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## **ASX DISCLOSURE: Bubs Australia Limited (ASX:BUB)**

### **INVESTOR PRESENTATION**

**Sydney 9 August 2017:** Bubs Australia Limited attaches a copy of an investor presentation made today, outlining its current business and route to market strategy for China.

As part of the presentation visiting Chairman of Brilite Nutritionals (Shanghai) and appointed Bubs Australia Chief Operating Officer for Mainland China, Charles Li presented key aspects of the Infant Milk Formula market in China.

Brilite Nutritionals is Bubs Australia's partner and authorised distributor in China, and directly supplies over 2,000 Mother and Baby stores. This agreement was announced to the ASX on 8 June 2017.

Yours faithfully

A handwritten signature in black ink, appearing to be "Jay Stephenson".

Jay Stephenson  
**Company Secretary**

#### **Media and Investor Inquiries:**

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#### **About Bubs Australia Limited**

Bubs Australia develops, produces and markets a premium range of Australian made infant milk formula and organic baby food products sold throughout Australia and exported to multiple countries in the Middle East and Asia.

For general information contact:

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[www.bubsaustralia.com](http://www.bubsaustralia.com)

A close-up photograph of a baby with light skin 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 a bright, out-of-focus window with white curtains.

bübs<sup>®</sup>  
organic

INVESTOR BRIEFING  
AUGUST 2017

smile from the inside™



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# BUBS AUSTRALIA (ASX:BUB)

Bubs® is in the business of developing, marketing and selling premium infant nutrition products in targeted domestic and international markets.

- ☺ Providing premium infant nutrition products for over a decade
- ☺ Scalable business serving the domestic market with measured international growth
- ☺ Bubs® range includes organic baby food, cereals and goat milk infant formula
- ☺ 1st organic baby food to launch in Australia
- ☺ Certified Organic by Australia's largest and most trusted certification body ACO
- ☺ Recipient of multiple industry and consumer awards
- ☺ Australian made



A close-up photograph of a baby wearing a bright yellow, plush duck costume. The baby has blue eyes and is smiling broadly, looking towards the right side of the frame. The background is a soft, out-of-focus light blue and white. In the top right corner, there is a purple rounded rectangle containing the text 'OUR VISION'.

## OUR VISION

To inspire new  
generations of  
happy, healthy  
bubs

## OUR VALUES

### Goodness

Wholesome, healthy food and a positive approach to life.

### Very Best

Being thorough and uncompromising, sticking to our ethics no matter what.

### Honesty

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

### Playfulness

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

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 light coming through.

# STRATEGIC PRIORITIES

Four key pillars critical to delivering the future growth of the business:

Increased  
Domestic Market  
Penetration

Enhanced  
Asian  
Focus

Brand  
Awareness  
& Impact

Innovation  
& Product  
Development

# INCREASED MARKET PENETRATION

Store count has doubled since listing Jan'17, improving availability of Bubs® products through key domestic grocery and pharmacy retailer accounts

- ☺ Q4 gross revenue was \$1.41 million, up 19% on Q3 & 35% on same period the previous year
- ☺ Domestic sales accounted for 77% of Q4 revenue
- ☺ Ranging of Bubs® Infant Formula in an incremental 201 stores across Coles & Big W nationally
- ☺ Bubs® Infant Formula sales in wholesale chain Costco continue to grow
- ☺ Pharmacy continues to expand via Chemist Warehouse, Sigma & Symbion distribution
- ☺ Partnered with HealthOne, Australia's leading Healthcare field marketing services provider

