

# ASX Announcement

## Court approves convening of Scheme Meeting and Scheme Booklet registered with ASIC

Blackmores Limited (**ASX: BKL**) (**Blackmores** or the **Company**) refers to the proposed acquisition of Blackmores by Kirin Holdings Company, Limited (**Kirin**), by way of scheme of arrangement (**Scheme**), as announced to the ASX on 27 April 2023.

### Court Orders

The Federal Court of Australia has today made the following orders in relation to the Scheme:

- that Blackmores convene and hold a meeting of Blackmores Shareholders to consider and vote on the Scheme (**Scheme Meeting**); and
- approving the distribution of the scheme booklet providing information about the Scheme and a notice of Scheme Meeting (**Scheme Booklet**) to Blackmores Shareholders.

### Details of Scheme Meeting

The Scheme Meeting is expected to be held at 11.00am (Sydney time) on Tuesday, 18 July 2023 in person at Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales.

Blackmores Shareholders who are unable to attend in person can view the Scheme Meeting via live webcast at <https://meetnow.global/MHHGPV2>. Blackmores Shareholders watching online will not be able to vote, ask questions or make comments via the webcast.

Blackmores Shareholders who wish to submit questions in advance of the meeting may do so online at [www.investorvote.com.au](http://www.investorvote.com.au) by 11.00am (Sydney time) on Sunday, 16 July 2023.

All registered Blackmores Shareholders as at 7.00pm (Sydney time) on Sunday, 16 July 2023 will be eligible to vote at the Scheme Meeting.

All Blackmores Shareholders are encouraged to vote by attending the Scheme Meeting in person or by attorney or corporate representative, or alternatively by completing and ensuring the proxy form accompanying the Scheme Booklet is received by 11.00am (Sydney time) on Sunday, 16 July 2023.

### Scheme Booklet

Blackmores confirms that the Scheme Booklet has today been registered with the Australian Securities and Investments Commission (**ASIC**). A copy of the Scheme Booklet is attached and will be made available online at [www.blackmores.com.au/about-us/investor-centre](http://www.blackmores.com.au/about-us/investor-centre). A copy of the proxy form that will be sent to Blackmores Shareholders is also attached.

Further details will be sent to Blackmores Shareholders on or before Wednesday, 14 June 2023.

Blackmores Shareholders who have elected to receive shareholder communications electronically will receive an email containing a link to an online portal where they can access the Scheme Booklet and a personalised proxy form. Blackmores Shareholders who have elected to receive hard copy shareholder communications will receive (by post) a printed copy of the Scheme Booklet and a personalised proxy form. Blackmores Shareholders who have not elected to receive shareholder communications electronically or in hard copy will receive (by post) a letter containing details of how they can view and download the Scheme Booklet and a personalised proxy form.

Blackmores Shareholders should read the Scheme Booklet in its entirety before making a decision on whether or not to vote in favour of the Scheme.

### **Independent Expert's Report**

The Scheme Booklet includes a copy of the independent expert's report prepared by Kroll Australia Pty Ltd (**Independent Expert**).

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders, in the absence of a superior proposal. The Independent Expert has assessed the value of a Blackmores Share on a controlling interest basis to be in the range of \$89.00 to \$102.00. The Scheme Consideration of \$95.00 per Blackmores Share falls within this range.

The Independent Expert's conclusion should be read in context with the full Independent Expert's report and the Scheme Booklet.

### **Blackmores Board recommendation**

The Blackmores Board continues to unanimously recommend that Blackmores Shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders. Subject to those same qualifications, each Blackmores Director intends to vote, or procure the voting of, all Blackmores Shares held or controlled by them in favour of the Scheme.

### **Further information**

If you have any questions in relation to the Scheme or the Scheme Booklet, please contact the Blackmores Shareholder Information Line on 1300 918 432 (within Australia) or +61 3 9415 4156 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

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

### **Contacts**

#### **INVESTOR RELATIONS**

Martin Cole  
Capital Markets Communications Pty Ltd (ABN 85 615 104 848)  
M: +61 403 332 977

#### **MEDIA RELATIONS**

Raffaele D'Alisa  
Blackmores Limited  
M: +61 435 504 017

For personal use only



# Scheme Booklet

BLACKMORES  
| GROUP

For a scheme of arrangement between Blackmores Limited ABN 35 009 713 437 and its shareholders in relation to the proposed acquisition by Kirin Health Science Australia Pty Ltd, which is a wholly owned subsidiary of Kirin Holdings Company, Limited.

## VOTE IN FAVOUR

Your Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.

The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders in the absence of a Superior Proposal.

**This is an important document and requires your immediate attention.**

You should read it entirely before deciding whether or not to vote in favour of the Scheme.

If you are in any doubt about how to deal with this document, you should contact your broker or financial, taxation, legal or other professional adviser immediately.

If, after reading this Scheme Booklet, you have any questions in relation to this Scheme Booklet or the Scheme, please contact the Blackmores Shareholder Information Line on 1300 918 432 (within Australia) or +61 3 9415 4156 (outside Australia) between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

This Scheme Booklet has been sent to you because you are shown in the Blackmores Share Register as holding Blackmores Shares. If you have recently sold all your Blackmores Shares, please disregard this Scheme Booklet.

FINANCIAL ADVISERS



LEGAL ADVISER



For personal use only



## Important notices

### General

This Scheme Booklet is important and requires your immediate attention. You should read this Scheme Booklet in full before making any decision as to how to vote at the Scheme Meeting.

### Nature of this Scheme Booklet

This Scheme Booklet includes the explanatory statement for the Scheme required by subsection 412(1) of the Corporations Act.

This Scheme Booklet does not constitute or contain an offer to Blackmores Shareholders, or a solicitation of an offer from Blackmores Shareholders, in any jurisdiction. This Scheme Booklet is not a disclosure document required by Chapter 6D of the Corporations Act. Subsection 708(17) of the Corporations Act provides that Chapter 6D of the Corporations Act does not apply in relation to arrangements under Part 5.1 of the Corporations Act approved at a meeting held as a result of an order under subsection 411(1). Instead, Blackmores Shareholders asked to vote on an arrangement at such a meeting must be provided with an explanatory statement as referred to above.

### ASIC and ASX

A copy of this Scheme Booklet has been registered by ASIC for the purposes of subsection 412(6) of the Corporations Act. ASIC has been given the opportunity to comment on this Scheme Booklet in accordance with subsection 411(2) of the Corporations Act. Neither ASIC, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

ASIC has been requested to provide a statement, in accordance with paragraph 411(17)(b) of the Corporations Act, that it has no objection to the Scheme. If ASIC provides that statement, it will be produced to the Court at the Second Court Hearing.

A copy of this Scheme Booklet has been provided to the ASX. Neither the ASX, nor any of its officers, takes any responsibility for the contents of this Scheme Booklet.

### Defined terms

Capitalised terms used in this Scheme Booklet are defined in section 10, which also sets out some rules of interpretation which apply to this Scheme Booklet. Some of the documents reproduced in the annexures to this Scheme Booklet have their own defined terms, which are sometimes different to those set out in section 10.

### Important notice associated with Court order under subsection 411(1) of the Corporations Act

The fact that, under subsection 411(1) of the Corporations Act, the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the Notice of Scheme Meeting does not mean that the Court:

- has formed any view as to the merits of the proposed Scheme or as to how Blackmores Shareholders should vote (on this matter Blackmores Shareholders must reach their own conclusion); or
- has prepared, or is responsible for the content of, the explanatory statement.

### Notice of Scheme Meeting

The Notice of Scheme Meeting is set out in Annexure 4.

### Notice of Second Court Hearing

At the Second Court Hearing, the Court will consider whether to approve the Scheme following the vote at the Scheme Meeting. Any Blackmores Shareholder may appear at the Second Court Hearing, currently expected to be held at 9.15am (Sydney time) on 20 July 2023 at Level 17, Law Courts Building, 184 Phillip St Queens Square, Sydney NSW 2000. Any Blackmores Shareholder who wishes to oppose approval of the Scheme at the Second Court Hearing may do so by filing with the Court and serving on Blackmores a notice of appearance in the prescribed form together with any affidavit that the Blackmores Shareholder proposes to rely on.

### No investment advice

This Scheme Booklet has been prepared without reference to the investment objectives, financial and taxation situation or particular needs of any Blackmores Shareholder or any other person. The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as, financial product advice. You are encouraged to seek independent financial and taxation advice before making any investment decision and any decision as to whether or not to vote in favour of the Scheme. This Scheme Booklet should be read in its entirety before making a decision on whether or not to vote in favour of the Scheme. In particular, it is important that you consider the risks set out in section 7, and the views of the Independent Expert set out in the Independent Expert's Report contained in Annexure 1. If you are in doubt as to the course you should follow, you should consult an independent and appropriately licensed and authorised professional adviser immediately.

### Forward looking statements

Some of the statements appearing in this Scheme Booklet (including in the Independent Expert's Report) may be in the nature of forward looking statements. Forward looking statements or statements of intent in relation to future events in this Scheme Booklet (including in the Independent Expert's Report) should not be taken to be forecasts or predictions that those events will occur. Forward looking statements generally may be identified by the use of forward looking words such as 'believe', 'aim', 'expect', 'anticipate', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimate', 'potential', or other similar words.

Similarly, statements that describe the objectives, plans, goals, intentions or expectations of Blackmores, Kirin or their related entities are or may be forward looking statements. You should be aware that such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to Blackmores, Kirin or their related entities or the industries in which they operate, as well as factors and risks relating to the COVID-19 pandemic, general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets.

Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. None of Blackmores, Kirin, their respective entities, or their respective officers, directors, employees or advisers or any person named in this Scheme Booklet or any person involved in the preparation of this Scheme Booklet makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

Any forward looking statements in this Scheme Booklet reflect views held only at the date of this Scheme Booklet. Subject to any continuing obligations under the Listing Rules or the Corporations Act, Blackmores and Kirin and their respective officers, directors, employees and advisers, disclaim any obligation or undertaking to distribute after the date of this Scheme Booklet any updates or revisions to any forward looking statements to reflect (a) any change in expectations in relation to such statements; or (b) any change in events, conditions or circumstances on which any such statement is based.

#### **Responsibility statement**

Blackmores has prepared, and is responsible for, the Blackmores Information. Neither Kirin nor any of its subsidiaries, directors, officers, employees, contractors or advisers assume any responsibility for the accuracy or completeness of such information.

Kirin has prepared, and is responsible for, the Kirin Information. Neither Blackmores nor any of its subsidiaries, directors, officers, employees, contractors or advisers assume any responsibility for the accuracy or completeness of such information.

Kroll Australia Pty Ltd has prepared the Independent Expert's Report (as set out in Annexure 1) and takes responsibility for that report. None of Blackmores or Kirin or any of their respective subsidiaries, directors, officers, employees, contractors or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert's Report, except, in the case of information provided by Blackmores, Blackmores takes responsibility for the information it provided to the Independent Expert.

Ernst & Young has prepared the General Taxation Information. None of Blackmores or Kirin or any of their respective subsidiaries, directors, officers, employees, contractors or advisers assume any responsibility for the accuracy or completeness of the General Taxation Information, except, in the case of Blackmores, in relation to the information which it has provided to Ernst & Young.

No consenting party has withdrawn their consent to be named before the date of this Scheme Booklet.

#### **Foreign jurisdictions**

The release, publication or distribution of this Scheme Booklet in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Scheme Booklet should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Scheme Booklet has been prepared in accordance with the laws of Australia and the information contained in this Scheme Booklet may not be the same as that which would have been disclosed if this Scheme Booklet had been prepared in accordance with the laws and regulations of a jurisdiction outside of Australia.

Blackmores Shareholders who are nominees, trustees or custodians are encouraged to seek independent advice as to how they should proceed.

#### **Financial amounts and effects of rounding**

All financial amounts in this Scheme Booklet are expressed in Australian currency unless otherwise stated. A number of figures, amounts, percentages, estimates, calculations of value and fractions in the Scheme Booklet are subject to the effect of rounding. Accordingly, any discrepancies between totals in tables or financial statements, or in calculations, graphs or charts are due to rounding. All financial and operational information set out in this Scheme Booklet is current as at the date of this Scheme Booklet, unless otherwise stated.

#### **Charts and diagrams**

Any diagrams, charts, graphs or tables appearing in this Scheme Booklet are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the Last Practicable Date.

#### **Timetable and dates**

All times and dates referred to in this Scheme Booklet are times and dates in Sydney, Australia, unless otherwise indicated. All times and dates relating to the implementation of the Scheme referred to in this Scheme Booklet may change and, among other things, are subject to Blackmores Shareholder approval and Court approval.

#### **External websites**

Unless expressly stated otherwise, the content of the websites of Blackmores and Kirin do not form part of this Scheme Booklet and Blackmores Shareholders should not rely on any such content.

#### **Privacy**

Blackmores may collect personal information in the process of implementing the Scheme. The type of information that it may collect about you includes your name, contact details and information on your shareholding in Blackmores and the names of persons appointed by you to act as a proxy, attorney or corporate representative at the Scheme Meeting as relevant to you. The collection of some of this information is required or authorised by the Corporations Act.

The primary purpose of the collection of personal information is to assist Blackmores to conduct the Scheme Meeting and implement the Scheme. Without this information, Blackmores may be hindered in its ability to issue this Scheme Booklet and implement the Scheme. Personal information of the type described above may be disclosed to the Blackmores Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Scheme Meeting), authorised securities brokers, professional advisers, related bodies corporate of Blackmores, Government Agencies, and also where disclosure is otherwise required or allowed by law.

Blackmores Shareholders who are individuals and the other individuals in respect of whom personal information is collected as outlined above have certain rights to access the personal information collected in relation to them. If you would like to obtain details of the information about you held by the Blackmores Share Registry in connection with Blackmores Shares, please contact the Blackmores Share Registry. Blackmores Shareholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Scheme Meeting should ensure that they inform such an individual of the matters outlined above. Further information about how Blackmores collects, uses and discloses personal information is contained in Blackmores' Privacy Policy located at <https://www.blackmores.com.au/privacy>.

**Date of Scheme Booklet**

This Scheme Booklet is dated 8 June 2023.

# Table of contents

	PAGE
Letter from the Chair of the Blackmores Board	1
Key dates	4
1 Key considerations relevant to your vote	5
2 Frequently asked questions	10
3 What should you do?	15
4 Overview of the Scheme	16
5 Information about Blackmores	21
6 Information about Kirin	31
7 Risks	36
8 Tax implications	43
9 Additional information	47
10 Glossary	57
<b>Annexure 1</b>	
Independent Expert's Report	69
<b>Annexure 2</b>	
Scheme of Arrangement	151
<b>Annexure 3</b>	
Deed Poll	171
<b>Annexure 4</b>	
Notice of Court-Ordered Meeting of Shareholders	183
Corporate directory	190

# Letter from the Chair of the Blackmores Board

Dear fellow Blackmores Shareholder,

On behalf of the Blackmores Board, I am pleased to present you with this Scheme Booklet containing important information in relation to the proposed acquisition of all of the shares in Blackmores Limited (**Blackmores**) by Kirin Health Science Australia Pty Ltd (**Kirin Sub**), a wholly owned subsidiary of Kirin Holdings Company, Limited (**Kirin**) by way of a scheme of arrangement (**Scheme**).

This Scheme Booklet sets out the details of the proposed Scheme and important matters relevant to your vote including the reasons why the Blackmores Board unanimously recommends that Blackmores Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders<sup>1</sup>. This Scheme Booklet also sets out some of the reasons why you may wish to vote against the Scheme.

## Background to the Scheme

On 27 April 2023, Blackmores and Kirin announced that they had entered into a Scheme Implementation Deed under which Kirin agreed to acquire 100% of the issued shares of Blackmores by way of the Scheme, subject to customary conditions and the following regulatory approval conditions:

- informal clearance by the Australian Competition and Consumer Commission (**ACCC**);
- approval by the Australian Foreign Investment Review Board (**FIRB**); and
- approval by the State Administration for Market Regulation (**SAMR**) of the People's Republic of China.

As at the date of this Scheme Booklet, the ACCC has provided informal clearance, with FIRB and SAMR approvals yet to be received.

The announcement of the proposed Scheme follows the receipt of an initial proposal from Kirin in January 2023 and subsequent negotiation to improve the terms of that initial proposal.

## Details of the Scheme Consideration

If the Scheme is approved and becomes Effective, Blackmores Shareholders will be entitled to receive \$95.00 cash for each Blackmores Share held at the Scheme Record Date less the cash amount of any special dividend which may be declared and paid by Blackmores prior to implementation of the Scheme (**Scheme Consideration**).

The Blackmores Board may determine to pay a fully franked special dividend of up to \$3.34 per Blackmores Share (**Special Dividend**) prior to implementation of the Scheme, which is expected to enable eligible shareholders to benefit from franking credits of up to \$1.43 per Blackmores Share attached to any such Special Dividend, subject to:

- the Scheme becoming Effective following approval by Blackmores Shareholders and the Court;
- availability of franking credits and provided that it will not result in the franking account of Blackmores being in deficit after the Special Dividend is paid;
- Blackmores having sufficient:
  - existing available cash; or
  - funds available under its existing, or any new, debt facilities,to fund the payment of the Special Dividend; and
- Blackmores having received a draft class ruling from the Australian Tax Office (**ATO**) or other indicative confirmation from the ATO, in a form acceptable to Blackmores, in respect of any Special Dividend.

If the Blackmores Board does determine to pay a Special Dividend, to receive the \$95.00 cash per Blackmores Share (and any franking credits attached to the Special Dividend) you will need to hold your shares on the Special Dividend Record Date and the Scheme Record Date.

If a Special Dividend is not paid, the \$95.00 cash per share will be paid entirely by Kirin or Kirin Sub. In such circumstances, you will need to hold your shares on the Scheme Record Date in order to receive the \$95.00 cash per share.

1. Blackmores Shareholders should in considering this recommendation note that (as detailed in section 9.1(b) of this Scheme Booklet), if the Scheme becomes Effective: 66,376 of the 91,648 unvested Blackmores Equity Incentives held by Alastair Symington (Chief Executive Officer and Managing Director of Blackmores) will be notionally accelerated (on the basis described in section 9.2 of this Scheme Booklet); all of Mr Symington's unvested Blackmores Equity Incentives will lapse and be cancelled; and in consideration for that cancellation, Mr Symington will receive a cash payment of \$6,305,720.



## Blackmores Directors' recommendation

Your Directors unanimously recommend that Blackmores Shareholders **vote in favour** of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.

Subject to the same conditions, each Blackmores Director intends to vote all shares held or controlled by them in favour of the Scheme.

Your Directors, having regard to multiple factors, believe that the Scheme is in the best interests of Blackmores Shareholders for the following reasons:

- The Scheme Consideration of \$95.00 cash per share represents a material premium to the recent historical trading prices of Blackmores Shares. In particular, the Scheme Consideration represents:
  - a 23.7% premium to the closing share price of Blackmores Shares of \$76.79 on 26 April 2023 (being the last day on which Blackmores Shares traded before the Scheme was announced);
  - a 30.5% premium to the 1-month volume weighted average price of Blackmores Shares (VWAP) up to and including 6 April 2023<sup>2</sup> of \$72.80; and
  - a 29.7% premium to the 12-month VWAP of Blackmores Shares up to and including 6 April 2023<sup>3</sup> of \$73.22.
- The Scheme Consideration of \$95.00 implies an equity value of approximately \$1,880 million<sup>4</sup> and enterprise value of approximately \$1,840 million<sup>5</sup> for Blackmores and equates to an attractive EV/EBITDA multiple of 23.1x Blackmores' underlying EBITDA<sup>6</sup> for the twelve months ending 31 December 2022, which compares favourably to comparable precedent transactions involving global Vitamins and Dietary Supplements (VDS) product companies.
- The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders in the absence of a Superior Proposal.
- The Scheme provides a compelling opportunity for Blackmores Shareholders to realise immediate and certain cash value for their investment in Blackmores.
- Implementation of the Scheme would mean that Blackmores Shareholders would no longer be exposed to ongoing and future risks and uncertainties associated with Blackmores' business.
- No Superior Proposal has emerged as at the date of this Scheme Booklet.
- Blackmores' share price may fall, perhaps materially, if the Scheme does not proceed.
- If a Special Dividend is paid, those shareholders who can realise the benefit of the franking credits attached to the Special Dividend (provided a favourable class ruling is obtained from the ATO) may receive additional benefit from the value of those franking credits.<sup>7</sup>
- You will not incur any brokerage charges on the transfer of your Blackmores Shares if the Scheme proceeds.

For more details on the recommendation given by the Blackmores Board, please see section 1.2 of this Scheme Booklet.

Although the Board's unanimous recommendation to Blackmores Shareholders is to vote in favour of the Scheme, you may disagree that the Scheme is in your best interests and instead prefer to retain your Blackmores Shares. Some of the reasons you may wish to vote against the Scheme include that:

- you wish to continue to participate in the future financial performance of Blackmores and maintain your existing investment profile;
- you may believe it is in your best interests to maintain your current investment and risk profile; or
- you may believe that there is potential for a Superior Proposal to be made in relation to Blackmores.

## Major Shareholder Voting

Marcus Blackmore (who has a Relevant Interest in approximately 18% of Blackmores' ordinary shares outstanding as at the date of this Scheme Booklet) has informed the Company that he has agreed with Kirin to vote 3,516,834 Blackmores Shares held or controlled by him in favour of the Scheme, unless otherwise directed by Kirin.

2. Being the last trading day prior to the date upon which Blackmores was the subject of media speculation that it may attract interest as a takeover target.
3. Being the last trading day prior to the date upon which Blackmores was the subject of media speculation that it may attract interest as a takeover target.
4. Calculated based on 19,450,635 Blackmores Shares and 336,513 Blackmores Equity Incentives - refer to section 5.8 of this Scheme Booklet.
5. Based on reported net cash of \$75.1 million, lease liabilities of \$21.9 million, and equity attributable to non-controlling interests of \$13.0 million as at 31 December 2022.
6. Based on underlying EBITDA for the twelve months to 31 December 2022 of \$79.7 million.
7. It remains at the discretion of the Blackmores Board whether the Special Dividend is ultimately declared and paid. Whether shareholders will be able to realise the full benefit of the franking credits will depend on individual tax circumstances. You should consult your own taxation adviser to determine the tax consequences relevant to your specific circumstances.

## Independent Expert's opinion

The Blackmores Directors appointed Kroll Australia Pty Ltd as the Independent Expert to assess the merits of the Scheme.

The Independent Expert has concluded that the scheme is fair and reasonable and in the best interests of Blackmores Shareholders, in the absence of a Superior Proposal. The Independent Expert has assessed the value of a Blackmores Share on a controlling interest basis to be in the range of \$89.00 to \$102.00. The Scheme Consideration of \$95.00 per Blackmores Share falls within this range.

A complete copy of the Independent Expert's Report is included in Annexure 1. You are encouraged to read the Independent Expert's Report in its entirety.

## What should you do?

The Scheme can only be implemented if approved by the Requisite Majorities of Blackmores Shareholders at the Scheme Meeting which is scheduled for 11.00am (Sydney time) on 18 July 2023 at the Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales.

Your vote is important and I encourage you to vote by attending the Scheme Meeting or alternatively by completing and returning the proxy form accompanying this Scheme Booklet.

Shareholders may watch a live webcast of the Scheme Meeting online at <https://meetnow.global/MHHGPV2>. Shareholders watching online will not be able to participate in the Scheme Meeting, vote, ask questions, or make comments via the webcast.

If you wish the Scheme to proceed, it is important that you vote in favour of the Scheme so that it is approved.

## Further information

You should carefully read this Scheme Booklet in its entirety before making any decision in relation to the Scheme.

If you have any questions, please contact the Blackmores Shareholder Information Line on 1300 918 432 (within Australia) or +61 3 9415 4156 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

If you are in any doubt as to what you should do, please consult your legal, financial, tax, or other professional adviser without delay.

On behalf of the Blackmores Board, I would like to take this opportunity to thank you for your continued support of Blackmores.

Yours sincerely,



Wendy Stops  
Chair

**Blackmores Limited**

## Key dates

Event	Time and date
First Court Date	8 June 2023
Date of this Scheme Booklet	8 June 2023
Latest time and date for receipt of proxy forms or powers of attorney by the Blackmores Share Registry for the Scheme Meeting	11.00am (Sydney time) on 16 July 2023
Time and date for determining eligibility to vote at the Scheme Meeting	7.00pm (Sydney time) on 16 July 2023
Scheme Meeting	11.00am (Sydney time) on 18 July 2023
If the Scheme is approved by Blackmores Shareholders	
Court hearing to approve the Scheme (Second Court Date)	20 July 2023
<b>Effective Date</b> Court order lodged with ASIC and announcement to ASX Last day of trading in Blackmores Shares - Blackmores Shares will be suspended from trading on ASX from close of trading	21 July 2023
Special Dividend Record Date (if the Blackmores Directors decide to pay a Special Dividend)	7.00pm (Sydney time) on 26 July 2023
Special Dividend Payment Date (if the Blackmores Directors decide to pay a Special Dividend)	1 August 2023
<b>Scheme Record Date</b> (for determining entitlements to Scheme Consideration)	7.00pm (Sydney time) on 2 August 2023
<b>Implementation Date</b> Provision of Scheme Consideration	10 August 2023

All times and dates in the above timetable are references to the time and date in Sydney, Australia and all such times and dates are subject to change. Certain times and dates are conditional on the conditions precedent to the Scheme, including approval of the Scheme by Blackmores Shareholders and by the Court, being satisfied or waived (as applicable). Any changes will be announced by Blackmores to the ASX.

# 1 Key considerations relevant to your vote

## 1.1 Summary of reasons why you might vote for or against the Scheme

For personal use only

Why you should vote in favour of the Scheme	Why you may consider voting against the Scheme
The Blackmores Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders	You may disagree with the Blackmores Directors' unanimous recommendation or the Independent Expert's conclusion
The Scheme Consideration represents a material premium to the recent historical trading prices of Blackmores Shares	You may prefer to continue to participate in the future financial performance of the Blackmores business
The Scheme Consideration of \$95.00 cash per Blackmores Share equates to an attractive acquisition multiple that compares favourably to comparable precedent transactions involving global Vitamins and Dietary Supplements (VDS) product companies	You may believe it is in your best interests to maintain your current investment and risk profile
The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders (in the absence of a Superior Proposal)	You may believe that there is potential for a Superior Proposal to emerge in the future
Certainty of value for your investment in Blackmores and you will not be exposed to ongoing and future risks associated with Blackmores' business	The tax consequences of transferring your Blackmores Shares pursuant to the Scheme, or a Special Dividend, if paid, may not be attractive to you
No Superior Proposal has emerged	
The Blackmores Share price may fall, perhaps materially, if the Scheme does not proceed	
If a Special Dividend is paid, you may be entitled to the franking credits attached to any Special Dividend	
Brokerage charges will not apply to the transfer of your Blackmores Shares under the Scheme	



## 1.2 Why you should vote in favour of the Scheme

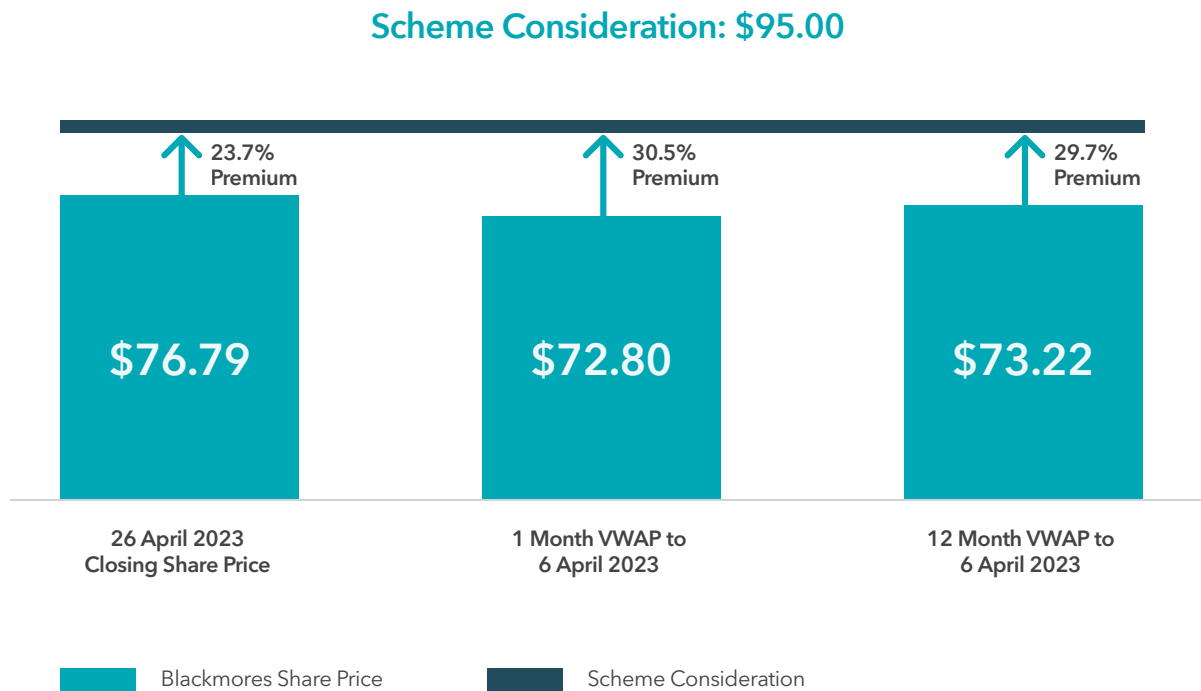
- (a) **The Blackmores Directors unanimously recommend that Blackmores Shareholders vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders**

Subject to those same qualifications, each Blackmores Director intends to vote all their Blackmores Shares in favour of the Scheme. The interests of the Blackmores Directors in Blackmores Shares are set out in section 9.1.

- (b) **The Scheme Consideration represents a material premium to the recent historical trading prices of Blackmores Shares**

The cash consideration of \$95.00 per Blackmores Share under the Scheme represents a:

- 23.7% premium to the closing price of Blackmores Shares of \$76.79 on 26 April 2023 (being the last day on which Blackmores Shares traded before the Scheme was announced);
- 30.5% premium to the 1-month VWAP of Blackmores Shares up to and including 6 April 2023<sup>8</sup> of \$72.80; and
- 29.7% premium to the 12-month VWAP of Blackmores Shares up to and including 6 April 2023<sup>9</sup> of \$73.22.

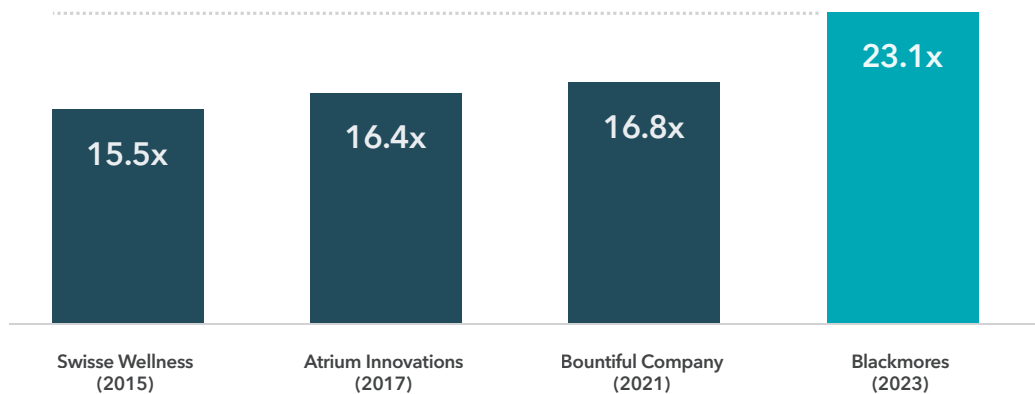


8. Being the last trading day prior to the date upon which Blackmores was the subject of media speculation that it may attract interest as a takeover target.  
 9. Being the last trading day prior to the date upon which Blackmores was the subject of media speculation that it may attract interest as a takeover target.

(c) **The Scheme Consideration of \$95.00 cash per Blackmores Share equates to an attractive acquisition multiple that compares favourably to comparable precedent transactions involving global Vitamins and Dietary Supplements (VDS) product companies**

The Scheme Consideration of \$95.00 cash per Blackmores Share implies an equity value of approximately \$1,880 million<sup>10</sup> and enterprise value (EV) of approximately \$1,840 million<sup>11</sup> for Blackmores, and equates to an implied EV/EBITDA multiple of approximately 23.1x Blackmores' EBITDA for the twelve months ending 31 December 2022.<sup>12</sup>

This multiple is considered by the Blackmores Board to compare favourably to the multiples realised in comparable transactions involving global VDS product companies. This is shown in the chart below which compares the EV/EBITDA multiple implied by the Scheme Consideration for the twelve months ending 31 December 2022 against the historical EV/EBITDA multiples realised in comparable transactions involving global VDS product companies (being the comparable transactions and multiples set out in the Independent Expert's Report).<sup>13</sup>



(d) **The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders (in the absence of a Superior Proposal)**

The Independent Expert has analysed Blackmores' business and, in light of this analysis, the Independent Expert has concluded that the Scheme is fair and reasonable and is in the best interests of Blackmores Shareholders, in the absence of a Superior Proposal.

The Independent Expert has assessed the value of a Blackmores Share on a controlling interest basis to be in the range of \$89.00 to \$102.00. The Scheme Consideration of \$95.00 per Blackmores Share falls within this range.

The reasons why the Independent Expert reached these conclusions are set out in the Independent Expert's Report, a copy of which is included in Annexure 1. The Blackmores Directors encourage you to read this report in its entirety.

(e) **Certainty of value for your investment in Blackmores and you will not be exposed to ongoing and future risks associated with Blackmores' business**

The 100% cash consideration provides Blackmores Shareholders with certainty of value and the opportunity to realise their investment in full for the Scheme Consideration.

In particular, the Scheme Consideration, with its material premium, provides certainty against the risks associated with the execution of Blackmores' long term strategy.

10. Calculated based on 19,450,635 Blackmores Shares and 336,513 Blackmores Equity Incentives – refer to section 5.8 of this Scheme Booklet.

11. Based on reported net cash of \$75.1 million, lease liabilities of \$21.9 million and equity attributable to non-controlling interests of \$13.0 million as at 31 December 2022.

12. Based on Underlying EBITDA for the twelve months ending 31 December 2022 of \$79.7 million.

13. The Independent Expert has, in its Independent Expert's Report, noted that the most comparable transactions to the Transaction are the acquisitions of Swisse Wellness Pty Ltd by Biostime International Holdings Limited, Atrium Innovations Inc. by Nestle Health Science S.A. and The Bountiful Company's core brands by Nestle Health Science S.A., due to the strong overlap of products with a large range of VDS, the similar scale of the businesses with strong market share in certain markets, and breadth of geographical footprint for markets serviced. Blackmores Shareholders are encouraged to read the Independent Expert's Report in its entirety.

If the Scheme does not proceed, the amount which Blackmores Shareholders will be able to realise in terms of price and future dividends will necessarily be uncertain and subject to a number of risks, including those outlined in section 7.

The Scheme removes these risks and uncertainties for Blackmores Shareholders and allows Blackmores Shareholders to exit their investment in Blackmores at a price that the Blackmores Directors consider attractive.

**(f) No Superior Proposal has emerged**

Since the proposed Scheme was announced up until the date of this Scheme Booklet, no Superior Proposal has emerged.

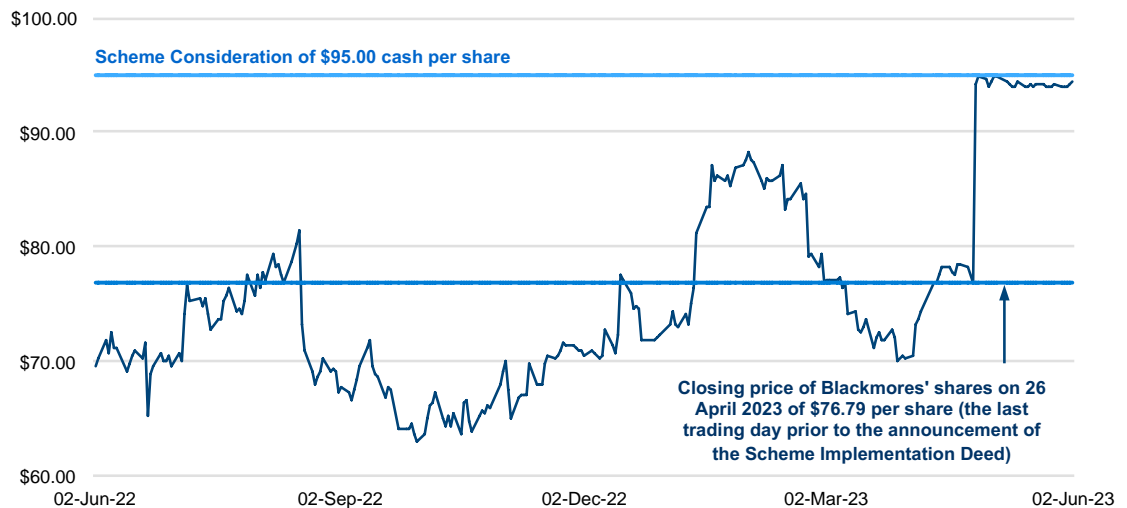
The Blackmores Board is not aware, as at the date of this Scheme Booklet, of any Superior Proposal that is likely to emerge.

The Scheme Implementation Deed contains customary provisions that regulate the way in which Blackmores can respond to Competing Proposals, details of which are summarised in section 9.4(e) of this Scheme Booklet.

**(g) The Blackmores Share price may fall, perhaps materially, if the Scheme does not proceed**

If the Scheme does not proceed, and no comparable proposal or Superior Proposal is received by the Blackmores Board, then the Blackmores Share price may fall, perhaps materially.

Since market close on 26 April 2023 (being the last day on which Blackmores Shares traded before the Scheme was announced), the Blackmores Share price has increased 22.9% up to a closing price of \$94.36 on the Last Practicable Date.



**(h) If a Special Dividend is paid, you may be entitled to the franking credits attached to any Special Dividend**

The Blackmores Board may determine to pay a fully franked Special Dividend of up to \$3.34 per Blackmores Share, subject to (among other matters<sup>14</sup>):

- the Scheme becoming Effective following approval by Blackmores Shareholders and the Court;
- availability of franking credits and provided that it will not result in the franking account of Blackmores being in deficit after the Special Dividend is paid;
- Blackmores having sufficient:
  - existing available cash; or
  - funds available under its existing, or any new, debt facilities,
 to fund the payment of the Special Dividend; and
- Blackmores having received a draft class ruling from the ATO, or other indicative confirmation from the ATO, in a form acceptable to Blackmores regarding the treatment of the Scheme Consideration and the Special Dividend in the hands of Blackmores Shareholders.

14. See section 4.3 of this Scheme Booklet.

The final decision on whether or not to pay a Special Dividend will be made by the Blackmores Directors. The final decision of the Blackmores Directors will be communicated to Blackmores Shareholders by way of an ASX announcement before the Second Court Hearing.

If Blackmores pays a Special Dividend of the maximum amount of \$3.34 per Blackmores Share, then, in addition to the Scheme Consideration payable to Blackmores Shareholders, it is expected that eligible Blackmores Shareholders will benefit from franking credits attached to the Special Dividend of \$1.43 per Blackmores Share.

In assessing the value to them of any Special Dividend, Blackmores Shareholders should seek independent professional taxation advice as to whether or not the receipt of any Special Dividend and any entitlement to franking credits attached thereto is beneficial to them based on their own particular circumstances. In particular, Blackmores Shareholders should note that, depending on the timing of and price at which they acquired their Blackmores Shares, there may be differences in the tax consequences for them. Please refer to the general outline of those tax consequences in section 8.

**(i) Brokerage charges will not apply to the transfer of your Blackmores Shares under the Scheme**

You will not incur any brokerage charges on the transfer of your Blackmores Shares to Kirin Sub under the Scheme.

It is possible that such brokerage charges (and, potentially GST on those charges) would be incurred if you dispose of your Blackmores Shares other than under the Scheme.

### 1.3 Why you may consider voting against the Scheme

**(a) You may disagree with the Blackmores Directors' unanimous recommendation and the Independent Expert's conclusion**

Despite the unanimous recommendation of the Blackmores Directors to vote in favour of the Scheme and the conclusion of the Independent Expert that the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders (in the absence of a Superior Proposal), you may believe that the Scheme is not in your individual interests.

**(b) You may prefer to participate in the future financial performance of the Blackmores business**

If the Scheme is implemented, you will no longer be a Blackmores Shareholder and will forgo any benefits that may result from being a Blackmores Shareholder.

This will mean that you will not participate in the future performance of Blackmores or retain any exposure to Blackmores' business or assets or have the potential to share in the value that could be generated by Blackmores in the future. However, there is no guarantee as to Blackmores' future performance, as is the case with all investments.

**(c) You may believe it is in your best interests to maintain your current investment and risk profile**

You may prefer to keep your Blackmores Shares to preserve your investment in a listed company with the specific characteristics of Blackmores.

In particular, you may consider that, despite the risk factors relevant to Blackmores' potential future operations (including those set out in section 7), Blackmores may be able to return greater value from its assets by remaining a standalone entity or by seeking alternative corporate transactions in the future.

You may also consider that it would be difficult to identify or invest in alternative investments that have a similar investment profile to that of Blackmores or may incur transaction costs in undertaking any new investment.

**(d) You may believe that there is potential for a Superior Proposal to emerge**

You may consider that a Superior Proposal could emerge in the future. The Blackmores Directors are, as at the date of this Scheme Booklet, not aware of, and have not received, any Superior Proposal.

**(e) The tax consequences of transferring your Blackmores Shares pursuant to the Scheme or a Special Dividend, if paid, may not be attractive to you**

The tax consequences of the Scheme will depend on your personal situation. You may consider that the tax consequences of transferring your Blackmores Shares to Kirin pursuant to the Scheme or a Special Dividend, if paid, are not attractive to you.

Blackmores Shareholders should read the tax implications of the Scheme outlined in section 8. However, section 8 is general in nature, and Blackmores Shareholders should consult with their own independent taxation advisers regarding the tax implications of the Scheme.



## 2 Frequently asked questions

This section 2 answers some frequently asked questions relating to the Scheme. It is not intended to address all relevant issues for Blackmores Shareholders. This section 2 should be read together with all other parts of this Scheme Booklet.

Question	Answer	More information
<b>Overview of the Scheme</b>		
<b>Why have I received this Scheme Booklet?</b>	This Scheme Booklet has been sent to you because you are a Blackmores Shareholder and you are being asked to vote on the Scheme. This Scheme Booklet is intended to help you to consider and decide on how to vote on the Scheme at the Scheme Meeting.	Section 4
<b>What is the Scheme?</b>	<p>The Scheme is a scheme of arrangement between Blackmores and the Scheme Shareholders.</p> <p>A "scheme of arrangement" is a statutory procedure in the Corporations Act that is commonly used in transactions in Australia that may result in a change of ownership or control of a company. In addition to requiring Court approval, schemes of arrangement require a shareholder vote in favour of a resolution to implement the scheme of arrangement by the Requisite Majorities.</p> <p>If the Scheme becomes Effective, Kirin Sub will acquire all of the Scheme Shares for the Scheme Consideration. Blackmores will be delisted from the ASX and become a wholly owned subsidiary of Kirin Sub.</p>	Section 4 and Annexure 2
<b>Who is Kirin?</b>	<p>Kirin is a food and beverage, health science and pharmaceuticals company registered in Japan and listed on the Tokyo, Nagoya, Fukuoka and Sapporo stock exchanges. Kirin has an extensive overseas network of subsidiaries and affiliates.</p> <p>Kirin Sub is a newly incorporated Australian proprietary company established for the purpose of acquiring all of the Blackmores Shares. Kirin Sub was incorporated on 10 May 2023 and is an indirectly wholly owned subsidiary of Kirin.</p>	Section 6
<b>Recommendations and intentions</b>		
<b>What do the Blackmores Directors recommend?</b>	<p>The Blackmores Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.</p> <p>The reasons for this recommendation and other relevant considerations are set out in section 1.</p> <p>The Blackmores Directors encourage you to seek independent legal, financial, taxation, or other appropriate professional advice.</p>	Letter from the Chair of the Blackmores Board
<b>What are the intentions of the Blackmores Directors?</b>	Each Blackmores Director intends to vote, or procure the voting of, any Blackmores Shares held or controlled by him or her at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.	Letter from the Chair of the Blackmores Board and section 1.2(a)

For personal use only

Question	Answer	More information
<p><b>What is the conclusion of the Independent Expert?</b></p>	<p>The Independent Expert has concluded that the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders, in the absence of a Superior Proposal.</p> <p>The Independent Expert has assessed the value of a Blackmores Share on a controlling interest basis to be in the range of \$89.00 to \$102.00. The Scheme Consideration of \$95.00 per Blackmores Share falls within this range.</p> <p>You should read the Independent Expert's Report, which is contained in Annexure 1, carefully and in its entirety</p>	<p>Annexure 1</p>
<p><b>Overview of the Scheme Consideration</b></p>		
<p><b>What is the Scheme Consideration?</b></p>	<p>If the Scheme is implemented, you will receive \$95.00 in cash per Blackmores Share comprising:</p> <ul style="list-style-type: none"> <li>• <b>(if a Special Dividend is paid):</b> (i) the Scheme Consideration (payable by Kirin or Kirin Sub) of \$95.00 in cash per Blackmores Share held by you on the Scheme Record Date less the cash amount of the Special Dividend; and (ii) the amount of the Special Dividend in cash per Blackmores Share held by you on the Special Dividend Record Date (payable by Blackmores); or</li> <li>• <b>(if a Special Dividend is not paid):</b> the Scheme Consideration (payable by Kirin or Kirin Sub) of \$95.00 in cash per Blackmores Share held by you on the Scheme Record Date.</li> </ul>	<p>Section 4.2</p>
<p><b>When and how will I receive my Scheme Consideration?</b></p>	<p>If the Scheme becomes Effective:</p> <ul style="list-style-type: none"> <li>• Scheme Shareholders will be sent the Scheme Consideration payable by Kirin or Kirin Sub on the Implementation Date (currently expected to be 10 August 2023); and</li> <li>• if the Blackmores Directors decide to pay a Special Dividend, Blackmores Shareholders on the Blackmores Share Register as at the Special Dividend Record Date (currently expected to be 7.00pm (Sydney time) on 26 July 2023) will be paid the Special Dividend on the Special Dividend Payment Date (currently expected to be 1 August 2023).</li> </ul> <p>Scheme Shareholders who have validly registered their bank account details with the Blackmores Share Registry before the Scheme Record Date may have their Scheme Consideration sent directly to their bank account. Otherwise, Scheme Shareholders will have their Scheme Consideration sent by cheque to their address shown on the Blackmores Share Register.</p>	<p>Section 4.4</p>
<p><b>Will I have to pay brokerage?</b></p>	<p>You will not have to pay brokerage on the transfer of your Blackmores Shares to Kirin Sub under the Scheme.</p>	<p>Section 1.2(i)</p>

Question	Answer	More information
<p><b>What are the taxation implications of the Scheme?</b></p>	<p>The taxation implications of the Scheme will depend on your particular circumstances.</p> <p>Section 8 provides a general description of the Australian taxation consequences for Scheme Shareholders.</p> <p>You should seek independent professional taxation advice with respect to your particular circumstances.</p> <p>Blackmores has applied to the ATO requesting a class ruling to confirm the key taxation implications of the Scheme and any Special Dividend.</p> <p>The class ruling has not been finalised as at the date of this Scheme Booklet. Blackmores will make an announcement to the ASX if it receives a draft of the class ruling before the Scheme Meeting. When the final class ruling is published by the ATO, it will be available on the ATO's website at <a href="http://www.ato.gov.au">www.ato.gov.au</a>.</p>	<p>Section 8</p>
<p><b>Special Dividend</b></p>		
<p><b>What is the Special Dividend?</b></p>	<p>The Blackmores Board may determine to pay a fully franked Special Dividend of up to \$3.34 per Blackmores Share prior to implementation of the Scheme.</p> <p>The final determination on whether or not to pay a Special Dividend, and the amount of any Special Dividend, will be made by the Blackmores Directors and will depend upon a number of factors. Refer to section 4.3 of this Scheme Booklet for further information.</p> <p>The final decision of the Blackmores Directors will be communicated to Blackmores Shareholders by way of an ASX announcement before the Second Court Hearing.</p> <p>The Blackmores Dividend Reinvestment Plan will not apply to any Special Dividend.</p>	<p>Letter from the Chair of the Blackmores Board and section 4.3</p>
<p><b>Will any Special Dividend be franked?</b></p>	<p>The Blackmores Directors currently intend that, if any Special Dividend is paid, it will be fully franked.</p> <p>Any Special Dividend, if paid, is expected to enable eligible shareholders to benefit from franking credits of up to \$1.43 per Blackmores Share attached to any such Dividend (subject to confirmation from the ATO).</p> <p>In assessing the value to you of any Special Dividend or franking credits, you should seek independent professional taxation advice as to whether or not the receipt of any Special Dividend and any entitlement to franking credits attached thereto is beneficial to you based on your own particular circumstances. In particular, you should note that, depending on the timing of and price at which you acquired your Blackmores Shares, there may be differences in the tax consequences for you.</p>	<p>Sections 4.3 and 8</p>

Question	Answer	More information
<b>Conditions to the Scheme</b>		
<b>Are there any conditions to the Scheme?</b>	Yes. The conditions to the Scheme are summarised in section 4.5. As at the date of this Scheme Booklet, the Blackmores Directors are not aware of any reason why any condition to the Scheme will not be satisfied.	Section 4.5
<b>What is required for the Scheme to become Effective?</b>	The Scheme will become Effective if: <ul style="list-style-type: none"> <li>the Scheme is approved by the Requisite Majorities of Blackmores Shareholders at the Scheme Meeting to be held on 18 July 2023;</li> <li>the Court approves the Scheme at the Second Court Hearing; and</li> <li>all of the other conditions precedent to the Scheme are satisfied or waived (as applicable).</li> </ul>	N/A
<b>When and where will the Scheme Meeting be held?</b>	The Scheme Meeting will be held at 11.00am (Sydney time) at Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales on 18 July 2023.  Shareholders may watch a live webcast of the Scheme Meeting online at <a href="https://meetnow.global/MHHGPV2">https://meetnow.global/MHHGPV2</a> . Shareholders watching online will not be able to participate in the Scheme Meeting, vote, ask questions, or make comments via the webcast.	Annexure 4
<b>What will Blackmores Shareholders be asked to vote on at the Scheme Meeting?</b>	At the Scheme Meeting, Blackmores Shareholders will be asked to vote on whether to approve the Scheme.	Annexure 4
<b>What is the Blackmores Shareholder approval threshold for the Scheme?</b>	In order to become Effective, the Scheme must be approved by the Requisite Majorities, being: <ul style="list-style-type: none"> <li>unless the Court orders otherwise, a majority in number (more than 50%) of Blackmores Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative); and</li> <li>at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Blackmores Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative).</li> </ul> <p>Even if the Scheme is approved by the Requisite Majorities of Blackmores Shareholders at the Scheme Meeting, the Scheme is still subject to the approval of the Court.</p>	Section 4.7
<b>Am I entitled to vote at the Scheme Meeting?</b>	If you are registered as a Blackmores Shareholder on the Blackmores Share Register as at 7.00pm (Sydney time) on 16 July 2023, you will be entitled to attend and vote at the Scheme Meeting.	Annexure 4



Question	Answer	More information
<b>How can I vote if I can't attend the Scheme Meeting?</b>	If you would like to vote but cannot attend the Scheme Meeting in person, you can vote by appointing a proxy (including by lodging your proxy form online at <a href="http://www.investorvote.com.au">www.investorvote.com.au</a> using the 'control number' 132687) or attorney to attend and vote on your behalf. You may also vote by corporate representative in the case of a corporate shareholder.	Annexure 4
<b>When will the results of the Scheme Meeting be known?</b>	The results of the Scheme Meeting are expected to be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX ( <a href="http://www2.asx.com.au">www2.asx.com.au</a> ) once available.	N/A
<b>What happens to my Blackmores Shares if I do not vote, or if I vote against the Scheme, and the Scheme becomes Effective and is implemented?</b>	If you do not vote, or vote against the Scheme, and the Scheme becomes Effective and is implemented, any Scheme Shares held by you on the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on 2 August 2023) will be transferred to Kirin Sub and you will receive the Scheme Consideration, despite not having voted or having voted against the Scheme.	Section 4.7(a)
<b>Other questions</b>		
<b>What happens if a Competing Proposal is received?</b>	<p>If a Competing Proposal is received, the Blackmores Directors will carefully consider it.</p> <p>Blackmores must notify Kirin of that Competing Proposal in accordance with the Scheme Implementation Deed.</p> <p>Blackmores Shareholders should note that Blackmores has agreed to certain exclusivity provisions in favour of Kirin under the Scheme Implementation Deed.</p>	Sections 9.4(e)
<b>Can I sell my Blackmores Shares now?</b>	<p>You can sell your Blackmores Shares on market at any time before the close of trading on the ASX on the Effective Date at the then prevailing market price (which may vary from the Scheme Consideration).</p> <p>Blackmores intends to apply to the ASX for Blackmores Shares to be suspended from trading on the ASX from close of trading on the Effective Date. You will not be able to sell your Blackmores Shares on market after this date.</p> <p>If you sell your Blackmores Shares on market, you may pay brokerage on the sale, you will not receive the Scheme Consideration and there may be different tax consequences compared to those that would arise if you retain those shares until the Scheme is implemented. If you are not a Blackmores Shareholder on the Special Dividend Record Date, you will also not receive any Special Dividend (if determined to be paid), or benefit from the value of the franking credits attached to any such Special Dividend.</p>	N/A
<b>What if I have further questions about the Scheme?</b>	<p>For further information, please contact the Blackmores Shareholder Information Line on 1300 918 432 (within Australia) or +61 3 9415 4156 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).</p> <p>If you are in doubt about anything in this Scheme Booklet, please contact your financial, legal, taxation, or other professional adviser immediately.</p>	N/A

## 3 What should you do?

### 3.1 Step 1: Read this Scheme Booklet

You should carefully read this Scheme Booklet in its entirety (including the Independent Expert's Report included in Annexure 1) before deciding whether to vote in favour of the Scheme.

If you have any questions, please contact the Blackmores Shareholder Information Line on 1300 918 432 (within Australia) or +61 3 9415 4156 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

If you are in any doubt as to what you should do, please consult your legal, financial, tax or other professional adviser without delay.

### 3.2 Step 2: Vote on the Scheme

#### (a) Your vote is important

For the Scheme to proceed, it is necessary that sufficient Blackmores Shareholders vote in favour of the Scheme.

#### (b) Who is entitled to vote?

If you are registered on the Blackmores Share Register at 7.00pm on 16 July 2023, you will be entitled to vote on the Scheme.

Information on entitlements to vote, including if you are a joint holder of Blackmores Shares, is contained in the Notice of Scheme Meeting attached as Annexure 4.

#### (c) Details of the Scheme Meeting

The Scheme Meeting to approve the Scheme is scheduled to be held in person at Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales at 11.00am on 18 July 2023.

Blackmores Shareholders and their proxies, attorneys or corporate representatives will be able to participate in person.

Blackmores Shareholders who are unable to attend in person can view the Scheme Meeting via live webcast at <https://meetnow.global/MHHGPV2>. Shareholders watching online will not be able to vote, ask questions or make comments via the webcast.

Further information about attending the Scheme Meeting can be found in the Notice of Scheme Meeting in Annexure 4.

#### (d) How to vote?

You may vote:

- **by attending the Scheme Meeting in person**, at Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales;
- **by proxy**, by completing and submitting the proxy form for the Scheme Meeting (which accompanies this Scheme Booklet) in accordance with the instructions set out on the form. To be valid, your proxy form must be received by the Blackmores Share Registry by 11.00am on 16 July 2023;
- **by attorney**, by appointing an attorney to attend and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Blackmores Share Registry by 11.00am on 16 July 2023; or
- **by corporate representative**, in the case of a body corporate which is a Blackmores Shareholder, by appointing a corporate representative to attend and vote at the Scheme Meeting on behalf of that Blackmores Shareholder and providing a duly executed "Appointment of Corporate Representative" form (in accordance with section 250D of the Corporations Act) prior to the Scheme Meeting.

Further details on how to vote are contained in Notice of Scheme Meeting attached as Annexure 4.

## 4 Overview of the Scheme

### 4.1 Background to the Scheme

On 26 April 2023, Blackmores and Kirin entered into a Scheme Implementation Deed, under which the parties have agreed to implement the Scheme between Blackmores and Blackmores Shareholders. A full copy of the Scheme Implementation Deed was attached to Blackmores' announcement to the ASX relating to the Scheme on 27 April 2023. A full copy of the Scheme Implementation Deed can be obtained from the ASX website ([www2.asx.com.au](http://www2.asx.com.au)).

### 4.2 Overview of the Scheme Consideration

If the Scheme is implemented, each Scheme Shareholder will be entitled to receive \$95.00 cash per Blackmores Share held by them on the Scheme Record Date and the Special Dividend Record Date (if applicable), comprising: **(if a Special Dividend is paid)**

- the Scheme Consideration (payable by Kirin or Kirin Sub) of \$95.00 in cash per Blackmores Share held by them on the Scheme Record Date less the cash amount of the Special Dividend; and
- the amount of the Special Dividend in cash per Blackmores Share held by them on the Special Dividend Record Date (payable by Blackmores); or

**(if a Special Dividend is not paid)**

- the Scheme Consideration (payable by Kirin or Kirin Sub) of \$95.00 in cash per Blackmores Share held by them on the Scheme Record Date.

### 4.3 Special Dividend

#### (a) Overview

The Blackmores Board may determine to pay a fully franked Special Dividend of up to \$3.34 per Blackmores Share (subject to availability of franking credits) on or prior to the Implementation Date, if the Scheme is approved by Blackmores Shareholders and the Court.

The final decision on whether or not to pay a Special Dividend, and the amount of any Special Dividend, will be made by the Blackmores Directors and will depend upon a number of factors, including relevant requirements of the Scheme Implementation Deed which include:

- the Scheme becoming Effective following approval by Blackmores Shareholders and the Court;
- availability of franking credits and provided that it will not result in the franking account of Blackmores being in deficit after the Special Dividend is paid;
- Blackmores having sufficient:
  - existing available cash; or
  - funds available under its existing, or any new, debt facilities,
 to fund the payment of the Special Dividend;
- Blackmores having received a draft class ruling from the Australian Tax Office (ATO) or other indicative confirmation from the ATO, in a form acceptable to Blackmores, in respect of any Special Dividend; and
- compliance by Blackmores with relevant legislative requirements (under the Corporations Act and the *Income Tax Assessment Act 1997* (Cth)) in respect of any Special Dividend.

The Blackmores Dividend Reinvestment Plan will not apply to any Special Dividend.

#### (b) Announcement regarding any Special Dividend

The final decision of the Blackmores Directors regarding the payment of any Special Dividend will be communicated to Blackmores Shareholders by way of an ASX announcement before the Second Court Hearing.

#### (c) Impact of any Special Dividend

If the Blackmores Directors decide to pay a Special Dividend and the Scheme is approved by Blackmores Shareholders and the Court, the Scheme Consideration payable by Kirin or Kirin Sub per Blackmores Share will be \$95.00 less the cash amount of the Special Dividend.

By way of example, if the Blackmores Directors determine to pay a Special Dividend of \$3.34 per Blackmores Share, Blackmores Shareholders who are recorded on the Blackmores Share Register as at

both the Scheme Record Date and the Special Dividend Record Date will receive \$95.00 per Blackmores Share, comprising:

- the Scheme Consideration of \$91.66 in cash per Blackmores Share held by them on the Scheme Record Date (payable by Kirin or Kirin Sub); and
- a fully franked Special Dividend of \$3.34 in cash per Blackmores Share held by them on the Special Dividend Record Date (payable by Blackmores).

For Blackmores Shareholders who are able to realise the full benefit of franking credits, there is a potential value in the franking credits associated with any Special Dividend of up to \$1.43 per Blackmores Share, subject to their individual marginal tax rates.

If the Blackmores Directors decide not to pay any Special Dividend, Blackmores Shareholders who are recorded in the Blackmores Share Register as at the Scheme Record Date will be paid a cash payment of \$95.00 for each Blackmores Share held on the Scheme Record Date (payable by Kirin or Kirin Sub).

#### 4.4 Provision of Scheme Consideration and any Special Dividend

The proportion of the Scheme Consideration payable by Kirin or Kirin Sub will be sent to Scheme Shareholders on the Implementation Date (currently expected to be 10 August 2023). Scheme Shareholders who have validly registered their bank account details with the Blackmores Share Registry before the Scheme Record Date may have their Scheme Consideration sent directly to their bank account. Otherwise, Scheme Shareholders will have their Scheme Consideration sent by cheque to their address shown on the Blackmores Share Register.

It is important to note that you will only receive the Scheme Consideration if you are a Scheme Shareholder. You will be a Scheme Shareholder if you hold Blackmores Shares at the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on 2 August 2023).

If you are a Blackmores Shareholder, you should ensure your personal contact and bank account details are up to date in the records held by the Blackmores Share Registry or in your trading account.

If the Blackmores Directors decide to pay a Special Dividend, Blackmores Shareholders on the Blackmores Share Register as at the Special Dividend Record Date (currently expected to be 7.00pm (Sydney time) on 26 July 2023) will be paid the Special Dividend on the Special Dividend Payment Date (currently expected to be 1 August 2023).

#### 4.5 Conditions to the Scheme

Implementation of the Scheme is subject to the following outstanding conditions precedent:

- FIRB:** before 5.00pm on the Business Day before the Second Court Date one of the following has occurred:
  - (1) Kirin has received written notice under the Foreign Acquisitions and Takeovers Act 1975 (Cth) (**FATA**), by or on behalf of the Treasurer of the Commonwealth of Australia (**Treasurer**), advising that the Commonwealth Government has no objections to the Transaction either unconditionally or on terms that are acceptable to Kirin acting reasonably;
  - (2) the Treasurer becomes precluded by the passage of time from making an order or decision under Part 3 of the FATA in relation to the Transaction and the Transaction is not prohibited by section 82 of the FATA; or
  - (3) where an interim order is made under section 68 of the FATA in respect of the Transaction, the subsequent period for making an order or decision under Part 3 of the FATA elapses without the Treasurer making such an order or decision.
- Competition approvals:** before 5.00pm on the Business Day before the Second Court Date:
  - (1) (**ACCC**) Kirin obtaining written confirmation of clearance from the ACCC in relation to the Transaction, under which the ACCC confirms either that it does not intend to conduct a public review of the Transaction, or will not oppose the Transaction – this confirmation has been received prior to the date of this Scheme Booklet; and
  - (2) (**PRC merger approval**) a merger control notification having been submitted to, and accepted by, the State Administration for Market Regulation (**SAMR**) under the Anti-Monopoly Law of the People's Republic of China (the **PRC AML**), and the Transaction having been cleared or deemed to have been cleared by SAMR under the PRC AML, and where such clearance is subject to conditions, such conditions being satisfactory to the parties, acting reasonably.
- Shareholder approval:** Blackmores Shareholders approve the Scheme at the Scheme Meeting by the Requisite Majorities.
- Independent Expert:** the Independent Expert does not change its conclusion that the Scheme is in the best interests of Blackmores Shareholders, or withdraw its Independent Expert's Report, before 8.00am on the Second Court Date.

