

ASX: BUB
Bubs Australia

H1 FY24 Results Presentation

bübs®



26 February 2024



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All currency referred to in this document is in Australian dollars, unless otherwise stated.

A number of figures, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.



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Section 1:

H1 FY24 Financial Results

H1 FY24 PERFORMANCE

Delivering on FY24 strategic priorities

GROSS REVENUE	GROSS MARGIN	OPEX ratio	PORTFOLIO	BALANCE SHEET
<p>\$49.2m</p> <p>+30% vs. H1 FY23¹</p> <p>USA \$24.5m + 102% pcp AUS \$11.2m +15% pcp CHINA \$12.1m -30% pcp ROW \$2.6m -7% pcp</p>	<p>38%</p> <p>+3% vs. H1 FY23²</p> <p>Improvement driven by stronger inventory management, together with geographic and channel optimisation</p>	<p>53%</p> <p>53% vs. 78% in H1 FY23³</p> <p>Effective cost controls in place providing a pathway to profitability in FY25</p>	<p>\$29.5m IMF</p> <p>+12% VS. pcp⁴</p> <p>IMF 75% of revenue Goat 47% of revenue</p>	<p>\$27.4m cash</p> <p>+\$9.8m undrawn debt</p> <p>Net cash used in Operating activities \$12.2m (including non-recurring items), 42% lower than pcp</p>

¹ Gross revenue is a non-IFRS term, non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without trade spend.
² Underlying gross margin is a non-IFRS measure, non-IFRS measures have not been subject to audit or review. Underlying gross margin is excluding net inventories provision for raw materials / bulk
³ Operating expenses to revenue ratio decreased to 53% from 78% in H1FY23, this excludes depreciation and amortisation, and non-recurring costs including FDA, litigation costs and ERP implementation costs
⁴ Excluding Supreme sales

FINANCIAL OVERVIEW

\$'m	1HFY24	1HFY23
Gross revenue¹	49.2	37.9
Revenue	39.4	31.5
Gross margin	19.2	2.5
Underlying gross margin²	14.5	11.0
<i>Underlying gross margin (%)²</i>	<i>38%</i>	<i>35%</i>
Other income / (expense)	0.1	0.1
Operating expenses		
Distribution	(3.3)	(1.9)
Marketing	(5.1)	(6.7)
Employee costs	(7.3)	(7.8)
Administrative and other costs	(5.1)	(8.3)
Underlying EBITDA (loss) / profit⁴	(6.2)	(13.6)
One-off items	(0.5)	(28.4)
Statutory EBITDA (loss) / profit⁴	(6.7)	(42.0)
Depreciation & amortisation	(0.5)	(1.4)
Net Interest income	0.1	0.1
Income tax expense	(0.5)	(0.9)
Net profit / (loss) after tax	(7.7)	(44.4)

- **Revenue** up 25% from prior corresponding period (“pcp”) driven by strong customer demand and growth in USA and Australia. USA comprised 46% of Bubs’ revenue in H1 FY24 (31% in pcp).
- **Gross margin** of \$19.2m (underlying gross margin of 38%)² compared to \$11.0m (35%) in pcp, reflects Bubs’ premium brand and market positioning, improved inventory management, together with geographic and channel optimisation.
- **Operating expenses** to revenue ratio decreased to 53% from 78% in pcp, excluding one-off items.
- **Brand marketing** investment at 13% of revenue decreased from 21% compared with pcp. Driven by increased market spend return on investment focus, the non-recurrence of initial establishment costs in USA incurred in 1H FY23 and phasing.
- **One offs** include the FDA regulatory costs (\$2.7m), litigation costs (\$1.9m) and ERP implementation costs (\$0.6m). A \$5.6m inventory provision was reversed in 1H FY24 to account for the sale of inventories previously written off.

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² Underlying gross margin is a non-IFRS measure, non-IFRS measures have not been subject to audit or review. Underlying gross margin is excluding net inventories provision for raw materials / bulk

⁴ Non-IFRS term. The Group believes this unaudited non-IFRS information is relevant to the user’s understanding of the Group’s underlying financial performance

BALANCE SHEET

\$'m	Dec-23	Jun-23
Cash and cash equivalents	27.4	26.1
Trade and other receivables	15.0	7.9
Inventories	22.8	20.8
Other assets	3.2	2.6
Current assets	68.4	57.4
Plant and equipment	4.1	4.4
Right of use assets	1.6	1.9
Intangible assets	1.2	1.2
Other non-current assets ¹	0.5	0.7
Non-current assets	7.5	8.2
Trade and other payables	19.3	16.7
Other current liabilities ²	3.5	2.6
Borrowings	0.2	2.0
Lease liabilities	0.7	0.7
Current liabilities	23.7	21.9
Lease liabilities	1.4	1.7
Other non-current liabilities	0.2	0.3
Non-current liabilities	1.6	2.0
Net assets	50.7	42.9

