

# Health Science Day 2023

Blackmores Overview and Growth Strategy

**Alastair Symington - Chief Executive Officer**

27 September 2023

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- 2. Blackmores' Core Strengths**
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# 1. Company Overview and Market Position

# Australia's leading natural health company, with unrivalled naturopathic heritage

BLACKMORES  
| GROUP

Joy brings us together  
 **KIRIN**

BLACKMORES®

 BioCeuticals

paw  
PURE ANIMAL WELLBEING  
- BLACKMORES



## +90 Year

history of  
Leadership in  
Natural health science




## ~1,000

Quality health products and  
services Leadership in Natural  
health science

Operates in **13**  
markets/territories<sup>1</sup>  
with **>1,250** employees  
across ANZ & Asia

Notes: 1. Blackmores operates in 13 markets (Australia, China, Singapore, Hong Kong, Pakistan, India, Indonesia, Malaysia, Korea, Taiwan, Thailand, New Zealand, Vietnam).

# Our brands are leaders in their respective target categories and are positioned to win with consumers and practitioners

Our brands	Brand identity and positioning	Brand highlights	
	<ul style="list-style-type: none"> <li>● Australia's No.1 natural health brand<sup>1</sup></li> <li>● The only Australian natural health brand with a 90-year heritage – an iconic Australian brand</li> </ul>	<ul style="list-style-type: none"> <li>● <b>#1 market share</b> Australia<sup>1</sup> and Thailand<sup>4</sup></li> <li>● <b>Top 2 market share</b> in Malaysia<sup>3</sup> and Singapore<sup>6</sup></li> <li>● <b>#1 most trusted brand</b> 15 years<sup>7</sup></li> </ul>	<h3>Commentary</h3> <ul style="list-style-type: none"> <li>● In FY23, Blackmores Group brands had the <b>second largest incremental retail sales growth</b> in the Australian vitamins and supplements category<sup>8</sup></li> <li>● “Blackmores” global brand growth was <b>+5% Net Sales</b> in FY23</li> <li>● Brand communication strategy cohesively executed across <b>consumer, retail and practitioner</b> touch points</li> </ul>
	<ul style="list-style-type: none"> <li>● Australia's leading practitioner range<sup>2</sup></li> <li>● Highly recommended by pharmacists and other HCPs<sup>3</sup>, practitioner only supplements, guided by naturopathy principles and validated by evidence</li> </ul>	<ul style="list-style-type: none"> <li>● <b>#1 practitioner brand</b> in Australia<sup>2</sup></li> <li>● <b>Armaforce #1</b> Immunity brand in Australia<sup>1</sup></li> </ul>	
	<ul style="list-style-type: none"> <li>● Natural health products for pets, developed by vets, leveraging Blackmores' natural health expertise</li> </ul>	<ul style="list-style-type: none"> <li>● <b>#1 pet supplements brand</b> in Australia<sup>3</sup></li> </ul>	

