For the half-year ended 31 December 2020
Reported 24 February 2021

BLACKMORES | GROUP

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ASX Announcement
H1 FY21 Results

H1 FY21 FINANCIAL HIGHLIGHTS

- **Revenue:** $302.6m up 4% on pcp (3% at actual FX)
- **Underlying EBIT:** $30.8m up 15% on pcp (statutory EBIT $25.8m up 1%)
- **Underlying NPAT:** $19.4m up 8% on pcp (statutory NPAT $18.9m up 4%)
- **Net cash surplus**[1]: $71m at end of H1
- **Australia segment** revenue down 10% on pcp, retains #1 vitamin and dietary supplement (VDS) position in the market[2]
- **China segment** revenue up 27% on pcp (25% at actual FX)
- **International segment** revenue up 19% on pcp (13% at actual FX)
- **Significant progress** made on operating efficiency programs
- **Interim dividend** of 29 cents per share (cps) (fully franked)

RESULTS OVERVIEW

Blackmores Limited (ASX: BKL) today announces the half year result of $302.6 million in revenue up 4% (3% at actual FX) on prior corresponding period (pcp) and statutory NPAT of $18.9 million, up 4% on pcp and underlying full year NPAT of $19.4 million, up 8% on pcp.

Chief Executive Officer, Alastair Symington: "This time last year we outlined our three-year strategy to set us on the path for sustainable, profitable growth. Since then, we have taken the necessary steps to hit important turnaround milestones and made positive strides toward simplifying our operating model in line with our new strategic direction.

The strengthening of our balance sheet, ability to pay down debt and move to a positive net cash position enabled us to step up investments in Asia. This has resulted in accelerated growth in our key markets in Asia in the first half of FY21.

Our transformation program and first half result have been achieved despite the disruptions and uncertainty brought on by COVID-19 which affected traditional retail channels and shopper behaviour in Australia.

We remain focused in the second half on continuing to deliver against our strategic priorities. I am confident we will delight our consumers by giving a more distinctive brand experience with Blackmores, BioCeuticals and PAW by Blackmores while maintaining cost discipline and operational excellence to support future growth and shareholder value creation."

PROTECTING THE HEALTH OF OUR PEOPLE AND BUSINESS

We are actively monitoring the COVID-19 pandemic as it evolves across the globe and the potential impact on the Group's financial condition, operations and supply chain. Our priority throughout the pandemic is first and foremost the health and safety of people and our customers along with the

[1] Includes COVID-19 government assistance (including JobKeeper) of $10.4m

[2] Nielsen AU Pharmacy & Grocery FYTD 19/12/20 Domestic (Retail & Practitioner)

continuity of manufacturing and supply allowing us to continue to provide our health products to our consumers during these times of heightened need.

COVID-19 has seen a dramatic shift in consumer behaviour impacting all markets and brands including a reduction of foot traffic in Australian retail and unpredictability of demand linked to COVID-19 outbreaks across Asia.

We were fortunate to maintain business operations as an essential service at both our Braeside manufacturing plant and our production facility at Warriewood across the entirety of last year.

AUSTRALIA AND NEW ZEALAND (ANZ)

For the first half of FY21, ANZ revenue was down 10% to $148m and statutory earnings before interest and tax (EBIT) down 22% to $17m.

The performance of Blackmores and BioCeuticals was impacted by market contraction, as fewer international travellers and students as well as rolling lockdowns in Australia led to reduced foot traffic in local retail. Important activity usually linked to the cold and flu season was down significantly versus last year which affected sales of key product lines, in particular BioCeuticals ArmaForce.

With lower foot traffic and lower volumes in certain retail channels there has been an increase in the level of discounting. Despite these tough market conditions, we remain committed to investing in innovation and our brands. Consequently, Blackmores brand health measures remain strong and we retain our #1 market position in Australia[3].

Aligned to the growing global trend of specialised health products for pets, Pure Animal Wellbeing (PAW by Blackmores) achieved a 53% increase in revenue on pcp and achieved 82% brand awareness amongst pet households[4].

Blackmores remains focused on achieving long-term sustainable growth in ANZ. To drive stronger domestic brand consumption, we are balancing discounting and price promotions with channel-specific brand campaigns that deliver distinctive consumer value propositions. Importantly, our relentless commitment to improving value and price mix along with disciplined cost control measures is ensuring this segment continues to underpin Group profit.

INTERNATIONAL

December was a record month for our International segment and first half revenue was up 19% on pcp (up 13% at actual FX).

