

# FY20 Full Year Financial Results

Tuesday 25 August 2020



# A year of change

## Oct

- Strategy Review commenced
- 57th AGM
- New CEO starts
- Braeside

## Nov

- Focus areas defined
- CIIE China

## Dec

- Priorities defined
- New China MD starts
- International MD appointed
- ERP Asia completed

# 2020

## Jan

- COVID-19 – China
- Bushfire Relief
- New CFO starts

## Feb

- Half Year results which reset expectations
- Renewed strategy announced
- New ANZ MD starts
- Solid Dose North at Braeside commissioned

## Mar

- COVID-19 ANZ
- New CMIO starts

## Apr

- Global Growth Platforms established

## May

- Capital Raise announced
- Meet the Management
- Institutional Placement completed
- Net Zero Emissions declared
- Immunity Paper and BI Podcasts

## Jun

- Institutional Placement completed
- 8th BioCeuticals Research Symposium (virtual)

# FY21

## Jul

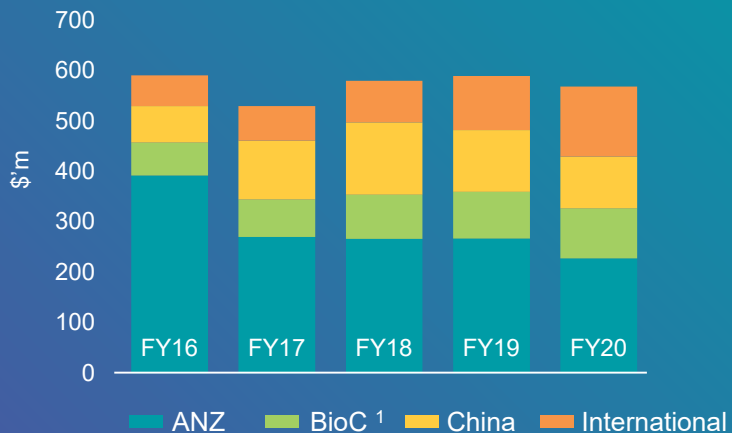
- China Modern Parenting Hub established
- SPP complete
- FY21 Kick-Off Meeting

## Aug

- OASIS warehouse consolidation
- Organisational redesign
- Full Year results
- Braeside remains operational during Stage 4 VIC restrictions

# FY20 Overview

## REVENUE 5 YEARS



Full year FY20 underlying NPAT of  
**\$18.7m**

Full year FY20 revenue down 3% on prior year  
**\$568m**

Strong growth in International and BioCeuticals offset by softness in Australia and China.

Strong improvements in our company-wide Integrated **Business Planning processes (IBP)**

**Consolidation of our warehousing and distribution in Australia to reduce our logistics footprint** – completed August 2020.

China Innovation Centre established.

Started build of our **Strategic Revenue Management** capability.

**SKU Rationalisation program** kicked off and well underway to reduce complexity.

**Strong cash flow of \$76m<sup>2</sup>** up 46% on prior year.

**\$50m annualised savings by 2023**

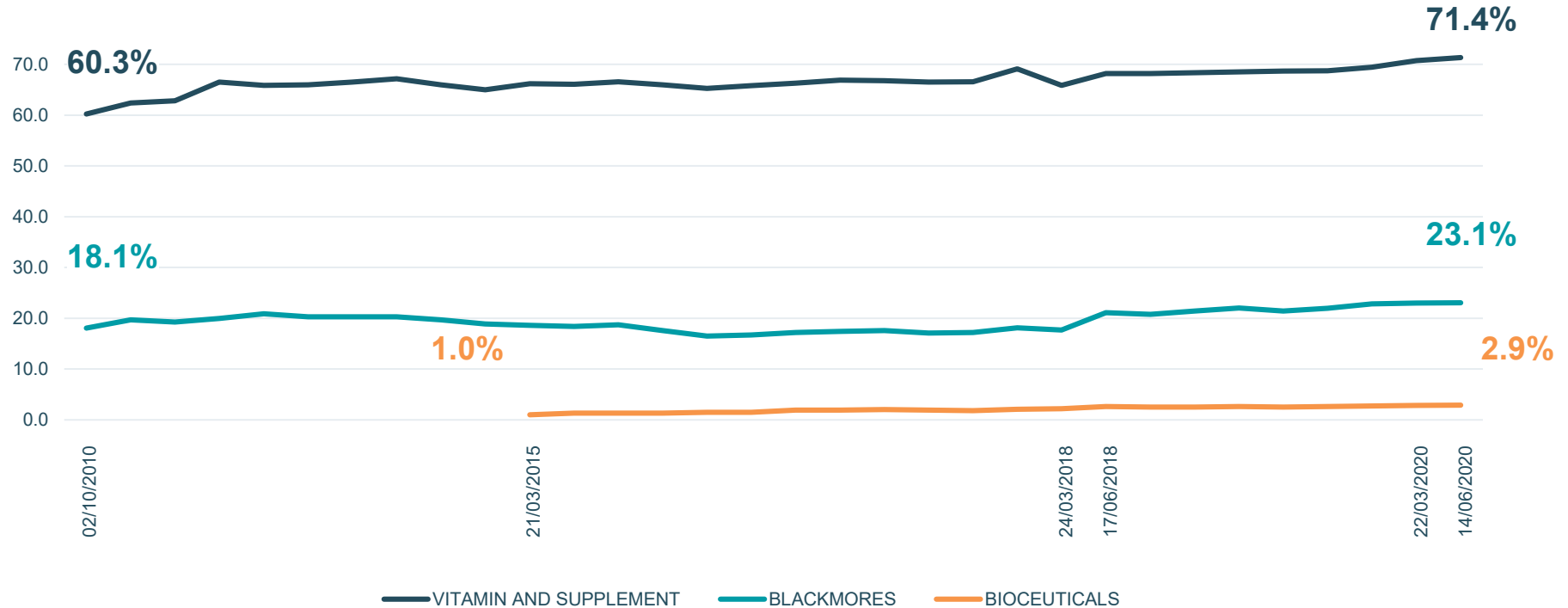
**cost efficiency program** to enhance margins substantially by FY23<sup>3</sup>.

