

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, blue and green globe with both hands. The background is a bright, out-of-focus window with white curtains.

bübs®

ASX: BUB
Bubs Australia

INVESTOR CAPITAL RAISING

18 June 2018

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Our vision is to inspire generations of
happy, healthy **bubs** ☺



EXECUTIVE SUMMARY

Capital raise of
\$40 million

- 🕒 A Placement of \$40m at \$0.75 per share
- 🕒 The business is seeing a strong growth trend, and capital will be used to:
 - 1) Further increase working capital and inventory management \$13.9m
 - 2) Support growth in market development, brand marketing and product innovation \$7.4m
 - 3) Capital expenditure to commence whey capture and processing to further enhance vertical integration \$3.5m
 - 4) Payment to Nulac Foods vendors should they meet their KPIs* \$13.4m

The business is in
the next stage of
growth

- 🕒 Since the Nulac Foods acquisition, the business has seen a material uplift in sales across all core categories.
- 🕒 The growth of the business will be funded by this capital raising, particularly with some of the more recent contracts (eg. QianJiaWanPu and New Times Asia).
- 🕒 New capital is expected to support the company to profitability.

Further focus on
vertical integration

- 🕒 Since the Nulac acquisition, vertical integration has allowed Bubs to have appropriate insight into and influence the supply chain from raw milk to retail ready products.
- 🕒 In addition, Bubs will seek to process its goat whey from the current facility to further enhance vertical integration, particularly as it relates to infant milk formula.

**As part of the Nulac Foods transaction, the Vendors will be entitled to \$6.7m in each of December 2018 and 2019 (\$13.4 million in total) if their commitments are met in relation to facility management and milk supply.*

CONTINUED MOMENTUM (ASX: BUB)



"Our dominance in Australia's goat dairy landscape and strategic partnerships with Australia Deloraine Dairy, New Times Asia and QianJiaWanPu provide a strong foundation to advance our international expansion strategy, particularly China."

Dennis Lin,
Bubs Australia Chairman

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, blue and green globe 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 DOMESTIC MARKET PENETRATION

Since listing on ASX incremental ranging of Bubs® products has been secured in Coles, Woolworths, Chemist Warehouse, Costco, Big W and leading pharmacies.

- ☺ Continued growth in Bubs domestic footprint has more than doubled availability of Bubs® products.
- ☺ Improved availability across key domestic retailers, continues to positively influence commercial security and mitigate risk.
- ☺ Only Australian made goat milk formula sold in major supermarkets; Coles and Woolworths.
- ☺ Bubs® Infant Formula and Cereals ranged in Woolworths, Australia's largest supermarket chain.
- ☺ Bubs® Baby Food and Cereals now ranged in selected Chemist Warehouse stores and online nationally.
- ☺ Distribution gains in pharmacy is driving Bubs® Infant Formula volume growth of 971% MAT versus pcp last year.
Source : Australian Pharmacy Bubs Scan Sales Performance 22nd April 2018
- ☺ CapriLac® fresh milk now in selected Aldi stores, as well as selected Coles and Woolworths.



BRAND AWARENESS AND IMPACT

Bubs® resonating with consumers growing expectations around food safety, environmental and sustainability standards – traceability / transparency / organic.

- ⌚ Continues to evolve its highly effective digitally led marketing campaigns and communications – more to come.
- ⌚ Bubs® has over 105,000+ highly engaged fans, inspiring mum-to-mum through via our social content and community.
- ⌚ Continued to reach new consumers through participating in parenting communities and social influencer Bubs® product reviews and referrals for products.
- ⌚ Continued optimization of promotional & marketing effectiveness to build average rate of sale & purchase value.
- ⌚ Caprilac® brand strategy development underway to reaffirm brand credentials & underpin brand roadmaps.
- ⌚ Leverage existing capabilities and commercial competencies.
- ⌚ Continued to investment in marketing to support growth.



PRODUCT INNOVATION AND DEVELOPMENT

Pipeline of new products in development catering to all stages of a child's development.

