

ASX: BUB

Bubs Australia

bübs®

READY TO REBUILD FY21 Annual Results

31 August 2021



Jennifer Hawkins

Bubs Global Brand Ambassador

DISCLAIMER

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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.



Creating new generations of happy & healthy bubs[®]

GOODNESS

We believe in wholesome, healthy food and a positive approach to life.

HONESTY

We believe in 100% transparency, this is 'clean' food from a brand you trust.

VERY BEST

We believe in being thorough and uncompromising, sticking to our ethics no matter what.

PLAYFULNESS

We believe in the joy of family time, the pleasure of sharing happy moments and being together.

CONTENTS

Key Milestones & Macro Forces	06
FY21 Financial Review	10
Strategic Roadmap	18
Outlook	28



KEY MILESTONE EVENTS

COVID-19 PANDEMIC IMPACT & RESPONSE

Protecting employees, prioritising liquidity and balance sheet. Managing supply chain and inventory in the channel in response to demand shocks.

ESTABLISHED WHOLLY OWNED CHINA ENTITY BUBS SHANGHAI COMPANY

Ability to directly manage sales relationships and in-market customers to optimise value chain and margin growth.

AUSSIE BUBS™ USA LAUNCH FDA LABEL COMPLIANT TODDLER FORMULA

First production shipped.
Launching on Walmart.com
and Amazon.com Sept 2021.

#1 ADULT GOAT DAIRY CAPRILAC® BRAND RANKING FOR TMALL GLOBAL 618¹

Amongst all imported adult
goat milk brands.



MORE THAN DOUBLED DOMESTIC MARKET SHARE² FASTEST GROWING INFANT FORMULA MANUFACTURER²

Woolworths, Coles and Chemist Warehouse

50% GENDER EQUALITY⁴ BOARD REPRESENTATION Supporting both Gender and Cultural diversity future needs across the business.

TOP 3 IMPORTED GOAT INFANT FORMULA BRAND IN CHINA 618

#3 on Alibaba Tmall Global³
and #2 brand on JD Global.³

LAUNCHED BUBS RANGE IN REDMART SINGAPORE

Received Malaysia
Parent's Choice Award for
Bubs® Organic Formula.

¹ Q4 FY21 official results in unit sales data CapriLac from Tmall Global

² IRI Scan Data, Dollars (\$000's) market share. Growth % YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021.

³ Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global (TDI and Tmall Flagship Store) & JD Global (JDI) platform data.

⁴ 50:50 Gender Equality reached with the appointment of Katrina Rathie on 21 July 2021.

COVID-19 DISRUPTIONS

Global macro forces impacting sales channels created a significant demand and supply shock.

FY21 focused on the immediate need to mitigate impact from excess inventory in channel.



IMMEDIATE IMPACT:

Urgent action was required to actively manage supply and excess inventory due to unforeseen demand disruption.



Australian Border Closures

Infant Formula Category declined in Australian Grocery and Pharmacy **-46%**¹.

Traditional Daigou shopping significantly declined in domestic retail channel and gift stores.



China Channel Disruption

Channel shifting moved consumers online. High cost of airfreight had immediate impact. **Omni-channel sales** model emerged, O2O and social commerce becoming more significant.



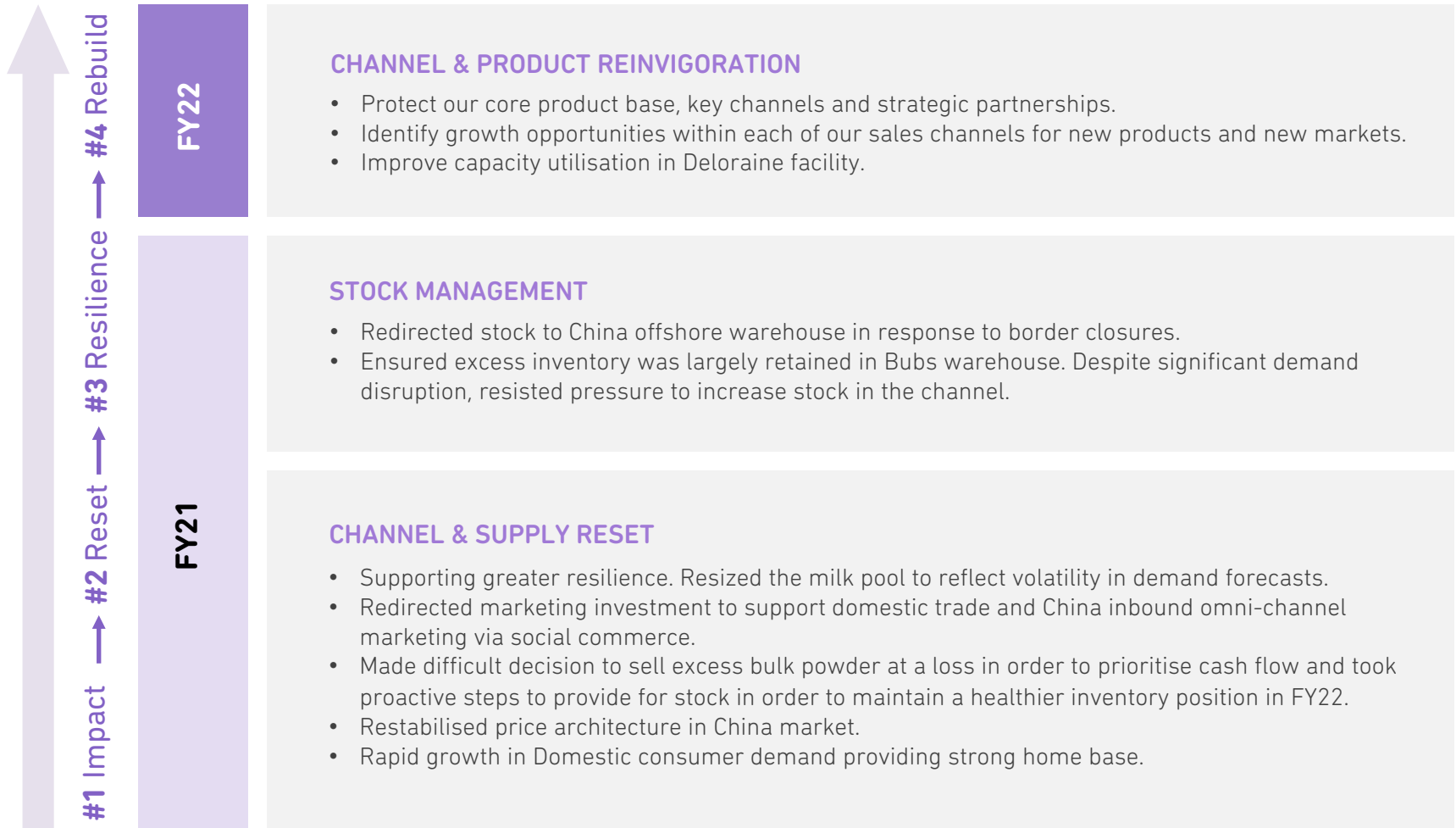
Export to SE Asia Disrupted

Prolonged lockdowns delayed ranging reviews, limited retailer distribution, and caused regulatory delays. Significant impact due to retail shutdown and economic stress.