<sup>1</sup>Excludes Global Therapeutics FY20 as it is a discontinued operation.

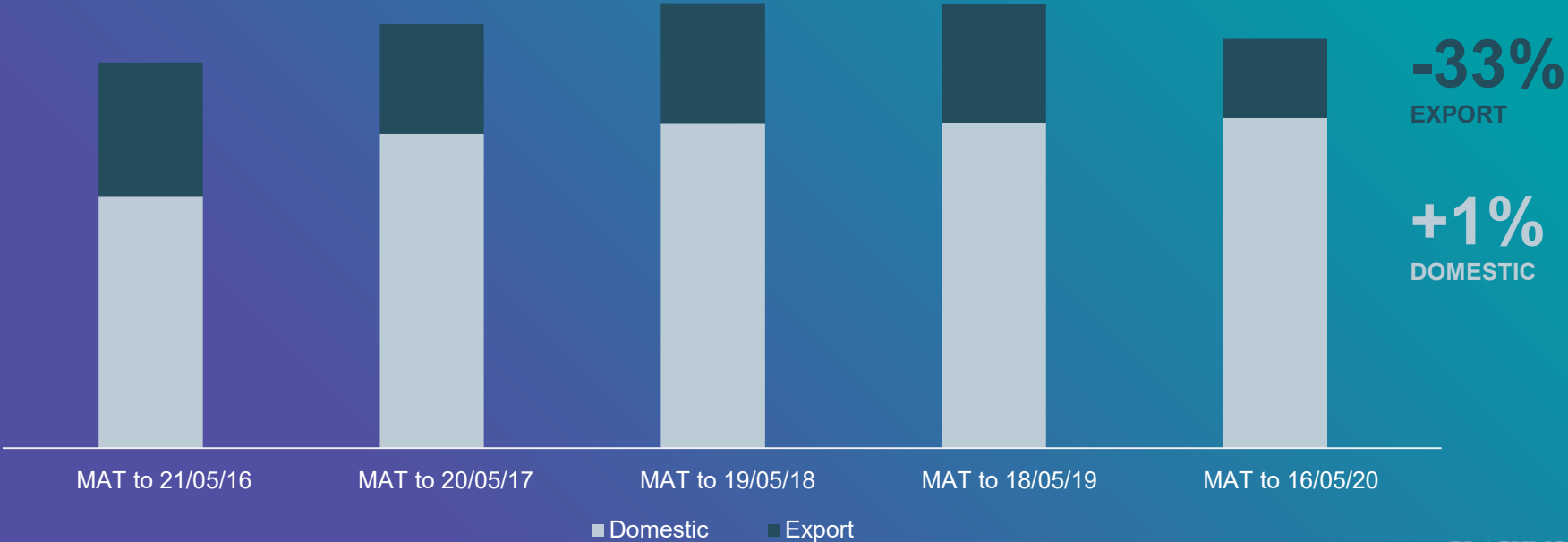
<sup>2</sup> Operating cashflow prior to interest and taxes

<sup>3</sup>Annualised savings by 2023 compared to the 2020 base year.

