Australian Shareholders' Association Limited
ABN 40 000 625 669
Suite 11, Level 22
227 Elizabeth Street, Sydney NSW 2000
PO Box A398, Sydney South NSW 1235
t (02) 9252 4244 | f (02) 9071 9877
e share@asa.asn.au

Blackmores 2022 AGM report

ASX code	BKL
Meeting date	20 October 2022
Type of meeting	Physical with live webcast
Monitor	Julieanne Mills and Tony Soffer
Pre AGM-meeting	With chair Anne Templeman-Jones, NED Stephen Roche, Investor Relations Martin Cole.

Meeting Statistics

Number of holdings represented by ASA	75
Number of shares represented by ASA	89,339
Value of shares represented by ASA	$5.78
Total number attending meeting	221 attendees
Market capitalisation	$1.29 billion
ASA open proxies voted	on a poll. ASA voted in favour of all the resolutions

It looked like we were finally getting back to normal at the Blackmores Warriewood AGM, after two and a half years of COVID disruptions, a complete change of board and some new management faces.

Marcus Blackmore was there but not in his usual role as master of ceremonies. Instead, he was lobbying shareholders to vote against the remuneration report.

All seemed well when the chairman and CEO addressed the meeting. They focused on the challenges and successes of the company in what has been a difficult three years for many companies with COVID and supply chain issues. The chair talked about setting Blackmores up as a more sustainable business for the future. She addressed the concerns of shareholders around their returns, and the need for balanced capital management. She mentioned the savings that had been made, and the need for capital injections at Braeside that have increased efficiencies, India's e-commerce and 500 pharmacies launch, the China COVID difficulties, and the loss of $130m in daigou sales since 2019.

The CEO and chairman address can be found here.

https://www.blackmores.com.au/about-us/investor-centre/news-and-announcements

Questions from Steve Chapman, ex-chairman of Blackmores focused on the $8m profit share of the Indonesian JV and the 10% increase in corporate cost compared to 1% profit increase, The CFO explained that $10m in IT costs now had to be expensed, and there was additional cyber security needs and staff incentives.

There was a question from a shareholder about the “low dividend” and the 60% payout ratio. The chair’s response focused on the need for responsible capital management and the balance needed between shareholder returns and deploying capital for better growth, new products, digitisation and long term shareholder returns.

ASA asked a question on the 3 year timeframe of the LTI.

Marcus Blackmore then read out a letter from a 98 year old shareholder that went on to criticise the share price, dividend, yield, remuneration and company management and strategy. He then declared he agreed and “changes need to be made”.

Erica Mann was up for election and spoke to the meeting about her expertise, experience and interest in the natural medicine. Mr Blackmore criticised Erica for not catching up with him for coffee since her election. Despite the clear anger in his comment, he then declared that he was supporting her re-election.

While all other resolutions were carried, a first strike against the remuneration report was recorded at the meeting. This means more than 25% of the votes were against the remuneration resolution. Should the remuneration report receive another 25% or more votes against it at next year’s AGM the board can be potentially spilled with majority shareholder support if the “for” vote reaches 50%). There were 43.35% of votes against the remuneration report and 42.6% against the CEO LTI and STI incentives. Pre-polling prior to the meeting vote was 82% in support of the remuneration.

Marcus Blackmore continues to have considerable influence over many retail shareholders. Indeed, many were once part of the Blackmores team. While he has a point about the shareholder return, his comments and actions appear to be deliberately designed to orchestrate a first strike against the remuneration, and potentially a spill of the board in FY23. His war with the chairman and now the CEO is not over, and he was making that point.

The attack on the remuneration is unfair. Marcus was responsible for selecting the CEO, and he negotiated the CEO ‘s original remuneration, including the sign on payments. There has been no increase to his fixed remuneration since then, and no LTI was rewarded in 2022 or 2021. His actual remuneration including a partial STI is well within the average for the size of the company. The ASA is critical of remuneration if we think it is unreasonable, in this case we felt it was fair and reasonable and voted for the remuneration report and the CEOs incentives.

The voting intentions can be found here.

I caught up with directors and staff after the AGM. It was tough AGM for them, and they were interested in how it could be improved. I had discussions with Ms Templeman-Jones and Mr Roche around a possible hybrid next year, longer time frames for the LTI and a clear table of actual remuneration for next year. I also spoke to the head of sustainability who had been with the company for 20 years, she showed me the facilities they provide for their staff, the new automation in packaging, and some of the innovations they have made around recycling.

Blackmores is a company with consistent good global growth, good brand awareness and is acting in a responsible way. It is operating in a very competitive market in Australia and has attempted to transform the business during a pandemic. The shareholder return has been disappointing over the last 5 years and there is justification for some shareholder frustration. It’s important to consider the context of the last three years when considering the shareholder return and where we were in 2019 when the now CEO took on the job.