

Images | Fiona Yeo, from Blackmores' China export team in Australia, newly appointed CEO Richard Henfrey & departing CEO Christine Holgate

Blackmores announces full year profit of \$58 million in a rebalancing year

- Full year sales of \$693 million, down 3% on prior year
- Net profit after tax for the full year of \$58 million, down 42% on prior year
- Closed the year with a strong balance sheet
- Final dividend of 140 cents per share, bringing total ordinary dividends for the year to 270 cents per share (fully franked), 34% down on prior year

Blackmores Limited (BKL:ASX) has announced annual sales of \$693 million, down 3% compared to the prior year and a net profit after tax (NPAT) of \$58 million, down 42% on the prior year.

Following two exceptional years of growth, this was a rebalancing year for the Blackmores Group.

"After a turbulent start to the year, we are pleased with our recent performance," said Ms Christine Holgate, Blackmores' outgoing¹ Chief Executive Officer. "We finished the year in a stronger position than we entered it. We have changed our expense structure to reflect a different trading environment and maintained investment in core future growth platforms; we have made appropriate provisions to protect us in future years and, with tight management of our inventory and cash, we exited the year with a strong balance sheet."

TRANSFORMING OUR BUSINESS TO ADDRESS NEW CHALLENGES

Speculation in April 2016 about potential regulatory changes in China impacted the buying patterns of Chinese entrepreneurs and tourists who were previously purchasing through Australian retailers.

The decline in sales to Chinese consumers through Australian retail was significant and came without warning. This was evident in the high levels of stock in the market in the first quarter of the 2017 financial year as seen in Blackmores' first quarter results.

To protect against future potential uncertainty, inventory provisions have been increased from \$2 million to \$14 million, this includes approximately \$10 million in provisions above normal levels, impacting earnings by the same amount.

"The demand for Blackmores products in China remained strong throughout the year although the route to serve it has changed significantly. Blackmores responded quickly to the changes in the market by both building a new China export team and strengthening our in-country China business and tightly managing our inventory," said Christine Holgate. "We closed the year with direct China sales up 71% at \$132 million. Including estimated sales through Australian retailers, China accounts for approximately \$250 million of Group sales."

Although sales recovered as the year progressed, the changed Australian retail environment saw a return to market competition and normalised levels of trading terms, which diminished profits further on a year to year comparison.

Management responded to the pressure on profits across the Blackmores Australia business by realigning costs, managing expenses and reinvesting savings into growth initiatives. This included support for Blackmores' new businesses in Indonesia and Vietnam; further investment in BioCeuticals and Global Therapeutics; developing a world-first online education platform and the fit out of a state-of-the-art distribution centre in Western Sydney that will support future sales volumes for the Group.

AUSTRALIA & NEW ZEALAND

Blackmores Australia and New Zealand sales of \$372 million, including Pure Animal Wellbeing (2016: \$482 million) were down 23% primarily due to Chinese tourists and exporters changing their buying patterns and following a return to market competitive pressures. Excluding the impact of Chinese influenced sales, Blackmores branded domestic sales were flat with clear market leadership maintained.

ASIA

Asia direct sales were \$216 million, up 36%, highlighting the strategic importance of Asia as a growth platform for the Group. The importance of the China market is evident with Blackmores China direct sales, up 71% on prior year to \$132 million, including sales through Blackmores new export division.

In September 2016, Blackmores launched a range of products in Indonesia and progressed the establishment of a business in Vietnam, where a range of Blackmores products will launch in coming months.

BIOCEUTICALS GROUP

BioCeuticals and Global Therapeutics delivered sales of \$102 million. BioCeuticals achieved sales of almost \$80 million which was a 15% increase compared to the prior year. BioCeuticals exceeded the ten year sales and earnings goal, set when the business was acquired in 2012, within five years. On a like-for-like comparison, sales of Global Therapeutics products were up 11% and the business is now successfully integrated into the Blackmores Group.



STRONG FOUNDATIONS

Business fundamentals are strong and the balance sheet demonstrates the focus on inventory, debt management and working capital, all contributing to strong cash generation. The financial health of the business gives Blackmores a solid entry into the new financial year.

"Our underlying performance has improved as the year progressed. We have invested in a world-class distribution centre in Western Sydney and in new technology platforms that will support the growth we anticipate, including additional volumes from our emerging businesses in Asia," said Mr Richard Henfrey, who was appointed as Blackmores CEO on 17 August 2017. Mr Henfrey was previously Blackmores Chief Operating Officer.

