



HILLCREST LITIGATION SERVICES LIMITED

5 December 2016

ASX ANNOUNCEMENT

BUBS AUSTRALIA INVESTOR PRESENTATION

Hillcrest Litigation Services Limited (ASX Code: HLS) (Company) is pleased to provide an Investor Presentation on Bubs Australia.

Hillcrest's AGM will occur on the 8 of December 2016 where Shareholders will vote on a number of resolutions including the acquisition of Bubs.

Jay Stephenson
COMPANY SECRETARY



bubs®

\$5.15M CAPITAL RAISE
NOVEMBER 2016

BUBS AUSTRALIA INVESTOR

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A number of the key risks to investing in Bubs securities are identified in Section 9. You should consider the prospectus in full before making a decision whether to invest in Bubs.

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EXECUTIVE SUMMARY

Business Model

Products &
Markets

- ☺ Established in 2005
- ☺ Product portfolio includes a wide range of infant nutritional products, including prepared food brand Bubs Organic
- ☺ Recently launched Bubs Advanced Plus Goat Milk Infant Formula a key differentiator from peers
- ☺ Bubs products are sold in over 1,000 stores in Australia across major supermarkets and health / organic food stores
- ☺ Available on fast growing cross border e-commerce platforms in China including Tmall Global, JD.com and exported to selected markets in SE Asia and the Middle East
- ☺ Key opportunity to fast track China growth with Board and cornerstone investors having highly relevant market insights and connections

EXECUTIVE SUMMARY

Business Model

Operational
Strengths

- ☺ The business is highly scalable
- ☺ Logical brand and product extensions will support domestic and international growth
- ☺ Senior management have 40 collective years of experience in the FMCG and infant food industry, including Bubs, Mars Inc., HJ Heinz, PZ Cussons and five:am organics
- ☺ Highly experienced in supply chain management and control
- ☺ Asset light production model

EXECUTIVE SUMMARY

The Offer

- ☹ 51.5m shares at an issue price of \$0.10 per Share to raise \$5.15m
- ☹ Shell of HLS valued at \$2.2m
- ☹ Bubs vended in at valuation of \$16.3m
- ☹ **\$23.9m valuation post money**

Financial Imperatives & Deal Structure

- ☹ From a relatively low sales base now, Bubs seeks to grow materially both domestically and offshore - particularly China.
- ☹ There are four key factors that are critical to delivering the future growth of the business: i) Increased Market penetration, ii) Enhanced Asian Focus, iii) Brand Awareness & Impact at Point of Purchase, and iv) Innovation & Product Development.
- ☹ Use of funds:
 - ☹ \$2.1m Working Capital and Corporate Administration
 - ☹ \$1.1m Marketing and brand development costs
 - ☹ \$0.85m Business development and expansion
 - ☹ \$0.8m Expanding Distribution Channels
 - ☹ \$0.4m Expenses of the Offer

KEY PEOPLE & SHAREHOLDERS

EXECUTIVES

Ms Kristy Carr – Proposed Executive Director and CEO

Co-founder with an in-depth knowledge of the infant category. Prior to co-founding the BUBS brand, Ms Carr lived in Asia and was International Communications Strategist for Cathay Pacific.

Mr Nicholas Simms – Commercial Director Infant Milk Formula

Mr Simms is an FMCG specialist with over two decades of experience in management positions within leading FMCG companies including Mars Inc. HJ Heinz, PZ Cussons & five:am the market leading producer of organic yoghurt and cereals.

Mr Anthony Gualdi – Operations Director

Prior to co-founding BUBS, Mr Gualdi founded Shakespeare's Pies, which he grew from one to 80 retail stores. Mr Gualdi's experience in infant food includes studies in Natural Medicine and Nutrition.

BOARD

Mathew Reynolds – Proposed Non-Executive Director

A Partner at HWL Ebsworth lawyers who specialises in capital markets, debt capital markets and mergers and acquisitions including private equity. He is a member of both the Queensland Law Society and Company Law Committee, Queensland Law Society.

