



**Welcome**

**53<sup>rd</sup> Annual General Meeting  
of Blackmores Ltd**

**BLACKMORES®**

**29 October 2015**

# CHAIRMAN'S WELCOME



**Marcus C. Blackmore AM**  
Chairman

# SPECIAL GUEST



**Professor Alan Bensoussan**  
National Institute of  
Complementary Medicine  
Executive Director

# CEO'S YEAR IN REVIEW



**Christine Holgate**

Chief Executive Officer



# Blackmores Executive Team

BLACKMORES

**CEO & Managing Director**  
Christine Holgate



**Managing Director,  
Australia & NZ**  
David Fenlon



**Managing Director Asia**  
Peter Osborne



**Managing Director  
BioCeuticals**  
Nathan Cheong



**General Manager  
Animal Health**  
Tim Scotcher



**Chief Operating Officer  
Central Services**  
Richard Henfrey



**Director Blackmores  
Institute**  
Lesley Braun

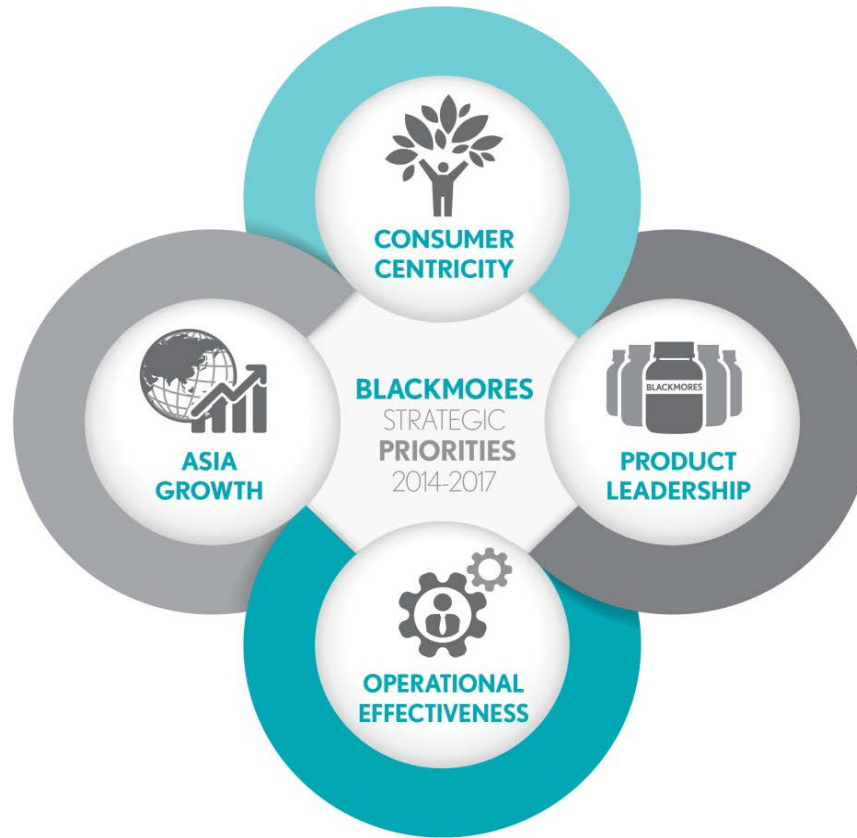


**Company Secretary**  
Cecile Cooper



**Chief Financial Officer**  
Aaron Canning

At our 2014 AGM :  
“The Board has confidence in our strategic priorities”

