



ASX: BUB
Bubs Australia

Capital Raising Investor Presentation



November 2023

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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 (SPP).

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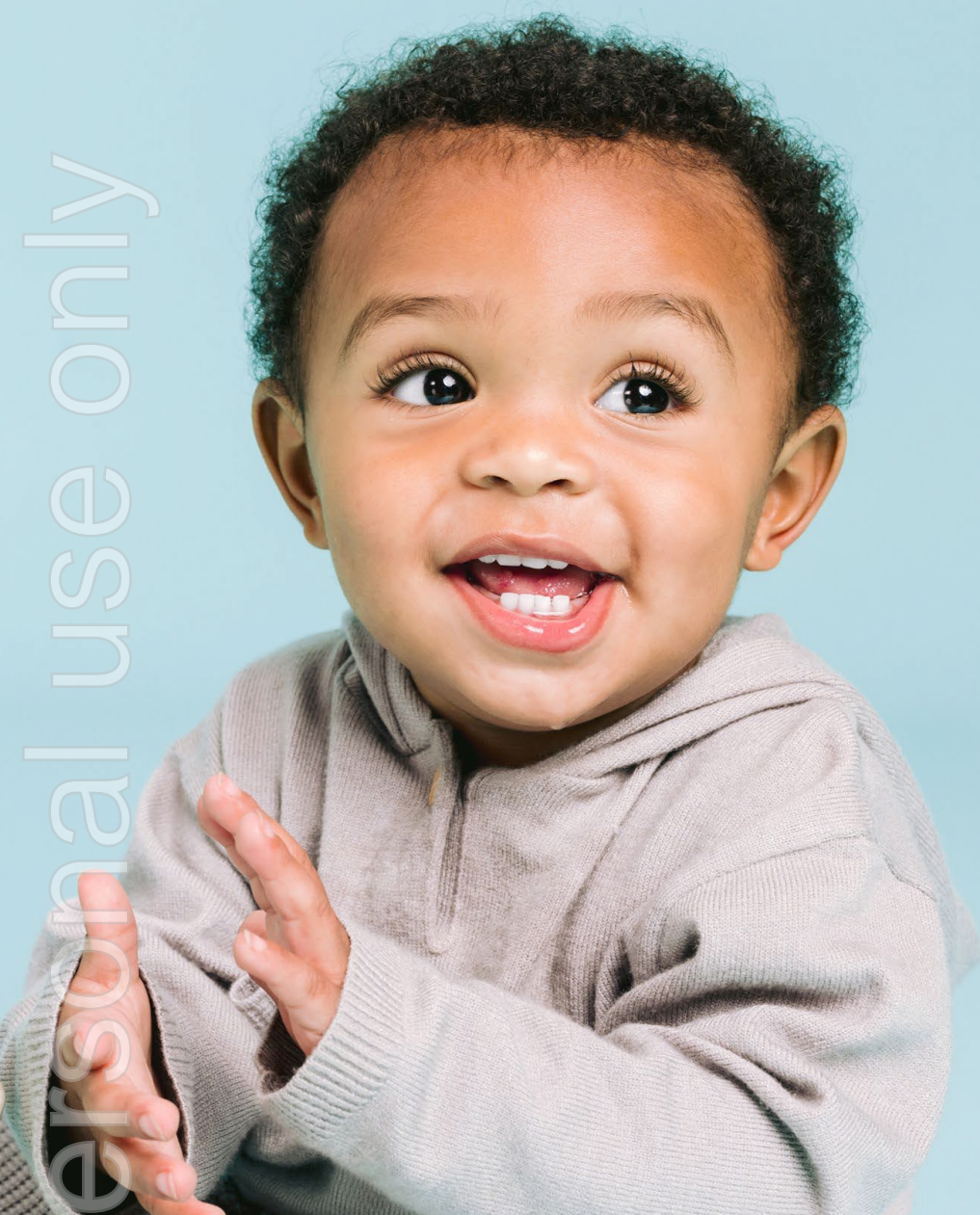
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Overview

TODAY'S PRESENTERS



Reg Weine

**Chief Executive Officer
and Managing Director**

- ✓ Appointed Chief Executive Officer and Managing Director in Aug-23
- ✓ + 25 years experience in FMCG and agri-food
- ✓ Former CEO of Bulla Dairy Foods



Richard Paine

Chief Operating Officer

- ✓ Member of Bubs' senior leadership team since 2019
- ✓ + 25 years manufacturing and management experience
- ✓ Experience in Australian dairy industry and milk procurement



Robin Johnston

**Chief Financial Officer -
Interim**

- ✓ + 30 years experience in senior finance roles across the retail, wholesale distribution/logistics and FMCG sectors

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EXECUTIVE SUMMARY

Investment highlights

- New management team embedded with significant experience in infant formula, FMCG and branding
- #1 Goat Formula brand in Australia¹ and USA² based on market share
- Access to the A\$8.1 billion USA IMF market²
- USA, Australia and ROW achieved strong underlying revenue growth compared to FY22
- USA market expansion is the medium-term strategic priority
- State-of-the-art manufacturing facility at Deloraine, the only Australian manufacturing facility selling infant formula product directly into the USA

Capital raise

- Bubs is undertaking a capital raising via an institutional Placement of \$14.0m and a share purchase plan (SPP) of up to \$14.0m The capital raise is expected to accelerate growth in USA, positioning Bubs to pursue profitable growth and maximise long term shareholder value
- The net proceeds will be used to fund investment in US growth, expanding capacity and inventory to mitigate stock shortages, and regulatory costs in the USA to obtain FDA approval

Q1 FY24 performance

- Q1 FY24 gross revenue of \$24.3m, up 21.7% on Q4 FY23
- USA gross revenue of \$11.6m, up 24.1% on prior corresponding period (pcp) (Q1 FY23: \$9.3m)
- Q1 FY24 operating cash outflow reduced to \$4.4m
- Achieved 3% week-on-week growth in Amazon in the USA in Q1 FY24
- Cash burn 44% lower versus pcp

