



ASX: BUB
Bubs Australia

bübs[®]
Organic

FY19
HALF YEAR
INTERIM RESULTS

28.02.2019





GOODNESS



VERY BEST



Inspiring new generations of
happy, healthy bubs.



HONESTY



PLAYFULNESS



01

FINANCIAL OVERVIEW



RECORD GROWTH

Significant uplift in revenue reflects market share gains in core products across all regions.



1H19 FINANCIAL HIGHLIGHTS

- Record gross revenue: 1H19 \$21.03 million; exceeded total FY18 full-year revenue.
- Driven by strong domestic growth: +412% (5x) pcp, and increased sales to China: +901% (10x) pcp.
- Bubs® products gross revenue: \$9.0 million; +155% (3x) pcp, accounting for 43% group revenue.
- Total group gross margin* increased to 19% compared to 12% in 2HFY18, and Bubs® products delivered 32% compared to 20% in FY18.
- Strong balance sheet with \$26.71 million in cash reserves, of which \$7.0m is classified as financial assets, and \$12.47 million in inventory.

**Balance excludes inventories write downs.*

FINANCIAL RESULTS

The 1H financial results are characterised by a very strong revenue trajectory. The company has continued to make significant investment in building scale through channel development following the integration of NuLac Foods business.

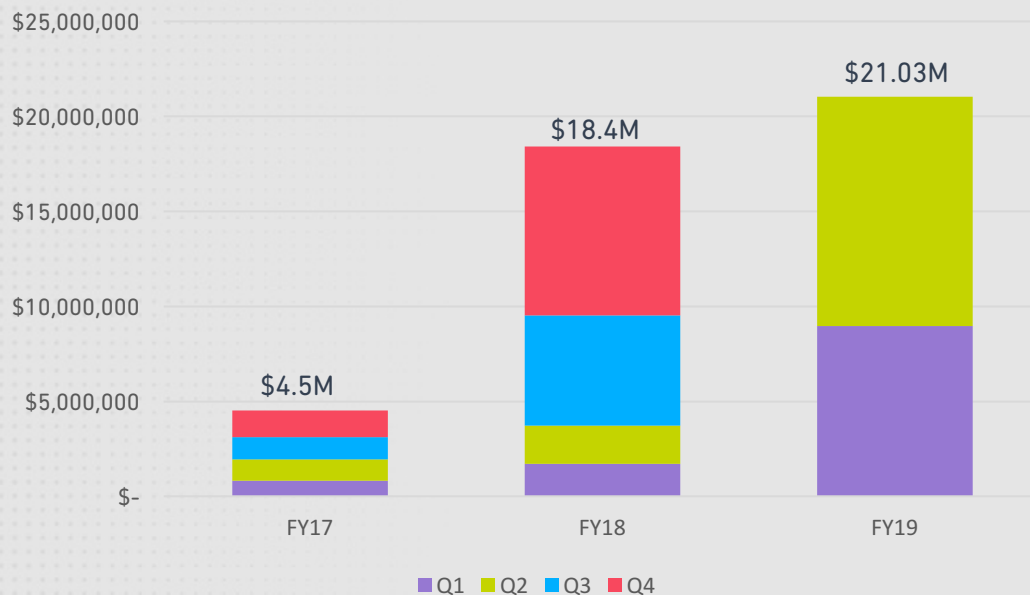
	1H19	1H18	% CHANGE
GROSS SALES	\$21.03M	\$3.72M	+465%
NET REVENUE	\$19.56M	\$3.25M	+502%
GROSS MARGIN*	\$3.75M	\$0.65M	+477%
NORMALISED EBITDA**	(\$3.52M)	(\$2.59M)	(36%)
EBITDA**	(\$8.83M)	(\$3.89M)	(127)%



- 1H19 gross margin* improved to 19%, compared to 12% in 2H FY18, due to the optimisation of product and channel mix, engaging new suppliers and improvements in allocating the milk pool. Bubs® products delivered 32% gross margin versus 20% in FY18. Further group margin improvement is expected in 2H19.
- Strategic investment in building scale and sales momentum:
 - + Investment in marketing (7% net revenue) to support strong domestic presence and building brand awareness in China;
 - + Investment to reflect capability build in core markets and corporate, with increased headcount by 167% compared to 1H18, excluding Uphamgo facility employees;
 - + Fixed operating and administrative costs typical of business in establishment and rapid growth phase.
- The overall statutory net loss of \$8.8 million, incorporates expenses incurred outside of normal business operations:
 - + \$4.5M fair value movement of contingent consideration payable to Nulac Foods vendors as part of 2017 acquisition;
 - + \$288K share based payments for options issued in FY18;
 - + \$241K inventories written off for discontinued products.

