

ASX: BUB  
Bubs Australia

bübs®

# CAPITAL RAISING PRESENTATION

3 September 2020

personal use only

2020



NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

# DISCLAIMER

This investor presentation (Presentation) is dated 3 September 2020 and has been prepared by Bubs Australia Limited (ACN 060 094 742) (Bubs or the Company). By attending an investor presentation or briefing, or accepting, accessing or reviewing this Presentation, you acknowledge and agree to the terms set out below.

This Presentation has been prepared in relation to:

- 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).

## Summary information

This Presentation contains summary information about Bubs and its subsidiaries (Group) and their activities current as at 3 September 2020. It should be read in conjunction with Bubs' most recent financial report and Bubs' other periodic and continuous disclosure information lodged with the Australian Securities Exchange (ASX), which is available at [www.asx.com.au](http://www.asx.com.au). Reliance should not be placed on information or opinions contained in this Presentation and, subject only to any legal obligation to do so, Bubs does not have any obligation to correct or update the content of this Presentation. This Presentation has been prepared by Bubs based on information available to it, including information from third parties, and has not been independently verified.

## Not financial product advice or offer

This Presentation does not and does not purport to contain all information necessary to make an investment decision, is not intended as investment or financial advice (nor tax, accounting or legal advice), must not be relied upon as such and does not and will not form any part of any contract or commitment for the acquisition of shares in Bubs. Any decision to buy or sell securities or other products should be made only after seeking appropriate financial advice. This Presentation is of a general nature and does not take into consideration the investment objectives, financial situation or particular needs of any particular investor.

Any investment decision should be made solely on the basis of your own enquiries. Before making an investment in Bubs, you should consider whether such an investment is appropriate to your particular investment objectives, financial situation or needs. Bubs is not licensed to provide financial product advice in respect of its shares.

This Presentation is for information purposes only and is not a prospectus, product disclosure statement or other offering document under Australian law or any other law (and will not be lodged with the Australian Securities and Investments Commission (ASIC) or any other foreign regulator). This Presentation is not, and does not constitute, an invitation or offer of securities for subscription, purchase or sale in any jurisdiction.

The distribution of this Presentation in jurisdictions outside Australia may be restricted by law and you should observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. In particular, this Presentation may not be distributed or released in the United States. The shares in Bubs have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (U.S. Securities Act), or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold, directly or indirectly, in the United States, unless they have been registered under the U.S. Securities Act (which Bubs has no obligation to do or procure) or are offered or sold in a transaction exempt from, or not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws. Refer to the Appendix of this Presentation for further details about international offer restrictions.

# DISCLAIMER

## Investment risk

An investment in Bubs shares is subject to known and unknown risks, some of which are beyond the control of Bubs and its directors. Bubs does not guarantee any particular rate of return or the performance of Bubs nor does it guarantee any particular tax treatment. You should have regard to the risk factors outlined in the Appendix of this Presentation when making your investment decision. Cooling off rights do not apply to the acquisition of shares in Bubs.

## Financial information

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. The financial information in this Presentation has not been audited.

## Past performance

Past performance, including past share price performance of Bubs and pro forma financial information given in this Presentation, is given for illustrative purposes only and should not be relied upon as (and is not) an indication of Bubs' views on its future financial performance or condition. Past performance of Bubs cannot be relied upon as an indicator of (and provides no guidance as to) the future performance of Bubs. Nothing contained in this Presentation nor any information made available to you is, or shall be relied upon as, a promise, representation, warranty or guarantee, whether as to the past, present or future.

## Future performance and forward-looking statements

This Presentation contains certain 'forward-looking statements'. The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. Forward-looking statements, opinions and estimates provided in this Presentation are based on assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors that are beyond the control of Bubs, its directors and management. This includes statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which these statements are based. These statements may assume the success of Bubs' business strategies. The success of any of those strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or regulation, none of Bubs, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this Presentation. The forward-looking statements are based on information available to Bubs as at the date of this Presentation. Except as required by law or regulation (including the ASX Listing Rules), none of Bubs, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements.

