

ASX: BUB
Bubs Australia

ShareCafe Presentation

bubs®



15 March 2024



DISCLAIMER

This presentation is in summary form and is not necessarily complete. It should be read together with the Company's other announcements lodged with the Australian Securities Exchange.

This presentation contains information that is based on projected and/or estimated expectations, assumptions or outcomes. Forward looking statements are subject to a range of risk factors. The Company cautions against reliance on any forward-looking statements, particularly in light of the current economic climate, the need for approvals from relevant regulators, changes in consumer shopping behavior and demand in the China market, as well as the costs and implications of any potential litigation.

While the Company has prepared this information based on its current knowledge and understanding and in good faith, there are risks, uncertainties and factors beyond the Company's control which could cause results to differ from projections. The Company will not be liable for the correctness and/or accuracy of the information, nor any differences between the information provided and actual outcomes and reserves the right to change its projections from time to time. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation, subject to disclosure obligations under applicable law and ASX listing rules.

This presentation is for information purposes only and is not a product disclosure statement or prospectus, financial product or investment advice or a recommendation to acquire securities.

The Company's results are reported under International Financial Reporting Standards (IFRS). This presentation also includes certain non-IFRS measures including "underlying", "adjusted" and "pro-forma" and other measures that are used internally by management to assess the operational performance and management of the businesses and the Group. Non-IFRS measures have not been subject to audit or review. All numbers listed as "statutory" comply with IFRS and have been audited or reviewed.

All currency referred to in this document is in Australian dollars, unless otherwise stated.

A number of figures, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.



Contents

Section 1: Bubs Investment Proposition

Section 2: Australia Market Context

Section 3: Strategy Update

Section 4: H1 FY24 Results Recap

Section 5: Progress To Date & Outlook





Section 1:

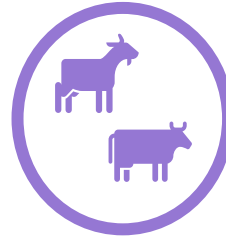
Bubs Investment Proposition

THE BUBS INVESTMENT PROPOSITION

Bubs is a global market leader with a differentiated premium goat-based product offering, operating in both the IMF and Adult Nutrition categories.



US \$100B+ global addressable market with a 5-10% CAGR



Differentiated premium goat-based product offering supported by growing bovine range in both IMF and Adult Nutrition



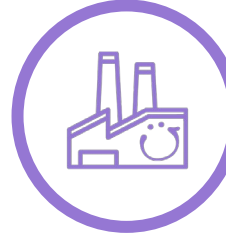
Bubs has a capital light asset base with operating leverage and significant scope to sweat the assets



Bubs is growing rapidly in the US market where penetration is low, providing a long runway for sustained growth



Australian provenance, reputation and access to high quality dairy ingredients



The only US FDA approved infant formula manufacturing facility in Australia, with permanent regulatory approval expected in 2025

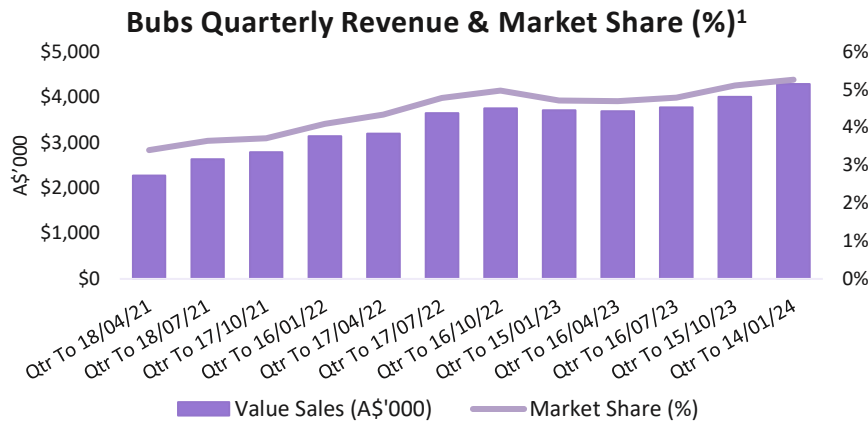


Section 2:

