

ASX: BUB
Bubs Australia

bübs®

Capital Raise Investor Presentation

5 July 2022





Growing Generation Joy™



Creating new generations of happy & healthy bubs[®]

GOODNESS

We believe in wholesome, healthy food and a positive approach to life.

HONESTY

We believe in 100% transparency, this is 'clean' food from a brand you trust.

VERY BEST

We believe in being thorough and uncompromising, sticking to our ethics no matter what.

PLAYFULNESS

We believe in the joy of family time, the pleasure of sharing happy moments and being together.

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- a placement of new fully paid ordinary shares in Bubs to certain sophisticated and institutional investors, including existing shareholders of Bubs, at a fixed price under section 708A of the *Corporations Act 2001* (Cth) (**Corporations Act**) (**Placement**); and
- a pro-rata accelerated non-renounceable entitlement offer of new fully paid ordinary shares in Bubs to existing shareholders with a registered address in Australia, New Zealand and certain other jurisdictions under section 708AA of the Corporations Act, as notionally modified by the Australian Securities and Investments Commission (**ASIC**) Corporations (Non-Traditional Rights Issues) Instrument 2016/84 and ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 (**Entitlement Offer**).

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EXECUTIVE SUMMARY

Bubs' innovation and new market agility are key enablers for continued market share growth.

EQUITY RAISING Use of Funds



- ✓ An underwritten¹ equity raising of approximately \$63.0 million (the "Equity Raising") at an offer price of \$0.52 per New Share, comprising:
 - an institutional placement to raise approximately \$32.4 million; and
 - a 1-for-10.42 accelerated non-renounceable entitlement offer to raise approximately \$30.6 million
- ✓ Approximately 121.2 million new fully paid ordinary shares in BUB ("New Shares") to be issued, representing 19.8% of existing shares on issue
- ✓ Offer proceeds to support working capital, inventory and growth initiatives including:
 - Expansion in the USA
 - Increase manufacturing capability to meet accelerating demand

GROWTH Key Drivers



- ✓ Continuing to leverage growth opportunities in Australia, China and USA
- ✓ Launch of Bubs Supreme A2 Protein with advanced formulation
- ✓ Domestic growth driven from multiple product segments
- ✓ "Right Time, Right Place, Right People" marketing in China and USA
- ✓ Supporting rapid distribution of 6 infant formula products into major retailers in the USA, including WIC program access

FY22 Financial overview



- ✓ Domestic and China are back in high growth, with accelerated growth profile and opportunity in the USA
- ✓ USA has become a major market and margin contributor due to the recent infant formula crisis and Bubs first response
- ✓ In <6 weeks, Bubs secured supply agreements with Walmart, Kroger, Target and Albertsons, the top 4 formula retailers
- ✓ Alpha is achieving the ambitious sales targets and maintaining a sustainable ecosystem in China
- ✓ Whilst inflation continues to be a challenge, Bubs has worked through and look for ways to continue to grow profitably

OUTLOOK Financial Guidance



- ✓ FY22 gross revenue to exceed \$100m and achieve > \$2.4m Underlying EBITDA²

¹ Refer to slides 41 to 44 of the investor presentation for a description of the terms and conditions of the underwriting arrangements.

² Excludes non-cash equity compensation expense (i.e. Share based payments and equity linked transaction).



GROWTH STRATEGY

STRATEGIC OVERVIEW

Against an unfavourable macro setting, Bubs has returned the business to high growth with **record revenues** and strong momentum across all key business segments, delivering **gross margin improvement and profitability**.

FINANCIAL ACHIEVEMENTS



Record Revenue
Return to high growth trajectory



Positive Underlying EBITDA¹
Delivery of first profit



Gross Margin Improvement
Significant groupwide gains

STRATEGIC MILESTONES



Portfolio Expansion with major innovation in Bubs Supreme A2 protein segment
Bubs now plays in all three of the fastest growing premium category segments



Strong Growth in Domestic Retail Scan
Sales and market share gains outperforming the category



Corporate Daigou Sales at Record High
Strengthening strategic channel collaboration

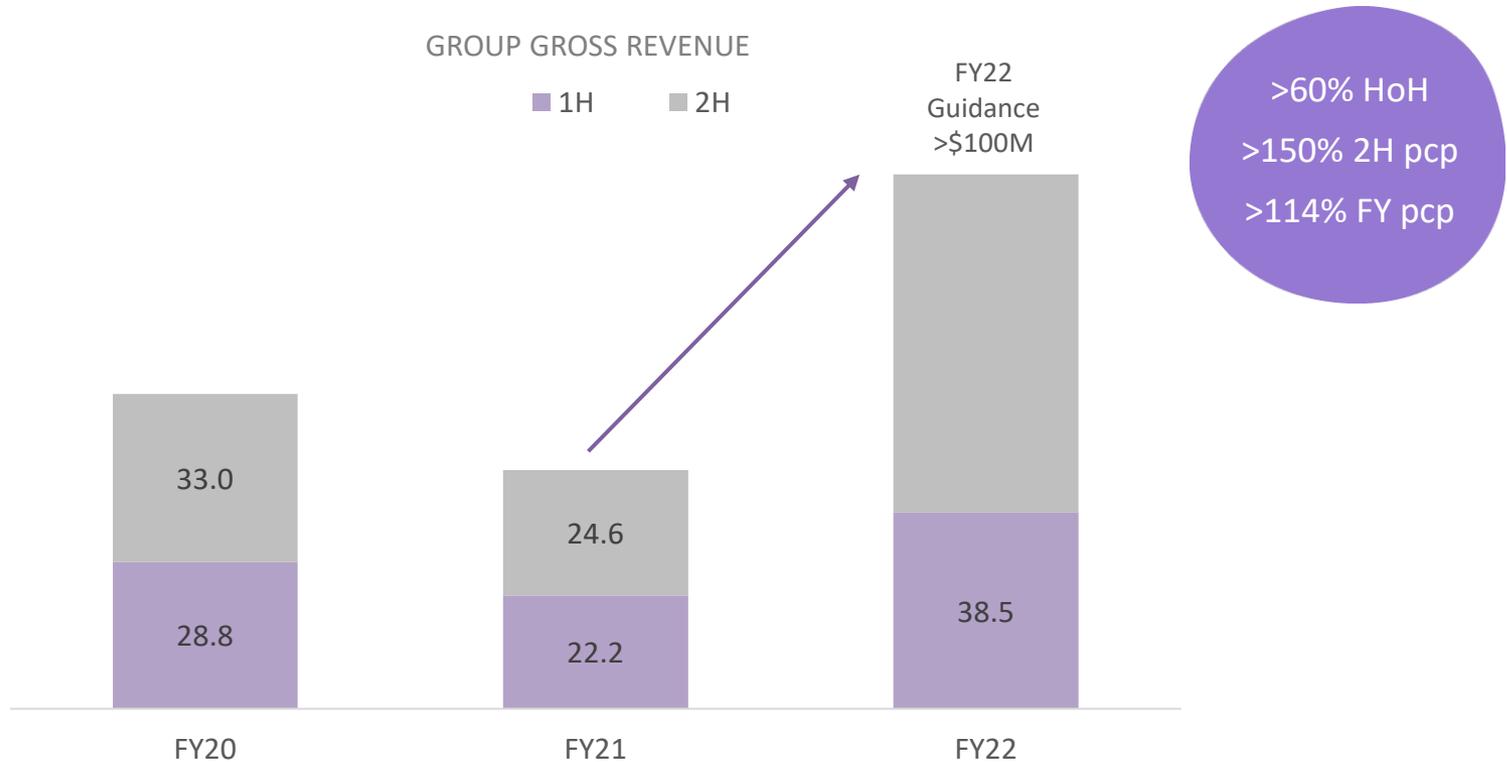


USA In-Store Ranging Top 4 Major Retailers
6 x Bubs Infant Formula 5,000 stores across 34 States

¹ Excludes non-cash equity compensation expense (i.e. Share based payments and equity linked transaction).

