

A baby with blue eyes and light hair, wearing a white long-sleeved shirt, is holding a small globe of the Earth with both hands. The background is a bright, out-of-focus indoor setting with a window and a pot on a stove.

bübs[®]
organic

DOING BUSINESS IN

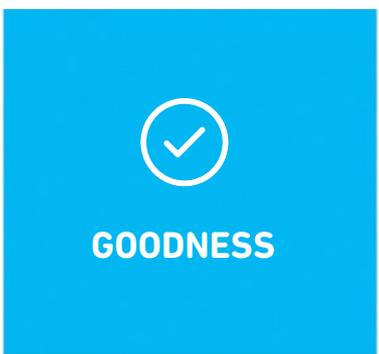
CHINA

**SELECT EQUITIES CONFERENCE
INVESTOR PRESENTATION**

25.10.2018

ASX: BUB

Bubs Australia



Inspiring new generations of **happy, healthy bubs.**



BUBS® PROVIDES QUALITY NUTRITION FOR EVERY STAGE OF A CHILD'S DEVELOPMENT



A PERIOD OF TRANSITION

FY18

BUILDING STRONG FOUNDATIONS
READY TO SCALE



- + Strengthening domestic foothold.
- + Transformative acquisition of vertically integrated supply chain assets.
- + Establishing strategic partnerships in China to drive sales and distribution.

FY19

POISED FOR STRATEGIC AND
SUSTAINABLE GROWTH



- + Further enhance vertical integration and grow milk pool to meet demand.
- + Advance China expansion strategy via channel development and marketing.
- + Extension of Nutritionals product portfolio and organic toddler snacks.



PERFORMANCE UPDATE

FY18 gross sales triple to \$18.42M with 330% net revenue growth YOY. A significant portion of planned future growth is expected to come from China direct sales (CBEC & MBS).

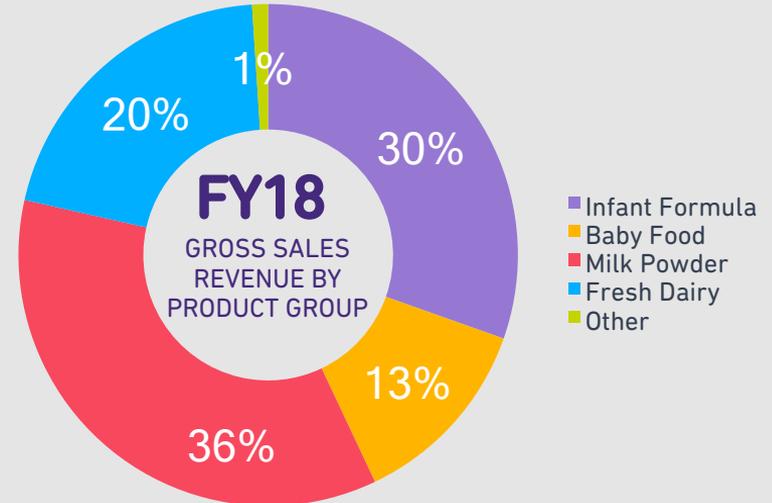
FY18 GROSS SALES REVENUE BY REGION



PRODUCT MIX

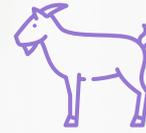


Group product mix spread across dairy segmentation: Nutritional, Chilled and Powder.



GENTLE GOAT MILK NUTRITION

WHY GOAT MILK?



Digestion is a key criteria for parents when choosing which infant formula to feed their child.

The unique protein and fat structure in goat's milk makes it easier for the body to break down and can be absorbed more gently.

Goat milk formula is particularly suitable for infants suffering from a cow milk protein intolerance or other digestive issues, i.e. wind, regurgitation, colic, reflux, congestion, skin rash, or eczema.

CHINESE DEMAND FOR GOAT MILK FORMULA

Goat milk formula is experiencing rapid growth in China.



MARKET SIZE (RETAIL VALUE) | BN RMB

CAGR +28%



CATEGORY POTENTIAL

- Goat milk based formula is experiencing rapid growth, now accounting for 5-10% share of total category
- Category leader Net Revenue ¥1.2Bn (+55% YOY)
- Price index above category
- Consumers are trading up to premium brands, driving +ve value growth



AUSTRALIA'S LARGEST PRODUCER OF GOAT DAIRY PRODUCTS

In December 2017, Bubs Australia acquired 100% of Nulac Foods, transforming the Company into a clear leader in the goat dairy landscape, supplying >60% of Australia's total goat milk production.

Guarantees ongoing exclusive access to locally sourced quality fresh goat milk at a fixed price. Our milk pool has grown to >13 million Lt/yr, or 1,500T milk powder.

The herd size is now approximately 24,000 with plans to further grow the combined herd to 50,000 milking goats.

VERTICAL INTEGRATION

Supply chain integration and strategic manufacturing partnerships provide Bubs® with a unique positioning, offering consumers and retailers product integrity, traceability, scalability and provenance.



FARM GATE

Exclusive milk supply from Australia's largest goat herd and NZ additional farms



MILK PROCESSING

49.9% stake in CNCA registered dairy facility to convert liquid milk to powder



NUTRITIONALS

Manufacturing Agreement with Burra Foods



CANNING

5yr Manufacturing Agreement with Deloraine, inc. SAMR nomination



BRAND

100% ownership of Bubs® portfolio of infant nutrition products



SPECIALTY DAIRY

100% ownership of CapriLac® and Coach House Dairy® brands

GROWTH DRIVERS

KEY PILLARS CRITICAL TO DELIVERING THE FUTURE GROWTH OF THE BUSINESS

- + Optimise channel and product mix for margin improvement to drive profitability.