- (e) **Court approval:** the Court approves the Scheme in accordance with paragraph 411(4)(b) of the Corporations Act at the Second Court Hearing.
- (f) **Restraints:** as at 8.00am on the Second Court Date, there is not in effect any temporary, preliminary or final order, injunction, decision or decree or other material legal restraint or prohibition issued by a court of competent jurisdiction or Government Agency that would prevent, make illegal or prohibit the implementation of the Scheme.
- (g) **No Blackmores Prescribed Occurrence:** no Blackmores Prescribed Occurrence occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
- (h) **No Blackmores Regulated Event:** no Blackmores Regulated Event occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
- (i) **No Blackmores Material Adverse Change:** no Blackmores Material Adverse Change occurs between (and including) the date of the Scheme Implementation Deed and 8.00am on the Second Court Date.
- (j) **Blackmores Equity Incentives:** as at 8.00am on the Second Court Date, Blackmores has complied with its obligations under the Scheme Implementation Deed so that there will be no Blackmores Equity Incentives on issue upon implementation of the Scheme.

The Scheme will not proceed unless all of the conditions precedent to the Scheme are satisfied or waived (as applicable) in accordance with the Scheme Implementation Deed.

As at the date of this Scheme Booklet, none of the Blackmores Directors are aware of any circumstances which would cause any condition precedent not to be satisfied.

#### 4.6 Implications if the Scheme does not become Effective

If the Scheme is not implemented:

- unless Blackmores Shareholders choose to sell their Blackmores Shares, for example on the ASX, Blackmores Shareholders will continue to hold Blackmores Shares and will be exposed to general risks as well as risks specific to Blackmores, including those set out in section 7, as well as potential future benefits in retaining exposure to Blackmores' business and assets;
- Blackmores Shareholders will not receive the Scheme Consideration;
- a break fee of \$18,478,103 (excluding GST) may be payable by Blackmores to Kirin under certain circumstances. These circumstances do not include failure by Blackmores Shareholders to approve the Scheme at the Scheme Meeting;
- Blackmores will continue as an ASX-listed entity with management continuing to implement the business plan and financial and operating strategies it had in place prior to 27 April 2023, being the date of announcement of the Scheme to the ASX; and
- the price of a Blackmores Share will continue to be subject to market volatility and may fall, perhaps materially, in the absence of a Superior Proposal.

#### 4.7 Key steps in the Scheme

##### (a) Scheme Meeting and Scheme approval requirements

The Court has ordered Blackmores to convene the Scheme Meeting at which Blackmores Shareholders will be asked to approve the Scheme.

The terms of the Scheme Resolution to be considered at the Scheme Meeting are contained in the Notice of Scheme Meeting in Annexure 4.

The Scheme will only become Effective and be implemented if:

- it is approved by the Requisite Majorities of Blackmores Shareholders at the Scheme Meeting to be held on 18 July 2023;
- it is approved by the Court at the Second Court Hearing; and
- the other conditions precedent to the Scheme outlined in section 4.5 are satisfied or waived (as applicable).

The Requisite Majorities of Blackmores Shareholders to approve the Scheme are:

- unless the Court orders otherwise, a majority in number (more than 50%) of Blackmores Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative); and



- at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Blackmores Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative).

The Court has the power to waive the first requirement.

The entitlement of Blackmores Shareholders to attend and vote at the Scheme Meeting is set out in the Notice of Scheme Meeting in Annexure 4.

Voting is not compulsory. However, the Blackmores Directors unanimously recommend that Blackmores Shareholders vote in favour of the Scheme in the absence of a Superior Proposal, and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.

You should be aware that even if you do not vote, or vote against the Scheme, the Scheme may still be implemented if it is approved by the Requisite Majorities of Blackmores Shareholders and the Court. If this occurs, your Blackmores Shares will be transferred to Kirin Sub and you will receive the Scheme Consideration even though you did not vote on, or voted against, the Scheme.

The results of the Scheme Meeting will be available as soon as possible after the conclusion of the Scheme Meeting and will be announced to the ASX ([www2.asx.com.au](http://www2.asx.com.au)) once available.

Note that the Scheme Meeting may be postponed or adjourned, including if satisfaction of a condition precedent is delayed. Any such postponement or adjournment will be announced by Blackmores to the ASX.

**(b) Court approval of the Scheme**

In the event that:

- the Scheme is approved by the Requisite Majorities of Blackmores Shareholders at the Scheme Meeting; and
- all other conditions precedent to the Scheme (except Court approval of the Scheme) have been satisfied or waived (as applicable),

then Blackmores will apply to the Court for orders approving the Scheme.

Each Blackmores Shareholder has the right to appear at the Second Court Hearing.

**(c) Effective Date**

If the Court approves the Scheme, the Scheme will become Effective on the Effective Date, being the date an office copy of the Court order from the Second Court Hearing approving the Scheme is lodged with ASIC. Blackmores will, on the Scheme becoming Effective, give notice of that event to the ASX.

Blackmores intends to apply to the ASX for Blackmores Shares to be suspended from trading on the ASX from close of trading on the Effective Date.

**(d) Special Dividend Record Date, entitlement to any Special Dividend and Special Dividend Payment Date**

If the Blackmores Directors decide to pay a Special Dividend<sup>15</sup>, those Blackmores Shareholders who are recorded on the Blackmores Share Register on the Special Dividend Record Date (currently expected to be 7.00pm (Sydney time) on 26 July 2023) will be entitled to receive the Special Dividend in respect of the Blackmores Shares they hold at that time and will be paid the Special Dividend on the Special Dividend Payment Date (currently expected to be 1 August 2023).

**(e) Scheme Record Date and entitlement to Scheme Consideration**

Those Blackmores Shareholders who are recorded on the Blackmores Share Register on the Scheme Record Date (currently expected to be 7.00pm (Sydney time) on 2 August 2023) will be entitled to receive the proportion of the Scheme Consideration payable by Kirin or Kirin Sub in respect of the Blackmores Shares they hold at that time.

**(1) Dealings on or prior to the Scheme Record Date**

For the purposes of determining which Blackmores Shareholders are eligible to participate in the Scheme, dealings in Blackmores Shares will be recognised only if:

- in the case of dealings of the type to be effected using CHESS, the transferee is registered on the Blackmores Share Register as the holder of the relevant Blackmores Shares before the Scheme Record Date; and
- in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received by the Blackmores Share Registry before the Scheme Record Date (and the transferee remains registered as at the Scheme Record Date).

15. See section 4.3 of this Scheme Booklet.

For the purposes of determining entitlements under the Scheme, Blackmores will not accept for registration or recognise any transfer or transmission applications in respect of Blackmores Shares received after the Scheme Record Date.

**(2) Dealings after the Scheme Record Date**

For the purpose of determining entitlements to the Scheme Consideration, Blackmores must maintain the Blackmores Share Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Blackmores Share Register in this form will solely determine entitlements to the Scheme Consideration.

After the Scheme Record Date:

- all statements of holding for Blackmores Shares (other than statements of holding in favour of Kirin) will cease to have effect as documents relating to title in respect of such Blackmores Shares; and
- each entry on the Blackmores Share Register (other than entries on the Blackmores Share Register in respect of Kirin) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Blackmores Shares relating to that entry.

**(f) Implementation Date**

By no later than the Business Day before the Implementation Date (currently expected to be 10 August 2023), Kirin or Kirin Sub will deposit (or will procure the deposit) into a Blackmores operated Australian dollar denominated trust account with an authorised deposit taking institution in Australia as trustee for the Scheme Shareholders, an amount equal to the aggregate Scheme Consideration to be provided to Scheme Shareholders payable by Kirin.

Scheme Shareholders will be sent or issued (as relevant) the proportion of the Scheme Consideration payable by Kirin or Kirin Sub on the Implementation Date. Immediately after the Scheme Consideration is sent to Scheme Shareholders on the Implementation Date, the Scheme Shares will be transferred to Kirin Sub.

**(g) Deed Poll**

As at the date of this Scheme Booklet, a Deed Poll has been entered into by Kirin and Kirin Sub in favour of the Scheme Shareholders, to:

- provide the aggregate amount of the Scheme Consideration (excluding any Special Dividend payable by Blackmores) payable to all Scheme Shareholders under the Scheme, subject to the Scheme becoming Effective; and
- undertake all other actions attributed to Kirin under the Scheme.

A copy of the Deed Poll is contained in Annexure 3.

## 4.8 Warranties by Scheme Shareholders

Under the terms of the Scheme, each Scheme Shareholder is taken to have warranted to Blackmores and Kirin Sub, and appointed and authorised Blackmores as its attorney and agent to warrant to Kirin, on the Implementation Date, that:

- all their Blackmores Shares (including any rights and entitlements attaching to those shares) which are transferred under the Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)), and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind;
- they have full power and capacity to transfer their Scheme Shares to Kirin Sub together with any rights attaching to those shares; and
- as at the Scheme Record Date, they have no existing right to be issued any other Blackmores Shares or any other form of securities in Blackmores.

## 4.9 Delisting of Blackmores

If the Scheme becomes Effective, Blackmores will apply for the termination of the official quotation of Blackmores Shares on the ASX and for Blackmores to be removed from the official list of the ASX, each to occur on a date after the Implementation Date.

## 5 Information about Blackmores

### 5.1 Introduction

Blackmores Group is a leading natural health company across the Asia Pacific region. Founded in 1932 by naturopath Maurice Blackmore, the group's vision is to connect every person on earth to the healing power of nature by combining knowledge of nature and science to deliver premium quality solutions to bring wellness to people and their pets everywhere, every day.

Blackmores' high-quality, evidence-based range of brands includes Blackmores – Australia's No. 1 natural health brand; BioCeuticals – Australia's leading practitioner range; and PAW – natural health products for pets. Blackmores Institute is the group's academic and research centre of excellence.

As the leading Australian-based manufacturer and distributor of natural health products, Blackmores provides products to help consumers with natural health solutions. For over 90 years Blackmores has been translating its unrivalled heritage and knowledge into consumer focussed, innovative, quality branded healthcare solutions.

Blackmores is a public company listed on the ASX since 1985 under the trading symbol "BKL".

### 5.2 History of Blackmores

1932	Blackmores established by Maurice Blackmore in Brisbane, Australia.
1934	Blackmores opens Australia's first naturopathic training college.
1973	Marcus Blackmore joins the Board of Directors.
1985	Blackmores lists on the ASX.
1990	Blackmores (Malaysia) Sdn. Bhd. is incorporated.
1995	Blackmores (Singapore) Pte Ltd is incorporated. Blackmores (Thailand) Limited is incorporated.
2008	Opening of Blackmores' Warriewood Campus and Production Headquarters in the Sydney Northern Beaches, Australia.
2010	Acquisition of Pure Animal Wellbeing (PAW).
2012	Acquisition of BioCeuticals. Blackmores Institute established as a centre of research and education excellence.
2013	Blackmores commences operations in China.
2015	Blackmores enters joint venture with Pt Kalbe Farma Tbk in Indonesia.
2016	Blackmores partners with Mesa Group for distribution in Vietnam.
2019	Acquisition of manufacturing facility in Braeside, Australia.
2021	Blackmores commences operations in India.
April 2023	Blackmores announces proposed Scheme of Arrangement with Kirin.

### 5.3 Business overview

Blackmores supplies a range of natural health products in 13 markets and employs over 1,200 people across the Asia Pacific region as at the Last Practicable Date.

Blackmores’ operations include product innovation and formulation, sourcing quality ingredients, quality programmes to ensure compliance with standards of good manufacturing, and the distribution of products to customers and consumers.

Blackmores’ headquarters are located at the Blackmores Campus in Warriewood, New South Wales, with other offices situated across the Asia Pacific region. Blackmores owns a manufacturing facility producing tablets and soft gel capsules, located in Braeside, Victoria, and a packaging facility, co-located with the Blackmores Campus. Distribution is managed through Blackmores’ leased distribution centre in Bungarribee, New South Wales.




Blackmores utilises a range of distribution models across its brand portfolio, including direct to store, direct to distribution centre, and direct to consumer. The distribution model for a particular product depends on the market and sales channel.

In the financial year ended 30 June 2022, Blackmores generated revenue of \$649.5 million, EBIT of \$56.0 million and profit of \$38.5 million.

**(a) Overview of Blackmores’ leading brands**

Through its three core market leading brands, Blackmores has a complementary natural health brand portfolio with a multi-channel distribution network.

Blackmores and BioCeuticals brands are supported by scientific evidence and naturopathic principles, education and practitioner recommendations. The PAW brand is also supported by scientific evidence, education and practitioner recommendations.

Core brands	Brand identity and highlights
	<ul style="list-style-type: none"> <li>• Australia’s No. 1 natural health brand<sup>16</sup></li> <li>• Ranked as Australia’s most trusted vitamins and supplements brand for 15 years straight<sup>17</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>• #1 practitioner brand in Australia<sup>18</sup></li> <li>• Highly recommended by pharmacists and other healthcare professionals,<sup>19</sup> guided by naturopathy principles</li> </ul>
	<ul style="list-style-type: none"> <li>• #1 pet supplements brand in Australia<sup>20</sup></li> <li>• Natural health products for pets, developed by vets, leveraging Blackmores’ natural health expertise</li> </ul>

16. IQVIA/Nielsen AU Pharmacy + Grocery MAT 8 April 2023.  
 17. Reader’s Digest Most Trusted Brand Survey 2023.  
 18. IQVIA/Nielsen AU Pharmacy + Grocery MAT 8 April 2023.  
 19. Fiftyfive5 Brand health tracking – Jan 2023.  
 20. Fiftyfive5 Brand health tracking (PAW) (Oct 2022).

**(b) Blackmores Institute**

Blackmores Institute's key responsibilities are creating knowledge in natural medicine through research activities and global partnerships; and applying these findings into the product development pipeline; and developing education and health science communication to inform Health Care Practitioners and retailers to have the confidence and knowledge to support consumers and their health needs.

Key health areas are continually evaluated through evidenced-based research conducted by internationally recognised academics and a research centre of excellence, the Blackmores Institute.

The Institute is focused on improving public health outcomes through thought leadership activities to raise awareness for the opportunities that can be realised with natural health. Blackmores Institute engages with practitioners, naturopaths and scientists employed by Blackmores Group.

Research and education by the Blackmores Institute supports Blackmores' innovation capabilities as well as its expansion into new geographies and new categories. The Blackmores Institute has been recognised with more than 25 awards in the last 5 years as an industry leader in natural health education.

**(c) Overview of key markets**

Blackmores' operations focus on the following key markets:

- **Australia:** Australia is Blackmores Group's largest market. Blackmores, BioCeuticals and PAW branded products are sold across Australia. Approximately 50% of Blackmores' products are manufactured in Australia at the group's Braeside facility. Manufacturing on behalf of third parties is also conducted at the Braeside facility.
- **Indonesia:** Blackmores branded products are sold in Indonesia through a joint venture, PT Kalbe Blackmores Nutrition, established in 2015 between Blackmores and PT Kalbe Farma Tbk.
- **China:** China is the largest international market in which Blackmores operates. Blackmores commenced operations in China in 2013 and currently operates exclusively through the Cross-Border E-Commerce Import channel. Blackmores branded products are sold in China via export sales from Australia and cross-border e-commerce platforms. Blackmores' Greater China region operations include operations in Hong Kong and Taiwan.
- **South-east Asia and other markets:** Blackmores has an established presence in the VDS category in several South-East Asian markets, including in Thailand and Malaysia. Blackmores branded products are sold in these markets predominantly through major and independent pharmacies. Blackmores also has operations in Singapore, South Korea, Vietnam, India, and New Zealand.

**5.4 Blackmores' strategy**

Blackmores' strategic intent is to leverage its market presence, leading brands and high quality products coupled with distribution presence and rich innovation pipeline to drive organic sales growth in targeted segments and markets. Blackmores' intention is to strengthen its supply chain, simplify its operations, and deliver efficiencies to drive profit expansion and cash flow to extend its leadership position in natural health in Asia Pacific.

Blackmores' strategy is focused on its:

- three core brands: Blackmores, BioCeuticals, and PAW;
- across its key geographies: Australia, China, Indonesia, Thailand, and Malaysia;
- based on five consumer segments: Move, Mental Wellbeing, Modern Parenting, Core, Pet;
- in three priority channels: Practitioners, Pharmacy, and E-Commerce; and
- via the following five strategic growth pillars.





Further information about Blackmores' strategy is available on Blackmores' website (<https://www.blackmores.com.au/about-us>) or ASX's website ([www2.asx.com.au](http://www2.asx.com.au)).

## 5.5 Blackmores Board and senior management

### (a) Blackmores Board

The Blackmores Board comprises the following directors, as at the date of this Scheme Booklet:

Name	Position
Wendy Stops	Chair and Independent Non-Executive Director
Erica Mann	Independent Non-Executive Director
Stephen Roche	Independent Non-Executive Director
Alastair Symington	Chief Executive Officer and Managing Director
Sharon Warburton	Independent Non-Executive Director

Further information about the Blackmores Directors can be found on Blackmores' website (<https://www.blackmores.com.au/about-us>).

### (b) Blackmores' senior management

Blackmores' senior management comprises the following members, as at the date of this Scheme Booklet:

Name	Position
Alastair Symington	Chief Executive Officer and Managing Director
Adjunct Professor Lesley Braun	Director, Blackmores Institute
Cecile Cooper	Chief Governance Officer
Kris Ellis	Chief Information Officer
Jane Franks	Chief People Officer
Andrew Fuary	Chief Operations Officer
Patrick Gibson	Chief Financial Officer
Kitty Liu	Managing Director, Greater China
Helen Mediati	Group General Counsel & Company Secretary
John Rosair	Managing Director APAC & Chief Commercial Officer
Joanne Smith	Chief Brand, Innovation and Communications Officer

## 5.6 Historical financial information

### (a) Basis of preparation

This section 5.6 sets out a summary of historical financial information in relation to Blackmores for the purpose of this Scheme Booklet. The financial information has been derived from Blackmores' financial statements for the financial years ended 30 June 2021 and 30 June 2022 (which were audited by Deloitte Touche Tohmatsu) and for the half-year ended 31 December 2022 (which were reviewed by Deloitte Touche Tohmatsu).

The historical financial information of Blackmores is presented in an abbreviated form and does not contain all the disclosures, presentation, statements or comparatives that are usually provided in an annual report prepared in accordance with the Corporations Act. Blackmores considers that for the purposes of this Scheme Booklet the historical financial information presented in an abbreviated form is more meaningful to Blackmores Shareholders.

Further detail on Blackmores financial performance can be found in:

- the financial statements for the half-year ended 31 December 2022 (included in the Financial Report for that half-year released to the ASX on 23 February 2023);
- the financial statements for the year ended 30 June 2022 (included in the Annual Report released to the ASX on 18 August 2022); and
- the financial statements for the year ended 30 June 2021 (included in the Annual Report released to the ASX on 26 August 2021),

each of which can be found on the Blackmores website (<https://www.blackmores.com.au>) or the ASX website ([www2.asx.com.au](http://www2.asx.com.au)).

(b) **Historical consolidated income statement**

Below is a summary of Blackmores consolidated statements of comprehensive income for the financial years ended 30 June 2021 and 30 June 2022, and six months ended 31 December 2022.

AUD'000	Half Year ended 31-Dec-22 (reviewed)	Full Year ended 30-Jun-22 (audited)	Full Year ended 30-Jun-21 (audited)
<b>Revenue</b>	338,023	649,521	575,916
Gain on sale of assets	-	-	4,102
Other income	684	1,680	9,969
<b>Revenue and other income</b>	<b>338,707</b>	<b>651,201</b>	<b>589,987</b>
Raw materials and consumables used	126,362	239,854	214,734
Employee benefit expenses	88,800	180,617	166,461
Selling and marketing expenses	35,156	66,358	63,466
Research and innovation expenses <sup>21</sup>	3,651	-	-
Depreciation and amortisation expenses	13,216	26,341	25,853
Facility and maintenance expenses	7,692	15,956	17,319
Professional and consulting expenses	6,002	15,874	10,050
Freight expenses	7,745	18,504	13,090
Licenses and registration expenses	5,094	7,853	7,519
Cloud IT expenses	2,067	9,277	808
Impairment of financial assets	240	(38)	(268)
Impairment of non-financial assets	-	-	9,767
Other expenses	6,707	14,647	15,398
<b>Total expenses</b>	<b>302,732</b>	<b>595,243</b>	<b>544,197</b>
<b>Earnings before interest and tax</b>	<b>35,975</b>	<b>55,958</b>	<b>45,790</b>
Interest revenue	396	183	144
Interest expense	(818)	(2,836)	(3,672)
<b>Net interest expense</b>	<b>(422)</b>	<b>(2,653)</b>	<b>(3,528)</b>
<b>Profit before tax</b>	<b>35,553</b>	<b>53,305</b>	<b>42,262</b>
Income tax expense	(10,005)	(14,750)	(13,398)
<b>Profit after tax from continuing operations</b>	<b>25,548</b>	<b>38,555</b>	<b>28,864</b>
<b>Profit after tax from discontinued operation</b>	<b>-</b>	<b>-</b>	<b>4,650</b>
Other comprehensive income	(1,204)	5,953	(1,864)
<b>Total comprehensive income</b>	<b>24,344</b>	<b>44,508</b>	<b>31,650</b>

21. Research and innovation expenses were presented separately in Blackmores' financial statements for the half-year ended 31 December 2022. In Blackmores' financial statements for prior periods, including those for the financial years ended 30 June 2022 and 30 June 2021 (as summarised here), research and innovation expenses were not separately presented and were instead reflected in other expense items, including selling and marketing expenses, raw materials and consumables used and other expenses.

(c) **Historical consolidated statement of financial position**

Below is a summary of Blackmores' consolidated statements of financial position as at 30 June 2021, 30 June 2022, and 31 December 2022.

AUD'000	31-Dec-22 (reviewed)	30-Jun-22 (audited)	30-Jun-21 (audited)
<b>ASSETS</b>			
CURRENT ASSETS			
Cash and cash equivalents	75,078	82,193	70,054
Receivables	119,802	121,075	108,492
Inventories	168,824	155,357	115,690
Tax assets	1,134	404	12,255
Prepayments and other assets	16,827	12,290	14,633
Derivative assets	2,304	3,130	505
<b>Total current assets</b>	<b>383,969</b>	<b>374,449</b>	<b>321,629</b>
NON-CURRENT ASSETS			
Property, plant and equipment	108,323	110,234	112,462
Right-of-use assets	21,037	24,506	30,945
Goodwill and intangible assets	65,109	67,456	72,684
Deferred tax assets	16,436	10,980	9,790
Other financial assets	1,400	1,606	1,542
Other non-current assets	1,543	1,594	129
<b>Total non-current assets</b>	<b>213,848</b>	<b>216,376</b>	<b>227,552</b>
<b>Total assets</b>	<b>597,817</b>	<b>590,825</b>	<b>549,181</b>
<b>LIABILITIES</b>			
CURRENT LIABILITIES			
Trade and other payables	105,151	127,125	112,650
Tax liabilities	11,410	7,652	7,466
Lease liabilities	7,857	7,901	7,855
Provisions	17,017	15,966	15,152
Other liabilities	3,517	687	872
Derivative liabilities	2,143	581	177
<b>Total current liabilities</b>	<b>147,095</b>	<b>159,912</b>	<b>144,172</b>
NON-CURRENT LIABILITIES			
Lease liabilities	14,061	17,343	21,893
Provisions	4,421	4,888	4,162
<b>Total non-current liabilities</b>	<b>18,482</b>	<b>22,231</b>	<b>26,055</b>
<b>Total liabilities</b>	<b>165,577</b>	<b>182,143</b>	<b>170,227</b>
<b>Net assets</b>	<b>432,240</b>	<b>408,682</b>	<b>378,954</b>
<b>EQUITY</b>			
Issued capital	202,319	201,133	196,126
Reserves	16,243	12,824	4,002
Retained earnings	200,636	182,570	173,028
<b>Equity attributable to Blackmores shareholders</b>	<b>419,198</b>	<b>396,527</b>	<b>373,156</b>
Equity attributable to non-controlling interests	13,042	12,155	5,798
<b>Total equity</b>	<b>432,240</b>	<b>408,682</b>	<b>378,954</b>

(d) **Historical consolidated statement of cash flows**

Below is a summary of Blackmores' consolidated statements of cash flow for the financial years ended 30 June 2021 and 30 June 2022, and six months ended 31 December 2022.

AUD'000	Half Year ended 31- Dec-22 (reviewed)	Full Year ended 30-Jun-22 (audited)	Full Year ended 30-Jun-21 (audited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers (net of promotional and other rebates)	376,627	702,161	628,320
Payments to suppliers and employees	(357,816)	(647,121)	(547,930)
<b>Cash generated from operations</b>	<b>18,811</b>	<b>55,040</b>	<b>80,390</b>
Interest and other costs of finance paid	(818)	(1,880)	(3,674)
Income taxes paid	(11,786)	(4,917)	(18,262)
<b>Net cash flows from operating activities</b>	<b>6,207</b>	<b>48,243</b>	<b>58,454</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	396	183	156
Proceeds from disposal of assets	125	-	34,697
Payments for property, plant and equipment	(3,419)	(8,538)	(11,018)
Payment for intangible assets	(1,390)	(2,158)	(7,421)
Dividends received	57	90	89
<b>Net cash flows (used in)/from investing activities</b>	<b>(4,231)</b>	<b>(10,423)</b>	<b>16,503</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from bank borrowings	-	-	70,000
Repayments of bank borrowings	-	-	(155,000)
Repayments of other borrowings	-	-	(1,335)
Repayments of lease liabilities	(4,126)	(9,039)	(9,424)
Dividends paid - owners of BKL parent	(5,036)	(15,390)	(4,171)
Dividends paid - non-controlling interests	-	(2,338)	-
Payments for vested share rights	(270)	(915)	-
Proceeds from issue of share capital (net of transaction costs)	-	-	48,313
<b>Net cash (used in) financing activities</b>	<b>(9,432)</b>	<b>(27,682)</b>	<b>(51,617)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(7,456)</b>	<b>10,138</b>	<b>23,340</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>82,193</b>	<b>70,054</b>	<b>47,659</b>
Effects of exchange rate changes on the balance of cash held in foreign currencies	341	2,001	(945)
<b>Cash and cash equivalents at the end of the period</b>	<b>75,078</b>	<b>82,193</b>	<b>70,054</b>



## 5.7 Material changes in financial position (since 31 December 2022)

So far as the Blackmores Directors are aware, there have been no material changes to the financial position of Blackmores and the Blackmores Group since 31 December 2022.

## 5.8 Capital structure

As at the Last Practicable Date, the capital structure of Blackmores was:

Type of security	Number on issue
Blackmores Shares	19,450,635
Blackmores Equity Incentives	336,513

Additional details about Blackmores Equity Incentives are set out in section 9.2.

## 5.9 Substantial holders in Blackmores Shares

As extracted from filings released on the ASX on or before the Last Practicable Date, the following persons were substantial holders of Blackmores Shares:

Substantial holder	Number of Blackmores Shares	Voting power in Blackmores
Marcus Charles Blackmore	3,516,834	18.08%
Kirin Holdings Company, Limited <sup>22</sup>	3,516,834	18.08%
FIL Limited	1,759,618	9.09%
AustralianSuper Pty Ltd	1,423,836	7.33%

## 5.10 Blackmores Share price history

Blackmores Shares are listed on the ASX under the trading symbol 'BKL'.

On 27 April 2023, Blackmores announced that it had entered into a Scheme Implementation Deed with Kirin under which Kirin will acquire 100% of the issued shares of Blackmores by way of a Scheme of Arrangement. The closing price of Blackmores Shares on 26 April 2023 (being the last trading day prior to the announcement of the Scheme) was \$76.79 per Blackmores Share.

As at 6 April 2023, being the last trading day for Blackmores Shares prior to media speculation that Blackmores may attract interest as a takeover target:

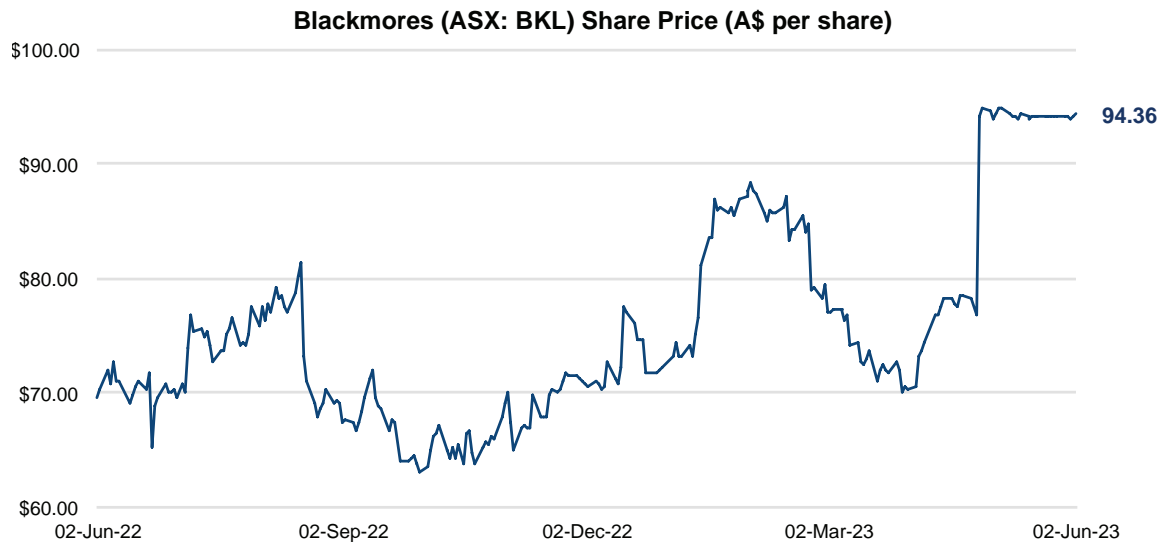
- the closing price of Blackmores Shares on the ASX was \$74.43;
- the 1-month VWAP of Blackmores Shares was \$72.80; and
- the 12-month VWAP of Blackmores Shares was \$73.22.

As at the Last Practicable Date:

- the closing price of Blackmores Shares on the ASX was \$94.36;
- the 1-month VWAP of Blackmores Shares was \$94.28;
- the 12-month VWAP of Blackmores Shares was \$77.74; and
- the lowest and highest daily closing price for Blackmores Shares during the preceding twelve months was \$62.98 and \$94.99, respectively.

The graph following shows the closing Blackmores Share price over the twelve months up to and including the Last Practicable Date.

22. Kirin has a Relevant Interest in 3,516,834 Blackmores Shares and voting power of 18.08% of Blackmores arising from the Voting Deed between Kirin, Marcus Blackmore and Marcus Blackmore Holdings Pty Ltd as trustee for the Blackmore Superannuation Fund dated 26 April 2023 - see sections 6.8(a) and 9.6 of this Scheme Booklet.



The current price of Blackmores Shares on the ASX (ASX: BKL) can be obtained from the ASX website ([www2.asx.com.au](http://www2.asx.com.au)).

### 5.11 Publicly available information about Blackmores

Blackmores is a listed disclosing entity for the purpose of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a company listed on ASX, Blackmores is subject to Listing Rules which require (subject to certain exceptions) continuous disclosure of any information that Blackmores has that a reasonable person would expect to have a material effect on the price or value of Blackmores Shares.

ASX maintains files containing publicly disclosed information about all entities listed on ASX. Information disclosed to ASX by Blackmores is available on ASX's website at [www2.asx.com.au](http://www2.asx.com.au).

In addition, Blackmores is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Blackmores may be obtained from any office of ASIC.

Blackmores' annual and interim reports and public announcements are also available on the Blackmores' website (<https://www.blackmores.com.au/about-us/investor-centre>) or by calling the Blackmores Shareholder Information Line on 1300 918 432 (within Australia) or +61 3 9415 4156 (outside Australia), between 8.30am and 5.30pm (Sydney time), Monday to Friday (excluding public holidays).

## 6 Information about Kirin

### 6.1 Overview of Kirin

Kirin is a company registered in Japan and listed on the Tokyo, Nagoya, Fukuoka and Sapporo stock exchanges. Kirin has its head office in Tokyo, Japan and has a market capitalisation of approximately \$21.2 billion as at 31 March 2023.

Kirin has an extensive overseas network of subsidiaries and affiliates. As at 31 December 2022, Kirin has 148 consolidated subsidiaries and 30 equity-accounted investees (together, the **Kirin Group**).

More information about Kirin's activities, operations and history can be found at <https://www.kirinholdings.com/en/>.

### 6.2 Kirin and its principal activities

Kirin, as a holding company, formulates group strategies, monitors management of the Kirin Group and provides specialised services to group companies. The main business of the Kirin Group is as follows:

#### (a) Food & Beverages

In the food and beverages domain, the Kirin Group has expanded into overseas markets mainly in Asia and Oceania. The Kirin Group has developed leading craft beer brands in the North American market in recent years in addition to its development of alcoholic beverages business in Oceania.

#### (b) Health Science

In the health science domain, the Kirin Group offers strategically selected materials in the three priority areas - immunity, brain functions and gut microbiome. In the immunity area, Kirin offers its proprietary *Lactococcus lactis* strain Plasma (LC-Plasma). Kirin also plans to begin offering human milk oligosaccharides (HMO) during the period of its current Medium-Term Business Plan. In the brain functions area, Kirin focuses on Citicoline. In the gut microbiome area, the Kirin Group leverages its years of experience in microbial research to establish a business that provides the best personalised solutions to customers' individual health needs.

#### (c) Pharmaceuticals

Kyowa Kirin, a 53.7% owned subsidiary of Kirin, engages in developing new drugs using advanced biotechnology and restoring health through personalised treatment and aftercare. Kyowa Kirin was created through a merger between Kyowa Hakko Kogyo and Kirin Pharma, which originated from Kirin's Brewery's pharmaceuticals division. Kyowa Kirin is a research and development style company that utilises state of the art biotechnology centred on antibody technology. For more than a decade, Kyowa Kirin has invested efforts towards leveraging innovation and technological advancements to further enhance patient experience and the patient value across various therapeutic areas.

### 6.3 Kirin Board

As at the date of this Scheme Booklet, the Kirin Board comprises the following directors:

- Yoshinori Iozaki (President and CEO);
- Keisuke Nishimura (Representative Director and Senior Executive Vice President);
- Toshiya Miyoshi (Director and Senior Executive Officer);
- Takeshi Minakata (Director and Senior Executive Officer);
- Junko Tsuboi (Director and Senior Executive Officer);
- Masakatsu Mori (Independent Non-Executive Director, Chairperson of the Board);
- Hiroyuki Yanagi (Independent Non-Executive Director);
- Chieko Matsuda (Independent Non-Executive Director);
- Noriko Shiono (Independent Non-Executive Director);
- Rod Eddington (Independent Non-Executive Director);
- George Olcott (Independent Non-Executive Director); and
- Shinya Katanozaka (Independent Non-Executive Director).

Profiles of each of the directors of Kirin can be found at <https://www.kirinholdings.com/en/profile/board/>.

## 6.4 Overview of Kirin Health Science Australia Pty Ltd

### (a) Introduction

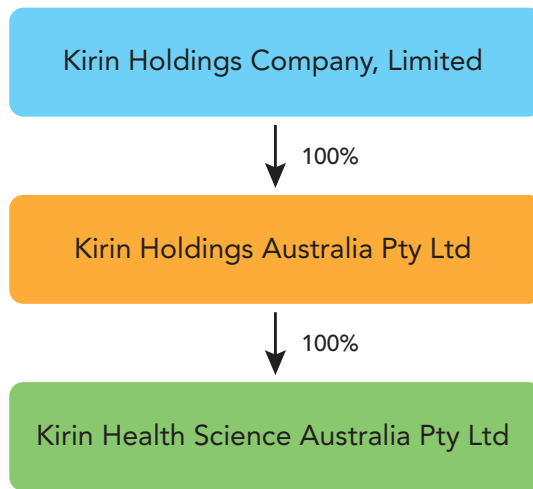
Kirin Health Science Australia Pty Ltd (**Kirin Sub**) is an Australian special purpose company, which was incorporated for the sole purpose of acquiring and holding Blackmores Shares and entering into financing arrangements in connection with the Scheme. If the Scheme is implemented, and subject to Kirin Sub having paid the Scheme Consideration, Kirin Sub will acquire all of the Scheme Shares on the Implementation Date. Kirin Sub will fund the Scheme Consideration as described in section 6.6.

### (b) Ownership of Kirin Sub

The direct holding company of Kirin Sub is Kirin Holdings Australia Pty Ltd (**KHA**), which is wholly owned by Kirin. KHA is also an Australian special purpose company that has been incorporated for the purposes of holding shares in Kirin Sub and entering into certain financing arrangements in connection with the Scheme.

Figure 1 below details Kirin’s ownership in KHA and Kirin Sub.

**Figure 1: Kirin Sub Ownership**



### (c) Kirin Sub’s and KHA’s Director

As at the date of this Scheme Booklet, Daniel Marcus has been appointed as the sole director and company secretary of Kirin Sub and KHA.

Daniel Marcus is a business finance professional with many years of experience working with clients in varying industries.

Daniel is the Managing Director of Outsource Services Australia, a financial services business, focussed on providing Nominee Director services together with local support to overseas based businesses looking to develop and grow their businesses in Australia.

Daniel has also held executive positions in merchant banking and finance. He qualified as a chartered accountant and was a tenured senior lecturer in Financial Accounting.

## 6.5 Rationale for proposed acquisition of Blackmores

Kirin’s long-term management vision “Kirin Group Vision 2027 (KV2027)” is to become a global leader in creating shared value by creating value across its food and beverages and pharmaceuticals businesses. Kirin is committed to playing its role as a responsible alcohol producer and achieving mutual sustainable growth by contributing to resolving social issues in the fields of people’s health and well-being, community engagement and the environment.

Kirin has implemented a number of measures in progression of its commitment to being a responsible alcohol producer. In Japan, Kirin has begun labelling the amount of pure alcohol on major products in Japan from May 2022, with an aim to complete the labelling by the end of 2023, and age verification on its website has been enhanced to include a combination of “year of birth” and “country of residence” from June 2021. While alcoholic beverages have aspects of negative externalities, they can contribute to enriching social connections if consumed properly. Kirin seeks to contribute to improving the wellbeing and social capital by reducing harmful drinking and helping community-based restaurants and bars recover from COVID-19. As part of its commitment to being a responsible alcohol producer, Kirin is also engaged in a number of public awareness activities to promote responsible drinking such as responsible drinking manners, with the responsible drinking awareness also impacting on the marketing activities undertaken by Kirin.

Furthermore, one of the Kirin Group's key philosophies is 'Reverence for Life.' It recognises that the Kirin Group's businesses - alcoholic and non-alcoholic beverages and pharmaceuticals, rely on water and crops as raw materials of fermentation by microorganisms. This philosophy is at the core of Kirin's DNA and forms the foundation of the Kirin Group's management philosophy linking its corporate culture to its respect for the diversity of people and the natural environment. This has been reflected in programs initiated by Kirin such as contributing to the revitalisation of local agriculture and economies for sustainable raw materials such as Japanese hops and Rainforest Alliance certification for tea farms in Sri Lanka.

In the field of people's health and well-being, Kirin aims to raise the number of healthy people, lower the number of sick people, and contribute to the people who are involved in healthcare. Kirin believes it can make progress towards solving social issues related to people's health and well-being by improving people's quality of life and preventing diseases, which in turn drive future growth opportunities for Kirin.

For this reason, in KV2027, Kirin is leveraging the organisational capabilities and assets that Kirin has cultivated to date, by establishing a Health Science business which is positioned in line with the food and beverages and pharmaceuticals businesses as a pillar of next-generation growth. In the Health Science Domain, Kirin has expanded its business in Japan and overseas by maximising strengths through its own fermentation technology.

The acquisition of Blackmores is highly complementary to Kirin's existing Health Science business and is consistent with its KV2027 strategy. The two companies share the same philosophy and foundation principles, with Kirin's approach to global growth by resolving social issues related to people's health and well-being, and Blackmores' approach to solving health issues for people in Asia-Pacific by utilising its knowledge of nature science and naturopathy. The acquisition of Blackmores will transform the scale of Kirin's Health Science business, expand its product range and capabilities and broaden its geographic profile and growth opportunities. The acquisition will expand access to Kirin's ingredients to hundreds of millions of consumers in the Asia-Pacific region through Blackmores' distribution network. The Health Science business will also benefit from Blackmores' knowledge of consumer demands and its deep understanding of country-specific regulations. Kirin sees a clear opportunity to deliver growth in the Health Science domain through the evolution of the B2B and B2C businesses that propose solutions beyond the sales of ingredients. In addition, by creating synergies in a wide range of business areas in which both companies operate, Kirin will solve more of the social issues related to people's health.

The acquisition of Blackmores under the terms of the Scheme reflects Kirin's commitment to driving long term sustainable growth. Kirin has a proven, strong track record of creating value for its customers and shareholders, and the acquisition of Blackmores is expected to provide continued opportunity to generate enhanced value.

## 6.6 Funding Arrangements for the Scheme Consideration

### (a) Scheme Consideration

The Scheme Consideration will be wholly paid in cash.

If the Scheme is approved and implemented, each Blackmores Shareholder will be entitled to receive \$95.00 cash (less the cash amount of any Special Dividend determined to be paid by Blackmores) for each Blackmores Share that they own as at the Scheme Record Date, as further described in section 4.3 of this Scheme Booklet.

Having regard to Blackmores' issued share capital as at the Last Practicable Date (refer to section 5.8 of this Scheme Booklet) and the total cash amount of \$95.00 per Blackmores Share offered to Blackmores Shareholders (less the cash amount of any Special Dividend), the maximum aggregate amount payable by Kirin or Kirin Sub as Scheme Consideration will be \$1,858,233,630.<sup>23</sup>

Pursuant to the Deed Poll and subject to the Scheme becoming Effective, Kirin and Kirin Sub have each undertaken in favour of each Scheme Shareholder to deposit, or procure the deposit of, in clear funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders into an Australian dollar denominated trust account with an ADI operated by Blackmores or the Blackmores Share Registry as trustee for the Scheme Shareholders by the Business Day prior to the Implementation Date.

For further information regarding Kirin's and Kirin Sub's obligations under the Deed Poll, refer to section 4.7(g) of the Scheme Booklet. A copy of the Deed Poll is reproduced in Annexure 3 to this Scheme Booklet.

Kirin intends to fund payment of the Scheme Consideration using a combination of existing cash reserves of the Kirin Group and the proceeds of a debt facility described in section 6.6(b) of this Scheme Booklet. The total amount available to Kirin under these arrangements exceeds the maximum aggregate amount of cash payable on implementation of the Scheme.

23. Assuming the FY21 Blackmores Long-Term Equity Incentives (totalling 98,936 Blackmores Long-Term Equity Incentives) and a portion of the FY22 Blackmores Short-Term Equity Incentives (totalling 10,783 Performance Rights) vest prior to the Scheme Record Date in accordance with their terms and conditions, having regard to the End Date. In the event that all of the Blackmores Equity Incentives were to vest prior to the Scheme Record Date, the maximum aggregate amount that would be payable by Kirin or Kirin Sub as Scheme Consideration would be \$1,879,779,060.



**(b) Funding from Kirin**

The cash required to fund the Scheme Consideration and all costs of Kirin Group associated with the Scheme will be sourced from a combination of the Kirin Group's existing cash reserves and cash equivalents (**Kirin Cash Reserves**), funds drawn down under Kirin's existing unconditional facility with the MUFG Bank, Ltd (**Kirin Facility**) and any debt raising conducted by Kirin Group. The Kirin Cash Reserves and Kirin Facility are well in excess of and sufficient to fund the aggregate amount of the Scheme Consideration and associated transaction costs. As at 31 March 2023, the Kirin Cash Reserves totalled \$1.3 billion and the available undrawn amount under the Kirin Facility is ¥500 billion (approximately \$5.5 billion, based on a Yen:AUD exchange rate of 90:1), and which may be supplemented by any further debt raising conducted by the Kirin Group.

By drawing on the Kirin Cash Reserves and Kirin Facility (and any further debt raising), Kirin intends to either:

- make available and pay such amounts to Kirin Sub which is equal to the aggregate amount of the Scheme Consideration via an intra-group capital increase pursuant to which Kirin will subscribe for additional shares in KHA and KHA will subscribe for additional shares in Kirin Sub. As a result of the intra-group capital increase the share capital of KHA and Kirin Sub will be increased and funds will flow from Kirin to KHA and then from KHA to Kirin Sub. Upon completion of the intra-group capital increase Kirin Sub will hold cash reserves at least equal to the aggregate amount of the Scheme Consideration; or
- directly pay the aggregate amount of the Scheme Consideration to Blackmores' or the Blackmores Share Registry's trust account in accordance with its obligations under the Deed Poll.

**(c) Provision of Scheme Consideration**

On the basis of the arrangements described above, Kirin Sub is of the opinion that it has a reasonable basis for holding the view, and holds the view, that it will be able to pay the Scheme Consideration under the Scheme.

## 6.7 Intentions if the Scheme is implemented

This section 6.7 sets out the current intentions of Kirin in relation to:

- the delisting of Blackmores from the ASX;
- the continuation of the business of Blackmores;
- any major changes to be made to the business of Blackmores and any redeployment of the fixed assets of Blackmores; and
- the future employment of the present employees of Blackmores,

assuming Kirin Sub acquires the Scheme Shares as a result of the implementation of the Scheme.

These intentions are based on the information concerning Blackmores, its business and the general business environment which are known to Kirin and Kirin Sub at the time of preparation of this Scheme Booklet.

Kirin does not currently have full knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, tax and financial implications of its current intentions. If the Scheme is implemented, Kirin intends to undertake a detailed review of Blackmores' assets and operations, including to evaluate their performance, prospects and strategic relevance. Final decisions regarding these matters will only be made by Kirin following this review and based on the facts and circumstances at the relevant time.

**(a) Blackmores' removal from the ASX**

Under the Scheme Implementation Deed, if the Scheme becomes Effective, Blackmores must apply to ASX to have Blackmores removed from the official list of ASX, and quotation of Blackmores Shares on the ASX terminated, with effect on and from the close of trading on the trading day immediately following the Implementation Date (unless otherwise directed by Kirin in writing). Kirin does not intend to make any direction to Blackmores which is inconsistent with this requirement.

**(b) Board of Directors**

If the Scheme is implemented, the Blackmores Board will be reconstituted, such that all of the directors may be replaced, with effect on and from the Implementation Date. As at the date of this Scheme Booklet, the final composition of Blackmores Board after implementation of the Scheme has not been finalised and Kirin reserves the right to allow individual directors of Blackmores who wish to remain in office to do so.

**(c) Business, operations and assets**

If the Scheme is implemented, Kirin's current intention is to maintain the current strategic direction of Blackmores, including the pursuit of new and existing growth opportunities, subject to its own assessment of information available at the appropriate time.

Kirin intends to work closely with Blackmores' management team to identify ways to improve operations, including through sharing the operational and manufacturing expertise and capabilities of Kirin.

Kirin will make a final determination on how Blackmores will be integrated into the Kirin Group operating model after implementation of the Scheme, however, it currently intends that Blackmores will operate as a subsidiary of Kirin's Health Science Business Division.

Based on its current understanding of the Blackmores business, Kirin intends that no major changes will be made to the Blackmores business and Kirin is committed to maintaining the Blackmores headquarters and manufacturing operations in Australia post implementation of the Scheme.

**(d) Employees**

Kirin recognises the strength and capability of the Blackmores team and will work with them to build on the proud legacy of the Blackmores business and to realise its full potential.

Kirin may make limited changes to employee and management roles as a result of potential duplication or redundancy of some roles post implementation of the Scheme, although no determination has been made in respect of such changes. Kirin's current intention is to retain the majority of Blackmores' existing employees in line with current operations, and other than the possible changes outlined above, no specific plans in relation to any potential changes to the employee and management base at Blackmores have been considered.

## 6.8 Kirin's interests in Blackmores Shares

**(a) Interests in Blackmores Shares**

As at the date of this Scheme Booklet, Kirin and its Related Bodies Corporate have a Relevant Interest in 3,516,834 Blackmores Shares and voting power of 18.08% of Blackmores arising from the Voting Deed between Kirin, Marcus Blackmore and Marcus Blackmore Holdings Pty Ltd as trustee for the Blackmore Superannuation Fund dated 26 April 2023. Refer to section 9.6 of this Scheme Booklet for further information regarding the Voting Deed.

**(b) No dealings in Blackmores Shares in previous four months**

Except pursuant to the Voting Deed, which has been further described in section 9.6 of this Scheme Booklet, neither Kirin nor any of its Associates have provided, or agreed to provide, consideration for Blackmores Shares under any purchase or agreement during the four months before the date of this Scheme Booklet.

**(c) No inducing benefits to Blackmores Shareholders in previous four months**

Except as otherwise disclosed in this Scheme Booklet, during the period of four months before the date of this Scheme Booklet, neither Kirin nor any of its Associates gave, offered to give, or agreed to give, a benefit to another person which was likely to induce the other person, or an Associate of the other person, to:

- vote in favour of the Scheme; or
- dispose of the Blackmores Shares,

where the benefit was not offered to all Blackmores Shareholders.

**(d) No benefits to current Blackmores officers**

Neither Kirin nor any of its Associates will be making any payment or giving any benefit to any current director, secretary or executive officer of Blackmores or any of its Related Bodies Corporate as at the date of this Scheme Booklet as compensation for, or otherwise in connection with, his or her retirement from their respective office in connection with the Scheme.

## 6.9 No other material information

Other than as disclosed in this Scheme Booklet, there is no information regarding Kirin, or its intentions regarding Blackmores, that is material to the making of a decision by Blackmores Shareholders in relation to the Scheme that is within the knowledge of the directors of Kirin or Kirin Sub as at the date of this Scheme Booklet that has not been previously disclosed to Blackmores Shareholders.

## 7 Risks

### 7.1 Introduction

In considering the Scheme, Blackmores Shareholders should be aware that there are a number of risk factors, both general and specifically relating to Blackmores, which may affect the future operating and financial performance of Blackmores and the price or value of Blackmores Shares.

If the Scheme proceeds, Blackmores Shareholders will receive the Scheme Consideration, will cease to hold Blackmores Shares and will also no longer be exposed to the risks set out in this section 7 (and other risks to which Blackmores may be exposed).

If the Scheme does not proceed, Blackmores Shareholders will continue to hold Blackmores Shares and continue to be exposed to ongoing and future risks associated with investment in Blackmores.

In deciding whether to vote in favour of the Scheme, Blackmores Shareholders should read this Scheme Booklet carefully and consider the following risk factors. These risk factors do not take into account the individual investment objectives, financial situation, position or particular needs of Blackmores Shareholders. In addition, this section 7 is a summary only and does not purport to list every risk that may be associated with an investment in Blackmores now or in the future. There also may be additional risks and uncertainties not currently known to Blackmores which may have a material adverse effect on Blackmores' operating and financial performance and the value of Blackmores Shares.

Whilst the Blackmores Directors unanimously recommend that Blackmores Shareholders vote in favour of the Scheme in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders, Blackmores Shareholders are encouraged to make their own independent assessment as to whether to vote in favour of the Scheme.

### 7.2 General risks

Blackmores is exposed to a number of general risks that could materially adversely affect its assets and liabilities, financial position, profits, prospects and potential to make further distributions to Blackmores Shareholders, and the price or value of Blackmores Shares. General risks that may impact on Blackmores or the market for Blackmores Shares include:

- changes in general business, industry cycles and economic conditions including inflation, interest rates, exchange rates, commodity prices and consumer demand;
- governmental or political intervention in export and import markets (including sanction control and import duties) and the disruption this can cause to supply and demand dynamics;
- the competitive nature of the markets in which Blackmores operates;
- variations in Blackmores' operating results;
- recommendations by securities analysts;
- changes to government policy, legislation, or regulation;
- changes to the rate of company income tax or the tax arrangements between Australia and other jurisdictions in which Blackmores operates;
- inclusion or removal from major market indices;
- natural disasters or catastrophes and other general operational and business risks;
- acts of war and hostilities, acts of terrorism, civil disturbance, and other force majeure risks;
- changes in investor sentiment and overall performance of the Australian and international stock markets;
- the operating and trading price performance of other comparable listed entities; and
- changes to accounting standards and reporting standards.

Some of these factors could affect Blackmores' share price regardless of Blackmores' underlying operating performance.

### 7.3 Risks relating to the business and operations of Blackmores

#### (a) Key personnel risks

Blackmores' ability to retain, engage, develop and attract the right employees is critical to its ongoing success, including quality senior executives and other key technical and operational employees who

provide expertise, experience and strategic direction in operating the business. Blackmores' operations also depend on its senior executives maintaining relationships with customers, suppliers, employees, unions, regulators and the broader community across each of the jurisdictions in which it operates. Ensuring Blackmores' senior leadership retains the specific knowledge and experience relevant to Blackmores' operations is also critical to Blackmores' ongoing success. Blackmores cannot guarantee that it will be able to continue to attract and retain high quality employees. The loss of the services of any of those key employees (for any reason whatsoever) or the inability to attract new qualified personnel, could materially adversely affect Blackmores' reputation and financial and operational performance.

**(b) Economic and political risks, including macroeconomic and geopolitical volatilities**

Blackmores' financial performance is subject to a number of market volatilities beyond the control of Blackmores, such as movements in interest rates, inflation, fuel and energy prices, disruptions of global supply chains and bilateral relations between Australia and Blackmores' export destinations. As Blackmores' business is extensively linked to the Australian and the global markets, these factors may negatively affect Blackmores' business, operations and financial performance in substantial and unforeseeable ways.

**(c) Product and operational risks**

**(1) Ability to deliver on Transformation Plan**

Blackmores carries a risk in its ability to effectively and efficiently deliver on its transformation programme, including key IT systems and capability transformation initiatives. If Blackmores is unable to execute its plans, it may impact Blackmores' financial performance.

**(2) Ability to implement and manage organisational changes**

One of Blackmores' key strategies is to continue its growth in Asia, including expanding into new Asian markets. Over time this strategy will require Blackmores to continue to transition and reallocate resources from its traditional home markets of Australia and New Zealand to key Asian markets. Any significant organisational change carries risk. If Blackmores does not effectively implement and manage the transition of resources, it may not be able to meet its strategic objectives in Asia.

**(3) Price and availability of raw materials**

Blackmores' products are composed of certain key raw materials. If the prices of these raw materials were to increase significantly or raw materials were to become less available due to changes in the natural environment (including as a result of climate change and related risks), it could result in a significant increase in Blackmores' production costs and adversely affect Blackmores' business.

**(4) Capital expenditure**

The risk of unforeseen capital or other expenditure requirements for Blackmores may impact its financial performance.

**(5) Information technology and cyber security**

Blackmores relies on various information technology systems and assets for its business operations, including inventory management software, design and development technology, e-commerce systems, engineering tools, computers, computer systems, computer hardware, and network and telecommunications equipment and systems. Any failure to successfully maintain Blackmores' IT systems, or implement updates or changes across its business operations without disruption, in accordance with its requirements from time to time, may negatively impact Blackmores' business and performance. Blackmores may be subject to various IT system failures, network disruptions, cybersecurity attacks, breaches in data security, and other non-malicious or malicious disruptions and incidents, which may materially adversely affect Blackmores' operations, financial condition and operating results.

**(6) Insurance**

Blackmores maintains insurance coverage in relation to various aspects of its business. However, there is no guarantee that such insurance will be available in the future on a commercially reasonable basis (including as to the pricing of premiums) or that Blackmores will have adequate insurance cover against claims made from time to time. If Blackmores incurs uninsured losses or liabilities, or if its insurance cover does not adequately protect it against relevant claims, its assets, profits and prospects may be materially adversely affected.

**(7) Inventory write-downs**

Unanticipated costs relating to inventory write-downs caused by future regulatory changes, failure to obtain necessary approvals, market conditions or strategy changes may impact Blackmores financial performance.

**(8) Product liability and recalls**

Blackmores could be subject to product liability claims if the use of its products is alleged to have resulted in injury. Blackmores has strict quality control policies; however events could occur which could adversely affect the financial and operating performance of Blackmores. Blackmores takes all reasonable precautions to ensure that its products are safe and free from contamination. However, in the event that a contamination of one of Blackmores' products occurs or there is an unacceptable risk to consumer safety, it may lead to business interruption, product recalls, or liabilities to customers.

While Blackmores maintains insurance to cover for these risks, Blackmores may not be able to enforce its rights in respect of those policies and any amounts that Blackmores does recover may not be sufficient to offset any damage to the financial condition, reputation or prospects of Blackmores caused by product contamination or product liability claims or the negative publicity surrounding such claims.

**(9) Reliance on key customers**

A substantial portion of Blackmores' global revenues are derived from its largest customers. The loss or impairment of these relationships for any reason or a material reduction in prices or increase in rebates would have an adverse effect on Blackmores' financial performance.

More generally, there is a risk that Blackmores may fail to retain customers for a number of reasons, including pricing, competition, or a failure to meet consumer expectations of its products, or that customers may change their practices, operations or policies (including changes to platform inventory policies) in a way that would have an adverse effect on Blackmores' financial performance.

**(10) Supply constraints and manufacturing**

Blackmores relies on third-party suppliers for the supply of ingredients and raw materials, which carries the risk of delays and disruptions. In addition, the limited availability of certain natural ingredients and Blackmores' high quality and sustainability standards puts pressure on the continuous supply of some of Blackmores' key products.

Blackmores acquired a manufacturing facility in Victoria in recent years to provide greater control over manufacturing and product volumes, however Blackmores still relies on contract manufacturers for certain product ranges.

Any significant disruption in the supply chain or manufacturing of Blackmores' products for any reason (including regulatory requirements, natural disasters, further outbreaks of COVID-19, or other health pandemics), or a failure to optimise the supply chain, could adversely affect Blackmores' sales revenues and profits.

**(11) Workplace health & safety**

There is an inherent risk of serious injury to employees, visitors or contractors due to the nature of Blackmores' operations. Actual or potential harm to any workers or other persons in the workplace could have a negative reputational and financial impact on Blackmores, including increases in insurance premiums, penalties and decrease in staff morale and productivity.

**(12) Other operating risks**

Other risks that may arise in relation to Blackmores' operations include, but are not limited to:

- working capital management related risks, such as:
  - inventory levels and obsolescence;
  - customer credit terms and debtor balances; and
  - supplier credit availability and creditor balances;
- customer related risks, such as the loss of a major customer or credit risks from customer bankruptcies;
- business continuity and interruption related risks, such as:
  - impacts on Blackmores' operations and locations from natural events, such as earthquakes, floods, fires or droughts;
  - interruptions at Blackmores workplaces arising from industrial disputes and work stoppages and accidents; and
  - information technology related service outages and failures including cyber-incidents; and

- risks related to compliance with laws and regulations relevant to Blackmores' operations in areas including, but not limited to:
  - occupational health and safety;
  - operating licences and permits;
  - competition and fair trading;
  - tax; and
  - environmental standards.

(d) **Other business risks**

(1) **Brand reputation, community sentiment, and media coverage**

The success of Blackmores is heavily reliant on its reputation and branding. If Blackmores is unable to address adverse publicity or other issues including concerns about product safety, quality, efficacy, or similar matters, real or perceived, this could negatively impact sentiments towards Blackmores and its products and brands. Any facts or events that diminish Blackmores' reputation, brand names or related trade marks may adversely affect the operating and financial performance of Blackmores. Consumer perception of natural health products and Blackmores' products in particular can be substantially influenced by scientific research or findings, national media attention and other publicity about product use. Adverse publicity regarding natural health products, Blackmores' products, or Blackmores' Board or management could harm Blackmores' reputation. The publication of news articles or reports asserting that such products may be harmful or questioning their efficacy could have an adverse effect on the operating and financial performance of Blackmores.

(2) **Inability to pay dividends or make distributions**

The payment of future dividends (if any) by Blackmores will be determined by the Blackmores Board at its discretion and in accordance with the Corporations Act from time to time and will be dependent on factors including profitability, gearing position, the need to fund working capital and acquisitions in line with strategic objectives and the cash flow of the Blackmores business at the relevant time. Further information specific to any Special Dividend is set out in sections 4.3 and 7.5 of this Scheme Booklet.

(3) **Competition**

The market for natural health and wellness products is intensely competitive. Blackmores competes against large global companies, as well as regional and local companies, in Australia, New Zealand and Asia, with competition based on a variety of factors including quality, reputation, safety, and innovation. For most product categories, Blackmores will also compete with products that are sold at lower prices. In order to protect its existing market share and capture increased market share, Blackmores may need to improve brand recognition and the value proposition of its products, and increase spending on marketing, advertising and new product innovation. If Blackmores is unable to respond effectively to competitive activity, Blackmores' financial performance or operating margins could be adversely affected.

(4) **Consumer spending**

Blackmores' product ranges and the group's financial operation and performance may be affected by changes in consumer disposable incomes, confidence and demand, including as a result of changes to economic outlook and interest rates.

(5) **Environmental, social and governance risks (ESG)**

Blackmores recognises that management and disclosure of sustainability risks (including ESG and climate change) is key to maintaining its reputation and performance. A failure to deliver on Blackmores' consumer, investor and community expectations in relation to social and environmental impacts created by Blackmores' activities could result in damage to Blackmores' brand, reputation, and consumer sentiment.



(e) **Financial risks**

(1) **Foreign exchange rates**

Blackmores undertakes transactions denominated in foreign currencies which exposes it to foreign exchange rate risk. The currencies which Blackmores has a material exposure to include the United States Dollar (USD), Singapore Dollar (SGD), Malaysian Ringgit (MYR), Thai Baht (THB), Chinese Renminbi (RMB) and New Zealand Dollar (NZD). It also undertakes transactions in Swiss Francs (CHF), Euros (EUR), Korean Won (KRW), Hong Kong Dollars (HKD) and Taiwan Dollars (TWD), amongst others. Blackmores enters into derivative financial instruments to manage this risk, including forward foreign exchange contracts.

A fluctuation in the Australian dollar relative to the USD, SGD, MYR, THB, CNY, NZD or another foreign currency may have an adverse impact on Blackmores' cash flows, financial performance and profitability. For example, fluctuations may increase the value of certain liabilities or cause adverse movement in the value of Blackmores' derivative contracts.

(2) **Pricing**

Blackmores' financial performance is subject to a number of market factors, including pricing variability. Future pricing outcomes may differ materially from the current pricing due to factors including (but not limited to) changes in general business and economic conditions which may have a material negative impact on Blackmores' operations, business and financial performance.

(3) **Funding and liquidity**

There is a general business risk that Blackmores may have insufficient liquidity to meet future financial obligations or is unable to access funding to support ongoing operations and strategic plans. Whilst Blackmores' cash at hand currently reduces this risk significantly, there is no guarantee that Blackmores will have sufficient liquidity and funding options in the future.

(f) **Legal, regulatory and compliance risks**

(1) **Compliance with overseas regulatory regimes**

Blackmores sells products in 13 countries and territories, which requires compliance with overseas laws and regulatory regimes and is currently, or is likely from time to time to be subject to tax, customs and regulatory reviews, audits, and investigations. Following such reviews, audits and investigations, it may be alleged that Blackmores has not been or is not in compliance with overseas legal requirements, and prosecution or enforcement action may follow. Publicity on the outcome of reviews, audits and investigations may also adversely affect Blackmores' reputation.