MARGIN ACCRETIVE HIGH GROWTH PACE TO CONTINUE

Now that a position of scale has been met with over \$100M gross revenue as a base, the next phase of growth will be **margin accretive, driving Underlying EBITDA improvement whilst maintaining a high growth rate.**

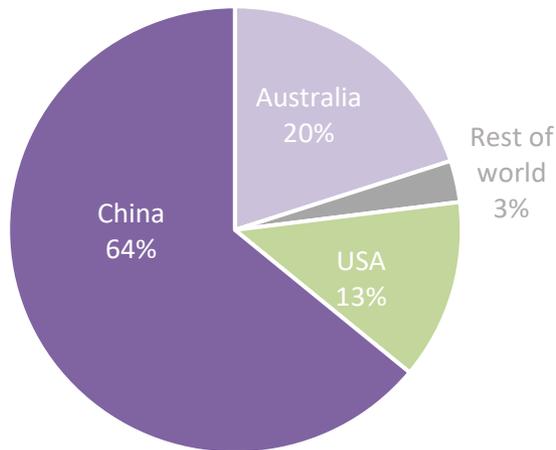


BUSINESS DIVERSIFICATION IN THE FACE OF ADVERSITY

Bubs is no longer reliant on Goat IMF¹ China sales as key revenue and margin driver. **All 3 IMF products and 3 key markets are in high growth.** By FY23, revenue and margin contribution is expected to be relatively evenly spread. Infant Formula revenue contribution is expected to grow from **~60% in FY22 to ~90% in FY23.**

3 Key Markets

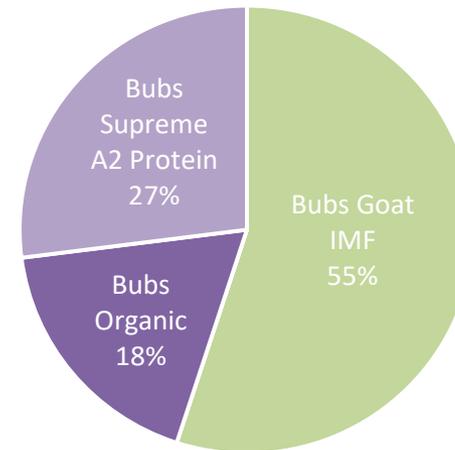
FY22: BUBS IMF MARKET MIX (GROSS REVENUE)²



- USA Operation Fly Formula commenced in June
- USA expected to be similar size to China in FY23
- USA developments having a positive halo impact on Australia and China with significant brand exposure

3 Key Category Segments

FY22: BUBS IMF GROSS REVENUE MIX²



- Bubs Supreme launched in March and already 27% revenue share
- Bubs Supreme expected to overtake Goat sales in China in FY23
- Bubs Organic expected to be the lead product in USA

¹ Infant Formula.

² Percentage is based on FY22 forecast, subject to change (unaudited).

Australia

China

USA



KEY MARKETS

TARGET MARKETS

Leveraging growth opportunities requires **strategic local collaborations, innovation and team agility** to convert market share in 3 major infant formula markets.

	AUSTRALIA	CHINA	USA
NUMBER OF BIRTHS / YEAR	294,000 ¹	10,000,000 ¹	3,605,000 ¹
MARKET SIZE AUD	\$307M	\$26Bn	\$5.6Bn
COMPETITIVE LANDSCAPE	Top 4 Manufacturers 82% market share ²	450 SAMR brands 118 CBEC ² brands	Top 3 Manufacturers 98% market share ²



¹ Government Census Data.
² Euromonitor and Market Data.

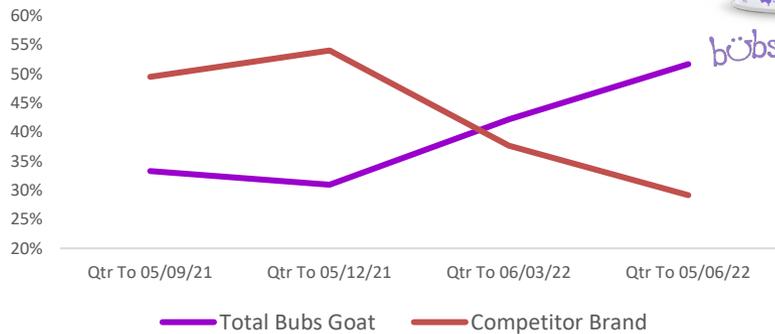
AUSTRALIA: LEAD CHALLENGER BRAND

Bubs remains fastest growing manufacturer¹ in Australia outperforming the category, with **+41.4% scan sales growth** and a **record 4.5% market share** of the total infant formula category¹.

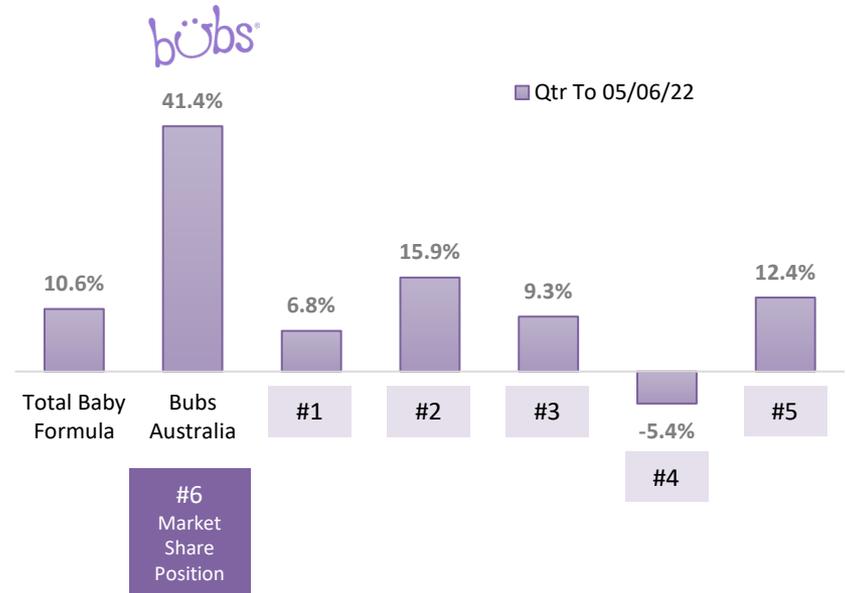
Bubs[®] is the #1 Goat IMF brand in Australia²



Market Share% Of Total Goat Infant Milk Formula²



Retail Scan Sales Dollar (%) YOY Growth¹ by IMF Manufacturer



Bubs Organic continues solid growth¹, closing gap on market leader



Market Share% Of Total Total Infant Milk Formula¹



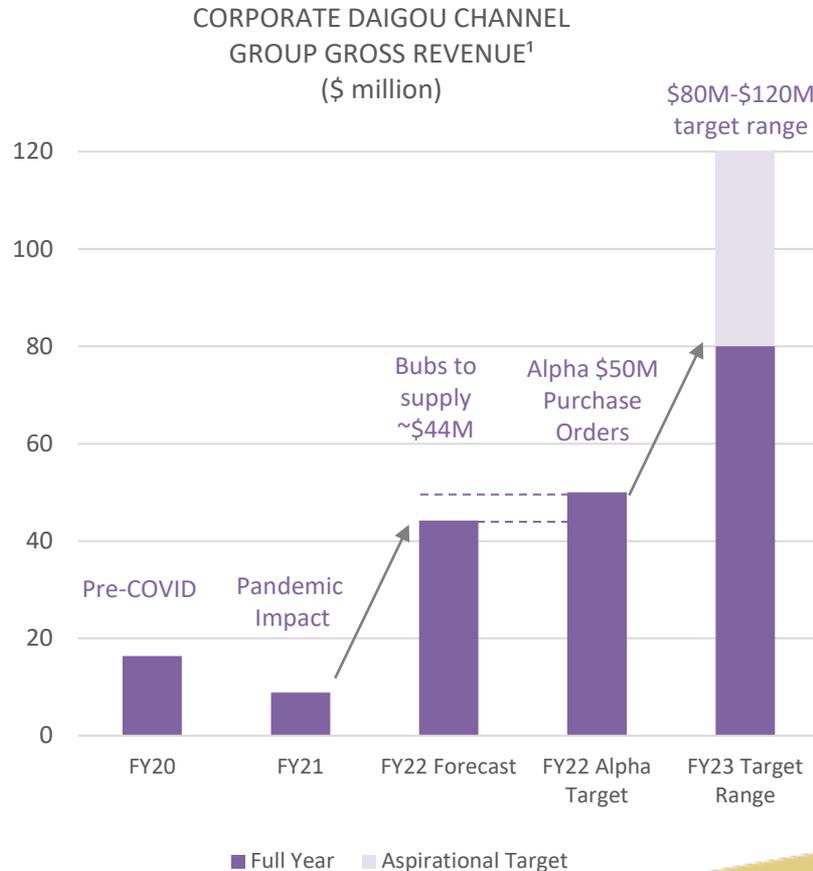
- 3 multi-nationals make up 74% category share
- Bubs (4.5%) is closing the gap on #4 (8.1%) and #5 (6.2%)