GROUP REVENUE

QUARTERLY GROSS SALES REVENUE



KEY DRIVERS

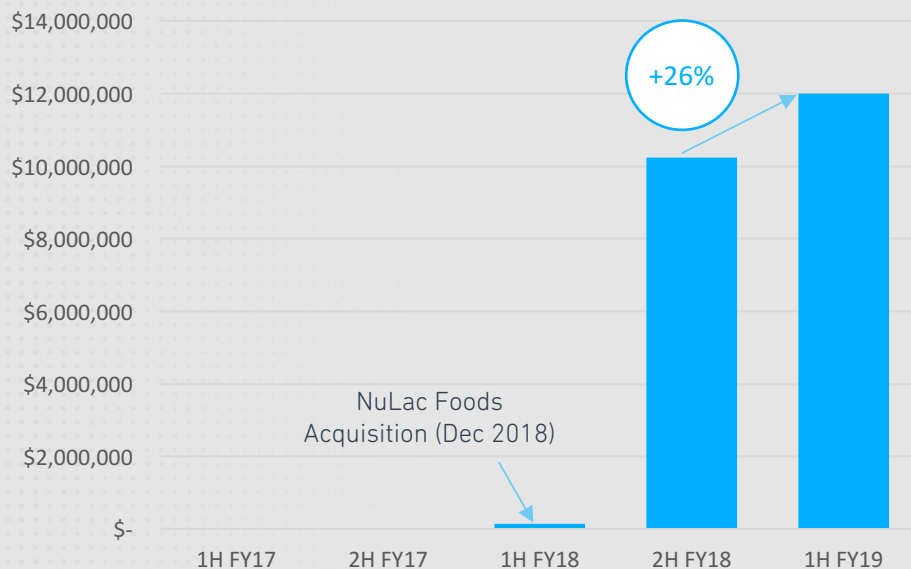
- Consistent quarter-on-quarter growth since listing in 2017, with record uplift in Q2 FY19.
- Record 1H19 gross revenue: \$21.03 million; +465% (6x) pcg, and +43% on 2H18.
- Growth predominantly driven by sales of Bubs® products: +155% (3x) pcg, and +109% on 2H18.