¹IRI Scan Data, Dollars (\$000's) % YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021

COVID-19 BUBS RESPONSE

Our response throughout FY21 focused on four pandemic phases to protect our base for rebuild.
Strengthening our foundations to mitigate future demand shocks.



DEEPENING OUR BENCH STRENGTH FOR FUTURE GROWTH

Post balance sheet appointments of new Board Director, Katrina Rathie and COO, Fabrizio Jorge.

Supporting future business needs with expertise in global strategy, dairy operations and international regulatory compliance.

BOARD OF DIRECTORS



DENNIS LIN
Executive Chairman

- China and global growth expert.
- M&A specialist.
- Health & wellness expertise.



KRISTY CARR
Managing Director

- Founder since 2006.
- Business development.
- Infant nutrition brand specialist.



STEVE LIN
Non-Executive Director

- Expertise across Asia & USA.
- Investments & corporate management.



JAY STEPHENSON
Company Secretary

- Extensive professional Company Secretary experience for ASX companies.



KATRINA RATHIE
Non-Executive Director

- Leading expert in international IP, and FMCG consumer brand lawyer with extensive Governance experience.

KEY MANAGEMENT PERSONNEL



KRISTY CARR
Chief Executive Officer



IRIS REN
Chief Financial Officer

- Financial advisory & corporate transactions.
- Audit & compliance.



FABRIZIO JORGE
Chief Operating Officer

- Global growth strategy.
- Operational oversight
- 20+ years dairy experience.

EXECUTIVE LEADERSHIP TEAM



RICHARD PAINE
Chief Manufacturing Officer
Quality, Dairy & Nutritionals

- Dairy operations & supply chain.
- Nutritional manufacturing specialist.



VIVIAN ZURLO
Chief Marketing & Innovation
Officer – Global Markets

- Global brand & marketing strategy.
- Nutritional innovation product development.



DAVID ORTON
General Manager
Commercial

- Sales & Operations.
- Integrated business planning.



FY21 FINANCIAL REVIEW



FINANCIAL HIGHLIGHTS

FY21 results impacted by global pandemic **with some growth in core products and focus channels.**

ASX 300
Bubs Australia

\$46.8m

Group Gross Revenue¹

+26%

Goat Infant Formula China
CBEC gross revenue¹ growth pcp.

+51.5%

Bubs Australia fastest growing
Infant Formula manufacturer² in
Woolworths, Coles and Chemist
Warehouse.

+12%

Total gross revenue¹
exports growth pcp to
China CBEC channel.

+57%

International gross revenue¹
growth ex-China pcp,
(including ingredient sales).

+34%

2H FY21 Corporate Daigou gross
revenue¹ growth on 1H FY21.

\$27.9m

Robust balance sheet.
Cash reserves as at
30 June 2021.

¹ Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution. ² IRI Scan Data, Dollars (\$000's) Growth YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021.

FINANCIAL OVERVIEW

	FY21 (\$m)	FY20 (\$m)	% change
Gross revenue¹	46.8	61.7	-24%
Revenue	39.3	54.6	-28%
Gross margin	-7.3	10.4	
Operating expenses:			
Distribution	2.0	1.9	6%
Marketing	7.2	9.9	-28%
Employee costs ³	6.3	5.8	8%
Admin & other ⁴	6.7	4.0	68%
Impairment	-44.6	-	-
Statutory EBITDA loss	73.1	11.3	
Underlying EBITDA loss	28.5	11.3	

COVID disruption had adverse impact on gross margin²

- Group gross margin² decreased to \$7.3 million loss. This was primarily due to \$12.6 million inventory write-off including Take or Pay penalties of \$850k for shortfall in reserved capacity with manufacturers, and the decision to sell excess bulk powder inventory at a loss due to COVID-19 driven softening demand and prioritisation to conserve cash.
- Bubs® Goat Infant Formula product margin² upheld at 34% which is consistent with FY20. Group gross margin² for branded products was 21%.

Increased trade investment in response to shifting channel mix

- The widening gap between Gross Revenue¹ and Revenue is due to increased trade co-op investment, as recognised under the revenue standard AASB 15.

Disciplined OPEX Management

- Distribution costs/Gross Revenue¹ % at 4% compared to 3% pcp.
- Marketing costs decreased 28% due to domestic brand marketing investment being redirected into in-channel activity in the short-term.
- Employee costs³ increased 8% due to the new resources to support the ability of our organisational capability in multiple markets.
- Increased admin costs⁴ mainly due to bad debts provision, increased costs for NPD, IP protection in new international markets, and donations.

Impairment

- Combined with short term sharp demand contraction in Daigou channel, a conservative growth rate adopted in the sales forecasts due to prolonged uncertainties caused by ongoing pandemic and the longer than expected SAMR approval time frame, this has reduced the valuation of CGUs. As a result, a non-cash impairment of \$44.6m relating to Nulac Foods CGU and Deloraine Dairy CGU was recognised.

¹ Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution.

² Gross margin is calculated as (Revenue – Production Costs) / Revenue.

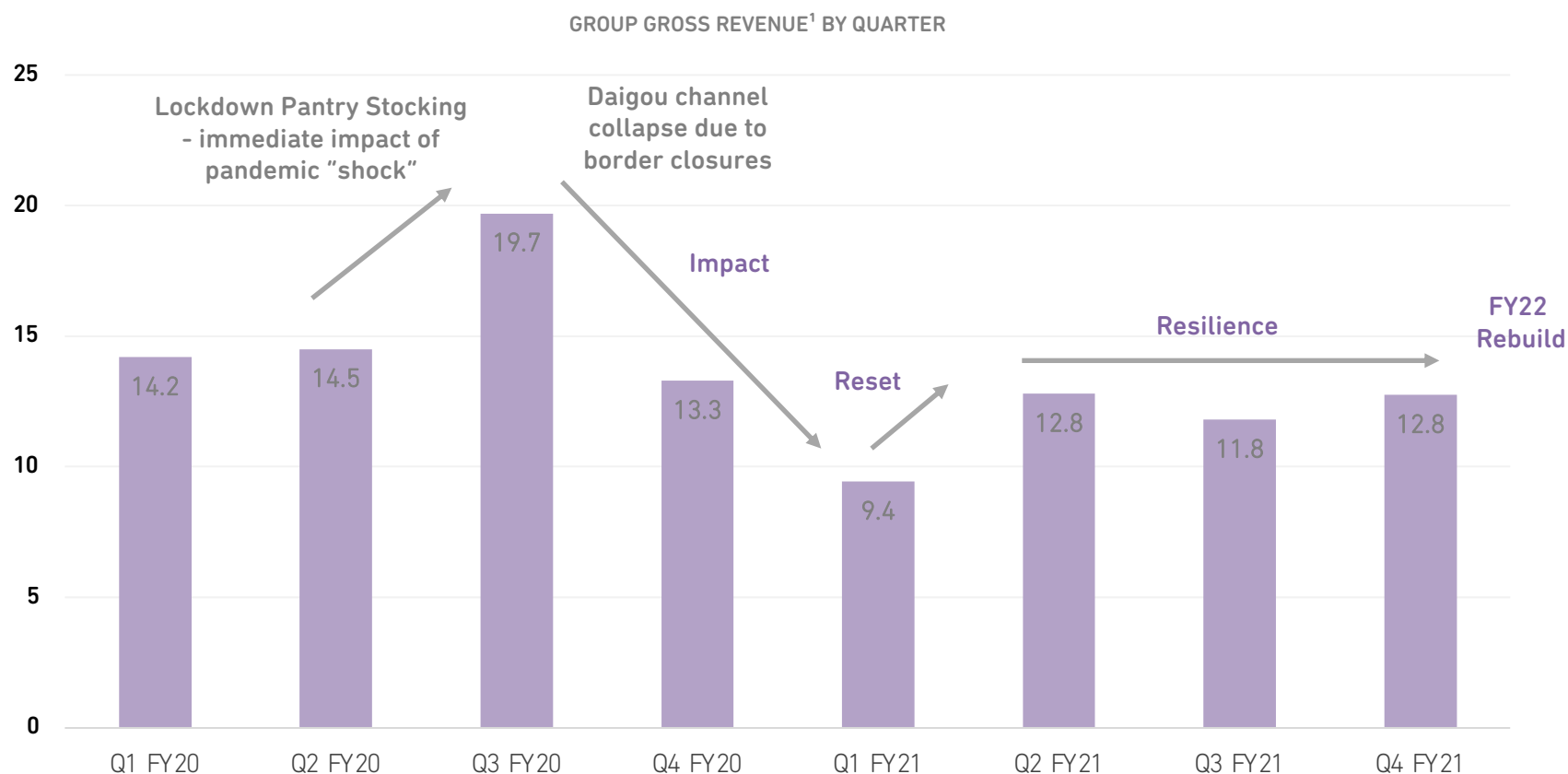
³ Employee costs do not include share based payments.