Strategic review update

- In Jul-23, Bubs announced a detailed strategic review identifying 5 key pillars to provide a strong foundation for sustainable growth
- Bubs is executing on its 5 point plan including a strategic pivot to the USA
- On track for permanent access to the US IMF market by Oct-25
- Second production shift at Deloraine expected to commence in H2 FY24 to satisfy increased USA demand
- China reset with two new Daigou partners and CBEC trade partner appointed



¹ Circana MAT To 22/10/2023 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined

² Circana Weekly To 29/10/2023 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

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USA

INVEST FOR GROWTH



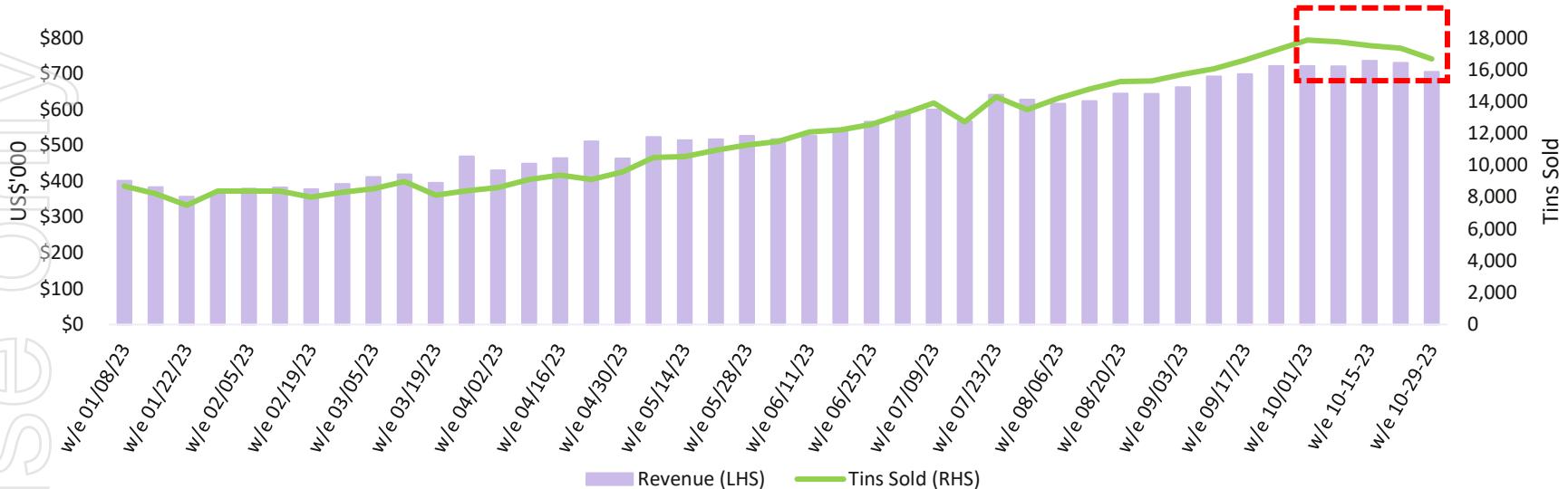
BUBS IS RANGED WITH THE MAJOR US RETAILERS



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USA GROWTH ENGINE

Weekly USA Revenue & Tins Sold¹



- ✓ Q1 gross revenue of \$11.6m, up c.24% versus pcp (Q1 FY23: \$9.3m)
- ✓ #1 goat milk in the U.S, with over 280,000 tins sold by the end of October 2023¹ compared to 400,000 in full year FY23
- ✓ Bubs® ranged in over 5,900 stores across the USA
- ✓ Unit sales decreased at the end of October as retailers ran out of stock due to high demand. Bubs is currently using air freight to deliver stock to US retailers (at a higher cost). Bubs intends to use part of the capital raise proceeds to invest in an inventory build to mitigate future stock shortages
- ✓ Bubs is commencing a second production shift at Deloraine in Q2 FY24 intended to service the increase in demand and provide for sufficient inventory for the remainder of FY24

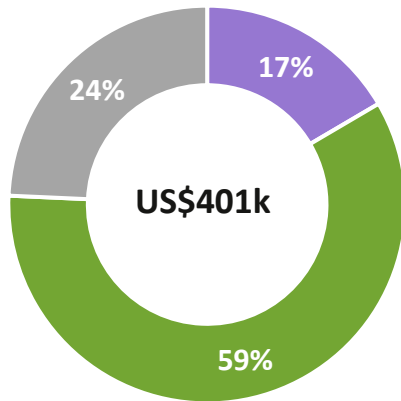


¹ Circana Weekly To 08/11/2023 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates, AMAZON Unit Sales Scan Data To W/E 11/05 - Currency USD \$'s

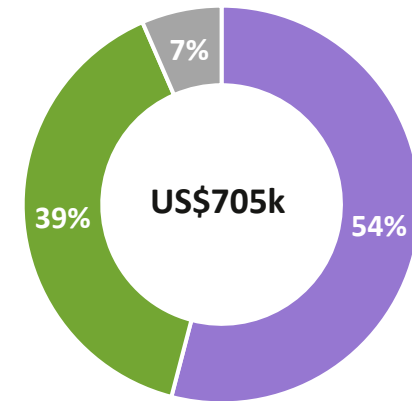
USA REVENUE CONTRIBUTION

Amazon contributed 54% of Bubs' weekly US revenue at the end of October 2023

Revenue Split by Channel (w/e 8 Jan 2023)¹



Revenue Split by Channel (w/e 29 Oct 2023)¹



Amazon
 Bricks and Mortar
 Other

- ✓ Total weekly revenue averaging US\$400k on Amazon in Oct-23
- ✓ Bubs® products were the fourth and eighth best-selling baby formula products on Amazon platform during Sep-23
- ✓ Total weekly revenue in bricks and mortar stores averaged \$270k in Oct-23 (vs \$200k Jan-23), with increased throughput driven by better shelf visibility, new in-store planograms and effective trade marketing activities and in-store activation



