



BUBS AUSTRALIA

2018 ANNUAL GENERAL MEETING

28.11.2018

ASX: BUB

Bubs Australia

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ASX: BUB



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FIRST 1,000 DAYS

BUBS® PROVIDES QUALITY AUSTRALIAN NUTRITION FOR EVERY OCCASION AND STAGE OF A CHILD'S DEVELOPMENT.





GOODNESS



VERY BEST



Inspiring new generations of
happy, healthy bubs.



HONESTY



PLAYFULNESS



A PERIOD OF TRANSITION

FY18

BUILDING STRONG FOUNDATIONS
READY TO SCALE



- + Strengthening domestic foothold and driving category share growth.
- + Transformative acquisition of vertically integrated supply chain assets.
- + Establishing strategic partnerships in China to drive sales and distribution.

FY19

POISED FOR STRATEGIC AND
SUSTAINABLE GROWTH



- + Further enhance vertical integration and grow milk pool to meet demand.
- + Advance China expansion strategy via channel development and marketing.
- + Extension of Nutritionals product portfolio and organic toddler snacks.



STRONG DOMESTIC PERFORMANCE

2,500 Australian retail touchpoints

Bubs® was founded in Sydney in 2006 and upholds an established premium positioning in the domestic infant nutrition category with a loyal and growing consumer base. The Company maintains that a strong brand presence at home is paramount for consumer uptake in China.

Throughout the year, the Company focused on expanding key points of domestic distribution, including securing new ranging across its product portfolios in Woolworths, Costco, Aldi, Metcash, Chemist Warehouse and other leading pharmacy banners, as well as increasing store counts in longstanding retail partners Coles and Big W.

Bubs® infant formula sales increased by 33% in Coles in FY18, making it the fastest growing brand in value over the last 26 weeks as at 30 June 2018 versus last year.



LOCAL INFLUENCERS

#mumtomum

SOCIAL COMMUNITY

Bubs has >120K engaged social followers, including the largest fan base on Instagram and 2nd largest on Facebook in the infant nutrition category.

Our social and influencer strategy is underpinned by dynamic content and asset generation to enhance brand engagement and awareness by connecting with mums throughout their consumer journey of raising their baby.



B2C eCOMMERCE

STRATEGIC ALLIANCES WITH ALL MAJOR eCOMMERCE PLATFORMS

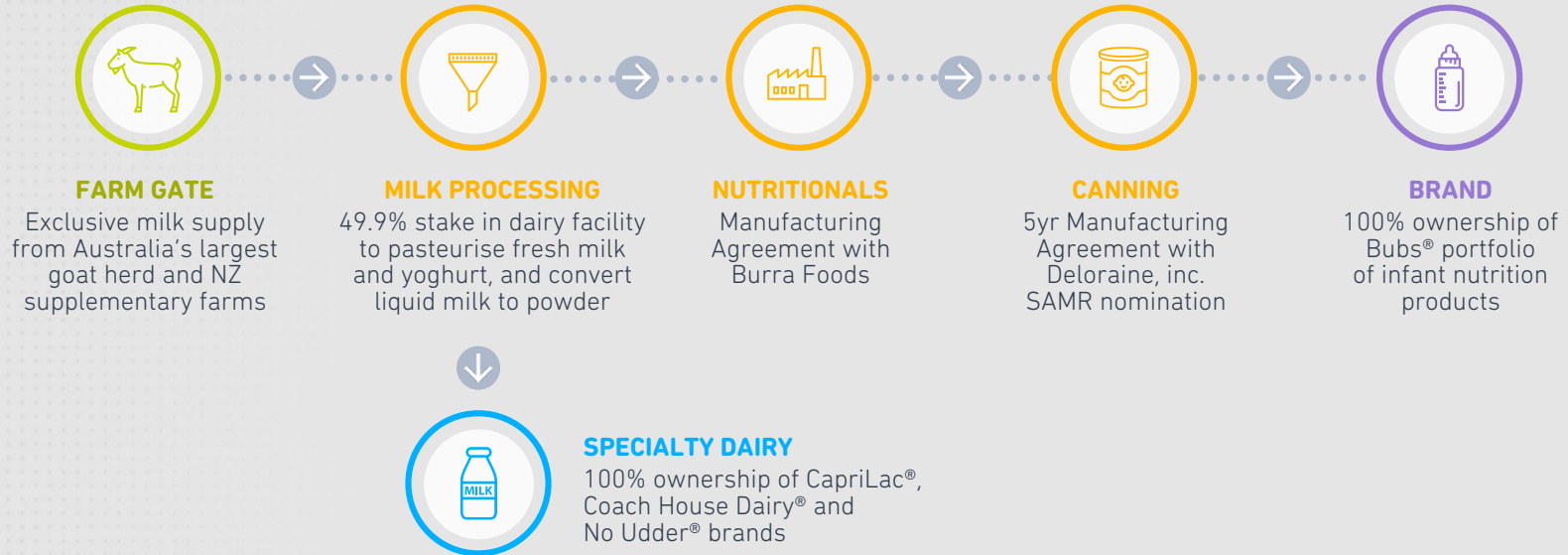
Throughout the year, significant progress was made in the cross-border eCommerce channel via a strategic partnership with Times New Asia, securing a minimum sales volume commitment of \$17 million in Y1, \$24 million in Y2 and \$37M in Y3 on major platforms, including JD.com, Kaola, VIP, RED, Suning, Jumei, Kidswant, Yuou and Baobaoshu.

