

FY20 Full Year Financial Results

Tuesday 25 August 2020



internal use only

A year of change

Oct

- Strategy Review commenced
- 57th AGM
- New CEO starts
- Braeside

Nov

- Focus areas defined
- CIIE China

Dec

- Priorities defined
- New China MD starts
- International MD appointed
- ERP Asia completed

2020

Jan

- COVID-19 – China
- Bushfire Relief
- New CFO starts

Feb

- Half Year results which reset expectations
- Renewed strategy announced
- New ANZ MD starts
- Solid Dose North at Braeside commissioned

Mar

- COVID-19 ANZ
- New CMIO starts

Apr

- Global Growth Platforms established

May

- Capital Raise announced
- Meet the Management
- Institutional Placement completed
- Net Zero Emissions declared
- Immunity Paper and BI Podcasts

Jun

- Institutional Placement completed
- 8th BioCeuticals Research Symposium (virtual)

FY21

Jul

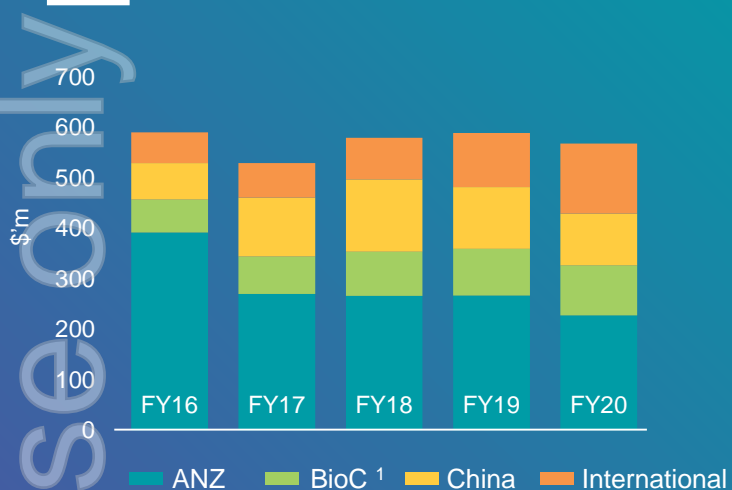
- China Modern Parenting Hub established
- SPP complete
- FY21 Kick-Off Meeting

Aug

- OASIS warehouse consolidation
- Organisational redesign
- Full Year results
- Braeside remains operational during Stage 4 VIC restrictions

FY20 Overview

REVENUE 5 YEARS



¹Excludes Global Therapeutics FY20 as it is a discontinued operation.

²Operating cashflow prior to interest and taxes

³Annualised savings by 2023 compared to the 2020 base year.

Full year FY20 underlying NPAT of

\$18.7m

Full year FY20 revenue down 3% on prior year

\$586m

Strong growth in International and BioCeuticals offset by softness in Australia and China.

Strong improvements in our company-wide Integrated **Business Planning processes (IBP)**

Consolidation of our warehousing and distribution in Australia to reduce our logistics footprint – completed August 2020.

China Innovation Centre established.

Started build of our **Strategic Revenue Management** capability.

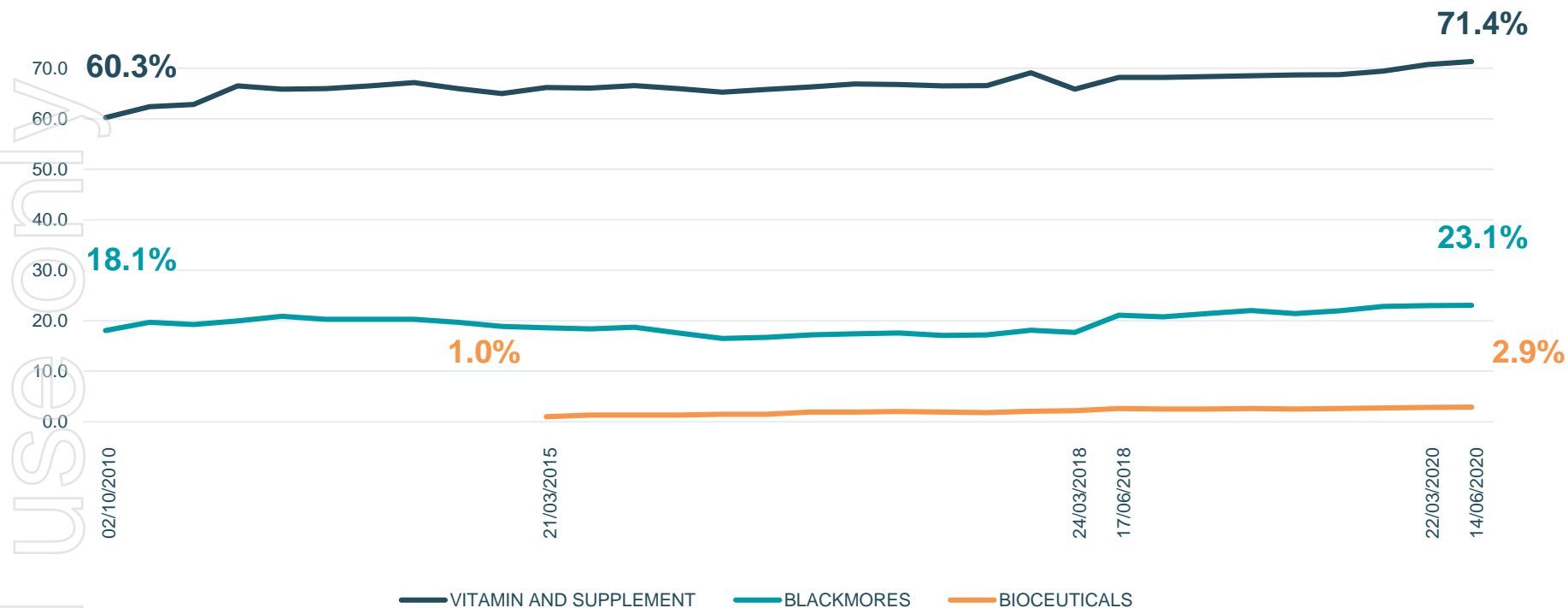
SKU Rationalisation program kicked off and well underway to reduce complexity.

