

# Macquarie Australia Conference 2021

Blackmores Limited

5 May 2021

---

# Disclaimer

## Forward-looking statements

The presentation may contain certain “forward-looking statements”. Forward-looking statements can generally be identified by the use of forward-looking words such as “may”, “will”, “would”, “could”, “expect”, “intend”, “plan”, “aim”, “estimate”, “target”, “anticipate”, “believe”, “continue”, “objectives”, “outlook”, “guidance” or other similar words, and include statements regarding the Group’s intent, belief or current expectations with respect to the Group’s business and operations, market conditions, results of operations and financial condition, capital adequacy and risk management. These forward-looking statements should not be relied upon as a representation or warranty, express or implied, as to future matters. Prospective financial information has been based on current expectations about future events and is, however, subject to risks, uncertainties, contingencies and assumptions that could cause actual results to differ materially from the expectations described in such prospective information. The Group disclaims any obligation to update any forward-looking statement to reflect events or circumstances after the date of the presentation, subject to the disclosure requirements applicable to the Group.

## Not an offer of securities

Nothing in this presentation should be construed as either an offer to sell or a solicitation of an offer to buy or sell the securities of Blackmores Limited in any jurisdiction. The information in this presentation is not intended to be relied upon as advice to investors or potential investors and does not take into account your financial objectives, situation or needs. Investors should consult with their own legal, tax, business and/or financial advisors in connection with any investment decision.

## Reliance on third party information

The views expressed in this presentation contain information that has been derived from publicly available sources that have not been independently verified.

## Disclaimer

No representation or warranty is made as to the accuracy, completeness or reliability of any statements, estimates, opinions or other information contained in this presentation. To the maximum extent permitted by law, all liability and responsibility (including without limitation any liability arising from fault or negligence) for any direct or indirect loss or damage which may be suffered through use or reliance on anything contained in or omitted from this presentation is disclaimed.

## Accounting standards

The Group’s statutory results are prepared in accordance with International Financial Reporting Standards (IFRS). This presentation may also include non-IFRS financial information. The non-IFRS financial information is unaudited and has not been reviewed by the Group’s external auditors. Non-IFRS financial information should not be considered as an indication of or alternative to an IFRS measure of profitability, financial performance or liquidity.

# Alastair Symington

Chief Executive Officer

# Agenda

01

Overview

02

H1 FY21  
Revisited

03

Market  
Update

04

Strategic  
Focus

05

Q&A

# Our focus over the last 18 months has been to create a stronger, more resilient Blackmores

Over the last 18 months we have rebuilt the foundations of our business and simplified the way we operate



## Organic strategy

Developed refreshed organic strategy focused on:  
3 core brands,  
3 focus markets and  
5 consumer growth platforms



## Portfolio simplification

Divested non-core assets and ongoing SKU rationalisation program. Align ANZ structure to needs of our customers while better leveraging the Blackmores Institute.



## Braeside manufacturing

Acquisition and successful integration of Braeside manufacturing site to absorb higher fixed costs over time and align unique capabilities to our strategy



## Leadership team

World-class leadership team with extensive global experience across Asia-Pacific, Middle East, Africa, North America and Europe



## Business Improvement Program (BIP)

Ongoing initiatives focused on savings/efficiencies to allow reinvestment in high growth markets and digital



## Balance sheet

Strengthened balance sheet through capital raise and debt paydown

# H1 FY21 | Revisited

Group revenue performance in-line with expectations, solid earnings result



Revenue\*\*

\$302.6m

+4%\*



Underlying NPAT\*\*

\$19.4m

+8%



Underlying EBIT\*\*

\$30.8m

+15%



Interim Dividend  
Per Share

29 cents

Prior Year Nil

- \*Underlying Revenue up 4% at constant currency rate and 3% actual FX
- \*\*Excludes JobKeeper payment

# Market Update

Health and Retail Sector

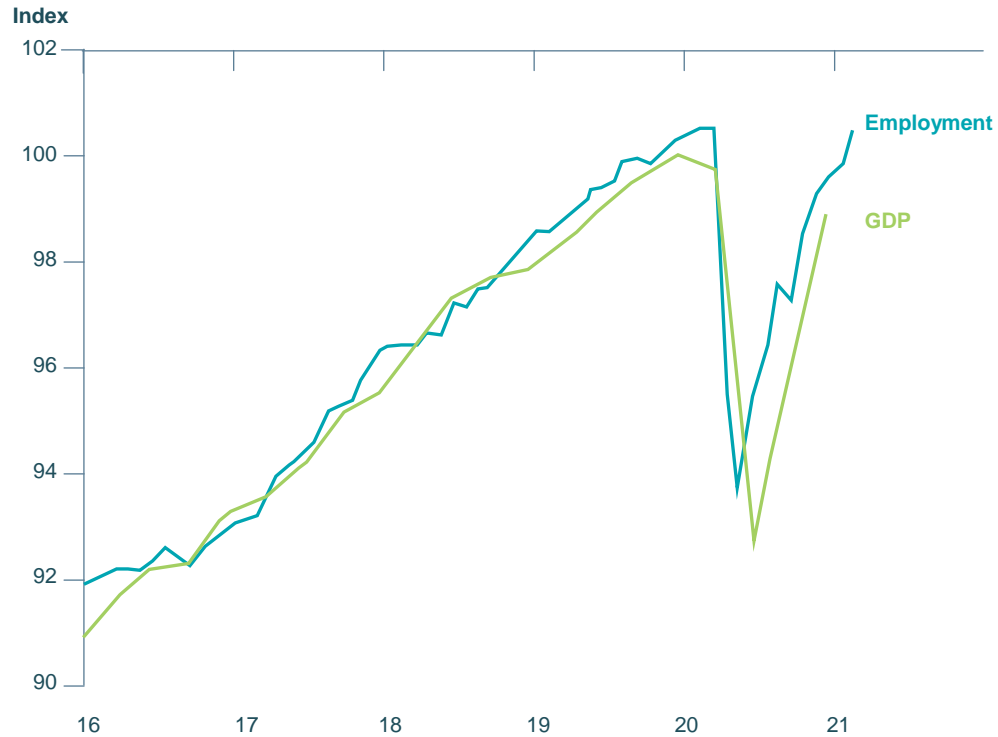
# Economic fundamentals are strong

Economic activity in our key markets has bounced back strongly following the COVID-19 hibernation

