BLACKMORES® GROUP

Setting course for sustainable, profitable growth

H1 FY20 Results
Growth Strategy FY23

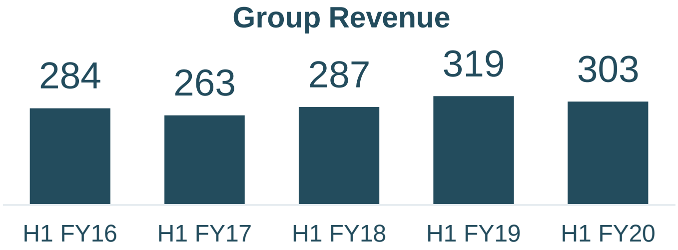
25th February 2020

OUR PRIORITIES REFLECT A STRATEGIC SHIFT

FROM	TO
Product led →	**Consumer led**
Short-term sales focus →	**Sustainable, profitable growth**
Australian driven, Asia follows →	**Lead market approach**
Functional products →	**Premium offering – packaging, experience, design**
Contract manufacturing any format →	**Prioritise Braeside formats and innovations**
Unclear strategic intent →	**Communicate clear choices, focus on outcomes**
Multiple teams operating independently →	**One Team**

FIRST HALF FY20

- First-half revenue of $303m, down 5% on prior corresponding period (pcp).
- Underlying net profit after tax (NPAT) of $18m, down 48% 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 14.8% domestic market share[1].
- BioCeuticals maintains #1 brand of practitioner-only products in Australia with 82% market share[2].
- No dividend for the first-half, with cash conserved for operations.



A$M	REPORTED H1 FY20	UNDERLYING H1 FY20	H1 FY19	% UNDERLYING VAR TO PCP
Sales Revenue	**302.7**	**302.7**	**319.4**	**(5%)**
Other income	6.6	0.9	1.1	(14%)
Revenue and other income	**309.3**	**303.6**	**320.4**	**(5%)**
Cost of raw materials and consumables used	124.1	122.3	124.2	(2%)
% of sales revenue	*41.0%*	*40.4%*	*38.9%*	
Selling and marketing expenses	30.3	30.3	32.0	(5%)
Operating expenses	128.1	122.8	113.8	8%
Total Expenses	**282.5**	**275.4**	**270.0**	**2%**
EBIT	**26.9**	**28.3**	**50.5**	**(44%)**
% of sales revenue	*8.9%*	*9.3%*	*15.8%*	
Net interest expense	2.5	2.5	2.2	13%
Income tax expense	5.9	7.5	14.1	(47%)
% effective tax rate	*24.1%*	*29.1%*	*29.3%*	
Non-controlling interest	0.2	0.2	(0.2)	(202%)
NPAT	**18.2**	**18.0**	**34.3**	**(48%)**
Cost of good sold (COGS)	140.4	138.6	133.9	4%
Gross profit	**162.2**	**164.1**	**185.5**	**(12%)**
% revenue	*53.6%*	*54.2%*	*58.1%*	
Operating expenses exc. COGS	111.7	106.4	104.1	2%

A$M	H1 FY20 EBIT	H1 FY20 NPAT
Reported Result	**26.9**	**18.2**
Adjust for Significant items:		
Bargain Purchase Adjustment	(5.7)	(5.7)
Catalent Acquisition Gross Margin Adjustment	1.8	1.3
Catalent Acquisition Stamp Duty	1.8	1.8
Transformation/Restructuring Cost	3.6	2.5
Underlying Result	**28.3**	**18.0**

[1] Nielsen total retail VDS domestic market data MAT to 18/01/2020.
[2] Nielsen total practitioner VDS market data MAT to 18/01/2020.