⁴ Administration and other costs do not include depreciation and amortisation.

FY21 DEMAND SHOCK **IMPACT & RESET TOWARDS RESILIENCE**

Sudden impact of border closures with FY21 focus on reset strategies to build resilience.

Focused team efforts on immediate actions to rebalance inventory, preserve cash and redirect portfolio investment.

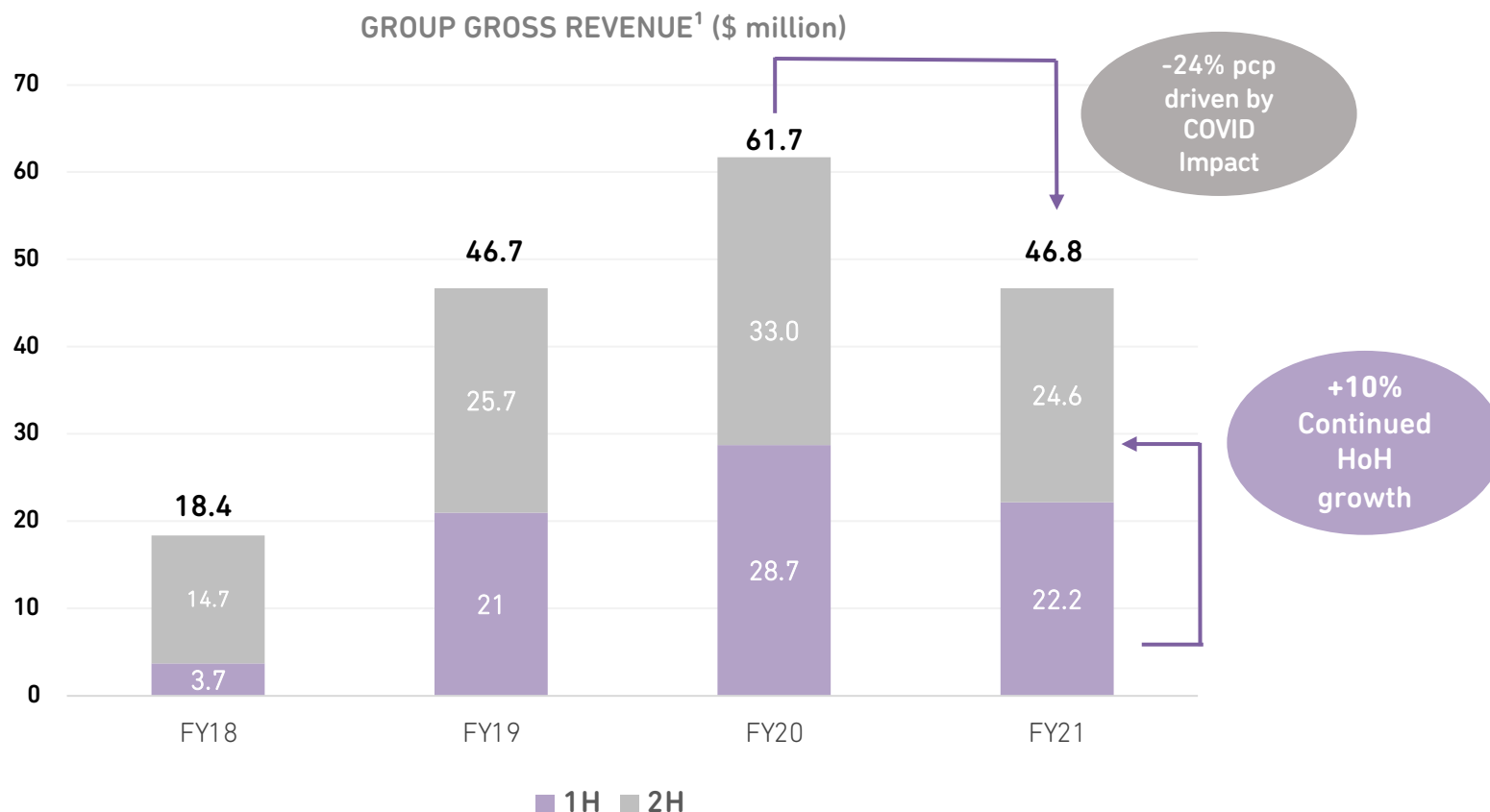


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FY21 FULL YEAR IN LINE WITH PRE-COVID FY19

First half growth momentum was restricted due to COVID-led channel disruption.

+10% Half-on-Half increase in 2H FY21 with full year gross revenue¹ rebuilding to pre-COVID FY19 levels.



