



14 August 2023

## UNAUDITED RESULTS FOR THE SIX MONTHS TO 30 JUNE 2023

### **Continuing strong demand but staffing issues generate a disappointing result**

Christchurch biotechnology company PharmaZen (USX.PAZ) today reports a disappointing result for the six months to 30 June 2023<sup>1</sup>. As flagged at the Annual Shareholder Meeting the company faced significant staffing issues in the first quarter which resulted in an extremely poor first three months of the year, despite the continuing strong demand and additional installed capacity.

These challenges resulted in some significant changes in structure and approach to recruitment and by the end of March the number of process workers had increased by 50% to be in line with required levels.

May and June both operated at just under 90% dryer utilisation enabling the company to post a half-year \$410k underlying EBITDA<sup>2</sup> on sales of \$10.3m. This was down on the prior year underlying EBITDA of \$1.8m on sales of \$12.8m.

The additional capacity and an improvement in supply for the extraction business will see the trend shown in May and June continue and, despite the poor start to the year, the company expects the full-year result to be at least in line with 2022.

Given the poor first half, and the significant upturn which commenced in May, the company is looking to post an update with unaudited third quarter results in the fourth week of October.

PharmaZen Chair Ken Fergus said: “The first quarter was clearly not the way we wanted to start the year and created several challenges for us. The changes implemented have been successful with the speed of the correction being extremely pleasing. Changes in management, structure and a total of 18 new staff is no small achievement.”

“The labour market is easing and the changes we have made internally are all looking like long-term solutions. What is particularly pleasing is the continued growth in demand. The additional freeze dryers in place are all but fully committed through till the end of the year”.

The continued growth in demand is making the commissioning of Tawhiri critical as it is clear we will be going into next year needing further capacity.

Tawhiri is running late as a result of cash constraints from the first half performance but has been further set back by damage to the third freeze dryer delivered in the last week of July. The 35mt unit came off its transportation rack in transit and effectively rolled around in the hold causing irreparable

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<sup>1</sup> All financial results in this release are unaudited.

<sup>2</sup> Underlying EBITDA is Earnings before Interest, Tax, Depreciation, Amortisation, and non-trading costs. Non-trading costs includes any non-cash costs associated with the IFRS treatment of the CIBUS investment in the company and any non-cash costs associated with the employee share scheme.

damage. This will need replacing and we are looking at options for how we can commission the other units and install the third unit at a later date. The original plan required all three to be in place to complete the plant room and building structure.

### Outlook

The increase in capacity the company has put in place and the continuing strong demand we are seeing from our customers puts the company in a great position to achieve increased sales and profitability in the second half and into next financial year and beyond. The company is confident the utilisation issues are resolved, and the focus returns to increasing capacity. Ken Fergus commented that “Our traditional challenge has always been increasing capacity to meet demand and that remains the case. Interest for pet product since obtaining the China license has been extremely encouraging and we will be working hard to make sure we can service what will be an exceptional opportunity”.

### Further information:

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### About PharmaZen:

PharmaZen (USX.PAZ), which trades as Waitaki Biosciences, is an innovative developer, manufacturer and marketer of science-based, natural, nutritional ingredients and consumer goods. 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](http://www.waitakibio.com).