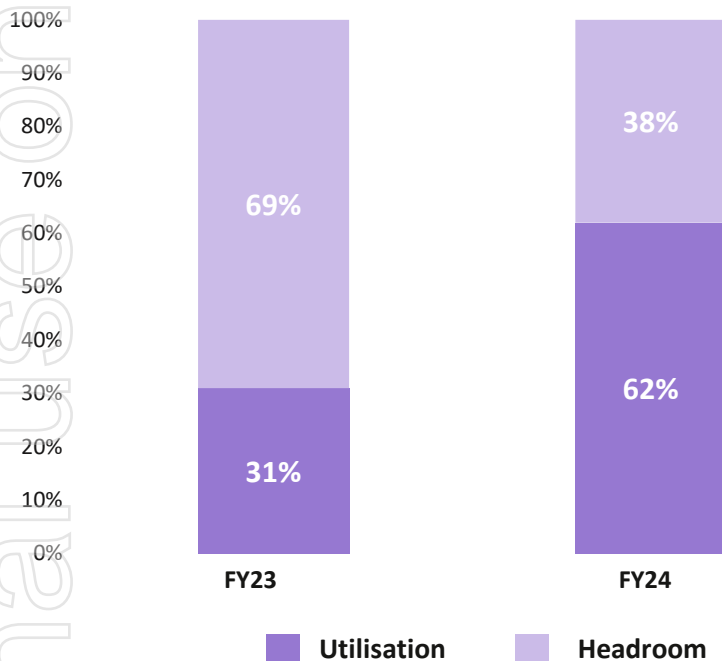
¹ Source: AMAZON Unit Sales Scan Data To W/E 11/05 - Currency USD \$'s

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CAPACITY EXPANSION

Second shift now required to service growth, driven by strong customer demand in the USA

Deloraine Utilisation



- ✓ First shift production is now approaching capacity
- ✓ Cannot currently meet growing demand, driven predominantly by strong US growth
- ✓ Second shift required to service strong demand in the USA
- ✓ Second shift scheduled to commence in late January 2024
- ✓ Daily production currently expected to double from 12,500 to 25,000 tins



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COMPANY
OVERVIEW

KEY INFANT FORMULA MARKETS WHICH BUBS PLAYS IN

Bubs is aiming to increase market share in the two largest infant formula markets

\$8.1b¹

Total U.S. infant formula market

\$40.4b²

Total China infant formula market

\$0.3b³

Total AU infant formula market

¹ Circana Weekly To 29/10/2023 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

² Euromonitor

³ Circana MAT To 22/10/2023 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined

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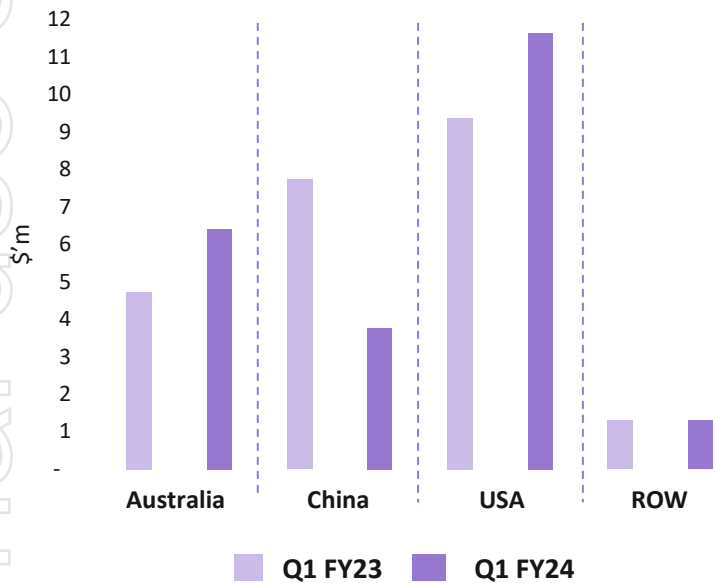
FY24 Q1 GROUP FINANCIAL REVIEW

Strong revenue growth in Australia and the USA

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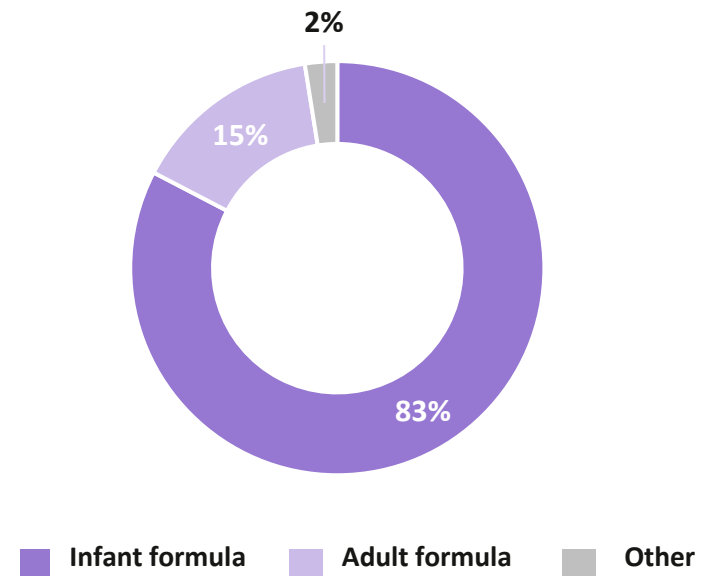
Group Revenue Q1 FY24