Strong cash flow of \$76m² up 46% on prior year.

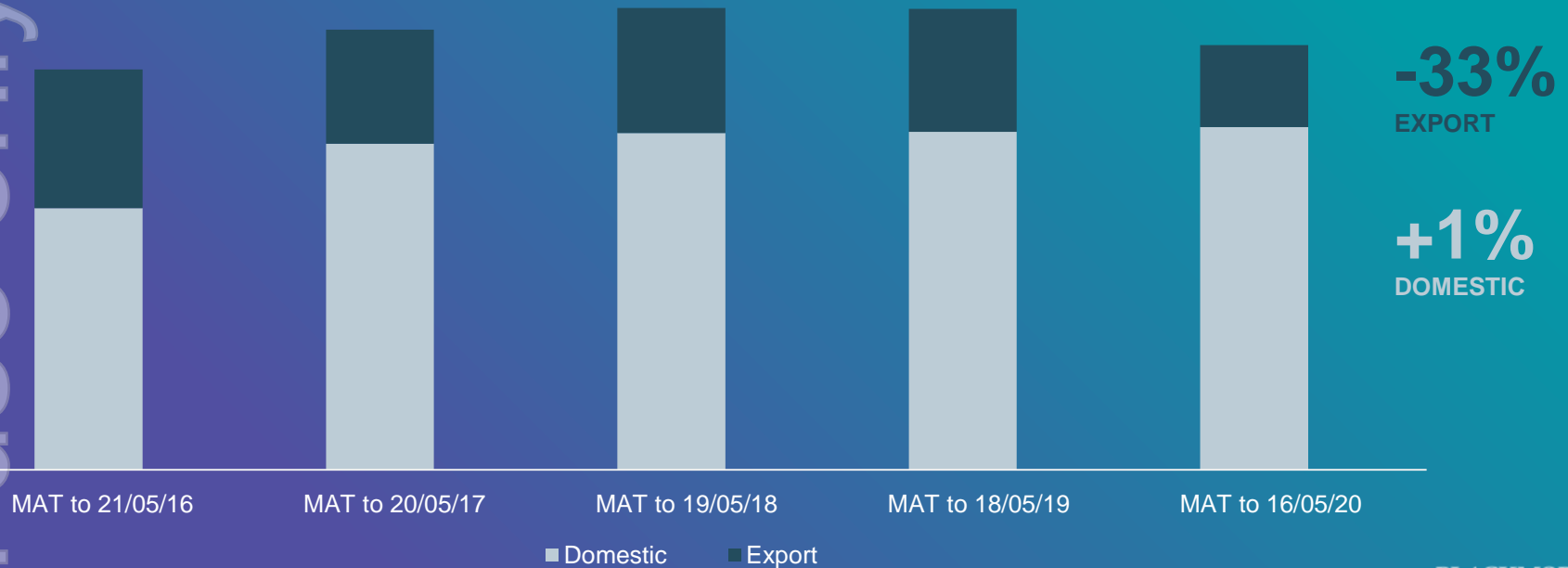
\$50m annualised savings by 2023

cost efficiency program to enhance margins substantially by FY23³.

