



Bubs Australia Limited
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**BUBS CELEBRATES TRIPLE SIGNINGS:
BEINGMATE, TMALL AND CHEMIST WAREHOUSE**
Key China and domestic channel strategic partnerships in place

Melbourne 6 May 2019: Bubs Australia (**ASX: BUB**) today formalised its key China and domestic channel strategic partnerships, namely: a Joint Venture with Beingmate Baby & Child Food Co., Ltd [002570.SZ] (**Beingmate**); a Strategic Partnership Agreement with Alibaba's Tmall (**Tmall**); and formalisation of the equity linked alliance with CW Retail Pty Ltd, CW Management Pty Ltd, and CW Retail Services Pty Ltd (collectively **Chemist Warehouse**) that was announced on 18 April 2019.

Beingmate is one of the largest Chinese owned enterprises in the infant nutrition industry. The signing with Beingmate establishes a Joint Venture with Bubs in Shanghai to distribute and promote Bubs® goat and organic cow milk infant formula and organic baby food products throughout Beingmate's network covering 30,000 Mother and Baby stores throughout China. The Joint Venture company; 'Bubs Brand Management Shanghai Co. Ltd,' is to be Bubs' exclusive authorised distributor in mainland China for all Bubs® branded products. Bubs Australia holds a 49 percent interest in the Joint Venture which will run for an initial term of 10 years. Key terms of the Joint Venture Agreement are set out in the Appendix to this announcement.

Beingmate's Chief Executive Officer, Bao Xiufei (Bob) said: "This is an important development for Beingmate to have the opportunity to build on our domestic business by partnering with Bubs. We have been very impressed with Bubs' quality product offering which has become an international trusted brand. With its strong provenance story and authentic domestic position, we believe Bubs has the hallmarks to capture a material share of China's fast growing super-premium infant formula and organic infant food sectors."

Commenting on the joint venture with Beingmate, Bubs Founder and CEO, Kristy Carr said: "We are truly excited to set out on this joint venture – a true partnership in every way which will lift Bubs profile and access to the Mother and Baby store channel, which is critical to success in the broader Chinese market."

The Joint Venture Agreement with Beingmate was executed today in a formal signing ceremony witnessed by an audience of institutional and professional investors, business media, and industry colleagues.

The signing ceremony with Beingmate was accompanied by signing ceremonies formalising Bubs Australia's partnership with **Alibaba's Tmall**, and an equity-linked alliance with **Chemist Warehouse**.

Speaking at the event, Ms Maggie Zhou, Alibaba Group's Managing Director for Australia and New Zealand, said: "We continue to see growing demand in China for high quality products from Australia. The mother and baby category continues to be one of the best performing for exports from Australia to China via Alibaba's Tmall marketplace. We are delighted to be formalising this strategic partnership between Tmall and Bubs."

For Chemist Warehouse, Chairman and Co-Founder, Jack Gance said: "The partnership with Bubs is our first investment in a listed entity and reflects what we see as the great potential for the Bubs brand to become a true leader in the category. Chemist Warehouse can help them to realise this vision."



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"We have already had great success with Bubs high quality nutrition products on our online platform and we expect the Bubs portfolio, particularly now they have expanded their infant formula offering to include a premium organic range, to perform very well in our physical stores. We are excited to be part of Bubs Australia's journey," Mr. Gance said.

Bubs Australia Chairman, Dennis Lin said: "The milestones we are celebrating today with such renowned partners, as well the recent acquisition of Australia Deloraine Dairy supported by the cornerstone investment in Bubs by C2 Capital Partners, means we are well placed to pursue our strategic goals towards profitable growth."

At the Signing Ceremony, Mr Dennis Lin provided the following Investor Briefing:

Ladies and gentlemen, distinguished guests, good morning. Since listing on the Australian Securities Exchange in early 2017, Bubs Australia has focused on four key growth drivers, being:

1. Innovation and product development
2. Increased domestic market penetration
3. Brand Awareness and Impact
4. Enhanced Asian focus

To deliver these growth drivers, we recognised early on the unique nature of goat dairy as an emerging commodity. We also saw, the need to have sufficient visibility and influence throughout the supply chain, in order to command a premium for provenance of the branded product that has a growth trajectory greater than its peers in the market segment.

To that end, we dedicated much focus on vertical integration in 2017, which culminated in the NuLac Foods acquisition, that now sees Bubs supporting the goat dairy industry by committing to over 65% of the supply in Australia as well as a material portion in New Zealand, and having the branded product flexibility to deal with seasonal milk curves from fresh, whole milk powder through to our core product of infant formula.

With John Gommans from NuLac Foods on the board during this period, we were privileged to have had his valuable input in understanding milk supplies and working with producers that want to participate in this industry. As we heard from goat dairy farmer Mark Emonson a moment ago, it is worth reflecting that our business does not just have the social impact of inspiring new generations of happy healthy bubs through quality products, we are also supporting producers and creating jobs in this growing segment of the dairy industry, particularly in Australia and New Zealand.

During calendar year 2018, one of our key focus was to consolidate our vertical integration and ensure that we were optimising the supply chain by understanding its key components. This saw the introduction of new partners including Tatura Milk Industries, as well as Fonterra as announced this morning. In addition, we also refocused Bubs' own manufacturing capability and agility by bringing canning facility in-house through the acquisition of Australian Deloraine Dairy, one of the most modern and advanced CNCA accredited canning facilities in Australia that carries Bubs SAMR nominations.



