

ASX: BUB

Bubs Australia

bübs®

# READY TO REBUILD FY21 Annual Results

31 August 2021



**Jennifer Hawkins**

Bubs Global Brand Ambassador

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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.





# Creating new generations of happy & healthy bubs

## GOODNESS

We believe in wholesome, healthy food and a positive approach to life.

## HONESTY

We believe in 100% transparency, this is 'clean' food from a brand you trust.

## VERY BEST

We believe in being thorough and uncompromising, sticking to our ethics no matter what.

## PLAYFULNESS

We believe in the joy of family time, the pleasure of sharing happy moments and being together.



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# KEY MILESTONE EVENTS

## COVID-19 PANDEMIC IMPACT & RESPONSE

Protecting employees, prioritising liquidity and balance sheet. Managing supply chain and inventory in the channel in response to demand shocks.

## ESTABLISHED WHOLLY OWNED CHINA ENTITY BUBS SHANGHAI COMPANY

Ability to directly manage sales relationships and in-market customers to optimise value chain and margin growth.

## AUSSIE BUBS™ USA LAUNCH FDA LABEL COMPLIANT TODDLER FORMULA

First production shipped.  
Launching on Walmart.com  
and Amazon.com Sept 2021.

## #1 ADULT GOAT DAIRY CAPRILAC® BRAND RANKING FOR TMALL GLOBAL 618<sup>1</sup>

Amongst all imported adult  
goat milk brands.



## MORE THAN DOUBLED DOMESTIC MARKET SHARE<sup>2</sup> FASTEST GROWING INFANT FORMULA MANUFACTURER<sup>2</sup>

Woolworths, Coles and Chemist Warehouse

## 50% GENDER EQUALITY<sup>4</sup> BOARD REPRESENTATION

Supporting both Gender and Cultural  
diversity future needs across the business.

## TOP 3 IMPORTED GOAT INFANT FORMULA BRAND IN CHINA 618

#3 on Alibaba Tmall Global<sup>3</sup>  
and #2 brand on JD Global.<sup>3</sup>

## LAUNCHED BUBS RANGE IN REDMART SINGAPORE

Received Malaysia  
Parent's Choice Award for  
Bubs® Organic Formula.

<sup>1</sup> Q4 FY21 official results in unit sales data CapriLac from Tmall Global

<sup>2</sup> IRI Scan Data, Dollars (\$000's) market share. Growth % YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021.

<sup>3</sup> Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global (TDI and Tmall Flagship Store) & JD Global (JDI) platform data.

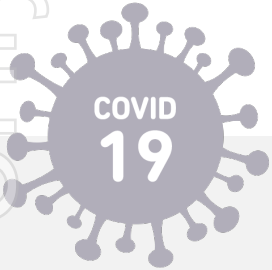
<sup>4</sup> 50:50 Gender Equality reached with the appointment of Katrina Rathie on 21 July 2021.



## COVID-19 DISRUPTIONS

**Global macro forces impacting sales channels created a significant demand and supply shock.**

FY21 focused on the immediate need to mitigate impact from excess inventory in channel.



### IMMEDIATE IMPACT:

Urgent action was required to actively manage supply and excess inventory due to unforeseen demand disruption.



#### Australian Border Closures

**Infant Formula Category** declined in Australian Grocery and Pharmacy **-46%**<sup>1</sup>.

**Traditional Daigou** shopping significantly declined in domestic retail channel and gift stores.



#### China Channel Disruption

**Channel shifting moved consumers online.** High cost of airfreight had immediate impact. **Omni-channel sales** model emerged, O2O and social commerce becoming more significant.



#### Export to SE Asia Disrupted

**Prolonged lockdowns delayed ranging reviews,** limited retailer distribution, and caused regulatory delays. Significant impact due to retail shutdown and economic stress.

<sup>1</sup>IRI Scan Data, Dollars (\$000's) % YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021

# COVID-19 BUBS RESPONSE

**Our response throughout FY21 focused on four pandemic phases to protect our base for rebuild.**

Strengthening our foundations to mitigate future demand shocks.

#1 Impact → #2 Reset → #3 Resilience → #4 Rebuild

FY22

## CHANNEL & PRODUCT REINVIGORATION

- Protect our core product base, key channels and strategic partnerships.
- Identify growth opportunities within each of our sales channels for new products and new markets.
- Improve capacity utilisation in Deloraine facility.

FY21

## STOCK MANAGEMENT

- Redirected stock to China offshore warehouse in response to border closures.
- Ensured excess inventory was largely retained in Bubs warehouse. Despite significant demand disruption, resisted pressure to increase stock in the channel.

## CHANNEL & SUPPLY RESET

- Supporting greater resilience. Resized the milk pool to reflect volatility in demand forecasts.
- Redirected marketing investment to support domestic trade and China inbound omni-channel marketing via social commerce.
- Made difficult decision to sell excess bulk powder at a loss in order to prioritise cash flow and took proactive steps to provide for stock in order to maintain a healthier inventory position in FY22.
- Restabilised price architecture in China market.
- Rapid growth in Domestic consumer demand providing strong home base.



# DEEPENING OUR BENCH STRENGTH FOR FUTURE GROWTH

Post balance sheet appointments of new Board Director, Katrina Rathie and COO, Fabrizio Jorge.

Supporting future business needs with expertise in global strategy, dairy operations and international regulatory compliance.