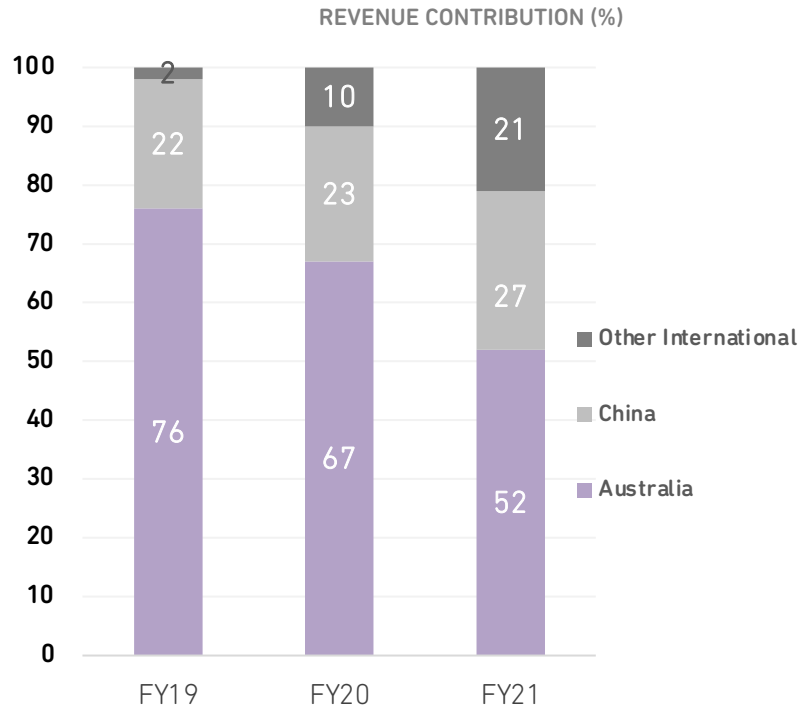
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FY21 MARKET AND PORTFOLIO EXPANSION

Multiple revenue streams and product portfolio growth drivers across Australia and Asia.

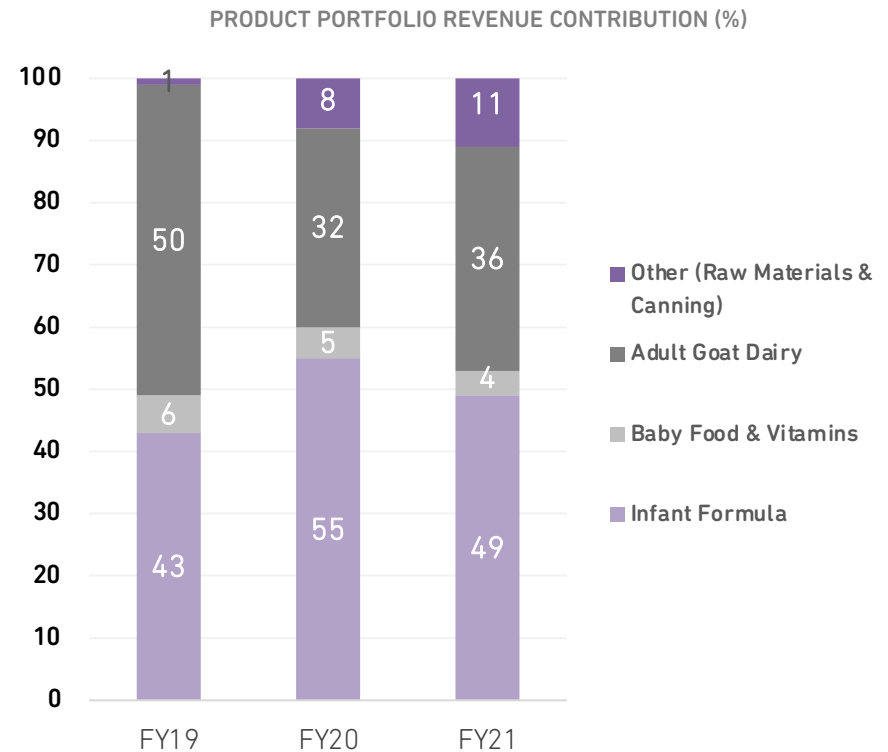
MARKET DIVERSIFICATION

International expansion strategy continues with advances in China and new markets across SE Asia.



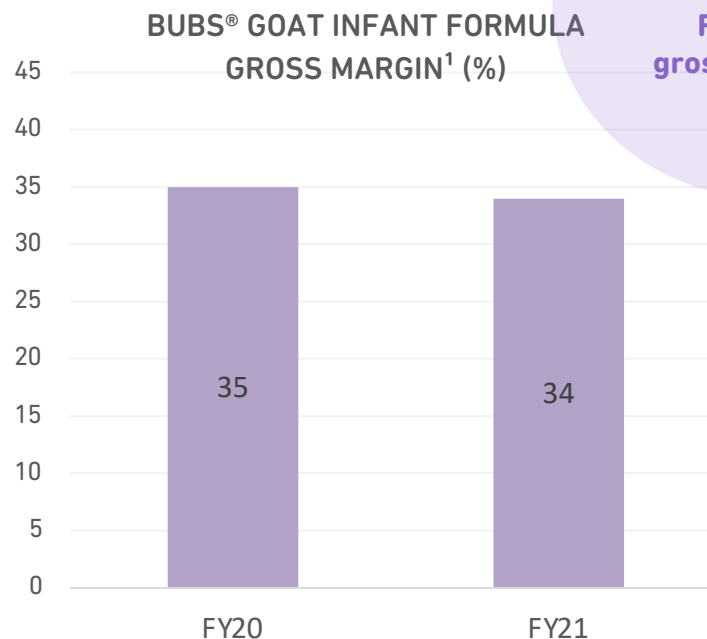
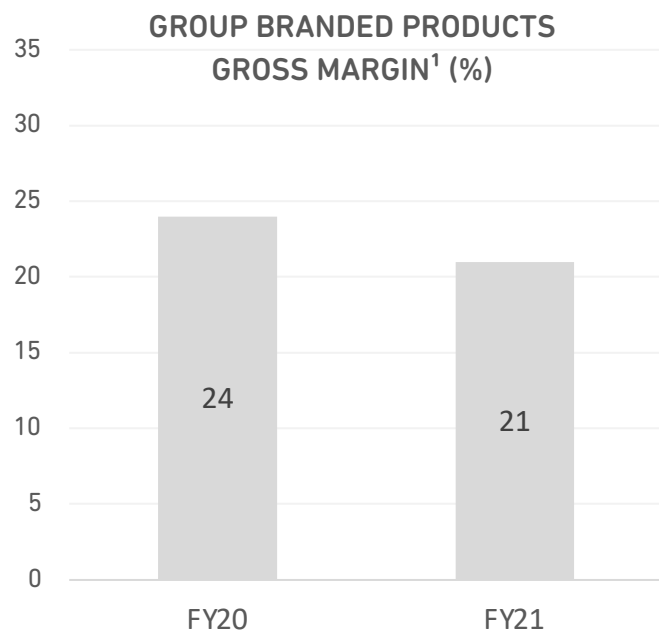
BALANCED PRODUCT MIX

Investing in core margin drivers:
Infant Formula and Goat Dairy.



GROSS MARGIN¹ ANALYSIS

Whilst group gross margin¹ of branded products in FY21 was impacted by need to redirect greater trade investment, our **hero product - Bubs® Goat Infant Formula product margin¹ was consistent with FY20** despite COVID-19 disruption to most profitable channel routes.

