



Bubs Australia Limited
ACN 060 094 742
23-29 Nina Link, Dandenong South
VIC 3175 Australia

1800 2827 2878 (1800 BUBS AUST)
info@bubsaustralia.com

Investor Update - Citi

Melbourne, 27 July 2020: Bubs Australia Limited (ASX: **BUB**) advises that it has today presented an Investor Update hosted by Citi.

The Presentation is attached.

Jay Stephenson
Company Secretary



27 July 2020

INVESTOR UPDATE

Agility to accelerate growth.



ASX: BUB
Bubs Australia



DISCLAIMER



This presentation and any materials provided (materials) have been prepared by Bubs Australia Limited (Bubs) and contains general information about Bubs activities. By accepting the Materials you agree to be bound by the below terms and conditions.

Terms and Conditions



This presentation has been prepared by Bubs Australia Limited.

This presentation is for information purposes only and is not a prospectus, product disclosure statement or other disclosure or offering document under Australian law or any other law. This presentation is not and should not be considered an offer or an invitation to acquire shares in Bubs. The distribution of this presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions.

The information contained in this presentation does not constitute investment or financial product advice (nor taxation, accounting or legal advice), is not a recommendation to acquire shares and does not and will not form the basis of any contract or commitment for the acquisition of shares.

This presentation may contain certain forward-looking statements and comments about future events, including Bubs' expectations about the future performance of its business. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. You are cautioned not to place undue reliance on any forward-looking statement. Forward looking statements, opinions and estimates provided in this presentation are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends which are based on interpretations of current market conditions and Bubs does not make any representation or warranty as to the accuracy, or reasonableness, of such statements or assumptions. Actual results, performance or achievements may vary materially from any forward-looking statements in this presentation.

This presentation has been prepared by Bubs based on information available to it, including information from third parties, and has not been independently verified. No representation or warranty, express or implied, is made as to the fairness, accuracy or completeness of the information or opinions contained in this presentation.

Unless otherwise stated, all dollar values are in Australian dollars (\$) or A\$). A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding.



Very Best



Creating new generations of
happy, healthy bubs



Honesty



Playfulness



Goodness

TABLE OF CONTENTS

- EXECUTIVE SUMMARY
- FINANCIAL OVERVIEW
- AGILITY TO ACCELERATE GROWTH

bübs®



EXECUTIVE SUMMARY



FY20 Trading Update

- FY20 gross revenue up 32% to \$62 million.
- Strong revenue growth momentum since listing with 7 consecutive HoH delivering positive growth.
- FY20 Infant Formula sales up 69% pcp, representing 55% of group gross revenue.
- FY20 China direct sales up 37% pcp, representing 21% of group gross revenue.
- Market diversification with Export (excluding China) now 9% of Group, driven by Vietnam launch.
- On a preliminary and unaudited basis, normalised group GP%* improved 3 basis point pcp.
- 2H20 net operating cash outflow \$5m, with \$26m cash position at 30 June 2020.

Outlook

- Having achieved scale and presence in our core categories and markets, Bubs expects continued strong growth in FY21 through accelerated revenue streams.
- Group margin will be further enhanced by optimised product mix, highest and best use of milk pool allocation, and enhanced value chain.
- Excluding any residual COVID-19 adverse impacts, Bubs Australia expects to achieve profitability at normalised EBITDA level in FY21.
- With strong market demand and fully integrated supply chain, Bubs is well positioned to execute strategic goals towards delivering long-term sustainable and profitable growth.

A photograph of three children standing in a field of tall grass and wildflowers. On the left is a girl with blonde hair and a flower crown, wearing a light purple long-sleeved shirt under a patterned dress, holding a basket of red flowers. In the center is a boy with blonde hair wearing a white button-down shirt and tan pants. On the right is a girl with dark hair wearing a green sleeveless dress with ruffled shoulders. The background is a soft-focus field of tall grass and yellow wildflowers under bright sunlight.

