



**WELCOME
55th ANNUAL
GENERAL MEETING**

**BLACKMORES LTD
26 OCTOBER 2017**

CHAIRMAN'S WELCOME

BLACKMORES



Stephen Chapman
Chairman



Marcus Blackmore AM
Executive Director

GUEST SPEAKERS

BLACKMORES



Blackmores Asia

CEO'S YEAR IN REVIEW

BLACKMORES



Richard Henfrey
Chief Executive Officer

BLACKMORES EXECUTIVE TEAM

BLACKMORES

Chief Executive Officer
Richard Henfrey



**Managing Director,
Australia & NZ**
David Fenlon



Managing Director, Asia
Peter Osborne



**Managing Director,
BioCeuticals**
Nathan Cheong



**Director
Blackmores Institute**
Dr Lesley Braun



**Company Secretary &
Director of Corporate Affairs**
Cecile Cooper



Chief Financial Officer
Aaron Canning

A REBALANCING YEAR FOR BLACKMORES

BLACKMORES



Eric Jeanmaire, Sales Director, Blackmores Australia

- A challenging first quarter and turbulent year, and the Group emerged stronger as a result
 - Group sales of \$693m, -3%
 - Group NPAT of \$58m, -42%
- Australian retail market has been competitive, putting pressure on profit
- Consumer demand remains strong, though retail environment is volatile
- Realigned cost structure to manage expenses and reinvesting savings into growth initiatives
- Appropriate provisions in place for inventory secured during 2016 supply constraints and for infant formula
- Final dividend of 140c, taking total dividends to 270c fully franked