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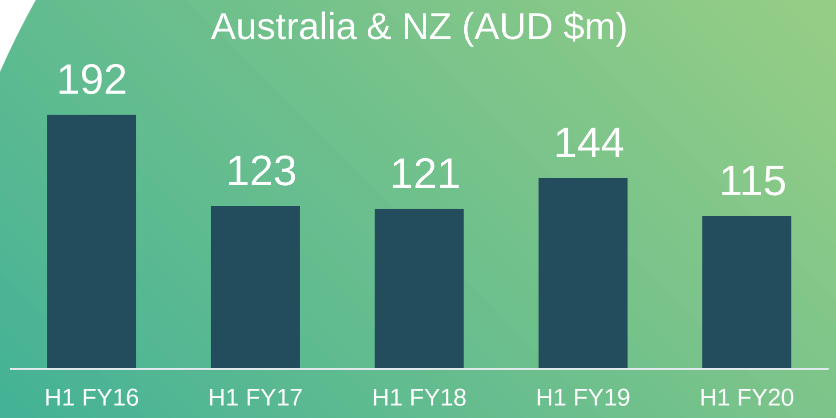
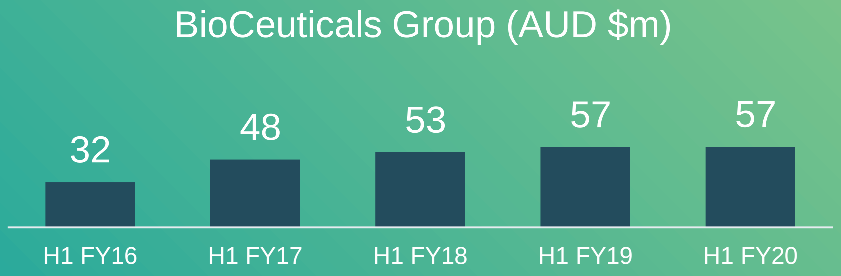
AUSTRALIA & NZ / BIOCEUTICALS

- ANZ revenue of $115m, down 20% on pcp. EBIT of $15m (down 55%).
- Regulatory change in China continued to impact revenue in Australia.
- Pure Animal Wellbeing (PAW) continues to perform strongly with revenue growth of 7% during the half, compared to pcp.
- BioCeuticals brand revenue up 6%, BioCeuticals Group revenue flat.
- New product development pipeline and capability will be boosted with acquisition of Braeside manufacturing plant.





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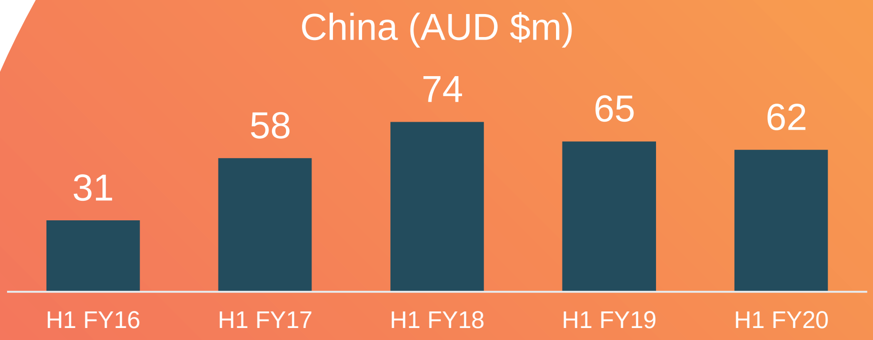
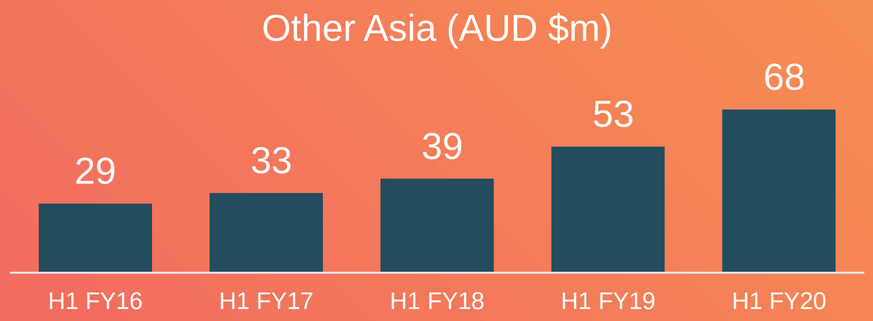
CHINA / OTHER ASIA

