For the year ended 30 June 2021
Reported 26 August 2021

BLACKMORES | GROUP

ASX Announcement FY21 Results

FY21 FINANCIAL HIGHLIGHTS

- **Group revenue:** $575.9m up 1.3% on prior year (3.2% at constant FX)
- **Group gross profit:** $301.0m up 4.6% on prior year (gross profit margin up 1.6ppts to 52.3%)
- **Underlying[1] group EBIT:** $47.6m up 51.7% on prior year (Underlying EBIT margin up 2.7ppts to 8.3%)
- **Underlying[1] group NPAT:** $25.4m up 61.2% on prior year
- **Statutory results:** group EBIT of $45.8m up 82.5% on prior year; group NPAT of $28.6m up 89.4% on prior year
- **Achieved $28m of annualised gross cost saving benefits in FY21** through strong delivery against Business Improvement Program
- **Australia segment** revenue down 14.0% but Underlying EBIT up 1.7% on prior year; retains #1 vitamin and dietary supplement (VDS) position in the market[2]
- **International segment** revenue up 17.7% (27.3% at constant FX) and Underlying EBIT up 49.5% on prior year
- **China segment** revenue up 27.8% and Underlying EBIT up from $0.2m to $14.3m
- **Continuing to execute on strategic gameplan** including cost-out and efficiency savings, targeted investment in growth opportunities across key markets and margin uplift initiatives, **with clear FY24 objectives**
- **Group net cash**: $70.1m
- **Final dividend** of 42 cents per share (cps) (fully franked)

RESULTS OVERVIEW

Blackmores Limited (**ASX: BKL**) is pleased to announce today its full year result for FY21.

Chief Executive Officer, Alastair Symington: **"**Blackmores has made strong progress towards delivery against our strategic priorities over the past 12 months by aligning our resources to capitalise on growth markets, channels and segments. The operating environment in Australia remains challenged due to lockdowns and border closures. Awareness of the benefits of good health is stronger than ever as the market continues to shift away from traditional retail channels towards e-commerce and health practitioners, while the growth in Asia accelerates.

[1] Underlying earnings excludes: the impact of COVID support payments including JobKeeper; business transformation costs; impairments; net gain on sale of non-core assets; other non-recurring income/costs; the impact of IFRIC's change to SaaS arrangements; and discontinued operations
[2] Nielsen AU Pharmacy & Grocery MAT to 19/06/21 Domestic (Retail & Practitioner)

We have a clear path and focus towards achieving our stated FY24 strategic and financial objectives and I am pleased with the progress we are making which is evidenced from the improvements in our earnings profile. We continue to build the foundation needed to reach 1 billion consumers by 2025."

Blackmores delivered revenue growth underpinned by strong continued momentum in its International and China segments, which more than offset weakness in ANZ, impacted by the loss of daigou trade and a mild cold & flu season as a result of COVID-19.

Blackmores is navigating the headwinds in ANZ and creating a stronger, more efficient business while also investing to capture the significant growth opportunities. It is investing in e-commerce and digital capabilities, re-focusing ANZ on key channels and segments, driving brand awareness in international and Cross Border E-commerce (**CBEC**) channels, and reinvesting in new product innovation.

In addition to revenue performance, Blackmores achieved significant gross profit and Underlying EBIT margin expansion in FY21. This has been a result of a focus on delivering supply chain efficiencies and opex savings, as well as targeted price / mix initiatives and trade spend decisions.

Blackmores continues to execute against its strategic gameplan, with a clear path to FY24 strategic and financial objectives:

- Business Improvement Program is on track to deliver $55m annualised gross savings by FY23 (annualised savings of $28m achieved in FY21) through a simplified operating model and a stronger, more efficient supply chain;
- Targeted investment strategy to capitalise on organic growth opportunities across Asia, key channels in Australia, Digital Commerce and Pet, which represents a $250-300m revenue uplift opportunity by FY24; and
- Efficiency and price / mix initiatives are already delivering margin benefits and providing the opportunity for an uplift in EBIT margin to the mid-teens by FY24.