Dennis Lin – Proposed Non-Executive Director

A Partner of BDO in Australia and the firm's China Advisory Services leader. He advises on commercial aspects of transactions to foreign entrepreneurial investors on merger and acquisition and capital markets activities, with particular interests in food and agribusiness, and technology sectors.

Mr Alan van Noort – Chairman and Non-Executive Director

A Barrister and Solicitor who was admitted to practice in the Supreme Court of Western Australia in 1979. Mr van Noort practised law in Perth, Western Australia, specialising in the areas of mining law, public company law, mergers and acquisitions and shareholders' rights.

SHAREHOLDERS

Next Step Global

41.2m Shares 17.3%

Ellerston Capital Limited

32.7m Shares 13.7%

Carr Family Pty Limited

20.3m Shares 8.5%

Infant Food Business Pty Limited

20.3m Shares 8.5%

WF Investment Holdings Pty Ltd

19.9m Shares 8.3%

WHO IS BUBS AUSTRALIA

“If we can create a love of healthy food from the beginning, we will have built the foundations to last a lifetime.”

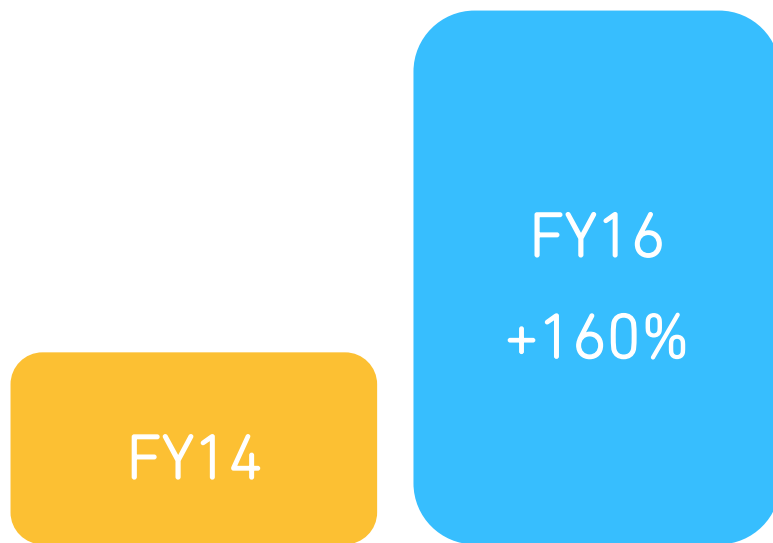
- ☺ Bubs has been selling premium quality Australian infant nutrition products for over a decade, in leading retailers including Coles
- ☺ Bubs' portfolio includes an extensive range of Organic Baby Food, Cereals and unique Goat Milk Infant Formula
- ☺ 1st organic baby food pouch to launch in Australia and certified by Australia's largest and most trusted certification body ACO
- ☺ No additives, preservatives, GMO's, salt or sugar
- ☺ Member of Infant Nutrition Council and signatory of MAIF agreement.
- ☺ Recipient of multiple industry and consumer awards, including 2016 National Finalist in ACO's Annual Awards
- ☺ Australian owned & made



