

A young girl with long, light-colored hair is shown in profile, eating a slice of watermelon. She is wearing a red top with a decorative pattern. The background is a bright, sunlit outdoor setting with green grass and trees. The image is overlaid with a teal and blue geometric design in the bottom right corner.

# Shareholder Event 23 May 2014

Blackmores Limited (ASX: BKL)

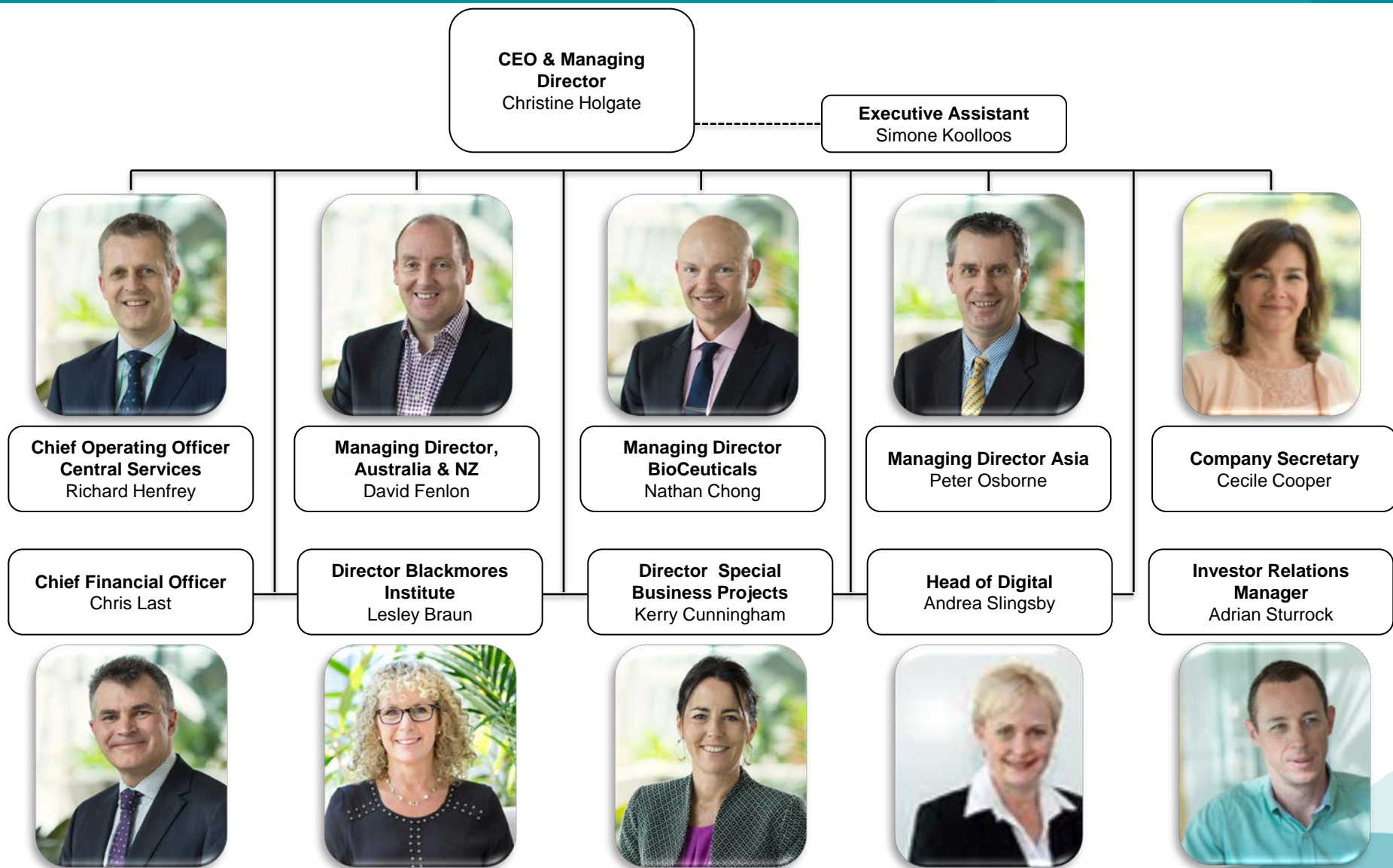
**BLACKMORES®**

# Executive Summary / Agenda

- Business Overview – Christine Holgate (CEO)
- Blackmores Australia/NZ – David Fenlon (Managing Director, Australia/NZ)
- Blackmores Asia – Peter Osborne (Managing Director, Asia)
- Blackmores Institute – Dr Lesley Braun (Director, Blackmores Institute)
- Operations – Richard Henfrey (Chief Operating Officer)
- Summary & Questions
- Light Lunch
- Facility Tour



# Blackmores Executive Team



# At the start of 2014, our strategic priorities were clear

**1** Support our Australian retail business, whilst building our consumer brand

**2** Invest in Asia and BioCeuticals for further profitable growth and develop new revenue streams

**3** Continue to improve our operational excellence and transform our cost profile

**4** Build our product leadership position

# Quarterly Performance and Year to Date Q3

	Q1	Q2	Q3	YTD Q3
Group Sales	-1%	+8%	+10%	+6%
Group EBIT	-27%	+10%	+14%	-4%
Group NPAT	-31%	+16%	+9%	-5%

- Momentum has continued to build during the third quarter
- We have recovered \$1.4m of the \$2.4m Q1 NPAT underperformance
- Continued growth during Q2 and Q3 in sales and profits
- Directors cautiously optimistic to deliver full year profit broadly in line with last year

# Blackmores – Building a strong healthy future



- Strong charter and mission to build Blackmores as the leading brand in Natural Health across Asia Pac.
- We have strengthened management and secured support from our staff.
- We have maintained our strong leadership position in Australia.
- We have entered new categories and strengthened our presence in others – acquired BioCeuticals to re-build our position in the Practitioner market, launched PAW and now 2<sup>nd</sup> brand.
- We have built a strong and growing position in Asia, strengthened our core markets, entered new and de-risked our core business.
- We have invested in expertise and knowledge - Blackmores Institute, Quality & Sourcing Team – Building the credibility of our brand.
- We reshaped our expenses to enable us to invest in new areas, reduced corporate expenses and improved sourcing benefits.
- Drove a culture of productivity improvements at our Warriewood Campus.
- Focused on Cash Management, with operating cash flows significantly stronger.