(2) **Intellectual property**

Blackmores' ability to protect its registered and unregistered intellectual property rights and any improvements across various jurisdictions is critical to preserving the value of its product innovation and brand development. These intellectual property rights include patents, designs, trade marks, copyright, logos and design marks, trade names, business names, brand names, know how, trade secrets and domain names, and may or may not be capable of registration or other legal protection. Such rights and associated information may be the subject of infringement or unauthorised disclosure by third parties, and asserting or defending such rights may be costly and time-consuming. Blackmores' intellectual property rights are infringed by third parties from time to time and Blackmores cannot guarantee that this will not continue or increase in the future. Blackmores' intellectual property rights are not always capable of registration or other protection in relevant jurisdictions, and where such rights are capable of registration, applications are not always granted as filed, and may be opposed. Allegations may also be made against Blackmores from time to time in relation to the infringement of intellectual property or similar rights of third parties, and Blackmores may be subject to infringement and similar claims which could be costly and time-consuming, regardless of whether or not such claims are successful.

(3) **Litigation**

Blackmores is subject to the general business risk that litigation or disputes may arise from time to time in the ordinary course of its business activities. These may include claims and disputes involving competitors, customers, consumers, suppliers, employees, governmental agencies/ authorities, regulators, or other third parties. Claims may be made in relation to intellectual property, product safety, unfair competition, employment, and other matters typical for Blackmores' industry. Amongst other things, Blackmores is subject to legal obligations in multiple jurisdictions related to privacy, information security, and data protection, which may form the basis of claims against it. Any successful claim against Blackmores may adversely impact its financial performance or position as well as its reputation and brand.

**(4) Potential for legislative and regulatory changes**

The industry in which Blackmores operates is highly regulated. The manufacture, packaging, labelling, and advertising for Blackmores' products are regulated by various federal, state and local agencies in Australia as well as those of each foreign country in which Blackmores sells its products. There can be no assurance that existing laws to which Blackmores is subject will not be amended, repealed, or replaced in the future. Any change to the existing statutory framework or the imposition of new laws, regulations, regulatory policies, or changes to enforcement practices or the interpretation of laws and regulatory policies which are applicable to the industry that Blackmores operates in, could result in increased costs of production, impairing Blackmores' profit margins and may have a material adverse impact on the operating and financial performance of Blackmores.

For example, a substantial portion of Blackmores' international sales over recent years has been driven by e-commerce demand in China. Changes to Chinese e-commerce laws in January 2019 impacted Blackmores' sales in China requiring Blackmores to change its strategy in that market. Any changes in Chinese legislation or regulations which further restrict the ability of Blackmores to sell or distribute its products in China could have an adverse effect on the operations and financial performance of Blackmores.

In Australia, the Therapeutic Goods Administration (TGA) regularly monitors and audits Blackmores' products, including in relation to labelling and manufacturing. If Blackmores fails to comply with any TGA regulations, this could result in warnings, penalties or changes to products and labelling.

**(g) Impact of COVID-19**

There is continuing uncertainty as to the ongoing impact of COVID-19, including in relation to the nature and timing of the responses of government and industry, work stoppages, lockdown, quarantines, travel restrictions and unemployment in each of the jurisdictions in which Blackmores operates. Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic, it is currently not possible to assess the full impact of COVID-19 on Blackmores' business, though COVID-19 has or is expected to negatively impact the business in the following aspects:

- disruption to supply chain (particularly in the case of overseas-based suppliers);
- exposure to greater than usual customer credit risk;
- slower sales of non-immunity products, as well as other changes to purchasing behaviour and priorities;
- disruption of trade to China;
- reduced availability of raw materials and ingredients; and
- sustained workforce illness.

The above list is not intended to be exhaustive of all potential impacts of COVID-19 on Blackmores' business. COVID-19, including further iterations of COVID-19, may have other direct or indirect operational and business consequences which adversely affects Blackmores' financial performance and profitability.

**(h) Unknown risks**

The information set out in this section 7.3 is non-exhaustive and additional unknown risks and uncertainties may have a material adverse impact on Blackmores' financial and operational performance.

**7.4 Risks relating to the Scheme****(a) Implications relating to implementing the Scheme**

The Scheme is subject to certain conditions precedent that must be satisfied or waived (if capable of waiver) in order for the Scheme to be implemented. These conditions precedent are outlined in section 4.5 of this Scheme Booklet and set out in full in clause 3.1 of the Scheme Implementation Deed. The failure of a condition precedent to be satisfied or waived (if capable of waiver) may also give rise to a right of either Blackmores or Kirin to terminate the Scheme Implementation Deed.

The conditions precedent include approval by the Court and Blackmores Shareholders (other than any Excluded Shareholders). There is the risk that the Court may not approve the Scheme, or may only be willing to approve the Scheme subject to conditions that Blackmores or Kirin are not prepared to accept. There is also a risk that some or all of the aspects of the Blackmores Shareholder and Court approvals required for the Scheme to proceed may be delayed – including, for example, as a result of delays in the receipt of regulatory approvals that are conditions precedent to the Scheme (refer to section 4.5 of this Scheme Booklet).

**(b) Implications for Blackmores and Blackmores Shareholders if the Scheme is not implemented**

If the Scheme does not become Effective and is not implemented, or if the Scheme becomes Effective but is not implemented for any reason, Scheme Shareholders will not receive the Scheme Consideration or any Special Dividend, and Blackmores will continue, in the absence of a Superior Proposal, to operate as a standalone entity and remain listed on the ASX.

Unless Blackmores Shareholders choose to sell their Blackmores Shares on the ASX, Blackmores Shareholders will continue to hold Blackmores Shares and be exposed to both the risks (including those set out in this section 7) and potential future benefits in retaining exposure to Blackmores' business and assets.

The Blackmores share price will also remain subject to market volatility and may fall, perhaps materially, in the absence of a Superior Proposal.

## 7.5 Risks relating to the Special Dividend

**(a) Payment of a Special Dividend is not assured**

There is no assurance that any Special Dividend will be paid, or that if a Special Dividend is paid, it will be in the amount of up to \$3.34 per Blackmores Share.

The final decision on whether or not to pay a Special Dividend, and the amount of any Special Dividend, will be made by the Blackmores Directors and will depend upon a number of factors, including relevant requirements of the Scheme Implementation Deed, which include:

- the Scheme being becoming Effective following approval by Blackmores Shareholders and the Court;
- availability of franking credits and provided that it will not result in the franking account of Blackmores being in deficit after the Special Dividend is paid;
- Blackmores having sufficient:
  - existing available cash; or
  - funds available under its existing, or any new, debt facilities,to fund the payment of the Special Dividend;
- Blackmores having received a draft class ruling from the Australian Tax Office (ATO) or other indicative confirmation from the ATO, in a form acceptable to Blackmores, in respect of any Special Dividend; and
- compliance by Blackmores with relevant legislative requirements (under the Corporations Act and the *Income Tax Assessment Act 1997* (Cth)) in respect of any Special Dividend.

If these requirements for payment of a Special Dividend cannot be fulfilled, including if the Scheme does not become Effective, Blackmores Shareholders will not receive the Special Dividend nor any franking credits attached to such dividend.

**(b) Ability to receive the benefit of the franking credits attached to the Special Dividend**

If a Special Dividend of \$3.34 were paid, Blackmores Shareholders who are able to realise the full benefit of the franking credits attached to the Special Dividend would be entitled to a franking credit of \$1.43 per Blackmores Share (noting that if a Special Dividend of less than \$3.34 is paid, the franking credits attached to that Special Dividend will be less than \$1.43).

Whether you will be able to receive the full benefit of the franking credits attached to any Special Dividend will depend on your personal circumstances and whether a favourable class ruling is obtained from the ATO.

There is a risk that the ATO Commissioner may use certain powers under Australian taxation law to deny a Blackmores Shareholder the benefit of the franking credits attaching to any Special Dividend. Blackmores has sought a class ruling on behalf of Blackmores Shareholders in relation to, among other things, whether the ATO Commissioner will exercise his discretion to deny access to the franking credits. However, the final class ruling has not been issued as at the date of this Scheme Booklet and is unlikely to be issued prior to the Special Dividend Payment Date. You should consult your own taxation adviser to determine the tax consequences relevant to your specific circumstances. Refer to section 8.3 of this Scheme Booklet for further information regarding tax implications in respect of the Special Dividend.

## 8 Tax implications

### 8.1 General income tax implications of the Scheme

This is a general outline of the Australian tax consequences (income tax, GST and stamp duty) for Blackmores Shareholders who receive the Special Dividend prior to implementation of the Scheme and dispose of their Blackmores Shares under the Scheme. These comments assume that the Scheme will be implemented in accordance with the terms described in the Scheme Implementation Deed.

This general outline is based upon Australian taxation law currently in force as at the date of this Scheme Booklet and does not anticipate changes in the current law either by way of legislative action or Court decision.

This outline is general in nature only, and is not intended to be an authoritative or complete statement of the tax laws applicable to the particular circumstances of Blackmores Shareholders. It is therefore recommended that Blackmores Shareholders obtain their own professional taxation advice relevant to their circumstances. Further, the comments below do not address any taxation implications which may arise in countries other than Australia, and as such Blackmores Shareholders who may be subject to tax consequences outside of Australia are strongly advised to consider the taxation implications which may arise in those jurisdictions.

This outline is relevant to Blackmores Shareholders who are individuals, companies (other than life insurance companies), trusts and complying superannuation funds that hold their Blackmores Shares on capital account for Australian tax purposes. This description does not apply to all Blackmores Shareholders, for example it does not apply to Blackmores Shareholders who:

- (a) hold their Blackmores Shares on revenue account (such as share trading entities) or as trading stock;
- (b) are temporary residents of Australia for Australian taxation purposes;
- (c) obtained roll-over relief in connection with the acquisition of the relevant Shares or acquired them via inheritance or gift;
- (d) have been a resident of two or more countries for tax purposes during the period they owned the shares;
- (e) may be subject to special tax rules such as partnerships, banks, insurance companies or tax-exempt organisations;
- (f) acquired their Blackmores Shares under or in connection with an employee share plan of Blackmores or holders of Blackmores options; or
- (g) are subject to the taxation of financial arrangements rules in Division 230 of the *Income Tax Assessment Act 1997* (Cth) (**ITAA 1997**) in relation to gains and losses that may arise on disposal of their Blackmores Shares.

### 8.2 Dealings in Blackmores shares

#### (a) Class Ruling Application

Blackmores has lodged a class ruling application with the ATO on behalf of Blackmores Shareholders on certain matters discussed in this section, including (but not limited to):

- whether any Special Dividend will be assessable to Australian tax resident Blackmores Shareholders;
- whether any Special Dividend will constitute a frankable distribution;
- whether, and the circumstances in which, Blackmores Shareholders can claim a franking credit tax offset in respect of any Special Dividend;
- how any capital gain or loss arising from the disposal of their Blackmores Shares should be calculated, including the timing of the capital gains tax (**CGT**) event; and
- the application of certain integrity rules relating to the franking imputation system.

The Scheme is not conditional on receipt of the class ruling.

As at the date of this Scheme Booklet, the ATO has not issued the class ruling. The class ruling is not expected to be issued until after implementation of the Scheme. Blackmores Shareholders should refer to the class ruling once it is published. The class ruling will be available on the ATO's public ruling database.

It is anticipated that the ATO Commissioner's views to be expressed in the class ruling will be generally consistent with the income tax information in this summary. However, it is possible that the ATO Commissioner may reach different conclusions in the final class ruling. Accordingly, it is important that this summary be read on the understanding that it is possible the ATO Commissioner will issue the final ruling after the Implementation Date for the Scheme, and this may express differing views.

**(b) Certain income tax consequences of the Scheme for Blackmores Shareholders**

If the Scheme becomes effective, Blackmores Shareholders will dispose of their Blackmores Shares to Kirin Sub in exchange for the Scheme Consideration under the Scheme.

If the Scheme becomes Effective, Blackmores Shareholders may, if the Blackmores Board determines to pay a Special Dividend, also receive that fully franked Special Dividend in respect of each Blackmores Share that they hold at the Special Dividend Record Date.

**(c) Capital Gains Tax (CGT) Event**

Under the proposed Scheme, Blackmores Shareholders will transfer their Blackmores Shares to Kirin Sub. The transfer of the Blackmores Shares to Kirin Sub will cause a disposal of the Blackmores Shares and should trigger the occurrence of CGT event A1 for Australian tax purposes.

The CGT event should occur on the date on which the transfer of Blackmores Shares occurs, that is, the Implementation Date. The disposal of Blackmores Shares could result in either of the following outcomes for the Blackmores Shareholders:

- capital gain - a capital gain should arise to the extent that the capital proceeds received on the disposal of the Blackmores Shares exceeds their cost base; or
- capital loss - a capital loss should arise to the extent that the capital proceeds received on the disposal of the Blackmores shares are less than their reduced cost base.

**(d) Capital proceeds**

The capital proceeds from a CGT event are the total of the monies and the market value of any other property a taxpayer received, or is entitled to receive, in respect of the event happening.

The capital proceeds received by the Blackmores Shareholders for the disposal of their Blackmores Shares to Kirin Sub under the Scheme should be the Scheme Consideration, being \$95.00 per Blackmores Share (which for the avoidance of doubt, will be reduced by the amount of any Special Dividend in respect of each Blackmores Share).

If paid, the Special Dividend should not form part of the capital proceeds for the disposal of the Blackmores Shares.

Nevertheless, in the final class ruling the ATO Commissioner may adopt a contrary view in relation to the Special Dividend (if any) and include the Special Dividend in the capital proceeds.

In the event that the ATO Commissioner determines that the Special Dividend forms part of the capital proceeds for the disposal of Blackmores Shares, Blackmores Shareholders will need to take this into account in calculating any capital gain or loss made.

**(e) Cost base and reduced cost base**

The cost base of Blackmores Shares will generally include the amount of money paid, or the value of any property given, in order to acquire the Blackmores Shares, plus certain non-deductible incidental costs of acquisition. The reduced cost base of the Blackmores Shares is determined in a similar manner, but requires certain adjustments to be made.

The cost base and reduced cost base of a Blackmores Shareholder's shares will depend on their own specific circumstances. Blackmores Shareholders should consult their own independent tax advisors.

**(f) CGT discount**

If a Blackmores Shareholder is an individual, complying superannuation fund or trust and acquired their Blackmores Shares at least 12 months before the Implementation Date (not counting the day of acquisition or the day of disposal), the amount of the capital gain (after being reduced for current year capital losses and prior year capital losses, if any) should generally be eligible for reduction by the applicable CGT discount.

The applicable CGT discount percentage for individuals and trusts is 50% and for complying superannuation entities is one-third.

There is no CGT discount available for Blackmores Shareholders that are taxed as companies or Blackmores Shareholders who have held their Blackmores Shares for less than 12 months.

Where a trust has utilised the CGT discount, the availability of the discount ultimately depends on the tax profile of the entity to whom the income of the trust estate is distributed.

The rules relating to the CGT discount are complex and the outcomes can vary depending on the circumstances of the individual. As such, Blackmores Shareholders should ensure they obtain their own independent tax advice.

**(g) CGT implications for Australian Blackmores Shareholders**

Australian resident Blackmores Shareholders who make a capital gain on disposal of their Blackmores Shares will be required to aggregate the capital gain with any other capital gains that the Blackmores Shareholders may have in that income year. Any resulting net capital gain (after offsetting any available capital losses from the current income year or brought forward from previous income years) should be reduced by any applicable CGT discount and any remaining discounted net capital gain for the income year should be included in the Blackmores Shareholder's assessable income and should be subject to tax at the Blackmores Shareholder's applicable rate of tax.

Australian resident Blackmores Shareholders who make a capital loss on the disposal of their Blackmores Shares can only offset the capital loss against capital gains realised in the same income year, however the capital gain cannot be reduced below zero.

In the event that a net capital loss arises in the income tax year of disposal, the net capital loss cannot be deducted from other assessable income of the Blackmores Shareholder. However, the net capital loss may be carried forward to offset capital gains made by Blackmores Shareholders in future income years, subject to satisfaction of the loss recoupment tests.

Specific loss recoupment rules apply to companies and trusts to restrict their ability to utilise capital losses in future years in some circumstances. Blackmores Shareholders should obtain their own tax advice in relation to the operation of these rules.

**(h) CGT implications for non-resident Blackmores Shareholders**

Generally, for Australian income tax purposes, non-Australian tax resident Blackmores Shareholders who have not used their Blackmores Shares at any time in carrying on a business through a permanent establishment in Australia should only be subject to Australian CGT (if broadly):

- the Blackmores Shareholder (together with their associates) holds an interest of at least 10% of the shares in Blackmores at the time of the disposal, or for a 12 month period in the 24 months preceding the disposal (referred to as the 'non-portfolio interest test'); and
- more than 50% of the market value of the Blackmores Group's assets is comprised of Australian 'real property' interests i.e. land. Broadly, real property includes direct and indirect interests in Australian land, including leases (referred to as the 'principal asset test').

As the second condition noted above should not be satisfied, the Blackmores Shares should not be considered to be "indirect Australian real property interests". As such, it is understood that Kirin and Kirin Sub would not withhold any tax from the payment of the Scheme Consideration on account of foreign resident capital gains tax withholding.

Non-Australian tax resident Blackmores Shareholders should seek independent tax advice as to the taxation implications of the Scheme being implemented in their own country of residence and in Australia.

**8.3 Special Dividend****(a) Overview**

As noted above, the Blackmores Board may determine to pay a fully franked Special Dividend, conditional on the Scheme becoming Effective. The Special Dividend will only be paid to Blackmores Shareholders who are listed on the Blackmores Share Register on the Special Dividend Record Date and will be paid from profits, retained earnings or existing distributable profits.

The Special Dividend may be franked to the maximum extent possible by Blackmores, subject to the franking account of Blackmores not being in deficit after the Special Dividend Payment Date. Based on the current franking account balance, Blackmores has determined to fully frank the Special Dividend.

Eligible Blackmores Shareholders may be able to realise the full benefit of the franking credits attached to any Special Dividend (discussed in further detail in section 8.3(b) below) and be entitled to a franking credit of up to \$1.43 per Blackmores Share. Whether a Blackmores Shareholder will be able to receive the full benefit of the franking credits attached to the Special Dividend will depend on their personal circumstances.

**(b) Implications for Australian resident individuals, companies and complying superannuation entities**

The Special Dividend, if paid by Blackmores, should be included in the assessable income of an Australian resident Blackmores Shareholder that is an individual, a company (including a trust that is a corporate tax entity) or a complying superannuation entity. Australian Blackmores Shareholders should include the Special Dividend in their assessable income in the year that the Special Dividend is paid.

Subject to certain conditions which are outlined below, for eligible Blackmores Shareholders the franking credits attached to the Special Dividend should also be included in the assessable income of the Blackmores Shareholder and a corresponding tax offset equal to the amount of those franking credits which may be applied to reduce any income tax liability ('gross up and offset').



Australian resident Blackmores Shareholders that are individuals or complying superannuation entities may be entitled to a refund of excess franking credits where the tax offset exceeds their tax liability for the income year.

In order for the 'gross up and offset' approach to apply, a Blackmores Shareholder must satisfy the 'qualified person' provisions. To be considered a qualified person, they must hold their Blackmores Shares 'at risk' for a continuous 45 day period within the qualification period (excluding the dates of acquisition and disposal of their Blackmores Shares). The qualification period starts the day after the Blackmores Shares were acquired and ends the day before the Scheme Record Date, as that will generally be regarded as the date from which the Blackmores Shareholder ceases to hold their Blackmores Shares 'at risk'.

As a practical matter, and applying the indicative timetable set out in this Scheme Booklet, a Blackmores Shareholder who receives the Special Dividend and holds their Blackmores Shares at risk for a continuous period of at least 45 days during the period from one day after the shares were acquired by the Blackmores Shareholder to 2 August 2023 (inclusive) should satisfy the 'holding period rules' and be eligible for the franking credit and corresponding tax offset.

These issues are expected to be addressed in the class ruling requested by Blackmores (as outlined in section 8.2(a) above). Blackmores Shareholders should refer to the class ruling once published as well as have regard to their own circumstances in seeking independent tax advice.

**(c) Implications for Australian resident trusts**

Subject to the above franking credit rules, Blackmores Shareholders who are trustees of a trust (other than a trust that is a corporate tax entity or a trustee of a complying superannuation entity) should include the amount of any Special Dividend, together with any franking credits received on the Special Dividend, in determining the net income of the trust for the income year in which the Special Dividend is paid.

The applicable laws relating to the treatment of dividends, and in particular franked dividends, for trusts are complex but, provided that certain conditions are satisfied, both the liability to pay tax on the Special Dividend and the tax offset provided by any franking credits should be able to flow through to eligible beneficiaries of the trust.

**(d) Application of dividend franking integrity measures**

The ATO may apply certain integrity measures to prevent a Blackmores Shareholder from being entitled to a tax offset for the franking credits attached to any Special Dividend. The class ruling application will seek the ATO's confirmation that it will not apply any of those integrity measures in relation to any Special Dividend.

In the event that the ATO seeks to apply these integrity measures, the ATO may issue a determination that no franking credits are available to a Blackmores Shareholder in respect of the Special Dividend; however, the franking credits would also not be included in a Blackmores Shareholder's assessable income. Based on previous, comparable transactions, the ATO is not expected to apply these integrity measures, although it is possible that the ATO's views may differ from this summary.

**(e) Implications for non-resident Blackmores Shareholders**

Non-resident Blackmores Shareholders should not be subject to Australian income tax on, including by way of having tax withheld from, any Special Dividend that is fully franked, unless the ATO applies the integrity measures referred to above.

## 8.4 Stamp duty

No stamp duty should be payable in any Australian jurisdiction by Blackmores Shareholders on the disposal of their Blackmores Shares.

## 8.5 GST

Blackmores Shareholders should not be liable for Goods and Services Tax (**GST**) in respect of the disposal of the Blackmores Shares. Any GST incurred in relation to the disposal of Blackmores Shares may not be fully recoverable by Blackmores Shareholders.

## 9 Additional information

### 9.1 Interests of Blackmores Directors in Blackmores Shares and Blackmores Equity Incentives

#### (a) Interests in Blackmores Shares

As at the Last Practicable Date, the Blackmores Directors have the following Relevant Interests in Blackmores Shares:

Blackmores Director	Number of Blackmores Shares
Wendy Stops	2,500 <sup>24</sup>
Erica Mann	1,471 <sup>25</sup>
Stephen Roche	750 <sup>26</sup>
Alastair Symington	18,536 <sup>27</sup>
Sharon Warburton	1,462 <sup>28</sup>

Blackmores Directors who hold Blackmores Shares, and entities controlled by or that hold Blackmores Shares for the benefit or on behalf of Blackmores Directors, will be entitled to vote at the Scheme Meeting in the same manner as other Blackmores Shareholders and, if the Scheme is implemented, will receive the Scheme Consideration for their Blackmores Shares along with the other Scheme Shareholders.

Each Blackmores Director intends to vote, or procure the voting of, any Blackmores Shares held or controlled by them at the time of the Scheme Meeting in favour of the Scheme at the Scheme Meeting in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.

No Blackmores Director acquired or disposed of a Relevant Interest in any Blackmores Shares during the four months before the date of this Scheme Booklet, other than Erica Mann who disposed of 9 ordinary Blackmores Shares on 23 February 2023 as disclosed on ASX on 15 March 2023.

#### (b) Interests in Blackmores Equity Incentives

As at the Last Practicable Date, none of the Blackmores Directors have a Relevant Interest in any Blackmores Equity Incentives, other than the Managing Director and CEO, Mr. Alastair Symington.

As at the Last Practicable Date, Mr Symington holds 91,648 unvested Blackmores Equity Incentives, comprised of:

- 87,275 Blackmores Long-Term Equity Incentives,<sup>29</sup> ; and
- 4,373 Blackmores Short-Term Equity Incentives.<sup>30</sup>

Further information about Blackmores' equity incentive arrangements for employees, and their proposed treatment should the Scheme become Effective, is set out in section 9.2 below. If the Scheme becomes Effective:

- 62,003 of Mr Symington's Blackmores Long-Term Equity Incentives and all of Mr Symington's Blackmores Short-Term Equity Incentives will be notionally accelerated on the basis described in section 9.2 below;
- all of Mr Symington's unvested Blackmores Equity Incentives will lapse and be cancelled; and

24. Held by Chesstops Superannuation Nominees Pty Ltd as a trustee for the Chesstops Super Fund.

25. Held by Netwealth Securities Ltd as custodian for Erica Mann.

26. Held by Stephen Patrick Roche & Ann Marie Roche as trustees for the Steann Superannuation Fund.

27. Comprises 4,886 Blackmores Shares held by Jodie Symington and 13,650 Blackmores Shares held by Blackmores Nominees Pty Ltd as trustee of the Blackmores Executive Share Plan Trust on behalf of Mr Symington.

28. Held by S&C Warburton Pty Ltd as trustee for the Sharon & Chloe Warburton Superannuation Fund.

29. Comprises 38,364 Blackmores Long-Term Equity Incentives granted under the FY2021 Long-Term Incentive Plan, 22,056 Blackmores Long-Term Equity Incentives granted under the FY2022 Long-Term Incentive Plan and 26,855 Blackmores Long-Term Equity Incentives granted under the FY2023 Long-Term Incentive Plan.

30. Comprises 882 Blackmores Short-Term Equity Incentives granted under the FY2021 Short-Term Incentive Plan and 3,491 Blackmores Short Term Equity Incentives granted under the FY2022 Short-Term Incentive Plan.

- in consideration for that cancellation, Mr Symington will receive a cash payment of \$6,305,720, being an amount equal to the number of his unvested Blackmores Equity Incentives that are subject to notional acceleration multiplied by the Scheme Consideration of \$95.00 per Blackmores Share without reduction for the amount of any Special Dividend (because he will not receive the Special Dividend in respect of those unvested Blackmores Equity Incentives).

No Blackmores Director acquired or disposed of a Relevant Interest in any Blackmores Equity Incentives during the four months before the date of this Scheme Booklet.

## 9.2 Blackmores Equity Incentive arrangements

### (a) Overview of arrangements

As detailed in Blackmores' annual report for the year ended 30 June 2022, Blackmores operates incentive plans under which Blackmores Equity Incentives are granted to participants, including senior management:

- Under Blackmores' Long-Term Incentive Plan, participants are granted Blackmores Long-Term Equity Incentives which are subject to time and performance-based vesting conditions. On vesting, and subject to applicable plan rules, each Blackmores Long-Term Equity Incentive entitles its holder to receive (for no consideration) one Blackmores Share.
- Under Blackmores' Short-Term Incentive Plan, 50% of each short term incentive award made to members of Blackmores' executive team is granted in the form of Blackmores Short-Term Equity Incentives which are deferred for and vest after a period of two years (in the case of the Managing Director and CEO) or one year (in the case of other members of Blackmores' executive team) from the date on which such Blackmores Short Term Equity Incentives are granted. On vesting, and subject to applicable plan rules, each Blackmores Short-Term Equity Incentive entitles its holder to receive (for no consideration) one Blackmores Share.

As also detailed in Blackmores' annual report for the year ended 30 June 2022, Blackmores also operates an Employee and Director Share Rights Plan (under the terms of the Blackmores Employee and Director Rights Plan Trust Deed, as amended from time to time) under which eligible employees and directors may be granted rights to receive Blackmores Shares through sacrificing a portion of their remuneration.

Additionally, Blackmores from time to time:

- as a 'sign-on incentive' grants new-hired senior managers rights to receive Blackmores Shares, subject to time-based vesting conditions; and
- may make one-off grants of additional rights to acquire Blackmores Shares to individual members of senior management in recognition of their role and contribution to the Blackmores Group.

As at the Last Practicable Date, Blackmores had on issue a total of 336,513 unvested Blackmores Equity Incentives, comprised of:

- 315,728 Long-Term Equity Incentives;
- 15,156 Short-Term Equity Incentives;
- 879 rights to receive Blackmores Shares granted under Blackmores' Employee and Director Share Rights Plan; and
- 4,750 Blackmores Equity Incentives granted as sign-on incentives or in other circumstances described above.

(b) **Implications of the Scheme for Blackmores Equity Incentives**

A condition precedent to the Scheme proceeding is that, by 8.00am on the Second Court Date, Blackmores has taken steps agreed between Blackmores and Kirin so that there will be no Blackmores Equity Incentives on issue upon implementation of the Scheme.

In order to satisfy this condition precedent, and recognising the importance of the contribution of Blackmores Group employees, including those holding Blackmores Equity Incentives, and of retaining their services during the Scheme process, the Blackmores Board currently proposes and has determined in principle to treat unvested Blackmores Equity Incentives as follows, subject in each case to the Scheme becoming Effective and ASX granting the waiver referred to in section 9.8(a) below:

**Long-Term Equity Incentives, Short-Term Equity Incentives, sign-on incentives one-off grants**

- All Long-Term Equity Incentives, Short-Term Equity Incentives, and other Blackmores Equity Incentives granted other than under Blackmores' Employee and Director Share Rights Plan will be notionally accelerated on a full vesting on performance conditions and pro-rated vesting on time conditions basis as follows (except where different treatment is required under the terms of an individual's employment contract):

Plan / grant (as applicable)	Proportion to be notionally accelerated and cash settled
FY2021 Long-Term Equity Incentives	100%
FY2022 Long-Term Equity Incentives	67%
FY2023 Long-Term Equity Incentives	33%
FY2021 Short-Term Equity Incentives	100%
FY2022 Short-Term Equity Incentives	100%
Sign-on incentives	100%
Other one-off grants	50%

- Blackmores will on or before the Implementation Date cause all such unvested Blackmores Equity Incentives then outstanding to be cancelled or otherwise lapse.
- In consideration for this cancellation, Blackmores will make lump sum cash payments to each holder of such unvested Blackmores Equity Incentives. The amount of that payment to each holder of such unvested Blackmores Equity Incentives will be equal to \$95.00 (being the amount of the Scheme Consideration, without reduction for the amount of any Special Dividend because they will not receive the Special Dividend in respect of their unvested Equity Incentives) multiplied by the number of such unvested Blackmores Equity Incentives held by that individual that the Blackmores Board has determined are to be notionally accelerated in the context of the Transaction and resulting change in control of Blackmores, as detailed in the above table. That payment will in each case be subject to the relevant individual having entered into an agreement with Blackmores in respect of the treatment of their unvested Blackmores Equity Incentives as described in this section. The maximum aggregate amount of such cash payments proposed to be made to holders of such unvested Blackmores Equity Incentives is \$20,847,275.<sup>31</sup>
- If the Blackmores Board determines to pay a Special Dividend, Blackmores also proposes to pay to holders of unvested Blackmores Equity Incentives (other than the Chief Executive Officer, Chief Financial Officer and non-Australian tax residents) an additional amount to compensate them for the value of the franking credits attached to the Special Dividend which they would have received had their Blackmores Equity Incentives vested but will not receive due to the cancellation of those Blackmores Equity Incentives. The maximum aggregate amount of such proposed payments (based on a potential Special Dividend of up to \$3.34 and attached franking credit of up to \$1.43 per Blackmores Share) is \$168,093.<sup>32</sup>

**Employee and Director Share Rights Plan**

All unvested Blackmores Equity Incentives granted under Blackmores' Employee and Director Share Rights Plan will on or before the Implementation Date be cancelled, and all holders of such Blackmores Equity Incentives will be refunded all amounts which they have (as part of the remuneration sacrifice arrangements under Blackmores' Employee and Director Share Rights Plan) previously paid towards the grant of those unvested Blackmores Equity Incentives.

31. Not inclusive of any payroll tax on-costs.

32. Not inclusive of any payroll tax on-costs.

### 9.3 Other benefits and agreements

(a) **Interests of Blackmores Directors in Kirin securities**

As at the date of this Scheme Booklet, no Blackmores Director has a Relevant Interest in any securities in Kirin or Kirin Sub.

No Blackmores Director has acquired or disposed of a Relevant Interest in any securities in Kirin during the four months before the date of this Scheme Booklet.

(b) **Interests of Blackmores Directors in contracts with Kirin**

No Blackmores Director has any interest in any contract entered into by Kirin or Kirin Sub, or any of its related bodies corporate.

(c) **Benefits in connection with retirement from office**

There is no payment or other benefit that is proposed to be made or given to any director, secretary or executive officer of Blackmores (or any of its related bodies corporate) as compensation for the loss of, or consideration for or in connection with his or her retirement from, office in Blackmores (or any of its related bodies corporate) in connection with the Scheme.

(d) **Deeds of indemnity, insurance and access**

Blackmores has entered into deeds of indemnity, insurance and access with the directors and officers of Blackmores, on customary terms (**D&O Deeds**). The D&O Deeds include terms that provide for Blackmores to indemnify each of its directors and officers against all liability arising as a result of such persons acting as a director or officer, to the extent permitted by law.

Blackmores also pays a premium in respect of a directors and officers insurance policy for the benefit of the directors and officers of Blackmores. The Scheme Implementation Deed permits Blackmores to, prior to the Implementation Date, enter into arrangements to provide run-off insurance coverage for all current directors and officers of Blackmores and other Blackmores Group Members for seven years from the retirement date of each director and officer. Kirin is under the Scheme Implementation Deed required to ensure that this directors' and officers' run-off insurance is maintained for this same 7 year period.

As at the Last Practicable Date, Blackmores expects the premium for entry into such run-off arrangements will be approximately \$7.7 million.

(e) **Benefits from Kirin**

No Blackmores Director has agreed to receive, or is entitled to receive, any benefit from Kirin, or any of its related bodies corporate, which is conditional on, or is related to, the Scheme.

(f) **Agreements connected with or conditional on the Scheme**

Other than as disclosed in section 9.2, there are no agreements or arrangements made between any Blackmores Director and any other person in connection with, or conditional on, the outcome of the Scheme.

### 9.4 Scheme Implementation Deed

(a) **Introduction**

On 26 April 2023, Blackmores and Kirin entered into the Scheme Implementation Deed, which governs the conduct of the Scheme.

A summary of the key terms of the Scheme Implementation Deed is set out below. A full copy of the Scheme Implementation Deed was released to ASX on 27 April 2023 and can be obtained from [www2.asx.com.au](http://www2.asx.com.au).

(b) **Blackmores Board recommendation (Clause 5.6)**

The Scheme Implementation Deed requires Blackmores to use its best endeavours to procure that each Blackmores Director, and the Blackmores Board collectively, do not adversely change, withdraw, modify or qualify its or their recommendation to Blackmores Shareholders to vote in favour of the Scheme unless:

- the Independent Expert provides an updated, revised, amended or supplemented report to Blackmores that concludes that the Scheme is not in the best interests of Blackmores Shareholders;
- Blackmores receives a Competing Proposal which the Board has determined (after compliance with the exclusivity provisions in clause 10 including completing the matching right process in clause 10.5 of the Scheme Implementation Deed) constitutes a Superior Proposal; or
- the Court or a Government Agency makes or imposes an order, requirement or request that one or more Blackmores Directors abstain or withdraw from making a recommendation to Blackmores Shareholders to vote in favour of the Scheme (**Abstain Requirement**).

(c) **Conduct of business (Clause 5.4)**

The Scheme Implementation Deed requires that Blackmores carry on its business and operations in the ordinary and usual course.

In addition, Blackmores must also:

- not enter into, dispose of or acquire, any line of business in which the Blackmores Group was not engaged as at 26 April 2023;
- use reasonable endeavours to maintain the value of the Blackmores Group's businesses and assets and keep services of officers and employees available;
- use reasonable endeavours to maintain and preserve its relationships with Government Agencies, customers, suppliers, landlords and other relevant parties, and comply with applicable laws, the Listing Rules, and material contracts and joint ventures;
- maintain authorisations, accreditations, registrations, approvals, licences and permits of the Blackmores Group that are material to its operations (and use reasonable efforts to renew them if necessary);
- maintain insurance materially consistent with that held by the Blackmores Group as at 26 April 2023;
- make reasonable efforts to manage the Blackmores Group's working capital in the ordinary course of business and in the same manner managed prior to the date of the Scheme Implementation Deed; and
- use reasonable endeavours to obtain change of control consents from counterparties to certain material contracts of Blackmores Group Members.

The restrictions and obligations listed above are subject to a number of exceptions, including exceptions which allow Blackmores to take any actions:

- fairly disclosed in the Disclosure Materials, or disclosed in certain public documents (including ASX announcements) in the 24 months prior to the date of the Scheme Implementation Deed;
- agreed to in writing by Kirin;
- required or permitted by any applicable law, regulation or contract entered into before 26 April 2023, or by a Government Agency, the Scheme Implementation Deed or the Scheme;
- in connection with the utilisation of the Blackmores Group's existing debt facilities, or entry into or utilisation of new debt financing, for the purpose of funding part or all of the Special Dividend (subject to an obligation for Blackmores to first use all reasonable endeavours to fund the payment of the Special Dividend from Blackmores' existing available cash and existing debt facilities);
- to reasonably and prudently respond to an emergency or disaster affecting the business of a Blackmores Group Member, or to changes in market conditions and in legislation affecting the business of a Blackmores Group Member (subject to limitations); and
- undertaken as permitted by the exclusivity clause of the Scheme Implementation Deed (clause 10).

(d) **Representations and warranties (Clause 6)**

The Scheme Implementation Deed contains customary representations and warranties given by each of Blackmores and Kirin to each other.

These representations and warranties are set out in Schedule 3 (in the case of Blackmores) and Schedule 2 (in the case of Kirin) of the Scheme Implementation Deed.

(e) **Exclusivity (Clause 10)**

The Scheme Implementation Deed contains the following certain customary exclusivity provisions in favour of Kirin summarised as follows:

- **No shop:** Blackmores must not solicit any inquiries, discussions or proposals in relation to an actual, proposed or potential Competing Proposal;
- **No talk:** Subject to a fiduciary exception on market standard terms, Blackmores must not participate in any discussions or negotiations in relation to an actual, proposed or potential Competing Proposal;
- **No due diligence:** Subject to a fiduciary exception on market standard terms, Blackmores must not provide any third party with confidential information relating to the Blackmores Group in connection with the formulation, development or finalisation of a Completing Proposal;
- **Notification:** Blackmores must notify Kirin (within 2 Business Days) if Blackmores becomes aware of any:



- communications in respect of inquiry or discussion regarding any interest in relation to an actual, proposed or potential Competing Proposal;
- approaches or proposals received by Blackmores in connection with an actual, proposed or potential Competing Proposal;
- requests made to Blackmores for provision of non-public information in respect of exploration or completion of an actual, proposed or potential Competing Proposal; or
- provision of material non-public information concerning Blackmores Group's business or operations to any third party in connection with an actual, proposed or potential Competing Proposal; and
- **Matching right:** Blackmores must not enter into any binding agreement to implement a Competing Proposal unless:
  - the Blackmores Board acting in good faith determines that the Competing Proposal is, or could reasonably be expected to become or lead to, a Superior Proposal and that failing to respond to the proposal would, or would be reasonably likely to, constitute a breach of any of the fiduciary or statutory duties of the Blackmores Directors;
  - Blackmores has provided Kirin with certain information in respect of the Competing Proposal;
  - Kirin has had at least 5 Business Days after receiving this information to provide a matching or superior proposal to the Completing Proposal; and
  - the Blackmores Board determines that Kirin has not, by the expiry of that 5 Business Day period, provided a proposal that matches or is superior to the terms of the Competing Proposal.

These exclusivity provisions apply from 26 April 2023 (being the date that Blackmores and Kirin entered into the Scheme Implementation Deed) until the earlier of the termination of the Scheme Implementation Deed, the End Date and the Effective Date.

(f) **Reimbursement Amount (Clause 11)**

The Scheme Implementation Deed contains customary provisions requiring Blackmores to in specified circumstances pay to Kirin a reimbursement amount (also referred to as a break fee) of \$18,478,103 (which is approximately 1% of the equity value of Blackmores Group, determined by reference to the Scheme Consideration). The obligation to pay that reimbursement amount will be triggered if:

- any member of the Blackmores Board:
  - fails to recommend or vote in favour of the Scheme as required by the Scheme Implementation Deed;
  - publicly withdraws or adversely changes modifies or qualifies their recommendation in relation to the Scheme; or
  - publicly supports or recommends Blackmores Shareholders vote in favour of a Competing Proposal,

in each case provided that Kirin has terminated the Scheme Implementation Deed in accordance with clause 12 of the Scheme Implementation Deed (described below) and except as a result of:

- the Independent Expert concluding that the Scheme is not in the best interests of Blackmores Shareholders where that conclusion is due wholly or primarily to the existence of a Competing Proposal; or
- the relevant Blackmores Director or Blackmores Directors abstain from making a recommendation to Blackmores Shareholders in accordance with an Abstain Requirement; or
- a Competing Proposal is announced during the Exclusivity Period and completes within 12 months; or
- Kirin validly terminates the Scheme Implementation Deed under clauses 12.1(a)(1) or 12.2(a) of the Scheme Implementation Deed following a material and wilful breach of the Scheme Implementation Deed by Blackmores.

(g) **Termination (Clause 12)**

Each of Blackmores and Kirin may terminate the Scheme Implementation Deed:

- for material breach (other than material breach of a warranty) of the Scheme Implementation Deed which is not remedied within a specified period;
- for breach of a warranty where that breach is material in the context of the Scheme taken as a whole and is not remedied within a specified period;
- the Court or a Government Agency takes an action permanently restraining or otherwise prohibiting or preventing the Transaction, or has refused to do anything necessary to permit the Transaction to be implemented by 29 September 2023 (and that action or refusal has become final and cannot be appealed or reviewed);
- for failure of a condition precedent to the Scheme (as outlined in section 4.5); or
- if the Scheme is not Effective by 29 September 2023.

Kirin may also terminate the Scheme Implementation Deed if any Blackmores Director withdraws or adversely changes their recommendation in relation to the Scheme (excluding a statement that no action should be taken by Blackmores Shareholders pending assessment of a Competing Proposal by the Blackmores Board or the completion of the matching right process set out in clause 10.5), other than where the relevant Blackmores Director is subject to or complies with an Abstain Requirement.

Blackmores may terminate the Scheme Implementation Deed if:

- the Blackmores Board or a majority of the Board, has changed, withdrawn, modified or qualified its or their recommendation where expressly permitted by, and in accordance with, the Scheme Implementation Deed; or
- the Independent Expert concludes that the Scheme is not in the best interests of Blackmores Shareholders if this conclusion has been determined based on a Competing Proposal and after Blackmores has complied with its obligations under the exclusivity clause of the Scheme Implementation Deed (clause 10).

## 9.5 Standstill arrangement

Under the confidentiality deed entered into by Blackmores and Kirin, Kirin is subject to a standstill regime under which it must, and must ensure that its Associates and the officers and employees of Kirin and its Associates do not, in summary:

- acquire a Relevant Interest in any of the outstanding shares in Blackmores or any rights, warrants or options to acquire any shares in Blackmores;
- enter into any agreement conferring rights, the economic effect of which substantially equivalent to the acquisition, holding or disposal of securities in Blackmores;
- solicit proxies or support from Blackmores Shareholders for any proposal by Kirin or any of its related bodies corporate, or otherwise seek to influence or control the management or policies of Blackmores; or
- aid, abet or counsel any other person to do any of the things mentioned above.

The standstill regime is subject to certain exceptions including:

- implementation of the Transaction on terms agreed by Blackmores;
- announcement or receipt of acceptances under a takeover bid made by Kirin for all outstanding Blackmores Shares (**Kirin Bid**) which is made following announcement of a takeover bid by a third party (**Third Party Bid**) where: (i) the Kirin Bid offers consideration per Blackmores Share which is higher than that proposed under the Third Party Bid; or (ii) the Kirin Bid is otherwise approved or recommended by the Blackmores Board;
- any agreements between Marcus Blackmore or Marcus Blackmore Holdings Pty Ltd in favour of Kirin to publicly state their support for a transaction approved or recommended by the Blackmores Board under which Kirin would acquire all of their Blackmores Shares, and to agree to vote Blackmores Shares held by them in favour of such a transaction – see section 9.6 below regarding the Voting Deed entered into by Kirin, Marcus Blackmore and Marcus Blackmore Holdings Pty Ltd; and
- any agreements between Marcus Blackmore or Marcus Blackmore Holdings Pty Ltd and Kirin where, prior to entry into those agreements, a Third Party Bid is announced or a third party has made an offer to Marcus Blackmore or Marcus Blackmore Holdings Pty Ltd to acquire their Blackmores Shares at a price equal to or above \$93.80 – see section 9.6 below regarding the Voting Deed entered into by Kirin, Marcus Blackmore and Marcus Blackmore Holdings Pty Ltd.

Kirin may rely on the above exceptions with the express prior written consent of Blackmores (who must act reasonably in considering a request for consent).

The standstill regime applies until 8 August 2023 or such other period agreed by Blackmores and Kirin.

## 9.6 Voting Deed between Major Shareholders and Kirin

On 26 April 2023, Kirin, Marcus Blackmore and Marcus Blackmore Holdings Pty Ltd as trustee for the Blackmore Superannuation Fund (together the **Major Shareholders**) entered into the Voting Deed in respect of the 3,516,834 Blackmores Shares (representing approximately 18.08% of issued Blackmores Shares) held by the Major Shareholders, as at the Last Practicable Date). As noted in section 6.8(a) above, Kirin has a Relevant Interest in the Blackmores Shares the subject of the Voting Deed, and therefore voting power of 18.08% in Blackmores, as a result of the Voting Deed. Blackmores is not a party to the Voting Deed.

A copy of the Voting Deed was released to the ASX on 28 April 2023 as an annexure to Kirin's 'Notice of initial substantial holder' (Form 603) in respect of Blackmores.

The Voting Deed, as disclosed by Kirin, requires the Major Shareholders to, for so long as the Voting Deed remains in force, vote the Blackmores Shares the subject of the Voting Deed:

- in favour of the Scheme Resolution; and
- against any resolutions to approve any "Competing Transaction" (defined to include any proposal, agreement, arrangement or transaction which, if entered into or completed, would result in a person other than Kirin or the Major Shareholders acquiring a Relevant Interest in 20% or more of Blackmores Shares or acquiring control of Blackmores),

in each case unless otherwise directed by Kirin, in which case they must vote the shares the subject of the Voting Deed in accordance with that direction.

The Voting Deed is expressed as automatically terminating on the later of:

- 26 October 2023 (being the date which is six months after the date of the Scheme Implementation Deed); and
- the date which is six months after the announcement of any "Recommended Transaction" (defined as a "Competing Transaction" that has been unanimously recommended by the Blackmores Board to Blackmores Shareholders as a Superior Proposal to the Scheme, following the completion of the matching rights process under the Scheme Implementation Deed (described in section 9.4(e)) above)).

The Voting Deed may also terminate automatically in the other circumstances specified in clause 8.1 of the Voting Deed, including:

- if the Scheme Implementation Deed is terminated by Kirin;
- if the Scheme Implementation Deed is terminated by Blackmores on the basis of:
  - a material breach (other than material breach of a warranty) of the Scheme Implementation Deed by Kirin which is not remedied within a specified period;
  - the Court or a Government Agency taking an action permanently restraining or otherwise prohibiting or preventing the Transaction, or having refused to do anything necessary to permit the Transaction to be implemented by 29 September 2023 (and that action or refusal having become final and cannot be appealed or reviewed); or
  - a breach of a warranty given by Kirin under the Scheme Implementation Deed where that breach is material in the context of the Scheme taken as a whole and is not remedied within a specified period; and
- if Kirin issues a written notice to the Major Shareholders terminating the Voting Deed.

The Voting Deed may also be terminated by the Major Shareholders if all of the following occur:

- the Blackmores Board has unanimously recommended a "Recommended Transaction" and Marcus Blackmore has made an offer to sell all the securities the subject of the Voting Deed on the relevant terms specified in clause 8.2(a)(i) of the Voting Deed, which include:
  - that the consideration for such sale is a price equal to the consideration offered under the "Recommended Transaction"; and
  - that such offer remains open for acceptance by Kirin for a minimum of 10 Business Days and for a minimum of 2 Business Days after the public announcement of the scheme booklet or Blackmores' release of its target statement associated with the "Recommended Transaction" (as applicable, based on the form of the "Recommended Transaction"); and

- Kirin has not confirmed to Marcus Blackmore by the end of the “offer period” referred to above that it intends to pursue a takeover bid for Blackmores for consideration which is equal to or higher than the consideration offered under the “Recommended Transaction”; and
- Kirin has not accepted that offer for all the Blackmores Shares the subject of the Voting Deed by the end of that “offer period”.

## 9.7 Consents, disclosures and fees

### (a) Consents

This Scheme Booklet contains statements made by, or statements said to be based on statements made by:

- Kirin in respect of the Kirin Information only;
- Kroll Australia Pty Ltd as the Independent Expert; and
- Ernst & Young in respect of section 8 of this Scheme Booklet.

Each of those persons named above has consented to the inclusion of each statement it has made in the form and context in which the statements appear and has not withdrawn that consent at the date of this Scheme Booklet.

The following parties have given and have not, before the time of registration of this Scheme Booklet with ASIC, withdrawn their consent to be named in this Scheme Booklet in the form and context in which they are named:

- Barrenjoey as financial adviser to Blackmores;
- Adara Partners as financial adviser to Blackmores;
- Herbert Smith Freehills as legal adviser to Blackmores;
- Ernst & Young as tax adviser to Blackmores;
- Deloitte Touche Tohmatsu as the external auditor of Blackmores; and
- Computershare Investor Services Pty Limited as the Blackmores Share Registry.

### (b) Disclosures and responsibility

Each person named in section 9.7(a):

- has not authorised or caused the issue of this Scheme Booklet;
- does not make, or purport to make, any statement in this Scheme Booklet or any statement on which a statement in this Scheme Booklet is based, other than:
  - Kirin in respect of the Kirin Information only;
  - Ernst & Young in respect of section 8 of this Scheme Booklet; and
  - Kroll Australia Pty Ltd in relation to its Independent Expert’s Report; and
- to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Scheme Booklet other than a reference to its name and the statement (if any) included in this Scheme Booklet with the consent of that party as specified in this section 9.7(b).

### (c) Fees and other payments associated with the Scheme

The fees set out in this section 9.7(c) only relate to fees paid or payable by Blackmores in connection with the Transaction and the preparation of this Scheme Booklet.

Each of the persons named in section 9.7(a) as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Scheme Booklet will be entitled to receive professional fees charged in accordance with their normal basis of charging.

In aggregate, if the Scheme is implemented, Blackmores expects to pay approximately \$20 million to \$22 million (excluding GST, and cash payments proposed to be made to holders of unvested Blackmores Equity Incentives as set out in section 9.2(b) of this Scheme Booklet) in external transaction costs and other payments that relate to the Scheme. This includes:

- advisory fees and expenses for professional services provided to Blackmores (including for Blackmores’ financial, legal and tax advisers), the Independent Expert’s fees, court fees, Blackmores Share Registry fees, design, printing and mailing costs, expenses associated with convening and holding the Scheme Meeting, and general administrative expenses; and

- retention payments, in an aggregate amount not exceeding \$3.3 million, to certain Blackmores Group employees in order to retain their services during the Scheme process and to reflect the work that they have undertaken and will be required to undertake in connection with the Scheme process (in addition to the normal responsibilities of their roles).

In aggregate, if the Scheme is not implemented, Blackmores expects to pay approximately \$4 million to \$6 million (excluding GST) in transaction costs, being costs that have already been incurred as at the date of this Scheme Booklet or will be incurred even if the Scheme is not implemented (but excluding any break fee that may be payable).

## 9.8 Regulatory relief

### (a) ASX waiver

Blackmores has applied for a waiver of ASX Listing Rules 6.23.1 and 6.23.4 and, if deemed necessary by the ASX, ASX Listing Rule 6.23.3 to the extent necessary to permit the treatment of the Blackmores Equity Incentives set out in section 9.2.

### (b) ASIC relief

Paragraph 8302(h) of Part 3 of Schedule 8 of the *Corporations Regulations 2001* (Cth) requires an explanatory statement to set out whether, within the knowledge of the Blackmores Directors, the financial position of Blackmores has materially changed since the date of the last balance sheet laid before Blackmores Shareholders in accordance with sections 314 or 317 of the Corporations Act, being 30 June 2022. ASIC has granted Blackmores relief from this requirement so that this Scheme Booklet only need set out whether, within the knowledge of the Blackmores Directors, the financial position of Blackmores has materially changed since 31 December 2022 (being the last date of the period to which the financial statements for the half-year ended 31 December 2022 relate).

## 9.9 No unacceptable circumstances

The Blackmores Directors believe that the Scheme does not involve any circumstances in relation to the affairs of Blackmores that could reasonably be characterised as constituting 'unacceptable circumstances' for the purposes of section 657A of the Corporations Act.

## 9.10 No other material information

Except as disclosed elsewhere in this Scheme Booklet, so far as the Blackmores Directors are aware, there is no other information that is:

- material to the making of a decision by a Blackmores Shareholder whether or not to vote in favour of the Scheme; and
- known to any Blackmores Director at the date of lodging this Scheme Booklet with ASIC for registration, which has not previously been disclosed to Blackmores Shareholders.

## 9.11 Supplementary disclosure

Blackmores will issue disclosure supplementing this Scheme Booklet if it becomes aware of any of the following between the date of this Scheme Booklet and the Second Court Date:

- a material statement in this Scheme Booklet is false or misleading or deceptive in a material respect;
- a material omission from this Scheme Booklet of material required to be included;
- a significant change affecting a matter included in this Scheme Booklet; or
- a significant new matter has arisen and it would have been required to be included in this Scheme Booklet if it had arisen before the date of this Scheme Booklet.

Depending on the nature and timing of the changed circumstances, and subject to obtaining any relevant approvals, Blackmores may circulate and publish any supplementary disclosure by:

- making an announcement to the ASX;
- placing an advertisement in a prominently published newspaper which is circulated generally throughout Australia;
- posting or otherwise making available a supplementary document to Blackmores Shareholders; or
- posting a statement on Blackmores' website at <https://www.blackmores.com.au/>,

as Blackmores, in its absolute discretion, considers appropriate.

# 10 Glossary

## 10.1 Definitions

In this Scheme Booklet, unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
Abstain Requirement	an order, requirement or request made or imposed by the Court or a Government Agency that one or more Blackmores Directors abstain or withdraw from making a recommendation to Blackmores Shareholders to vote in favour of the Scheme.
Adara Partners	Adara Partners (Australia) Pty Limited.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in sections 12 and 16 of the Corporations Act.
ASX	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
ATO	the Australian Taxation Office.
Barrenjoey	Barrenjoey Advisory Pty Limited ABN 17 636 976 228.
Blackmores	Blackmores Limited ACN 009 713 437.
Blackmores Board	the board of directors of Blackmores.
Blackmores Director	a member of the Blackmores Board.
Blackmores Equity Incentives	<ol style="list-style-type: none"> <li>1 Blackmores Short-Term Equity Incentives;</li> <li>2 Blackmores Long-Term Equity Incentives; and</li> <li>3 other rights to acquire or be issued Blackmores Shares, including rights granted under Blackmores' Employee and Director Rights Plan.</li> </ol>
Blackmores Group	Blackmores and each of its Subsidiaries (including PT Kalbe Blackmores Nutrition), and a reference to a <b>Blackmores Group Member</b> or a <b>member of the Blackmores Group</b> is to Blackmores or any of its Subsidiaries.
Blackmores Information	<p>the information contained in this Scheme Booklet, other than:</p> <ol style="list-style-type: none"> <li>1 the Kirin Information;</li> <li>2 any description of the taxation effect of the Transaction on Scheme Shareholders prepared by an external adviser to Blackmores; and</li> <li>3 the Independent Expert's Report.</li> </ol>
Blackmores Long-Term Equity Incentives	the conditional rights to acquire Blackmores Shares awarded or granted under Blackmores' Long-Term Incentive Plan (as operated under the terms of Blackmores' Executive Share Plan Trust Deed, as amended from time to time).