In addition, the Company recently launched two Tmall flagship stores on Alibaba for CapriLac® and Bubs® products, and a co-branded pop store on JD.com for CBEC and general trade.



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 close-up, profile view of a white goat with small, curved, light brown horns. The goat is looking towards the right. The background is a blurred green field.

AUSTRALIA'S LARGEST PRODUCER OF GOAT DAIRY PRODUCTS

Bubs Australia is a clear leader in the goat dairy landscape, supplying >60% of Australia's total goat milk production.

Guarantees ongoing exclusive access to locally sourced quality fresh goat milk at a fixed price. Our milk pool has grown to >13 million Lt/yr, or 1,500T milk powder.

Bubs currently has exclusive access to the milk from 24,000 goats in Australia and New Zealand, with plans to further grow the combined herd to 50,000 milking goats by 2020.

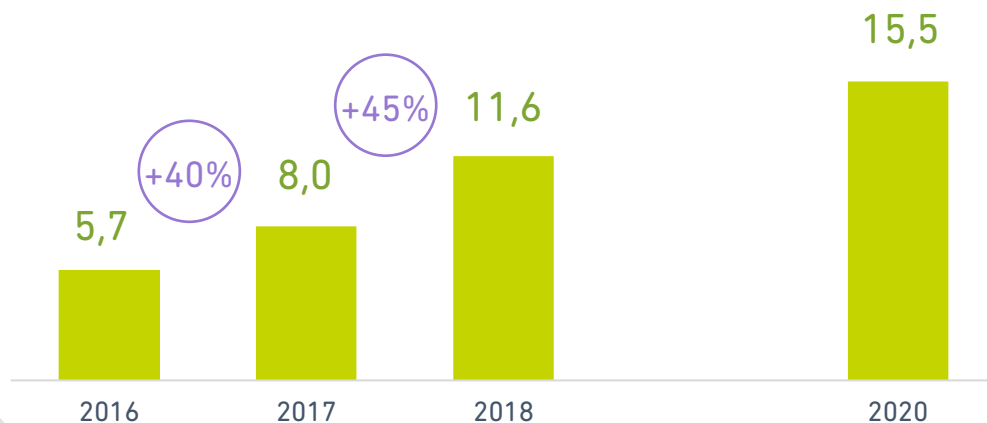
CHINESE DEMAND FOR GOAT MILK FORMULA

Goat milk formula is experiencing rapid growth in China.



MARKET SIZE (RETAIL VALUE) | BN RMB

CAGR +28%



CATEGORY POTENTIAL

- ➔ Goat milk based formula is experiencing rapid growth, now accounting for 5-10% share of total category
- ➔ Category leader Net Revenue ¥1.2Bn (+55% YOY)
- ➔ Price index above category
- ➔ Consumers are trading up to premium brands, driving +ve value growth

MOTHER & BABY STORES

BUBS ORGANIC® BABY FOOD LAUNCHES IN MOTHER & BABY STORES

Following successful import registration, Bubs Organic® baby food products are being distributed into Mother and Baby physical stores in China, including major Key Accounts in top tier cities. We have appointed sub-distribution partners in most provinces and have a targeted sales strategy to deliver coverage across 5,000 stores in FY19.



Mother & Baby Stores

CHINA BRAND AMBASSADORS

BUBS® CELEBRITY INFLUENCERS

In November, carefully selected high-profile ambassadors were appointed to endorse Bubs® brand, including Jiani Zhang, new mum and star of the 2018 hit TV drama 'Story of Yanxi Palace' who has >5.7 million Weibo fans, and Dr. Cui Yutao, the most influential Pediatrician in China with >7 million followers on Weibo.



C2C eCOMMERCE

DAIGOU ENGAGEMENT

The Company has commenced actively engaging the Australian Daigou community, by sponsoring industry events and Key Opinion Leaders (KOL's).