"In line with updates to shareholders over the year, reported profits for the full year did not meet those of last year's exceptional results though represent 25% growth on the very strong 2015 financial year," he said.

DIVIDEND

The Board has declared a final dividend of 140 cents per share (fully franked), taking total dividends for the year to 270 cents, down 34% compared to last year. This reflects the Group's sound financial position and the Board's confidence in the future. The record date is 12 September 2017 and the dividend is payable on 26 September 2017.

OUTLOOK

Market conditions will continue to change and evolve in Australia and in Asia. Regulation, pricing and channel strategy changes provide challenges. Notwithstanding these challenges, Asia, and China in particular, is a significant opportunity, consumer demand remains strong and we expect recent initiatives such as our improved distribution capability and online education platform, to strengthen our core.

Blackmores' management and the Board expect year-on-year profit growth this financial year.

¹Christine Holgate announced her intention to resign as CEO in June 2017 following her appointment as CEO of Australia Post from October 2017. Richard Henfrey was announced as Blackmores CEO on 17 August 2017

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Earnings before interest, tax, depreciation and amortisation (EBITDA) 25,082 37,393 3.2.926 Earnings before interest and tax (EBIT) 22,897 35,556 35,608 Net interest expense 1,091 639 +70.7% Profit before tax 21,806 34,917 -37.5% Income tax expense 6,461 10,474 -38.3% Profit for the period 15,345 24,443 -37.2% Profit attributable to: Owners of Blackmores Limited Non-controlling interests 15,781 24,545 -35.5% Rosults (\$000s) (Full Year Results) Owners of Blackmores Limited Non-controlling interests 15,781 24,545 -35.5% Sales 692,790 717,211 -3.4%	Results at a Glance Results (\$000s) (Quarter 4)	This Year	Last Year	% Change
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Net interest expense 1,091 6,93 17,772 Profit before tax 21,806 34,917 37,508 Income tax expense 6,661 10,474 -38,308 Profit for the period 15,345 24,403 -32,509 Profit tattributable to: Owners of Blackmores Limited Non-controlling interests 15,781 24,707 612,808 Results (\$0008) (rfull Year Results) 50,790 171,211 -34,809 1,809	Earnings before interest, tax, depreciation and amortisation (EBITDA)	25,082	37,393	-32.9%
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Non-controlling interests 15,781 24,450 3.55.8% Non-controlling interests 436 -7 6128.6% Results (\$000s) (Full Year Results) This (Pull		15,345	24,443	-37.2%
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Keal (Full Year Results) Year (Page Page) Change Page Page Page Page Page Page Page Pa	Non-controlling interests	-436		6128.6%
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Net interest expense 4,180 1,810 +130.9% Profit before tax 82,051 143,411 -42.8% Income tax expense 24,023 43,391 -44.6% Profit for the period Profit attributable to: 58,028 100,020 -42.0% Owners of Blackmores Limited Non-controlling interests 59,013 100,008 -41.0% -8308.3% -985 12 -8308.3% Other Key Items 30/06/2017 30/06/2016 EBIT/Sales % 12.4 20.2 Interest cover (net) times 20.6 80.2 Total assets \$m 412.2 443.4 Shareholders' equity \$m 177.5 178.3 Net debt \$m 44.7 17.8 Net debt / (Net debt + Equity) % 20.1 9.1 Net tangible assets per share \$ 6.81 6.76 Cash generated from operations \$m 95.3 123.0 Cash conversion ratio 100.7 80.8	Earnings before interest, tax, depreciation and amortisation (EBITDA)	94,642	152,266	-37.8%
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Income tax expense 24,023	Net interest expense	4,180	1,810	+130.9%
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Shareholders' equity \$m 177.5 178.3 Net debt \$m 44.7 17.8 Net debt / (Net debt + Equity) % 20.1 9.1 Net tangible assets per share \$ 6.81 6.76 Cash generated from operations \$m 95.3 123.0 Cash conversion ratio 100.7 80.8	Interest cover (net) tin	times		80.2
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Net tangible assets per share \$ 6.81 6.76 Cash generated from operations \$m 95.3 123.0 Cash conversion ratio 100.7 80.8	Net debt \$r	n	44.7	17.8
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