Our brands are strong

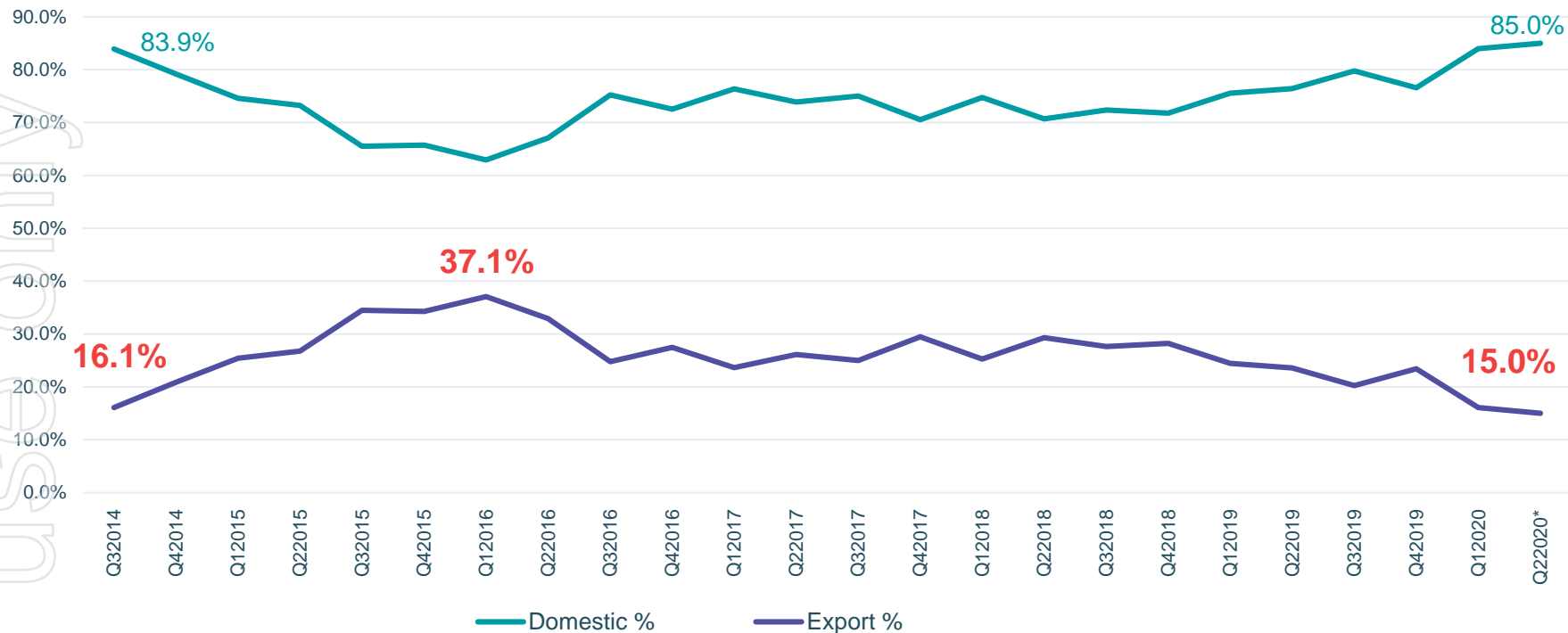


Category consumption in decline in Australia due to lower sales to Chinese shoppers



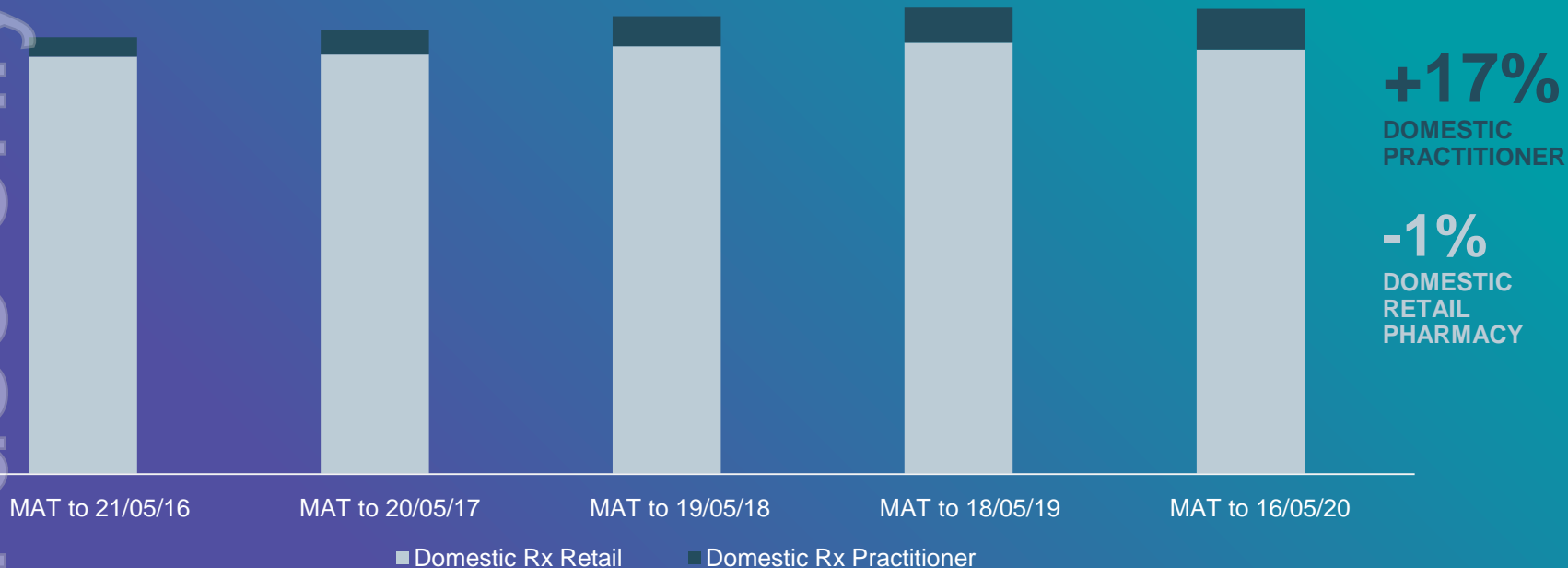
Source: Nielsen/IQVIA, Australia Grocery & Pharmacy, Domestic/Export Split, Total VMS, MAT to 16/05/2020

Share of Australian sales to Chinese consumers is now lower than 2016



Source: Nielsen/IQVIA, Australia Grocery & Pharmacy, Domestic/Export Split, Total VMS, MAT to 13/06/2020, *June Sales are based on first 2 weeks of month x 2