01

FINANCIAL OVERVIEW

FINANCIAL HIGHLIGHTS

FY20 results were driven by the strong performance of Bubs® Infant Formula in all retail channels and regions.

\$62m

Group Gross Revenue

+32%

prior corresponding period

55%

Infant Formula Share of
Group Gross Revenue

ASX 300
Bubs Australia

+69%

Infant Formula Gross Revenue growth pcp.

+37%

Direct sales to China growth pcp.

5x growth pcp

Export sales to Emerging Markets outside of China.

\$26m

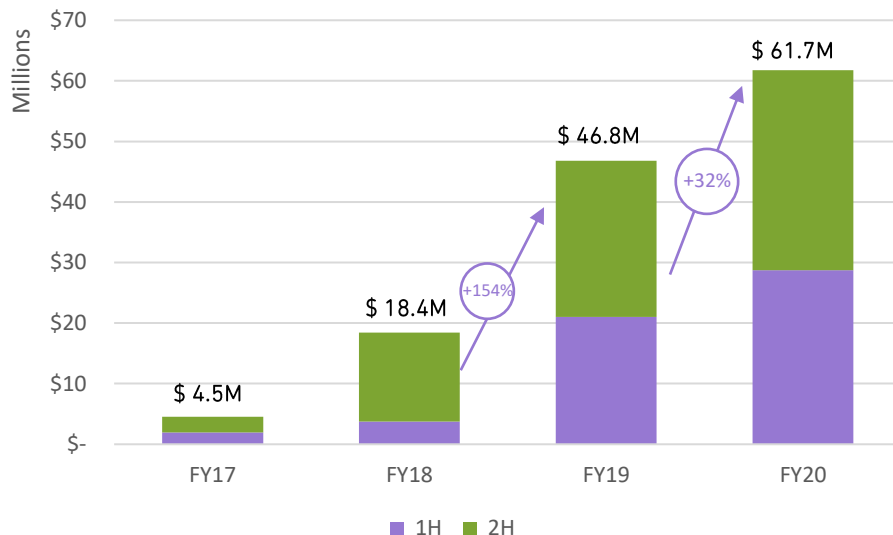
Cash reserves as at 30 June 2020.

CONTINUED REVENUE GROWTH MOMENTUM



FY20 delivered strong growth despite COVID-19 impact resulting in abnormal quarterly phasing in the 2H.

Group Gross Revenue



Key Highlights

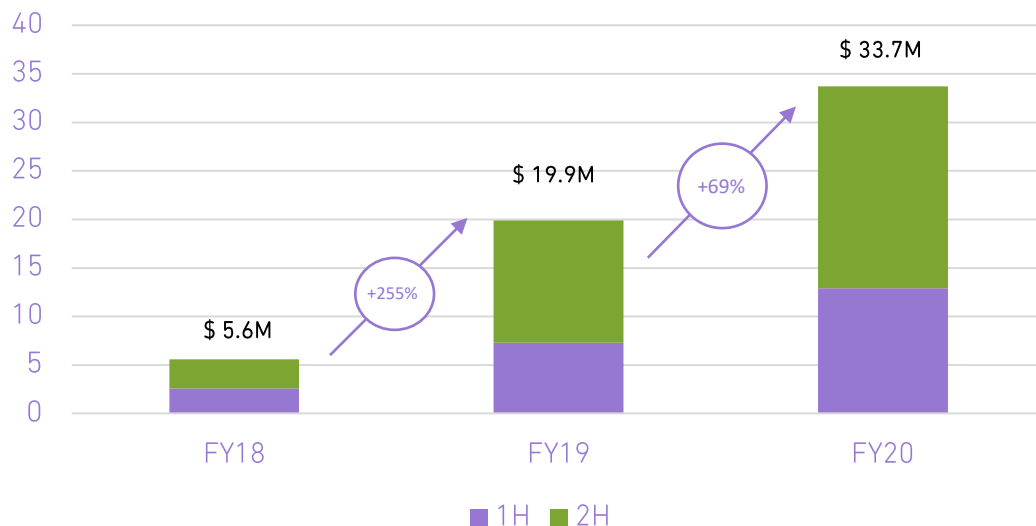
- Continued strong HoH growth since listing in 2017.
- 2H20 gross revenue \$33m; **+28% pcp.**
- FY20 gross revenue \$62m; **+32% pcp.**
- On a preliminary and unaudited basis, normalised group GP%* **improved 3 basis point pcp** despite the increased trade spend investments as a result of the expanded distribution footprint in domestic retailers in FY20.

