

# Welcome

57<sup>th</sup> ANNUAL  
GENERAL MEETING

Blackmores Ltd

BLACKMORES<sup>®</sup>  
| GROUP

31<sup>st</sup> October 2019

BLACKMORES<sup>®</sup>

 BioCeuticals

paw  Pure Animal Wellbeing  
by BLACKMORES

impromy<sup>™</sup> Developed in  
collaboration  
with the CSIRO

ISOWHEY<sup>®</sup>

 BLACKMORES  
INSTITUTE

FUSION  health  
ancient wisdom modern medicine<sup>®</sup>

 Oriental Botanicals<sup>®</sup>  
ancient wisdom modern medicine<sup>®</sup>

# 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



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**Alastair Symington**  
CHIEF EXECUTIVE OFFICER



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**Aaron Canning**  
CHIEF FINANCIAL OFFICER



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**Brett Winn**  
CHIEF INFORMATION OFFICER



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



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



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**Jane Franks**  
CHIEF PEOPLE OFFICER



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**Jeremy Cowan**  
CHIEF OPERATIONS OFFICER



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**Lesley Braun**  
DIRECTOR, BLACKMORES INSTITUTE



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**Peter Osborne**  
MANAGING DIRECTOR, ASIA

Wellness is a  
**\$4.2** trillion  
industry

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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





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 | <b>1</b> Stagnation in Australia                        |
| China        | \$2M   | \$259M | \$162M | <b>2</b> Channel shift in China                         |
| NPAT         | \$25M  | \$100M | \$53M  | <b>3</b> Increasing cost of operations impacting profit |
| Gross Margin | 61%    | 64%    | 60%    |   |

