



MEDIA AND MARKET RELEASE

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Demand surge and efficiency gains lead PharmaZen to record H1 2020 profit

Highlights:

- **Sales \$10.3m, up 24%**
- **EBITDA \$3.9m, up 54%**
- **Profit before tax \$2.9m, up 57%**
- **95% of products destined for export markets**
- **Profit increased threefold compared to H1 2018**

Christchurch biotechnology company PharmaZen (USX.PAZ) has today reported a record half year performance, amid growing international demand for its range of nutraceutical ingredients and consumer products.

Board Chairman Ken Fergus said despite significant disruptions from the Covid-19 restrictions, sales for the six months to 30 June 2020 jumped 24% to \$10.3m from \$8.3m in the same period last year.

Earnings Before Interest and Tax Depreciation and Amortisation (EBITDA) rose to \$3.9m, up 54% from \$2.5m last year and profit before tax rose a similar percentage to \$2.9m.

“This is an excellent result in a challenging period. Like many companies we experienced a temporary, but significant, sales decline in April. With 95% of our products being destined for export markets, we have also faced supply chain challenges, exchange rate volatility and difficulties accessing technical support from our international network of equipment suppliers,” Mr Fergus said.

“However, momentum has returned since the lockdown, with strong demand late in the period. And despite a challenging environment, we have managed our costs well and maintained good margins.”

Managing Director Craig McIntosh said PharmaZen is excited by the potential of its new [AiOra™](#) range of supplements, currently being sold in New Zealand through Chemist Warehouse. Made from local ingredients such as blackcurrants, kiwifruit, Greenshell™ mussels and beef, AiOra™ targets digestive, joint, bone and vascular health.

Negotiations are underway with other potential AiOra™ stockists, and the launch has inspired the development of a pet treats range to further grow the company’s finished goods and consumer brand strategy. With the same focus on New Zealand sourced and traced ingredients, the prototype range will be introduced at Pet Fair Asia in Shanghai later this month.

“The growing demand for our products has validated PharmaZen’s potential and our continued investment in manufacturing and sales capability. Sales have increased by more than 85% in the past two years, profit has more than tripled and we continue to expand at pace,” Mr McIntosh said.



“More than half of the \$15m of capital investment in the last five years has come from cashflow. We will continue to reinvest as high return opportunities present themselves and have already identified substantial projects in this space. We’re actively reviewing funding options to accelerate the process. The ability to maintain a very strong balance sheet through the growth and reinvestment stages provides multiple opportunities and while bank debt will form an important part, the option to bring in a strategic partner is one of several under consideration.”

Mr McIntosh said these opportunities had led the company to accelerate expansion plans. In June it started construction on a 1000sqm facility on its Christchurch site.

“By the end of 2020 PharmaZen’s manufacturing operation will have transformed from the original 800sqm factory to facilities encompassing more than 4000sqm of production.”

PharmaZen has also bought a 1ha site in Rolleston, with the option to buy another half hectare, to future-proof the business. Construction is planned to commence later this year on a facility to accommodate the expansion of existing product lines and introduce new lines that are still “under wraps”.

Mr McIntosh said PharmaZen is optimistic about the outlook for the full year and is forecasting EBITDA of more than \$7.4m on sales exceeding \$21m. EBITDA was \$5.4m in 2019.

“We are in the right sector at this time. Demand continues to be strong, and we are confident this will continue through an economic downturn. Historically in times like this, people have tended to focus on health and wellbeing – so our natural dietary supplements and ingredients and strong New Zealand brand should hold us in good stead.”

About PharmaZen:

PharmaZen, which trades as Waitaki Biosciences, is an innovative developer, manufacturer and marketer of science-based, natural, nutritional ingredients. Originally founded in Dunedin, PharmaZen now has the largest solvent extraction facility in the country and operates the largest batch freeze dryer in Australasia. Shares in PharmaZen are traded through the Unlisted securities trading platform.

www.waitakibio.com

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