## Australia is experiencing a V-shaped economic recovery

### Australia GDP & employment

Q42019 = 100

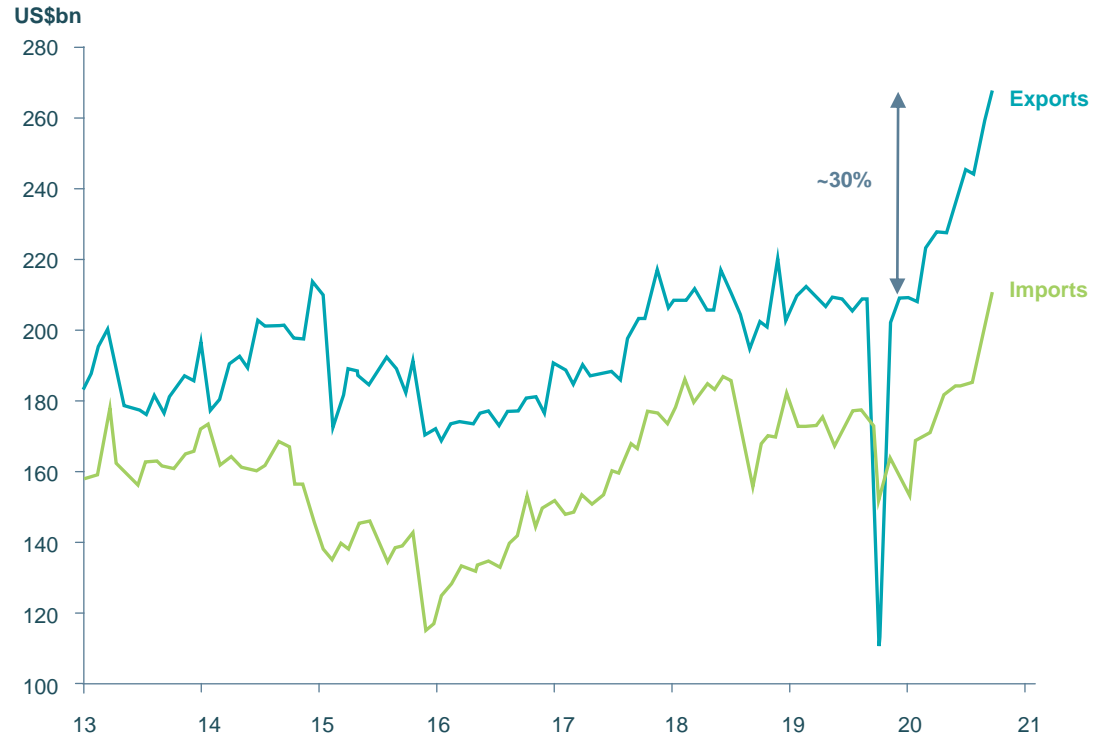


Source: Australian Bureau of Statistics, Macquarie Macro Strategy

## China's economy has surged to new highs

### China monthly trade

Seasonally adjusted



Source: Macrobond, Macquarie Macro Strategy

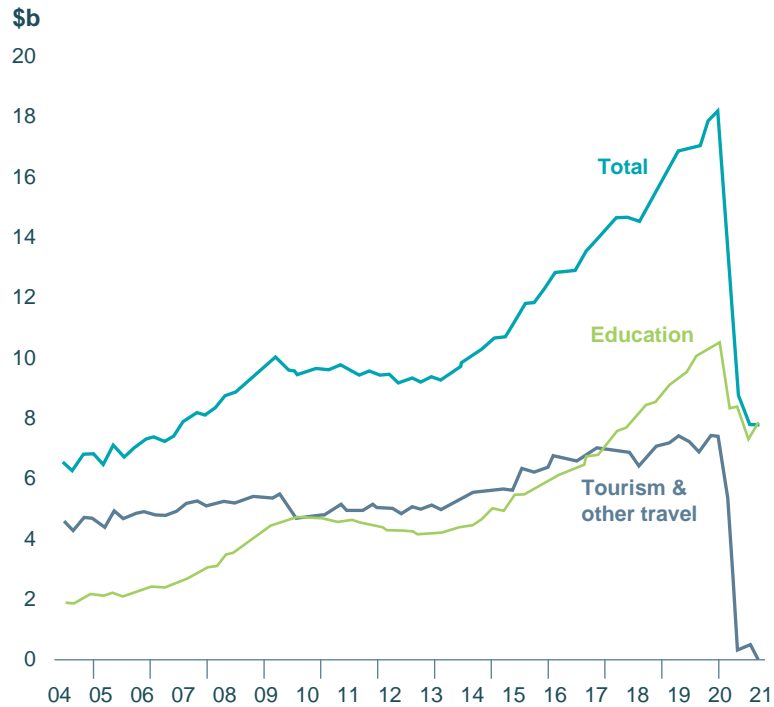