Continued improvement in earnings and strong operating cashflow has allowed Blackmores to declare a fully-franked final dividend of 42 cents per share. This corresponds to a full year payout of 71 cents per share and a total dividend payout ratio for the year of 48%, which is towards the upper end of Blackmores' target range of 30-60%.

Blackmores remains focused on delivering growth and operational excellence across its 3 brands, 3 focus markets and 5 consumer growth pillars, while maintaining a disciplined risk and capital management framework to capitalise on the opportunities and navigate through the challenges that will arise.

AUSTRALIA AND NEW ZEALAND (ANZ)

For FY21, ANZ revenue was down 14.0% to $280.6m however Underlying EBIT was up 1.7% to $40.3m. The performance of traditional channels in ANZ remained subdued as ongoing COVID-related travel restrictions have resulted in low levels of international travellers and students, resulting in a decline in the daigou channel. COVID-19 similarly has changed consumer behaviour and diverted spend from the pharmacy channel to the grocery channel where the average spend per trip is much lower. This has driven a period of heightened promotional activity as these channels have sought to maintain greater share of consumer vitamin spend. Sales were also impacted by a prolonged lack of cold & flu season, prior year pantry stocking of ArmaForce and a period of out of stocks of BioCeuticals due to limited supply of high demand ingredients and label changeovers linked to the TGO92 labelling regulation.

In response to this shift in consumer behaviour we have optimised price / pack architecture and promotional activity across key channels to drive net sales with underlying price increases of over 2%. Supporting these actions is a commitment to delivering product innovation and re-engaging with customers, in particular practitioners, as we look to deliver sustainable growth. These initiatives have driven a 2.2ppts improvement in ANZ Underlying EBIT margin.

Despite difficult conditions in ANZ, we continued to see promising growth in PAW by Blackmores, our pet health brand, with brand awareness amongst pet households reaching 82%.[5]

INTERNATIONAL

For FY21, International revenue was up 17.7% to $163.7m (up 27.3% on a constant currency basis) and Underlying EBIT was up 49.5% to $20.7m. The strong result was driven by significant revenue growth across our key markets in Indonesia, Thailand and Malaysia, supported by new product innovation, expansion of our distribution footprint, investment in local Product Advisors and a surge in demand for immunity products.

The increase in consumer demand for immunity products has been accelerated by COVID-19, with low levels of containment across several of the markets in the International segment. As a result, there has been a significant increase in the penetration of the Blackmores brand, as well as significant growth in the category overall. This top line growth has also been supported by the investment in further local Product Advisors (now totalling 670+) as well as more targeted price / pack initiatives to deliver net sales per unit uplift.

We are very excited by the progress being made in International and the outlook for FY22 and beyond. In particular, the launch of Halal products across Southeast Asia (commencing with Indonesia in FY22 after obtaining the required certifications in FY21) will drive further growth in the region, in addition to the entry into new markets including India starting in Q1 FY22.

CHINA

For FY21, China revenue was up 27.8% to $131.6m and Underlying EBIT increased to $14.3m from $0.2m in the prior year. The result was driven by Blackmores direct CBEC growth of 36%, with this channel now accounting for more than 70% of net sales. Performance across e-commerce platforms was very strong in both the Double 11 and June 618 e-commerce shopping festivals. This performance is a result of ongoing investment in innovation as well as local capabilities to deepen CBEC and digital health performance.

We remain focused on driving brand awareness and product innovation in key product categories (e.g. Fish Oil, Move and Kids) to underpin continued acceptance of high quality natural health solutions in China. As part of this focus, our Global Innovation Centre was established in Shanghai in FY21 providing us with rich local insights and exciting new capabilities in Asia.

BALANCE SHEET AND CASH FLOW

Blackmores reported a group net cash balance as at 30 June 2021 of $70.1m. This represents a significant improvement from the company's net debt balance of $37.3m as at 30 June 2020. The increase in the company's net cash position largely reflects the growth in profitability, positive net working capital movement and share purchase plan proceeds (which were received in FY21 following the capital raising in FY20).

Blackmores saw an improvement in its net working capital position in FY21 driven by lower inventory levels as a result of higher Q4 net sales in International. A $10–15m increase in inventory is expected in FY22 to meet demand in international markets.