- Revenue in the China segment (key export accounts and in-country sales) was $62m, down 6% on pcp. EBIT down 58% to $5m.
- Result impacted by higher material and packaging costs and provisions for risk of stock obsolescence and receivables.
- Blackmores was once again a major exhibitor at the China International Import Expo in November.
- Revenue across Asia (excluding China) grew 29% during the half, compared to pcp, this included ~$5m of FX benefit. EBIT for reported Other Asia segment up 70%.
- Strong performance in markets including Indonesia (+45% in local currency) and Malaysia (+9% in local currency), sales of infant formula through the region also a contributor.
- Finalising plans for market entry into India.





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BALANCE SHEET

- Solid financial health and balance sheet maintained.
- Cash and Receivables reflect $23m impact of Receivables Purchasing Agreement (RPA).
- Inventories include $19m at Braeside, underlying inventory levels improved.
- Property, Plant & Equipment increase includes $49m from Braeside acquisition.
- Payables include over $22m relating to the balance owing to Catalent.
- Debt increase driven by funding of acquisition in the period.

A$M	DEC-19	JUN-19	$ CHG	% CHG
Cash	33.7	24.5	9.2	38%
Receivables	117.3	143.9	(26.6)	(18%)
Inventories	129.3	125.1	4.2	3%
Other current assets	21.2	14.7	6.4	44%
Current Assets	**301.5**	**308.2**	**(6.7)**	**(2%)**
Property, plant and equipment	140.3	80.8	59.6	74%
Other non-current assets[1]	128.5	104.6	23.9	23%
Total Non-Current Assets	**268.9**	**185.4**	**83.5**	**45%**
Total Assets	**570.3**	**493.6**	**76.7**	**16%**
Trade and other payables	143.0	134.5	8.5	6%
Other current liabilities[1]	27.0	18.7	8.3	45%
Total Current Liabilities	**170.1**	**153.2**	**16.8**	**11%**
Interest bearing liabilities	153.0	119.0	34.0	29%
Other non-current liabilities[1]	30.6	13.7	16.9	123%
Total Non-Current Liabilities	**183.6**	**132.7**	**50.9**	**38%**
Total Liabilities	**353.6**	**285.9**	**67.7**	**24%**
Net Assets	**216.7**	**207.7**	**9.0**	**4%**
Total Equity	**216.7**	**207.7**	**9.0**	**4%**

[1] Amounts at Dec 2019 reflect the recognition of right-of-use assets ($17.6m) and lease liabilities (current $7.1m, non-current $10.7m) relating to adoption of AASB 16 Leases based on the modified retrospective approach.

CASH FLOW / NET DEBT

- Cash generated from operations $47m, up 38% on pcp.
- Includes the benefit of $23m inflow from RPA and $4m reclass due to AASB 16.
- Underlying cash generation impacted by higher working capital requirements associated with Braeside.
- Cash conversion ratio of 64% (adjusted to remove RPA and AASB16), 126% (unadjusted), compared with 60% in pcp.
- Net debt of $119m, up 26% on pcp.
- Interest cover of 10.6 times (22.5 times at December 2018).
- Gearing at 35.6%, up 4.3 ppts from June 2019.

