



Bubs Australia Limited  
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## **BUBS FOCUSES ON SINGLE-STEP PROCESSING VIA NEW TATURA PARTNERSHIP SELLS INTEREST IN JOINT VENTURES FOR ~\$3.5M RETAINING PRIORITY PRODUCTION EXCLUSIVITY**

- *Sale of 49.9% interest in dairy manufacturing joint venture in Uphamgo Australia and associated joint venture facilities back to partners – the NuLac Foods Vendors.*
- *Joint venture facilities now non-core as Bubs moves infant nutritionals production to Tatura (Bega).*
- *No change to exclusive long-term Australian and New Zealand milk supply ownership or call option over the Australian goat farms.*
- *No change to Bubs ownership of NuLac Foods Pty Ltd and the CapriLac® brand (and other brands in the NuLac Foods portfolio).*
- *Two-year priority tolling agreement with Uphamgo facility for exclusive processing of goat milk products and guaranteed unlimited manufacturing capacity – no minimum commitment.*
- *First right of refusal if the NuLac Foods Vendors offer any interest in the dairy manufacturing facility before 19 December 2022.*
- *Sale completed 28 February 2019 with the purchase price \$3.493m, resulting in a profit on disposal.*
- *Sale generates a considerable saving in overheads previously required to maintain facility operations.*

**Sydney 28 February 2019:** Following the announcement of a three-year strategic partnership with Tatura Milk Industries Pty Ltd (**Tatura**), Bubs Australia Limited (**ASX: BUB**) announces it has sold its 49.9% interest in dairy manufacturing joint venture Uphamgo Australia (and associated joint venture entities) (**Uphamgo**) back to the original Vendors of Nulac Foods Pty Ltd (the **Sale**).

The joint ventures arose in course of the Bubs Australia acquisition of NuLac Foods Pty Ltd. Bubs continues to have ownership of the CapriLac® brand (and other brands in the NuLac Foods portfolio), and exclusive rights to the milk supply from the Vendors' farms in Australia and New Zealand, which it acquired from the buyers as part of the 2017 acquisition.

Mrs Kristy Carr, Bubs Australia Founder and Chief Executive said: "Being able to produce our goat infant milk formula in a single step at the Tatura facility is a major step forward for Bubs that will result in a fresher, better quality product without the need to first spray dry the milk to powder at the Uphamgo facility. As a result, the facility has become non-core to our requirements.

### **Milk supply and control assured**

"As Bubs has exclusive ownership of fresh goat milk from the largest milking goat herds in Australia, the essential underpinning of our provenance story is unchanged," Mrs Carr said.

At Tatura, Bubs® goat infant milk formula will be manufactured in a single step directly from farm gate rather than spray drying the milk to powder at Uphamgo and then wet mixing with nutritionals before spray drying again. The production process to be employed at Tatura is an 'Australian first' for goat dairy and makes Bubs the first enterprise in the world to be able produce goat milk infant formula with 100% Australian goat's milk.



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### **Continuing priority production capability at Uphamgo**

“Although we are selling our interest in the joint venture facilities back to the Vendors, we will continue to have priority access to the Uphamgo facility to produce our CapriLac® fresh and powder products and ensure we have a safety net should the milk flow fall short or exceed our needs for infant formula production at Tatura. Given our requirements will no longer fulfil production capacity at Uphamgo moving forward, the substantial overhead costs are not warranted,” said Mrs Carr.

Bubs has entered into a new tolling agreement relating to the Uphamgo facility for a two-year term, including exclusive processing of goat milk products and guaranteed manufacturing capacity with processing priority. Bubs has not committed to any minimum volume or orders.

### **Purchase price of \$3.493M generates a profit on disposal**

The sale was completed on 28 February 2019, with payment of the purchase price of \$3.493 million deferred until February 2020.

Under the Sale agreement, Bubs will be granted a first refusal if there is a sale of any interest in the dairy manufacturing facility before 19 December 2022.

### **Year 2 KPI Payment**

Year 2 KPI payment \$6.7 million in relation to the 2017 Nulac Foods acquisition remains in place and is contingent on achieving revised KPI's in February 2020.

**END**

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### **About Bubs Australia Limited**

Founded in 2006 in Sydney, Bubs Australia (ASX: BUB) is engaged in the business of *inspiring new generations of happy, healthy bubs* through its range of Australian made premium infant nutrition products. Bubs® speciality infant formula and organic baby food caters for a child's first 1,000 days of life.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply from the largest milking goat herd in the country, and Australia's only vertically integrated producer of goat milk infant formula.

Products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to China, South East Asia, and the Middle East.

Consumer Website: [bubsaustralia.com](http://bubsaustralia.com)

Investor Centre: [investor.bubsaustralia.com](http://investor.bubsaustralia.com)