This activity promotes the syndication of Bubs® digital content and product reviews, resulting in increased brand awareness and C2C sales on Tmall, Taobao and WeChat platforms.



C2C Daigou
KOL



DIGITAL MARKETING CHINA KOL

PRODUCT REVIEWS

Hundreds of KOL reviews instigated on Chinese social media platforms, including Little Red Book, Baby Tree, Weibo and WeChat, to create social search visibility and drive influential word-of-mouth where mums are most likely to search for product information.



POSITIVE CHANGES TO CHINA REGULATIONS



CROSS-BORDER E-COMMERCE (CBEC) RECENT POLICY ENHANCEMENTS

- ➔ On 21 November the Chinese government announced the existing cross-border eCommerce (CBEC) policy would remain in place and continue to benefit from more relaxed regulations under their new approach to promote steady growth in foreign trade and drive consumption.
- ➔ No licencing, registration, or change to labelling or formulation is required for retail imports (commonly known as the 'positive list'), which includes infant formula, baby food and milk powder.
- ➔ The number of free-trade zones, where the bonded warehouses reside, will be extended from 15 to 22 cities.
- ➔ The single transaction threshold will be raised from RMB 2,000 to RMB 5,000, and the annual transaction limit will also be increased from RMB 20,000 to RMB 26,000 per person.
- ➔ These new policy enhancements will take affect from 1 January 2019. The Company welcomes this latest development and sees it as a vote of confidence the Chinese government is supportive and proactive in stimulating international trade. We will continue to actively support and invest in CBEC and view this Channel as a key driver in our future growth plans.

SAMR REGULATION PROGRESS



WELL PROGRESSED WITH SAMR APPLICATION

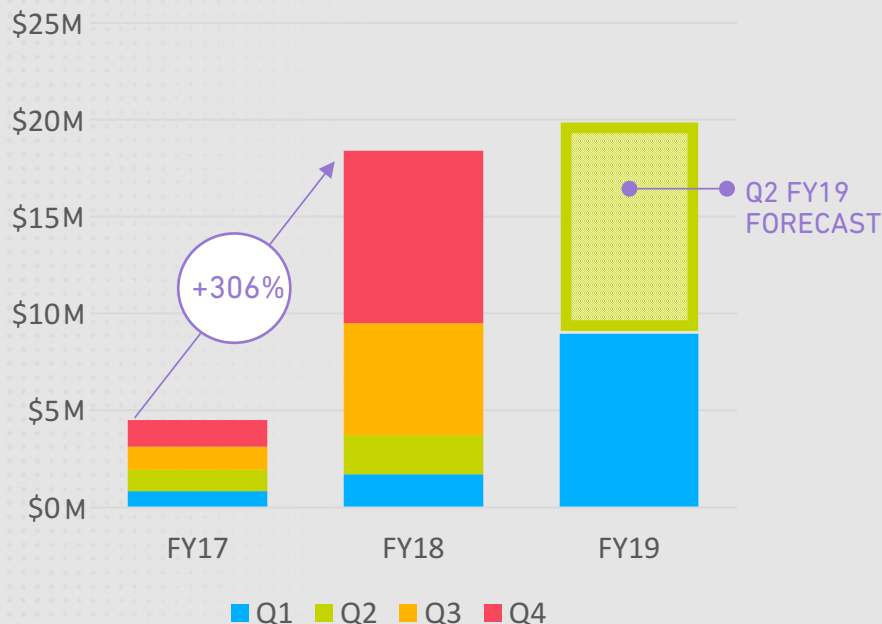
- In June 2018, Bubs Australia entered into a long-term Agreement with Australia Deloraine Dairy, one of the 15 infant formula manufacturing facilities in Australia licensed to produce infant formula for export to China.
- Bubs® was nominated as one of their three brand slots for applying for SAMR (formerly CFDA) registration, which is required for the Company to directly export Bubs® Chinese labeled infant formula products into physical retail stores in China.
- A comprehensive assessment of the manufacturing standards, scientific formulation, raw materials and finished product laboratory testing has been completed.
- Upon receiving the successful registration notice from SAMR, the Company will then be required to transfer the brand name and company ownership details on the dossier application.





STRONG REVENUE GROWTH PERFORMANCE UPDATE

YOY QUARTERLY GROSS SALES REVENUE



CONSISTENT SALES GROWTH

FY18 gross sales tripled to \$18.42M with 330% net revenue growth YOY.

This momentum continued into Q1 FY19, with quarterly sales revenue up 416% on same period last year to \$8.98M. Bubs infant formula sales grew 99% pcp.