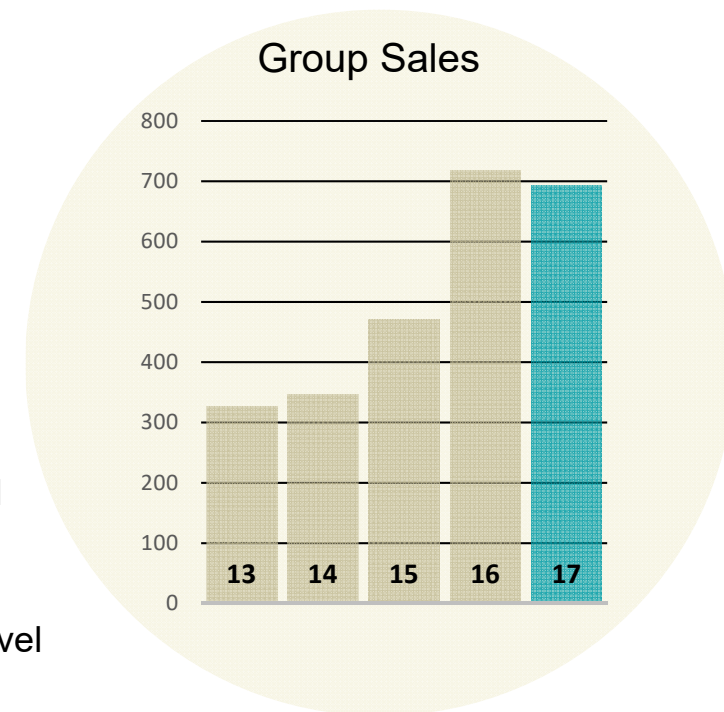
SALES IMPROVED AS THE YEAR PROGRESSED

- Full year sales of \$693 million, down 3% on prior year

FY17 Sales		
Q1	\$149m	-8%
Q2	\$173m	-3%
Q3	\$174m	-9%
Q4	\$197m	+6%

*Compared to prior year

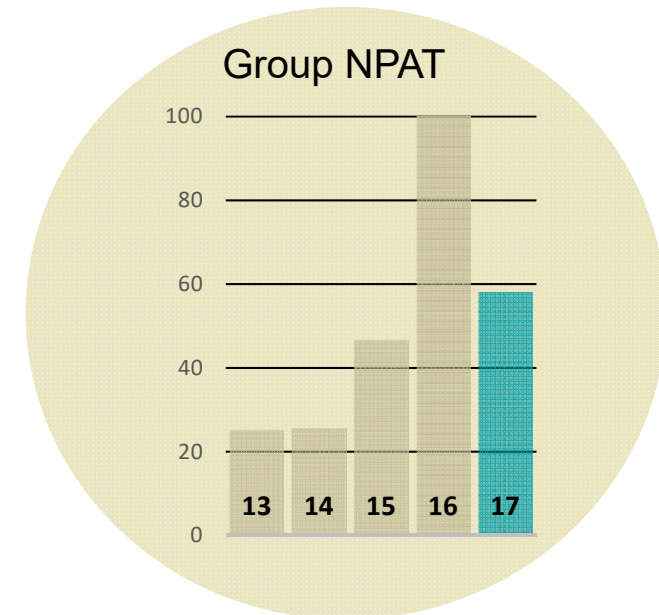
- Sales channels continue to evolve, particularly in Australia and China
- Australian retail has been competitive and required a higher level of investment in trade expenses and promotional support



PROFIT WAS IMPACTED BY A COMPETITIVE RETAIL LANDSCAPE

BLACKMORES

- Earnings before interest and taxes of \$86m was down 41% compared to prior year
- Net profit after tax of \$58m for the full year, down 42% compared to prior year
- Profit was impacted by a higher cost of operating in our channels; higher ingredient costs, which put pressure on margins; and one-off provisions
- Management has reviewed operations and activity to reshape the business to reflect the changing retail environment and control expenses



BLACKMORES AUSTRALIA & NZ

BLACKMORES

- Blackmores Australia, New Zealand and Pure Animal Wellbeing sales for the full year were \$372 million, down 23% as Chinese tourists and exporters changed their buying patterns
- Blackmores remains the number one in the category in Australia, and most trusted brand for 9 years running¹
- Channel disruption and destocking inventory evident, particularly in the first quarter
- Strengthening and growing market position – IMS data shows Blackmores' domestic sales delivering modest growth, ahead of category growth

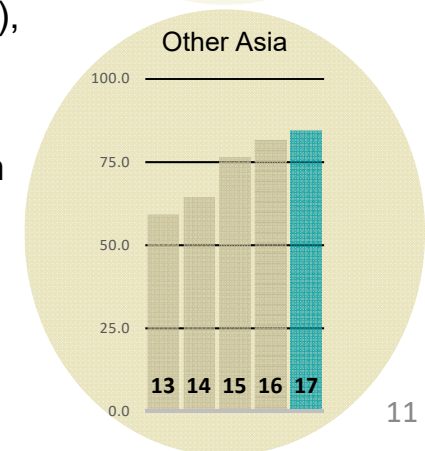
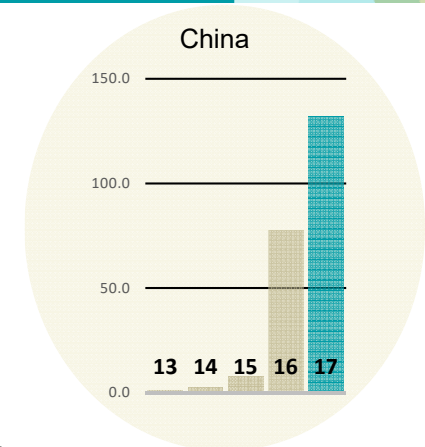
1. Reader's Digest Trusted Brands 2017



Amy Wagner, Integrated Communications & Sponsorship Manager, Blackmores Australia

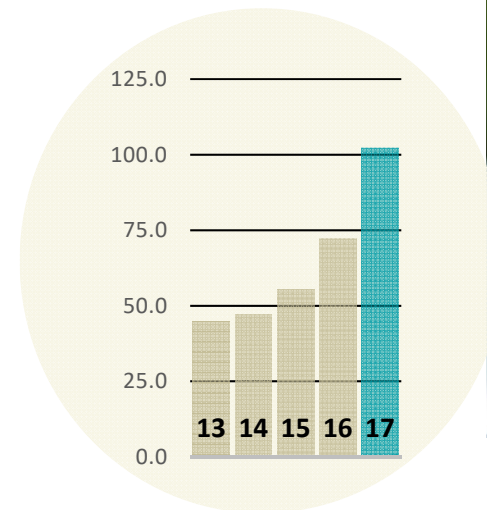
ASIA GROWTH

- Total Asia sales at \$216m, up 36% delivering almost \$29m in EBIT up 3%
- China direct sales at \$132m, up 71%. Including sales through Australian retailers for consumers in China, China accounts for an estimated \$250m of Group sales
- Blackmores appointed Vice President Company of the China Association for Quality Inspection
- Strong sales in established markets in local currencies – including Thailand (+8%), Malaysia (+11%), Singapore (+13%), Hong Kong (+51%) and Taiwan (+58%)
- First nine months of operation in Indonesia through JV Kalbe Blackmores Nutrition adding \$4m in sales (AUD). Performance in line with expectations
- Vietnam launch announced, distributor and team appointed, products progressing through registration process