## BOARD OF DIRECTORS



**DENNIS LIN**  
Executive Chairman

- China and global growth expert.
- M&A specialist.
- Health & wellness expertise.



**KRISTY CARR**  
Managing Director

- Founder since 2006.
- Business development.
- Infant nutrition brand specialist.



**STEVE LIN**  
Non-Executive Director

- Expertise across Asia & USA.
- Investments & corporate management.



**JAY STEPHENSON**  
Company Secretary

- Extensive professional Company Secretary experience for ASX companies.



**KATRINA RATHIE**  
Non-Executive Director

- Leading expert in international IP, and FMCG consumer brand lawyer with extensive Governance experience.

## KEY MANAGEMENT PERSONNEL



**KRISTY CARR**  
Chief Executive Officer



**IRIS REN**  
Chief Financial Officer

- Financial advisory & corporate transactions.
- Audit & compliance.



**FABRIZIO JORGE**  
Chief Operating Officer

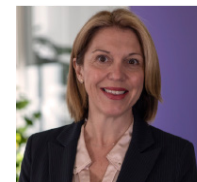
- Global growth strategy.
- Operational oversight
- 20+ years dairy experience.

## EXECUTIVE LEADERSHIP TEAM



**RICHARD PAINE**  
Chief Manufacturing Officer  
Quality, Dairy & Nutritionals

- Dairy operations & supply chain.
- Nutritional manufacturing specialist.



**VIVIAN ZURLO**  
Chief Marketing & Innovation  
Officer – Global Markets

- Global brand & marketing strategy.
- Nutritional innovation product development.



**DAVID ORTON**  
General Manager  
Commercial

- Sales & Operations.
- Integrated business planning.



# FY21 FINANCIAL REVIEW

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## FINANCIAL HIGHLIGHTS

FY21 results impacted by global pandemic **with some growth in core products and focus channels.**

**\$46.8m**

Group Gross Revenue<sup>1</sup>

**+26%**

Goat Infant Formula China  
CBEC gross revenue<sup>1</sup> growth pcp.

**+51.5%**

Bubs Australia fastest growing  
Infant Formula manufacturer<sup>2</sup> in  
Woolworths, Coles and Chemist  
Warehouse.

**+12%**

Total gross revenue<sup>1</sup>  
exports growth pcp to  
China CBEC channel.

**+57%**

International gross revenue<sup>1</sup>  
growth ex-China pcp,  
(including ingredient sales).

**+34%**

2H FY21 Corporate Daigou gross  
revenue<sup>1</sup> growth on 1H FY21.

**\$27.9m**

Robust balance sheet.  
Cash reserves as at  
30 June 2021.

<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> IRI Scan Data, Dollars (\$000's) Growth YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021.

# FINANCIAL OVERVIEW

	FY21 (\$m)	FY20 (\$m)	% change
<b>Gross revenue<sup>1</sup></b>	<b>46.8</b>	61.7	-24%
<b>Revenue</b>	<b>39.3</b>	54.6	-28%
<b>Gross margin</b>	<b>-7.3</b>	10.4	
<b>Operating expenses:</b>			
Distribution	2.0	1.9	6%
Marketing	7.2	9.9	-28%
Employee costs <sup>3</sup>	6.3	5.8	8%
Admin & other <sup>4</sup>	6.7	4.0	68%
<b>Impairment</b>	<b>-44.6</b>	-	-
<b>Statutory EBITDA loss</b>	<b>73.1</b>	11.3	
<b>Underlying EBITDA loss</b>	<b>28.5</b>	11.3	

## COVID disruption had adverse impact on gross margin<sup>2</sup>

- Group gross margin<sup>2</sup> decreased to \$7.3 million loss. This was primarily due to \$12.6 million inventory write-off including Take or Pay penalties of \$850k for shortfall in reserved capacity with manufacturers, and the decision to sell excess bulk powder inventory at a loss due to COVID-19 driven softening demand and prioritisation to conserve cash.
- Bubs<sup>®</sup> Goat Infant Formula product margin<sup>2</sup> upheld at 34% which is consistent with FY20. Group gross margin<sup>2</sup> for branded products was 21%.

## Increased trade investment in response to shifting channel mix

- The widening gap between Gross Revenue<sup>1</sup> and Revenue is due to increased trade co-op investment, as recognised under the revenue standard AASB 15.

## Disciplined OPEX Management

- Distribution costs/Gross Revenue<sup>1</sup> % at 4% compared to 3% pcp.
- Marketing costs decreased 28% due to domestic brand marketing investment being redirected into in-channel activity in the short-term.
- Employee costs<sup>3</sup> increased 8% due to the new resources to support the ability of our organisational capability in multiple markets.
- Increased admin costs<sup>4</sup> mainly due to bad debts provision, increased costs for NPD, IP protection in new international markets, and donations.

## Impairment

- Combined with short term sharp demand contraction in Daigou channel, a conservative growth rate adopted in the sales forecasts due to prolonged uncertainties caused by ongoing pandemic and the longer than expected SAMR approval time frame, this has reduced the valuation of CGUs. As a result, a non-cash impairment of \$44.6m relating to Nulac Foods CGU and Deloraine Dairy CGU was recognised.

<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> Gross margin is calculated as (Revenue – Production Costs) / Revenue.

<sup>3</sup> Employee costs do not include share based payments.