We are seeing a shift to Practitioner brands

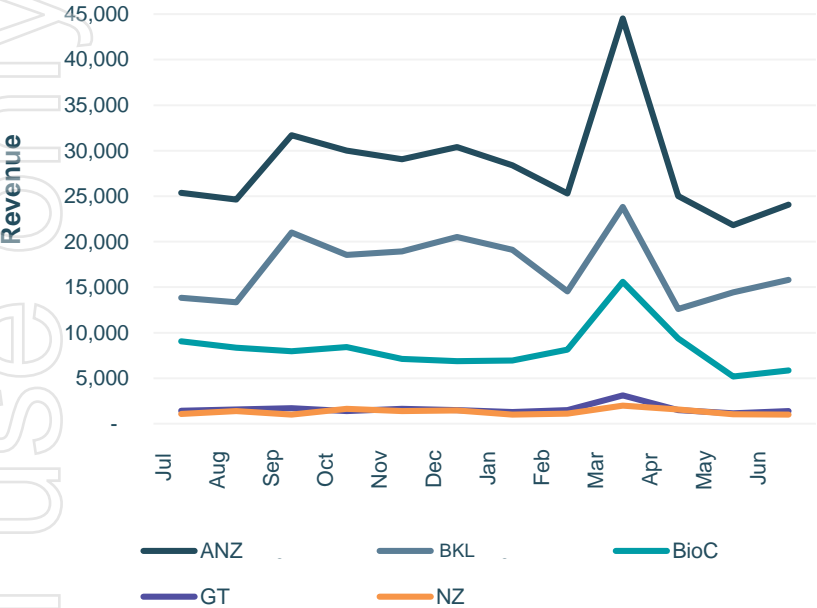


Source: Nielsen/IQVIA, Australia Pharmacy, Total VMS, MAT to 16/05/2020

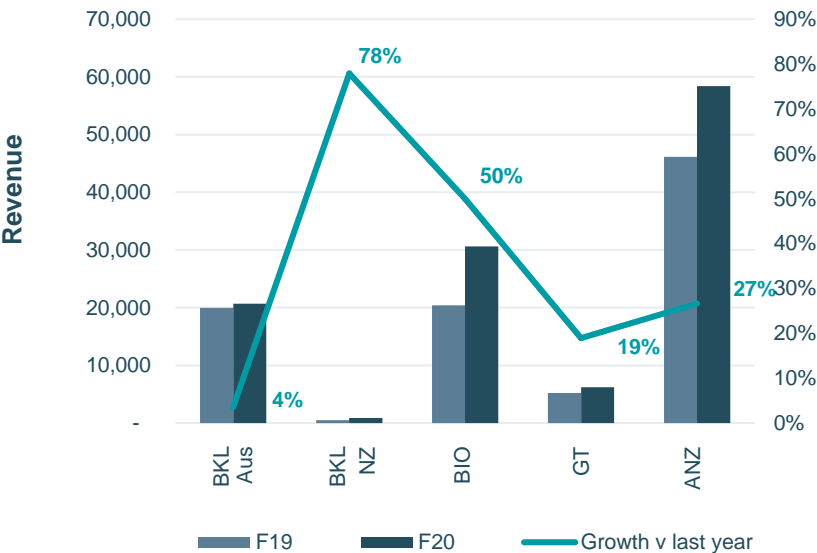
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In Australia we saw record peaks in March driven by immunity

ANZ Revenue FY20



Immunity Revenue FY20



COVID-19 RESPONSE

Health of our employees & business continuity



Phase 1 Respond

Launch and sustain a crisis command centre

Guiding principles for decision making

- Wellbeing of employees
- Government and health department advice
- Company values
- Business continuity to protect manufacturing

Cash protection measures in place

Importance of communication

Working from home and creating a COVID-19 safe workplace



Phase 2 Recover

Assess digital capabilities

Deeper dive on supply chain agility and risks

Monitor and adapt to changing consumer behavior and retail dynamics

Continued focus on employee wellbeing – physical and emotional

Adapt learnings from the China market

Pressure test strategy under the conditions of “next normal” and how we move to market shaper rather than simply adapting



Phase 3 Thrive

Thought leader: Immunity White Paper

Identify near-term opportunities and initiate “Micro Battles”

Upweight marketing investment on immunity segment

Upweight digital storytelling

Support consumers with access to health advice, search is key

Workforce flexibility and capability upgrade ongoing

CAPITAL MANAGEMENT

Placement and SPP results

\$92m

raised from our

institutional shareholders with overwhelming support

Our retail shareholders also showed tremendous support and purchased

\$49m of our shares*

\$141m

Total capital raised

* Share Purchase Plan completed July 2020



CAPITAL MANAGEMENT

Proceeds from the raise



Accelerating **GROWTH** in Asia

'Modern Parenting' innovation centre for product development in China

Step up investments in IT and in-store product advisers in Indonesia and other International markets

Invest in digital capability across Asia

Working capital in India

Progressing Halal in Indonesia



INVESTMENT in efficiency program

Efficiency investments in our Supply & Logistics operations

Streamlining our go-to market model to best serve our customers

SKU rationalisation and product reformulation

1/2 of these benefits will be reinvested in key areas of focus including Asia



Position balance sheet for **STRENGTH**

Strong cash position to ensure Blackmores Group can navigate the uncertain world in which we are operating.

FY20
Market Results

FY20 International

✓ Revenue across International **grew 30% compared to pcp**, EBIT for reported **International segment up 92%.**

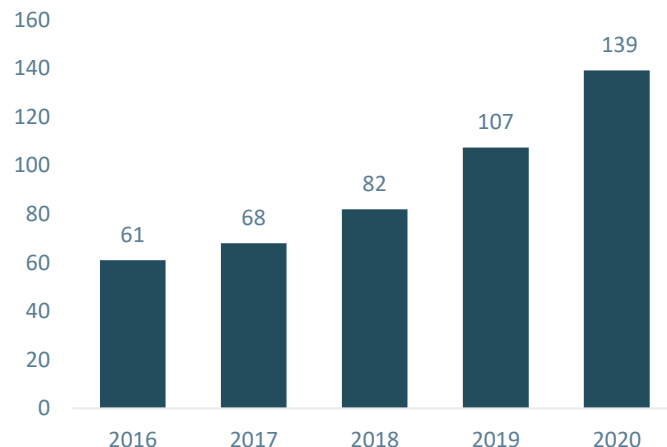
✓ **Double-digit growth** in Malaysia, Singapore and Indonesia.