For personal use only



Term	Meaning
Blackmores Material Adverse Change	<p>an event, change, condition, matter, circumstance or thing occurring (<b>Specified Event</b>) on or after the 26 April 2023 which, whether individually or aggregated with all such other Specified Events of a like kind, has resulted in or is reasonably likely to result in:</p> <ol style="list-style-type: none"> <li>1 the Blackmores Group ceasing to operate, or being unable to continue to operate, its business in Australia, The People’s Republic of China or Indonesia;</li> <li>2 the consolidated net assets of the Blackmores Group (calculated in accordance with the accounting policies and practices applied by Blackmores as at 26 April 2023) being diminished by at least \$65 million against the 31 December 2022 Blackmores Group reported balance sheet; or</li> <li>3 the consolidated annual EBITDA of the Blackmores Group (for the purposes of this definition being EBITDA excluding nonrecurring or non-trading items in accordance with Blackmores’ accounting policies and the applicable accounting standards including those prescribed by the Australian Accounting Standards Board) being reduced by at least \$20 million as compared to what the consolidated annual EBITDA of the Blackmores Group would reasonably have been expected to be at the end of a financial year but for such Specified Event,</li> </ol> <p>other than those events, changes, conditions, matters, circumstances or things:</p> <ol style="list-style-type: none"> <li>4 that are fairly disclosed in: <ul style="list-style-type: none"> <li>• the Disclosure Materials;</li> <li>• an announcement made by Blackmores to ASX, or a publicly available document lodged by it with ASIC, in the 24 month period prior 26 April 2023; or</li> <li>• publicly available document which would be disclosed in a search of: <ul style="list-style-type: none"> <li>- the PPS Register;</li> <li>- the registry of the New South Wales Land Registry Services or the Victorian land Titles Office;</li> <li>- the registry of the High Court, the Federal Court, the Federal Circuit Court, and the Supreme Courts in each state and territory of Australia; or</li> <li>- IP Australia,</li> </ul> </li> </ul> <p>had each such search been conducted on the Business Day before 26 April 2023;</p> </li> <li>5 that were within the actual knowledge of Kirin as at 26 April 2023;</li> <li>6 agreed to in writing by Kirin or requested in writing by Kirin;</li> <li>7 directly relating to costs and expenses incurred by Blackmores associated with the Scheme process or Transaction; or</li> <li>8 any of the following: <ul style="list-style-type: none"> <li>• arising as a result of any generally applicable change in law (including subordinate legislation) or regulation;</li> <li>• arising from changes in economic or business conditions that impact on Blackmores and its competitors in a similar manner (including interest rates, general economic, political or business conditions, including material adverse changes or major disruptions to, or fluctuations in, domestic or international financial markets);</li> <li>• arising from any act of terrorism, outbreak or escalation of war (whether or not declared), major hostilities, civil unrest or outbreak or escalation of any disease epidemic or pandemic (including the outbreak, escalation or any impact of, or recovery from, the Coronavirus or COVID-19 pandemic); or</li> <li>• arising from any act of God, natural disaster, lightning, storm flood, bushfire, earthquake, explosion, cyclone, tidal wave, landslide, on or after 26 April 2023,</li> </ul> </li> </ol> <p>but excluding any event, change, condition, matter, circumstance or thing which have a materially disproportionate, and adverse, impact on Blackmores Group relative to its competitors.</p>

Term	Meaning
Blackmores Prescribed Occurrence	<p>other than as:</p> <ol style="list-style-type: none"> <li>1 required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</li> <li>2 fairly disclosed in: <ul style="list-style-type: none"> <li>• the Disclosure Materials;</li> <li>• an announcement made by Blackmores to ASX, or a publicly available document lodged by it with ASIC, prior to 26 April 2023; or</li> <li>• publicly available document which would be disclosed in a search of: <ul style="list-style-type: none"> <li>- the PPS Register;</li> <li>- the registry of the New South Wales Land Registry Services or the Victorian Land Titles Office;</li> <li>- the registry of the High Court, the Federal Court, the Federal Circuit Court, and the Supreme Courts in each state and territory of Australia; or</li> <li>- IP Australia,</li> </ul> </li> </ul> <p>had each such search been conducted on the Business Day before 26 April 2023;</p> <li>3 agreed to in writing by Kirin or requested in writing by Kirin; or</li> <li>4 required by any applicable law or regulation,</li> </li></ol> <p>with the exceptions in items 2 and 4 above not applying to the prescribed occurrence in item 8 below, the occurrence of any of the following:</p> <ol style="list-style-type: none"> <li>5 Blackmores converting all or any of its shares into a larger or smaller number of shares;</li> <li>6 a member of the Blackmores Group resolving to reduce its share capital in any way;</li> <li>7 a member of the Blackmores Group: <ul style="list-style-type: none"> <li>• entering into a buy-back agreement; or</li> <li>• resolving to approve the terms of a buy-back agreement under the Corporations Act;</li> </ul> </li> <li>8 a member of the Blackmores Group issuing shares, options, convertible securities or Blackmores Equity Incentives, or agreeing to make such an issue of shares, options, convertible securities or Blackmores Equity Incentives, other than: <ul style="list-style-type: none"> <li>• to a directly or indirectly wholly owned Subsidiary of Blackmores; or</li> <li>• the issue of shares upon the conversion or vesting of Blackmores Equity Incentives,</li> </ul> </li> <li>9 a member of the Blackmores Group issuing, or agreeing to issue, convertible notes;</li> <li>10 a member of the Blackmores Group disposing, or agreeing to dispose, of the whole, or a substantial part, of its business or property;</li> <li>11 a member of the Blackmores Group granting a Security Interest, or agreeing to grant a Security Interest, in the whole, or substantially all, of the business or property of the Blackmores Group, other than for the purposes of securing obligations under financing arrangements entered into for the purposes of: <ul style="list-style-type: none"> <li>• replacing maturing or expiring debt financing arrangements;</li> <li>• refinancing existing debt finance arrangements on market terms;</li> <li>• new bank guarantees;</li> <li>• currency hedging; or</li> <li>• funding part or all of the Special Dividend,</li> </ul> <p>and prior written notification has been provided to Kirin; or</p> <li>12 an Insolvency Event occurs in relation to a member of the Blackmores Group (other than a dormant entity).</li> </li></ol>

Term	Meaning
Blackmores Regulated Event	<p>other than as:</p> <ol style="list-style-type: none"> <li>1 required or permitted by the Scheme Implementation Deed, the Scheme or the transactions contemplated by either;</li> <li>2 fairly disclosed in: <ul style="list-style-type: none"> <li>• the Disclosure Materials including as being an action that the Blackmores Group may carry out between (and including) 26 April 2023 and the Implementation Date, including for the avoidance of doubt any strategic initiatives identified in the Disclosure Materials (whether or not such strategic initiatives have been approved by the Blackmores Board as at 26 April 2023);</li> <li>• an announcement made by Blackmores to ASX, or a publicly available document lodged by it with ASIC, prior to 26 April 2023; or</li> <li>• publicly available document which would be disclosed in a search of: <ul style="list-style-type: none"> <li>- the PPS Register;</li> <li>- the registry of the New South Wales Land Registry Services or the Victorian Land Titles Office;</li> <li>- the registry of the High Court, the Federal Court, the Federal Circuit Court, and the Supreme Courts in each state and territory of Australia; or</li> <li>- IP Australia,</li> </ul> </li> </ul> <p>had each such search been conducted on the Business Day before 26 April 2023;</p> <li>3 agreed to in writing by Kirin or requested in writing by Kirin (which response must not be unreasonably delayed more than 5 Business Days from the date of the request from Blackmores); or</li> <li>4 required by any applicable law, regulation or contract entered into and a copy of which was Fairly Disclosed to Kirin before 26 April 2023, the occurrence of any of the following:</li> <li>5 a Blackmores Group Member reclassifying, combining, splitting or redeeming or repurchasing directly or indirectly any of its shares (other than to meet or settle obligations in respect of Blackmores Equity Incentives);</li> <li>6 other than the Special Dividend, Blackmores announcing, making, declaring, paying or distributing any dividend, bonus or other share of its profits or assets or returning or agreeing to return any capital to its members (whether in cash or in specie);</li> <li>7 a member of the Blackmores Group making any change to its constitution, other than a change that does not materially affect the Transaction or the Blackmores Group;</li> <li>8 a member of the Blackmores Group entering into a new line of business not already carried out by the Blackmores Group as at 26 April 2023, whether by way of acquisition or otherwise;</li> <li>9 a member of the Blackmores Group: <ul style="list-style-type: none"> <li>• acquiring, leasing or disposing of;</li> <li>• agreeing to acquire, lease or dispose of; or</li> <li>• announcing or proposing a bid, or tendering, for,</li> </ul> <p>any business, assets, entity or undertaking, the value of which exceeds \$10 million (individually or in aggregate);</p> </li> </li></ol>

Term	Meaning
Blackmores Regulated Event (cont.)	<p>10 a member of the Blackmores Group entering into new debt financing arrangements (other than replacement of maturing or expiring arrangements, refinancing arrangements on market terms, new bank guarantees, financing arrangements associated with currency hedging, or (if entered into and as permitted under the terms of the Scheme Implementation Deed) a new debt facility for the purpose of funding part or all of the Special Dividend:</p> <ul style="list-style-type: none"> <li>• the value of which exceeds \$25 million (individually or in aggregate);</li> <li>• the term exceeds 12 months or is subject to automatic renewal; or</li> <li>• where the total costs (including upfront fees, interests costs and early repayment fees following the Implementation Date) associated with these new financing arrangements exceeds \$2 million;</li> </ul> <p>11 a member of the Blackmores Group incurring capital expenditure where the financial impact on the Blackmores Group will be in excess of \$7.5 million;</p> <p>12 any event of default, review event, right of acceleration or any other event occurring which results in, or gives rise to a right, for any external financial debt of the Blackmores Group becoming due and payable before its stated maturity or causes the credit available under the relevant financial indebtedness facility to cease to be available (unless such event or right arises because of the actual or potential change of control of Blackmores and other Blackmores Group Members resulting from the entry of the parties into the Scheme Implementation Deed or the Scheme becoming effective or being implemented);</p> <p>13 a member of the Blackmores Group waiving any material third party default where the financial impact on the Blackmores Group will be in excess of \$5 million;</p> <p>14 a member of the Blackmores Group accepting as a compromise of a matter less than the full compensation due to a member of the Blackmores Group where the financial impact of the compromise on the Blackmores Group is more than \$5 million;</p> <p>15 a member of the Blackmores Group entering into any material transaction or material agreement that continues beyond the Implementation Date on terms that are not negotiated on an arm's length, commercial basis;</p> <p>16 a member of the Blackmores Group:</p> <ul style="list-style-type: none"> <li>• entering into any new contract for supply of goods or services to Blackmores which does not contain a right for the relevant Blackmores Group Member to terminate the contract at its convenience with a notice period of 6 months or less (other than any agreement relating to energy supply); or</li> <li>• terminating, varying, amending or modifying any existing contract which is material to the businesses operated by the Blackmores Group, in each case where the annual value of the relevant contract is in excess of \$10 million or the total value of the relevant contract is in excess of \$20 million;</li> </ul> <p>17 a member of the Blackmores Group settling any legal proceedings, disputed claim, investigation, arbitration or other like proceeding where the settlement amount payable by any member of the Blackmores Group exceeds \$5 million;</p> <p>18 a member of the Blackmores Group entering into, or resolving to enter into, a transaction with any related party of Blackmores (other than a related party which is a member of the Blackmores Group), as defined in section 228 of the Corporations Act, other than on arm's length terms;</p>

Term	Meaning
Blackmores Regulated Event (cont.)	<p>19 a member of the Blackmores Group:</p> <ul style="list-style-type: none"> <li>• entering into any new employment, consulting or service agreement or arrangement, or varying any employment, consulting or service agreement or arrangement in existence at 26 April 2023, accelerating or otherwise increasing the compensation or benefits, with any of its officers, directors or other senior executives or any individual in respect of which the total annual remuneration in respect of that individual is greater than \$500,000;</li> <li>• pays any bonus or issues any securities to, or otherwise varies the employment, consulting or service agreements or arrangements with, any of its officers, directors or other senior executives or any individual in respect of which the total annual remuneration in respect of that individual is greater than \$500,000 (other than bonuses payable to any individual in accordance with the employment terms of that officer or employee in existence as at 26 April 2023 and in the ordinary and usual course of business and consistent with the practice adopted for the financial year ending June 2022); or</li> <li>• pays any termination payment or a retention payment to any of its officers, directors or other senior executives or any individual, in respect of which total annual remuneration in respect of that individual is greater than \$500,000,</li> </ul> <p>in each case other than pursuant to replacement of personnel in the ordinary course, usual remuneration review processes conducted in the ordinary course or in accordance with policies, guidelines or contractual arrangements in effect on 26 April 2023 and which are contained in the Disclosure Materials;</p> <p>20 a member of the Blackmores Group entering into any enterprise bargaining agreement other than in the ordinary course of business or pursuant to contractual arrangements in effect on 26 April 2023 and which are contained in the Disclosure Materials; or</p> <p>21 a member of the Blackmores Group materially changing any accounting policy applied by it to report its financial position other than any change in policy required by a change in accounting standards or principles or by the Blackmores Group's external auditor;</p> <p>22 the occurrence of a finding in the Sites Report that the presence of any contamination: (i) in or under a Site; (ii) emanating into, onto or under a Site; or (iii) emanating from a Site, which presents a significant risk of harm to human health or the environment such that:</p> <ul style="list-style-type: none"> <li>• the present use of a Site for commercial/industrial purposes cannot continue to be undertaken in its current form and layout without remediation; and</li> <li>• that remediation cannot be undertaken: <ul style="list-style-type: none"> <li>- without causing a complete cessation or complete relocation of Blackmores' business operations at or from (as applicable) a Site, other than as agreed between Kirin and Blackmores; or</li> <li>- due to any legally binding order or requirement of any regulatory authority (including the Environmental Protection Authority of New South Wales or Victoria (as applicable), or a council) which prevents such use or remediation.</li> </ul> </li> </ul> <p>23 any amendment to an agreement between a Blackmores Group member and any financial, legal, accounting and other adviser in connection with the Transaction, which results in:</p> <ul style="list-style-type: none"> <li>• an increase in a success or discretionary fees payable pursuant to any such adviser in connection with the Transaction; or</li> <li>• the aggregate value of fees payable exceeding \$20 million.</li> </ul>

Term	Meaning
Blackmores Share	a fully paid ordinary share in the capital of Blackmores.
Blackmores Share Register	the register of members of Blackmores maintained in accordance with the Corporations Act.
Blackmores Share Registry	Computershare Investor Services Pty Limited.
Blackmores Shareholder	each person who is registered as the holder of a Blackmores Share in the Blackmores Share Register.
Blackmores Short-Term Equity Incentives	the performance rights awarded or granted under Blackmores' Short-Term Incentive Plan (as operated under the terms of Blackmores' Executive Share Plan Trust Deed, as amended from time to time)
Business Day	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney or Tokyo.
Competing Proposal	<p>any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in a third party (either alone or together with any Associate):</p> <ol style="list-style-type: none"> <li>1 directly or indirectly acquiring a Relevant Interest in, or become the holder of, 20% or more of the Blackmores Shares;</li> <li>2 acquiring Control of Blackmores;</li> <li>3 directly or indirectly acquiring or obtaining a right to acquire 15% or more of the consolidated assets of the Blackmores Group; or</li> <li>4 required Blackmores to abandon, or otherwise fail to proceed with, the Transaction, <p>whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual-listed company (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement.</p> </li></ol>
Control	has the meaning given in section 50AA of the Corporations Act.
Corporations Act	the <i>Corporations Act 2001</i> (Cth), as modified or varied by ASIC.
Court	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Kirin and Blackmores.
Deed Poll	a deed poll in the form of Annexure 3 under which Kirin and Kirin Sub covenant in favour of the Scheme Shareholders to perform the obligations attributed to Kirin and Kirin Sub under the Scheme.
Disclosure Materials	<ol style="list-style-type: none"> <li>1 the documents and information, including written responses to requests for further information, which are all contained in the data room made available by Blackmores to Kirin and its Related Persons as at 5.00pm (AEST) on 19 April 2023, the index of which has been sent by Herbert Smith Freehills to Thomson Geer by email at 9.51pm (AEST) on 25 April 2023; and</li> <li>2 the disclosure letter dated 26 April 2023 provided by Blackmores to Kirin and countersigned by Kirin.</li> </ol>
EBIT	earnings before interest and tax.
EBITDA	earnings before interest, tax, depreciation and amortisation.



Term	Meaning
EV	enterprise value.
Effective	the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme.
Effective Date	the date on which the Scheme becomes Effective, currently expected to be 21 July 2023.
End Date	29 September 2023, or such other date as agreed in writing by Blackmores and Kirin.
Ernst & Young	Ernst & Young
Excluded Shareholder	any member of the Kirin Group.
Exclusivity Period	the period from and including 26 April 2023 to the earlier of: <ol style="list-style-type: none"> <li>1 the date of termination of the Scheme Implementation Deed;</li> <li>2 the End Date of the Scheme Implementation Deed; and</li> <li>3 the Effective Date.</li> </ol>
FIRB	the Foreign Investment Review Board.
First Court Date	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard, or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
General Taxation Information	the description of the taxation effect of the Transaction on Scheme Shareholders contained in this Scheme Booklet, including section 8 (which information has been prepared by Ernst & Young).
Government Agency	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any State, and any other federal, state, provincial, or local government, whether foreign or Australian.
GST	goods and services tax or similar value added tax levied or imposed in Australia under the GST Law or otherwise on a supply.
GST Act	the <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
GST Law	has the same meaning as in the GST Act.
Implementation Date	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as Blackmores and Kirin agree in writing, currently expected to be 10 August 2023.
Independent Expert	Kroll Australia Pty Ltd ABN 73 116 738 535, the independent expert in respect of the Scheme appointed by Blackmores.
Independent Expert's Report	the report issued by the Independent Expert in connection with the Scheme, as set out in Annexure 1.

Term	Meaning
Insolvency Event	<p>in relation to an entity:</p> <ol style="list-style-type: none"> <li>1 the entity resolving that it be wound up or a court making an order for the winding up or dissolution of the entity (other than where the order is set aside within 14 days);</li> <li>2 a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official being appointed to the entity or in relation to the whole, or a substantial part, of its assets;</li> <li>3 the entity executing a deed of company arrangement;</li> <li>4 the entity ceases, or threatens to cease to, carry on substantially all the business conducted by it as at the date of the Scheme Implementation Deed;</li> <li>5 the entity is or becomes unable to pay its debts when they fall due within the meaning of the Corporations Act (or, if appropriate, legislation of its place of incorporation), unless that entity has or has access to financial support from a Related Body Corporate such that it is able to pay its debts; or</li> <li>6 the entity being deregistered as a company or otherwise dissolved.</li> </ol>
KHA	Kirin Holdings Australia Pty Ltd ACN 667 868 448, being a directly wholly owned subsidiary of Kirin Holdings Company, Limited.
Kirin	Kirin Holdings Company, Limited.
Kirin Board	the board of directors of Kirin.
Kirin Cash Reserves	has the meaning given in section 6.6(b).
Kirin Director	a member of the Kirin Board.
Kirin Facility	has the meaning given in section 6.6(b).
Kirin Group	has the meaning given in section 6.1.
Kirin Information	<p>information in the Scheme Booklet about Kirin, Kirin Sub, KHA, the Kirin Group, the businesses of the Kirin Group, Kirin's interests and dealings in Blackmores Shares, Kirin's intentions for Blackmores and Blackmores' employees, and funding for the Scheme, including:</p> <ol style="list-style-type: none"> <li>1 the entire content of section 6, including relevant definitions used in that section; and</li> <li>2 the answer to the question 'Who is Kirin?' in section 2.</li> </ol> <p>For the avoidance of doubt, the Kirin Information excludes the Blackmores Information, the Independent Expert's Report and the General Taxation Information.</p>
Kirin Sub	Kirin Health Science Australia Pty Ltd ACN 667 869 623, being an indirectly wholly owned subsidiary of Kirin.
Kyowa Kirin	Kyowa Kirin Co, Ltd.
Last Practicable Date	Friday 2 June 2023.
Listing Rules	the official listing rules of the ASX.
Major Shareholders	has the meaning given in section 9.6.
Related Bodies Corporate	has the meaning given in section 50 of the Corporations Act.
Related Person	in respect of a party or its related bodies corporate, each director, officer, employee, adviser, agent or representative of that party or Related Body Corporate.

Term	Meaning
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Requisite Majorities	in relation to the Scheme Resolution, a resolution passed by: <ol style="list-style-type: none"> <li>1 unless the Court orders otherwise, a majority in number (more than 50%) of Blackmores Shareholders present and voting at the Scheme Meeting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative); and</li> <li>2 at least 75% of the total number of votes cast on the Scheme Resolution at the Scheme Meeting by Blackmores Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative).</li> </ol>
Scheme	the scheme of arrangement under Part 5.1 of the Corporations Act between Blackmores and the Scheme Shareholders, the form of which is attached as Annexure 2, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Kirin and Blackmores.
Scheme Booklet	this document being the explanatory statement in respect of the Scheme, which has been prepared by Blackmores in accordance with section 412 of the Corporations Act.
Scheme Consideration	the consideration to be provided by Kirin or Kirin Sub to each Scheme Shareholder for the transfer to Kirin Sub of each Scheme Share, being for each Blackmores Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of \$95.00 as adjusted in accordance with clause 4.5(b) of the Scheme Implementation Deed regarding payment of any Special Dividend.
Scheme Implementation Deed	the Scheme Implementation Deed dated 26 April 2023 between Blackmores and Kirin, a copy of which was released to the ASX on 27 April 2023.
Scheme Meeting	the meeting of Blackmores Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
Scheme Record Date	7.00pm (Sydney time) on the eighth Business Day after the Effective Date, currently expected to be 7.00pm (Sydney time) on 2 August 2023.
Scheme Resolution	the resolution to the terms of the Scheme, as set out in the Notice of Scheme Meeting in Annexure 4.
Scheme Shareholder	a holder of Blackmores Shares recorded in the Blackmores Share Register as at the Scheme Record Date (other than an Excluded Shareholder).
Scheme Shares	all Blackmores Shares held by the Scheme Shareholders as at the Scheme Record Date.
Second Court Date	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving the Scheme is heard, currently expected to be 20 July 2023, or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
Second Court Hearing	the hearing of the application made to the Court for an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.
Security Interest	has the meaning given in section 51A of the Corporations Act.

Term	Meaning
Sites	each of: 1 20 Jubilee Avenue, Warriewood NSW 2102 Australia, being Lot 50 in Deposited Plan 1237461, Folio 50/1237461; and 1 217-221 Governor Road, Braeside VIC 3195 Australia, being Lot 1 on Plan of Subdivision 330219D Certificate of Title Volume 12156 Folio 133, each of which is owned by the Blackmores Group.
Sites Report	a report prepared by an employee of JBS&G Australia, being a Certified Environmental Practitioner (Site Contamination Specialist) recognised by the relevant regulatory authorities, for the benefit of both Blackmores and Kirin, relating to the outcome of, in respect of each of the Sites an environmental site assessment investigation and Report in accordance with the National Environment Protection (Assessment of Site Contamination) Measures 1999 (as amended 2013) and applicable EPC guidelines, the purpose of which is to determine whether or not there is any contamination which presents a significant risk of harm to human health or the environment such that it would prevent the use of the relevant Site for commercial/industrial purposes as currently used and in its current form and layout.
Special Dividend	a fully franked special dividend of up to \$3.34 per Blackmores Share held by a Blackmores Shareholder as at the Special Dividend Record Date, subject to the availability of franking credits and provided that it will not result in the franking account of Blackmores being in deficit after the special dividend is paid, and which Blackmores may in its discretion determine to declare and pay.
Special Dividend Payment Date	the date of payment of the Special Dividend (if any), as determined by the Blackmores Directors subject to the requirements of the Scheme Implementation Deed and otherwise in their sole discretion, currently expected to be 1 August 2023.
Special Dividend Record Date	the record date for the Special Dividend (if any), as determined by the Blackmores Directors subject to the requirements of the Scheme Implementation Deed and otherwise in their sole discretion, currently expected to be 7.00pm (Sydney time) on 26 July 2023.
Subsidiary	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.
Superior Proposal	bona fide Competing Proposal not resulting from a breach of the exclusivity clause of the Scheme Implementation Deed (clause 10) that the Blackmores Board, acting in good faith, and after consultation with its external legal and financial advisers, determines is reasonably capable of being completed substantially in accordance with its terms and would, if completed substantially in accordance with its terms be reasonably likely to be more favourable to Blackmores Shareholders (as a whole) than the Transaction (and, if applicable, than the Transaction as amended or varied following application of the matching right set out in clause 10.5 of the Scheme Implementation Deed), taking into account all terms and conditions and other aspects of the Competing Proposal (including any timing considerations, any conditions precedent, the value and type of consideration, the level of transaction execution risk, the identity, reputation, expertise and financial capacity and condition of the proponent or other matters affecting the probability of the Competing Proposal being completed) and of the Transaction.
Transaction	the acquisition of the Scheme Shares by Kirin Sub through implementation of the Scheme in accordance with the terms of the Scheme Implementation Deed.
Voting Deed	the voting deed between Kirin, Marcus Blackmore and Marcus Blackmore Holdings Pty Ltd as trustee for the Blackmore Superannuation Fund dated 26 April 2023, a copy of which was released to the ASX on 28 April 2023.
VWAP	Volume weighted average price.

## 10.2 Interpretation

In this Scheme Booklet, unless expressly stated or the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section or annexure is a reference to a section of and an annexure to this Scheme Booklet as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by law includes all statutes, regulations, proclamations, ordinances, or by laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by laws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Scheme Booklet;
- (h) a reference to time is a reference to time in Sydney, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

For personal use only

## Annexure 1

# Independent Expert's Report



Kroll Australia Pty Ltd  
Level 32, 85 Castlereagh St  
Sydney NSW 2000  
[www.kroll.com](http://www.kroll.com)

Ph: (02) 8286 7200  
PO Box: Q113, Queen Victoria Building 1230  
ABN: 73 116 738 535



The Directors  
Blackmores Limited  
20 Jubilee Avenue  
Warriewood NSW 2102

8 June 2023

Dear Directors

## Part One – Independent Expert's Report

### 1 Introduction

On 27 April 2023, Blackmores Limited (**Blackmores**) and Kirin Holdings Company, Limited (**Kirin**) announced that they had entered into a Scheme Implementation Deed under which Kirin Health Science Australia Pty Ltd (**Kirin Sub**), a wholly owned subsidiary of Kirin would acquire 100% of the issued ordinary shares in Blackmores (**Blackmores Shares**) by way of a scheme of arrangement (**Scheme**) (**Transaction**).

Under the Scheme, Blackmores shareholders (**Blackmores Shareholders**) who hold Blackmores Shares on the Scheme Record Date<sup>1</sup> (**Scheme Shareholders**) will receive total cash consideration of \$95.00 for each Blackmores Share held (**Scheme Consideration**), less the cash amount of any special dividend declared or paid by Blackmores prior to implementation of the Scheme.

The Blackmores Board may determine to pay a fully-franked special dividend of up to \$3.34 per Blackmores Share held by a Blackmores Shareholder as at the Special Dividend Record Date<sup>2</sup> (**Special Dividend**) on or immediately prior to implementation of the Scheme. The Special Dividend is expected to enable eligible shareholders to benefit from franking credits of up to \$1.43 per Blackmores Share attached to any such Special Dividend.<sup>3</sup>

The Scheme is subject to a number of conditions as set out in Section 5.2 of this report, including information clearance by the Australian Competition and Consumer Commission (**ACCC**)<sup>4</sup> and approval by the Australian Foreign Investment Review Board (**FIRB**), and the State Administration for Market Regulation (**SAMR**) of the People's Republic of China. As at the date of this report, the ACCC has provided informal clearance, with FIRB and SAMR approvals yet to be received.

Blackmores is an Australian manufacturer and seller of Vitamin and Dietary Supplements (**VDS**)<sup>5</sup> products. Its products are generally positioned at the higher efficacy and more premium end of the market and they

<sup>1</sup> 7:00 pm (Sydney time) on the eighth Business Day after the Effective Date, currently expected to be 7:00pm (Sydney time) on 2 August 2023.

<sup>2</sup> The record date for the Special Dividend (if any), as determined by Blackmores Directors subject to the requirements of the Scheme Implementation Deed and otherwise in their sole discretion, currently expected to be 7:00pm (Sydney time) on 26 July 2023.

<sup>3</sup> Subject to: a) the Scheme becoming effective following approval by Blackmores Shareholders and the Court; b) availability of franking credits and provided that it will not result in the franking account of Blackmores being in deficit after the Special Dividend is paid; c) Blackmores having sufficient existing available cash or funds available under its existing or any new, debt facilities to fund the payment of the Special Dividend; and c) Blackmores having received a draft class ruling from the Australian Tax Office or other indicative confirmation from the Australian Tax Office in a form acceptable to Blackmores in respect of any Special Dividend.

<sup>4</sup> ACCC clearance was received on 8 May 2023.

<sup>5</sup> The VDS industry segment is also commonly referred to as the Vitamins, Minerals, Herbs and Supplements (VMHS) by brokers and industry participants.

For personal use only



operate under three key brands: Blackmores (vitamins and supplements), BioCeuticals (practitioner-only vitamins and supplements)<sup>6</sup> and Pure Animal Wellbeing (natural pet healthcare products). Blackmores' products are sold in 13 markets/territories globally, with Australia and New Zealand (**ANZ**) and China its largest markets comprising a combined 67% of FY22 revenues. As at 6 April 2023,<sup>7</sup> the last trading day prior to media speculation that it may attract interest as a takeover target,<sup>8</sup> Blackmores had a market capitalisation of \$1,447.7 million.<sup>9</sup>

Kirin is a holding company that owns food and beverage, pharmaceuticals and health sciences businesses that operate in Japan and globally. It is headquartered in Tokyo and listed on the Tokyo, Nagoya, Fukuoka and Sapporo stock exchange with a market capitalisation of \$21.2 billion on 31 March 2023.<sup>10</sup> Kirin employs approximately 30,000 people globally.

The Scheme is subject to approval by Blackmores Shareholders at a meeting (**Scheme Meeting**) to be held on 18 July 2023. For the Scheme to proceed, the Scheme resolution must be approved by at least 75% of all votes cast by Blackmores' Shareholders and 50% in number of Blackmores Shareholders present and voting (in person or by proxy).

In order to assist Blackmores Shareholders in assessing the Scheme, the directors of Blackmores (**Blackmores Directors**) have appointed Kroll Australia Pty Ltd (**Kroll**) to prepare an independent expert's report setting out whether, in our opinion, the Scheme is fair and reasonable and in the best interests of Blackmores Shareholders, in the absence of a superior proposal.

This report sets out Kroll's opinion as to the merits or otherwise of the Scheme and will be included in the Scheme Booklet and Explanatory Statement (**Scheme Booklet**) to be sent to Blackmores Shareholders.

Further information regarding Kroll, as it pertains to the preparation of this report, is set out in Appendix 1.

Kroll's Financial Services Guide is contained in Part Two of this report.

## 2 Scope of report

The Transaction is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act 2001 (Cth) (**Corporations Act**) and requires approval of Blackmores Shareholders. Section 412(1) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement includes information that is material to the making of a decision by a creditor or member as to whether or not to approve the scheme.

Even where an independent expert's report is not strictly required by the law, it is not uncommon for directors to commission one to ensure they are providing the information that is material to the making of a decision by a creditor or member. The Blackmores Directors have requested Kroll prepare an independent expert's report for Blackmores Shareholders in relation to the Scheme.

In undertaking our work, we have referred to guidance provided by ASIC in its Regulatory Guides in particular, Regulatory Guide 111 'Content of expert reports' (**RG 111**) which outlines the principles and matters which it expects a person preparing an independent expert report to consider.

Further details of the relevant technical requirements and the basis of assessment in forming our opinion are set out in Section 6 of this report.

## 3 Opinion

### 3.1 Background

Blackmores is a vertically integrated Australian consumer products company, specialising in the manufacturing and sales of VDS products. As one of Australia's most trusted brands,<sup>11</sup> it positions its

<sup>6</sup> Practitioner-only vitamins and supplements refers to products that require the customer to undergo a consultation from an accredited health professional (pharmacist, naturopath, physiotherapist, etc.) before purchasing.

<sup>7</sup> Kroll notes that Blackmores was also the subject of earlier takeover speculation prior to 10 April 2023. For example, "China reopening a boost for Blackmores; strategic joins PE", Australian Financial Review, 29 January 2023. Blackmores' share price increased from a close of \$73.22 on 10 January 2023 to close at a high of \$88.34 on 1 February 2023, however, subsequently declined to trade below \$73.22. Consequently, it does not appear that the Blackmores share price on 6 April 2023 included a control premium.

<sup>8</sup> "Blackmores suitor revealed as Japanese giant; will another follow?", Australian Financial Review, 10 April 2023.

<sup>9</sup> Calculated as closing price on 6 April 2023 of \$74.43 multiplied by 19,450,635 Blackmores Shares.

<sup>10</sup> Calculated as the closing share price on 31 March 2023 of ¥2,091 multiplied by 914,000,000 ordinary shares based on an exchange rate of ¥90 per A\$1.

<sup>11</sup> "Trusted Brands Australia 2023", Readers Digest Australia.



products at the premium end of the market. The majority of its products are manufactured in-house, with production facilities located in Australia, before being sold in 13 markets across APAC, Australia and China.

Blackmores' Australian revenues are concentrated in the Pharmacy channel, largely driven by brand sales of Blackmores and BioCeuticals products.

In contrast, in China, Blackmores distributes its products predominantly through the e-commerce channel and also through its export division. Product distribution in International varies by country, however, the pharmacy and e-commerce channels are important distribution channels.

VDS products are typically consumed orally and are aimed at assisting a consumer's dietary, fitness, health, and wellness outcomes. Blackmores has benefitted from the strong historical growth of the segment which has been underpinned by structural demographic and societal trends, including rising health consciousness, ageing populations focused on health optimisation and prevention of disease, increasing market penetration in new regions (particularly in Asia), and evolving industry channels. These trends are expected to continue.

Since 2015/16 Blackmores' China sales grew rapidly off the daigou trend. It was estimated that daigous accounted for as much as a third of Blackmores' Australian sales in 2018.<sup>12</sup> Since 2019, however, this revenue stream has declined as a result of the introduction of requirements for daigou businesses to register and pay taxes in China from 2019, COVID-19 pandemic related international border closures reducing migrant and tourist volumes and relatively higher travel costs to Australia compared to other Asian markets. As a result, Blackmores management refocused its strategy on the Australian market, increasing product innovation and driving cost savings under the Business Improvement Program. It is also investing in an IT transformation program.

Blackmores management expects that the full \$55.0 million of Phase 1 cost savings will be delivered by June 2023 and on 23 February 2023, announced an additional \$34.0 to \$44.0 million in cost savings to be delivered over FY24 to FY26. Given high cost inflation, there is a risk that these savings will mainly offset inflation, rather than generate substantial margin improvement.

The VDS industry segment is highly competitive, with relatively low barriers to entry allowing many companies to compete to gain market share and build scale. Whilst continued growth is expected in the China and International segments, this is expected to slow materially in the medium-term with COVID-19 pandemic tailwinds subsiding. Another unknown is how Chinese consumers will behave post lockdowns with travel restrictions easing, which relates to whether the daigou channel will return, and if so, the magnitude of its recovery.

In addition, future trading conditions are expected to remain uncertain with common themes as to cost inflation as well as rising interest rates impacting consumer sentiment and behaviour.

In summary, although Blackmores benefits from positive industry trends in both Australia and overseas markets, significant risks remain in relation to both revenue and costs and the business needs to continue to innovate and implement business improvement programs to manage competitor behaviour and rising costs. It also has significant remaining expenditure under the digital transformation program. It is within this context that we have evaluated the offer from Kirin.

### 3.2 Summary of opinion

**In our opinion, the Scheme is in the best interests of Blackmores Shareholders, in the absence of a superior proposal.**

In arriving at this opinion, we have assessed whether the Scheme is:

- **fair**, by comparing the Scheme Consideration to our assessed value of a Blackmores Share on a controlling interest basis. This approach is in accordance with the guidance set out in RG 111; and
- **reasonable**, by assessing the implications of the Scheme for Blackmores Shareholders, the alternatives to the Scheme that are available to Blackmores, and the consequences for Blackmores Shareholders of not approving the Scheme.

**We have assessed the Scheme to be fair and reasonable. Consequently, consistent with RG 111, we have concluded that the Scheme is in the best interests of Blackmores Shareholders, in the absence of a superior proposal.**

<sup>12</sup> Blackmores management.



**We have assessed the value of a Blackmores Share on a controlling interest basis to be in the range \$89.00 to \$102.00. As the Scheme Consideration of \$95.00 falls within our assessed value range for a Blackmores Share, the Scheme is fair.**

In forming our view as to the value of Blackmores, we have considered a range of factors including Blackmores' brand reputation for quality and its positioning at the premium end of the market, favourable structural and societal trends supporting the growth of the VDS segment, Blackmores' leverage to high growth regions in Asia supported by strong earnings and defensive growth in ANZ, the potential for further savings from Phase 2 of its Business Improvement Program, its strategy of in-house manufacturing which has both advantages and risks, the highly competitive nature of the industry with low barriers to entry, Blackmores' relatively low margins and extensive depreciation and amortisation with some of its manufacturing facilities, the potential impact of inflation and rising interest rates on both the business and consumer, as well as the synergies available to a pool of potential purchasers.

Our analysis of the fairness of the Scheme is detailed further in Section 3.3 of this report.

In accordance with RG 111, an offer is reasonable if it is fair. As we have assessed the Scheme to be fair, it is also reasonable. Regardless of this requirement, we have considered a range of other factors that are relevant to an assessment of the reasonableness of the Scheme, including:

- the Scheme Consideration represents a moderate premium to undisturbed trading prices of Blackmores Shares;
- the Scheme Consideration is in cash and provides certainty of the pre-tax amount that Blackmores Shareholders will receive;
- Blackmores Shareholders will not participate in any future increases in value of Blackmores, however, they will no longer be exposed to the risks facing the business;
- in the event that the Scheme is not approved or any other conditions precedent prevent the Scheme from being implemented, Blackmores will continue to operate in its current form and its share price is likely to fall to levels consistent with the undisturbed trading price of Blackmores Shares, subject to any future financial achievements in the subsequent period, industry developments and the impact of broader trends in equity markets; and
- no alternative bidder has emerged since the announcement of the Transaction.

Other matters which Blackmores Shareholders should consider in assessing the Scheme include:

- Blackmores will incur transaction costs if the Scheme does not proceed;
- the outstanding conditions precedent which, if not satisfied, will result in the Scheme not being implemented; and
- the tax implications of the Scheme.

Our analysis of the reasonableness of the Scheme is detailed further in Section 3.4 of this report. The decision to approve the Scheme is a matter for individual Blackmores Shareholders based on their views as to value, expectations about future market conditions and their particular circumstances, including investment strategy and portfolio, risk profile and tax position. If in doubt, Blackmores Shareholders should consult their own professional adviser regarding the action they should take in relation to the Scheme.

### 3.3 The Scheme is fair

#### 3.3.1 Valuation of Blackmores

Kroll has assessed the value of Blackmores' equity to be in the range of \$1,736.4 million to \$1,974.8 million, which corresponds with a concluded value per Blackmores Share in the range of \$89.00 to \$102.00 on a fully diluted basis. Our range of assessed values reflects 100% ownership of Blackmores and, therefore, incorporates a control premium. The value of Blackmores' equity is the value of its operating business plus non-operating assets, plus surplus cash and inventory, less non-controlling interests. The valuation is summarised as follows.


**Blackmores Summary of Value (\$ millions)**

	Section Reference	Valuation Range	
		Low	High
<b>Value of Blackmores' operating business (100% control basis)</b>	9.3	<b>1,782.0</b>	<b>2,028.0</b>
Other assets / (liabilities) (net)	9.5	(60.2)	(67.8)
<b>Enterprise value (100% control basis)</b>		<b>1,721.8</b>	<b>1,960.2</b>
Net cash (including lease liabilities)	9.5	14.6	14.6
<b>Value of Blackmores' equity (100% control basis)</b>		<b>1,736.4</b>	<b>1,974.8</b>
Number of shares outstanding – diluted (millions) <sup>1</sup>		19.5	19.5
<b>Value per Blackmores Share – diluted (control basis) (\$)</b>		<b>\$89.27</b>	<b>\$101.53</b>
<b>Kroll's concluded value per Blackmores Share (\$)</b>		<b>\$89.00</b>	<b>\$102.00</b>

Source: Kroll analysis.

Note 1: Includes all of the 19,450,635 ordinary shares on issue.

In assessing the value of Blackmores' operating business, Kroll has adopted a market approach as the primary methodology utilising multiples of EBITDA (refer to Section 9.3 of this report). The value derived from the market approach has been cross-checked using a high-level discounted cash flow (DCF) analysis (refer to Section 9.4).

In forming our view as to the value of Blackmores Shares, we have considered a series of factors including:

- Blackmores' brand reputation as one Australia's most trusted brands,<sup>13</sup> and position at the premium end of the market;
- the favourable structural demographic and societal trends, including rising health consciousness, ageing populations focused on health optimisation and prevention of disease;
- Blackmores' leverage to high growth regions in Asia;
- the potential benefit of the recent focus on product innovation;
- possible full run rate savings from the Phase 1 of the Business Improvement Program and potential for further savings under Phase 2 of the plan, offset by the risk of achieving those savings;
- the highly competitive nature of the industry, with relatively low barriers to entry allowing many companies to compete to gain market share and build scale;
- Blackmores' relatively low margins and extensive depreciation and amortisation charges associated with the Braeside manufacturing facility;
- the potential impact of inflation on costs, as well as rising interest rates impacting consumer sentiment and behaviour;
- the significant IT transformation costs remaining; and
- synergies available to a pool of potential acquirers.

It should also be noted that a valuation of Blackmores in the current macroeconomic and geopolitical environment is complex and requires judgement as to the outlook for markets and the global economy.

Our valuation range of \$89.00 to \$102.00 per Blackmores Share reflects a premium over the closing price of Blackmores Shares on 6 April 2023,<sup>14</sup> the last trading day prior to media speculation that it may attract interest as a takeover target<sup>15</sup> of between 19.6% and 37.0%, and a premium to the one-month VWAP in the range of 22.3% to 40.1%. A portion of this premium reflects that our valuation of Blackmores includes a control premium, rather than a valuation of a minority interest in the company as traded on the ASX. The premium is within the spectrum of, or below premiums observed in completed transactions, which are

<sup>13</sup> Trusted Brands Australia 2023. Readers Digest Australia.

<sup>14</sup> Kroll notes that Blackmores was also the subject of earlier takeover speculation prior to 10 April 2023. For example, "China reopening a boost for Blackmores; strategic joins PE", Australian Financial Review, 29 January 2023. Blackmores' share price increased from a close of \$73.22 on 10 January 2023 to close at a high of \$88.34 on 1 February 2023, however, subsequently declined to trade below \$73.22. Consequently, it does not appear that the Blackmores share price on 6 April 2023 included a control premium.

<sup>15</sup> "Blackmores suitor revealed as Japanese giant; will another follow?", Australian Financial Review, 10 April 2023.



broadly in the range of 25% to 40% depending on the individual circumstances.<sup>16</sup> In this regard, we note that synergies available to strategic buyers of Blackmores are potentially material, with the potential to derive savings from corporate overheads, procurement, regulatory and distribution costs as well as public company costs.

**Special Dividend**

It is expected that the total cash consideration of \$95.00 per share will include a special dividend of up to \$3.34 per share, which is expected to include a franking credit of up to \$1.43 (provided a favourable class ruling is obtained from the ATO).

In Kroll opinion, it is not appropriate for the assessment of the Scheme to either:

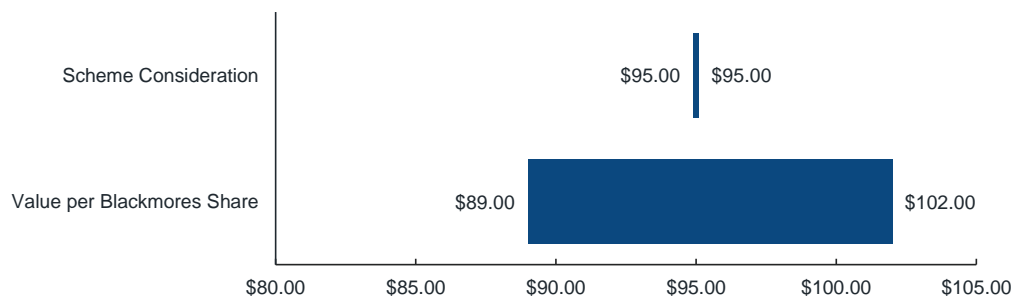
- factor into the value of Blackmores the value of accumulated franking credits; or
- include in the value of the consideration the value of the credits attached to the special dividend;

since the value of those credits to each shareholder varies depending on their individual circumstances. Nevertheless, it needs to be recognised that, where part of a takeover offer comprises a franked dividend, some shareholders may realise additional value from the franking credits (i.e. they are better off in after tax terms than they would have been had the same amount been paid as part of the acquisition price and been received as a capital gain).

**3.3.2 Assessment of fairness**

A comparison of our assessed value per Blackmores Share, on a control basis, to the Scheme Consideration is illustrated as follows.

**Fairness Assessment**



Source: Kroll analysis.

As the Scheme Consideration falls within the range of values for a Blackmores Share, **the Scheme is fair.**

**3.4 The Scheme is reasonable**

In accordance with RG 111, an offer is reasonable if it is fair. **As we have assessed the Scheme to be fair, it is also reasonable.** However, irrespective of the requirement to conclude the Scheme is reasonable, we have also considered a range of other factors that are relevant to an assessment of the reasonableness of the Scheme.

<sup>16</sup> Source: 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

For personal use only

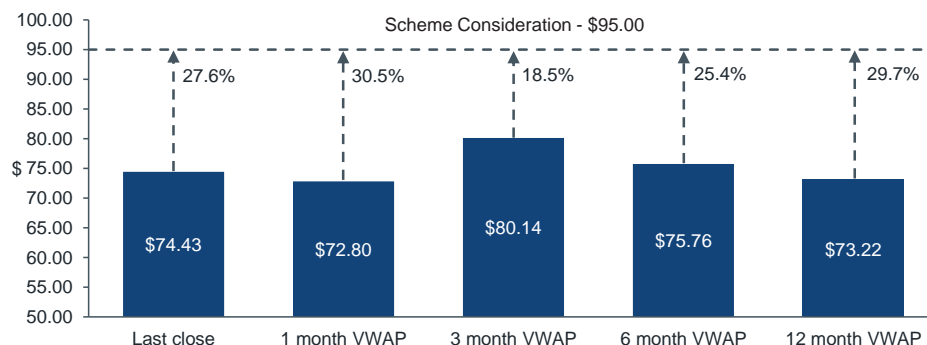




### 3.4.1 The Scheme Consideration represents a moderate premium to the undisturbed trading prices of Blackmores Shares

The Scheme Consideration of \$95.00 represents a moderate premium to Blackmores' closing share price and VWAP calculated over a range of periods up until close on 6 April 2023,<sup>17</sup> the last trading day prior to media speculation that it may attract interest as a takeover target.<sup>18</sup>

#### Premium of Scheme Consideration over the Blackmores Share Price



Source: Blackmores management; Kroll analysis.

Note: The premiums illustrated above have been calculated based on Blackmores' closing share price and VWAP up until close on 6 April 2023, the last trading day prior to media speculation that it may attract interest as a takeover target.

The Scheme Consideration represents a moderate premium over recent Blackmores Share prices and within the range of premiums typically observed. We note that:

- observations from transaction evidence indicates that control premiums are broadly in the range of 25% to 40% for completed transactions depending on the individual circumstances.<sup>19</sup> However, in transactions where it was estimated the combined entity would be able to achieve significant synergies, the premium was frequently estimated to be in excess of this range;
- Kirin is a natural acquirer of Blackmores given its desire to grow its health science business. In addition to the significant synergies available to a range of trade buyers that are reflected in Kroll's valuation of Blackmores, including compliance costs, public company costs and procurement synergies, Kirin may be able to achieve certain synergies not generally available to many other purchasers such as combining Blackmores product development capabilities with Kirin's specialty materials, sourcing expertise to create new products and brands and utilising Blackmores' existing footprint to build a VDS presence in Japan; and
- trading over a three, six and 12 month period does not reflect the full impact of a control premium since this period includes February 2023 when the Blackmores share price increased strongly as a result of media speculation that it had been in talks with a Japanese strategic regarding a possible takeover.<sup>20</sup> Furthermore, speculation as to Blackmores being a takeover target had existed since at least 2019<sup>21</sup> and consequently, trading prices over all periods presented may include an element of control value, understating the takeover premiums presented.

### 3.4.2 Certainty of value

The Transaction offers Blackmores Shareholders an opportunity to exit their investment in Blackmores at a price that is certain and which, as noted above, incorporates a moderate premium to Blackmores' undisturbed trading prices. Whilst trading of Blackmores Shares is sufficient to give Blackmores

<sup>17</sup> Kroll notes that Blackmores was also the subject of earlier takeover speculation prior to 10 April 2023. For example, "China reopening a boost for Blackmores; strategic joins PE", Australian Financial Review, 29 January 2023. Blackmores' share price increased from a close of \$73.22 on 10 January 2023 to close at a high of \$88.34 on 1 February 2023, however, subsequently declined to trade below \$73.22. Consequently, it does not appear that the Blackmores share price on 6 April 2023 included a control premium.

<sup>18</sup> "Blackmores suitor revealed as Japanese giant; will another follow?", Australian Financial Review, 10 April 2023.

<sup>19</sup> 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

<sup>20</sup> "China reopening a boost for Blackmores; strategic joins PE", Australian Financial Review, 29 January 2023.

<sup>21</sup> "Blackmores dreams of a takeover from China", Australian Financial Review, 30 September 2019.



Shareholders confidence that they would be able to exit their investment at a time of their choosing, there is no certainty as to the price at which Blackmores Shareholders would realise their investment at that time, particularly given Blackmores' risk of achieving its Phase 2 Business Improvement Program cost savings in a high inflation environment.

Furthermore, any future on-market sale by Blackmores Shareholders would likely incur brokerage costs, which would be avoided if the Scheme is approved.

#### **3.4.3 By exiting their investment in Blackmores, Blackmores Shareholders will not participate in any future growth in the value of Blackmores**

By exiting their investment in Blackmores, shareholders will not participate in any future growth in the value of Blackmores. Furthermore, Kroll's valuation of Blackmores, which overlaps with the Scheme Consideration, already includes potential benefits from Phase 2 Business Improvement Program cost savings. On the other hand, shareholders will no longer be exposed to the risks associated with the business including inflation and competition.

#### **3.4.4 Blackmores' share price will likely fall in the absence of the Transaction**

The current share price of Blackmores reflects the terms of the Transaction and, therefore, includes a control premium. As such, in the absence of the Transaction, a superior proposal or speculation concerning a superior proposal, the Blackmores Share price is likely to fall to levels consistent with Blackmores' undisturbed trading prices, with an allowance for:

- subsequent announcements in relation to company specific initiatives or financial performance which the market may assess as value enhancing;
- any industry developments (e.g. concerning competition or regulation) or exchange rates; and
- the impact of trends in broader equity markets. In this regard, from 6 April 2023 (the last trading day prior to media speculation that it may attract interest as a takeover target) until 2 June 2023, the S&P/ASX 200 Index (**ASX 200 Index**) has decreased by 1.0% and the S&P/ASX 200 Consumer Staples Index (**ASX Consumer Staples Index**) decreased by 5.0%.

#### **3.4.5 Likelihood of a superior proposal**

Blackmores' directors have been approached by, and have engaged with, other potential acquirers over time, including within the last 12 months. No other formal offers were received in the last 12 months and since the announcement of the Transaction, no alternative bidder has emerged. Whilst there will continue to be an opportunity for a superior proposal, we consider the likelihood of a superior proposal to be impacted by the following:

- it is open for Blackmores Shareholders to vote against the Scheme in the hope that the Blackmores Board will be able to extract a higher offer from Kirin. However, the Transaction is a consequence of negotiations between the Board of Blackmores and Kirin with the Blackmores Board supporting the Transaction in its current form (in the absence of a superior proposal);
- Marcus Blackmore currently has a relevant interest in Blackmores shares of approximately 18.08% and has agreed to vote in favour of the Scheme, making it difficult for any other bidder to acquire 100% of Blackmores through an off market takeover offer without his support as the interest represents a blocking stake to compulsory acquisition. In the event that a superior proposal emerges, Kirin has a matching right. Should Kirin choose not to match a superior proposal, Marcus Blackmore has the right to vote against the Scheme; and
- the Scheme Consideration represents a moderate premium to Blackmores' undisturbed trading prices. This is likely to limit the range of potential acquirers, given the need for a competing bid to exceed this offer price.

#### **3.4.6 Other considerations**

In forming our opinion, we have also considered a number of other factors. Whilst we do not necessarily consider these factors to impact our assessment of the reasonableness of the Scheme, we have addressed them as follows.



#### One-off transaction costs

If the Scheme is implemented, Kirin will bear all transaction costs. If the Scheme is not implemented, Blackmores will incur approximately \$4 to 6 million (excluding GST) in transaction costs that will have been paid or committed prior to the Scheme Meetings.

#### The Scheme is subject to the satisfaction of a number of conditions

There are a number of conditions which, if not satisfied, will result in the Scheme not being implemented including ACCC informal clearance and FIRB approval. If any conditions precedent prevent the Scheme from being implemented, Blackmores Shareholders will continue to hold their existing Blackmores Shares.

#### Taxation implications for Blackmores Shareholders

General tax implications for Australian tax resident shareholders who receive the Special Dividend prior to implementation of the Scheme and dispose of their Blackmores Shares under the Scheme who hold their Blackmores Shares on capital account are outlined in Section 8 of the Scheme Booklet.

Blackmores has sought a Class Ruling from the Australian Taxation Office (ATO) in order to confirm the tax implications of the Special Dividend. An ATO ruling has not been received at the date of this report. It is expected that the class ruling will be generally consistent with the comments in Section 8 of the Scheme Booklet. The final ruling, once received, will be available on the ATO public ruling database.

Sections 8.2 of the Scheme Booklet considers the taxation implications of the disposal of Scheme Securities for Australian resident Blackmores Shareholders. In particular, the disposal of Blackmores Shares will be a capital gains tax event for Australian resident Blackmores Shareholders. This means that Australian resident Blackmores Shareholders will need to determine whether a capital gain or a capital loss arises in respect of their disposal of Blackmores Shares.

Section 8.3 of the Scheme Booklet considers the taxation implications of receiving the Special Dividend.

Non-resident Blackmores Shareholders will need to determine their own tax outcomes.

We note that Blackmores Shareholders should consider their individual taxation circumstances and review Section 8 of the Scheme Booklet for further information where it applies to their circumstances. Blackmores Shareholders should obtain their own independent professional advice on the tax consequences of disposing of their Blackmores Shares under the Scheme.

#### 3.4.7 Consequences if the Scheme does not proceed

In the event that the Scheme is not approved or any conditions precedent prevent the Scheme from being implemented, Blackmores will continue to operate in its current form, remain listed on the ASX and execute upon its strategy. As a consequence:

- Blackmores Shareholders will continue to be exposed to the risks and opportunities associated with an investment in Blackmores;
- the Blackmores Share price will likely fall. The current price of Blackmores Shares reflects the terms of the Transaction (including the benefit of the Scheme Consideration offered by Kirin) and includes a moderate control premium. As such, in the absence of the Transaction, a superior proposal or speculation concerning a superior proposal, the Blackmores Share price is likely to fall (refer to Section 3.4.4 of this report);
- a break fee of \$18.5 million (excluding GST) may be payable by Blackmores to Kirin in certain circumstances; and
- Blackmores will incur an estimated \$4 to 6 million (excluding GST) of one-off transaction costs in relation to the Transaction.

## 4 Other matters

Our report has also been prepared in accordance with the relevant provisions of Corporations Act and other applicable Australian regulatory requirements and has been prepared solely for the purpose of assisting Blackmores Shareholders in considering the Scheme. We do not assume any responsibility or liability to any other party as a result of reliance on this report for any other purpose.

This report constitutes general financial product advice and has been prepared without taking into consideration the individual circumstances of Blackmores Shareholders. This advice, therefore, does not consider the financial situation, objectives or needs of individual Blackmores Shareholders.



The decision of Blackmores Shareholders as to whether or not to approve the Scheme is a matter for individual shareholders who should, therefore, consider the appropriateness of our opinion to their specific circumstances. As an individual's decision to vote for or against the proposed resolutions may be influenced by their particular circumstances, we recommend that individual Blackmores Shareholders, including residents of foreign jurisdictions, seek their own independent professional advice.

Our opinion is based solely on information available as at the date of this report. This information, and our limitations and reliance on information section, are set out in Appendix 2. We have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

References to financial years have been abbreviated to 'FY', references to calendar years have been abbreviated to 'CY' and references to half years have been abbreviated to 'HY'. For Blackmores, the financial year is the 12 months to 30 June and half years are the six months to 31 December. All currencies are Australian dollars unless otherwise specified.

Kroll has prepared a Financial Services Guide as required by the Corporations Act. The Financial Services Guide is included at the end of this report.

The above opinion should be considered in conjunction with, and not independently of, the information set out in the remainder of this report, including the appendices.

Yours faithfully

Ian Jedlin  
Authorised Representative

Celeste Oakley  
Managing Director

For personal use only

For personal use only



Independent Expert's Report  
and  
Financial Services Guide  
in relation to the proposed acquisition of Blackmores Limited by Kirin  
Holdings Company, Limited





## Table of Contents

Part One – Independent Expert's Report .....	1
1 Introduction .....	1
2 Scope of report.....	2
3 Opinion .....	2
3.1 Background.....	2
3.2 Summary of opinion .....	3
3.3 The Scheme is fair .....	4
3.4 The Scheme is reasonable .....	6
4 Other matters.....	9
5 The Scheme .....	13
5.1 Overview .....	13
5.2 Conditions precedent .....	13
5.3 Transaction costs .....	14
6 Scope of the report .....	14
6.1 Purpose.....	14
6.2 Basis of assessment .....	14
7 Industry .....	15
7.1 Overview .....	15
7.2 Market Size and Growth .....	15
7.3 Market Share and Participants.....	16
7.4 Distribution channels .....	19
7.5 Key drivers.....	20
7.6 Opportunities and Risks.....	22
8 Profile of Blackmores .....	23
8.1 Overview .....	23
8.2 Background.....	23
8.3 Operations.....	26
8.4 Financial performance.....	31
8.5 Financial position .....	38
8.6 Cash flows.....	39
8.7 Capital structure and ownership .....	40
8.8 Share price performance.....	41
9 Valuation of Blackmores .....	45
9.1 Summary .....	45
9.2 Approach.....	46
9.3 Market approach.....	49
9.4 Valuation cross-check.....	55
9.5 Other assets and liabilities.....	56
Appendix 1 – Kroll disclosures .....	58
Appendix 2 – Limitations and reliance on information .....	60
Appendix 3 – Broker consensus.....	62
Appendix 4 – Valuation methodologies .....	64
Appendix 5 – Discount rate .....	66
Appendix 6 – Market evidence .....	73
Part Two – Financial Services Guide.....	80

For personal use only





## 5 The Scheme

### 5.1 Overview

On 27 April 2023, Blackmores and Kirin announced that they had entered into a Scheme Implementation Deed under which a wholly owned subsidiary of Kirin would acquire 100% of Blackmores Shares by way of the Scheme.

Under the Scheme, Scheme Shareholders will receive the Scheme Consideration of \$95.00 in cash for each Blackmores Share held at the Scheme Record Date, less the cash amount of any special dividend declared or paid by Blackmores prior to implementation of the Scheme.

The Blackmores Board may determine to pay the Special Dividend, being a fully-franked special dividend of up to \$3.34 per Blackmores Share held by a Blackmores Shareholder as at the Special Dividend Record Date on or immediately prior to implementation of the Scheme. The Special Dividend is expected to enable eligible shareholders to benefit from franking credits of up to \$1.43 per Blackmores Share attached to any such Special Dividend.

The Scheme is subject to a number of conditions which are summarised in Section 5.2 of this report.

The Blackmores Board unanimously recommends that Blackmores Shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the independent expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders. Subject to the same conditions, each Blackmores Director intends to vote all of the Blackmores Shares held or controlled by them in favour of the Scheme.

Marcus Blackmore (who has a relevant interest in approximately 18% of Blackmores Shares) has informed the company that he has agreed with Kirin to vote 3,516,834 Blackmores Shares held or controlled by him in favour of the Scheme, unless otherwise directed by Kirin.

### 5.2 Conditions precedent

Implementation of the Scheme is subject to customary conditions precedent as set out in Clause 3.1 of the Scheme Implementation Deed, including:

- approval of the Scheme Resolution by Blackmores Shareholders at the Scheme Meeting by the requisite majorities;
- approval of the Federal Court of Australia;
- informal clearance by the ACCC;<sup>22</sup>
- FIRB approval;
- approval of the SAMR of the People's Republic of China;
- the independent expert concluding that the Scheme is in the best interests of Blackmores Shareholders (and not changing or withdrawing that conclusion); and
- no material adverse change, regulated event or prescribed occurrence.

As at the date of this report, the ACCC has provided informal clearance, with FIRB and SAMR approvals yet to be received.

The Scheme Implementation Deed contains customary exclusivity provisions that apply during the Exclusivity Period,<sup>23</sup> including 'no shop', 'no talk' and 'no due diligence' ('no talk' and 'no due diligence' are subject to a fiduciary carve out), notification obligations and a matching right. A break fee of approximately \$18.5 million will be payable by Blackmores to Kirin in certain circumstances.

<sup>22</sup> ACCC clearance was received on 8 May 2023.

<sup>23</sup> The Exclusivity Period is the period from and including 26 April 2023 until the earlier of the Effective Date, the date of termination of the Scheme Implementation Deed or the End Date (each as defined in the Scheme Implementation Deed).



### 5.3 Transaction costs

If the Scheme is implemented, transaction costs will be borne by Kirin. If the Scheme is not implemented, Blackmores expects that external transaction costs will be approximately \$4 to 6 million (excluding GST).

## 6 Scope of the report

### 6.1 Purpose

The Transaction is to be implemented by way of a scheme of arrangement under Section 411 of the Corporations Act and requires approval of Blackmores Shareholders. Section 412(1) of the Corporations Act requires that an explanatory statement issued in relation to a proposed scheme of arrangement includes information that is material to the making of a decision by a creditor or member as to whether or not to approve the scheme.

Even where an independent expert's report is not strictly required by the law, it is not uncommon for directors to commission one to ensure they are providing the information that is material to the making of a decision by a creditor or member. The Blackmores Directors have requested Kroll prepare an independent expert's report for Blackmores Shareholders in relation to the Scheme.

### 6.2 Basis of assessment

We have referred to guidance provided by ASIC in its Regulatory Guides in particular, RG 111, which outlines the principles and matters which it expects a person preparing an independent expert's report to consider when providing an opinion on whether a scheme of arrangement is in the best interests of shareholders.

RG 111 distinguishes between the analysis required for control transactions and other transactions. RG 111.18 states that where a scheme of arrangement is used as an alternative to a takeover bid, the form of analysis undertaken by the expert should be substantially the same as for a takeover bid. That form of analysis considers whether the transaction is 'fair and reasonable' and, as such, incorporates issues as to value. In relation to control transactions, RG 111.10-12 states:

- 'fair and reasonable' is not regarded as a compound phrase;
- an offer is 'fair' if the value of the offer price or consideration is equal to or greater than the value of the securities subject to the offer;
- the comparison should be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash;
- the expert should not consider the percentage holding of the 'Kirin' or its associates in the target when making this comparison; and
- an offer is 'reasonable' if it is 'fair'. An offer might be 'reasonable' if, despite being 'not fair', the expert believes that there are sufficient reasons for shareholders to accept the offer in the absence of any higher bid before the close of the offer.

RG 111.13 sets out the factors an expert might consider in assessing whether an offer is reasonable:

- Kirin's pre-existing voting power in securities in the target;
- other significant shareholding blocks in the target;
- the liquidity of the market in the target's securities;
- taxation losses, cash flow or other benefits through achieving 100% ownership of the target;
- any special value of the target to Kirin, such as particular technology, etc;
- the likely market price if the offer is unsuccessful; and
- the value to an alternative Kirin and likelihood of an alternative offer being made.

RG 111.20 states that if an expert would conclude that a proposal was 'fair and reasonable' if it was in the form of a takeover bid, it will also be able to conclude that the scheme is 'in the best interests' of members.



RG 111.21 states that if an expert would conclude that a proposal was 'not fair but reasonable' if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is 'in the best interests' of the members of the company.

RG 111.11 provides that an offer is fair if the value of the consideration is equal to or greater than the value of the securities subject to the offer. This comparison can be made assuming 100% ownership of the 'target' and irrespective of whether the consideration is scrip or cash and without regard to the percentage holding of Kirin or its associates in the target entity. That is, RG 111.11 requires the value of the target to be assessed as if Kirin was acquiring 100% of the issued equity (i.e. on a controlling interest basis). In addition, any special value of the 'target' to a particular 'Kirin' (e.g. synergies that are not available to other bidders) should not be taken into account under the comparison.

Accordingly, when assessing the full underlying value of Blackmores, we have considered those synergies and benefits which would be available to more than one potential purchaser (or a pool of potential purchasers) of Blackmores. As such, we have not included the value of special benefits that may be unique to Kirin.

## 7 Industry

### 7.1 Overview

Blackmores is an Australian headquartered health supplements company that operates across Asia Pacific (APAC) within the complementary medicines industry, which encompasses a range of industry segments including VDS products, herbal and traditional products, weight management products, and sports and active nutrition. The VDS segment that Blackmores is exposed to in Asia Pacific has a total addressable market estimated at \$72.1 billion.<sup>24</sup>

VDS products are typically consumed orally and are aimed at assisting a consumer's dietary, fitness, health, and wellness outcomes. The strong historical growth of the segment has been underpinned by structural demographic and societal trends, including rising health consciousness, ageing populations focused on health optimisation and prevention of disease, increasing market penetration in new regions (particularly in Asia), and evolving industry channels.

The VDS segment is increasingly competitive with relatively low barriers to entry. As a result, product innovation and development is high, with a variety of products formulated to assist with sleep, stress, sexual health, immune systems, energy levels, brain function and digestive health, amongst chronic health conditions, lifestyle diseases, and other illnesses.

Kroll's analysis of the VDS segment is focused on the characteristics of the region in which Blackmores operates in, namely the APAC region. We discuss competitive pressures, trends, regulatory environments and other factors relevant to Australia, China, and other APAC regions.

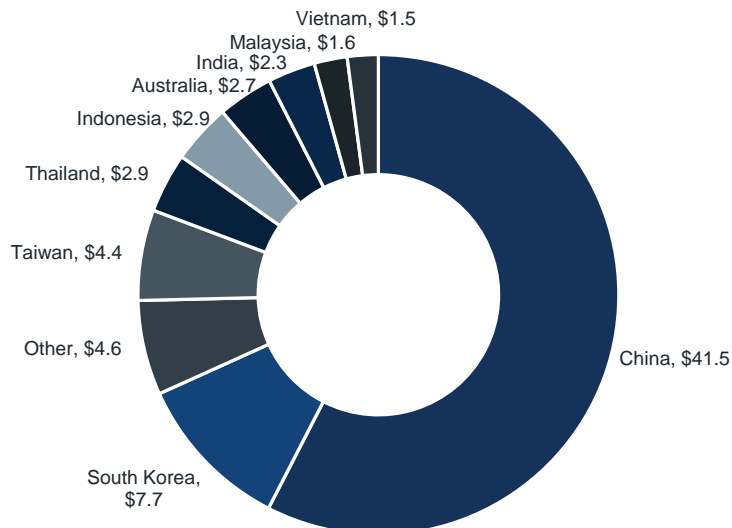
### 7.2 Market Size and Growth

Blackmores operates in a number of highly attractive markets in the APAC region. The structure and characteristics of each country's VDS market can vary considerably. The following chart shows a breakdown of Blackmores' estimated total addressable VDS by country for its largest markets.

<sup>24</sup> Blackmores' estimated Total Addressable Market for 2022 according to Euromonitor data.



Estimated APAC VDS Market FY22 (\$ billions)



Source: Euromonitor Vitamins & Supplements as at 30 June 2022.

China's VDS industry has increased substantially over the past five years, growing from \$32.1bn in 2017 to \$42.4bn in 2022.<sup>25</sup> This market is particularly important for Australia, with IBISWorld estimating that 68.0% of Australian vitamin and supplement exports are sold into the Chinese market.<sup>26</sup> Australia's 'clean and green' image, and strict manufacturing safety protocols make Australian-made products popular in China. In 2019, Australia overtook the United States to become the biggest exporter of nutrition and health foods into China.<sup>27</sup>

Total growth in the APAC VDS market is forecast to be strong over the next five years. For example, Euromonitor estimates the compound annual growth rate (CAGR) FY22 to FY27 to be 10.5% in Malaysia, 9.9% in Indonesia, 8.5% in Thailand, 5.5% in China, and 3.5% in Australia.<sup>25</sup>

### 7.3 Market Share and Participants

#### 7.3.1 Australia

Euromonitor estimates that the Australian VDS industry will grow at an annual growth rate of 3.5% from 2022 to 2027.<sup>28</sup> This follows a period of slower growth over the last five years due to the impacts of the COVID-19 pandemic and changing taxation rules for daigou businesses impacting sales in the daigou distribution channel (refer to Section 7.4 of this report for more information).

The largest sellers of VDS products in Australia are Blackmores, Swisse Wellness Pty Ltd (**Swisse**), Nature's Way Pty Ltd (**Nature's Way**) and Sanofi-aventis Healthcare Pty Ltd.<sup>29</sup>

- **Blackmores** operates under a number of brands in Australia including Blackmores, BioCeuticals, Impromy and PAW. It owns and/or operates three facilities including a manufacturing facility in Victoria, a manufacturing/packing and distribution facility in New South Wales and a distribution facility in NSW. Blackmores sells its products into international markets including China, Thailand, Malaysia, Vietnam, and Indonesia;

<sup>25</sup> Euromonitor Vitamins & Supplements 31/12/2022.

<sup>26</sup> IBISWorld Industry Report OD5417. January 2023.

<sup>27</sup> Pre-Budget Submission 2022-23. Complementary Medicines Australia. 2022.

<sup>28</sup> Euromonitor Vitamins & Supplements 31/12/2022.

