



BLACKMORES HALF YEAR FINANCIAL RESULTS

February 2018

BLACKMORES



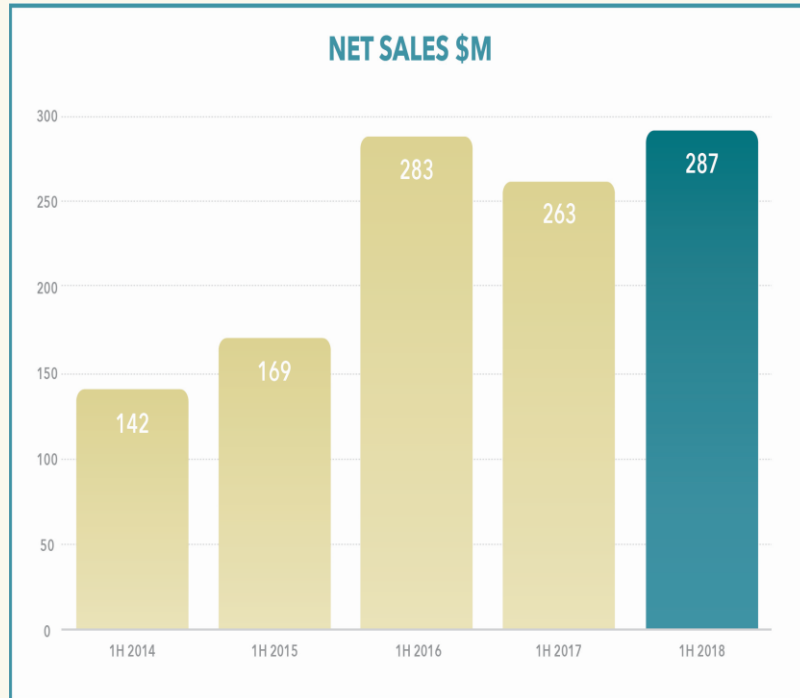
FOR THE HALF-YEAR ENDED
31 DECEMBER 2017

CONTINUED GROWTH THROUGH FIRST HALF



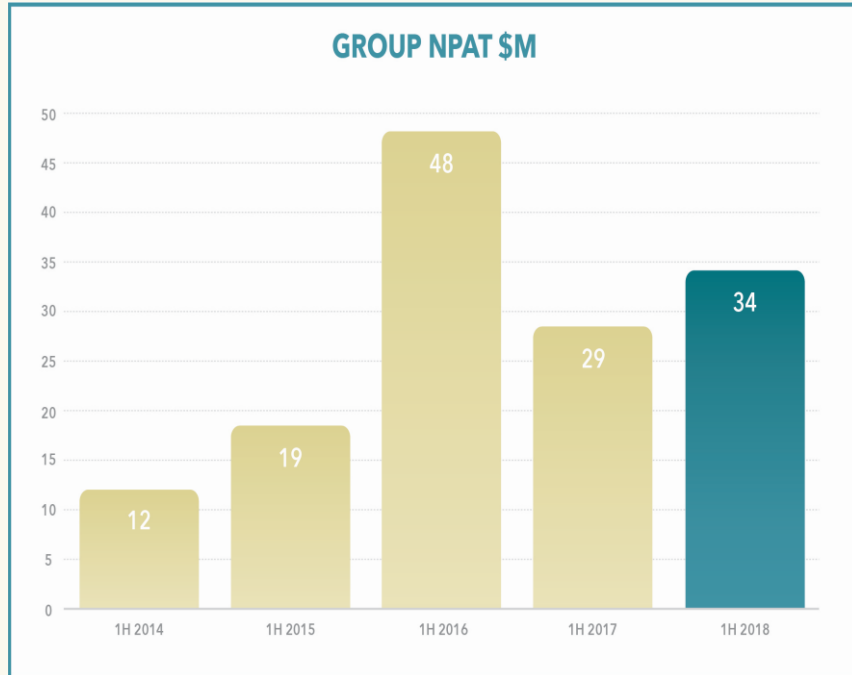
- Pleasing growth from across the Group
 - Group net sales of \$287 million, up 9%
 - Group NPAT of \$34 million, up 20%
- Strong performances from all Asian businesses
- Australian result continued to be impacted as China-influenced sales move to direct channels
- BioCeuticals Group growing at 11% despite supply challenges
- Staff engagement strong at 82%
- Interim dividend of 150 cents, up 15% compared to prior corresponding period