# Blackmores - strong progress has been made in challenging environment



- Continued retail challenges in Australia; 'dumping of stock' pharmacy re-adjusting, growth of the 'mass customer' and cluttered market.
- Asia has had new challenges; Thailand in a period of intense political unrest, China has had its borders closed for some food and health products and we need to be quicker in responding.
- The healthy weight market has gone through significant change, smaller competitors entering administration.
- The Australian dollar devalued and the Thai Baht and Malaysian Ringgit decoupled, impacting our buying power and the translation of our profits.

# Blackmores Group Vision: 2014-2017

## Our Breakthrough Objectives

What we're aiming for

- #1 ranked brand by consumers & customers in all core markets
- Employer of choice in every market
- To be rated as Asia Pacific's Authority in Natural Health

## Our Business Principles

What we stand for

"All our business decisions are guided by these principles. If it does not meet the principles, we won't do it!"

### 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 & knowledge into innovative, quality, branded natural healthcare solutions that work.

## Our Value Drivers

What differentiates us

"These are the things that make us better than our competitors in the eyes of our consumers and in our ability to deliver. We will invest in these to defend and extend them."

### BRAND STRENGTH

The strength, essence & naturopathic heritage of our brand, underpinned by a compelling trust generation model, sets us apart. We are consumers' first choice for natural health. We continuously build the brand to leverage our market presence & our distribution network.

### NATURAL HEALTH EXPERTISE

We are global leaders in natural health, & we take a leadership stance in the development of the natural health industry. We acquire & leverage expertise in the science, traditions, principles & regulation of natural health to create advantage.

### PEOPLE, VALUES, CULTURE

We are a values-led organisation with a culture that supports and rewards superior performance. We share a belief in the value & benefit of our approach to natural health & in the need to grow our business sustainably from a personal, company, community & environment perspective.

