

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 white patterned globe with both hands. The background is a bright, out-of-focus indoor setting with a window showing greenery outside.

bübs®

ASX: BUB
Bubs Australia

Half Year Interim Results FY18

Nicholas Simms | CEO
28th February 2018

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F18 1H FINANCIAL SUMMARY

AUD \$'000's	F18 1H	F17 1H	% Change
Revenue	3,249	1,744	86%
Gross profit	687	398	72%
Other Income	18	4	389%
Distribution and selling costs	(214)	(133)	61%
Employee costs	(1,150)	(693)	66%
Marketing and promotional costs	(398)	(352)	13%
Share-based payment expenses	(74)	(562)	(87%)
Corporate Transaction Accounting Expense	(894)	(1,723)	(48%)
Administration and other costs	(1,833)	(428)	328%
EBITDA	(3,859)	(3,489)	11%
Depreciation and amortisation	(74)	(53)	
Net interest income/(expense)	12	(2)	
EBIT	(3,921)	(3,544)	11%
Income tax benefit	27	9	
NPAT	(3,894)	(3,535)	10%
	Dec 18	Dec 17	% Change
Cash on Hand	8,693	5,307	64%
Inventory	5,842	985	493%

KEY DRIVERS

- Strong revenue gains versus the prior corresponding period 'pcp'.
- Gross profit influenced by one off Bubs Project Smile & NPD implementation costs
- Distribution & Selling Costs increases relate primarily to increased sales
- Increase in Employee Costs reflects the continued build of team capability
- Share Based Payment Expenses balance relates to options granted during the period
- Corporate Transaction Accounting Expense driven by cost relating to Nulac Foods acquisition
- One off Administration & Other Cost expenses relate to the acquisition, capital raising, administration & continued marketing investment to support growth
- Strong Cash on Hand position due to equity financing & improvements in working capital
- Inventory driven by Nulac acquisition

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 patterned 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

Domestic
Market
Penetration

Enhanced
Asian
Focus

Brand
Awareness
& Impact

Innovation
& Product
Development

INCREASED MARKET PENETRATION

Continued improvement in availability & performance of Bubs® products through key domestic retailers, has driven increased revenue growth

- 🕒 Bubs® infant formula sales continue to performing well
- 🕒 Bubs® infant formula to be ranged in Australia's largest supermarket chain, Woolworths
- 🕒 Health One national pharmacy sales and account management driving Bubs® Infant Formula volume growth of 1,281% in pharmacy over the last 26 weeks versus pcp
Source : Australian Pharmacy Bubs Scan Sales Performance 31st December 2017
- 🕒 Bubs domestic footprint has more than doubled since listing and continues to expand nationally
- 🕒 Commenced engagement with key domestic retailers of Caprilac® & Coach House Dairy®
- 🕒 Commenced Caprilac® fresh milk trial in selected Aldi stores



BRAND AWARENESS & IMPACT

Bubs® continues to investment in marketing to drive awareness and reaffirm brand credentials through digitally lead initiatives

- ⌚ Continues to evolve its highly effective digitally led marketing campaigns & communications – more to come
- ⌚ Bubs® has over 100,000+ highly engaged fans, inspiring mum-to-mum through via our social content and community.
- ⌚ Continued to reach new consumers through social influencer product reviews and referrals for Bubs® products
- ⌚ Caprilac® & Coach House Dairy® brand strategy development planning underway to reaffirm brand credentials & underpin brand roadmaps
- ⌚ Continued to investment in marketing to support growth



PRODUCT INNOVATION & DEVELOPMENT

The acquisition and exclusive supply chain integration provides Bubs® incremental innovation and new revenue stream opportunities.