- 🕒 New product launches include Bubs Organic® infant cereals and teething rusks, now ranged in Woolworths, Chemist Warehouse, and most Chinese cross-border e-Commerce platforms.
- 🕒 Pipeline of new products in development, including expansion of infant formula range and organic toddler snacks.
- 🕒 CapriLac® portfolio expansion to include new pack formats and range extensions.



ENHANCED ASIAN FOCUS

Strategic partnership with China's largest nationwide distributor of infant formula, supplying up to 80,000 Mother and Baby stores.

- 🕒 Distribution Agreement with QianJiaWanPu Co. Ltd., China's largest distributor of infant nutrition products. \$1M+ opening order of Bubs Organic® baby food and snacks received, with a commitment to distribute Bubs® infant formula once CFDA registration is completed.
- 🕒 Bubs® CFDA brand slot secured with Australia Deloraine Dairy, an Australian CNCA registered facility with 10M tin production capacity. Our China compliant premium formulation is complete and further registration process has commenced.
- 🕒 Opened representative office in Shanghai with cross functional team, including sales, marketing, customer service and regulatory compliance.
- 🕒 China digital content production and marketing activities, such as CBEC Expo, product review, KOL and brand campaigns, now underway.



CHINA E-COMMERCE DEVELOPMENT

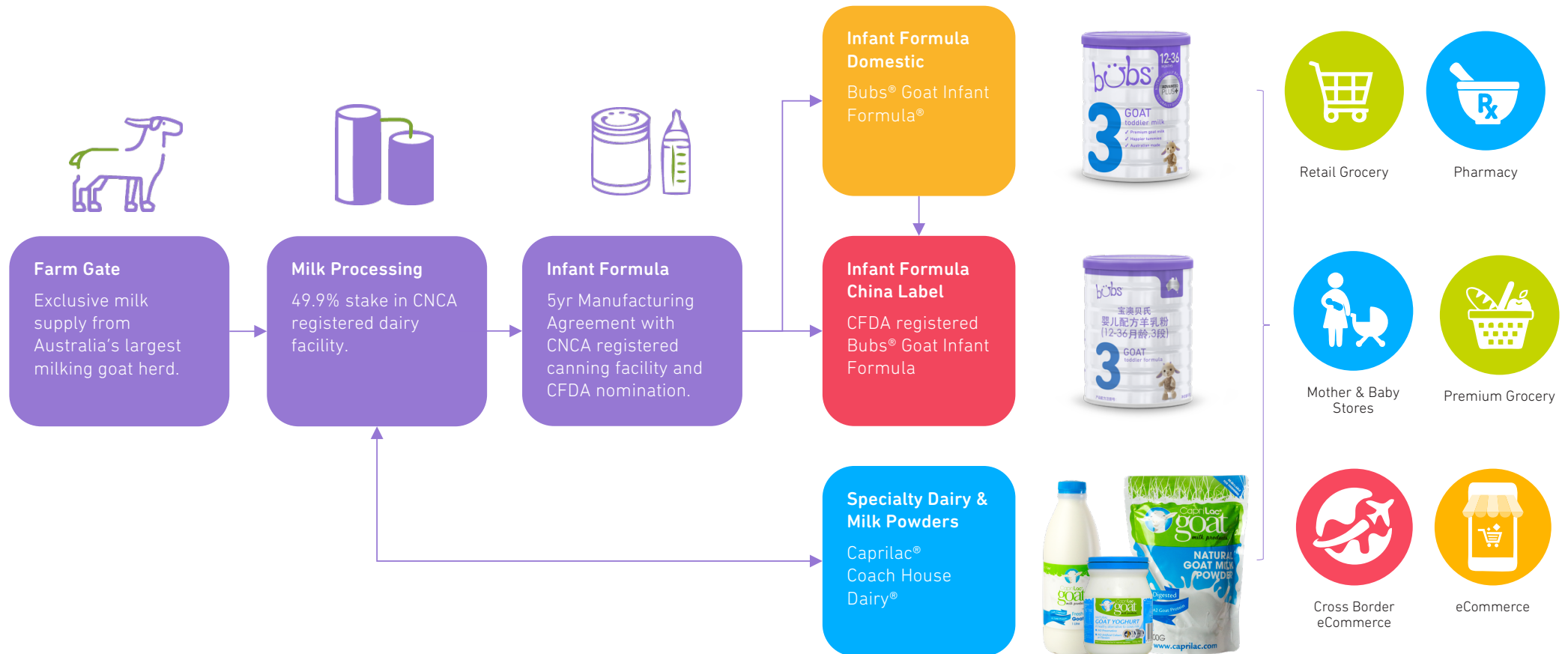
Strategic alliances now in place with all major e-Commerce platforms to build brand awareness and significantly drive sales volume via B2C cross-border channel in F19.