### QUALITY

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

## Our Strategic Priorities

### CONSUMER CENTRICITY

Consumer Market Driven

Go to Market Strategy

Online Direct to consumer

PRODUCT LEADERSHIP IN OUR CATEGORY

ASIA GROWTH

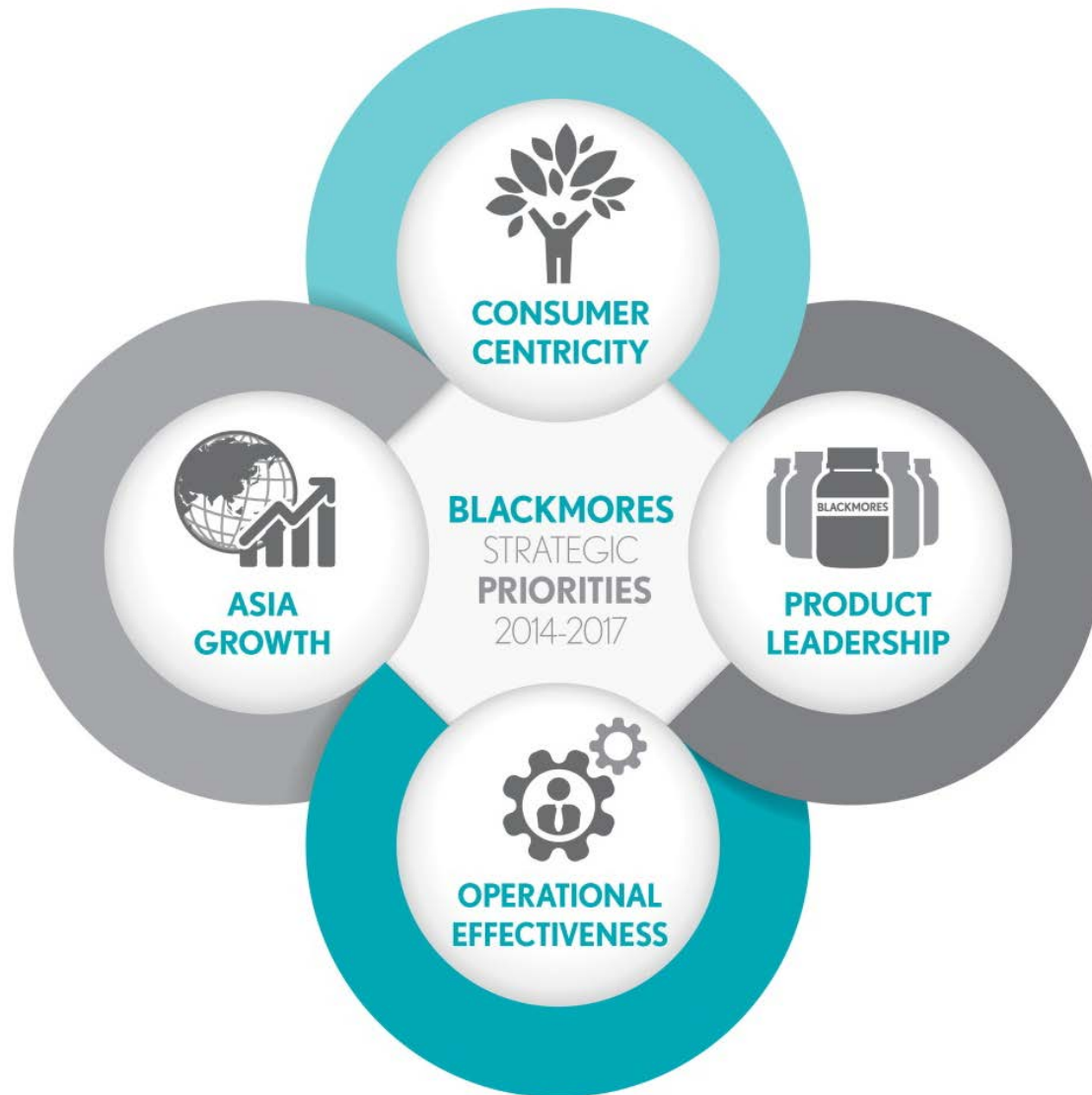
### OPERATIONAL EFFECTIVENESS

People

Operational Excellence



# Strategic Priorities



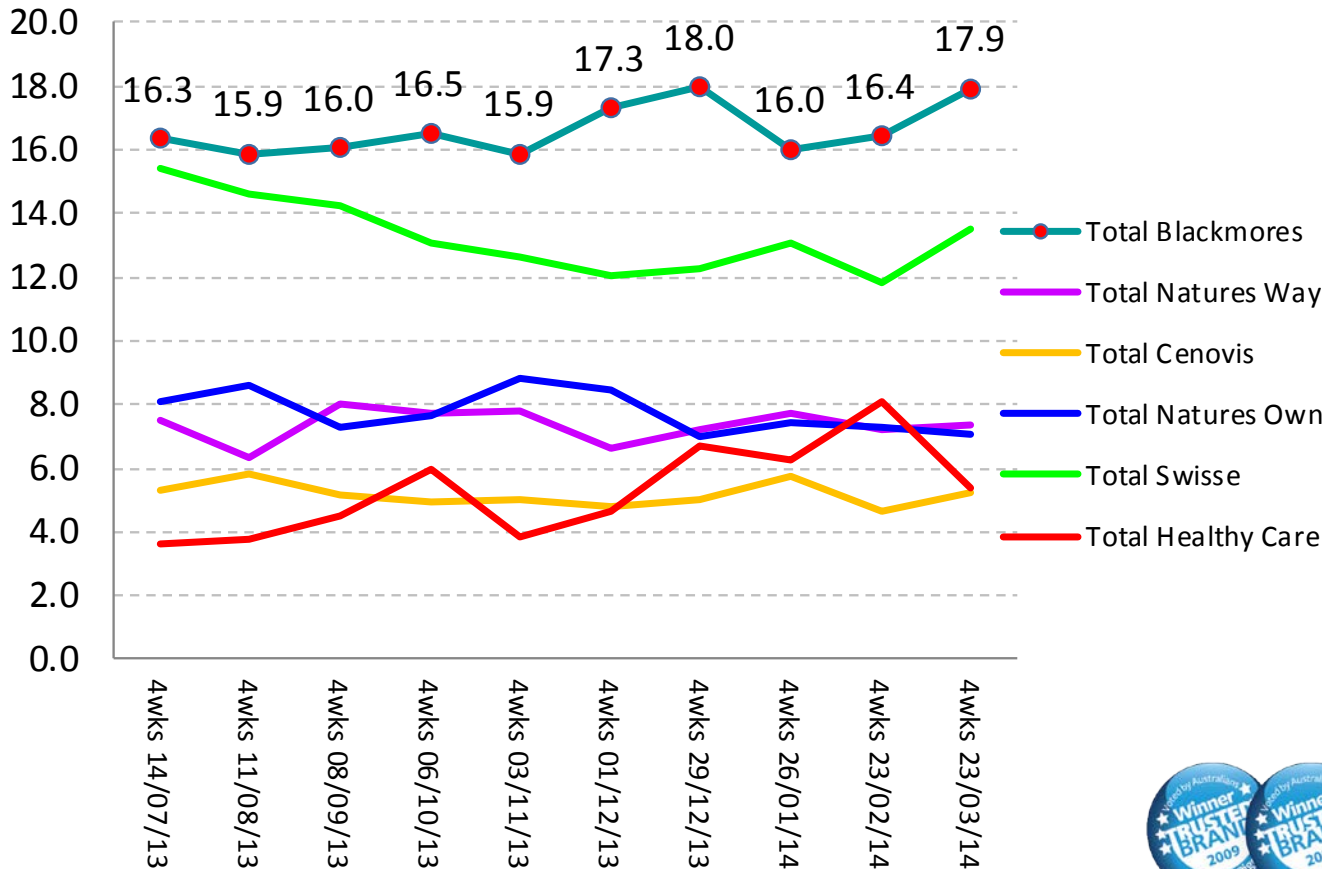
# Support our Australian retail business, whilst building our consumer brand

David Fenlon  
Managing Director Australia & NZ

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# Blackmores performance continues to strengthen

## Market Shares %















Source: Aztec Data 2014



Blackmores market share growth vs main competitors

# Our channel strategy is clearly defined

	Discount Pharmacy	Traditional Pharmacies	Health and Beauty	Grocery	Online
	   		 	  	 
Drive Aggressively	<ul style="list-style-type: none"><li>• Across all banners in all channels we are executing a defined data and insight driven channel strategy</li><li>• Our business plan for FY15 and FY16 is built on a bottom up channel build</li><li>• We are driving growth opportunities through a profitable sales lens as well as market share growth</li></ul>				
Grow Selectively					
Defend / Maintain					