STRONG SALES FOR THE GROUP



- Strong revenue for the half of \$287 million
- Sales result driven by strong performances from China, BioCeuticals and across Blackmores' other established markets in Asia
- Improved pricing stability and promotional rebates following the implementation of a program of reductions through the period
- Diversity of revenues key to Blackmores' performance and growth strategy

NET PROFIT AFTER TAX



- EBITDA was \$54 million, a 17% increase compared to the previous corresponding period
- EBIT of \$49 million, up 18% compared to previous corresponding period
- Net interest expense declined by 6% due to stronger cash flow
- Indonesia continues to meet expectations. Blackmores' share of loss \$(0.9) million
- Group net profit after tax* of \$34 million, up 20% compared to previous corresponding period

*attributable to Blackmores shareholders

BLACKMORES AUSTRALIA & NEW ZEALAND



Dave Fenlon, Managing Director, Blackmores Australia & New Zealand

- Revenue of \$121 million, down 2% compared to previous corresponding period
- Sales declined as China-influenced sales increasingly serviced through direct China channels
- Independent scan data affirms domestic sales are steady despite subdued overall consumer retail market
- Blackmores affirmed as clear market leader for the period in both domestic sales and total market sales in Australia
- A more normalised level of stock held by retailers compared to the previous corresponding period
- Successful new product development including a new probiotic range and sugar-free children's products

DOUBLE DIGIT GROWTH ACROSS ASIA

- Blackmores China sales grew by 27% to \$74 million with record sales from online promotional events including Singles Day and 12/12
- China profit grew behind sales following increased investment in this market in the period and provisions for doubtful debts
- Blackmores' other markets in Asia grew by 18% to \$39 million
- New business model in Korea delivered a return to sales growth after challenges in recent years
- Furthered our investment in Indonesia following encouraging first year with business meeting expectations
- Blackmores Institute expanded their research and education program across Asia including successful Thailand Symposium and partnership with Tsinghua University in Beijing
- Launched small range of registered products in Vietnam



Fiona Yeo, Assistant Marketing Manager, Export Sales

BIOCEUTICALS AND GLOBAL THERAPEUTICS



John Russell, Team Leader

- BioCeuticals Group revenue of \$53 million, up 11% compared to previous corresponding period
- Both BioCeuticals and Global Therapeutics brands impacted by supply challenges
- BioCeuticals sales of practitioner-only products up 16% compared to the previous corresponding period
- Growing engagement with *FX Medicine* education podcasts and website
- EBIT of \$8 million, up 3% compared to previous corresponding period due to increased marketing investment

OPERATIONAL FITNESS

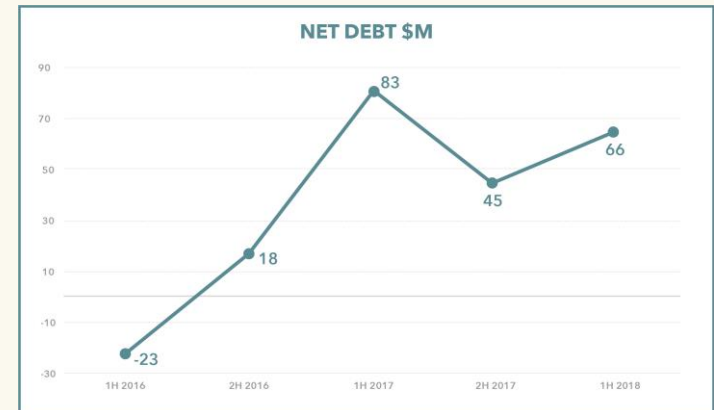
- Bungarribee warehouse in Western Sydney now fully operational. Facility has ample additional capacity to underpin future growth
- Distribution transitioned from Blackmores Campus Warriewood to Bungarribee
- Inventory tightly managed to \$89 million, a reduction of \$16 million compared to the same time last year
- Commencement of margin benefits from last year's supply tender, with further savings expected to flow through over the next 18 months



