

ASX: BUB
Bubs Australia

bübs®

CAPITAL RAISING PRESENTATION

3 September 2020

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2020



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- a placement of new fully paid ordinary shares in Bubs to new institutional investors and certain existing institutional shareholders under section 708A of Corporations Act 2001 (Cth) (Corporations Act) (Placement); and
- an offer of new fully paid ordinary shares in Bubs to eligible Bubs shareholders in Australia and New Zealand under a share purchase plan in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 and ASX Class Waiver Decision titled "Temporary Extra Placement Capacity" as amended on 9 July 2020 (SPP).

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CAPITAL RAISING

01



EXECUTIVE SUMMARY

FY20 TRADING UPDATE

- FY20 Gross Revenue¹ increased 32% to \$62 million. Strong revenue growth momentum achieved over pcp.
- Infant Formula FY20 Gross Revenue¹ growth 69% pcp. Contribution share of Infant Formula increases from 30% to 55% over two years.
- China FY20 direct revenue up 32% pcp, now representing 23% of Group revenue. Market diversification with Other International (excluding China) now 10% of group, mainly driven by Vietnam market.
- Normalised group gross margin² improved from 21% to 24% despite expanded footprint in domestic retailers.
- \$26m cash position at 30 June 2020.

CAPITAL RAISING OF UP TO \$40 MILLION TO ACCELERATE GROWTH

- Placement of up to \$28.3m at \$0.80 per share.
- Share Purchase Plan (SPP) of up to \$10m at the same price as the Placement (with discretion retained to increase amount raised)
- Pro forma cash post Offer of c. \$36.8m³ to support growth initiatives including;
 - Balance Sheet Flexibility and growth capital.
 - Support Vita Bubs™ launch into high margin adjacent VMS category.
 - Accelerate brand equity build in Global Brand Ambassador and Regional Influencers.
 - New product innovation in emerging high value goat dairy segments.
 - Extend production capability to include production line for single-serve sachets.
 - Fund proposed acquisition of ownership interest in Beingmate manufacturing facility in Beihai China, and State Administration for Market Regulation (SAMR) application for China-made Bubs® Infant Formula products. Working capital requirements to launch China Label products into General Trade Channel.
 - Global market expansion across other International Markets, including establishing access to local "in-market" manufacturing.

OUTLOOK

- Long term vision to become major global food business.
- Bubs® Infant Formula remains engine for long-term profitable growth.
- Having achieved scale and presence in our core categories and markets, Bubs expects continued strong growth in FY21 through accelerated revenue streams.
- Group margin initiatives to be implemented: optimized product mix, highest and best use of milk pool allocation, and enhanced value chain.
- Excluding any residual COVID-19 adverse impacts, Bubs continues to build strong revenue aspiration and gross margin improvement.
- With strong market demand and fully integrated supply chain, Bubs is well positioned to execute strategic goals towards delivering long term sustainable and profitable growth.

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 Normalised gross margin is a non-IFRS measure. Non-IFRS measures have not been subject to audit by review. Normalised gross margin is calculated as (Revenue - Production)/ Revenue.

Revenue excludes one off discount to CapriLac® old packaging adult powder products (\$1.6m)

³ This assumes \$10 million is raised from the SPP. The amount raised may be less. Bubs also retains absolute discretion to increase the amount to be raised under the SPP to above \$10 million.

Any additional funds raised under the SPP above \$10 million will be used to support Balance Sheet flexibility and growth capital.

CAPITAL RAISE OVERVIEW

OFFER DETAILS Placement and Share Purchase Plan (SPP)

OFFER SIZE AND STRUCTURE

Institutional placement raising up to \$28.3 million and SPP to raise up to \$10 million (with Bubs retaining discretion to increase amount raised under the SPP and to scale back applications on a pro rata basis).

PLACEMENT

Placement will result in approximately 35,371,844 new shares being issued, representing approximately 6% of Bubs existing issued share capital. The Placement is not underwritten.