A$M	DEC-19	DEC-18	$ CHG	% CHG
Cash generated from operations	46.6	33.6	12.9	38%
Interest and taxes	(13.5)	(18.6)	5.1	(27%)
Net Cash from Operating Activities	**33.0**	**15.0**	**18.0**	**120%**
Net Cash used in Investing Activities	**(47.8)**	**(18.2)**	**(29.6)**	**163%**
Net Cash from Financing Activities	**23.7**	**3.5**	**20.2**	**583%**
Net increase in cash / cash equivalents	**8.9**	**0.2**	**8.7**	**3560%**
Cash and cash equivalents at start of year	24.5	36.5	(12.0)	(33%)
Effects of FX	0.3	1.4	(1.1)	(77%)
Cash and cash equivalents at end of year	**33.7**	**38.1**	**(4.4)**	**(11%)**

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BUSINESS IMPROVEMENT PLAN

In calendar 2019, we achieved cost savings of

$16m from efficiencies

in marketing, operations, R&D and managing people costs

Reinvestment of

$5m linked to IT infrastructure

and upgrading talent in specific functions across the organisation

We will remain focused on cost out and have identified initiatives to deliver

$50m in annualised gross EBITDA benefits from 2023

1/2 of these benefits

will be reinvested in key areas of focus including Asia

people and marketing resources, as well as group-wide strategic capabilities and innovation

Increases in insurance premiums, raw material costs, lower labour recoveries, as well as higher than anticipated PPV adjustments have washed away the balance of the savings.

We are embarking on a journey of sustainable, profitable growth

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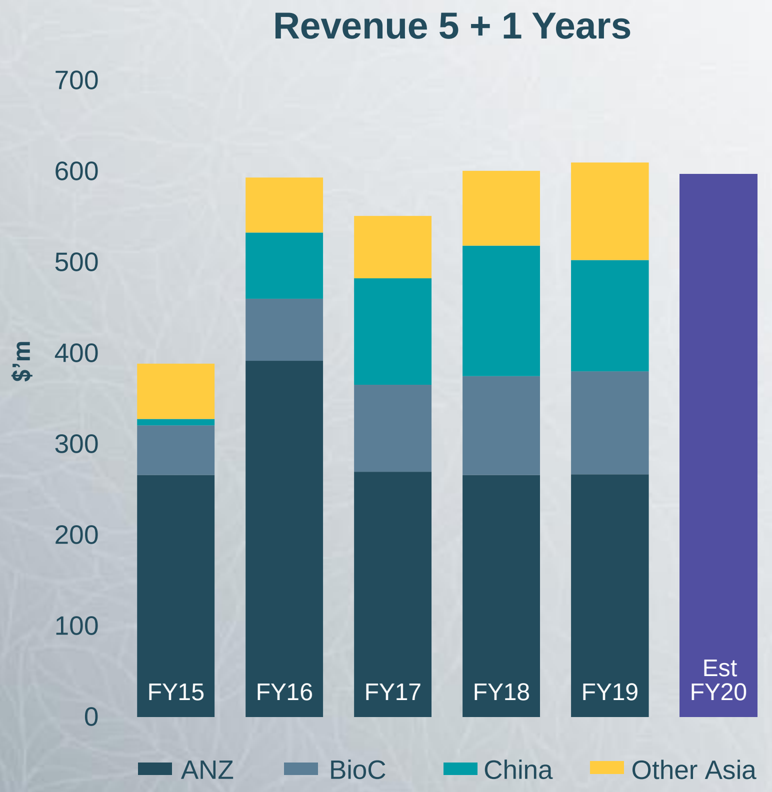
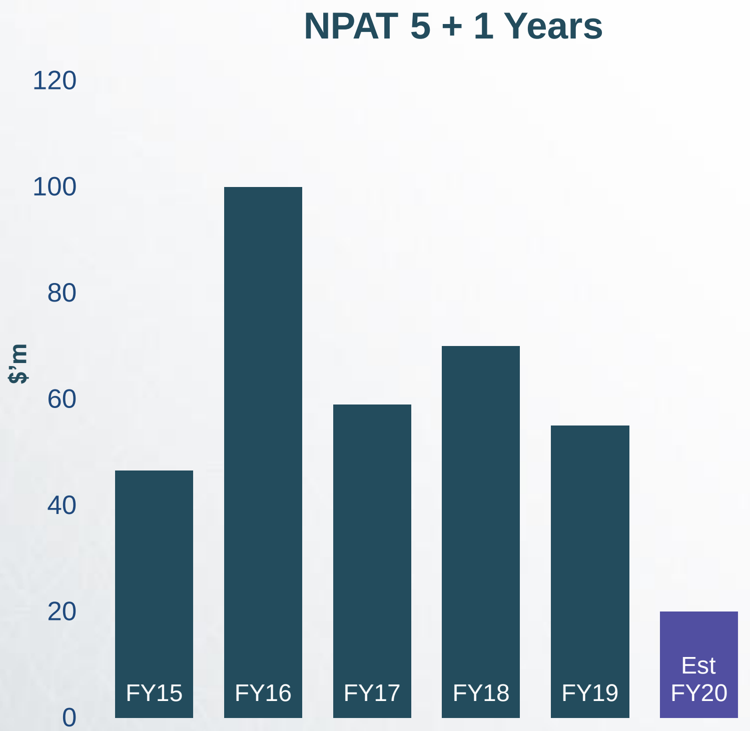
CASE FOR CHANGE