BIOCEUTICALS & GLOBAL THERAPEUTICS

- BioCeuticals Group sales of \$102m, up 42%
 - BioCeuticals sales of \$79m, up 15% and clear market leadership in practitioner-only products
 - Global Therapeutics sales of \$23m, up 11% on a like-for-like basis
- EBIT of \$14.3m, up 44%
- Strong innovation pipeline delivered in the year
- Global leader in education with more than one million downloads of FX Medicine podcasts in the year



BLACKMORES INSTITUTE

BLACKMORES



Dr Lesley Braun, Director of Blackmores Institute

- 1.2 million education touchpoints across the Group, reaching healthcare professionals, pharmacy students, retailers and vets
- 4 Blackmores Institute Symposia held in Australia, Thailand and Singapore
- Supporting Australia's National Institute of Complementary Medicine
- New partnerships with leading Asian universities
- 40 research projects, clinical trials and scholarly activities across the Group
- Investment in e-learning platform to enable global sharing of knowledge in multiple languages

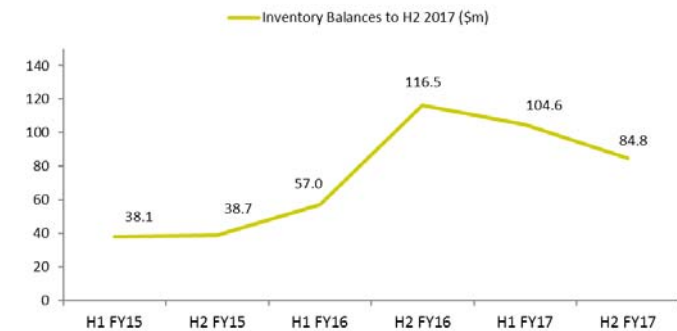
OPERATIONAL EFFECTIVENESS

BLACKMORES



Adam Martin, Team Leader for Strategic Sourcing & Technical, at the Blackmores Bungarribee Distribution Centre

- Major supplier review undertaken – full compliance to Code of Conduct, commitment to sustainability, access to more raw materials and improved pricing
- Inventory levels decreased in the second half of the financial year finishing the year at normalised levels
- 16,000m² state-of-the-art facility in Bungarribee, Western Sydney fitted out, doubling warehousing footprint to support higher volumes and anticipated growth
- Technology upgrades across the Group, including world-leading Learning Management System



YEAR END SUMMARY

BLACKMORES

- 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.



Evan Hayes, Director of Sourcing, and supplier Tim Smith from Boundary Bend

FIRST QUARTER UPDATE

BLACKMORES



Siony Castillo (left) and Suma Kennaway, Production Operators, Blackmores

- **Blackmores returns to profit growth with first quarter profit of \$15.4 million, up 28% compared to prior corresponding period**
- Net sales of \$134 million, up 9% compared to prior corresponding period
- Demand continues to grow from Chinese consumers, China sales up 28%
- Launched new range of kids' products free from sugar
- Launched a new world-class education platform
- Released 2017 Sustainability Report ***blackmoressustainability.com.au***
- Maintained tight cost control while continuing to invest in key growth platforms
- On track for full year profit growth

