

18 August 2022

ASX Market Announcements Office  
Australian Securities Exchange  
Exchange Centre  
20 Bridge Street,  
Sydney NSW 2000

**2022 FULL YEAR RESULTS ANNOUNCEMENT**

Attached for release is the Full Year Results Announcement for the year ended 30 June 2022.

Further information on Blackmores can be found at [www.blackmores.com.au](http://www.blackmores.com.au).

This announcement was authorised for release by the Board of Directors.



**Helen Mediati**  
Group General Counsel & Company Secretary  
Blackmores Limited

# ASX Announcement FY22 Results

**Blackmores Group delivers 19% increase in Underlying EBIT to \$56.6 million with margin expansion, and achieves growth in all three brands and all markets**

## FY22 HIGHLIGHTS

- **Group Revenue:** \$649.5m up 12.8% on prior year (12.9% at constant FX)
- **Underlying Gross profit:** \$346.6m up 15.1% on prior year with Underlying gross margin expansion (up 1.1ppts to 53.4%)
- **Group Underlying EBIT:** \$56.6m up 19.0% on prior year with underlying EBIT margin up 0.5ppts to 8.7% (statutory EBIT \$56.0m up 22.2%)
- **Group Underlying NPAT:** \$31.1m up 22.6% on prior year (statutory continuing NPAT \$30.6m up 27.8%)
- **Statutory NPAT:** \$30.6m up 7.0% on prior year
- **Australia segment** revenue up 2.7%, underlying EBIT up 7.0% on prior year; Blackmores and BioCeuticals combined retail sales contribute to the Group having the largest incremental sales growth<sup>1</sup> in the VDS category
- **International segment** revenue up 31.7% (31.2% at constant FX) and underlying EBIT up 43.9% on prior year
- **China segment** revenue up 10.6% and underlying EBIT up 11.2% to \$16.0m
- **Group continues to execute on strategy** including cost-out and efficiency savings, targeted investment in growth opportunities across key markets and margin uplift initiatives, **with clear FY24 objectives**
- **Net cash:** \$82.2m
- **Final dividend** of 32 cents per share (cps) (fully franked) – FY dividend 95 cents fully franked up 33.8%

## RESULTS OVERVIEW

Blackmores Limited (ASX: BKL) today announced its financial results for the year ended 30 June 2022 (FY22).

Chief Executive Officer, Alastair Symington said: “We are pleased to deliver a strong financial result during a period which continued to be impacted by the ongoing effects of COVID-19 and significant disruption to supply chains and increased input costs.

“The resilience of our business model, together with the strength of our brands and distribution channels, have enabled the Group to respond to these challenges to deliver top line growth along with further margin expansion.

<sup>1</sup> Combined Blackmores and BioCeuticals portfolio growth, RSV FYTD 2/7/22 in VDS. Nielsen AU Pharmacy + Grocery

“We recorded growth across all three brands (Blackmores, BioCeuticals and PAW) and all markets for the first time in the last 4 years.

“Our ongoing focus on product innovation and continued investment in our brands, with selling and marketing spend up 4.6%, has delivered a strong uplift in revenue growth of 12.8%.

“Meanwhile, our continued focus on operational discipline, including price/mix optimisation has delivered a strong uplift in gross margin which increased by 1.1 ppts.

“This has enabled Blackmores to deliver a 22.6% increase in underlying net profit together with a 33.8% lift in the full year dividend to shareholders to 95 cents per share, fully franked.

“Importantly, this strong set of financial results has also been delivered alongside the implementation of improvements in our workplace health and safety and further commitments delivered as part of our ongoing sustainability agenda, including signing up to our first sustainability-linked loan.

“Blackmores has remained disciplined and focused on delivering our strategic objectives which has strengthened our competitive position to meet the current economic challenges and capitalise on the significant growth opportunity in our core markets and set us up for future growth across our business.

“In FY22, we continued to extend the reach of our brands achieving double-digit revenue and profit growth in our China and International segments.

“We simplified our operations and strengthened our supply chain which has enabled the Group to address the current disruption and implement the necessary measures to enhance our manufacturing productivity to support our growth agenda.

“While the current macro-environment increases near-term volatility, Blackmores’ medium-term trajectory remains strong as we continue to build a platform for sustainable value creation,” he said.

## GROUP FINANCIAL RESULTS

Revenue increased by 12.8% to \$649.5 million (up 12.9% on constant currency basis) driven predominantly by strong performances in International and China, Australia/NZ is back in growth.

Despite the challenges of higher input costs, particularly in the second half of the year, underlying gross margin improved from 52.3% to 53.4% as Blackmores continued its strong focus on optimising price, product mix, trade spend, and Cost of Goods Sold (COGS) efficiency programs. In year savings of \$10 million delivered from our continuous improvement program, Leading Value Proposition (LVP), enabled delivery of uplift in gross margin.