CHALLENGES

PAST 2 TO 3 YEARS

No significant investment in China

Lack of clear choices and focus

Increasing levels of trade spend

Uncompetitive gross margins due to poor mix, lack of pricing to cover rising costs

Unclear roles, duplication

TODAY

Braeside investment, we are now a manufacturer

Challenges associated with label transition

Unprecedented levels of promotional activity

Coronavirus impact

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STRONG BASE TO GROW FROM

Highest brand penetration in market

1 in 5

Australian households using Blackmores products[1]

#1 Market share

in Australia, Thailand, Malaysia and Singapore[2,3,4,5]

BioCeuticals

#1 Practitioner brand in Australia

and growing at 18% with 22.6% share in total VDS cold + flu segment[6,7]

82%

of households know Blackmores (prompted)

20% Top of Mind Awareness[8]

Blackmores is

#1 most trusted Brand[9]

Blackmores #1 brand in Modern Trade - **Indonesia**[10]

PAW

By Blackmores Highest brand awareness in Australia[11]

[1] Nielsen, 26/1/2020
[2] Nielsen, 18/1/2020
[3] Quintiles IMS, 12/2019
[4] Nielsen
[5] Nielsen, 07/2018 to 06/2019
[6] IQVIA Nielsen data MAT 14/9/19
[7] IQVIA DDD, IQVIA Nielsen Scan Data, 2019, weekly data WE 4/5/2019
[8] Kantar tracking 3 month rolling average 2/2/2020
[9] Reader's Digest Most Trusted Brands Survey 2019
[10] Watson scan data, 11/2019
[11] Kantar Consumer Brand Health Tracking Study December 2019

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FULL PORTFOLIO AND MARKET REVIEW COMPLETED

Invest

Blackmores, BioCeuticals and PAW brands.

Partner

Growth accelerator for Blackmores Group:
- Distribution
- Better regulatory understanding
- Access consumers directly.

Divest

We are seeking to divest non-core brands, where we believe new owners can take these great brands to the next level. This will allow us to focus our efforts to deliver on our strategy.

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KEY AREAS OF FOCUS

1 **Step up investments in Asia**

2 **Strengthen Australia**
including practitioner channel

3 **Simplify our business and brand offer**

4 **Recognition of Pet**
as an important part of family health outcomes

5 **Partnerships that accelerate growth**
distribution, regulatory and consumers direct

6 **Powered by education**
upweight investment to strengthen our leadership and expertise