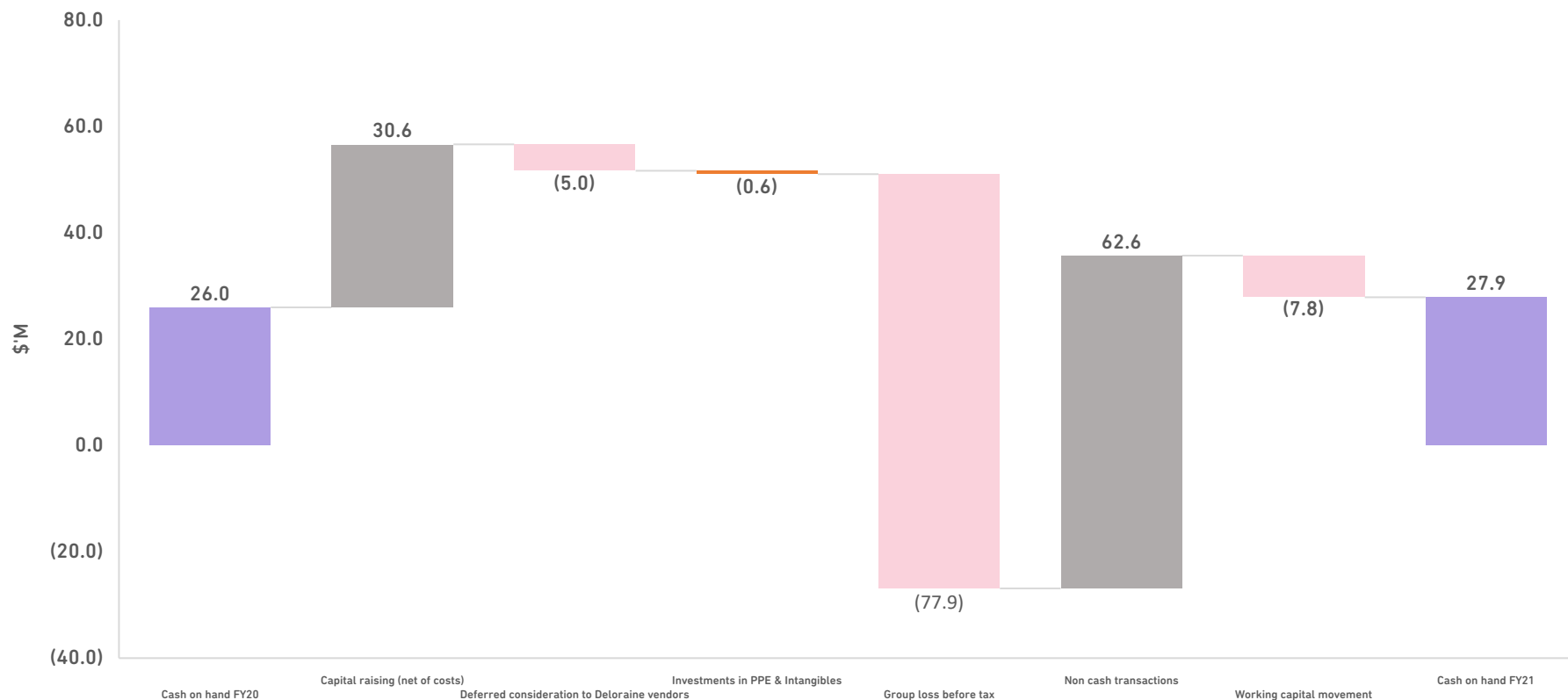


34%
Bubs® Goat Infant
Formula
gross margin¹.

¹ Gross margin is calculated as (Revenue – Production Costs) / Revenue

FY21 ROBUST BALANCE SHEET

Managed working capital and inventory position throughout a volatile period.



Working capital movement driven by increased inventory position

- Inventory position has returned to a healthier position as at 30 June 2021.
- Finished goods position has improved since 30 June 2020 with % on total inventory decreasing from 53% to 31%.
- Raw material position is expected to further improve in FY22.
- Resized milk pool to meet adjusted future demand forecast.



STRATEGIC ROAD MAP



KEY PILLARS TO **SUSTAINED RESILIENCE & REBUILD**

We will continue to focus on our four operational pillars for continued resilience of our base.



1. Specialty dairy focus



2. Margin improvement




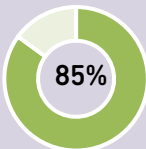

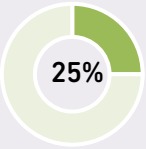

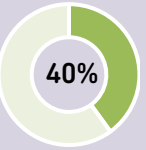

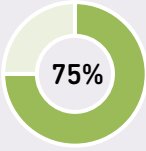
3. Daigou 2.0 facilitated omni-channel sales



4. Rebalance inventory levels

4 KEY OPERATIONAL PILLARS – SCORECARD

Operational action plan for building on strategic pillars in response to COVID-led channel disruption.

Key Priorities	Objective	Key Focus Areas	Status	Timing
Specialty Dairy Focus 	<ul style="list-style-type: none"> Drive highest & best use of high-quality dairy source. 	<ul style="list-style-type: none"> Focus on hero products Goat Milk Infant Formula and CapriLac® Adult Goat Milk Powder. Sustain Goat Formula margin and brand share. 		1H FY22
Margin Improvement 	<ul style="list-style-type: none"> Improve product value chain. 	<ul style="list-style-type: none"> Optimise Channel and Product mix. Implement supply chain cost efficiencies. Increase Deloraine facility utilisation. 		FY22
Daigou 2.0, Facilitated Social Commerce 	<ul style="list-style-type: none"> Reactivate Daigou Channel. 	<ul style="list-style-type: none"> Drive Daigou facilitated e-commerce sales. Support reinvention of Daigou online-to-offline (O2O). Redirect brand marketing to grow China base. Stabilising China price architecture. 		2H FY22
Re-balancing Inventory Levels 	<ul style="list-style-type: none"> Operational excellence. 	<ul style="list-style-type: none"> Achieved balance across channel inventory. Balance demand forecast and milk supply. Continue to manage excess milk supply via industrial B2B sales. 		1H FY22

FY22 STRATEGIC FOCUS ON 4 SALES CHANNELS

We have identified 4 strategic sales channels that are complementary to unlock value.

Each business unit has distinctive features and different opportunities for sustained profitable growth.



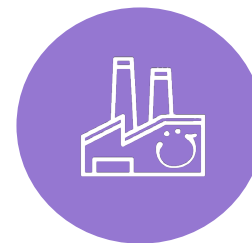
1. Australia & New Zealand



2. China



3. Other International



4. B2B Dairy Solutions

Customer & Consumer Centric – Excellence in Quality

- Opportunity for a significant local challenger brand with strong home market engagement with domestic consumers.

- China routes to market now omni-channel with CBEC, Daigou, O2O and General Trade merging into one via online sales, live-streaming and social selling.

- Consolidate growth in existing SEA penetration with opportunity to enter new markets: USA and South Korea.

- Grow specialist dairy solution co-manufacture and end-to-end new product development for global customers.