# Our brands are strong

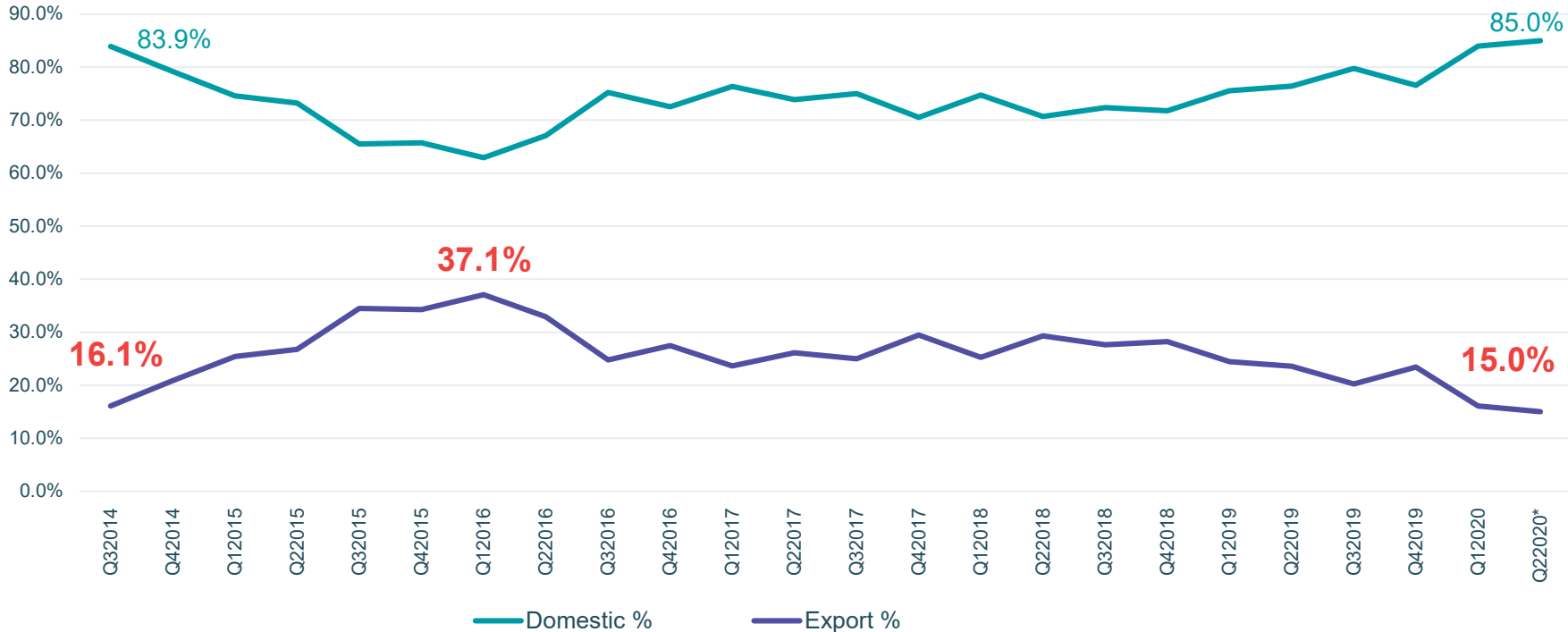


# Category consumption in decline in Australia due to lower sales to Chinese shoppers



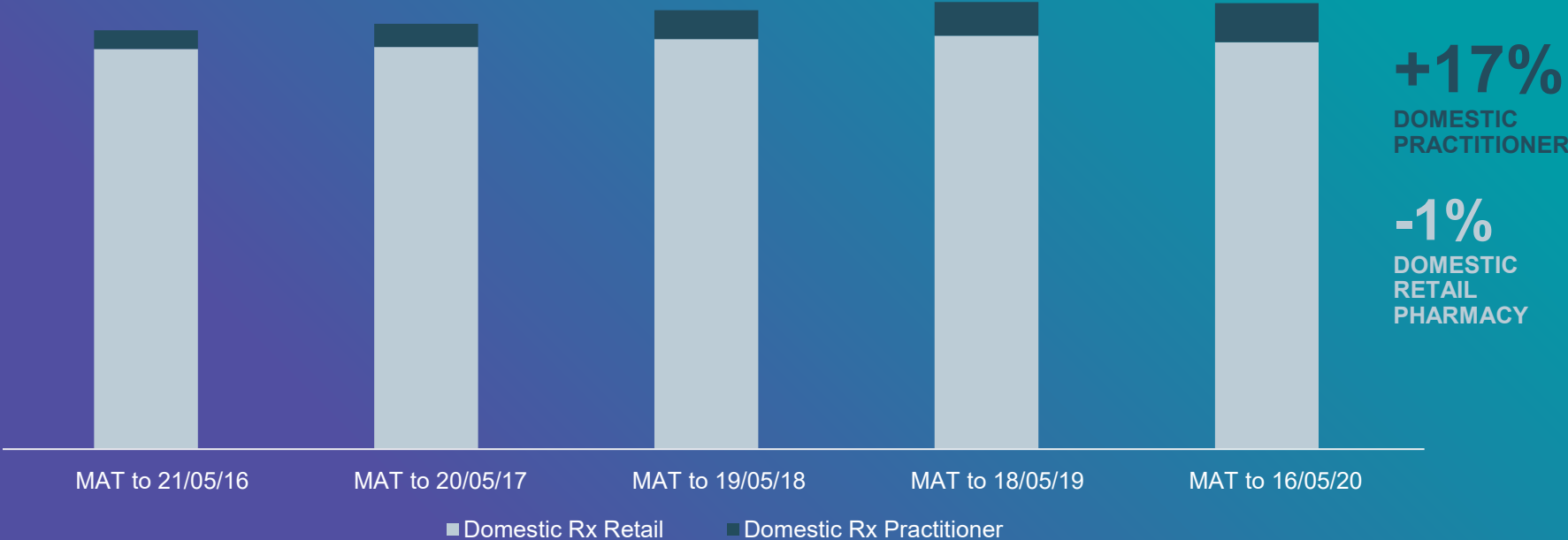
Source: Nielsen/IQVIA, Australia Grocery & Pharmacy, Domestic/Export Split, Total VMS, MAT to 16/05/2020

# Share of Australian sales to Chinese consumers is now lower than 2016



Source: Nielsen/IQVIA, Australia Grocery & Pharmacy, Domestic/Export Split, Total VMS, MAT to 13/06/2020, \*June Sales are based on first 2 weeks of month x 2

