



Bubs Australia Limited
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BUBS ENTERS STRATEGIC EQUITY-LINKED ALLIANCE WITH LEAD DAIGOU DISTRIBUTOR BRINGS BRAND AND CHANNEL TOGETHER TO RAPIDLY EXPAND BUBS' CHINESE CONSUMER BASE

- **Share subscription agreement whereby Bubs has conditionally agreed to allot and issue up to 29,541,620 shares to Willis Trading Limited, representing 4.82% of Bubs' current issued capital.**
- **Issue of shares conditional on the Alpha Group meeting product purchase milestones of at least A\$50 million in FY22 and at least A\$80 million to A\$120 million in FY23.**
- **Closely aligns Bubs and its largest customer through a deeper partnership.**
- **Expected to drive sustainable and profitable growth momentum in the Daigou Channel and rapidly expand Bubs' Chinese consumer base.**
- **New corporatised business model delivering heightened supply chain traceability and channel inventory transparency.**
- **Bubs' Corporate Daigou sales are at a record high, with 1H FY22 gross revenue¹ up 276% on prior year.**

Melbourne, 3 March 2022: Bubs Australia Limited (ASX: **BUB**) announces it has entered into a new share subscription agreement (**Subscription Agreement**) with Willis Trading Limited (Hong Kong company number 2557852) (**Willis Trading**). Willis Trading has been Bubs' single largest customer throughout FY21 and the first half of FY22, and is the lead distributor for both Bubs[®] and CapriLac[®] brands in the Corporate Daigou Channel.

Willis Trading is a private company incorporated in Hong Kong and is a wholly owned subsidiary of Alpha Professional Holdings Limited, a company listed on the Hong Kong Stock Exchange (0948.HK) (**Alpha**, together with its subsidiaries, **Alpha Group**). One of the principal businesses of the Alpha Group is the trading of milk powder and infant nutrition to China, including Bubs[®] and CapriLac[®] products.

Under the Subscription Agreement, Bubs has conditionally agreed to issue up to an aggregate of 29,541,620 ordinary shares to Willis Trading as consideration for the Alpha Group meeting certain product purchase milestones of at least A\$50 million in FY22 and at least A\$80 million to A\$120 million in FY23.

Commenting on the strategic alliance, Kristy Carr, Bubs Founder and Chief Executive Officer said: "Bubs has a proven track record of establishing strategic partnerships with prominent channel partners. We have worked closely with Willis Trading over several years as our lead distribution partner for the Corporate Daigou Channel. Together we have successfully returned Bubs[®] Daigou sales to high growth, delivering record revenues in the first half of FY22, increasing 276% on the prior year, now exceeding pre-COVID levels."

"The next phase of our partnership is an exceptional and innovative opportunity to deepen our engagement with the Daigou Channel and get closer to our end consumers in China. This strategic alliance between Bubs[®] brand power and the Channel's deep understanding of Chinese consumers provides more direct identification of our target consumers and their product needs in real time. Word of mouth and peer endorsement is critical in our category, and we view the Daigou Channel as expert community builders. Through one person, we can reach hundreds of consumers."

"Developed in response to the pandemic, the new supply chain model delivers seamless delivery to our end consumers with heightened traceability and visibility of inventory throughout the Channel, whilst operating within the Chinese government tax system. Building on the momentum already established under Bubs' Daigou 2.0 strategy, we are confident the deeper collaboration embodied in this transaction will rapidly accelerate our China business and provide a platform for future innovation that will widen our points of engagement with our target consumers," Mrs Carr said.



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Bubs Executive Chairman, Dennis Lin commented: "We have witnessed the Daigou Channel evolve from a fragmented network in the past to become a genuine corporatised channel. Daigous play an integral role in assisting Australian brands in understanding and reaching Chinese consumers, whilst simultaneously enhancing brand equity. We have the upmost respect for what this entrepreneurial community have built and the contribution they have made in creating value in many leading Australian brands, including Bubs®."

"This new strategic alliance is a further step in realising the synergy that can be achieved when a channel and brand work as partners hand in hand. We expect this closely aligned partnership between Bubs and Willis Trading will provide the underpinning for creating shareholder value in the coming years," Mr Lin said.