FUELLED BY **STRONG INFANT FORMULA GROWTH**



Continued strong HoH growth in highest margin products.

Bubs Infant Formula Gross Revenue



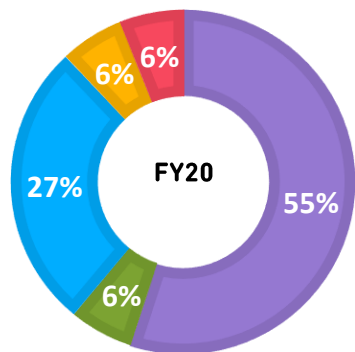
Key Highlights

- ➔ FY20 Infant Formula gross revenue \$33.7m; **+69% pcp.**
- ➔ 2H20 Infant Formula gross revenue \$20.8m; **+65% pcp** and **+62% HoH** driven by:
 - Strong growth in domestic retailers; Coles, Woolworths, Big W, Baby Bunting and Chemist Warehouse
 - **Bubs® achieved fastest growing imported brand share across the Alibaba ecosystem +90% pcp.***
 - Junior Nutrition innovation
 - Expansion into Vietnam market

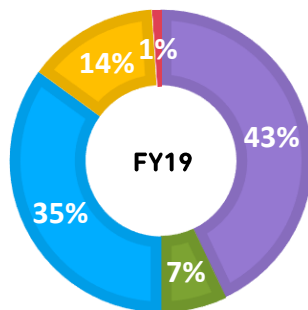
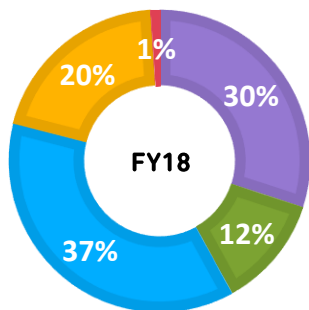
DRIVING GROWTH IN MOST PROFITABLE SECTOR



Contribution share of Infant Milk Formula increases from 30% to 55% over two years.



■ Infant Formula ■ Baby Food ■ Goat Milk Powder ■ Fresh Dairy ■ Other



Key Highlights

- ➔ Strengthened focus on highest margin products within group portfolio:
 - **FY20 Infant Formula: +69% pcp**, representing 55% of gross revenue in FY20.
 - **Q4 FY20 Infant Formula +20% pcp**, representing 71% of gross revenue for the quarter.
- ➔ Ability to allocate highest and best use of milk flow into multiple brands across profitable product categories and consumer segments with our unique positioning as an Infant Nutrition and Australian Goat Dairy specialist.

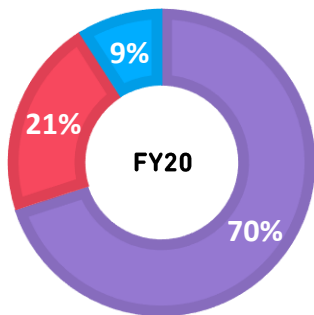
INCREASING MARKET DIVERSIFICATION



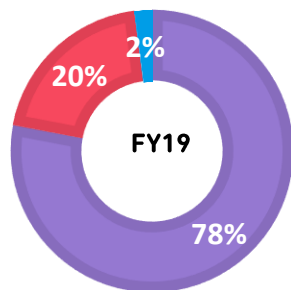
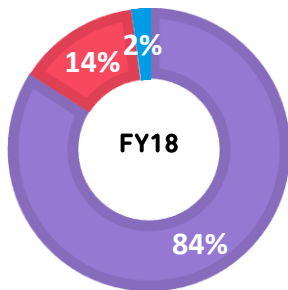
Accelerating growth beyond key markets: Australia, China and Vietnam.

