



Bubs Australia Limited
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BUBS AUSTRALIA 2022 ANNUAL GENERAL MEETING

CHAIR WELCOME AND CEO ADDRESS

28 November 2022

Please see attached a copy of the presentation shared at the Annual General Meeting and a transcript of the speeches given by the Executive Chair, Dennis Lin, and Managing Director, Kristy Carr.

CHAIR WELCOME: Dennis Lin

Welcome to the 2022 Annual General Meeting of Bubs Australia. My name is Dennis Lin, Executive Chair of the Company.

Today's meeting is being held in person and online via the Computershare Meeting platform. This allows Shareholders, Proxies and Guests to attend the meeting virtually. All attendees can watch a live webcast of the meeting. In addition, shareholders and proxies have the ability to ask questions and submit votes.

To commence today's proceedings, our Managing Director and Chief Executive Officer, Kristy Carr, will present an overview of Bubs journey in FY22. Personally, I couldn't be prouder of Bubs Family as they worked tirelessly throughout the year to make the impossible possible against a volatile macro setting. These achievements were recognised earlier this week at the 60th Australian Export Awards hosted by the Australian Trade and Investment Commission in Parliament House, when Bubs Australia not only won our category; 'Agribusiness, Food and Beverages,' but was also crowned the overall winner for '2022 Australian Exporter of the Year.'

Following the CEO Address, I will then outline each Resolution during the Formal Business of the meeting and address your questions and comments on the Resolutions on which shareholders are voting.

I will present the resolutions and then open the floor for questions. Online attendees can submit questions at any time. To ask a question, select the Q&A icon. Type your question in to the text box. Once you have finished typing, please hit the send button.

Please note that while you can submit questions from now on, I will not address them until the relevant time in the meeting. Please also note that your questions may be moderated or if we receive multiple questions on one topic, amalgamated together.

To ask a verbal question, please follow the instructions written below the broadcast.

Voting today will be conducted by way of a poll on all items of business. I will shortly open voting for all resolutions.

If you are eligible to vote, once voting opens press the vote icon and all resolutions will be activated with voting options. To cast your vote simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded. You will receive a vote confirmation notification on your screen.

You can change your vote, up until the time I declare voting closed.

I now declare voting open on all items of business.

Before closing the meeting, I will also address any general questions related to the business.



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I would now like to formally introduce your Board. In the room with me we have;

- **Kristy Carr, Founder and Managing Director;** Kristy founded the business in 2006 and is responsible for the brand DNA and authenticity that makes Bubs so special. She leads a team of extremely talented people across all business functions between our Sydney, Melbourne, Shanghai and Los Angeles offices.
- **Katrina Rathie, Non-executive Director;** Katrina joined Bubs Board mid last year. Katrina was partner in Charge for King & Wood Mallesons Sydney and brings 35 years' experience as a leading expert in international IP, and a consumer brand lawyer with extensive governance experience.

And with us online, dialling in from America, we have;

- **Steve Lin, Non-executive Director;** Steve is Managing Partner of C2 Capital Partners, a Hong Kong based investment fund anchored by Alibaba Group. Steve provides the Board with industry-leading expertise on growth capital, proprietary insights and operational support to scale in China.

Also, with us in person today is;

- **Jay Stephenson, Company Secretary;** Jay has performed this role since our public listing in 2017. Jay is a professional Company Secretary with extensive experience for numerous ASX listed companies.

I would also like to introduce our Key Management Personnel:

- **Iris Ren, Chief Financial Officer;** Iris joined the Company in 2017 and has extensive experience in financial advisory and transactions, audit and compliance.
- **Richard Paine, Chief Manufacturing Officer;** Richard is a 30-year veteran in Dairy and Supply Chain operations including past experience in key roles at Bega Cheese and Murray Goulburn.

Our auditor for FY22, Deloitte, is represented here by Partner, Andrew Sun, who will be happy to take questions on the financial statements relevant to the audit process.

Also present is Kylie Lane, a Partner from our external lawyers Ashurst and Peter Cope who acts as our in-house General Counsel.

I will now hand over to Kristy to present a business update and outline the key elements of our growth strategy to take us forward.

CEO ADDRESS: Kristy Carr

Thank you, Dennis. At this time last year, we were starting to emerge from the impacts of the pandemic and learning how to manage the consequent disruptions to business norms.

In a testament to Bubs renowned resilience and agility, we stand here today in a position to report record revenues and earnings for Financial Year 2022 driven by innovation and margin accretive growth across Australia and China, as well as accelerated market entry into the United States.



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FY22 Overview

FY22 delivered record revenue and earnings, with high growth in all key product and market segments.

Our domestic market share continued to grow ahead of the category to reach an all-time high and deliver record market share gains.