USA now represents 48% of Group revenue



Product Mix

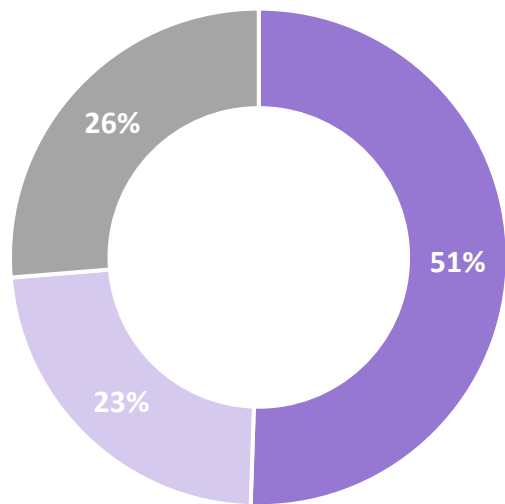
Infant formula contributed 83% of gross revenue



#1 DOMESTIC GOAT FORMULA BRAND

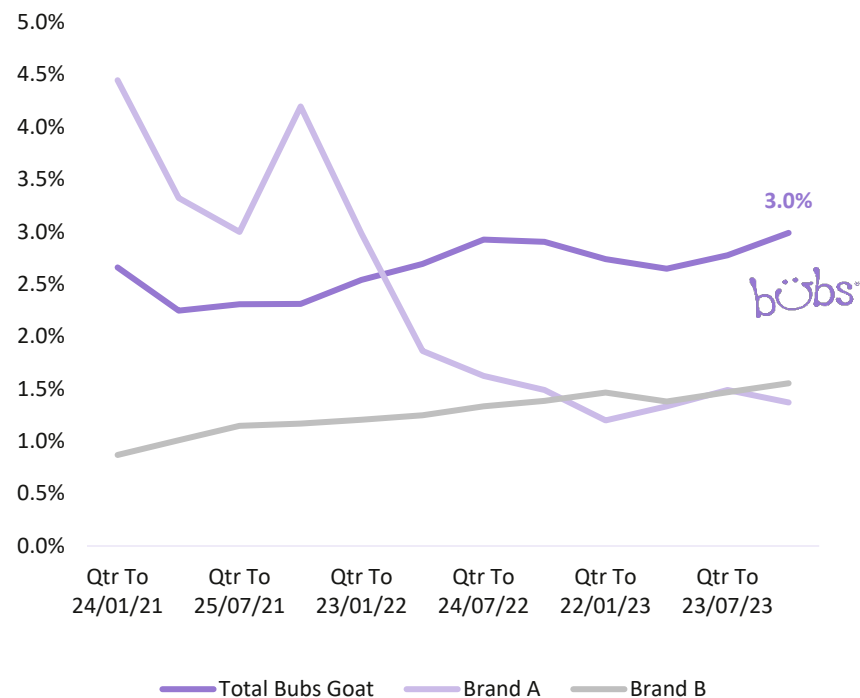
Bubs holds 51% of the domestic retail goat formula market

Total Australian Goat IMF Market Share¹



■ Bubs
 ■ Brand A
 ■ Brand B

Market Share % Of Total Infant Milk Formula By Brand¹



¹ Source: Circana Quarter To 22/10/2023 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined

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OUTLOOK

Revenue target is on track (\$80m in FY24) and Bubs expects to be cash flow positive in FY25

- **Forecast FY24 net revenue \$80m** – tracking above forecast
- **Targeted gross margin @40%** - broadly in-line on an underlying basis¹
- **Continued FDA progress** – on track with final stage clinical trial underway
- **Expected cash burn reduced from \$5m per month to \$2m² per month from Q2 FY24** - ahead of plan in Q1 (\$1.5m per month). Expected to fluctuate for the rest of the year due to costs associated with airfreight, FDA regulatory costs and 2nd production shift commencing H2 FY24 to satisfy increased USA demand
- **Maximise opportunities for whole of product portfolio** – ahead of plan and accelerating
- **Expecting to be cash flow positive with positive trading EBITDA in FY25** – on track and highly confident in our business model

¹ Underlying excludes one-off, non-recurring items

² Excluding air freight, FDA regulatory costs and the 2nd production shift, underlying cash burn is forecast at approximately \$2m per month from Q2 FY24

EXECUTING ON 5 POINT STRATEGIC PLAN

USA growth engine

- ✓ \$11.6m Q1 FY24 gross revenue (up 24% on pcp)
- ✓ Achieving 3% week-on-week growth in the USA in Q1 FY24
- ✓ Bubs products ranged in over 5,900 US grocery & pharmacy stores¹
- ✓ #1 Goat Formula brand in USA¹

Portfolio optimisation

- ✓ 30% underlying gross margin in FY23²
- ✓ Eliminating products with low margin contributions
- ✓ Continued investment in core brands, with committed marketing spend at 15% of sales

Sweat the asset

- ✓ Deloraine utilisation increased to 33%,
- ✓ Second production shift scheduled to commence in H2 FY24
- ✓ Daily production expected to double from 12,500 to 25,000 tins
- ✓ Continually seeking new opportunities to increase utilisation, including co-manufacturing

China Reset

- ✓ Two new Daigou partners and a new CBEC trade partner appointed
- ✓ Substantial progress made in the CBEC channel and strong growth in adult formula sales, providing further opportunities to acquire additional Caprilac CBEC distributors

Working capital and cost discipline

- ✓ Monthly cash burn reduced to \$1.5m in Q1 FY24 (target was \$2.0m)
- ✓ Cost out program and right-sizing initiatives well underway contributing to a lower cash burn rate than targeted
- ✓ Realisation of impaired inventory in FY24

amazon

instacart

Target.com

Walmart.com



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¹ Circana Weekly To 29/10/2023 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

² Underlying gross margin excluding net inventories provision / reversal

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CHINA RESET



CHINA RESET

Despite a slow start to the year, we expect China to grow strongly in H2 FY24



CHINA RESET

Bubs and Caprilac brand position strengthened and now recovering as demonstrated through “11.11” event