Statutory EBIT in our International segment was up 61% during the half to $13m, increasing at a rate faster than revenue growth and continuing to demonstrate the operating leverage in this region which became evident in FY20.

In Southeast Asia our business fundamentals remain very strong and we continue to manage periodic surges of demand linked to COVID-19 outbreaks.

Our fastest growing market of Indonesia accelerated in the first half with strong revenue up 73% on pcp (59% at actual FX). The results were driven by the expansion of our distribution footprint across the region and in-store advice and promotion from our 300+ in-store product advisors.

Thailand and Malaysia recorded double-digit growth and our Blackmores Infant Formula business in Vietnam continued to perform strongly. These solid performances offset markets such as Singapore, Hong Kong and Korea which experienced declines largely related to COVID-19 and travel restrictions.

[3] Nielsen AU Pharmacy & Grocery FYTD 19/12/20 Domestic (Retail & Practitioner)
[4] Kantar Pet Healthcare Brand Awareness Survey 09/2020

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CHINA

China revenue for the first half performed strongly up 27% (25% at actual FX) compared to the first half of FY20. Statutory EBIT grew in line with revenue up 26% on pcp to $6m. China was able to deliver strong EBIT returns as we increased investments in talent, team capability and digital marketing.

Results were underpinned by strong performance in the important Double 11 e-commerce shopping festival. Blackmores was the third ranked brand by units sold on Tmall in our category[5] on the back of new product innovations in Modern Parenting and focused investments in our Consumer Growth Platform of Move and our nutritional oil products. Blackmores in China is pacing ahead of the cross-border e-commerce (CBEC) channel, with gross merchandise value (GMV) up 31% versus last year compared to national CBEC VDS growth of 26%[6].

For the third year running Blackmores had a major presence at the China International Import Expo (CIIE) in Shanghai. This half we also launched the first premium line of products designed specifically for our Modern Parent Consumer Growth Platform out of our newly established Global Innovation Centre in Shanghai.

SIGNIFICANT PROGRESS ON OUR OPERATING EFFICIENCY PROGRAMS

Integration of the Braeside manufacturing plant: Our Braeside manufacturing plant is on track to deliver our FY21 volume plan of 2.7 billion standard-unit doses, a record for both Blackmores and prior owners Catalent. Product mix is improving through new product development and focus on differentiated products. Our supply savings program is accelerating to ensure important improvements such as factory efficiencies, portfolio simplification, reformulation of our products and procurement savings to drive manufacturing efficiency overall for the Group.

Leading Value Position (LVP): Tasked with identifying $25 million in value from within the business over the next three years starting from the first half of FY21, our LVP program has yielded approximately $4 million in YTD value. At the end of December 2020 this was slightly ahead of projections and on-track to generate approximately $10 million of value creation in FY21. This value comes from continuous improvement initiatives across our supply chain including our Direct and Indirect spend categories, underpinned by evolving maturity in our Integrated Business Planning (IBP) process.

Portfolio optimisation: As part of our strategy, we identified the need to dramatically simplify our portfolio and focus resources on our three core brands of Blackmores, BioCeuticals and PAW by Blackmores to deliver the best growth and value for shareholders. We announced the divestment of our Global Therapeutics business for $27 million* in October 2020 and our IsoWhey and Wheyless brands were sold for $1 million in August 2020. Within our three core brands we have completed one round of SKU rationalisation, with a further round kicking off in the second half. Through brand divestments and streamlining of our product offerings we will reduce our SKU count by approximately 40% by 2021 calendar year end.

Simplified operating model: Implementation of our major organisational redesign announced in mid-August is now complete. Savings are forecast to be $8m in FY21. This has been a significant change for the organisation overall, simplifying and streamlining teams provided for a partial reinvestment of savings into consumer experience, brand building and new capabilities and to accelerate our speed to market to deliver more meaningful output for our customers and consumers.

[5] Smart Path Data December 2020
[6] SmartPath Data 31/12/2020

*Refer to Page 18 of the Director's Report Financial Statements

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BLACKMORES INSTITUTE

Blackmores Institute, the academic and professional arm of the Group, lead excellence in education, winning four prestigious LearnX Awards including Platinum for 'Best Learning Design Team'. They ranked number one for retail education in Australian pharmacy[7], with 44,000 education modules completed by healthcare professionals and pharmacy assistants over the first half. Championing evidence-based research in natural medicine, they were a finalist for 'Best Research Project in APAC' in the 2020 NutraIngredients Awards related to Executive B clinical trials which explored the products effect on psychological and mood outcomes.