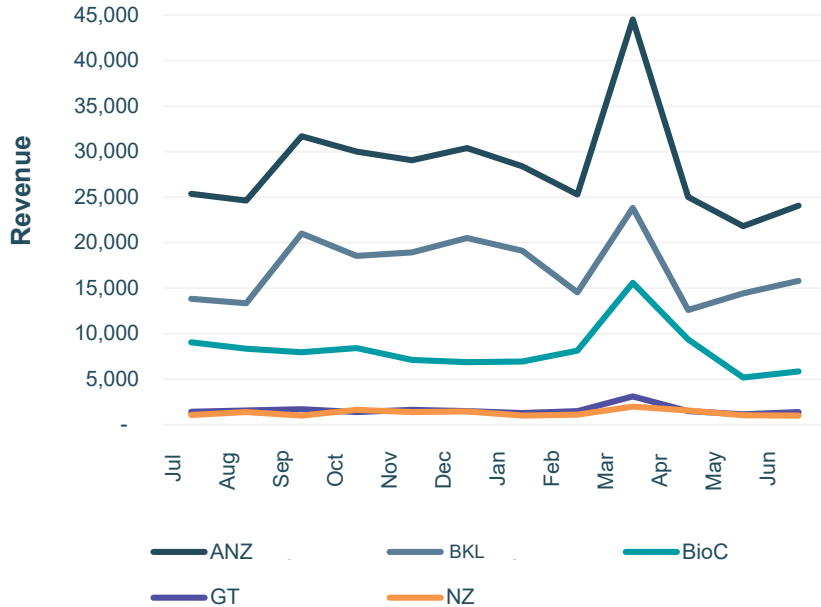
# We are seeing a shift to Practitioner brands



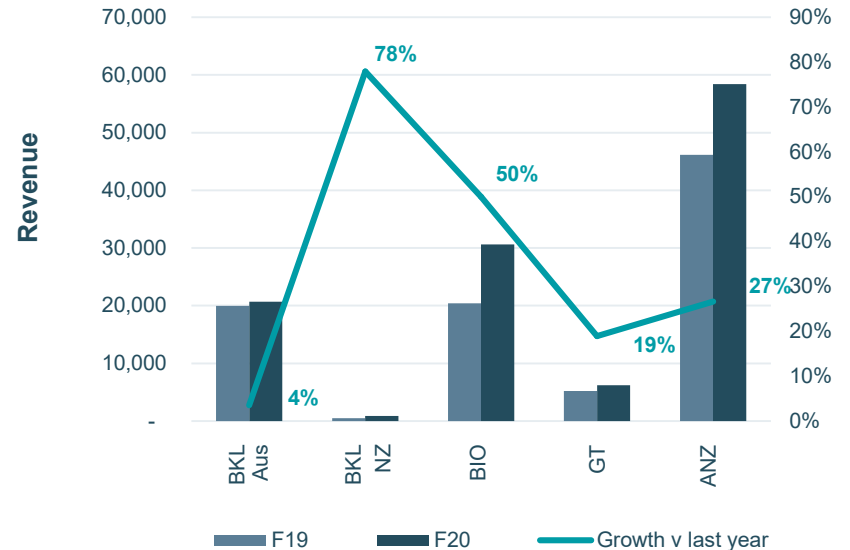
Source: Nielsen/IQVIA, Australia Pharmacy, Total VMS, MAT to 16/05/2020

# In Australia we saw record peaks in March driven by immunity

## ANZ Revenue FY20



## Immunity Revenue FY20





# COVID-19 RESPONSE

## Health of our employees & business continuity



### Phase 1

## Respond

Launch and sustain a crisis command centre

Guiding principles for decision making

- Wellbeing of employees
- Government and health department advice
- Company values
- Business continuity to protect manufacturing

Cash protection measures in place

Importance of communication

Working from home and creating a COVID-19 safe workplace



### Phase 2

## Recover

Assess digital capabilities

Deeper dive on supply chain agility and risks

Monitor and adapt to changing consumer behavior and retail dynamics

Continued focus on employee wellbeing – physical and emotional

Adapt learnings from the China market

Pressure test strategy under the conditions of “next normal” and how we move to market shaper rather than simply adapting



### Phase 3

## Thrive

Thought leader: Immunity White Paper

Identify near-term opportunities and initiate “Micro Battles”

Upweight marketing investment on immunity segment

Upweight digital storytelling

Support consumers with access to health advice, search is key

Workforce flexibility and capability upgrade ongoing

# CAPITAL MANAGEMENT

## Placement and SPP results

**\$92m**

raised from our

institutional shareholders with overwhelming support

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Our retail shareholders also showed tremendous support and purchased

**\$49m** of our shares\*

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**\$141m**

Total capital raised

\* Share Purchase Plan completed July 2020



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# CAPITAL MANAGEMENT

## Proceeds from the raise



### Accelerating **GROWTH** in Asia

'Modern Parenting' innovation centre for product development in China

Step up investments in IT and in-store product advisers in Indonesia and other International markets

Invest in digital capability across Asia

Working capital in India

Progressing Halal in Indonesia



### **INVESTMENT** in efficiency program

Efficiency investments in our Supply & Logistics operations

Streamlining our go-to market model to best serve our customers

SKU rationalisation and product reformulation



**½ of these benefits will be reinvested in key areas of focus including Asia**



### Position balance sheet for **STRENGTH**

Strong cash position to ensure Blackmores Group can navigate the uncertain world in which we are operating.