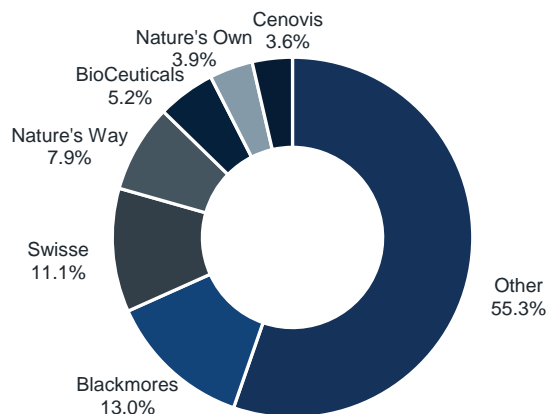
<sup>29</sup> Nielsen IQVIA MAT data as at 8 April 2023.



- **Swisse** is an Australian based vitamins, supplement and skincare brand owned by Health & Happiness International Holdings Ltd (**Health & Happiness**), a Stock Exchange of Hong Kong Limited (**HKEX**) listed company. Swisse has strong brand awareness globally and is Blackmores' largest direct competitor in Australia. It competes with Blackmores in China, India, Malaysia, Thailand and Vietnam, and also sells into the North American market. In mainland China's online VDS market, Swisse continues to be the number one ranked brand by sales.<sup>30</sup> Swisse has a different business model to Blackmores in that it outsources 100% of its manufacturing requirements to contract manufacturers. It also has an extensive beauty range.
- **Nature's Way** is an Australian VDS brand, privately owned by PharmaCare Laboratories Pty Ltd, an Australian pharmaceutical manufacturing company that owns and sells products under brands such as Sambucol, Brut and Bioglan in addition to Nature's Way. Nature's Way owns and operates the Nature's Way, Kids Smart, Restore, SlimRight and Superfoods brands, amongst others. These products are distributed and sold in select international markets, including China and South Korea. Product manufacturing is outsourced to contract manufacturers; and
- **Sanofi-aventis Healthcare Pty Ltd** is the Australian arm of the French multinational pharmaceutical and healthcare business, Sanofi S.A. (**Sanofi**). Sanofi is listed on the Paris stock exchange and has a market capitalisation in excess of €100 billion.<sup>31</sup> Sanofi operates the Nature's Own, Cenovis and Ostelin brands in Australia alongside a broad range of consumer healthcare brands and products, and has manufacturing facilities in Brisbane.

The current market share for VDS brands in Australia is detailed in the following chart.

**Australia VDS Brand Category Market Share as at 8 April 2023:**



Source: IQVIA data as at 8 April 2023.

### 7.3.2 China

China's VDS industry has increased substantially over the past five years, growing from \$32.1bn in 2017 to \$42.4bn in 2022.<sup>32</sup> Euromonitor projects that strong growth in the Chinese complementary medicines market will continue, forecasting an average annual growth rate of 5.5% from 2022 to 2027.<sup>33</sup>

China's total VDS market comprises Cross Border e-Commerce via Free Trade Zones; and the domestic market sold via online and in store channels. The market is more fragmented relative to Australia, with a larger number of brands competing for market share. The three largest VDS companies in China, By-health

<sup>30</sup> Health & Happiness 2022 Annual Results Announcement.

<sup>31</sup> S&P Capital IQ as at 2 June 2023.

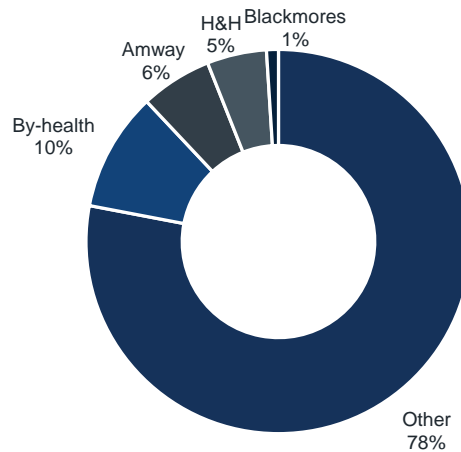
<sup>32</sup> Euromonitor Vitamins & Supplements 31/12/2022.

<sup>33</sup> Euromonitor Vitamins & Supplements 31/12/2022.



Co Ltd (**By-health**), Amway Corporation (**Amway**) and Health & Happiness, share just 21% of the total market. Blackmores was estimated to have a 1% share of the total market in 2021.<sup>34</sup>

Estimated China VDS Market Share by Company in CY21



Source: Euromonitor Vitamins & Supplements as at 30 June 2022.

### 7.3.3 Economies of scale

The VDS industry segment is highly competitive, with relatively low barriers to entry allowing many companies to compete to gain market share and build scale. There are several benefits to scale within the VDS segment, but typically scale allows companies to spread the costs associated with manufacturing, registering and distributing products across a larger quantity of goods, reducing costs per unit. Cost savings can then either be passed on to the customer by competing more aggressively on price to gain market share, or they can contribute to margin improvement.

Some of the key benefits created by greater scale in the VDS segment include:

- **bargaining power:** larger VDS brands are better able to negotiate on price for supply chain inputs when they are purchased in larger quantities. Supply chain inputs include ingredients, packaging materials, and distribution costs;
- **price leadership:** historically, VDS product manufacturers with high levels of brand awareness, reputation and scale have been better able to increase prices to customers, with increased prices contributing to improved margins;
- **advertising and promotion:** there are benefits of scale for VDS brands when communicating and promoting products within allied health networks (particularly for practitioner brands) and across the mass market;
- **regulatory approval:** larger VDS brands are better able to deal with lengthy and costly regulatory processes that exist for VDS product manufacturers, particularly in countries such as China where 'blue hat' domestic approval can take up to three years;
- **economies of scale in distribution:** includes unit cost reductions derived from moving larger quantities of goods, as well as more efficient use of supply chains; and
- **product acceptance:** anecdotal evidence suggests that health practitioners feel more comfortable recommending products from well known, reputable brands who have a rigorous and well-established quality control and product testing process.

<sup>34</sup> Euromonitor Vitamins & Supplements 30/06/2022.



## 7.4 Distribution channels

### 7.4.1 Australia

Vitamins and supplements have historically been sold through pharmacy stores, however the channel has expanded to supermarkets and grocery stores to provide greater access and convenience for shoppers.<sup>35</sup> Pharmacies have sought to create a point of difference by superior customer service including the recommendation of certain products through short consultations, and greater choice and range in products including the availability of pharmacy-exclusive brands, including products that need to be dispensed by a qualified health practitioner such as a chemist. In contrast, supermarkets and grocery stores stock a smaller range of everyday use, higher volume VDS products such as multivitamins. Moreover, the strength of discount pharmacy and chemists, such as CW Retail Services Pty Ltd (**Chemist Warehouse**), have split the pharmacy channel into traditional independent pharmacies, pharmacy networks and discount 'big-box' stores, where discount networks attract more price sensitive customers.

Blackmores' products are also distributed through the Australian allied health system, veterinary practices, pet stores, and online on Blackmores' websites and e-commerce platforms such as Amazon.

#### Daigou channel

Historically, a key revenue source for Australian VDS products has been the Chinese daigou channel. Daigou, which translates to "buying on behalf of", essentially involves individuals or businesses purchasing products in Australia before sending them overseas to Chinese consumers.

Data on the size of the daigou channel is difficult to ascertain given that daigou purchase products from pharmacies and grocery stores alongside Australian customers, however, it was estimated that the daigou channel accounted for as much as a third of Blackmores' Australian sales in 2018.<sup>36</sup> This revenue stream has declined since 2019 as a result of changes in the regulatory requirements for daigous to register their business and pay tax on sales to Chinese consumers, international border closures in Australia reducing migrant and tourist volumes, and the relatively higher travel costs to Australia compared to other Asian markets.<sup>37</sup>

### 7.4.2 International

Each market has their own distribution channel dynamics. International VDS manufacturers tend to access these markets via chain pharmacy networks, independent pharmacies, e-commerce platforms or partnerships with local healthcare businesses. Blackmores currently has distribution arrangements with Zuellig Pharma in Malaysia and Singapore, DKSH in Thailand, Pantos in South Korea, Lien Phong and Mesa in Vietnam and a joint venture with PT Kalbe in Indonesia.

### 7.4.3 China

Cross-Border E-Commerce (**CBEC**) is seen as the most feasible channel for international brands to enter and sell products into China. CBEC occurs in a Free Trade Zone (**FTZ**) and enables foreign businesses, such as Blackmores and Swisse, to sell their products via virtual stores on China's e-commerce platforms. Use of CBEC for health food purchasing grew during the COVID-19 pandemic and accounts for approximately 30% of health food sales in China.<sup>38</sup>

Blackmores' Chinese operation also uses the export channel to sell VDS products into China. This channel utilises Australian based exporters who work with local Chinese wholesalers who on-sell the products to Chinese customers.

Another key channel into the Chinese market is through Wholly Foreign-Owned Enterprises (**WFOE**). WFOE enables foreign companies to manufacture and sell products within China provided they comply with domestic regulatory requirements. However, the process to obtain the relevant approvals from Chinese authorities can involve significant costs and multi-year lead times (including 'Blue Hat' registration – see Section 7.5 of this report). Blackmores does not currently utilise WFOE, but many of its competitors, including Swisse, operate through the WFOE VDS channel in China. These competitors utilise the food

<sup>35</sup> "Vitamins shoppers head to supermarket not pharmacy", Australian Financial Review, 26 August 2021.

<sup>36</sup> Blackmores internal sales data.

<sup>37</sup> "China's Crackdown on Daigou, New Cross-Border e-Commerce Policies", China Briefing, January 2019.

<sup>38</sup> "Market insights for exporting complementary medicine to China", Austrade.





segment which allows for low dose vitamins to be sold in the WOFE channel as a food, with reduced health claims.

## 7.5 Key drivers

The key drivers across the VDS segment primarily relate to demand, competition, and regulatory factors as discussed in this section.

### 7.5.1 Demand

There are several factors driving increased use of VDS products in the APAC region, including the following.

#### Structural Demographic and Societal Tailwinds

- **Rising health consciousness:** growing consumer health consciousness continues to support sales growth in the industry, particularly in mature APAC markets such as Australia and Japan, where there has been an increased focus on health outcomes, including health optimisation and prevention of lifestyle diseases, driving VDS usage.
- **Ageing populations:** ageing populations in the APAC region are likely to support sales growth for VDS products. As people age, in general, their health deteriorates and their desire for VDS increases. Australia's population aged 65 and over is projected to grow by 54% to 6.6 million by 2041, from an estimated 4.3 million in 2021, with greater proportional population growth at the highest age brackets.<sup>39</sup> In Asia, it is projected that one in four people will be over 60 years old by 2050.<sup>40</sup>
- **Rise of the millennials:** a recent McKinsey report found that millennials tend to prioritise health and wellness more than other generations, with 52% of Millennials surveyed stating that they prioritise health outcomes versus the consumer average of 47%.<sup>41</sup> The survey also showed that 35% of millennials believe they will prioritise health even more in coming years, compared with 29% for other consumers, on average.

#### Market developments

- **Increasing market penetration:** while the VDS market in China has existed for some time, a 2020 survey indicated that only one third of Chinese consumers use dietary supplements.<sup>42</sup> This level of market penetration remains below that seen in other mature markets, including Australia (approximately 81% and the United States (approximately 58%).<sup>43</sup> This suggests there remains considerable potential upside to VDS consumption in China.
- **Growing Asian middle class:** the World Economic Forum estimates that in 2020, approximately 2 billion Asians were members of the middle class, estimating that that number was to increase to 3.5 billion by 2030. This is likely to drive significant spending growth in the region.<sup>44</sup>
- **Entry into emerging markets:** the APAC region has several emerging markets with favourable characteristics, including high gross domestic product (**GDP**), low market penetration, growing middle classes, and rising consciousness of health and wellness. Emerging markets with strong growth potential include Indonesia, India, Thailand, Malaysia, the Philippines and Vietnam.

#### The COVID-19 Pandemic

The VDS industry segment, alongside many sectors within the healthcare industry, experienced mixed effects from the COVID-19 pandemic. Initial lockdowns and government restrictions resulted in greater health consciousness, borne out of the fear and uncertainty associated with the virus, which drove a sharp increase in awareness and demand for VDS products. However, in Australia, border closures resulted in lower spending on VDS products as various sales channels to China slowed significantly. This effect was

<sup>39</sup> "New Projections for Australia's Ageing Population", ARC Centre of Excellence in Population Ageing Research, August 2022.

<sup>40</sup> Asian Development Bank.

<sup>41</sup> "Still Feeling Good: The US Wellness Market Continues to Boom", McKinsey, September 2022.

<sup>42</sup> According to research by Zhao, Ai, et al. "Dietary diversity among Chinese residents during the COVID-19 outbreak and its associated factors."

<sup>43</sup> Sources: Nielsen data as at 26 March 2023; Centers for Disease Control and Prevention (CDC) Dietary Supplements Use Among Adults: United States

<sup>44</sup> "Rise of the Asian Middle Class", World Economic Forum, 13 July 2020.



compounded by changes to Chinese taxation laws for daigou businesses to be registered and pay taxes, discussed further in Section 7.4. Moreover, mild cold and flu (C&F) seasons driven by low human contact brought about by rolling lockdowns and restrictions throughout Australia in 2020 and 2021 resulted in lower C&F sales, particularly through the Australian pharmacy channel.

The COVID-19 pandemic did, however, have positive impacts for the VDS industry through increased health consciousness. Nielsen research found that 80% of Australians reported 'keeping themselves and their families healthy' was a top priority in 2021, up from 69% in 2016.<sup>45</sup> Moreover, vitamin consumption amongst Australians grew by 16% in 2021, with 9.3 million Australians taking vitamins for their health.<sup>46</sup> Similar rises in health consciousness were found in other markets that Blackmores operates, including Indonesia.<sup>47</sup>

## 7.5.2 Product Competition

### Brand awareness

Brand awareness continues to play a major role in VDS product success. Given the low barriers to entry, strong brand awareness drives sales and market share. Moreover, VDS use relies partially on customer trust and, therefore, brand awareness and reputation are important drivers for businesses. The proliferation of social media usage has created new channels for VDS marketing and sales, with a number of influencers engaging in the VDS sector via advertising and ownership of products and brands.

### Product quality

VDS product quality is a key factor for export success for Australian VDS manufacturers. Customers, particularly in Asia, are sensitive to quality assurance. As a result, there is significant demand in Asia for 'Made in Australia' products given the high manufacturing standards and quality regulation that exists in Australia. Moreover, Australian manufacturers often promote the cleanliness and sustainability of Australian made products.

Demand for Australian-made products is also important domestically, with Roy Morgan research finding that 86% of Australians believe buying Australian-made products is important to them in 2023.<sup>48</sup>

### Product innovation and differentiation

Consumer preferences and shopping behaviours will affect growth in the domestic VDS market. Consumer support of trends and thematic such as sustainability, veganism and environmentalism will continue to drive new product development in the VDS market. For example, recent consumer demand for skin care products has driven growth in collagen based VDS products.

Product innovation to meet changing consumer demands is an important differentiator, allowing brands to command higher pricing which supports higher product margins. Generally speaking, the longer a product has been in the market, the more its pricing power and associated margins are eroded by competition.

Moreover, how and where customers shop, will affect revenue mix for VDS brands in APAC. Higher inflation in Australia has seen consumers shift away from traditional pharmacy networks towards cheaper channels including discount chemists and supermarkets.<sup>49</sup>

## 7.5.3 Regulatory factors

### Australia

In Australia, complementary medicines are non-prescription medicines included under the Therapeutics Goods Act 1989, that primarily contain complementary medicine ingredients such as vitamins and minerals. The Therapeutic Goods Administration (TGA) is Australia's regulatory authority for evaluating, assessing and monitoring products that are defined as therapeutic goods. Most complementary medicines/VDS are included in the Australian Register of Therapeutic Goods (ARTG) as listed medicines, however complementary medicines can be registered, assessed listed or listed. Sponsors must comply with TGA regulatory guidelines in relation to making health claims and hold documentation required to satisfy safety,

<sup>45</sup> "Aussies are eager to master health conscious lifestyles", Nielsen, September 2021.

<sup>46</sup> "Aussies are eager to master health conscious lifestyles", Nielsen, September 2021.

<sup>47</sup> "Being Health-Conscious: A shift in Indonesian Consumer Behaviours", Bahtera Adi Jaya, 27 January 2023.

<sup>48</sup> "Four in Five Shoppers Believe Buying Australian-made is Important", Roy Morgan, February 2023.

<sup>49</sup> "Australia Nutra Trends," NutraIngredients Asia, May 2023.



quality and efficacy requirements. The TGA also conducts post-market surveillance to review and confirm sponsors are meeting their regulatory obligations.

#### International

Regulatory environments are country specific and pose issues for VDS manufacturers to be aware of when designing, manufacturing and selling products. Local expertise or partnerships with local businesses is important for VDS manufacturers and brands seeking to navigate new markets.

##### *Halal product certification*

Given the large Muslim populations in APAC countries including Indonesia and Malaysia, offering halal certified products is advantageous for VDS sales in these markets.

#### China

The Chinese government regulates functional health foods, including VDS products, requiring that certain products obtain State Administration of Market Regulation (**SAMR**) registration prior to retailing in China. To sell VDS products in pharmacies in China, businesses require 'Blue Hat' certification. SAMR registration enables manufacturers to display the Blue Hat logo on their product. One of the key benefits of the FTZ and the CBEC channel is that manufacturers are not required to apply for SAMR registration to sell products online, provided they have been sold in eligible reference jurisdictions. SAMR registration is time-consuming and difficult for international companies, with only 40 of the over 1,800 SAMR health food approvals made in 2020 received being by international companies.<sup>50</sup> Only six of these approvals were received by an Australian company.

## 7.6 Opportunities and Risks

Companies in the industry are subject to a number of risks including those that are specific to their operations, the geographical markets, and other general risks. Key risks include the following.

- **regulatory risks:** may arise in each of the geographical markets in which a company operates. China, for example, has been subject to an evolving regulatory landscape in recent years, and any further regulation may lead to increased costs or restrictions on market access, particularly for non-Chinese participants. However, motivations for increasing regulation are overwhelmingly focused on ensuring product safety and enabling consumer access to high quality products, so in some respects enhanced regulation is to the benefit of higher quality brands such as those owned by Blackmores;
- **reputation risks:** higher-quality brands rely on the reputation of their products being of higher quality, and therefore any factors or events that diminish their reputation could have a materially adverse impact on sales. Equally, any quality concerns with competing brands would have a positive effect on sales. To mitigate these risks, brands can place emphasis on product certification, product quality, and authenticity of products by leveraging long term relationships with key contract manufacturers and ingredient suppliers;
- **customer concentration:** particularly true of the Australian market and its distribution channels, a substantial portion of sales is derived from a single customer, Chemist Warehouse.<sup>51</sup> Concentration of sales into one customer creates risks with respect to future volumes and negotiating power to push for lower prices on products, or demanding higher rebates or trade discounts which may impact profitability;
- **competition:** the VDS sector remains relatively fragmented, particularly in the China and International segments, with competition increasing in recent years as new entrants entered the space to capitalise on strong industry growth trends.<sup>52</sup> While further competition remains a risk to margins, Blackmores is shielded by its long-standing reputation for higher quality products and Australian branding; and
- **changing consumer preferences:** as discussed in Section 7.5, evolving consumer preferences and shopping behaviours are both an opportunity and a risk to existing brands within the VDS market. The ability of manufacturers and brands to bring new and relevant products to market will be a key determinant of long-term success.

<sup>50</sup> "Health Food Filings in China", NutraIngredients Asia, January 2021.

<sup>51</sup> "Women Dominate Australia's Vitamins, Minerals & Supplements Market", Roy Morgan, 30 June 2020.

<sup>52</sup> "Euromonitor Vitamins & Supplements", Euromonitor, 30 June 2022.



## 8 Profile of Blackmores

### 8.1 Overview

Blackmores is a vertically integrated Australian consumer products company, specialising in the manufacturing and sales of VDS products. Being one of Australia's most trusted brands,<sup>53</sup> it positions its products at the premium end of the market selling under three core brands including Blackmores (vitamins and supplements), BioCeuticals (practitioner-only vitamins and supplements),<sup>54</sup> and Pure Animal Wellbeing (natural pet healthcare products) (**PAW**). The majority of its products are manufactured in-house, with production facilities located in Australia, before being sold in 13 markets across APAC. ANZ and China represent its largest markets, comprising a combined 67% of FY22 revenues. As at 6 April 2023, the last trading day prior to speculation of a takeover offer,<sup>55</sup> Blackmores had a market capitalisation of \$1,447.7 million.<sup>56</sup>

### 8.2 Background

Blackmores has been providing natural health products to Australians for over 90 years. It was founded in 1932 when Maurice Blackmores opened his first health food store in Brisbane with a focus on naturopathic health. Maurice championed the Australian naturopathic industry establishing Australia's first health newspaper in 1952, and creating the Australian National Naturopathic Association in 1954. Maurice's son, Marcus Blackmores, became Managing Director following Maurice's retirement in 1975.<sup>57</sup>

Marcus oversaw a period of considerable growth for Blackmores, with the business initially expanding geographically to Singapore and Malaysia in 1976 and New Zealand in 1983. Blackmores expanded its product range through the acquisition of Vita Glow Pty Limited (**VitaGlow**), a vitamins and mineral supplement brand, in 1982, and the acquisitions of Abundant Earth, Biogenic Health Foods, Russell's Natural Food Markets and Healthy Life in 1986. To accommodate its growth, Blackmores relocated in 1985 to a new head office, warehouse, and manufacturing facility, located in Balgowlah, Sydney. Also in 1985, Blackmores Laboratories Pty Limited (**Blackmores Laboratories**) listed on the Australian Stock Exchange (**ASX**), and in 1988, its name was changed to "Blackmores". Further international expansions occurred into Thailand in 1989, the United States in 1990, and Indonesia in 1995, however, its United States operations were closed in 1995.

By 2000, Blackmores had grown into one of Australia's leading health supplement companies, with a Reader's Digest survey recognising it as Australia's most trusted health and supplements brand.<sup>58</sup> It has held this title for 15 years in a row. The following decade also saw considerable growth for the business through a distribution agreement into the Coles Group Limited grocery stores, a significant sales lift as a consequence of the Pan Pharmaceuticals medicine recall, and further expansion into Asia including Taiwan in 2007 and South Korea in 2010. A strategic focus on vitamins and supplements led to Blackmores incorporating key VitaGlow products into the base Blackmores brand and closing its skin and haircare businesses in 2005. In 2008, Blackmores relocated operations to a new 25,000 square metre site at Warriewood, Sydney.

Blackmores has since continued to increase its presence in Asia, with operations in China (including Hong Kong and Taiwan), Thailand, Malaysia, Singapore, Indonesia, India, Korea and distribution in Vietnam. The Company's reputation for quality has underpinned its success in the region, having won the Reader's Digest Most Trusted Brand award eight years in a row (2006 – 2013) in Thailand and Malaysia (2014 – 2019), and the prestigious Superbrands award in Malaysia five years in a row (2011 – 2015). In 2012, Blackmores registered a range of products for sale in China in preparation for launching in the region, with the market becoming a significant contributor to sales in ensuing years.

<sup>53</sup> "Trusted Brands Australia 2023", Readers Digest Australia.

<sup>54</sup> Practitioner-only refers to natural supplements that are listed or registered on the Australian Register of Therapeutic Goods, meaning they are not available to purchase over-the-counter. The customer must undergo a consultation from an accredited health professional (pharmacist, naturopath, physiotherapist, etc.) before purchasing.

<sup>55</sup> On 10 April 2023, the following article was published speculating on takeover activity for Blackmores: "Blackmores suitor revealed as Japanese giant; will another follow?", Australian Financial Review.

<sup>56</sup> Calculated as closing price on 6 April 2023 of \$74.43 multiplied by 19,450,635 Blackmores Shares.

<sup>57</sup> "Heritage & History", Blackmores.

<sup>58</sup> "Heritage & History". Blackmores.



Blackmores has also made several key acquisitions in recent years, including the following:<sup>59</sup>

- in 2010, the acquisition of Pure Animal Wellbeing Pty Ltd (**PAW**), for \$2.0 million to introduce a pet product range into the business;
- in 2012, Blackmores acquired FIT-BioCeuticals Limited (**BioCeuticals**), the leading brand of practitioner products in Australia, for \$40.0 million;
- in 2015, Blackmores announced an equal share partnership with Bega Cheese Ltd (**Bega**) to develop and manufacture a range of nutritional foods, including infant formula, through Bega's subsidiary Tatura Milk Industries Limited (**Tatura**). The partnership was abandoned in 2017 after losses and weak sales;<sup>60</sup>
- in 2016, the acquisition of Global Therapeutics Pty Ltd (**Global Therapeutics**), Australia's leading Chinese herbal medicine company, for \$23.0 million. A strategic refocus for Blackmores led to the sale of this business in 2020 for \$27.0 million to McPherson's Limited (**McPherson's**);
- in 2018, Blackmores acquired the Improvy brand, a health and weight loss consultation program business, from Probiotec Limited for \$9.0 million; and
- in 2019, the acquisition of a tablet and soft-gel capsule manufacturing facility in Braeside, Victoria for \$57.0 million from Catalent Australia Holding Pty Ltd (**Catalent Australia**).

### 8.2.1 Strategy

Blackmores' vision is to connect every person on earth to the healing power of nature. The strategy is focused on five key objectives:<sup>61</sup>

- **drive growth in targeted segments and markets:** Blackmores has strategic initiatives targeted at growing revenues and brand awareness in specific high-growth international markets including China, India, Indonesia, Malaysia, Vietnam and Thailand;
- **simplify operations and reduce cost:** Blackmores has cost savings initiatives across sales, marketing, procurement and the supply chain. Blackmores delivered annualised gross savings of \$17m in FY22;<sup>62</sup>
- **strengthen supply chain:** Blackmores is focused on building supply chain excellence with best-in-class manufacturing capabilities and integrated business planning to deliver on the growth potential in Asia. Blackmores owns a manufacturing facility in Braeside, Victoria (the **Braeside facility**), operates a distribution centre in Bungarribee, NSW and owns an operations facility in Warriewood, NSW, providing Blackmores with autonomy over their supply chain;
- **grow Blackmores Australian VDS market share and margin:** Blackmores continues to run targeted advertising campaigns in Australia for its three key consumer brands (Blackmores, BioCeuticals and PAW), and drive product innovation to deliver a superior customer and practitioner experience; and
- **enhance digital capability:** Blackmores is investing to transform its digital capabilities across e-commerce and customer experience, alongside enhancements to Blackmores' enterprise planning systems to deliver organisational productivity improvements.

#### Business Improvement Program

##### Phase 1

Blackmores announced and established a Business Improvement Program in 2019. The program initially targeted \$60 million of cost savings over the following three years to deliver margin improvement and help enable future investment capacity.<sup>63</sup> In February 2020, the Business Improvement Program was subsequently amended to target \$50 million of savings by FY23, half of which would be reinvested into

<sup>59</sup> Blackmores' ASX Company announcements.

<sup>60</sup> Blackmores continues to operate an infant formula business in Vietnam, separate to the abandoned partnership with Bega Cheese.

<sup>61</sup> Blackmores Annual Report FY22.

<sup>62</sup> Blackmores FY22 Results Presentation.

<sup>63</sup> Blackmores FY19 Half Year Results Announcement.



strategic growth markets in Asia and digital capabilities.<sup>64</sup> In August 2021, the targeted savings were increased to \$55 million by FY23.<sup>65</sup>

The cost savings associated with the Business Improvement Program are expected to be derived from two main sources:

- **procurement savings:** Blackmores has a \$30 million target for procurement savings by the end of FY23. As at 31 December 2022, Blackmores had delivered \$28 million of cost savings via procurement savings, predominantly reflecting savings in costs of goods sold;<sup>66</sup> and
- **organisational productivity savings:** Blackmores has a \$25 million target for organisational productivity savings by the end of FY23. As at 31 December 2022, Blackmores had delivered \$23 million of cost savings via organisational restructuring.<sup>67</sup>

The Phase 1 in-year and annualised savings delivered through the program are shown in the following table.

#### Phase 1 Cost Savings (\$ millions)

	FY21	FY22	1H23 <sup>1</sup>
<i>In-year savings</i>			
Procurement savings	11	10	4
Organisational productivity savings	11	6	2
<b>In-year total savings</b>	<b>22</b>	<b>16</b>	<b>6</b>
<b>Cumulative in-year savings</b>	<b>22</b>	<b>38</b>	<b>44</b>
<i>Annualised savings</i>			
Procurement savings	13	11	4
Organisational productivity savings	15	6	2
<b>Annualised in-year savings</b>	<b>28</b>	<b>17</b>	<b>6</b>
<b>Cumulative annualised savings</b>	<b>28</b>	<b>45</b>	<b>51</b>

Source: Blackmores Group Annual and Half Year Presentations; Kroll analysis.

Note:

1. Savings delivered over the period. Annualised savings not available for 1H23.

As shown in the preceding table, the cumulative annualised cost savings through 1H23 represent \$51 million of the targeted cumulative savings total of \$55 million. Blackmores management have advised that they remain on track to meet the targeted annualised cost savings in FY23,<sup>68</sup> and that FY24 will represent the first full year of targeted cost savings.

#### Phase 2<sup>69</sup>

In FY23, Blackmores announced a Phase 2 cost savings programme that aims to achieve \$34.0 to \$44.0 million in gross annualised cost savings over FY24 to FY26. Phase 2 is primarily focused on procurement savings in cost of goods sold, with some other cost savings forecast.

The Phase 2 target cost savings across FY24 to FY26 are illustrated in the following table.

#### Phase 2 Target Cost Savings (\$ millions)

	FY24	FY25	FY26	Total
Procurement savings (primarily COGs)	\$10 - \$13	\$10 - \$13	\$10 - \$13	\$30 - \$39
Other cost savings	\$4 - \$5	-	-	\$4 - \$5
<b>Total savings/efficiencies</b>	<b>\$14 - \$18</b>	<b>\$10 - \$13</b>	<b>\$10 - \$13</b>	<b>\$34 - \$44</b>

Source: Blackmores 1H23 Results Presentation.

<sup>64</sup> Blackmores FY20 Half Year Results Announcement.

<sup>65</sup> Blackmores FY21 Full Year Results Presentation.

<sup>66</sup> Blackmores FY23 Half Year Results Presentation.

<sup>67</sup> Blackmores FY23 Half Year Results Presentation.

<sup>68</sup> Blackmores FY23 Half Year Results Presentation.

<sup>69</sup> Blackmores FY23 Half Year Results Presentation.





### 8.3 Operations

#### 8.3.1 Overview

Blackmores has over 1,200 employees and 33,000 distribution points in 13 markets.

Blackmores' footprint is illustrated in the following figure.

#### Blackmores' Current Operations



Source: Blackmores.

#### 8.3.2 Operating segments

Blackmores provides segment information based on sales into the three key regions, Australia & New Zealand (ANZ), International, and China. These segments are described as follows.

##### Australia & New Zealand

ANZ, Blackmores Group's largest segment by revenue, includes revenues generated from product sales under the Blackmores, BioCeuticals, PAW and Impromy brands across ANZ. This includes sales revenue where the product is purchased in Australia but ultimately intended for the Chinese market (daigou channel), as well as contract manufacturing revenues where Blackmores manufactures products for third parties at the Braeside facility. Blackmores' contract manufacturing revenues reflect legacy agreements that had been committed to prior to Blackmores' acquisition of the Braeside facility.

##### International

The International segment comprises revenue from sales of the Blackmores and PAW brands in India, Indonesia, Malaysia, Singapore, South Korea, Thailand and Vietnam.

##### China

China comprises sales of the Blackmores brand in China (in country), the China Export Division, Hong Kong and Taiwan.<sup>70</sup> The China segment also includes sales of the PAW brand in Hong Kong. All of Blackmores' China in-country sales are through the FTZ and sold on e-commerce platforms such as Tmall Network Co Ltd (**Tmall**), Alibaba Health Information Technology Ltd, TikTok Pte. Ltd. and JD.com Inc (**JD**). Blackmores

<sup>70</sup> Hong Kong and Taiwan were reported under the International segment prior to the 1H FY23 results announced on 23 February 2023, when Hong Kong and Taiwan were reclassified within the China segment. Financials from prior periods have not been restated to reflect these changes, other than references to 1H FY22 as the pcp (which have been restated).

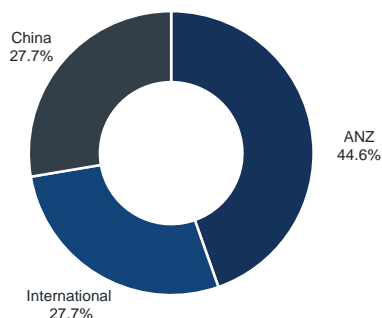




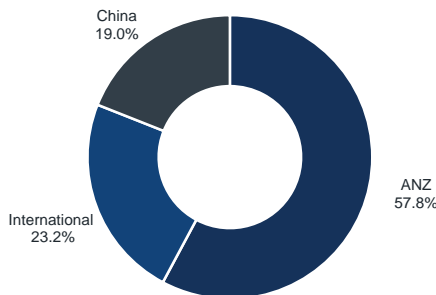
is prominent on the seven major e-commerce platforms in China. Blackmores' China export division sells Blackmores products to exporters such as Baxi Enterprises Pty Ltd, HVK Pty Ltd and Pacific Healthy International Holding Pty Ltd who on-sell the product to Chinese consumers. The export division contributed to 28% of FY22 net sales in China.

The contribution of each segment to revenue and EBIT in 1H23 is presented as follows.

**Blackmores % Revenue by Segment 1H23**



**Blackmores % EBIT by Segment 1H23**





Source: Blackmores Group 1H23 Results Presentation.

Blackmores has diversified its revenue sources over the past five years, shifting away from a heavy reliance on the ANZ VDS market. ANZ has decreased from 62.4% of sales in FY18 to 44.4% of sales in FY22, reflecting in part the decline in daigou sales, while there has been strong growth in the International segment which has seen it increase from 13.7% of sales in FY18 to 33.2% in FY22. China declined from 23.8% of sales in FY18 to 22.4% in FY22 as a result of regulatory changes, the impact of the COVID-19 pandemic and the relative increase in sales across the rest of Asia.<sup>71</sup>

**8.3.3 Brands and Products**

Blackmores manufactures and sells products under three core brands detailed in the following table.

**Blackmores Group Products**

Brand	Description	Products
<b>Blackmores</b>	<ul style="list-style-type: none"> <li>Australia's leading natural health supplements brand</li> <li>sold in the pharmacy, grocery and e-commerce channels</li> <li>sold both in ANZ and internationally</li> </ul>	<p>The Blackmores brand sells vitamins, formulas, medicines and other supplements including:</p> <ul style="list-style-type: none"> <li>Blackmores fish oil</li> <li>Blackmores probiotics</li> </ul> 
<b>BioCeuticals</b>	<ul style="list-style-type: none"> <li>Australia's leading practitioner-only, therapeutic supplements brand</li> <li>nutritional and therapeutical medicines to treat and manage specific health issues</li> <li>sold through the pharmacy and allied health channel in ANZ</li> </ul>	<p>The BioCeuticals brand sells integrative medicines including:</p> <ul style="list-style-type: none"> <li>B12 spray</li> <li>ArmaForce throat relief</li> <li>migraine care</li> </ul> 

<sup>71</sup> Blackmores FY18 Annual Report; Blackmores FY22 Annual Report.

For personal use only



<p><b>PAW by Blackmores</b></p> <ul style="list-style-type: none"> <li>▪ natural health products for pets</li> <li>▪ sold through pet product retailers, Pet Barn, veterinary practices and the e-commerce channel, Pet Circle</li> <li>▪ sold both in ANZ and internationally</li> </ul>	<p>The PAW by Blackmores brand sells animal products including:</p> <ul style="list-style-type: none"> <li>▪ PAW shampoo</li> <li>▪ PAW joint care</li> </ul>
---	---



Source: Blackmores.

Across these three brands, Blackmores manufactures and sells over 900 individual specialist products, from approximately 300 different product formulations, using over 680 ingredients with raw ingredients and other inputs sourced from 300 direct suppliers. Blackmores' products are intended to promote healthy lifestyles and address issues associated with fatigue, prostate health, obesity, immunity, digestion, pregnancy and animal health, among others.

#### 8.3.4 Product development

As discussed in Section 7.5, product innovation and differentiation is a key determinant of VDS brand success and profitability. Typically, in the Australian market, a product will take up to two years to develop from ideation to the product being available for sale in stores. The typical stages of the product development life cycle include:

- **Stage 1: Exploring the Idea.** This includes developing and researching the concept, first indications of commercial potential, identifying the markets that will launch the product and indicative launch timing.
- **Stage 2: Developing the Concept.** This stage includes formulating the product, developing a detailed timeline, a commercial and quality audit, product stability assessment, risk assessment and financial viability assessments.
- **Stage 3: Solution Confirmation.** The product formulation, sensory trials, claims evidence files, stability testing and product safety assessments are completed. Label artwork and risk assessments are completed, and the P&L is finalised.
- **Stage 4: Final Commercialisation.** Forecasts are finalised and inventory production is planned. The finished product specification is completed, and marketing plans are finalised.
- **Stage 5: Production and Launch.** Product is manufactured, distribution is achieved, first sales are recorded and marketing plans commence.

Blackmores has re-focused on product innovation in recent years with a 3-year innovation pipeline successfully launched in FY22. Sales from innovation and the first year of this pipeline contributed over \$50m in FY22. New products launched in FY22 include:

- Collagen Joint Renew (China);
- Probiotics and Daily Balance (Thailand)
- Blackmores Bio C + Cold Fighter (Australia);
- BioCeuticals Armaforce Daily Protect (Australia) and
- PAW Hepato Advanced (Australia).

Blackmores' product development pipeline is aided by the Blackmores Institute, discussed in Section 8.3.8.

#### 8.3.5 Distribution channels

Blackmores' distribution channels are an important determinant of sales mix and vary significantly by segment.

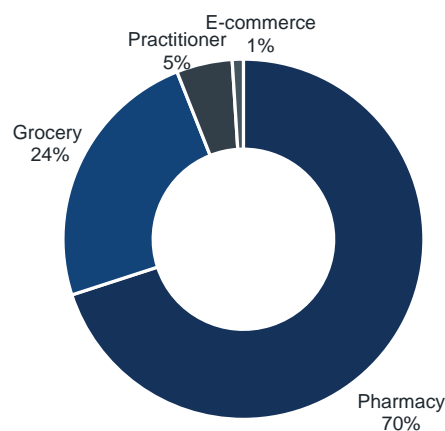
In Australia, Blackmores utilises four distribution channels; pharmacy, grocery, practitioner and e-commerce. The following briefly describes each of Blackmores' key distribution channels for its Australian segment.



- **Pharmacy:** the pharmacy channel comprises sales in independent pharmacies, large chain pharmacy groups, and 'big-box' discount pharmacies including businesses such as Chemist Warehouse, Terry White Chemmart, and Priceline. It is the largest of the Australian distribution channels;
- **Grocery:** comprises sales in major supermarket and grocery networks, such as Coles and Woolworths, as well as other independent grocery outlets;
- **Practitioner:** the practitioner channel includes the Australian allied health network, primarily for BioCeuticals product sales, and veterinary practices, primarily for PAW product sales; and
- **e-commerce:** the e-commerce channel includes online sales of Blackmores products on Blackmores' own website and other e-commerce platforms such as Amazon and Tmall

Blackmores' Australian sales mix by distribution channels for FY22 is shown in the following chart.

**Blackmores Australian Sales FY22 by Distribution Channel FY22**



Source: Blackmores.

Blackmores' Australian revenues are concentrated in the Pharmacy channel, largely driven by brand sales of Blackmores and BioCeuticals products. Chemist Warehouse and 'big-box' pharmacies now represent the majority of the pharmacy channel sales in Australia and Chemist Warehouse alone accounted for 34.7% of Australian sales in FY22.<sup>72</sup> Concentration of sales by customer creates both benefits, including immediate access to a country-wide sales platform, as well as risks with respect to future volumes and negotiating power. It is worth noting that Blackmores has slightly improved its customer mix in recent years, with sales to Chemist Warehouse representing 37.7% of ANZ sales in FY18.

In contrast, in China, as discussed in Section 7.4, Blackmores distributes its products predominantly through the e-commerce channel and also through its export division. Product distribution in International varies by country, however, the pharmacy and e-commerce channels are important distribution channels for Blackmores in countries such as Malaysia, whilst retail stores are a key sales channel in Thailand with the 7/11 retail store network selling VDS products. As a result, distribution strategies need to be tailored to each specific market dynamic.

**8.3.6 Manufacturing and supply chain**

Blackmores operates a hybrid model of in-house manufacture for approximately 60% of the tablet and capsule product portfolio and utilises contract manufacturing organisations (**CMOs**) for the remaining 40%. CMOs are used for dual sourcing of key products, as part of Blackmores risk management, or because the product formats are not supported by Blackmores own manufacturing assets (e.g. powders and gummy formats).

Blackmores owns and/or operates three sites that help facilitate its product supply chain. Given the regulatory oversight enforced by the TGA, discussed in Section 7.5, ownership and autonomy over the VDS

<sup>72</sup> Blackmores Annual Report FY22.

For personal use only



product manufacturing supply chain is important for Blackmores to satisfy its regulatory requirements. Blackmores' manufacturing and distribution facilities include:

- **Braeside manufacturing facility:** The Braeside manufacturing facility, located in Victoria, was acquired from Catalent Australia in October 2019. The Braeside facility manufactures the majority of Blackmores products, including Blackmores' tablets and soft-gel products. Blackmores owns the freehold property at this site. The facility is TGA-licensed to produce complementary medicines. It is currently a relatively immaterial revenue generating source for the ANZ business unit as the facility manufactures products for other consumer product brands, however there is potential to manufacture TGA-approved pharmaceutical products at the facility in the future;
- **Warriewood operations facility:** The Warriewood operations facility, located in NSW, enables on-site production and preparation of Blackmores products, with an estimated 30-35 million units packed in FY23. The Warriewood operations facility is on the Blackmores Warriewood campus, which also includes Blackmores' head office. Blackmores owns the freehold property at this site; and
- **Bungarribee distribution centre:** The Bungarribee distribution centre, located in NSW, is Blackmores' main distribution centre, enabling between 15,000 to 30,000 orders to be distributed each month on average. The Bungarribee distribution centre was opened in 2018. Blackmores leases this site under a long-term lease.

### 8.3.7 Sustainability

Blackmores continues to focus on its sustainability objectives, aimed at addressing the material impacts of its business through a desire for a healthy planet, healthy people, and healthy communities. Blackmores guiding principles for sustainability goals are:

- **tread lightly:** Blackmores has committed to reach net zero emissions by 2030. Blackmores reduced total group carbon emissions by 4.1% in FY22. Blackmores is seeking to optimise waste reduction, with 64% of waste diverted from landfill in FY22: Blackmores is working to optimise packaging recyclability.
- **respond to our changing world:** including building a supply chain resilient to the impacts of climate change and restoring nature.
- **source responsibly:** Blackmores is seeking to collaborate with partners for greater impact and to ensure zero exploitation in their supply chain
- **create a fair, safe, inclusive and sustainable workplace:** Blackmores was recognised by the Workplace Gender Equality Agency (WGEA) as a Best Place to Work and was listed as an AFR Boss Best Place to Work within the manufacturing and consumer goods industry in 2023; and
- **support community health:** Blackmores has over 12,500 accredited health educated touchpoints and continues to invest in research with leading academic institutions to advance evidence based complementary medicines.

### 8.3.8 Blackmores Institute

Blackmores Institute was established in 2012 as a centre of research and education excellence, with a focus on creating knowledge of natural medicine. The Blackmores Institute delivers high quality, evidence-based, natural medicine research, education and information.

The Blackmores Institute is the academic and professional arm of Blackmores. It aims to improve public health outcomes through research and has been recognised with 25 awards in the last 5 years, highlighting its industry leadership. Research conducted at the Blackmores Institute, with the support of a range of university partners, enables Blackmores to bring new evidence-based products to market.



## 8.4 Financial performance

### 8.4.1 Historical financial performance

The following table summarises the financial performance of Blackmores for FY20, FY21, FY22 and 1H23.

**Blackmores Financial Performance (\$ millions)**

	FY20 audited	FY21 audited	FY22 audited	1H23 reviewed
<b>Sales revenue</b>	<b>568.4</b>	<b>575.9</b>	<b>649.5</b>	<b>338.0</b>
Cost of goods sold <sup>1</sup>	(280.6)	(274.9)	(302.9)	(157.8)
<b>Gross profit</b>	<b>287.8</b>	<b>301.0</b>	<b>346.6</b>	<b>180.2</b>
Selling and marketing expenses	(58.5)	(63.5)	(66.4)	(35.2)
Operating expenses <sup>2</sup>	(176.6)	(161.6)	(197.3)	(95.6)
<b>Underlying EBITDA<sup>3</sup></b>	<b>52.7</b>	<b>75.9</b>	<b>82.9</b>	<b>49.4</b>
Depreciation and amortisation <sup>3</sup>	(21.3)	(28.3)	(26.3)	(13.2)
<b>Underlying EBIT<sup>3</sup></b>	<b>31.4</b>	<b>47.6</b>	<b>56.6</b>	<b>36.2</b>
Non-recurring items <sup>4</sup>	(6.3)	(1.8)	(0.6)	(0.2)
<b>Statutory EBIT</b>	<b>25.1</b>	<b>45.8</b>	<b>56.0</b>	<b>36.0</b>
Net interest expense	(5.9)	(3.5)	(2.7)	(0.4)
<b>Net profit before tax from continuing operations</b>	<b>19.2</b>	<b>42.2</b>	<b>53.3</b>	<b>35.6</b>
Income tax expense	(6.1)	(13.4)	(14.8)	(10.0)
<b>Net profit after tax from continuing operations</b>	<b>13.1</b>	<b>28.9</b>	<b>38.6</b>	<b>25.6</b>
(Profit)/losses attributable to non-controlling interests <sup>5</sup>	(0.9)	(4.9)	(7.9)	(1.3)
Discontinued operations <sup>6</sup>	3.0	4.7	-	-
<b>Profit after tax attributable to shareholders of Boulder</b>	<b>15.1</b>	<b>28.6</b>	<b>30.6</b>	<b>24.3</b>
<b>Financial</b>				
Revenue growth	(3.5%)	1.3%	12.8%	(1.6%)
Underlying EBITDA growth	(39.6%)	44.0%	9.2%	(6.3%)
Underlying EBIT growth	(59.0%)	51.6%	18.9%	(5.5%)
COGS growth	21.6%	(2.0%)	10.2%	(0.4%)
<b>Profitability</b>				
Gross margin	50.6%	52.3%	53.4%	53.3%
Underlying EBITDA margin	9.3%	13.2%	12.8%	14.6%
Underlying EBIT margin	5.5%	8.3%	8.7%	10.7%
S&M expenses as a percentage of sales revenue <sup>7</sup>	10.3%	11.0%	10.2%	10.4%
Effective tax rate	(31.9%)	(31.7%)	(27.7%)	(28.1%)
<b>Interest coverage</b>				
Net interest cover (times) <sup>8</sup>	4.2	13.0	21.1	nmf <sup>9</sup>
<b>Per share metrics</b>				
WANOS (basic) (millions)	17.5	19.3	19.4	19.4
Statutory earnings per share (cents) <sup>10</sup>	86.4	148.1	157.9	125.1
Underlying NPAT	15.7	25.4	31.1	24.4
Underlying earnings per share (cents) <sup>11</sup>	89.8	131.3	160.3	125.5
Dividends per share (cents) <sup>12</sup>	-	71.0	95.0	87.0
Payout ratio <sup>13</sup>	-	47.9%	60.0%	69.6%

Source: Blackmores Annual and Half Yearly Reports and Results Presentations, Blackmores management; Kroll analysis.

Notes:

1. Cost of goods sold includes the allocation of direct labour, inbound freight and overheads relating to production at the Braeside facility and packing at the Warriewood facility.
2. Calculated as underlying EBITDA less gross profit less selling and marketing expenses.
3. Excludes the impact of non-recurring items and excludes discontinued operations. EBITDA means earnings before interest, taxes, depreciation and amortisation.
4. Non-recurring items include COVID-19 support payments, business transformation costs, impairment costs, gains on sales and acquisitions, cloud IT development adjustments and other non-recurring incomes and costs.
5. Non-controlling interests relate to Blackmores' Indonesian subsidiary PT Kalbe Blackmores Nutrition, which is operated as a JV with PT Kalbe Farma.
6. Discontinued operations relate to Global Therapeutics which was divested in FY21.
7. S&M means sales and marketing.
8. Calculated as EBIT/Net interest.
9. nmf means not meaningful.



10. Calculated as profit after tax attributable to shareholders of Blackmores divided by weighted average number of shares (**WANOS**) for the period.
11. Calculated as underlying profit after tax attributable to shareholders of Blackmores divided by WANOS for the period.
12. Calculated as dividends declared to shareholders of Blackmores divided by WANOS for the period.
13. Dividends per share divided by statutory earnings per share.

In relation to the financial performance of Blackmores, we note:

- sales revenue increased by 1.3% in FY21 and 12.8% in FY22, including the impact of foreign exchange movements. On a constant currency basis, sales revenue increased by 3.2% in FY21 and 12.9% in FY22;
- sales revenue growth in FY22 was primarily driven by a strong performance in International, and included the impact of elevated demand for immunity products following COVID-19 pandemic outbreaks in key markets. Sales revenue declined by 1.6% in 1H23 compared to the prior corresponding period (**pcp**), reflecting a decline in International which more than offset growth in ANZ and China. A description of sales revenue performance on a segment basis is provided in Section 8.4.2 of this report;
- gross margin increased slightly over the period, from 50.6% in FY20 to 53.3% in 1H23, resulting in gross profit increasing slightly faster than sales revenue. Gross margin over the period was supported by Blackmores' Business Improvement Program, which delivered cumulative annualised savings in procurement spend of \$24.0 million over FY21 and FY22;
- in FY22, gross margin expanded slightly from 52.3% to 53.4% despite a 4.4% increase in direct input costs, partially due to disrupted global supply chains. Upward pressure in cost of goods sold (**COGS**) was offset by a more favourable product mix, the impact of pricing and trade spend optimisation and supply chain savings. Gross margin remained relatively stable on FY22 levels in 1H23 at 52.3% as Blackmores implemented price increases to offset cost inflationary pressures;
- sales and marketing (**S&M**) expenses as a percentage of sales revenue increased slightly from 10.3% in FY20 to 11.0% in FY21, reflecting higher investment in online CBEC platforms, before declining to 10.2% in FY22. S&M expenditure increased significantly in 1H23 compared to the pcp of 1H22, driven by increased brand support including the reinstatement of the Blackmores running festival;
- operating expenses declined by 8.5% in FY21 due to tight cost control, the benefits of Blackmores' Business Improvement Program (as detailed in Section 8.2.1 of this report), and the delivery of targeted operating efficiencies. Operating expenses increased by 22.1% in FY22 reflecting an accounting change whereby \$9.3 million of cloud computing expenditure was reallocated from capital expenditure to operating expenses, the impact of elevated freight costs due to supply chain disruptions and increased inflation, increased incentives for key personnel, and increased headcount in International and in governance roles. In 1H23, operating expenses declined by 6.9%, however, the impact on underlying EBITDA was largely offset by higher S&M spend;
- consequently, underlying EBITDA grew strongly by 44.0% in FY21 but lagged sales revenue growth in FY22, growing by 9.2%. The underlying EBITDA margin expanded from 9.3% in FY20 to 13.2% in FY21 but contracted to 12.8% in FY22. In 1H23, underlying EBITDA declined by 6.3% compared to the pcp, however, underlying EBITDA margin increased to 14.6%;
- depreciation and amortisation increased by 33.0% in FY21, primarily due to the incorporation of a full year of ownership of the newly acquired Braeside facility. Underlying EBIT increased by 51.6% in FY21 and 18.9% in FY22, outpacing underlying EBITDA growth reflecting the benefit of operating leverage and contributing to the expansion of EBIT margins in FY21 and FY22;
- a breakdown of non-recurring items is presented as follows:



## Non-recurring Items (\$ millions)

	FY20 audited	FY21 audited	FY22 audited	1H23 reviewed
COVID-19 support payments	1.0	8.1	0.1	-
Business transformation	(5.1)	(6.4)	(0.7)	(0.4)
Impairment	-	(9.8)	-	-
Net gain on sale of non-core assets	-	4.0	-	-
Net gain on acquisition	3.0	-	-	-
Other non-recurring income/(costs)	(0.9)	0.5	(0.1)	0.2
Cloud IT development adjustment	(4.3)	1.7	-	-
<b>Non-recurring items</b>	<b>(6.3)</b>	<b>(1.8)</b>	<b>(0.6)</b>	<b>(0.2)</b>

Source: Blackmores Annual and Half Yearly Reports and Presentations.

- total non-recurring items have been relatively minor since FY21. In FY21, COVID-19 support payments and a net gain on sale of investment property largely offset business transformation expenses related to Blackmores' Business Improvement program (described in Section 8.2.1 of this report) and redundancy payments and an impairment of \$9.8 million related to the write-down of the intangible assets of the Impromy brand and office space which was deemed surplus, in part due to changing work practices during the COVID-19 pandemic;
- net interest expense declined from FY21 as proceeds from an equity raising in May 2020 (as described in Section 8.8.1 of this report) were used to repay borrowings. Consequently, growth in net profit before tax (**NPBT**) from continuing operations and net profit after tax (**NPAT**) from continuing operations has exceeded growth in statutory EBIT;
- Blackmores' effective tax rate was 28.1% in 1H23 and ranged between 27.7% and 31.9% from FY20 to FY21, close to the Australian statutory tax rate of 30.0%; and
- profits attributable to non-controlling interests relate to Blackmores' Indonesian subsidiary PT Kalbe Blackmores Nutrition, which is a joint venture with PT Kalbe Farma. Profits increased from \$0.9 million in FY20 to \$7.9 million in FY22, reflecting the high growth achieved in the Indonesian operations and a COVID-19 related surge in revenue in FY22, before declining in 1H23 as this demand surge unwound. Blackmores holds a majority stake of 50.1% share in PT Kalbe Blackmores Nutrition.
- Blackmores' dividend payout ratio was within its targeted range of 30% to 60% of statutory NPAT in FY21 and FY22. In 1H23, Blackmores increased its targeted range to between 40% to 70% and declared a dividend in the upper end of the range.



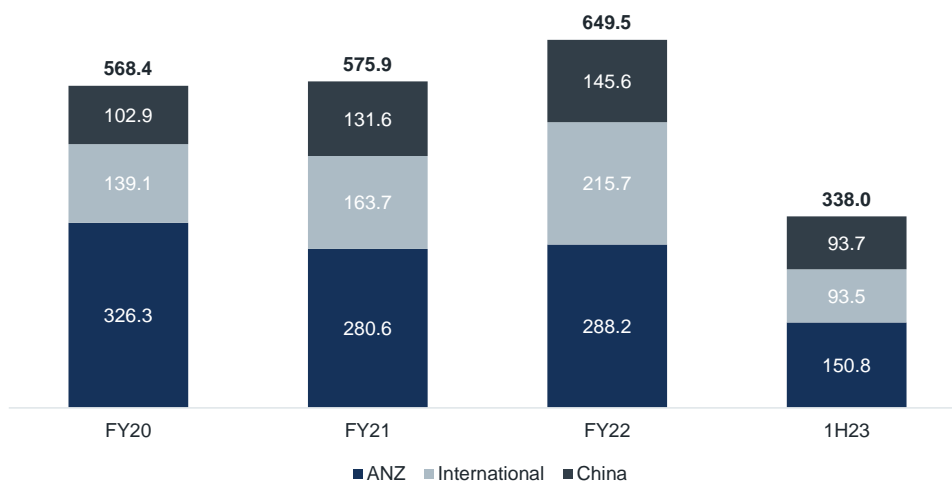


#### 8.4.2 Segment performance<sup>73</sup>

##### Sales revenue by segment

Blackmores' sales revenue by segment is illustrated as follows:

##### Sales Revenue by Segment (\$ millions)



Source: Blackmores Annual and Half Yearly Reports and Presentations.

- sales revenue from ANZ declined by 14.0% in FY21, reflecting the impact of COVID-19 pandemic related travel restrictions (including the loss of revenue from sales channels involving international students and daigou) which impacted consumer behaviour and foot traffic. It also reflects the poor performance of BioCeuticals, which was impacted by a mild cold and flu season and supply chain shortages. Furthermore the daigou channel continued to be subdued due to the requirements for exporters to be registered and pay tax on imports into China, and because of international border closures, FY21 also saw the continued movement of consumer expenditure away from the daigou channel (which forms part of ANZ) to the CBEC channel (part of China). Sales revenue increased slightly in FY22, reflecting market share growth<sup>74</sup> which offset the impact of high levels of discounting by competitors and the impact of COVID-19 pandemic related lockdowns in 1H22. Sales revenue increased by 3.9% in 1H23 compared to the pcp, reflecting continued market share growth and price increases of 5% to 6%;
- International performed strongly in FY21 and FY22, growing 17.7% and 31.8% respectively. The segment benefited from strong growth in one of Blackmores' key markets in Indonesia (98.6% in FY21 and 36.7% in FY22). Performance was driven by new product availability, and the expansion of Blackmores' distribution capacity resulting in improvements in on-shelf availability. In FY22, the segment benefited from elevated demand for immunity protection products following COVID-19 pandemic outbreaks in key markets, which began to unwind in 1H23, resulting in sales revenue declining by 15.1% compared to the pcp; and
- China performed strongly in FY21 and solidly in FY22, growing by 27.9% in FY21 and 10.6% in FY22. The segment benefited from strong growth in the CBEC channel (albeit some of this represents the movement of spend from the daigou channel impacting ANZ revenue). Sales revenue increased by 6.1% in 1H23 compared to the pcp, reflecting steady performance in CBEC and strong performance during the online shopping festival Double 11.<sup>75</sup> Blackmores was effective in navigating the disruptive impacts of COVID-19 lockdowns in FY22 and 1H23 through brand positioning/pricing power and positioning with key platform partners;

<sup>73</sup> Hong Kong and Taiwan were reported under the International segment prior to the 1H FY23 results announced on 23 February 2023, when Hong Kong and Taiwan were reclassified within the China segment. Financials from prior periods have not been restated to reflect these changes, other than references to 1H FY22 as the pcp (which have been restated).

<sup>74</sup> Based on moving annual total sales to 2 July 2022 in the VDS category, per IQVIA.

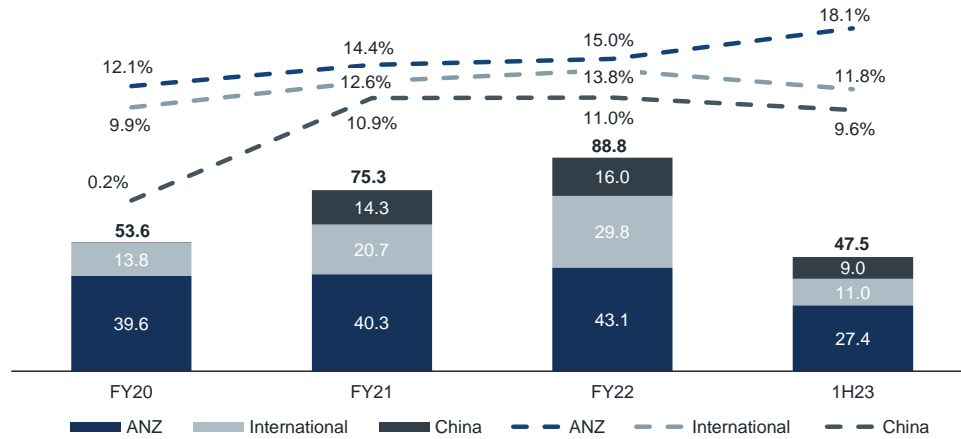
<sup>75</sup> Double 11, also known as Singles' Day, is the largest online shopping festival in the world.



**Underlying EBIT by segment**

Blackmores' underlying EBIT by segment (excluding corporate overheads) is illustrated as follows:

**Underlying EBIT and Underlying EBIT Margin by Segment (\$ millions)**



Source: Blackmores Annual and Half Yearly Reports and Presentations.

Between FY20 and FY22, underlying EBIT margin expanded most significantly for ANZ and International, reflecting improvements higher gross margins due to improvements in product mix and, in International, increased operating leverage and reduced trade spending (due to elevated demand driven by COVID-19 pandemic outbreaks). However, underlying EBIT margin in International shrank significantly in 1H23 (compared to FY22) as operating leverage reduced and advertising and promotion expense increased. China contributed negligible EBIT in FY20 due to significant investments in capabilities and branding.

**8.4.3 Outlook**

Blackmores has not provided earnings guidance for FY23 or beyond. Consequently, in order to provide an indication of the Blackmores' expected future financial performance, Kroll has considered broker forecasts.

As far as Kroll is aware, Blackmores is followed by eleven brokers, each of whom has published a report following the release of Blackmores' 1H23 financial results on 23 February 2023.

For personal use only



Blackmores' broker consensus for FY23 to FY25 is summarised as follows.

**Blackmores Broker Consensus (\$ millions)**

	Actual	Broker Consensus		
	FY22	FY23	FY24	FY25
Revenue	649.5	667.8	727.0	783.7
COGS and Operating Expenses	(566.6)	(573.8)	(618.0)	(659.4)
<b>EBITDA</b>	<b>82.9</b>	<b>94.0</b>	<b>109.0</b>	<b>124.3</b>
D&A	(26.3)	(27.0)	(27.0)	(30.2)
<b>EBIT</b>	<b>56.6</b>	<b>67.0</b>	<b>82.0</b>	<b>94.2</b>
<b>Reported NPAT</b>	<b>38.6</b>	<b>46.0</b>	<b>56.0</b>	<b>66.8</b>
Profit attributable to non-controlling interests	(8.0)	(3.0)	(5.0)	(5.9)
<b>NPAT attributable to Blackmores Shareholders</b>	<b>30.6</b>	<b>43.0</b>	<b>51.0</b>	<b>60.9</b>
<b>Earnings</b>				
EPS (cents)	160.3	216.0	257.0	309.9
DPS (cents)	95.0	147.0	173.0	201.9
Payout ratio (DPS/EPS)	59.3%	68.1%	67.3%	65.2%
<b>Key Metrics</b>				
Revenue Growth	12.8%	2.8%	8.9%	7.8%
EBITDA Growth	9.2%	13.4%	16.0%	14.0%
EBIT Growth	18.9%	18.4%	22.4%	14.8%
EBITDA Margin	12.8%	14.1%	15.0%	15.9%
EBIT Margin	8.7%	10.0%	11.3%	12.0%
NPAT (Adjusted) Margin	5.9%	6.9%	7.7%	8.5%

Source: Broker reports.

Notes:

1. COGS and Operating expenses is calculated as the difference between median broker revenue and median broker EBITDA forecasts. Six brokers do not provide a breakdown of COGS and Operating Expenses.
2. D&A is calculated as the difference between median broker EBITDA and median broker EBIT forecasts.