Siony Castillo and Suma Kennaway, Production Operators

BALANCE SHEET AND DEBT

- Inventory levels at \$89 million, down from \$105 million in December 2016
- Gross debt of \$100 million, up \$21 million compared to June 2017. Increase due to purchase of shares related to Blackmores' first three-year executive long-term incentive (LTI) awards which had vested at the maximum potential, along with the funding of the dividend payments in the period
- Net debt of \$66 million, an increase of \$21 million since June 2017
- Gearing ratio remains low at 27%, with net interest cover at 24.8 times
- Conservative level of headroom against all bank covenants with appropriate facilities in place to fund continued growth



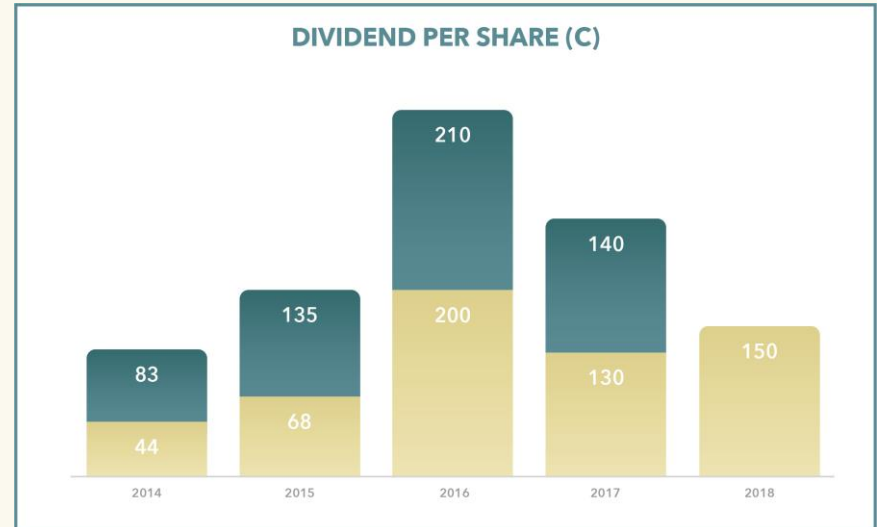
CASH FLOW & CASH CONVERSION

- Cash generated from operations of \$28 million, an increase of 65% compared to December 2016
- Net operating cash flow of \$9 million reflects \$31 million improvement compared to December 2016 due to lower taxation payments
- Cash conversion ratio (CCR) of 52%, up from 37% in December 2016
- Improved CCR driven by strong sales performance and normalised working capital cycle offset by cash paid for the purchase of executive LTI shares



INTERIM DIVIDEND

- EPS of 198.4 cents
- Interim dividend of 150 cents per share fully franked
- Dividend payout ratio of 76%
- Shareholders need to be registered on 8 March 2018
- Payable on 22 March 2018
- DRP remains suspended



SECOND QUARTER



Jodie Bauchop, Health & Wellness Coordinator

- Net sales of \$154 million, up 9% compared to previous corresponding period
- EBIT of \$27 million, up 12% compared to previous corresponding period
- NPAT of \$19 million, up 14% compared to previous corresponding period
- Supply challenges have impacted the Group, particularly BioCeuticals, Global Therapeutics and Asia
- Further progress made on implementation of a global pricing strategy

OUTLOOK

The first half performance gives Blackmores a strong foundation for the full year. We have delivered an improved sales and profit result whilst investing in growth initiatives.

The Board is encouraged by the progress of our businesses in China and Indonesia.

Supply issues affecting the Group and the soft Australian retail market will impact us in the second half, though we remain confident we will continue to deliver good profit growth for the full year.



Adam Martin at the Bungarribee Warehouse



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