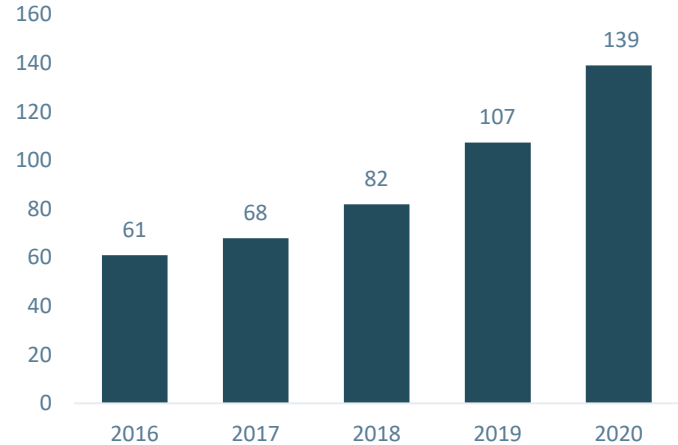
# FY20 Market Results

# FY20 International

- ✓ Revenue across International grew **30%** compared to pcp, EBIT for reported International segment up **92%**.
- ✓ **Double-digit growth** in Malaysia, Singapore and Indonesia.
- ✓ **Continued growth** in Indonesia enabled by strong partnership with Kalbe Farma.
- ✓ **Infant formula sales growth** in Vietnam with revenue of \$20m.



International Revenue FY20

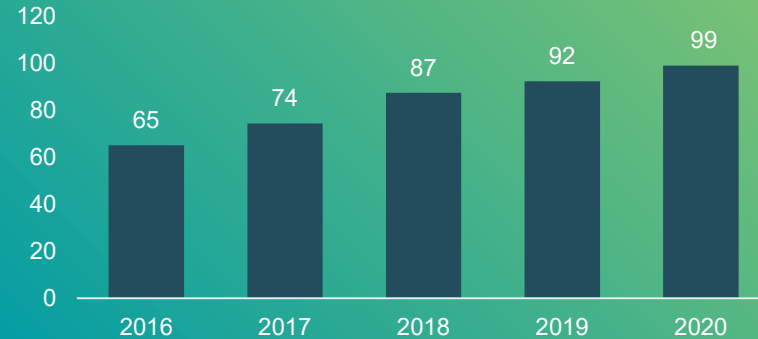


# FY20 BioCeuticals



- ✓ BioCeuticals **brand revenue up 7%** with increased focus on immunity boosting sales in the second half.
- ✓ **BioCeuticals has the #1** range in the immunity segment<sup>1</sup> with ArmaForce sales at record high.

BioCeuticals Revenue FY20\*



\*Excludes Global Therapeutics sales in FY20 as it is a discontinued operation.

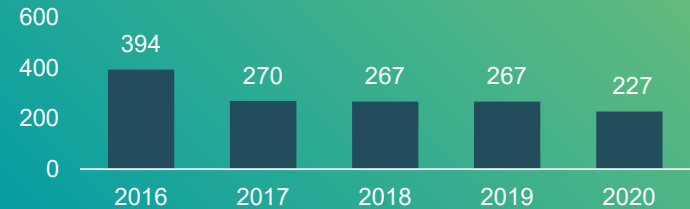
<sup>1</sup>Source: Nielsen & IQVIA, RMS/Sell Out service, Cold & Flu Vitamins & Dietary Supplements, Australia Grocery & Pharmacy, Total VMS Sales, Fiscal Year 2020.

# FY20 Australia & NZ

- ✓ Blackmores ANZ revenue of \$227m, **down 15% on pcp.** EBIT of \$25.6m (down 49%).
- ✓ Regulatory change in China continued to **impact revenue in Australia.**
- ✓ **COVID-19 shifted consumer** buying patterns away from non-immunity health.
- ✓ **New Strategic Revenue program** kicked off, removing heavily discounted year end bulk sales.
- ✓ **EBIT down as raw material costs increased**, additional obsolescence provisions and transition to Braeside Manufacturing.



Australia & New Zealand  
Revenue FY20

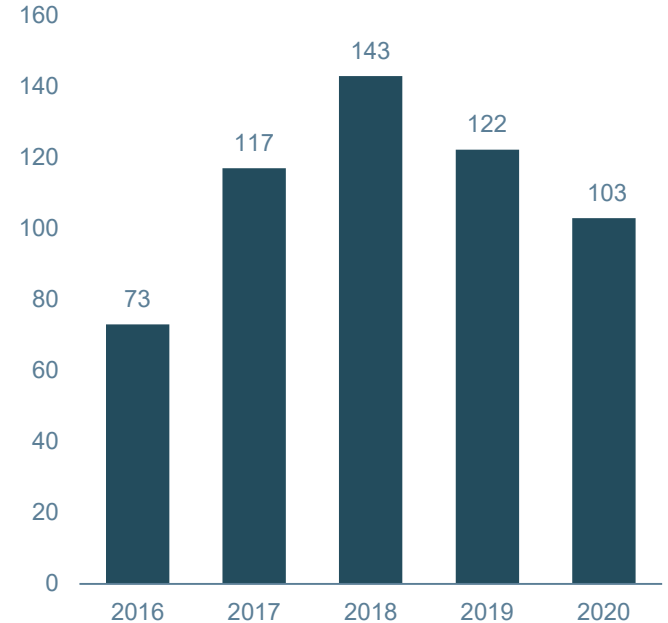


# FY20 China

- ✓ Revenue in the China segment (key export accounts and in-country sales) was \$103m, **down 16% on pcp.**
- ✓ China in country sales **impacted heavily by COVID-19** and label transition in market while the export market continues to **decline due to regulatory changes.**
- ✓ **Negligible EBIT** in the year as the business continued to invest in capabilities and brand in China despite COVID-19 and the label transition.
- ✓ Positive signs of recovery seen in May and June trading



