



Bubs Australia Limited
ACN 060 094 742
23-29 Nina Link, Dandenong South
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BUBS AUSTRALIA 2021 ANNUAL GENERAL MEETING

CHAIR WELCOME AND CEO ADDRESS

30 November 2021

CHAIR WELCOME: DENNIS LIN

Welcome to the 2021 Annual General Meeting of Bubs Australia.

My name is Dennis Lin, Executive Chair of the Company.

To commence today's proceedings, our Chief Executive will present an overview of Bubs journey in FY21 through to post-COVID recovery, including insights into where we see our growth strategy taking the business in the next three years through our strategic ambition of **'One Brand. One Family. One World.'**

Following the CEO Address, I will then outline each Resolution during the Formal Business of the meeting and address your questions and comments on the Resolutions on which shareholders are voting. Before closing the meeting, I will also address any general questions related to the business.

BENCH STRENGTH FOR FUTURE GROWTH

I would now like to formally introduce your Board:

- **Kristy Carr, Founder and Managing Director;** Kristy founded the business in 2006 and is responsible for the DNA and authenticity that makes Bubs so special. She leads a team of extremely talented people between our Sydney, Melbourne, and Shanghai offices.
- **Steve Lin, Non-executive Director;** Steve is Managing Partner of C2 Capital Partners, a Hong Kong based investment fund anchored by Alibaba Group. Steve provides the Board with industry-leading expertise on growth capital, proprietary insights and operational support to scale in China.
- **Katrina Rathie, Non-executive Director;** Katrina joined Bubs Board earlier this year. Katrina was partner in Charge for King & Wood Mallesons and brings 35 years' experience as a leading expert in international IP, and a consumer brand lawyer with extensive governance experience.
- **Jay Stephenson, Company Secretary;** Jay has performed this role since our public listing in 2017. He is a professional Company Secretary with extensive experience for numerous ASX listed companies.



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Also with us online are our Executive Leadership team:

- **Fabrizio Jorge, Chief Operating Officer;** Fabrizio joined us mid-year from Fonterra where he was General Manager for Fonterra Brands for Thailand, Laos & Myanmar following four years as head of Fonterra's Australian ingredients business. Fabrizio brings more than twenty years global dairy experience to driving our international growth strategy and oversight of all our operational activity. Prior to Fonterra he held various leadership roles within Nestlé worldwide.
- **Dylan Lu, Managing Director – Greater China;** Based in our Shanghai office, Dylan brings over 23 years' experience with leading consumer brands in the UK and China. Most recently he led Marketing and e-Commerce at The a2 Milk Company for Greater China.
- **Iris Ren, Chief Financial Officer;** Iris has extensive experience in financial advisory and transactions, audit and compliance, and has been the Company's CFO since 2017.
- **Vivian Zurlo, Chief Marketing and Innovation Officer;** Vivian has significant domestic and Asia Pacific experience in the Food, Dairy, and Health & Wellness categories, marketing & brand strategy.
- **Richard Paine, Chief Manufacturing Officer;** Richard is a 30-year veteran in Dairy and Supply Chain operations, including past experience in key roles at Bega Cheese and Murray Goulburn.
- **David Orton, General Manager Supply Chain;** David is responsible for Supply Chain Operations and Integrated Business Planning by implementing systems and procedures for our high growth business.

Working closely with Bubs Family throughout the challenges presented by COVID-19 has convinced me that we have the optimum combination of talent to best serve you, our shareholders, going forward.

Our auditor is represented here by **Deloitte Partner Andrew Sun** who will be happy to take questions on the financial statements relevant to the audit process. Also present online, we have **Kylie Lane, our Partner at Ashurst** who acts as our General Counsel.

CEO ADDRESS: KRISTY CARR

At this time last year we stood before you, following the initial disruptions of COVID-19 and outlined the impact that had on our business. In the ensuing year we have learned many lessons and effectively reshaped our business to take advantage of the inbuilt resilience of our integrated supply chain.

We moved quickly to rethink the way in which we approach our China business, while recognising there are significant markets beyond China in which we are well placed to participate. Importantly, we have a



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strong Masterbrand, coupled with the organisational expertise and agility, to become a category leader in infant nutrition as we continue to expand our global reach.

BUBS RESPONSE TO A CHALLENGING MACRO ENVIRONMENT

The first thing that must be said is there has been significant disruption across our industry. This has driven changes in routes to market reflecting China's accelerated transition to e-Commerce retail, together with the reinvention of the Corporate Daigou Channel, which has become a powerful and truly digitised social e-commerce network of marketers and resellers.