¹ IRI Scan value scan sales growth % YA. Dollars (\$000's) Quarter 05.06.22, Coles, Woolworths Chemist Warehouse combined.

² IRI Scan value (Dollar \$'000) sales, share of total Goat Segment, Coles, Woolworths and Chemist Warehouse combined rolling quarter to 05.06.22.

CHINA: NEW DAIGOU MODEL DRIVES PROFITABLE GROWTH

Alpha equity-linked strategic partnership, and the successful China launch of Bubs Supreme™ A2 Protein, has proven to be highly lucrative achieving **five-fold growth YOY, whilst remaining our most profitable channel.**



Alpha FY22 KPI sales target considered met

- Expected FY22 \$50M sales target delivered. However, both parties agreed to reduce safety stock (weeks of cover) by ~\$6M to re-direct inventory to fulfil unexpected USA orders for American families in urgent need. This shortfall will not disrupt China ongoing supply. Alpha will receive their FY22 share options in full.

High growth trajectory

- Given the successful launch of Bubs Supreme™ A2 Protein, both parties are highly confident in channel growth trajectory towards FY23 target gross revenue range of \$80M-\$120M across all IMF products.

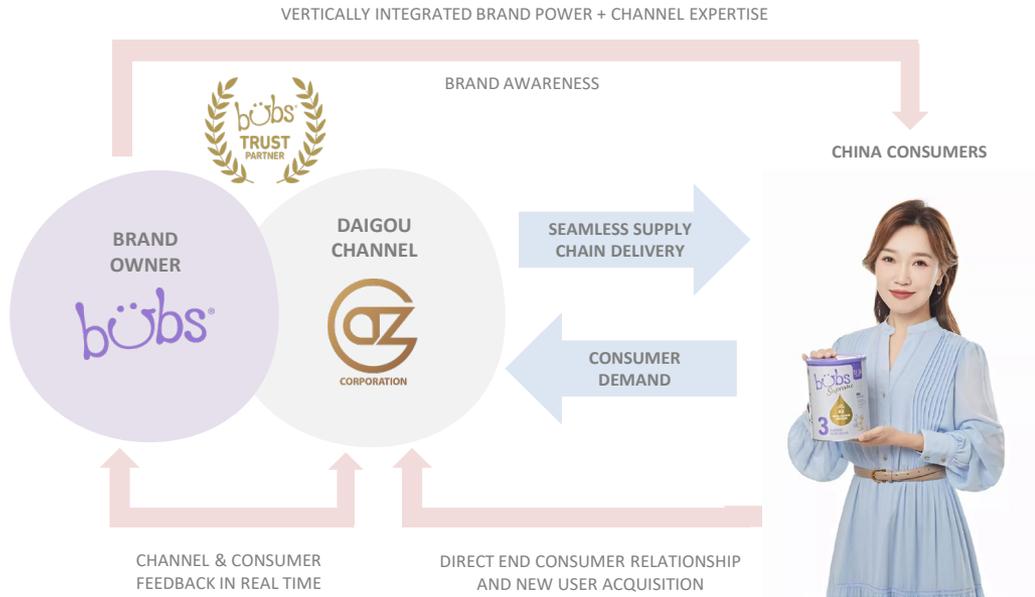
Gross margin contribution

- China GM expected to continue to be a major contributor at 35% with further potential improvement.

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

CHINA: CHANNEL LED BRAND CONVERSION

Bubs 'Daigou 2.0' model brings brand and channel together, by incentivising the channel to recruit and switch their customers to Bubs products through C2C education and peer endorsement.



Underlying Principles of Daigou Partnership

- ✓ Deep channel engagement
- ✓ Aligned brand growth strategy
- ✓ Convert existing users in same sub-categories
- ✓ Attractive channel margins ahead of competition
- ✓ Stable supply to meet real ongoing demand
- ✓ Healthy price architecture
- ✓ Real time response to market dynamics
- ✓ Greater traceability of channel inventory

Nico Mama

Top KOL with 30M+ fan base in Mother and Baby category

CHINA: MOTHER AND BABY STORE PRESENCE VIA O2O

Penetration into Mother and Baby stores with Online-to-Offline (O2O) sales of English label products.



Mother & Baby Stores

- ✓ Bubs Supreme A2 Protein range already in 400 Mother and Baby stores since May China launch, and continues to grow weekly
- ✓ Production and procurement efficiencies with same English label products sold in Australia and China CBEC
- ✓ Value chain similar to CBEC as O2O does not require high levels of investment customary for physical distribution
- ✓ Simpler distribution allows for more attractive margin at each layer to convert distributors
- ✓ Simpler value chain allows Bubs to deliver quality products at affordable premium when cost of living is a real issue throughout the world including China

USA: INFANT FORMULA CRISIS AND CATEGORY DISRUPTION

Unprecedented shock to infant formula supply chain has led to widespread shortage and consumer panic. The crisis is a **top priority for the Biden Administration** and the shortage is reported in daily headline news.



Report: One in Five States Now 90% Out of Baby Formula June 4, 2022

Infant formula shortage led to 74% out-of-stocks nationwide¹

- On 17 February, the largest manufacturer in the U.S. recalled dozens of formula brands, including the market leader, following the tragic death of two infants and two other infants being hospitalised as a result of cronobacter bacteria contamination
- Abbott's Sturgis plant in Michigan was immediately closed which had supplied >20% of the country's infant formula. It didn't reopen until 4 June, to only be shut down again on 16 June due to flood damage and remains closed
- Out of stocks continue to worsen, now reaching critical levels and causing severe category disruption

Changing industry landscape and consumer dynamics

- Industry majors face continued threat of diminishing consumer confidence and loss of brand trust
- Consumer demand now heightened for clean, safe and reliable supply of formula
- Consumers looking for choice, including international brands

¹Datasembly, which tracks 130,000 stores nationwide, out-of-stock rates were sitting at 74 percent nationally for the week ending May 28.



VIDEO
[<<CLICK HERE>>](#)

USA: FIRST MOVER ADVANTAGE

Given Bubs had launched Aussie Bubs Toddler Formula range in the USA in May 2020, the Company was well placed to assist the U.S. Government in providing relief for American families in need.

Agility in Action

- 16 May: FDA issued industry guidance of their intention to exercise enforcement discretion on a case-by-case basis
- 17 May: Bubs was the 1st manufacturer in the world to submit an application to the FDA with Record No. 001.001
- 27 May: the FDA notified Bubs it was exercising the enforcement discretion for the importation of all 6 Bubs infant formulas into the USA
- 20 Jun: Bubs products start to appear on shelf in major U.S. retail stores
- Over 100 international brands have applied, and to date only the top four multinationals, Bubs and two other brands have been permitted to import products under the enforcement discretion

Operation Fly Formula

- In June, the U.S. government chartered three 747 cargo planes, each carrying around 90,000 tins of Bubs Infant Formula
- Next plane is booked for 5 July
- Additional planes are in discussion



USA: U.S. GOVERNMENT ENGAGEMENT

Bubs is privileged to work in collaboration with senior U.S. government officials to help alleviate the crisis.