Key Highlights

- ➔ Strengthened focus on expanding distribution in Australian retailers, delivering +19% pcp of group gross revenue:
 - Driven by Q4 **Infant Formula up +270%** pcp in domestic retailers.
 - Offset by Q4 disruption to Daigou (C2C) outbound sales.
- ➔ With increased marketing investment, **direct export sales to China increased +37% pcp**, representing 21% of group gross revenue.
- ➔ Strong Q4 sales in China CBEC reflects Channel shifting post COVID-19:
 - **Q4 CBEC Adult goat powder +170% pcp**, driven by CapriLac® refresh.
- ➔ Continued penetration in emerging international markets delivering greater than five times growth pcp:
 - **Gross revenue +503% pcp**, driven by Bubs launch into Vietnam.



■ Australia ■ China ■ Other International



Key Highlights



Gross Margin Improvement

- On a preliminary and unaudited basis, normalised group GP%* improved 3 basis point pcp.
- Enhancing product mix with strengthened focus on highest margin products – Infant Formula.
- Infant Formula price increase from May 2020.
- Improved supply chain costs due to scale and management initiatives.



Effective Opex Management

- FY20 Distribution costs / Net revenue % at 3% remain consistent with prior periods.
- FY20 Employee costs** / Net revenue % at circa. 10% to build organisational capability to support continued growth.
- FY20 Marketing / Net revenue % at circa. 18% where benefits will be realised in subsequent years.
- FY20 administration and other costs*** down circa. 19% pcp.

** Normalised Group GP% excludes inventories written off and one-off discounts on Caprilac old package products*

*** Employee costs do not include share based payment and Nulac acquisition employee benefits costs*

**** Administration and other costs do not include depreciation and amortization*

FY20 results presented above is preliminary and subject to audit.

A photograph of three young children sitting on a sandy beach, smiling and playing with sand. The child on the left is a young girl with dark hair in pigtails, wearing a green patterned dress over a white shirt. The child in the middle is a young boy with dark skin, wearing blue and white striped overalls over a white shirt. The child on the right is a young boy with light skin and blonde hair, wearing a light-colored patterned t-shirt. They are all sitting on the sand, which is bright and textured. A purple semi-transparent overlay covers the left side of the image, containing the text '02' and 'AGILITY TO ACCELERATE GROWTH'.

02

AGILITY TO
ACCELERATE
GROWTH

ADAPTING TO **CHANGING CONSUMER DRIVERS**



Consumer preference for online channels growing.



- + Rise of new retail eCommerce in China continues to grow.
- + Live streaming as a new sales channel growing in China.
- + Need to drive online, cross-border eCommerce (CBEC) and offline-to-online (O2O) as the preferred channel for new millennial mums.

Increasing consumer demand for brands which demonstrate local relevance.



- + Globally, there is a growing consumer preference for locally made consumer brands.
- + Foreign brands need to demonstrate greater relevance and local awareness as a brand developed for local consumer needs.
- + Need to build engagement and communicate targeted market messaging, product benefits and product innovation pipeline for different consumer segments.

Dynamic macro and geopolitical factors.



- + Local regulatory barriers for imported brand registration are intensifying.
- + Need to respond quickly with agility in supply chain flexibility and seek potential manufacturing partners located in market.
- + Accelerate emerging market penetration to build resilience and spread market risk.

AGILITY IN THE NEW WORLD



Strong results were achieved in a challenging macro environment, demonstrating our foundational strength and ability to adapt business model in an evolving marketplace.

MACRO FACTORS:

PANTRY STOCKING DEMAND SURGE

MICRO IMPACT & RESPONSE:

- + Upswings across geographical markets experienced in quick succession.
- + Tripled production from 1 to 3 shifts per day in Q3 due to a strong vertical integration supply chain model.
- + Prioritised exclusive goat milk supply into higher margin infant formula to meet increased consumer demand.
- + Re-directed export shipments ahead of logistics constraint.

