



Bubs Australia Limited
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14 December 2017

Bubs Australia Limited (ASX: BUB) ANNUAL GENERAL MEETING

Chairman's Address:

Good morning ladies and gentlemen. The Annual General Meeting is about to begin. I am Dennis Lin, Chairman of Bubs Australia Limited and will be chairing the Meeting today.

As you will have seen, this will include ratification of prior issue of shares, approving the placement(s) of shares announced on 3 November, the issue of shares under a related Share Purchase Plan and the resetting of the Company's share placement capacity.

Before the formal business of the Meeting, I will take you through a brief overview of our performance for the year, and key developments before handing over to our CEO, Mr Nicholas Simms to give more detail of our progress in the last year and an indication of how we are travelling for FY 18.

We will finish the meeting on completion of the formal business put before the Meeting today.

The Year in Review

It is nearly twelve months since the company was re-listed on the Australian Securities Exchange.

While we have achieved much, we are still just at the start of what we hope to be a memorable journey toward our strategic goal of becoming a leading brand in the premium infant nutrition and dairy segments, both here and overseas, principally in Asia.

Since relisting, we have gone on to greatly expand our domestic distribution and established key e-commerce distribution channels into China, principally, as well as strategic alliances in China which position us well to address the Mother & Baby market where the majority of sales of infant formula take place.

In Australia, we enjoy physical distribution in supermarkets and pharmacies; and our cross-border e-commerce channels reach hundreds of millions of shoppers. Importantly, China is where sales of our key differentiator, goat milk formula, are growing exponentially – both in infant formula and adult powder.

Over the last 12 months, we have significantly reshaped the core business, and Bubs is yet to see the full benefits. Though, while building scale and capacity, reflecting the cost base, the



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company unavoidably generated an underlying loss before tax after corporate transaction expenses in connection with the reverse takeover and related share based payments.

Putting the building blocks in place does however come at a cost, and as far as this year is concerned we have to recognise our business growth is early stage and our resources are being applied to building a sustainable platform for the future.

Excluding non-recurring costs, the company showed a normalised loss of \$2.75m. Meanwhile the sales trend in the first quarter of FY18 was up 109% on the same period last year and sales continue to increase year-on-year, in particular Goat Infant Formula.

But exciting things are before the company: since the end of the financial year the company entered a conditional sale and purchase agreement to acquire NuLac Foods Limited, and on successful completion, will be in a position to become Australia's only vertically integrated producer of goat infant formula with access to Australia's largest goat milking herd of 6,000 goats, and a further 2,500 goats in New Zealand.

Now, more than ever, I am convinced of the opportunity for Bubs, and that the company is extraordinarily well placed to develop the market for both Bubs goat infant milk formula and NuLac's market leading Caprilac goat dairy products here in Australia and leverage our foothold in China.

At this point I would add that the resolutions dealing with the Placement and Acquisition of NuLac and consequent change of scale of the business are dependent on each other. These are Resolutions numbered 5 to 8 in your Notice of Meeting. If any one of those resolutions fails and is not approved, the NuLac transaction will not go ahead: the share placement will not take effect and the Share Purchase Plan offer will be cancelled.

The transaction received overwhelming support from institutional and professional investors, and I have no doubt, with your support as shareholders, successful completion of the NuLac transaction will be a defining and transformational event for Bubs.

END

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About Bubs Australia Limited (ASX: BUB)

Bubs Australia is engaged in the business of inspiring new generations of happy, healthy bubs through its premium range of Australian made organic baby food and specialty infant milk formula products, providing quality infant nutrition for the first 1,000 days of life.

Founded in 2006 in Sydney Australia, Bubs Australia develops and markets innovative infant nutrition products that give parents and their bubs reason to 'smile from the inside™.'

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.

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INVESTOR BRIEFING

- Annual Meeting FY17
- Dennis Lin Chairman

14th December 2017

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YEAR IN REVIEW (ASX:BUB)



“We are seeing early signs of revenue growth, as a direct result of the strategic foundations that have been laid to date”

Nicholas Simms,
Chief Executive Officer

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 bright and out of focus, suggesting an indoor setting with natural light.

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

YEAR IN REVIEW (ASX:BUB)



“We are seeing early signs of revenue growth, as a direct result of the strategic foundations that have been laid to date”

Nicholas Simms,
Chief Executive Officer

FY17 FINANCIAL SUMMARY

AUD \$'000's	FY17	FY16	% Change
Revenue	3,945.3	3,659.3	7.8%
Gross profit	873.8	846.9	3.2%
Distribution and selling costs	(272.1)	(243.2)	(11.9%)
Employee costs	(1,254.2)	(775.4)	(61.7%)
Administration and other costs	(1,077.5)	(390.9)	(275.6%)
Marketing and promotion costs	(811.4)	(390.0)	(208.1%)
Occupancy costs	(135.6)	(67.4)	(201.2%)
Depreciation and amortisation	(116.5)	(88.0)	(132.4%)
Share-based payment expenses	(561.7)	-	N/A
Corporate Transaction Accounting Expense	(1,722.9)	-	N/A
Net interest income/(expense)	-	(200.1)	N/A
(Loss) before tax	(5,078.1)	(1,308.1)	(388.2%)
	June 17	June 16	% Change
Cash on Hand	5,306.7	2,081.6	254.9%
Inventory	985.0	2,467.2	39.9%

KEY DRIVERS

- 🕒 Bubs Australia Ltd delivered consistent sales growth quarter on quarter in FY17.
- 🕒 Domestic sales accounted for 79% of gross sales with 14% relating to China and the remaining 7% from other emerging international markets.
- 🕒 Operating loss reflects that the business is still in the development phase including marketing, new product development and expenses related to building international channel capacity.
- 🕒 One-off Corporate Transaction Accounting Expense in connection with the reverse takeover and related share-based payments
- 🕒 However while building scale, and reflecting the fixed cost base, the company generated an underlying loss before tax.

