



Ivy Wen | Blackmores Quality Associate

Blackmores profit growth continues

Highlights

- Group sales of \$162.2 million for the first quarter, up 65% on prior corresponding period
- First quarter net profit after tax of \$22.6 million, up 161% on prior corresponding period
- Blackmores enters ASX200
- Partnership with Bega to develop a nutritional range of products
- Joint venture with Kalbe to launch into Indonesia

Dear Shareholder

Blackmores Limited (ASX:BKL) has announced a strong first quarter performance with net profit after tax (NPAT) of \$22.6 million, up 161% on the prior corresponding period.

The strong sales momentum across the Group continued with sales of \$162.2 million for the first quarter, up 65% on the prior corresponding period.

All Blackmores business units have again delivered strong growth. Sales to Chinese consumers, both directly and through Australian pharmacy partners, are estimated at \$55 million for the quarter, or 34% of Group sales. Total Asia sales, at \$80 million, are almost 50% of Group sales, highlighting the growing importance of Asia. Even excluding China from our results, our Group sales would be up 18% reflecting the strong momentum across all of our businesses.

The strong cash flows generated in the quarter have supported improved debt levels. This, combined with the benefit of a renegotiated loan facility, has resulted in lower interest payments which further benefited the profit result. Prior to the September dividend payment, the Group held no net debt.

We're proud that, in the year Blackmores celebrates our 30th year since listing on the ASX, our company joined the ASX200.

Blackmores sales through Australian retailers were \$115.4 million, up 76% for the first quarter, compared to the prior corresponding period. This result was driven by sales to Chinese tourists and entrepreneurs

as well as strong growth across all channels and a successful consumer promotion in August. Blackmores New Zealand grew sales by 28% to \$3.3 million with increased customer focus as the company transitions to a new distribution model.

Blackmores sales in Asia were \$25.4 million, up 55% compared to the prior corresponding period. Korea, Singapore and Hong Kong sales were particularly buoyant with high levels of marketing activity and trade support. Direct sales through our China business were up ten-fold compared to the prior corresponding period. The weaker Australian dollar supported a 5% growth in Thailand's contribution to Group sales. The improved Thai result indicates that this business is starting to recover after two years of retail volatility. Blackmores will invest in additional consumer-facing roles to support their growth.

BioCeuticals sales were \$16.6 million, up 28% for the quarter, compared to the prior corresponding period. This sales result was particularly pleasing given a major operational initiative undertaken to relocate the warehouse facility to the Blackmores Distribution Centre at Eastern Creek in NSW. The BioCeuticals Clinical range of evidence-based therapeutic products is gaining a high level of practitioner support and contributing to the overall success of the brand.

One hundred per cent of the BioCeuticals team voted in support of adopting the Blackmores Enterprise Agreement in August, highlighting the strong cultural alignment between businesses within our Group and the commitment of staff to our strategy.

Blackmores' Animal Health division delivered a sales increase of 63% for the first quarter compared to the prior corresponding period. The Pure Animal Wellbeing brand benefited from an increased marketing investment in Australia and the launch of Mediderm® in Japan after achieving product registration and passing that market's high regulatory hurdles.

The high sales volumes across the Group resulted in new productivity records at the Blackmores Campus at Warriewood. This was supported by the addition of a third production and distribution shift, meaning the facilities are operational 24 hours a day for much of the week. The installation of additional plant equipment also drove efficiencies and increased capacity.

We remain in a capacity constrained environment and our principal concern is the availability of products for our Australian consumers. The scarcity of raw materials that meet Blackmores' unrivalled quality standards is resulting in increased costs of many key ingredients and restricting our ability to meet demand.

Blackmores Institute announced the result of a new study, published in the *New England Journal of Medicine*, showing a 23% risk reduction of new skin cancers through use of a Blackmores vitamin B3 formulation. The results were shared with an audience of 300 healthcare professionals at the Blackmores Institute Symposium in Melbourne last week.

BLACKMORES AND BEGA PARTNERSHIP

Blackmores Limited (ASX:BKL) and Bega Cheese Ltd (ASX: BGA) are establishing an equal share partnership to develop and manufacture a range of nutritional foods, including high quality infant formula, through Bega's subsidiary Tatura.

Blackmores and Bega are iconic Australian brands and share a long history of producing quality products. Together we have highly complementary experience, Blackmores in health and nutrition and Bega in dairy manufacturing. This experience is matched by a strong alignment on sustainable sourcing and ingredient traceability as well as shared corporate values.

The partnership brings together the experience of each organisation to develop and produce a range of nutritional foods based on an understanding of our consumers in Australia and Asia. Bega will be the exclusive supplier of the Blackmores and Tatura formulations which will be available early in 2016.

We're developing the range of Blackmores and Tatura products to ensure we have an offering that meets the highest quality standards, with premium ingredients. We are aware from our presence in the Asia region that there is significant demand for infant formula and we believe that, with the combination of Blackmores and Bega, we're uniquely positioned to support those women unable to breastfeed.

JOINT VENTURE WITH KALBE – KALBE BLACKMORES NUTRITION

Blackmores is pleased to announce the signing of a joint venture with Kalbe Farma, one of the largest healthcare companies in South East Asia, which will facilitate our entry into the Indonesian market. Having a presence in Indonesia is important to our Asia growth strategy and Kalbe is uniquely positioned to work with us with their established distribution capability. The launch of Blackmores in Indonesia is planned for 2016.

OUTLOOK

We will continue to focus on our strategic priorities: to support our consumers in Australia, grow our business in Asia, demonstrate product leadership and improve our operational effectiveness.

We are pleased with the progress of the Group in the first quarter and are working to address the supply constraints without compromising our quality. Notwithstanding this limitation, demand continues to grow and we are taking this opportunity to invest in our existing business and to establish new platforms and partnerships to extend our brand and expertise.

The Board is confident we will achieve strong profit growth for the full year.

Yours faithfully



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Results at a Glance

Results (\$000s) Quarter One – ended 30 September 2015	This Year	Last Year	% Change
Sales	162,228	98,499	+64.7%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	34,871	14,716	+137.0%
Earnings before interest and tax (EBIT)	33,130	13,200	+151.0%
Net interest expense	373	1,128	-66.9%
Profit before tax	32,757	12,072	+171.3%
Income tax expense	10,125	3,416	+196.4%
Profit for the period	22,632	8,656	+161.5%

