

Welcome

57th ANNUAL
GENERAL MEETING

Blackmores Ltd

BLACKMORES[®]
| GROUP

31st October 2019

BLACKMORES[®]

 BioCeuticals

paw  Pure Animal Wellbeing
by BLACKMORES

impromy[™] Developed in
collaboration
with the CSIRO

ISOWHEY[®]

 BLACKMORES
INSTITUTE

FUSION  health
ancient wisdom modern medicine[™]

 Oriental Botanicals[®]
ancient wisdom modern medicine[™]

BOARD OF DIRECTORS



**Brent
Wallace**
CHAIRMAN



**John
Armstrong**
NON-EXECUTIVE
DIRECTOR



**David
Ansell**
NON-EXECUTIVE
DIRECTOR



**Marcus C
Blackmore**
EXECUTIVE
DIRECTOR



**Christine
Holman**
NON-EXECUTIVE
DIRECTOR



**Alastair
Symington**
CEO & MANAGING
DIRECTOR

CEO'S ADDRESS

Alastair Symington
Chief Executive Officer



BLACKMORES EXECUTIVE TEAM



**Alastair
Symington**
CHIEF EXECUTIVE
OFFICER



**Aaron
Canning**
CHIEF FINANCIAL
OFFICER



**Brett
Winn**
CHIEF INFORMATION
OFFICER



**Cecile
Cooper**
COMPANY SECRETARY
AND DIRECTOR,
CORPORATE AFFAIRS



**Eric
Jeanmaire**
MANAGING DIRECTOR,
AUSTRALIA & NZ (INTERIM)



**Jane
Franks**
CHIEF PEOPLE
OFFICER



**Jeremy
Cowan**
CHIEF OPERATIONS
OFFICER



**Lesley
Braun**
DIRECTOR,
BLACKMORES
INSTITUTE



**Peter
Osborne**
MANAGING
DIRECTOR, ASIA

Wellness is a
\$4.2 trillion
industry

growing at
2X Global GDP



BLACKMORES BRAESIDE

Completed acquisition of
Catalent Australia's Braeside Facility

~\$33m

purchase price
+ w.c. adjust



~300
employees



~50%

of products across
the BKL Group will be
produced at Braeside



BLACKMORES
| GROUP



We are facing an
Unprecedented amount
of **Change**

MARKET FORCES CHANGING RAPIDLY



**Challenging
regulatory
environment**



**Consumer
landscape is
changing**



**Channel shifts
impacting
shopper
behaviour**



**Retailers
struggling to
differentiate**

AUSTRALIAN VDS MARKET HAS BEEN FLAT

68%

Household
penetration
of VDS

0.3%

VDS
market growth
past 4 years

Category margins

under
pressure

Innovation contribution of

17%

is insufficient

WE HAVE LOST MOMENTUM

	2014	2016	2019	OBSERVATIONS
Net Sales	\$287M	\$597M	\$610M	
ANZ	\$186M	\$206M	\$228M	1 Stagnation in Australia
China	\$2M	\$259M	\$162M	2 Channel shift in China
NPAT	\$25M	\$100M	\$53M	3 Increasing cost of operations impacting profit
Gross Margin	61%	64%	60%	