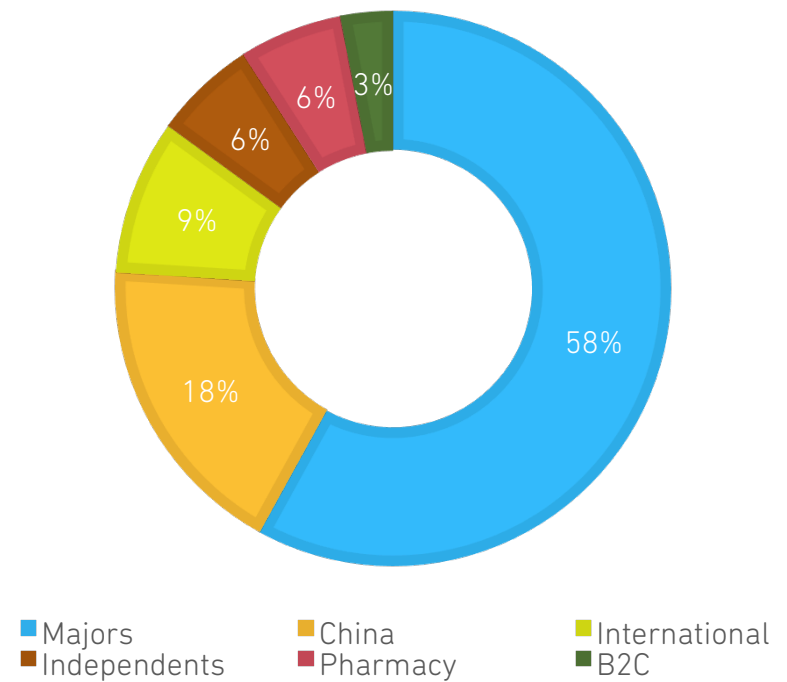
BUSINESS MIX

BUBS is focused on expanding its distribution footprint to further mitigate risk, as well as benefit from margins accretive opportunities available outside Australia

Revenue Growth



Channel Mix FY17 YTD



SOCIAL MEDIA SUCCESS

Bubs leads in online community engagement, and a strong presence in China

- 🕒 Bubs is the fastest growing social community in the baby food formula category +617% this year
- 🕒 Highest engagement rate over the past 6 months
- 🕒 Endorsed on WeChat by Bubs investor Nancy Zhang a key influencer in China, involved in the China Children's & Teenagers Foundation (CCTF), Honorary Director of JD Charity Foundation
- 🕒 Last week when Nancy's investment in Bubs was discovered, it was the most viewed post on the news app 'NetEase' which has 400m subscribers.
- 🕒 Endorsement generated over a 50% uplift in Brand impressions in China

Page		Total Page Likes	From Last Week	Posts This Week	Engagement This Week
1	Bellamy's Organic	113.1K	▲0.2%	30	158
2	Heinz For Baby Australia	49.9K	0%	0	0
3	S-26 Gold Toddler Austr...	38.5K	▲1.5%	3	315
4	Rafferty's Garden	34.3K	▲1%	4	352
5	Only Organic Australia	29.7K	0%	11	29
6	Bubs	28.2K	▲2.5%	16	2.4K
7	NAN Toddler Talk	17.3K	0%	0	0
8	Karicareline ANZ	15.3K	▲1.2%	1	1.5K
9	Annabel Karmel Australia	14.7K	▲0.2%	10	109
10	a2 Platinum Toddler	13.6K	▲0.2%	1	4.4K
11	Whole Kids	12.6K	0%	5	67
12	Halal Bubs Baby Food	6.4K	▲0.6%	7	197
13	Kiddycious Australia	6K	0%	0	0
14	Little Bellies	4K	▲0.1%	0	0
15	Oti Dairy Goat Toddler...	690	▲1.2%	1	5





VISION

☺ To inspire new generations of healthy, happy bubs.

VALUES

☺ goodness, honesty, very best, playfulness

PERSONALITY

☺ informed, nurturing, adventurous, sunny

PRESENTATION TITLE

A close-up photograph of a baby with light hair and blue eyes, wearing a white long-sleeved shirt. The baby is holding a small, colorful globe of the Earth with both hands. The background is softly blurred, showing what appears to be a window with natural light.

STRATEGIC PRIORITIES

There are four key factors that are critical to delivering the future growth of the business

Increased
Market
Penetration

Enhanced
Asian
Focus

Brand
Awareness &
Impact

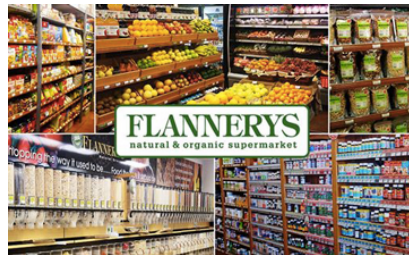
Innovation &
Product
Development

1.

INCREASED MARKET PENETRATION

Opportunities to greatly improve availability of products through key domestic retailers

- ☺ Increased ranging in key retail accounts
- ☺ Greater distribution across major grocery and independent supermarkets
- ☺ Build on already established key pharmacy accounts and distributor partnerships
- ☺ Broaden range in key organic & health food stores
- ☺ Market share gained by improved points of distribution



2.