SALES MOMENTUM

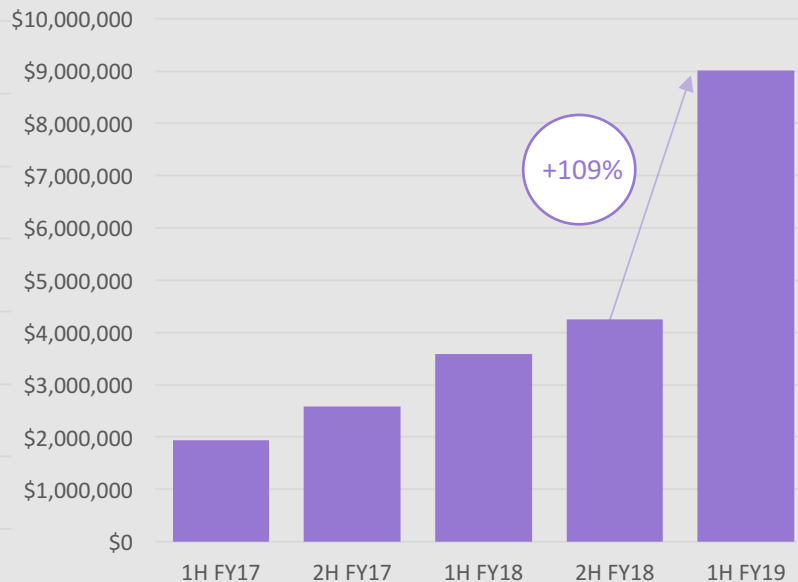


HALF YEAR GROSS SALES REVENUE

NULAC PRODUCTS REVENUE

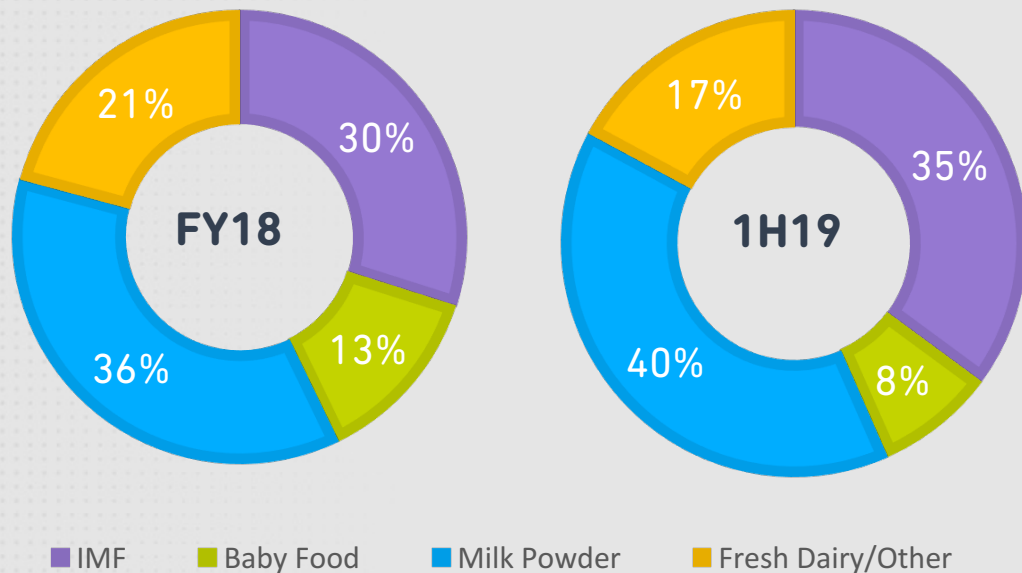


BUBS PRODUCTS REVENUE



BALANCED PRODUCT MIX

GROSS SALES REVENUE BY PRODUCT GROUP

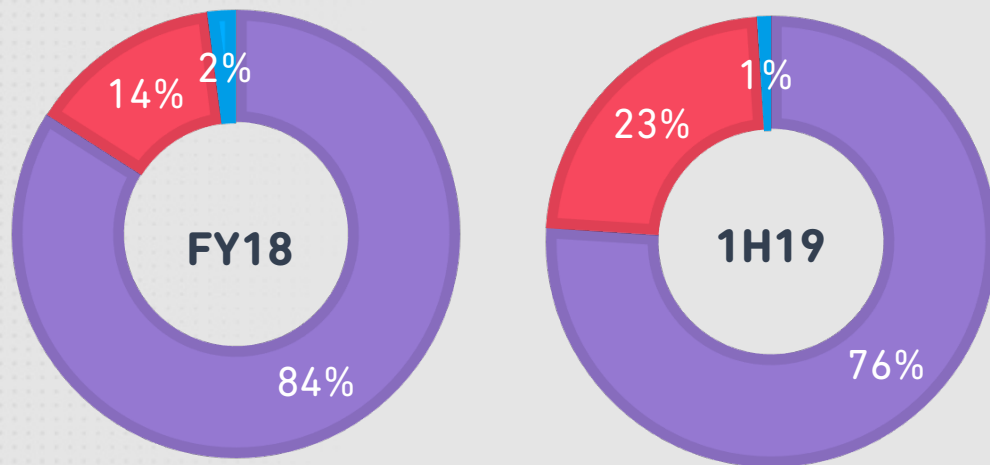


KEY DRIVERS

- Gross sales of Bubs® products: \$9.0 million; 43% of group 1H revenue.
- Increase in high margin products:
 - + Infant Formula sales increased +180% (3x) pcp and +144% on 2H18
 - + Organic Baby Food sales increased +86% pcp and +30% on 2H18
- CapriLac® goat milk powder (acquired Dec 2018) grew +26% on 2H18; 40% of group 1H revenue.