China Revenue FY20





# Reigniting on China platforms



## China

Mid year 618 shopping festival



## Tmall

Doubled sales



## JD

Tripled sales



## E-commerce

Market Share gained 2%<sup>1</sup> Jan-June

<sup>1</sup>Smart Path Online Market Report ending June 2020



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澳佳宝

#都市夜补计划#  
卸下身心压力  
自然动静两相宜

BLACKMORES ENERGY SUPER MEGA COMPLEX B  
HIGH POTENCY FORMULA  
• Contains essential vitamins  
• Supports a healthy nervous system  
• Promotes good sleep  
© 2019 Blackmores Pty Ltd

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夜补高浓DHA & 脑力全天不掉队  
#都市夜补计划#

BLACKMORES OMEGA BRAIN  
NEW LOOK  
人生试炼场 身心都要赢  
Begin Better Every Day

BLACKMORES 澳佳宝 × Tmall 天猫

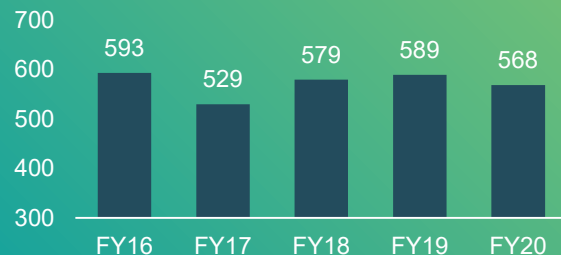
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**FY20  
Group  
Financials**

# FY20 Full Year

- ✓ FY20 revenue of \$568m, down 3% on prior corresponding period (pcp).
- ✓ Reported net profit after tax (NPAT) of \$18.1m, down 66% on pcp.
- ✓ Acquisition of Braeside manufacturing plant completed in October.
- ✓ Increased material/packing costs and operational expenses impacted result.
- ✓ Blackmores maintains #1 VDS brand in Australia with 16.4%<sup>1</sup> market share.
- ✓ BioCeuticals maintains #1 brand of practitioner-only products in pharmacies with 82.5%<sup>2</sup> market share.
- ✓ The Director's resolved on 24 August 2020 to not pay a final dividend in respect of the period ending 30 June 2020.

## Group Revenue<sup>3</sup>



Year ended 30 June 2020	Reported	Underlying	FY19	% Underlying var to pcp
<b>Sales Revenue</b>	<b>568.4</b>	<b>568.4</b>	<b>588.9</b>	<b>(3%)</b>
<b>Revenue and other income</b>	<b>579.1</b>	<b>571.9</b>	<b>593.5</b>	<b>(4%)</b>
Cost of raw materials and consumables used	235.9	235.9	235.3	0%
% of sales revenue	41.5%	41.5%	39.9%	
Selling and marketing expenses	58.5	58.5	67.3	(13%)
Operating expenses	255.3	246.1	214.4	15%
<b>Total Expenses</b>	<b>549.7</b>	<b>540.5</b>	<b>516.9</b>	<b>5%</b>
<b>EBIT</b>	<b>29.4</b>	<b>31.4</b>	<b>76.6</b>	<b>(59%)</b>
% of sales revenue	5.2%	5.5%	13.0%	
Net interest expense	5.9	5.0	5.0	(0%)
Income tax expense	7.4	9.8	20.9	(53%)
% effective tax rate	32%	37%	29.3%	
Profit after tax from continuing operations	16.0	15.7	50.6	(69%)
Profit after tax from discontinued operations	3.0	3.0	2.9	5%
Non-controlling interest	0.9	0.9	(0.0)	(2427%)
<b>NPAT</b>	<b>18.1</b>	<b>18.7</b>	<b>53.5</b>	<b>(65%)</b>
Cost of good sold (COGS)	280.6	280.6	252.7	11%
<b>Gross profit</b>	<b>287.8</b>	<b>287.8</b>	<b>336.2</b>	<b>(14%)</b>
% net sales	50.6%	50.7%	57.1%	(6.4)ppt
Operating expenses exc. COGS	210.7	201.4	197.2	2%

A\$m	F20	F20
	PBT	NPAT
<b>Reported Result</b>	<b>23.5</b>	<b>18.1</b>
<b>Adjust for Significant items:</b>		
Bargain Gain on Braeside Acquisition	(6.2)	(6.2)
Job Keeper (BioCeuticals) and Job Support Scheme (Singapore)	(1.0)	(0.8)
Capital Raise Costs	0.5	0.4
Redundancy	2.8	2.0
Transformation Costs	2.3	1.6
Catalent Acq Gross Margin Adjustment	1.4	1.0
Stamp Duty on Braeside	1.8	1.8
Costs Associated with Divestments	0.4	0.3
Ineffectiveness of Interest Rate Swap (linked to Placement)	0.9	0.6
<b>Underlying Result</b>	<b>26.4</b>	<b>18.7</b>