SHIFTS IN CHANNEL DEMAND

- + Outbound Daigou Channel, captured in Domestic sales, impacted with reduced China inbound tourists, students and air freight capacity/cost constraints.
- + China consumer demand remained strong and supported via increased marketing investment across online channels, in line with need to adapt from a "push" to a greater "pull" marketing strategy.
- + Australian Domestic Retail sales expanded significantly through distribution point gains in Q4.
- + Increased focus on emerging markets outside of China to de-risk and meet new consumer demand.

CHANGING CONSUMER NEEDS & FOCUS ON COUNTRY OF ORIGIN

- + Responding to both domestic and export market trend towards renewed pride in own country manufactured product during a time of intensifying geopolitical risks.
- + Adapted local consumer marketing message to highlight "Australian Owned. Australian Made."
- + Exploring in-market manufacture to address changing forces in international market access.
- + Launched Capela™ Immune Support and Deloraine® products into now comprehensive Adult Goat Milk portfolio, approved for China General Trade.
- + Successful shipment of first ever Bubs China Label dairy product into China with Bubs® Junior Nutrition.

SOLID FOUNDATIONS FOR PROFITABLE GROWTH



Business model has leveraged our strong platform for sustained long-term growth.

Sustainable leadership in vertical supply chain value creation.



- Growth in 100% owned Deloraine facility with production capacity increased to 3 shifts over highest demand production periods to accommodate pantry stocking.
- Driven value conversion of milk pool with highest and best use growth of Infant Formula products.
- Improved efficiency in the supply chain with rollout of Bubs Supplier Accreditation Guidelines.
- Developed production capabilities for new options in pack formats to meet evolving customer needs.

Deepening consumer brand connection to drive scale and optimise channel mix as key growth engine.



- Bubs® achieved fastest growing imported brand share across the Alibaba ecosystem +90% pcp.*
- Through data & analytical insight, redirect marketing investment to China in-market communication.
- Bubs® IMF now ranged nationally in all major Infant Formula retailers, including Chemist Warehouse, Woolworths & Coles as well as Baby Bunting and Big W, in the largest and fastest growing Organic Cow Milk & Goat Milk super-premium segment with more than 1,850 points of sale across Australia.

Expansion into new growth segments and new geographical markets.



- Completed successful refresh of Caprilac. CBEC Adult Goat Caprilac sales +170% pcp in Q4.
- Production and launch of Capela® new premium Adult Goat Dairy nutritional formulated product together with a key strategic partner.
- Driven market diversification increased more than 5x pcp, predominately due to Vietnam growth.
- Launched China Junior Nutrition and gained national ranging for Junior English label in Australia.
- Developed product innovation for Bubs brand extension into children's vitamin & mineral supplements.

BUBS AUSTRALIA ROADMAP

Our key competitive advantages remain a strong foundation for comparative advantage & resilience.



EXCLUSIVE GOAT MILK SUPPLY



Approx. **23,000** herd producing
>20m Lt fresh milk that is converted
to 1,750MT powder, estimated to be
circa. **7.5%**¹ of the global supply.



¹Sources: Beth A Miller and Christopher P Lu,
"Current Status of global dairy goat production: an
overview", Asian- Australasian Journal of Animal
Sciences, 2019, Euromonitor, Expert Interviews.

17

SECURE MANUFACTURING



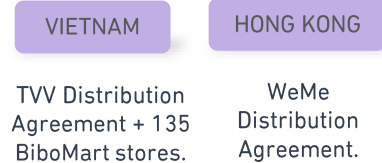
²Based on 24hrs / 5 days pw shifts.

DIFFERENTIATED DAIRY PRODUCTS



³China Cross-border eCommerce
⁴China physical retail

DIVERSIFIED MARKETS



OPTIMISING OUR STRATEGIC PARTNERSHIPS



Domestic Market distribution now at record levels. China distribution strength via Beingmate (China Mother & Baby Stores), Alibaba Tmall e-commerce strategic alliance, Alibaba CIP General Trade and online to offline stores.