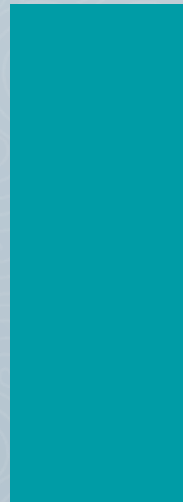
MARGINS NEED TO IMPROVE

63%



Key Competitors

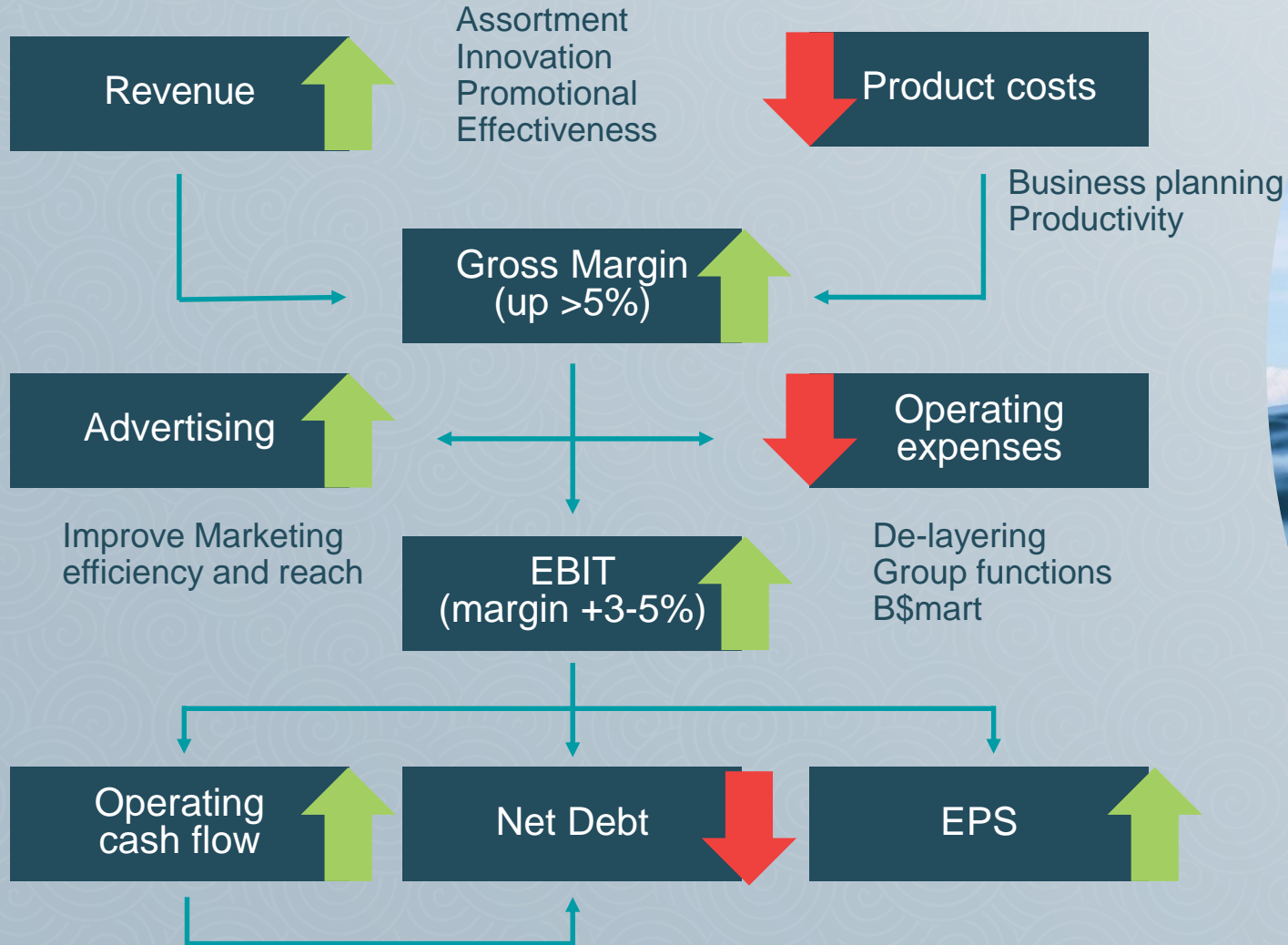
58%



Blackmores Group



OUR FOCUS IS ON SUSTAINABLE GROWTH



THE WAY FORWARD

1.
Lead with
Purpose

2.
Rejuvenate
Australia

3.
Sustainable
Growth Model
- Asia Markets

4.
Product + Services
Powered by
Education

5.
Operational
Excellence

1. Lead with Purpose

What

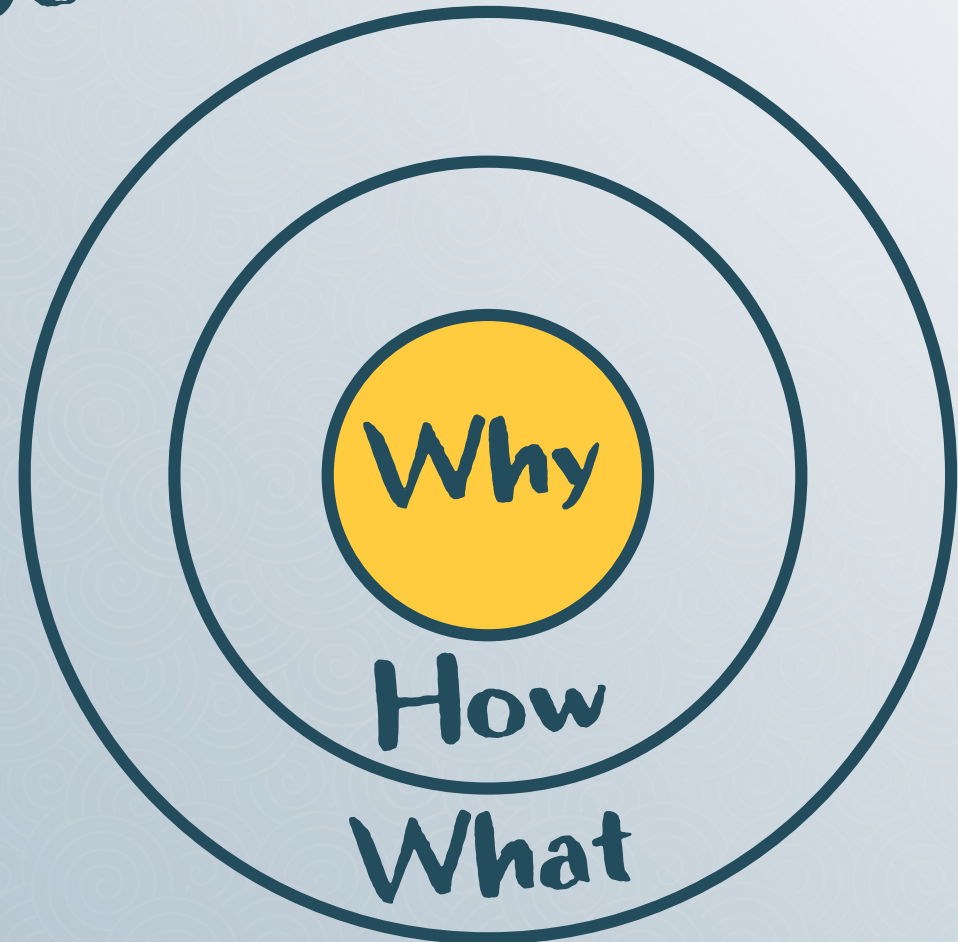
Every organisation knows **WHAT** they do.