# DISCLAIMER

To the maximum extent permitted by law, Bubs and the Joint Lead Manager and their respective related bodies corporate and affiliates, and their respective officers, directors, employees, agents and advisers: (i) disclaim all responsibility and liability (including, without limitation, any liability arising from fault, negligence or negligent misstatement) for any loss arising from this Presentation or reliance on anything contained in or omitted from it or otherwise arising in connection with this Presentation; (ii) disclaim any obligations or undertaking to release any updates or revision to the information in this Presentation to reflect any change in expectations or assumptions; and (iii) do not make any representation or warranty, express or implied, as to the accuracy, reliability, completeness of the information in this Presentation or that this Presentation contains all material information about Bubs or that a prospective investor or purchaser may require in evaluating a possible investment in Bubs or acquisition of shares in Bubs, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement.

You acknowledge and agree that determination of eligibility of investors for the purposes of the Placement and SPP is determined by reference to a number of matters, including legal requirements and the discretion of Bubs and the Joint Lead Managers and each of Bubs and the Joint Lead Manager disclaim any duty or liability (including for negligence) in respect of the exercise or otherwise of that discretion, to the maximum extent permitted by law.

## FOREIGN SELLING RESTRICTIONS

### INTERNATIONAL OFFER RESTRICTIONS

This document does not constitute an offer of shares of Bubs in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

#### New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (the FMC Act). The only persons in New Zealand to whom this offer is made are "wholesale investors" within the meaning of clause 3(2) of Schedule 1 of the FMC Act. This offer is not available to retail investors in New Zealand.

#### United States

This document may not be distributed or released in the United States.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States or any other jurisdiction in which such an offer would be illegal.

The shares to be offered and sold in the Placement and the SPP have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the shares to be offered and sold in the Placement may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities law. The shares to be offered and sold in the SPP may not be offered and sold to any person in the United States.



# CAPITAL RAISING

01

for social use only



# EXECUTIVE SUMMARY

## FY20 TRADING UPDATE

- FY20 Gross Revenue<sup>1</sup> increased 32% to \$62 million. Strong revenue growth momentum achieved over pcp.
- Infant Formula FY20 Gross Revenue<sup>1</sup> 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 margin<sup>2</sup> 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. \$36.8m<sup>3</sup> 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.

<sup>1</sup> 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.

<sup>2</sup> 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)

<sup>3</sup> 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
<b>Total Shares on issue post the Offer**</b>	<b>620,523,805</b>

\*\*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 <sup>1</sup>	\$526.8m
--	----------

Approx. new shares issued (placement + SPP)*	47.9m	8%
--	-------	----

<b>Approx. shares post-equity raise</b>	<b>620.5m</b>	<b>100%</b>
---	---------------	-------------

Issue price	\$0.80
-------------	--------

<b>Implied market capitalisation (at issue price)</b>	<b>\$496.4m</b>
---	-----------------

Cash <sup>3</sup>	\$62.8m
-------------------	---------

Drawn debt	\$2.0m
------------	--------

<b>Implied enterprise value</b>	<b>\$435.6m</b>
---------------------------------	-----------------

## PRO FORMA BALANCE SHEET

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

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

<sup>2</sup> As at 30 June 2020.

<sup>3</sup> 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 FUNDS<sup>1</sup>

## 1. Balance sheet flexibility and growth capital.

FY21 growth initiatives include:

- 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

**% allocation (\$million)**

**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**

<sup>1</sup> 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.





### Company

#### **Bubs Australia Limited**

(ASX: BUB)

23-29 Nina Link  
Dandenong South  
VIC 3175



### Joint Lead Manager

#### **Bell Potter**

Securities Limited  
Level 29,  
101 Collins Street  
Melbourne VIC 3000

Hugh Robertson  
hrobertsonjnr@bellpotter.com.au



### Joint Lead Manager

#### **PAC Partners**

Securities Limited  
Level 10,  
330 Collins Street  
Melbourne VIC 3000

Craig Stranger  
cstranger@pacpartners.com.au

ASX: BUB  
Bubs Australia

personal use only



bübs®

Growing Generation Joy™