From the initial impact of COVID-19 disruption caused by prolonged border closures, we recognised the fundamental channel shifts affecting our China business and continued throughout FY21 to refine our approach to rebalancing supply to meet current channel demand and resetting our price architecture.

The Company focus now moves to channel and product reinvigoration aimed at protecting our existing business and partnerships, identifying growth and innovation opportunities in each channel, and boosting utilisation of the plant capacity at our Deloraine facility with both our branded portfolio and an increased emphasis on our B2B business which is growing rapidly.

Underpinning this is our specialist dairy expertise and the equity built up in the Bubs® Masterbrand that enables us to stretch the brand across multiple product categories and consumer groups.

TURNAROUND TO ACCELERATED GROWTH

Despite the challenging macro-environment continuing into FY22, our Q1 revenues returned to high growth, which is a testament to the agility and effectiveness of our response.

Recognising the changing market dynamic and structural changes, we set about building a platform for returning the business to high growth and diversification, including:

- Protecting our strong home heritage in Domestic retail, where Bubs remains the fastest growing infant formula manufacturer across Coles, Woolworths, and Chemist Warehouse.
- Sustaining value chain confidence by rebalancing channel inventory to meet stabilised demand and enhancing channel margins.
- Leveraging brand equity in China to accelerate Bubs® omni-channel sales strategy.
- Driving export market diversification across existing Southeast Asian markets and USA launch.



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FY21 OPERATIONAL ACTION PLAN

During FY21, management was focused on delivering our operational action plan to build on our strategic foundations and core competencies in response to the COVID-led channel disruption. I'm pleased to say that we have completed most objectives ahead of time, namely:

- Driving the highest and best use of our milk pool, reinforcing Bubs as a specialty dairy business;
- Restored and reactivated China as an integrated sales channel by facilitating cross-border e-Commerce, social commerce and Online-to-offline (O2O) under one brand strategy with rebalanced inventory and sustained integrity of our value chain pricing.
- Working alongside our strategic channel partner, we have continued to support the reactivation of the Daigou model.
- We further optimised our channel and product mix, consolidated supply chain efficiencies and increased Deloraine utilisation capacity through B2B development and product innovation.

GROWTH STRATEGY

Our growth ambition can be summed up in one phrase; **'One Brand. One Family. One World.'** We aim to provide a comprehensive portfolio of Bubs® nutritional products that speaks to the same core values and brand proposition, tailored to cater for families across the world.

Bubs® is uniquely blessed to have a highly extendable brand that can be applied to almost every feeding occasion for families with young children, whether it's our original Bubs® Infant Nutrition range through to our latest extension for the whole family; Bubs® Family Nutrition.

As a dairy specialist there are many opportunities to stretch Bubs® brand equity across our four key category pillars for growth, including:

1. Infant nutrition
2. Junior nutrition
3. Family nutrition, and
4. Specialty nutrition

Each pillar is grounded in our key brand values and underpinned by our expertise in specialty dairy.



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CONTINUOUS INNOVATION

The COVID disruption did not slow down our innovation pipeline. Rather, it sparked an intense focus on ways to drive customer acquisition and grow brand relevance through new products tailored to specific consumer segments and markets.

Here we see the power of Bubs brand already on display in the growing spectrum of addressable segments from infant formula, junior nutrition, organic baby food and toddler snacks, vitamins and mineral supplements, and our newest addition - Bubs® Family Nutrition.

MARKET DIVERSIFICATION

Our growth strategy is built around four strategic sales streams that are complementary to unlocking value within our brand equity, including (1) Australia, (2) China, (3) International, and (4) B2B Deloraine Dairy Solutions.

FY21 demonstrated that with our strong domestic position as a lead challenger brand, we are well placed to continue our international growth momentum. We have the products, brands and the expertise to tackle new horizons and regions to help mitigate unforeseen macro-economic risks.

BUBS TRUSTED VERTICAL INTEGRATION

Unparalleled vertical integration knowledge is now part of our branding under Bubs® 'Trusted Nutrition' and the independently tested new gold standard for purity - the Clean Label Project Purity Award, bestowed on Bubs® infant formula range.

Our vertically integrated business model provides supply chain security and traceability, as well as having the potential to deliver enhanced margins for our branded products via economies of scale through our wholly owned facility.

REBUILD TO HIGH GROWTH

The onset of our growth strategy is demonstrated in our Q1 FY22 results, delivering a turnaround to accelerated growth. Our performance since the pandemic has been marked by a combination of business resilience and refocusing of our strategy, with 96% uplift in quarterly group gross revenue¹ compared to Q1 FY21 and a 45% increase on prior quarter.