How

Some organisation know **HOW** they do it. The things that make them special or set them apart from competition

Why

Very few organisations know **WHY** they do what they do. **WHY** is a purpose, cause or belief, the very reason the organisation exists



Maurice Blackmore understood that you can't have healthy people without a healthy planet.



He long advocated the imperative to:

Improve lives through better health and wellbeing

Nurture the earth and use nature's resources with **respect**

Treat employees like **family** and owners of the business

Give back to the **community**

Partner with others to make a **difference**

1 in 5

Households
purchase
Blackmores

As the market leader
we have a role to
play to **ignite**
the
category



2. Rejuvenate Australia

We are clear on **category consumer needs**

Stronger and differentiated **Customer Value Proposition**

We will design a more **consumer led** product and brand portfolio

We have already identified areas where we can **capture value and reinvest back** into brand building and capabilities



SIGNIFICANT POTENTIAL IN PET HEALTH



AU\$3.85bn
Pet Care Sales in 2018



13.6%
CAGR between
2013-2018



AU\$460m
Growth last 5 years



SIGNIFICANT POTENTIAL IN PET HEALTH



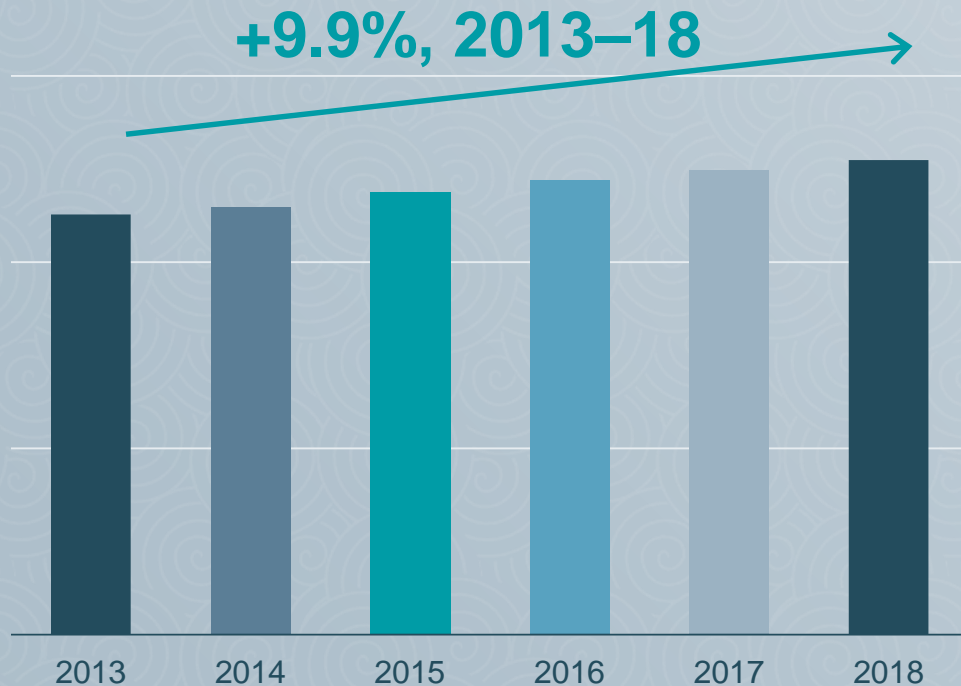
13.6% CAGR
between 2013-2018



AU\$460m
Growth last 5 years

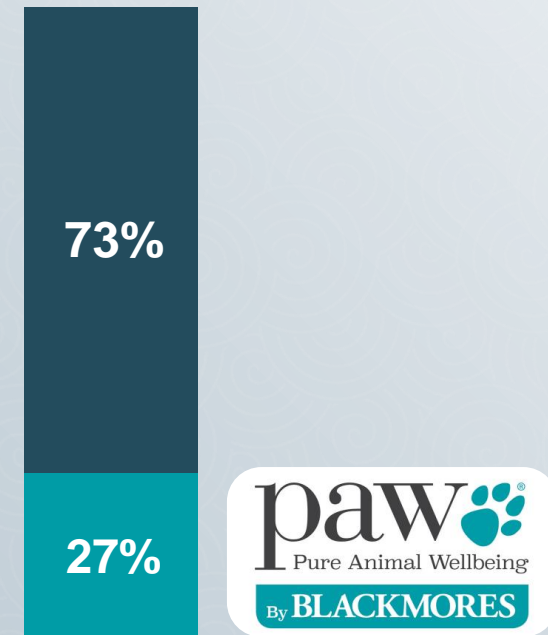
PAW HAS A 27% SHARE OF SUPPLEMENTS

Dietary supplement market continues to show steady growth ahead of global trend



Source: Euromonitor International from official statistics, trade associations, trade press, company research, store checks, trade interviews, trade sources