# However, inbound spending is significantly down in Australia driven by absence of international students and tourists

By end 2020, inbound spending had fallen to 1.5% GDP vs. 3.6% in 2019

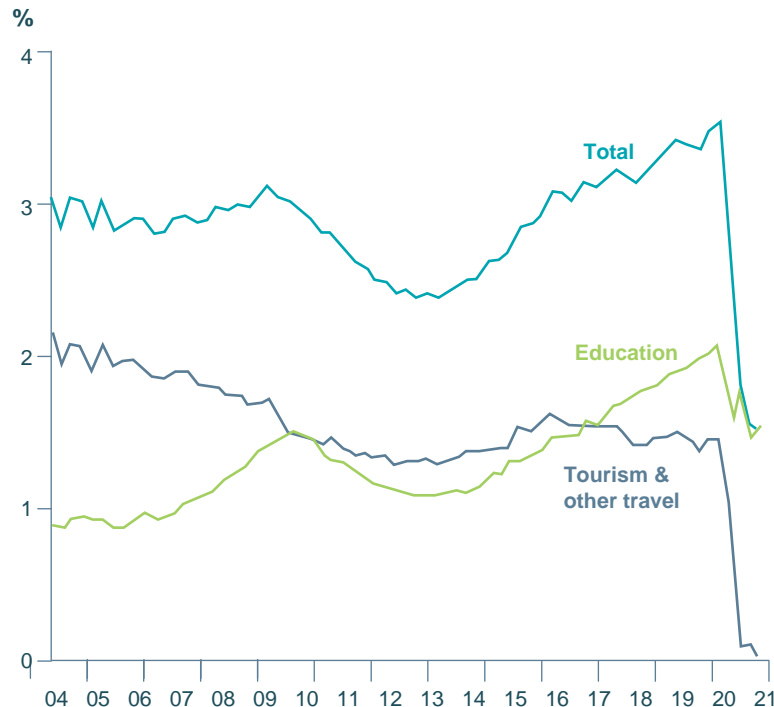
## Travel-related services exports

Nominal, quarterly



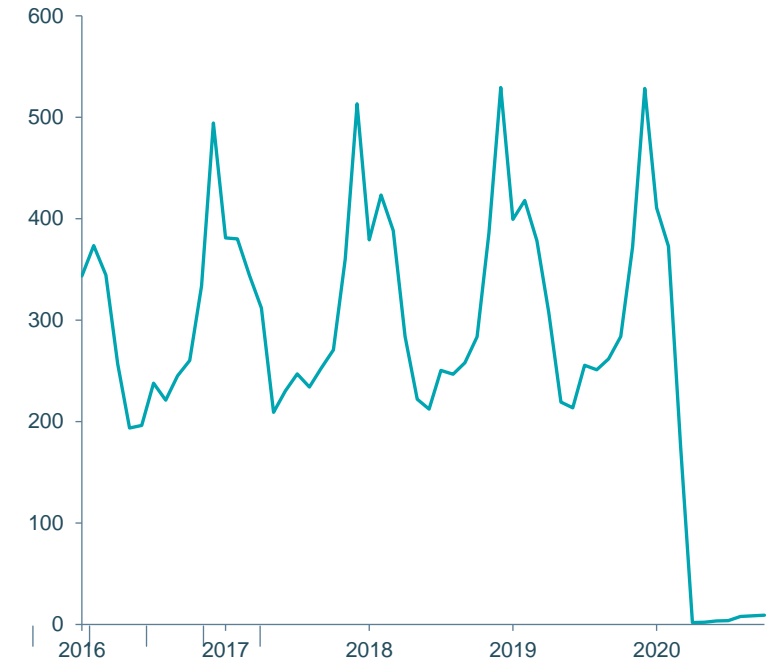
## Travel-related services exports

Percent of GDP, quarterly



## Border closures led to reduced foot traffic in key retailers

Monthly visitor arrivals (000s)