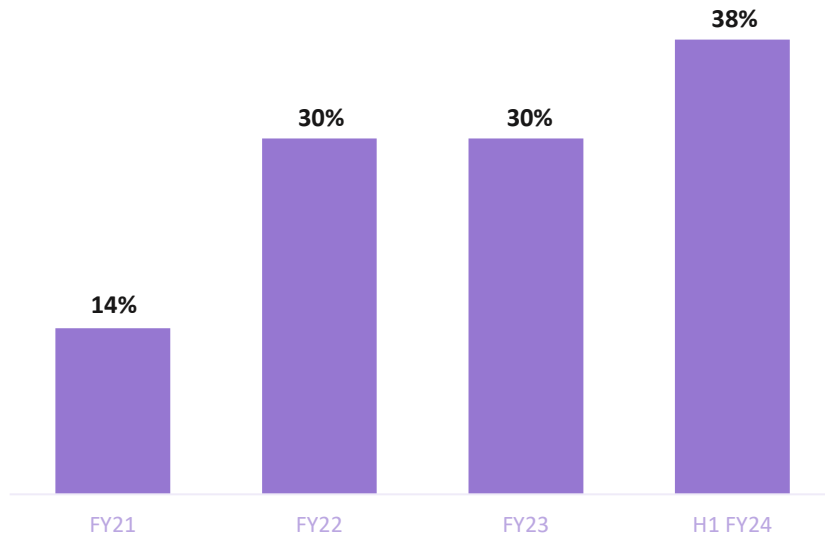
- **Cash and cash equivalents** balance of \$27.4m at Dec-23.
- **Trade and other receivables** increased to \$15.0m, driven primarily by revenue growth in the USA and Australia in 1H FY24.
- **Inventories** were broadly in line with the Jun-23 balance.
- **Intangibles** remained at \$1.2m at Dec-23, following the \$36.2m write down at Jun-23 to brand name (\$4.1m), licence (\$28.9m) and customer contracts (\$3.2m).
- **Trade and other payables** increased by \$2.6m at Dec-23, largely driven by one-off items such as FDA regulatory costs, litigation costs and air freight.
- **Borrowings** of \$0.2m with \$9.8m undrawn headroom at Dec-23.

¹ Other assets includes investment in associates

² Other current liabilities includes contract liabilities and provisions

UNDERLYING GROSS MARGIN OF 38%¹

Focusing on the core product range enabled Bubs' to deliver a 38% underlying gross margin¹