PAW has an estimated 27% share of the Pet Supplements Market



Source: Euromonitor PetCare Australia May 2018

EXECUTIVE TEAM APPOINTMENT – ANZ



**Ayumi
Uyeda**

MANAGING DIRECTOR, BLACKMORES
AUSTRALIA & NEW ZEALAND

3. Deliver a Sustainable Growth Model - Asia Markets

Accelerate Indonesia

Meeting local needs
Leverage JV partner

Emerging Market

India, Middle East

Expand Coverage in Thailand

Distribution expansion
Explore Adjacencies



BRAND PRESENCE ACROSS OUR REGIONS

China

Blackmores
PAW

Malaysia

Blackmores

Thailand

Blackmores

Indonesia

Blackmores

Australia

Blackmores
BioCeuticals
PAW

There is a significant opportunity to expand our brands into existing markets

DELIVER A SUSTAINABLE GROWTH MODEL – CHINA



Consumers

Obsessed with new

Influencers are trusted more than brand

Growing focus on health and wellbeing

Forward looking but always rooted in local custom & tradition

Cut through is critical along the consumer journey



Retail Channels

Leverage the Health ecosystem

E-commerce will continue to be the #1 channel

BUT Shoppers are open to a physical brand experience that is exciting

There are many channels to China, we need to be choiceful on the ones that are healthy for our brands



Government

Healthy China 2030 policy

Most of our products in their current format need “blue cap” registration

Requires local know how

Education and Advocacy are KEY

EXECUTIVE TEAM APPOINTMENTS – ASIA



**Kitty
Liu**

MANAGING DIRECTOR, CHINA



**Dean
Garvey**

MANAGING DIRECTOR, BLACKMORES
INTERNATIONAL

4. Product + Services Powered by Education

**Product Portfolio to deliver
Holistic Health solutions**

Consumer Based

As Global as Possible
e.g. Paediatric Health

Local where needed
e.g. Halal, product claims

Channel Focused

Retail (offline)

Online (B2C)

Professional (B2B)

**Become the leading Education and
Content Provider in Health & Wellness**



5. Drive operational excellence



**Unlock
organisational
capacity**



**Invest in
breakthrough
capabilities**



**Leadership
Standards**



YEAR IN REVIEW

Aaron Canning
Chief Financial Officer



YEAR IN REVIEW

Strong growth across Other Asia, offset by disruption in channels to China

Full year Group revenue

\$610M

up 1% on prior year

Other Asia revenue up **30%**
and **EBIT up 218%**

Reported full year NPAT

\$53M

down 24% on prior year

Underlying full year net profit after tax (NPAT)

\$55M

down 21% on prior year

On track with

\$60M

business improvement plan to streamline the organisation

220 cents per share

fully franked dividend

Payout ratio of **71%**

Blackmores

No.1

Vitamin brand in Australia for 11 years running. Also in Thailand, Singapore & Malaysia

AUSTRALIA & NEW ZEALAND

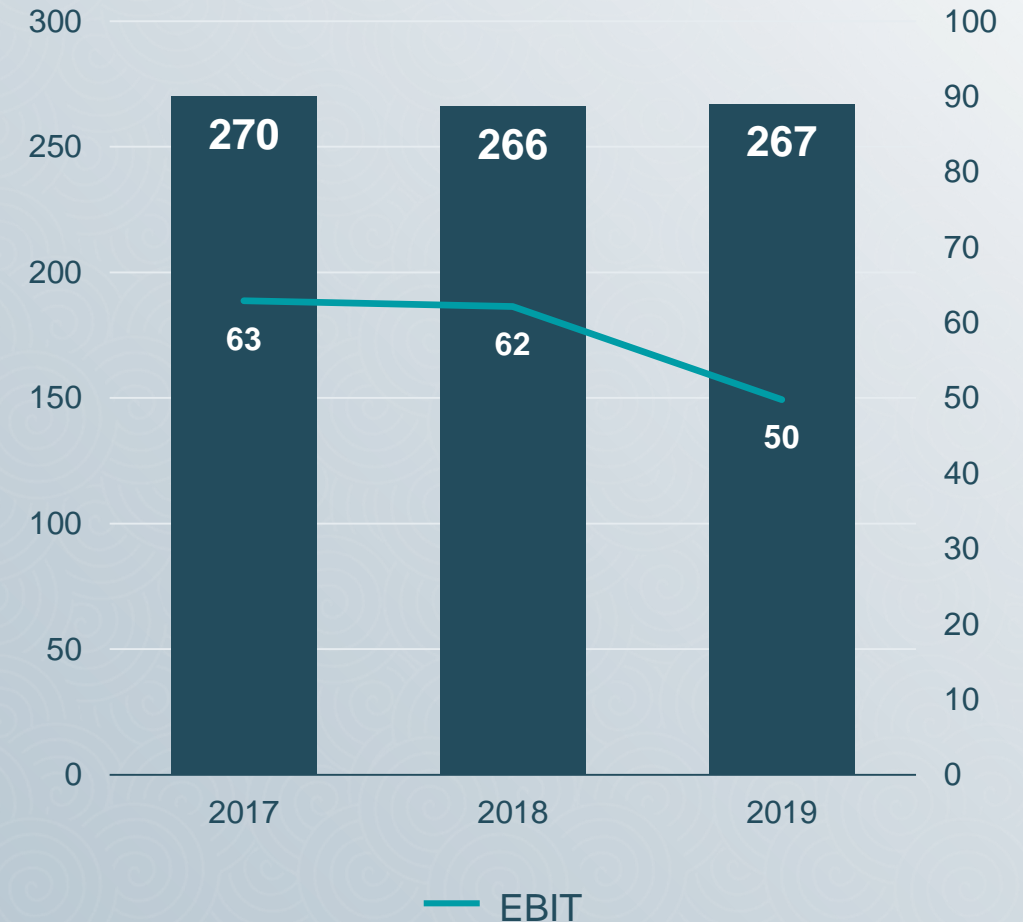
Revenue in Australia and New Zealand **\$267m**, slightly ahead of the prior year.