LOOKING AHEAD

As we look to the second half, revenue growth in Asia will continue with positive signs of health and economic recovery underway. The Australian vitamin and supplement market will continue to face structural challenges as international borders remain closed and the focus on vaccine rollout will disrupt consumer behaviour for at least the rest of the 2021 calendar year.

Despite a full half of realisation from our 1 October price increases, revenue for the second half will be slightly lower than the first half which was impacted by seasonal and key customer events. In the second half, we will maintain our focus on cost management.

For the remainder of the year we will respond to changing retail demands and restore much needed brand investments to levels before the onset of the pandemic. Blackmores remains mindful of the ongoing uncertainty around COVID-19.

JOBKEEPER

Blackmores received $10.4m (pre-tax) of COVID- 19 government assistance, primarily from the Australian Government's JobKeeper Payment program. After the balance sheet date, Blackmores decided to repay $2.4 million in pre-tax JobKeeper Australia assistance as this amount was deemed to be in excess of the costs and financial impacts of COVID-19 to Blackmores during the JobKeeper 1.0 period. This has been treated as a subsequent event in the Half Year Report and will be recognised and repaid in the second half.

DIVIDEND

In view of Blackmores' confidence in our strengthening performance and the improved outlook, the Board has today declared an interim fully franked dividend of 29 cents per share in respect of the period ended 31 December 2020. The record date for the dividend will be 23 March 2021 with payment on 12 April 2021.

The Dividend Reinvestment Plan (DRP) remains active, allowing shareholders to reinvest distributions in the Company's securities and to support the funding of growth initiatives. Shareholders who elect to participate in the DRP will benefit from a 2.5% discount.

The Board and management continue to evaluate a range of investment opportunities designed to support the company's strategic priorities. Moving forward we believe a disproportionate amount of our growth will be generated from digital sales and communication channels. To stay ahead of this shift, we are exploring where technology, data and insights can enable us to move to a completely different way of working. We will share more details at our upcoming Investor Day, 22 April 2021.

We maintain a disciplined approach to capital management and retain flexibility to take advantage of growth opportunities as they arise to ensure capital is deployed in a way that maximises value to

[7] Advantage Analytics Survey 10/2020

shareholders. Future dividends will be assessed in the context of growth opportunities and cash flow being generated by the business

CONTINGENT LIABILITY

As has been disclosed previously, Blackmores has been in discussions with a relevant authority in one of the countries in which it trades pertaining to the historical use of and compliance to export classification codes and related exemptions claimed under free trade agreements between the periods of 2009 to 2014. These discussions have been ongoing for over four years. The relevant authority has issued assessments for approximately AUD $10 million (adjusted for FX). In the year ended 30 June 2020, corresponding bank guarantees totalling AUD $10 million adjusted for FX were issued by the Group. Blackmores has initiated an appeal process for these assessments. Blackmores considers that it has correctly interpreted and complied with all relevant requirements under the free trade agreement and continues to pursue all legal avenues of objection. It remains unclear when a resolution to this matter will be reached. As at the date of signing, no legal liability exists in relation to the assessments under applicable laws of that jurisdiction. A reliable estimate of potential risks or probable outflows, if any, cannot be determined. Accordingly, applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets, no liability has been recorded in the accounts at 31 December 2020.

ENDS

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Results at a Glance

$'m	H1 FY21	H1 FY20	% CHG
STATUTORY			
Revenue	302.6	293.5	4%[1]
Earnings before interest, tax, depreciation and amortisation (EBITDA)	40.4	35.4	14%
Earnings before interest and tax (EBIT)	25.8	25.5	1%
Profit attributable to shareholders of Blackmores Limited (NPAT)	18.9	18.2	4%
UNDERLYING			
Revenue	302.6	293.5	4%[2]
Earnings before interest, tax, depreciation and amortisation (EBITDA)	45.3	36.7	23%
Earnings before interest and tax (EBIT)	30.8	26.8	15%
Profit attributable to shareholders of Blackmores Limited (NPAT)	19.4	18.0	8%
OTHER KEY ITEMS	**31/12/2020**	**31/12/2019**	
Earnings per share - basic from continuing operations	70.2	99.0	cents
Earnings per share - basic from continuing & discontinued operations	98.0	104.9	cents
Dividends per share	29.0	-	cents
Cash generated from operations	59.3	46.6	$m
Cash conversion ratio[3]	147%	126%	%
	31/12/2020	**30/06/2020**	
Net cash / (net debt)	71.0	(37.3)	$m

Notes
1. 3% at actual FX
2. 3% at actual FX
3. Calculated as cash generated from operations divided by reported EBITDA.

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