



Images | Fiona Yeo, from Blackmores' China export team in Australia | Newly appointed CEO Richard Henfrey & departing CEO Christine Holgate

Blackmores announces full year profit of \$58 million in a rebalancing year

- Full year sales of \$693 million, down 3% on prior year
- Net profit after tax for the full year of \$58 million, down 42% on prior year
- Closed the year with a strong balance sheet
- Final dividend of 140 cents per share, bringing total ordinary dividends for the year to 270 cents per share (fully franked), 34% down on prior year

DEAR SHAREHOLDER

Blackmores Limited (BKL:ASX) has announced annual sales of \$693 million, down 3% compared to the prior year and a net profit after tax (NPAT) of \$58 million, down 42% compared to the prior year.

Following two exceptional years of growth, this was a rebalancing year for the Blackmores Group.

After a turbulent start to the year, we are pleased with our recent performance. We finished the year in a stronger position than we entered it. We have changed our expense structure to reflect a different trading environment and maintained investment in core future growth platforms; we have made appropriate provisions to protect us in future years and, with tight management of our inventory and cash, we exited the year with a strong balance sheet.

TRANSFORMING OUR BUSINESS TO ADDRESS NEW CHALLENGES

Speculation in April 2016 about potential regulatory changes in China impacted the buying patterns of Chinese entrepreneurs and tourists who were previously purchasing through Australian retailers.

The decline in sales to Chinese consumers through Australian retail was significant and came without warning. This was evident in the high levels of stock in the market in the first quarter of the 2017 financial year as seen in Blackmores' first quarter results.

To protect against future potential uncertainty, inventory provisions have been increased from \$2 million to \$14 million. This includes approximately \$10 million in provisions above normal levels, impacting earnings by the same amount.

The demand for Blackmores products in China remained strong throughout the year although the route to serve it has changed significantly. Blackmores responded quickly to the changes in the market by both building a new China export team and strengthening our in-country China business and tightly managing our inventory. We closed the year with direct China sales up 71% at \$132 million. Including estimated sales through Australian retailers, China accounts for approximately \$250 million of Group sales.

Although sales recovered as the year progressed, the changed Australian retail environment saw a return to market competition and normalised levels of trading terms, which diminished profits further on a year-to-year comparison.

Management responded to the pressure on profits across the Blackmores Australia business by realigning costs, managing expenses and reinvesting savings into growth initiatives. This included support for Blackmores' new businesses in Indonesia and Vietnam; further investment in BioCeuticals and Global Therapeutics; developing a world-first online education platform and the fit out of a state-of-the-art distribution centre in Western Sydney that will support future sales volumes for the Group.

AUSTRALIA & NEW ZEALAND

Blackmores Australia and New Zealand sales of \$372 million, including Pure Animal Wellbeing (2016: \$482 million) were down 23% primarily due to Chinese tourists and exporters changing their buying patterns and following a return to market competitive pressures. Excluding the impact of Chinese influenced sales, Blackmores branded domestic sales were flat with clear market leadership maintained.

ASIA

Asia direct sales were \$216 million, up 36%, highlighting the strategic importance of Asia as a growth platform for the Group. The importance of the China market is evident with Blackmores China direct sales, up 71% on prior year to \$132 million, including sales through Blackmores' new export division.

In September 2016, Blackmores launched a range of products in Indonesia and progressed the establishment of a business in Vietnam, where a range of Blackmores products will launch in coming months.

BIOCEUTICALS GROUP

BioCeuticals and Global Therapeutics delivered sales of \$102 million. BioCeuticals achieved sales of almost \$80 million which was a 15% increase compared to the prior year. BioCeuticals exceeded the ten year sales and earnings goal, set when the business was acquired in 2012, within five years. On a like-for-like comparison, sales of Global Therapeutics products were up 11% and the business is now successfully integrated into the Blackmores Group.

STRONG FOUNDATIONS

Business fundamentals are strong and the balance sheet demonstrates the focus on inventory, debt management and working capital, all contributing to strong cash generation. The financial health of the business gives Blackmores a solid entry into the new financial year.

Our underlying performance has improved as the year progressed. We have invested in a world-class distribution centre in Western Sydney and in new technology platforms that will support the growth we anticipate, including additional volumes from our emerging businesses in Asia.

In line with updates to shareholders over the year, reported profits for the full year did not meet those of last year's exceptional results though represent 25% growth on the very strong 2015 year.

DIVIDEND

The Board has declared a final dividend of 140 cents per share (fully franked), taking total dividends for the year to 270 cents, down 34% compared to last year. This reflects the Group's sound financial position and the Board's confidence in the future. The record date is 12 September 2017 and the dividend is payable on 26 September 2017.

I'd like to congratulate Richard Henfrey on his appointment as your new CEO. I'm extremely pleased that the Board recognised someone from our leadership team; it will bring stability to the business to have someone who deeply understands our culture, the complexity of the retail environment and the strategic opportunities for our Group, and I respect Richard's leadership and integrity. Although we will face new challenges, I know the company is in strong hands for the future.

OUTLOOK

Market conditions will continue to change and evolve in Australia and in Asia. Regulation, pricing and channel strategy changes provide challenges. Notwithstanding these challenges, Asia, and China in particular, is a significant opportunity, consumer demand remains strong and we expect recent initiatives, such as our improved distribution capability and online education platform, to strengthen our core.

Blackmores' management and the Board expect year-on-year profit growth this financial year.

Yours faithfully



CHRISTINE HOLGATE
CHIEF EXECUTIVE OFFICER
M: 0409 102 122

Christine Holgate announced her intention to resign as CEO in June 2017 following her appointment as CEO of Australia Post from October 2017. Richard Henfrey was announced as Blackmores CEO on 17 August 2017.

INVESTOR CONTACT

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BLACKMORES

Results at a Glance

Results (\$000s) (Quarter 4)	This Year	Last Year	% Change	
Sales	196,863	185,606	+6.1%	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	25,082	37,393	-32.9%	
Earnings before interest and tax (EBIT)	22,897	35,556	-35.6%	
Net interest expense	1,091	639	+70.7%	
Profit before tax	21,806	34,917	-37.5%	
Income tax expense	6,461	10,474	-38.3%	
Profit for the period	15,345	24,443	-37.2%	
Profit attributable to:				
	Owners of Blackmores Limited	15,781	24,450	-35.5%
	Non-controlling interests	-436	-7	6128.6%

Results (\$000s) (Full Year Results)	This Year	Last Year	% Change	
Sales	692,790	717,211	-3.4%	
Earnings before interest, tax, depreciation and amortisation (EBITDA)	94,642	152,266	-37.8%	
Earnings before interest and tax (EBIT)	86,231	145,221	-40.6%	
Net interest expense	4,180	1,810	+130.9%	
Profit before tax	82,051	143,411	-42.8%	
Income tax expense	24,023	43,391	-44.6%	
Profit for the period	58,028	100,020	-42.0%	
Profit attributable to:				
	Owners of Blackmores Limited	59,013	100,008	-41.0%
	Non-controlling interests	-985	12	-8308.3%

Other Key Items		30/06/2017	30/06/2016
EBIT/Sales	%	12.4	20.2
Interest cover (net)	times	20.6	80.2
Total assets	\$m	412.2	443.4
Shareholders' equity	\$m	177.5	178.3
Net debt	\$m	44.7	17.8
Net debt / (Net debt + Equity)	%	20.1	9.1
Net tangible assets per share	\$	6.81	6.76
Cash generated from operations	\$m	95.3	123.0
Cash conversion ratio	%	100.7	80.8
Shares on issue	m	17.23	17.23