Blackmores recorded $18.4m of capex in FY21 relating primarily to IT and upgrades to equipment and facilities. FY22 capital spend is expected to be in the range of $25–33m in FY22 driven by IT investment in key processes and supply chain investments to enhance efficiency and unlock capacity for future growth. $9–13m of this capital spend will be allocated to incremental operating expenses under the

[5] Kantar Pet Healthcare Brand Awareness Survey 09/2020

IFRIC Software as a Service (SaaS) classification to support FY22 growth investments in our digital capabilities including e-commerce platforms and Customer Relationship Management solutions.

DIVIDEND AND CAPITAL ALLOCATION FRAMEWORK

In view of Blackmores' confidence in our strengthening performance and the improved outlook, we have today declared a fully franked final dividend of 42 cents per share in respect of the period ended 30 June 2021. This corresponds to a full year dividend of 71 cents per share and implies a dividend payout ratio of 48% for the full year in FY21.

The record date for the dividend will be 9 September 2021 with payment on 24 September 2021.

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.

Blackmores maintains a disciplined approach to capital management and retains 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

Blackmores continues to adapt to the demands of a rapidly changing health sector, focusing on generating efficiency and cost savings in ANZ while fuelling growth in International and China markets.

Looking ahead to FY22 and beyond, the outlook remains positive in our International and China segments, with strong sales momentum to start FY22. In International, growth will be supported by the launch of new products and expansion of our Halal offering as well as the expansion into India in Q1 FY22. In China, we continue to launch new product innovation and build market share on CBEC platforms.

In ANZ we expect challenging conditions to persist in the vitamins and supplements market as international borders remain closed and state-based lockdowns continue to impact retail spend and foot traffic. However, our investment in the Blackmores and BioCeuticals brands, as well as in supply chain capabilities and organisational redesign, have made the business more resilient and better positioned to capitalise on opportunities when conditions normalise. Furthermore, we expect e-commerce and Pet to be a source of growth in the ANZ business.

The supply chain investments made in both Braeside and Warriewood facilities will underpin our ability to meet customer demand and support entry into new markets. Additionally, our cost savings programs will continue to support margin expansion and fund reinvestment into brand and product innovation.

Investments in digital commerce and operational transformation will supplement broader supply chain and opex savings initiatives. Specifically, enhancing our digital capability to deliver improved customer experiences and transforming our organisation into a digitally connected enterprise.

We are on track to deliver strong sales growth in International and China, more than offsetting disrupted trading in ANZ, with efficiency and price / mix initiatives delivering sustainable margin improvement and enabling reinvestment in growth markets.

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

ENDS

Contacts

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

MEDIA CONTACT:
Raffaele D'Alisa
Director of Communications
M: +61 435 504 017

Results at a Glance

A$m	Statutory[6]	Underlying[7]		
	FY21	FY21	FY20	% vs pcp
Sales revenue	**575.9**	**575.9**	**568.4**	**1.3%**
Gross profit	**301.0**	**301.0**	**287.8**	**4.6%**
% of sales revenue	*52.3%*	*52.3%*	*50.6%*	*1.6ppts*
EBITDA	**71.6**	**75.9**	**52.7**	**44.0%**
% of sales revenue	*12.4%*	*13.2%*	*9.3%*	*3.9ppts*
D&A	25.9	28.3	21.3	33.0%
EBIT	**45.8**	**47.6**	**31.4**	**51.7%**
% of sales revenue	*8.0%*	*8.3%*	*5.5%*	*2.7ppts*
NPAT excl. discontinued operations	**24.0**	**25.4**	**15.7**	**61.2%**
EPS – continuing operations	124.0	131.2	89.9	46.0%
EPS – continuing and discontinued ops	148.1			
DPS – full-year (incl. Final 42.0 cps)	71.0			
% payout ratio	*48%*			

[6] Underlying earnings excludes: the impact of COVID support payments including JobKeeper; business transformation costs; impairments; net gain on sale of non-core assets; other non-recurring income/costs; the impact of IFRIC's change to SaaS arrangements; and discontinued operations

[7] Prior year comparative has been adjusted to reflect new accounting policy for SaaS arrangements