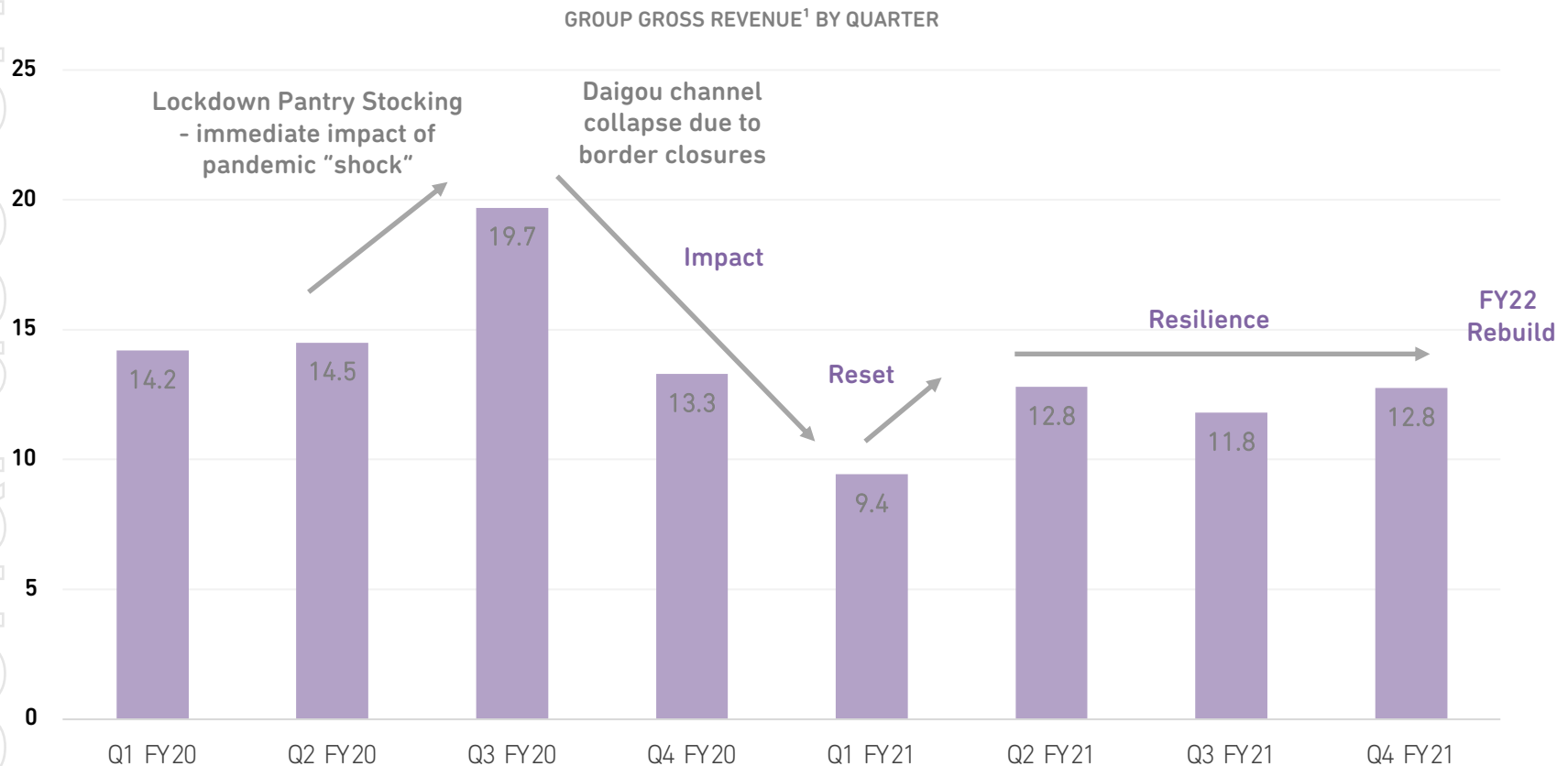
<sup>4</sup> Administration and other costs do not include depreciation and amortisation.



## FY21 DEMAND SHOCK **IMPACT & RESET TOWARDS RESILIENCE**

**Sudden impact of border closures with FY21 focus on reset strategies to build resilience.**

Focused team efforts on immediate actions to rebalance inventory, preserve cash and redirect portfolio investment.