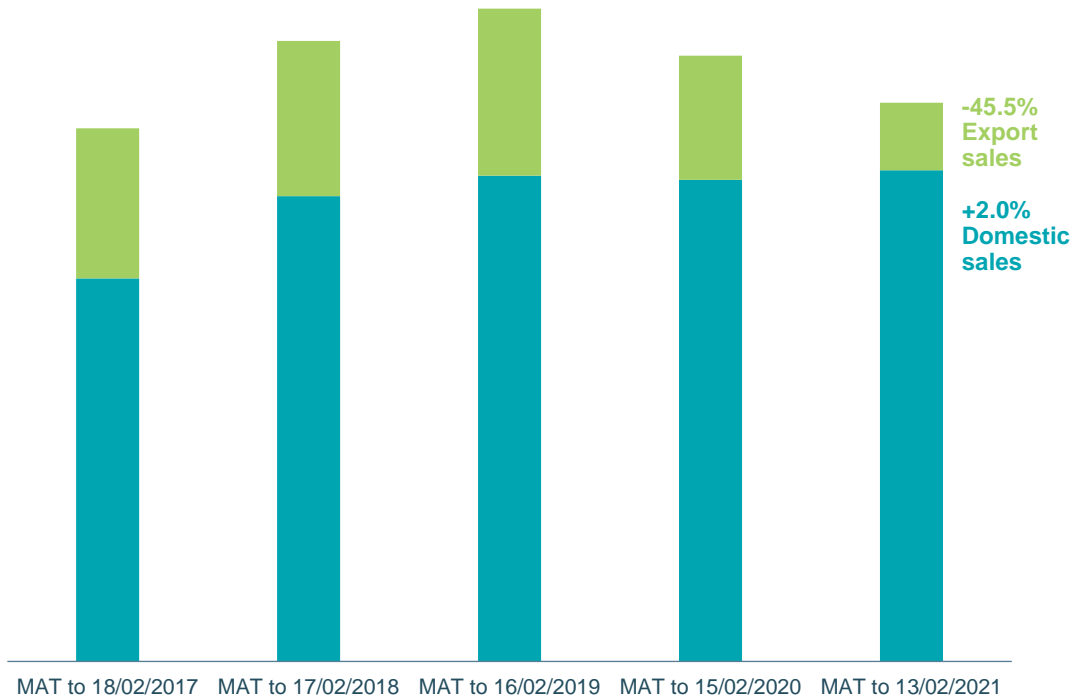


Source: Australian Bureau of Statistics, Macquarie Macro Strategy  
Monthly data to Feb shows that inbound spending by students and other travellers has fallen further so far this year

Source: Australian Bureau of Statistics, Macquarie Macro Strategy

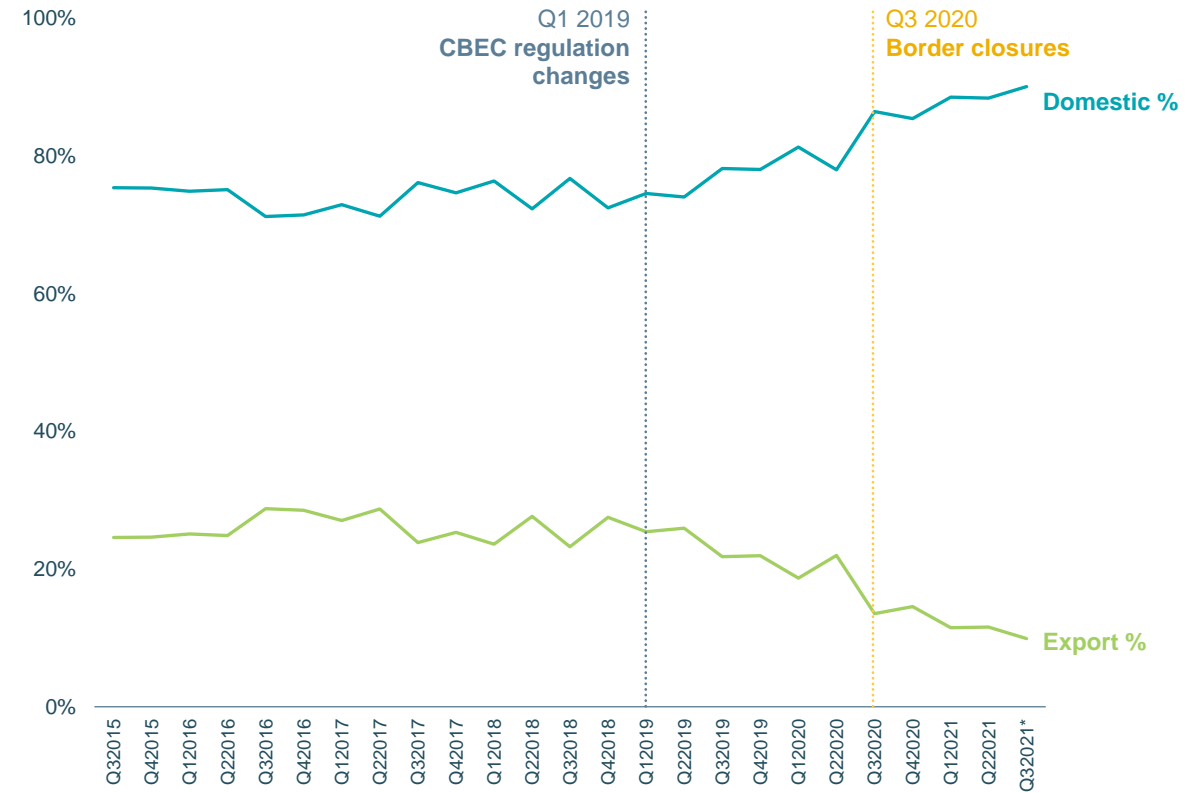
# Weaker category consumption will persist well into 2022, until regular international travel resumes

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



Source: Nielsen/IQVIA, Australia Grocery & Pharmacy, Domestic/Export Split, Total VMS, MAT to 13/02/2021

Share of Australian sales to Chinese consumers continues to decline with slight increase in domestic