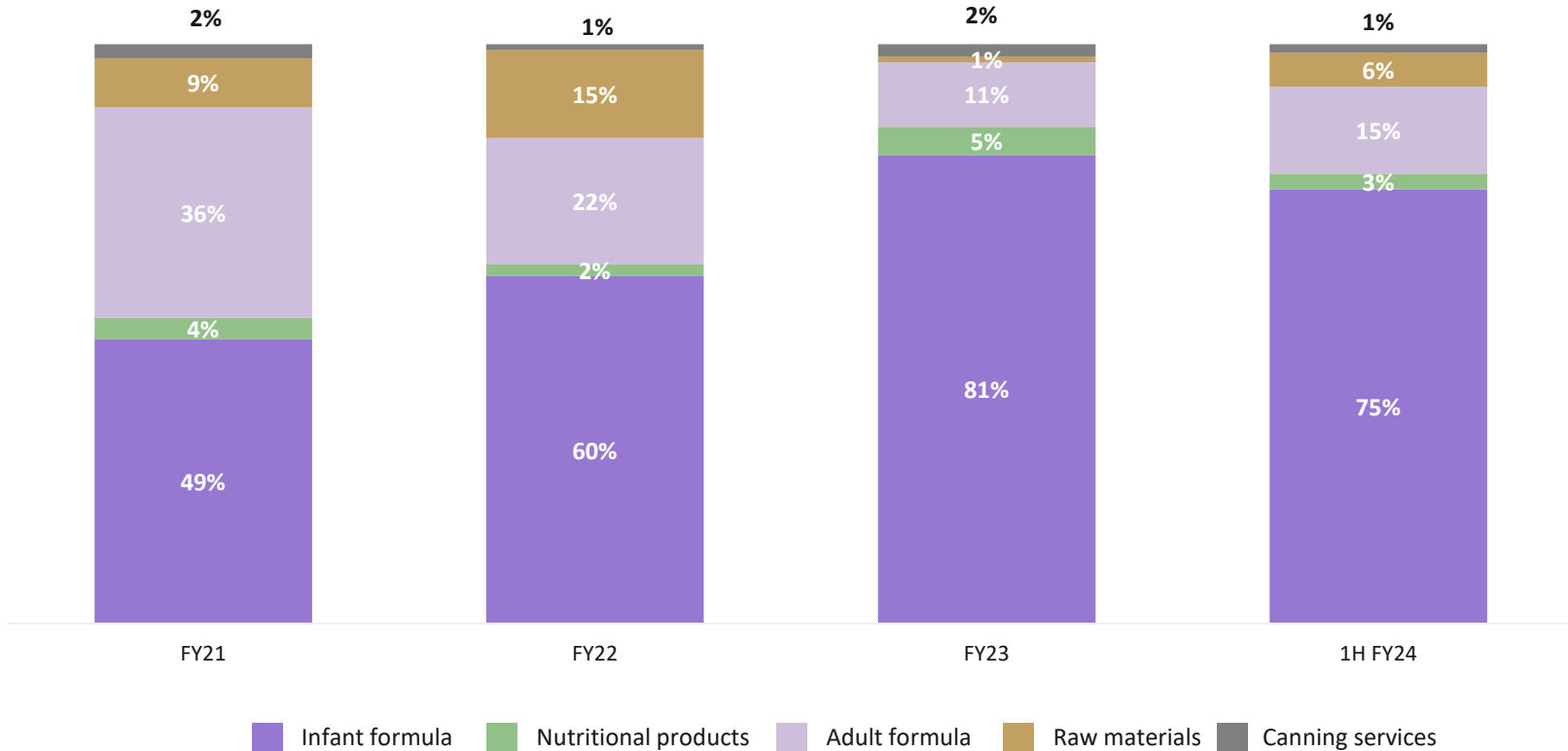


- Underlying gross margin¹ increased in H1 FY24 driven by improved inventory management, together with geographic and channel optimisation. The improved margin is also reflective of Bubs' premium brand and market positioning.
- Bubs' portfolio optimisation strategy is underway, with the business focusing on an improved product mix and reduced bulk sales in FY24. A number of poor performing products have been discontinued.
- FDA-approved products in the USA include higher margin goat and grass-fed bovine infant formula, which have resulted in underlying margins increasing to 38% in H1 FY24.
- Bubs is launching enhanced formulas and refreshed packaging in Q4 FY24 which will strengthen margins for the remainder of FY24 and beyond.

¹ Underlying gross margin is a non-IFRS measure, non-IFRS measures have not been subject to audit or review. Underlying gross margin is excluding net inventories provision for raw materials / bulk

REVENUE STREAMS

75% of Bubs' revenue is derived from the sale of higher margin infant formula



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Section 2: Strategy Update

STRATEGY UPDATE

Bubs' 5 point plan to responsibly manage capital and maximise shareholder value



GROW & MAXIMISE SHAREHOLDER VALUE

FY24 PROGRESS TO DATE

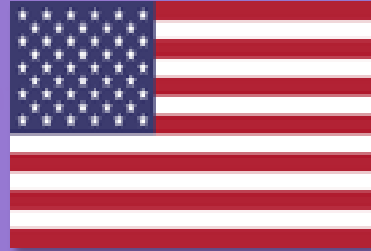
FY24 will see Bubs continue to work towards its strategic priorities outlined in the 5-point strategic plan, and target cash flow breakeven in FY25

Strategic Priority	Update	✓
1 Forecast net revenue of \$80m	Tracking above forecast	✓
2 Gross margin at 40%	Broadly in line on an underlying basis ¹	✓
3 Continued FDA progress	On track with final stage clinical trial underway	✓
4 Target cash burn of \$2.0m per month from Q2 FY24	On track (c. \$2.1m per month actual YTD) ²	✓
5 Maximise opportunities for whole of product portfolio	New products and packaging launching during Q4 FY24	✓
6 Targeting EBITDA and cash flow positive in FY25	On track to be EBITDA and cash flow positive in FY25	✓

¹ Underlying excludes one-off, non-recurring items

² Expected to fluctuate for remainder of FY24 given the working capital investment in commencing 2nd production shift at Deloraine, plus inventory build in USA

