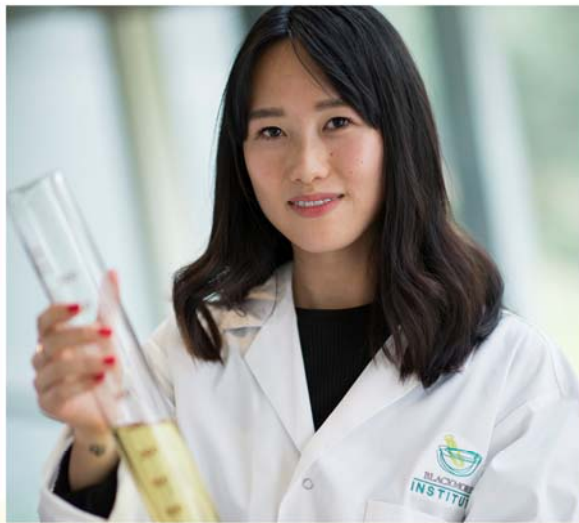


22 FEBRUARY 2018

A strong half year result, Blackmores profit up 20%



Jessica Jong | Blackmores Product Development Project Manager

Highlights

- Group net sales of \$287 million, up 9% compared to previous corresponding period
- Sales result driven by strong performances from China, BioCeuticals and across Blackmores' other established Asia markets
- Net profit after tax of \$34 million, up 20% compared to previous corresponding period
- First half dividend of 150 cents per share fully franked, up 15% compared to previous corresponding period

Blackmores Limited (ASX: BKL) has announced first half revenue of \$287 million, up 9%, delivering a net profit after tax to Blackmores shareholders of \$34 million, up 20% compared to the previous corresponding period.

“We’ve had two quarters of consistent sales growth and improved our profitability reflecting the delivery of our strategic priorities and greater stability in the business,” said Mr Richard Henfrey, Blackmores Chief Executive Officer.

“We’re pleased with the first half financial performance and, importantly, with the progress of our growth strategy.”

Blackmores Australia & New Zealand

“Revenue in Australia and New Zealand of \$121 million was slightly down compared to last year as the broader consumer market remained subdued and China-influenced sales continue to move to our direct China channels. The impact on the Group result was lessened because of the strength of our business diversity, meaning we are less reliant on any single market or brand,” said Richard Henfrey.

“The earnings from our business in Australia and New Zealand improved in the half with earnings before interest and taxes (EBIT) of \$26 million, up 19% compared to the previous corresponding period. The improved EBIT results from changes to the cost structure of this business and the phasing of expenses.”

The success of Blackmores’ new product development in the probiotics and children’s gummy vitamin categories supported gains in category share in the first half resulting in Blackmores maintaining clear total market leadership.

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Blackmores Asia

China sales grew at 27% with online sales events including Singles Day (11/11) and 12/12 delivering record sales.

“E-commerce sales of Blackmores products for the 11 November Singles Day promotion surpassed those achieved last year after only two hours and 10 minutes,” said Richard Henfrey.

“Our profit from China grew by 4% for the period after investment in resourcing and operating expenses were made as we expand our in-country presence,” he said. “This result was also impacted by an increase to the doubtful debts provision in China of \$2.8 million. All appropriate avenues to recover these debts are being progressed.”

Blackmores’ other businesses in Asia including Malaysia, Singapore, Hong Kong and Korea delivered strong double digit sales growth in the first half. The Korea business has stabilised in the period with strong growth through offline retail and the duty free channel.

“Our new business model in Korea is making a small but sustainable contribution after a challenging few years,” said Richard Henfrey. “We launched in Vietnam with five products now registered. In Indonesia, we’re encouraged by early consumer feedback and sales, healthcare professional support and distribution and accordingly we have invested further in this market, in line with our business plan.”

Blackmores Thailand hosted a Blackmores Institute Symposium attended by more than 200 healthcare professionals.

BioCeuticals Group

BioCeuticals Group delivered sales growth of 11%. This was a solid result given that both BioCeuticals and Global Therapeutics have been particularly impacted by disruptions to supply.

BioCeuticals continues to lead in the practitioner category in both product sales and education resources. Their *FX Medicine* website attracts more than 100,000 unique visitors every month and each *FX Medicine* podcast is downloaded more than 70,000 times.