SPP

Bubs will offer all eligible shareholders the opportunity to participate in a non-underwritten SPP. The SPP is generally capped at \$30,000 per eligible shareholder with registered address in Australia or New Zealand at 7.00pm (Sydney time) on 2 September 2020. The SPP aims to raise up to \$10 million, with absolute discretion retained to increase this amount. Bubs also reserves the right to scale back applications under the SPP on a pro rata basis at its discretion. SPP is scheduled to open on 9 September 2020 and scheduled to close at 5.00pm (Sydney time), 23 September 2020.

RANKING

New shares issued under the Placement and SPP will rank equally with existing Bubs shares on issue.

OFFER PRICE

The institutional placement and share purchase plan is priced at \$0.80 per share, representing:

12.6% discount to last close at \$0.92

15.8% discount to the 5-day VWAP* of \$0.95

16.1% discount to the 30-day VWAP* of \$0.95

JOINT LEAD MANAGERS

Bell Potter Securities Limited and PAC Partners Securities Limited.

*VWAP measured on 28 August 2020

Description	Number of Shares
Existing Shares on Issue	572,651,961
New Shares to be issued under Placement	35,371,844
New Shares to be issued under SPP**	12,500,000
Total Shares on issue post the Offer**	620,523,805

**This assumes that \$10 million is raised under the SPP and 12,500,000 New Shares are issued. The amount raised may be less, which would reduce the number of New Shares to be issued under the SPP. Bubs also retains its absolute discretion to increase the amount raised under the SPP above \$10 million which would result in a corresponding increase in the number of New Shares to be issued under the SPP.

EQUITY RAISING OVERVIEW

Approximately \$38.3 million equity raise, with \$28.3 million institutional placement and \$10 million Share Purchase Plan*

FINANCIAL IMPACT

Post-equity raise pro forma		
Pre-raise ordinary shares	572.7m	92%
Pre-raise market capitalisation ¹	\$526.8m	
Approx. new shares issued (placement + SPP)*	47.9m	8%
Approx. shares post-equity raise	620.5m	100%
Issue price	\$0.80	
Implied market capitalisation (at issue price)	\$496.4m	
Cash ³	\$62.8m	
Drawn debt	\$2.0m	
Implied enterprise value	\$435.6m	

PRO FORMA BALANCE SHEET

(\$million)	Pre-equity raise ²	Post-equity raise
Cash	26.0	62.8 ³
Drawn debt	2.0	2.0
Net Cash	24.0	60.8
Undrawn debt facility	8.0	8.0
Available liquidity	32.0	68.8

¹ As at last close of \$0.92 per share on 26 August 2020.

² As at 30 June 2020.

³ Cash at 30 June 2020 plus assumed \$36.8m equity raise net of cost associated with Placement and SPP.

*This assumes that \$10 million is raised under the SPP and 12,500,000 New Shares are issued. The amount raised may be less, which would reduce the number of New Shares to be issued under the SPP. Bubs also retains its absolute discretion to increase the amount raised under the SPP above \$10 million which would result in a corresponding increase in the number of New Shares to be issued under the SPP.

USE OF FUNDS¹

	% allocation	(\$million)
1. Balance sheet flexibility and growth capital. FY21 growth initiatives include: <ul style="list-style-type: none"> - Support 'Vita Bubs' launch into high margin adjacent VMS category - Accelerate brand equity build in Global Brand Ambassador and Regional Influencers - New product innovation in emerging high value goat dairy segments - Extend production capability to include production line for single-serve sachets 	41%	14.8
2. Fund proposed acquisition of ownership interest in Beingmate Infant Formula manufacturing facility in Beihai China, and SAMR application for China-made Bubs [®] Infant Formula products. Working capital requirements to launch China Label products into General Trade Channel.	30%	12.0
3. Global expansion into new key markets with significant upside potential, including establishing local 'in-market' manufacturing where preferential.	25%	10.0
4. Costs associated with Placement and SPP	4%	1.5
Total	100%	38.3m

¹ This assumes \$10 million is raised from the SPP. The amount raised may be less. Bubs also retains absolute discretion to increase the amount to be raised under the SPP to above \$10 million. Any additional funds raised under the SPP above \$10 million will be used to support Balance Sheet flexibility and growth capital.