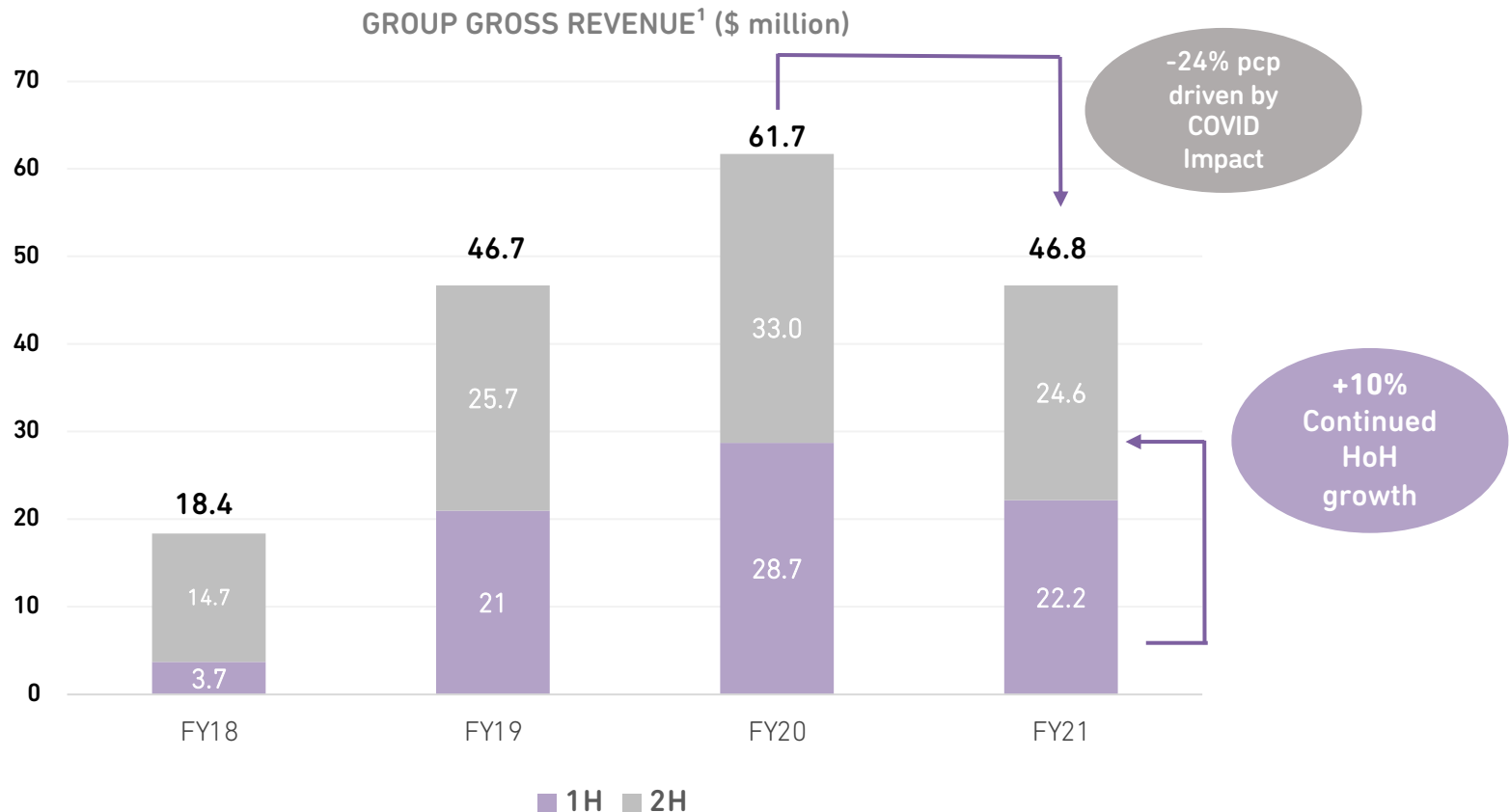


<sup>1</sup> Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution

## FY21 FULL YEAR IN LINE WITH PRE-COVID FY19

First half growth momentum was restricted due to COVID-led channel disruption.

+10% Half-on-Half increase in 2H FY21 with full year gross revenue<sup>1</sup> rebuilding to pre-COVID FY19 levels.



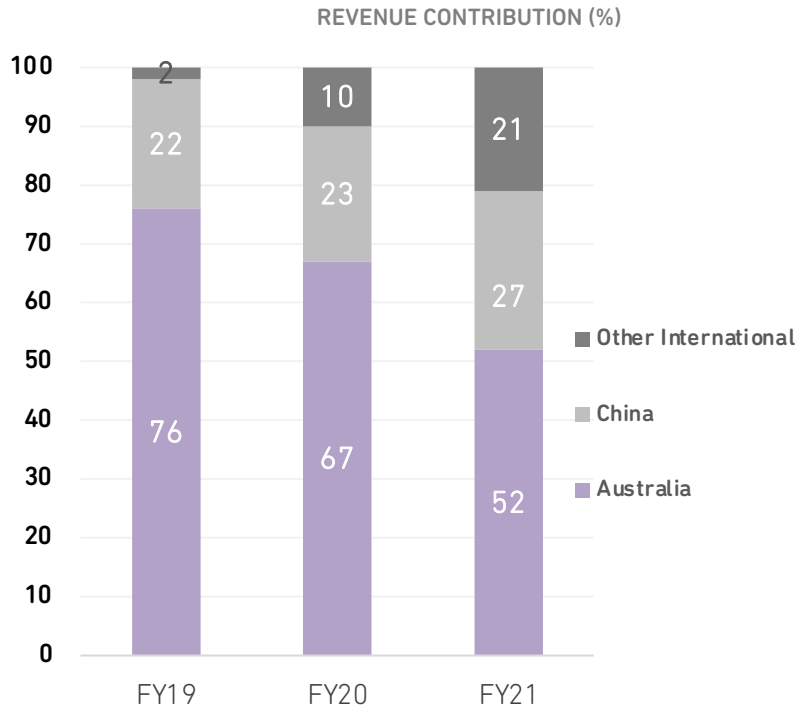
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## FY21 MARKET AND PORTFOLIO EXPANSION

Multiple revenue streams and product portfolio growth drivers across Australia and Asia.