REGIONAL CHANNEL MIX

GROSS SALES REVENUE BY CHANNEL:



■ Australia ■ China ■ Other International



KEY DRIVERS

- Domestic sales grew +412% (5x) pcp, and +30% on 2H18, driven by strong domestic presence in major supermarkets, and activation of the Daigou outbound channel.
- Sales to China grew +901% (10x) pcp, and +121% (2x) on 2H18, driven by Cross-border eCommerce sales and organic baby food products ranged in Mother and Baby stores.
- Aggressive growth strategy to continue to increase penetration into China via strategic partnerships.
- Exploring entry to new emerging international markets.

02

STRATEGIC PROGRESS



GROWTH DRIVERS

FOUR KEY PILLARS FOR GROWTH



FY19 STRATEGIC PRIORITIES

With solid foundations in place, the Company has made considerable progress on delivering our key drivers for growth:

VERTICAL INTEGRATION & SUPPLY CHAIN



- + Exclusive Milk Supply Agreement with Central Dairy Goats in NZ for 6.2M Lt by 2020.
- + Continue to grow the milk pool to ensure supply meets forecasted growth demand.
- + Explore opportunities to further enhance the vertical integration of business operations, specifically infant formula manufacturing and key dairy ingredients.

CHINA CHANNEL DEVELOPMENT



- + Digitally driven brand marketing campaign launched in China in Q219.
- + Australian based Daigou engagement and C2C activation via association with Key Opinion Leaders.
- + Expand Mother & Baby store distribution footprint and trade sales program for baby food products.
- + Progress SAMR registration application.

PRODUCT INNOVATION



- + Extend nutritional portfolio; the most profitable sector of the business.
- + Expand organic toddler snack offering; extend lifetime value and tap into growth opportunity in Australia and China.
- + Continue to adapt Bubs full portfolio of products to be suitable for China.
- + Product pipeline for key retail partners; Coles, Woolworths, and Chemist Warehouse.

CORPORATE



- + Driving strong and sustainable revenue growth.
- + Optimise channel and product mix for margin improvement to drive profitability.
- + During 1H team capabilities were strengthened with new appointments in Operations, Marketing, Supply Chain, Technical QA, Export Sales and China market management.

03

SUPPLY INTEGRATION



AUSTRALIA & NZ GOAT MILK POOL

TOTAL HERD: ~20,000
TOTAL SUPPLY: ~20M LT p.a.