INDICATIVE TIMETABLE

Description	Date
Trading Halt Announcement of Bubs Results for the year ended 30 June 2020	Monday, 31 August 2020
Bookbuild conducted for the Placement	Tuesday, 1 September 2020
Record Date for SPP	Wednesday, 2 September 2020, 7:00pm
Trading Halt lifted Announcement of Placement and SPP	Thursday, 3 September 2020, 9:30am
Settlement of Placement Shares SPP offer opens	Wednesday, 9 September 2020
Allotment of Placement Shares	Thursday, 10 September 2020
SPP Offer Closes	Wednesday, 23 September 2020, 5:00pm
Announcement of results of SPP	Monday, 28 September 2020
Allotment of SPP Shares	Wednesday, 30 September 2020
Dispatch of holding statements	Thursday, 1 October 2020

The timetable for the Placement and the SPP is indicative and remains subject to change at Bubs' discretion, subject to compliance with applicable laws and ASX Listing Rules. Any changes will be advised to ASX.

KEY RISKS

There are a number of risks that are both specific to Bubs and its subsidiaries (**Group**) and of a general nature, which may affect the future operating and financial performance of the Group and the outcome of any investment in the Group.

This section describes some, but not all, of the material business risks that may be associated with an investment in the Group or in Bubs shares and the occurrence or consequences of some of the risks described below are partially or completely outside the Group's control. Additional risks and uncertainties that the Group is unaware of, or that it currently considers to be immaterial, could also become important factors that adversely affect the future performance of the Group and in Bubs shares.

1. OPERATING RISKS

Vertical supply chain risk

Access to a safe and secure continual supply of Australian Goat Milk is a key foundational strength for the Group and its ability to support on-going rising domestic and China consumption as well as global expansion. The ability to flexibly manage the goat milk supply chain from farm to production is reliant on the Group's continual strategic partnerships for milk powder processing. Ownership of the Group's own China registered, and fully compliant canning facility is also critical to support its vertically integrated supply chain. Should there be interruptions or delays to, or failures in, the Group's supply chain or should there be other economic or environmental events which impact these stakeholders, this could negatively impact the Group's ability to meet consumer demand, and in turn adversely affect sales and margins, reducing overall profitability. The Group's margins will also be impacted by the cost of inputs such as milk and milk powder processing.

Day-to-day operational risk

The Group is subject to a range of operational risks, including damage to operating assets and equipment, equipment failures or breakdowns, human error, accidents, IT system failures, external services failure, industrial action or disputes and natural disasters. While the Group endeavours to take appropriate action to mitigate these operational risks and insure against many of them, it cannot completely remove all possible risks that may have an adverse impact on the financial performance and / or financial position of the Group.

Ability to sustain value creation from Australian Goat dairy source

The Group's ability to convert value and build robust and long-term channels for sales and marketing of goat dairy products is reliant on its ability to build and sustain brand equity and relationships in the current portfolio and innovation pipeline across all goat dairy brands. Any disruption to its strategic relationships across any of its key markets could impact the Group's expansion plans.

KEY RISKS

Reliance on third parties generally

As part of its ongoing commercial activities the Group enters into contracts with various third parties, including suppliers, processors, distributors and customers. The ability of these third parties to meet their commitments under such arrangements may impact on the Group's business and financial position.

Consumer demand

Adverse changes in consumer demand, in particular for the Group's infant milk formula products, could have a material adverse impact on the Group's financial performance and future prospects of the business.