Australia Market Context

MARKET LEADER IN GOAT FORMULA IN AUSTRALIA

Bubs holds 52% of the domestic goat IMF¹



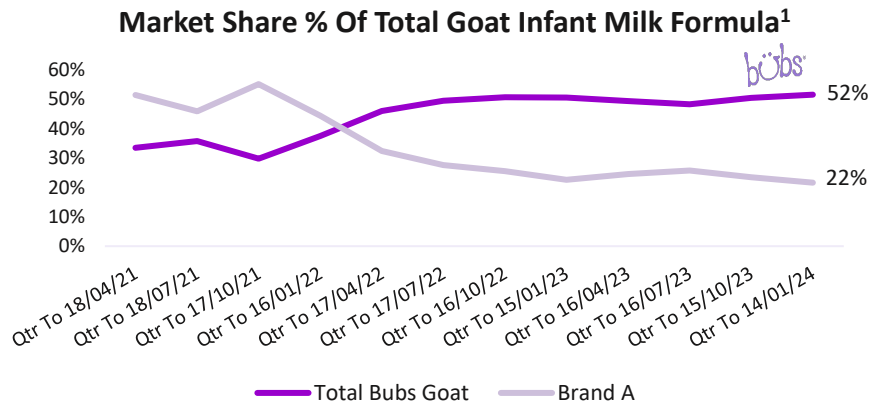
5.3%
market
share of AU
IMF¹

52%
market
share of
goat IMF¹

1

GOAT FORMULA

Market leader across Coles,
Woolworths & Chemist Warehouse¹



bubs®

¹ Circana MAT To 14/01/2024 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined



Section 3:

Strategy Update

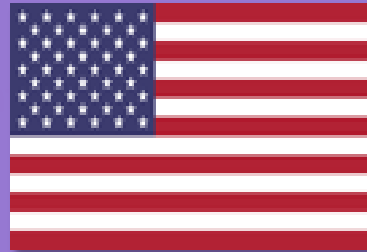
STRATEGY UPDATE

Bubs' 5 point plan to responsibly manage capital and maximise shareholder value



GROW & MAXIMISE SHAREHOLDER VALUE

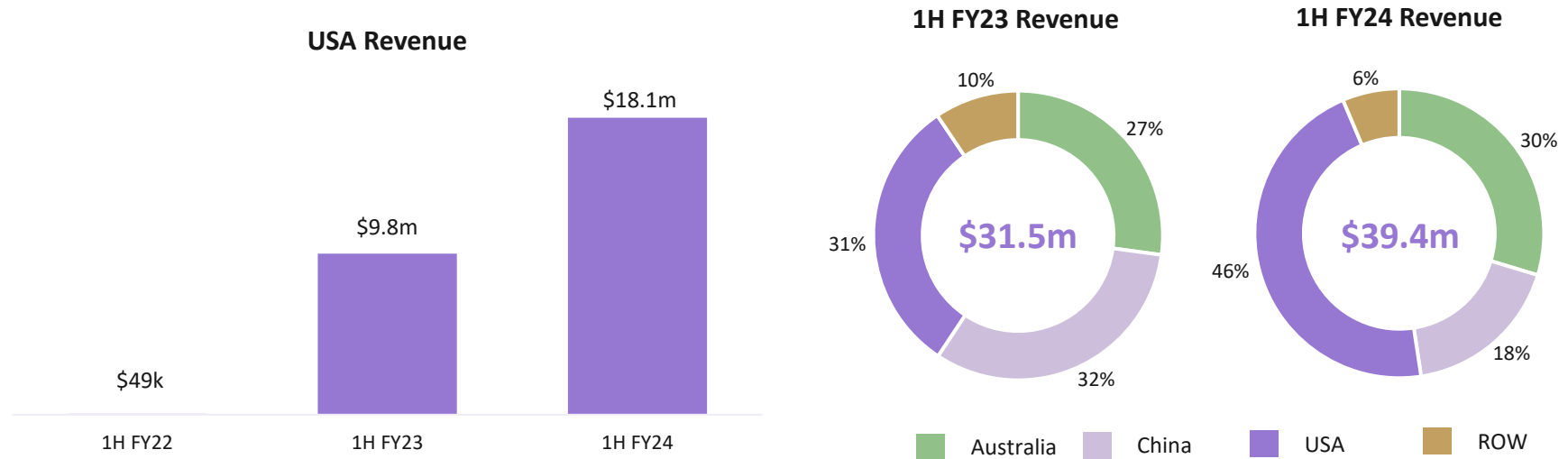
USA GROWTH ENGINE



USA CONTRIBUTED 46% OF REVENUE IN H1 FY24

USA continues to be Bubs' most important region

- In FY22, Bubs strategically pivoted to focus on growth in the USA.
- USA contributed 46% of total revenue in H1 FY24, up from 40% in FY23. Total USA net revenue in H1 FY24 was \$18.2m, an 85% increase on pcp.
- Bubs continues to work with the FDA to obtain permanent access to the USA infant formula market, which is worth A\$8b¹.



¹ Circana MAT To 11/02/2024 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

USA PENETRATION

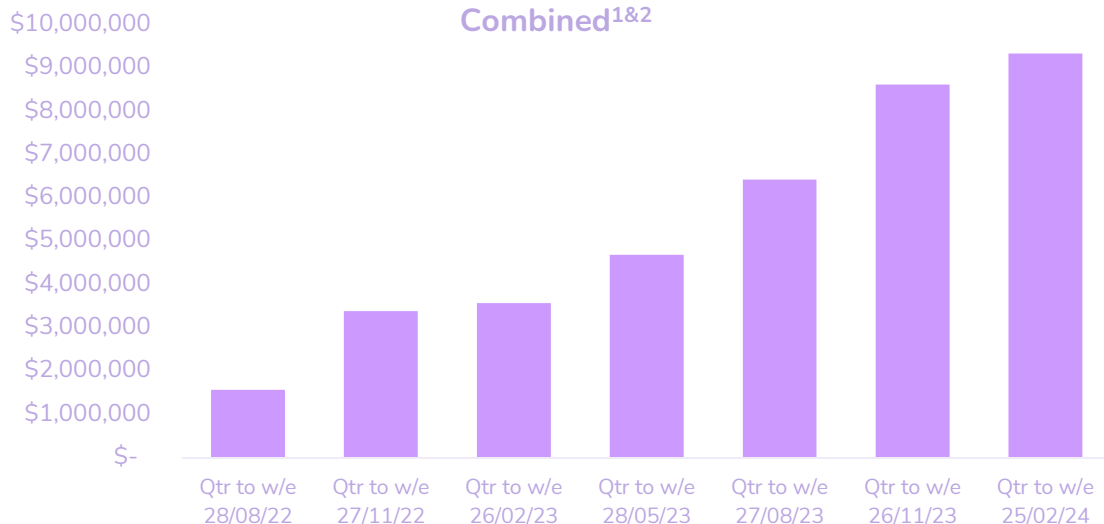
Bubs products are ranged in over 5,800 physical stores across the US, in addition to e-commerce channels



\$18.2m
c. 85%
revenue
increase
vs pcp

USA GROWTH ENGINE

Total Scan USD\$'s AMAZON & Bricks & Mortar
Combined^{1&2}



- ✓ Total USA revenue of \$18.2m in H1 FY24, an 85% increase from H1 FY23.
- ✓ #1 goat milk in the U.S, with over 400,000 tins sold in H1 FY24 (already exceeded total tins sold in FY23) (bricks and mortar and Amazon sales volume only).
- ✓ Bubs is achieving significant revenue growth across multiple channels in the USA, with total weekly scan revenue averaging US\$0.7m¹ in Dec-23 and Jan-24.
- ✓ Meaningful progress towards permanent FDA access.

