

# ASX Announcement

## Blackmores enters into Scheme Implementation Deed with Kirin

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

### KEY HIGHLIGHTS

- Blackmores Limited (**Blackmores**) has entered into a Scheme Implementation Deed with Kirin Holdings Company, Limited (**Kirin**) for the acquisition of 100% of the issued share capital of Blackmores by way of a scheme of arrangement (**Scheme**)
- Under the terms of the Scheme, Blackmores shareholders will receive cash consideration of \$95.00 per Blackmores share, less any special dividend declared or paid prior to implementation of the Scheme (**Scheme Consideration**)
- If the Scheme becomes effective, the Blackmores Board intends to declare a fully-franked special dividend of \$3.34 per Blackmores share (subject to availability of franking credits)<sup>1</sup> (**Special Dividend**) payable on or immediately prior to implementation of the Scheme, which is expected to enable eligible shareholders to benefit from franking credits of \$1.43<sup>1</sup> per Blackmores share attached to any such Special Dividend
- Blackmores' Board unanimously recommends the Scheme, subject to conditions outlined below
- Blackmores' largest shareholder, Marcus Blackmore, who holds or controls approximately 18% of Blackmores' ordinary shares outstanding as at the date of this announcement, has informed Blackmores 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
- The Scheme Consideration represents a 23.7% premium to last close, a 30.5% premium to the Blackmores one-month volume weighted average price up to and including 6 April 2023<sup>2</sup> and an implied acquisition multiple of 23.1x LTM Dec 22 EBITDA<sup>3</sup>
- The Scheme is subject to certain conditions, including informal clearance by the Australian Competition and Consumer Commission (**ACCC**), 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
- Blackmores shareholders do not need to take any action at this time

### OVERVIEW

Blackmores Limited (**ASX: BKL**) (**Blackmores** or the **Company**) announced today that it has entered into a Scheme Implementation Deed with Kirin Holdings Company, Limited (**TSE: 2503**) (**Kirin**) for the acquisition of 100% of the issued share capital of Blackmores by way of a scheme of arrangement (**Scheme**).

<sup>1</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.

<sup>2</sup> 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.

<sup>3</sup> Based on Underlying EBITDA for the last twelve months to 31 December 2022 of \$79.7 million.

If the Scheme is implemented, Blackmores shareholders will receive total cash consideration of \$95.00 per share (**Scheme Consideration**), less any special dividend declared and paid to Blackmores shareholders on or before the date of implementation of the Scheme. A fully-franked special dividend of \$3.34 per Blackmores share (subject to availability of franking credits)<sup>4</sup> (**Special Dividend**) is expected to be paid, resulting in franking credits of \$1.43<sup>4</sup> per Blackmores share attached to any such Special Dividend.

## DETAILS OF THE SCHEME CONSIDERATION

The Scheme Consideration values Blackmores' equity at approximately \$1,880 million<sup>5</sup>, and at an enterprise value of approximately \$1,840 million<sup>6</sup>, and represents:

- a 23.7% premium to the last close price of \$76.79;
- a 30.5% premium to the 1-month volume weighted average price (**VWAP**) up to and including 6 April 2023<sup>7</sup> of \$72.80;
- a 29.7% premium to the 12-month VWAP up to and including 6 April 2023<sup>7</sup> of \$73.22; and
- an implied EV / EBITDA multiple of 23.1x Blackmores' LTM Dec 22 underlying EBITDA<sup>8</sup>.

## BLACKMORES DIRECTORS UNANIMOUSLY RECOMMEND THE SCHEME

Blackmores' Board of Directors unanimously recommends that Blackmores shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of Blackmores shareholders. Each Blackmores Director intends to vote all of the Blackmores shares that he or she holds or controls in favour of the Scheme, subject to those same qualifications.

Blackmores Chair, Wendy Stops, said: "The Kirin Scheme represents an attractive, all-cash transaction. The Blackmores Board believes the agreed Scheme Consideration represents appropriate long-term value for the Company and an attractive outcome for Blackmores shareholders. The Blackmores Board has accordingly unanimously recommended that Blackmores shareholders vote in favour of the Scheme, subject to customary conditions such as independent expert conclusions and no superior proposal."

Blackmores Chief Executive Officer and Managing Director, Alastair Symington, said: "Today is an important day in the history of Blackmores. The Kirin proposal recognises the strong leadership position that Blackmores, through its brands and people, has established in the natural health sector across the Asia Pacific region over our long history. Importantly it also confirms the significant opportunity that lies ahead for our employees and other key stakeholders of Blackmores as both companies come together to combine their focus on growing Kirin's health science business across the world.

