



## Announcement of capital raising to position Blackmores for sustainable, profitable growth

### SUMMARY

- Blackmores is undertaking a fully underwritten \$92m institutional placement (“Placement”) and non-underwritten Share Purchase Plan (“SPP”) of up to ~\$25m to eligible shareholders (together the “Equity Raise”)
- Underlying profit remains in-line with expectations and guidance provided at 1H 20 results
- Demand for immunity products has seen a material increase. However this has been offset by lag in other products partly driven by lower shopping traffic and supply chain constraints
- Proceeds of the Equity Raise will be used to accelerate growth in Asia, invest in efficiency program and position the balance sheet for strength
- Mr Marcus Blackmore, his related entities and the Blackmore Foundation remain committed, long term shareholders of Blackmores, however he has advised that he and his related entities will not participate in the Equity Raise<sup>1</sup>

Blackmores Limited (ASX: BKL) (“Blackmores” or the “Company”) today is announcing a capital raising to provide balance sheet strength and additional flexibility to pursue growth opportunities.

Blackmores Group Chief Executive Officer, Mr Alastair Symington said, “The Equity Raise will strengthen Blackmores’ balance sheet and liquidity position and provide the flexibility to pursue our key strategic priorities. It will enable us to accelerate our growth initiatives in Asia and invest in our efficiency program which will help us to achieve our objective of returning Blackmores to sustainable, profitable growth.

At Blackmores, we are building off 87 years of history and a key priority for us continues to be building a world-class organisation. We are a purpose-led company with a performance driven culture focused on growing and stepping up our investments to achieve this.”

## 1. TRADING UPDATE AND COVID-19 IMPACT

The impact of COVID-19 is driving a material increase in demand for Blackmores' immunity products. However, immunity products constitute a small part of the portfolio and benefits are offset by a lag in non-immunity products partly driven by lower shopping traffic. Whilst our Braeside facility helped to prioritise production and quickly address the demand shift, access to some overseas sourced materials and capacity constraints at some contract manufacturers have impacted the Company's ability to meet demand in some products.

Blackmores has responded to the impact of COVID-19 to maintain business continuity and taken actions to be well positioned to seize opportunities coming out of this. Measures implemented include the provision of ongoing workforce flexibility, capability upgrades and the engagement of cross functional teams to execute near term opportunities.

The Blackmores Board anticipates full-year FY20 underlying NPAT of \$17 to \$21m<sup>2</sup>. This is in-line with guidance provided with the 1H 20 results (on 25 February 2020) and reflects the higher costs associated with manufacturing and other factors including COVID-19 as previously announced. Blackmores continues to progress with the divestment of non-core brands. The Company is in advanced discussions with a potential buyer for the sale of surplus land<sup>3</sup> the Company is seeking to sell. Blackmores continues to be in discussions with a foreign authority in relation to export classification codes and related exemptions claimed under free trade agreements from 2009 to 2014, and there is no update in relation to the contingent liability disclosed in the trading update on 12 February 2020 and the 30 June 2019 Annual Financial Report (note 6.5). The Board and new management are committed to delivering on the strategic priorities and are very confident and optimistic about the long term future of Blackmores.

## 2. BALANCE SHEET STRENGTH AND FLEXIBILITY TO ACCELERATE STRATEGIC PRIORITIES

Blackmores is undertaking a number of capital management initiatives to be in a position of strength to accelerate its strategic priorities. In addition to the Equity Raise, Blackmores has received strong support from its lender group which provided consent to increase the Senior Leverage Ratio covenant through to June 2021<sup>4</sup>. The Blackmores Board resolved to temporarily suspend ordinary share dividend payments in March 2020, in order to conserve cash for operations.

The proceeds from the Equity Raise will be used to accelerate investments in Asia growth, efficiency program and to provide balance sheet strength:

- **Accelerate growth in Asia.** China remains a key focus for Blackmores. The Company will invest to expand its organisational capabilities, drive innovation in a new "Modern Parenting" product line and explore opportunities for local partnerships. Blackmores will also provide increasing support for the fast growing South East Asian market to capture health and nutrition demand, and will commence a measured entry into India in FY21.
- **Investment in efficiency program.** Blackmores will undertake targeted investment particularly in supply and IT in order to make its manufacturing and business processes more efficient. The Company's efficiency program targets \$50m of annualised gross EBITDA benefits by FY23 from cost of goods sold improvements and operating cost efficiencies. Half of these benefits will be reinvested in Blackmores' key areas of focus including Asia.
- **Provide balance sheet strength.** The Equity Raise will provide Pro Forma Net Leverage of 0.7x and additional flexibility with Pro Forma liquidity of \$236 million.