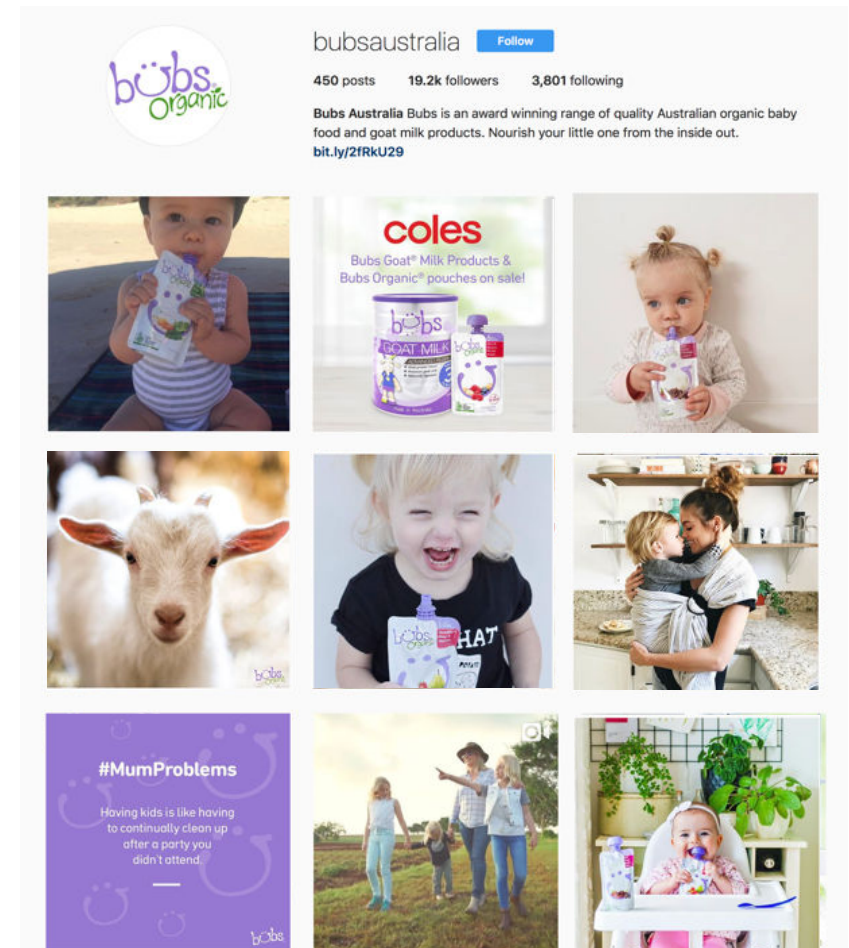




# BRAND AWARENESS & IMPACT

Bubs® has the second largest social community of any Australian baby food or formula brand; with over 80,000 Facebook & Instagram followers

- 🕒 Refined marketing communications underpins Bubs unique point of difference: Premium - Purity – Provenance
- 🕒 'Project Smile' new look packaging in production across all product assortments
- 🕒 KOL campaigns have driven 'mum to mum' word of mouth with in excess of 2.5 million consumers with positive levels of engagement
- 🕒 Growing rich data inventory enables Bubs® to reach targeted consumers across channel, device & country
- 🕒 New digital products being developed to redefine our customer experience and deepen their bond with Bubs® brand
- 🕒 Continue to investment in marketing to support growth



# PRODUCT INNOVATION & DEVELOPMENT

Bubs® continues to innovate to cater for all stages of development during the first 1,000 days of mum's journey to nourish their baby, from newborn to toddler.

- ☺ Engaged & secured key production partners to meet our innovation manufacturing requirements
- ☺ Pipeline of new innovative products for every stage of a baby's development has been established
- ☺ Positive feedback & imminent ranging outcomes in both domestic & international markets
- ☺ Investment in supply chain capability; demand driven & agile enough to meet changing market needs
- ☺ Continuity of supply of quality key bills of materials
  - no take or pay
- ☺ Enhancing supply chain scalability & capability
  - remaining agile in response to changing circumstances



A close-up photograph of a baby with light skin 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 bright and out of focus, suggesting an indoor setting with large windows.