USA GROWTH ENGINE



USA GROWTH ENGINE



USA PENETRATION

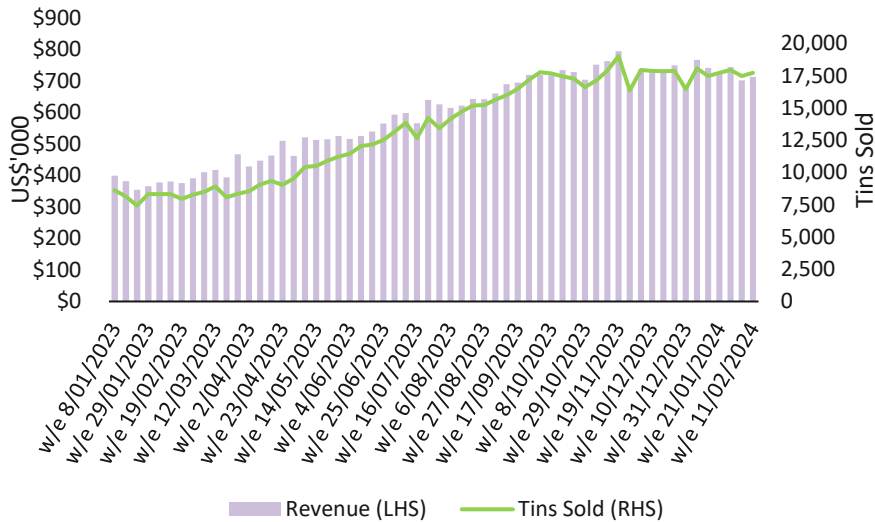
Bubs products are ranged in over 5,800 physical stores across 42 states, in addition to e-commerce channels



\$18.2m
 c. 85%
 revenue
 increase
 vs pcp

USA GROWTH ENGINE

Weekly USA Revenue & Tins Sold



- ✓ Total USA revenue of \$18.2m in H1 FY24, an 85% increase from H1 FY23.
- ✓ #1 goat milk in the U.S, with over 400,000 tins sold in H1 FY24¹ (already exceeded total tins sold in FY23) (bricks and mortar and Amazon sales volume only).
- ✓ Bubs is achieving significant revenue growth across multiple channels in the USA, with total weekly scan revenue averaging US\$0.7m¹ in Dec-23 and Jan-24.
- ✓ Meaningful progress towards permanent FDA access.
- ✓ Capital raising conducted in Nov-23 will enable Bubs to accelerate growth in the USA and position Bubs to pursue profitable growth.
- ✓ The proceeds will be used to invest in inventory to mitigate stock shortages and expand capacity with the second production shift at Deloraine to satisfy increased USA demand.

Grocery & Pharmacy Retail



E-Commerce



Direct 2 Consumer (D2C)



¹Circana Weekly To 11/02/2024 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

² Source: AMAZON Unit Sales Scan Data To W/E 28/01 - Currency USD \$'s

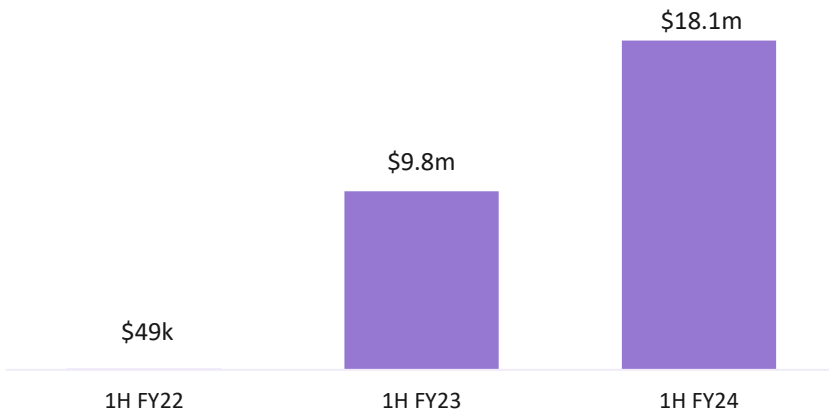


USA CONTRIBUTED 46% OF REVENUE IN H1 FY24

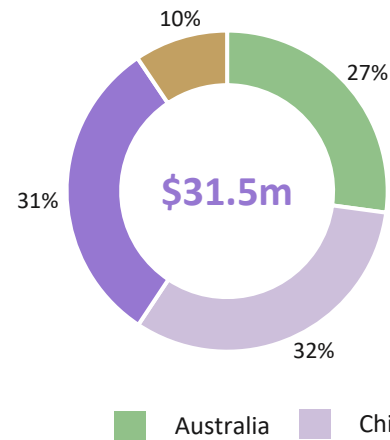
USA continues to be Bubs' most important region

- In FY22, Bubs strategically pivoted to focus on growth in the USA.
- USA contributed 46% of total revenue in H1 FY24, up from 40% in FY23. Total USA net revenue in H1 FY24 was \$18.2m, an 85% increase on pcp.
- Bubs continues to work with the FDA to obtain permanent access to the USA infant formula market, which is worth A\$8b¹.