**Bubs and Caprilac Tmall
Flagship Store GMV results
during 24th Oct. – 9th Nov.**



Bubs ↑ 71.21% YoY



Caprilac ↑ 15.14% YoY

Operation optimization for sustainable growth



- During 11.11, one of the top-ranking Stage 1 formula in imported goat IMF category



- Offtake by units grew approx. 74% YoY, payment conversion rates also increased 97% YoY, significant indication of operational turn-around



- CBEC (Tmall Flagship Store) new customer count grew 171% YoY during 11.11 promotion period



- Key sales channel showed average transaction price improvement compared with same period last year



- Bubs is recovering towards a healthy, balanced business in the China market

Increasing penetration and leading the category

- **No.1 imported goat adult milk formula on Tmall Global and CBEC**

- **On Tmall Direct Import (key sales channel), offtake by units also grew 18% YoY while average transaction price improved from last year**

- **New customer YoY growth at double digits**

- **New product included in this 11.11 generated incremental growth**

- **Customer loyalty - Caprilac is the top repeat purchase brand in the adult milk formula category**

* Period of ranking statistics, 10.24-11.9 (early promotion period of “11.11”)



CIIE – CHINA INTERNATIONAL IMPORT EXHIBITION

Bubs team at CIIE



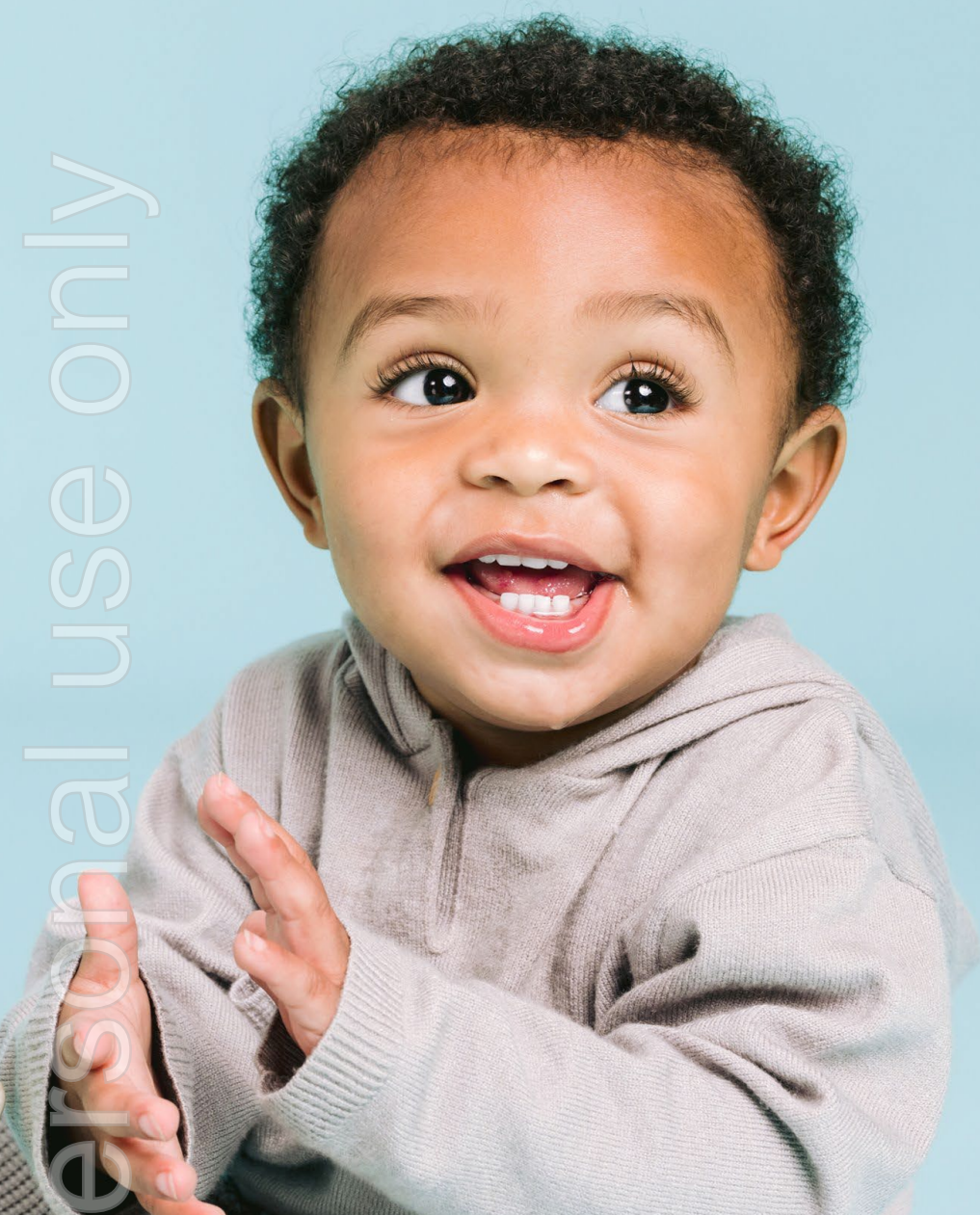
Clients and government officials visit at booth



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FDA PATHWAY
PROGRESSING

REGULATORY APPROVALS

Bubs is on track for permanent FDA approval by Oct-25, with the USA poised to deliver substantial growth via e-commerce and traditional retail



Bubs expects to incur approximately \$9m of FDA regulatory costs to obtain permanent access to the US IMF market (c. \$4m incurred to date)

THE BUBS INVESTMENT PROPOSITION

Bubs is a global market leader with a differentiated premium goat-based product offering, operating in both the IMF and Adult Nutrition categories



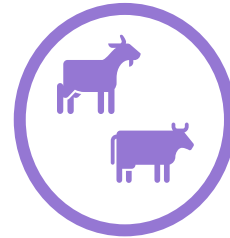
Significant addressable market in the USA