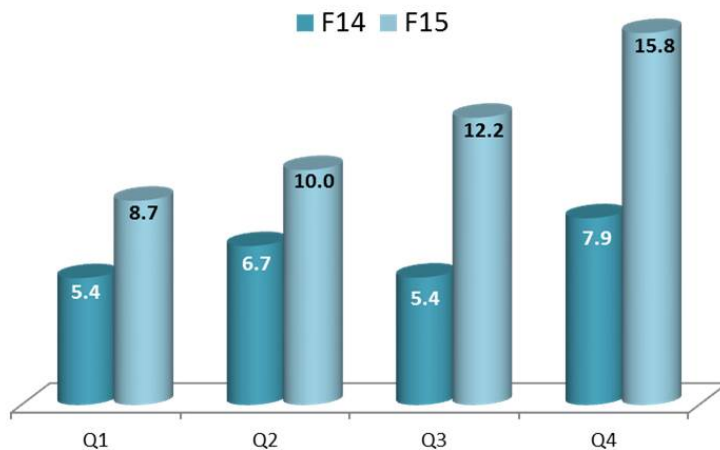


***“We are optimistic about our prospects to improve shareholder returns this financial year.”***

# Record Year - Year ending 30 June 2015



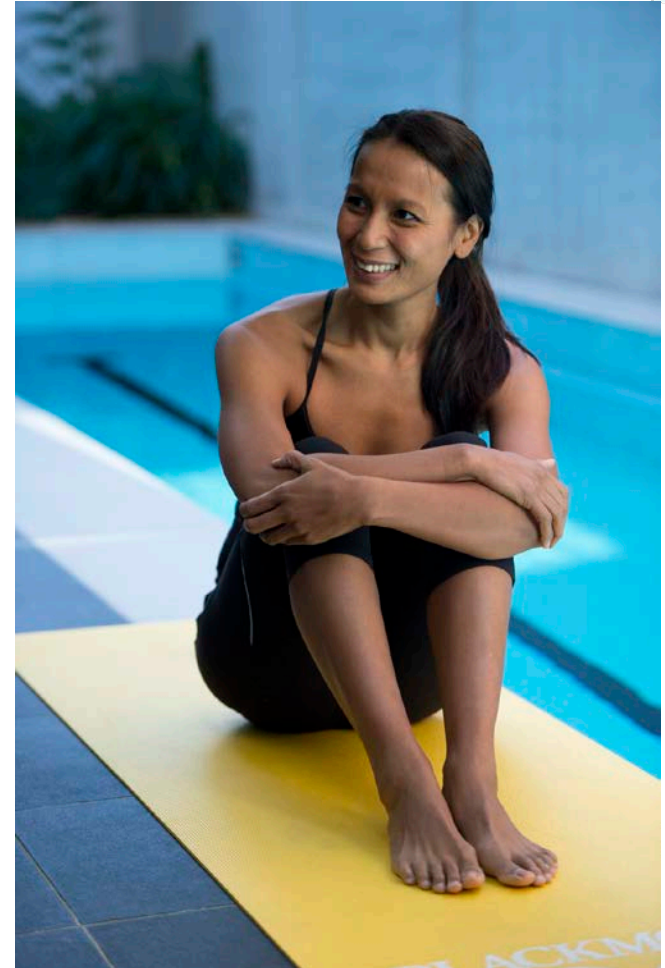
NPAT BY QUARTER (\$m)



- Strong sales performance across the Group  
- Group Sales \$471.6 million, up 36%
- Record NPAT of \$46.6 million, up 83% on previous year
- EBIT margin improvement from 11.5% to 15.3%
- Operating cashflow of \$71m, +90%
- Cash conversion ratio of 114%, up from 107%
- Strong operational cashflow supported net debt down 87% to \$7.1 million
- Earning per share of 270.7 cents, up 81.4%
- Final dividend of 135 cents per share, giving a total ordinary dividend of 203 cents per share (fully franked), up 60%.

# Highlights

- 35 million products to 25,000+ points of distribution
- 47% Group sales outside core Australia retail market
- Significant expansion of China business
- 170 new products and range extensions launched
- BioCeuticals secured a number of firsts in NPD
- Chair of Integrative Medicine at Sydney Uni
- In 2015 we trained 25,000+ HCPs
- PAW launches podcasts and secures leadership
- NZ double digit growth, launched BI Symposium
- Awards for Quality, Sustainability & Design
- Almost one million online members and friends
- Our staff gave an outstanding vote of commitment



