilient value ecosystem. All operators, including Comvita stayed tied to:

- **one flower,**
- **one raw material,**
- **one chemical signature (MGO/UMF), and**
- **one export story (premium NZ health product).**

Comvita's own annual reports now acknowledge the "single product dependency risk."

(3) NOWHERE TO HIDE

When market conditions turned, both Comvita and other single-product companies had nowhere to hide. When China demand softened, when oversupply hit, when margins compressed, and when discounting spread, all players had:

- no **alternative** hero products,
- no **second growth** engine,
- no **parallel market** to pivot into,
- no **ingredients** portfolio,
- no **therapeutics arm** substantial enough to matter,
- no **broader** botanical health platform.

If they had even **two** strong product pillars, the downturn would have been painful — but survivable. Instead, Comvita has been forced into (a) heavy discounting, (b) asset impairments (c) external debt pressure with the Company now requiring a capital restructuring effort to stay afloat.

(4) CREDIBILITY — and impossible to simply reverse

Over the years, the "magic" of mānuka honey has taken a reputational beating. Between:

- trademark fights,
- Adverse Court rulings abroad and Intellectual Property Office rulings in NZ.
- fraud cases in the sector,
- inconsistent quality standards globally,
- medical claims being challenged,
- Australian competition rising...

When the sector's credibility dips, *everyone* catches the contagion. Consumers don't fully distinguish between Comvita and the rest of the industry —

(5) INCORRECT TURNAROUND DIAGNOSIS

While remaining a single-ingredient, single-market, single-story company, trying to trade out / "turn things around" using the same strategy will only deepen the hole for Comvita because:

- The structural risks remain.
- The margin pressure continues.
- The investor narrative stays weak.
- The valuation stays depressed.
- The company remains vulnerable to future shocks.

This is not a **cyclical downturn** — it's a **strategic dead end**. The **one-trick-pony model** is the **root cause because** Comvita's financial stress is not an accident.

- It was baked into the business model.
- One cannot build a global natural health company on one flower from one tree in one country. Not sustainably.
- The moment market sentiment turned, supply expanded, or credibility dipped, the model was exposed.
- Trying to trade out by doubling down on mānuka just compounds the vulnerability.

(6) INDUSTRY RESET

Shifting New Zealand's mānuka honey and tea-tree agribusiness from a narrow modern research-driven product narrative to a culturally grounded, traditional-usage narrative resets the sector in a way that restores authenticity, distinctiveness, and credibility. Modern science alone, although valuable, turned mānuka into a heavily commercialised, over-claimed, over-litigated commodity, eroding trust and diluting its premium positioning.

- By contrast, anchoring the category in 1,000+ years of Māori rongoā practice, gendered ethnobotanical knowledge and intergenerational healing traditions reframes the products as part of a *living cultural heritage* rather than a contested scientific battleground.
- This creates a differentiated, defensible story that no competitor or foreign claimant can replicate.
- By re-elevating the products' perceived integrity and provenance, it will give the global market a compelling reason to re-value New Zealand tea-tree products as authentic, purpose-driven natural infection-control solutions rather than a single-note commodity.