BUBS EXPERTISE

INGREDIENT &
VERTICAL SUPPLY
CHAIN EXPERTS



CUSTOMER &
CONSUMER
INSIGHT FOCUS



R&D FUNCTIONAL
WELLNESS
EXPERTISE



SPECIALIST
DAIRY
MANUFACTURING



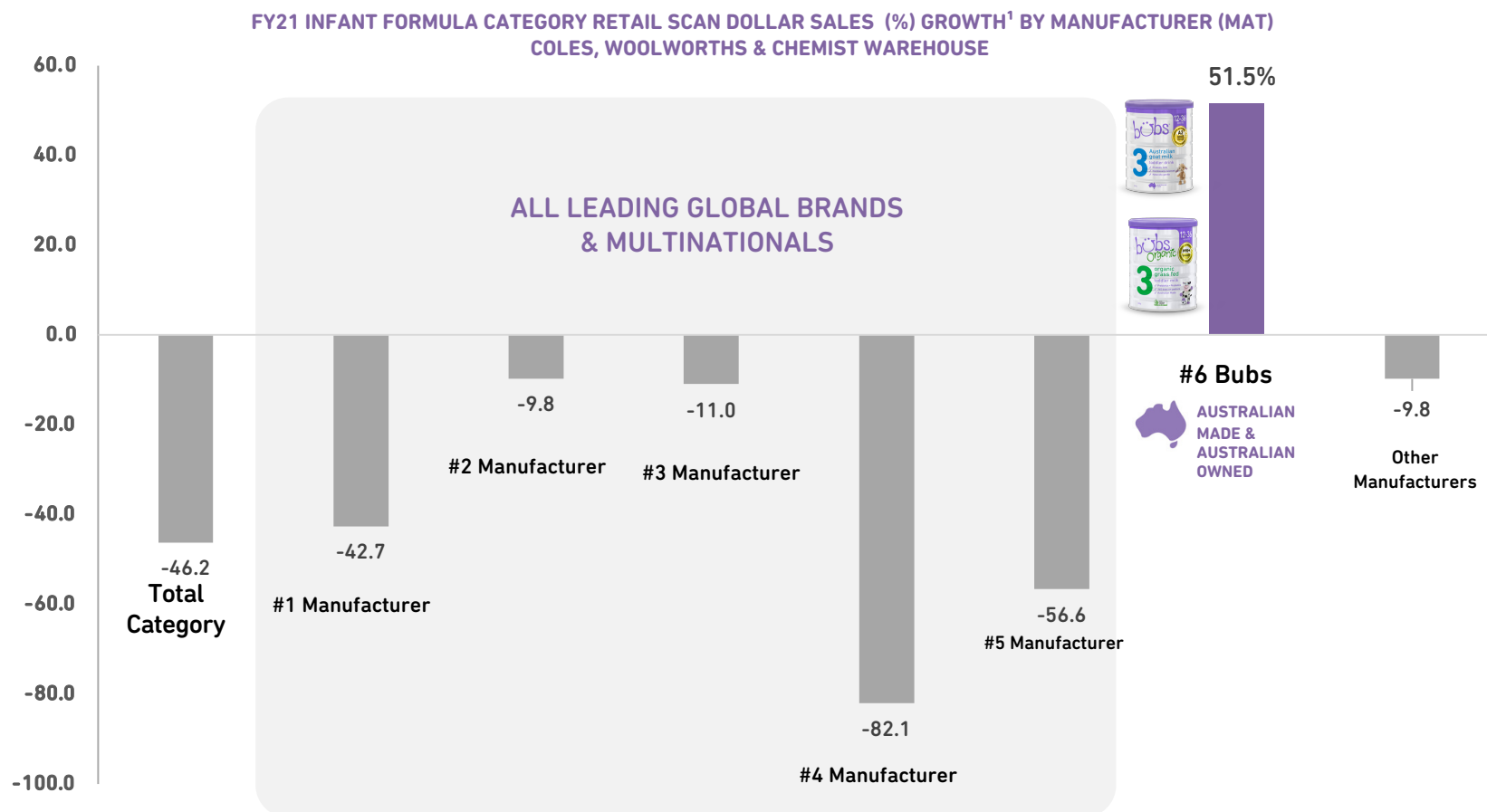
FOCUS:

KEY CHARACTERISTICS:

BUBS COMPETENCIES:

ANZ: LEADING CATEGORY CHALLENGER

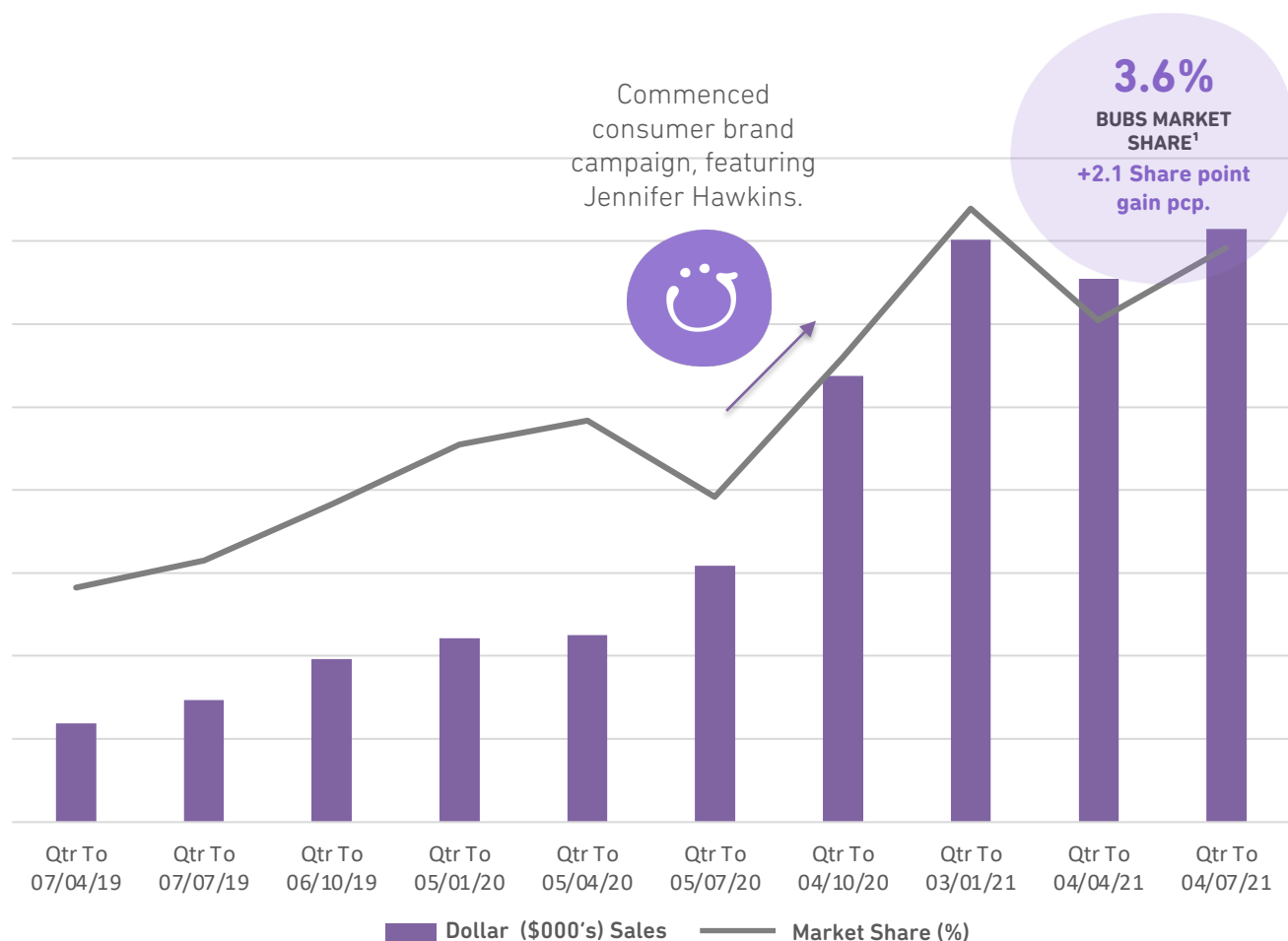
Bubs Australia is the fastest growing Infant Formula manufacturer¹ in Australian Grocery and Pharmacy. Bubs® remains in high scan sales growth, outperforming the category.