Operations

“We concluded the half with our new state-of-the-art distribution centre at Bungarribee in Western Sydney fully operational. This was a major change initiative that has required significant investment to underpin our growth ambitions,” said Richard Henfrey.

“Continuity of supply has been a challenge in the second quarter as suppliers have struggled to respond to our increased requirements,” said Richard Henfrey.

Inventory levels at \$89 million represent a \$16 million reduction compared to the same time last year.

“Inventory levels have been tightly managed and we’re comfortable not only with the levels of stock held by Blackmores, but also by the amount of stock held by Australian retailers,” said Richard Henfrey. “We are beginning to see the commencement of margin benefits from cost improvements resulting from the supply tender that we ran last year with more significant savings expected to flow through over the next 18 months.”

Financial Position

Blackmores' balance sheet is in a strong position with a 63% improvement in cash generated from operations compared to the same time last year due to improved working capital management. Net debt was \$66 million, a \$21 million increase since June 2017 due to the purchase of shares related to Blackmores first three-year executive long-term incentive awards which had vested at the maximum potential, along with the funding of the dividend payments in the period. Gearing levels are 27% and Blackmores maintains a conservative level of headroom against all bank covenants.

Blackmores Institute

Blackmores Institute signed a landmark partnership with Tsinghua University in Beijing to develop a health communication curriculum course for natural medicine. "This partnership demonstrates the global reputation of our research and education program and the healthcare professionals who support it," said Richard Henfrey.

"Of our achievements this year, the commitment and performance of our team of employees is the greatest. Our staff have worked tirelessly through new leadership, operational changes and significant market shifts and employee engagement remains strong at 82% which is 14 percentage points above the industry benchmark. It showcases the unique culture that Marcus Blackmore has fostered and that we will protect and enhance as we grow and expand this business," said Richard Henfrey.

Dividend

The Board has declared an interim dividend of 150 cents per share fully franked, which is an increase of 15% compared to the prior corresponding period. The record date is 8 March 2018 and the dividend is payable on 22 March 2018.

Outlook

"The first half performance gives Blackmores a strong foundation for the full year. We have delivered an improved sales and profit result whilst investing in growth initiatives," said Richard Henfrey. "We're particularly encouraged by the progress of our businesses in China and Indonesia. Supply issues affecting the Group and the soft Australian retail market will impact us in the second half, though we remain confident we will continue to deliver good profit growth for the full year."

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Results at a Glance Half Year to 31 December 2017

Results (\$000s)	This Year	Last Year	% Change
Invoiced sales	351,855	322,129	+9.2%
Revenue	287,381	263,036	+9.3%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	53,539	45,877	+16.7%
Earnings before interest and tax (EBIT)	49,252	41,868	+17.6%
Net interest expense	1,982	2,115	-6.3%
Profit before tax	47,270	39,753	+18.9%
Income tax expense	13,945	11,592	+20.3%
Profit after tax	33,325	28,161	+18.3%
Profit/(loss) attributable to:			
Owners of Blackmores Ltd	34,180	28,491	20.0%
Non-controlling interests	(855)	(330)	159.0%
Results (\$000s) (Quarter 2)	This Year	Last Year	% Change
Invoiced sales	189,438	173,087	+9.4%
Revenue	153,860	140,899	+9.2%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	29,204	26,088	+11.9%
Earnings before interest and tax (EBIT)	27,041	24,045	+12.5%
Net interest expense	1,139	1,266	-10.0%
Profit before tax	25,902	22,779	+13.7%
Income tax expense	7,663	6,693	+14.5%
Profit after tax	18,239	16,086	+13.4%
Profit/(loss) attributable to:			
Owners of Blackmores Ltd	18,734	16,413	+14.1%
Non-controlling interests	(495)	(327)	+51.3%
Other Key Items	31/12/2017	30/06/2017	
Total Assets	\$m	425.5	412.2
Shareholders' equity	\$m	179.9	177.5
Non-controlling interest share of equity	\$m	0.39	1.28
Net debt	\$m	65.7	44.7
Net debt / (net debt + equity)	%	26.7	20.1
Net tangible assets per share	\$	6.83	6.81
Shares on issue	m	17.23	17.23