# We have clear targets to rebuild category growth

% of Shoppers

Category penetration = 64%

15%

20%

43%

12%

0%

Heavy buyers  
8-10 products

Medium buyers  
2-6 products

Light buyers  
1 product

Lapsed buyers  
0 products

Rejectors

Increase basket size  
\$42 M + \$58M

Build loyalty  
\$45M

Accelerate  
shopper recruitment  
\$28M

Ignore

2

Targeted growth or  
consumption per year



1



1



1



Total category opportunity \$173m

Blackmores opportunity \$29m retail sales

# A detailed understanding of our shopper is fundamental to our leading position in the category

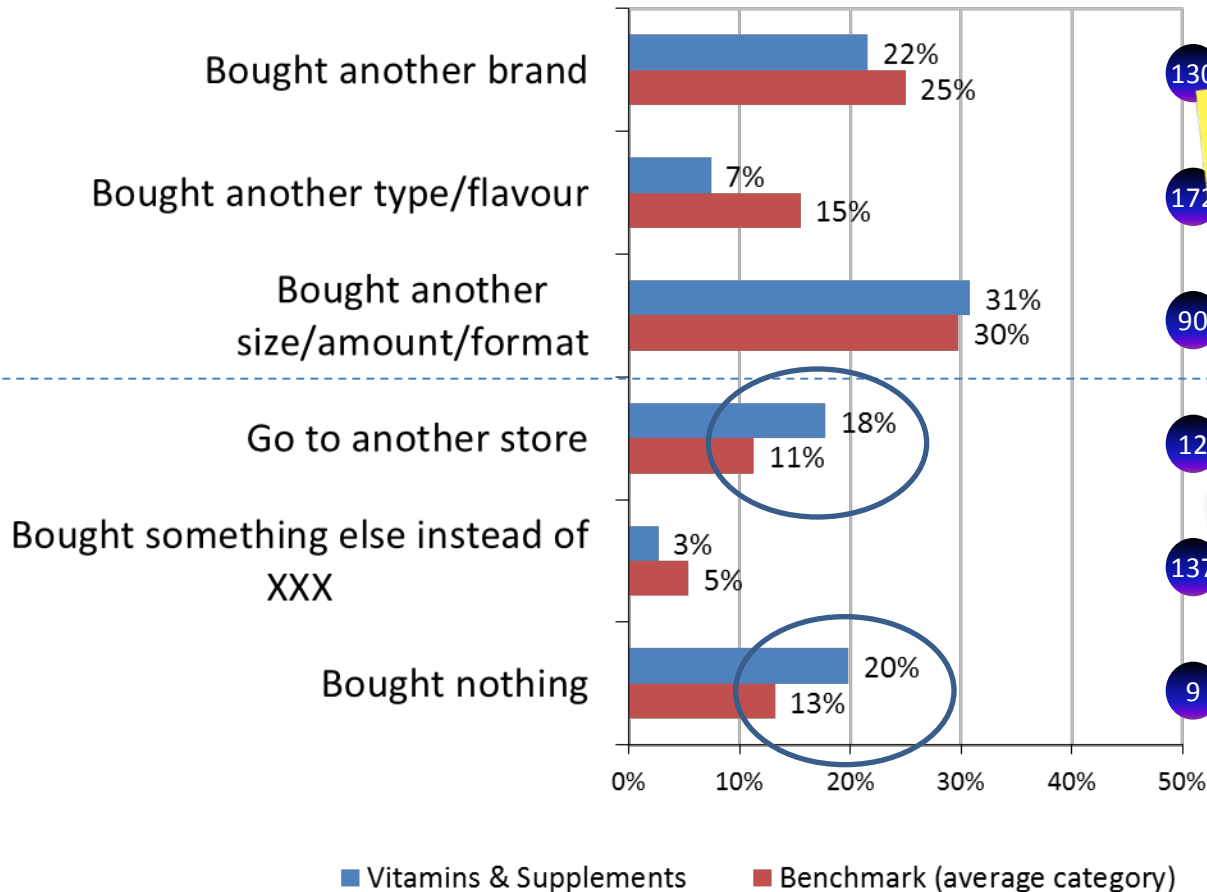


Switch

Walk away



Most Likely Choice in this Category (n=283)



130  
172  
90  
12

41% of sales are lost in V&S if the shopper cannot find what they want

137  
9

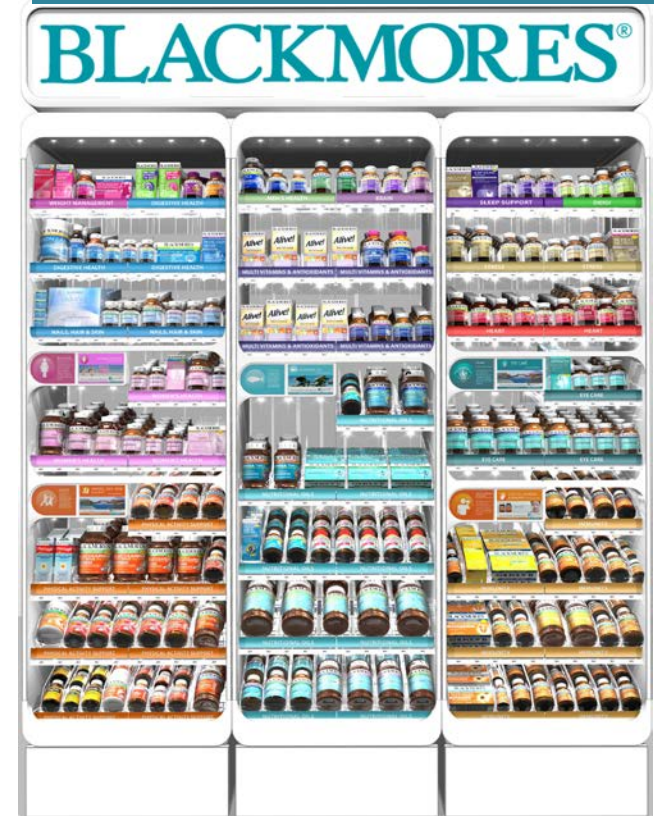
MUST get it right in store to avoid lost sale: availability and simple merch