We are
taking control
of our future
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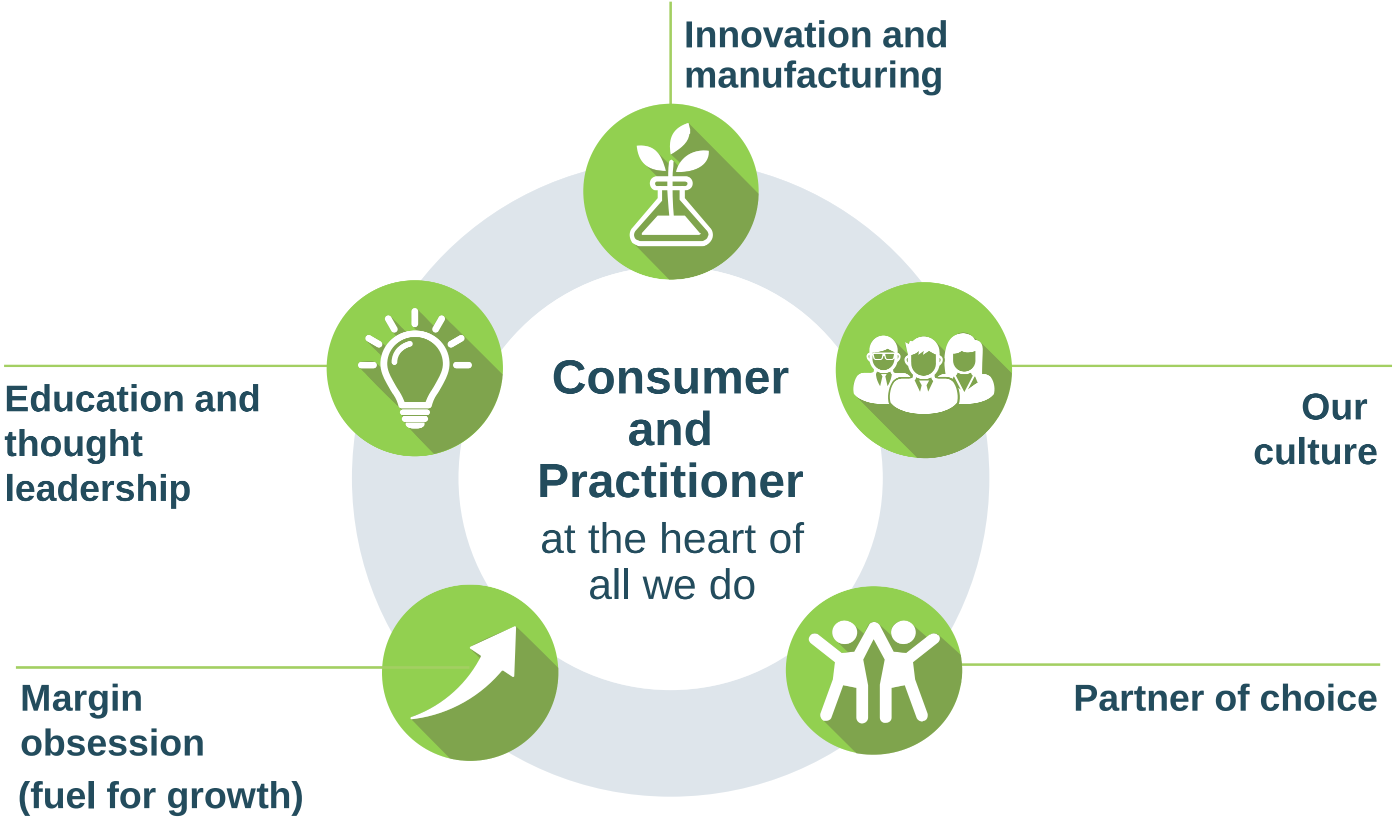
WE WILL BUILD AND PLAY TO OUR STRENGTHS



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OUR 3 YEAR GOALS

Consumers

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

Growth

Consumption ahead of the market, sustained profit performance

People

Ranked #1 employer of choice in the health industry

Value

Shareholder return ahead of the market (EPS/ROIC)

Education

#1 Thought leader in natural health

Sustainability

Towards carbon neutral to deliver Healthy People, Healthy Planet

OUR FOUR PRIORITIES

1
Rejuvenate Australia

2
Deliver new growth

3
Design for the modern career woman in China

4
Build a world-class organisation

REJUVENATE BLACKMORES AUSTRALIA

Why?

1. Australia is a must win market and major engine that supports investments in other markets and innovation.
2. Blackmores domestic brand share is healthy at 14.8% share.
3. But, domestic sales have been flat for last four years.