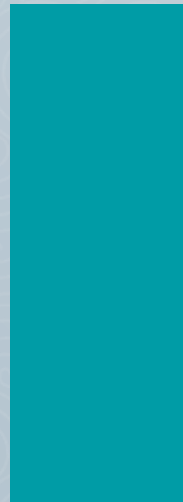
# MARGINS NEED TO IMPROVE

63%



Key Competitors

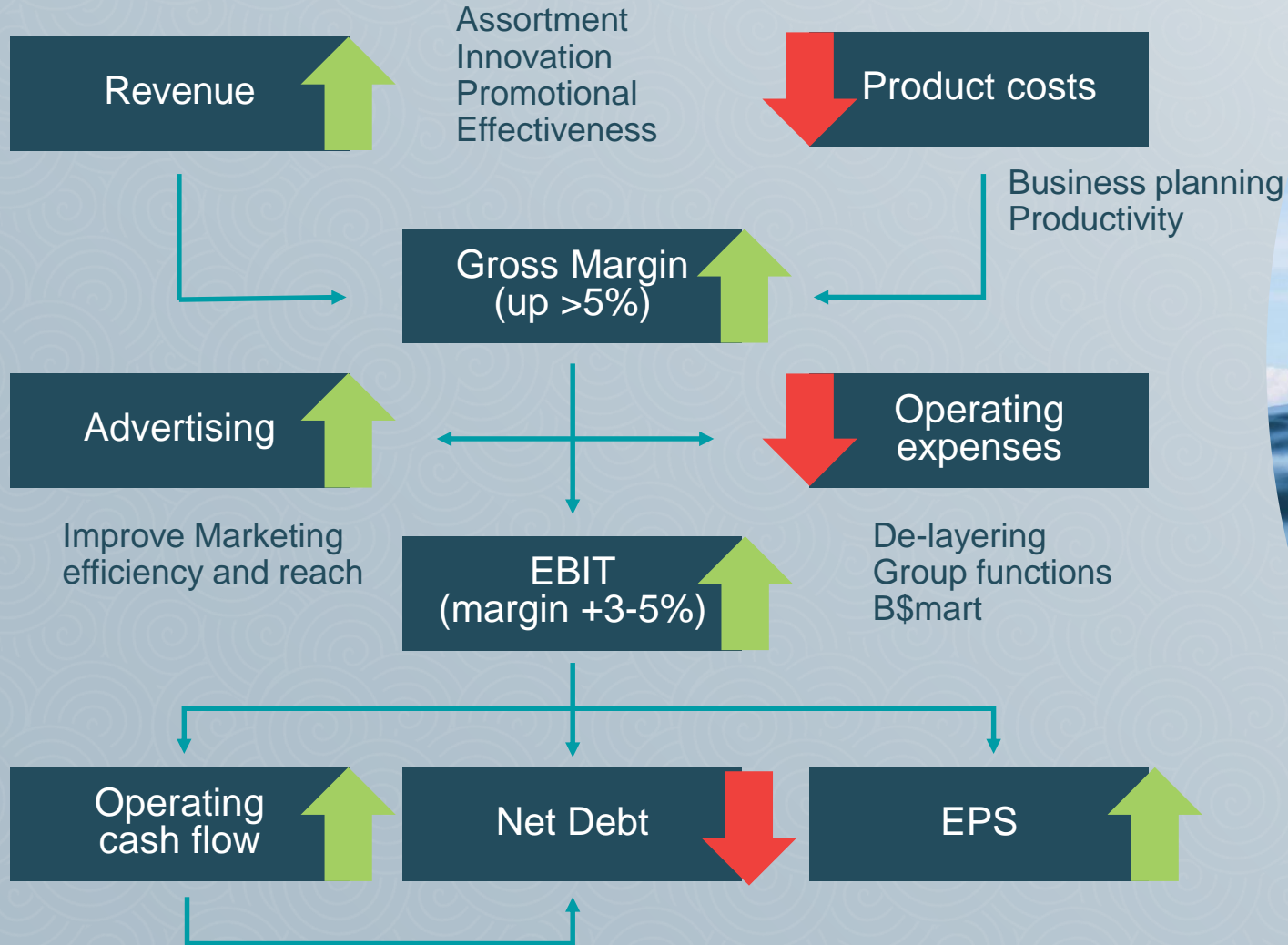
58%



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**

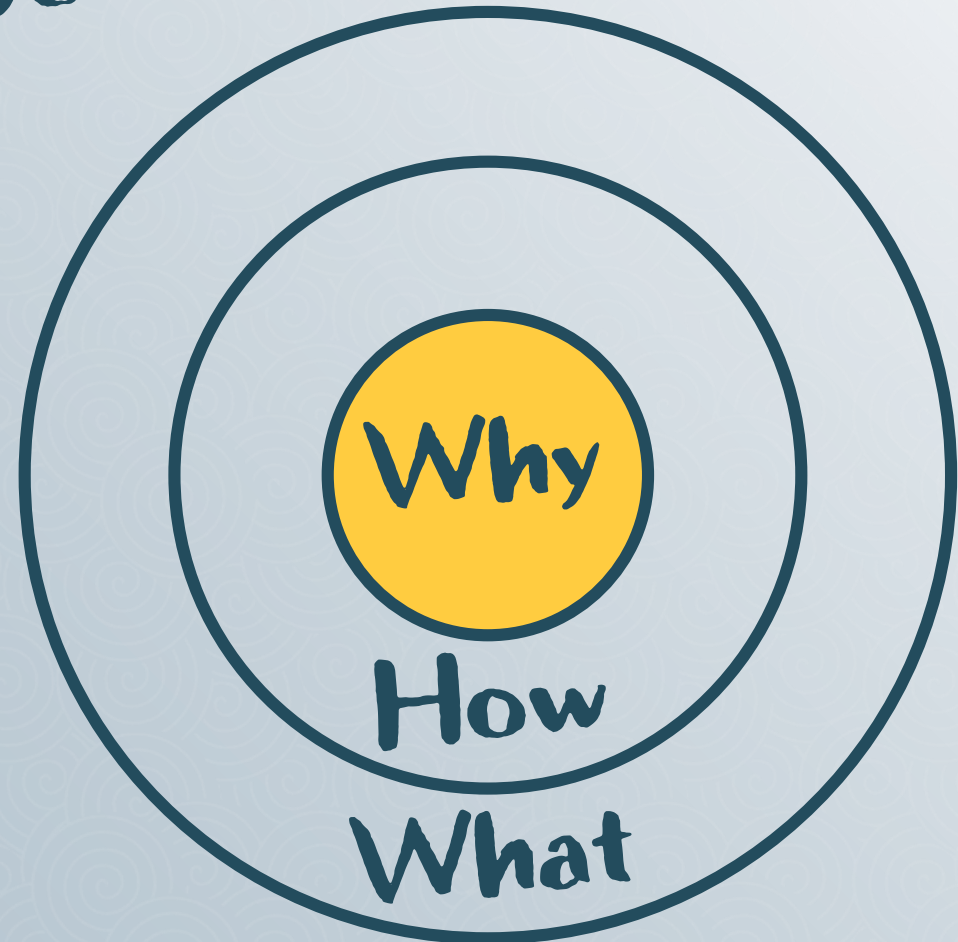
Every organisation knows **WHAT** they do.