ENHANCED ASIAN FOCUS

Build upon our current Asian activities with key partners to leverage Bubs certified organic status and Australian provenance

- ☺ Demand for Australian made baby food & formula continues to grow internationally
- ☺ Leverage Australian provenance to build upon our current sales in China & South East Asia
- ☺ Dedicated resources to enable Asian business strategy – Sales, Marketing, Operations
- ☺ Leverage our existing relationships and connections with leading retail & eCommerce operators to build brand awareness
- ☺ Brand marketing activities & communications to create awareness of Bubs products



3.

BRAND AWARENESS & IMPACT

Drive awareness and reaffirm brand credentials through brand refresh & investment to support growth

- Updated packaging & creative communications
- Digitally recruit and retain new consumers
- Brand engagement via key opinion leaders & earned communications that resonate
- Actively champion Australian Certified Organic 'ACO' in the baby category
- Optimise promotional & marketing effectiveness to build average rate of sale & purchase value



BRAND REFRESH

**LONI JANE**
[@lonijane](#)
401k Instagram followers
1.24% Engagement rate
1.2k Facebook followers

**HOUSE OF WHITE**
[@houseofwhite](#)
43.2k Instagram followers
1.32% Engagement rate
39.5k Twitter followers

**APPLES UNDER MY BED**
[@heldiapples](#)
23.8k Instagram followers
1.51% Engagement rate
1.1k Facebook followers

KEY OPINION LEADERS

4.

PRODUCT INNOVATION & DEVELOPMENT

Catering for all stages of development from newborn to toddler, to inspire new generations of healthy, happy Bubs

- ☺ Focus on infants & toddler products for every stage of a baby's development
- ☺ Disrupt the market & drive growth by participating in higher value category segments
- ☺ Increase relevance to retailers in both domestic & international markets
- ☺ Leverage existing commercial relationships to gain rapid market penetration
- ☺ Be commercially innovative



DRIVERS OF GROWTH

Bubs strategic journey is focused on the four key factors that will deliver the future growth of the business



RISKS

Set out below are some of the specific risks that Bubs is exposed to:

Brand and reputation

Established in 2005, Bubs now has a wide range of infant nutrition products, including prepared food brand Bubs Organic and the more recently-launched Bubs Advanced Plus Goat Milk infant formula.

Change in regulation

Management of continuing regulatory changes, particularly in relation to Chinese food safety and cross border regulations.

Manufacturing & Supply

Partnerships to ensure continuity of supply and quality standards are maintained as demand grows.

Key Personnel

Reliance and concentration on key personnel in particular Kristy Carr, Anthony Gualdi, & Nicholas Simms.

Product contamination and recall

Product contamination and/or product recall could have a material adverse effect on the Bubs brand and thereby its financial performance and future prospects.

Re-quotations of Shares on ASX

A risk that the Company may not be able to meet the requirements of the ASX for re-quotations of its Shares on the ASX. Should this occur, the Shares will not be able to be traded on the ASX until such time as those requirements can be met, if at all.

KEY OFFER DETAILS

Offer Terms

• Offer Price per share	\$0.10
• Total number of New Shares to be sold under the Offer*	51.5m
• Total number of shares post-IPO	238.54m
• Amount to be raised under the Offer	\$5.15m
• Implied Market Capitalisation at the Offer price	\$23.9m
• The Offer is not underwritten	

*The Shares offered under the Offer will rank equally with the existing Shares on issue

Use of Funds

Working Capital and Corporate Administration	\$2.091m
Marketing and brand development costs	\$1.137m
Business development and expansion	\$0.85m
Expanding Distribution Channels	\$0.8m

Key Dates

Lodgement of Prospectus with the ASIC	14 November 2016
Annual General Meeting held to approve the Acquisition	8 December 2016
Closing Date for the Offer	8 December 2016
Issue of Shares & Settlement of Acquisition	15 December 2016
Expected date for Re-quotations of shares on ASX	23 December 2016

CONTACT DETAILS

COMPANY



The Infant Food Holding Co. Pty Ltd
Unit 2-4, 6 Tilley Lane
Frenchs Forest NSW 2086