# Operational excellence and exceptional implementation are all corner stones to success

## Grocery planogram execution



## Community pharmacy B-pod execution



## Community pharmacy promotion execution



## Discount pharmacy promotion execution



# Building engagement with our consumers

- Build a direct dialogue with our consumers
- Grow our brand position
- Listen to the voice of the consumer to direct our activity
- Leverage every opportunity to interact with our consumer  
eg Blackmores Sydney Running Festival
- Share 'The Blackmores Story' and the knowledge of the Blackmores Institute





# Our Australian strategic priorities are clear

- Grow our business while returning to profit growth
- Be recognised by consumers as the preferred brand
- Produce innovative new health solutions, get closer to our consumers and successfully execute our channel strategy to drive our business



# Asia Growth

Peter Osborne  
Managing Director Asia

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# The importance of our Asia journey...

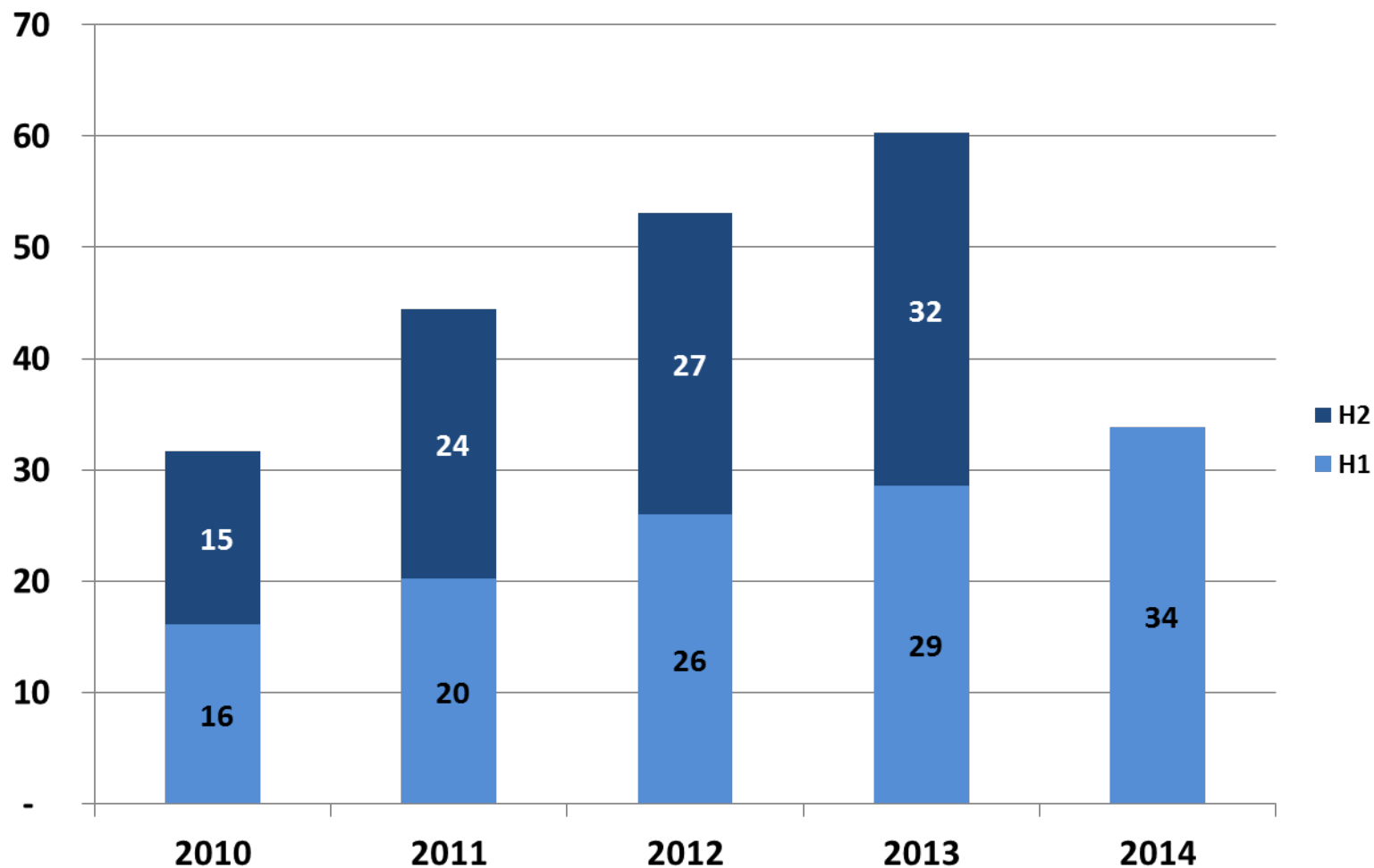
***“Don’t stand by the water and long for fish; go home & weave a net”*** *Chinese proverb*

- A platform for future growth
- Build new channels of revenue growth, diversify our risk profile and exposure to dependence on the Australian market
- Build a ‘cash base’ of \$US to support our strategic sourcing strategy, reduce our foreign exchange exposure and protect our gross margins for the group
- Volume growth underpins accelerated recoveries through our fixed infrastructure
- Increased purchasing power to deliver raw material unit price benefits which also delivers benefits to Australia
- To develop innovative products and new channels and act as a testing ground for other markets – e.g. concept stores, online sales