**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**

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



## 2. Rejuvenate Australia

We are clear on **category consumer needs**

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Stronger and differentiated **Customer Value Proposition**

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

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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



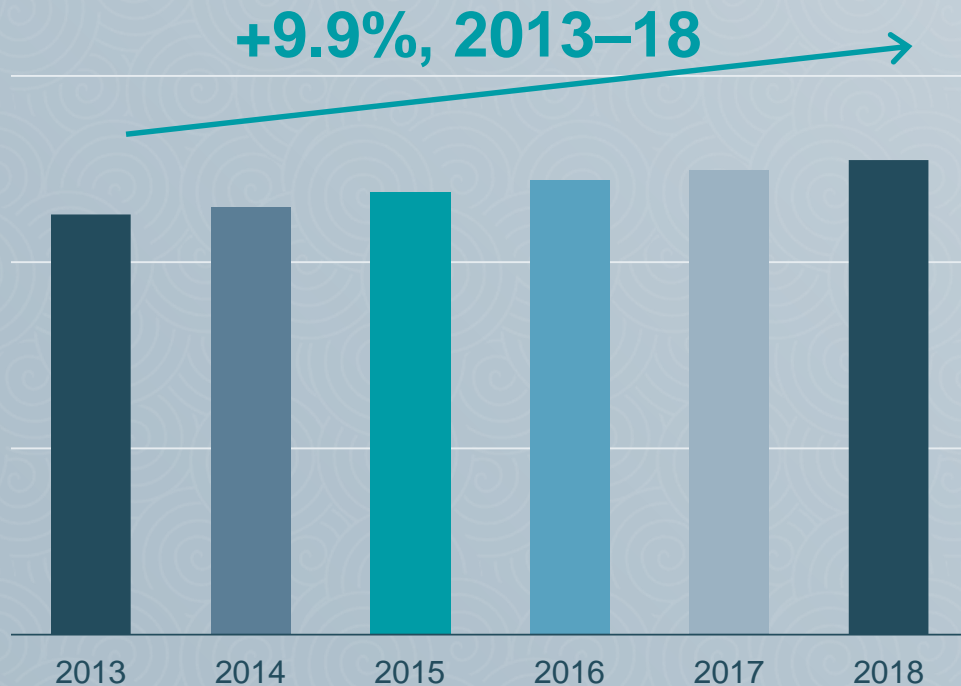
**13.6% CAGR**  
between 2013-2018



**AU\$460m**  
Growth last 5 years

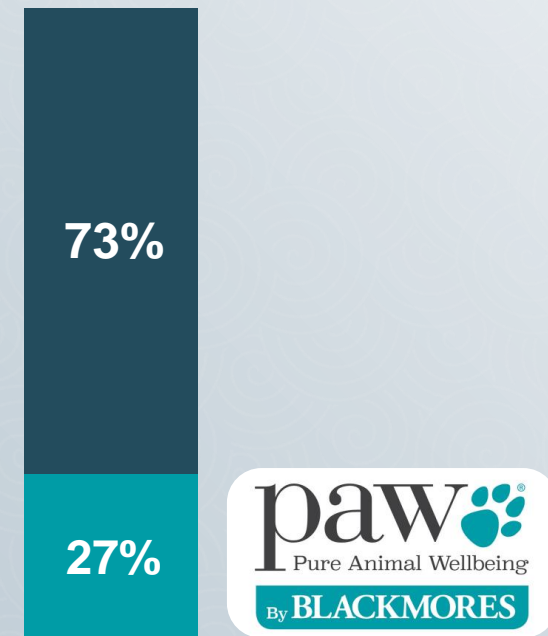
# PAW HAS A 27% SHARE OF SUPPLEMENTS

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



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**Ayumi  
Uyeda**

MANAGING DIRECTOR, BLACKMORES  
AUSTRALIA & NEW ZEALAND

# 3. Deliver a Sustainable Growth Model - Asia Markets

## Accelerate Indonesia

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Meeting local needs  
Leverage JV partner

