



# Blackmores acquisition of FIT-BioCeuticals

3 July 2012

# Agenda

---

1. Strategic Rationale
2. Relevance to Blackmores Group Strategy
3. Importance of the Practitioner Market
4. Acquisition Details
5. Operating Structure
6. About FIT-BioCeuticals Limited
7. Key Financials
8. Transaction Highlights



## Our Breakthrough Objectives

*What we're aiming for*

### Strategic Goals

- Double revenues and > double NPAT and EPS growth
- #1 ranked brand by consumers and customers in all core markets
- Employer of choice in every market

**BLACKMORES®**

**THE BEST OF HEALTH**

blackmores.com.au

## Our Business Principles

*What we stand for*

### Values

- Passion for Natural Health
- Integrity
- Respect
- Leadership
- Social Responsibility

### Purpose

Blackmores improves people's lives by delivering the world's best natural health solutions.

We achieve this by translating our unrivalled heritage and knowledge into innovative, quality, branded natural healthcare solutions that work.

## Our Value Drivers

*What makes us the best/unique*

### Brand Strength

The strength, essence and naturopathic heritage of our brand sets us apart. We are consumers' first choice for natural health. We leverage and value our market presence and our distribution network.

### Natural Health Expertise

We are global leaders in natural health, and we take a leadership stance in the development of the natural health industry

We acquire and leverage expertise in the science, traditions, principles and regulation of natural health to create advantage.

### People, Values, Culture

We are a values-led organisation & our culture supports our growth.

We share a belief in the value and benefit of our approach to natural health and in the need to grow our business sustainably from a personal, company, community and environment perspective

### Quality

The premium quality of our products and our focus on their safety and efficacy repays and strengthens consumers' trust in our brand.

## Our Strategic Outcomes

*What we promise to deliver*

### We will build the BKL brand

- **Emotional Connection** - through deep consumer insights
- **Credentials** - through healthcare professional relationships and research
- **Architecture** - to help consumers access our products / brand(s)
- **Consistency** - reinforce consistent points of difference at every consumer / customer contact

### We will develop our core product portfolio

- Use our superior consumer insight into benefits beyond the functional to develop & source innovative, differentiated products & services
- Secure best of breed ingredients and technologies through co-development / acquisition / licensing

### We will optimise & grow our channels

- Increase points of distribution
- Achieve #1 in satisfaction (trade) in all core mkts
- Strengthen our presence in weaker channels
- Invest to build scale in our existing international mkts
- Build profitable new channels - eg online, direct to consumer (especially in Asia)

### We will extend our business & our brand into new segments & intl markets

- Pursue opportunities that leverage our:
  - Brand
  - Expertise
  - Channels
  - Consumers
  - Supply chain
  - Distribution
- To support growth / innovation and reduce cost
- To deliver a "clever" geographic footprint

### We will invest in & develop our people

- Attract, retain & develop high-performing people who are passionate about natural health.
- Build skills, experience and capabilities that are matched to our future growth objectives
- Create the next generation of leaders for BKL through opportunity to advance & grow
- Create a dynamic environment where people want to work

### We will build our base of operational excellence

- Efficient supply chain reducing the cost of accessing raw material without compromising quality
- Proactively manage tax, treasury, FX and corporate structure
- IT infrastructure to improve flow of information, support performance and drive better decisions

# Strategic Fit – Why BioCeuticals?

## Our Breakthrough Objectives

*What we're aiming for*

### Strategic Goals

- Double revenues and > double NPAT and EPS growth
- #1 ranked brand by consumers and customers in all core markets
- Employer of choice in every market

**BLACKMORES®**

**THE BEST OF HEALTH**

blackmores.com.au

## Our Business Principles

*What we stand for*

### Values

- Passion for Natural Health
- Integrity
- Respect
- Leadership
- Social Responsibility

### Purpose

Blackmores improves people's lives by delivering the world's best natural health solutions.