Full year revenue impacted by **disruption in channels** to China in H2.

Inventory levels in trade broadly in line with prior year.

Blackmores is the #1 brand in Australia (with domestic market share **15.9%***) and was recognized as the Most Trusted Brand for the 11th year running.

Completed acquisition of Impromy (weight management program developed in collaboration with the CSIRO).



* Nielsen & IQVIA RMS / Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Total Retail Sales, Fiscal Year 2019

CHINA

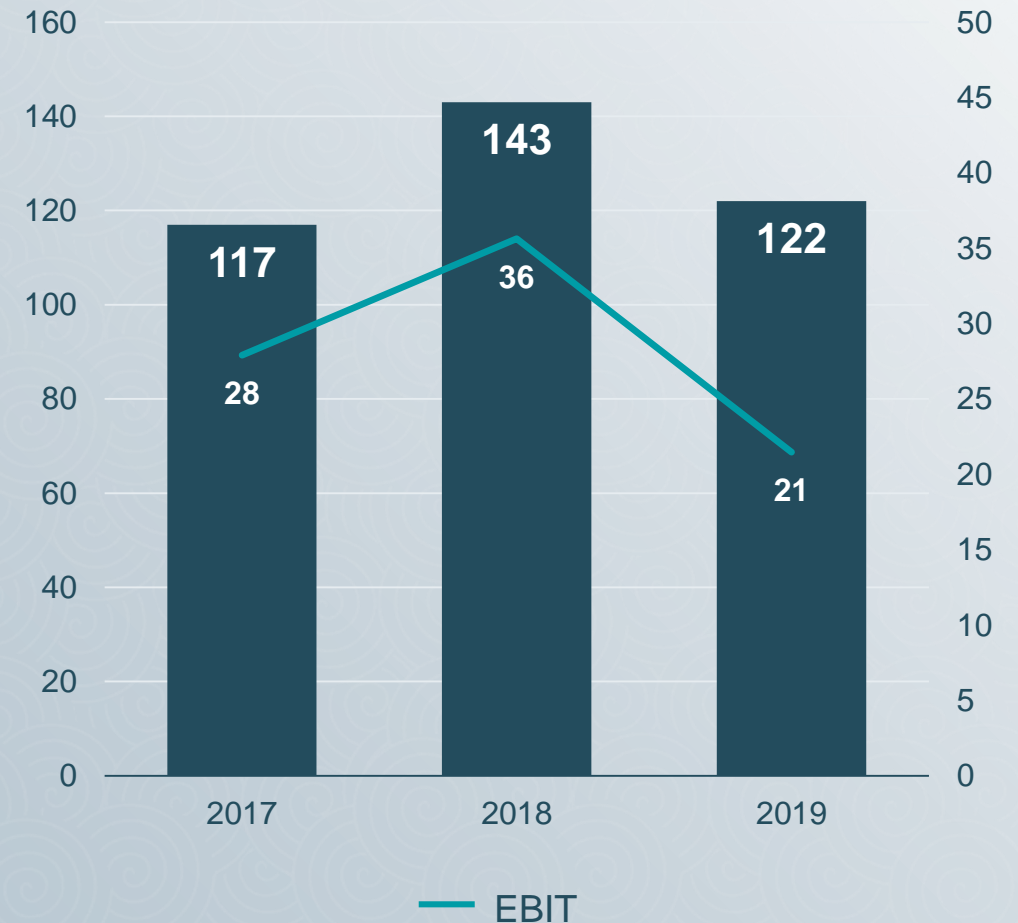
Revenue in the China segment (key export accounts and in-country revenue) **\$122m, down 15% on prior year.**

China in-country business continues to grow strongly with **revenue up 22%.**

China performance impacted by **changes to e-commerce laws** taking effect from 1 Jan 2019.

Deliberate management action taken to reduce China e-commerce platform inventory in Q4.

EBIT down 40% impacted by sales performance, increased investments in brand and expansion in in-country capabilities.