## Emerging Market

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India, Middle East

## Expand Coverage in Thailand

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Distribution expansion  
Explore Adjacencies



# BRAND PRESENCE ACROSS OUR REGIONS

## China

Blackmores  
PAW

## Malaysia

Blackmores

## Indonesia

Blackmores

## Thailand

Blackmores

## Australia

Blackmores  
BioCeuticals  
PAW

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



# DELIVER A SUSTAINABLE GROWTH MODEL – CHINA



## Consumers

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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

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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

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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



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**Kitty  
Liu**

MANAGING DIRECTOR, CHINA



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**Dean  
Garvey**

MANAGING DIRECTOR, BLACKMORES  
INTERNATIONAL

# 4. Product + Services Powered by Education

**Product Portfolio to deliver  
Holistic Health solutions**

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## **Consumer Based**

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As Global as Possible  
e.g. Paediatric Health

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Local where needed  
e.g. Halal, product claims

## **Channel Focused**

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Retail (offline)

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Online (B2C)

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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

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**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

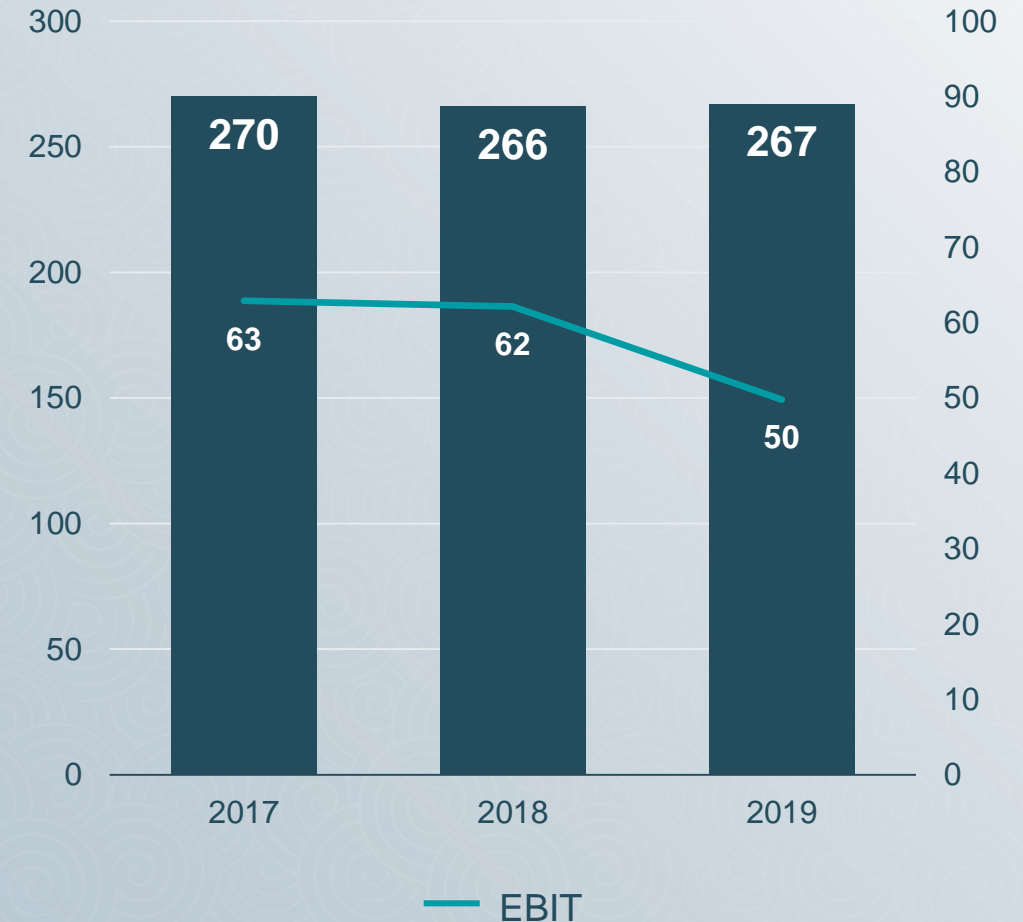
Revenue in Australia and New Zealand **\$267m**, slightly ahead of the prior year.