- ☺ Agreement with Hangzhou based New Times Asia, to supply Bubs® and CapriLac® products to up to 20 e-commerce platforms in China. Minimum invoiced revenue commitments of \$17M in FY19, \$24M in FY20 and \$37M in FY21 for domestic products (incremental to CFDA registered products).
- ☺ Agreement with Alibaba - Bubs® and CapriLac® flagship stores now launched on Tmall Global, with expected annual turnover >\$1M per store.
- ☺ Strategic partnership with JD.com to directly supply Bubs® and CapriLac® entire range of products.
- ☺ Key Account nomination for Bubs® and CapriLac® on Kaola.com.
- ☺ Direct Supply Agreements and annual operational plans with VIP.com, RED and Kidswant.
- ☺ New platforms coming online in Q1 FY20 include Suning, Jumei and Mia.
- ☺ Actively engaging and closely managing personal shoppers ('daigous') reselling Bubs® and CapriLac® products via China's C2C channel.



VERTICAL INTEGRATION

Bubs is Australia's leading goat dairy producer and has transparency across the entire supply chain integration and quality assets to balance key ingredients supply.



SUPPLY CHAIN SECURITY

Exclusive milk supply with Australia's largest milking goat herd, combined with our New Zealand and independent partner farms, produce 13 million litres of milk annually.

- 🕒 Exclusive long-term milk supply agreement with Australia's largest milking goat herd.
- 🕒 Grown direct exclusive supply to 12,000 goats plus supply agreements with independent partner farmers for an additional 5,000 goats, providing over 13 million litres annually, equivalent to 1,500 tonnes milk powder.
- 🕒 Plans to grow herd size to 50,000 – guarantees sustainable control over key base ingredient to meet growing future demand and allows traceability back to farm gate.
- 🕒 Bubs® to become the only infant formula brand in the world to use Australian goat milk.



OPERATIONAL CAPABILITY

Australia's largest producer of goat dairy products, producing over 65% of all goat milk products in the country.

- 🕒 49.9% stake in CNCA registered dairy facility in Victoria with spray dryer to convert our milk to powder, plus fresh milk pasteurisation and yoghurt production for CapriLac® and Coach House Dairy® products.
- 🕒 Goat whey protein is a material ingredient in the production of infant milk formula, with increasing global demand. As part of the capital raise, Bubs intends to construct whey processing facilities at its existing dairy facility to further enhance vertical integration.
- 🕒 5 year Manufacturing Agreement with Australia Deloraine Dairy, a CNCA registered facility in Victoria with 10M tin production capacity. Bubs® is nominated as one of their three brands for CFDA registration. Once registered, Bubs® infant formula can be imported into China via traditional channels and sold in Mother and Baby stores.



NULAC FOODS INTEGRATION

Bubs Australia now has a 'pathway to provenance' to become the only vertically integrated producer of goat milk infant formula in Australia.