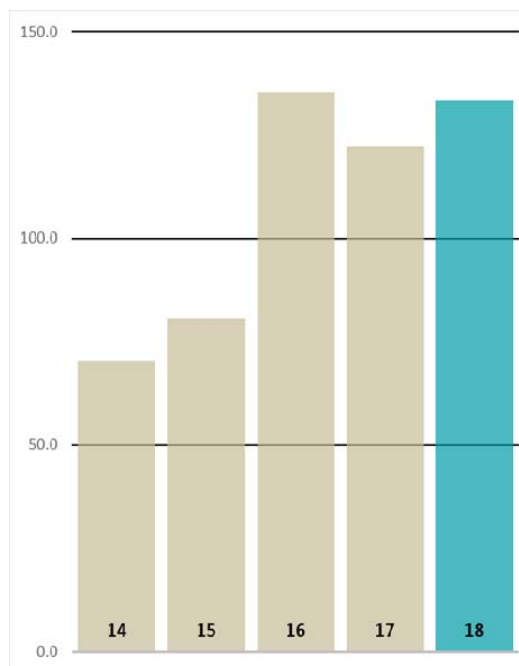
FIRST QUARTER F18

AUD \$m	F18	F17	% vs LY
Net sales	133.5	122.1	+9%
EBITDA	24.3	19.8	+23%
EBIT	22.2	17.8	+25%
Net interest expense	0.8	0.8	+0%
Profit before tax	21.4	17.0	+26%
Income tax expense	6.3	4.9	+28%
NPAT*	15.4	12.1	+28%

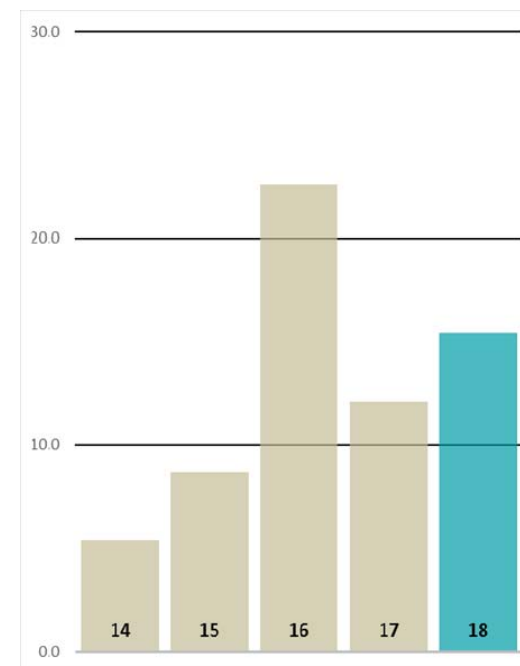
*Profit for the period attributable to the owners of Blackmores Ltd

Q1 RESULTS

NET SALES (\$m)



NPAT (\$m)