✓ **Continued growth** in Indonesia enabled by strong partnership with Kalbe Pharma.

✓ **Infant formula sales growth** in Vietnam with revenue of \$20m.



International Revenue FY20



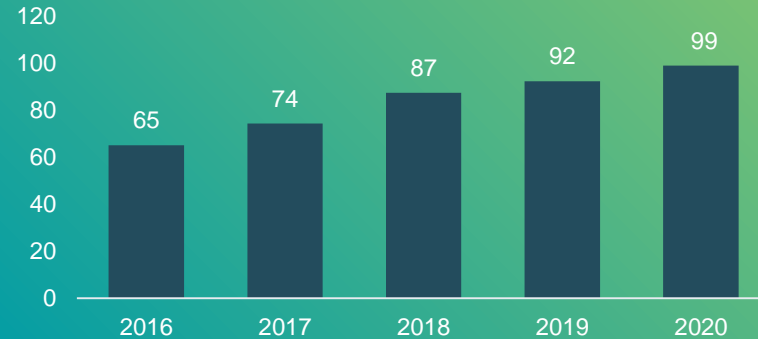
FY20 BioCeuticals

- ✓ BioCeuticals **brand revenue up 7%** with increased focus on immunity boosting sales in the second half.
- ✓ BioCeuticals **has the #1** range in the immunity segment¹ with ArmaForce sales at record high.

¹Source: Nielsen & IQVIA, RMS/Sell Out service, Cold & Flu Vitamins & Dietary Supplements, Australia Grocery & Pharmacy, Total VMS Sales, Fiscal Year 2020.



BioCeuticals Revenue FY20*



*Excludes Global Therapeutics sales in FY20 as it is a discontinued operation.

FY20 Australia & NZ

✓ Blackmores ANZ revenue of \$227m, **down 15% on pcp.** EBIT of \$25.6m (down 49%).

✓ Regulatory change in China continued to **impact revenue in Australia.**

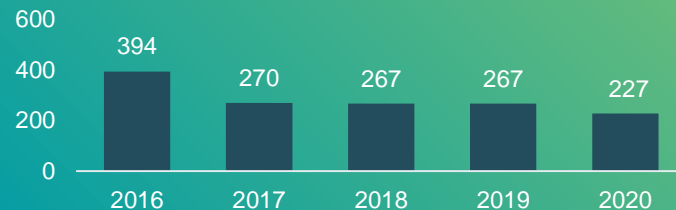
✓ **COVID-19 shifted consumer** buying patterns away from non-immunity health.

✓ **New Strategic Revenue program** kicked off, removing heavily discounted year end bulk sales.

✓ **EBIT down as raw material costs increased**, additional obsolescence provisions and transition to Braeside Manufacturing.



Australia & New Zealand
Revenue FY20

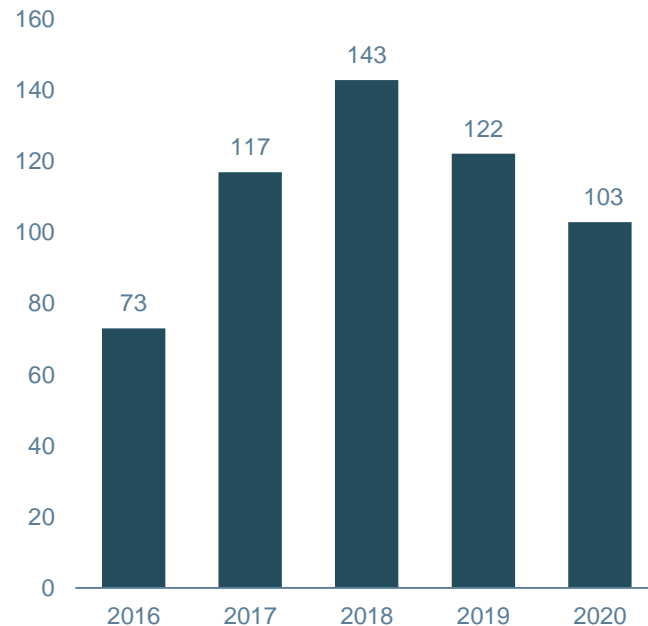


FY20 China

- ✓ Revenue in the China segment (key export accounts and in-country sales) was \$103m, **down 16% on pcp.**
- ✓ China in country sales **impacted heavily by COVID-19** and label transition in market while the export market continues to **decline due to regulatory changes.**
- ✓ **Negligible EBIT** in the year as the business continued to invest in capabilities and brand in China despite COVID-19 and the label transition.
- ✓ Positive signs of recovery seen in May and June trading



China Revenue FY20



Reigniting on China platforms



China

Mid year 618 shopping festival



Tmall

Doubled sales



JD

Tripled sales



E-commerce

Market Share gained
2%¹ Jan-June

¹Smart Path Online Market Report ending June 2020



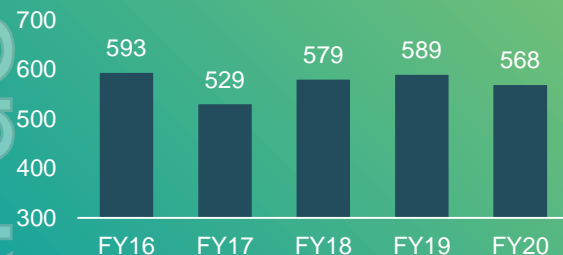
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**FY20
Group
Financials**

FY20 Full Year

- ✓ FY20 revenue of \$568m, down 3% on prior corresponding period (pcp).
- ✓ Reported net profit after tax (NPAT) of \$18.1m, down 66% 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 16.4%¹ market share.
- ✓ BioCeuticals maintains #1 brand of practitioner-only products in pharmacies with 82.5%² market share.
- ✓ The Director's resolved on 24 August 2020 to not pay a final dividend in respect of the period ending 30 June 2020.