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<sup>1</sup>Nielsen & IQVIA, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Total Retail Sales, FY2020

<sup>2</sup>Nielsen & IQVIA, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Pharmacy, Total Practitioner Sales, FY2020

<sup>3</sup>Excludes Global Therapeutics FY20 sales as it is a discontinued operation

# Balance Sheet

- ✓ Strong balance sheet due to the Capital raise of \$92m.
- ✓ Net assets of \$63m recognised as part of the Braeside acquisition.
- ✓ Underlying inventory levels have improved, with additional provisions for obsolescence due to label transition and warehouse migration and \$19m inventory increase from Braeside Acquisition.
- ✓ Property, Plant & Equipment increase includes \$49m from Braeside.
- ✓ Increased debt as a result of Braeside acquisition offset by strong operating cashflow and capital raise.
- ✓ Global Therapeutics asset held for sale.

A\$M	Jun '20	Jun '19	\$ CHG	% CHG
Cash	47.7	24.5	23.2	95%
Receivables	97.9	143.9	(46.0)	(32%)
Inventories	120.7	125.1	(4.4)	(4%)
Other current	11.0	14.7	(3.7)	(25%)
Assets held for sale <sup>1</sup>	30.7	0	30.7	n/a
<b>Current Assets</b>	<b>307.9</b>	<b>308.2</b>	<b>(0.3)</b>	<b>0%</b>
Property, plant and equipment	139.2	80.8	58.4	72%
Other non-current assets <sup>2</sup>	114.0	104.6	9.4	9%
<b>Total Non-Current Assets</b>	<b>253.2</b>	<b>185.4</b>	<b>67.8</b>	<b>37%</b>
<b>Total Assets</b>	<b>561.1</b>	<b>493.6</b>	<b>67.5</b>	<b>13.7%</b>
Trade and other payables	101.8	134.5	(32.7)	(24%)
Other current liabilities <sup>2</sup>	26.5	18.7	7.8	42%
Liabilities of assets held for sale <sup>1</sup>	6.7	0	6.7	n/a
<b>Total Current Liabilities</b>	<b>135.0</b>	<b>153.2</b>	<b>(18.2)</b>	<b>(12%)</b>
Interest bearing liabilities	85.0	119.0	(34.0)	(29%)
Other non-current liabilities <sup>2</sup>	34.5	13.7	20.8	152%
<b>Total Non-Current Liabilities</b>	<b>119.5</b>	<b>132.7</b>	<b>(13.2)</b>	<b>(10%)</b>
<b>Total Liabilities</b>	<b>254.5</b>	<b>285.9</b>	<b>(31.4)</b>	<b>(11%)</b>
<b>Total Equity</b>	<b>306.6</b>	<b>207.7</b>	<b>98.9</b>	<b>48%</b>

<sup>1</sup> Assets held for sale include the Global Therapeutics business, the investment property 15 Jubilee Ave Warriewood and the Brands Isowhey and Wheyles.

<sup>2</sup> Amounts at June 2020 reflect the recognition of right-of-use assets (\$28.9m) and lease liabilities (current \$7.2m, non-current \$20.6m) relating to adoption of AASB 16 Leases based on the modified retrospective approach.

# Cash Flow / Net Debt

✓ Cash generated from operations \$75.9m, up 46% on pcp.

✓ Includes the benefit of \$8m from reclass due to AASB 16 leases.

✓ Investing activities includes the \$56.5m payment to Catalent for Braeside Manufacturing plant.

✓ Financing activity includes \$92m proceeds from Capital Raise offset by repayments of \$34m borrowings.

✓ Cash conversion ratio of 150% compared to 59% in pcp due to effective working capital management and additional obsolescence provisions in FY20.

✓ Net Debt of \$37.3m down 60.5% on pcp.

✓ Gearing at 10.9%, down 20.4 pts from pcp.

A\$M	Jun '20	Jun '19	\$ CHG	% CHG
Cash generated from operations	75.9	51.8	24.1	46%
Interest and taxes	(13.8)	(32.0)	18.2	(57%)
<b>Net Cash from Operating Activities</b>	<b>62.1</b>	<b>19.8</b>	<b>42.2</b>	<b>213%</b>
<b>Net Cash used in Investing Activities</b>	<b>(79.5)</b>	<b>(27.1)</b>	<b>(52.4)</b>	<b>193%</b>
<b>Net Cash from Financing Activities</b>	<b>40.4</b>	<b>(6.6)</b>	<b>47.1</b>	<b>(709%)</b>
<b>Net Increase in Cash / Cash Equivalents</b>	<b>23.0</b>	<b>(14.0)</b>	<b>37.0</b>	<b>(265%)</b>
Cash and cash equivalents at start of year	24.5	36.5	(12.0)	(33%)
Effects of FX	0.1	2.0	(1.9)	(93%)
<b>Cash and cash equivalents at end of year</b>	<b>47.7</b>	<b>24.5</b>	<b>23.1</b>	<b>94%</b>
<i>EBITDA</i> <sup>1</sup>	50.7	87.3	(36.6)	(42%)
Cash Conversion %	150%	59%		91pts

<sup>1</sup>Excludes Global Therapeutics FY20 sales as it is a discontinued operation.