LEAD MANAGER



PAC Partners Pty Ltd
Level 10 330 Collins Street
Melbourne VIC 3000



Commercial in Confidence

FINANCIALS

APPENDIX ONE

CAPITAL STRUCTURE

	Number	%	At Issue Price	\$M
Shares on issue in HLS (Pre Consolidation)	371.2m			
Post Consolidation Shares on Issue in HLS	22.3m	9%	\$0.10	2.2
Consideration Shares to be Issued to Bubs Shareholders	163.4m	68%	\$0.10	16.3
Amount to be raised under the Offer	51.5m	22%	\$0.10	5.2
Shares to be Issued to Creditors of The Company	1.4m	1%	\$0.10	0.1
TOTAL SHARES	238.5m			23.9

Options :

- Options to be issued to PAC Partners Pty Ltd (or its nominees) 5.84m
- Terms: Unquoted options exercisable at \$0.10 on or before that date which is three (3) years after their date of issue, subject to the vesting condition (the Share price equaling \$0.125) being met
- Options to Nicholas Simms (or his nominees) 3.578m
- Further details regarding the capital structure of the Company are contained in the accompanying Prospectus

INCOME STATEMENT

\$000	2016	2015	2014
Revenue from continuing operations			
Gross Sales	4,348	2,006	1,558
Less trading rebates	(298)	(187)	0
Revenue	4,050	1,819	1,558
Cost of sales	(2,812)	(1,449)	(1,293)
Gross Profit	1,238	370	265
Other Income	0	177	44
Distribution and selling costs	(243)	(225)	(99)
Employee costs	(775)	(113)	(242)
Marketing and promotion costs	(781)	(20)	(15)
Rent	(67)	(34)	(37)
Administrative and other costs	(391)	(321)	(314)
Depreciation, amortisation and impairments	(88)	(81)	(971)
Earnings before net interest and tax (EBIT)	(1,107)	(247)	(1,369)
Net interest expense	(200)	(133)	(37)
Profit before tax	(1,307)	(380)	(1,406)
Income tax expense	19	19	16
Loss for the year	(1,288)	(361)	(1,390)

BALANCE SHEET

\$000	2016	2015	2014
Assets			
Current Assets	5,303	1,016	947
Non-Current Assets	1,438	1,408	1,479
Total Assets	6,741	2,424	2,426
Liabilities			
Current Liabilities	1,136	1,955	1,579
Non-Current Liabilities	266	241	256
Total Liabilities	1,402	2,196	1,835
Net Assets	5,339	228	591



THE MARKET

APPENDIX TWO

THE MARKET

Global Baby Food & Formula Market worth \$70 Billion – Allied Market Research (2015) “World Baby Food Market”

- ☺ Growing demand is attributed to rapid urbanization, the growth of the middle class and rising rates of female participation in the workforce in developing markets; has encouraged the adoption of convenience-oriented lifestyles, making baby formula and prepared baby foods more desirable – Zenith International (2014)
- ☺ Globally pouch value sales increased 28% between 2013 & 2014 – Nielsen (2015) “Global Baby Care Survey”
- ☺ Global value sales of organic baby food increased 26% over the past two years, while non-organic baby food products declined 6% – Technavio Research (2016) “Global Organic Baby Food Market”
- ☺ Rising consumer awareness about the health benefits of reduced pesticide residues in food product, sees the organic baby food market predicted to grow at a CAGR of around 12% between 2016 & 2020 – Technavio Research (2016)
- ☺ The world’s constantly expanding population is, in turn, helping to drive global demand for infant milk formula - China is still driving the baby food and drink market with double-digit growth in both volume and value
- ☺ Asia Pacific region accounts for 53% of the baby formula global sales value share, & leads the way in online baby care purchasing, which is a key catalyst for consumption growth
- ☺ Despite the changes in China’s eCommerce regulations, demand is still strong, & with the relaxation of the one China policy this will be one of the biggest drivers for future growth



Commercial in Confidence

BACKGROUND

APPENDIX THREE

BACKGROUND

Bubs was the first organic pouch to hit Australian supermarket shelves, and later successfully launched a premium Goat Milk Infant Formula range. Bubs products are now sold in over a thousand stores both domestically and internationally.