With regard to the Blackmores' broker consensus summarised above, we note:

- following the release of Blackmores' 1H23 financial results, brokers generally held or modestly downgraded earnings forecasts, with 1H23 results largely in line with estimates. Brokers cited increasing uncertainty in their outlooks with inflationary pressures impacting gross margins, the impact that inflation and interest rates may have on the behaviour of consumers, and uncertainties in Chinese consumer behaviour post the COVID-19 pandemic;
- brokers noted strong sales and revenue growth year-on-year in ANZ and China, driven by market share gains in ANZ and easing lockdown and travel restrictions in China. While EBIT margins were largely in line with estimates, ANZ and China delivered margin expansion with improved product price and mix benefits, which largely offset rising COGS;
- while negative revenue growth and contracting margins were observed in the International segment in 1H23 as trading conditions normalised post COVID-19 related demand surges, brokers noted the continued importance of International as a key driver of Blackmores' future growth. In particular, brokers highlighted the Indonesian JV as having considerable potential to continue to be a high growth region for Blackmores. The company maintained its number one market share position in Thailand, and regained the number one market share position in Malaysia over the period;
- Blackmores is expected by all brokers to meet its guidance of \$55.0 million in annualised savings by the end of FY23. Brokers noted the next phase of savings targeted by Blackmores of \$34.0 to \$44.0 million in gross cost savings over FY24 to FY26 and emphasised their importance in offsetting margin pressures;



- brokers agreed with the company's assessment that trading conditions would remain uncertain with common themes as to cost inflation and rising interest rates impacting consumer sentiment and consumer behaviour. It was noted that consumers are moving away from independent pharmacies (which are higher margin channels) to Chemist Warehouse and major supermarkets (lower margin) in pursuit of special deals and lower prices;
- while all of the brokers continue to see an attractive growth opportunity for Blackmores overseas, several brokers expect growth in the China and International segments to slow materially in the medium-term with COVID-19 pandemic tailwinds subsiding, as well as Blackmores' absence in traditional 'offline' channels placing headwinds on growth in China. Another unknown is how Chinese consumers will behave post lockdown with travel restrictions easing, which relates to whether the diagou channel will return and if so, the magnitude of its recovery;
- brokers noted that Blackmores has been able to maintain margins and trade through heightened costs so far in FY23, however, they have not factored in further margin expansion from the Phase 1 cost savings of the Business Improvement Plan given ongoing COGS inflation;
- the announcement of the Phase 2 cost savings from the Business Improvement Program, as well as 1H23 price rises and guidance by Blackmores of further price rises being implemented in 2H23 as a result of continuing COGS inflation, is expected to mitigate COGS inflation rather than expand gross profit margins. The majority of brokers have indicated they expect either neutral or softer gross margins over the short-to-medium term;
- brokers expect a material proportion of savings will go towards offsetting COGS inflation or be reinvested back into the business (for example, as marketing and technology spend);
- notwithstanding the above, on average, brokers are expecting expansion of EBITDA, EBIT, and NPAT margins from FY23 to FY25. However, several brokers warn that depending on how persistent inflationary pressures are, increasing raw material costs and freight expenses might impact margin recovery; and
- brokers noted working capital and inventory increases as a result of an uplift in inventory to support customer service levels and increase in safety stocks in anticipation of a 1H23 demand surge in the International segment which did not materialise. While some brokers downgraded their net cash position, assuming provisions will need to be made, most were satisfied with management expectations that the inventory can be progressively unwound without the need for additional provisions.<sup>76</sup> As the build-up of inventories is unwound, brokers expect improvement in operating cash flows.

Further details of the broker estimates are included in Appendix 3.

<sup>76</sup> We note from Section 8.5 that management advise the majority of build-up in inventory relates to unfinished goods which typically have long shelf lives.



## 8.5 Financial position

### Blackmores Financial Position (\$ millions)

	As at 30 June 2022 Audited	As at 31 December 2022 Reviewed
Receivables	121.1	119.8
Inventories	155.4	168.8
Payables and provisions (current)	(143.1)	(122.2)
Other current assets/(liabilities) <sup>1</sup>	6.9	3.2
<b>Net working capital</b>	<b>140.2</b>	<b>169.7</b>
Property, plant and equipment	110.2	108.3
Right-of-use assets	24.5	21.0
Goodwill and intangible assets	67.5	65.1
Deferred tax assets	11.0	16.4
Other financial assets	1.6	1.4
Other assets (non-current)	1.6	1.5
Provisions (non-current)	(4.9)	(4.4)
<b>Total funds employed</b>	<b>351.7</b>	<b>379.1</b>
Cash	82.2	75.1
Lease liabilities	(25.2)	(21.9)
<b>Net cash/(debt) (including leases)</b>	<b>56.9</b>	<b>53.2</b>
<b>Net assets</b>	<b>408.7</b>	<b>432.2</b>
<b>Total equity</b>	<b>408.7</b>	<b>432.2</b>
Equity attributable to non-controlling interests	12.2	13.0
<b>Equity attributable to shareholders</b>	<b>396.5</b>	<b>419.2</b>
<b>Statistics</b>		
<i>Inventories as a percentage of revenue</i>	23.9%	26.2%
<i>Number of shares at period end (millions)</i>	19.4	19.4
<i>Net assets per ordinary share (\$)<sup>2</sup></i>	20.4	21.6
<i>NTA per share<sup>3</sup></i>	15.7	17.0
<i>Gearing ratio<sup>4</sup></i>	(26.1%)	(21.8%)

Source: Blackmores Annual and Half Yearly Reports; Kroll analysis.

Notes:

- Includes current tax assets/(liabilities), current other assets/(liabilities) and current derivative assets/(liabilities).
- Calculated as equity attributable to shareholders divided by number of shares at period end.
- Calculated as Net Assets, excluding Goodwill, Intangible Assets, Deferred Tax Assets and Right of Use Lease assets divided by the number of ordinary shares on issue at period end.
- Excludes lease liabilities. Calculated as net debt / (equity attributable to shareholders + net debt).

With regard to the financial position as at 31 December 2022, we note the following:

- the nature of Blackmores' business requires significant investment in inventory. The split of inventory between ingredients, raw materials and finished goods was not disclosed for 31 December 2022, however, finished goods has historically represented the majority of inventory;
- Blackmores increased its level of inventories by \$39.7 million in FY22 and a further \$13.5 million in 1H23. In FY22, Blackmores stated that the increase was a response to cover out of stock positions as global supply chains remained disrupted, and to support continued growth in International. In 1H23, Blackmores stated that the increase was to support customer service levels and increase safety stocks in anticipation of a COVID-19 pandemic-driven surge in International which did not materialise;
- consequently, Blackmores' level of inventory is elevated, representing 26.2% of revenue (over the 12 months to 31 December 2022), compared to 20.1% of FY21 revenue on 30 June 2021. Blackmores management estimates that approximately \$20 to \$30 million inventory at 31 December 2022 is surplus to operating requirements. Excess inventory is expected to unwind by the end of 1H24. The majority of surplus inventory consists of ingredients and raw materials, which generally have much longer shelf lives than finished goods;
- Blackmores maintains significant investment in property, plant and equipment (PP&E). This includes the Braeside facility, which was purchased for approximately \$57.0 million in October 2019;
- goodwill and intangible assets consists of acquired goodwill, brands, other indefinite life intangible assets and other intangible assets (including registrations, trademarks, and formulations). As at 31

38



December 2022, the majority of goodwill and brands related to BioCeuticals, which was acquired by Blackmores in July 2012. Blackmores wrote down \$5.3 million of the intangible asset of the Impromy brand in FY21;

- Blackmores has \$21.9 million in lease liabilities and no debt, however, it retains undrawn facilities of \$140.1 million for general corporate purposes. After subtracting lease liabilities, Blackmores has a net cash position of \$53.2 million as at 31 December 2022;<sup>77</sup>
- deferred tax assets arises from temporary differences, including in relation to provisions, accruals and capitalised expenses; and
- current and non-current provisions primarily relate to employment benefits.

### 8.5.1 Contingent Liabilities

Blackmores has issued bank guarantees of \$9.9 million (adjusted for FX as at 31 December 2022) which correspond to \$9.9 million in assessments by a relevant authority in one of the countries in which it trades related to the periods 2009-2014 pertaining to the historical use of and compliance to export classification codes and related exemptions claimed under free trade agreements. Blackmores considers that it had correctly interpreted and complied with all relevant requirements under the free trade agreement and continues to pursue all legal avenues of objection. It remains unclear when a resolution to the matter will be reached. As at the date of signing, no legal liability exists in relation to the assessments under applicable laws of the jurisdiction. A reliable estimate of potential risks or probable outflows, if any, cannot be determined. Accordingly, no liability was recorded in the accounts at 31 December 2022.

### 8.6 Cash flows

The following table summarises the cash flow statement of Blackmores for FY19, FY20, FY21, FY22 and 1H23.

#### Blackmores Cash Flows

	FY20 Audited	FY21 Audited	FY22 Audited	1H23 Reviewed
<b>Underlying EBITDA</b>	<b>52.7</b>	<b>75.9</b>	<b>82.9</b>	<b>49.4</b>
Non-recurring items	(8.2)	(4.3)	(0.6)	(0.2)
<b>Statutory EBITDA</b>	<b>44.5</b>	<b>71.6</b>	<b>82.3</b>	<b>49.2</b>
Decrease/(increase) in net working capital <sup>1</sup>	25.1	8.7	(27.3)	(30.4)
<b>Operating cash flow before interest and tax</b>	<b>69.6</b>	<b>80.4</b>	<b>55.0</b>	<b>18.8</b>
Interest	(6.2)	(3.7)	(1.9)	(0.8)
Income taxes paid	(7.6)	(18.3)	(4.9)	(11.8)
<b>Net operating cash flow<sup>2</sup></b>	<b>55.8</b>	<b>58.5</b>	<b>48.2</b>	<b>6.2</b>
Capital expenditure <sup>3</sup>	(17.1)	(18.4)	(10.7)	(4.8)
Acquisition of Braeside facility	(56.5)	-	-	-
Proceeds from sale of assets	0.1	34.7	-	0.1
Interest and dividend income	0.3	0.2	0.3	0.5
<b>Cash flow after investing activities</b>	<b>(17.4)</b>	<b>75.0</b>	<b>37.8</b>	<b>2.0</b>
Dividends / distributions paid <sup>4</sup>	(9.9)	(4.2)	(17.7)	(5.0)
Proceeds/(repayment) of leases and borrowings	(40.6)	(95.8)	(9.0)	(4.1)
Capital raising / share purchase <sup>5</sup>	91.0	48.3	(0.9)	(0.3)
<b>Net cash generated/(used)</b>	<b>23.0</b>	<b>23.3</b>	<b>10.1</b>	<b>(7.5)</b>
<b>Opening cash and cash equivalents</b>	<b>24.5</b>	<b>47.7</b>	<b>70.1</b>	<b>82.2</b>
Net cash generated/(used)	23.0	23.3	10.1	(7.5)
Effects of exchange rate changes	0.1	(0.9)	2.0	0.3
<b>Closing cash and cash equivalents</b>	<b>47.7</b>	<b>70.1</b>	<b>82.2</b>	<b>75.1</b>
<b>Statistics</b>				
<i>Cash conversion ratio<sup>6</sup></i>	156.4%	112.3%	66.9%	38.2%

Source: Blackmores Annual and Half Yearly Reports; Kroll analysis.

Notes:

1. Adjustments to reconcile statutory EBITDA with net cash receipts. Includes decreases/(increases) in receivables (\$12.6 million increase in FY22 and \$15.1 million increase in FY21) and (decreases)/increases in trade and other

<sup>77</sup> Blackmores anticipates that it will need to draw down its existing debt facilities to fund the payment of the special dividend announced in connection with the Scheme, if declared.



payables (\$14.4 million increase in FY22 and \$15.4 million increase in FY21). Includes decreases/(increases) in inventories (\$39.7 million increase in FY22 and \$5.0 million decrease in FY21) and decreases/(increases) in tax assets (\$10.7 million decrease in FY22 and \$11.2 million increase in FY21).

2. Cash receipts from customers less payments to suppliers and employees.
3. Consists of payments for property, plant and equipment and payments for intangible assets.
4. Including dividends paid to non-controlling interests.
5. Including payments for vested share rights.
6. Calculated as operating cash flow before interest and tax / Statutory EBITDA.

In relation to Blackmores' cash flows, we note the following:

- net working capital decreased in FY20, reflecting a \$46.0 million decrease in receivables offset by a \$27.7 million decrease in payables and provisions (current), and reduction in surplus inventory from the acquisition of the Braeside Facility. Net working capital further decreased in FY21, with a \$5.0 million decrease in inventories and \$15.7 million increase in payables and provisions (current);
- net working capital in contrast increased in FY22 and 1H23, driven by increases in inventories described in Section 8.5 of this report. Consequently, Blackmores' cash conversion ratio deteriorated from 112.2% in FY21 to 66.9% in FY22 and 38.2% in 1H23;
- low income taxes paid in FY22 reflects the utilisation of tax losses (current tax assets declined from \$12.3 million at 30 June 2021 to \$0.4 million at 30 June 2022). High income taxes paid in 1H23 compared to FY22 reflects the comparatively high net profit before tax from continuing operations over the period and that tax losses had mostly been fully utilised;
- capital expenditure declined in FY22 arising in part from an accounting change whereby \$9.3 million in cloud computing expenditure which would previously have been treated as capital expenditure was instead allocated to operating expenses;
- the proceeds from the issue of share capital in FY20 and FY21 were used to fund the acquisition of the Braeside manufacturing facility in FY20 and repay borrowings in FY20 and FY21. As a consequence, interest declined over this period; and
- Blackmores has paid dividends to Blackmores Shareholders in each period. Higher dividends in FY22 relate to the inclusion of dividends declared on 26 August 2021 for FY21 (whereas FY21 dividends were lower because no dividends were declared for FY20).

## 8.7 Capital structure and ownership

As at 2 June 2023, Blackmores has the following securities on issue:

- 19,450,635 ordinary shares on issue; and
- 336,513 share rights on issue.

### 8.7.1 Ordinary Shareholders

As at 2 June 2023, Blackmores had 11,710 registered shareholders with 19,450,635 shares on issue, of which 415 hold unmarketable parcels (less than \$500 per parcel). Retail investors (investors holding 10,000 shares or less) accounted for 99.3% of total shareholders and 23.8% of shares on issue.<sup>78</sup>

Blackmores has received notices from the following substantial shareholders:

#### Blackmores Substantial Shareholders as at 2 June 2023

Substantial Shareholder	Date of notice	Number of shares	Percentage <sup>1</sup>
Marcus Charles Blackmore	26 April 2023	3,516,834	18.08%
FIL Limited	10 March 2021	1,759,618	9.09%
Australian Super Pty Ltd	29 June 2022	1,423,836	7.33%

Source: ASX Announcements.

Note 1: Percentage of shares in which a relevant interest is held is based on the total issued capital of Blackmores at the time the substantial shareholder notice was provided.

<sup>78</sup> Source: Blackmores Management.





Kirin has an 18.08% relevant interest in Blackmores Shares pursuant to a Voting Deed between Marcus Charles Blackmore (and Marcus Blackmore Holdings Pty Ltd as trustee for the Blackmore Superannuation Fund) and Kirin dated 26 April 2023.

#### 8.7.2 Performance rights

Blackmores operates an employee Long Term Incentive Plan (**LTIP**) under which share rights are granted to the Managing Director and CEO and other key management personnel. Vesting is subject to certain performance and service criteria over a three-year period. Each right converts into one Blackmores Share. A condition precedent to the Scheme is that there will be no Blackmores Equity Incentives on issue upon implementation of the Scheme. The Blackmores Board currently proposes to treat unvested Blackmores Equity Incentives as follows:

- all Blackmores Equity Incentives (other than under Blackmores' Employee and Director Share Rights Plan) will be accelerated based on a full vesting on performance conditions and pro-rated vesting on time conditions and cash settled (except where different treatment is required under an individual's employment contract). (Refer to Section 9.2 (b) for full details on proportion of Blackmores Equity Incentives to be notionally accelerated and cash settled);
- all remaining unvested Blackmores Equity Incentives (other than under Blackmores' Employee and Director Share Rights Plan) will be cancelled or otherwise lapse;
- if the Blackmores Board determines to pay a Special Dividend, Blackmores proposes to pay to holders of unvested Blackmores Equity Incentives an additional amount to compensate them for the value of the franking credits attached to the Special Dividend which they would have received had their Blackmores Equity Incentives vested, but will not receive due to the cancellation of those Blackmores Equity Incentives (other than the Chief Executive Officer, Chief Financial Officer and non-Australian tax residents); and
- all unvested Blackmores Equity Incentives granted under Blackmores' Employee and Director Share Rights Plan will be cancelled, and all holders of such Blackmores Equity Incentives will be refunded all amounts which they have previously paid towards the grant of those unvested Blackmores Equity Incentives as part of the remuneration sacrifice arrangements.

Blackmores has the following share rights on issue.

#### Blackmores Share Rights

Incentive Plan	Number unvested	Total
FY21 LTI	98,936	98,936
FY22 LTI	87,912	87,912
FY23 LTI	128,880	128,880
FY21 STI	882	882
FY22 STI	14,274	14,274
Executive Recognition Grant	3,012	3,012
Sign-on Grant	1,738	1,738
FY23 Employee and Director Rights Plan	879	879
<b>Total</b>	<b>336,513</b>	<b>336,513</b>

Source: Blackmores management.

#### 8.8 Share price performance

In assessing Blackmores' share price performance, we have:

- analysed price and volume performance since 2 January 2020;
- compared Blackmores' share price movement to the S&P/ASX 200 Index; and
- assessed the volume weighted average price (**VWAP**) and trading liquidity of Blackmores Shares for the period up to 6 April 2023, the last trading day prior to media speculation that it may attract interest as a takeover target.



**8.8.1 Recent share market trading**

Blackmores' share price performance and the volume of shares traded from 2 January 2020 to 2 June 2023, is illustrated as follows.

**Blackmores Share Price and Volume from 2 January 2020 to 2 June 2023**



Source: S&P Capital IQ; Kroll analysis.

Over the period presented, Blackmores' share price has been volatile, and was likely impacted by takeover speculation, developments in trade with China and the Chinese economy, outbreaks of COVID-19 in the regions in which Blackmores operates and the impact on demand and supply chains and movements in foreign exchange rates.

Blackmores' share price initially performed strongly in 2020, closing at a high of \$94.95 on 5 February 2020. On 12 February 2020, Blackmores released a trading update which downgraded its FY20 profit expectations to reflect adverse costs and expected challenges associated with the COVID-19 pandemic; including the cost of transitioning label artwork, and supply chain issues, resulting in Blackmores' share price declining 12.8% to close at \$78.00. Blackmores' share price continued to decline through the remainder of February 2020, coinciding with the market-wide sell-off in response to the COVID-19 pandemic, and reached a low of \$64.00 on 12 March 2020.

Blackmores' share price began to recover in April 2020, supported by improved market-wide sentiment. On 27 May 2020, Blackmores announced an equity raising where it would undertake a \$92 million institutional placement and \$25 million Share Purchase Plan, at a price of \$72.50, representing an 8.1% discount to the last closing price. Despite the dilutionary impact of the announcement, Blackmores' share price increased by 3.3% the following day, and closed at \$81.42. The Blackmores share price closed at \$85.74 on 4 June 2020, its highest closing price for the rest of 2020.

Between June and September 2020, Blackmores' share price declined, possibly reflecting market expectations of underperformance in the lead up to Blackmores' FY20 full year results announcement on 25 August 2020. The announcement showed a mixed result, with International performing strongly, however, sales revenue declined by 9.2% in the core ANZ segment (including BioCeuticals) and by 15.6% in the China segment. The share price declined in response to the announcement, falling by 5.6% to close at \$71.58.

Blackmores' share price performance steadily rose between September 2020 and April 2021, supported by growth in the overall share market over the period. On 24 February 2021, Blackmores released its 1H21 half year results, which showed an improvement in performance, with revenue up 3.1% compared to the pcp and underlying EBIT up 14.9%. Blackmores' share price reacted positively, increasing 6.2% to \$78.73 by the close of the day.

For personal use only



On 22 April 2021, Blackmores delivered an investment briefing which showed the moving annual total (MAT)<sup>79</sup> for domestic sales to Chinese shoppers had declined by 45.5% compared to the pcp, driven by the absence of international students and tourists during the COVID-19 pandemic lockdowns. The briefing also noted that a significantly milder cold and flu season had resulted in surplus stock in the pharmacy channel. Blackmores' share price declined by 4.3% to close at \$80.60 at the end of the day.

Blackmores' share price performed strongly from May 2021 to November 2021 and closed at a high of \$102.07 on 18 November 2021. The share price increase was particularly strong following Blackmores' FY21 full year results announcement on 27 August 2021, reflecting particularly strong performance in the International and China segments, as described in Section 8.4.2 of this report, together with a positive market reaction to its strategy refresh announced at results.

From the high on 18 November 2021, Blackmores' share price began a general downtrend until September 2022 when it closed at a low of \$62.98 on 30 September 2022. This may have reflected:

- the negative impact of supply chain disruption and cost pressures following the Russian invasion of Ukraine;
- the impact of COVID-19 lockdowns in China;
- the competitive environment in the ANZ channel, characterised by high levels of discounting by competitors;
- rising input-cost pressures including for raw materials and logistics; and
- as a result, market concerns regarding whether Blackmores would be able to meet the FY24 targets set out in its FY21 results presentation, which included a \$250-\$300 million uplift in sales revenue and underlying EBIT margin uplift to the mid-teens.

Blackmores' share price reacted poorly to the release of Blackmores' 1H22 half year results on 24 February 2022, falling 9.2% by the close of the day (and a further 10.5% by the close of the next day), likely reflecting management commentary that Blackmores' expected a "challenging environment" throughout the rest of FY22 and was unable to provide profit guidance. Blackmores' share price also reacted poorly to the release of its FY22 full year results on 18 August 2022, declining by 10.1% by the close of the day. The market was likely concerned that Blackmores did not reiterate its FY24 growth targets and by management commentary that inflationary pressures were persisting across all of the company's end-markets.

Blackmores' share price performed strongly between October 2022 and February 2023, likely reflecting media speculation that Blackmores had recently been in talks with a Japanese strategic regarding a possible takeover.<sup>80</sup> The share price appreciation possibly also reflected improved market sentiment following early signs of improvements in Australia's geopolitical relationship with China and as China re-opened from a protracted period of lockdowns and travel restrictions.

However, Blackmores' share price declined following the release of its 1H23 results on 23 February 2023, possibly reflecting weakness in International, which experienced a revenue decline of 15.1% compared to the pcp, and a build-up of inventories as described in Section 8.5 of this report.

In early April 2023, Blackmores experienced renewed media speculation that it could be the target of a takeover offer, including in articles by the Australian Financial Review on 10 April 2023<sup>81</sup> and the Australian on 11 April 2023.<sup>82</sup> In response, the Blackmores' share price rose from \$74.43 on 6 April to a peak closing price of \$78.53 on 21 April (a 5.5% increase) and closed at \$76.79 on 26 April 2023, the last trading day before the announcement of the Scheme.

### 8.8.2 Relative share price performance

Blackmores is a member of a number of indices including the S&P/ASX 200 Index (0.07% weighting)<sup>83</sup> (**ASX 200 Index**) and S&P/ASX 200 Consumer Staples Index (1.75% weighting)<sup>84</sup> (**ASX Consumer Staples Index**). The performance of Blackmores Shares, relative to the ASX 200 Index and ASX Consumer Staples index from 2 January 2020 to 2 June 2023, is illustrated as follows.

<sup>79</sup> MAT is the total value over the course of the previous 12 months.

<sup>80</sup> "China reopening a boost for Blackmores; strategic joins PE", Australian Financial Review, 29 January 2023.

<sup>81</sup> "Blackmores suitor revealed as Japanese giant; will another follow?", Australian Financial Review, 10 April 2023.

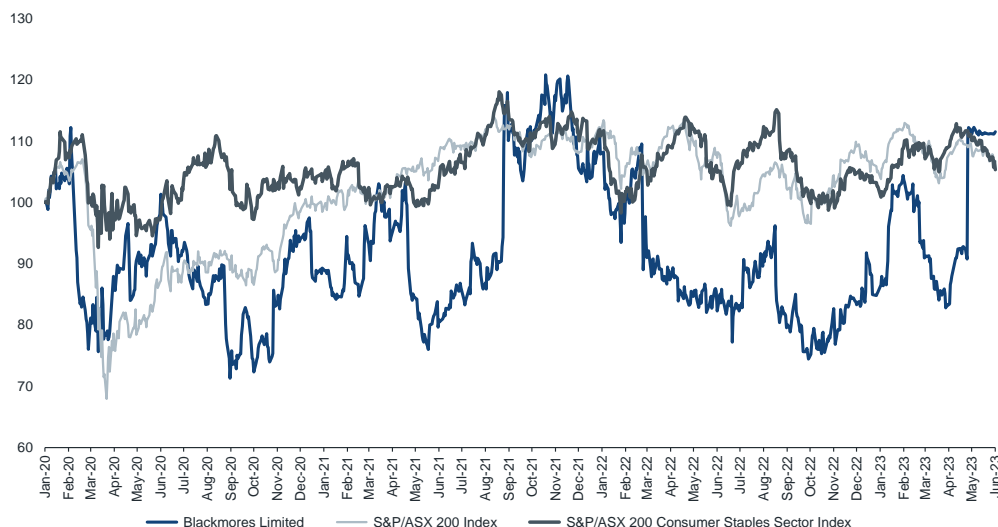
<sup>82</sup> "Japanese multinational Suntory lining up for a tilt at Blackmores", The Australian, 11 April 2023.

<sup>83</sup> S&P Capital IQ as at 2 June 2023.

<sup>84</sup> S&P Capital IQ as at 2 June 2023.



### Blackmores Share Price Performance Relative to Indices



Source: S&P Capital IQ; Kroll analysis.

The ASX Consumer Staples Index has been more resilient than the broader ASX 200 Index over the period presented, declining less in response to the COVID-19 pandemic. Blackmores' share price has displayed significantly more volatility than both indices. The Blackmores share price declined earlier than the ASX 200 Index in response to the COVID-19 pandemic, reflecting high exposure to China.

Blackmores' share price performed in line with the indices during 2H20, then underperformed from June to September 2020, reflecting poor share price performance in the lead up to and following Blackmores' FY20 full year results announcement 25 August 2020. The underperformance of Blackmores' share price relative to the ASX Consumer Staples Index may reflect the relatively high exposure of Blackmores' ANZ segment to lockdowns and travel restrictions, which had a particularly devastating effect on the daigou channel.

Blackmores' share price recovered until April 2021, outperforming the indices, then declined sharply, substantially underperforming the indices following the release of the shareholder briefing presentation delivered on 22 April 2021. Blackmores' share price recovered again beginning from May 2021, and between May and August it substantially outperformed a rising index, possibly reflecting expected strong performance of its International and China segments.

From November 2021 until the second half of 2022, Blackmores' share price underperformed the indices. It was weighed down by negative market reactions to the release of its 1H22 Half Year financial results on 24 February 2022 and its FY22 Full Year financial results on 18 August 2022 and idiosyncratic factors described in Section 8.8.1 of this report. Blackmores' share price began to outperform the indices from October 2022, for reasons described in Section 8.8.1 of this report.

Blackmores' share price underperformed the indices from February 2023, coinciding with the time of release of its 1H23 financial results, which showed weakness in Blackmores' International segment, as described in Section 8.4.2 of this report.

#### 8.8.3 Liquidity

An analysis of the volume of trading in Blackmores Shares, including the VWAP for various periods up to 6 April 2023, the last trading day prior to media speculation that it may attract interest as a takeover target,<sup>85</sup> is set out as follows.

<sup>85</sup> "Blackmores suitor revealed as Japanese giant; will another follow?", Australian Financial Review, 10 April 2023. Kroll notes that Blackmores was also the subject of takeover speculation prior to 10 April 2023. For example, "China reopening a boost for Blackmores; strategic joins PE", Australian Financial Review, 29 January 2023.



#### Blackmores Liquidity to 6 April 2023

Period	Price (\$)			Cumulative value (\$ million)	Cumulative volume (million)	Percentage of issued capital
	Low	High	VWAP			
1 day	73.03	74.48	74.17	1.5	0.0	0.1%
1 week	70.06	74.53	72.41	9.0	0.1	0.6%
1 month	70.06	78.61	72.80	40.9	0.6	2.9%
3 months	70.06	89.77	80.14	174.9	2.2	11.2%
6 months	63.19	89.77	75.76	290.1	3.8	19.7%
12 months	62.23	89.77	73.22	634.5	8.7	44.6%

Source: IRESS; Kroll analysis.

In the 12 months to 6 April 2023, 44.6% of Blackmores Shares were traded. This level of trading indicates that Blackmores Shares are reasonably liquid.

## 9 Valuation of Blackmores

### 9.1 Summary

Kroll has assessed the value of Blackmore's equity to be in the range of \$1,736.4 million to \$1,974.8 million, which corresponds with a concluded value per Blackmores Share in the range of \$89.00 to \$102.00 on a fully diluted basis.<sup>86</sup> Our range of assessed values reflects 100% ownership of Blackmores and, therefore, incorporates a control premium. As our valuation includes a control premium, our range of assessed values per share exceeds the price at which we expect Blackmores Shares would trade on the ASX in the absence of the Transaction, a Competing Proposal,<sup>87</sup> or speculation regarding a Competing Proposal.

The value of a Blackmores Share has been determined by estimating the market value of Blackmores' operating business, together with consideration of non-operating assets and liabilities, and net cash to determine the value of equity. The valuation is summarised as follows.

#### Blackmores Summary of Value (\$ millions)

	Section Reference	Valuation Range	
		Low	High
<b>Value of Blackmores' operating business (100% control basis)</b>	9.3	<b>1,782.0</b>	<b>2,028.0</b>
Other assets / (liabilities) (net)	9.5	(60.2)	(67.8)
<b>Enterprise value (100% control basis)</b>		<b>1,721.8</b>	<b>1,960.2</b>
Net cash (including lease liabilities)	9.5	14.6	14.6
<b>Value of Blackmores' equity (100% control basis)</b>		<b>1,736.4</b>	<b>1,974.8</b>
Number of shares outstanding – diluted (millions) <sup>1</sup>		19.5	19.5
<b>Value per Blackmores Share – diluted (control basis) (\$)</b>		<b>\$89.27</b>	<b>\$101.53</b>
<b>Kroll's concluded value per Blackmores Share (\$)</b>		<b>\$89.00</b>	<b>\$102.00</b>

Source: Kroll analysis.

Note 1: Includes all of the 19,450,635 ordinary shares on issue.

Our valuation range of \$89.00 to \$102.00 per Blackmores Share reflects a premium over the closing price of Blackmores Shares on 6 April 2023,<sup>88</sup> the last trading day prior to media speculation that it may attract interest as a takeover target<sup>89</sup> of between 19.6% and 37.0%, and a premium to the one-month VWAP in the range of 22.3% to 40.1%. A portion of this premium reflects that our valuation of Blackmores includes a control premium, rather than a valuation of a minority interest in the company as traded on the ASX. The premium is within the spectrum of, or below premiums observed in completed transactions, which are

<sup>86</sup> This includes the 19,450,635 ordinary shares on issue and assumes cash settlement of a proportion of share rights on issue.

<sup>87</sup> As defined in the Scheme Booklet.

<sup>88</sup> Kroll notes that Blackmores was also the subject of earlier takeover speculation prior to 10 April 2023. For example, "China reopening a boost for Blackmores; strategic joins PE", Australian Financial Review, 29 January 2023. Blackmores' share price increased from a close of \$73.22 on 10 January 2023 to close at a high of \$88.34 on 1 February 2023, however, subsequently declined to trade below \$73.22. Consequently, it does not appear that the Blackmores share price on 6 April 2023 included a control premium.

<sup>89</sup> "Blackmores suitor revealed as Japanese giant; will another follow?", Australian Financial Review, 10 April 2023.



broadly in the range of 25% to 40% depending on the individual circumstances.<sup>90</sup> In this regard, we note that synergies available to strategic buyers of Blackmores are potentially material, with the potential to derive savings from corporate overheads, procurement, regulatory and distribution costs as well as public company costs.

In forming our view as to the value of Blackmores Shares, we have considered a series of factors including:

- Blackmores' brand reputation as one Australia's most trusted brands,<sup>91</sup> and position at the premium end of the market;
- the favourable structural demographic and societal trends, including rising health consciousness, ageing populations focused on health optimisation and prevention of disease;
- Blackmores' leverage to high growth regions in Asia;
- the potential benefit of the recent focus on product innovation;
- possible full run rate savings from the Phase 1 of the Business Improvement Program and potential for further savings under Phase 2 of the plan, offset by the risk of achieving those savings;
- the highly competitive nature of the industry, with relatively low barriers to entry allowing many companies to compete to gain market share and build scale;
- Blackmores' relatively low margins and extensive depreciation and amortisation charges associated with the Braeside manufacturing facility;
- the potential impact of further cost inflation as well as rising interest rates impacting consumer sentiment and behaviour;
- the significant IT transformation costs remaining; and
- synergies available to a pool of potential acquirers.

It should also be noted that a valuation of Blackmores in the current macroeconomic and geopolitical environment is complex and requires judgement as to the outlook for markets and the global economy.

## 9.2 Approach

### 9.2.1 Overview

Our valuation of Blackmores has been prepared on the basis of 'fair value'. The generally accepted definition of fair value (and that applied by us in forming our opinion) is the value agreed in a hypothetical transaction between a knowledgeable, willing, but not anxious buyer and a knowledgeable, willing, but not anxious seller, acting at arm's length. Fair value excludes 'special value', which is the value over and above the value that a particular buyer, which can achieve synergistic or other benefits from the acquisition, may be prepared to pay.

In the absence of direct market evidence, fair value is commonly derived by applying one or more of the following valuation approaches:

- the market approach;
- income approach; or
- cost approach.

These approaches are discussed in further detail in Appendix 4. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved. A secondary methodology is often adopted as a cross-check to ensure the reasonableness of the outcome, with the valuation conclusion ultimately being a judgement derived through an iterative process.

For profitable businesses, the market approach and income approach are commonly used as they reflect 'going concern' values, which typically incorporate some element of goodwill over and above the value of

<sup>90</sup> 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.

<sup>91</sup> Trusted Brands Australia 2023. Readers Digest Australia.





the underlying assets. For businesses that are either non-profitable, non-tradeable or asset rich (e.g. real estate investment trusts), a cost approach is often adopted as there tends to be minimal goodwill, if any.

### 9.2.2 Selection of methodology

A discussion of the rationale for the selection of the valuation methodologies is set out as follows.

#### Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. Application of this approach involves the capitalisation of the cash flows or earnings (or revenue) of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

Blackmores has established a track-record of through-the-cycle profitable earnings and there is no basis to expect that the business will be unable to continue indefinitely. In addition, there are a number of publicly traded Australian consumer staples companies that have a high degree of exposure to Asia and global companies operating in the FMCG and VDS industries, as well as transactions involving global VDS companies and selected Australian health & food companies from which to calculate meaningful multiples. Consequently, a market approach has been used as the primary valuation approach.

Application of this approach involves the capitalisation of the cash flows or earnings of a business at a multiple that reflects both the risks of the business and the future growth prospects of the income it generates. This methodology requires an element of professional judgement as to:

- the level of earnings or cash flows that are expected to be maintainable indefinitely, adjusted for non-recurring items and other known factors likely to impact on future operating performance; and
- an appropriate capitalisation multiple that reflects the risk and growth prospects associated with the level of earnings being capitalised. The capitalisation multiple is usually determined having regard to market evidence derived from comparable transactions and share market prices for comparable companies, whilst also considering the specific characteristics of the business being valued.

The earnings base to which a multiple is commonly applied include revenue, EBITDA, EBIT and net profit after tax. The choice between parameters is usually not critical and should give a similar result. We note that EBITDA or an equivalent measure reflecting the underlying EBITDA of the company is commonly used in valuing consumer staples FMCG, and VDS companies. Consequently, we have utilised historical and forecast EBITDA (adjusted to exclude exceptional items) as the basis of EBITDA multiples for our market approach.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them. In any event, we are not aware of any rules-of-thumb applicable to the VDS industry.

#### Income approach

Under an income approach, the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history, there is a variable pattern of cash flow, or the asset has a finite life.

The most common application of the income approach is the DCF methodology. This methodology allows for cash flows to reflect a range of risks and opportunities and also allows for a range of scenarios to be modelled.





A DCF methodology can be applied to cash flows to the whole asset or business or cash flows to equity. Cash flows to the whole asset or business is most commonly used because an asset or business should theoretically have a single value that is independent of how it is financed or whether income is paid as dividends or reinvested.

Utilising the DCF methodology requires estimation of cash flows for a number of years and discounting those cash flows back to present value. Blackmores has provided a three-year forecast to FY25 (**Strategic Plan**). We note that forecasting long term cash flows in the VDS industry is challenging as a result of the high sensitivity of value to top-line revenue growth, uncertainty in the operational and financial performance of the Company in each of its 13 markets, competition and regulatory issues, changing consumer preferences, and difficulty in assessing long-term margins, particularly in the context of the current inflationary environment. Consequently, the reliability of a DCF on the basis of such forecasts is limited and, therefore, the DCF approach has been considered as a supporting valuation methodology rather than the primary valuation method.

Kroll has prepared a high-level DCF analysis that uses the Strategic Plan as its starting point. Kroll has undertaken various enquiries in relation to Blackmores' assumptions underlying the Strategic Plan, including holding discussions with Blackmores management, comparing the assumptions to the those in industry reports and the broker forecasts of consumer staples, FMCG and VDS peers, and reviewing key assumptions in the context of current economic, financial and other conditions. Kroll has then extended the model a further three years to FY28 based on our analysis.

Following our enquiries and independent analysis, Kroll is of the view that the Strategic Plan has been prepared on a reasonable basis recognising the inherent uncertainties and limitations and is, therefore, suitable as a basis for our high-level DCF analysis. In making this assessment, we have taken the following into account:

- the Strategic Plan was updated in March 2023 and presented to the Blackmores Board, and the detailed budget and one-year plan that were reviewed by the Blackmores Board in April 2023;
- the Strategic Plan is developed through a combination of top-down forecasts and bottom up demand plans for each market in which Blackmores operates. The top down forecasts are then revised with bottom-up demand plans for the in-year Forecast and Budget year, tested against actual data such as market growth, new product development, pricing, stock availability, advertising and promotional investment and its impact on net sales;
- the Strategic Plan is used by Blackmores management for operational purposes;
- it has been reviewed internally and by external advisors; and
- the Strategic Plan is updated four times per year to reflect changes in revenue and costs, most recently in April 2023 following the release of the 1H23 results which included the announced Phase 2 cost savings.

Since the Strategic Plan was last updated in March 2023, inflation has increased further. Consequently, Kroll has made adjustments to the forecasts to reflect our judgement on margin improvement.

However, the cash flows within our high-level DCF analysis do not constitute a forecast or projection by Kroll of the future performance of Blackmores, and no assurance or warranty is provided that future performance will align with the assumptions adopted in the model. These assumptions do not, and do not purport to, represent the range of potential outcomes for Blackmores' business operations.

#### **Cost approach**

A cost-based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies). This approach does not capture growth potential or internally generated intangible value associated with a company such as Blackmores.

#### **9.2.3 Control premium**

Consistent with the requirements of RG 111, we have assumed 100% ownership of Blackmores and, therefore, our valuation includes a control premium.



Successful transactions are commonly completed with an implied acquisition premium to the pre-trading equity price of the target in the order of 25% to 40% depending on the individual circumstances.<sup>92</sup> In considering the evidence provided by actual transactions, it is important to recognise that the observed premium for control is an outcome of the valuation process, not a determinant of value, and that each transaction will reflect to varying degrees the outcome of a unique combination of factors, including:

- the acquirer's capacity to realise full control over the strategy and cash flows of the target entity;
- the magnitude of synergies available to all acquirers, for example, the rationalisation of costs related to duplicated functions, or the removal of costs associated with the target being a listed entity;
- uncertainties related to the timing of full realisation of target synergies;
- the expected costs to migrate and integrate the business;
- the nature of the bidder (i.e. whether the acquirer is a financial investor or a trade participant);
- synergistic or special value that may be unique to a particular acquirer;
- the interest acquired in the transaction with consideration to the bidder's pre-existing shareholding in the target;
- the prevailing conditions of the economy and capital markets at the time of the transaction with consideration to the position in the overall market cycle;
- desire (or anxiety) for the acquirer to complete the transaction;
- whether the acquisition is competitive; and
- the extent the target company's share price already reflects a degree of takeover speculation.

The premium that is ultimately applied must have regard to the circumstances of each case. In some situations, it may be appropriate to apply no premium for control, for example, there are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering. Accordingly, an assessment as to an appropriate control premium, if any, is essentially a matter of judgement.

The multiples derived for listed comparable companies generally reflect prices at which portfolio interests (i.e. minority interests) are traded and consequently, do not include a control premium. They may also be impacted by the level of liquidity in trading of the particular security. Accordingly, when valuing a business as a whole (i.e. Blackmores on a 100% basis), or when valuing the main undertaking of a business, it is appropriate to reference the multiples achieved in recent transactions, where a control premium and breadth of purchaser interest are more fully reflected.

There are a number of potential strategic acquirers of Blackmores other than Kirin. These acquirers would likely derive savings from corporate overheads, procurement, regulatory and distribution costs as well as publicly company costs (which are available to any acquirer of Blackmores, including a strategic buyer). Consequently, we consider that a substantial control premium could reasonably be expected to be paid by a hypothetical acquirer.

In valuing Blackmores utilising a market approach, potential synergy benefits have been included by incorporating a multiple that is based on recent transaction evidence and includes a control premium. Adding both an adjustment to earnings to reflect synergies and a control multiple in the valuation would result in an overstatement of the benefits of a transaction.

In performing the DCF analysis as a cross-check, in order to reflect the valuation on a controlling interest basis, synergies are reflected directly in the cash flow forecasts. It is assumed that all public company costs, a portion of corporate costs, and 5.0% of procurement costs are saved.

### 9.3 Market approach

#### 9.3.1 Summary

Kroll has assessed the value of Blackmores' operating business using a market approach having regard to capitalisation of EBITDA for selected listed Australian consumer staples companies that have a high degree

<sup>92</sup> 2022 Mergerstat Review. Range represents median premium from 2012 to 2021. Premiums are calculated based on the seller's closing price five business days before the initial announcement. The calculations exclude negative premiums and premiums over 250%.



of exposure to Asia, and global companies operating in the FMCG and VDS industries, and transactions involving global VDS product companies and selected Australian health & food companies. This assessment requires consideration of an appropriate level of maintainable earnings (refer to Section 9.3.3 of this report) and capitalisation multiple (refer to Section 9.3.4 of this report).

We have determined the value of Blackmores' operating business to be in the range of \$1,782.0 million to \$2,028.0 million. The selected value range takes into consideration the value of Blackmores' operating business based on capitalising an assessed maintainable EBITDA.

#### Value of Blackmores' Operating Business (\$ millions)

	Section Reference	Valuation Range	
		Low	High
Maintainable earnings (FY23 forecast EBITDA)	9.3.2	99.0	104.0
Selected capitalisation multiple	9.3.3	18.0	19.5
<b>Value of operating business</b>		<b>1,782.0</b>	<b>2,028.0</b>

Source: Kroll analysis.

### 9.3.2 Maintainable earnings

Maintainable earnings should reflect the earnings that can be achieved in the future for the business on an ongoing basis. It is an estimation of the earnings or cash flows that a hypothetical purchaser would utilise for valuation purposes, having regard to historical and forecast operating results, non-recurring items of income and expenditure, and other known factors that are likely to have an impact on the businesses operating performance.

#### Blackmores' Underlying EBITDA (\$ millions)

	CY22 Actual	FY23 Forecast <sup>1</sup>	FY24 Forecast <sup>1</sup>	FY25 Forecast <sup>1</sup>
Underlying EBITDA	79.7	94.0	109.0	124.3
Adjustment for Business Improvement Program	-	5.0 to 10.0	5.0 to 10.0	5.0 to 10.0
<b>EBITDA for valuation purposes</b>	<b>79.7</b>	<b>99.0 to 104.0</b>	<b>114.0 to 119.0</b>	<b>129.3 to 134.3</b>

Source: Kroll analysis.

Note:

1. Broker median forecast EBITDA. Refer Appendix 3 for more detail.

In assessing maintainable earnings for Blackmores, Kroll has had regard to the historical underlying CY22 financial performance of Blackmores, and the FY23, FY24 and FY25 broker consensus forecasts. The following has been considered:

- **CY22 earnings:** as the valuation date is less than two months from the end of FY23 for Blackmores, we have placed greater reliance on the FY23 broker consensus as it more closely reflects the most recent historical performance period;
- **FY23 broker consensus forecast:** with regard to the FY23 broker forecasts, we note that brokers cited increasing uncertainty in the outlook for Blackmores, with inflation likely impacting margins, rising interest rates likely to impact the behaviour of consumers, and uncertainties in Chinese consumer behaviour following the COVID-19 pandemic. We do not consider the FY23 broker forecasts to be reflective of the maintainable earnings for Blackmores as they do not include the full annualised impact of Phase 1 of the Business Improvement Program (nor do they include any potential earnings benefit from the \$34 million to \$44 million targeted savings under Phase 2 of the program (which commences in FY24));
- **FY24 and FY25 broker consensus forecasts:** brokers note that key risks to their forecasts include a slowdown in sales growth, inflationary pressures impacting margins (particularly in COGS), changing consumer preferences post-COVID-19 pandemic, rising cost of living pressures (particularly in ANZ), inability to gain traction in new markets (such as Indonesia), increasing competition, and any new regulation abroad that may restrict Blackmores' ability to access markets. Little weight is given to the



announced Phase 2 cost savings of \$34 million to \$44 million, with brokers generally assuming savings are offset by inflation.

The following adjustment to earnings has been considered:

- an adjustment to broker consensus EBITDA forecasts for FY23, FY24, and FY25, primarily relating to cost savings derived from Phase 1 and 2 of the Business Improvement Program, as well as revenue enhancement initiatives. Based on our discussions with Blackmores management, as well as our own analysis of the results of revenue enhancing and cost savings initiatives to date, we find despite inflationary pressures, there is a reasonable prospect of upside to broker consensus views from these initiatives.

Pursuant to the above, we have selected a range of future maintainable EBITDA for FY23 of \$94.0 million to \$99.0 million.

### 9.3.3 Capitalisation multiples

In determining an appropriate range of capitalisation multiples to apply to Blackmores' maintainable earnings, we have considered:

- the multiples implied by recent transactions involving global VDS product companies and selected Australian health & food companies; and
- trading multiples of listed Australian consumer staples companies that have a high degree of exposure to Asia and global companies operating in the FMCG and VDS industries.

#### Transaction evidence

The following table sets out the EBITDA multiples implied for recent transactions involving global VDS product companies and selected Australian health & food companies, for which sufficient financial and transactional data is publicly available.

#### Transaction Evidence

Date <sup>1</sup>	Target/ Acquirer	Target Location	Enterprise Value (\$ million)	EBITDA multiple Historical (times) <sup>2</sup>	Forecast (times) <sup>3</sup>
29 Jun 22	The Better Health Company Limited Nestle Health Science S.A.	New Zealand	339.0	12.5	n/a <sup>4</sup>
12 Jul 21	Australian Pharmaceutical Industries Limited WFM Investments Pty Ltd	Australia	1,025.0	6.5	n/a
30 Apr 21	Bountiful Company's core brands Nestle Health Science S.A.	United States	7,462.4	16.8	n/a
15 Sep 19	Bellamy's Australia Limited China Mengniu Dairy Company Limited	Australia	1,390.0	29.6	25.8
11 Apr 18	Nature's Care Manufacture Pty Ltd China Jianyin Investment Limited & Tamar Alliance Fund	Australia	800.0	15.1	n/a
31 Jan 18	Life-Space Group Australia By Saint Pty Ltd	Australia	690.0	20.0	n/a
04 Dec 17	Atrium Innovations Inc. Nestle Health Science S.A.	Canada	3,028.0	16.4	n/a
05 Sep 16	Australian Pharmaceutical Manufacturers Pty Ltd Pact Group Holdings Ltd	Australia	90.0	6.5	n/a
03 Aug 16	Vita Co Holdings Limited Shanghai Pharmaceuticals Holdings Co Ltd & Primavera Capital Fund II L.P.	Australia	350.0	14.7	13.6
17 Sep 15	Swisse Wellness Pty Ltd Biostime International Holdings Limited (now Health & Happiness)	Australia	1,746.9	15.5	n/a

Source: S&P Capital IQ, Mergermarket, Company financial statements, ASIC company filings; Kroll analysis.

Notes:

- Date of announcement of transaction.
- Historical EBITDA multiples are calculated based on EBITDA in the 12 months prior to the most recently available results as at the transaction announcement date.
- Forecast EBITDA multiples are calculated based on available broker forecasts for the following 12 month period.
- 'n/a' means not available.

A description of these transactions is included in Appendix 6.



In relation to these transactions we note the following:

- of these comparable transactions we note there are several businesses with markedly different business models, scale, and growth prospects to Blackmores;
  - Australian Pharmaceutical Industries Limited (**API**) operates a network of retail stores, skincare clinics, and a distribution network of pharmaceutical and healthcare products, while Australian Pharmaceutical Manufacturers Pty Ltd (**APM**) provides contract manufacturing and packaging services for VDS companies, both of which are distinct business models from Blackmores with lower margins, which is reflected in their EV/EBITDA multiples of 6.5 times;
  - Nature's Care Manufacture Pty Ltd (**Nature's Care**), Vita Co Holdings Limited (**Vita Co**) and The Better Health Company Limited (**Better Health**) are VDS companies with similar operating models to Blackmores, however, they were acquired at lower multiples of 15.1 times, 14.7 times and 12.5 times EV/EBITDA respectively, which is reflective of their smaller scale (which influences other factors including margins, market positioning, brand recognition); and
  - Bellamy's Australia Limited (**Bellamy's**) and Life-Space Group Pty Ltd (**Life-Space**) attracted higher acquisition multiples of 29.6 and 20.0 times respectively, reflecting the strong growth prospects of the businesses. Broker forecasts for Bellamy's had assumed revenue growth rates of 18.8% over the subsequent three years post acquisition,<sup>93</sup> while Life-Space had achieved revenue growth of 61.5% over the 12 month period prior to the transaction. As such, we would expect these multiples to be higher than that of Blackmores.
- the most comparable transactions to Blackmores are the acquisitions of Swisse Wellness Pty Ltd (**Swisse**) in September 2015 at an EV/EBITDA multiple of 15.5 times, the acquisition of Atrium Innovations Inc. (**Atrium**) in December 2017 at a multiple of 16.4 times, and the acquisition of Bountiful Company's core brands (**Bountiful**) in April 2021 at an EV/EBITDA multiple of 16.8 times;
  - these transactions are most comparable due to the strong overlap of products with a large range of VDS, the similar scale of the businesses with strong market share in certain markets (noting that Swisse had a strong market share in ANZ and Atrium's Garden of Life brand was number one in the US),<sup>94</sup> and breadth of geographical footprint for markets serviced;
  - however, we note differences in their business models as Swisse largely outsourced their manufacturing to APM, while Atrium and Bountiful manufactured internally; and
  - we also recognise that the acquisitions of Swisse and Atrium occurred over seven and five years ago respectively, and that the nature of the VDS industry has changed measurably over this time period. For this reason, we find the acquisition of Bountiful at 16.8 times EBITDA to be the most relevant.

#### Sharemarket evidence

As there are no directly comparable listed VDS companies in ANZ, we have considered FMCG companies operating in ANZ as well as VDS companies operating globally.

The following table sets out the implied EBITDA multiples for comparable listed companies as at 2 June 2023.

<sup>93</sup> Bellamy's revenue growth forecasts were predicated on Bellamy's receiving Chinese government SAMR registration approval.

<sup>94</sup> "Nestlé extends consumer healthcare portfolio by agreeing to acquire Atrium Innovations", Nestlé, 5 December 2017.



## Sharemarket Evidence: Comparable Listed FMCG and VDS Companies

Company Name	Enterprise Value		EBITDA Multiple		EBITDA CAGR	
	(\$ millions) <sup>1</sup>	CY22 <sup>2</sup>	FY23 <sup>3</sup>	FY24 <sup>3</sup>	FY25 <sup>3</sup>	CY22-FY25 <sup>4</sup>
<b>ANZ FMCG</b>						
TWE	9,539.1	13.8	13.0	11.8	11.2	8.7%
a2 Milk	3,239.4	17.1	16.3	13.9	12.0	15.2%
Costa Group	2,106.4	10.3	7.6	7.2	6.7	18.8%
Bega Cheese	1,530.7	11.0	9.5	7.8	7.2	18.5%
Synlait Milk	820.3	13.4	9.3	7.0	5.6	40.7%
Comvita	259.9	7.6	8.6	7.5	6.1	8.8%
Mcperson's	109.4	7.0	7.4	6.6	6.3	4.7%
<b>ANZ Healthcare</b>						
Clover	194.2	13.1	22.8	15.1	11.5	5.1%
<b>China VDS</b>						
By-health	11,973.3	34.4	24.9	21.1	18.4	28.4%
Health & Happiness	2,765.0	7.0	6.9	6.2	5.7	6.8%
<b>International VDS</b>						
Herbalife	5,519.8	5.2	6.2 <sup>5</sup>	5.3	4.8	3.0%
FANCL	2,818.4	20.9	18.5	16.3	14.4	17.9%
Jamieson Wellness	1,876.4	14.1	11.7	10.7	9.7	13.2%
USANA	1,407.2	7.7	7.8	7.2	n/a	3.7% <sup>6</sup>
Thorne	396.7	23.2	8.6	4.9	4.9	87.4%

Source: S&P Capital IQ, Refinitiv, Company financial statements, Company announcements; Kroll analysis.

Notes:

1. Enterprise value as at 2 June 2023.
2. Calculated based on EBITDA during the 12 months ended 31 December 2022.
3. Forward multiples are based on broker consensus forecasts sourced from Refinitiv. Each of the companies other than Costa Group, Health & Happiness, Herbalife, USANA, Jamieson and Thorne have a 30 June or 31 July year end. Costa Group, Health & Happiness, Herbalife, Jamieson, USANA and Thorne have a 31 December year end.
4. Implied EBITDA CAGR between CY22 and FY25 for all companies except USANA.
5. Adjusted to include the full benefits of a Transformation Program expected to deliver annual savings of at least US\$70 million by FY24.
6. Implied EBITDA CAGR between CY22 and FY24.

In relation to the trading multiples of the identified listed comparable companies, we note the following:

- the multiples are based on sharemarket prices and do not typically include a control premium;
- although the activities of companies are broadly comparable to aspects of Blackmores' business, in our view, there is no single target company that is a perfect comparable;
- there appears to be a strong correlation between multiples and scale, likely reflecting the ability of larger companies to generate economies of scale in procurement, distribution, marketing and research and innovation. Blackmores' scale is towards the middle of the range;
- whilst the listed ANZ FMCG companies have similar operating models and meaningful exposure to the Chinese market, they are focused on other products such as wine, milk, cheese and fruit, which each have their own distinctly different industry growth trends, competitive environments, consumer demographics, and demand elasticities. Therefore, while these companies may offer a broad indication of valuation multiples appropriate for Blackmores, we consider that the international VDS companies provide better comparisons;
- of the international VDS companies, the most directly comparable companies we have identified are Health & Happiness and Jamieson Wellness. In relation to these companies, we note:
  - Health & Happiness operates three divisions. The adult nutrition and care products (**ANC**) division (which includes the brand Swisse – arguably Blackmores' most direct competitor), is highly comparable to Blackmores', however, in FY22 represented just 35.7% of revenue for the company. Health & Happiness outsources the manufacturing of Swisse products to contract manufacturers. It trades at a relatively low multiple of 6.9 times FY23 EBITDA, reflecting poor market sentiment towards Chinese-listed infant milk formula (**IMF**) companies (the company has a large IMF division), which is illustrated in its weak EBITDA growth forecast of 6.8% compound





average growth rate (CAGR) between FY22 and CY25. It also in part reflects perceptions of high gearing following multiple acquisitions (net borrowings as a percentage of EV at 49.3%), and relative underperformance of the HKEX.<sup>95</sup> For these reasons we would expect that Blackmores trades at a significantly higher multiple than Health & Happiness;

- Jamieson Wellness Inc. (**Jamieson**) manufactures, distributes and markets VDS products, with a leading market share and approximately 40% household penetration in the Canadian VDS market.<sup>96</sup> It has a presence in over 50 countries globally, including the United States, China (where it has recently acquired distribution assets), as well as Southeast Asia and Europe. It is of similar scale to Blackmores and also operates a vertically integrated business model (whereby it manufactures its VDS products in its five North American manufacturing facilities). It trades at an above median FY23 EBITDA multiple of 11.7 times reflecting its growth profile, with an EBITDA growth rate of 13.2% CAGR forecast between CY22 and FY25, which is not dissimilar from that expected for Blackmores by brokers. We find Jamieson to be the most comparable company to Blackmores, however, given Blackmores' footprint in the more attractive, high growth APAC market, and its higher forecast EBITDA growth rate, we believe Blackmores should trade at a premium (on a non-controlling basis);
- we note the companies with the highest FY23 EBITDA multiples are By-health, Clover Corporation Ltd (**Clover**) and FANCL Corporation (**FANCL**). We find that these companies should trade at higher multiples than Blackmores (before allowing for a control premium) for the following reasons:
  - By-health is a China-based company that develops, manufactures and distributes VDS products. It commands a high trading multiple of 24.9 times FY23 EBITDA reflecting expectations of high growth (EBITDA growth rate of 28.4% CAGR forecast between CY22 and FY25), underpinned by new product releases and geographic expansion into new markets including Southeast Asia.<sup>97</sup>
  - Clover specialises in microencapsulation technology that produces premium ready-to-blend oils and powders rich in omega-3 (DHA/EPA) and omega-6 (ARA) that can be added to infant formula, foods and beverages. It is being priced by the market at a higher multiple (22.8 times FY23 EBITDA) given its proprietary technologies that protect sensitive oils from oxidation, creating an unrivalled product that has potential to be extended to a multitude of new applications. Brokers, however, are yet to include strong growth in their forecast, noting that Clover is yet to prove it can monetise its market opportunities;
  - FANCL is a Japanese producer of cosmetics and nutritional supplements, with nutritional supplements comprising approximately 37.0% of sales revenue in FY22. It commands a high FY23 EBITDA multiple of 18.5 times due to its high growth expectations (EBITDA growth rate of 19.6% CAGR forecast between CY22 and FY25).

#### Capitalisation multiples summary

The most directly comparable company, Jamieson, trades at an FY23 EBITDA multiple of 11.7 times. We find its operating model similar to that of Blackmores (particularly considering it manufactures its products in-house), it has diversification across several key growth markets, and has leading market share in its home market of Canada. Given Blackmores' footprint in the more attractive, high growth APAC market, its superior growth outlook, and potential to achieve stated cost savings, we believe Blackmores should trade at a premium to Jamieson (on a non-controlling basis).

The most directly comparable transaction was of Bountiful which occurred at an FY23 EBITDA multiple of 16.8 times. Bountiful has a strong overlap of products with Blackmores, is of similar scale, and manufactures its products internally.

Based on each of these factors and with an overall regard to each of the multiples of listed transactions, which include a premium for control, and the attributes of these businesses compared to Blackmores, we consider the selected capitalisation multiple of 17.5 times to 19.0 times EBITDA to be appropriate.

These multiples are equivalent to multiples in the range of 26.6 to 30.3 times Blackmores' broker consensus forecast FY23 EBIT, which is high and reflects Blackmores' relatively low margins after deducting depreciation related to the Braeside manufacturing facility.

<sup>95</sup> For example, over the period from 2 January 2021 to 2 June 2023, Hong Kong's benchmark Hang Seng Index declined 30.4%, compared to a gain of 8.5% for the ASX 200 Index.

<sup>96</sup> Source: Jamieson Investor Update May 2023.

<sup>97</sup> By-health 2022 Annual Report.





### 9.3.4 Specific attributes of Blackmores

In forming our views as to the value of Blackmores' operating business we have considered a series of factors, recognising the successes and the challenges for the business in recent years, but also its opportunities and what still needs to be done to position the company for future success. A summary of the main items that we have considered is as follows:

- its positioning as a leading manufacturer and marketer of VDS products, with a leading market share in several key markets including Australia, New Zealand, Thailand, Malaysia, and Singapore.<sup>98</sup> The company also has a leading position in the practitioner channel in Australia;<sup>99</sup>
- Blackmores' brand reputation as one Australia's most trusted brands,<sup>100</sup> with a history of receiving similar accolades relating to brand reputation in other markets (refer to Section 8.2 of this report for more detail). This allows Blackmores to position itself at the premium end of the market;
- the company's diversification by markets, with Blackmores operating across 13 markets in Asia and ANZ. Its strong market position in ANZ provides a backdrop for stable earnings and defensive growth, while its markets in Asia have typically seen strong historical growth and Blackmores is well-positioned to grow its market share in this region. Several high growth emerging market regions in Asia provide potential for considerable upside to revenue and earnings, including India and Indonesia. Blackmores' Halal certification is also a key differentiator in these markets;
- Blackmores' history of long-term sales growth, underpinned by product mixing strategies, product innovation, and growing penetration in international markets, as well as its demonstration of through-the-cycle earnings. However, inevitably there are substantial risks associated with future growth, including execution risks surrounding product innovation and entry into new markets;
- broker consensus forecast EBITDA growth of 14.5% CAGR between FY22 and FY25, driven by a recovery in margins (mainly due to revenue growth and operating leverage) as well as high growth in its overseas markets;
- the potential for further savings under Phase 2 of the Business Improvement Plan, offset by execution risks and the potential impact of further cost inflation;
- the Company's strategy of manufacturing the majority of its products in-house rather than adopting the strategy of many of its peers to outsource this function. This strategy has both positives, such as greater quality control (which mitigates reputational risks) and shorter time to market for new products, and negatives, including exposure to potential COGS inflation, potential supply disruptions, greater capital intensity and operating/capital expenditure requirements. Long-term, manufacturing requires a close eye on costs (which tend to balloon without appropriate cost control programs) and productivity (which can be achieved through additional investment); and
- Blackmores' relatively low margins and extensive depreciation and amortisation charges associated with the Braeside manufacturing facility, with further investment potentially required to optimise the facility.

### 9.4 Valuation cross-check

The value derived from our primary market approach has been cross-checked utilising a high-level DCF analysis. Kroll has developed a high-level DCF model based on the Strategic Plan prepared by Blackmores management (refer to Section 9.2.2 of this report) which forecasts free cash flows through to FY25. Kroll has extended the model for a further three years to FY28.

Nominal, ungeared post-tax cash flows have been discounted using a weighted average cost of capital (**WACC**) of 9.1% to 9.8% (refer to Appendix 5) resulting in a value of Blackmores' operating business (on a controlling interest basis) in the range of \$1,751.9 million to \$1,941.9 million.<sup>101</sup>

Kroll has calculated a blended WACC (based on the WACC for each market, weighted by percentage of earnings in each market), and applied the blended WACC to unlevered cash flows. A terminal value is

<sup>98</sup> Source: IQVIA September 2022 data; Smartpath September 2022 data.

<sup>99</sup> IQVIA MAT data as at 31 December 2022. Domestic practitioner only, includes allied health care practitioners.

<sup>100</sup> "Trusted Brands Australia 2023", Readers Digest Australia.

<sup>101</sup> In valuing on a controlling interest basis, we have assumed that synergies are realised in the form of public company cost savings and certain other corporate cost savings.



calculated based on the Gordon Growth Model and a terminal growth rate of 2.5% which reflects a normalised terminal growth rate for a mature business.