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

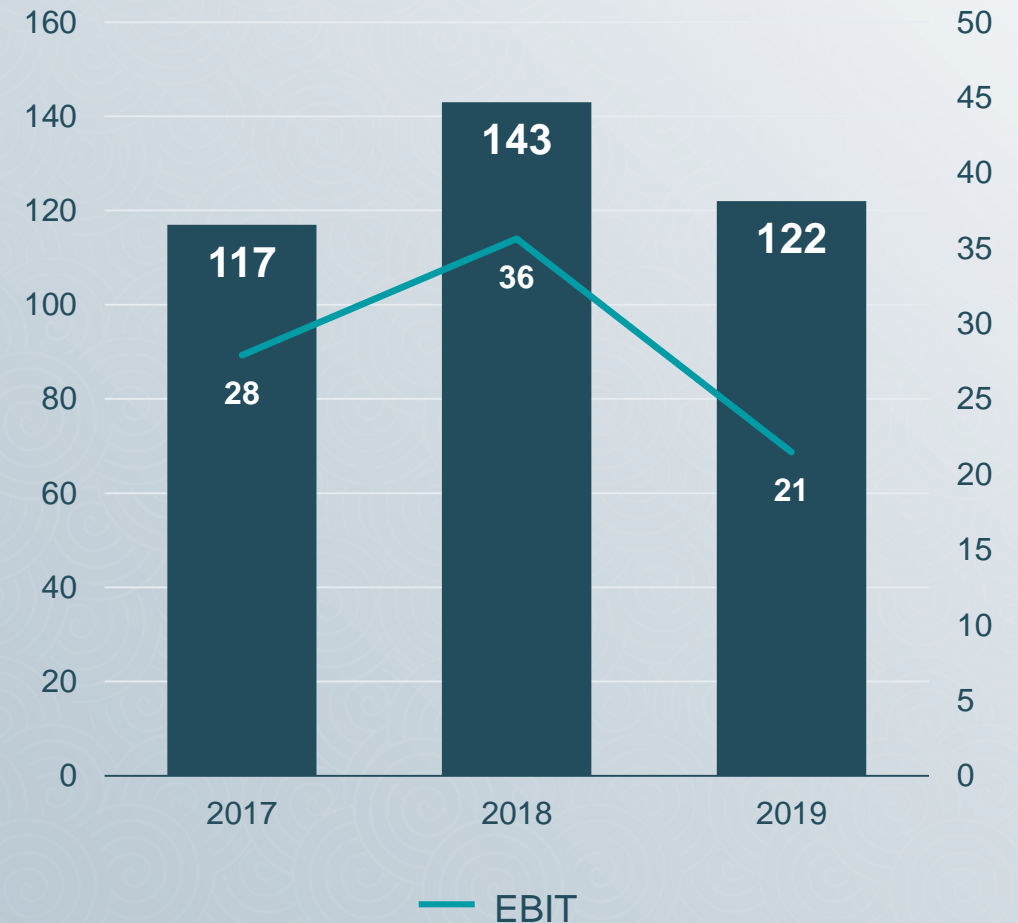
Revenue in the China segment (key export accounts and in-country revenue) **\$122m, down 15% on prior year.**