ROUTE-TO-MARKET CHINA

MULTI-CHANNEL STRATEGY

- ➔ Online and Offline Multi-channel strategy for each sub-category of our product portfolio.
- ➔ Direct relationships and enhanced partnerships to service each Channel.
- ➔ Local office and experienced team to build in-market capability, and drive growth momentum.
- ➔ Management of inventory flow and impact on price and margin protection across channels.
- ➔ Promote brand awareness via KOL endorsement, social content syndication and digital activation.



STIMULATING DEMAND

Multi-channel strategy to stimulate demand outbound from Australia and in-market in China through reseller activation.

PUSH FROM AUSTRALIA



Australian shelf presence in major supermarkets and pharmacies.



C2C Daigou KOL



PULL FROM CHINA



Mother and Baby stores



B2C Cross-border, eCommerce and O2O



STRONG DOMESTIC PERFORMANCE

2,500 Australian retail touchpoints

Bubs® was founded in Sydney in 2006 and upholds an established premium positioning in the domestic infant nutrition category with a loyal and growing consumer base. The Company maintains that a strong brand presence at home is paramount for consumer uptake in China.

Throughout the year, the Company focused on expanding key points of domestic distribution, including securing new ranging across its product portfolios in Woolworths, Costco, Aldi, Metcash, Chemist Warehouse and other leading pharmacy banners, as well as increasing store counts in longstanding retail partners Coles and Big W.

Bubs® infant formula sales increased by 33% in Coles in FY18, making it the fastest growing brand in value over the last 26 weeks as at 30 June 2018 versus last year.



C2C eCOMMERCE

DAIGOU ENGAGEMENT

The Company has commenced actively engaging the Australian Daigou community, by sponsoring industry events and Key Opinion Leaders (KOL's).

This activity promotes the syndication of Bubs® digital content and product reviews, resulting in increased brand awareness and C2C sales on Tmall, Taobao and WeChat platforms.



C2C Daigou
KOL

B2C eCOMMERCE

STRATEGIC ALLIANCES WITH ALL MAJOR eCOMMERCE PLATFORMS

Throughout the year, significant progress was made in the cross-border eCommerce channel via a strategic partnership with Times New Asia, securing a minimum sales volume commitment of \$17 million in Y1, \$24 million in Y2 and \$37M in Y3 on major platforms, including JD.com, Kaola, VIP, RED, Suning, Jumei, Kidswant, Yuou and Baobaoshu.

In addition, the Company recently launched two Tmall flagship stores on Alibaba for CapriLac® and Bubs® products, and a co-branded pop store on JD.com.



MOTHER & BABY STORES

BUBS ORGANIC® BABY FOOD LAUNCHES IN MOTHER & BABY STORES

Following successful import registration, Bubs Organic® baby food products have launched into the first Mother and Baby stores in China via a new partnership with QianJiaWanPu, the largest distributor of infant formula in China covering a network of over 50,000 specialty retail stores.



CHINA INFANT FORMULA REGULATIONS



NAVIGATING CHINA'S EVOLVING REGULATORY FRAMEWORK

- ➔ Bubs has entered into a long-term Agreement with Australia Deloraine Dairy, 1 of the 15 infant formula manufacturing facilities in Australia licensed to produce infant formula for export to China – now overseen by China Customs (CIQ) and State Administration for Market Regulation (SAMR).
- ➔ Bubs® was nominated as one of Deloraine's 3 brand slots for applying for SAMR (formerly CFDA) registration, which is required to directly export Bubs® Chinese labeled infant formula products into physical retail stores.
- ➔ A comprehensive assessment of the manufacturing standards, scientific formulation, raw materials and finished product laboratory testing has been completed. Upon receiving the successful registration notice from SAMR, the Company will then be required to transfer the brand name and company ownership details on the dossier application.
- ➔ New eCommerce laws were introduced in August 2018 and come into effect on 1 January 2019, which result in the online platforms becoming more accountable for the traceability of infant formula products. The Company is able to provide all requested supporting documentation as requested by the platforms and management have not adjusted our forecasted outlook as a result of this regulatory change.

FY19 STRATEGIC GROWTH PLANS

With solid foundations in place, the Company is poised for sustainable growth:

VERTICAL INTEGRATION & SUPPLY CHAIN



- + Increase the milk pool to ensure supply meets forecasted growth demand.
- + Explore strategic opportunities to further enhance the vertical integration of business operations, specifically infant formula manufacturing and supply of key dairy ingredients.

CHINA CHANNEL DEVELOPMENT



- + Digitally driven brand marketing campaign launch in China.
- + Australian based Daigou engagement and C2C activation.
- + Progress SAMR registration application.
- + Expand Mother & Baby store distribution footprint and trade sales program.

PRODUCT DEVELOPMENT



- + Extend nutritional product portfolio; the most profitable sector of the business.
- + Expand organic toddler snack offering; growth opportunity in Australia and China.
- + Continue to adapt Bubs full portfolio of products to be suitable for China.

CORPORATE



- + Driving strong and sustainable revenue growth.
- + Optimise channel and product mix for margin improvement to drive profitability.
- + Strengthen team capabilities, including new appointments in China market management.



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