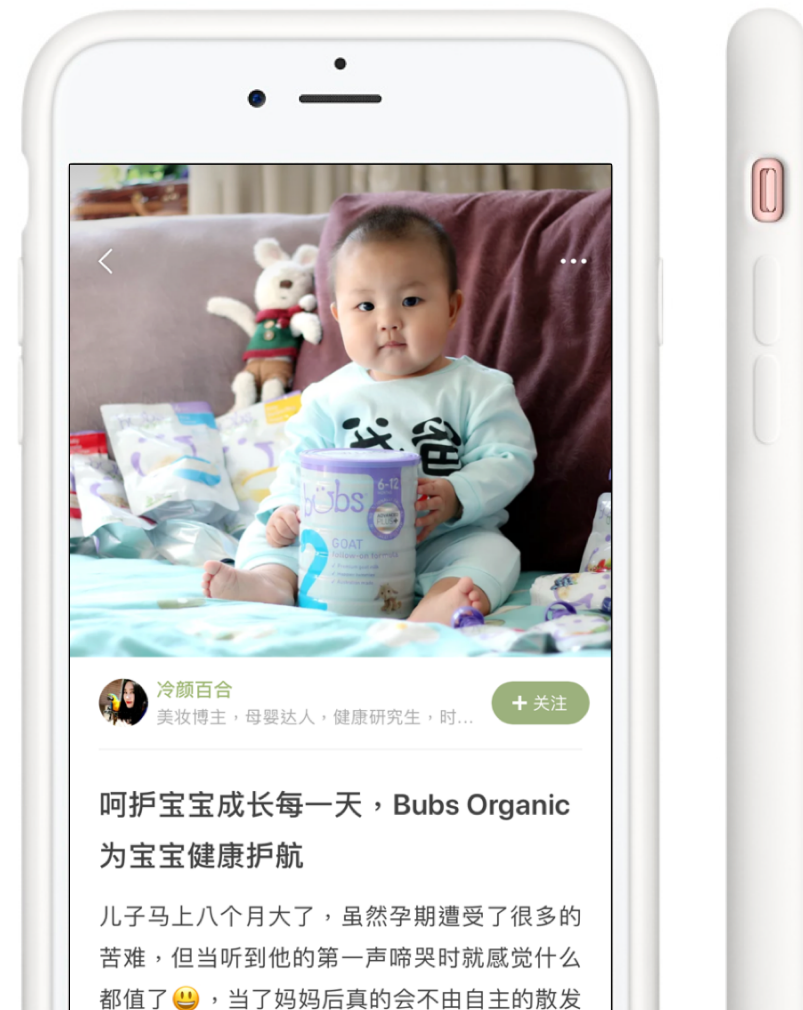
- ☺ Launched new range of Bubs Organic® Baby Cereals & Bubs Organic® Toothy Rusks®
- ☺ Bubs® continue to innovate to cater for stages of development during the first 1,000 days of mum's journey to nourish their baby, from newborn to toddler
- ☺ The acquisition of Australia's leading goat dairy producer provides Bubs® exclusive supply chain integration opportunities
- ☺ Caprilac® branded products to focus on providing consumers with 'the goodness of goat'
- ☺ Leverage existing capabilities and commercial competencies to gain rapid market penetration



ENHANCED ASIAN FOCUS

Bubs® continues to build strategic foundations with key partners in China establishing a platform for accelerated growth

- Continue to progress activities to meet China infant formula regulatory requirements – advanced CNCA discussions
- Additional regulatory requirements to meet Chinese standards are taking place in parallel
- Selected Bubs Organic Baby Food & Cereals have received CIQ approval enabling official importation to commence
- Bubs® continues to build strategic relationships with key cross border eCommerce platforms, including VIPshop, Kidswant & Chemist Warehouse Tmall Global
- China social influencer 'KOL' pilot underway before expanding to including nutritional experts & brand ambassadors to digitally recruit and retain new consumers



CONTINUED MOMENTUM (ASX:BUB)