Leah Boonthanom, Blackmores Corporate  
Communications Executive



# Strong Performances Across the Group

## Group sales of \$472m, +36%

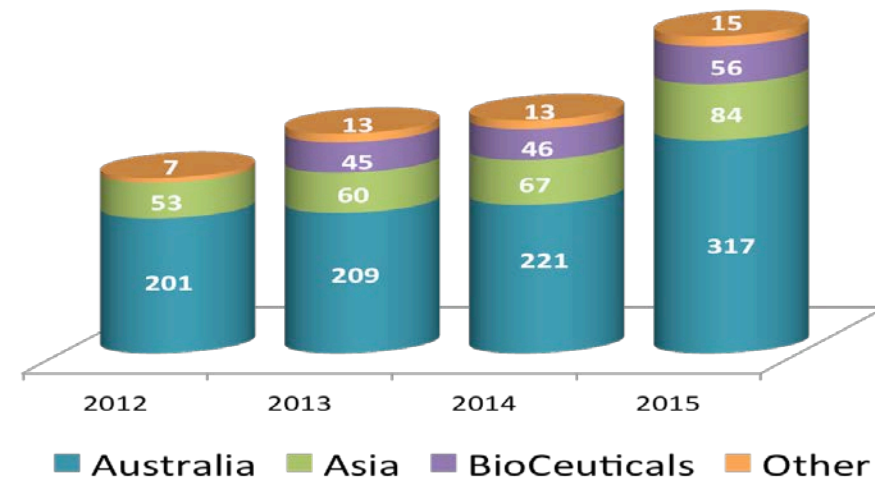
Sales	\$m	Growth
Quarter 1	98	17%
Quarter 2	108	26%
Quarter 3	120	42%
Quarter 4	146	57%
Full Year	472	36%

- Australia sales of \$317m, +43%
- Asia sales of \$84m, +26%
- BioCeuticals sales of \$56m, +18%
- Other (NZ/PAW) sales of \$15m, +18%

## Group Profits of \$46.6m, up 83%

NPAT	\$m	Growth on prior year
Quarter 1	8.7	61%
Quarter 2	10.0	48%
Quarter 3	12.2	125%
Quarter 4	15.8	99%
Full Year	46.6	83%

Invoiced Sales (\$m)

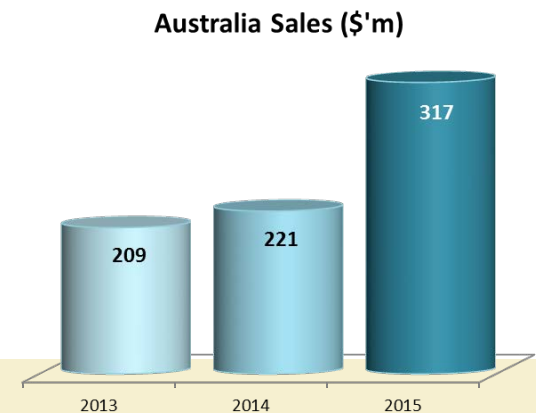


# Blackmores Australia – the heart of Blackmores



David Tuffin, National Field Sales Manager

- Australia delivered strong profitable growth
  - Australia sales of \$317m, up +43%
  - Australia EBIT of \$64m, up 88%
- Chinese Consumers influencing Australian retail, though underlying growth up 13%
- Australian EBIT Margin up from 15% to 20%
- Secured 25% market share in pharmacy
  - 50 in-store naturopaths in community pharmacy
- Awarded Most Trusted Brand 7<sup>th</sup> Year
- NZ and PAW strong growth with improved profit trajectory

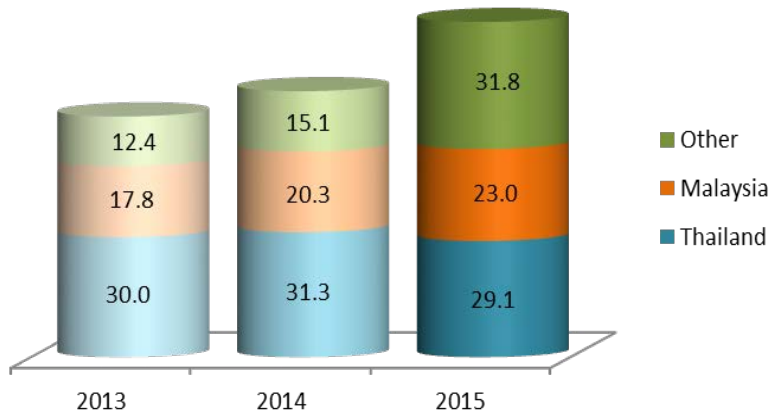


# Asia Growth Strong and Increasingly Important



With China's President Xi Jinping

Asia Sales (\$'m)