The key assumptions adopted by Kroll underlying the high-level DCF analysis are as follows:

- separate revenue forecasts have been provided for the ANZ, China, International (excluding Indonesia), 'corporate' and Indonesian JV segments through to FY25. Kroll has then projected these out to the end of the DCF's model period of FY23 to FY28 (**Modelled Period**). Revenue growth over the Modelled Period is strongest in the Indonesian and China segments, followed by International (excluding Indonesia) and ANZ. ANZ revenues continue to be Blackmores highest source of revenue in FY28 (42.1% of total revenue), followed by China (27.8%), International (24.2%) and Indonesia (5.9%);
- total revenue is forecast to grow at rates broadly in line with the current broker consensus estimates for FY23 to FY25 (i.e. total revenue for these years is within 2.0% of the consensus view). We have compared Blackmores' modelled growth for each segment against forecasts from industry data providers such as Euromonitor and are satisfied that the estimates are reasonable. Kroll's projected revenue growth from FY25 to FY28 is also closely in line with these forecasts;
- Kroll has adopted broker consensus forecast COGS and operating expenditure for the period FY23 through to FY25. From FY25 to FY28, growth in COGS is aligned to growth in revenue. Operating expenditure growth over FY23 to FY25 is slightly higher than that forecast over the FY23 to FY25 period. Growth in these costs over the Modelled Period makes an allowance for the short-term inflationary environment for COGS, as well as growth in costs across the period associated with technology, sales, marketing, and research and development;
- EBITDA and EBIT margins are forecast to improve over the Modelled Period, reflecting revenue growth and associated benefits from operational leverage. EBITDA estimates align with broker consensus forecasts for FY23 to FY25. Margins have also been benchmarked against peers and found to be reasonable;
- Kroll has incorporated potential synergies available to strategic acquirers of Blackmores, grown at forecast Australian CPI including public company costs, certain corporate costs (including director fees, corporate affairs, legal and investor relations) as well as procurement savings of 5% of COGS;
- capital expenditure forecast reflects planned projects for FY23 to FY25, however, capital expenditure declines to a small percentage of revenue throughout the later years of the forecast period and the terminal year;
- working capital reflects a normalised level of inventory, with surplus inventory included in other assets and liabilities (refer to Section 9.5 of this report); and
- assumed corporate tax rates that vary by region, ranging from 20.0% in Indonesia to 30.0% in Australia. Blackmores earnings will be taxed globally, and the model assumes a blended tax rate of between 26% to 27% across the forecast period.

The DCF analysis results in a range of values for Blackmores' operating business of \$1,751.9 million to \$1,941.9 million, which supports Kroll's valuation based on the primary market approach.

## 9.5 Other assets and liabilities

Other assets and liabilities are those assets and liabilities not required to sustain the adopted level of maintainable earnings. Blackmores' other assets have been valued at between (\$60.2) million and (\$67.8) million as at 30 April 2023, which include the following:

- investments and other non-trading assets, including \$1.4 million in unquoted equity investments;
- operating and investment related derivatives, resulting in a net value for financial derivatives of \$0.2 million;
- surplus inventory resulting from an anticipation of a COVID-19 pandemic driven surge in International segment demand which did not materialise. As at 31 December 2022, total net inventory was valued at \$168.8 million. Through its discussions with Blackmores' management and analysis of historical inventory levels as a percentage of sales, Kroll has assessed a normalised level of inventory for Blackmores to be in the range of \$130.0 million to \$140.0 million. Therefore, Kroll has concluded that approximately \$30.0 million of the inventory balance is surplus to its operational needs; and



- adjustment for non-controlling interests of between (\$91.8) million and (\$99.4) million, reflecting the 49.99% interest in JV PT Kalbe Blackmores Nutrition that Blackmores does not own.

#### 9.5.1 Non-controlling interests

Blackmores holds a 50.01% share of PT Kalbe Blackmores Nutrition, a company which operates as a JV between Blackmores and the Kalbe Group in Indonesia. By virtue of its majority shareholding, Blackmores consolidates 100% of the assets, liabilities, income, and expenses of PT Kalbe Blackmores Nutrition on its consolidated financial statements. The adjustment for non-controlling interests is a recognition of a minority interest in the joint venture for Kalbe Group's 49.99% share and is calculated as follows.

##### Value of Non-controlling Interest in PT Kalbe Blackmores Nutrition (\$ millions)

	Section Reference	Valuation Range	
		Low	High
PT Kalbe maintainable earnings (FY23 forecast EBITDA)		10.2	10.2
Selected capitalisation multiple	9.3.3	18.0	19.5
<b>Value of PT Kalbe operating business</b>		<b>183.6</b>	<b>198.9</b>
<b>Non-controlling interest (49.99% interest)</b>		<b>91.8</b>	<b>99.4</b>

Source: Kroll analysis.

#### 9.5.2 Special Dividend

We have attributed no separate value to the Special Dividend that the Blackmores Board intends to declare if the Scheme becomes effective. The Special Dividend would be expected to enable eligible shareholders to benefit from franking credits of up to \$1.43 attached to any such Special Dividend.<sup>102</sup>

In our opinion, it is not appropriate to factor into the value of Blackmores the value of the accumulated franking credits as the value of any franking credits will vary considerably depending on the individual circumstances of each Blackmores Shareholder.

However, it is important to recognise that should the Scheme become effective, and the Blackmores Board indeed declares the Special Dividend, some Blackmores Shareholders may realise additional value from the franking credits in that they are better off from a tax perspective had the same amount been incorporated into the transaction price and treated as a capital gain.

#### 9.5.3 Net borrowings / surplus cash

In order to arrive at the value of equity, it is necessary to deduct the net borrowings from the unlevered value of Blackmores. Kroll has assessed Blackmores' surplus cash position for the purpose of this valuation to be \$14.6 million. This amount is based on Blackmores' cash balance and lease liabilities as at 30 April 2023, plus adjustments for cash relating to the proportion of Blackmores Equity Incentives to be notionally accelerated and cash settled (including a compensation for the value of franking credits attached to these incentives) and allowance for Blackmores' non-controlling interest in PT Kalbe Blackmores Nutrition's net cash position as at 30 April 2023.

##### Blackmores' Surplus Cash as at 30 April 2023 (\$ millions)

	Value
Lease liabilities (as at 30 April 2023)	(22.2)
Cash and cash equivalents (as at 30 April 2023)	61.6
Cash settlement of proportion Blackmores Equity Incentives	(20.8)
Cash payment for value of franking credits foregone by Blackmores Equity Incentive holders	(0.2)
Non-controlling interest in PT Kalbe Blackmores Nutrition net cash (as at 30 April 2023) <sup>1</sup>	(3.8)
<b>Net cash (as at 30 April 2023)</b>	<b>14.6</b>

Source: Kroll analysis.

Note 1: PT Kalbe Blackmores Nutrition net cash inclusive of lease liabilities

<sup>102</sup> Subject to availability of franking credits and provided that it will not result in the franking account of Blackmores being in deficit after the special dividend is paid.



## Appendix 1 – Kroll disclosures

### Qualifications

The individuals with overall responsibility for preparing this report on behalf of Kroll are Ian Jedlin and Celeste Oakley. Ian is an Associate and Accredited Business Valuation Specialist of the Institute of Chartered Accountants Australia and New Zealand, a Senior Fellow of the Financial Securities Institute of Australia and holds a Master of Commerce. He is also a member of the Standards Review Board of the International Valuation Standards Council. Celeste holds a Bachelor of Economics, a Bachelor of Laws and a CFA designation. Both Ian and Celeste have extensive experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of independent expert reports.

### Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Kroll's opinion as to whether the Scheme is in the best interests of Blackmores Shareholders, in the absence of a superior proposal. Kroll expressly disclaims any liability to any Blackmores Shareholder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

Other than this report, Kroll has had no involvement in the preparation of the Scheme Booklet or any other document prepared in respect of the Scheme. As such, Kroll takes no responsibility for the content of the Scheme Booklet as a whole or other documents prepared in respect of the Scheme (other than this report).

### Independence

Kroll considers itself to be independent in accordance with the requirements of Regulatory Guide 112 issued by ASIC on 30 March 2011. In considering independence, it is noted that Kroll does not have, and has not had within the previous two years, any business or professional relationship with Blackmores or Kirin or any financial or other interest that could reasonably be regarded as capable of affecting our ability to provide an unbiased opinion in relation to Blackmores. Kroll's only role with respect to the Scheme has been the preparation of this report.

Kroll will receive a fixed fee of \$400,000 (excluding GST and out of pocket expenses) for the preparation of this report. This fee is not contingent on the conclusions reached or the outcome of the Scheme Meetings. Kroll will receive no other benefit for the preparation of this report.

### Declarations

Blackmores has provided an indemnity to us for any claims arising out of any misstatement or omission in any material or information provided to us in the preparation of this report.

During the course of this engagement, Kroll provided draft copies of this report to management of Blackmores for comment as to factual accuracy, as opposed to opinions, which are the responsibility of Kroll alone. Changes made to this report as a result of those reviews have not altered the methodology or opinions of Kroll as stated in this report.

The engagement has been conducted in accordance with professional standard APES 225 "Valuation Services" issued by the Accounting Professional & Ethical Standards Board (**APESB**).

Kroll is authorised by Millinium Capital Managers Limited, Australian Financial Services Licence no. 284336, to provide the following financial services as their Corporate Authorised Representative:

- provide financial product advice in respect of the following classes of financial products:
- interests in managed investment schemes including investor directed portfolio services; and
- securities;

with respect to retail clients and wholesale clients.

### Consents

Kroll consents to the inclusion of this report in the form and context in which it is included in the Scheme Booklet to be issued to Blackmores Shareholders. Neither the whole nor any part of this report or its



attachments or any reference thereto may be included or attached to any other document without the prior written consent of Kroll as to the form and context in which it appears.

For personal use only



## Appendix 2 – Limitations and reliance on information

### Limitations and reliance on information

Kroll's opinion is based on prevailing economic, market, business and other conditions at the date of this report. However, the factors impacting these conditions continue to evolve and can change over relatively short periods of time. The impact of any subsequent changes in these conditions on the global economy and financial markets generally, and the assets being valued specifically, could impact upon value in the future, either positively or negatively. We note that we have not undertaken to update our report for events or circumstances arising after the date of this report other than those of a material nature which would impact upon our opinion.

Our report is also based on financial and other information provided by Blackmores and its advisers. Blackmores has been responsible for ensuring that information provided by it and its representatives is not false or misleading or incomplete. Blackmores has represented in writing to Kroll that to its knowledge, the information provided is complete and not incorrect or misleading in any material respect. Complete information is deemed to be information which at the time of completing this report should have been made available to Kroll and would have reasonably been expected to have been made available to Kroll to enable us to form our opinion. We have no reason to believe that any material facts have been withheld from us.

In forming our opinion, we have relied upon the truth, accuracy and completeness of any information provided or made available to us without independently verifying such information. Nothing in this report should be taken to imply that Kroll has in any way carried out an audit of the books of account or other records of Blackmores or Kirin for the purposes of this report. It is understood that the accounting information that was provided was prepared in accordance with generally accepted accounting principles including the Australian equivalents to International Financial Reporting Standards, as applicable.

In addition, we have also had discussions with Blackmores in relation to the nature of the business operations, specific risks and opportunities, historical results of Blackmores and prospects for the foreseeable future of Blackmores. This type of information has been evaluated through analysis, inquiry and review to the extent considered necessary or practical as part of the information used in forming our opinion is comprised of the opinions and judgements of management. Kroll does not warrant that its procedures and inquiries have identified all matters that a more extensive analysis might disclose as they did not include verification work nor an audit or review engagement in accordance with standards issued by the Auditing and Assurance Standards Board or equivalent body.

An important part of the information used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management. This type of information was also evaluated through analysis, inquiry and review to the extent practical. Such information is often not capable of external verification or validation.

The statements and opinions included in this report are given in good faith and in the belief that such statements and opinions are not false or misleading.

### Disclosure of information

In preparing this report, Kroll has had access to all financial information considered necessary in order to provide the required opinion. Blackmores has requested Kroll limit the disclosure of certain information relating to Blackmores. This request has been made on the basis of the commercially sensitive and confidential nature of the operational and financial information of the operating entities comprising Blackmores. As such the information in this report, unless otherwise indicated, has been limited to the type of information that is regularly placed into the public domain by Blackmores.

### Sources of information

In preparing this report we have been provided with and considered the following sources of information:

#### *Publicly available information*

- Scheme Booklet;
- Scheme Implementation Deed;
- results presentations and annual reports for Blackmores for FY18 to FY22 and financial results for 1H23;



- ASX announcements, press releases, media and analyst presentations and other public filings by Blackmores including information available on its website;
- broker reports and press articles regarding Blackmores and the VDS industry;
- results presentations, annual reports, press releases and other public filings relating to comparable companies and comparable transactions;
- ASIC company filings;
- industry data from IQVIA, Nielsen and Euromonitor;
- various industry reports; and
- information sourced from Bloomberg, Refinitiv and S&P Capital IQ.

*Non-public information*

- Blackmores Board papers and other internal briefing papers prepared by Blackmores;
- Blackmores Strategic Plan; and
- other confidential documents, presentations and workpapers.

In addition, we have had discussions with, and obtained information from, senior management of Blackmores.

For personal use only





### Appendix 3 – Broker consensus

As far as Kroll is aware, Blackmores is followed by eleven brokers, of which all eleven published reports following the release of Blackmores' 1H23 Results Announcement on 23 February 2023.

A summary of the most recent broker forecasts for Blackmores following the announcement of 1H23 Results on 23 February 2023 is provided as follows:

Date of report	Revenue			EBITDA			EBIT			Reported NPAT		
	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25	FY23	FY24	FY25
Broker 1	643.0	690.0	732.0	91.0	102.0	116.0	65.0	76.0	91.0	46.0	54.0	65.0
Broker 2	684.0	744.0	806.0	92.0	108.0	119.0	66.0	81.0	92.0	45.0	56.0	64.0
Broker 3	676.0	722.0	763.0	95.0	109.0	113.0	69.0	82.0	86.0	48.0	56.0	59.0
Broker 4	671.0	728.0	NA	93.0	104.0	NA	67.0	77.0	NA	46.0	53.0	NA
Broker 5	663.7	727.0	787.8	88.2	108.9	123.3	61.7	79.8	91.8	43.1	55.8	65.4
Broker 6	667.8	737.2	808.5	95.4	116.2	136.2	68.5	89.3	109.4	46.7	60.6	74.7
Broker 7	649.3	712.2	779.3	95.5	115.6	126.0	69.3	90.7	102.6	48.6	64.2	72.7
Broker 8	660.7	722.6	779.6	96.0	111.9	125.3	69.6	84.2	96.3	50.1	61.6	70.4
Broker 9	642.0	701.0	753.0	89.0	100.7	114.2	64.3	77.4	90.5	45.9	55.9	65.5
Broker 10	668.2	754.7	837.2	96.2	122.8	157.1	67.1	96.0	130.2	42.3	61.1	84.4
Broker 11	672.0	733.0	794.0	94.0	114.0	128.0	67.0	87.0	100.0	46.0	60.0	68.0
<b>Low</b>	<b>642.0</b>	<b>690.0</b>	<b>732.0</b>	<b>88.2</b>	<b>100.7</b>	<b>113.0</b>	<b>61.7</b>	<b>76.0</b>	<b>86.0</b>	<b>42.3</b>	<b>53.0</b>	<b>59.0</b>
<b>High</b>	<b>684.0</b>	<b>754.7</b>	<b>837.2</b>	<b>96.2</b>	<b>122.8</b>	<b>157.1</b>	<b>69.6</b>	<b>96.0</b>	<b>130.2</b>	<b>50.1</b>	<b>64.2</b>	<b>84.4</b>
<b>Median</b>	<b>667.8</b>	<b>727.0</b>	<b>783.7</b>	<b>94.0</b>	<b>109.0</b>	<b>124.3</b>	<b>67.0</b>	<b>82.0</b>	<b>94.2</b>	<b>46.0</b>	<b>56.0</b>	<b>66.8</b>
<b>Mean</b>	<b>663.4</b>	<b>724.7</b>	<b>784.0</b>	<b>93.2</b>	<b>110.3</b>	<b>125.8</b>	<b>66.8</b>	<b>83.7</b>	<b>99.0</b>	<b>46.2</b>	<b>58.0</b>	<b>68.9</b>

Source: Broker reports; Kroll Analysis.





## Appendix 4 – Valuation methodologies

The purpose of the valuation methodology adopted is, in the absence of direct market evidence, to provide an estimate of value using methodologies that rely on other sources of evidence. Consistent with International Valuation Standards, valuation methodologies applicable to assets or businesses can be categorised under three approaches: market approach, income approach and cost approach.

These approaches have application in different circumstances. The decision as to which approach to adopt will depend on various factors including the availability and quality of information, the maturity of the business and the actual practice adopted by purchasers of the type of asset or business involved.

### Market approach

The market approach is based on comparing the asset or business to identical or comparable assets or businesses for which there is available price information. It is commonly adopted where:

- the asset or business or similar assets or businesses are actively publicly traded (**market comparable methodology**);
- there are frequent and/or observable transactions in comparable assets or businesses (**comparable transactions methodology**); and
- there is substantial operating history and a consistent earnings trend.

The market comparable methodology indicates the value of a business by comparing it to publicly traded companies in similar lines of business. An analysis of the trading multiples of comparable companies yields insight into investor perceptions and, therefore, the value of the subject company. The multiples are evaluated and compared based on the relative growth potential and risk profile of the subject company vis-a-vis the publicly traded comparable companies. The multiples derived for comparable quoted companies are generally based on security prices reflective of the trades of small parcels of securities. As such, multiples are generally reflective of the prices at which portfolio interests change hands.

The comparable transaction methodology indicates value based on exchange prices in actual transactions. This process essentially involves the comparison and correlation of the subject company with other similar businesses recently sold or currently offered for sale. Considerations such as timeframe of transaction, premiums, and conditions of sale are analysed, and the observed transaction multiples are subjectively adjusted to indicate a value for the subject company.

A key step in both methods is determining the appropriate unit of comparison. In a business valuation common units of comparison include, revenue, EBITDA, EBIT, net profit after tax and book values. The choice will typically depend on the industry and characteristics of the subject asset.

Rule-of-thumb valuation benchmarks are sometimes considered to be an application of the market approach. They generally should not be given substantial weight unless market participants place particular reliance on them.

### Income approach

Under an income approach the value of an asset is determined by converting future cash flows to a current value. It is commonly adopted when:

- the income producing ability is the critical element affecting value from a market participant perspective;
- future cash flows can be estimated on a reasonable basis; and
- there is not a substantial operating history or there is a variable pattern of cash flow or the asset has a finite life.

The most common methodology adopted is the discounted cash flow (**DCF**) methodology. It has a strong theoretical basis and benefits by explicitly estimating future cash flows, allowing it to be used in a variety of circumstances, whether that be a start-up or an established business. It also allows for various scenarios and/or sensitivities to be modelled. Under a DCF methodology, forecast cash flows are discounted back to the valuation date resulting in a present value for the asset. Where there is an explicit forecast period a terminal value will typically be included, representing the value of the asset at the end of this period, which is also discounted back to the valuation date to give an overall value for the business. The rate at which the future cash flows are discounted (the discount rate) should reflect not only the time value of money, but also



the risk associated with the asset or business' future operations. Whilst discount rates are generally determined from observable data, substantial judgement is required in their determination. Further, the cash flows themselves also require considerable judgement in their preparation, placing significant importance on the quality of the underlying cash flow forecasts and the determination of an appropriate discount rate in order for a DCF methodology to produce a sensible valuation figure.

DCF's can also be extremely sensitive to what may be considered small changes in various assumptions and the longer the forecast period the more difficult it is in general to forecast cash flows with sufficient reliability. As such, it is important to adequately understand the basis and risks associated with the various assumptions used to derive the cash flow forecasts and recognise the impact it can have on resulting values including the value range. Notwithstanding, DCF methodologies are widely used and benefit from the rigour associated with the preparation of future cash flows.

#### **Cost approach**

Under a cost approach the value of an asset is determined having regard to the cost to replace or reproduce the asset. The most common methodologies include:

- the replacement cost;
- the reproduction cost method; and
- the summation method.

A cost based approach is most appropriate for businesses where the value lies in the underlying assets and not the ongoing operations of the business (e.g. real estate holding companies).

A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price to net assets, which can then be compared to that of similar transactions or quoted companies.

A net asset approach is also useful as a cross-check to assess the relative riskiness of the business (e.g. through measures such as levels of tangible asset backing).



## Appendix 5 – Discount rate

Kroll has selected a WACC in the range of 9.1% to 9.8% for Blackmores based on the selected parameters presented in the table below. In determining the blended WACC, an individual WACC has been calculated for each of the main markets that Blackmores operates in, which has then been weighted based on the market's relative contribution to the Company's earnings. To calculate the WACC for each market, a cost of equity has been calculated using the capital asset pricing model (**CAPM**), and the cost of debt is based on long-term estimates based on market observations. The WACC is commonly employed as the basis for determining an appropriate discount rate where cash flow forecasts consist of free cash flows to both debt and equity holders. Whilst we have utilised the WACC, we recognise that market participants often use less precise methods for determining a discount rate, including target internal rates of return or hurdle rates. They also often do not distinguish between investment types or regions.

To arrive at a concluded WACC for the entire Blackmores operation, we have had regard to the individual risk free rates, equity risk premiums, country risk premiums, and costs of debt for each market that Blackmores has operations in. Based on our analysis, we consider an addition of 0.7% to 0.8% to our Australian WACC range of 8.4% to 9.0% as appropriate to calculate a WACC representative of the entire Blackmores operation. Therefore, our selected WACC for Blackmores is 9.1% to 9.8%.

To confirm our concluded range, we have also calculated representative WACCs for each of the markets in which Blackmores operates on the same basis as the Australian WACC was calculated previously. For each market, we have had regard to their individual risk free rate, equity risk premium, country risk premium, and cost of debt. By way of example, a WACC in the range of 8.9% to 9.5% is calculated for the China segment and 10.5% to 11.1% for the International segment (using a weighted average of the markets within each segment). We have therefore concluded that our selected WACC is appropriate for Blackmores.

We have utilised the following parameters in deriving our base discount rate for the Australian market.

### Selected WACC Parameters for Blackmores' Australian Segment

Parameter	Symbol	Low	High
Risk free rate	<b>R<sub>f</sub></b>	3.5%	3.5%
Equity risk premium	<b>ERP</b>	6.0%	6.0%
Unlevered Beta		0.85	0.95
Tax rate	<b>t</b>	30.0%	30.0%
Gearing [Net Debt / (Net Debt + Equity)]	<b>D/(D+E)</b>	15.0%	15.0%
Debt/ Equity	<b>D/E</b>	17.6%	17.6%
Levered Beta	<b>β</b>	0.94	1.05
Company Specific Risk Premium (Alpha)	<b>α</b>	0.0%	0.0%
Cost of Equity (Post-Tax)	<b>K<sub>e</sub></b>	9.1%	9.8%
Pre-tax cost of debt	<b>K<sub>d</sub></b>	6.1%	6.6%
<b>Australian Market WACC</b>		<b>8.4%</b>	<b>9.0%</b>

Source: Kroll analysis

The objective of the discount rate is to appropriately reflect the expected return of a hypothetical prudent purchaser, based upon the perceived risks associated with Blackmores. In this respect, it is relevant to recognise that the selection of an appropriate discount rate to apply to the forecast cash flows of any asset or business operation is a matter of judgement and that the individual components should not be considered in isolation but rather as components of an overall discount rate. As a result of this subjectivity, the calculated discount rate should be treated as guidance rather than objective truth.

Furthermore, our discount rate reflects an assessment at a point in time as to both current market conditions and future expectations. To the extent that there are any changes in conditions and expectations over time, it is likely that an adjustment to the discount rate may be warranted.



### Cost of equity

The cost of equity has been derived from the application of a modified CAPM.<sup>103</sup> The CAPM has been empirically tested and is widely accepted for the purpose of estimating a company's required return on equity. In applying the CAPM, the rate of return on equity is estimated as the current risk-free rate of return on a long-term government bond plus a market risk premium, multiplied by the "beta" for the shares. Beta is defined as a risk measure that reflects the sensitivity of a company's share price to the movements of the stock market as a whole and is a measure of systematic risk.

The modified CAPM rate of return on equity capital is calculated using the formula:

$$K_e = R_f + \beta * (R_m - R_f) + \alpha$$

Where:

**Ke** = Rate of return on equity capital;

**Rf** = Risk-free rate of return (normalised long-term Australian sovereign risk);

**β** = Beta or systematic risk for this type of equity investment, re-levered to reflect the debt-to-equity profile of the Investment;

**Rm - Rf** = Equity risk premium (**ERP**); the expected return on a broad portfolio of stocks in the market (**Rm**) less the risk-free rate (**Rf**); and

**α** = Alpha including where relevant, size or other company specific risk.

### Risk-free rate

The risk-free rate is a key input in the CAPM. It is the return available, as of a valuation date, on a security that the market generally regards as free of the risk of default. When valuing a going-concern business, the risk-free rate is typically measured over a long-term period. In practice, long-dated bonds issued by governments considered to be generally safe have traditionally been accepted as a proxy for a risk-free security. As Blackmores' forecast cash flows are denominated in Australian dollars, we have used the 10-year Australian Government Treasury yield as a proxy for the risk-free security. As at 2 June 2023, the spot 10-year yield was 3.65%.

Sovereign yields in many developed countries, including Australia, have been at or near historical lows in recent years. Periods of high uncertainty are often accompanied by flights to quality, which means investors shift significant capital to liquid assets considered "safe", such as government securities of major advanced economies, lowering yields on these securities. Australia is one of the very few countries in the world carrying a AAA sovereign debt rating and is therefore considered a safe haven by global investors.

In addition, in order to mitigate the impact of the COVID-19 pandemic, the Reserve Bank of Australia (**RBA**), along with other major central banks, resorted to the use of unconventional monetary policies aimed at driving long-term interest rates lower and providing ample liquidity for financial markets thereby lowering the cost of capital and softening the impact of mandatory lockdown policies including:

- large-scale purchases of government securities and, in some cases, other financial assets (e.g., corporate bonds), known as quantitative easing (**QE**); and
- yield curve targeting policies.

The combination of investor flight to quality and central bank interventions, particularly during the height of the COVID-19 pandemic, contributed to the record low yields observed during 2020.

During the first four months of 2023, inflation globally remains high but has slowed from record levels. Concerns about inflation precipitated a significant shift in the RBA's monetary policy stance relative to December 2021. This stance entails: more and/or larger policy interest rate (cash rate) hikes, and an end to the RBA's QE policies under which the RBA acquired almost \$224 billion of AGS and \$57 billion of semi government securities (instead, the RBA has initiated a quantitative tightening (**QT**) process). The RBA's goal is to keep consumer price inflation to two to three percent, on average, over the medium term.

These recent developments have led to a significant and very rapid rise in interest rates. The spot 10-year Australian Commonwealth Government bond yield increased from 1.68% as at 31 December 2021, to a

<sup>103</sup> CAPM is modified by the inclusion of an alpha.



high of 4.20% on 21 October 2022. It has since decreased to a low of 3.19% on 21 March 2023, before rising to a current yield of 3.65% as at 2 June 2023.

During these periods of massive central bank interventions, where risk-free rates appear to be abnormally or artificially low, Kroll recommends the use of normalised risk-free rates. A normalised risk-free rate is an estimate of a risk-free security that would prevail in the absence of non-market factors affecting rates. A normalised risk-free can be accomplished in a number of ways, including:

- (i) simple averaging
- (ii) various "build-up" methods

The first method of estimating a normalised risk-free rate entails calculating averages of yields-to-maturity on long-term government securities over various periods. This method's implied assumption is that government bond yields will revert to the mean. As of June 2023, the 10-year trailing average of the 10-year Australian Commonwealth Government bond yield was 2.5%.

The second method is to normalise risk-free rates relied on build-up models based on the "Fisher equation", which consists of adding a country's projected real rate based on stabilised medium- to long-term economic conditions to the long-term expected inflation.<sup>104</sup> The long-term real rate cannot be observed directly in the market but there are academic papers that provide attempt to estimate such rate. In the case of Australia, we found that these estimates ranged between (0.3) to 1.0.<sup>105</sup> For the second component of the equation, we use a number of well-established surveys and economic forecasting providers, to arrive at consensus estimates for long-term expected inflation in Australia. As of February 2023, Kroll's analysis of the long-term Australian estimates of inflation produced estimates of 2.9% to 3.7%. Based on this approach we arrived at a normalised risk-free rate of 3.5% for Australia.

We have calculated the risk-free rates of other markets based on the yield of applicable long-term government bonds, and also considered whether these yields require a normalization adjustment.

#### Equity risk premium

The equity risk premium (**ERP**) represents the required return for bearing the incremental risk of investing in a diversified portfolio of equities rather than investing in a risk-free asset (such as a government bond of a government considered safe of default). A forward-looking ERP is not directly observable in the market. Accordingly, valuation practitioners typically utilise historical data to estimate ERP. However, it is important to understand the level of risk-free rates used to measure the historical ERP and whether the resulting combination of risk-free rate and ERP result in a reasonable proxy for a forward-looking base cost of equity.

To the extent that the realised (i.e., historical) ERP equates on average to expected premiums in prior periods, the historical average ERP may be a useful starting point in developing a current forward-looking ERP estimate. A reason one might look to the historical ERP is that the expectations of investors will be framed from their experiences, and the average historical ERP might be expected to have an influence on investors' expectations about the future. Hence there is usually at least some reliance on average historical ERPs when developing current forward-looking ERP estimates.

However, this does not mean that the ERP estimate should be static over time. Periods of market stability (low volatility) likely indicate that the current forward-looking ERP estimate is below the historical average, and periods of heightened volatility likely indicate that the current forward-looking ERP estimate is above the historical average.

The historical ERP has been estimated from an Australian investor perspective over different periods by various researchers and regulatory authorities. In forming our view we have had particular regard to the

<sup>104</sup> This is a simplified version of the "Fisher equation", named after Irving Fisher. Fisher's "The Theory of Interest" was first published by Macmillan (New York), in 1930. To be more precise, nominal interest rates incorporate not just inflation expectations, but also compensation for bearing inflation risk. In other words, inflation compensation economically consists of two components: expected inflation (the rate of inflation over the term of the risk-free investment) plus an inflation risk premium (the risk that expected inflation will increase or decrease relative to expected inflation). In essence, the inflation risk premium is related to the dispersion of forecasts of market participants around the expected future inflation rate. The greater the dispersion, the greater the uncertainty, the higher the premium demanded by investors to compensate for this risk.

<sup>105</sup> Nugent, T., and Tapas Strickland, "What does monetary policy neutrality look like today?", Australia Markets Weekly, June 2021, National Australia Bank; Guttman, R., D. Lawson, and P. Rickards, "The Economic Effects of Low Interest Rates and Unconventional Monetary Policy", RBA Bulletin—September 2020. Bulletin, (September); McCririck, Rachael, and Daniel Rees, 2017 "The Neutral Interest Rate", RBA Bulletin, September Quarter 2017.





work of Dr Bishop,<sup>106</sup> as summarised and updated in "Appendix 3B: Additional Sources of Equity Risk Premium Data – Australia" in the *2021 Valuation Handbook – International Guide to the Cost of Capital*, published by Duff & Phelps (a Kroll business).<sup>107</sup> Dr. Bishop estimated the historical Australian ERP for the period of 1900–2020 under different investor perspectives: (i) an Australian investor (in Australian Dollars, or AUD) with access to (i.e., eligible to receive) imputation tax benefits; (ii) an investor in AUD without access to imputation tax benefits.

The geometric average and the arithmetic average realised ERP were both calculated relative to Australian long-term government bonds. Both the geometric and arithmetic average ERP indications were estimated directly from the underlying data. We consider the arithmetic average to be more relevant for the valuation of businesses. The analysis indicated an arithmetic average ERP of 6.8% for an investor with access to imputation benefits and 6.4% for an investor without access to imputation benefits.

In order to be consistent with the approach we adopted to estimate the risk-free rate (based on a normalised estimate), we have applied a long-term view in determining the ERP. On this basis we consider an ERP of 6.0% as appropriate for the long-term investment climate in Australia. Furthermore, an ERP of 6.0% is also within the range determined in various other academic studies and adopted by independent experts in comparable independent expert reports.

We have calculated the ERP for other markets based on publicly available cost of capital data.

### Beta

In selecting an appropriate beta to apply to Blackmores, Kroll has considered betas for Australian FMCG companies as well as Chinese and International vitamin companies as at 2 June 2023.

#### Beta analysis

Company Name	Market Cap (A\$m) <sup>2</sup>	BARRA (Levered)			Capital IQ (Local Index) <sup>1</sup>			
		Global Predicted	Local Predicted	Global Historical	2 Year Weekly		5 Year Monthly	
					Levered	Unlevered	Levered	Unlevered
<b>ANZ FMCG</b>								
Blackmores Limited <sup>3</sup>	\$1,447.7	0.98	0.79	0.60	1.05	1.08	0.47	0.47
Treasury Wine Estates Limited	\$8,239.6	0.90	0.74	0.41	0.61	0.56	0.56	0.51
The a2 Milk Company Limited	\$3,798.7	0.88	1.01	0.58	1.09	1.17	0.82	0.86
Costa Group Holdings Limited	\$1,208.2	1.08	0.88	0.60	0.91	0.65	0.65	0.49
Bega Cheese Limited	\$1,095.3	0.97	0.75	0.43	0.83	0.69	0.39	0.33
Synlait Milk Limited	\$320.6	1.11	0.93	0.19	1.10	0.70	0.99	0.72
Clover Corporation Limited	\$201.2	1.04	0.83	0.34	0.68	0.67	0.90	0.90
Comvita Limited	\$187.7	0.71	0.66	0.17	0.92	0.81	0.80	0.67
McPherson's Limited	\$79.9	1.02	0.73	0.29	0.27	0.24	0.86	0.78
<b>China Vitamins</b>								
Byhealth Co.,Ltd	\$8,198.5	0.39	0.84	0.33	1.04	1.11	1.22	1.28
Health and Happiness (H&H) International Holdings Limit	\$1,350.8	0.76	1.16	0.77	1.27	0.72	1.09	0.79
<b>International Vitamins</b>								
Fancel Corporation	\$3,101.7	0.37	0.71	0.37	0.74	0.78	0.88	0.93
Herbalife Ltd.	\$1,852.2	1.17	1.03	1.06	0.78	0.41	1.12	0.76
USANA Health Sciences, Inc.	\$1,851.6	0.58	0.53	0.63	0.48	0.56	0.76	0.85
Mega Lifesciences Public Company Limited	\$1,516.7	0.68	0.83	0.29	0.51	0.53	0.80	0.81
Jamieson Wellness Inc.	\$1,445.1	0.85	0.68	0.51	0.45	0.40	0.37	0.33
Thorne HealthTech, Inc.	\$384.3	1.11	1.02	0.94	0.84	0.81	0.96	na
All Companies Median excl. outliers		0.97	0.81	0.47	0.84	0.69	0.86	0.79
All companies Average excl. outliers		0.95	0.85	0.49	0.84	0.72	0.85	0.76

Source: Barra, Capital IQ and Kroll Analysis.

#### Notes:

- Capital IQ (Local Index) two-year and five-year levered betas are based on each of the comparable companies' correlation with a relevant local index. Two-year and five-year unlevered betas are calculated using the respective company's average two and five-year debt to equity (D/E) ratio. D/E is defined as Net Debt divided by the summation of Market Capitalisation and Minority interests. Barra betas are as at 31 May 2023.
- The presented market capitalisations have been sourced from S&P Capital IQ using their recorded shares on issue.

<sup>106</sup> Bishop, S., T. Carlton and T. Pan, "Market Risk Premium; Australian Evidence" Research Paper for the CAANZ Business Valuation Specialist Conference, 13- 14 August, 2018.

<sup>107</sup> The *2021 Valuation Handbook – International Guide to the Cost of Capital* is available in the Cost of Capital Navigator online platform.



3. Blackmores market capitalisation and Capital IQ betas are calculated as at 6 April 2023, the last undisturbed trading day. Blackmores' barra betas are presented as at 31 March 2023.
4. Shaded values indicate insignificant results. Values that are shaded have been excluded from analysis.

This table shows a degree of variation in betas across the selected companies, suggesting that determining a reliable beta for Blackmores is difficult. As at 2 June 2023:

- overall, betas are broadly comparable when calculated over a two-year period and five-year period, with five year betas slightly higher than two-year betas;
- Blackmores predicted Barra beta (local index) was 0.79, its two-year weekly levered beta (as at 6 April) was 1.05 and its five-year monthly levered beta was 0.47;
- Treasury Wine Estates Limited (**TWE**) and The a2 Milk Company Limited (**a2 Milk**) both have significant Asia exposure and are mature ASX listed businesses. Their Barra betas (local index) are 0.74 and 1.01 respectively, and their two year levered betas are 0.70 and 1.09. Both of these businesses operate with low or no leverage and are comparable to Blackmores in this sense. Other ANZ FMCG businesses have levered betas that tend to sit within the vicinity of 0.70 to 1.10;
- Swisse's owner, Health & Happiness, has a higher barra and levered betas than Blackmores, driven by higher leverage. Moreover, Health & Happiness is listed on the Hong Kong Stock Exchange, which has suffered from economic and geopolitical uncertainty caused by its relationship with China over this period. As a result, Kroll does not consider Health & Happiness' beta estimates particularly relevant for Blackmores; and
- the median predicted Barra beta regressed against the respective local indices was 0.81, the median levered two-year weekly beta (ex-outliers) was 0.82 and the levered median five-year monthly beta (ex-outliers) was 0.84.

Blackmores, as discussed in Section 8.3, has high exposure to developing Asian markets including Indonesia. Kroll assesses a higher risk for Blackmores revenues associated with these markets, resulting in a higher beta. Moreover, interest rate increases are eroding the disposable income available to households, who may have to shift spend away from discretionary items that Blackmores sells.

Although these risks are likely to subside in the long term, investors may require higher returns to compensate them for the uncertainty.

Intuitively, we would expect the beta for a mature consumer discretionary products business in Australia, such as Blackmores, to be around 1. In selecting a beta for Blackmores, we have sought to balance these factors noting that significant judgement is necessary. On balance, having regard to the factors discussed above Kroll has selected an unlevered beta for Blackmores in the range of 0.85 to 0.95. Based on our selected market gearing of 15.0%, this results in a levered beta in the range of 0.94 to 1.05.

#### Gearing

In selecting an appropriate gearing ratio for Blackmores for the purpose of re-leveraging our selected asset beta, we have considered the gearing levels of comparable companies.

The gearing ratios for the selected comparable companies are set out as follows.



### Gearing analysis

Company Name	Market Cap (A\$m)	Average Gearing	
		2 year	5 year
<b>ANZ FMCG</b>			
<b>Blackmores Limited<sup>3</sup></b>	<b>\$1,447.7</b>	<b>(3.6%)</b>	<b>0.9%</b>
Treasury Wine Estates Limited	\$8,239.6	12.4%	12.4%
The a2 Milk Company Limited	\$3,798.7	(10.7%)	(6.7%)
Costa Group Holdings Limited	\$1,208.2	35.7%	29.7%
Bega Cheese Limited	\$1,095.3	22.2%	20.2%
Synlait Milk Limited	\$320.6	41.8%	30.8%
Clover Corporation Limited	\$201.2	1.5%	1.2%
Comvita Limited	\$187.7	15.7%	19.9%
McPherson's Limited	\$79.9	15.0%	11.6%
<b>China Vitamins</b>			
Byhealth Co.,Ltd	\$8,198.5	(7.5%)	(6.8%)
Health and Happiness (H&H) International Holdings Limited	\$1,350.8	44.5%	25.7%
<b>International Vitamins</b>			
Fancl Corporation	\$3,101.7	(7.4%)	(6.7%)
Herbalife Ltd.	\$1,852.2	49.9%	30.7%
USANA Health Sciences, Inc.	\$1,851.6	(21.1%)	(15.9%)
Mega Lifesciences Public Company Limited	\$1,516.7	(4.9%)	(2.2%)
Jamieson Wellness Inc.	\$1,445.1	13.1%	14.2%
Thorne HealthTech, Inc.	\$384.3	4.2%	na
<b>Median</b>		<b>12.4%</b>	<b>12.0%</b>
<b>Mean</b>		<b>11.8%</b>	<b>9.9%</b>

Source: S&P Capital IQ

Note: The presented market capitalisations and gearing have been sourced from S&P Capital IQ as at 2 June 2023, except for Blackmores which is calculated as at 6 April 2023, the last undisturbed trading day.

For any company, there is likely to be a level of gearing that represents the optimal capital structure for that company. In estimating a discount rate, the gearing assumption should reflect this optimal or target capital structure, however, "optimal" as opposed to "actual" capital structures are not readily observable. In practice, both the existing capital structure and those of comparable businesses are used as a guide taking into account the specific circumstances of the relevant entity.

The majority of the Australian comparable companies and International comparable companies have low levels of debt, reflecting that the businesses are not tangible asset heavy. As at 6 April 2023, Blackmores' market gearing was (3.6%) when measured over a two-year period and 0.9% over a five-year period. Its current gearing, as at 31 December 2022, was (21.8%).

Having regard to these factors, we have selected a gearing ratio of 15.0% for Blackmores.

#### Pre-tax cost of debt

For the purposes of assessing fair value however, we estimated a cost of debt from the perspective of the likely debt rate that would apply to Blackmores if acquired by an external market participant. We have approximated the long term, pre-tax cost of debt for each business unit with the following methodology:

- using our long-term risk-free rate (3.5%) as a base;
- adding the credit risk spread between the five-year BBB rated Australian corporate bonds and five-year Australian Government bonds (2.3%); and
- adding the yield differential between five- and 10-year bonds (0.3%).

Based on the above, a long-term pre-tax cost of debt of 6.1% to 6.6% is considered to be appropriate.



**Tax rate**

We have adopted an effective tax rate of 30% for Australia. We have not ascribed any value to accrued tax losses in the discount rate.

For each of the individual WACC calculations, we have used the prevailing corporate tax rate for each market.

**Cross-check**

As a cross check to our WACC we have considered analysis of recent reports on Blackmores by brokers which indicate that they are utilising a WACC in the range 7.30% to 9.80% in their valuation models. This range incorporates, or is below, the range of WACC selected by Kroll. We note that there are significant limitations in this evidence as a number of the brokers do not provide details of the assumptions they have utilised in the build-up of their discount rate.

For personal use only



## Appendix 6 – Market evidence

### Comparable transactions

The following tables set out the key comparable transactions within the VDS products and select Australian healthcare transactions.

### Comparable Transactions Earnings Multiples

Announcement Date	Target	Acquirer	Country of Target	Premium to 1W VWAP	Percentage Acquired (%)	Implied EV (100%) (A\$ million)	EV / LTM EBITDA	EV / NTM EBITDA <sup>1</sup>
<b>VDS product companies</b>								
29-Jun-22	Better Health	Nestlé Health Science S.A.	New Zealand	na	100.0	339.0	12.5	na
30-Apr-21	Bountiful's core brands	Nestlé Health Science S.A.	United States	na	100.0	7,462.4	16.8	na
11-Apr-18	Nature's Care	China Jianyin; Tamar Alliance	Australia	na	75.0	800.0	15.1	na
31-Jan-18	Life-Space Group Pty Ltd.	Australia By Saint Pty Ltd	Australia	na	100.0	690.0	20.0	na
4-Dec-17	Arium Innovations Inc.	Nestlé Health Science S.A.	Canada	na	100.0	3,028.0	16.4	na
3-Aug-16	Vitaco Holdings Limited	Shanghai Pharma; Primavera Capital	Australia	26%	100.0	350.0	14.7	13.6
17-Sep-15	Swisse Wellness Pty Ltd.	Biosime Healthy Australia Pty Ltd	Australia	na	83.0	1,746.9	15.5	na
<b>Australian health &amp; health-food companies</b>								
12-Jul-21	API	WFM Investments Pty Ltd	Australia	31%	100.0	1,025.0	6.5	na
15-Sep-19	Bellamy's	China Mengniu Dairy Company Limited	Australia	46%	100.0	1,390.0	29.6	25.8
5-Sep-16	APM	Pact Group Holdings Ltd	Australia	na	100.0	90.0	6.5	na

Source: S&P Capital IQ, Mergermarket, Company financial statements, Australian Financial Review, ASIC company filings; Kroll analysis.

Note 1: FY+1 multiples are based on brokers forecasts at the time of each transaction.



*Better Health / Nestlé Health Science S.A.*

On 29 June 2022, Nestlé Health Science S.A. (**Nestlé**) acquired Better Health for NZD\$375.0 million. Better Health is the parent company of GO Healthy, a leading New Zealand vitamins and supplements brand, and Egmont, a manuka honey brand. Nestlé also acquired a manufacturing facility in Auckland as part of the transaction.

Specific financial details for the transaction were not disclosed, however the transaction occurred at 12.5 times EBITDA.<sup>108</sup> Nestlé noted that Better Health was a strategic fit for the multinational, with the acquisition likely to drive growth in the VDS and wellness nutrition sectors in the Australasian region. Nestlé announced plans to expand product sales of both GO Healthy and Egmont into additional international markets.

*Bountiful's core brands / Nestlé*

On 30 April 2021, Nestlé announced it had acquired the core brands of Bountiful for USD\$5.75 billion from Kohlberg Kravis Roberts & Co. (**KKR**). The acquisition included Bountiful's VDS brands Nature's Bounty, Solgar, Osteo Bi-Flex and Puritan's Pride. Nestlé announced that the brands would be integrated into Nestlé's Health Science portfolio, creating a global leader in vitamins, minerals and nutritional supplements, adding to existing Nestlé VDS brands such as Garden of Life, Vital Proteins and Pure Encapsulations.

The transaction occurred at an EV/Sales multiple of 3.1 and a LTM EBITDA multiple of 16.8. The high EBITDA multiple likely reflects Nestlé's expectation of realising synergies through the more efficient utilisation of resources across the supply chain for these products, as well as the ability to expand the brands internationally.

*Global Therapeutics / McPherson's*

On 27 October 2020, McPherson's announced the acquisition of Global Therapeutics from Blackmores for \$27.0 million. Global Therapeutics is an Australian manufacturer of premium herbal and traditional medicine formulations and includes the Fusion Health and Oriental Botanicals brands. McPherson's noted that the acquisition will expand its health, wellness and beauty portfolio.

The acquisition occurred at a multiple of 7.4 times LTM EBIT and 1.4 times revenue. The lower valuation multiples likely reflect the reduced scale of Global Therapeutics and Blackmores desire to simplify its portfolio of brands.

*Nature's Care / China Jianyin Investment Limited and Tamar Alliance Fund*

On 11 April 2018, a Chinese state-backed consortium acquired a 75% majority stake in Australian vitamin company Nature's Care for approximately \$800.0 million from the Wu family. The consortium included China Jianyin Investment Limited (**China Jianyin**) and private equity fund Tamar Alliance Fund (**Tamar Alliance**). Nature's Care was Australia's third largest vitamins brand, with an estimated 90% of its sales coming from its Healthy Care brand. Nature's Care also manufactures supplements and skin care products.

The acquisition occurred at a multiple of 15.1 times LTM EBITDA and 4.7 times revenue, reflecting significant demand for Nature's Care brands and the potential for the brands under the new ownership structure, with the buyout consortium likely to be able to provide significant distribution capability into the large Chinese VDS market.

*Life-Space / Australia By Saint Pty Ltd*

On 31 January 2018, Australia By Saint Pty Ltd (**Australia By Saint**), a special purpose company wholly-owned by By-health, acquired Life-Space for \$690.0 million. Life-Space is an Australian probiotics supplements brand that also sold its products into the Chinese market via CBEC. By-health noted the acquisition would aid sales in the fast growing global probiotic market and local Chinese VDS market.

The acquisition occurred at a multiple of 20.0 times LTM EBITDA and 5.6 times revenue. The high multiples likely reflected the significant demand from Chinese consumers and investors for 'clean and green' Australian vitamin brands, which are seen as high quality, clean and green.

<sup>108</sup> EBITDA multiple is per EBITDA estimates cited in the Australian Financial Review and is relative to the twelve month period ending 31 March 2021, one year prior to the transaction.



*Atrium / Nestlé*

On 4 December 2017, Nestlé announced the acquisition of Atrium for USD\$2,300 million. Atrium is a global leader in nutritional health products based in Canada. Atrium's portfolio includes products such as probiotics, plant-based protein nutrition, meal replaces and multivitamins. Nestlé noted the acquisition supports their pursuit of growth opportunities in consumer healthcare, adding to Nestlé's portfolio of brands under its Nestlé Health Sciences division.

The acquisition occurred at a multiple of 16.4 times LTM EBITDA. The high EBITDA multiple likely reflects Nestlé's expectation of realising synergies through the more efficient utilisation of resources across the supply chain for these products and the scale acquired through the transaction, with Atrium generating approximately USD\$700 million of sales in the previous financial year.

*Vitaco Holdings Limited / Shanghai Pharmaceuticals Holdings Co Ltd & Primavera Capital Fund II L.P.*

On 3 August 2016, a buyout consortium comprised of Shanghai Pharmaceuticals Holdings Co Ltd (**Shanghai Pharma**), a leading Chinese pharmaceutical manufacturer and retailer, and Primavera Capital Fund II L.P. (**Primavera Capital**), a leading Asia-based investment firm, announced the acquisition of Vitaco Holdings Limited (**Vitaco**), an ASX-listed nutritional products business, via a scheme of arrangement for approximately \$350.0 million. Vitaco owned vitamins brands including Wagner and Healtheries, as well as sports and health nutrition brands such as Musashi and Abundant Earth.

The acquisition occurred at a multiple of 14.7 times LTM pro-forma EBITDA, 13.6 times NTM broker consensus EBITDA and 1.4 times revenue. The buyout consortium noted the potential for Vitaco brand expansion into Asian markets as well as the highly sought after 'clean and green' image of Vitaco's brands, particularly in China.

*Global Therapeutics / Blackmores*

On 6 May 2016, Blackmores announced the acquisition Global Therapeutics for \$23.0 million. Global Therapeutics was Australia's leading provider of retail Chinese herbal medicine products through the brands Fusion and Oriental Botanicals. Blackmores noted that the acquisition strengthened its position as the leading natural health company in Australia, with an ability to expand its position in health food stores and a growing Chinese herbal medicine market.

The acquisition occurred at a multiple of 7.7 times LTM EBITDA and 1.2 times revenue, potentially reflecting the niche market for Chinese herbal products as well as the smaller scale of Global Therapeutics' brands.

*Swisse / Biostime Healthy Australia Pty Ltd*

On 17 September 2015, Biostime Healthy Australia Pty Ltd (**Biostime**), subsequently renamed to Health and Happiness, acquired 83% of Swisse for an implied EV of \$1,746.9 million.

The acquisition occurred at a multiple of 15.5 times LTM EV/EBITDA, likely reflecting the significant scale of Swisse and strong brand awareness. This transaction was seen to initiate a wave of M&A activity within the Australian VDS market and highlighted the demand by Chinese consumers and investors for Australian VDS products and brands. Biostime, at the time of acquisition, noted the significant potential for growth for Swisse under its ownership, through internet sales and the groups extensive distribution channels.

*API / WFM Investments Pty Ltd*

On 31 March 2022, a subsidiary of Wesfarmers Limited (**Wesfarmers**), WFM Investments Pty Ltd, announced the acquisition of 100% of API via a scheme of arrangement for an implied enterprise value of \$1,025 million. API is an Australian distributor and wholesaler of pharmaceutical, medical, health and beauty products as well as owner of Priceline Pharmacy and other pharmacy brands. Wesfarmers is a large conglomerate group with assets across the Australian and New Zealand retail and industrial sectors.

The transaction implied a multiple of 6.5 times LTM EBITDA and 7.1 times NTM forecast EBITDA. Wesfarmers noted the acquisition of API provided an attractive opportunity to enter the growing health, wellbeing and beauty sector. Wesfarmers outlasted Sigma Healthcare Limited and Woolworths Group Limited for the ownership of API.

*Bellamy's / China Mengniu Dairy Company Limited*

On 5 December 2019, China Mengniu Dairy Company Limited (**Mengniu**), a Hong-Kong stock exchange listed dairy product manufacturer, acquired Bellamy's, an ASX-listed Australian organic brand, via a





scheme of arrangement at an implied enterprise value of \$1,390.0 million. Mengniu noted that the acquisition aligned with its strategy of growing its infant milk formula segment and expanding into overseas markets within south east Asia and Australasia.

The acquisition occurred at a multiple of 29.6 times LTM EBITDA and 25.8 NTM EBITDA, potentially reflecting the significant growth potential for Bellamy's, the value prescribed to 'clean and green' Australia made health food products and company-specific factors such as reduced earnings in FY19 and new product launches to be released in FY20.

*APM / Pact Group Holdings Ltd*

On 5 September 2016, Pact Group Holdings Ltd (**Pact Group**), an ASX-listed manufacturer of plastics packaging across Australasia and Asia, announced it had agreed to acquire APM, a contract manufacturer of tablets, hard capsules, powdered products and sachets, for an enterprise value of \$90.0 million.

The transaction occurred at a multiple of 6.5 times LTM EBITDA, potentially reflecting the lower demand for contract manufacturers as opposed to VDS brands. Pact Group noted the APM acquisition aligned with its strategy of growing its footprint in the Australian specialised manufacturing sector.

#### Comparable companies

The following table sets out the trading multiples for the comparable companies to Blackmores, as at 2 June 2023.

#### Comparable Companies Trading Multiples

Company Name	Country	Market		Enterprise				
		Capitalisation (\$ millions)	Value (\$ millions)	EBITDA Multiple CY22 <sup>1</sup>	FY23 <sup>2</sup>	FY24 <sup>2</sup>	FY25 <sup>2</sup>	EBITDA CAGR CY22-FY25 <sup>3</sup>
<b>ANZ FMCG</b>								
TWE	Australia	8,293.4	9,539.1	13.8	13.0	11.8	11.2	8.7%
a2 Milk	New Zealand	3,831.6	3,239.4	17.1	16.3	13.9	12.0	15.2%
Costa Group	Australia	1,214.7	2,106.4	10.3	7.6	7.2	6.7	18.8%
Bega Cheese	Australia	1,100.3	1,530.7	11.0	9.5	7.8	7.2	18.5%
Synlait Milk	New Zealand	321.6	820.3	13.4	9.3	7.0	5.6	40.7%
Comvita	New Zealand	189.3	259.9	7.6	8.6	7.5	6.1	8.8%
Mpherson's	Australia	81.5	109.4	7.0	7.4	6.6	6.3	4.7%
<b>ANZ Healthcare</b>								
Clover	Australia	201.2	194.2	13.1	22.8	15.1	11.5	5.1%
<b>China VDS</b>								
By-health	China	8,212.4	11,973.3	34.4	24.9	21.1	18.4	28.4%
Health & Happiness	Hong Kong	1,375.1	2,765.0	7.0	6.9	6.2	5.7	6.8%
<b>International VDS</b>								
Herbalife	United States	1,976.0	5,519.8	5.2	6.2 <sup>4</sup>	5.3	4.8	3.0%
FANCL	Japan	3,102.0	2,818.4	20.9	18.5	16.3	14.4	17.9%
Jamieson Wellness	Canada	1,454.8	1,876.4	14.1	11.7	10.7	9.7	13.2%
USANA	United States	1,842.7	1,407.2	7.7	7.8	7.2	n/a	3.7% <sup>5</sup>
Thorne	United States	383.6	396.7	23.2	8.6	4.9	4.9	87.4%

Source: S&P Capital IQ, Refinitiv, Company financial statements; Kroll analysis.

Notes:

1. Calculated based on EBITDA during the 12 months ended 31 December 2022.
2. Forward multiples are based on broker consensus forecasts sourced from Refinitiv. Each of the companies other than Costa Group, Health & Happiness, Herbalife, USANA, Jamieson and Thorne have a 30 June or 31 July year end. Costa Group, Health & Happiness, Herbalife, USANA, Jamieson and Thorne have a 31 December year end.
3. Implied EBITDA CAGR between CY22 and FY25 for all companies except USANA.
4. Adjusted to include the full benefits of a Transformation Program expected to deliver annual savings of at least US\$70 million by FY24.
5. Implied EBITDA CAGR between CY22 and FY24.



## ANZ FMCG

### *Treasury Wine Estates Limited*

TWE is a vertically integrated wine company operating globally. The company focuses on sourcing and growing grapes as well as manufacturing, marketing, and distributing wine. Its wine portfolio includes luxury, premium and commercial wine brands. It owns and leases 8,362 planted hectares of vineyards in Australia and New Zealand.

TWE historically had a large presence in China; however, sales to China were severely impacted by tariffs placed on Australian wine exports in 2020, which remain in place. TWE's share price and trading multiples likely factor in the possibility that the Chinese government may reduce or remove the tariffs in the near future.

### *The a2 Milk Company Limited*

a2 Milk sells A2 protein type branded milk and related products in ANZ, China, other Asian countries, and the United States. a2 Milk's products are highly differentiated, being produced from cows specially selected to produce milk with only the A2 beta-casein protein. Its products are popular in China and in FY22, its China and Other Asia segment represented 50.2% of a2 Milk's total external revenue. The a2 Milk Company sells into China through Daigou resellers and CBEC.

### *Costa Group Holdings Limited*

Costa Group Holdings Limited (**Costa Group**) produces, packs, and markets fruits and vegetables to food retailers. It operates through three segments: Produce, Costa Farms and Logistics, and International. The Produce segment engages in farming, packing, and marketing of fruits and vegetables primarily to food retailers. Its Costa Farms and Logistics segment operates logistics, wholesale, and marketing services including warehousing and ripening facilities. The International segment engages in licensing blueberry varieties in Australia and globally.

### *Bega Cheese Limited*

Bega manufactures, processes and distributions dairy and other food products in Australia. The company operates in two segments, Branded and Bulk. The larger Branded segment manufactures value added consumer products for owned and externally owned brands, including non-dairy related brands including Bega peanut butter and Vegemite. The Bulk segment manufactures bulk products including dairy ingredients and whey powder which are sold in international commodity markets. Bega additionally operates as a contract packer of natural cheddar and processed cheddar cheese products for corporations and is involved in contract packaging for private proprietary brand and supermarket house brands. The company also exports its products globally.

### *Synlait Milk Limited*

Synlait Milk Limited (**Synlait**) is a New Zealand company which produces, processes, markets and distributes milk, milk powder and ingredients. It serves customers worldwide. Synlait is a strategic supplier of The a2 Milk Company, which as at 30 June 2022 held a 19.8% stake in Synlait. Synlait's trading multiple was negatively impacted by a FY23 guidance update released on 26 April 2023, when the company downgraded its FY23 NPAT guidance range from \$15 million to \$25 million to \$(5) million to \$5 million.

### *Comvita Limited*

Comvita Limited (**Comvita**) is a New Zealand company engaged in the manufacturing and marketing natural health products. Comvita is a world leader in the production of Manuka honey. Additionally, the company produces bee pollen, cider vinegar, lozenges, supplements and skincare and digestive health solutions. Comvita serves customers worldwide and has a large presence in China, with greater China representing 46.4% of revenue in FY22. The company's relatively low trading multiple of 8.6 FY23 EBITDA likely reflects its small size (market capitalisation of \$189.3 million).

### *Mcpherson's Limited*

Mcpherson's Limited (**Mcpherson's**) provides health, wellness, and beauty products in Australia, New Zealand and Asia. It offers beauty care, hair care, skin care product ranges, personal care items such as facial wipes and cotton pads, and vitamins and supplements. The company primarily sells its brands under company owned brands including Dr. LeWinn's, A'kin and Manicure. In 2020, Mcpherson's acquired Global Therapeutics, the owner of traditional Chinese medicine brands such as Fusion Health and Oriental



Botanicals, from Blackmores. The company's low trading multiple of 7.4 FY23 EBITDA likely reflects its small size.

#### **ANZ Healthcare**

##### *Clover Corporation Limited*

Clover Corporation Limited (**Clover**) refines and encapsulates DHA products including DHA oil and DHA powders which are used in the production of infant formula, nutrition and pharmaceutical products. Clover engages in researching and developing functional food and infant nutrition ingredients.

#### **China VDS**

##### *By-health Co Ltd*

By-health produces and sells dietary supplements. The company's main products include protein powders, vitamins, minerals, natural herbal extracts and other functional nutrition supplements. The majority of By-health's business is domestic, representing 85.3% of sales revenue in FY22. By-health acquired the Australian pro-biotic brand Life-Space in 2018. The company's relatively high FY23 EBITDA multiple of 24.9 may be attributable to the company's leadership position in China's high-growth VMS market and the high growth expectations for the company, with analysts estimating 28.4% EBITDA CAGR for FY22 to FY25.

##### *Health & Happiness International Holdings Ltd*

Health & Happiness provides healthcare supplements through its BNC (52.3% of FY22 revenue), ANC (35.7% of FY22 revenue), and pet nutrition and care products (12.0% of FY22 revenue) segments. The BNC segment produces infant formulas and milk formulas. The ANC segment produces vitamins, health supplements, skincare products, and sports nutrition products. Health & Happiness sells its products under company owned brands including Swisse, Biostime, Aurelia and Zesty Paws. The company was formerly known as Biostime International Holdings Limited and changed its name to Health and Happiness International Holdings Limited in June 2017. Health & Happiness acquired Swisse in 2015. In FY22, 74.9% of sales revenue came from mainland China, 10.9% from Australia and New Zealand, with the remainder from North America and other territories.

#### **International VDS**

##### *Herbalife Ltd.*

Herbalife Ltd. (**Herbalife**) manufactures and sells weight management solutions such as protein shakes, nutritional supplements, sports nutrition solutions and personal care products. It distributes products via a direct selling model. Herbalife's largest operating segment is its weight management segment which accounts for over 60% of annual sales. Herbalife has a wide geographic reach and, in FY22, China represented 5.8% of sales revenue. Herbalife is less comparable to Blackmores because of its direct selling model (including an MLM program) which subjects it to higher litigation and regulatory risk. Additionally, Herbalife's trading multiples are likely weighed down by its high indebtedness (with the company having a debt to enterprise value ratio of 61.3%).

##### *FANCL Corporation*

FANCL is a Japanese producer and seller of cosmetics and dietary supplements. Its nutritional supplements business comprises approximately 37.0% of sales revenue. FANCL's international business is relatively small, representing approximately 11.0% of total sales revenue. FANCL has a large direct-to-consumer operation, with approximately 70.0% of sales coming through online, catalogue, store and other direct channels. In 2019, FANCL entered into a capital and business alliance with Kirin, which includes joint research and development efforts.

##### *Jamieson Wellness, Inc.*

Jamieson is a Canadian manufacturer and seller of natural health products including vitamins, herbal and mineral nutritional supplements and over-the-counter remedies and sports nutrition products. It also provides contract manufacturing services to consumer health companies and retailers. Jamieson is the leading consumer health brand in Canada and has a growing presence in the United States and China.

##### *USANA Health Sciences, Inc.*



USANA Health Sciences, Inc. (**USANA**) develops, manufactures and markets nutritional products. It distributes products globally via direct selling, including, outside of China, a MLM program. USANA has a large presence in China through its subsidiary BabyCare and Mainland China represented approximately 45.4% of net sales in FY22. USANA does not operate an MLM program in China, instead relying on direct selling through independent distributors. USANA operates a manufacturing facility in China registered with the State Administration of Market Regulation. Similarly to Herbalife, USANA's direct selling business model subjects the business to elevated regulatory and litigation risk, which may account for its low trading multiple.