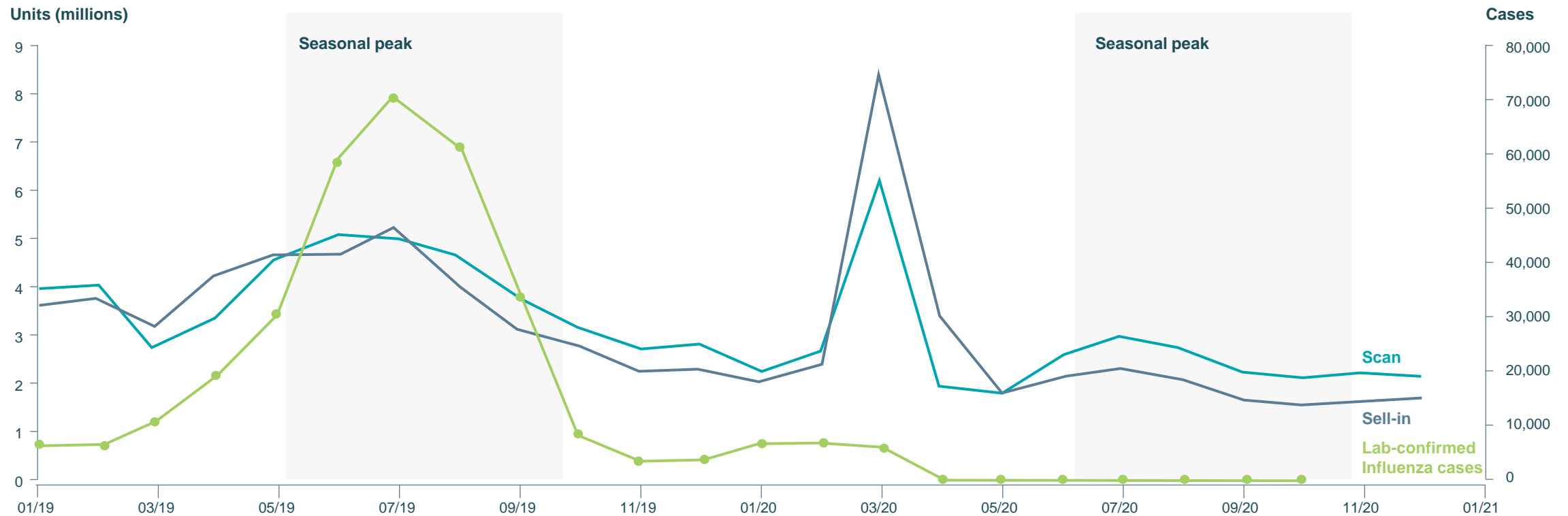


Source: Nielsen/IQVIA, Australia Grocery & Pharmacy, Domestic/Export Split, Total VMS, MAT to 13/02/2021, \*Q3 2021 only consists of 6 weeks of data

# The significantly milder cold & flu season has resulted in surplus stock in the pharmacy channel unlike 2019

## Cold & flu surplus

Lab-confirmed Influenza cases and cold & flu pharmacy sell-in and scan units (millions)



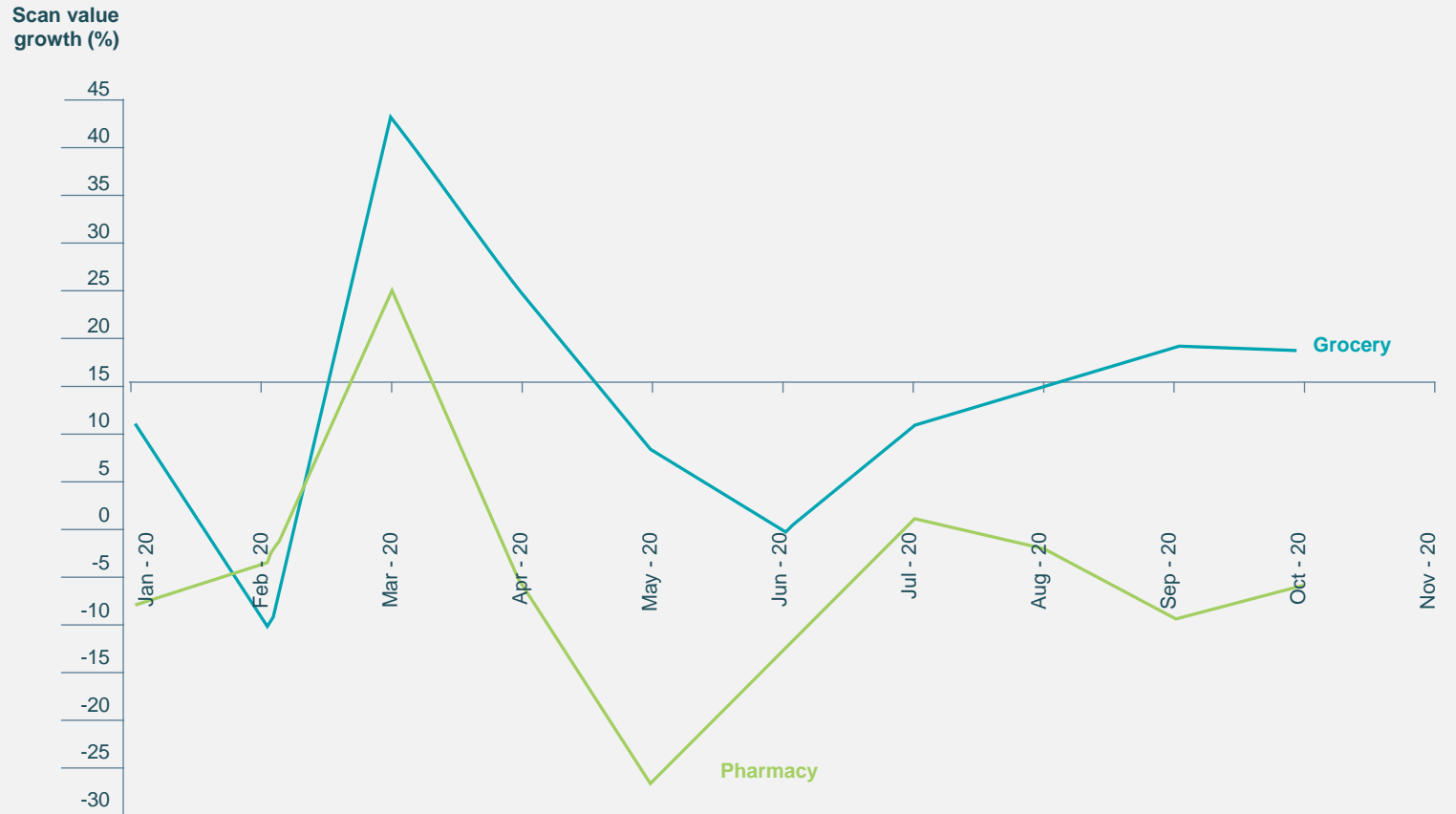
Source: IQVIA Pharmacy Scan, December 2020; IQVIA DDD; NNDSS IQVIA | Q1 2021 Consumer Health Landscape Review

