For the half-year ended 31 December 2021
Reported 24 February 2022

BLACKMORES | GROUP

ASX Announcement
1H22 Results

1H22 FINANCIAL HIGHLIGHTS

- **Blackmores continues to deliver on its strategic game plan, achieving key milestones in 1H22** including investments in targeted growth markets and segments while focusing on disciplined cost management
- **Group revenue:** $346.0m up 14.3% on prior comparative period (pcp) (14.9% at constant FX)
- **Group gross profit:** $187.6m up 19.4% on pcp (gross profit margin up 2.3ppts to 54.2%)
- **Underlying[1] EBIT:** $38.3m up 21.2% on pcp (underlying EBIT margin up 0.6ppts to 11.1%)
- **Underlying[1] NPAT:** $20.8m up 9.6% on pcp
- **Statutory results:** Group EBIT of $37.6m up 40.8% on pcp; Group NPAT (continuing operations) of $20.3m up 44.0% on pcp
- **Australia segment** revenue down 1.2% but underlying EBIT up 14% on pcp
- **International segment** revenue up 49.8% (53.8% at constant FX) and underlying EBIT up 61.3% on pcp
- **China segment** revenue up 8.5% and underlying EBIT up 13.4% on pcp
- **Group net cash**: $89.4m; Strong operating cash flow conversion maintained
- **Interim dividend** of 63 cents per share (cps) (fully franked)

RESULTS OVERVIEW

Blackmores Limited (**ASX: BKL**) is pleased to announce today its result for the half-year ending 31 December 2021 (**1H22**).

Chief Executive Officer, Alastair Symington: "Today Blackmores shared a strong first half set of results across all key measures – top line, bottom line and cash conversion – in what were, again, highly volatile operating conditions. We continued to deliver key milestones in line with our strategic priorities and remain on track for our FY24 strategic targets.

Our ability to deliver sustainable and profitable growth has been a result of continued investments and execution in targeted growth markets, channels and segments while focusing on disciplined cost management and investment. This strong performance has been achieved while ensuring employee health and safety in all our markets and staying ahead of supply challenges so that we can continue to deliver much needed health and wellbeing products to our customers throughout the global pandemic.

Blackmores delivered outstanding revenue growth in the first half, underpinned by distribution expansion and strong execution of product innovation leading to market share gains particularly in the International and China segments. The Australia and New Zealand (**ANZ**) segment has stabilised and is trading in line with the category which was broadly flat in 1H22. Pleasingly, EBIT in the ANZ segment delivered EBIT margin growth of 2.4ppts to 17.9% driven by strategic pricing and operational improvements.

[1]Underlying earnings exclude: the impact of COVID-19 Government subsidies; business transformation costs; and other non-recurring income/costs

In addition to revenue performance, Blackmores continued to improve gross profit and EBIT margin expansion in the first half due to focused delivery of supply chain efficiencies, opex savings, as well as targeted price / mix initiatives. Our Business Improvement Program is on track to deliver annualised gross savings of $40-$42m by the end of FY22 and remains on track to achieve our target of $55m annualised gross savings by the end of FY23.

While the first half results are pleasing, we continue to face significant challenges linked to global supply chain disruption and uncertainty due to COVID-19 outbreaks which has affected traditional retail channels and impacted consumer behaviour across all our markets.

For the remainder of the financial year, we continue to be focused on delivering against our strategic game plan while maintaining a disciplined risk and capital management approach. In doing so, we are positioned to navigate through the challenges and capitalise on the opportunities that will arise.

I am confident we will continue to delight our consumers with distinctive brand experiences across Blackmores through new product innovation and further investment in our Blackmores Good Health Changes Everything campaign, BioCeuticals continued focus on practitioner experience, and visibility programs in pharmacy and strengthening our omni-channel experiences for PAW."

AUSTRALIA AND NEW ZEALAND (ANZ)

In 1H22, ANZ revenue was down 1.2% to $145.9m and underlying EBIT was up 14.0% to $26.1m. The ANZ segment is stabilising and now trading in line with the Vitamin and Dietary Supplements (**VDS**) category. However, market conditions remain challenging in ANZ due to COVID-19 impacts such as supply chain disruption, out of stocks, and changing shopper behaviour. Despite these difficult market conditions, Blackmores, BioCeuticals and PAW brand health measures all remain strong, and we retain our number one[2] market position in Australia in our key segments.

BioCeuticals, the leading VDS practitioner brand in pharmacies[3] across Australia returned to strong growth in the first half, well ahead of the category. This improvement in performance was due to increased distribution, education, and visibility in pharmacy as well as higher demand for immune support products. The pleasing news is that these strong results are despite the key ingredient shortages that have plagued BioCeuticals since the onset of COVID-19.

As we continue to navigate supply chain disruption and adapt to shifts in shopper behaviour, we remain focused in ANZ on delivering strong programs for each of our three brands. These programs are channel focused and have distinctive consumer value propositions. They include increasing new product innovation frequency as well as optimising price and pack combinations to drive stronger consumer purchasing intent. In addition, we continue to maintain a disciplined pricing strategy to protect and grow our profitability, despite increased levels of industry-wide discounting. As a result, in 1H22, we delivered a 2.4ppts improvement in ANZ underlying EBIT margin vs pcp to 17.9%.

INTERNATIONAL

Blackmores International is now our second largest segment and our fastest growing. In 1H22, revenue was up 49.8% to $116.2m (up 53.8% on a constant currency basis) and underlying EBIT was up 61.3% to $19.6m.

In the International segment, Indonesia was the fastest growing market in 1H22 and emerged as the largest. Demand for the Blackmores brand increased considerably in Indonesia behind distribution wins and elevated consumer demand for immunity products coinciding with a spike in COVID-19 cases. Thailand also delivered significant revenue growth in the 1H22 through strong market share gains.