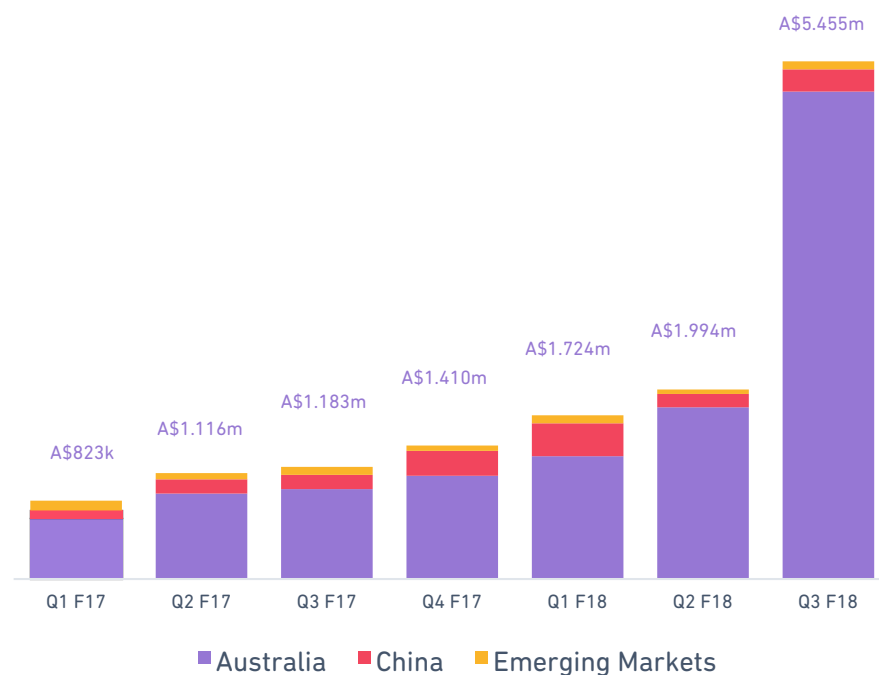
- ⌚ Since the completion of the acquisition of NuLac Foods in December 2017, the major focus for 2H FY18 has been on the strategic integration of the largest goat milk supply in the country, our dairy processing facility, strategic distribution partners, product innovation and brand marketing across both Bubs® and CapriLac® portfolios.
- ⌚ The integration of both companies provided new revenue stream opportunities by expanding our product offering beyond mother and baby, with CapriLac® goat milk powder products which already have traction with Chinese consumers.
- ⌚ Due to the current trend of performance in relation to production management and milk supply, it is likely the NuLac Foods vendors will satisfy the KPIs and be entitled to \$6.7m in each of December 2018 and 2019 (\$13.4 million in total) as deferred payments for the transaction.



FINANCIAL PERFORMANCE

Focus on our four pillar strategy, combined with underlying investments in supply chain and capabilities continues to deliver controlled and measured growth.

GROSS SALES - GEOGRAPHIC



*FY18 Financials are currently unaudited

KEY DRIVERS

- 🕒 Q3 gross sales up 361% to \$5.455 million on same period last year, and up 174% on the previous quarter, underpinned by Nulac Foods acquisition.
- 🕒 Increase in distribution reach through new domestic retail agreements such as Woolworths, and broadening of product range sold through existing customers.
- 🕒 Bubs® Infant Formula gross revenue up +126% YTD, making it the fastest growing formula brand in value in Coles over the last 26 weeks versus last year.
Source : Nielsen Scan Sales Growth Data as at 1 May 2018
- 🕒 FY19 key growth drivers expected to come from new China agreements - not yet reflected in sales revenue.

CAPITAL RAISE OVERVIEW

OFFER TERMS

PLACEMENT

- Approximately \$40m to be raised through a Capital Raising comprising a fixed price Institutional Placement

OFFER PRICE

- The Placement will be conducted under the 15% placement in accordance with ASX Listing Rule 7.1
- The Institutional Placement is priced at \$0.75 per share, representing:
 - 16.2% discount to last closing price of \$0.895
 - 14.8% discount to the 5 day VWAP of \$0.880
 - 12.6% discount to the 10 day VWAP of \$0.858
 - 9.9% discount to the 30 day VWAP of \$0.832