Group Revenue³



Year ended 30 June 2020	Reported	Underlying	FY19	% Underlying var to pcp
Sales Revenue	568.4	568.4	588.9	(3%)
Revenue and other income	579.1	571.9	593.5	(4%)
Cost of raw materials and consumables used	235.9	235.9	235.3	0%
% of sales revenue	41.5%	41.5%	39.9%	
Selling and marketing expenses	58.5	58.5	67.3	(13%)
Operating expenses	255.3	246.1	214.4	15%
Total Expenses	549.7	540.5	516.9	5%
EBIT	29.4	31.4	76.6	(59%)
% of sales revenue	5.2%	5.5%	13.0%	
Net interest expense	5.9	5.0	5.0	(0%)
Income tax expense	7.4	9.8	20.9	(53%)
% effective tax rate	32%	37%	29.3%	
Profit after tax from continuing operations	16.0	15.7	50.6	(69%)
Profit after tax from discontinued operations	3.0	3.0	2.9	5%
Non-controlling interest	0.9	0.9	(0.0)	(2427%)
NPAT	18.1	18.7	53.5	(65%)
Cost of good sold (COGS)	280.6	280.6	252.7	11%
Gross profit	287.8	287.8	336.2	(14%)
% net sales	50.6%	50.7%	57.1%	(6.4)ppt
Operating expenses exc. COGS	210.7	201.4	197.2	2%

A\$m	F20	F20
	PBT	NPAT
Reported Result	23.5	18.1
Adjust for Significant items:		
Bargain Gain on Braeside Acquisition	(6.2)	(6.2)
Job Keeper (BioCeuticals) and Job Support Scheme (Singapore)	(1.0)	(0.8)
Capital Raise Costs	0.5	0.4
Redundancy	2.8	2.0
Transformation Costs	2.3	1.6
Catalent Acq Gross Margin Adjustment	1.4	1.0
Stamp Duty on Braeside	1.8	1.8
Costs Associated with Divestments	0.4	0.3
Ineffectiveness of Interest Rate Swap (linked to Placement)	0.9	0.6
Underlying Result	26.4	18.7

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¹Nielsen & IQVIA, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Grocery Pharmacy, Total Retail Sales, FY2020

²Nielsen & IQVIA, RMS/Sell Out service, Vitamins and Dietary Supplements, Australia Pharmacy, Total Practitioner Sales, FY2020

³Excludes Global Therapeutics FY20 sales as it is a discontinued operation

Balance Sheet

- ✓ Strong balance sheet due to the Capital raise of \$92m.
- ✓ Net assets of \$63m recognised as part of the Braeside acquisition.
- ✓ Underlying inventory levels have improved, with additional provisions for obsolescence due to label transition and warehouse migration and **\$19m inventory increase** from Braeside Acquisition.
- ✓ Property, Plant & Equipment increase includes **\$49m from Braeside**.
- ✓ Increased debt as a result of Braeside acquisition offset by strong operating cashflow and capital raise.
- ✓ Global Therapeutics asset held for sale.

A\$M	Jun '20	Jun '19	\$ CHG	% CHG
Cash	47.7	24.5	23.2	95%
Receivables	97.9	143.9	(46.0)	(32%)
Inventories	120.7	125.1	(4.4)	(4%)
Other current	11.0	14.7	(3.7)	(25%)
Assets held for sale ¹	30.7	0	30.7	n/a
Current Assets	307.9	308.2	(0.3)	0%
Property, plant and equipment	139.2	80.8	58.4	72%
Other non-current assets ²	114.0	104.6	9.4	9%
Total Non-Current Assets	253.2	185.4	67.8	37%
Total Assets	561.1	493.6	67.5	13.7%
Trade and other payables	101.8	134.5	(32.7)	(24%)
Other current liabilities ²	26.5	18.7	7.8	42%
Liabilities of assets held for sale ¹	6.7	0	6.7	n/a
Total Current Liabilities	135.0	153.2	(18.2)	(12%)
Interest bearing liabilities	85.0	119.0	(34.0)	(29%)
Other non-current liabilities ²	34.5	13.7	20.8	152%
Total Non-Current Liabilities	119.5	132.7	(13.2)	(10%)
Total Liabilities	254.5	285.9	(31.4)	(11%)
Total Equity	306.6	207.7	98.9	48%

¹ Assets held for sale include the Global Therapeutics business, the investment property 15 Jubilee Ave Warriewood and the Brands Isowhey and Wheyless.

² Amounts at June 2020 reflect the recognition of right-of-use assets (\$28.9m) and lease liabilities (current \$7.2m, non-current \$20.6m) relating to adoption of AASB 16 Leases based on the modified retrospective approach.