- Asia in-market sales \$84m, up 26%
- Including estimated exports from Australia, Asia contributed \$150m+
- Chinese consumers contributed \$70m sales
- Thailand sales \$29m ( -7%), but at \$6.3m EBIT remains highly profitable
- Malaysia sales \$23m (+14%) EBIT \$3.3m (+22%)
- Other Asia sales of \$32m (+111%) and a significant improvement in earnings
- Opened Blackmores International in Singapore
- Invested in further sales staff and marketing support
- Asia in Market EBIT of \$8.3m (+82%)
- Free trade zones in China - further opportunities

# Product Leadership - BioCeuticals

## Theracurmin Triple

Maximum Strength, Highly Bioavailable Curcumin AUST L 241556

Theracurmin Triple is a highly bioavailable form of curcumin that is concentrated to three times the strength of the standard Theracurmin.

3X STRONGER

HIGHLY BIOAVAILABLE

**ACTIVE INGREDIENTS**

Each capsule contains:

Curcumin 90mg  
(from Theracurmin 300mg)

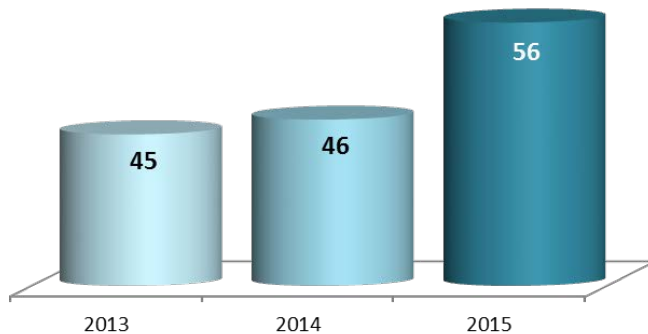
**DIRECTIONS FOR USE**

**Adults:** Take 1 capsule once or twice daily or as directed by your healthcare practitioner.

Oral doses of Theracurmin have been used in humans at levels up to 4000mg.<sup>2</sup>



BioCeuticals Sales (\$'m)