## Notes:

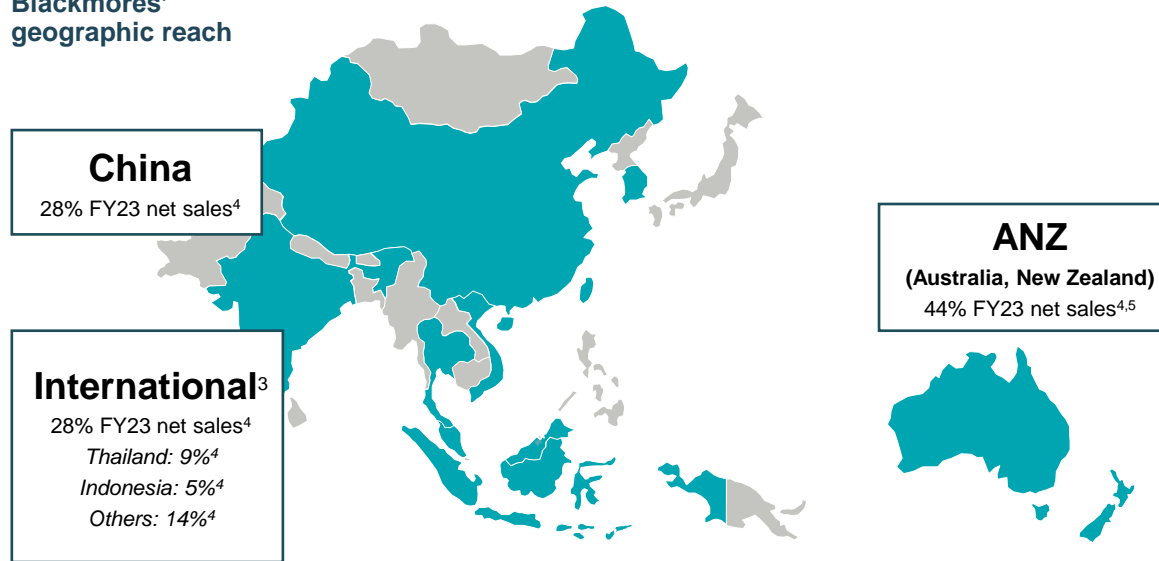
1. IQVIA/Nielsen AU Pharmacy + Grocery MAT 5/8/23 Domestic (Retail and Practitioner);
2. IQVIA/Nielsen AU Pharmacy MAT 5/8/23 Practitioner sales only;
3. Fiftyfive5 Brand health tracking (Mar – Sep 2022);
4. MSAT Int Report - IQVIA & Nielsen (Thailand) March 2023;

5. International Market Landscape – Malaysia IQVIA (MAT June 2023);
6. International Market Landscape – IQVIA (MAT June 2023);
7. Readers Digest Letter 2023;
8. IQVIA/Nielsen AU Pharmacy + Grocery FYTD 31/7/23 Domestic (Retail & Practitioner).

# We operate in a highly attractive geographic footprint

## Well balanced portfolio of growth and defensive markets

### Blackmores' geographic reach



### Commentary

- #1 or #2 Vitamin Dietary Supplements position in key markets<sup>1</sup>
- Strong growth in Asia markets across most categories, where Blackmores is well-positioned to grow further market share
- Blackmores' market position in Australia provides a backdrop for defensive growth
- Leading position in practitioner channel<sup>2</sup>

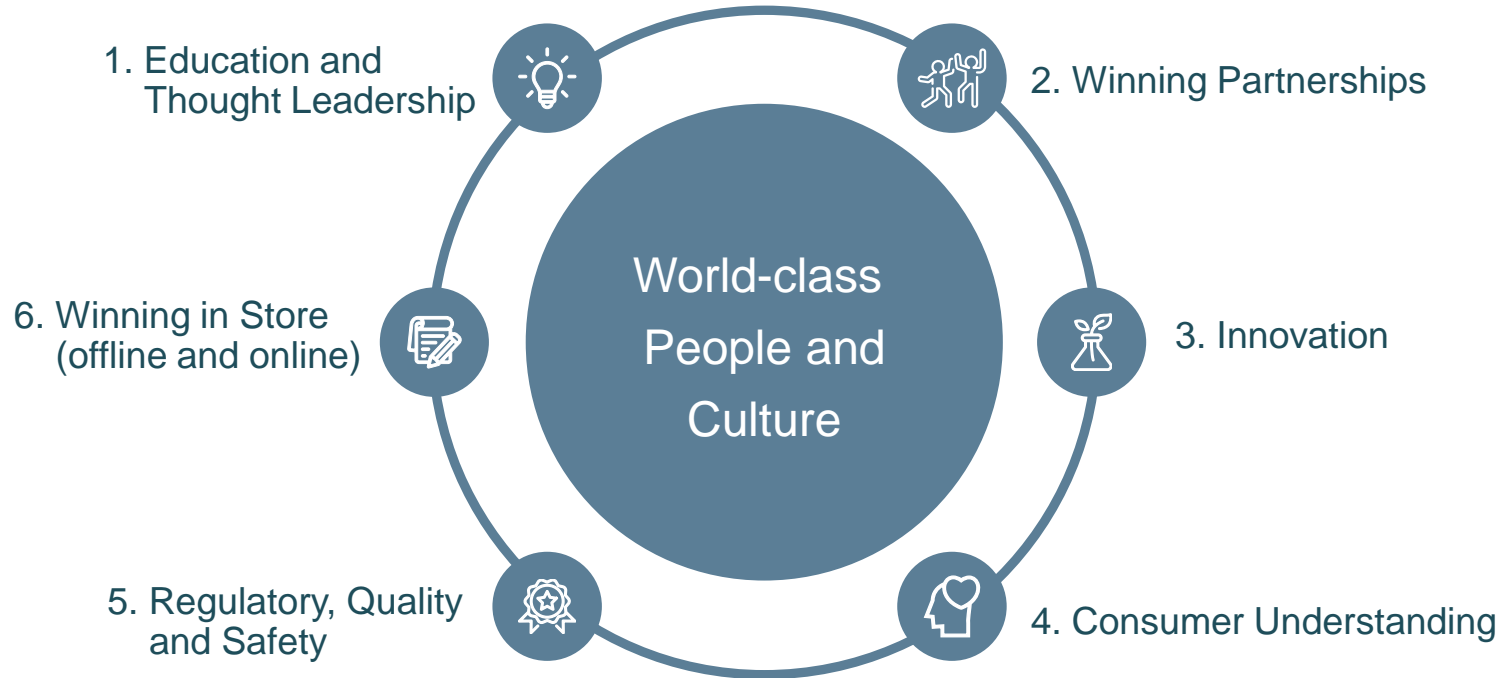
#### Notes:

1. Australia/Thailand, Malaysia, Singapore. – Source IQVIA MAT June 2023 for MY and SG, MAT March 2023 for TH & Smartpath Sep 2022;
2. IQVIA MAT 5/8/23 Domestic Practitioner Only (Practitioner channel includes allied health care practitioners).

3. International: Thailand, Singapore, Malaysia, Indonesia, India, Pakistan, Vietnam (including Infant Formula to Vietnam), Korea;
4. % of Group net sales;
5. Includes Braeside sales.

# 2. Blackmores' Core Strengths

➤ 6 key strengths that underpin our brand proposition and sustained competitive advantage



# Innovation underpins anticipated business growth

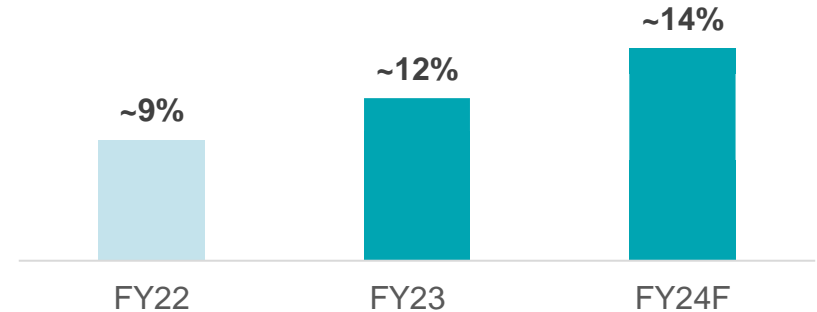
- Significant investment in new product development across the Group is delivering strong sales growth at high margins – with the outlook supported by our deep and robust innovation pipeline

## 1 Category defining innovation that stands the test of time



## 2 Robust 3 year pipeline expected to drive sales and margin growth

### % of total net sales from product innovation pipeline



## 3

### Development of 2025-27 innovation pipeline is already underway

1. IQVIA/Nielsen AU Pharmacy + Grocery MAT 5/8/23 Domestic (Retail and Practitioner);

2. IQVIA/Nielsen AU Pharmacy 5/8/23 Domestic (Practitioner).

- Our understanding of our consumers and practitioners is a core strength – underpinned by proprietary data and leading market insights that drive innovation, customer programmes and consumer communication

## 6 Sources of Consumer Insights



1.

Real-time data



2.

e-Comm analytics



3.

Journal reviews



4.

Social listening



5.

Research



6.