We experienced strong momentum across our China business with a re-engineered and resurgent model in conjunction with our strategic partner AZ Global.

Additionally, in the last quarter of FY22, we significantly accelerated our access into the United States. Our work over the previous twelve months meant we were well positioned to respond quickly to satisfy the U.S. regulatory requirements and ensure Bubs Australia was one of the first global manufacturers to participate in the Biden Administration's 'Operation Fly Formula' initiative to assist American families during the infant formula shortage. By the end of FY22, Bubs was ranged in over 6,000 leading grocery, department, and pharmacy retailers across 42 states, with a clear pathway to permanent market access and a significant level of consumer brand awareness. Since June we have shipped just over 1 million tins of Bubs formula to the United States.

The speed and success of our entry into the U.S. led to a \$63 million oversubscribed capital raising to support the accelerated expansion, including building inventory and in-market capability to expand the Company's presence in the United States. A portion of these proceeds will enable the Company to triple the capacity of our infant formula processing and canning facility in Dandenong South, Victoria, to meet the future growth in forecasted demand. Planning and procurement for a second high-capacity canning line is underway with installation scheduled in late Calendar Year 2023.

Cumulatively, the steps we have taken to diversify and expand our business, delivered a positive underlying EBITDA¹, accompanied by significant group wide margin gains from optimising our product and channel mix.

Innovation: Launch of Bubs Supreme™ A2 Protein Infant Formula

Innovation is inherent in Bubs' DNA and a key driver behind our high growth strategy. With the launch of Bubs Supreme™ A2 beta-casein protein range in our most profitable business segment, we are now able to cater to a more significant share of the addressable infant formula and toddler milk market, thereby strengthening our position in the total category to build widespread recognition of Bubs® as a brand synonymous with clean, high quality infant nutrition.

Bubs Supreme™ is our most advanced formulation; enriched with higher levels of Omega-3 (plant-based DHA) and Omega-6 (ARA), a synbiotic blend of prebiotics and probiotics, lutein to support normal eye health, as well as vitamins and minerals for optimum nutrition. Bubs Supreme™ has been awarded the Clean Label Purity Award and is free from GMO's, artificial colours and preservatives, maltodextrin, corn syrup and palm oil.

The launch of this new product line means Bubs® master brand now competes in the three fastest growing premium infant formula sub-categories: Goat, Organic, and A2 Protein. The same Australian label products sold in Coles, Woolworths and Chemist Warehouse, are exported to China and the USA, enhancing efficiencies with our supply chain procurement and manufacturing processes.



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Regulatory Milestones: Advanced U.S. FDA and China SAMR regulatory pathways

Strategically, we advanced two major regulatory milestones this year that will have a material long-term influence on our business.

Firstly, we accelerated access into the United States with our early acceptance by the U.S. Food and Drug Administration (**FDA**) in the last quarter of FY22 to permit the import of Bubs® Infant Formula products under the Enforcement Discretion policy. Further advancing our United States market access ambitions, in this quarter we lodged a 'Letter of Intent' with the FDA under its transition plan for continued enforcement discretion for all six Bubs Infant Formula products, and committed to fully complying with applicable requirements for a permanent regulatory authorisation by October 2025. This means we will be able to continue to import our full range of Australian label products and remain on shelf without interruption, while we complete the remaining regulatory requirements.

Secondly, we advanced plans to establish manufacturing capability in China in a joint venture with an established China-based infant formula manufacturer to attain approval from the State Administration for Market Regulation (**SAMR**) for Bubs® Chinese label Goat Milk Infant Formula products, which would subsequently provide the Company market access to China's General Trade for the first time. If the application is approved, the existing brand slot will be rebranded as Bubs® and be compliant with the new GB regulatory requirements which come into effect in February 2023.

Only a select few multi-billion-dollar multinational companies have the same level of regulatory access to both China and the USA, the largest infant formula markets in the world. This is a true reflection of Bubs' agility to navigate and penetrate unique growth markets that are not readily accessible to others.

FY22 Financial Highlights

FY22 gross revenues² were more than double FY21 at \$104.2 million, a 123% increase on prior year. This growth trajectory was bolstered by Bubs® Infant Formula portfolio growing 177% on prior year and China revenue growth increasing 166% year-on-year. This scalability enabled us to report our first full year of underlying EBITDA profit of \$4.8 million¹. These strong financial outcomes were immensely pleasing given the lingering impacts of COVID-19, supply chain disruption, inflation, and global economic uncertainty.

Group branded margins improved with our infant formula portfolio showing material margin gains. Gross margins increased significantly over the year to 32% for the group, and product margin³ for Bubs® Goat Milk Infant Formula increased to 40%. This was driven primarily by increased scale, a growing proportion of sales derived from higher margin infant formula, optimisation of product and channel mix, improved supply-side economics derived from our vertically integrated manufacturing model.