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Many of these partners are here with us today, and we thank you for your support and look forward to great partnerships together. I also want to take the opportunity to re-acknowledge the commercial consuls representing China's Ministry of Commerce, who join us in the audience today.

Having set these important foundations, we are primed for profitable growth through four key retail quadrants, which are:

1. Australian domestic market
2. Global Traders, or Daigou channels
3. Cross-border eCommerce
4. China offline.

Within these retail quadrants, we welcome existing and new partners who are able to work with us on appraising distribution channels in the most strategic markets, and continuing to identify any additional opportunities in our segment.

We are humbled to be able to have deep working relationships with the likes of Chemist Warehouse, Beingmate and Alibaba Group who are with us today. It has also been a privilege to have supportive shareholders and investors that align with our interests in the ecosystem.

It was through these discussions between partners and feedback from consumers, that provided us with the inspiration to develop an Australian made organic cow milk infant formula, with the supply chain visibility that Bubs is proud of.

The Bubs business was founded through producing organic baby foods, so organic products is very much part of the Bubs DNA that consumers have come to identify and recognise. And so, for consumers that want natural, sustainable quality products created by Bubs, it was a logical step for Bubs to make available a cow milk based formulation to suit their dietary needs. Importantly, within infant nutrition, organic cow milk is in the same super-premium segment as goat that continues to grow at a faster pace than others.

Our ability to participate in that growth will be undoubtedly be enhanced through distribution partners including Beingmate, Chemist Warehouse and Alibaba platforms, as well as our broader distribution networks.

Finally, as we position the company for profitable growth, I would like to, on behalf of the board, take this opportunity to thank all shareholders and partners for your support. We will continue to build at pace with agility, discipline and humility, and deliver returns to our shareholders while making positive impact for all mothers and bubs throughout the world.

Thank you. I'll hand you back to our MC Jessica Rudd to introduce our panel discussion with Bob Bao, Jack Gance, Maggie Zhou and Kristy Carr.

END



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Photos from the signing ceremonies event can be downloaded here: [bubsaustralia.com/media](https://www.bubsaustralia.com/media)

About Bubs Australia Limited (ASX: BUB)

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.



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About Beingmate

Beingmate Baby & Child Food Co., Ltd is the only infant and child nutrition focused business listed on China's A-share market with a market capitalisation of RMB6.115bn (~A\$1.29bn). It was founded in 1992 and listed on the Shenzhen Stock Exchange in 2011. Beingmate has reported sales for calendar 2018 of RMB 2.476 billion (~A\$520 million) and reported profit of RMB 41m (~A\$8.5M). Beingmate has more than 200 infant nutrition products in its portfolio.

About Alibaba

Alibaba Group's mission is to make it easy to do business anywhere. The company aims to build the future infrastructure of commerce. It envisions that its customers will meet, work and live at Alibaba, and that it will be a company that lasts at least 102 years.

Today Alibaba Group has more than 699 million mobile monthly active users on its China retail marketplaces and is the world's largest retailer by Gross Merchandise Value. Australia was ranked third during the 2018 11.11 Global Shopping Festival on Tmall Global, up from fifth in 2016. Mother and Baby is one of Australia's leading categories for exports to China from Australia.

About Chemist Warehouse

Chemist Warehouse is Australia's largest pharmacy chain network by total sales, with over 450 franchised stores throughout Australia and New Zealand under the 'Chemist Warehouse' and 'My Chemist' banners.

Chemist Warehouse has evolved its business model to not only cater for a strong domestic market, but also acts as a gateway to China for Australian brands, in response to the increasing number of Chinese residents and tourists seeking Australian health and infant nutrition products to take back to China. The Chemist Warehouse Tmall Global store is the largest in the world by gross merchandise volume. In 2018 during 'Singles day' the Tmall Global store sold over RMB 180 million worth of products in just 24 hours.



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APPENDIX: Joint Venture with Beingmate

1. Formation of Joint Venture

- a. Bubs has entered into a Joint Venture Contract with Beingmate Shanghai Management Consulting Co., Limited (贝因美 (上海) 管理咨询有限公司) (Beingmate Shanghai) for the promotion and sale of Bubs products in mainland China.
- b. A joint venture company, Bubs Brand Management Shanghai Co.,Ltd. (Chinese name: 贝铂仕 (上海) 品牌管理有限公司) (the JV Company) has been formed in PRC to carry out the joint venture.
- c. Bubs holds 49% in the joint venture.
- d. The JV is for an initial term of 10 years, commencing from the date of issuance of the JV Company's business licence.

2. Joint Venture activities

- a. Under the joint venture, the JV Company will carry out the following activities:
 - i. retailing and wholesaling of Bubs branded infant formula products;
 - ii. marketing and promotion of Bubs branded infant formula products; and
 - iii. import and export activities.
- b. Bubs has also entered into an Exclusive Distribution Agreement and a Trade Mark Licence Deed with the JV Company to facilitate the JV Company's activities.
- c. The JV Company is Bubs' exclusive authorised distributor in mainland China for Bubs branded infant formula products and is granted a licence to use Bubs' Chinese registered trademarks for these purposes.

3. Key terms

- a. If the JV Company fails to reach certain annual sales targets, Bubs has a right to acquire between 2% and 51% of Beingmate Shanghai's equity interest in the JV Company.
- b. The JV is terminated in customary circumstances, including as a result of material breach, unresolved deadlock, and bankruptcy. In addition, Beingmate Shanghai has a right to put its interest in the JV Company to Bubs at fair market value if there is a material breach by Beingmate that has not been remedied in accordance with the JVA.