### 3. MAJOR SHAREHOLDER SUPPORTIVE OF INITIATIVES

Mr Marcus Blackmore said, “Along with my Charitable Foundation I am personally pleased to support Blackmores announced Capital Raising. This initiative will strengthen our balance sheet, accelerate our planned Asian expansion and will allow us to continue to make our manufacturing and business processes more efficient.

Unfortunately I am unable to participate in the equity raising at this time, however Blackmores has been an integral part of my family since 1932 and needless to say I am absolutely committed to being a long term shareholder.

Since our new CEO Alastair Symington joined us in October 2019 he has demonstrated outstanding leadership and has surrounded himself with an equally impressive Executive Team making me personally more confident about Blackmores future than I have been for the last two years. This almost entirely new team will place the Company in an excellent position to capitalise on the significant growth opportunities that face the Company as we witness the taking of supplements becoming mainstream in our community.”

“My good friend the late Paul Ramsay provided us with a wonderful example of estate planning. To ensure the Blackmores legacy from my late father will continue, my wife and I have donated from our Charitable Foundation considerable monies to Australian Universities to further the research and education of Naturopathic medicine and practice. To continue the Foundation’s charitable endeavours I will transfer 355,000 shares from my personal holding to our Foundation.”

### 4. FULLY UNDERWRITTEN PLACEMENT AND NON-UNDERWRITTEN SHARE PURCHASE PLAN

The Placement is fully underwritten by Goldman Sachs Australia Pty Ltd (“Underwriter”). The SPP is not underwritten. New Shares issued under the Placement and SPP will rank equally with existing Blackmores’ shares from their respective issue dates.

#### Institutional Placement

Blackmores is undertaking a fully underwritten Placement to raise approximately \$92 million. Approximately 1.3 million new shares are expected to be issued, equivalent to 7.3% of Blackmores’ current shares on issue (“New Shares”).

The placement will be conducted at \$72.50 per New Share (“Placement Price”) which represents a 8.1% discount to the last closing price of \$78.85 on Tuesday, 26 May 2020.

New Shares issued under the Placement will rank equally in all respects with Blackmores’ existing ordinary shares and are expected to settle on Monday, 1 June 2020 and be issued, and commence trading on the following business day, Tuesday, 2 June 2020. Eligible shareholders who bid for up to their ‘pro-rata’ share of new shares under the Placement will be allocated their full bid, on a best endeavours basis<sup>5,6</sup>.

#### Share Purchase Plan

Following the completion of the Placement, Blackmores will offer all eligible shareholders in Australia and New Zealand the opportunity to apply for up to \$30,000 of new fully paid Blackmores’ shares free of any brokerage, commission and transaction costs (“SPP Shares”)<sup>7</sup>.

The issue price of the SPP Shares will be the lower of:

- the Placement Price; and
- a 2.5% discount to the 5-day volume-weighted average price of Blackmores’ shares up to, and including, the closing date of the SPP (currently expected to be Friday, 3 July 2020); and

- a 2.5% discount to the closing price of Blackmores' shares on the closing date

Blackmores is targeting to raise approximately \$25m under the SPP. Depending on the level of demand, Blackmores may decide to scale back applications or issue a higher amount above that target, at its absolute discretion. If a scale back is applied, it is Blackmores' intention that the scale back will be applied having regard to the pro-rata shareholding of eligible shareholders (as at 7:00pm on Tuesday, 26 May 2020) who apply for SPP Shares.

## 5. TIMETABLE

Event	Date
Record date for SPP	Tuesday, 26 May 2020 7:00pm (Sydney time)
Trading halt and announcement of the Placement and SPP	Wednesday, 27 May 2020
Placement bookbuild	Wednesday, 27 May 2020
Announcement of the outcome of the Placement	Thursday, 28 May 2020
Trading halt lifted – trading resumes on the ASX	Thursday, 28 May 2020
Settlement of New Shares issued under the Placement	Monday, 1 June 2020
Allotment and normal trading of New Shares issued under the Placement	Tuesday, 2 June 2020
SPP offer opens and SPP offer booklet is dispatched	Wednesday, 3 June 2020
SPP offer closes	Friday, 3 July 2020 5:00pm (Sydney time)
SPP allotment date	Tuesday, 14 July 2020
Normal trading of New Shares issued under the SPP	Wednesday, 15 July 2020
Dispatch of holding statements	Thursday, 16 July 2020

The above timetable is indicative only and subject to change. Blackmores reserves the right to alter the above dates at its full discretion and without prior notice, subject to the ASX Listing Rules and the Corporations Act. All times above are in Sydney time.

