BLACKMORES®

Investor Briefing

FY19 First Half Results
19 February 2019
Blackmores Limited

FIRST HALF F19

REVENUE

↑ 11%

Blackmores achieves record half year revenue of $319 million

↑ ANZ

Strong revenue growth in ANZ up 19%. Additional brand investment is driving sales

↑ China

Overall revenue growth to Chinese consumers estimated at 8%

↑↑ Asia

Korea up 67%, Hong Kong up 39%, Taiwan up 150%, Indonesia up 72%

PROFIT

$34m

Net profit for the half year, in line with prior corresponding period

↑ 268%

Increase in Other Asia segment EBIT

MARKET SHARE

No.1

Blackmores remains #1 brand in Australia with 16.7% market share[1]

EFFICIENCY

Business Improvement Program established to target $60m of savings over 3 years

[1] Nielsen total VDS market data MAT to 31/12/2018

AUSTRALIA & NEW ZEALAND

- **Revenue of $144 million – up $23 million or 19%**
- Number one VDS brand in Australia with 16.7% market share[1]
- Continued significant investment in A&P is delivering sales results
- Completed acquisition of Impromy – evidence-based weight management program developed with CSIRO
- PAW revenue growth of 21% year-on-year
- Australian retailers are targeting export trade
- Overall domestic sales growth ~ 6%

[1] Nielsen total VDS market data MAT to 31/12/2018

Sonya Lindsey, Receptionist & Customer Service, Blackmores Australia

ASIA: CHINA

- China segment sales were down 11% in the half compared to the pcp to $65m, although when China-influenced sales through Australian retailers are taken into account, we estimate growth in sales to Chinese consumers to be around 8%
- Contributing to this China result was a channel shift with Australian retailers more directly targeting the China export trade, which has benefited our ANZ segment results
- This channel shift was highlighted in quarter one and has continued to accelerate through quarter two
- New China Country Manager, Sophia Tseng, appointed commencing later this month

Single's Day campaign with Blackmores China brand ambassador Shawn Dou

ASIA

- Across Asia we recorded strong levels of revenue growth in a number of markets
  - Korea +67%, Taiwan +150%, Hong Kong +39%
  - Indonesia continuing to grow strongly +72%, driven by entry into Indonesia's largest pharmacy retail chain, Kimia Farma
- Other Asia segment revenue up 34% pcp to $53m
- Other Asia EBIT up 268% during the half, due to three key factors:
  1. Success of NPD and marketing programs
  2. Distribution and retailer expansion
  3. Improved supply environment

Blackmores' Asia regional campaign, 'Begin Better Every Day'

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BIOCEUTICALS GROUP

- **BioCeuticals Group continues to lead the practitioner category with revenue growth of 7%**
- Category leadership driven by education, specialist products and innovation
- Growth in pharmacy channel
- Successful NPD launches
  - Range extension for ArmaForce and Ultra Muscleze
- Expansion into clinical services
- Commenced a medicinal cannabis trial for glioblastoma multiform, a form of brain cancer. Trial run in conjunction with Prince of Wales Hospital and Endeavour College of Natural Therapies.

PROFIT & LOSS

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- **Record revenue of $319m, up 11%***
- Gross margin improvement impacted by raw material price increases and higher rebates related to stock clearance and channel mix
- Significant investment in selling and marketing expenses, particularly in China
- Operating expenses growth reflects investments across Asia and in Group capability and strategic initiatives (e.g. technology and capability programs)
- NPAT of $34m flat as a result of the planned increased investment

A$m	H1 FY19	H1 FY18	Chg $	Chg %
Sales Revenue	**319.4**	**287.4**	**32.0**	**11%**
Raw materials and consumables used	124.2	112.4	11.8	11%
% of sales revenue	*38.9%*	*39.1%*		
Selling and marketing expenses	32.0	24.5	7.5	31%
Operating expenses	113.8	102.0	11.8	12%
Total Expenses	**270.0**	**238.9**	**31.1**	**13%**
EBIT	**50.5**	**49.3**	**1.2**	**2%**
% of sales revenue	*15.8%*	*17.1%*		
Net interest expense	2.2	2.0	0.2	8%
Income tax expense	14.1	13.9	0.2	1%
% effective tax rate	*29.3%*	*29.5%*		
Non-controlling interest	(0.2)	(0.9)	0.7	(85%)
NPAT	**34.3**	**34.2**	**0.1**	**0%**
Invoiced sales	*397.4*	*351.9*	*45.5*	*13%*
Promo and other rebates % of IS	*19.6%*	*18.3%*		*+1.3ppts*

*Compared to prior corresponding period

BALANCE SHEET

- **Strong financial health and balance sheet maintained**
- No change in receivables risk profile or provisions in the period
- Inventory levels at $110m, up $6m* to support sales growth – with higher level of safety stock maintained
- Payables lower reflecting timing of supplier payments
- Goodwill and intangibles of $77m, up $11m* largely due to acquisition of Impromy in the period