# **FY21 Towards Sustainable Growth**

# Progressing our strategic priorities

1



**Build a  
world-class  
organisation**

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2



**Win with the  
modern career  
woman in China**

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3



**Rejuvenate  
Blackmores  
Australia**

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4



**Deliver  
new growth**

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# Designing for the modern parent in China



Blackmores' premium range of Vitamins and Dietary supplements specifically designed for modern parenting. China as lead market from September 2020.

Restore Blackmores' position in Modern Parenting by helping women across their pregnancy and parenting journey.

Specifically design product formulations meeting consumer needs from....



Pre-conception



Conception



Pregnancy



Birth & recovery



Breastfeeding



Aged 0-3



Aged 4-7

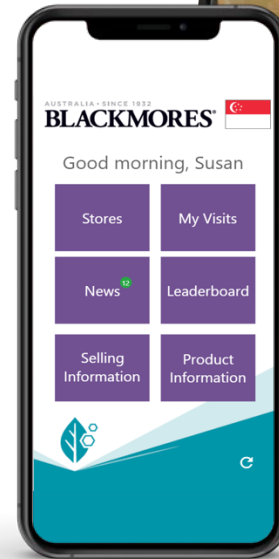




# New Growth

Winning in-store with PAs in our International markets

- Key competitive advantage in International – 650+ and growing
- PAs deliver customer service, stock management, insights and SALES
- Use technology for competitive advantage – The PA App, Virtual PA
- Innovate with flexible working arrangements
- Create regional Best Practice using the best of each market



# New Growth

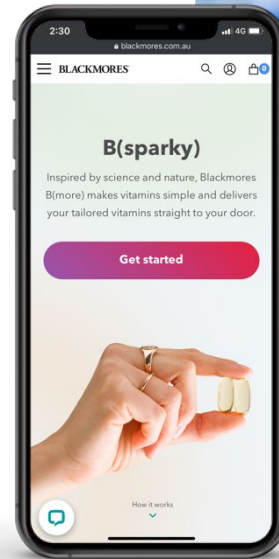
## Cultural customisation

- Blackmores has a presence in the **top #3 countries with the highest Muslim population**
- Muslim consumers are a largely **underserved community**
- Research shows **97% of Muslim consumers state certification is important** and 95% are more likely to purchase if halal accredited
- Capitalise on Braeside advantage**
- Test and learn in Singapore and Fish Oil in Indonesia**



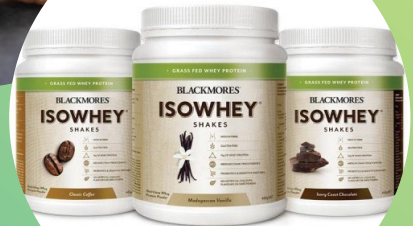
# Rejuvenate Blackmores Australia

- We are **optimising our investments** in trade spend
- **Strengthen our salesforce** through organisational redesign
- Continue to **embed strategic revenue** management capabilities
- **Drive new capabilities** in digital and e-commerce to reach our consumers and practitioners
- Digital personalisation **B(More)**
- **OASIS** warehouse consolidation 'live'



# Simplify our brand portfolio

- Intention to divest **Global Therapeutics** which includes brands Fusion and Oriental Botanicals
- IsoWhey** and **Wheyless** asset sale agreement reached with Australian Health and Vitality, deal expected to be closed in September.





# Simplifying our operating model

- Renewed strategy required the business to simplify the way we operate in **Australia and New Zealand**.
- Organisation designed around our **four strategic priorities** with resources **aligned to support** our key consumer growth platforms and core brands.
- Costs savings will allow reinvestment into **high growth markets across Asia** and **capabilities** to deliver on our strategy.
- Employee consultation process** commenced 17th August and expected to be complete in September.



# Outlook

- 🍃 We anticipate full year profit growth in FY21, despite additional cost variances arising from Braeside manufacturing ownership.

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- 🍃 Profit growth will come predominantly from the second half of the fiscal year.

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- 🍃 Due to current global uncertainty, we are not offering full year guidance for F21.

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- 🍃 Confidence in our renewed strategy to put the company back on the path to sustainable, profitable growth and restore future dividends.

# OUR FOCUS

**3** BRANDS

**BLACKMORES**<sup>®</sup>

 **BioCeuticals**

**paw**<sup>®</sup> Pure Animal Wellbeing  
By **BLACKMORES**

**3** MARKETS

China

Indonesia

Australia

**BLACKMORES**<sup>®</sup>  
| GROUP

# OUR GOALS

## 1. Consumers

To be the most loved, trusted and chosen brand in the categories we play

## 2. Growth

Consumption ahead of the market, sustained profit performance

## 3. Our People

Ranked #1 employer of choice in the health industry

## 4. Sustainability

Towards carbon neutral

## 5. Value

Shareholder return ahead of the market (EPS)

## 6. Education

#1 Thought leader in natural health

**5** CONSUMER GROWTH PLATFORMS



Core



Mental Wellbeing



Move



Modern Parenting



Pet

**Thank  
you.**