“A journey of a thousand miles begins with a single step” *Chinese proverb*

### Asia invoiced sales (\$AUD million)



# Asia – a significant opportunity for growth

Market	Market size \$AUD	*Market growth %
Asia	\$40.8B	5.9%
China	\$13.1B	9.0%
Korea	\$4.2B	10.0%
Taiwan	\$2.1B	5.0%
Thailand	\$1.2B	15.0%
Hong Kong	\$580M	7.0%
Malaysia	\$530M	6.0%
Singapore	\$520M	5.0%

The image shows a screenshot of the Blackmores website in Chinese. The top navigation bar includes 'vip.com' and '一家专门做特卖的网站'. The main banner features the text 'BLACKMORES 澳佳宝' and '澳洲NO.1 天然健康品牌'. Below this, there are several bottles of Blackmores products, including 'OMEGA DAILY' and 'FISH OIL 1000'. A pink banner indicates '全场5.8折起'. The bottom section features a large blue hourglass graphic and the text '澳洲最受推崇鱼油大奖', along with a price tag of 'RMB 68/瓶'.

\* Moving Annual Target

Source: Euromonitor International Country Reports 2013 – data is end 2012 and includes a broader category definition

BLACKMORES

# Our Asia strategic priorities

- Growth and expansion:
  - Products
  - Channels
  - Markets
- Drive innovation and new product development
  - Increase ideation, product pipeline and speed-to-market
- Continue expansion of depth and breadth of channels in current markets
  - Increase points of distribution and sales value per distribution point
  - Enter new channels – ‘bricks and mortar’, online and corporate sales
- Geographic expansion
  - Continuously assess new market opportunities and route-to-market models
- Establish our Asian operating base in Singapore
  - Drive our ‘Asia for Asia’ strategy to be closer to our consumers and customers
  - Deliver operational efficiencies
- Enhance our digital presence in Asia including Blackmores e-commerce platform



# Success amid complexity

- Asian markets are complex and evolving with differing levels of economic and VDS category development
- We have a deep understanding of Asia and operating in highly regulated environments
- Our Asia strategy is on track and delivering sales and profit growth
  - New concepts for the group tested
    - Concept stores in Malaysia and Singapore
    - 'Store-in-store' models
    - Convenience channel
    - Online sales – China leading the trend
  - New markets and partnership models
    - Korea, Macau, Cambodia
    - China WFOE implemented
  - New products to meet specific needs of the Asian consumer



# Excellence in execution

going green starts with the little things

Make your eco-pledge online and be part of the movement. As responsible citizens of Mother Earth, we should all play our role in ensuring a bright future for our planet. Blackmores Singapore is making it easy and rewarding to do just that. Head to our Facebook page to choose a simple green pledge and watch us use your pledge to donate \$1000 to one of 50000 units of Blackmores products. Help us achieve 5000 pledges and we will unlock special Eco-awards. You won't stop there though - all 50000 pledges will conduct an eco-travel to give you more reason for a greener Singapore!

**BLACKMORES**

- 1 GO ONLINE
- 2 MAKE YOUR ECO-pledge
- 3 WIN GREAT PRIZES & MAKE A GOOD DEED!

Find out more at: [facebook.com/blackmoresgsg](#)

**FREE HEALTH ADVISORY SERVICE**  
 6425 5833 (Mon-Fri, 9am-5pm)  
[healthadvisory@blackmores.com.sg](mailto:healthadvisory@blackmores.com.sg)

GO GREEN IN-STORE PROMOTIONS  
 Includes: Total Price of 70% OFF + FREE Shipping (Sg)  
 50% OFF

**BLACKMORES 澳佳寶**  
 Omega-3 養生魚油系列  
 無腥味。高濃縮  
 100% 澳洲原裝進口

**BLACKMORES**  
 濃縮深海魚油  
**OMEGA DAILY**  
 高濃縮魚肝油

全線 各大藥房 均有代售  
 各大藥房均有代售  
 各大藥房均有代售  
 各大藥房均有代售  
 各大藥房均有代售

**BLACKMORES 澳佳寶**  
 澳洲皇家信譽天然健康品牌

澳佳寶™ 兒童魚油富含海洋之寶 Omega-3 脂肪酸，精選自深海可持續優質漁業，有助眼睛及腦部功能的發育，對發育時期的腦部發展及功能結果有益，並有助穩定兒童的情緒和行為，對於兒童的學習非常重要，而且，Omega-3 脂肪酸對維持眼睛健康及良好的視力有裨益。

消費者購買澳佳寶指定產品，滿499元，  
 可以免費贈送澳佳寶奶蓟膠囊60粒  
 一瓶或澳佳寶兒童魚油膠囊60  
 粒或葡萄籽60粒一瓶。

- 幫助改善兒童Omega-3脂肪酸不足，改善視力及腦部功能。
- 提高兒童學習興趣，提高專注力，改善情緒。
- 改善兒童行為，減少過動症及注意力不足等症狀。
- 兒童服用Omega-3脂肪酸，有助改善睡眠。

澳洲皇家信譽天然健康品牌  
 澳洲皇家信譽天然健康品牌

促進兒童眼睛及腦部發育  
 富含Omega-3脂肪酸

**BLACKMORES 澳佳寶**  
 澳洲製造 卓越品質  
 Proudly Made in Australia

健康出游新攻略

全家常備養生魚油 \$229 限量搶

隨身攜帶小藥盒 滿349元免費送

游前瘦身用補藥 \$379 90粒

孩子備好兒童魚油 \$269 30粒2瓶

澳洲皇家信譽天然健康品牌





# BLACKMORES®

B1-111

## OPENING SPECIALS

EXCLUSIVE GIFT-WITH-PURCHASE

**FREE**  
Gift bag  
with \$50 retail spend

OR

**FREE**  
Egg tray & 20 smoothies  
with \$100 retail spend

**Member Exclusive**

Blackmores is a member of the Blackmores Group of Companies. Blackmores is a member of the Blackmores Group of Companies. Blackmores is a member of the Blackmores Group of Companies.