OUTLOOK

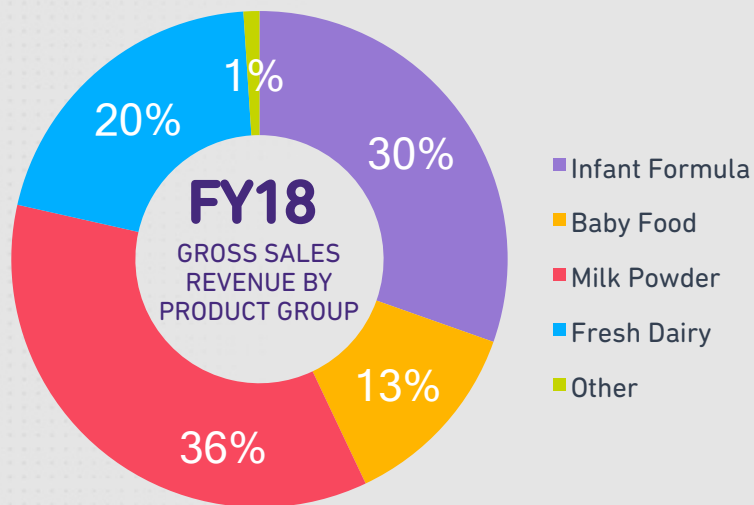
We expect to exceed 2018 full-year revenue performance by half-year 2019.

This positive growth momentum is expected to further accelerate in the second half of FY19, with a significant portion of planned incremental sales to China via B2C CBEC, C2C Corporate Daigou and MBS channels, as well as new product launches in 2H FY19.



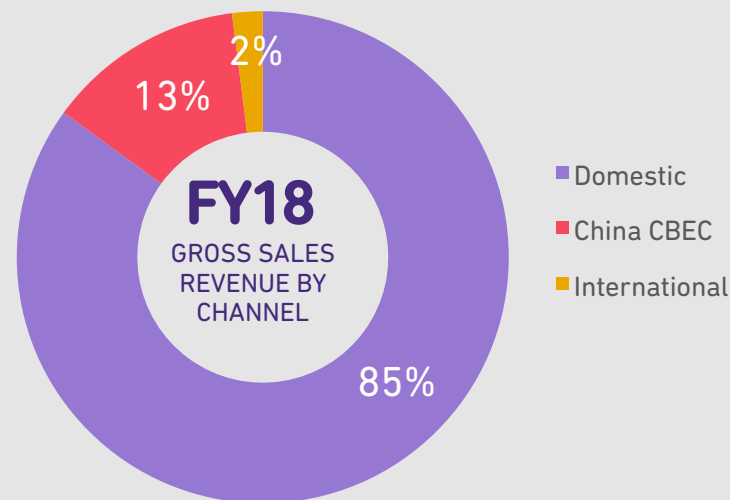
PRODUCT MIX

FY19 focus is on increasing Infant Formula share of total business; the most profitable product group.



CHANNEL MIX

FY19 focus is on increasing China CBEC share of total business, plus new China channels: MBS & Corporate Daigou.



GROWTH DRIVERS

KEY PILLARS CRITICAL TO DELIVERING THE FUTURE GROWTH OF THE BUSINESS

- + Optimise channel and product mix for margin improvement to drive profitability.



STRATEGIC PRIORITIES GROWTH PLANS

With solid foundations in place, the Company is poised for long-term sustainable growth:

VERTICAL INTEGRATION & SUPPLY CHAIN SECURITY



- + Increase the milk pool to ensure supply meets forecasted growth demand.
- + Explore strategic opportunities to further enhance the vertical integration of business operations, specifically infant formula manufacturing and supply of key dairy ingredients.
- + Best use of capital to support supply chain development.

CHINA CHANNEL DEVELOPMENT



- + Execute digitally driven brand marketing and influencer campaign.
- + Invest in CBEC sales via traffic conversion and shopping events.
- + Daigou engagement and C2C activation to support corporate master distribution partnership.
- + SAMR registration.
- + Expand Mother & Baby store distribution footprint and trade sales program.

PRODUCT INNOVATION PIPELINE



- + Extend nutritional product portfolio; the most profitable sector of the business.
- + Expand organic toddler snack offering; growth opportunity in Australia and China.
- + Continue to adapt Bubs full portfolio of products to be suitable for China.

CORPORATE STRATEGIC PRIORITIES



- + Driving strong and sustainable top-line revenue growth.
- + Optimise channel and product mix for gross margin improvement.
- + Manage cashflow by improving inventory cycle and minimising inventory write-offs.
- + Strengthen team capabilities.
- + Identify and activate growth opportunities in emerging markets.





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