Emerging from the pandemic, diversification has remained at the forefront of our strategic focus. Importantly, the success of our portfolio expansion means we are no longer dependent on our Goat Infant Formula sales into China for margin growth. We were very pleased with the diversified product and channel mix in FY22 and anticipate continued optimisation in the diversified spread of revenue contribution in FY23 and beyond.



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Looking to the future, management continues to focus on delivering our operational action plan for building on our strategic foundations to counter unfavourable macro forces impacting our business. We remain focused on our long-term high growth agenda and delivering on our vision to make Bubs a leading global infant nutrition brand. Short-term revenue growth is likely to be constrained by the transition to the new M2C model in China, and sell-through of the initial high volume pipe-fill orders to new retailers in the USA. Due to this phasing, we expect 1H23 revenue to be largely consistent with prior year, with strong growth momentum to be realised in 2H23.

Growth Strategy

This brings us to our Master Brand growth strategy which is founded on the key values of being a trusted source of nutrition with strong 'clean label' attributes, underpinned by our expertise in specialty dairy.

Operationally we will leverage Bubs® portfolio expansion with the premium segments in which we operate remaining in high growth, as well as our strategic alliances in key markets with the highest category growth potential.

Over the last 12 months, we have become more acutely aware of the evolving desires of consumers and their purchase behaviour. This is particularly pronounced in the USA, where parents have become accustomed to making online purchases and conducting significant research online. At the same time, they continue to desire access to infant formula in everyday brick and mortar stores, especially premium formulations that are more akin to those in Australia and Europe.

We observed similar phenomenon in China, which was the genesis for our "Manufacturer to Consumer" (M2C) model, which will now give us visibility to knowing where each tin of infant formula is sold to the final consumer. This level of visibility has not been achieved by any brand in the past, as it requires a vertically integrated brand manufacturer to partner deeply with the channels, as we have done with AZ Global.

Over the next year and beyond, we will take these learnings and focus on precision performance growth. Precision requires access to data for analysis, so that we know where to invest each marketing dollar to obtain the best return, as well as topics that are top of mind for consumers and our channel partners. Having seen the growth momentum that is now being achieved in M2C through targeted investments, we are confident of creating a material growth momentum in China.

In the USA, we have achieved the challenging task of having stocks in over 6,500 brick and mortar stores. Through performance and growth marketing, a term that refers to significantly growing revenue using targeted digital marketing strategies, we are also confident of building on our existing consumer base in the USA and creating our own Bubs communities for years to come.

Having worked through the largest infant nutrition markets in USA and China, it has also provided us with a fresh lens of how we may be able to grow our market share at a faster rate in Australia with refreshed brand identities that stay true to our values, through positive and supportive discussions with parents about their baby feeding journeys.



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In Australia we will protect and grow share in our home market, where we are the fastest growing infant formula manufacturer and continue to outperform the category in compounding value growth. In FY22 domestic revenue increased by 17 percent over the previous year, contributing 16 percent of group revenue.

Retail Scan data shows Bubs as the clear challenger brand, outperforming the category with high scan sales growth and market share gain, recording new market share peaks across Coles, Woolworths, and Chemist Warehouse. Bubs® sales growth was more than twice that of any of its competitors and now stands at 4.9 percent share⁴ of the total domestic market. Bubs® is proudly the No.1 goat formula brand with 56% of the category, and the No.2 organic formula in Australian retail⁴.

China

China is the world's largest infant formula market and whilst industry-wide headwinds were prevalent throughout FY22, consumer demand for Bubs® products remains strong and the market potential provides the Company with our greatest opportunity for growth.

After the initial COVID-led disruption caused by border closures, we worked closely with our strategic distribution partner, AZ Global, to re-engineer how our products are routed through the Daigou channel. This alliance and pivot in strategy led to rapid revenue growth in FY22 and has enabled direct delivery from within China via reseller recruitment for Bubs® brand representatives.

During the first quarter of FY23, Bubs led the launch of the enhanced M2C model, powered by proprietary software applications developed by AZ Global. The new M2C model provides:

- real time end-to-end product visibility and sell-through data for Bubs® products;
- enables participants to become brand ambassadors and benefit in introducing products to their respective communities in a 'low touch' manner without working capital needs, and with consistent brand marketing content provided by Bubs®; and
- all products are appropriately tax cleared in preparation for China's impending 'Golden Tax System Phase IV' due to officially commence on 1 January 2023.

The Company expects to engage in an aggressive expansion plan in 2H23 that will provide a new level of corporatised brand distribution of infant formula in China.