The combination of Kirin and Blackmores is testament to the clarity and ambition of our collective strategic direction and is recognition of the significant effort, and capital invested at Blackmores over the past 3 years in repositioning the business for sustainable profitable growth.

Kirin is a leading Food and Beverage, Pharmaceuticals and Health Science company, headquartered in Tokyo and listed on the Tokyo Stock Exchange with a market capitalisation of A\$22.9 billion<sup>9</sup>. For decades, Kirin has sought to leverage its evidence based ingredient technology outside of its core beverage categories, and has increased its focus on health-related products. The proposed acquisition of Blackmores will accelerate Kirin's aspiration to become the leading health science company in Asia-

<sup>4</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.

<sup>5</sup> Calculated based on 19,450,635 issued ordinary shares and 339,377 outstanding share rights (as disclosed by Blackmores to ASX on 13 April 2023).

<sup>6</sup> 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.

<sup>7</sup> 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.

<sup>8</sup> Based on Underlying EBITDA for the last twelve months to 31 December 2022 of \$79.7 million.

<sup>9</sup> Calculated based on last close of ¥2,225 and issued ordinary shares of 914,000,000, converted to AUD equivalent at an exchange rate of 88.80 JPY per 1.00 AUD.

Pacific. The combined company will have a larger platform to further leverage the Blackmores brand, accelerate penetration into high growth Asian markets, and expand its presence into new geographies.”

Kirin President and Chief Executive Officer, Yoshinori Isozaki, commented that “Blackmores presents an exciting opportunity to transform the scale and reach of our Health Science domain. Kirin Group is working to create social value and economic value by solving social issues through our business activities, and we have been transforming our business from a brewing business to the business model creating value across Food & Beverages and Pharmaceuticals domains, based on the concept of “CSV” (Creating Shared Value).”

Takeshi Minakata, Director of the Board, Senior Executive Officer, President of Health Science Business Division in charge of Strategy of the Health Science Domain said: “We believe Blackmores will accelerate the transformation of our Health Science Domain as both Kirin and Blackmores share a vision to improve people’s lives through our products as well as a commitment to quality, innovation and investment. We are excited about the growth potential for the Blackmores business and look forward to supporting its growth and development, and furthering its commitment to quality ingredients and product development.

Kirin will continue to invest in Blackmores, its brands and its foundations in complementary medicine to accelerate its growth across the Asia Pacific region and globally. We also recognise 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, whilst maintaining its headquarters and manufacturing operations in Australia.”

## DETAILS OF THE SCHEME IMPLEMENTATION DEED

The implementation of the Scheme is subject to various customary conditions. A copy of the Scheme Implementation Deed (**SID**), which sets out the terms and conditions of the Scheme and associated matters, is attached to this announcement. Capitalised terms used in this section below have the meaning given to those terms in the SID.

In summary, conditions for implementation of the Scheme include:

- the Independent Expert issues an Independent Expert’s Report which concludes that the Scheme is in the best interests of Blackmores shareholders (and not changing or withdrawing that conclusion);
- informal clearance by the Australian Competition and Consumer Commission (**ACCC**);
- approval of the Foreign Investment Review Board (**FIRB**);
- approval of the State Administration for Market Regulation (**SAMR**) of the People’s Republic of China;
- approval of Blackmores shareholders and the Federal Court of Australia; and
- no Material Adverse Change, Regulated Event or Prescribed Occurrence event occurring.

The Scheme is not subject to any financing condition.

Under the SID, Blackmores will be subject to customary exclusivity obligations, including no shop, no talk and no due diligence obligations, notification obligations and a matching right. A break fee will be payable by Blackmores to Kirin in certain circumstances.

## SPECIAL DIVIDEND

If the Scheme becomes effective, the Blackmores Board intends to declare and pay a fully-franked Special Dividend of \$3.34 per share (subject to the availability of franking credits)<sup>10</sup> on or immediately prior to the implementation of the Scheme. This quantum of the Special Dividend will be dependent on the franking credits available at the time of the Scheme. Subject to the availability of franking credits,

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<sup>10</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.

there may be an opportunity for eligible shareholders to benefit from franking credits of \$1.43<sup>11</sup> per share attached to the Special Dividend. The Scheme Consideration will be reduced by the amount of any Special Dividend (but not for the amount of any franking credits). The payment and the amount of any Special Dividend remain at the discretion of the Blackmores Board<sup>12</sup>.

Blackmores will provide an update on the expected quantum of the Special Dividend in due course.

## MAJOR SHAREHOLDER VOTING

Marcus Blackmore (who has a relevant interest in approximately 18% of Blackmores' ordinary shares outstanding as at the date of this announcement) 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.