Intellectual property

While the Group seeks to protect its intellectual property rights, a failure to enforce these may diminish brand value and harm future growth prospects. Additionally, this intellectual property may be devalued by quality issues, disputes and litigation or negative publicity. This may have an adverse effect on customer loyalty, relationships with suppliers, employee retention, and overall demand for the Group's products.

Loss of key personnel and recruitment of suitable employees

The loss of key management personnel or the inability to recruit or retain suitable personnel may adversely impact on the Group, reducing overall profitability and adversely impacting financial performance.

Disputes or litigation

The Group may be the subject of complaints, proceedings or litigation by customers, suppliers, employees, regulatory bodies or other third parties. These may adversely impact the Group's reputation, disproportionately divert its financial and management resources, damage to relationships with suppliers, customers and other stakeholders and/or negatively affect financial performance.

Additional requirements for capital

The Group may be required to raise additional capital in the future. The Group's ability to raise sufficient further capital within an acceptable timeframe will vary according to a number of factors. Any additional equity funding not undertaken on a pro rata basis will dilute existing shareholders.

KEY RISKS

2. COMPLIANCE AND REGULATORY RISKS

Foreign regulatory risk and regulatory risk

Laws and regulations affect the Group's operations. There is a risk that a failure to comply with such laws or an adverse decision or change in policy by a regulatory authority could occur which may result in the loss of key permits or approvals or even penalties, damages or fines. While the Directors of Bubs are not aware of any current issues, there is the potential for any such measures to materially reduce the Group's revenues and/or increase its costs.

Infant formula registration in China

Infant formula registration across Asia and particularly China and other global markets, is subject to complex and unpredictable regulatory environment. The ability to progress in-market registration in the environment is challenging and rising demand for domestic brands may delay the ability to progress global expansion.

Product contamination, recall and food safety

As a supplier of food and infant nutritional products, the Group's ability to ensure the health and safety of its products is paramount to its ongoing ability to ensure consumer trust and maintenance of the Group's brand equity. However, there remains a risk of food contamination and product recalls could have a material adverse effect on the Group's brand and thus its financial performance.

In particular, the Group's business and its sales into China are highly sensitive to consumers' perceptions of the safety and quality of goat dairy products. Any actual or perceived contamination, product misbranding, counterfeiting or tampering may damage the Group's reputation and therefore demand for its products in China.

3. FINANCIAL, MARKET AND COMPETITION RISKS

Economic and market risks

There are general risks associated with investments in equity capital such as Bubs shares. Share market conditions may affect the value of Bubs shares, regardless of their operating performance. This may result in the market price for shares issued under the Placement or SPP being less or more than the offer price.

Many factors may affect the market price of shares and some of these include: general movements in Australian and international securities

KEY RISKS

markets; investor sentiment; Australian and international economic conditions and outlooks; changes in investor sentiment towards specific sectors of the market; changes in interest rates and the rate of inflation; changes in government legislation and policies, in particular taxation laws; announcement of new technologies; international trade disputes and tariffs; pandemics such as COVID-19; geo-political instability, including international hostilities and acts of terrorism; natural disasters; demand for and supply of Bubs shares; announcements and results of competitors; and analyst reports.

Competition risk

The Group operates in a highly competitive consumer goods industry against global entities with often greater access to capital and resources. There is a risk that existing or new market entrants may attempt to grow their market share through acquisitions, increased advertising or price cutting. This may cause the Group's market share to contract, resulting in a decline in revenue and possible negative effect on future performance.

COVID-19 and long-term impacts

The impact and ongoing implications of COVID-19 will continue to cause broader global economic impact with the threat of ongoing waves. Given the high degree of uncertainty surrounding the extent and duration of COVID-19, it is not possible to assess the impact on the Group's business. However, preventative measures have affected, and can be expected to continue to adversely affect, consumer behaviour and business activity, and precipitate sudden changes and volatility in regional and global economic conditions and financial markets.



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