BLACKMORES

BLACKMORES

Wishing you



I choose  
to be happy  
because it's good  
for my health.  
- Voltaire



Three refrigerated display cases filled with Blackmores capsules, each with an orange informational sign.



high quality ingredients  
more quality  
less waste



A row of colorful refrigerated display cases for various Blackmores products.



BLACKMORES

Keep your body  
and mind  
rejuvenated



A small display table with two open boxes of capsules and a glass jar.



# The Authoritative Voice in Natural Health

Dr Lesley Braun

Director Blackmores Institute

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# Who are we?

The Blackmores Institute is the academic and professional arm of Blackmores, led by integrative medicine researcher, pharmacist and author, Associate Professor Lesley Braun.

We have an experienced group of researchers, academics & technical professionals focused on furthering the knowledge, usage and development of natural medicine.



# What is the Blackmores Institute?

- Blackmores Institute is the '**academic and professional arm**' of Blackmores – a Natural Medicine Institute with a respect for integrative medicine.
- The Blackmores Institute aims to be the authority in natural health, bringing together the best minds in natural medicine and delivering high quality education and research with integrity.

The four pillars of the Blackmores Institute are :

- **1. Education**
- **2. Advisory and professional naturopathic services**
- **3. Communication – evidence translation**
- **4. Research and Innovation**



**BLACKMORES**  
**INSTITUTE**  
RESEARCH | EDUCATION | INNOVATION

# Driving Product Innovation at Blackmores

- The Blackmores Institute, through research and professional engagement, will be at the forefront of our innovation pipeline
- Our sourcing team and their deep expertise in ingredients will enable us to identify future trends quicker and secure access to unique ingredients
- Bioceuticals play an important role in understanding better the health needs of consumers and the requirements of HCPs
- Deepening our direct connectivity with our consumers will give us the opportunity to listen, learn and test
- These are the foundations of our future product innovation



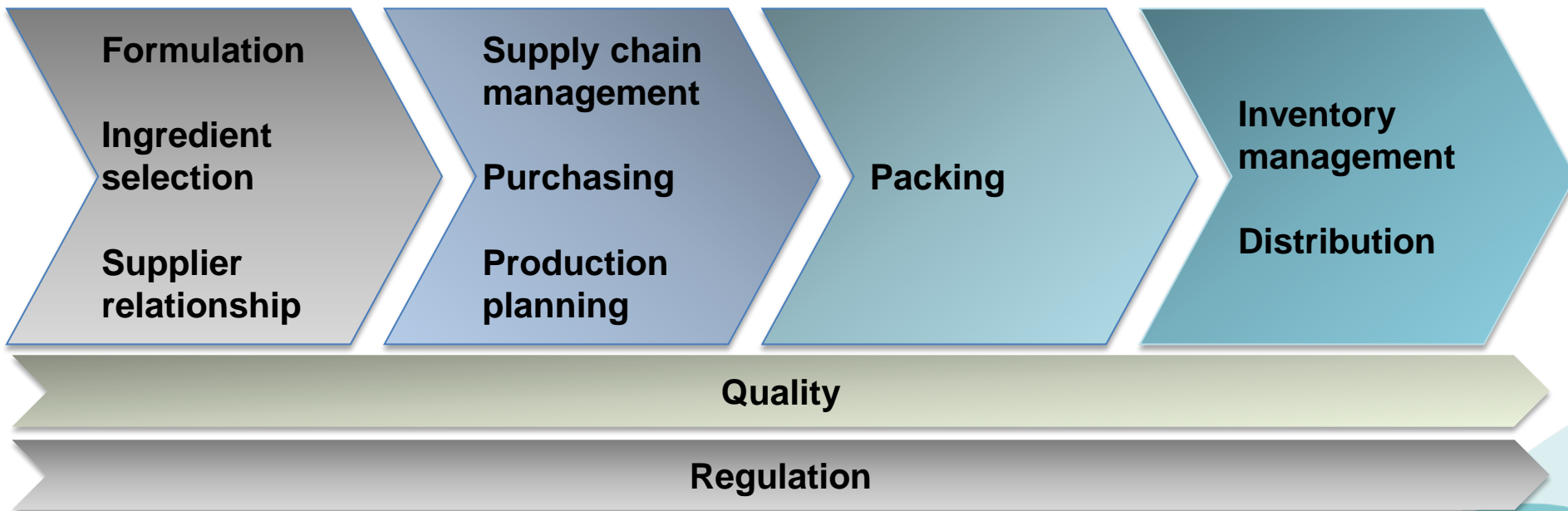
# Operational Effectiveness

Richard Henfrey  
Chief Operating Officer

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# Central Services Group

- Delivering products and support services to the customer-facing divisions
  - On time, quality assured
  - Zero errors
  - Efficient
- Managing the end-to-end product supply chain
- \$120M Cost of Goods