Grocery & Pharmacy Retail



E-Commerce



Direct 2 Consumer (D2C)



¹Circana Weekly To 25/02/2024 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

² Source: AMAZON Unit Sales Scan Data To W/E 25/02 - Currency USD \$'s

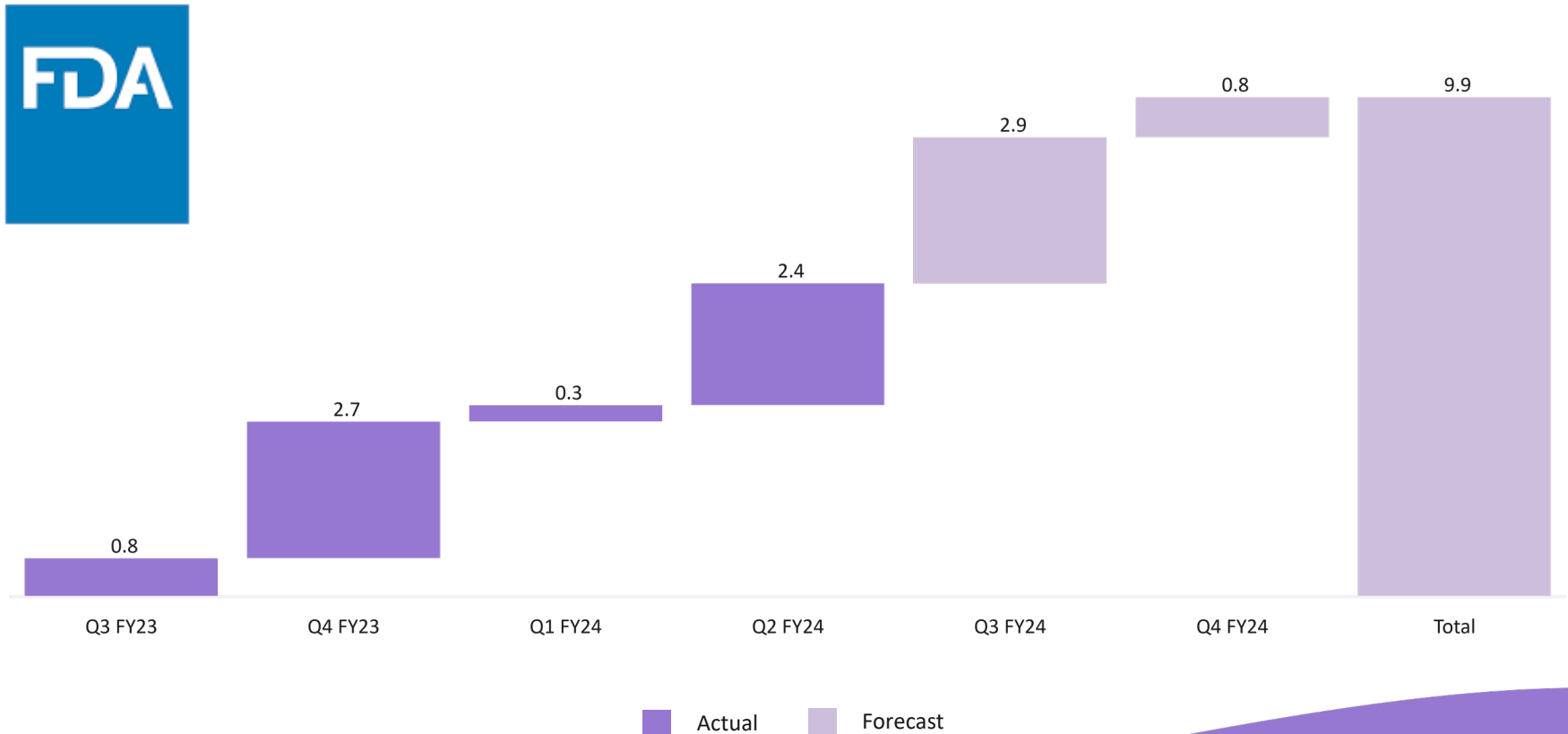
REGULATORY PATHWAY

Bubs is on track for permanent FDA approval by Oct-25, with the USA poised to deliver substantial growth via e-commerce and traditional retail



REGULATORY COSTS

End to end costs associated with obtaining FDA regulatory approval estimated at c. \$9.9M