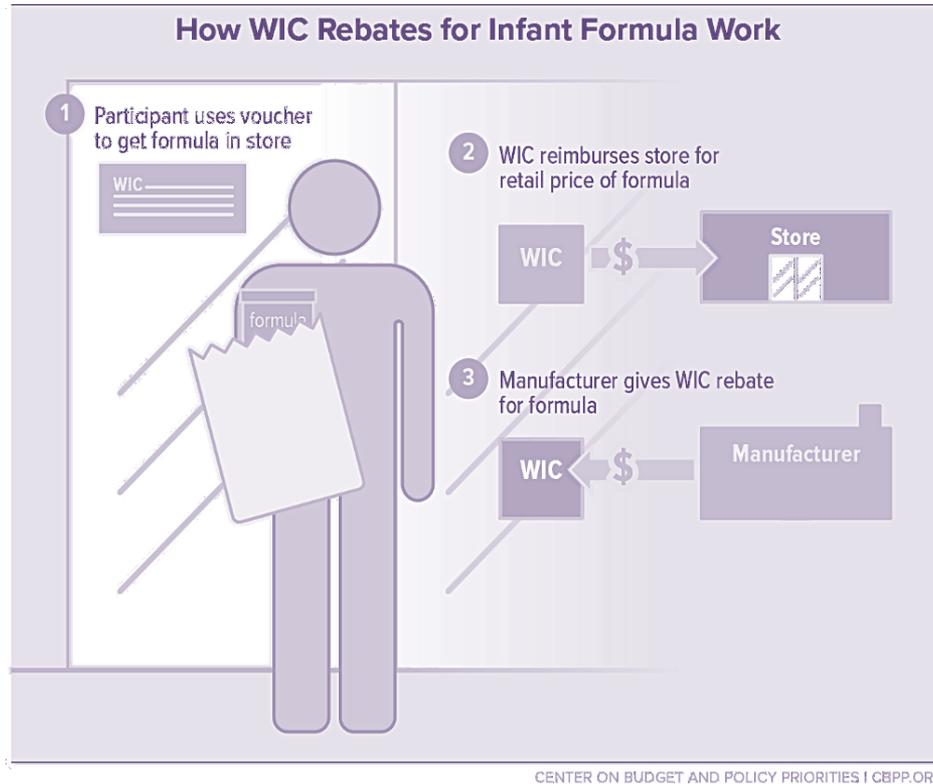
U.S. Government Engagement

- Bubs management remain in frequent communication with the White House, Health and Human Services (HHS), U.S. Department of Agriculture (USDA), and Food and Drug Administration (FDA)
- President Biden tweeted about the good news: “27.5 million bottles of safe infant formula manufactured by Bubs Australia are coming to the United States”
- Bubs CEO participated in the Operation Fly Formula Round Table with President Biden and the Executive Office of the President
- Bubs CEO and Chair visited the White House to meet with the Executive Office of the President to discuss Operation Fly Formula, retail distribution progress and long-term market access



USA: BUBS INFANT FORMULA GETS WIC APPROVAL

All six Bubs Infant Formula products are now eligible under USDA nationwide WIC waiver to participate in the Women Infants and Children (WIC) program to reach families most in need.



Bubs WIC Participation

*“In California, **50% percent of all infants** rely on the WIC nutrition program, and of these, about **80% use formula** in whole or in part for nutritional needs.”*

Source: Office of Governor Gavin Newsom

- Expanded flexibilities will now provide widespread access to both U.S. produced and imported formulas made available by the Biden-Harris Administration’s Operation Fly Formula mission.
- Bubs is already participating in WIC programs with selected retail partners in California, Texas, and Washington DC.
- Bubs is not required to pay a rebate during this waiver period.

USA: FORECASTED VOLUME

Accelerated market access through a rapid build in demand with maintainable volume of scale.

Expected volumes

- June FY22: 2 planes ~180,000 tins (>\$7M)¹
- July FY23: 4 chartered planes @ ~360,000 tins (>\$14M)¹
- Aug – Mid Nov: Commercial Air/Sea Freight >1,000,000 tins (>\$35M)
- Total Forecasted Volume within Enforcement Discretion: >1,500,000 (>\$55M)
- FY23 (subject to FDA temporary no objection extension beyond November 2022) target gross revenue: \$80 - \$120M
- Maintainable volume on a rolling 12 month basis: 3 million tins building to 6 million tins over a 3-5 year period

Value chain

- Current gross margin is on par or more favourable than our current most profitable channel of Corporate Daigou, the other major growth contributor
- There are factors (such as inflation and general cost increases) that will impact the gross margin; however, the Company is confident that revenue in USA will remain margin accretive following Operation Fly Formula
- There are plans to continue to maximise gross margin through supply chain and logistics optimisation



Bubs Infant Formula in Ralphs (California)

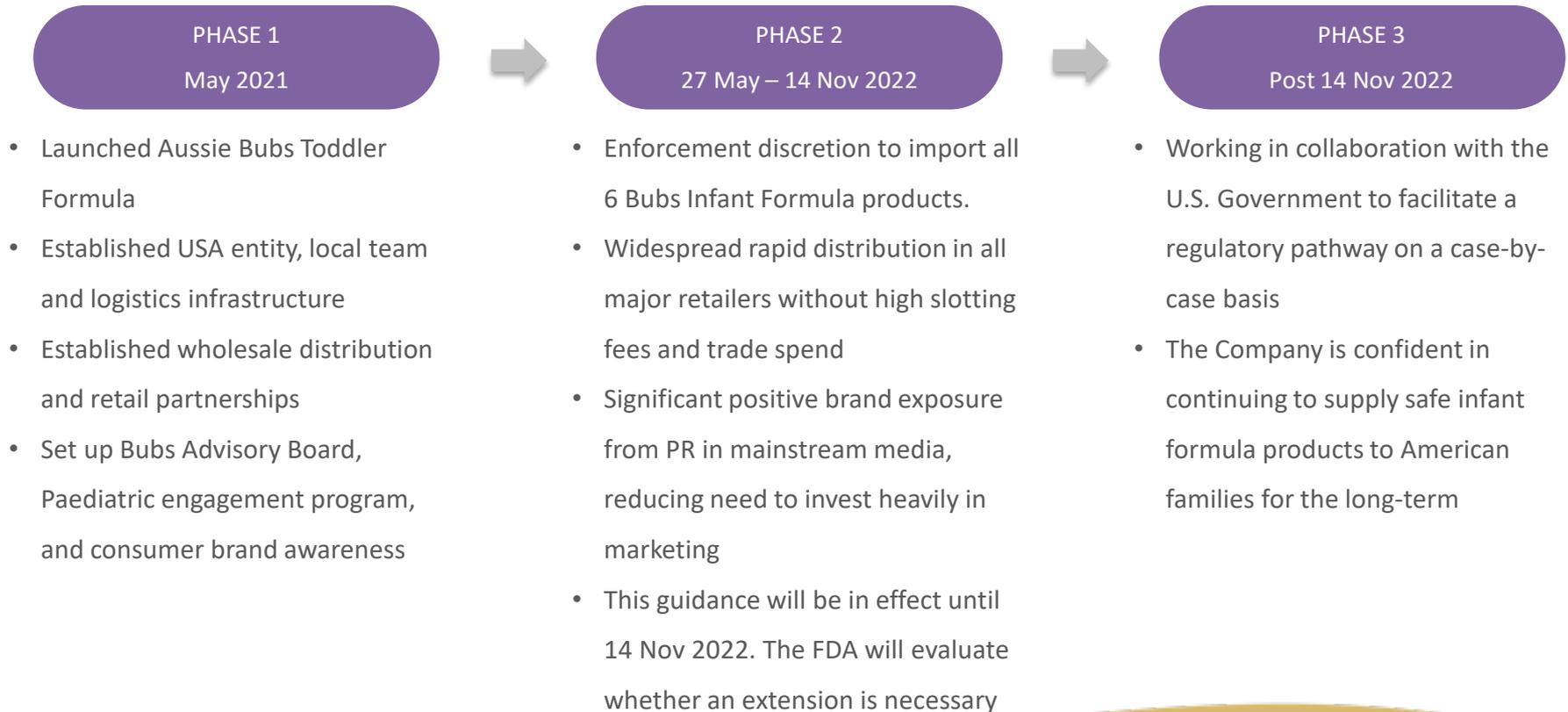


Advisory panel with USA stakeholders

¹Operation Fly Formula has supported 4 chartered planes to date.