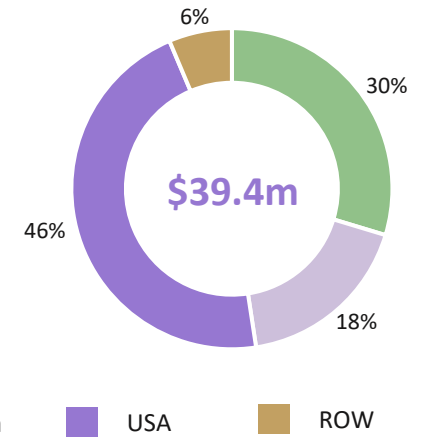
USA Revenue



1H FY23 Revenue



1H FY24 Revenue



¹ Circana MAT To 11/02/2024 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

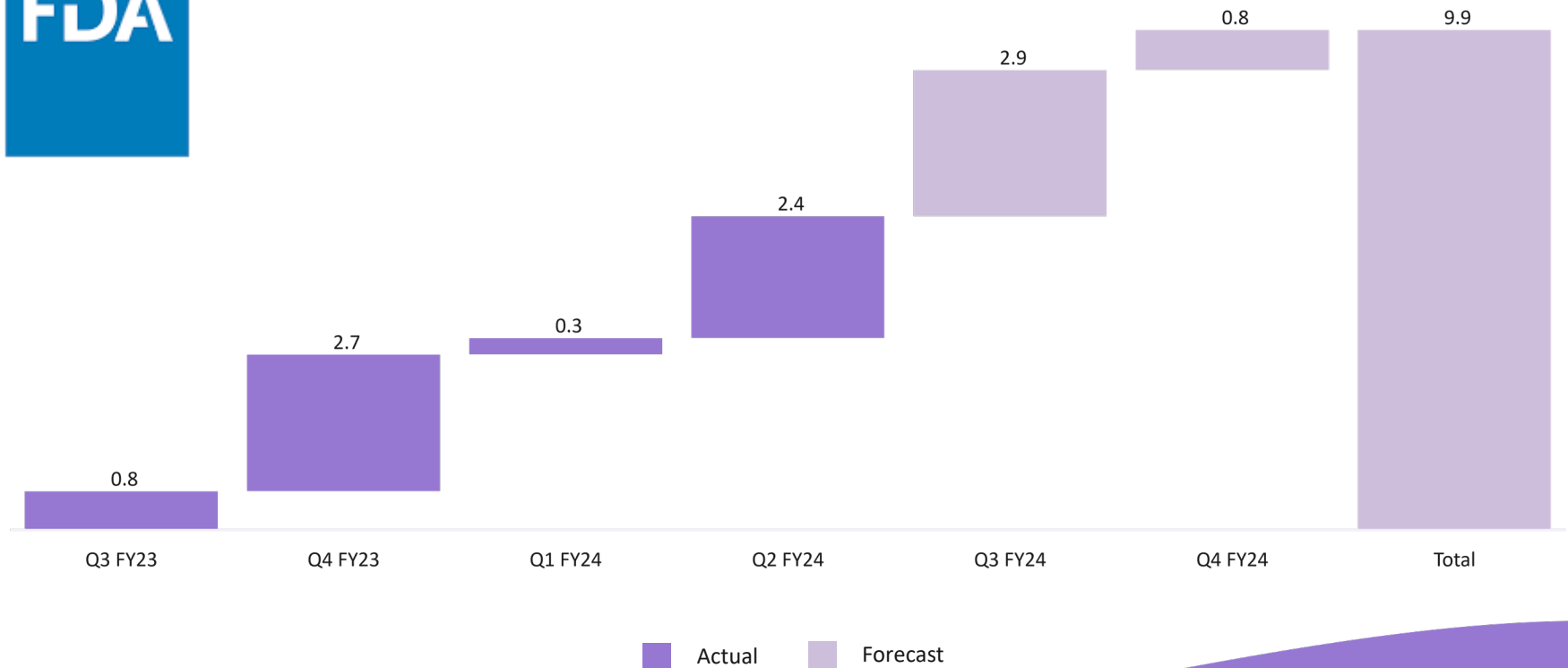
REGULATORY PATHWAY

Bubs is on track for permanent FDA approval by Oct-25, with the USA poised to deliver substantial growth via e-commerce and traditional retail



REGULATORY COSTS

End to end costs associated with obtaining FDA regulatory approval estimated at c. \$9.9M