## CHINA UPDATE

A focus on Asia has been a key strategic pillar critical to delivering the future growth of the business

- 🕒 Brilite partnership
- 🕒 Value Share % By Channel
- 🕒 Goat IMF Segment
- 🕒 Bubs® Key Differentiator
- 🕒 Key Sales Channels
- 🕒 Regulatory Progress

# BRILITE PARTNERSHIP

The first step to achieving success was to secure the right partner & Brilite gives Bubs® a strategic advantage to execute our distribution strategy in Mainland China

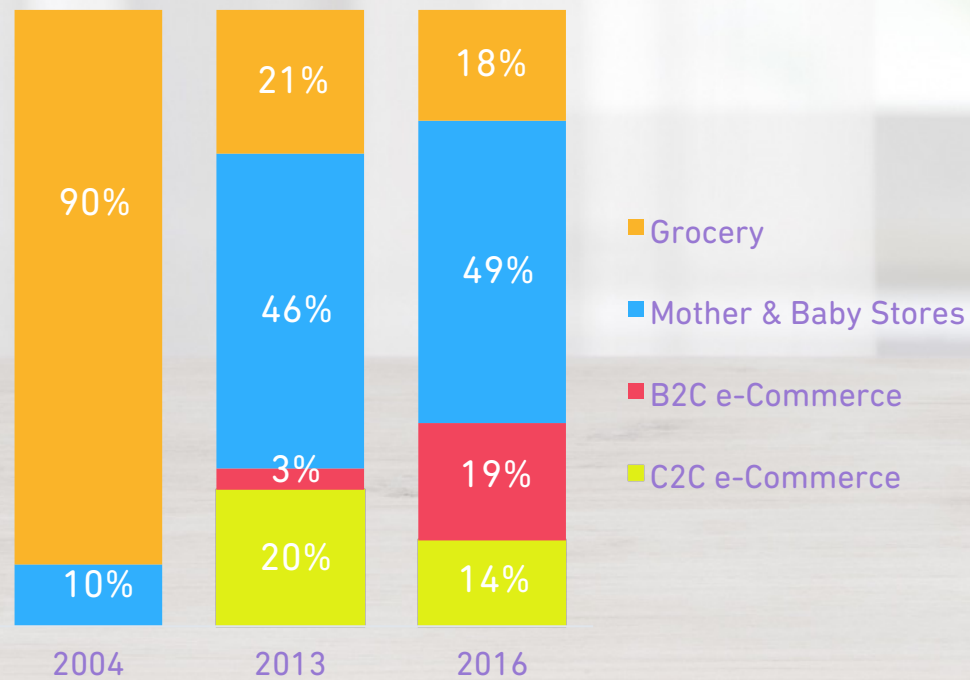
- ☺ Brilite Nutritionals has been appointed as Bubs® exclusive partner and an authorised distributor in China
- ☺ Owns USA bovine IMF brand 'Bright Beginnings' produced by Perrigo
- ☺ Dedicated cross functional team & infrastructure currently directly supplying over 2,000+ Mother & Baby Stores
- ☺ Key shareholder is the CEO & founder of Asia's leading field marketing company Always Marketing - WPP Group
- ☺ Partnership gives Bubs® visibility from warehouses to store level
- ☺ Brilite and advisors to manage & secure regulatory approvals for Bubs® suite of products in China