Pursuant to the Subscription Agreement, Willis Trading has agreed to subscribe for Bubs shares on the terms and conditions of the Subscription Agreement that are summarised in the annexed table. Entering into the Subscription Agreement will strengthen the business relationship between the Alpha Group and Bubs. It also incentivises Willis Trading to achieve a materially higher sales volume of Bubs® and CapriLac® products.

Appendix 1: Summary of Terms and Conditions of the Subscription Agreement

The Subscription Agreement is subject to the condition precedent that all necessary approvals and related compliance with the requirements under the rules governing the listing of securities on the Stock Exchange of Hong Kong Limited being obtained (or complied with).

If the FY22 Sales Target and FY23 Sales Target are met, the maximum number of ordinary shares in Bubs that may be issued to Willis Trading under the Subscription Agreement will be 29,541,620 shares, representing 4.82% of Bubs' current issued capital.

The sales targets are:

- (a) if the Alpha Group purchases products evidenced by invoices issued by Bubs or its subsidiaries equivalent to no less than A\$50 million during the period from 1 July 2021 to 30 June 2022 which are paid by the Alpha Group prior to 15 August 2022 (**FY22 Sales Target**), Bubs will issue 9,541,620 ordinary shares to Willis Trading (representing 1.56% of Bubs' current issued capital); and
- (b) if the Alpha Group purchases products evidenced by invoices issued by Bubs or its subsidiaries equivalent to the following amounts or more during the period from 1 July 2022 to 30 June 2023 which are paid by the Alpha Group prior to 15 August 2023, Bubs will issue the corresponding number of ordinary shares to Willis Trading, the highest of which is capped at 20,000,000 ordinary shares:
 - (i) no less than A\$80 million but less than A\$100 million, 9,541,620 ordinary shares (representing 1.56% of Bubs' current issued capital);
 - (ii) no less than A\$100 million but less than \$120 million, 15,000,000 ordinary shares (representing 2.45% of Bubs' current issued capital); and
 - (iii) no less than A\$120 million, 20,000,000 ordinary shares (representing 3.26% of Bubs' current issued capital),

(together, the **FY23 Sales Target**).



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Unless and until Subscription Shares are issued, the Subscription Shares are not transferrable; do not confer any right to vote; do not confer any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise; do not confer any right to participate in the surplus profit or assets of Bubs upon a winding up; and do not confer any right to participate in new issues of securities such as bonus issues or entitlement issues.

The revenue generated and invoices issued by Bubs in order to satisfy the FY22 Sales Target and FY23 Sales Target will be reviewed by Bubs' independent auditor.

If the FY22 Sales Target or FY23 Sales Target is satisfied, the completion date for the allotment and issue of the Subscription Shares is within five business days of receipt by Bubs of the applicable share application or such other date agreed by Bubs and Willis Trading. Bubs intends to issue the Subscription Shares using its placement capacity under ASX Listing Rule 7.1.

The ordinary shares that may be issued under the Subscription Agreement will rank equally with Bubs' other ordinary shares on issue, except all the shares issued to Willis Trading will be subject to a voluntary escrow arrangement for three months after issue (and half of the shares issued will be subject to voluntary escrow for a further three months).

This release is approved by the Board of Directors.

END

FOOTNOTES

¹Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution.

Media and Investor Inquiries

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About Bubs Australia

Founded in 2006 in Sydney, Bubs Australia's vision is to create new generations of happy, healthy bubs and families through its range of premium Australian infant nutrition and goat dairy products, including specialty and nutritional milk powder products for the whole family. Bubs® Goat Milk Infant Formula and Bubs Organic® Grass-fed Cow's Milk Infant Formula, along with organic baby food, cereals, toddler snacks, and Vita Bubs® infant and children's vitamin and mineral supplements, cater for all feeding occasions and stages of development from newborn through to childhood.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply back to the farm gate. Bubs® is proudly the only infant formula in the world to be based on Australian goat milk. Bubs® products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to China, Southeast Asia, the Middle East and USA.

Consumer Website: bubsaustralia.com

Investor Centre: investor.bubsaustralia.com