We achieve this by translating our unrivalled heritage and knowledge into innovative, quality, branded natural healthcare solutions that work.

## Our Value Drivers

*What makes us the best/unique*

### Brand Strength

The strength, essence and naturopathic heritage of our brand sets us apart. We are consumers' first choice for natural health. We leverage and value our market presence and our distribution network.

### Natural Health Expertise

We are global leaders in natural health, and we take a leadership stance in the development of the natural health industry

We acquire and leverage expertise in the science, traditions, principles and regulation of natural health to create advantage.

### People, Values, Culture

We are a values-led organisation & our culture supports our growth.

We share a belief in the value and benefit of our approach to natural health and in the need to grow our business sustainably from a personal, company, community and environment perspective

### Quality

The premium quality of our products and our focus on their safety and efficacy repays and strengthens consumers' trust in our brand.

## Our Strategic Outcomes

*What we promise to deliver*

### We will build the BKL brand

- We access a strong brand highly regarded for its heritage and quality
- BioCeuticals is the ANZ market leader in the growing, profitable Practitioner market
- Supports Practitioner recommendation and enhances BKL credibility

### We will develop our core product portfolio

- Provides BKL an entry point into:
  - Practitioner products
  - Skin Care and Therapeutics
- BioCeuticals' product portfolio is complementary to ours, rather than competitive
- Ensures the future of BKL Celloids® business
- Platform for Blackmores to test innovations with receptive, early-adopter customers

### We will optimise & grow our channels

- Build BKL in Practitioner channel
- Builds BKL strength and capability in the Health Food channel
- Adds a premium revenue and profit stream to BKL Pharmacy business

### We will extend our business & our brand into new segments & intl markets

- Supports Blackmores Asia growth strategy – BioCeuticals is a green-field opportunity in Asia
- Leverages Blackmores' strength in distribution, esp. Pharmacy
- Provides a potential solution for our New Zealand Practitioner business

### We will invest in & develop our people

- Creates opportunities for BKL people to grow their careers and for BKL to access a new industry-ready talent pool
- Provides access to strong areas of expertise including:
  - Practitioner products
  - Skin
  - Beauty

### We will build our base of operational excellence

- Delivers manufacturing capability
- Expertise in supply chain inputs
- Exemplary emphasis of quality
- Opportunities to leverage Strategic Sourcing
- Opportunities to leverage our expertise in:
  - Warehousing
  - Distribution
  - QA/QC

# Strategic Rationale

- Underpins our growth strategy
- Qualified healthcare practitioners have an important role in advising consumers
- The Practitioner market is a growing segment with strong margins
- Effective participation in the Practitioner market allows Blackmores to grow profitably close to our core
- Number One brand in the retail market acquiring leading brand in the practitioner market affirms Blackmores' position as the clear market leader in natural health in Australia



## Key to Blackmores' strategy

---

- Two strong brands, each a channel leader
- Unique cultural alignment
- Clear growth strategies for both brands
- Operate as stand-alone businesses
- Leverage the combined resources and knowledge
- Greater depth of expertise – over 100 healthcare professionals
- Strengthens customer and consumer proposition
- Increased research, development and educational capabilities
- Affirms Blackmores' position as largest natural healthcare company

# The importance of the Practitioner market

- Practitioners key health advisors to consumers
- Consumer health needs are often best understood by healthcare professionals
- Practitioner insights are critical to new product development and innovation
- Research collaborations



# Blackmores Ltd acquisition of FIT-BioCeuticals

- Acquisition Price of FIT-BioCeuticals for up to AU\$40M
- Payment of \$38.4m payable at the time of completion
- Additional payment of \$1.6m payable on audit of full year results
- BKL will acquire 100% of issued share capital, brand names, product portfolio
- Fully debt-funded
- Expected to be earnings accretive in first year of ownership
- Transaction completion scheduled for 5 July 2012