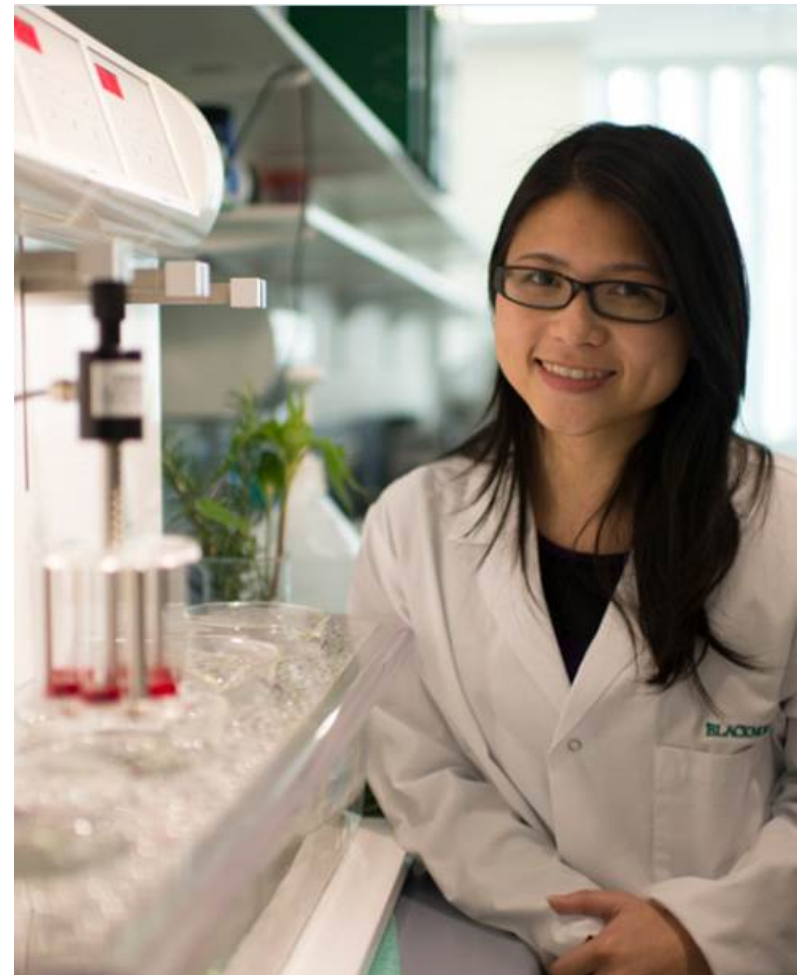


- BioCeuticals continues to perform
  - Sales of \$56m, +18%
  - EBIT of \$8.7m, +27%
- BioCeuticals-branded product sales +21% & weight and sport product range +11%
- Strong pipeline of NPD underpinning performance
- BioCeuticals Education Programme consistently scoring over 9/10 with HCPs
- Doubled profitability since acquisition and all debt now fully paid down
- Staff voted 100% support for Blackmores Enterprise Agreement

# Blackmores Institute

## Authoritative Voice in Natural Health

- 25,000 healthcare professionals participated in accredited training across the Group in the last year
- Maurice Blackmore Chair of Integrative Medicine at the Sydney Medical School, University of Sydney
- Accredited course in evidence-based complementary medicine partnering with Griffith University
- 25 active clinical trials underway across Blackmores Group
- Blackmores Institute expanding presence in Asia and NZ



Ivy Wen, Blackmores Quality Associate



# Operational Effectiveness



Evangelina Manhuyod, Distribution Operator

- Improved sourcing contracts and leveraging scale delivered a favourable financial result
- Doubled production output to meet growth and invested further in automation and staff
- Improved inventory management and reduced write offs
- Strong staff engagement
- Underlying expenses up 18%
- Strong balance sheet, net debt significantly reduced
- Group EBIT margin improved 11% to 15%

# Our Growth has brought new challenges



# REFLECTIONS

- Leading Asia Pacific Natural Health Group - ambitious goals, strong resources
- Significant expertise and resources and proven demand for our brand
- We have made significant progress on our strategic priorities
- Blackmores Institute committed to research and education - underpins our brand
- We are investing significantly in our opportunities to overcome our challenges
- Our commitment to maintaining high quality and efficacy differentiates us
- We believe we have the foundation for a prosperous F16 and future



Tennis Champion, Li Na

# F16 QUARTER ONE PROFIT AND LOSS

## Another Record Performance

AUD \$m	F16	F15	% vs LY
Invoiced Sales	162.2	98.5	+65%
<b>EBITDA</b>	<b>34.9</b>	<b>14.7</b>	<b>+137%</b>
<b>EBIT</b>	<b>33.1</b>	<b>13.2</b>	<b>+151%</b>
Net Interest expense	0.4	1.1	-67%
<b>Profit before tax</b>	<b>32.7</b>	<b>12.1</b>	<b>+171%</b>
Income tax expense	10.1	3.4	+196%
<b>NPAT</b>	<b>22.6</b>	<b>8.7</b>	<b>+161%</b>

# F16 Quarter One Results

## Record Performance across the business

- All business units delivered strong sales growth in a capacity-constrained environment
  - Australia \$115m, up 76%, strong contribution from Chinese shoppers though underlying growth up more than 10%
  - Asia in-market sales \$25.4m, up 55%
  - Total Sales to China Consumers est. \$55m
  - Total Asia Sales at \$80m, approx 50% of Group
  - BioCeuticals record quarter, up 28%
  - PAW up 63% and NZ up 28%
  - Excluding China from our business, up 18%
- Significant investment in marketing and building operating strength
- Record outputs from operations teams
- EBIT margin rose further to 20% up from 13%
- Blackmores entered ASX 200
- We have formed new strategic partnerships



Damon Brown, Blackmores Fitter



# Joint Venture with Kalbe to Enter Indonesia

- Announcing a 50:50 Joint Venture to enter Indonesia with Kalbe
- Kalbe are SE Asia's largest health group with deep experience in nutritionals and extensive distribution
- Strong cultural alignment between the two companies
- Indonesia is estimated to be the fourth biggest economy in the world by 2017
- On track to launch in 2016
- Indonesia important pillar for Asia expansion