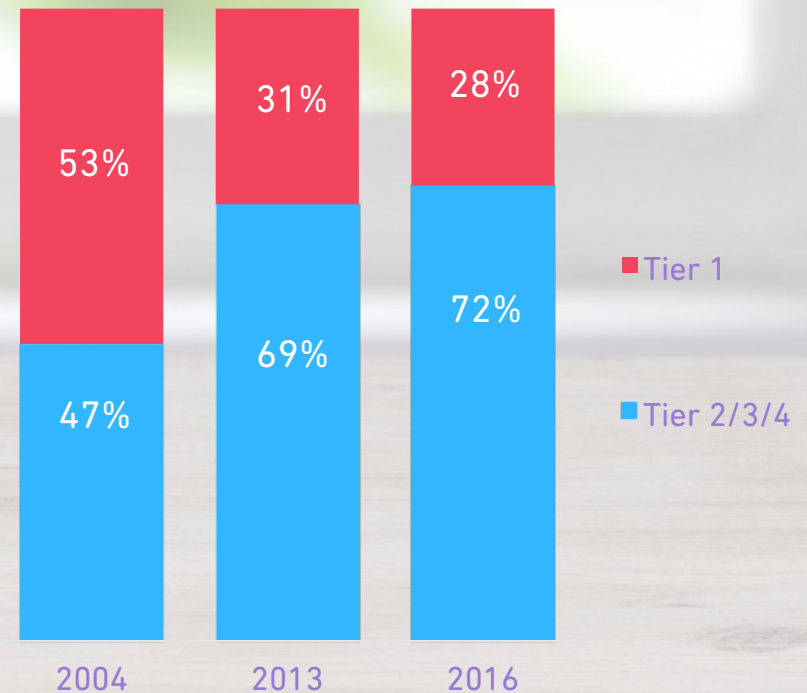
# KEY SALES CHANNELS

Mother & Baby stores & B2C eCommerce value share of the infant formula category sales in China continue to grow, driven by sales in second, third & fourth tier cities

Value Share % by Channel for total IMF category in China



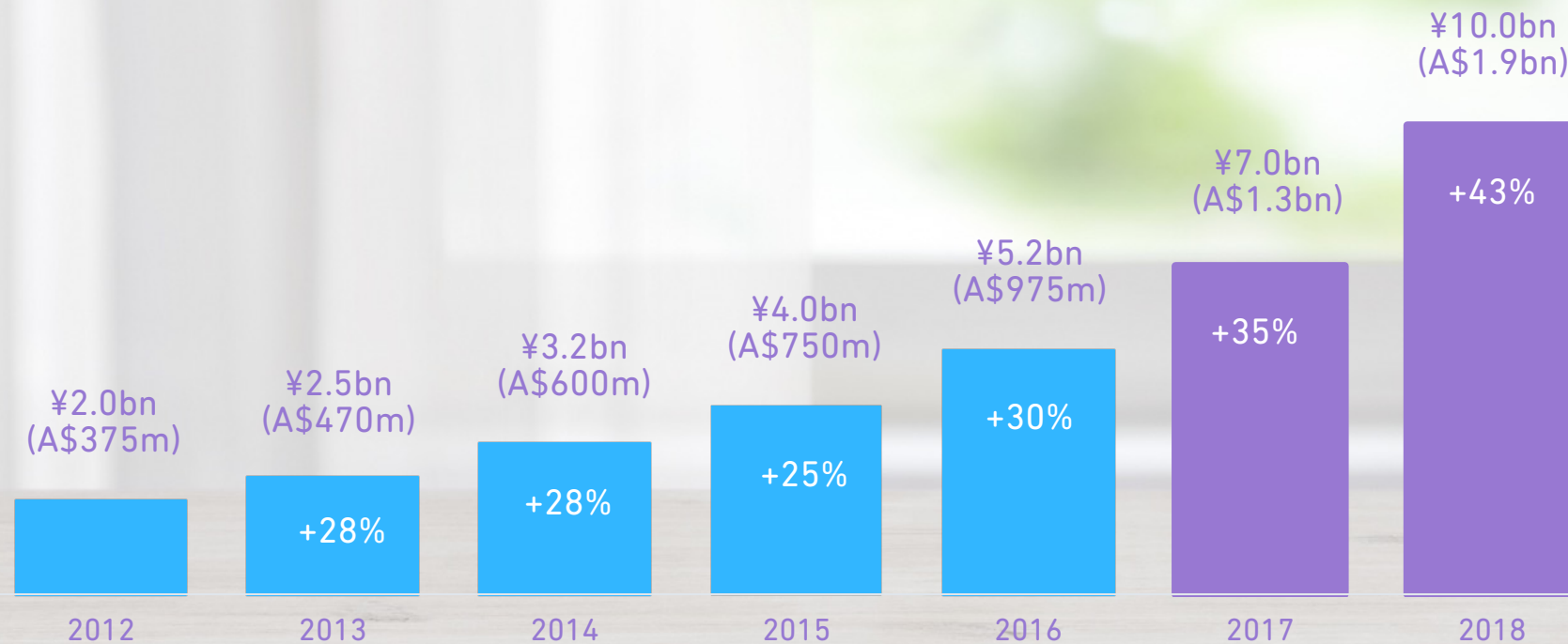
Value Share % by City Tiers for total IMF category in China



Source: AC Nielsen Data to 30th May 2017

# GOAT FORMULA IN RAPID GROWTH

Despite the goat milk formula segment representing only 5% share of the market; it experiences significantly less competition, greater growth & premium average pricing



Total Goat Milk Formula Sales in China

Source: China Infant Net (in top 5 websites representing infant products in China) [www.baobei360.com](http://www.baobei360.com)

# PREMIUM FORMULATION & PROVENANCE

Bubs® premium formulation & Australian provenance is a key differentiator to existing market offerings. Quality whole goat milk & goat whey protein + DHA, ARA & Prebiotics.