Real-time advisory



Systematically analyse combined intelligence from consumers, real-time market data and insights from in-store product advisors into innovation development, customer activation, and brand communications

# Winning in-store – in both the physical and digital store

- Proven track record – with market leading execution across both physical and digital stores

## Distribution

- Blackmores has the widest coverage across major retailer channels in Australia & New Zealand including pharmacy, grocery, online, allied health and specialty including veterinary



## Pricing

- Strategic Revenue Management (SRM) capability
- Global Pricing Strategy
- Promotion strategy



## Shelving

- Category management capabilities in place
- Ease of Shop solutions to increase shopper conversion and maximise category growth



## Merchandising

- In store activation delivered via insight-based activations in all channels
- Consistency across channel and across markets.



# 3. Blackmores' Strategic Plan

# Transformation plan underpinned by 5 strategic pillars

➤ The 2nd phase of our transformation plan was launched in FY21

01



## Driving growth in targeted segments and markets

Focused investment to support the execution of our Growth Strategy in:

1. South-East Asia
2. China
3. Growth Engine Segments

02



## Simplify our operations and reduce cost

Simplified operating model, fit-for-purpose organisational structure and strong focus on productivity

03



## Strengthen our supply chain

Supply chain excellence with best-in-class manufacturing capabilities and integrated business planning to deliver on the growth potential in Asia

04



## Ignite the Australian VDS opportunity

Reinvesting in media support behind our brand, product innovation and B2B/B2C platform to deliver a superior customer and practitioner experience

05



## Transform Digital Commerce and Operations

Step change in digital capability, including:

1. Focused digital commerce and customer experience strategy and
2. Digitally connected enterprise/operation, enabling other pillars

Underpinned by our:



Disciplined Approach to Risk Management and Capital Allocation Framework



ESG Leadership – Healthy People, Healthy Planet, Healthy Communities

# Transformation plan underpinned by 5 strategic pillars

➤ We expect this strategy will be reinforced with Kirin to accelerate

01



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Supply chain excellence with best-in-class manufacturing capabilities and integrated business planning to deliver on the growth potential in Asia

## Commentary

- **Kirin's Lc-Plasma\*** enables Blackmores to promote further premiumization
- Discuss further opportunities with Kirin to optimize our operations
- Utilize Kirin's capability to optimize our supply chain

Reinvesting in media support behind our brand, product innovation and B2B/B2C platform to deliver a superior customer and practitioner experience

Step change in digital capability, including:

1. Focused digital commerce and customer experience strategy and
2. Digitally connected enterprise/operation, enabling other pillars

\* *Lactococcus lactis* strain Plasma

Underpinned by our:



Disciplined Approach to Risk Management and Capital Allocation Framework



ESG Leadership – Healthy People, Healthy Planet, Healthy Communities

# Overview of vitamin and dietary supplement (VDS) sector by market

➤ Blackmores operates in highly attractive VDS markets

	Australia	Indonesia	China	Thailand	Malaysia
<b>Total VDS Market (FY22, A\$)</b>	\$2.7bn <sup>1</sup>	\$2.9bn <sup>1</sup>	\$41.5bn <sup>1</sup>	\$2.9bn <sup>1</sup>	\$1.6bn <sup>1</sup>
<b>Forecast total growth in VDS category – 2022-2027F (% CAGR)</b>	3.5% <sup>1</sup>	9.9% <sup>1</sup>	5.5% <sup>1</sup>	8.5% <sup>1</sup>	10.5% <sup>1</sup>
<b>Total Verified Market (FY22, A\$)</b>	\$1.9bn <sup>2</sup>	\$458m <sup>2</sup>	\$5.1bn <sup>3</sup>	\$66m <sup>2,5</sup>	\$217m <sup>2</sup>
<b>Blackmores market share (%)</b>	18% <sup>2,4</sup>	4% <sup>2</sup>	4% <sup>3</sup>	31% <sup>2</sup>	7% <sup>2</sup>
<b>% contribution to net sales (FY23)</b>	44%	5%	28%	9%	5%
<b>Brand awareness<sup>6</sup></b>	84%	66%	33%	68%	77%

Notes: : VDS = Vitamin and Dietary Supplements. Total Verified Market defined as VDS sales verified as scan sales by IQVIA.