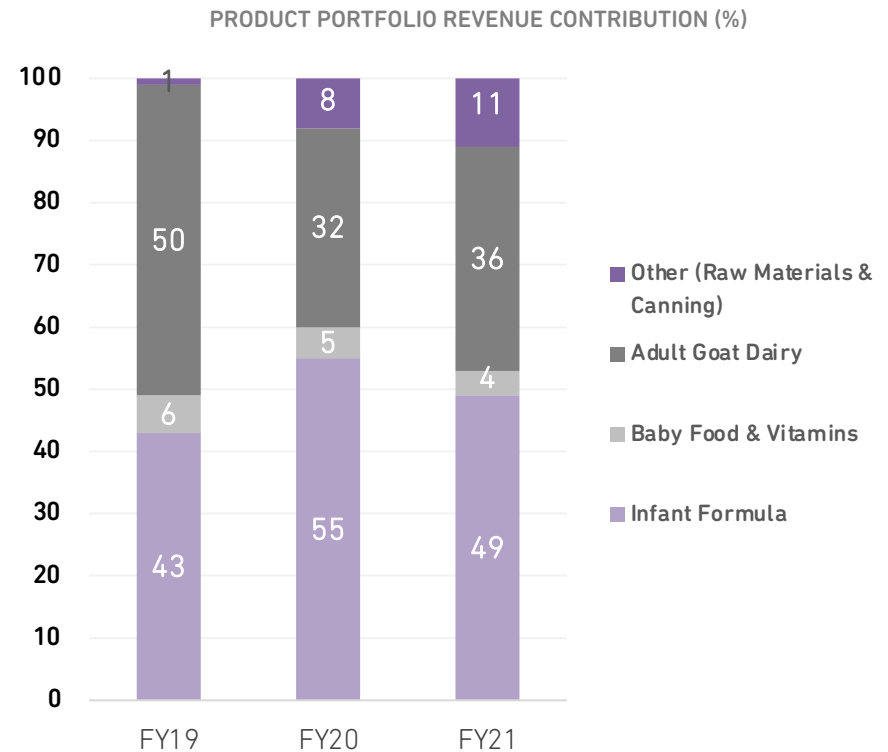
### MARKET DIVERSIFICATION

International expansion strategy continues with advances in China and new markets across SE Asia.



### BALANCED PRODUCT MIX

Investing in core margin drivers:  
Infant Formula and Goat Dairy.

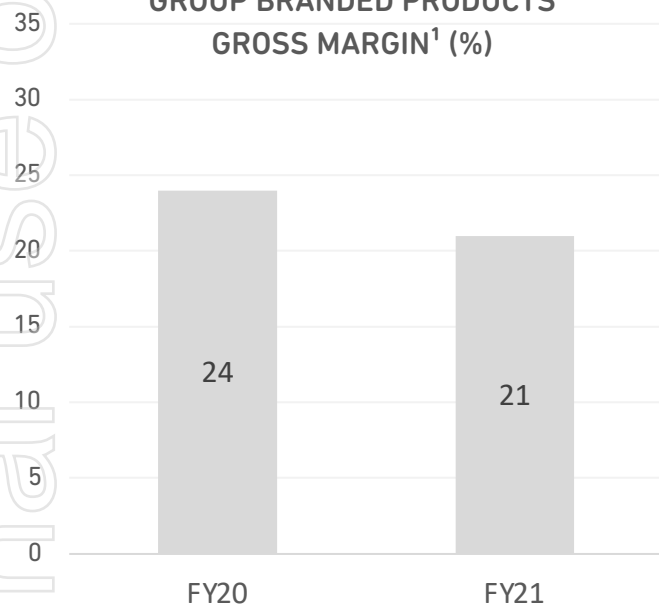




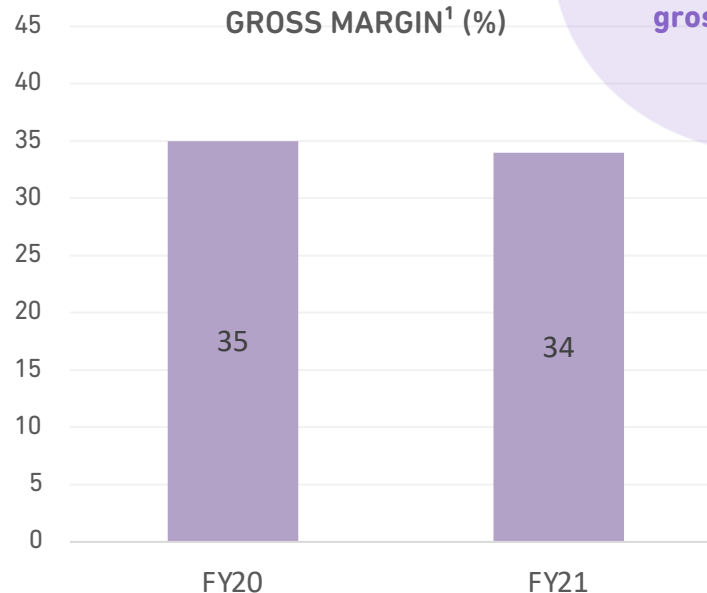
## GROSS MARGIN<sup>1</sup> ANALYSIS

Whilst group gross margin<sup>1</sup> of branded products in FY21 was impacted by need to redirect greater trade investment, our **hero product - Bubs® Goat Infant Formula product margin<sup>1</sup> was consistent with FY20** despite COVID-19 disruption to most profitable channel routes.