# Pharmacy – a key channel for vitamins and supplements has been impacted

The Australian vitamin and dietary supplement category has been impacted by structural shifts as a result of COVID-19

## Grocery outperformed pharmacy in the last year

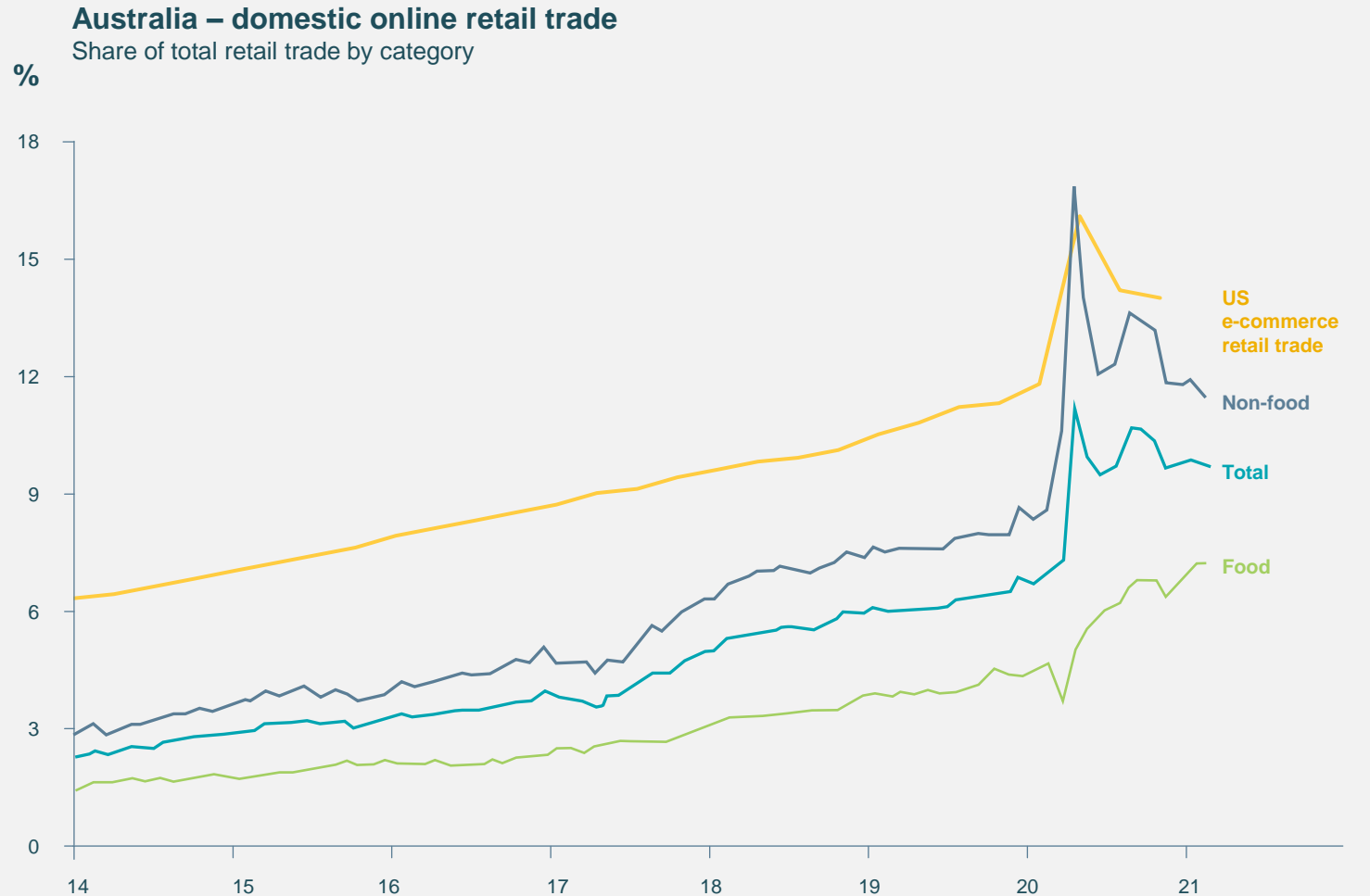
Vitamin and mineral supplements scan value sales growth by channel



Source: IQVIA Scan; Nielsen Homescan

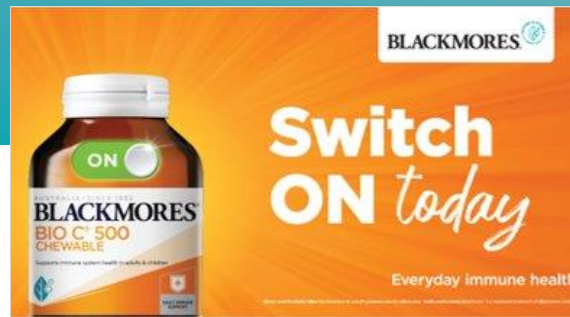
# Shift to online creates opportunity

The online share of retail sales has edged lower as mobility has improved but is well above pre-COVID levels