USA: LONG-TERM COMMITMENT TO MARKET ACCESS

Identified as a strategic priority 2 years ago, recent events have fast-tracked USA by at least 18 months, and is now set to be a significant revenue and profit driver for the business going forward.



FULFILLING INCREASED DEMAND

To meet our high growth objectives, a 2nd canning line is required to **increase annual output from 10M to 30M tins.**

Realised plant capacity to triple capacity to ensure future demand is not limited

- Deloraine facility was purpose built to have 2nd line installed when demand outgrew existing capacity
- New high-speed line to be installed to operate in conjunction with existing line
- Provide overall improved levels of operational efficiency and COG reduction
- Improvements in materials flow and line segregation
- Additional new capability with packaging and lid formats
- Facility upgrade will not impact existing licence holdings
- Capex requirements: \$12M including installation

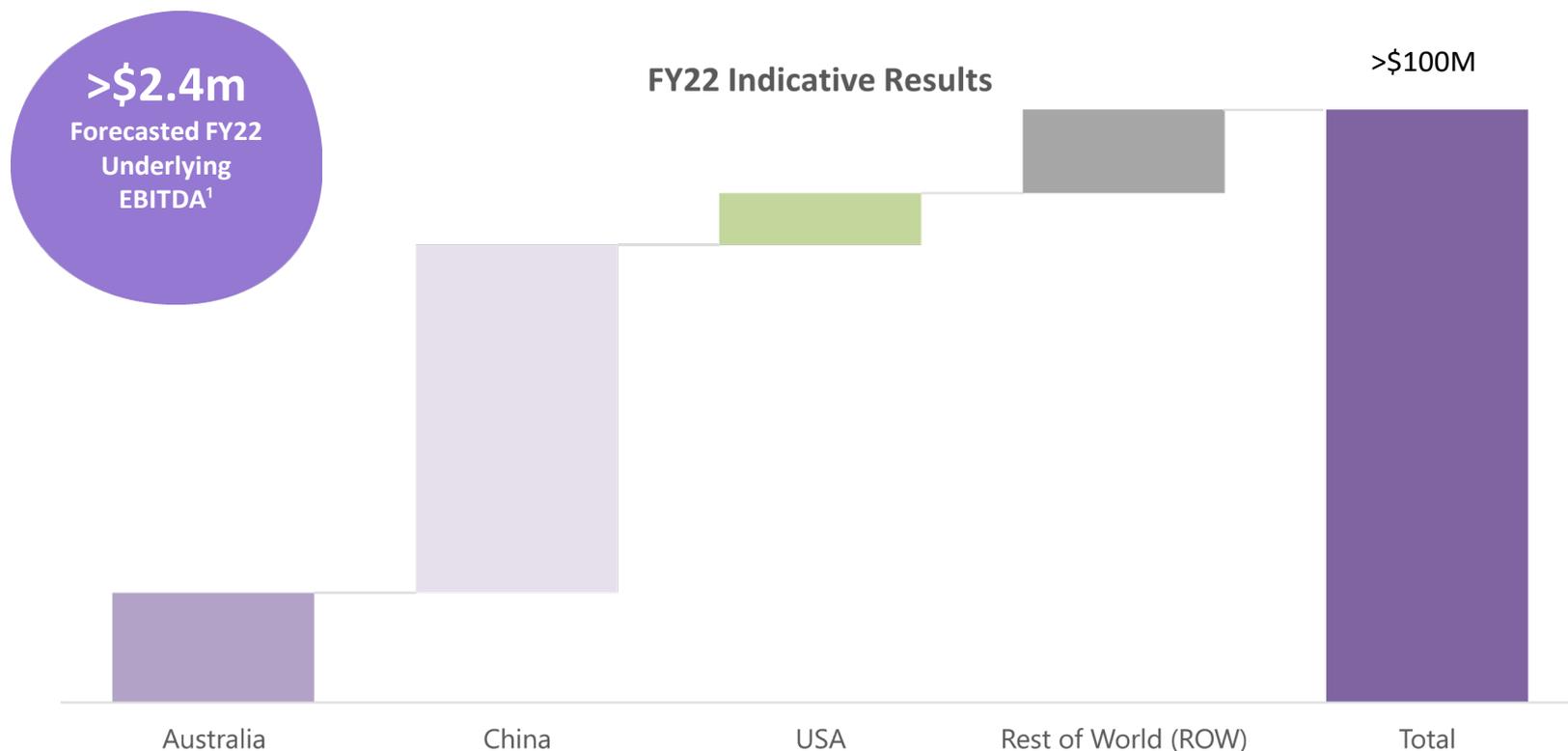




TRADING UPDATE

FY22 FINANCIAL OVERVIEW

All key business segments are performing strongly, resulting in FY22 being a record year, more than doubling in size with **over \$100M in gross revenue.**



¹ Excludes non-cash equity compensation expense (i.e. Share based payments and equity linked transaction).



USE OF PROCEEDS

USE OF PROCEEDS

(\$million)

1. Working Capital

- The Company optimised its working capital in FY22 while achieving >114% growth. Given the additional accelerated and rapid market expansion, additional working capital is required to assist with the immediate scale up of group activities

18

2. Inventory

- Under the current logistics environment, the Company is looking to increase its inventory build due to longer lead time to purchase base powder, raw materials and delivery of finished goods to export market (i.e. China and USA)
- Inventory risk is mitigated as all three key markets (Australia China and USA) utilise the same base powder and raw materials

19

3. USA Operating Expenses

- Marketing, administration, employment costs, and consultancy fees

11

4. Facility Upgrade Capital Expenditure

- To meet the growth in demand, capital expenditure is required to expand canning capability to include the second high-speed canning line at Deloraine facility to triple capacity

12

5. Costs

- Cost associated with Placement and Entitlement Offer

3

Total

~\$63 million



TIMELINE AND CAPITAL STRUCTURE

EQUITY RAISING OVERVIEW

EQUITY RAISING SIZE AND STRUCTURE

- An underwritten¹ Equity Raising of approximately \$63.0 million comprising:
 - \$32.4 million institutional placement (“Placement”); and
 - \$30.6 million 1-for-10.42 accelerated non-renounceable entitlement offer (“Entitlement Offer”)
- Approximately 121.2 million new fully paid ordinary shares in BUB (“New Shares”) to be issued, representing 19.8% of existing shares on issue
- Record date for the Entitlement Offer is 7 July 2022 at 7.00pm (AEST)

OFFER PRICE

- All shares under the Placement and Entitlement Offer will be issued at \$0.52 per New Share (“Offer Price”), representing:
 - 16.2% discount to TERP²
 - 18.8% discount to last close of \$0.64 as at 4 July 2022

PLACEMENT AND INSTITUTIONAL ENTITLEMENT OFFER

- Placement and Institutional Entitlement Offer to be conducted by way of bookbuild process that will open on 5 July 2022 and is expected to close on 6 July 2022

RETAIL ENTITLEMENT OFFER³

- The Retail Entitlement Offer is expected to open at 9.00am on 12 July 2022 and close at 5.00pm on 26 July 2022

RANKING

- New shares issued under the Placement and Entitlement Offer will rank equally with existing BUB shares on issue

UNDERWRITERS AND MANAGER

- The Equity Raising is underwritten¹ by the Joint Lead Managers and Bookrunners, Citigroup Global Markets Australia Pty Limited (“Citi”) and Bell Potter Securities Limited (“Bell Potter”)
- PAC Partners Securities Pty Ltd will act as co-manager to the Equity Raising

¹ Refer to slides 41 to 44 of the investor presentation for a description of the terms and conditions of the underwriting arrangements.