OTHER ASIA

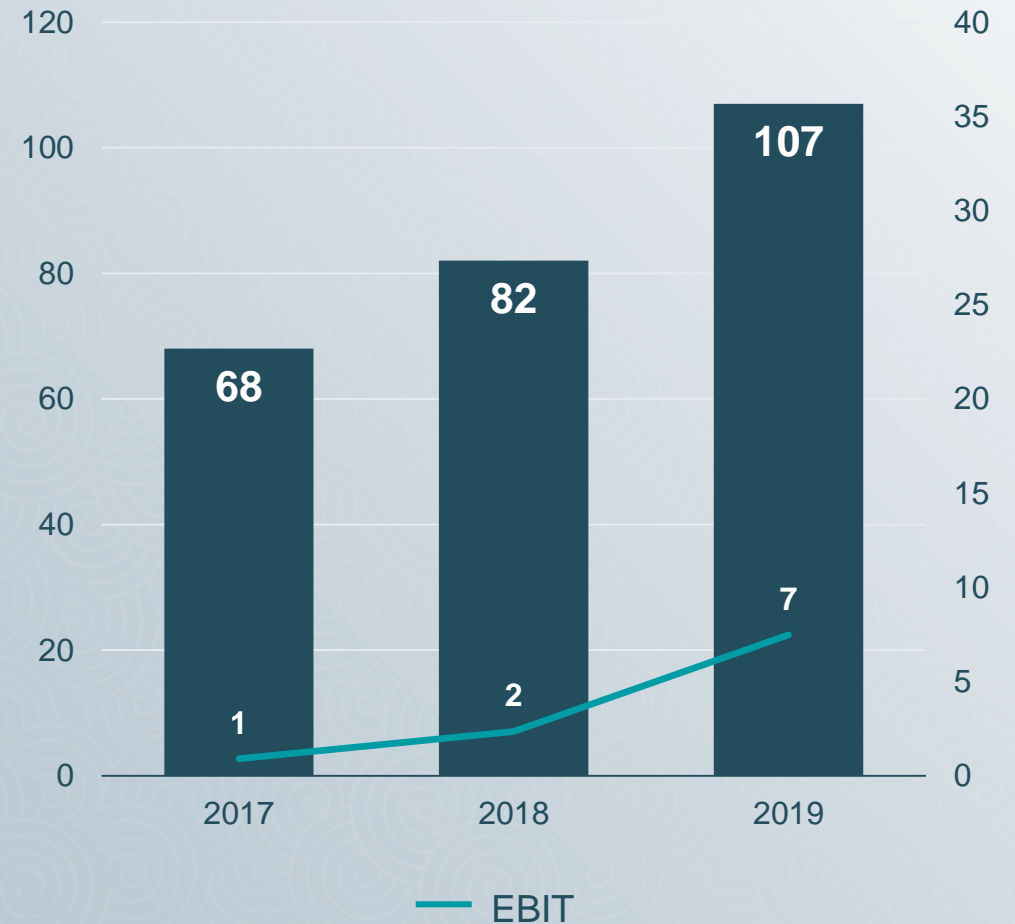
Revenue from across Asia markets (excluding China) of **\$107m, up 30%**.

EBIT increase of 218% reflecting continued operating leverage.

Strong revenue growth in developing markets;
Vietnam up 157%
Korea up 28%

Indonesia revenue up 90% and business turned profitable ahead of expectations during H2.

Solid growth across other established markets.



BIOCEUTICALS GROUP

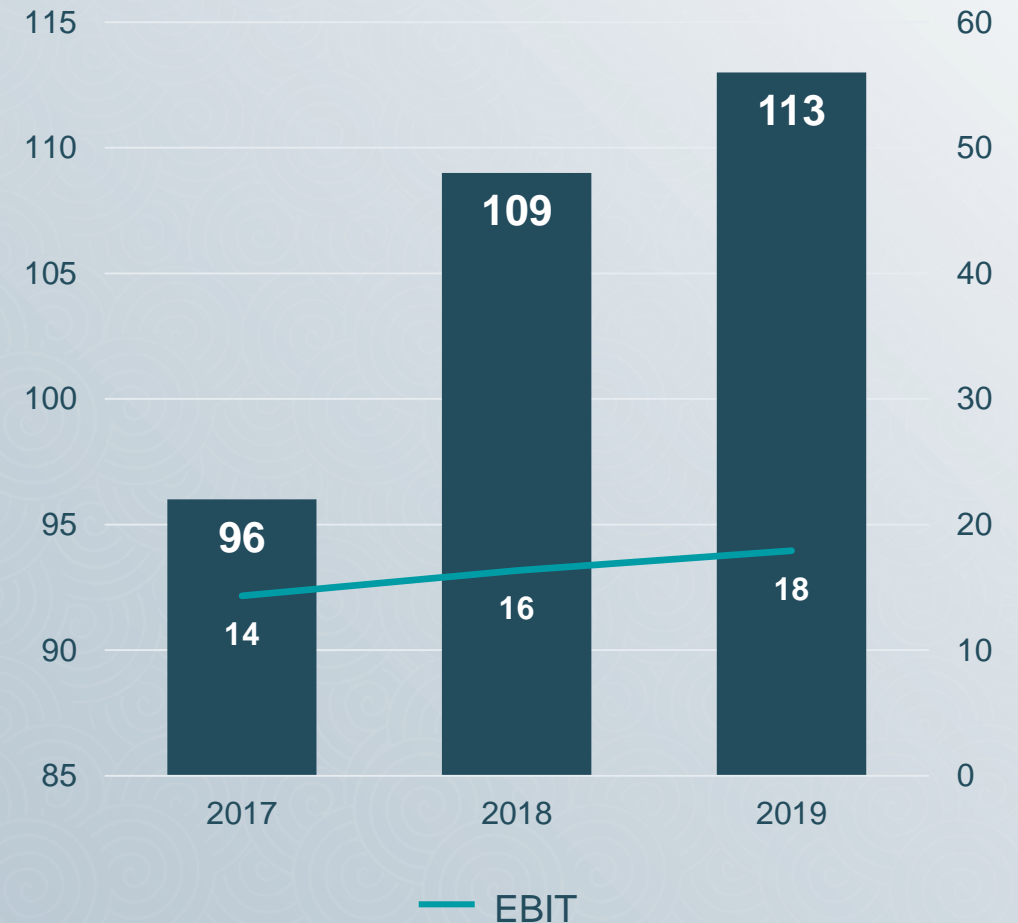
The BioCeuticals Group including BioCeuticals, Fusion Health, Oriental Botanicals and IsoWhey brands delivered revenue of **\$113m, up 4% compared to the prior year.**