The Company remains on track to achieve our target of \$55m annualised gross cost savings by the end of FY23.

Underlying Group EBIT lifted by 19.0% with an improvement in EBIT margin from 8.3% to 8.7%, which included increased selling and marketing expenditure of 4.6% for the year as the Company increased investments in its 3 power brands.

Underlying Net Profit After Tax increased by 22.6% to \$31.1 million with Blackmores reporting a statutory continuing Net Profit After Tax of \$30.6 million, up 27.8% from the prior year.

Underlying Earnings Per Share increased by 22.0% to 160.2 cents.

## BUSINESS UNIT RESULTS:

### AUSTRALIA AND NEW ZEALAND (ANZ)

#### **Strong execution in a disrupted market enables 7.0% EBIT growth**

Australia and New Zealand revenue increased by 2.7% to \$288.2 million. All Australian brands contributed to revenue growth with the BioCeuticals and PAW brands recording strong growth compared to the prior year. The Blackmores, BioCeuticals and PAW brands continue to resonate strongly in the market, retaining the Company's number one<sup>2</sup> position in Australia in our key segments.

Sales in the first half were impacted by COVID-19 flow on effects, including border closures, a reduction in retail foot traffic from lockdowns and lower sales from international students and visitors. Despite some impact of the floods in Queensland and New South Wales, sales recovered in the second half as consumers gained more confidence to enter retail post lockdown, cold and flu cases increased and Blackmores increased investments in advertising and promotional campaigns to pre-pandemic levels. Underlying EBIT increased 7.0% to \$43.1 million through gross margin improvement, partially offset by increased investment in advertising and promotion.

### INTERNATIONAL

#### **Continued momentum across key markets delivers 43.9% EBIT growth**

Blackmores' International business continued its strong momentum from the first half to deliver revenue uplift of 31.8% (31.2% at constant currency) for FY22.

Strong revenue growth was achieved across the key markets of Indonesia, (+36.7%) and Thailand (+33.3%). All International markets delivered growth in the year, supported by increased brand awareness, new product launches, distribution expansion and sustained on-shelf availability. Top line growth was also driven by continued investment in Product Advisors (now totalling 700) together with targeted price/pack initiatives to deliver net sales per unit uplift.

The Blackmores' brand continues to gain market share in key international markets. In Thailand, we continued to be the leading brand in the VDS market and in Indonesia we moved into joint 3rd brand leader. Market share in other markets was steady.

Market innovation included the launch of 61 products across the region including new products launched in India. The Company continues to make solid progress with its Halal strategy across Indonesia with two thirds of our product range now having the MUI Halal logo.

Underlying EBIT grew by 43.9% to \$29.8 million with Underlying EBIT margin up 1.2 pts to 13.8%, underpinned by cost management, disciplined pricing and a shift to higher margin channels in all major markets.

<sup>2</sup> Nielsen AU Pharmacy + Grocery FYTD 2/7/22 Domestic (Retail & Practitioner)

## CHINA

### **Strong execution in challenging lockdown conditions delivers 11.2% EBIT growth**

Despite on-going lockdowns in key cities in China, revenue in the China segment increased by 10.6% to \$145.6 million (10.6% in constant currency).

This result was driven by ongoing growth in the Direct Cross Border E-Commerce (CBEC) channel with Gross merchandise value (GMV) sales from the 618 festival up amidst challenging logistics during Shanghai lockdowns.

This strong performance reflects ongoing investment in innovation and in local capabilities to deepen CBEC and digital health performance, with key products driving growth in the premium Fish Oil and Eye health segments.

Blackmores remained in the top 4<sup>3</sup> VDS brands across all CBEC platforms in China in the year.

Underlying EBIT increased by 11.2% to \$16.0 million with Underlying EBIT margin up 0.1 ppts to 11.0%. Gross margin was broadly flat with price initiatives and favourable mix offsetting higher input costs challenges.

## SUPPLY CHAIN OPERATIONS

### **Improvements in out of stocks through 2H despite ongoing global supply chain issues**

Braeside delivered a solid performance across all metrics and maintained full production without interruption to ensure supply to customers. In FY22, Braeside manufactured 2.3 billion doses of soft gel capsules and solid dose tablets representing ~60% of Blackmores' total volume.

Gross margin improvement was driven by COGS efficiencies and mix improvements while Braeside conversion costs continue to improve compared to the prior year.

Investments in cloud-based demand and supply planning tools were undertaken in Q4.

## BALANCE SHEET AND CASH FLOW

### **Strong financial position maintained to support growth initiatives**

Blackmores remains in a strong financial position with a net cash balance of \$82.2 million at 30 June 2022.

The reduction in operating cash flow before interest and tax of 31.5% to \$55.0 million reflects the Group's planned response to ongoing supply chain disruption to build product inventory in the short term to improve out-of-stocks to meet customer demand while also supporting growth in international markets. Average inventory age remains in line with prior periods.