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

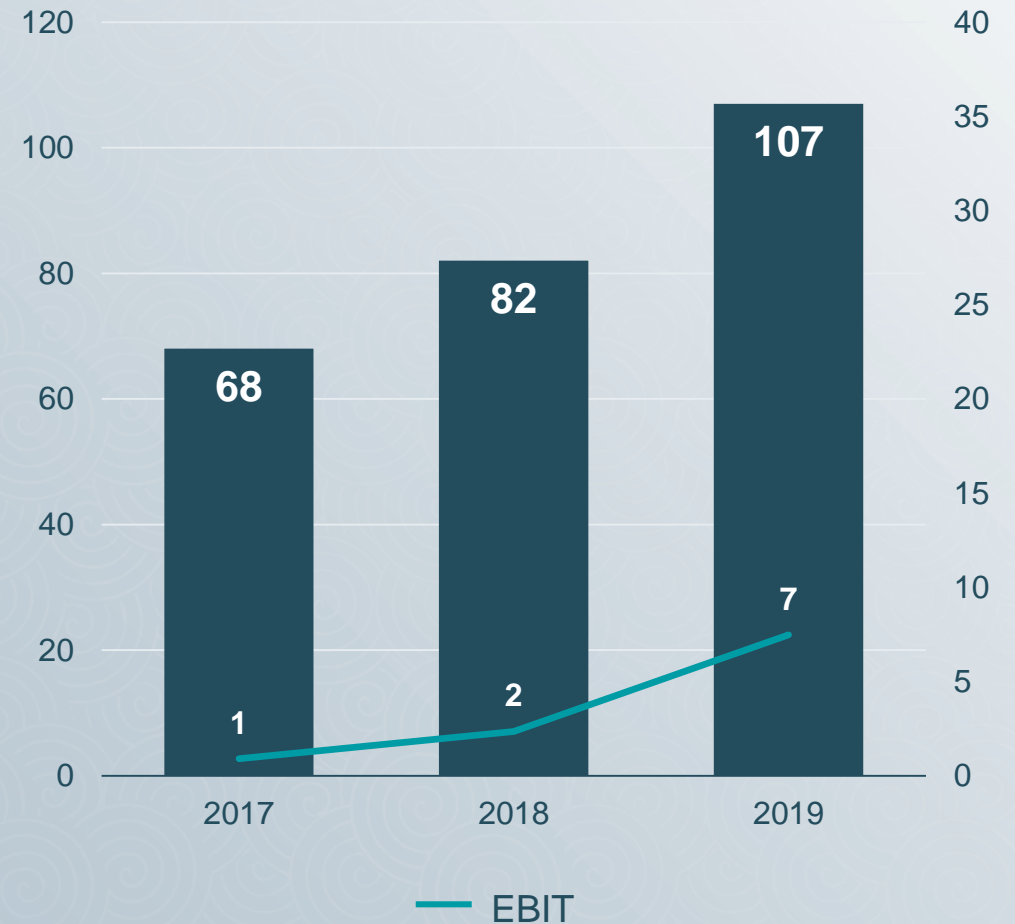
Revenue from across Asia markets (excluding China) of **\$107m, up 30%**.

**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

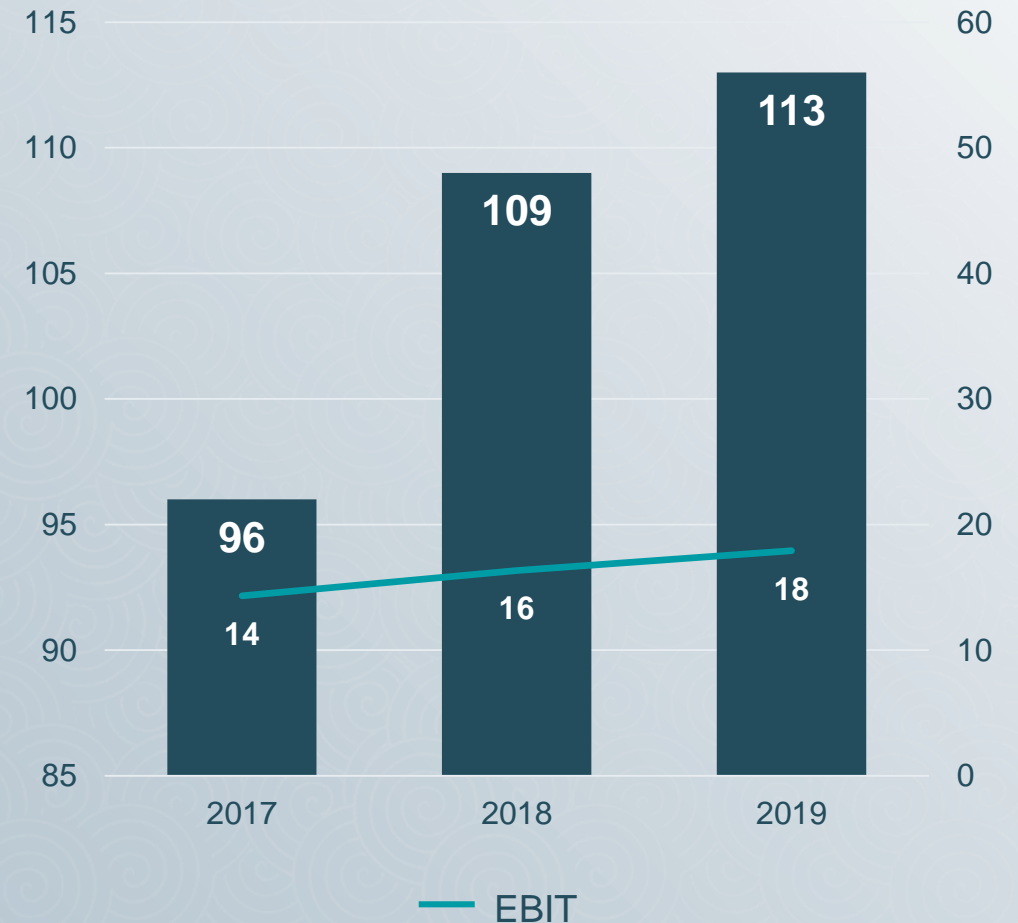
The BioCeuticals Group including BioCeuticals, Fusion Health, Oriental Botanicals and IsoWhey brands delivered revenue of **\$113m, up 4% compared to the prior year.**