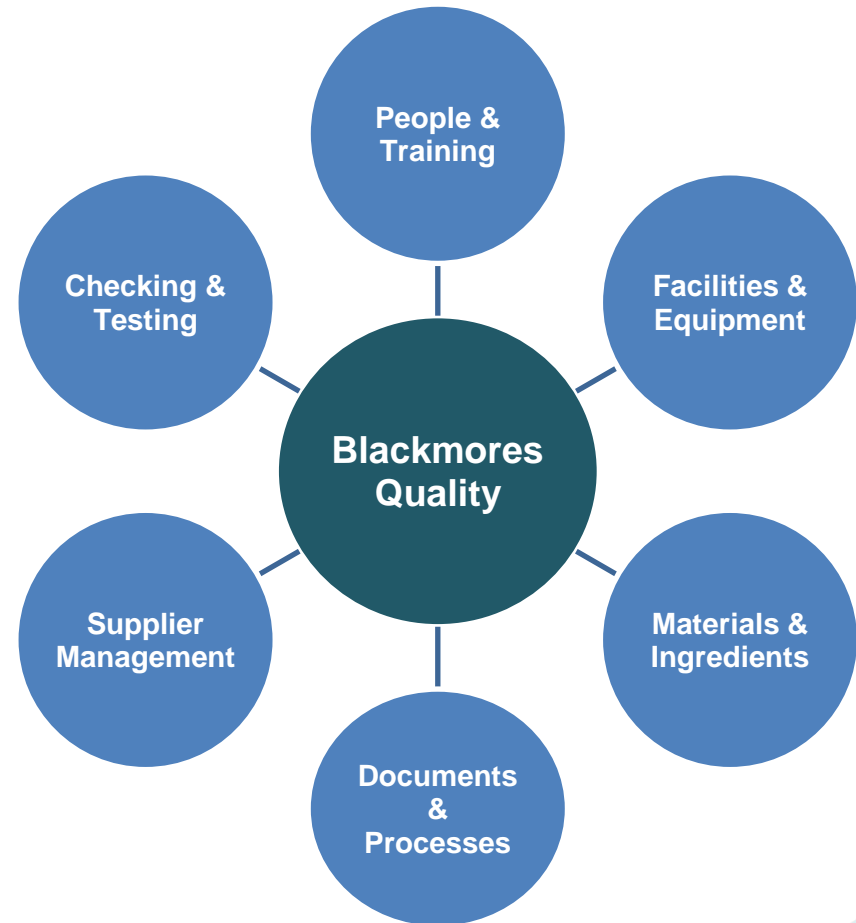


# Quality at the heart of our business

Blackmores defines Quality through a consumer lens aiming to exceed expectations for:

- Safety and Purity
- Efficacy
- Stability
- Consistency

Underpins consumer trust in Blackmores brand



# Commitment to Quality

## A snapshot of activities

- |  |   |
|--|---|
| ✓ Every new product is Quality assessed                                  | ✓ Every operator trained and documented                           |
| ✓ Every manufacturer Quality approved                                    | ✓ In process checks every 20 minutes                              |
| ✓ Every batch tested and reviewed before release to market               | ✓ Quality System Management of all PIC/s compatible systems       |
| ✓ Internal and external audit program                                    | ✓ Independently audited by the TGA                                |
| ✓ Liaise with manufactures to work on continuous improvement of products | ✓ Over 3,000 stability tests performed each year                  |
| ✓ Microbiological testing performed in the manufacturing areas           | ✓ Minimal customer complaints - equivalent to world best practice |
| ✓ Real time temperature, pressure and humidity monitoring                | ✓ Library of over 300 Standard Operating Procedures               |

# Strategic rationale for a Central Services Group

- Create competitive advantage through differentiation in the supply chain
- Leverage scale to procure the best quality, most evidence-based ingredients at competitive prices
- Mitigate FX risk by balancing foreign currency purchases against the Group's foreign currency earnings
- Efficiently leverage the fixed cost base of Warriewood operations across the Group
- Build a culture of operational excellence across the Group



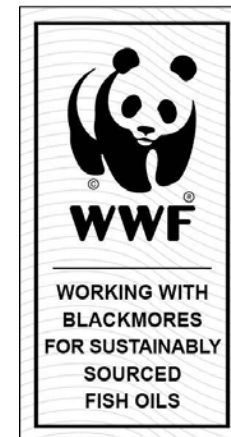
# Driving operational effectiveness - recent performance

- Polypropylene amber bulk pack
  - Improved barrier qualities for better product protection and shelf life
  - Easier to open
  - Unique, differentiated design
  - Premium look and feel
- Packaging efficiencies through improved material handling and process flow
- New 'closed loop' process for delivery of bulk tablets and capsules
  - Removed 60 tonnes of cardboard and plastic waste
  - Improved handling time/efficiencies in receiving and production



# Driving operational effectiveness – Priorities for F15

- Manufacturing tender
- Further efficiencies through greater leverage of the fixed cost base across the group
- Re-affirming Blackmores' commitment to sustainable business practices
- Supporting 'Asia for Asia' through delivery of infrastructure and broadening the geographic base of our operations
- Continuous efficiency improvements through Operations
- Indirect procurement



# Blackmores – building a strong healthy future

## Summary

- Strong charter and mission to build Blackmores as the leading brand in Natural Health across Asia Pac.
- We have a focused strategy for Australia to return to profitable growth.
- Asia has and will be a strong platform for future growth and it is important we adapt and invest to support it.
- BioCeuticals is at the forefront of innovation and with their learnings we will drive innovation across the Group.
- The Blackmores Institute will underpin our aim to be recognised as the 'Authoritative Voice in Natural Health'
- We will invest in our digital presence to build our consumer connectivity.
- Our Central Services Group enables us to stronger leverage our expertise and infrastructure whilst keeping focused on building quality as a competitive advantage and reducing costs.
- We believe we have a strong platform to build a healthy future.



# Questions



Thank You