GROUP BRANDED PRODUCTS  
GROSS MARGIN<sup>1</sup> (%)



BUBS® GOAT INFANT FORMULA  
GROSS MARGIN<sup>1</sup> (%)



**34%**  
Bubs® Goat Infant  
Formula  
gross margin<sup>1</sup>.

<sup>1</sup> Gross margin is calculated as (Revenue – Production Costs) / Revenue

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bubs

# STRATEGIC ROAD MAP

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## KEY PILLARS TO **SUSTAINED RESILIENCE & REBUILD**

We will continue to focus on our four operational pillars for continued resilience of our base.



**1.** Specialty dairy focus



**2.** Margin improvement




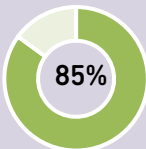

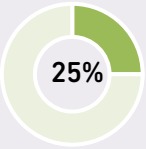

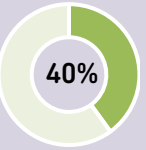

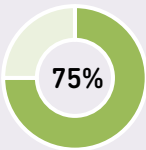
**3.** Daigou 2.0 facilitated omni-channel sales



**4.** Rebalance inventory levels

## 4 KEY OPERATIONAL PILLARS – SCORECARD

Operational action plan for building on strategic pillars in response to COVID-led channel disruption.

Key Priorities	Objective	Key Focus Areas	Status	Timing
<b>Specialty Dairy Focus</b> 	<ul style="list-style-type: none"> <li>Drive highest &amp; best use of high-quality dairy source.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on hero products Goat Milk Infant Formula and CapriLac® Adult Goat Milk Powder.</li> <li>Sustain Goat Formula margin and brand share.</li> </ul>		1H FY22
<b>Margin Improvement</b> 	<ul style="list-style-type: none"> <li>Improve product value chain.</li> </ul>	<ul style="list-style-type: none"> <li>Optimise Channel and Product mix.</li> <li>Implement supply chain cost efficiencies.</li> <li>Increase Deloraine facility utilisation.</li> </ul>		FY22
<b>Daigou 2.0, Facilitated Social Commerce</b> 	<ul style="list-style-type: none"> <li>Reactivate Daigou Channel.</li> </ul>	<ul style="list-style-type: none"> <li>Drive Daigou facilitated e-commerce sales.</li> <li>Support reinvention of Daigou online-to-offline (O2O).</li> <li>Redirect brand marketing to grow China base.</li> <li>Stabilising China price architecture.</li> </ul>		2H FY22
<b>Re-balancing Inventory Levels</b> 	<ul style="list-style-type: none"> <li>Operational excellence.</li> </ul>	<ul style="list-style-type: none"> <li>Achieved balance across channel inventory.</li> <li>Balance demand forecast and milk supply.</li> <li>Continue to manage excess milk supply via industrial B2B sales.</li> </ul>		1H FY22

## FY22 STRATEGIC FOCUS ON 4 SALES CHANNELS

We have identified 4 strategic sales channels that are complementary to unlock value.

Each business unit has distinctive features and different opportunities for sustained profitable growth.



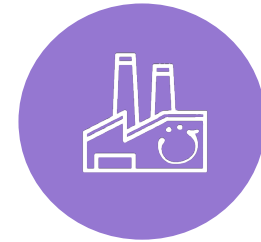
### 1. Australia & New Zealand



### 2. China



### 3. Other International



### 4. B2B Dairy Solutions

#### Customer & Consumer Centric – Excellence in Quality

- Opportunity for a significant local challenger brand with strong home market engagement with domestic consumers.

- China routes to market now omni-channel with CBEC, Daigou, O2O and General Trade merging into one via online sales, live-streaming and social selling.

- Consolidate growth in existing SEA penetration with opportunity to enter new markets: USA and South Korea.

- Grow specialist dairy solution co-manufacture and end-to-end new product development for global customers.

#### BUBS EXPERTISE

INGREDIENT &  
VERTICAL SUPPLY  
CHAIN EXPERTS



CUSTOMER &  
CONSUMER  
INSIGHT FOCUS



R&D FUNCTIONAL  
WELLNESS  
EXPERTISE



SPECIALIST  
DAIRY  
MANUFACTURING





## ANZ: LEADING CATEGORY CHALLENGER

Bubs Australia is the fastest growing Infant Formula manufacturer<sup>1</sup> in Australian Grocery and Pharmacy. Bubs® remains in high scan sales growth, outperforming the category.