We are excited by the progress and continued growth potential in International behind strong execution of new product innovations, improved shelf availability, and the continued expansion of our Halal-certified products across the Indo-Pacific region.

[2]Share of total VDS sales in Australia MAT to 22/01/2022. Source: Nielsen/IQVIA Scan data to 22/01/2022.
[3] Share of practitioner brand in Australia MAT to 22/01/2022. Source: Nielsen/IQVIA Scan data to 22/01/2022

Pleasingly, Blackmores launched in India last September in partnership with Amazon India and recently Blackmores entered a distribution partnership with Udaan, India's largest business-to-business (**B2B**) ecommerce platform, expanding the reach of Blackmores' products to independent pharmacies in at least 10 metro cities across India.

CHINA

In 1H22, China revenue was up 8.5% to $83.9m and underlying EBIT increased to $7.0m up 13.4% against pcp.

This result was driven by continuous improvements in e-commerce fundamentals leading to Direct Cross Border E-Commerce (**CBEC**) channel growth of 18% against pcp with this channel accounting for more than 70% of China segment sales. Focused investments in more premium nutritional oils, core ranges and new product innovations helped deliver this growth.

The Double 11 ecommerce shopping festival continued to be a key contributor to the 1H22 results with Gross merchandise value (**GMV**) sales from e-commerce platforms up 14%.

The continued growth in CBEC was partially offset by a 7% decline in the corporate Daigou channel, which continues to be impacted by COVID-19 related border closures.

This was a solid result for the segment in the context of deceleration and lower levels of consumption growth on e-commerce platforms. Consumer sentiment was impacted in 1H22 by low levels of domestic travel (impacted by China's zero-tolerance COVID-19 policy) and elevated economic uncertainty.

BALANCE SHEET AND CASH FLOW

Blackmores Group reported a net cash balance of $89.4m as at 31 December 2021 along with strong operating cash flow conversion being maintained. The increase in the Group's net cash position largely reflects the growth in profitability over the half, partially offset by net working capital movement and share purchase plan proceeds. The company will continue to monitor supply chain risks and, where prudent, will increase our inventory position to ensure that we can meet the demands of our customers in Asia and Australia.

The Blackmores Digital transformation is progressing well including investments in SaaS cloud computing solutions. While the cash impact is unchanged, due to the new accounting treatment requiring expensing of SaaS Cloud IT costs, the P&L was impacted adversely by $5.1m in 1H22 vs $0.5m in the prior corresponding period.

DIVIDEND

We have today declared a fully franked interim dividend of 63 cents per share in respect of the 1H22 period ended 31 December 2021.

The record date for the dividend will be 23 March 2022 with payment on 12 April 2022.

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 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 drives long-term shareholder value and returns.

OUTLOOK

Looking ahead to the second half of FY22, in Australia, we expect the category to continue to recover, albeit slowly, and we will remain focused on executing against key consumption periods, reduce out of stocks, and accelerating our delivery of new product innovation. All these plans will come with a step up in brand advertising in ANZ.

Performance of the International markets will continue with momentum from new product launches from Blackmores. In the International segment, COVID-19 category tailwinds will be less than what we experienced in the first half, with the second half returning to levels of growth more consistent with growth rates experienced in FY21. Given the phasing of the Double 11 shopping festival in China, we expect second half sales in China to grow compared to the prior corresponding period but will be below 1H22 sales.

Total Group A&P investments will be $10-$15m higher in the second half of the year compared to the first half.

Our investments in supply chain capabilities have made Blackmores more resilient and underpin our ability to meet customer demand. Given the ongoing uncertainty due to COVID-19 across our markets and its impact on global supply chains, these improvements will help us manage what we believe will continue to be a challenging environment throughout the remainder of FY22 and so we are unable to provide profit guidance at this stage.

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

ENDS

Contacts

INVESTOR RELATIONS
Lindsay Creed
M: +61 421 898 955

MEDIA RELATIONS
Raffaele D'Alisa
M: +61 435 504 017

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Results at a Glance

A$m	Statutory[5]		Underlying[4,5]		
	1H22	% vs pcp	1H22	1H21	% vs pcp
Sales revenue	**346.0**	**14.3%**	**346.0**	**302.6**	**14.3%**
Gross profit	**187.6**	**19.4%**	**187.6**	**157.2**	**19.4%**
% of sales revenue	*54.2%*		*54.2%*	*51.9%*	+2.3ppts
EBITDA	**52.0**	**30.0%**	**52.7**	**44.9**	**17.4%**
% of sales revenue	*15.0%*	*13.2%*	*15.2%*	*14.8%*	+0.4ppts
D&A	14.4	8.3%	14.4	13.3	8.3%
EBIT	**37.6**	**40.8%**	**38.3**	**31.6**	**21.2%**
% of sales revenue	*10.9%*	*8.8%*	*11.1%*	*10.4%*	+0.6ppts
NPAT – continuing operations (total)	**25.2**	**57.5%**	**25.7**	**20.9**	**23.1%**
Non-controlling interests	4.9	157.9%	4.9	1.9	157.9%
NPAT – continuing operations (BKL share)	**20.3**	**44.0%**	**20.8**	**19.0**	**9.6%**
EPS – continuing operations	104.8	43.3%	107.2	98.5	9.0%
DPS – interim	63 cents				
% payout ratio	*60%*				

[4]Underlying earnings excludes: the impact of COVID support payments including JobKeeper; business transformation costs; impairments and other non-recurring income/costs
[5]Prior year comparative has been adjusted to reflect new accounting policy for SaaS arrangements and excludes discontinued operations