¹ IRI Scan Data, Dollars (\$000's) Growth % YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021

ANZ: MARKET SHARE MORE THAN DOUBLES IN PAST YEAR

Bubs Australia remains in high market share growth across Australian Grocery and Pharmacy.



#2 GOAT BRAND¹



Coles
Woolworths
Chemist Warehouse

#2 ORGANIC BRAND¹



Coles
Woolworths
Chemist Warehouse

¹ IRI Scan value scan sales, Dollars (\$000's) share of total Baby Formula, Coles, Woolworths and Chemist Warehouse combined Quarter to 4.07.2021.

CHINA: CBEC INFANT FORMULA GROSS REVENUE¹ +26% pcp

Despite channel disruption, cross border e-Commerce demonstrating growth. **Bubs® Goat Infant Formula ranked #6²** across all China Domestic and Imported Goat Dairy brands combined during 618 festival



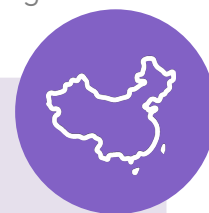
JD.COM 618 SHOPPING FESTIVAL² RANKING
(International Brands)

BUBS IS #2 CHALLENGER GOAT BRAND²
73,000 people purchased



ALIBABA 618 SHOPPING FESTIVAL RANKING² (China + International Brands)

BUBS IS #6 ALL CHINA & INTERNATIONAL GOAT BRANDS²
BUBS IS #3 INTERNATIONAL GOAT BRAND²



Solid growth
+26% pcp
FY21 increase in
INFANT FORMULA
CBEC channel
gross revenue¹.



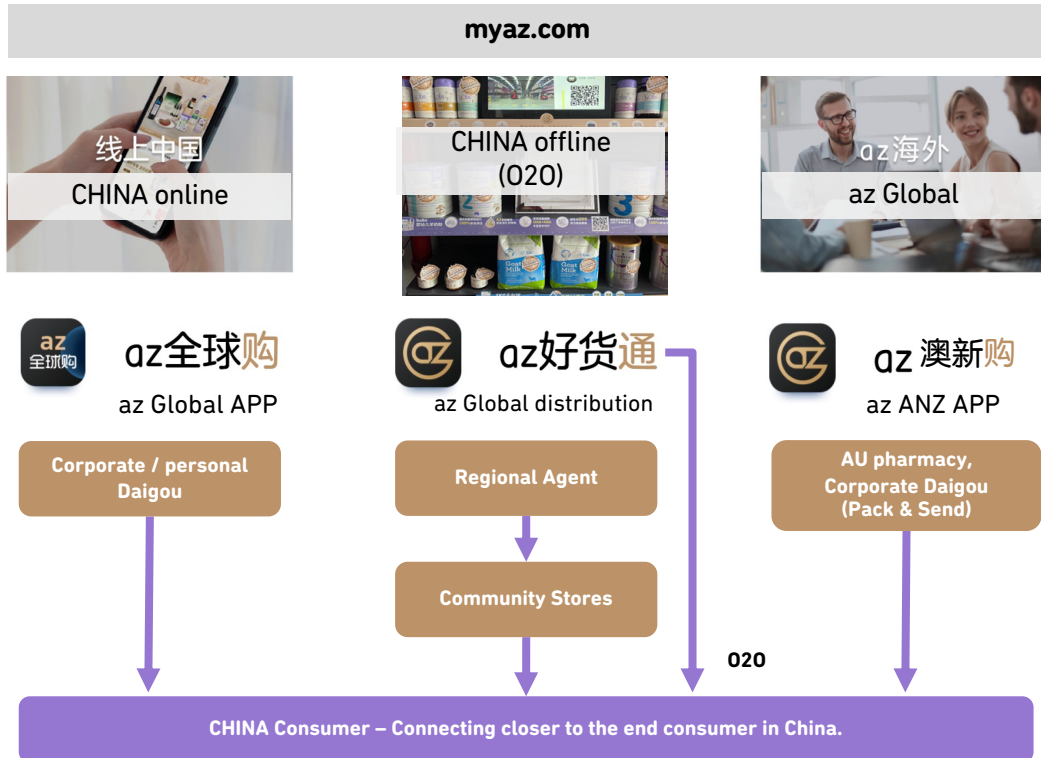
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² Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global & JD Global platform data

CHINA: DAIGOU CHANNEL REINVENTION

Traditional Daigou and personal shopper gift store model now replaced by sustainable, more transparent and professional Corporate Daigou with **integrated e-Commerce and omni-channel model connecting directly with consumers, supported by centralised warehousing in China and Australia.**

NEW POST-COVID REINVENTED DAIGOU 2.0 STRATEGY WITH AZ GLOBAL VALUED PARTNERSHIP



DAIGOU GROSS
REVENUE¹ 2H FY21
+34% ON 1H WITH
+17% INCREASE ON
2H FY20 PCP

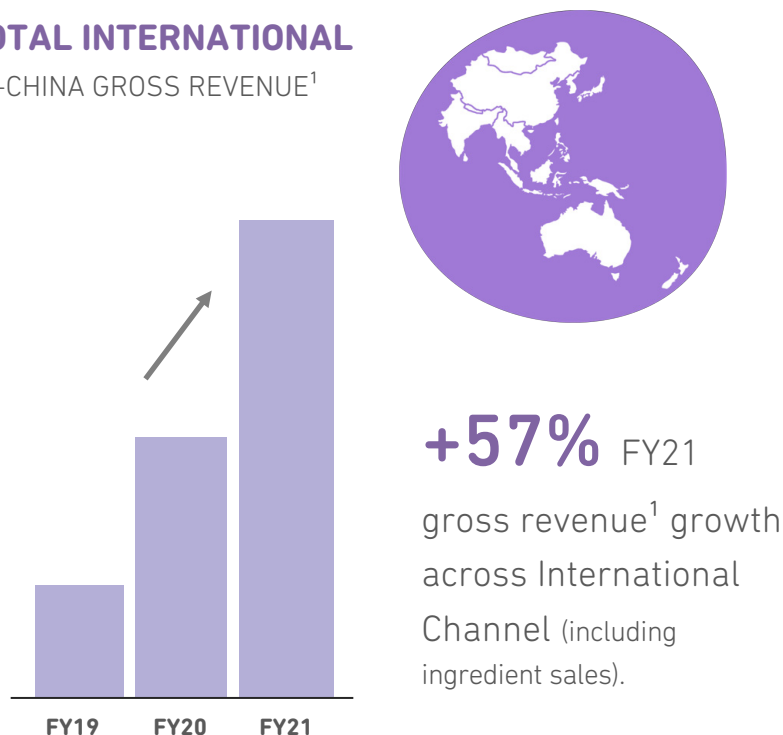


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INTERNATIONAL: BUILDING MOMENTUM

Despite continued and significant market disruption across International markets, gross revenue¹ for **total International increased 57% pcp. Received 2021 Parent's Choice Award in Malaysia.**

TOTAL INTERNATIONAL EX-CHINA GROSS REVENUE¹



WINNER OF 2021 PARENT'S CHOICE AWARD MALAYSIA



¹ Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution

USA: ENTERING NEW GROWTH OPPORTUNITY

Expanding international coverage into **USA Toddler Nutrition market** - on track for **September launch**.