² TERP includes shares issued under the Placement, Institutional Entitlement Offer and the Retail Entitlement Offer. TERP is a theoretical calculation only and the actual price at which BUB shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP.

³ Only certain retail shareholders registered in Australia will be eligible to participate in the Retail Entitlement Offer.

EQUITY RAISING OVERVIEW

Approximately \$63.0 million equity raise, with \$32.4 million institutional placement and \$30.6 million entitlement offer.

PRO FORMA BALANCE SHEET

(\$million)	Pre-equity raise	Post-equity raise
Cash ¹	\$24.1m	\$84.1m
Drawn debt	\$2.0m	\$2.0m
Net cash	\$22.1m	\$82.1m
Undrawn debt facility	\$8.0m	\$8.0m
Available liquidity	\$30.1m	\$90.1m

IMPACT ON SHARES ON ISSUE

Post-equity raise pro forma		
Pre-raise ordinary shares ²	612.8m	83%
Approx. new shares issued (Placement)	62.4m	9%
Approx. new shares issued (Entitlement Offer)	58.8m	8%
Approx. new shares issued (Total)	121.2m	17%
Approx. shares post equity raise	734.0m	100%

¹ As at 31 March 2022 plus assumed \$60.0 million net proceeds from Placement and Entitlement Offer (\$63m less \$3m of costs).

² Excludes options.

INDICATIVE TIMETABLE

Activity	Date
Trading halt and announcement of Equity Raising, Placement and Institutional Entitlement Offer opens	Tuesday, 5 July 2022
Placement and Institutional Entitlement Offer closes	Tuesday, 5 July 2022
Announcement of results of Placement and Institutional Entitlement Offer	Wednesday, 6 July 2022
Trading halt lifted – shares recommence trading on ASX on an “ex-entitlement” basis	Wednesday, 6 July 2022
Entitlement Offer record date (7pm, Melbourne time)	Thursday, 7 July 2022
Retail Entitlement Offer opens and Retail Offer Booklet made available	Tuesday, 12 July 2022
Settlement of Placement and Institutional Entitlement Offer	Wednesday, 13 July 2022
Normal trading of New Shares issued under the Placement and Institutional Entitlement Offer	Thursday, 14 July 2022
Retail Entitlement Offer closes	Tuesday, 26 July 2022
Settlement of Retail Entitlement Offer	Monday, 1 August 2022
Allotment of New Shares under the Retail Entitlement Offer	Tuesday, 2 August 2022
Normal trading of New Shares issued under the Retail Entitlement Offer	Wednesday, 3 August 2022
Despatch of holding statements	Tuesday, 9 August 2022

The timetable for the Placement and the Entitlement Offer is indicative and remains subject to change at Bubs’ discretion, subject to compliance with applicable laws and ASX Listing Rules. Any changes will be advised to ASX.



APPENDICES

KEY RISKS

There are a number of risks that are both specific to Bubs and its subsidiaries (Group) and of a general nature, which may affect the future operating and financial performance of the Group and the outcome of any investment in the Group.

This section describes some, but not all, of the material business risks that may be associated with an investment in the Group or in Bubs shares and the occurrence or consequences of some of the risks described below are partially or completely outside the Group's control. Additional risks and uncertainties that the Group is unaware of, or that it currently considers to be immaterial, could also become important factors that adversely affect the future performance of the Group and in Bubs shares. Before making an investment decision, you should consult your financial or other professional adviser and carefully consider the risks described in this section, as well as other information in this presentation.

1. OPERATING RISKS

Vertical supply chain risk

Access to a safe and secure continual supply of Australian Goat Milk is a key foundational strength for the Group and its ability to support ongoing rising domestic and China consumption as well as global expansion. The ability to flexibly manage the goat milk supply chain from farm to production is reliant on the Group's continual strategic partnerships for milk powder processing. Ownership of the Group's own China registered, and fully compliant canning facility is also critical to support its vertically integrated supply chain. Should there be interruptions or delays to, or failures in, the Group's supply chain or should there be other economic or environmental events which impact these stakeholders or otherwise impact forecasting reliability, this could negatively impact the Group's ability to meet consumer demand, and in turn adversely affect sales and margins, reducing overall profitability. The Group's margins will also be impacted by the cost of inputs such as milk and milk powder processing.

Day-to-day operational risk

The Group is subject to a range of operational risks, including damage to operating assets and equipment, equipment failures or breakdowns, human error, accidents, IT system failures, external services failure, industrial action or disputes and natural disasters. While the Group endeavours to take appropriate action to mitigate these operational risks and insure against many of them, it cannot completely remove all possible risks that may have an adverse impact on the financial performance and / or financial position of the Group.

Ability to sustain value creation from Australian Goat dairy source

The Group's ability to convert value and build robust and long-term channels for sales and marketing of goat dairy products is reliant on its ability to build and sustain brand equity and relationships in the current portfolio and innovation pipeline across all goat dairy brands. Any disruption its strategic relationships across any of its key markets could impact the Group's expansion plans.

KEY RISKS

Reliance on third parties generally

As part of its ongoing commercial activities the Group enters into contracts with various third parties, including suppliers, processors, distributors and customers. The ability of these third parties to meet their commitments under such arrangements may impact on the Group's business, operations and financial position.

Consumer demand

Adverse changes in consumer demand, in particular for the Group's infant milk formula products, could have a material adverse impact on the Group's financial performance and future prospects of the business.

Intellectual property

While the Group seeks to protect its intellectual property rights, a failure to enforce these may diminish brand value and harm future growth prospects. Additionally, this intellectual property may be devalued by quality issues, disputes and litigation or negative publicity. This may have an adverse effect on customer loyalty, relationships with suppliers, employee retention, and overall demand for the Group's products.

Loss of key personnel and recruitment of suitable employees

The loss of key management personnel or the inability to recruit or retain suitable personnel may adversely impact the Group, resulting in the loss of valuable corporate knowledge, skills and expertise and reducing overall profitability and adversely impacting financial performance.

Disputes or litigation

The Group may be the subject of complaints, proceedings, disputes, claims or litigation by customers, suppliers, employees, regulatory bodies or other third parties. These matters, particularly an adverse outcome of a claim, may adversely impact the Group's reputation, disproportionately divert its financial and management resources, damage to relationships with suppliers, customers and other stakeholders and/or negatively affect financial performance.

Additional requirements for capital

The Group may be required to raise additional capital in the future. The Group's ability to raise sufficient further capital within an acceptable timeframe will vary according to a number of factors. Any additional equity funding not undertaken on a pro rata basis will dilute existing shareholders.

Technology

The Group may be subject to computer server failures, which result in loss of critical information and staff not being able to work. The Group has sought to mitigate this risk by operating entirely out of the cloud. There is a risk of an unforeseen network outage.

KEY RISKS

2. COMPLIANCE AND REGULATORY RISKS

Foreign regulatory risk and regulatory risk

Laws and regulations affect the Group's operations. There is a risk that a failure to comply with such laws or an adverse decision or change in policy by a regulatory authority could occur which may result in the loss of key permits or approvals or even penalties, damages or fines. While the Directors of Bubs are not aware of any current issues, there is the potential for any such measures to materially reduce the Group's revenues and/or increase its costs.

Geopolitical tensions

Shifts in geopolitical tensions between Australia and other countries where the Group supplies its products may change or worsen, which result in higher tariffs imposed on Australian dairy sector exports and negatively impact on the Group's financial performance.

Infant formula registration in China

Infant formula registration across Asia and particularly China and other global markets, is subject to complex and unpredictable regulatory environment. The ability to progress in-market registration in the environment is challenging and rising demand for domestic brands may delay the ability to progress global expansion.