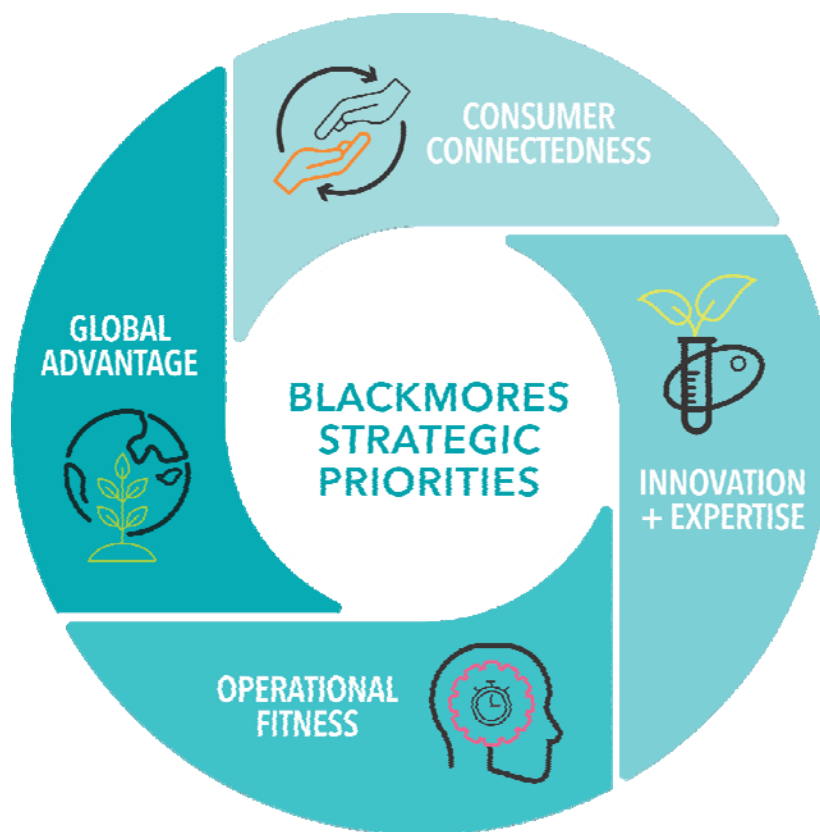
OUTLOOK

BLACKMORES

- The Group is in a better position than this time last year with a sound balance sheet, sales and profits returning to year-on-year growth and customers not carrying the high levels of stock that impacted Blackmores' performance twelve months ago
- Consumer demand in China remains strong, though the buying patterns of Chinese entrepreneurs, tourists and exporters in Australia continues to evolve
- Challenges in Australian retail caused by softer consumer sentiment
- Continued investment in new business initiatives reflects the number of opportunities across the Group and the Board's confidence in the growth prospects of the company
- In line with our expectations, we are on track to deliver growth on last year's reported profit



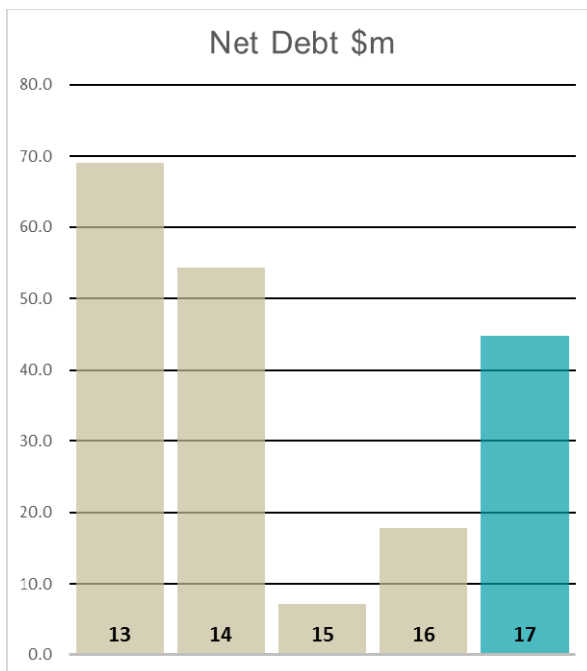
WE HAVE A CLEAR VISION TO GROW





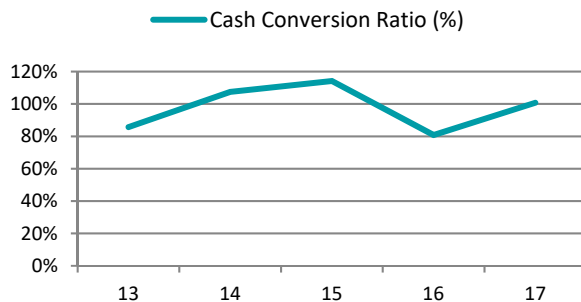
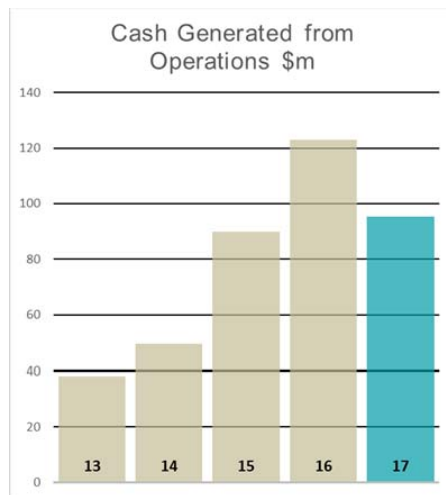
Aaron Canning
Chief Financial Officer