*Thorne HealthTech, Inc.*

Thorne HealthTech, Inc. (**Thorne**) is a science-driven wellness company based in the United States. Thorne sells a comprehensive range of premium nutritional supplements and offers health tests which generate comprehensive, personalized molecular portraits of customers. Thorne primarily sells domestically, and domestic sales represented 94.1% of sales revenue in FY22. In 2018 Thorne entered into an agreement for a joint strategic investment with Kirin and Mitsui & Co., Ltd (**Mitsui**), and both companies retain a 29.2% stake in Thorne.

For personal use only



## Part Two – Financial Services Guide

### What is an FSG?

This Financial Services Guide ("FSG") is an important document that provides you with information to help you decide whether to use our financial services.

This FSG contains information on:

- who we are;
- who our authorised representatives are;
- how we can be contacted;
- certain financial services that we can offer you;
- how we, our authorised representatives and other parties involved in providing the financial services are paid in relation to the financial services we offer; and
- details of how you can make a complaint about us or the financial services we provide.

### Who we are?

Kroll Australia Pty Ltd (ACN 116 738 535), ("We", "us" and "Kroll") is authorised to provide retail financial services on behalf of Millinium Capital Managers Limited (ACN 111 283 357) ("Millinium"), Australian Financial Services License ("AFSL") no. 284336, as a Corporate Authorised Representative ("CAR"). We have also appointed Mr. Ian Jedlin as an authorised representative to Millinium's AFSL (our "Authorised Representative"). All authorised representatives of Kroll are authorised representatives of Millinium. We aim to provide quality financial products and services to investors. Kroll acts on its own behalf when providing financial services.

Kroll has been engaged by Blackmores Limited ("Client") to prepare an independent expert report ("Report") in connection with the proposed acquisition by Kirin Holdings Company, Limited of Client. Client will provide our Report to you.

### Our details

Kroll Australia Pty Ltd  
Level 32, 85 Castlereagh St  
SYDNEY  
NSW 2000  
www.kroll.com  
Ph: 02 8286 7200

### Our Authorised Representative

Ian Jedlin  
ASIC authorised representative: No. 000404117  
Level 32, 85 Castlereagh St, SYDNEY, NSW 2000

### Authorised Financial Services

Kroll is authorised by Millinium to provide the following financial services as their CAR:

- provide financial product advice in respect of the following classes of financial products:
  - interests in managed investment schemes including investor directed portfolio services; and
  - securities,
  - with respect to retail clients and wholesale clients.

This FSG only relates to the provision of general advice by Kroll.

### Personal Advice

Neither we nor our authorised representatives can provide you with personal advice. Personal advice is advice that takes into account your objectives, financial situation and needs. Where you are referred to a financial planner for personal advice, they will make reasonable enquiries to understand your personal objectives, financial situation and needs. Their personal advice, and any relevant warnings, will be provided to you in their Statement of Advice ("SOA").

### Remuneration

Kroll charges fees for preparing reports. These fees will usually be agreed with, and paid by, the Client. Fees are agreed on either a fixed fee or a time cost basis. In this instance, the Client has agreed to pay Kroll \$400,000 (excluding GST and out of pocket expenses) for preparing the Report. Kroll and its officers, representatives, related entities and associates ("Personnel") will not receive any other fee or benefit in connection with the provision of the Report. All Personnel that provide general advice on our behalf in providing services are on contract to us and receive a salary or payments in accordance with their respective contracts. They may also receive a bonus, but it is not related to the general advice provided in the Report.

Kroll may provide professional services, including consultancy, business intelligence, transfer pricing and financial advisory services, to the person who engaged us and receive fees for those services Kroll and any of its associated entities may at any time provide professional services to financial product issuers in the ordinary course of business.



No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of, the Client or has other material financial interests in the transaction.

**Complaint Redressal**

If you have a complaint, please let either Kroll or the Authorised Representative know. Formal complaints should be sent in writing to Complaints Officer, Kroll, Level 32, 85 Castlereagh St, SYDNEY, NSW 2000. If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer on 02 8286 7227 and they will assist you in documenting your complaint. If the complaint cannot be settled in the first instance by Kroll, you should contact Millinium via the contact details set out below:

In writing:

Dispute Resolution Officer  
Millinium Capital Managers Limited  
GPO Box 615  
Sydney, NSW, 2000

When your complaint is received by Millinium it will be entered onto Millinium's complaints register. All details of the complaint will be sent to the Disputes Resolution Officer who will investigate the circumstances of the complaint. If the Disputes Resolution Officer is unable to reach a satisfactory resolution of the complaint within thirty (30) business days of receipt, you should contact Australian Financial Complaints Authority ("AFCA"). The details are:

In writing:

<https://www.afca.org.au/make-a-complaint>  
Telephone  
1300 56 55 62 (local call rate)  
Email  
[info@afca.org.au](mailto:info@afca.org.au)  
Website  
[www.afca.org.au](http://www.afca.org.au)

Please note that AFCA can currently only deal with claims for compensation up to \$1,085,000. Monetary limits and the AFCA terms of reference do change from time to time. Current details can be obtained from the AFCA website listed above.

For personal use only

For personal use only

## Annexure 2

# Scheme of Arrangement





HERBERT  
SMITH  
FREEHILLS

## Scheme of Arrangement - Share Scheme

---

Blackmores Limited

Scheme Shareholders

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia  
GPO Box 4227 Sydney NSW 2001 Australia

T +61 2 9225 5000 F +61 2 9322 4000  
herbertsmithfreehills.com DX 361 Sydney

For personal use only



## Scheme of arrangement – share scheme

This scheme of arrangement is made under section 411 of the *Corporations Act 2001* (Cth)

Between the parties

Blackmores Limited (**Blackmores**) ACN 009 713 437 of 20 Jubilee Avenue, Warriewood, New South Wales, Australia, 2102

The Scheme Shareholders

### 1 Definitions, interpretation and scheme components

---

#### 1.1 Definitions

Schedule 1 contains definitions used in this Scheme.

#### 1.2 Interpretation

Schedule 1 contains interpretation rules for this Scheme.

#### 1.3 Scheme components

This Scheme includes any schedule to it.

### 2 Preliminary matters

---

- (a) Blackmores is a public company limited by shares, registered in Queensland, Australia, and has been admitted to the official list of the ASX. Blackmores Shares are quoted for trading on the ASX. Its registered office is at 20 Jubilee Avenue, Warriewood NSW 2102.
- (b) As at the date of the Implementation Deed:
  - (1) 19,450,635 Blackmores Shares; and
  - (2) 339,377 Blackmores Equity Incentives,were on issue.
- (c) Bidder is a public company limited by shares registered in Japan.
- (d) Bidder Sub, a wholly-owned Subsidiary of Bidder, is a company limited by shares registered in New South Wales, Australia.



- (e) If this Scheme becomes Effective:
  - (1) Bidder and Bidder Sub must provide or procure the provision of the Scheme Consideration to the Scheme Shareholders in accordance with the terms of this Scheme and the Deed Poll; and
  - (2) all the Scheme Shares, and all the rights and entitlements attaching to them as at the Implementation Date, must be transferred to Bidder Sub and Blackmores will enter the name of Bidder Sub in the Share Register in respect of the Scheme Shares.
- (f) Blackmores and Bidder have agreed, by executing the Implementation Deed, to implement this Scheme.
- (g) This Scheme attributes actions to Bidder and Bidder Sub but does not itself impose an obligation on them to perform those actions. Bidder and Bidder Sub have agreed, by executing the Deed Poll, to perform the actions attributed to them under this Scheme, including the provision or procuring the provision of the Scheme Consideration to the Scheme Shareholders.

### 3 Conditions

---

#### 3.1 Conditions precedent

This Scheme is conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clause 3.1 of the Implementation Deed (other than the condition in clause 3.1(e) of the Implementation Deed) having been satisfied or waived in accordance with the terms of the Implementation Deed by 8.00am on the Second Court Date;
- (b) neither the Implementation Deed nor the Deed Poll having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of this Scheme by the Court under paragraph 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under subsection 411(6) of the Corporations Act and agreed to by Bidder and Blackmores;
- (d) such other conditions made or required by the Court under subsection 411(6) of the Corporations Act in relation to this Scheme and agreed to by Bidder and Blackmores having been satisfied or waived; and
- (e) the orders of the Court made under paragraph 411(4)(b) (and, if applicable, subsection 411(6)) of the Corporations Act approving this Scheme coming into effect, pursuant to subsection 411(10) of the Corporations Act.

#### 3.2 Certificate

- (a) Blackmores, Bidder and Bidder Sub will provide to the Court on the Second Court Date a certificate, or such other evidence as the Court requests, confirming (in respect of matters within their knowledge) whether or not all of the conditions precedent in clauses 3.1(a) and 3.1(b) have been satisfied or waived.



- (b) The certificate referred to in clause 3.2(a) constitutes conclusive evidence that such conditions precedent were satisfied, waived or taken to be waived.

### 3.3 Termination

Without limiting any rights of the parties to the Implementation Deed under the Implementation Deed, this Scheme will lapse and be of no further force or effect if:

- (a) the Effective Date has not occurred on or before the End Date; or
- (b) the Implementation Deed or the Deed Poll is terminated in accordance with their respective terms,

unless Blackmores and Bidder otherwise agree in writing (and, if required, as approved by the Court).

## 4 Implementation of this Scheme

---

### 4.1 Lodgement of Court orders with ASIC

Blackmores must lodge with ASIC, in accordance with subsection 411(10) of the Corporations Act, an office copy of the Court order approving this Scheme as soon as possible after the Court approves this Scheme and in any event by 5.00pm on the first Business Day after the day on which the Court approves this Scheme (or such later date as agreed in writing with Bidder).

### 4.2 Transfer of Scheme Shares

On the Implementation Date:

- (a) subject to the provision of the Scheme Consideration in the manner contemplated by clauses 5.1(b) and 5.1(c), the Scheme Shares, together with all rights and entitlements attaching to the Scheme Shares as at the Implementation Date, must be transferred to Bidder Sub, without the need for any further act by any Scheme Shareholder (other than acts performed by Blackmores as attorney and agent for Scheme Shareholders under clause 8.5), by:
- (1) Blackmores delivering to Bidder Sub a duly completed Scheme Transfer, executed on behalf of the Scheme Shareholders by Blackmores, for registration; and
  - (2) Bidder Sub duly executing the Scheme Transfer, attending to the stamping of the Scheme Transfer (if required) and delivering it to Blackmores for registration; and
- (b) immediately following receipt of the Scheme Transfer in accordance with clause 4.2(a)(2), but subject to the stamping of the Scheme Transfer (if required), Blackmores must enter, or procure the entry of, the name of Bidder Sub in the Share Register in respect of all the Scheme Shares transferred to Bidder Sub in accordance with this Scheme.



## 5 Scheme Consideration

---

### 5.1 Provision of Scheme Consideration

- (a) Bidder or Bidder Sub must, and Blackmores must use its best endeavours to procure that Bidder or Bidder Sub does, by no later than the Business Day before the Implementation Date, deposit, or procure the deposit, in cleared funds an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders, into an Australian dollar denominated trust account with an ADI operated by Blackmores or the Blackmores Registry as trustee for the Scheme Shareholders, provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account.
- (b) On the Implementation Date, subject to funds having been deposited in accordance with clause 5.1(a), Blackmores must pay or procure the payment of the Scheme Consideration to each Scheme Shareholder from the trust account referred to in clause 5.1(a).
- (c) Consistent with clauses 16.16(b) to 16.16(f) of the Implementation Deed, if Bidder or Bidder Sub is required to make any withholding, deduction or payment under Subdivision 14-D of Schedule 1 of the *Taxation Administration Act 1953* (Cth) in respect of the acquisition of Scheme Shares from any one or more of the Scheme Shareholders, Bidder or Bidder Sub:
- (1) is entitled to deduct the relevant amounts from the payment of the Scheme Consideration to those Scheme Shareholders and remit those amounts to the Commissioner of Taxation;
  - (2) must pay or procure the payment of the full amount of the withholding or deduction, or make or procure the making of the payment, to the Commissioner of Taxation; and
  - (3) will not be required to pay any additional amount and will be deemed for all purposes to have paid the full amount of the Scheme Consideration (or other payment) required under this Scheme to the relevant Scheme Shareholder or Scheme Shareholders.
- (d) The obligations of Blackmores under clause 5.1(b) will be satisfied by Blackmores (in its absolute discretion, and despite any election referred to in clause 5.1(d)(1) or authority referred to in clause 5.1(d)(2) made or given by the Scheme Shareholder):
- (1) if a Scheme Shareholder has, before the Scheme Record Date, made a valid election in accordance with the requirements of the Blackmores Registry to receive dividend payments from Blackmores by electronic funds transfer to a bank account nominated by the Scheme Shareholder, paying, or procuring the payment of, the relevant amount in Australian currency by electronic means in accordance with that election;
  - (2) paying, or procuring the payment of, the relevant amount in Australian currency by electronic means to a bank account nominated by the Scheme Shareholder by an appropriate authority from the Scheme Shareholder to Blackmores; or
  - (3) dispatching, or procuring the dispatch of, a cheque for the relevant amount in Australian currency to the Scheme Shareholder by prepaid post to their Registered Address (as at the Scheme Record Date),



such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.2).

- (e) To the extent that, following satisfaction of Blackmores' obligations under clause 5.1(b), there is a surplus in the amount held by Blackmores as trustee for the Scheme Shareholders in the trust account referred to in that clause, that surplus may be paid by Blackmores to Bidder.

## 5.2 Joint holders

In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1(c), the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Blackmores, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme, will be forwarded to either, at the sole discretion of Blackmores, the holder whose name appears first in the Share Register as at the Scheme Record Date or to the joint holders.

## 5.3 Fractional entitlements

Where the calculation of the Scheme Consideration to be issued to a particular Scheme Shareholder would result in the Scheme Shareholder becoming entitled to a fraction of a cent, the fractional entitlement will be rounded down to the nearest whole cent.

## 5.4 Unclaimed monies

- (a) Blackmores may cancel a cheque issued under this clause 5 if the cheque:
  - (1) is returned to Blackmores; or
  - (2) has not been presented for payment within six months after the date on which the cheque was sent.
- (b) During the period of 12 months commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Blackmores (or the Blackmores Registry) (which request may not be made until the date which is 10 Business Days after the Implementation Date), Blackmores must reissue a cheque that was previously cancelled under this clause 5.4.
- (c) The *Unclaimed Money Act 1995* (NSW) will apply in relation to any Scheme Consideration which becomes 'unclaimed money' (as defined in sections 7, 8 and 10 of the *Unclaimed Money Act 1995* (NSW)).

## 5.5 Orders of a court or Government Agency

If written notice is given to Blackmores (or the Blackmores Registry) or Bidder of an order or direction made by a court of competent jurisdiction or by another Government Agency that:

- (a) requires consideration to be provided to a third party (either through payment of a sum or the issuance of a security) in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable or required to be issued to that Scheme Shareholder by Blackmores in accordance with this



clause 5, then Blackmores shall be entitled to procure that provision of that consideration is made in accordance with that order or direction; or

- (b) prevents Blackmores from providing consideration to any particular Scheme Shareholder in accordance with this clause 5, or the payment or issuance of such consideration is otherwise prohibited by applicable law, Blackmores shall be entitled to retain an amount, in Australian dollars, equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration until such time as provision of the Scheme Consideration in accordance with this clause 5 is permitted by that (or another) order or direction or otherwise by law.

The provision or the retention of the relevant Scheme Consideration by Blackmores (or the Blackmores Registry on Blackmores' behalf) in accordance with clause 5.5(a) or clause 5.5(b) (as applicable) will constitute the full discharge of the Blackmores obligations under this clause 5.5.

## 6 Dealings in Blackmores Shares

---

### 6.1 Determination of Scheme Shareholders

To establish the identity of the Scheme Shareholders, dealings in Blackmores Shares or other alterations to the Share Register will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHES, the transferee is registered in the Share Register as the holder of the relevant Blackmores Shares before the Scheme Record Date; and
- (b) in all other cases, registrable transfer or transmission applications in respect of those dealings, or valid requests in respect of other alterations, are received before the Scheme Record Date at the place where the Share Register is kept,

and Blackmores must not accept for registration, nor recognise for any purpose (except a transfer to Bidder Sub pursuant to this Scheme and any subsequent transfer by Bidder Sub or its successors in title), any transfer or transmission application or other request received after such times, or received prior to such times but not in registrable or actionable form, as appropriate.

### 6.2 Register

- (a) Blackmores must register registrable transmission applications or transfers of the Scheme Shares that are received in accordance with clause 6.1(b) before the Scheme Record Date provided that, for the avoidance of doubt, nothing in this clause 6.2(a) requires Blackmores to register a transfer that would result in a Blackmores Shareholder holding a parcel of Blackmores Shares that is less than a 'marketable parcel' (for the purposes of this clause 6.2(a) 'marketable parcel' has the meaning given in the Operating Rules).
- (b) If this Scheme becomes Effective, a holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them on or after the Scheme Record Date otherwise than pursuant to this Scheme, and any attempt to do so will have no effect and Blackmores shall be entitled to disregard any such disposal.
- (c) For the purpose of determining entitlements to the Scheme Consideration, Blackmores must maintain the Share Register in accordance with the provisions





of this clause 6.2 until the Scheme Consideration has been paid to the Scheme Shareholders. The Share Register in this form will solely determine entitlements to the Scheme Consideration.

- (d) All statements of holding for Blackmores Shares (other than statements of holding in favour of Bidder Sub or any Excluded Shareholders) will cease to have effect after the Scheme Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Share Register (other than entries on the Share Register in respect of Bidder Sub or any Excluded Shareholder) will cease to have effect except as evidence of entitlement to the Scheme Consideration in respect of the Blackmores Shares relating to that entry.
- (e) As soon as possible on or after the Scheme Record Date, and in any event by 5.00pm on the first Business Day after the Scheme Record Date, Blackmores will ensure that details of the names, Registered Addresses and holdings of Blackmores Shares for each Scheme Shareholder as shown in the Share Register are available to Bidder in the form Bidder reasonably requires.

## 7 Quotation of Blackmores Shares

---

- (a) Blackmores must apply to ASX to suspend trading on the ASX in Blackmores Shares with effect from the close of trading on the Effective Date.
- (b) Blackmores must, on the Business Day immediately following the Implementation Date, apply:
  - (1) for termination of the official quotation of Blackmores Shares on the ASX; and
  - (2) to have itself removed from the official list of the ASX, with effect on and from close of trading on that date.

## 8 General Scheme provisions

---

### 8.1 Consent to amendments to this Scheme

If the Court proposes to approve this Scheme subject to any alterations or conditions:

- (a) Blackmores may by its counsel consent on behalf of all persons concerned to those alterations or conditions to which Bidder has consented; and
- (b) each Scheme Shareholder agrees to any such alterations or conditions which Blackmores has consented to.

### 8.2 Scheme Shareholders' agreements and warranties

- (a) Each Scheme Shareholder:
  - (1) agrees to the transfer of their Blackmores Shares together with all rights and entitlements attaching to those Blackmores Shares in accordance with this Scheme;



- (2) agrees to the variation, cancellation or modification of the rights attached to their Blackmores Shares constituted by or resulting from this Scheme;
  - (3) agrees to, on the direction of Bidder, destroy any holding statements or share certificates relating to their Blackmores Shares;
  - (4) who holds their Blackmores Shares in a CHESS Holding agrees to the conversion of those Blackmores Shares to an Issuer Sponsored Holding and irrevocably authorises Blackmores to do anything necessary or expedient (whether required by the Settlement Rules or otherwise) to effect or facilitate such conversion; and
  - (5) acknowledges and agrees that this Scheme binds Blackmores and all Scheme Shareholders (including those who do not attend the Scheme Meeting and those who do not vote, or vote against this Scheme, at the Scheme Meeting).
- (b) Each Scheme Shareholder is taken to have warranted to Blackmores and Bidder Sub on the Implementation Date, and appointed and authorised Blackmores as its attorney and agent to warrant to Bidder Sub on the Implementation Date, that all their Blackmores Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme will, at the date of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, that they have full power and capacity to transfer their Blackmores Shares to Bidder Sub together with any rights and entitlements attaching to those shares, and that, as at the Scheme Record Date, they have no existing right to be issued any other Scheme Shares or any other form of securities in Blackmores. Blackmores undertakes that it will provide such warranty to Bidder Sub as agent and attorney of each Scheme Shareholder.

### 8.3 Title to and rights in Scheme Shares

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme to Bidder Sub will, at the time of transfer of them to Bidder Sub vest in Bidder Sub free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 12 of the *Personal Property Securities Act 2009* (Cth)) and interests of third parties of any kind, whether legal or otherwise and free from any restrictions on transfer of any kind.
- (b) Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.1(b) and 5.1(c), Bidder Sub will be beneficially entitled to the Scheme Shares to be transferred to it under this Scheme pending registration by Blackmores of Bidder Sub in the Share Register as the holder of the Scheme Shares.

### 8.4 Appointment of sole proxy

Immediately upon the provision of the Scheme Consideration to each Scheme Shareholder in the manner contemplated by clauses 5.1(b) and 5.1(c), and until



Blackmores registers Bidder Sub as the holder of all Scheme Shares in the Share Register, each Scheme Shareholder:

- (a) is deemed to have appointed Bidder Sub as attorney and agent (and directed Bidder Sub in each such capacity) to appoint any director, officer, secretary or agent nominated by Bidder Sub as its sole proxy and, where applicable or appropriate, corporate representative to attend shareholders' meetings, exercise the votes attaching to the Scheme Shares registered in their name and sign any shareholders' resolution or document;
- (b) must not attend or vote at any of those meetings or sign any resolutions, whether in person, by proxy or by corporate representative (other than pursuant to clause 8.4(a)); and
- (c) acknowledges and agrees that in exercising the powers referred to in clause 8.4(a), Bidder Sub and any director, officer, secretary or agent nominated by Bidder Sub under clause 8.4(a) may act in the best interests of Bidder Sub as the intended registered holder of the Scheme Shares.

### 8.5 Authority given to Blackmores

Each Scheme Shareholder, without the need for any further act:

- (a) on the Effective Date, irrevocably appoints Blackmores and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Bidder and Bidder Sub, and Blackmores undertakes in favour of each Scheme Shareholder that it will enforce the Deed Poll against Bidder and Bidder Sub on behalf of and as agent and attorney for each Scheme Shareholder; and
- (b) on the Implementation Date, irrevocably appoints Blackmores and each of its directors, officers and secretaries (jointly and each of them severally) as its attorney and agent for the purpose of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to this Scheme and the transactions contemplated by it, including (without limitation) executing the Scheme Transfer,

and Blackmores accepts each such appointment. Blackmores as attorney and agent of each Scheme Shareholder, may sub-delegate its functions, authorities or powers under this clause 8.5 to all or any of its directors, officers, secretaries or employees (jointly, severally or jointly and severally).

### 8.6 Binding effect of Scheme

This Scheme binds Blackmores and all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting) and, to the extent of any inconsistency, overrides the constitution of Blackmores.

## 9 General

---

### 9.1 Stamp duty

Bidder must:



- (a) pay all stamp duty and any related fines and penalties in respect of this Scheme and the Deed Poll, the performance of the Deed Poll and each transaction effected by or made under or in connection with this Scheme and the Deed Poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 9.1(a).

## 9.2 Consent

Each of the Scheme Shareholders consents to Blackmores doing all things necessary or incidental to, or to give effect to, the implementation of this Scheme, whether on behalf of the Scheme Shareholders, Blackmores or otherwise.

## 9.3 Notices

- (a) If a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Blackmores, it will not be taken to be received in the ordinary course of post or on a date and time other than the date and time (if any) on which it is actually received at Blackmores' registered office or at the office of the Blackmores Registry.
- (b) The accidental omission to give notice of the Scheme Meeting or the non-receipt of such notice by a Blackmores Shareholder will not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

## 9.4 Governing law

- (a) This Scheme is governed by the laws in force in New South Wales.
- (b) The parties irrevocably submit to the exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this Scheme, provided that that Blackmores may bring proceedings in connection with this Scheme in Japan to seek to enforce the obligations of Bidder under the Deed Poll and the Implementation Deed. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

## 9.5 Further action

Blackmores must do all things and execute all documents necessary to give full effect to this Scheme and the transactions contemplated by it.

## 9.6 No liability when acting in good faith

Each Scheme Shareholder agrees that neither Blackmores, Bidder nor Bidder Sub nor any director, officer, secretary or employee of any of those companies shall be liable for anything done or omitted to be done in the performance of this Scheme or the Deed Poll in good faith.



## Schedule 1

## Definitions and interpretation

## 1 Definitions

The meanings of the terms used in this Scheme are set out below.

Term	Meaning
<b>ADI</b>	authorised deposit-taking institution (as defined in the <i>Banking Act 1959</i> (Cth)).
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASX</b>	ASX Limited ABN 98 008 624 691 and, where the context requires, the financial market that it operates.
<b>Bidder</b>	Kirin Holdings Company, Limited of Nakano Central Park South, 4-10-2 Nakano, Tokyo, 164-0001, Japan.
<b>Bidder Group</b>	Bidder and each of its Subsidiaries and a reference to a <b>Bidder Group Member</b> or a <b>member of the Bidder Group</b> is to Bidder or any of its Subsidiaries.
<b>Bidder Sub</b>	Kirin Health Science Australia Pty Ltd ACN 667 869 623 of Level 14 60 Martin Place Sydney NSW 2000, being a wholly owned Subsidiary of Bidder.
<b>Blackmores</b>	Blackmores Limited ACN 009 713 437 of 20 Jubilee Avenue, Warriewood, New South Wales, Australia, 2102.
<b>Blackmores Equity Incentives</b>	<ol style="list-style-type: none"> <li>1 performance rights awarded or granted under Blackmores' Short-Term Incentive Plan (as operated under the terms of Blackmores' Executive Share Plan Trust Deed, as amended from time to time);</li> <li>2 conditional rights to acquire Blackmores Shares awarded or granted under Blackmores' Long-Term Incentive Plan (as operated</li> </ol>



Term	Meaning
	<p>under the terms of Blackmores' Executive Share Plan Trust Deed, as amended from time to time); and</p> <p>3 other rights to acquire or be issued Blackmores Shares, including rights granted under Blackmores' Employee and Director Rights Plan.</p>
<b>Blackmores Registry</b>	Computershare Investor Services Pty Limited ACN 078 279 277.
<b>Blackmores Share</b>	a fully paid ordinary share in the capital of Blackmores.
<b>Blackmores Shareholder</b>	each person who is registered as the holder of a Blackmores Share in the Share Register.
<b>Business Day</b>	a day that is not a Saturday, Sunday or a public holiday or bank holiday in Sydney and Tokyo.
<b>CHESS</b>	the Clearing House Electronic Subregister System operated by ASX Settlement Pty Ltd and ASX Clear Pty Limited.
<b>CHESS Holding</b>	has the meaning given in the Settlement Rules.
<b>Corporations Act</b>	the <i>Corporations Act 2001</i> (Cth), as modified or varied by ASIC.
<b>Court</b>	the Federal Court of Australia or such other court of competent jurisdiction under the Corporations Act agreed to in writing by Bidder and Blackmores.
<b>Deed Poll</b>	the deed poll substantially in the form of Attachment 1 under which Bidder and Bidder Sub each covenants in favour of the Scheme Shareholders to perform the obligations attributed to Bidder and Bidder Sub under this Scheme.
<b>Effective</b>	when used in relation to this Scheme, the coming into effect, under subsection 411(10) of the Corporations Act, of the Court order made under paragraph 411(4)(b) of the Corporations Act in relation to this Scheme.
<b>Effective Date</b>	the date on which this Scheme becomes Effective.



Term	Meaning
<b>End Date</b>	29 September 2023, or such other date as agreed in writing by the parties to the Implementation Deed.
<b>Excluded Shareholder</b>	any member of the Bidder Group.
<b>Government Agency</b>	any foreign or Australian government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, tribunal, agency or entity (including any stock or other securities exchange), or any minister of the Crown in right of the Commonwealth of Australia or any state, or any other federal, state, provincial, local or other government, whether foreign or Australian.
<b>Implementation Date</b>	the fifth Business Day after the Scheme Record Date, or such other date after the Scheme Record Date as the parties to the Implementation Deed agree in writing.
<b>Implementation Deed</b>	the scheme implementation deed dated 26 April 2023 between Blackmores and Bidder relating to the implementation of this Scheme.
<b>Issuer Sponsored Holding</b>	has the meaning given in the Settlement Rules.
<b>Operating Rules</b>	the official operating rules of ASX.
<b>Registered Address</b>	in relation to a Blackmores Shareholder, the address shown in the Share Register as at the Scheme Record Date.
<b>Scheme</b>	this scheme of arrangement under Part 5.1 of the Corporations Act between Blackmores and the Scheme Shareholders subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Blackmores and Bidder.
<b>Scheme Consideration</b>	the consideration to be provided by Bidder to each Scheme Shareholder for the transfer to Bidder Sub of each Scheme Share, being for each Blackmores Share held by a Scheme Shareholder as at the Scheme Record Date, an amount of \$95.00 cash as adjusted in accordance with clause 4.5(b) of the Implementation Deed (if applicable).





Term	Meaning
<b>Scheme Meeting</b>	the meeting of the Blackmores Shareholders (other than Excluded Shareholders) ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on this Scheme and includes any meeting convened following any adjournment or postponement of that meeting.
<b>Scheme Record Date</b>	7.00pm on the eighth Business Day after the Effective Date.
<b>Scheme Shares</b>	all Blackmores Shares held by the Scheme Shareholders as at the Scheme Record Date.
<b>Scheme Shareholder</b>	a holder of Blackmores Shares recorded in the Share Register as at the Scheme Record Date (other than an Excluded Shareholder).
<b>Scheme Transfer</b>	a duly completed and executed proper instrument of transfer in respect of the Scheme Shares for the purposes of section 1071B of the Corporations Act, in favour of Bidder Sub as transferee, which may be a master transfer of all or part of the Scheme Shares.
<b>Second Court Date</b>	the first day on which an application made to the Court for an order under paragraph 411(4)(b) of the Corporations Act approving this Scheme is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application or appeal is heard.
<b>Settlement Rules</b>	the ASX Settlement Operating Rules, being the official operating rules of the settlement facility provided by ASX Settlement Pty Ltd.
<b>Share Register</b>	the register of members of Blackmores maintained in accordance with the Corporations Act.
<b>Subsidiary</b>	has the meaning given in Division 6 of Part 1.2 of the Corporations Act.

## 2 Interpretation

In this Scheme:

- (a) headings and bold type are for convenience only and do not affect the interpretation of this Scheme;
- (b) the singular includes the plural and the plural includes the singular;



- (c) words of any gender include all genders;
- (d) other parts of speech and grammatical forms of a word or phrase defined in this Scheme have a corresponding meaning;
- (e) a reference to a person includes any company, partnership, joint venture, association, corporation or other body corporate and any Government Agency as well as an individual;
- (f) a reference to a clause, party, schedule, attachment or exhibit is a reference to a clause of, and a party, schedule, attachment or exhibit to, this Scheme;
- (g) a reference to any legislation includes all delegated legislation made under it and amendments, consolidations, replacements or re-enactments of any of them (whether passed by the same or another Government Agency with legal power to do so);
- (h) a reference to a document (including this Scheme) includes all amendments or supplements to, or replacements or novations of, that document;
- (i) a reference to '\$', 'A\$' or 'dollar' is to Australian currency;
- (j) a reference to any time is, unless otherwise indicated, a reference to that time in Sydney, Australia;
- (k) a term defined in or for the purposes of the Corporations Act, and which is not defined in clause 1 of this Schedule 1, has the same meaning when used in this Scheme;
- (l) a reference to a party to a document includes that party's successors and permitted assignees;
- (m) no provision of this Scheme will be construed adversely to a party because that party was responsible for the preparation of this Scheme or that provision;
- (n) any agreement, representation, warranty or indemnity in favour of two or more parties (including where two or more persons are included in the same defined term) is for the benefit of them jointly and severally;
- (o) a reference to a body, other than a party to this Scheme (including an institute, association or authority), whether statutory or not:
  - (1) which ceases to exist; or
  - (2) whose powers or functions are transferred to another body,
 is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (p) if a period of time is specified and dates from a given day or the day of an act or event, it is to be calculated exclusive of that day;
- (q) a reference to a day is to be interpreted as the period of time commencing at midnight and ending 24 hours later;
- (r) if an act prescribed under this Scheme to be done by a party on or by a given day is done after 5.00pm on that day, it is taken to be done on the next day; and
- (s) a reference to the Operating Rules or the Settlement Rules includes any variation, consolidation or replacement of these rules and is to be taken to be subject to any waiver or exemption granted to the compliance of those rules by a party.



### 3 Interpretation of inclusive expressions

---

Specifying anything in this Scheme after the words 'include' or 'for example' or similar expressions does not limit what else is included.

### 4 Business Day

---

Where the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day.

For personal use only



## Attachment 1

Deed Poll

---

[Attached]

For personal use only

For personal use only

PAGE LEFT INTENTIONALLY BLANK

For personal use only

# Annexure 3

## Deed Poll



HERBERT  
SMITH  
FREEHILLS

Deed

## Share Scheme Deed Poll

Kirin Holdings Company, Limited

Kirin Health Science Australia Pty Ltd

ANZ Tower 161 Castlereagh Street Sydney NSW 2000 Australia  
GPO Box 4227 Sydney NSW 2001 Australia

T +61 2 9225 5000 F +61 2 9322 4000  
herbertsmithfreehills.com DX 361 Sydney

For personal use only





Share Scheme Deed Poll

---

Date ►

This deed poll is made

---

By Kirin Holdings Company, Limited  
of Nakano Central Park South, 4-10-2 Nakano, Tokyo, 164-0001,  
Japan  
**(Bidder)**  
and  
Kirin Health Science Australia Pty Ltd ACN 667 869 623  
of Level 14, 60 Martin Place, Sydney NSW 2000 **(Bidder Sub)**

in favour of each person registered as a holder of fully paid ordinary shares in Blackmores in the Share Register as at the Scheme Record Date (other than the Excluded Shareholders).

- Recitals
- 1 Blackmores and Bidder entered into the Implementation Deed.
  - 2 In the Implementation Deed, Bidder agreed to make this deed poll and to procure that Bidder Sub make this deed poll.
  - 3 Bidder and Bidder Sub are making this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to perform their obligations under the Implementation Deed and the Scheme.
- 

This deed poll provides as follows:

---

**1 Definitions and interpretation**

---

**1.1 Definitions**

(a) The meanings of the terms used in this deed poll are set out below.

Term	Meaning
<b>Blackmores</b>	Blackmores Limited ACN 009 713 437 of 20 Jubilee Avenue, Warriewood, New South Wales, Australia, 2102

---

For personal use only



Term	Meaning
<b>First Court Date</b>	the first day on which an application made to the Court for an order under subsection 411(1) of the Corporations Act convening the Scheme Meeting is heard or, if the application is adjourned or subject to appeal for any reason, the day on which the adjourned application is heard.
<b>Implementation Deed</b>	the scheme implementation deed entered into between Blackmores and Bidder dated 26 April 2023 relating to the implementation of the Scheme.
<b>Scheme</b>	the scheme of arrangement under Part 5.1 of the Corporations Act between Blackmores and the Scheme Shareholders, substantially in the form set out in Attachment 1, subject to any alterations or conditions made or required by the Court under subsection 411(6) of the Corporations Act and agreed to in writing by Bidder and Blackmores.

- (b) Unless the context otherwise requires, terms defined in the Scheme have the same meaning when used in this deed poll.

## 1.2 Interpretation

Sections 2, 3 and 4 of Schedule 1 of the Scheme apply to the interpretation of this deed poll, except that references to 'this Scheme' are to be read as references to 'this deed poll'.

## 1.3 Nature of deed poll

Bidder and Bidder Sub acknowledge that:

- (a) this deed poll may be relied on and enforced by any Scheme Shareholder in accordance with its terms even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme, each Scheme Shareholder irrevocably appoints Blackmores and each of its directors, officers and secretaries (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Bidder and Bidder Sub.

## 2 Conditions to obligations

### 2.1 Conditions

This deed poll and the obligations of Bidder and Bidder Sub under this deed poll are subject to the Scheme becoming Effective.



## 2.2 Termination

The obligations of Bidder and Bidder Sub under this deed poll to the Scheme Shareholders will automatically terminate and the terms of this deed poll will be of no force or effect if:

- (a) the Implementation Deed is terminated in accordance with its terms; or
- (b) the Scheme does not become Effective on or before the End Date,

unless Bidder, Bidder Sub and Blackmores otherwise agree in writing (and, if required, as approved by the Court).

## 2.3 Consequences of termination

If this deed poll terminates under clause 2.2, then in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) Bidder and Bidder Sub are released from their obligations to further perform this deed poll except those obligations under clause 7.1; and
- (b) each Scheme Shareholder retains the rights they have against Bidder and Bidder Sub in respect of any breach of this deed poll which occurred before it was terminated.

# 3 Scheme obligations

---

## 3.1 Undertaking to pay Scheme Consideration

Subject to clause 2, each of Bidder and Bidder Sub undertakes in favour of each Scheme Shareholder to:

- (a) deposit, or procure the deposit of, in cleared funds, by no later than the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders under the Scheme into an Australian dollar denominated trust account with an ADI operated by Blackmores or the Blackmores Registry as trustee for the Scheme Shareholders, provided that any interest on the amounts deposited (less bank fees and other charges) will be credited to Bidder's account; and
- (b) provide Blackmores with written confirmation of that deposit; and
- (c) undertake all other actions, and give each acknowledgement, representation and warranty (if any), attributed to it under the Scheme,

subject to and in accordance with the terms of the Scheme.

## 3.2 Bidder undertaking

Bidder covenants that it will comply with each of its obligations under the Implementation Deed.



## 4 Warranties

---

Each of Bidder and Bidder Sub represents and warrants in favour of each Scheme Shareholder, in respect of itself, that:

- (a) it is a corporation validly existing under the laws of its place of registration;
- (b) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, articles of association or other constituent document, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

## 5 Continuing obligations

---

This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Bidder and Bidder Sub have fully performed their obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

## 6 Notices

---

### 6.1 Form of Notice

A notice or other communication in respect of this deed poll (**Notice**) must be:

- (a) in writing and in English; and
- (b) addressed to Bidder and Bidder Sub in accordance with the details set out below (or any alternative details nominated by Bidder or Bidder Sub by Notice).

<b>Bidder</b>	<b>Kirin Holdings Company, Limited</b>
Address	Nakano Central Park South, 4-10-2 Nakano, Tokyo, 164-0001, Japan
Attention	Daigo Yamazaki, Deputy General Manager, Corporate Strategy Department
Email	Daigo_Yamazaki@kirin.co.jp

---



With a copy to sgibson@tglaw.com.au and mng@tglaw.com.au

---

**Bidder Sub Kirin Health Science Australia Pty Ltd**

Address Level 14, 60 Martin Place, Sydney NSW 2000

Attention Daigo Yamazaki, Deputy General Manager, Corporate Strategy Department

Email Daigo\_Yamazaki@kirin.co.jp

With a copy to sgibson@tglaw.com.au and mng@tglaw.com.au

---

**6.2 How Notice must be given and when Notice is received**

- (a) A Notice must be given by one of the methods set out in the table below.
- (b) A Notice is regarded as given and received at the time set out in the table below.

However, if this means the Notice would be regarded as given and received outside the period between 9.00am and 5.00pm (addressee’s time) on a Business Day (**business hours period**), then the Notice will instead be regarded as given and received at the start of the following business hours period.

Method of giving Notice	When Notice is regarded as given and received
By hand to the nominated address	When delivered to the nominated address
By email to the nominated email address	The first to occur of: <ol style="list-style-type: none"> <li>1 the sender receiving an automated message confirming delivery; or</li> <li>2 two hours after the time that the email was sent (as recorded on the device from which the email was sent) provided that the sender does not, within the period, receive an automated message that the email has not been delivered.</li> </ol>

**6.3 Notice must not be given by electronic communication**

A Notice must not be given by electronic means of communication (other than email as permitted in clause 6.2).

For personal use only



## 7 General

---

### 7.1 Stamp duty

Bidder must:

- (a) pay all stamp duty and any related fines and penalties in respect of the Scheme and this deed poll, the performance of this deed poll and each transaction effected by or made under or in connection with the Scheme and this deed poll; and
- (b) indemnify each Scheme Shareholder against any liability arising from failure to comply with clause 7.1(a).

### 7.2 Governing law and jurisdiction

- (a) This deed poll is governed by the law in force in New South Wales.
- (b) Each of Bidder and Bidder Sub irrevocably submit to the exclusive jurisdiction of courts exercising jurisdiction in New South Wales and courts of appeal from them in respect of any proceedings arising out of or in connection with this deed poll, provided that Blackmores may bring proceedings in connection with this deed poll in Japan to seek to enforce the obligations of Bidder and Bidder Sub under this deed poll. Each of Bidder and Bidder Sub irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

### 7.3 Execution opinion

On the date of this deed, Bidder must obtain from its foreign counsel in the jurisdiction in which it is incorporated, and provide to Blackmores, a written legal opinion, in a form agreed between Bidder and Blackmores, acting reasonably, prior to entry into this deed, confirming that Bidder has duly executed this deed in accordance with the laws of the place of incorporation and articles and by-laws and Bidder's good standing under its governing jurisdiction laws.

### 7.4 Waiver

- (a) Bidder and Bidder Sub may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) No Scheme Shareholder may rely on words or conduct of Bidder or Bidder Sub as a waiver of any right unless the waiver is in writing and signed by Bidder or Bidder Sub, as appropriate.
- (c) The meanings of the terms used in this clause 7.3 are set out below.

Term	Meaning
<b>conduct</b>	includes delay in the exercise of a right.

For personal use only



<b>right</b>	any right arising under or in connection with this deed poll and includes the right to rely on this clause.
<hr/>	
<b>waiver</b>	includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.
<hr/>	

**7.5 Variation**

A provision of this deed poll may not be varied unless:

- (a) if before the First Court Date, the variation is agreed to by Blackmores in writing; or
- (b) if on or after the First Court Date, the variation is agreed to by Blackmores in writing and the Court indicates that the variation would not of itself preclude approval of the Scheme,

in which event Bidder and Bidder Sub will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.

**7.6 Cumulative rights**

The rights, powers and remedies of Bidder, Bidder Sub and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

**7.7 Assignment**

- (a) The rights created by this deed poll are personal to Bidder, Bidder Sub and each Scheme Shareholder and must not be dealt with at law or in equity without the prior written consent of Bidder or Bidder Sub.
- (b) Any purported dealing in contravention of clause 7.7(a) is invalid.

**7.8 Joint and several obligations**

Bidder and Bidder Sub are jointly and severally liable for each obligation imposed on both of them by the terms of this deed poll.

**7.9 Further action**

Bidder and Bidder Sub must, at their own expense, do all things and execute all documents necessary to give full effect to this deed poll and the transactions contemplated by it.

For personal use only





## Attachment 1

Scheme

---

[Attached]

For personal use only



# Signing page

Executed as a deed poll

---

**Bidder**

Signed sealed and delivered by  
**Kirin Holdings Company,  
Limited** in the presence of



*sign here* ► \_\_\_\_\_  
Authorised signatory

*sign here* ► \_\_\_\_\_  
Witness

*print name* \_\_\_\_\_

*print name* \_\_\_\_\_

**Bidder Sub**

Executed as a deed by **Kirin  
Health Science Australia Pty  
Ltd** ACN 667 869 623 in  
accordance with section 127 of  
the Corporations Act 2001:

*sign here*  
► \_\_\_\_\_  
Signature

*print name*  
Daniel Marcus  
\_\_\_\_\_  
(being Sole Director and Sole Secretary)

For personal use only

For personal use only

PAGE LEFT INTENTIONALLY BLANK

For personal use only

## Annexure 4

# Notice of Court-Ordered Meeting of Shareholders

# Notice of Court-Ordered Meeting of Shareholders

Blackmores Limited ACN 009 713 437 (**Blackmores**)

Notice is hereby given that, by an order of the Federal Court of Australia made on 8 June 2023, pursuant to subsection 411(1) of the Corporations Act, a meeting of Blackmores Shareholders (**Scheme Meeting**) will be held as follows:

**Date:** 18 July 2023

**Time:** 11.00am (Sydney time)

**Venue:** Blackmores' Warriewood Campus,  
20 Jubilee Avenue, Warriewood, New South Wales.

## Purpose of the meeting

The purpose of the meeting is to consider and, if thought fit, to approve a scheme of arrangement (with or without amendment or any alterations or conditions required by the Court to which Blackmores and Kirin Holdings Company, Limited (**Kirin**) agree) proposed to be made between Blackmores and Blackmores Shareholders (the **Scheme**).

A copy of the Scheme and a copy of the explanatory statement required by section 412 of the Corporations Act in relation to the Scheme are contained in the Scheme Booklet, of which this notice forms part.

Additional information about the Scheme Meeting is set out in the explanatory notes that accompany and form part of this notice. Capitalised terms used but not defined in this notice have the defined meanings set out in section 10 of the Scheme Booklet, unless the context otherwise requires.

## Resolution

The meeting will be asked to consider and, if thought fit, pass (with or without amendment) the following resolution (the **Scheme Resolution**):

'That, pursuant to and in accordance with the provisions of section 411 of the *Corporations Act 2001* (Cth), the scheme of arrangement proposed between Blackmores Limited and the holders of its ordinary shares, as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved, with or without alterations or conditions as approved by the Federal Court of Australia to which Blackmores Limited and Kirin Holdings Company, Limited agree.'

## Scheme Meeting format

Blackmores Shareholders and their authorised proxies, attorneys and corporate representatives may participate in the Scheme Meeting by attending in person at Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales.

Blackmores Shareholders who are unable to attend in person can view the Scheme Meeting via live webcast at <https://meetnow.global/MHHGPV2>. Shareholders watching online will not be able to vote, ask questions or make comments via the webcast.

Further details on how to participate in the Scheme Meeting are set out in the explanatory notes that accompany and form part of this Notice of Scheme Meeting.

Blackmores Shareholders who are unable to, or do not wish to, participate in the Scheme Meeting in person are encouraged to submit a directed proxy vote as early as possible and in any event by 11.00am (Sydney time) on 16 July 2023 by completing and submitting the proxy form in accordance with the instructions on that form.

Even if you plan to attend the Scheme Meeting we encourage you to submit a directed proxy vote so that your vote will be counted if for any reason you cannot attend the meeting.

Dated 8 June 2023

By order of the Court and the Blackmores Board

Sign here

Company Secretary

Print name

Helen Mediat

For personal use only

# Explanatory notes

## 1 General

---

These explanatory notes form part of the Notice of Scheme Meeting, relate to the Scheme and should be read in conjunction with the Scheme Booklet dated 8 June 2023 of which this notice forms part. The Scheme Booklet contains important information to assist you in determining how to vote on the Scheme Resolution.

A copy of the Scheme is set out in Annexure 2 of the Scheme Booklet.

Capitalised terms used but not defined in this notice have the defined meanings set out in Section 10 of the Scheme Booklet, unless the context otherwise requires.

## 2 Chair

---

The Court has directed that Wendy Stops is to act as Chair of the meeting (and that, if Wendy Stops is unable or unwilling to act, Stephen Roche is to act as Chair of the meeting).

## 3 Required voting majorities

---

For the proposed Scheme to be binding in accordance with section 411 of the Corporations Act, the Scheme Resolution must be approved by:

- unless the Court orders otherwise, a majority in number (more than 50%) of Blackmores Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative) at the Scheme Meeting; and
- at least 75% of the votes cast on the Scheme Resolution at the Scheme Meeting by Blackmores Shareholders present and voting (either in person or by proxy, attorney or, in the case of corporate Blackmores Shareholders, body corporate representative).

## 4 Court approval

---

Under paragraph 411(4)(b) of the Corporations Act, the Scheme (with or without amendment or any alteration or condition required by the Court) is subject to the approval of the Court. If the Scheme Resolution is approved by the Requisite Majorities and the other Conditions Precedent to the Scheme (other than approval by the Court) are satisfied or waived by the time required under the Scheme, Blackmores intends to apply to the Court for the necessary orders to give effect to the Scheme.

In order for the Scheme to become Effective, it must be approved by the Court and an office copy of the orders of the Court approving the Scheme must be lodged with ASIC.

## 5 Entitlement to vote

---

The time for determining eligibility to vote at the Scheme Meeting is 7.00pm (Sydney time) on 16 July 2023. Only those Blackmores Shareholders entered on the Register at that time will be entitled to participate in and vote at the meeting, either in person, by proxy or attorney, or in the case of a corporate Blackmores Shareholder, by a body corporate representative. Share transfers registered after that time will be disregarded in determining voting entitlements at the Scheme Meeting. The remaining comments in these explanatory notes are addressed to Blackmores Shareholders entitled to attend and vote at the meeting.

## 6 Participation in the Scheme Meeting

---

### 6.1 Participating in person

Participants who intend to attend the Scheme Meeting are asked to arrive at least 30 minutes prior to the time the meeting is to commence, so that either their shareholding can be checked against the Blackmores Share Register, or any power of attorney or certificate of appointment of corporate representative verified, and their attendance noted.

### 6.2 Updates

Please monitor Blackmores' website and ASX announcements, where updates will be provided if it becomes necessary or appropriate to make alternative arrangements for the holding or conduct of the Scheme Meeting.

### 6.3 Watching the webcast

Shareholders may watch a live webcast of the Scheme Meeting online at <https://meetnow.global/MHHGPV2>. Shareholders watching online will not be able to participate in the Scheme Meeting, vote, ask questions, or make comments via the webcast.

## 7 How to vote

---

Voting at the Scheme Meeting will be conducted by poll.

If you are a Blackmores Shareholder entitled to vote at the Scheme Meeting, you may vote:

- **by attending the Scheme Meeting in person**, at Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales;
- **by proxy**, by completing and submitting the proxy form that accompanied the Scheme Booklet. To be valid, your proxy appointment must be received by the Blackmores Share Registry by 11.00am (Sydney time) on 16 July 2023;
- **by attorney**, by appointing an attorney to participate in and vote at the Scheme Meeting on your behalf and providing a duly executed power of attorney to the Blackmores Share Registry by 11.00am (Sydney time) on 16 July 2023; or
- **by corporate representative**, in the case of a body corporate, by appointing a body corporate representative to participate in and vote at the Scheme Meeting on your behalf, and providing a duly executed "Appointment of Corporate Representative" form (in accordance with section 250D of the Corporations Act) prior to the Scheme Meeting in accordance with section 9.4 below.

## 8 Jointly held securities

---

If you hold Blackmores Shares jointly with one or more other persons and more than one of you attempts to vote at the meeting (personally, or by proxy, attorney or corporate representative), only the vote of the holder whose name appears first on the Register will be counted.

See also the comments in section 9.2 below regarding the appointment of a proxy by persons who jointly hold Blackmores Shares.

## 9 Voting

---

### 9.1 Voting in person

Participants who are attending the Scheme Meeting in person may vote using the paper voting card provided at the meeting.

### 9.2 Voting by proxy

If you are unable to participate and vote at the Scheme Meeting, you may appoint an individual or a body corporate as a proxy to attend the meeting in person and vote.

A Blackmores Shareholder entitled to participate in and vote at the Scheme Meeting may appoint a person to participate in and vote at the meeting as their proxy at any time between the date of this notice and 11.00am (Sydney time) on 16 July 2023. Proxy forms received after this time will be invalid.



To appoint a proxy, you should complete and return the proxy form that accompanied this Scheme Booklet in accordance with the instructions on that form. Please refer to section 9.5 of this Notice of Scheme Meeting below for further details in relation to how to submit a proxy form.

The following applies to proxy appointments:

- your proxy or proxies need not be another Blackmores Shareholder, and may be an individual or body corporate;
- each proxy will have the right to vote on the poll and to ask questions at the meeting;
- a Blackmores Shareholder who is entitled to cast two or more votes at the Meeting may appoint up to two proxies and may specify the proportion or number of votes each proxy may exercise. If you wish to appoint a second proxy, a second hard copy proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. Both proxy forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy forms, you will need to obtain a second proxy form. You can obtain a second proxy form, or a replacement proxy form, from the Blackmores Share Registry or online at [www.investorcentre.com/contact](http://www.investorcentre.com/contact);
- if you appoint two proxies, each proxy should be appointed to represent a specified proportion of your voting rights. If you do not specify the proportions in the proxy forms, each proxy may exercise half of your votes with any fractions of votes disregarded;
- if you hold Blackmores Shares jointly with one or more other persons, each joint holder should sign the proxy form;
- if a body corporate is appointed as a proxy, it must ensure that it appoints an individual as its corporate representative (in accordance with section 250D of the Corporations Act) to exercise its powers as proxy at the Scheme Meeting in accordance with section 9.4 below; and
- if a proxy form is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been noted by the Blackmores Share Registry.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Blackmores Share Registry before the start of the meeting (or, if the meeting is adjourned or postponed, before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways set out in section 9.5 below.

If you have appointed a proxy and participate in and vote at the Scheme Meeting, the authority of your proxy to participate and vote, on your behalf, is automatically suspended. However, if you view the live webcast of the meeting, you will not revoke your proxy appointment.

You should consider how you wish your proxy to vote. That is, whether you want your proxy to vote 'for' or 'against', or abstain from voting on, the Scheme Resolution, or whether to leave the decision to the proxy after he or she has considered the matters discussed at the meeting.

If you do not direct your proxy how to vote on an item of business, the proxy may vote, or abstain from voting, as he or she thinks fit. If you instruct your proxy to abstain from voting on an item of business, they are directed not to vote on your behalf, and the shares the subject of the proxy appointment will not be counted in computing the required majority.

If you return your proxy form:

- without identifying a proxy on it, you will be taken to have appointed the Chair of the meeting as your proxy to vote on your behalf; or
- with a proxy identified on it but your proxy does not attend or participate in the meeting, the Chair of the meeting will act in place of your nominated proxy and vote in accordance with any directions on your proxy form.

The Chair of the meeting intends to vote all valid undirected proxies in favour of the Scheme Resolution, in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.

Proxies of eligible Blackmores Shareholders who attend in person will be admitted to the meeting and given a voting card on providing at the point of entry to the meeting their name and address.

### 9.3 Voting by attorney

You may appoint an attorney to attend and vote at the meeting on your behalf. Your attorney need not be another Blackmores Shareholder. Each attorney will have the right to vote on the poll and also to ask questions at the meeting.

The power of attorney appointing your attorney to participate in and vote at the meeting must be duly executed by you and specify your name, the company (that is, Blackmores Limited), and the attorney, and also specify the meeting at which the appointment may be used. The appointment may be a standing one.

The power of attorney, or a certified copy of the power of attorney, should be received by the Blackmores Share Registry before 11.00am (Sydney time) on 16 July 2023 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the ways specified for proxy forms in section 9.5 below.

A validly appointed attorney wishing to participate in and vote at the Scheme Meeting will need to register their attendance and identify themselves as an attorney on the day of the meeting in person at the registration desk at Blackmores' Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales. Attorneys must also bring with them, and hand in at the registration desk, a properly executed declaration of non-revocation of the power of attorney.

### 9.4 Voting by corporate representative

A body corporate that is a Blackmores Shareholder, or that has been appointed as a proxy, may appoint an individual to act as its representative at the Scheme Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act, meaning that Blackmores will require a certificate of appointment of body corporate representative to be executed in accordance with the Corporations Act.

A form of "Appointment of Corporate Representative" certificate may be obtained online from [www.investorcentre.com/au](http://www.investorcentre.com/au) by selecting 'Printable Forms'. The certificate of appointment may set out restrictions on the representative's powers.

A validly appointed corporate representative wishing to participate in and vote at the Scheme Meeting in person must bring and provide at the registration desk the certificate appointing them as the corporate representative of the relevant Blackmores Shareholder or proxy.

Alternatively, Blackmores Shareholders may submit the certificate:

- via email, by sending it to [web.queries@computershare.com.au](mailto:web.queries@computershare.com.au); or
- in any of the ways specified for proxy forms in section 9.5 of this Notice of Scheme Meeting, except that a form of appointment of corporate representative cannot be lodged online or by mobile device.

If a certificate is completed under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed certificate unless the power of attorney or other authority has previously been received by the Blackmores Share Registry.

### 9.5 How to submit a proxy form

To appoint a proxy, you should complete and submit the proxy form accompanying the Scheme Booklet in accordance with the instructions on that form.

To be effective, proxy appointments must be received by way of completed proxy forms by the Blackmores Share Registry by 11.00am (Sydney time) on 16 July 2023 (or, if the meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) in any of the following ways:

- **online:** at [www.investorvote.com.au](http://www.investorvote.com.au) using the 'control number' 132687;
- **by mobile device:**

If you have a smart phone, you can lodge your proxy appointment via [www.investorvote.com.au](http://www.investorvote.com.au) using the 'control number' 132687, or by scanning the QR code on the proxy form accompanying the Scheme Booklet. To scan the QR code, you will need a QR code reader application which can be downloaded for free on your mobile device.

- **by post in the provided reply paid envelope to the Blackmores Share Registry at the following address:**  
GPO Box 242, Melbourne, Victoria, 3001
- **by hand delivery (during normal business hours) to the Blackmores Share Registry at the following address:**  
452 Johnston Street, Abbotsford, Victoria, 3067

Proxy Forms received after 11.00am (Sydney time) on 16 July 2023 (or, if Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the meeting in relation to the resumed part of the meeting) will be invalid.

If a proxy form is completed by an individual or corporation under power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed proxy form unless the power of attorney or other authority has previously been received by the Blackmores Share Registry.

## 10 Questions

---

Blackmores Shareholders will have a reasonable opportunity to ask questions during the Scheme Meeting.

Blackmores Shareholders who prefer to register questions in advance of the meeting are also invited to do so by submitting questions online at [www.investorvote.com.au](http://www.investorvote.com.au). To allow time to collate questions and prepare answers, please submit any questions by 11.00am (Sydney time) on 16 July 2023.

Blackmores Shareholders are requested to restrict themselves to two questions or comments initially, and further questions will be considered if time permits. Questions and comments may be moderated to avoid repetition and to make them more concise.

The Chair of the Scheme Meeting will endeavour to address as many of the more frequently raised relevant questions as possible during the course of the meeting. However, there may not be sufficient time available during the meeting to address all of the questions raised. Please note that individual responses will not be sent to Blackmores Shareholders.

## 11 Advertisement

---

Where this Notice of Scheme Meeting is advertised unaccompanied by the Scheme Booklet, a copy of the Scheme Booklet can be obtained by anyone from ASX's website ([www2.asx.com.au](http://www2.asx.com.au)) or from Blackmores' website (<https://www.blackmores.com.au/about-us/investor-centre>) or by contacting the Blackmores Share Registry.

## Corporate directory

### **Blackmores Limited**

20 Jubilee Avenue  
Warriewood NSW 2102 Australia

### **Financial advisers**

#### **Barrenjoey Advisory Pty Limited**

Quay Quarter Tower  
Level 19  
50 Bridge Street  
Sydney NSW 2000

#### **Adara Partners (Australia) Pty Limited**

Level 2  
117 Harrington Street  
Sydney NSW 2000

### **Legal adviser**

#### **Herbert Smith Freehills**

Level 33  
161 Castlereagh Street  
Sydney NSW 2000

### **Tax adviser**

#### **Ernst & Young**

Level 34  
200 George Street  
Sydney, NSW 2000

### **Independent Expert**

#### **Kroll Australia Pty Ltd**

Level 32  
85 Castlereagh Street  
Sydney NSW 2000

### **Blackmores Share Registry**

#### **Computershare Investor Services Pty Limited**

Yarra Falls  
452 Johnston Street  
Abbotsford VIC 3067

For personal use only

BLACKMORES®  
| GROUP

## Need assistance?

**Phone:**

1300 918 432 (within Australia)  
+61 3 9415 4156 (outside Australia)

**Online:**

[www.investorcentre.com/contact](http://www.investorcentre.com/contact)

000001 000 BKL

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **11:00am (AEST) on Sunday, 16 July 2023** (or, if the Scheme Meeting is adjourned or postponed, no later than 48 hours before the resumption of the Scheme Meeting in relation to the resumed part of the meeting).

## Scheme Meeting Proxy Form

Capitalised terms used but not defined in this Proxy Form have the same meaning as given to them in Blackmores Limited's (**Blackmores** or the **Company**) Scheme Booklet which can be accessed at [www.blackmores.com.au/about-us/investor-centre](http://www.blackmores.com.au/about-us/investor-centre) (unless the context otherwise requires).

### Scheme Meeting details

The Scheme Meeting will be held in person at 11.00am (AEST) on Tuesday 18 July 2023 at the Blackmores Warriewood Campus, 20 Jubilee Avenue, Warriewood, New South Wales.

### How to Vote on the Scheme Resolution

All your Blackmores Shares will be voted in accordance with your directions.

### APPOINTMENT OF PROXY

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite the Scheme Resolution. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on the item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. If you wish to appoint a second proxy, a second hard copy proxy form should be used and you should clearly indicate on the second proxy form that it is a second proxy and not a revocation of your first proxy. Both proxy forms should be returned together in the same envelope. If you wish to appoint two proxies using hard copy forms, you will need to obtain a second proxy form. You can obtain a second proxy form, or a replacement proxy form, from the Blackmores Share Registry or online at [www.investorcentre.com/contact](http://www.investorcentre.com/contact).

**A proxy need not be a securityholder of the Company.**

### SIGNING INSTRUCTIONS FOR POSTAL FORMS

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

### PARTICIPATING IN THE MEETING

#### Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at [www.investorcentre.com/au](http://www.investorcentre.com/au) and select "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your proxy online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is

**Control Number: 999999****SRN/HIN: I999999999****PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Post:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Hand (during normal business hours):

Computershare Investor Services Pty Limited  
452 Johnston Street  
Abbotsford VIC 3067 Australia



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.



For personal use only

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Scheme Meeting Proxy Form

Please mark  to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Blackmores Limited hereby appoint

**PLEASE NOTE:** Insert the name(s) and email address(es) of your chosen proxy here. Leave this box blank if you choose to appoint the Chair of the Scheme Meeting. Do not insert your own name(s). **OR**  the Chair of the Scheme Meeting

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Scheme Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote, or to abstain from voting, in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Scheme Meeting of Blackmores Limited to be held at Blackmores Warriewood Campus, 20 Jubilee Avenue, Warriewood NSW 2102 on Tuesday, 18 July 2023 at 11:00am (AEST) and at any adjournment or postponement of that meeting.

## Step 2 Scheme Resolution

**PLEASE NOTE:** If you mark the **Abstain** box for the item, you are directing your proxy not to vote on your behalf on the poll and your votes will not be counted in computing the Requisite Majorities.

That, pursuant to and in accordance with the provisions of section 411 of the Corporations Act 2001 (Cth), the scheme of arrangement proposed between Blackmores Limited and the holders of its ordinary shares, as contained in and more particularly described in the scheme booklet of which the notice convening this meeting forms part, is approved, with or without alterations or conditions as approved by the Federal Court of Australia to which Blackmores Limited and Kirin Holdings Company, Limited agree.

For Against Abstain

For personal use only

The Chair of the Scheme Meeting intends to vote undirected proxies in favour of the Scheme Resolution in the absence of a Superior Proposal and subject to the Independent Expert continuing to conclude that the Scheme is in the best interests of Blackmores Shareholders.

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director & Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

/ /

Date

**Update your communication details** (Optional)

Mobile Number

Email Address

B K L

2 9 9 8 3 1 A



Computershare