**Bubs Australia
Farms**
9,000 goats
7.2M Lt p.a.

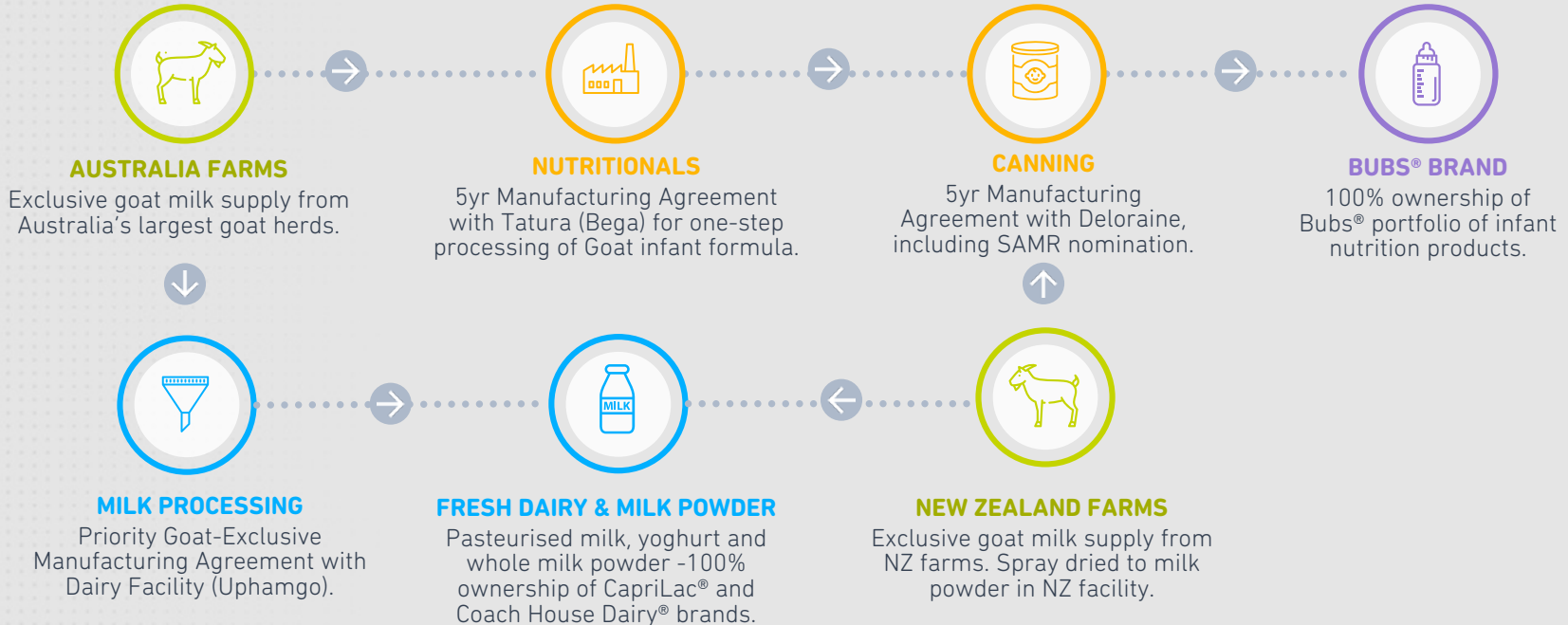
A map of Australia and New Zealand is shown in a light gray tone. Three callout boxes with goat icons are connected to specific regions: Bubs Australia Farms in the southeast of Australia, Bubs NZ Farms in the North Island of New Zealand, and Central Dairy Goats in the South Island of New Zealand. The Bubs Australia and NZ boxes have purple borders, while the Central Dairy Goats box has a blue border.

Bubs NZ Farms
4,800 goats
3.8M Lt p.a.

Central Dairy Goats
Exclusive Milk Supply
Agreement
6,000 goats
6.2M Lt p.a.

VERTICAL INTEGRATION

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



A young child with blonde hair and a small clip, wearing a white ruffled dress, sits on a white stool. The child is holding a large tub of Bubs Goat 3 infant formula. The tub is white with blue and purple accents, featuring the Bubs logo and the number '3'. The child is smiling and looking off to the side.

ONE-STEP PROCESSING TATURA (BEGA)

FRESH MILK DIRECTLY TO INFANT FORMULA

Bubs has recently entered a long-term manufacturing agreement with Tatura, taking fresh goat milk directly from the farm gate and wet blending to nutritional infant formula base in one step (without first converting to whole milk powder).

- Superior fresher product
- Improved taste and solubility
- Reduced production costs
- Margin accretive
- Shortened cash cycle

04

CHINA CHANNELS



ROUTES-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.
- ➔ Direct cross-border sales to all major platforms: Alibaba, JD.com, VIP and Kaola.
- ➔ Local office and experienced team to build in-market capability, and drive growth momentum.
- ➔ Strategic focus on managing inventory flow and margin protection across channels.

C2C eCOMMERCE

DAIGOU ACTIVATION

In 1H19 the company actively engaged Australian based Daigous (personal shoppers), who play an integral role in building brand awareness in China, through syndication of digital content.

Bubs partnered with hundreds of KOL's (Key Opinion Leaders) to participate in product reviews, farm tours, and live-stream events.

Bubs is now sold in over 180 Chinese gift stores throughout Australia. An immediate surge in sales was experienced across all channels.



C2C Daigou
KOL



MOTHER & BABY STORES

BUBS ORGANIC® BABY FOOD LAUNCH IN CHINA RETAIL

Following successful import registration, Bubs Organic® baby food pouches, cereals and teething rusks are being distributed into Mother and Baby physical stores throughout China, including major Key Accounts in top tier cities.

Bubs has appointed sub-distribution partners in most provinces and has a targeted sales strategy to deliver coverage across 5,000 stores by the end of FY19. Currently ranged in 500 stores.



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