Capital expenditure of \$10.7 million was 42.0% lower than the prior year, reflecting lower spend but also recognising that Technology and Digital investment is now mostly captured as an operational expense under accounting standards.

<sup>3</sup> Smart Path China VDS Ecommerce 2/8/22

## WORK HEALTH AND SAFETY (WHS)

We gained a deeper understanding of our WHS system through audits and inspections across our sites, to inform a new WHS system in the coming year. Our reporting culture has been supported by targeted training on incident reporting, investigation and risk assessment. As a result, we have significantly decreased the severity of Lost Time Injuries (LTIs) across Blackmores' sites. In Australia, Warriewood Operations achieved a full year of zero LTI claims.

## SUSTAINABILITY

Blackmores has maintained a strong focus on sustainable business practices consistent with the Company's "Healthy planet, Healthy people" sustainability program.

During the year, Blackmores entered into its first sustainability-linked loan for 50% of its banking facilities, deepening the Company's commitment to achieving its emissions reduction targets.

Blackmores remains committed to reach net zero emissions by 2030. In FY22, Blackmores reduced total emissions by a further 4.1% while increasing its use of renewable energy. More details about our progress will be published in the Blackmores Group Sustainability Report to be released in September 2022.

## DIVIDEND

### **Continued focus on shareholder returns – FY dividend up 33.8%**

The Board declared a fully franked final dividend of 32 cents per share bringing the full year dividend to 95 cents per share fully franked. This represents a dividend payout ratio of 60% of statutory net profit.

The record date for the final dividend is 1 September 2022 with scheduled payment on 19 September 2022.

The Dividend Reinvestment Plan ("DRP") will operate for the final dividend with a discount of 2.5%.

The Blackmores Board maintains its disciplined approach to capital management with a strong financial position to take advantage of growth opportunities as they arise to ensure capital is deployed in a manner to deliver long-term shareholder value.

## OUTLOOK

Blackmores remains focused on executing its strategic and commercial plan, supporting continued earnings momentum.

In International the Company will continue to expand its distribution footprint and invest in Blackmores' brand awareness.

In ANZ Blackmores will increase investment in advertising and channel differentiation behind its 3 brand strategy while delivering differentiated channel offers.

In China the Company continues to navigate consumer and trade headwinds, however there are early signs of supply chains re-shaping with consumer demand improving as lockdowns are lifted and as e-Commerce platforms stabilise.

In FY23 Blackmores will continue its investment in improved efficiency processes and growth initiatives, including enhancements to the Company's technology and digital capabilities. The Company remains focused on delivering its \$55 million gross annualised cost savings target in FY23 while assessing further cost out opportunities beyond FY23.

Blackmores acknowledges several macro-economic variables remain outside the Company's control which could impact its business. However, we remain confident in the ongoing resilience of the business, growth trajectory and advantage that our geographic diversity brings as economic uncertainty prevails.

While inflationary pressure persists across all the Company's end-markets, potentially impacting consumer spending, Blackmores remains confident in its portfolio and price/mix strategy in response to changes in market forces.

## **ENDS**

### **Contacts**

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## Results at a Glance

A\$m	Statutory <sup>4</sup>	Underlying <sup>5</sup>		
	FY22	FY22	FY21	% vs pcg
<b>Sales revenue</b>	<b>649.5</b>	<b>649.5</b>	<b>575.9</b>	<b>12.8%</b>
<b>Gross profit</b>	<b>346.6</b>	<b>346.6</b>	<b>301.0</b>	<b>15.1%</b>
<i>% of sales revenue</i>	53.4%	53.4%	52.3%	110bps
<b>EBITDA</b>	<b>82.3</b>	<b>82.9</b>	<b>75.9</b>	<b>9.2%</b>
<i>% of sales revenue</i>	12.7%	12.8%	13.2%	426bps
D&A	26.3	26.3	28.3	(7.1%)
<b>EBIT</b>	<b>56.0</b>	<b>56.6</b>	<b>47.6</b>	<b>19.0%</b>
<i>% of sales revenue</i>	8.6%	8.7%	8.3%	455bps
<b>NPAT excl. discontinued operations</b>	<b>30.6</b>	<b>31.1</b>	<b>25.4</b>	<b>22.6%</b>
<b>EPS – continuing operations</b>	<b>157.9</b>	<b>160.2</b>	<b>131.2</b>	<b>22.0%</b>
<b>Dividend Per Share</b> – full-year (incl. Final 32cps)	95.0			
<i>% payout ratio</i>	60%			

<sup>4</sup> Statutory to Underlying adjustments include adjustment for material one-off items that are non-recurring in nature, which the Board has determined do not reflect the on-going operations of the Group

<sup>5</sup> Prior year comparative has been adjusted to exclude discontinued operations