



Bubs Australia Limited
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BUBS ENTERS STRATEGIC EQUITY-LINKED ALLIANCE WITH CHEMIST WAREHOUSE SECURES SIGNIFICANT DISTRIBUTION Foothold

- *Bubs® existing products to be sold in Chemist Warehouse pharmacies nationally.*
- *28 products on shelves from June 2019.*
- *Chemist Warehouse to provide sales and marketing services for a fee, linked to sales performance targets.*
- *Chemist Warehouse to use sales and marketing fee to purchase up to 49,426,508 shares in Bubs over three years.*
- *Powerful alignment with Chemist Warehouse, the clear leader in the pharmacy channel with over \$5 billion in retail sales, of which over \$200 million stem from infant formula.*
- *Provides a strong gateway to China.*
- *Rounds out Bubs foundation strategy: vertical integration plus key partners in place.*

Sydney, 18 April 2019: Bubs Australia Limited (**ASX: BUB**) today announced it has signed a binding heads of agreement with the Chemist Warehouse Retail Group to form a four-year strategic alliance relating to the sale and promotion of Bubs® products in Chemist Warehouse stores, commencing 1 June 2019.

Chemist Warehouse is Australia's largest pharmacy chain network by total sales, with over 450 franchised stores throughout Australia and New Zealand under the 'Chemist Warehouse' and 'My Chemist' banners.

Chemist Warehouse has evolved its business model to not only cater for a strong domestic market, but also acts as a gateway to China for Australian brands, in response to the increasing number of Chinese residents and tourists seeking Australian health and infant nutrition products to take back to China. The Chemist Warehouse Tmall Global store is the largest in the world by gross merchandise volume. In 2018 during 'Singles day' the Tmall Global store sold over RMB 180 million worth of products in just 24 hours.

Under the agreement, Bubs® products will be sold across Chemist Warehouse retail stores throughout Australia, including its domestic and Tmall online stores.

Chemist Warehouse has been stocking limited ranges of Bubs® products online for some time. Based on the success of the products on the online store and the quality of the Bubs® range, Chemist Warehouse and Bubs entered into discussions to expand the distribution of all Bubs® products to all Chemist Warehouse franchised stores and commence strong promotional activity with heavy marketing support and expenditure so as to maximise the potential of the Bubs® brand, in return for a marketing and promotional fee charged to Bubs.

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Chemist Warehouse was so impressed with Bubs, that it has agreed to invest all of the marketing and promotional fees to subscribe for shares in Bubs.

The agreement provides for an initial issue of 12,356,627 fully paid ordinary shares in Bubs to be purchased by Chemist Warehouse, out of the marketing and promotional fee, in two tranches. Bubs will seek shareholder approval for the second tranche at its 2019 annual general meeting.

The marketing and promotional fee to be used by Chemist Warehouse to purchase a maximum of 37,069,881 additional Bubs shares, is subject to the satisfaction by Chemist Warehouse of certain sales performance targets relating to the actual sales of Bubs® products in Chemist Warehouse stores over a three-year period. These shares will be purchased in three annual tranches, each of 12,356,627 shares, subject to the sales performance targets being met. The number of shares to be issued may be adjusted if there is a reorganisation of capital of Bubs or equivalent, on terms broadly consistent to those applying to options under Chapter 6 of the Listing Rules.

Commenting on the strategic alliance, Bubs Australia Founder and Chief Executive Officer, Kristy Carr said: "I have a deep respect for the Chemist Warehouse business and this is a remarkable and unique opportunity for Bubs to deepen our relationship with Australia's leading health and beauty retailer."

"We firmly believe this transaction will deliver strong growth in Bubs' business, as well as offer significant long-term shareholder value. This latest powerful alignment with Chemist Warehouse means Bubs' foundation strategy is complete. Now, with our key partners in place and a fully vertically integrated business with milk pool security and ownership of our manufacturing facility, we are set for rapid global expansion," said Mrs Carr.

Director of Operations for Chemist Warehouse, Mario Tascone said: "We are excited to deepen our relationship with Bubs through this strategic partnership. We have been watching Bubs' progress with much interest and there is no doubt in my mind that the Bubs range of products represents high quality Australian infant nutrition that our customers are looking for."

Chemist Warehouse Chairman and Co-Founder, Jack Gance said: "By investing in Bubs, we are moving from a conventional supplier-customer relationship to what we expect to be a mutually beneficial long-term partnership to bring the Bubs range to an even wider public. I am excited to be part of Bubs Australia's journey and I look forward to us working closely with Bubs in the future."

END

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About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia is engaged in the business of inspiring new generations of happy, healthy bubs through its range of premium infant nutrition products. Bubs® speciality infant formula and organic baby food, cereals and toddler snacks cater for all feeding occasions and stages of development from newborn to preschool.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply from the largest milking goat herds in the country. Bubs® is proudly the only infant formula in the world to be based on 100% Australian goat milk.

Products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to New Zealand, China, South East Asia, and the Middle East.

Consumer Website: bubsaustralia.com
Investor Centre: investor.bubsaustralia.com

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