



Blackmores Corporate Communications Executive, Leah Boonthanom and Senior Product Manager, Anna Mcloughlin; Interim CEO Marcus Blackmore and gardener Raph Maufay.

Weaker Q3 but expect full-year revenue growth

- Net profit after tax of \$10 million for Q3, \$44 million for nine months (to 31 March 2019)
- In our core Australian market we have retained the Number 1 brand position and increased the gap over our nearest competitor
- The business improvement program to streamline the business and target \$60 million in efficiencies over 3 years is accelerating

DEAR SHAREHOLDER,

Blackmores Limited (ASX: BKL) today announced profit for the first nine months of \$44 million, down 14% compared to the prior corresponding period (pcp), with revenue of \$460 million, up 6% on pcp.

Profit for the quarter ending 31 March 2019 was \$10 million, down 43% compared to pcp. Revenue was \$141 million for the quarter, down 4% (on pcp). Operating expenses were lower by 1% (on pcp) and we continue to invest in our brands.

The third quarter has been challenging for our company. However, we firmly believe that this result does not reflect the long-term growth potential of our business.

We are committed to a major streamlining of our business – to simplify and improve our processes and structure. Targeting \$60 million in savings over three years through a business improvement program allows us to continue investing in key strategic initiatives, build our capability and deliver overall margin improvement.

AUSTRALIA & NEW ZEALAND

Blackmores remains the number one VDS brand in Australia with 14.9% domestic market share¹ and a growing gap (now 3.8%) over our nearest domestic competitor. Blackmores supports wellbeing in more than one-in-five households².

Gross margins improved 2.1% during the quarter (on pcp). This was largely due to a deliberate move to clear existing inventory in China channels by temporarily reducing the volume of China-bound stock through Australian retail channels. There was also a non-repeat of promotional activity from third quarter (Q3) last year.

Revenue in Australia and New Zealand for the quarter was \$54 million, down 26% (on pcp). Year-to-date revenue is up 3% on last year. We continue to diversify our domestic customer mix and we have seen improvements during the quarter.

BLACKMORES ASIA

China segment sales were up 19% in the quarter compared to pcp, driven by both increased in-country and export sales.

The implementation of the new China Ecommerce Law (*PRC Electronic Commerce Law*) during the quarter resulted in lower sales to Chinese consumers through Australian retailers as daigou and C2C sellers review their operating models.

Reflecting the ongoing evolution in the way Chinese consumers access our products, we have undertaken a major strategic review on how to maximise our Chinese consumer facing opportunity, including supporting daigou to more deeply engage with the Blackmores brand. Outcomes of the review will be implemented in the fourth quarter (Q4).

When China-influenced sales through Australian retailers are taken into account, we estimate overall sales to Chinese consumers to be down around 6% for the quarter (on pcp).

Across Asia, we recorded strong sales growth in a number of markets during the quarter (on pcp). Taiwan increased 81%, Hong Kong 18%, Korea 13% and Malaysia was up 32%.

Our Indonesian joint venture is continuing to grow strongly, up 99% for the quarter (on pcp). It is reaching profitability as per our business plan and has a solid trajectory.

Overall, revenue for the Other Asia segment was up 32% for the quarter (on pcp).

BIOCEUTICALS GROUP

BioCeuticals continues to grow its market leadership in the practitioner category and innovate in both product development and education resources. We have completed phase one of our medicinal cannabis trial and results are expected later this year.

BLACKMORES INSTITUTE

To promote the quality use of complementary medicine and support healthcare professionals in practice, the Blackmores Institute launched the 10th edition of the Complementary Medicines Interactions Guide (CMIG).

This flagship resource is highly sought-after by health professionals and draws from over 1000 peer-reviewed scientific articles, referencing 75 ingredients and detailing over 300 interactions.

NATURAL HEALTH LEADERSHIP AND ADVOCACY

In recent weeks we have supported two major announcements from the Federal Government.

The Government has commissioned an independent review of the decision to ban 16 natural therapies from receiving Private Health Insurance rebates. We believe Government health policy should ensure public access to complementary medicines and natural therapies that are safe, efficacious and of high quality while respecting freedom of choice and philosophical and cultural diversity.

The Government has also worked to resolve an ACCC restriction on complementary medicines being marketed as “Made in Australia” – even when they actually are. The resolution is important given the high consumer value and demand for Australian VDS products.

OUTLOOK

As announced in our half-year result, our outlook is for modest full-year revenue growth. We do not expect the second half profit performance to be ahead of the first half result.

We are accelerating our plan to streamline the business and target \$60 million in savings over three years. This program is now well underway and will help us address changing market dynamics. Implementation will incur some one-off costs in Q4.

The Board is continuing its extensive search for a new Chief Executive Officer and this process is progressing well.

SHAREHOLDER COMMUNICATIONS

Commencing in the F20 financial year, Blackmores will move to standard half and full-year reporting, in line with usual practice for ASX listed companies. We will provide business updates for the first and third quarters, to keep shareholders informed about our business performance and progress on executing our strategy.

As part of our ongoing commitment to engaging with our investors, all shareholders are invited to Blackmores’ fifth annual “Meet the Management Team” event at our company headquarters in Sydney. It provides a unique opportunity to understand the business strategy and natural health opportunity.

Tuesday, 28 May 2019 at 10.00am – 12 noon at Blackmores Campus, 20 Jubilee Avenue, Warriewood NSW 2102.
RSVP: reception@blackmores.com.au or +61 2 9910 5000.

Yours faithfully,



Marcus C Blackmore, AM
Interim Chief Executive Officer

INVESTOR CONTACT

Dee Henz | Investor Relations Manager | M: +61 414 654 007



BLACKMORES®

Results (\$000s) (Nine months to 31 March 2019)	This Year	Last Year	Change
Revenue ³	460,131	434,449	+5.9%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	73,492	81,024	-9.3%
Earnings before interest and tax (EBIT)	65,490	74,493	-12.1%
Net interest expense	3,557	2,986	19.1%
Profit before tax	61,933	71,507	-13.4%
Income tax expense	17,961	21,309	-15.7%
Profit/(loss) after tax attributable to non-controlling interests	(212)	(1,374)	-84.6%
Profit attributable to owners of Blackmores Limited	44,184	51,572	-14.3%

Results (\$000s) (Quarter 3)	This Year	Last Year	Change
Revenue ⁴	140,742	147,068	-4.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	17,708	27,485	-35.6%
Earnings before interest and tax (EBIT)	15,013	25,241	-40.5%
Net interest expense	1,312	1,004	30.7%
Profit before tax	13,701	24,237	-43.5%
Income tax expense	3,829	7,364	-48.0%
Profit/(loss) after tax attributable to non-controlling interests	13	(519)	n/a
Profit attributable to owners of Blackmores Limited	9,859	17,392	-43.3%

¹ Nielsen domestic VDS market data Qtr to 23/03/2019.

² 20.2% of Australian households – Nielsen Homescan, MAT to 23/03/2019

³ Invoiced sales (in \$000s) were \$569,908 for the nine months, up 6% from \$539,825 in the prior corresponding period.

⁴ Invoiced sales (in \$000s) were \$172,472 for the quarter, down 8% from \$187,970 in the prior corresponding period.