Cash Flow / Net Debt

- ✓ Cash generated from operations \$75.9m, up 46% on pcp.
- ✓ Includes the benefit of \$8m from reclass due to AASB 16 leases.
- ✓ Investing activities includes the \$56.5m payment to Catalent for Braeside Manufacturing plant.
- ✓ Financing activity includes \$92m proceeds from Capital Raise offset by repayments of \$34m borrowings.
- ✓ **Cash conversion ratio of 150%** compared to 59% in pcp due to effective working capital management and additional obsolescence provisions in FY20.
- ✓ Net Debt of \$37.3m **down 60.5% on pcp.**
- ✓ **Gearing at 10.9%, down 20.4 ppts** from pcp.

A\$M	Jun '20	Jun '19	\$ CHG	% CHG
Cash generated from operations	75.9	51.8	24.1	46%
Interest and taxes	(13.8)	(32.0)	18.2	(57%)
Net Cash from Operating Activities	62.1	19.8	42.2	213%
Net Cash used in Investing Activities	(79.5)	(27.1)	(52.4)	193%
Net Cash from Financing Activities	40.4	(6.6)	47.1	(709%)
Net Increase in Cash / Cash Equivalents	23.0	(14.0)	37.0	(265%)
Cash and cash equivalents at start of year	24.5	36.5	(12.0)	(33%)
Effects of FX	0.1	2.0	(1.9)	(93%)
Cash and cash equivalents at end of year	47.7	24.5	23.1	94%
<i>EBITDA¹</i>	<i>50.7</i>	<i>87.3</i>	<i>(36.6)</i>	<i>(42%)</i>
Cash Conversion %	150%	59%		91ppts

¹Excludes Global Therapeutics FY20 sales as it is a discontinued operation.

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FY21 Towards Sustainable Growth

Progressing our strategic priorities

1



**Build a
world-class
organisation**

2



**Win with the
modern career
woman in China**

3



**Rejuvenate
Blackmores
Australia**

4



**Deliver
new growth**

Designing for the modern parent in China



Blackmores' premium range of Vitamins and Dietary supplements specifically designed for modern parenting. China as lead market from September 2020.

Restore Blackmores' position in Modern Parenting by helping women across their **pregnancy and parenting journey.**

Specifically design product formulations meeting consumer needs from....



Pre-conception



Conception



Pregnancy



Birth & recovery



Breastfeeding



Aged 0-3



Aged 4-7

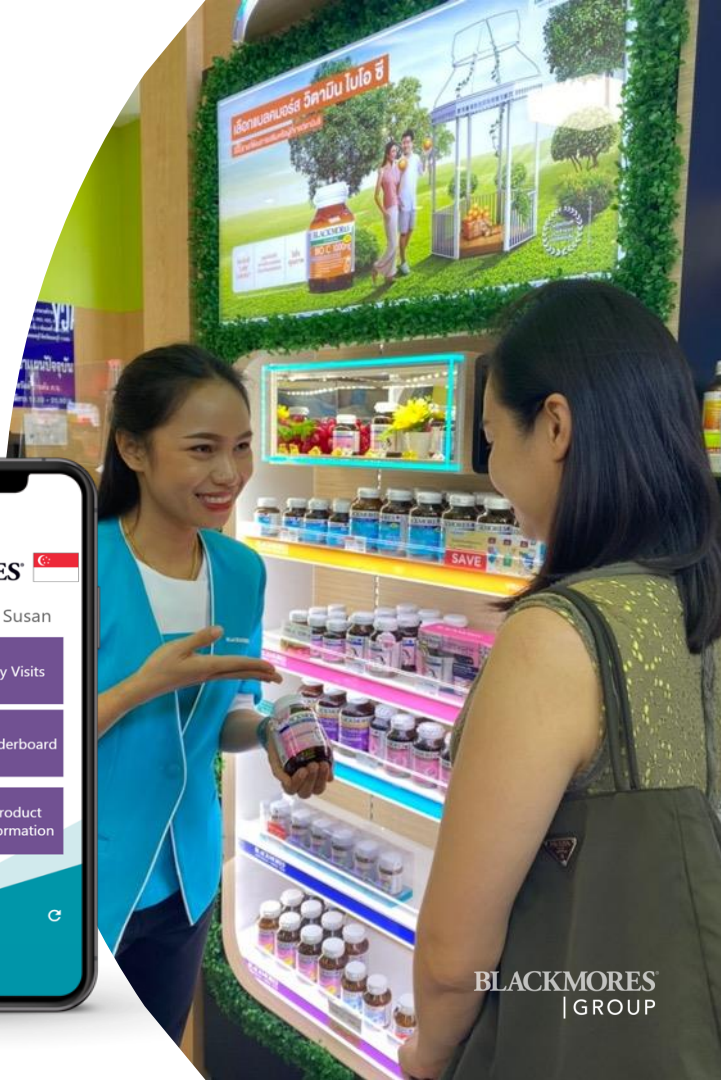
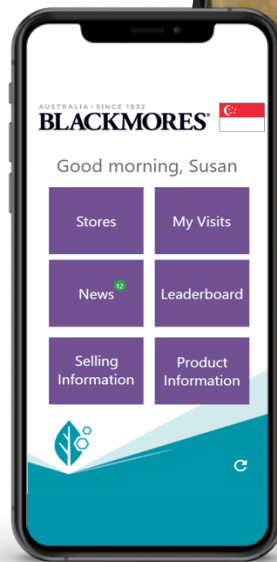


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New Growth

Winning in-store with PAs in our International markets

- Key competitive advantage in International – 650+ and growing
- PAs deliver customer service, stock management, insights and SALES
- Use technology for competitive advantage – The PA App, Virtual PA
- Innovate with flexible working arrangements
- Create regional Best Practice using the best of each market