# Announcing Partnership with Bega

- Equal share partnership to develop and manufacture a nutritional range, including high quality infant formula
- Bringing together iconic Australian companies, with almost 200 years of heritage and experience combined. Strong cultural alignment with complementary skills.
- Joint Board on which Bega Chairman and Blackmores CEO will sit.
- Leverage skills and strengths of both organisations:
  - Blackmores has deep nutritional expertise, understanding of consumer health needs and distribution
  - Bega, through their Tatura subsidiary, has unrivalled experience and scale in manufacturing milk powders in Australia
  - Together we have a unique ability to offer consumers high quality products from a brand they trust, based on Australian milk, manufactured in Australia
- Plan to launch in early 2016



# Outlook for F16

*We remain focused on our strategic priorities.*

*Demand for our products continues to grow and we are taking this opportunity to invest in our existing business and to establish new platforms and partnerships to extend our brand and expertise.*

*We are committed to growing this business again delivering improved shareholder returns in the coming year.*



Members of the Australia ASEAN Council

# WINNER! NSW Export Award 2015





# FINANCIAL PERFORMANCE



**Aaron Canning**

Chief Financial Officer



# PROFIT AND LOSS

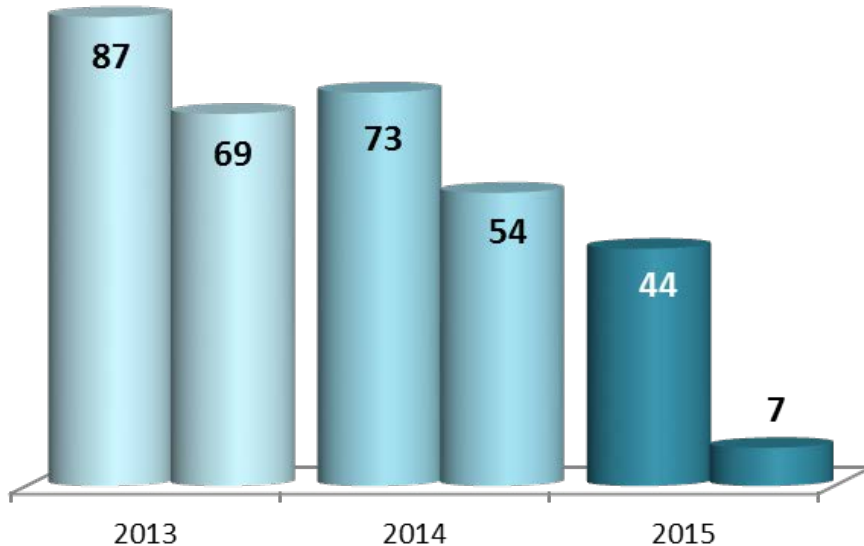
- Strong topline sales performance combined with operational leverage have been key drivers behind the FY15 results.

AUD \$m	F15	F14	% vs LY
Invoiced Sales	471.6	346.8	+36%
Operating Expenses	392.9	300.7	+31%
<b>EBITDA</b>	<b>78.7</b>	<b>46.1</b>	<b>+71%</b>
Depreciation & Amortisation	6.4	6.3	+2%
<b>EBIT</b>	<b>72.3</b>	<b>39.8</b>	<b>+82%</b>
Interest	3.4	4.8	-29%
Tax	22.3	9.5	+135%
<b>NPAT</b>	<b>46.6</b>	<b>25.4</b>	<b>+83%</b>

# BALANCE SHEET

- Gross debt \$44m with net debt closing at \$7m
- Repaid \$29m of borrowings during the year
- New banking arrangements in place with improved flexibility and pricing
- Significant headroom across all banking covenants
- Balance sheet in healthy position