LEAD STRATEGIC CHANNELS & LEAD PARTNERS:			CHANNEL	CORE STRENGTH	CHANNEL CONTRIBUTION
CHEMIST WAREHOUSE	AUSTRALIA DOMESTIC		Australian Domestic Pharmacy	Equity-linked and strategic alignment with Chemist Warehouse, now Bubs sixth largest shareholder with more than 60% of total Infant Formula channel market share.	70%
WOOLWORTHS, COLES BIG W & BABY BUNTING			Australian Domestic Grocery	Significantly increased points of distribution across Coles & Woolworths, across 1,700 stores. Gained distribution in 170 Big W stores and 70 Baby Bunting stores.	
AZ GLOBAL			Corporate Consumer to Consumer Reseller	Australia's largest business to business reseller of exported infant nutrition and health and wellness products into the China cross border e-commerce channel. AZ Global is Bubs twelfth largest shareholder.	
ALIBABA/C2 CAPITAL	CHINA DIRECT		Cross Border E-Commerce (CBEC)	Alibaba Group, via C2 Capital Partners is Bubs top shareholder. Steve Lin from C2 Capital is on the Bubs Board.	21%
			China Online & General Trade (CIP)	Alibaba Centralised Import Procurement (CIP) for offline to online General Trade and CBEC for Adult Goat Dairy.	
			China Direct General Trade	Joint Venture Strategic Alliance with Beingmate, via Beingmate distribution network into 30,000 Mother & Baby stores in China and local market manufacturing facilities for China Registered product.	
BEINGMATE (CHINA)	INTERNATIONAL				9%
TVV - VIETNAM			Cross Border E-Commerce (CBEC) & General Trade	Master Distribution Agreement with TVV. One of the largest Vietnamese owned distributors in Vietnam's infant nutrition industry, delivering to an extensive network of around 20,000 retail outlets.	
WE ME - HONG KONG 18			Cross Border E-Commerce (CBEC) & General Trade	Master Distribution Agreement with WeMe for Hong Kong market. Distribution gained across HKTV Mall e-commerce channel and range of general trade stores, including Sincere & Yata Department stores. In process of confirming expansion across other HK retail chains.	

OPTIMISING OUR STRATEGIC PARTNERSHIPS



Significant in-market China Consumer Brand Advertising across Tier 1 & Tier 2 cities support from AZ Global.



STRATEGY FOR **ACCELERATED PROFITABLE GROWTH**



Our path forward provides a clear profile for the evolution of our business ability to remain agile in the new world.

1. Expand into high margin adjacent categories.

2. Accelerate brand equity with Global Brand Ambassador.

3. Comprehensive Adult Goat Dairy Portfolio.

4. Establish local "in-market" manufacture.

5. Step up Global market expansion.

6. Extend Production Capability.

EXTEND INTO HIGH MARGIN VMS ADJACENT CATEGORY



Launching across 400 Chemist Warehouse stores in October 2020, Vita Bubs® is Australia's complete children's nutrition specialist brand, created by an Infant Formula expert. The range has been developed to provide seamless integration across Bubs® current marketing channels and leverages our existing operational capabilities.

Chemist Warehouse is Australia's largest pharmacy retailer with >50% of AUD\$2.3bn VMS retail sales. China VMS category sales estimated to be USD \$20-\$30bn.

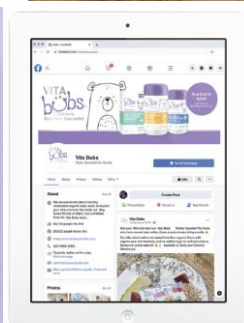
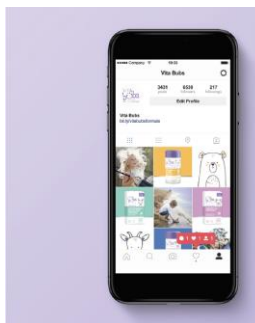


8 new products: New scientifically formulated range of infant and children's vitamin and mineral health supplements.