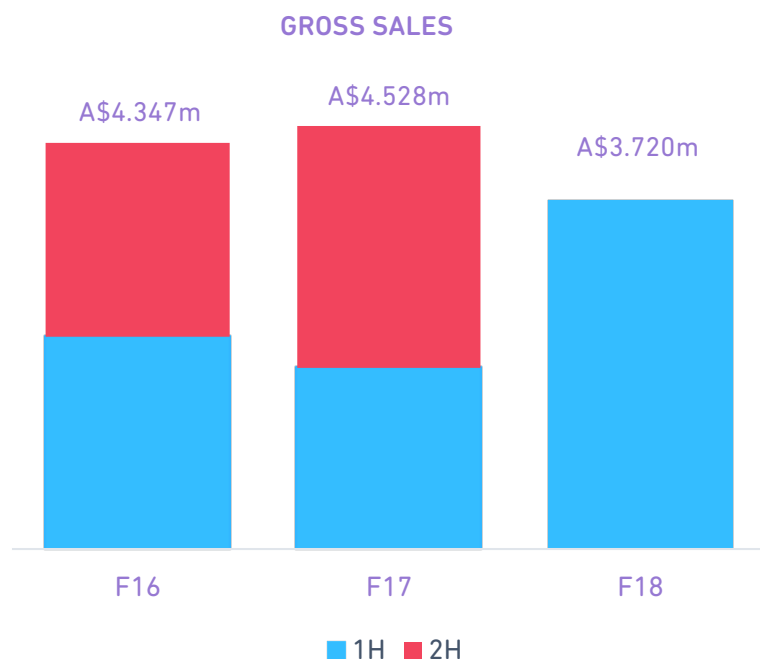


“The acquisition of Nulac Foods transforms our business and places Bubs in an unrivalled position to develop the market for infant and adult goat milk products”

Dennis Lin,
Bubs Australia Chairman

FINANCIAL PERFORMANCE

Bubs® first half gross sales growth of +92% versus the prior corresponding period, reflects the continued growth in momentum of demand



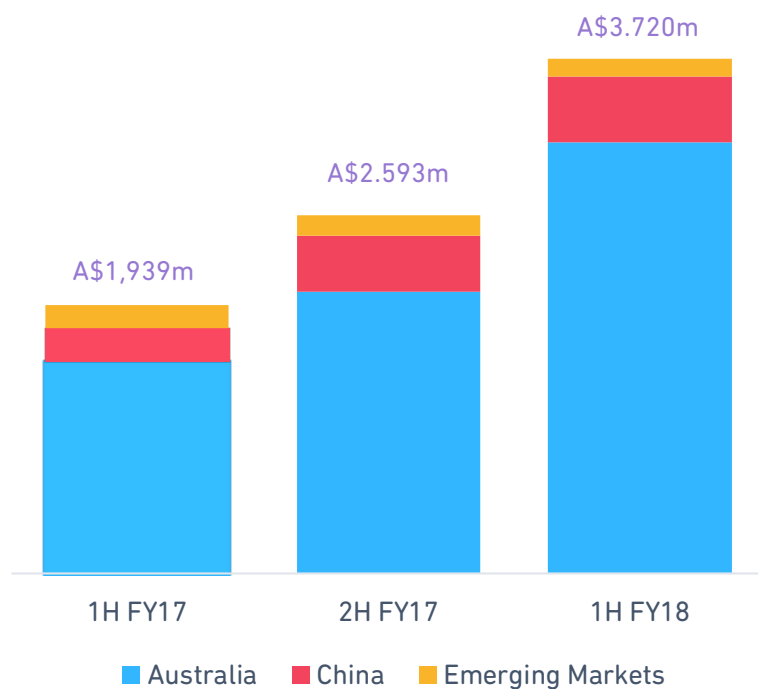
KEY DRIVERS

- 🕒 1H gross sales grew strongly +92% versus 1H prior year
- 🕒 Gross sales for 2Q were \$1.996 million, up 79% on same period last year and +16% on the previous quarter.
- 🕒 Gross sales in both Domestic & China markets have doubled versus pcq
- 🕒 Continued optimization of product mix has improved gross margin +72% versus the same period last year