Bubs has a capital light asset base with operating leverage and significant scope to sweat the assets



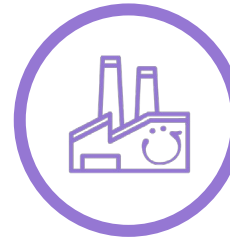
Australian provenance, reputation & access to high quality dairy ingredients



Differentiated premium goat-based product offering supported by growing bovine range in both IMF and Adult Nutrition



Bubs is growing rapidly in the US market where penetration is low, providing a long runway for sustained growth



The only infant formula manufacturing facility in Australia currently selling directly into the USA, with significant production capacity available

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CAPITAL RAISING

CAPITAL RAISING OVERVIEW

OFFER SIZE AND STRUCTURE

Institutional Placement raising \$14.0 million and Share Purchase Plan (SPP) to raise up to \$14.0 million (Bubs reserves the right, in its absolute discretion, to decrease the amount to be raised under the SPP or scale back applications at its discretion).

OFFER PRICE

The institutional placement and SPP is priced at \$0.125 per share, representing:

- 24.2% discount to last close at \$0.165
- 25.5% discount to the 5-day VWAP¹ of \$0.168
- 27.2% discount to the 30-day VWAP¹ of \$0.172

RANKING

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

PLACEMENT

Placement proposed to result in approximately 112.0 million new shares being issued, representing approximately 14.9% 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 capped at \$30,000 per eligible shareholder with a registered address in Australia or New Zealand at 7:00pm (Sydney time) on 23 November 2023. The SPP aims to raise up to \$14 million and Bubs reserves the right to scale back applications under the SPP on a pro rata basis to existing shareholdings at its discretion, which may result in the SPP raising less than this amount². SPP is scheduled to open on 1 December 2023 and scheduled to close at 5.00pm (Sydney time), 15 December 2023.

LEAD MANAGER AND BOOKRUNNER

Bell Potter Securities Limited



¹ VWAP measured as at market close 21 November 2023

² Bubs has applied to ASX for a waiver, and is awaiting a response as at the date of this presentation, to conduct a SPP at a discount greater than 20% of the 5-day VWAP. If the waiver is not granted, Bubs will hold a shareholder meeting to approve the SPP. The SPP will be conditional on either the waiver or shareholder approval being obtained

USE OF FUNDS

The capital raise will enable Bubs to accelerate growth in the USA, invest to expand production to pursue growth, and seek permanent access to the USA infant formula market

		\$ million
INVESTMENT IN SALES AND MARKETING FOR GROWTH	<ul style="list-style-type: none"> Additional marketing investment intended to increase brand awareness, accelerate growth and market share 	4.0
INVESTMENT TO DOUBLE PRODUCTION TO MEET GROWTH	<ul style="list-style-type: none"> Second production shift at Deloraine scheduled to commence H2 FY24 requiring an investment in working capital Additional headcount required at Deloraine to handle additional production volumes Inventory build in the USA aiming to ensure service levels are maintained Additional funds required to fast-track growth in the USA market opportunity and to continue to scale operations for profitable growth 	4.0
USA FDA REGULATORY COSTS	<ul style="list-style-type: none"> Ongoing costs to enrol newborns into the GMS study, enabling Bubs to meet FDA regulatory requirements GMS stage of the FDA approval process originally commenced with 12 clinical sites across the USA, which has now increased to 26 to remain on schedule 	5.0
RAISING COSTS	<ul style="list-style-type: none"> Costs associated with the Placement and SPP 	1.0
PLACEMENT FUNDS		\$14.0
ADDITIONAL MARKETING AND WORKING CAPITAL INVESTMENT	<ul style="list-style-type: none"> Any additional funds raised under the SPP required for marketing expenditure and investment in working capital to accelerate growth 	Up to \$14.0

PRO FORMA LIQUIDITY OVERVIEW

Bubs will have \$40.6m of pro forma liquidity following completion of the institutional Placement of \$14.0 million

Impact on shares on issue

Post-equity raise pro forma	million	%
Pre-raise ordinary shares ²	753.1	87%
Approx. new shares issued (Placement)	112.0	13%
Approx. shares post equity raise	865.1	100%

Pro forma liquidity

\$ million	Pre-equity raise	Post-equity raise
Cash	\$21.6	\$34.6
Drawn debt	(\$2.0)	(\$2.0)
Net Cash	\$19.6	\$32.6
Undrawn debt facility	\$8.0	\$8.0
Available liquidity	\$27.6	\$40.6

INDICATIVE TIMETABLE

EVENT	DATE
Trading halt	Wednesday, 22 November 2023
Record date for SPP	7:00pm (AEDT) Thursday, 23 November 2023
Placement results announced and SPP announced Trading halt lifted	Friday, 24 November 2023
Settlement of Placement Shares	Wednesday, 29 November 2023
Allotment and trading of Placement Shares	Thursday, 30 November 2023
SPP Offer opens and booklet made available	Friday, 1 December 2023
SPP Offer closes	5:00pm (AEDT) Friday, 15 December 2023
SPP results announced Settlement of SPP shares	Thursday, 21 December 2023
Issue and Allotment of SPP shares	Friday, 22 December 2023
Shares commence trading on normal basis	Wednesday, 27 December 2023



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APPENDICES



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. Before making an investment decision, you should consult your financial or other professional adviser and carefully consider the risks described in this section, as well as other information in this presentation.

1. OPERATING RISKS

Vertical supply chain risk

Access to a safe and secure continual supply of goat and bovine milk is a key foundational strength for Bubs and its ability to support ongoing rising domestic and US 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 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 or otherwise impact forecasting reliability, this could negatively impact the Group's ability to meet consumer demand, and in turn adversely affect sales and margins, reducing overall profitability. Bubs' margins will also be impacted by the cost of inputs such as milk and milk powder processing.

Infant formula registration in the United States

There is a risk that the FDA may not approve Bubs' application for permanent access to the US infant formula market, which would impact future operational and financial performance.