Infant formula registration in the United States

FDA approval is required to distribute infant formula in the United States. The FDA has provided a temporary 'no objection' notice to Bubs on 27 May 2022 in relation to Bubs Organic Grass Fed (Infant Formula Stage 1 and Follow-On Formula Stage 2), Bubs Supreme A2 Beta-Casein Protein (Infant Formula Stage 1 and Follow-On Formula Stage 2) and Bubs Easy-digest Goat Milk (Infant Formula Stage 1 and Follow-On Formula Stage 2). The Company will require an additional FDA no objection notice beyond 14 November 2022 to continue to distribute in the US after 14 November 2022.

Product contamination, recall and food safety

As a supplier of food and infant nutritional products, the Group's ability to ensure the health and safety of its products is paramount to its ongoing ability to ensure consumer trust and maintenance of the Group's brand equity. However, there remains a risk of food contamination and product recalls could have a material adverse effect on the Group's brand and therefore impact its financial performance.

In particular, the Group's business and its sales into China are highly sensitive to consumers' perceptions of the safety and quality of goat dairy products. Any actual or perceived contamination, product misbranding, counterfeiting or tampering may damage the Group's reputation and therefore demand for its products in China.

KEY RISKS

3. FINANCIAL, MARKET AND COMPETITION RISKS

Economic and market risks

There are general risks associated with investments in equity capital such as Bubs shares. Share market conditions may affect the value of Bubs shares, regardless of their operating performance. This may result in the market price for shares issued under the Placement or Entitlement Offer being less or more than the offer price.

Many factors may affect the market price of shares and some of these include: general movements in Australian and international securities markets; investor sentiment; Australian and international economic conditions and outlooks; changes in investor sentiment towards specific sectors of the market; changes in interest rates and the rate of inflation; changes in government legislation and policies, in particular taxation laws; announcement of new technologies; international trade disputes and tariffs; pandemics such as COVID-19; geo-political instability, including international hostilities and acts of terrorism; natural disasters; demand for and supply of Bubs shares; announcements and results of competitors; and analyst reports.

Competition risk

The Group operates in a highly competitive consumer goods industry against global entities with often greater access to capital and resources. There is a risk that existing or new market entrants may attempt to grow their market share through acquisitions, increased advertising or price cutting. This may cause the Group's market share to contract, resulting in a decline in revenue and possible negative effect on future performance.

COVID-19 and long-term impacts

The impact and ongoing implications of COVID-19 will continue to cause broader global economic impact with the threat of ongoing waves. Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is difficult to assess the impact on the Group's business, operations and financial performance. Impacts of COVID-19 in specific countries impact and restrict international trade and the ability to expand in chosen markets. Lockdowns in countries such as China has impacted the ability of the Group to operate effectively in this markets, impacted the Group's ability to meet its contractual obligations and has delayed distribution times of products in China.

However, preventative measures have affected, and can be expected to continue to adversely affect, consumer behaviour and business activity, and precipitate sudden changes and volatility in regional and global economic conditions and financial markets. The uncertainty of COVID-19 may continue to disrupt certain aspects of the Group's business and impact its operations, and it is difficult to determine the potential impact this may have on financial performance.

UNDERWRITING AGREEMENT

Bubs has entered into a conditional Underwriting Agreement with Citi and Bell Potter (the “**Underwriters**”) dated 5 July 2022 (“Underwriting Agreement”) under which the Underwriters have agreed to underwrite the Equity Raising, subject to the terms and conditions of the Underwriting Agreement.

Key terms of the Underwriting Agreement

Each Underwriter’s obligations under the Underwriting Agreement, including to underwrite and manage the Equity Raising, are conditional on certain matters, including the timely delivery of certain due diligence materials. If certain conditions are not satisfied or waived, or certain “termination events” occur, the Underwriters may terminate the Underwriting Agreement.

The “termination events” include:

- a market fall event where before the Institutional Settlement Date, the S&P/ASX 200 Index reaches a level that is 10% or more below the level of the S&P/ASX 200 Index as at the close of trading on the Trading Day immediately preceding the date of the Underwriting Agreement (“Threshold Level”) or the S&P/ASX 200 Index closes on any 2 consecutive Trading Days from the Institutional Settlement Date until the Retail Settlement Date (inclusive) (as defined in the Underwriting Agreement and as applicable) at a level that is 10% or more below the Threshold Level;
- the documents released on ASX by Bubs for the Equity Raising containing a false, misleading or deceptive statement (including by omission), or is likely to mislead or deceive or omitting a matter required to be included;
- the relevant cleansing statements being defective at the time of their issue or a corrective statement being issued or required to be issued;
- the offer documents including any forecast, expression of opinion, forward-looking statement, belief, intention or expectation which is not fairly and properly supportable or which is not based on reasonable grounds;
- ASIC making a determination, exemption or order which would prevent Bubs from making the Equity Raising;
- an obligation arising on Bubs to give ASX a new circumstances notice in accordance with section 708AA(12) of the Corporations Act (as modified by the ASIC Instrument and any other applicable ASIC legislative instrument or other relief);
- Bubs withdrawing from the Equity Raising or any part of the Equity Raising;
- Bubs ceasing to be admitted to the official list of ASX or its ordinary shares are suspended from trading on, or cease to be quoted on, ASX (not including the trading halt contemplated by the Equity Raising);
- Bubs being prevented from allotting and issuing the new shares under the Equity Raising;
- ASIC:
 - i. applying for an order under sections 1324 or 1325 of the Corporations Act in relation to the Equity Raising or an offer document or gives notice of an intention to prosecute Bubs or any of its directors or any member of the Group or any of its directors;
 - ii. applying for an order under Part 9.5 of the Corporations Act in relation to the Equity Raising or an offer document;
 - iii. holding or commencing, or giving notice of intention to hold or commence, a hearing or investigation under Part 3 of the Australian Securities and Investments Commission Act 2001 (Cth) in relation to the Equity Raising or an offer document; or
 - iv. prosecuting, commencing proceedings against, or commencing any enquiry or investigation involving (or threatening to do any of those things) Bubs or any of its directors or officers (or any member of the Group or any of its directors or officers) in relation to the Equity Raising or an offer document;

UNDERWRITING AGREEMENT

- any application to any government authority (including without any limitation any court or the takeovers panel, but excluding ASIC) for any order, declaration or other remedy or any government authority commencing an investigation of hearing or announcing any intention to do so in respect of the Equity Raising;
- ASX not granting quotation of the new shares to be issued under the Equity Raising by the Institutional Trading Date or Retail Trading Date (as defined in the Underwriting Agreement and as applicable);
- ASX making an official statement to any person, or indicating to Bubs or the Underwriters, that official quotation of the new shares under the Equity Raising will not be granted or will be withheld;
- an event specified in the Equity Raising timetable being delayed for more than 1 business day without the prior written consent of the Underwriters;
- Bubs or a member of the Group being insolvent or there is an act or omission which is likely to result in Bubs or a member of the Group becoming insolvent;
- the retirement of a director of the Company from the Company's board of directors, or a change in the executive chairman or the chief executive officer or chief financial officer of the Company, is announced or occurs;
- Bubs or any member of the Group or any of their respective directors or officers engaging in, or having engaged in, or having civil or criminal proceedings brought against the for, any fraudulent or misleading or deceptive conduct (whether or not in connection with the Equity Raising);
- a director of Bubs or any director of any member of the Group being charged with an indictable offence, or any government authority commencing any public action against any of Bubs' or member of the Group's directors or announces an intention to do so, or being disqualified from managing a corporation; or
- there being an occurrence of non-occurrence of any event which makes it illegal for the Underwriters to satisfy their obligations under the Underwriting Agreement or to market, promote or settle the Equity Raising, including:
 - i. any acts, statute, order, rule, regulation, directive or request of any Government Agency, orders of any courts, lockdowns, lock-outs, forced closures, restrictions on mobility, or interruptions or restrictions in transportation which has this impact; or
 - ii. any acts of God or other natural forces, civil unrest or other civil disturbance, currency restriction, embargo, action or inaction by a government agency, or any other event similar; or
- a confirmatory certificate not being given by Bubs in accordance with the Underwriting Agreement.