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 <sup>2</sup> | FY18         | Chg %        |
|------------------------------------|-------------------|--------------|--------------|
| <b>Revenue</b>                     | <b>609.5</b>      | <b>601.1</b> | <b>1%</b>    |
| Raw materials and consumables used | 244.0             | 232.4        | 5%           |
| <b>Gross Margin</b>                | <b>365.5</b>      | <b>368.8</b> | <b>0%</b>    |
| Selling and marketing expenses     | 68.6              | 59.2         | 16%          |
| Operating expenses                 | 219.0             | 208.5        | 5%           |
| <b>EBIT<sup>1</sup></b>            | <b>82.7</b>       | <b>101.6</b> | <b>(19%)</b> |
| <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%        |              |
| <b>NPAT</b>                        | <b>55.0</b>       | <b>70.0</b>  | <b>(21%)</b> |

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%)      |
| <b>Working Capital</b>                   | <b>137.2</b> | <b>96.9</b>  | <b>42%</b> |
| 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%        |
| <b>Net Assets</b>                        | <b>207.7</b> | <b>193.3</b> | <b>7%</b>  |
| <i>Less:</i>                             |              |              |            |
| Non-controlling interests                | (0.4)        | (0.4)        | 6%         |
| <b>Shareholders' Equity</b>              | <b>207.3</b> | <b>192.9</b> | <b>7%</b>  |
| <i>Return on</i>                         |              |              |            |
| <i>shareholders' equity</i> <sup>1</sup> | 25.8%        | 36.3%        | (10.5) pts |
| <i>Return on assets</i> <sup>2</sup>     | 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%               |
| <b>Cash generated from operations</b>           | <b>51.8</b>  | <b>90.1</b>  | <b>(43%)</b>      |
| Interest and other costs of finance paid        | (6.7)        | (5.6)        | 19%               |
| Income taxes paid                               | (25.3)       | (26.5)       | (5%)              |
| <b>Net cash flows from operating activities</b> | <b>19.8</b>  | <b>58.0</b>  | <b>(66%)</b>      |
| EBTDA   | 91.4         | 110.6        | (17%)             |
| <b>Cash conversion ratio (CCR) %</b>            | <b>56.7%</b> | <b>81.5%</b> | <b>(24.8) pts</b> |

# 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%        |
| <b>Net debt</b>            | <b>94.5</b> | <b>49.5</b> | <b>91%</b> |
| 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%)        |
| <b>Total</b>          | <b>220</b>   | <b>305</b> | <b>(28%)</b> |
| <i>Payout ratio %</i> | <b>71.2%</b> | 75.0%      |              |

# FY20 OUTLOOK

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

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

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

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Business improvement plan on track

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

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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                |
| <b>Total</b>                | <b>4,545,196</b> | <b>100.00</b> | <b>26.13</b>        |
| 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          |
| <b>Total</b> | <b>8,838,669</b> | <b>100.00</b> |

# 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          |
| <b>Total</b> | <b>8,841,384</b> | <b>100.00</b> |

# 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          |
| <b>Total</b> | <b>8,850,631</b> | <b>100.00</b> |

# 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          |
| <b>Total</b> | <b>8,848,805</b> | <b>100.00</b> |

# 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          |
| <b>Total</b> | <b>8,840,422</b> | <b>100.00</b> |

# 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          |
| <b>Total</b> | <b>8,840,770</b> | <b>100.00</b> |

# Thank you!

BLACKMORES®  
| GROUP