HOW WE WILL WIN

1. **Deliver a superior consumer experience at every touch point.**
2. **Create targeted channel strategies in under-penetrated channels.**
3. **Ensuring the right pack, in the right channel, at the right price.**
4. **Build capabilities in areas such as strategic revenue management.**

CAPTURE THE AUSTRALIAN PRACTITIONER MARKET

Why?

1. Practitioners play an important role in recommending and endorsing VDS solutions for specific consumer and pet needs.
2. 70% of VDS pharmacy sales are dependent on practitioner referral.
3. Personalised solutions are bringing people into the category.

HOW WE WILL WIN

1. **Access broader practitioner market to expand the active HCP customer base.**
2. **Utilise digital education and experience for both practitioner and patient.**
3. **Implement new service models for revenue growth and clinical services.**
4. **Maximise on-ramps into VDS by expanding credibility building channels that actively recommend our brands to consumers.**

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PET SUPPLEMENTS

Why?

1. Represent a growth opportunity in Australia and Asia.
2. Pet care is rapidly growing, pet supplement headroom to expand, particularly in China.
3. Category in China[1] is worth $US116m and forecasted to expand to $US260m by 2024.
4. PAW is seen as leading pet supplement brand in Australia.
5. We have not invested in PAW, limited new innovations in recent years.

HOW WE WILL WIN

1. **Accelerate retail push unlocking shopper and consumer activity. Claim the #1 Pet Supplement Recommended by Vets.**
2. **Accelerate new business and range compliance in vet channel.**
3. **Build the China team and drive innovation to extend and expand China's product range.**

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[1] Euromonitor International, Pet products in China, June 2019

DELIVER NEW GROWTH

International Growth

Indonesia Blackmores/Kalbe JV

India

Why Indonesia?

1. Fourth largest economy in the world by 2050. VDS 9.6% 3 yr CAGR[1].
2. Blackmores/Kalbe JV performance is well ahead of the business case and growth trajectory is higher.
3. Our Braeside facility and our key ingredients are Halal certified. Indonesia is the largest Muslim nation in the world.

HOW WE WILL WIN

1. Continue to drive innovation and new solutions to Indonesia so that we maintain premium positioning and lead with modern trends.
2. Leverage knowledge and infrastructure of parents – Kalbe will continue to provide infrastructure, distribution, access and open up new channels for our Indonesian business.
3. Blackmores will continue to customise products, offerings and all category leadership to Indonesia. Our strength will be the performance of our people.
4. Commence test market in India, starting in FY21.

[1] World Bank 2017. Euromonitor International 2019.

INTRODUCING THE MODERN CAREER WOMAN IN CHINA

85% very stressed; pressure and tension balancing work and home

Strong need to achieve but also look good

Seeking control in her busy and frantic life

Gatekeeper for family decisions and child care

High level of guilt, so will look for easy solutions to care for and connect with families, favouring on-the-go tech solutions

Discerning to brands and products; wants the best

LEAD MARKET WILL BE CHINA

Why?

1. We can acquire young women to lead category penetration and maximise lifecycle value.
2. Gain the full potential of modern career women and the next generation.
3. They represent high buying power and influence over family purchasing.
4. We can follow her along each life stage.

HOW WE WILL WIN

1. **Invest in China**

   People + Capabilities

   Superior consumer understanding, product, packaging and formulations
2. **Premiumisation**
3. **Growth in domestic offerings in new and existing channels**
4. **Expand our product portfolio with new price tiers**

BUILD A WORLD CLASS ORGANISATION

1 Purpose led

Performance culture

2 Education

A key driver of consumer and category value

3 Leading value position

Driving greater value across the business

DRIVING GREATER VALUE ACROSS THE BUSINESS

Planning
Integrated Business Planning (IBP)

Procurement
Strategic Sourcing & Policy Control

Manufacturing
Make vs Buy

Handling
Supply Chain Optimisation

Design
Value Engineering

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Questions