Source: Australian Bureau of Statistics, Macquarie Macro Strategy

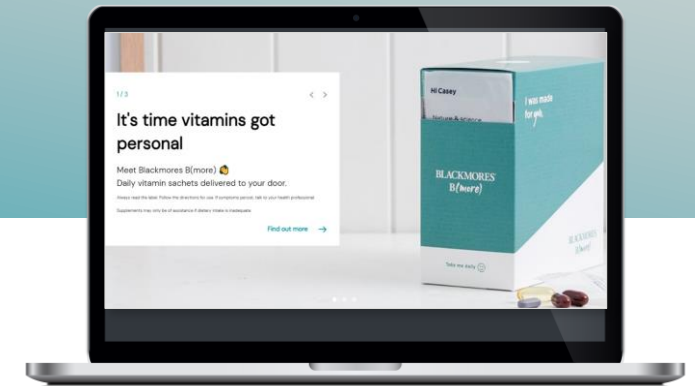
# We are focused on restoring category value in Australia



**Drive domestic consumption** by balancing product innovation, investing in brands and price discounting



**Channel-specific brand campaigns** that deliver distinctive consumer value propositions and purchase intent with shoppers



**Leverage online platforms** to better access more consumers and better serve customers and practitioners

Expand reach and influence, leveraging 90 years of naturopathic heritage

# H2 FY21 | Trading update and outlook



**Second half revenue growth in Asia** will continue with positive signs of health and economic recovery underway



**Cost savings programs** and pricing taken in October 2020 leading to improvements in gross margins, offsetting full year impact of Braeside ownership



**Challenging market conditions in Australia** will continue as international borders remain closed and will lead to revenue for the second half being lower than the first half



**Capital allocation framework** as a key enabler to guide investment decisions that drive growth in our business and more consistent shareholder value and return over the longer term



**Continue to execute against our Growth Strategy** to return Blackmores to sustainable, profitable growth and shareholder value creation mindful of uncertainty around border closures and vaccine roll out

# Our Strategic Focus

*Health with people, pets and  
our planet in mind*



# Blackmores' 2025 aspiration

Connect **1 billion** people to the healing power of nature through our brands

BLACKMORES  
| GROUP

|                      | China            | India            | Indonesia        | Australia          |
|----------------------|------------------|------------------|------------------|--------------------|
| Population           | 1.44b            | 1.39b            | 274m             | 25.6m              |
| Internet* users      | 939m             | 624m             | 202m             | 23m                |
| Category Penetration | 20% <sup>1</sup> | 10% <sup>2</sup> | 34% <sup>3</sup> | 70.6% <sup>4</sup> |

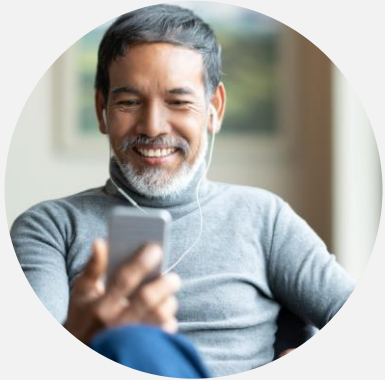
\*Source: Wearesocial.com Digital Report 2021 – Australia, India, Indonesia, China

1. China Health Supplements Market Data Pack October 2020
2. India Total Nutraceuticals Industry Snapshot March 2020
3. Kalbe Financial Report 2013
4. Nielsen Homescan 12 months MAT to 21 March 2021



# Disciplined execution of our strategy

Relentless focus on executing our key choices



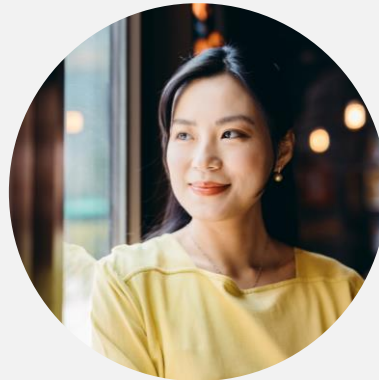
## Digital Transformation

**Leverage digital transformation** to rapidly access more consumers and transform how we operate to better serve consumers, customers and practitioners



## Superior Experiences

**Deliver a superior** consumer and practitioner **experience** leveraging unparalleled knowledge of nature and science and our brand



## Modern Career Woman

**Gain the trust** and loyalty of the Modern Career Women (led by China) to care for herself and her family



## New Consumer Reach Halal

**Reach underserved consumer groups** through an assured supply chain for culturally customised products (Halal being first)



## Expand Pet

**Accelerate our Pet supplements leadership** at home and in new markets

# A view of our digital business today

We have a solid foundation to build on



Size of our  
e-commerce business

25%\*

of sales via owned and  
partner digital channels



Growth of  
e-commerce

25%

growth in the  
past year



Marketing  
spend

50%

of our advertising  
spend is digital



Leading digitisation  
of education

100%

of education  
courses online

Opportunity to accelerate what is working and build where needed

\*Includes CBEC China, Australian ecommerce sales

# Extend our consumer reach via digital transformation



## Access to new consumers

Connecting them to our brands and the healing power of nature

- Connect via digital - advertising and content
- Win on e-commerce platforms e.g. Tmall, Lazada



## Empowering practitioners and retailers

Innovation and/or superior end-to-end digitally enabled experiences to better serve our customers and deliver better health outcomes

- Digital communication
- B2B e-commerce



## Health eco-system

Identify digitally-led innovation and integrative health solutions beyond the bottle

- Personalised content, recommendations
- Digital naturopathy
- Preventative care



## Creating world-class operations

Enabling data-led decisioning and automation of key processes, whilst ensuring the safety of our products and people

- Digitally-enabled operations
- Automation of processes
- Supporting our high level safety and quality

# Foundation of our ESG Framework at Blackmores



## Committed to Net Zero Emissions by 2030

with a clear pathway of emissions reduction initiatives mapped



## Developing our climate change resilience model



## Deepened supply chain transparency

to assess and address the risk of modern slavery and understand the impact of our business on people and the environment.