REGIONAL PERFORMANCE

Domestic sales domestically grew 103% in the half versus the same period last year, whilst sales to China grew 96% for the same period

GEOGRAPHIC GROSS SALES

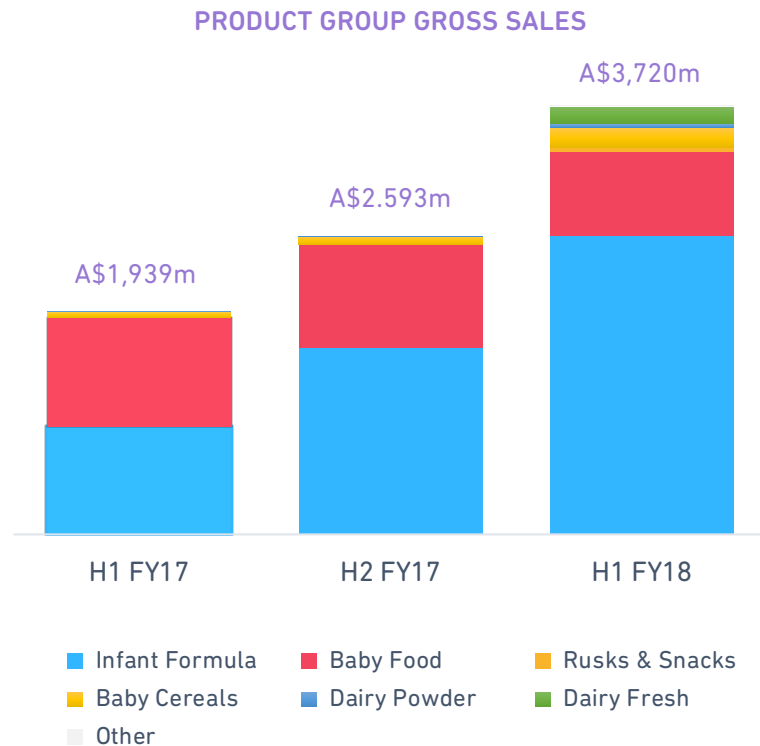


KEY DRIVERS

- Domestic accounted for 82% of gross sales of 1H
- Australia : 1H gross sales +103% versus 1H Prior Year & 53% versus Prior Period
- Only 13% of gross sales were generated through China
- China : 1H gross sales +96% versus 1H Prior Year
- China revenue was positively influenced through leading Chinese e-commerce platforms NetEase Kaola & VIP.com

PRODUCT PERFORMANCE

Bubs Australia acquisition of Nulac Foods provides incremental revenue; however 1H results only incorporate 11 trading days of these products



KEY DRIVERS

- 🕒 Sales of Bubs Advanced+ Goat Infant formula +176% versus the same period last year
- 🕒 Bubs® Infant Cereals +238% versus the same period last year
- 🕒 Caprilac & fresh dairy are incremental revenue sources post the acquisition of Nulac Foods
- 🕒 Only 11 days of Nulac Foods sales captured in 1H report

Source : Bubs Australia acquisition of Nulac Foods 20th December 2017

STRATEGIC OUTLOOK

Bubs Australia continues to focus on growth strategy and gain traction in a controlled and measured approach

- 🕒 Improved availability & performance of Bubs® products has driven increased revenue growth
- 🕒 Continued momentum of Australia sales is a key factor ingrowing our credibility for overseas markets
- 🕒 Bubs® continues to build strategic foundations with key partners in China establishing a platform for accelerated growth
- 🕒 Continue to progress activities to meet China regulatory requirements across our infant formula following baby food approvals
- 🕒 Bubs® continues to investment in marketing to drive awareness and reaffirm brand credentials
- 🕒 Nulac Foods acquisition and exclusive supply chain integration provides incremental innovation and revenue opportunities
- 🕒 Caprilac products have been well received by key Bubs Australia domestic & e-commerce platform customers
- 🕒 Bubs continues to deliver strong progress in the implementation of its four pillars for growth strategy