As part of the FDA permanent approval process, Bubs must undertake a growth monitoring study (GMS) where newborns must be enrolled by 14 days of age, fed with Bubs formula or control formula and monitored for 16 weeks. There is a risk that Bubs may not be able to enrol a sufficient number of newborns on a timely basis or without higher than anticipated costs and complete the GMS by the October 2024 deadline.

FDA approval is required to distribute infant formula in the United States. Bubs has received enforcement discretion from the U.S. FDA to import six Bubs infant formula products into the U.S. The deadline to submit the request for permanent access to the U.S. infant formula market is October 2024, with the FDA deadline for no objection being October 2025. If Bubs did not ultimately receive permanent approval or if the costs of the process required to obtain approval are higher than anticipated this may have an adverse impact on the financial position and performance of Bubs.

Additional requirements for capital

The Directors consider that, on receipt of funds from the Placement and SPP, the Group will have sufficient working capital to carry out its objectives. However, financial resources are limited and there is a risk that Bubs may never achieve profitability. Bubs may be required to raise additional funds from time to time to finance its long term objectives.

KEY RISKS

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.

Financing facilities

Bubs has in place, and the Group has access to, a credit facility with a term expiring in September 2024. If Bubs is unable to extend or refinance this facility, it may have an adverse impact on the financial position and performance of Bubs.

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. The occurrence of any of these matters – including, in particular, at the Deloraine Facility – may adversely affect the ability of Bubs to supply product and therefore the financial position and performance of Bubs.

Ability to sustain value creation from goat dairy source

The Group's ability to 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.

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. Any inability of these third parties to meet their commitments under such arrangements may adversely impact on the Group's business, operations and financial position.

Consumer demand and concentration

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

Given the concentrated nature of the Group's customer base, any reduction in the demand of those customers could materially impact the Group's financial position.

Intellectual property

While the Group seeks to protect its intellectual property rights, a failure or inability by Bubs to enforce its intellectual property rights these may diminish Bubs' brand value and harm its 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.

KEY RISKS

Loss of key personnel and recruitment of suitable employees

The Group is dependent upon the experience of its Directors, key senior management and staff generally. The loss of any key personnel and suitable employees, as well as high staff turnover could cause disruption to the conduct of the Group's business in the short term resulting in the loss of valuable corporate knowledge and negatively affect the Group's operating and financial performance.

Disputes or litigation

The Group may be the subject of complaints, proceedings, class actions (including consumer / customer class actions, securities / shareholder class actions and employee class actions), prosecutions, disputes, claims or litigation by or bring the same against, customers, suppliers, employees, regulatory bodies or other third parties. The Group's business activities and operations are located in various countries around the world. Any litigation, class actions, prosecutions, regulatory investigations, claims or disputes (including the cost of settling claims and operational impacts and any other compensation or damages that may be required to be paid) and/or conduct on the Group's part enabling a counterparty (supplier or customer) to terminate or vary an existing contractual arrangement could adversely affect the Group's business, operating and financial performance.

The Company is currently in negotiations with its former joint venture counterparties in China (Zhitong (Hangzhou) Health Technology Co., Ltd, Heilongjiang Anjia Dairy Co., Ltd (Anjia) and Zhikang (Hangzhou) Health Technology Co., Ltd) regarding the winding up of the joint venture arrangements between the Company and those parties. These negotiations include the Company seeking to recover trademarks which were transferred to Anjia under the joint venture arrangements on the basis that for the duration of any joint venture Bubs has a perpetual licence to use those trademarks. Should these negotiations fail to achieve a commercially agreed outcome, the Company intends to pursue the return of these trademarks through appropriate legal channels.

Technology, cybersecurity and privacy

The Group may be subject to computer server failures, computer viruses, unauthorised access, cyber-attacks and other similar disruptions. There is a risk of an unforeseen network outage. The occurrence of any of these, could result in loss or damage to the Group's data and processes, including a loss of critical information, particularly potentially sensitive personal and financial data from customers, damage to the reputation and financial performance of the group and staff not being able to work. Additionally, the Group may incur significant costs in mitigating the damage suffered and protecting against future technological failures.

Occupational Health and Safety Risk

Like many businesses, Bubs is exposed to risks of potential harm and or injuries to the employees (including contractors) as a result of Bubs' business activities and processes.

Reputational risk and branding

Maintaining the strength of the Group's reputation is important to retaining and increasing the Group's customer base and successfully implementing its growth strategy. There is a risk that Bubs' reputation could be affected by the actions of third parties, such as business partners, and its customer base. There is also a risk that unforeseen issues or events may arise that adversely affect the Group's reputation.

For instance, any negative press surrounding Bubs, or any reduction in product quality may adversely affect brand reputation and value. In addition, if Bubs is unable to respond quickly to rectify any issues, this may also adversely impact its brand reputation and value. If Bubs' reputation is diminished, this could result in customers ceasing to purchase its products. It may also impede Bubs' ability to compete successfully and may adversely affect Bubs' future financial performance.

KEY RISKS

Growth strategy execution and business model disruption

The Company may not be able to execute effectively the strategies for its current and future acquired businesses. Future growth strategies which target expansion of existing business could expose Bubs to additional or unforeseen costs, which may strain financial or management resources. There is also a risk of disruption to Bubs' business model and/or those of its suppliers due to factors that are outside the control of Bubs and could adversely impact financial performance. Any disruption to the Australian and global economy, may adversely impact upon the Company's ability to drive its growth agenda in the short and medium term.

Revenue recognition and cash flow management

The recognition of revenue in accordance with the accounting standards does not necessarily align with the timing of receipt of cash by Bubs. As a result, Bubs has a relatively high level of working capital requirement which needs to be carefully managed to ensure that the business operates at an appropriate level. There is a risk that the working capital requirement of the business may increase in the future, in particular if the period between recognition of revenue and receipt of cash increases which may adversely affect Bubs' financial performance in a particular period or generally.