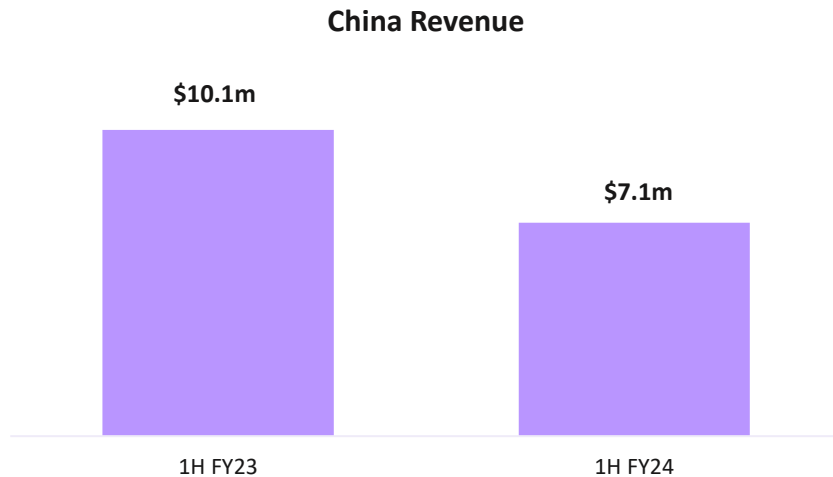


CHINA RESET



CHINA REVENUE

Bubs expects to achieve full year revenue growth in FY24 compared with FY23



- Bubs' China re-set strategy is well underway with two distributors appointed by Bubs to service the Chinese market in H1 FY24
- The inventory overhang in China from Bubs' previous exclusive distributor continues to be heavily discounted in all channels, negatively impacting distributor/daigou confidence in the short to medium term, however this inventory will be cleared by the end of FY24.
- Bubs has a strong pipeline of China specific new product development and innovation to be launched in Q4 of FY24.
- FY24 forecast China to deliver full year revenue growth over FY23.



PORTFOLIO OPTIMISATION



PORTFOLIO OPTIMISATION

Bubs is the global leader in infant & adult goat nutrition, with an estimated market size of A\$4.5bn¹

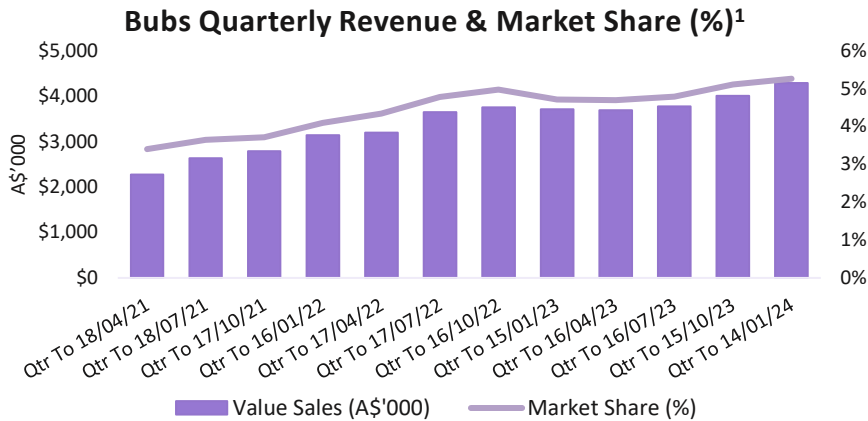
Strategic Priority	Update
1 Hero Brands – Bubs and Caprilac	New look packaging for US and China in Q4 ✓
2 Premiumisation & Repositioning of Organic and Bubs A2 Supreme	Essential to replace A2 Supreme in US market, and Organic transitioning to Grass Fed ✓
3 SKU Rationalisation & Pack Size Changes	New smaller 567gm tin size for US market Q4 ✓
4 Tighter range of food products and improved margins	20% reduction in SKU count (cereals, rusks, bars) ✓
5 NPD and Innovation	New products ready for launch in Q4 and global innovation specialist appointed in January 2024 ✓
6 Invest in our core brands	Marketing investment at c. 13% of revenue vs. target of 15% ✓



¹ Goat Milk Powder – Global Outlook & Forecast 2022 – 2027 – Arizton Advisory & Intelligence

MARKET LEADER IN GOAT FORMULA IN AUSTRALIA

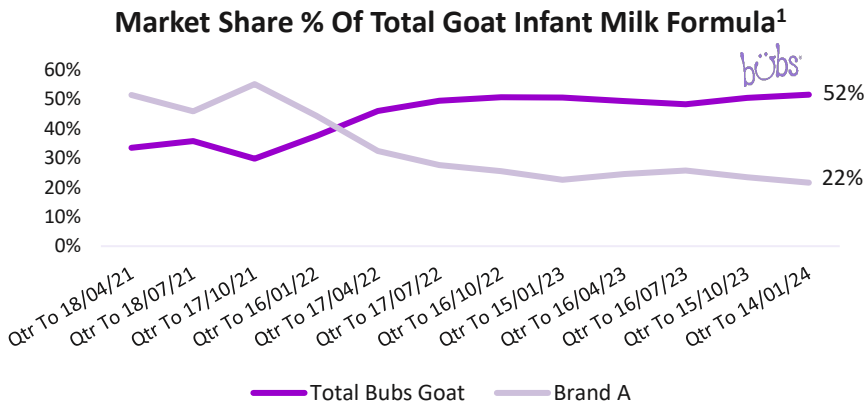
Bubs holds 52% of the domestic goat IMF¹