*Compared to June 2018

A$m	Dec-18	Jun-18	$ Chg	% Chg
Receivables	138.9	150.8	(11.9)	(8%)
Inventories	110.4	104.0	6.4	6%
Less:				
Trade and other payables	(131.4)	(157.9)	26.5	(17%)
Working Capital	**118.0**	**96.9**	**21.1**	**22%**
Property, plant and equipment	78.4	76.3	2.1	3%
Goodwill and intangible assets	77.3	66.2	11.1	17%
Other net liabilities	(63.9)	(46.2)	(17.7)	38%
Net Assets	**209.8**	**193.3**	**16.5**	**9%**
Less:				
Non-controlling interests	*(0.2)*	*(0.4)*	0.2	(42%)
Shareholders' Equity	**209.5**	**192.9**	**16.6**	**9%**
Return on shareholders' equity[1]	*16.4%*	*19.0%*		*2.6 ppts*
Return on assets[2]	*10.7%*	*11.8%*		*(1.1) ppts*

[1] Calculated as half-year NPAT attributable to shareholders of Blackmores Limited divided by closing shareholders' equity.
[2] Calculated as half-year EBIT divided by average total assets

NET DEBT

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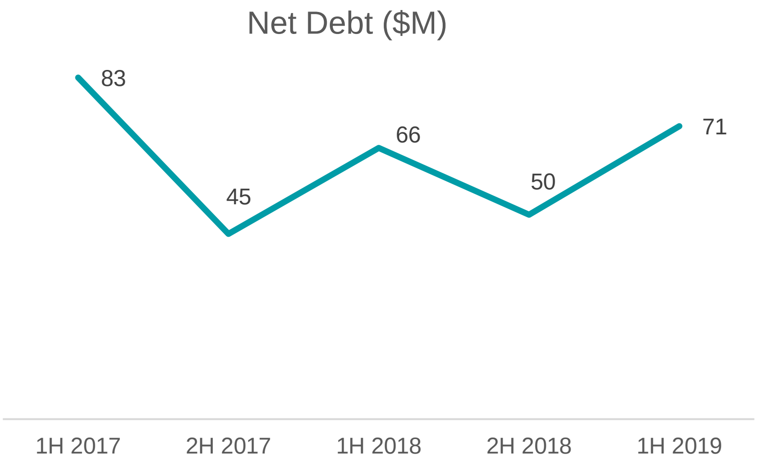
- Net debt at $71m increased by $21m, due to increased working capital and the funding of the Impromy acquisition in November
- Net interest cover at 22.5 times continues to reflect a prudent approach to servicing the Group's interest commitments
- Conservative level of headroom maintained, well supported by a diverse range of facilities and banking partners
- The maturity profile of existing bank loan facilities by calendar year is as follows:
  2019 $55m
  2020 $70m
  2021 $30m
  2022 $65m
- Commenced debt renegotiation in the period which is expected to conclude in the second half

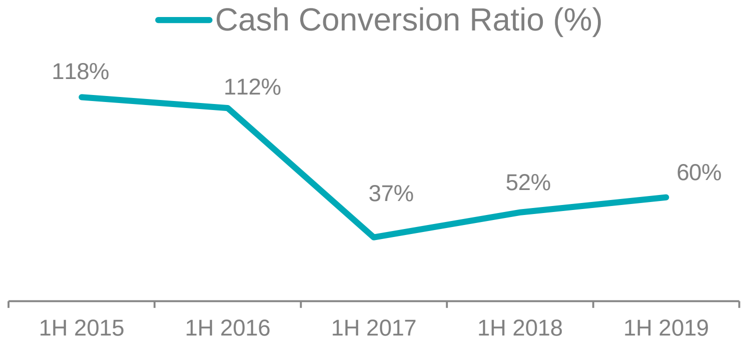
A$m	Dec 2018	Jun 2018	Chg $	Chg %
Debt	109.0	86.0	23.0	27%
Cash and cash equivalents	(38.1)	(36.5)	(1.6)	4%
Net debt	**70.9**	**49.5**	**21.4**	**43%**
Net interest cover (times)	**22.5**	**25.9**		
Gearing ratio	**25.3%**	**20.4%**		**4.9 ppts**



OPERATING CASH FLOW

- Cash generated from operations of $34m, an increase of 22% driven by strong receipts from customers*
- Net cash flows from operating activities of $15m, an increase of 74% reflecting timing of taxation payments
- Cash conversion ratio (CCR) of 60% up 8 ppts*