[Walmart.com](https://www.walmart.com) [amazon.com](https://www.amazon.com)

Market expansion opportunity

- Entry point into USA market with combined total Infant Formula and Toddler Formula retail category worth \$USD 5.1Bn annually¹.

USA Aussie Bubs™ branding and product range

- Developed two FDA label compliant Toddler Formula products.
- Winner of the Clean Label Project Purity Award.
- Bi-lingual packaging targeting important Hispanic market.
- First production shipped and cleared by customs.
- Met all Prop 65 regulations.

Developing sales distribution

- National network agent companies selected across USA.
- Established USA subsidiary: Aussie Bubs, Inc.
- Launching on Walmart.com and Amazon.com September 2021.

¹ Euromonitor Data 2021, Total IMF Retail Market Size \$USD 5.1BN.

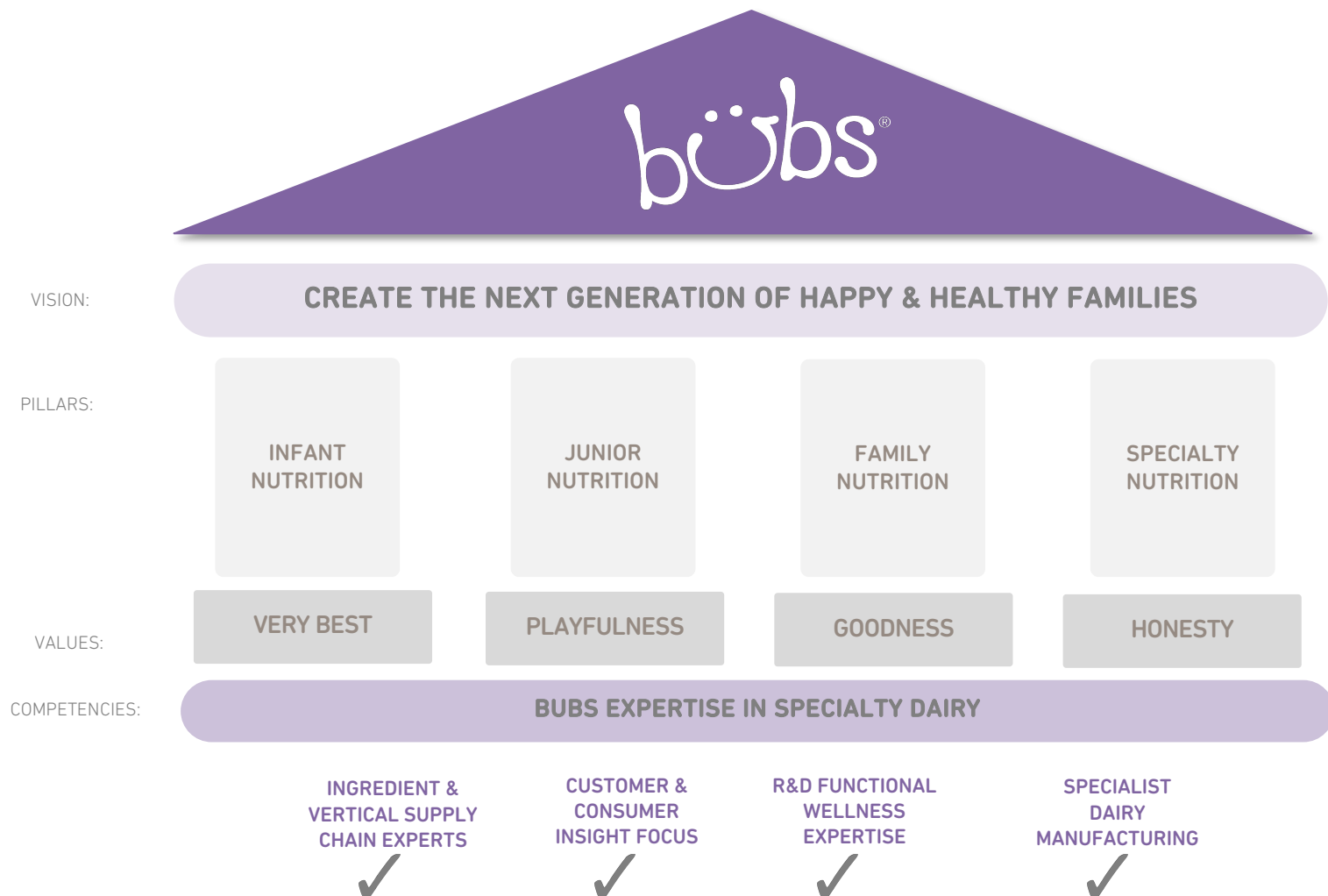
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OUTLOOK



OUTLOOK

Opportunity to stretch **Bubs®** brand equity into new categories, consumer segments and occasions.



OUTLOOK

Bubs is well placed with **strong foundations, brand share growth and a robust balance sheet** to go forward with a sustainable growth strategy as the Australian lead challenger brand in infant nutrition.

Responding to pandemic impacts with our unique strategic pillars

Continued focus on our core business and competencies, coupled with the operational changes we have executed in response to the pandemic, mean Bubs is well positioned to rebuild from a strong foundational base with a rebalanced inventory position to meet stabilised demand.

We remain confident in the unique strengths of Bubs business model and our organisational agility will enable us to navigate the ongoing macro challenges posed by COVID-19, and we anticipate rebuilding towards a sustained growth trajectory in FY22.

Since the initial COVID-led Channel disruption impact occurred most heavily in the first quarter, our China strategy has been reimagined in collaboration with our strategic partners to deliver significant advances throughout the year. We remain committed to continuing to build the Bubs® brand in China, and expect sales momentum to continue across all Channels.

In addition to building our hero product lines in our established channels, we plan to stretch Bubs® brand awareness to support new categories in line with our position as a specialist producer of dairy based nutritional products. We will also pursue our global expansion strategy to consolidate our regional market penetration and launch into North America.

The Company remains confident that the Bubs® brand and business model, along with adapted route-to-market strategies and sufficient cash reserves, will deliver sustained growth in FY22 and beyond.

ASX: BUB

Bubs Australia

bübs[®]

Growing Generation Joy