General economic conditions

Bubs' operating and financial performance is influenced by a variety of general economic and business conditions in Australia and overseas. A prolonged deterioration in general economic conditions, including a decrease in consumer and business demand, persistently high inflation, an economic recession or downturn, volatility in commodity and financial markets (including interest rates) would likely have a adverse effect on the Company's business or financial condition (or both). This risk is heightened in the current uncertain economic environment. In light of recent global macroeconomic events, many countries are experiencing an economic downturn of uncertain severity and duration which will affect discretionary consumer spending and, in turn, the operating and financial performance of the Group. In particular, changes in the macroeconomic environment which are beyond the control of Bubs and may be exacerbated in an economic recession or downturn, include, but are not limited to:

- changes in inflation, interest rates, commodity prices and foreign currency exchange rates;
- changes in employment levels and labour costs, which will affect the cost structure of the Group;
- changes in aggregate investment and economic output; and
- other changes in economic conditions which may affect the revenue or costs of the Group.

Customer risk

There is a risk that one of Bubs' customers (an e-commerce platform such as Amazon or one of our retailers), may delete one of Bubs' products from its website or product range offering, which may adversely impact on the future operational and financial performance of Bubs.

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 in penalties, damages or fines. There is a risk that any such failure to comply could materially reduce the Group's revenues and/or increase its costs.

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 and quality 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 which could have an adverse effect on the Group's brand and therefore impact its financial performance.

Environmental, Social and Governance Risk

Bubs also faces the risk of increasing public scrutiny, and more extensive laws and regulations related to environmental and social factors. Failure to act responsibly, or any perception that Bubs did not act responsibly in a number of social and environmental areas, such as environmental management, corporate governance and transparency, and address issues like modern slavery in all aspect of its business could impact Bubs financially and reputationally, and also expose Bubs to potential legal risks.

KEY RISKS

3. FINANCIAL, MARKET AND COMPETITION RISKS

Economic, political and general 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 Offer 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 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 foreign exchange rates; 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, the conflict in Ukraine, the conflict in the Middle East, the including international hostilities and acts of terrorism; natural disasters; labour strikes; demand for and supply of Bubs shares; announcements and results of competitors; and analyst reports.

Geopolitical tensions

Shifts in geopolitical tensions between Australia and other countries where the Group supplies its products may change or worsen, which result in higher tariffs imposed on Australian dairy sector exports and negatively impact on the Group's financial performance.

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.

KEY RISKS

4. GENERAL INVESTMENT RISKS ASSOCIATED WITH BUBS SHARES

General risks associated with investments in equity capital

There are general risks associated with any investment in a company listed on the ASX. The market price of the New Shares may be less or more than the offer price under the Placement or SPP depending on the financial and operating performance of the Group and other factors over which the Group has no control. These other factors include general movements in Australian and overseas equity capital markets; changing investor sentiment; Australian and international economic conditions and outlook; changes in domestic or international fiscal, monetary, regulatory and other government policies, changes in interest rates and the rate of inflation, changes in government legislation (including tax laws and policies), the development of new technologies and displacement of existing technologies; geopolitical conditions and instability such as acts or threats of terrorism or military conflicts; and developments and general conditions in the markets in which Bubs proposes to operate and which may impact on the future value and pricing of shares. No assurances can be given that the New Shares will trade at or above the Placement Price. None of Bubs, its Board or any other person guarantees the market performance of the New Shares. Investors should also note that the historic share price performance of the Group shares provides no guidance as to its future share price performance.

Liquidity and realisation risk

While Bubs shares are listed on ASX, there can be no assurance of an active market for Bubs shares or that the price of those shares will increase. There may be relatively few potential buyers or sellers of Bubs shares at any time. This may increase the volatility of the market price of Bubs' shares. It may also affect the prevailing market price at which shareholders are able to sell their Bubs' shares.

Foreign exchange risk

Bubs prepares its financial statements in Australian dollars. The majority of Bubs' revenue is currently generated outside of Australia and is denominated in foreign currencies. Therefore, Bubs is exposed to the risk that a rise or fall in the value of the Australian Dollar against a foreign currency may impact the value of its assets, liabilities, revenues and costs, and consequently its financial results.

This risk may be increased where the value of a foreign currency against the Australian Dollar becomes more volatile. Any adverse impact on Bubs' profitability may impact its ability to declare and pay dividends and to service any future indebtedness.

KEY RISKS

Changes in accounting policy

Australian Accounting Standards (AAS) are set by the Australian Accounting Standards Board (AASB) and are outside the control of the Group, the Directors and Bubs management. The AASB may introduce new or refined AAS, which may affect future measurement and recognition of key statement of profit or loss and statement of financial position items, including revenue and receivables.

There is also a risk that interpretations of existing AAS, including those relating to the measurement and recognition of key statement of profit or loss and statement of financial position items, including revenue and receivables, may differ. Changes to AAS issued by the AASB, or changes to the commonly held views on the application of those standards, could adversely affect the financial performance and position reported in the Company's consolidated financial statements.

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- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

United Kingdom

Neither this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the New Shares.

The New Shares may not be offered or sold in the United Kingdom by means of this document or any other document, except in circumstances that do not require the publication of a prospectus under section 86(1) of the FSMA. This document is issued on a confidential basis in the United Kingdom to “qualified investors” within the meaning of Article 2(e) of the UK Prospectus Regulation. This document may not be distributed or reproduced, in whole or in part, nor may its contents be disclosed by recipients, to any other person in the United Kingdom.

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British Virgin Islands

The New Shares may not be offered within the British Virgin Islands unless the Company or the person offering such securities on its behalf is licensed to carry on business in the British Virgin Islands. While the Company is not licensed to carry on business in the British Virgin Islands, the New Shares may be offered in the British Virgin Islands from outside the British Virgin Islands.



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