USA

The United States is the second largest infant formula market globally, valued at USD 5.6 billion⁵. Up until now it has been for all intents and purposes a closed market tightly held by a select few multinationals. However, the weakness of concentrated capacity was exposed when the market leader had to suspend operations due to a contamination scare, triggering a dangerous shortage that left retailer shelves bare across the country for months and caused widespread panic for new parents.

Bubs was the first manufacturer in the world to respond to the Biden Administration's call for international assistance, demonstrating our agility and long-term commitment to the American market as our next growth horizon.



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In May, the Company was permitted to import all six Bubs® Infant Formula products under the Enforcement Discretion policy, which led to the U.S. government chartering six 747 cargo planes to deliver over half a million tins of Bubs® Formula under 'Operation Fly Formula.'

Speed to market has unlocked enormous value as we have rapidly scaled our retail footprint, which now stands at over 6,500 stores across 42 states, including the four largest retailers of infant formula; Walmart, Target, Kroger and Albertsons-Safeway, as well as health food chains like Whole Foods, baby chains like Buy Buy Baby, and e-Commerce marketplaces like Amazon.

We are confident we can satisfy the requirements for permanent market access under the FDA Guidance for Industry – *Infant Formula Transition Plan for Exercise of Enforcement Discretion*, to continue supplying all Bubs® Infant Formula products to the U.S. on a permanent basis.

Summary and Outlook

In summary, Bubs team demonstrated resilience, agility and focus throughout Financial Year 2022, delivering a strong strategic scorecard and record results. We entered FY23 with:

- a diversified product portfolio in our most profitable business segment;
- a new growth horizon with the accelerated market access in the USA;
- a re-engineered business model in China providing end-to-end channel visibility;
- permanent regulatory pathways for full access to the world's two largest infant formula markets; and
- a robust balance sheet to increase our manufacturing capacity and support our future growth plans.

Looking to the future, management continues to focus on delivering our operational action plan for building on our strategic foundations to counter unfavourable macro forces impacting our business. We remain focused on our long-term high growth agenda and delivering on our vision to make Bubs® a leading global infant nutrition brand.

Short-term revenue growth is likely to be constrained by the transition to the new M2C model in China, and sell-through velocity of the initial high volume pipe-fill orders to new retailers in the USA. Due to this phasing, we expect 1H23 revenue to be largely consistent with prior year, with strong growth momentum to be realised in 2H23.

Overall, we expect FY23 to deliver healthy growth in revenue and further improvements to our product margin². The business will increase its investment in resources and marketing to support the growth in demand. In 2H FY23, the business will also commence an ERP upgrade project which will bring further efficiency and automation to daily business operations.

With the business now achieving critical scale, going forward, our focus will be on margin accretion - from farm to consumer, and earnings growth. Despite the ongoing macro challenges, and softer start to the new financial year than planned, we remain confident in achieving our long-term growth ambitions.

Finally, I would like to take this opportunity to thank the entire Bubs Family wherever they are based around the world, for the way they were able to rise to the challenges of responding to the significant macro forces during the year. I would like to particularly highlight the superhuman effort the team demonstrated in delivering on our promise to American parents with the delivery of one million tins of formula to date. We couldn't have achieved what we have this year without their loyalty, dedication, and entrepreneurial spirit. Congratulations to all of you on winning the '2022 Exporter of the Year' award this week.



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I would also like to extend my gratitude to our shareholders and strategic partners for your ongoing support of Bubs' journey to becoming a global dairy company and category leader in infant nutrition.

That concludes the FY22 Business Update. I will now hand back to Dennis for the Formal Business of the meeting.

This release is approved by the Board of Directors.

FOOTNOTES

¹ Excludes non-cash equity compensation expense in the form of share-based payments and equity linked transactions with strategic trading partner.

² Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution

³ Product margin is calculated as (Revenue – Production Costs) / Revenue. Revenue excludes Corporate Daigou equity linked transaction.

⁴ IRI Scan Data, Total Infant Formula Category Retail Scan Sales (\$000's) in Coles, Woolworths and Chemist Warehouse combined QTR to 23/10/2022.

⁵ Euromonitor and Market Data.

END

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ABOUT BUBS AUSTRALIA LIMITED (ASX: BUB)

Founded in 2006 in Australia, Bubs' purpose is to grow happy, healthy families through clean nutrition. Bubs® A2 Beta-Casein Protein, Bubs Organic® Grass-fed, and Easy-Digest Goat Milk Infant Formula, along with Bubs Organic® baby food range, cater for all feeding occasions and stages of a child's development during their first 1,000 days of life.

Bubs® products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to ten markets across China, Southeast Asia, the Middle East, and USA.

Consumer Website: bubsaustralia.com

Investor Centre: investor.bubsaustralia.com