JOINT LEAD MANAGERS

- Bell Potter Securities Limited and Morgans Corporate Limited

USE OF FUNDS

Strategic Opportunities, Marketing and Product Development	\$7.4m
Working Capital and Inventory Management	\$13.9m
Acquisition KPI payments	\$13.4m
Capital Expenditure to further enhance Vertical Integration	\$3.5m
Cost of Offer	\$1.8m
Total	\$40m

USE OF FUNDS

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

Further enhanced Vertical Integration

- 🕒 Capex investment in whey processing facility on existing site
- 🕒 The processed whey will become a key ingredient in Bubs products and further enhance the provenance
- 🕒 Target completion date: Q4 2019

Investment in Supply Chain

- 🕒 New exclusive Milk Supply Agreements with partner Goat dairy farms in Australia and New Zealand.
- 🕒 The growth and increase in milk supply requires corresponding working capital

Market Development

- 🕒 A representative office has been established in Shanghai.
- 🕒 The market in China will require support to further grow the business with our existing partners including brand development

Product Development

- 🕒 Bubs will continue to develop new products across its range
- 🕒 New product developments will focus on product extensions

Nulac Foods Acquisition Vendor Payments

- 🕒 As part of the Nulac Foods acquisition, vendors are entitled to two payments of \$6.7m in December 2018 and 2019 if certain KPIs are met regarding management of the processing facilities and milk supply.
- 🕒 The transaction has transformed Bubs through vertical integration and has been critical in attracting quality partners, as well as ranging in Woolworths.

INDICATIVE TIMETABLE*

Trading Halt and announcement of
Capital Raising

Thursday, 14th June 2018

Bookbuild conducted for the
Placements

Thursday, 14th June 2018 – Friday 15th June 2018

Announcement of completion of
Placement; Trading Halt lifted;
normal trading resumes

9am Monday, 18th June 2018

Settlement of Placement Shares

Monday, 25th June 2018

Allotment Date for New Shares
under the Placement

Tuesday, 26th June 2018

**The above timetable is subject to change without notice.*

TEAM AND SHAREHOLDERS

BOARD MEMBERS



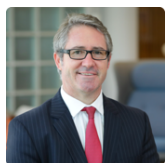
Dennis Lin – Non-Executive Chairman

Chairman since 16th July 2017. A Partner at BDO, where he leads the firm's China Advisory Services, specialising in commercial transactions, merger, acquisitions and capital market activities between Chinese and Australian businesses, with a particular focus in agriculture and consumer goods sectors.



Kristy Carr – Executive Director

Bubs co-founder with an in-depth knowledge of the infant category. Prior to co-founding Bubs in 2006, Mrs Carr was the International Communications Strategist for Cathay Pacific, based in Hong Kong for 12 years.



Mathew Reynolds – Non-Executive Director

A Partner at HWL Ebsworth lawyers who specialises in capital markets, debt capital markets and mergers and acquisitions including private equity. He is a member of both the Queensland Law Society and Company Law Committee, Queensland Law Society.



John Gommans – Non-Executive Director

John Gommans pioneered the goat dairy industry in Australia and was the founder of NuLac Foods, now the largest producer of goat milk products in Australia and was acquired by Bubs Australia in December 2017. Mr Gommans is responsible for the management of the company's milk supply and production facility.

KEY MANAGEMENT



Nicholas Simms – Chief Executive Officer

CEO since May 2017. Mr Simms is an FMCG specialist with over two decades of experience in management positions within leading consumer goods companies including Mars Inc. HJ Heinz and five:am which was acquired by PZ Cussons after growing to become the market leading producer of organic yoghurt and cereals.

KEY SHAREHOLDERS

Carr Family Pty Limited
20.8m shares 5.40%

Penelope Gandar
19.2m shares 4.99%

Johannes Gommans
19.2m shares 4.99%

Rupert Soar
19.2m shares 4.99%

Catherine Taylor
19.2m shares 4.99%

CONTACT DETAILS

COMPANY



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Goodness



Very Best



bubs[®]
Organic



Honesty



Playfulness