The BioCeuticals business grew **revenue up 6%**. Global Therapeutics' revenue declined by 3%.

BioCeuticals clear market leader in practitioner-only products with a strong pipeline of innovative new products.

New product launches included extensions to Armaforce & Ultra Muscleze and a **focus on DNA clinical services.**

Medicinal cannabis trial underway, options under review for FY20 product launch.



FY19 GROUP FINANCIAL PERFORMANCE

Full year revenue of **\$610 million, up 1% on prior year**, impacted by China e-commerce regulatory changes and shifting consumer buying patterns.

Deliberate management action taken to reduce CBEC and export channel inventory in Q4.

Higher selling and marketing expense, **up 16% on the pcp**, driven by China.

Underlying operating expenses **grew 5% for the full year**. Management action taken to reduce expenses drove 1% in the second-half.

Underlying NPAT of \$55m, down 21% on the pcp. Reported NPAT was \$53m and included \$1.6m post-tax restructuring costs.

A\$m	FY19 ²	FY18	Chg %
Revenue	609.5	601.1	1%
Raw materials and consumables used	244.0	232.4	5%
Gross Margin	365.5	368.8	0%
Selling and marketing expenses	68.6	59.2	16%
Operating expenses	219.0	208.5	5%
EBIT¹	82.7	101.6	(19%)
<i>% of revenue</i>	13.6%	16.9%	
Net interest expense	5.0	3.9	25%
Income tax expense	22.8	28.5	(20%)
<i>% effective tax rate</i>	29.3%	29.1%	
NPAT	55.0	70.0	(21%)

1. EBIT includes 'other income' not shown above.
2. FY19 is underlying and excludes the following pre-tax (post-tax) amounts \$2.2m (\$1.6m) of restructuring costs.

BALANCE SHEET

Strong financial health and balance sheet maintained.

Receivables lower, impacted by Q4 revenue*.

Inventory at **\$125m, \$21m higher than the prior year** due to building safety stock levels, risk mitigation to ensure continuity of supply ahead of Catalent transition.

Trade and other payables at **\$132m were \$26m lower** due to the timing of inventory purchasing cycles.

Goodwill and intangibles increases related to Improvy acquisition.

Other net liabilities movement largely reflects changes in gross debt levels.

Return on shareholders equity and return on assets **impacted by trading performance.**

* No further significant impairments during FY19

A\$m	Jun-19	Jun-18	Chg %
Receivables	143.9	150.8	(5%)
Inventories	125.1	104.0	20%
<i>Less:</i>			
Trade & Other Payables	(131.8)	(157.9)	(17%)
Working Capital	137.2	96.9	42%
Property, plant and equipment	80.8	76.3	6%
Goodwill and intangible assets	80.5	66.2	22%
Other net liabilities	(90.8)	(46.2)	96%
Net Assets	207.7	193.3	7%
<i>Less:</i>			
Non-controlling interests	(0.4)	(0.4)	6%
Shareholders' Equity	207.3	192.9	7%
<i>Return on</i>			
<i>shareholders' equity</i> ¹	25.8%	36.3%	(10.5) pts
<i>Return on assets</i> ²	16.9%	23.2%	(6.3) pts

1. Calculated as NPAT divided by closing shareholder's equity

2. Calculated as EBIT divided by average total assets

CASH FLOW

Cash generated from operations **\$52m down 43% on prior year**, largely attributable to higher working capital in second-half due to inventory build.

EBITDA down 17% reflecting a marginally improved performance versus NPAT due to higher interest costs.

Cash conversion ratio of 57% was below historical levels due to decision to manage inventory risk ahead of Catalent transition.

Result does not reflect a fundamental change in the cash generating profile of the Group.

A\$m	Jun-19	Jun-18	Chg %
Receivables from customers	692.9	666.5	4%
Payments to suppliers and employees	(641.1)	(576.4)	11%
Cash generated from operations	51.8	90.1	(43%)
Interest and other costs of finance paid	(6.7)	(5.6)	19%
Income taxes paid	(25.3)	(26.5)	(5%)
Net cash flows from operating activities	19.8	58.0	(66%)
EBTDA	91.4	110.6	(17%)
Cash conversion ratio (CCR) %	56.7%	81.5%	(24.8) pts

NET DEBT

Net debt **increase of \$45 million**, due to higher working capital requirements and the Impromy acquisition.