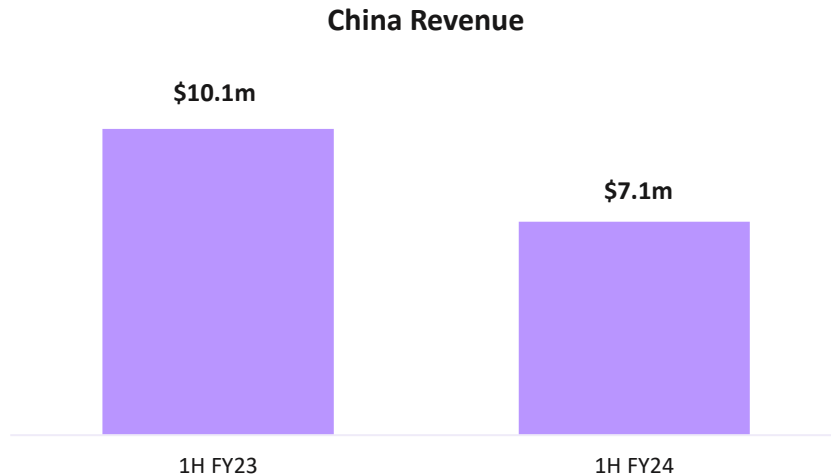


CHINA RESET



CHINA REVENUE

Bubs expects to achieve full year revenue growth in FY24 compared with FY23



- Bubs' China re-set strategy is well underway with two distributors appointed by Bubs to service the Chinese market in H1 FY24
- The inventory overhang in China from Bubs' previous exclusive distributor continues to be heavily discounted in all channels, negatively impacting distributor/daigou confidence in the short to medium term, however this inventory will be cleared by the end of FY24.
- Bubs has a strong pipeline of China specific new product development and innovation to be launched in Q4 of FY24.
- FY24 forecast China to deliver full year revenue growth over FY23.



PORTFOLIO OPTIMISATION



PORTFOLIO OPTIMISATION

Bubs is a global leader in infant & adult goat nutrition, with an estimated total addressable market size of A\$4.5bn¹

Strategic Priority	Update	
1 Hero Brands – Bubs and Caprilac	New look packaging for US and China in Q4	✓
2 Premiumisation & Repositioning of Organic and Bubs A2 Supreme	Essential to replace A2 Supreme in US market, and Organic transitioning to Grass Fed	✓
3 SKU Rationalisation & Pack Size Changes	New smaller 567gm tin size for US market Q4	✓
4 Tighter range of food products and improved margins	20% reduction in SKU count (cereals, rusks, bars)	✓
5 NPD and Innovation	New products ready for launch in Q4 and global innovation specialist appointed in January 2024	✓
6 Invest in our core brands	Marketing investment at c. 13% of revenue vs. target of 15%	✓



bubs®

¹ Goat Milk Powder – Global Outlook & Forecast 2022 – 2027 – Arizton Advisory & Intelligence

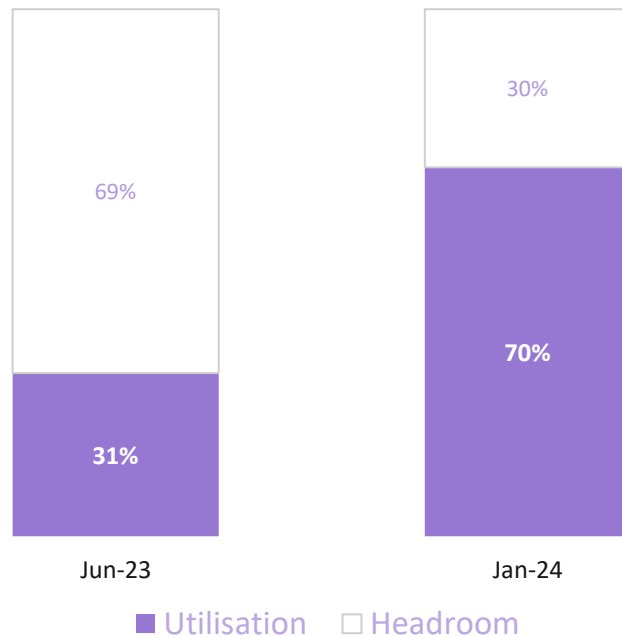
SWEAT THE ASSETS



SWEAT THE ASSETS

Bubs has commenced a second production shift at Deloraine, increasing utilisation to 70%