1. Euromonitor Vitamins & Supplements 31/12/2022 (FY22 implied using the average of CY20 and CY21 data);
2. IQVIA. MAT June 2022. AUD;
3. Smartpath FTZ market data for the period ending September 2022;

4. Combined Blackmores + BioCeuticals;
5. In Thailand IQVIA has limited market coverage and excludes independent pharmacies;
6. APAC Brand Health Study 2023. FiftyFive5 – Prompted Awareness.

# Geographic diversification as a competitive advantage

- Strong focus on pricing and cost recovery to maintain margins in inflationary environment

## Australia / NZ

- Plan for Blackmores market share growth ahead of the VDS market
- Continued margin expansion despite increase in A&P investment to support brand initiatives
- Improvements in service and joint business planning with key customers
- Traditional pharmacy and allied health channels slowing requires us to innovate in new and different ways than before

## South-East Asia

- Market leading position maintained in Thailand and regained in Malaysia<sup>1</sup>
- Alternative offerings in immunity have increased which has meant that traditional VDS requires new and different formats
- Retailers working capital increased in anticipation of COVID-19 spikes last year that did not materialize – expected to reduce progressively in Indonesia and Thailand

## China

- Cross Border eCommerce (CBEC) is the main channel for international brands and continues to be healthy
- NPD is important in the China market to deliver continuous “news” to the category
- Blackmores has demonstrated good performance during Key Consumption Periods (KCP) 618 and Double 11
- Awareness of Blackmores in China is still relatively low, requiring increase in A&P

Anticipated  
Revenue Growth  
2024-2027

**+3-5% CAGR**






**+7-9% CAGR**

Notes: 1. IQVIA / Nielsen; Scan data to 31/03/2023

# 4. FY2023 Financial Results

# FY23 | strong results despite economic headwinds

FY2023 financial results period: July 2022 - June 2023

Revenue	Underlying EBIT <sup>1</sup>	Underlying NPAT <sup>2</sup>
\$658.0m <b>+2.3%</b> 	\$64.5m <b>+13.9%</b> 	\$42.6m <b>+37.0%</b> 
Gross margin	Underlying EBIT margin	
51.5% <b>-1.4ppts</b> 	9.8% <b>+1.0ppts</b> 	

1. Underlying EBIT is a non-IFRS measure and used by management to assess the operational performance of the business.

2. Underlying NPAT from Continuing Operations

\* NPAT = Net Profit After Tax (attributable to shareholders)

# 5. Blackmores and Kirin – Integration Update

# Integration is well underway – “The 100 day plan”

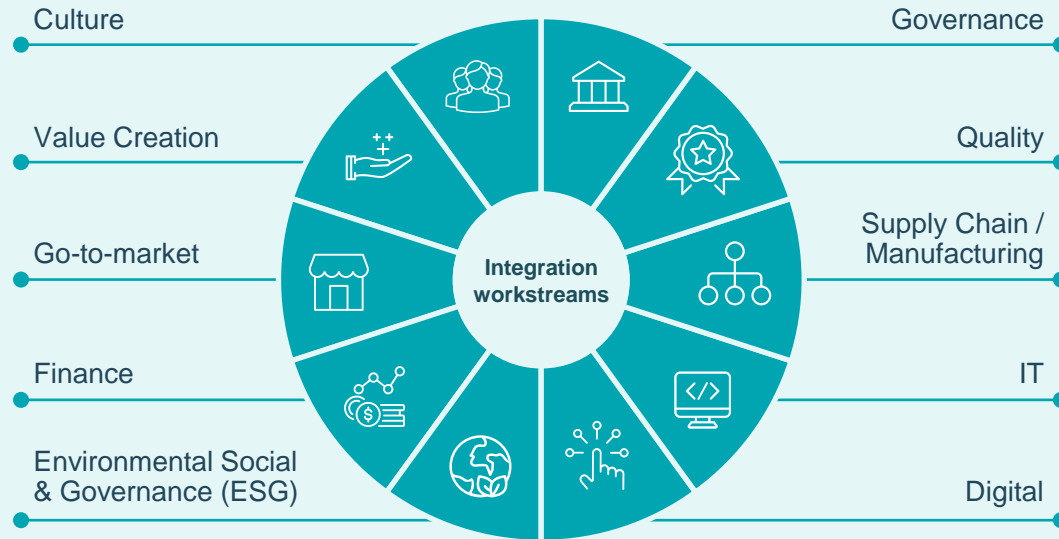
➤ Mobilised with united Kirin and Blackmores teams