BALANCE SHEET



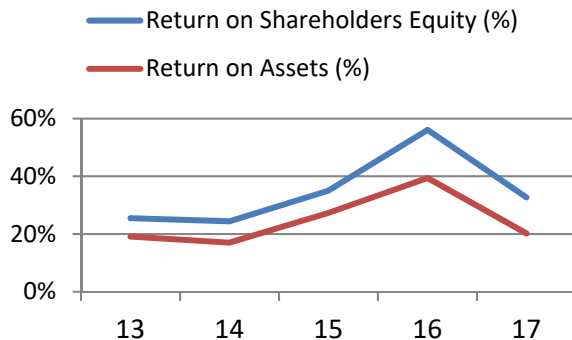
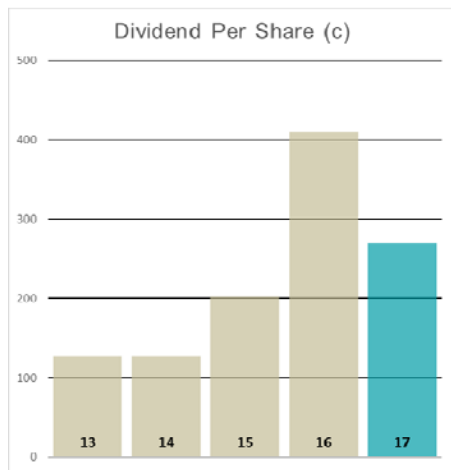
- Inventory holdings normalised, down 27% to \$85m and \$49m lower than the peak period in September 2016
- Appropriate provision in place for slow moving inventory
- Working capital broadly flat year on year, but \$27m lower since December 2016
- Net debt \$45m representing an increase of \$27m after payment of record dividend, taxation and staff incentive payments relating to prior year
- Gearing ratio is 20.1% (2016: 9.1%) with net interest cover at 20.6 times
- Conservative level of headroom on all bank covenants
- New Asian banking partner added and extended maturity profile

CASH FLOW & CASH CONVERSION



- Cash generated from operations of \$95m was down 23%, compares favourably to EBIT down 41%
- Net cash flow from operations after record taxation payments financing costs were \$46m, down 45%
- Strong second half cash flow performance delivered improved year-end result
- Cash conversion ratio (CCR) of 101%, up 20%, with second half CCR 161% reflecting improved operational cash metrics
- Cash generation fundamentals remain strong
- Continued focus on working capital management and cash generation opportunities

RETURNS TO SHAREHOLDERS



- Earnings per share of 342.6c, down 41% on the prior year
- Final dividend of 140 cents bringing full year dividend to 270 cents per share fully franked, representing a 34% decline on the prior year
- Return on assets ratio 20%, down from 39%
- Return on equity ratio is 33%, down from 56%
- Management committed to balancing investment to deliver future sustainable growth opportunities whilst retaining a cost conscious approach to managing ongoing operations

RESOLUTIONS

BLACKMORES

1. Adoption of Remuneration Report
2. Re-election of Ms Helen Nash as a Director
3. Re-election of Mr David Ansell as a Director
4. Approval of the Executive Share Plan
5. Grant of Shares to Mr Richard Henfrey

RESOLUTION 1 – REMUNERATION PROXIES

Vote Type	Voted	% of Voted	% of all securities
For	3,585,059	91.77	20.81
Against	100,287	2.57	0.58
Open-Usable - refer below	221,020	5.66	1.28
Total	3,906,366	100.00	
Open-Usable Breakdown			
Chairman appointed as Proxy	72,324	1.85%	
Others appointed as Proxy	148,696	3.81%	

RESOLUTION 2 – MS NASH RE-ELECTION PROXIES

Vote Type	Voted	% of Voted
For	8,200,838	96.57
Against	70,041	0.82
Open-Usable	221,721	2.61
Total	8,492,600	100.00%

RESOLUTION 3 – MR DAVID ANSELL RE-ELECTION PROXIES

BLACKMORES

Vote Type	Voted	% of Voted
For	8,106,692	95.46
Against	159,454	1.88
Open-Usable	226,060	2.66
Total	8,492,206	100.00%

RESOLUTION 4 – EXECUTIVE SHARE PLAN PROXIES

Vote Type	Voted	% of Voted
For	8,103,563	95.60
Against	156,266	1.84
Open-Usable	217,857	2.56
Total	8,477,686	100.00%

RESOLUTION 5 – GRANT OF SHARES MR RICHARD HENFREY PROXIES

BLACKMORES

Vote Type	Voted	% of Voted
For	8,095,456	95.45
Against	169,266	1.99
Open-Usable	217,761	2.56
Total	8,482,483	100.00%

RESOLUTIONS

BLACKMORES

1. Adoption of Remuneration Report
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3. Re-election of Mr David Ansell as a Director
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5. Grant of Shares to Mr Richard Henfrey

Thank you

We look forward to seeing
you at our AGM next year
at the Blackmores Campus