- 🕒 Premium & super premium offerings have grown from 5% to 93% of the China segment value in just over a decade
- 🕒 Brands with premium formulation are experiencing fastest growth
- 🕒 Bubs driving goat infant formula growth & only Australian made goat infant formula sold in Australian retail grocery.
- 🕒 Superior formulation to existing Goat market offerings:
  - 🕒 Australian Made
  - 🕒 Goat Whey Protein
  - 🕒 Naturally A2
  - 🕒 DHA, ARA & Prebiotics.



# E-COMMERCE

Bubs® continues to build strategic relationships with leading eCommerce platforms seeking to offer premium international baby food & formula brands.

- ☺ eCommerce represents circa 33% of value sales
- ☺ B2C continues to grow as C2C value share contracts
- ☺ Bubs® has made strong progress of trading agreements with leading e-commerce platforms
- ☺ Bubs® secured strategic agreements with NetEase Kaola, RED & approval of Bubs® Tmall flagship store on Alibaba
- ☺ Bubs® super premium products appeal growing with Daigou community
- ☺ Cross border drop shipping capability established to service key operators in preparation for CFDA requirements from January 2018



NetEase Kaola CEO, Ms Zhang Lei



# MOTHER & BABY STORES

Mother & Baby Stores (MBS) share of category value sales continues to grow and is key to the success of Bubs® or any baby formula products in China.

- ☺ MBS represent 49% of IMF value sales
- ☺ 61% of all Goat Formula is purchased in MBS
- ☺ Sales in Tier 1 cities continue to loose ground to Tier 2, 3 & 4 cities, which now represent 72% of value sales
- ☺ Multinational brands value share in Lower Tier cities is less than half than in Tier 1 cities, e.g. Danone, Wyeth
- ☺ MBS accounts in Lower are experiencing significant growth & store count consolidation
- ☺ Instore promotion & training is critical to success
- ☺ Incoming regulations will only amplify this e.g. packaging



# REGULATORY PROGRESS

Brilite and advisors to manage & facilitate regulatory approval process with application on track for lodgment by end of Q2

- ☹ CFDA registration required for products imported from 1 January 2018, with inventory received prior may continue to be sold
- ☹ Facility formulations need to be unique/distinctly different
- ☹ CFDA announced 30 brands from 22 facilities have been approved 3 August 2018
- ☹ No Australian & a single New Zealand facility were included in this first round of announcements
- ☹ Close to selecting our CNCA approved packing partner
- ☹ Brilite and advisors to manage & facilitate approval process including label registration & laboratory quality testing
- ☹ Application on track for lodgments by end of Q2



# STRATEGIC MESSAGES

## A measured approach underpins our focus on our Four Pillars for Growth strategy

- ☺ Continue to experience strong demand domestically +37% vs PY
- ☺ Continuing to drive awareness to support growth
- ☺ Brilite gives Bubs® a strategic advantage to execute China strategy
- ☺ Dedicated cross functional team & infrastructure currently directly supplying over 2,000+ Mother & Baby Stores with WPP resources available on demand
- ☺ MBS & B2C eCommerce value share of the formula category sales continue to grow, driven by sales in 2<sup>nd</sup>, 3<sup>rd</sup> & 4<sup>th</sup> tier cities
- ☺ Goat milk formula segment experiences significantly less competition, greater growth & premium average pricing
- ☺ Bubs® premium formulation & provenance is a key differentiator
- ☺ MBS are key to the success of any baby formula products in China.
- ☺ Brilite and advisors to manage & facilitate approval process with application on track for lodgment by end of Q2



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