Full packaging review underway, with sustainability a key focus.



## Strengthened governance and systemisation

of the controls and metrics to support continuous improvement

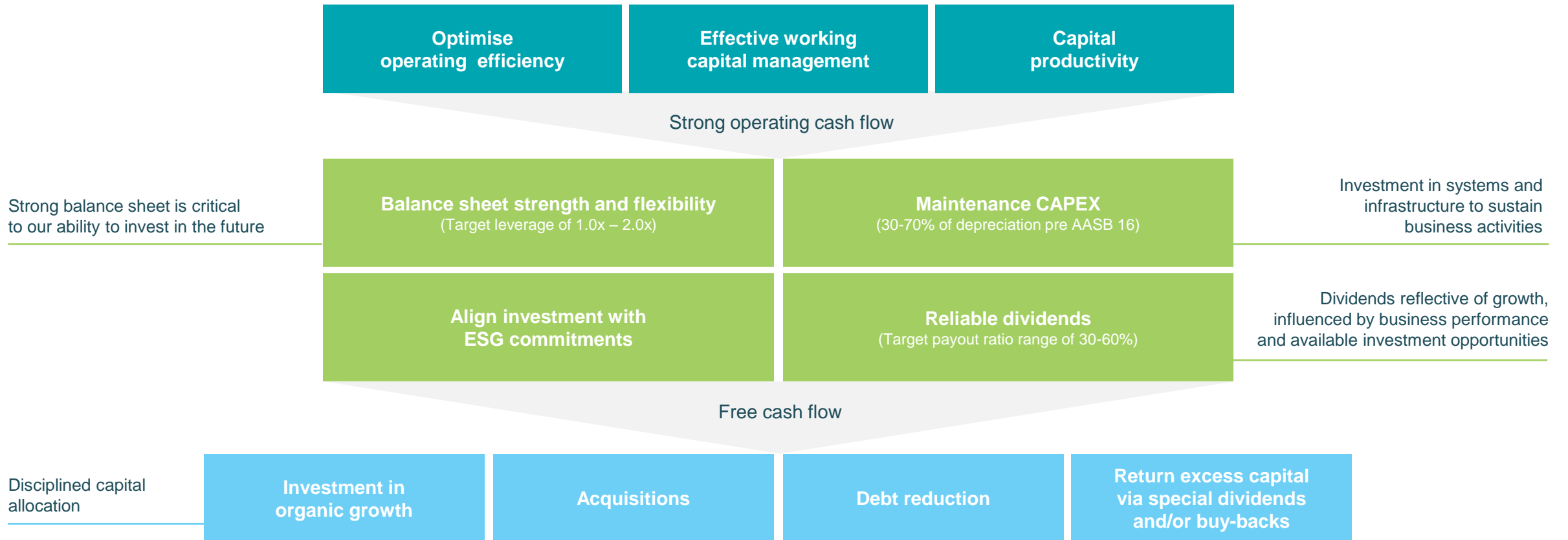


## Commitment to social and community impact

by leading the way to protect and positively impact what we're passionate about Nature and its healing powers for people and their pets, communities and the planet

# Underpinned by a strong capital allocation framework

Aligned with our strategic framework to maximise value and returns; ensure ROIC > WACC



# Key messages



## Blackmores Group transformation is well underway.

We have simplified our operating model and are focused on our growth strategy to return Blackmores to sustainable, profitable growth. Our transformation will be enabled by reaching and influencing more consumers through a fundamental change in digital capability.



## Australian vitamin and dietary supplement

category has been impacted by structural shifts and changing shopper behaviour, resulting from COVID-19.

Focus is on restoring value to the marketplace via innovation, partnering with our retailers on a great health experience and leveraging online platform to access more consumers.



## Blackmores Capital Allocation Framework

is aligned with our strategic and financial objectives to ensure capital discipline. This framework is a key enabler to guide investment decisions that drive growth and long-term shareholder value and returns.



## Long-standing and committed leadership in Environmental, Social & Governance (ESG)

is underpinned by investments that deliver on our responsibility to make a positive impact on “healthy people, healthy planet” through everything we do.



## Continue to execute against our Growth Strategy

with focus investments in Asia, Digital, Pet and Manufacturing via offers that deliver specific consumer needs and drive distinctive, market-leading brands.

Consider M&A that has a strong fit to agreed strategy, accelerates growth and builds shareholder value.

# Blackmores has the future in mind

Towards net  
zero emissions and zero  
exploitation in supply chains

Unlocking value through  
our manufacturing and  
supply chain

Reaching new consumers and  
delivering superior customer  
experiences through digital



Connect 1 billion people  
to the healing power of  
nature through our brands

Disciplined approach to  
capital allocation and other  
investment opportunities

Relentless focus on  
executing our growth  
strategy

*Connect every person on earth to  
the healing power of nature*



Connecting every  
person on earth  
to the healing  
power of nature

# Q&A



# BLACKMORES<sup>®</sup> | GROUP

Registered office:

20 Jubilee Avenue  
Warriewood NSW 2102  
Phone: +61 2 9910 5000  
E: [ir@blackmores.com.au](mailto:ir@blackmores.com.au)

Blackmores Limited  
ACN 009 713 437

[blackmores.com.au](http://blackmores.com.au)