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DOMESTIC LEAD CHALLENGER BRAND

As the lead challenger brand, Bubs® has continued to gain market share with 35% increase² in scan sales, noticeably outperforming the category during the pandemic period. Bubs® is now the clear No.2 goat³ and No.2 organic³ infant formula brand across Coles, Woolworths and Chemist Warehouse.

GROWING BRAND AWARENESS IN CHINA

In the recent 'Double 11' online shopping festival, our CapriLac® Tmall Global performance delivered 119% increase⁴ in sales compared to the prior corresponding period and is now ranked the No.1 adult goat milk powder⁴ product on the Tmall Global platform. At the same time, Bubs® Goat Infant Formula moved up one ranking to No. 7 goat infant formula brand⁵ on Tmall during the 2021 campaign period.

Importantly, our go forward strategy is based on an integrated omni-channel approach, acknowledging the Daigou, cross-border e-Commerce and O2O channels are merging.

INTERNATIONAL MARKET EXPANSION

Our international market diversification strategy is centered on expanding our core product portfolio across markets with well-established and accessible channels, where consumer demand for clean, natural and nutritious imported brands is in high growth.

We have established an introductory presence in Vietnam, Malaysia and Singapore with opportunities to build general trade and e-Commerce brand penetration.

In North America we have secured ranging on leading retail e-Commerce platforms, including Walmart.com and Amazon.com, with our Clean Label range of FDA compliant toddler formula and aim to expand to premium supermarkets focused on health and wellbeing.

Furthermore, there are opportunities to selectively target markets with high growth affluent consumer segments across the Middle East, Africa and the Pacific Islands with our Bubs® Family Nutrition portfolio.

B2B DELORAINE DAIRY SOLUTIONS

Deloraine Dairy Solutions™ enables us to develop and tailor products to suit individual markets, better manage market fluctuations for diversification of our customer base.



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Our renewed strategic focus on B2B will further increase market leverage and the utilisation of this valuable asset. Ingredient sales and contract manufacturing already contributed 17% of gross revenue¹ in Q1 FY22. There is no doubt in our minds that Bubs has the potential to become a leading vertically integrated specialist dairy manufacturer on the global stage.

SUMMARY

We have a strong strategic reset scorecard leading the way into FY22. In summary:

- We remain focussed on our long-term sustainable growth agenda, with our driving aspiration of 'One brand. One Family. One World' being the guiding principle supporting resilience, rebuild and transformation to underpin our accelerated growth.
- In FY21, our team demonstrated discipline and focus, with all major executional goals in our operational plan designated for early FY22 achieved, ahead of schedule – including our important channel inventory rebalance and our successful Daigou channel reactivation.
- Our Bubs® brand equity and Masterbrand proposition has also proven our ability to stretch into adjacent growth categories, whilst our home market advantage and supply chain integration will continue to be leveraged to build on diversified market access.

I would like to take this opportunity to thank the Bubs Family for the way they were able to support the business and rise up to the challenges of responding to the significant macro-environment forces during the year. We couldn't have achieved such a significant turnaround without their loyalty and dedication.

I would also like to extend my gratitude to our shareholders and strategic partners for your ongoing support of Bubs journey to becoming a global dairy company and category leader in infant nutrition.

That concludes the business update and strategic business overview. We hope you now have a clearer understanding of the steps we have taken to support our resilience and have confidence in our ability to continue our sustainable growth trajectory.



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FOOTNOTES

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 value sales, Dollars (\$000's) share of total Baby Formula, Coles, Woolworths and Chemist Warehouse combined Quarter to 26.09.2021.

³ IRI Scan value sales, Units (000's) share of total Baby Formula, Coles, Woolworths and Chemist Warehouse combined Quarter to 26.09.2021.

⁴ 2021 Double 11, official unit sales data from Alibaba platforms, 21 Oct to 11 Nov 2021.

⁵ Tmall Double 11 (1 Nov -11 Nov 2021), "Goat Formula Top 20", published on myguancha platform, 18 November 2021.

This release is approved by the Board of Directors.

END

Media and Investor Inquiries

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About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia's vision is to create new generations of happy, healthy bubs and families, through its range of premium Australian infant nutrition and goat dairy products, including specialty and nutritional milk powder products for the whole family. Bubs® Goat Milk Infant Formula and Bubs Organic® Grass-fed Cow's Milk Infant Formula, along with organic baby food, cereals, toddler snacks, and Vita Bubs® infant and children's vitamin and mineral supplements, cater for all feeding occasions and stages of development from newborn through to childhood.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply back to the farm gate. Bubs® is proudly the only infant formula in the world to be based on Australian goat milk.

Products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to China, Southeast Asia and the Middle East, and recently launched online in the USA.

Consumer Website: bubsaustralia.com

Investor Centre: investor.bubsaustralia.com