**Gross and Net Debt (\$m)**



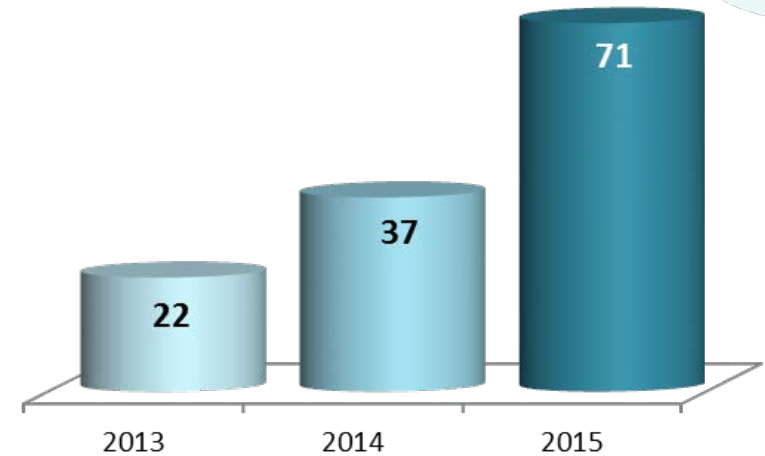
Key Metrics	F15	F14
Gearing Ratio	5%	34%
Return on Assets	27%	17%
Return on Equity	35%	24%



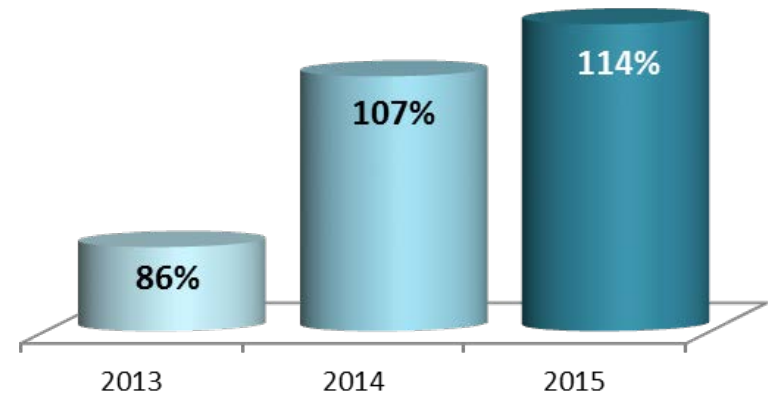
# CASH FLOW AND OPERATIONAL EFFECTIVENESS

- Operating cash flow \$71m, +90%
- Cash conversion ratio of 114%, up from 107%
- Continued improvements in working capital
  - Trade receivables tightly managed
  - Improved trading terms with key suppliers
  - Inventory levels flat despite sales growth
- More effective inventory management
  - Higher stock turns
  - Lower write offs
  - New sourcing agreements
  - Improved volume recoveries

## Operating Cash flow (\$m)



## Cash Conversion Ratio (%)



# RETURNS TO SHAREHOLDERS

- FY15 has provided loyal shareholders the rewards for their ongoing support and confidence in Blackmores.
- Earnings per Share 271c, +81%
- Full Year dividend of 203 cents fully franked, +60% ahead of last year
- Dividend payout ratio of 75%, fully funded from operating cashflow
- Share price appreciation from \$27 to \$75 at 30<sup>th</sup> June 2015 representing +175% growth.
- Management commitment to investment in sustainable future growth opportunities



Michael Elvidge, PAW National Business Manager

# FORMAL BUSINESS



**Marcus C. Blackmore AM**  
Chairman



# RESOLUTIONS

1. Adoption of Remuneration Report
2. Re-elect Mr Marcus Blackmore as a Director
3. Re-elect Mr Brent Wallace as a Director
4. Elect Mr John Armstrong as a Director
5. Approval of the Executive Share Plan
6. Grant of Shares to Ms Christine Holgate
7. Approval of increase of Directors' Fee

# Resolution 1 – Remuneration Proxies

<b>Vote Type</b>	<b>Voted</b>	<b>% of Voted</b>	<b>% of all securities</b>
For	3,872,799	91.42%	22.48%
Against	75,330	1.78%	0.44%
Open-Usable - refer below	288,446	6.80%	1.67%
Total	4,236,575	100.00%	

<b>Open-Usable Breakdown</b>		
Chairman appointed as Proxy	176,439	4.16%
Others appointed as Proxy	112,007	2.64%



# Thank You

We look forward to seeing you  
at our AGM  
next year at the  
Blackmores Campus