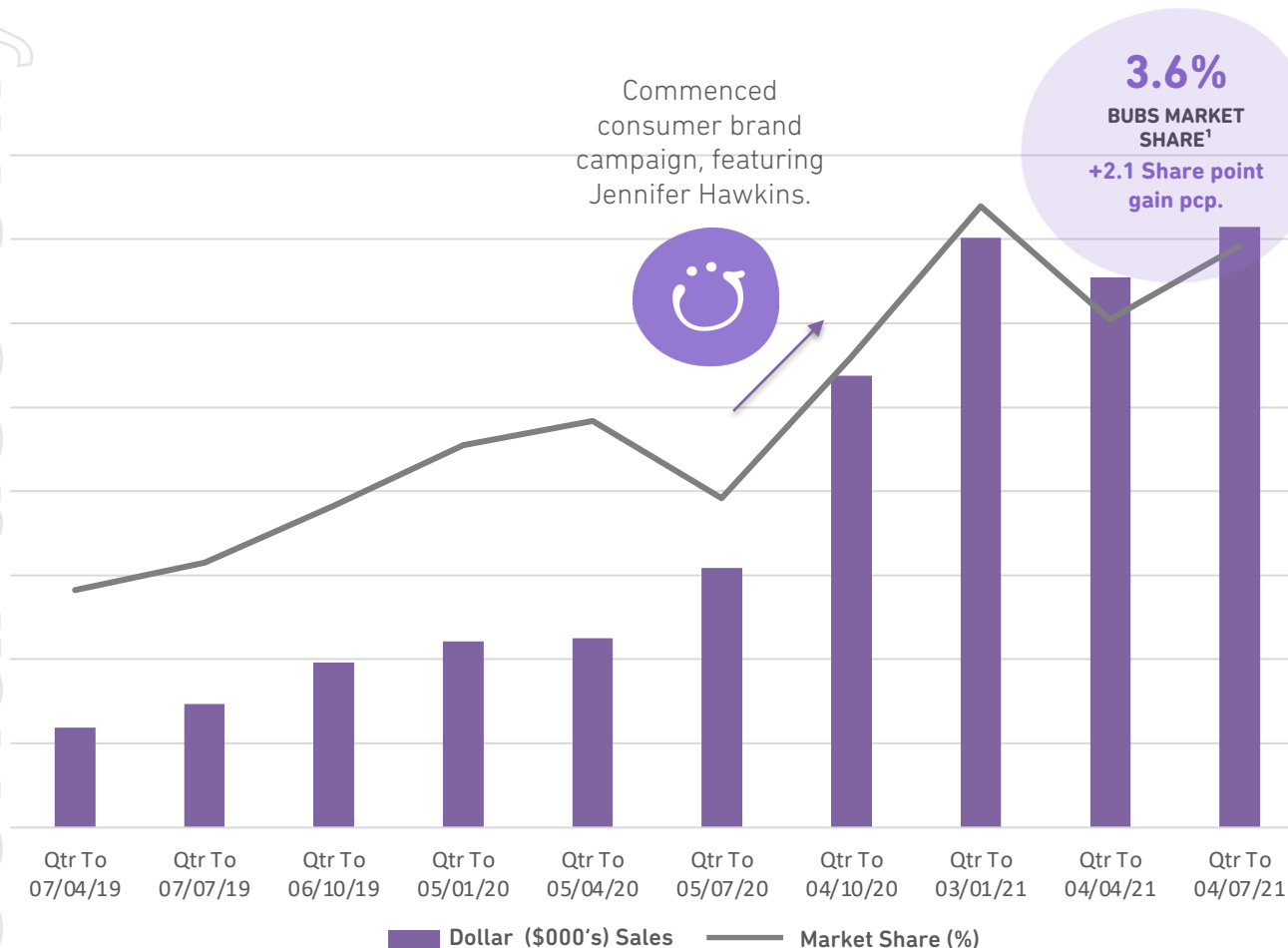
FY21 INFANT FORMULA CATEGORY RETAIL SCAN DOLLAR SALES (%) GROWTH<sup>1</sup> BY MANUFACTURER (MAT)  
COLES, WOOLWORTHS & CHEMIST WAREHOUSE



<sup>1</sup> IRI Scan Data, Dollars (\$000's) Growth % YA, Coles, Woolworths and AU My Chemist Group combined to MAT 04/07/2021

# ANZ: MARKET SHARE MORE THAN DOUBLES IN PAST YEAR

Bubs Australia remains in high market share growth across Australian Grocery and Pharmacy.



## #2 GOAT BRAND<sup>1</sup>



Coles  
Woolworths  
Chemist Warehouse

## #2 ORGANIC BRAND<sup>1</sup>



Coles  
Woolworths  
Chemist Warehouse

<sup>1</sup> IRI Scan value scan sales, Dollars (\$000's) share of total Baby Formula, Coles, Woolworths and Chemist Warehouse combined Quarter to 4.07.2021.

# CHINA: CBEC INFANT FORMULA GROSS REVENUE<sup>1</sup> +26% pcp

Despite channel disruption, cross border e-Commerce demonstrating growth. **Bubs® Goat Infant Formula ranked #6<sup>2</sup>** across all China Domestic and Imported Goat Dairy brands combined during 618 festival



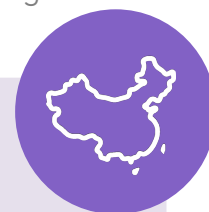
**JD.COM 618 SHOPPING FESTIVAL<sup>2</sup> RANKING**  
(International Brands)

**BUBS IS #2 CHALLENGER GOAT BRAND<sup>2</sup>**  
73,000 people purchased



**ALIBABA 618 SHOPPING FESTIVAL RANKING<sup>2</sup>** (China + International Brands)

**BUBS IS #6 ALL CHINA & INTERNATIONAL GOAT BRANDS<sup>2</sup>**  
**BUBS IS #3 INTERNATIONAL GOAT BRAND<sup>2</sup>**



Solid growth  
**+26% pcp**  
FY21 increase in  
INFANT FORMULA  
CBEC channel  
gross revenue<sup>1</sup>.



<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.