## INDICATIVE TIMETABLE AND NEXT STEPS

Blackmores shareholders do not need to take any action at this point in time.

A Scheme Booklet containing information relating to the proposed acquisition, reasons for the Directors' recommendation, an Independent Expert's Report, and details of the Scheme meeting will be prepared and provided to the Australian Securities and Investments Commission for review, and subsequently sent to Blackmores shareholders.

Shareholders will then have the opportunity to vote on the Scheme at a court-convened shareholder meeting that is expected to be held in July 2023. Subject to shareholder approval being obtained by the requisite majorities and the other conditions of the Scheme being satisfied, the Scheme is expected to be implemented in the third quarter of 2023.

## ADVISERS

Barrenjoey Capital Partners and Adara Partners are acting as joint financial advisers, and Herbert Smith Freehills is acting as legal adviser, to Blackmores in relation to the Scheme.

## Contacts

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<sup>11</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.

<sup>12</sup> Blackmores intends to apply to the ATO for a Class Ruling on the treatment of the Scheme Consideration and the Special Dividend in the hands of the shareholders.

## About Blackmores

Blackmores is an ASX publicly listed Australian company employing 1,200+ people in 13 markets across Asia-Pacific. Founded in 1932, our vision is to connect every person on earth to the healing power of nature by combining our knowledge of nature and science to deliver quality health solutions to people and their pets everywhere, every day.

Our 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 our academic and research centre of excellence.

Recognising that you can’t have healthy people without a healthy planet, we’re strongly committed to embedding sustainability across our business and giving back to the communities in which we operate. Blackmores’ headquarters is located on Sydney’s Northern Beaches and our tablet and soft gel capsule manufacturing facility is located in Braeside, Victoria.

## About Kirin

Kirin is an international company that operates in the Food & Beverages domain (Food & Beverages businesses), Pharmaceuticals domain (Pharmaceuticals businesses), and Health Science domain (Health Science businesses), both in Japan and across the globe. Kirin is headquartered in Tokyo and listed on the Tokyo Stock Exchange with a market capitalisation of A\$22.9 billion<sup>13</sup>, employing some 30,000 around the world.

Kirin can trace its roots to Japan Brewery which was established in 1885. Japan Brewery became Kirin Brewery in 1907. Since then, the company expanded its business with fermentation and biotechnology as its core technologies, and entered the pharmaceuticals business in the 1980s, all of which continue to be global growth centers. In 2007, Kirin was established as a pure holding company and is currently focusing on boosting its Health Science domain.

Under the *Kirin Group Vision 2027* (KV 2027), a long-term management plan launched in 2019, the Kirin Group aims to become “A global leader in CSV\*, creating value across our world of Food & Beverages to Pharmaceuticals.” Going forward, the Kirin Group will continue to leverage its strengths to create both social and economic value through its businesses, with the aim of achieving sustainable growth in corporate value.

\* Creating Shared Value: combined added value for consumers as well as for society at large.

## About Kirin Health Science Division

Since inception, Kirin has prioritised the quality of its products, and has developed its fermentation technology and biotechnology capability to science-grade levels. Since the 1980s, Kirin has sought to leverage its technology outside of its core beer segment, and has increased its focus on its Health Science business.

As part of KV2027, Kirin is currently executing on a number of initiatives across its key segments, including scaling up the Health Science Business Division, in which it is targeting sales of ¥200 billion (A\$2.3 billion)<sup>14</sup> in 2027 (vs. ¥103.6 billion (A\$1.2 billion)<sup>14</sup> in 2022).

Kirin’s Health Science business has a strong and established research and development capability. The business produces leading technologies such as LC-Plasma (postbiotic), the first product registered with Japan’s Consumer Affairs Agency, to be labelled as a Food with Functional Claims to support the maintenance of immunity, and produces ingredients such as Citicoline and Human Milk Oligosaccharides (HMO).

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<sup>13</sup> Calculated based on last close of ¥2,225 and issued ordinary shares of 914,000,000, converted to AUD equivalent at an exchange rate of 88.80 JPY per 1.00 AUD.

<sup>14</sup> Converted to AUD at an exchange rate of exchange rate of 88.80 JPY per 1.00 AUD.

Kirin aspires to become the leading health science company in Asia-Pacific, covering all regions where there is growing focus on consumer health and wellbeing. In this regard, Kirin has completed a number of acquisitions in this space, including Thorne (c.30% stake), a personal supplements business in the US, FANCL (c.33% stake), one of the largest VDS (vitamin and dietary supplement) and skin care players in Japan, and Kyowa Hakko Bio (100%), a manufacturer of supplement ingredients in Japan.