New Growth

Cultural customisation

Blackmores has a presence in the **top #3 countries with the highest Muslim population**

Muslim consumers are a largely **underserved community**

Research shows **97% of Muslim consumers state certification is important** and 95% are more likely to purchase if halal accredited

Capitalise on Braeside advantage

Test and learn in Singapore and Fish Oil in Indonesia



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Rejuvenate Blackmores Australia

🌱 We are **optimising** our investments in trade spend

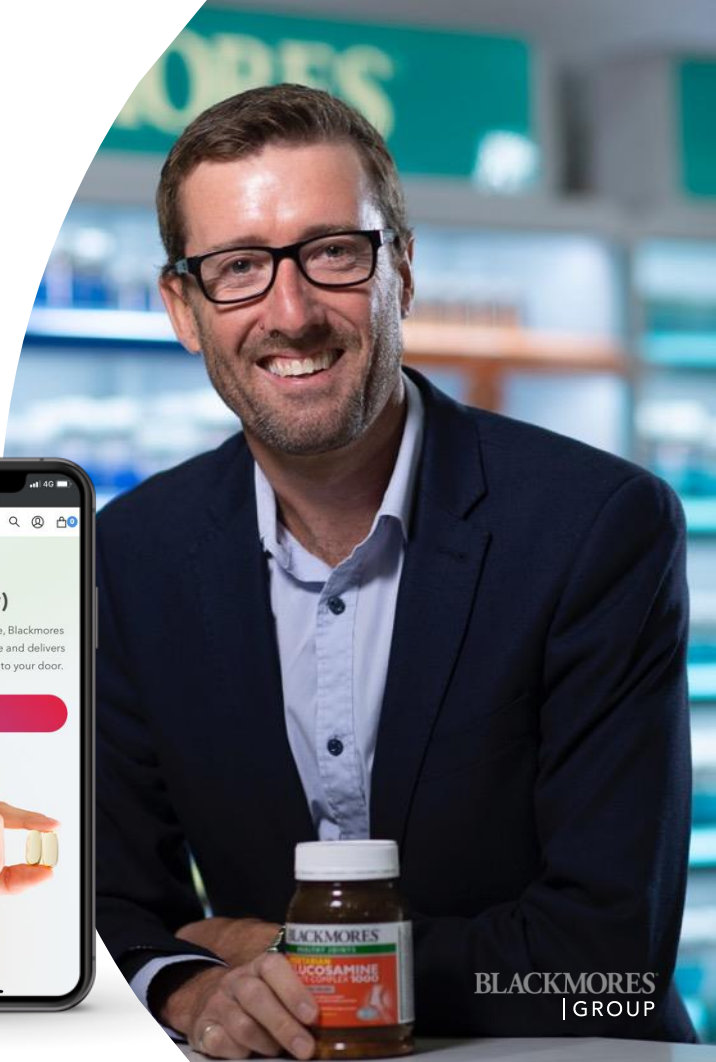
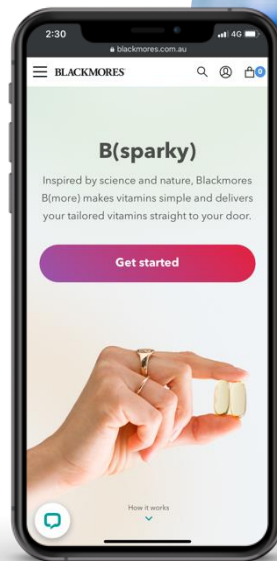
🌱 **Strengthen** our salesforce through organisational redesign

🌱 Continue to **embed** strategic revenue management capabilities

🌱 **Drive** new capabilities in digital and e-commerce to reach our consumers and practitioners

🌱 Digital personalisation **B(More)**

🌱 **OASIS** warehouse consolidation 'live'



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Simplify our brand portfolio

Intention to divest **Global Therapeutics** which includes brands Fusion and Oriental Botanicals

IsoWhey and **Wheyless** asset sale agreement reached with Australian Health and Vitality, deal expected to be closed in September.



Simplifying our operating model

Renewed strategy required the business to simplify the way we operate in **Australia and New Zealand**.


Organisation designed around our **four strategic priorities** with resources **aligned to support** our key consumer growth platforms and core brands.


Costs savings will allow reinvestment into **high growth markets across Asia** and **capabilities** to deliver on our strategy.


Employee consultation process commenced 17th August and expected to be complete in September.




Outlook

 We anticipate full year profit growth in FY21, despite additional cost variances arising from Braeside manufacturing ownership.

 Profit growth will come predominantly from the second half of the fiscal year.

 Due to current global uncertainty, we are not offering full year guidance for F21.

 Confidence in our renewed strategy to put the company back on the path to sustainable, profitable growth and restore future dividends.

OUR FOCUS

3 BRANDS

BLACKMORES®

BioCeuticals

paw® Pure Animal Wellbeing
By BLACKMORES

3 MARKETS

China

Indonesia

Australia

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OUR GOALS

1. Consumers

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

2. Growth

Consumption ahead of the market, sustained profit performance

3. Our People

Ranked #1 employer of choice in the health industry

4. Sustainability

Towards carbon neutral

5. Value

Shareholder return ahead of the market (EPS)

6. Education

#1 Thought leader in natural health

5 CONSUMER GROWTH PLATFORMS



Core



Move



Pet



Mental Wellbeing



Modern Parenting

**Thank
you.**