CHEMIST WAREHOUSE TO RANGE 40 BUBS® PRODUCTS



Chemist Warehouse will now range the entire Vita Bubs® portfolio, extending their ranging to 40 Bubs® products. The Vita Bubs® range will be supported via a dedicated consumer marketing campaign, leveraging Bubs® new Global Brand Ambassador, Jennifer Hawkins, to drive awareness, engagement and conversion across our existing Bubs consumers.



ACCELERATE BRAND EQUITY BUILD



Introducing Jennifer Hawkins, Bubs® Global Brand Ambassador – providing influence, relevance and global reach.



Driving Global Brand Reach & Social Influence

Australian icon and high-profile role model for millennial parents;

- Global Brand Ambassador role with category exclusivity for 3 years
- Nearly 2 million online followers
- Close alignment with Bubs® values and positioning
- Extends across entire Bubs® portfolio in all international markets
- An existing Bubs® customer and commitment to high quality infant nutrition
- Combined fixed annual service fee and bonus incentive

Opportunity to significantly leverage impact of consumer marketing and channel communication, leveraging identity, image and influence across all international channels.

COMPREHENSIVE ADULT GOAT DAIRY PORTFOLIO



Reinforce ability to expand conversion of high value premium milk source into new consumer occasions and segments.

CATEGORY	ADULT GOAT MILK PORTFOLIO STRATEGY		
BRAND	  		
STRATEGIC ROLE	PENETRATION Drive adult everyday goat milk penetration as the leading Australian Goat Dairy brand in Australia.	RELEVANCE Drive adult specialty health of goat dairy penetration.	PREMIUMISATION Drive super-premium goat dairy penetration for seniors.
CONSUMER	<ul style="list-style-type: none"> • Everyday families • Mainstream appeal • Easy to digest 	<ul style="list-style-type: none"> • Younger health conscious • Searching for scientific benefits • Easy to digest – cow milk alternative 	<ul style="list-style-type: none"> • Premium Seniors • Functional wellness.
CHANNEL	<ul style="list-style-type: none"> • Goat Dairy leader in Australian grocery channel • China CBEC 	<ul style="list-style-type: none"> • China CBEC • China General Trade (physical supermarkets) 	<ul style="list-style-type: none"> • Australian Retailers/Gift Stores • China CBEC • China General Trade

DRIVING GENERAL TRADE CHINA GROWTH

Focus on expansion into China General Trade physical stores across multiple brands.



DELORAINE® ADULT GOAT MILK POWDER



China General Trade launch in partnership with Alibaba CIP, with ranging across 231 RT Mart hypermarkets and 110 Hema supermarkets in Tier 1 and Tier 2 cities, and OCJ TV Shopping Channel from June 2020.



CAPELA™ ADULT GOAT MILK POWDER



Developed exclusively for AZ Global, using Australian Goat Milk and functional ingredients to support immunity, bone, vision and digestive health.

AZ Global is a leading Australian B2B reseller of exported infant nutrition and health products into the China CBEC/O2O and physical General Trade Channels.



BUBS® JUNIOR NUTRITION GOAT MILK FORMULA + BUBS® CHINA CERTIFIED ORGANIC CEREALS.



CCIC approved China label Junior formula with Lactoferrin launching into China Mother and Baby stores in June 2020, targeting children 4-12 years.



China Certified Organic Baby Cereals also approved for launch into China General Trade.

Driving penetration leveraging Beingmate's distribution footprint across 30,000 stores.

ESTABLISH LOCAL IN-MARKET MANUFACTURE



Leveraging our in-market strategic alliances to build resilience and flexibility in our direct to trade supply chain.

ROUTE 1:



AUSTRALIAN
MADE



100% Owned
CNCA certified facility.
Production flexibility
and quality assurance.

AUSTRALIAN
SOURCED



>65% Australian Goat
Milk with secure supply.
20,000 milking goats
across Australia and NZ.

AUSTRALIAN
OWNED



Founded in 2006
with authentic
Australian Heritage.
ASX Public Company.