NULAC ACQUISITION



Exclusive supply chain integration

Protection against future regulatory change

Quality assets and brands to balance milk supply

Operational control and synergies

PATHWAY TO PROVENANCE

The acquisition of Australia's leading goat dairy producer gives Bubs exclusive supply chain integration and quality assets and brands to balance milk supply



Bubs formulation and influence over key ingredient, provides confidence in securing 1 of 3 brand slots, due to the uniqueness of Bubs 'goat' formulation

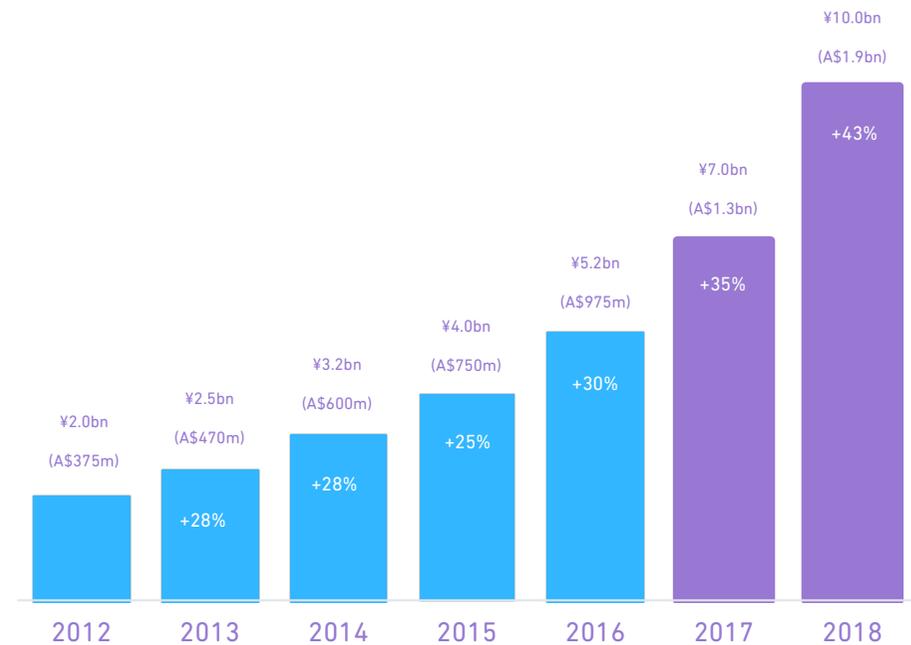
- Additional facilities were recently announced as CNCA approved, increasing the number of Australian facilities up to thirteen (13)
- In advanced discussion with a shortlist of approved facilities, to secure the most appropriate agreement for all parties.
- Other regulatory requirements, including packaging identification to meet Chinese standards are taking place in parallel
- This unavoidably has pushed the process in to the 2018 calendar year
- Bubs formulation and influence over key ingredient, provides confidence in securing 1:3 brand slots, due to the uniqueness of Bubs 'goat' formulation
- Management understand the importance of finalising discussions and are optimistic of being able to lodge our registration in the new year.



CHINA MARKET OPPORTUNITY

Bubs® continues to build strategic relationships with key partners in China establishing the foundations for future market growth

- 🕒 Mother & Baby Stores & B2C eCommerce value share of the infant formula category sales continue to grow
- 🕒 Bubs® strategic supply agreements with leading e-commerce platforms NetEase Kaola, VIP Shop, RED, Kidswant & Chemist Warehouse Tmall Global
- 🕒 Goat milk formula segment experiences significantly less competition, greater growth & premium average pricing
- 🕒 Bubs® premium formulation & influence over key provenance ingredient is a key differentiator
- 🕒 Brillite gives Bubs® a strategic advantage to execute our China strategy via its dedicated cross functional team & infrastructure



Total Goat Milk Formula Sales in China

TRADING UPDATE & OUTLOOK

Bubs continues to deliver strong progress in the implementation of its four pillars for growth strategy

- 🕒 F18 1H revenue estimate \$3,095m +84% vs prior year & +37% on the prior period
- 🕒 1H revenue in Australia +95% versus prior year & 46% versus prior period
- 🕒 1H revenue in China +95% versus prior year & 17% versus prior period
- 🕒 Sales of Bubs Advanced+ Goat Infant formula +214% versus the same period last year and up 72% on the previous period
- 🕒 Bubs® Infant Formula +55.7% and the fastest growing infant formula in value sales growth in Coles over the last 26 weeks – category performance +18.6%

Source : Nielsen Bubs Scan Sales Growth Performance 28th November 2017

- 🕒 Bubs® Baby Cereals performance improving post 'project smile' brand refresh implementation experiencing +362% in value revenue growth in 1H versus prior year & 147% versus Prior Period

🕒 Source : Bubs ex Factory Sales



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