Conservative level of headroom maintained.

Debt facilities refinanced during the year - **increased to \$305 million**, added new banking partners, secured improved margins and terms.

DIVIDEND

Final dividend of 70 cents per share, fully franked.

Full year dividend payout ratio of 71%.

Dividend Re-investment Plan (DRP) maintained with **2.5% discount.**

A\$m	Jun-19	Jun-18	Chg %
Debt	119.0	86.0	38%
Cash and cash equivalents	(24.5)	(36.5)	33%
Net debt	94.5	49.5	91%
Net interest cover (times)	16.1	25.9	
Gearing ratio	31%	20%	11 pts

A\$m	Jun-19	Jun-18	Chg %
Interim dividend	150	150	0%
Final dividend	70	155	(55%)
Total	220	305	(28%)
<i>Payout ratio %</i>	71.2%	75.0%	

FY20 OUTLOOK

We have a clear plan to **grow the business**, but challenges in the short-term remain.

First-half disruptions due to channel shift and China regulatory changes. Increased ingredient costs, Catalent transition.

First-half not expected to be ahead of prior year.

Business improvement plan on track

Profit for the first-half expected to be at similar levels to second-half FY19

Improved second-half FY20 expected

RESOLUTIONS

1. Adoption of Remuneration Report
2. Election of Ms Christine Holman as Director
3. Approval of Short Term Incentive Plan (STI Plan)
4. Approval of Long Term Incentive Plan (LTI Plan)
5. Grant of Shares to Mr Alastair Symington
6. Grant of STI Award to Mr Alastair Symington
7. Grant of LTI Award to Mr Alastair Symington

RESOLUTION 1

“That the Remuneration Report, as contained in the Directors’ Report of the Company, for the year ended 30 June 2019, be adopted.”

VOTE TYPE	VOTED	% OF VOTED	% OF ALL SECURITIES
For	4,169,132	91.73	23.97
Against	184,826	4.06	1.06
Open-usable – Refer Below	191,238	4.21	1.10
Total	4,545,196	100.00	26.13
Open-Usable Breakdown:			
Chairman appointed as Proxy	83,509	1.84	0.48
Others appointed as Proxy	107,729	2.37	0.62

RESOLUTION 2

“That Ms Christine Holman who was appointed a Director pursuant to Clause 92 during the year, and who retires in accordance with Clauses 93 and 94 of the Constitution and being eligible, offers herself for election, be elected a Director of the Company.”

VOTE TYPE	VOTED	% OF VOTED
For	8,614,285	97.46
Against	33,291	0.38
Open-usable	191,093	2.16
Total	8,838,669	100.00

RESOLUTION 3

“That for the purpose of Listing Rule 7.2, exception 9 and for all other purposes, the issue of securities under the Executive Share Plan (ESP) for the STI Plan, on the terms set out in the Explanatory Statement and Notes, is approved.”

VOTE TYPE	VOTED	% OF VOTED
For	8,442,638	95.49
Against	222,832	2.52
Open-usable	175,914	1.99
Total	8,841,384	100.00

RESOLUTION 4

“That for the purpose of Listing Rule 7.2, exception 9 and for all other purposes, the issue of securities under the ESP for the LTI Plan on the terms set out in the Explanatory Statement and Notes, is approved.”

VOTE TYPE	VOTED	% OF VOTED
For	8,498,279	96.02
Against	167,803	1.90
Open-usable	184,549	2.08
Total	8,850,631	100.00

RESOLUTION 5

“That for the purpose of Listing Rule 10.14 and for all other purposes, the issue of 13,650 Shares to Mr Alastair Symington (CEO and Managing Director of the Company) under the ESP on the terms and conditions set out in the Explanatory Statement, is approved”.

VOTE TYPE	VOTED	% OF VOTED
For	8,471,039	95.72
Against	199,396	2.26
Open-usable	178,370	2.02
Total	8,848,805	100.00

RESOLUTION 6

“That for the purpose of Listing Rule 10.14 and for all other purposes, the acquisition of up to 8,707 Shares (STI Award) by Mr Alastair Symington (CEO and Managing Director of the Company) under the ESP on the terms and conditions set out in the Explanatory Statement, is approved”.

VOTE TYPE	VOTED	% OF VOTED
For	8,419,127	95.24
Against	236,591	2.67
Open-usable	184,704	2.09
Total	8,840,422	100.00

RESOLUTION 7

“That for the purpose of Listing Rule 10.14 and for all other purposes, the acquisition of up to 35,622 Shares (LTI Award) by Mr Alastair Symington (CEO and Managing Director of the Company) on the terms and conditions set out in the Explanatory Statement, is approved”.

VOTE TYPE	VOTED	% OF VOTED
For	6,866,300	77.66
Against	1,791,814	20.27
Open-usable	182,656	2.07
Total	8,840,770	100.00

Thank you!

BLACKMORES®
| GROUP