5.3%
market share of AU IMF¹

52%
market share of goat IMF¹

1
GOAT FORMULA
Market leader across Coles, Woolworths & Chemist Warehouse¹



¹ Circana MAT To 14/01/2024 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined

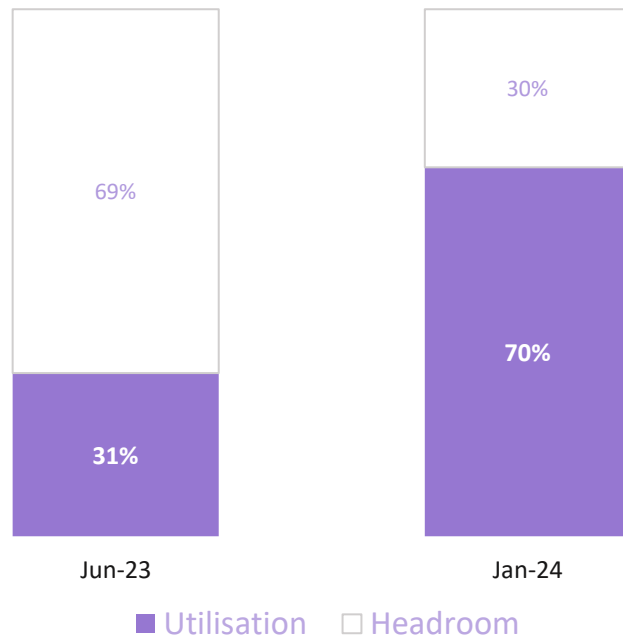
SWEAT THE ASSETS



SWEAT THE ASSETS

Bubs has commenced a second production shift at Deloraine, increasing utilisation to 70%

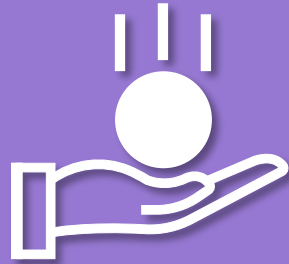
Deloraine Utilisation



- ✓ Capital raising conducted in Nov-23 enabling Bubs to expand production to pursue growth.
- ✓ Second shift production commenced in Jan-24 to service strong demand in the USA and Australia.
- ✓ Daily production currently has now doubled from 12,500 to 25,000 tins.
- ✓ These initiatives will help service increased demand and enable Bubs to lower unit costs in the future.
- ✓ Revenue from second production shift expected in H2 FY24.



WORKING CAPITAL



WORKING CAPITAL & CASH FLOW

Bubs expects it will be cash flow positive with positive trading EBITDA in FY25

Cash Burn in H1 FY24



- Management target cash burn is \$2.0m per month from Q2 FY24¹ for FY24.
- Actual average monthly cash burn was \$2.1m for Jul-23 to Dec-23, noting this includes non-recurring costs such as FDA regulatory costs (\$2.7m), litigation costs (\$1.9m), ERP implementation costs (\$0.6m) and airfreight (\$1.3m).
- Excluding the above non-recurring costs, normalised cash burn was \$1.0m per month.
- Broadly in line with target despite significant one-off costs, expected to fluctuate for remainder of FY24 given the working capital investment involved in commencing a second production shift at Deloraine.
- Inventory build in the USA will also impact timing of future cash flows.

¹ Per ASX strategic review announcement 6 July 2023

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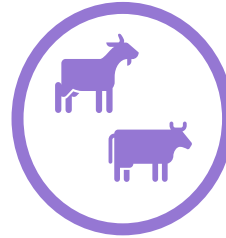
Section 3: Investment Highlights

THE BUBS INVESTMENT PROPOSITION

Bubs is a global market leader with a differentiated premium goat-based product offering, operating in both the IMF and Adult Nutrition categories.