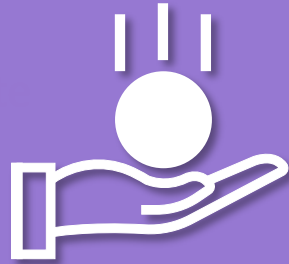
Deloraine Utilisation



- ✓ Capital raising conducted in Nov-23 enabling Bubs to expand production to pursue growth.
- ✓ Second shift production commenced in Jan-24 to service strong demand in the USA and Australia.
- ✓ Daily production currently has now doubled from 12,500 to 25,000 tins.
- ✓ These initiatives will help service increased demand and enable Bubs to lower unit costs in the future.
- ✓ Revenue from second production shift expected in H2 FY24.



WORKING CAPITAL



WORKING CAPITAL & CASH FLOW

Bubs expects it will be cash flow positive with positive trading EBITDA in FY25

Cash Burn in H1 FY24



- Management target cash burn is \$2.0m per month from Q2 FY24¹ for FY24.
- Actual average monthly cash burn was \$2.1m for Jul-23 to Dec-23, noting this includes non-recurring costs such as FDA regulatory costs (\$2.7m), litigation costs (\$1.9m), ERP implementation costs (\$0.6m) and airfreight (\$1.3m).
- Excluding the above non-recurring costs, normalised cash burn was \$1.0m per month.
- Broadly in line with target despite significant one-off costs, expected to fluctuate for remainder of FY24 given the working capital investment involved in commencing a second production shift at Deloraine.
- Inventory build in the USA will also impact timing of future cash flows.

¹ Per ASX strategic review announcement 6 July 2023



Section 4:

H1 FY24 Results Recap

H1 FY24 PERFORMANCE

Delivering on FY24 strategic priorities

GROSS REVENUE	GROSS MARGIN	OPEX ratio	PORTFOLIO	BALANCE SHEET
\$49.2m +30% vs. H1 FY23¹ USA \$24.5m + 102% pcp AUS \$11.2m +15% pcp CHINA \$8.0m -30% pcp ROW \$2.6m -7% pcp	38% +3% vs. H1 FY23² Improvement driven by stronger inventory management, together with geographic and channel optimisation	53% 53% vs. 78% in H1 FY23³ Effective cost controls in place providing a pathway to profitability in FY25	\$29.5m IMF +12% VS. pcp⁴ IMF 75% of revenue Goat 47% of revenue	\$27.4m cash +\$9.8m undrawn debt Net cash used in Operating activities \$12.2m (including non-recurring items), 42% lower than pcp

Bubs H1 FY24 Net Profit / (loss) after tax was (-\$7.7m), H1 FY23 (-\$44.4m)

¹ Gross revenue is a non-IFRS term, non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without trade spend.

² Underlying gross margin is a non-IFRS measure, non-IFRS measures have not been subject to audit or review. Underlying gross margin is excluding net inventories provision for raw materials / bulk

³ Operating expenses to revenue ratio decreased to 53% from 78% in H1FY23, this excludes depreciation and amortisation, and non-recurring costs including FDA, litigation costs and ERP implementation costs

⁴ Excluding Supreme sales



Section 5:

Progress To Date
& Outlook

FY24 PROGRESS TO DATE & OUTLOOK

FY24 will see Bubs continue to work towards its strategic priorities outlined in the 5-point strategic plan, and target cash flow breakeven in FY25

Strategic Priority	Update	
1 Forecast net revenue of \$80m	Tracking above forecast	✓
2 Gross margin at 40%	Broadly in line on an underlying basis ¹	✓
3 Continued FDA progress	On track with final stage clinical trial underway	✓
4 Target cash burn of \$2.0m per month from Q2 FY24	On track (c. \$2.1m per month actual YTD) ²	✓
5 Maximise opportunities for whole of product portfolio	New products and packaging launching during Q4 FY24	✓
6 Targeting EBITDA and cash flow positive in FY25	On track to be EBITDA and cash flow positive in FY25	✓

¹ Underlying excludes one-off, non-recurring items

² Expected to fluctuate for remainder of FY24 given the working capital investment in commencing 2nd production shift at Deloraine, plus inventory build in USA



Thank you
Q&A

investors@bubbsaustralia.com