There are certain "termination events" where an Underwriter may only exercise its right to terminate its obligations under the Underwriting Agreement where, in the reasonable opinion of the relevant Underwriter, the "termination event" has or is likely to have a material adverse effect on the success of the Equity Raising, the ability of that Underwriter to market, promote or settle the Equity Raising, the likely price at which the New Shares are likely to trade on ASX or the willingness of persons to apply for, or settle obligations to subscribe for, New Shares, or will, or is likely to, give rise to a liability of that Underwriter (or its respective affiliates) or any of them being involved in a contravention of any applicable law. These "termination events" include:

- a statement in any certificate being given by Bubs in accordance with the Underwriting Agreement being untrue or incorrect, or misleading or deceptive;
- an event of default or review event arising under any existing debt facility or other financial accommodation or Bubs or Group becomes aware of any facts or circumstances which are likely to cause an event of that type;
- disclosures in the working group, verification materials or other information being supplied by or on behalf of Bubs or any of member of the Group to the Underwriters in respect of the Equity Raising being false or misleading or deceptive;
- Bubs committing a breach of the Corporations Act, the ASX Listing Rules or applicable laws, or ASIC determinations or consent orders, or fails to comply with its continuous disclosure obligations under the Corporations Act or the ASX Listing Rules;

UNDERWRITING AGREEMENT

- a representation, warranty, undertaking or obligations given by Bubs in the Underwriting Agreement becoming not true correct or not being performed;
- any aspect of the Equity Raising being not compliant with the Corporations Act, the ASX Listing Rules, any other applicable laws or any regulatory approvals;
- the commencement of legal proceedings against Bubs or any member of Bubs or against any director of Bubs or any director of any member of the Group;
- the constitution of Bubs being varied without the prior written consent of the Underwriters;
- Bubs altering its capital structure without the prior written consent of the Underwriters;
- any adverse change occurring, or there is a development involving a prospective adverse change in the assets, liabilities, financial position or performance, profits or losses or prospects of Bubs and the Group;
- there is introduced into the Parliament of the Commonwealth of Australia or any State or Territory of Australia, a law or prospective law, or any new regulation is made under any statute, or a Government Authority adopts a policy, or there is any announcement that such a law, prospective law or regulation may be introduced or policy may be adopted;
- there being a disruption in trading in all securities quoted on ASX, the London Stock Exchange, the New York Stock Exchange or the Hong Kong Stock Exchange for at least 1 day (or a substantial part of 1 day) on which that exchange is open for trading;
- any hostilities (whether war is declared or not) involving certain countries, or the declaration by any of those countries of a new national emergency or war, or a major escalation of a national emergency by any of those countries, or a significant terrorist attack is perpetrated in any of those countries or any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- a general moratorium on commercial banking activities in Australia, the United States, the United Kingdom or Hong Kong or there being a material disruption in commercial banking or security settlement or clearance services in any of those countries; or
- any adverse change, disruption or escalation of disruptions to financial, political or economic conditions, currency exchange rates or controls or financial markets in Australia, the United States, the United Kingdom, New Zealand, Japan, South Korea, a member state of the European Union, a member of the North Atlantic Treaty Organization, Ukraine, Russia, the People's Republic of China, Hong Kong or Singapore, or the international financial markets.

If the Underwriters terminate their underwriting commitments, the Equity Raising may not raise the full amount proposed to be raised and Bubs may be required to review growth initiatives and/or seek alternative sources of funding to achieve those growth initiatives.

Shortfall

The Underwriting Agreement also provides that an Underwriter will not be issued any shares if the Underwriter would be prohibited or restricted by:

- a) an obligation to notify the Treasurer under the Foreign Acquisitions and Takeovers Act 1975 (Cth);
- b) the application of published Foreign Investment Review Board policy; or
- c) the application of the 20% takeover threshold contained in Chapter 6 of the Corporations Act 2001 (Cth).

UNDERWRITING AGREEMENT

The issue size is approximately 121.2 million shares or 19.8% of the existing shares on issue. If an Underwriter is required to take up shares on issue which would otherwise cause it to breach or notify under these provisions then, for the purposes of ASIC Report 612 (March 2019):

- a) it will still fund its respective proportion of the underwritten proceeds in accordance with and subject to the terms of the Underwriting Agreement and the timetable;
- b) the number of excess shortfall shares would be up to its respective proportion of the number of shares to be issued under the Placement and Entitlement Offer pursuant to the terms of the Underwriting Agreement less the number of shares that have been pre-committed or sub-underwritten and the number of shares that the Underwriter is able to take up without causing it to breach or notify under these provisions when aggregated with any additional interests the Underwriter and its affiliates hold at the relevant settlement dates other than through its underwriting commitment; and
- c) it must continue its best efforts to procure subscribers for those excess shortfall shares and it would enter into an arrangement for any excess shortfall shares to be issued to it, or to third party investors, after close of the Placement and Entitlement Offer at the same price as the Offer Price.

No material impact on control is expected to arise as a consequence of these arrangements or from any shareholder taking up their entitlement under the Entitlement Offer or under the Placement and Entitlement Offer where there is an excess shortfall.

The directors of Bubs reserve the right to issue any shortfall (including any excess shortfall) under the Placement and Entitlement Offer at their discretion. Any excess shortfall may, subject to the terms of the Underwriting Agreement, be allocated to the Underwriters or to third party investors as directed by the Underwriters. The basis of allocation of any other shortfall will be determined by the directors of Bubs at their discretion, taking into account whether investors are existing shareholders, Bubs' register and any potential control impacts.

INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of new ordinary shares ("**New Shares**") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Cayman Islands

No offer or invitation to subscribe for New Shares may be made to the public in the Cayman Islands or in any manner that would constitute carrying on business in the Cayman Islands.

European Union

This document has not been, and will not be, registered with or approved by any securities regulator in the European Union. Accordingly, this document may not be made available, nor may the New Shares be offered for sale, in the European Union except in circumstances that do not require a prospectus under Article 1(4) of Regulation (EU) 2017/1129 of the European Parliament and the Council of the European Union (the "Prospectus Regulation").

In accordance with Article 1(4)(a) of the Prospectus Regulation, an offer of New Shares in the European Union is limited to persons who are "qualified investors" (as defined in Article 2(e) of the Prospectus Regulation).

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). Accordingly, this document may not be distributed, and the New Shares may not be offered or sold, in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

INTERNATIONAL OFFER RESTRICTIONS

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the “FMC Act”).

The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2021.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007 no. 75. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act. The New Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in the Norwegian Securities Trading Act).

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part 13 of the Securities and Futures Act 2001 of Singapore (the “SFA”) or another exemption under the SFA.

This document has been given to you on the basis that you are an "institutional investor" or an "accredited investor" (as such terms are defined in the SFA). If you are not such an investor, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party in Singapore. On-sale restrictions in Singapore may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

INTERNATIONAL OFFER RESTRICTIONS

Switzerland

The New Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange or on any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the New Shares constitutes a prospectus or a similar notice, as such terms are understood under art. 35 of the Swiss Financial Services Act or the listing rules of any stock exchange or regulated trading facility in Switzerland.

No offering or marketing material relating to the New Shares has been, nor will be, filed with or approved by any Swiss regulatory authority or authorised review body. In particular, this document will not be filed with, and the offer of New Shares will not be supervised by, the Swiss Financial Market Supervisory Authority ("FINMA"). Neither this document nor any other offering or marketing material relating to the New Shares may be publicly distributed or otherwise made publicly available in Switzerland. The New Shares will only be offered to investors who qualify as "professional clients" (as defined in the Swiss Financial Services Act). This document is personal to the recipient and not for general circulation in Switzerland.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom. Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

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