US \$100B+ global addressable market with a 5-10% CAGR



Differentiated premium goat-based product offering supported by growing bovine range in both IMF and Adult Nutrition



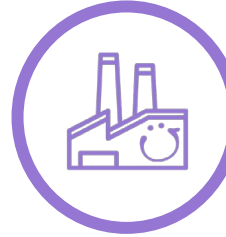
Bubs has a capital light asset base with operating leverage and significant scope to sweat the assets



Bubs is growing rapidly in the US market where penetration is low, providing a long runway for sustained growth



Australian provenance, reputation and access to high quality dairy ingredients



The only US FDA approved infant formula manufacturing facility in Australia, with permanent regulatory approval expected in 2025

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Section 4: Outlook

OUTLOOK

FY24 will see Bubs continue to work towards its strategic priorities outlined in the 5-point strategic plan, and target cash flow breakeven in FY25

GROUP STRATEGIC FOCUS

With the business having reset after a disrupted FY23, the focus is on continuing the strong growth in the USA whilst diversifying distributor reliance in China, rationalising SKUs to boost margins, increasing asset utilisation and ensuring cost discipline to achieve cash flow breakeven in FY25





Section 5:

Appendix

H1 FY24 STATUTORY NET LOSS RECONCILIATION

\$'m	Per Financial Statements	Inventory Provision ²	FDA Growth Study	Legal Costs	ERP	Underlying outcome
Gross Revenue¹	49.2	-	-	-	-	49.2
Trade Spend ¹	(9.8)	-	-	-	-	(9.8)
Revenue	39.4	(1.6)	-	-	-	37.8
Cost of Sales	(20.2)	(3.1)	-	-	-	(23.3)
Gross margin	19.2	(4.7)	-	-	-	14.5
Other income / (expense)	0.1	-	-	-	-	0.1
<i>Operating expenses</i>	-	-	-	-	-	-
Distribution	(3.3)	-	-	-	-	(3.3)
Marketing	(5.1)	-	-	-	-	(5.1)
Employee costs	(7.3)	-	-	-	-	(7.3)
Administrative and other costs ³	(10.4)	-	2.7	1.9	0.6	(5.1)
Impairment	-	-	-	-	-	-
EBITDA	(6.8)	(4.7)	2.7	1.9	0.6	(6.2)
Depreciation & Amortisation	(0.5)	-	-	-	-	(0.5)
EBIT	(7.2)	(4.7)	2.7	1.9	0.6	(6.7)
Net finance costs	0.1	-	-	-	-	0.1
Profit / (Loss) before income tax	(7.2)	(4.7)	2.7	1.9	0.6	(6.6)
Income tax expense	(0.5)	-	-	-	-	(0.5)
NPAT	(7.7)	(4.7)	2.7	1.9	0.6	(7.1)

The Group believes this unaudited non-IFRS information is relevant to the user's understanding of the Group's underlying financial performance

¹ Gross revenue and trade spend are non-IFRS measures. Non-IFRS measures have not been subject to audit or review and not included in the financial statements. Gross revenue represents the revenue recognised without rebates and marketing contribution.

² \$10.3m of inventory was sold during 1H FY24 which was previously recognised as obsolete. The portion relating to raw materials / bulk has been excluded

³ Includes non-recurring one-off costs such as FDA related costs (\$2.7m), legal costs (\$1.9m), and ERP implementation costs (\$0.6m)

H1 FY23 STATUTORY NET LOSS RECONCILIATION

\$'m	Per Financial Statements	Inventory Provision ²	Impairment	Underlying outcome
Gross Revenue¹	37.9	-	-	37.9
Trade Spend ¹	(6.4)	-	-	(6.4)
Revenue	31.5	-	-	31.5
Cost of Sales	(28.9)	8.4		(20.5)
Gross margin	2.5	8.4	-	11.0
Other income / (expense)	0.1	-	-	0.1
<i>Operating expenses</i>	-	-	-	-
Distribution	(1.9)	-	-	(1.9)
Marketing	(6.7)	-	-	(6.7)
Employee costs	(7.8)	-	-	(7.8)
Administrative and other costs	(8.3)	-	-	(8.3)
Impairment ³	(20.0)	-	20.0	-
EBITDA	(42.0)	8.4	20.0	(13.6)
Depreciation & Amortisation	(1.4)	-	-	(1.4)
EBIT	(43.4)	8.4	20.0	(15.0)
Net finance costs	(0.1)	-	-	(0.1)
Profit / (Loss) before income tax	(43.5)	8.4	20.0	(15.1)
Income tax expense	(0.9)	-	-	(0.9)
NPAT	(44.4)	8.4	20.0	(16.0)

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¹ Gross revenue and trade spend are non-IFRS measures. Non-IFRS measures have not been subject to audit or review and not included in the financial statements. Gross revenue represents the revenue recognised without rebates and marketing contribution.

² Adjustment for \$8.4m inventory provision

³ Non-cash impairment was recognised in H1 FY23 relating to the Deloraine Dairy cash generating unit driven by timing of State Administration for Market Regulation (SAMR) resubmission



Thank you

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