A$m	H1 FY19	H1 FY18	Chg $	Chg %
Receipts from customers	374.4	318.0	56.4	18%
Payments to suppliers and employees	(340.8)	(290.3)	(50.5)	17%
Cash generated from operations	**33.6**	**27.7**	**5.9**	**22%**
Interest and other costs of finance paid	(3.1)	(2.8)	(0.3)	10%
Income taxes paid	(15.6)	(16.3)	0.7	(4%)
Net cash flows from operating activities	**15.0**	**8.6**	**6.4**	**74%**
EBITDA	55.8	53.5	2.3	4%
Cash conversion ratio (CCR) %	**60%**	**52%**		**+8 ppts**

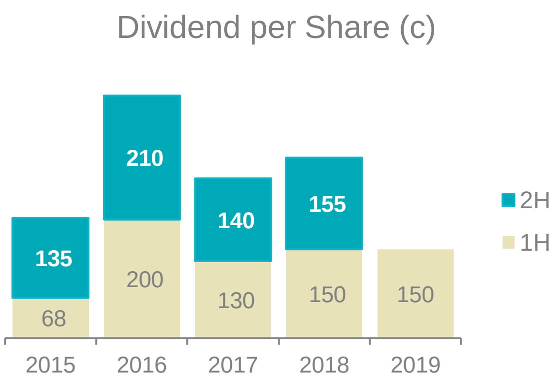


*Compared to prior corresponding period

INTERIM DIVIDEND

- EPS of 198.9 cents, broadly in line with pcp
- Interim dividend of 150 cents per share fully franked
- Dividend payout ratio of 75%
- Record date is 5 March 2019
- Payable on 20 March 2019
- Dividend Reinvestment Plan maintained with 2.5% discount

	FY19	FY18	Chg	% Chg
Dividend Paid (cps)				
Interim dividend	150	150	-	0%
Dividend Paid $m				
Interim dividend	25.9	25.8	0.1	0%
Payout ratio %	*75.4%*	*75.6%*		
Franking %	*100%*	*100%*		

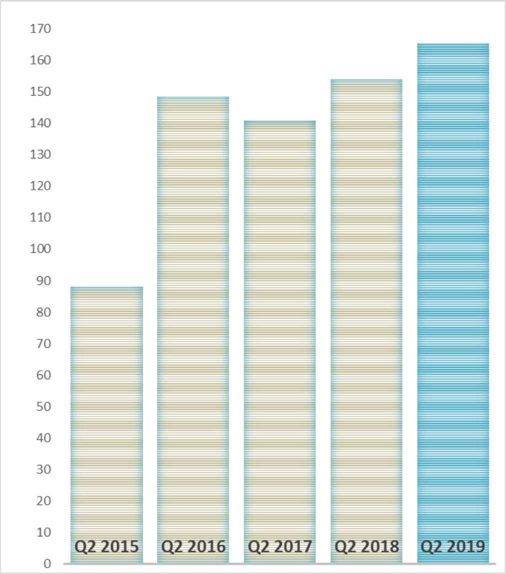


SECOND QUARTER F19

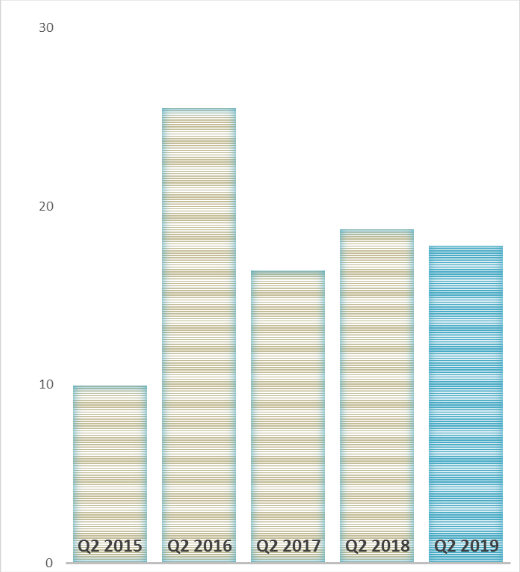
AUD $m	F19	F18	% vs LY
Revenue	165.4	153.9	+7.5%
EBITDA	28.7	29.2	-1.6%
EBIT	26.0	27.0	-3.7%
Net interest expense	1.2	1.1	+9.7%
Profit before tax	24.8	25.9	-4.3%
Income tax expense	7.0	7.7	-8.6%
NPAT*	17.8	18.7	-4.9%

Q2 RESULTS

REVENUE ($m)



NPAT ($m)



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

OUTLOOK

- Our outlook is for modest full-year revenue growth
- China sales in the third quarter impacted by changes to the way consumers purchase our products, higher inventory in the trade and a general softening of consumer sentiment
- As a result, we do not expect the second half profit performance to be ahead of the first half result
- Established Business Improvement Program to target $60 million of savings over the next three years to fund further investment and deliver margin improvement

Noah Nofo'Akifolou, Split Case Team Leader and Ramandeep Brar, Order Fulfillment Supervisor

QUESTIONS?

Vladimir Stajic, Director of Research and Technical Affairs, Blackmores Institute