# Operating structure

- The BioCeuticals range, brand and strategy are complementary to those of Blackmores
- BioCeuticals and Blackmores will be run as stand alone businesses. The current CEO will remain whilst a new Managing Director is appointed
- The go-to-market and service model unique to BioCeuticals is a key part of their success and will be protected
- Resources and knowledge will be leveraged to benefit both brands (e.g. research, quality systems and sourcing), however Blackmores and BioCeuticals will continue to operate separately

HALL DRUG  
TECHNOLOGIES HD+

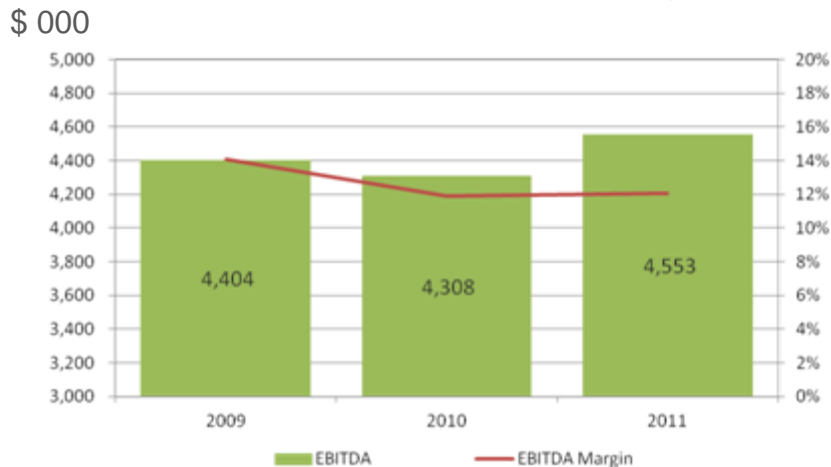
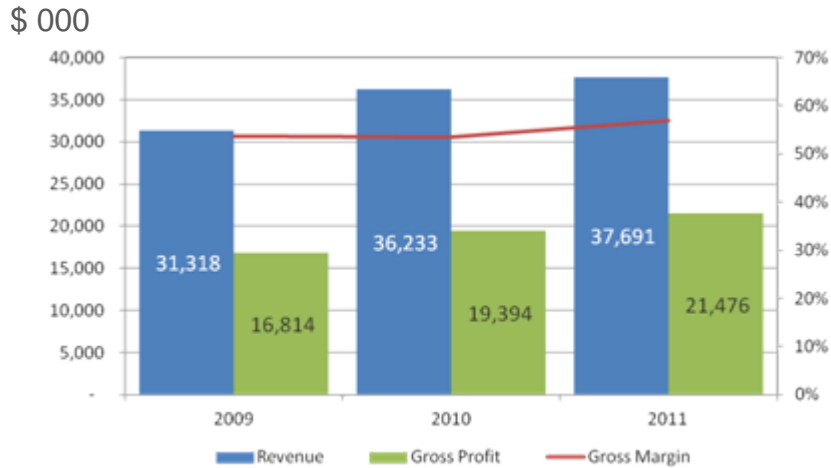


# About BioCeuticals

- Founded in 1993 - an Australian-owned, family company
- BioCeuticals - a practitioner-only, nutraceutical brand
- PharmaFoods Professional - a pharmacy-only, nutraceutical brand
- IsoWhey - a retail range of weight-loss products
- Hall Drug Technologies (HDT) – development of ethical prescription-only products
- D'jeunesse - a professional skincare range
- FIT-BioCeuticals boasts a team of 100+ employees



# Profitable & Growing with Strong Margins



- Strong sales growth over the past three years
- Revenue growth 2009-2011 CAGR of 10% p.a.
- Robust maintainable earnings with the opportunity to boost operating performance through scale benefits

# Transaction Highlights

- EBITDA Multiple
  - Based on FY11 EBITDA: 8.8x
- Expected to be earnings accretive in Year 1
- First Year will include one-off costs including Stamp Duty
- No Synergies have been forecast for the business
- Blackmores new debt levels comfortably within targets