Day 45

## Blackmores and Kirin Integration Workstreams

Day 100

Building mutual understanding



Seeking alignment on future plans

# Appendix

## Marketing Positioning and Strategy

**Ambition:** Build Blackmores into the most purposeful, trusted and distinctive VDS brand creating scale for profitable long term sustainable growth

**Positioning:** Empower the best of health in everyone, naturally

### Strategy:

Drive brand penetration via maximising brand salience

- Fuel growth engine segments at scale with innovation & portfolio expansion to deliver above segment growth
- Drive margin improvement across all segments to fuel growth & support investment in growth engine segments

## Top 5 products<sup>4</sup>



Fish Oil  
(all products)



Bio C 1000



Glucosamine  
(all products)



Pregnancy &  
Breast-Feeding  
Gold



Macu-Vision

## Brand metric highlights

### Brand Leadership



Top market share

### Top 3 Market Share ranking in 5 markets<sup>2</sup>

Australia Indonesia Malaysia



Singapore



Thailand

### Top Brand Attributes<sup>3</sup>

1. Brand I trust
2. Leading brand in vitamins
3. Works for my needs
4. Is a brand worth paying more for

Notes: 1. IQVIA/Nielsen AU Pharmacy + Grocery MAT 31/03/2022 (Retail and Practitioner);  
2. IQVIA market share data MAT 26/8/23;

3. Fiftyfive5 Brand health tracking (Mar – Sep 2022);  
4. Blackmores Sales Ledger

## Marketing Positioning and Strategy

**Ambition:** Unlock better health for more Australians with practitioner endorsed, unparalleled natural health solutions within and beyond the pill

**Positioning:** Harness the unrivalled power of nature to heal

### Strategy:

- more consumers seeking BioCeuticals solutions
- the brand pharmacists recommend first every time
- more AHC practitioners prescribing and advocating BioCeuticals

## Top 4 products<sup>3</sup> and Clinical Range example



ArmaForce



Ultra Muscleze



UltraBiotic



Theracumin



BioCeuticals  
Clinical

## Brand metric highlights

#1

Pharmacy  
Practitioner  
brand<sup>1</sup>

Top 3

Pharmacy  
brand<sup>1</sup>

#1

Pharmacist  
recommended  
brand<sup>2</sup>

22%

Brand  
awareness<sup>2</sup>

Notes: 1. IQVIA/Nielsen AU Pharmacy MAT 31/12/2022 Domestic (Practitioner);

2. Fiftyfive5 Brand health tracking (Mar – Sep 2022);

3. Blackmores Sales Ledger

## Marketing Positioning and Strategy

**Positioning:** Vet approved, natural pet care

**Strategy:**

- Drive penetration of natural pet care through greater awareness
- Increase accessibility of natural pet care via innovation and expansion
- Drive advocacy of PAW via education of Pet Professionals

To grow net sales of the PAW brand, Blackmores commenced test marketing of PAW in China and Singapore in FY22

## Top 5 products<sup>2</sup>



Joint Protect  
Chews 500g



Hepatoadvanced  
Large



Hepatoadvanced  
Small



Digestive Health  
Powder 150g



Complete Calm  
300g

## Brand metric highlights

**Brand Awareness<sup>1</sup>**

**33%**

**Brand Awareness**  
(nearest competitor 18%)

**Top Brand Attributes<sup>1</sup>**

1. Is safe for my pet
2. Has high quality ingredients
3. Product is easy to use

Notes:

1. Fiftyfive5 Brand health tracking (Mar – Sep 2022);

2. Blackmores Sales Ledger .

BLACKMORES<sup>®</sup>  
| GROUP