ENGLISH LABEL PRODUCT

CROSS BORDER E-COMMERCE
CBEC

ROUTE 2:



Australian Sourced & Australian
Owned with registered locally
manufactured product made in the
destination market

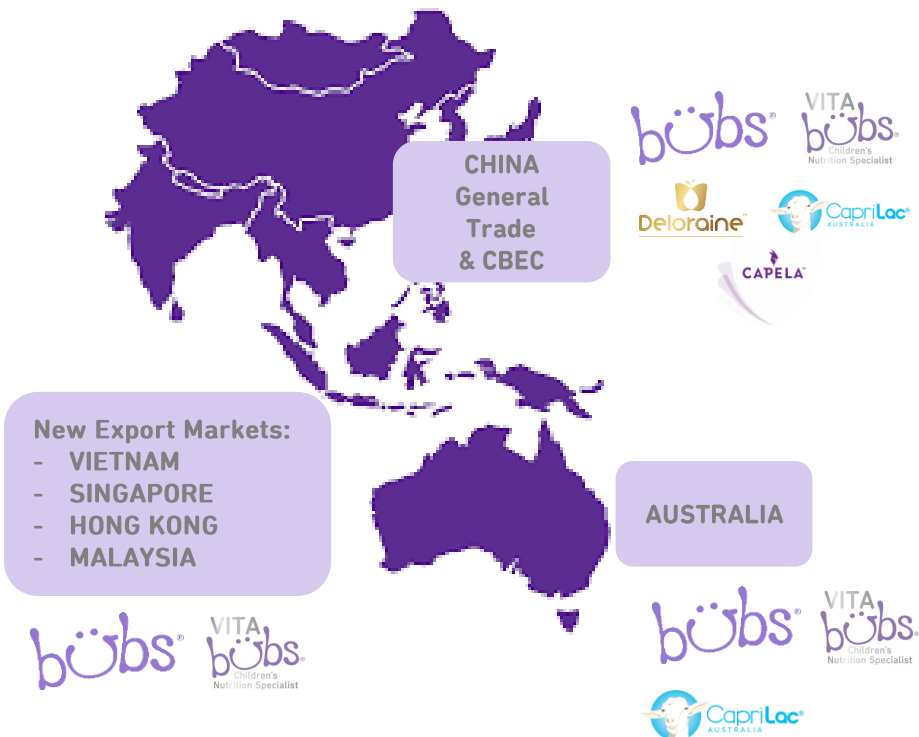
LOCAL MARKET REGISTERED LABEL PRODUCT

TRADITIONAL CHANNEL
GENERAL TRADE

STEP-UP GLOBAL MARKET EXPANSION



Opportunity to accelerate market diversification across expanding group portfolio.



Asia Focus

- Vietnam is a significant opportunity for Bubs, with market potential valued at VDN33.6 trillion (A\$2.2 bn).^{*} FY20 secured ranging for Bubs® products in 135 Bibo Mart stores, the largest Mother & Baby retailer in Vietnam. Key focus is now on accelerating distribution, building brand awareness of Bubs® products and launching Vita Bubs® into the market.
- Continue to grow brand awareness in Singapore and Hong Kong via premium retail chains.
- Q1 FY21 planned launch into Malaysia with appointment of new distribution partner.
- FY21 strategic focus on disciplined market prioritisation, and expansion into new markets to replicate Vietnam success.

EXPAND PRODUCTION CAPABILITY

Responding to increasing demand for secure and convenient usage across a new consumer occasion.



Convenient Single Serve Sachets

Installation of a new sachet production line in Deloraine commissioned for Sept 2020.

Provides opportunity to leverage increasing demand for higher margin portion control pack formats, providing greater out-of-home convenience. This new sachet production line will support third party contract manufactured brands and will also extend production capability across Bubs® Infant Formula and Adult Goat Dairy portfolio.

Sachet and portion-controlled sachets also provide opportunity for brand introduction in emerging markets and will also be used for higher value ingredients, where strict quality control on dosage is important.



ASX: BUB

Bubs Australia

bübs®

Growing **Generation Joy**