- Marcus Blackmore's related entities refer to Marcus Blackmore Holdings Pty Ltd (Superannuation Fund Account), Dietary Products Australia Pty Ltd, and Esther Mercie Whellan. Following the placement, Marcus Blackmore is expected to continue to hold a relevant interest in ~21.5% of Blackmores Limited shares. Marcus Blackmore intends to transfer 355,000 of the shares he holds in Blackmores Limited to Blackmore Foundation Pty Ltd in its capacity as trustee of the Blackmore Foundation by 30 June 2020, in accordance with his pre-existing estate plan. Marcus Blackmore and his related entities will hold 19.6% and the Foundation will hold 3.7% of Blackmores Limited shares following the transfer.
- Excludes extraordinary items such as costs expensed as part of the capital raising.
- 15 Jubilee Avenue, Warriewood.
- Consent to amend the Senior leverage ratio (Net Debt/EBITDA) through to 29 June 2021.
- For this purpose, an eligible institutional shareholder's 'pro-rata' share will be estimated by reference to Blackmores' beneficial register on 18 May 2020, but without undertaking any reconciliation and ignoring shares that may be issued under the SPP. Accordingly, unlike in a rights issue, this may not truly reflect the participating shareholder's actual pro-rata share. Nothing in this Announcement or the Presentation gives a shareholder a right or entitlement to participate in the Placement and Blackmores has no obligations to reconcile assumed holdings (e.g. for recent trading or swap positions) when determining a shareholder's 'pro-rata' share. Institutional shareholders who do not reside in Australia or other eligible jurisdictions will not be able to participate in the Placement. See Appendix B in the Investor Presentation for the eligible jurisdictions and selling restrictions relevant to these jurisdictions. Blackmores and the Underwriter disclaim any duty or liability (including for negligence) in respect of the determination of a shareholder's 'pro-rata' share.
- Eligible institutional shareholders who bid in excess of their 'pro-rata' share as determined by Blackmores and the Underwriter are expected to be allocated a minimum of their 'pro-rata' share on a best endeavours basis as set out in footnote 5 above, and any excess may be subject to scale back.
- Full details of the SPP will be contained in the SPP offer booklet, which will be sent to eligible shareholders in due course. Blackmores may decide to accept applications (in whole or in part) that result in the SPP raising more or less than this amount at its absolute discretion.

The release of this announcement was authorised by the Board.

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### Financial data

Recipients of this announcement should be aware that this announcement contains pro forma financial information (including, but not limited to, Pro Forma Net Leverage and Pro Forma Liquidity). The pro forma information has been prepared by Blackmores in accordance with the measurement and recognition requirements but not the disclosure requirements of applicable accounting standards and other mandatory reporting requirements in Australia. The pro forma financial information is for illustrative purposes only, is not represented as being indicative of Blackmores' views on its future financial condition and/or performance and does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

Recipients of this announcement should also be aware that certain financial information included in this announcement are (i) "non-IFRS financial information" under ASIC Regulatory Guide 230: "Disclosing non-IFRS financial information" and (ii) "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934, as amended. These measures include underlying NPAT, Senior Leverage Ratio, annualised gross EBITDA, cost of goods sold improvements, operating cost efficiencies, Pro Forma Net Leverage, Pro Forma Liquidity and Senior leverage ratio (Net Debt/EBITDA). The disclosure of such non-GAAP financial measures in the manner included in this announcement may not be permissible in a registration statement under the Securities Act.

Blackmores believes the non-IFRS financial information and non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of Blackmores. The non-IFRS financial information and non-GAAP financial measures do not have a standardized meaning prescribed by Australian Accounting Standards (**AAS**) or International Financial Reporting Standards (**IFRS**), and therefore, may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative or replacement to other financial measures determined in accordance with AAS or IFRS. Recipients of this announcement are cautioned to not place undue reliance on any non-IFRS financial information or non-GAAP financial measures included in this announcement.

### Forward-looking statements

Recipients are strongly cautioned to not place undue reliance on any forward-looking statement or guidance, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the COVID-19 outbreak.