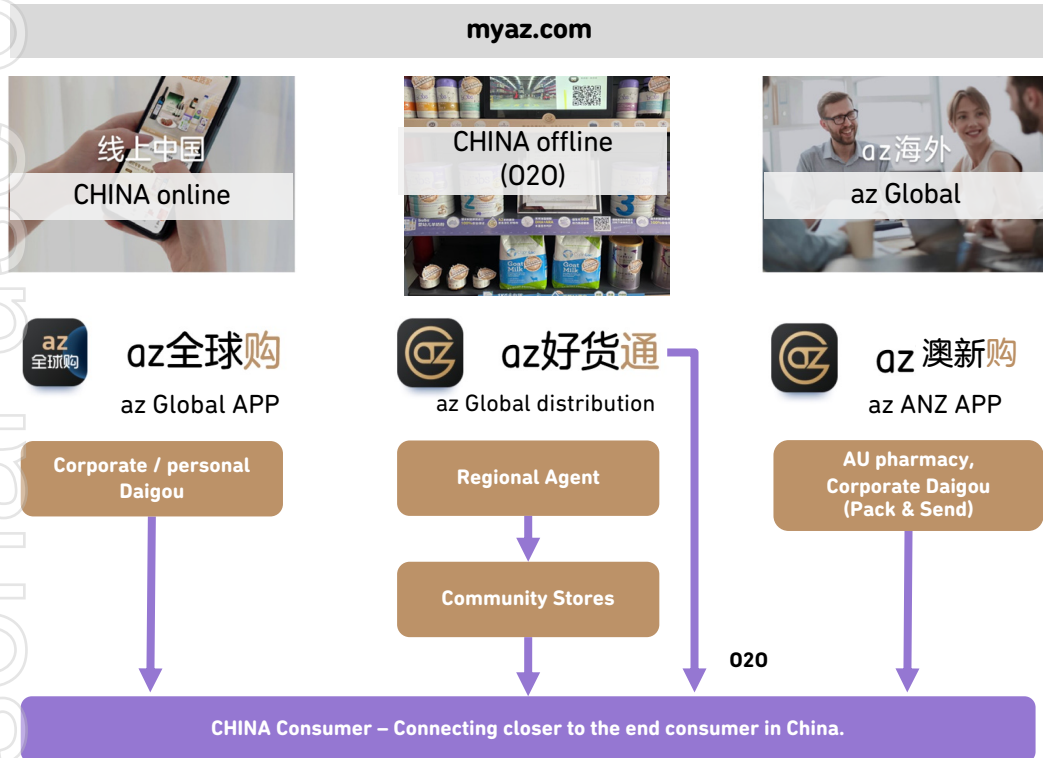
<sup>2</sup> Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global & JD Global platform data



# CHINA: DAIGOU CHANNEL REINVENTION

Traditional Daigou and personal shopper gift store model now replaced by sustainable, more transparent and professional Corporate Daigou with **integrated e-Commerce and omni-channel model connecting directly with consumers, supported by centralised warehousing in China and Australia.**

NEW POST-COVID REINVENTED DAIGOU 2.0 STRATEGY WITH AZ GLOBAL VALUED PARTNERSHIP



DAIGOU GROSS REVENUE<sup>1</sup> 2H FY21  
+34% ON 1H WITH  
+17% INCREASE ON  
2H FY20 PCP

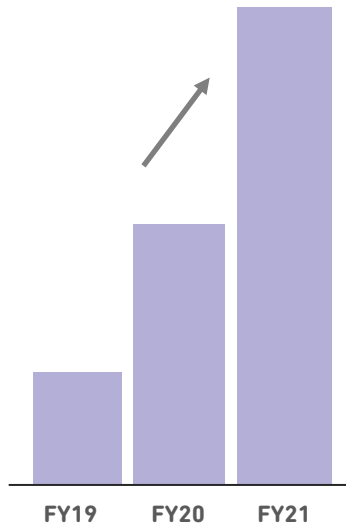


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## INTERNATIONAL: BUILDING MOMENTUM

Despite continued and significant market disruption across International markets, gross revenue<sup>1</sup> for **total International increased 57% pcp. Received 2021 Parent's Choice Award in Malaysia.**

### TOTAL INTERNATIONAL EX-CHINA GROSS REVENUE<sup>1</sup>



**+57%** FY21  
gross revenue<sup>1</sup> growth  
across International  
Channel (including  
ingredient sales).

### WINNER OF 2021 PARENT'S CHOICE AWARD MALAYSIA



<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

# USA: ENTERING NEW GROWTH OPPORTUNITY

Expanding international coverage into **USA Toddler Nutrition market** - on track for **September launch**.



**Walmart.com** **amazon.com**

## Market expansion opportunity

- Entry point into USA market with combined total Infant Formula and Toddler Formula retail category worth \$USD 5.1Bn annually<sup>1</sup>.

## USA Aussie Bubs™ branding and product range

- Developed two FDA label compliant Toddler Formula products.
- Winner of the Clean Label Project Purity Award.
- Bi-lingual packaging targeting important Hispanic market.
- First production shipped and cleared by customs.
- Met all Prop 65 regulations.

## Developing sales distribution

- National network agent companies selected across USA.
- Established USA subsidiary: Aussie Bubs, Inc.
- Launching on Walmart.com and Amazon.com September 2021.

<sup>1</sup> Euromonitor Data 2021, Total IMF Retail Market Size \$USD 5.1BN.

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# OUTLOOK

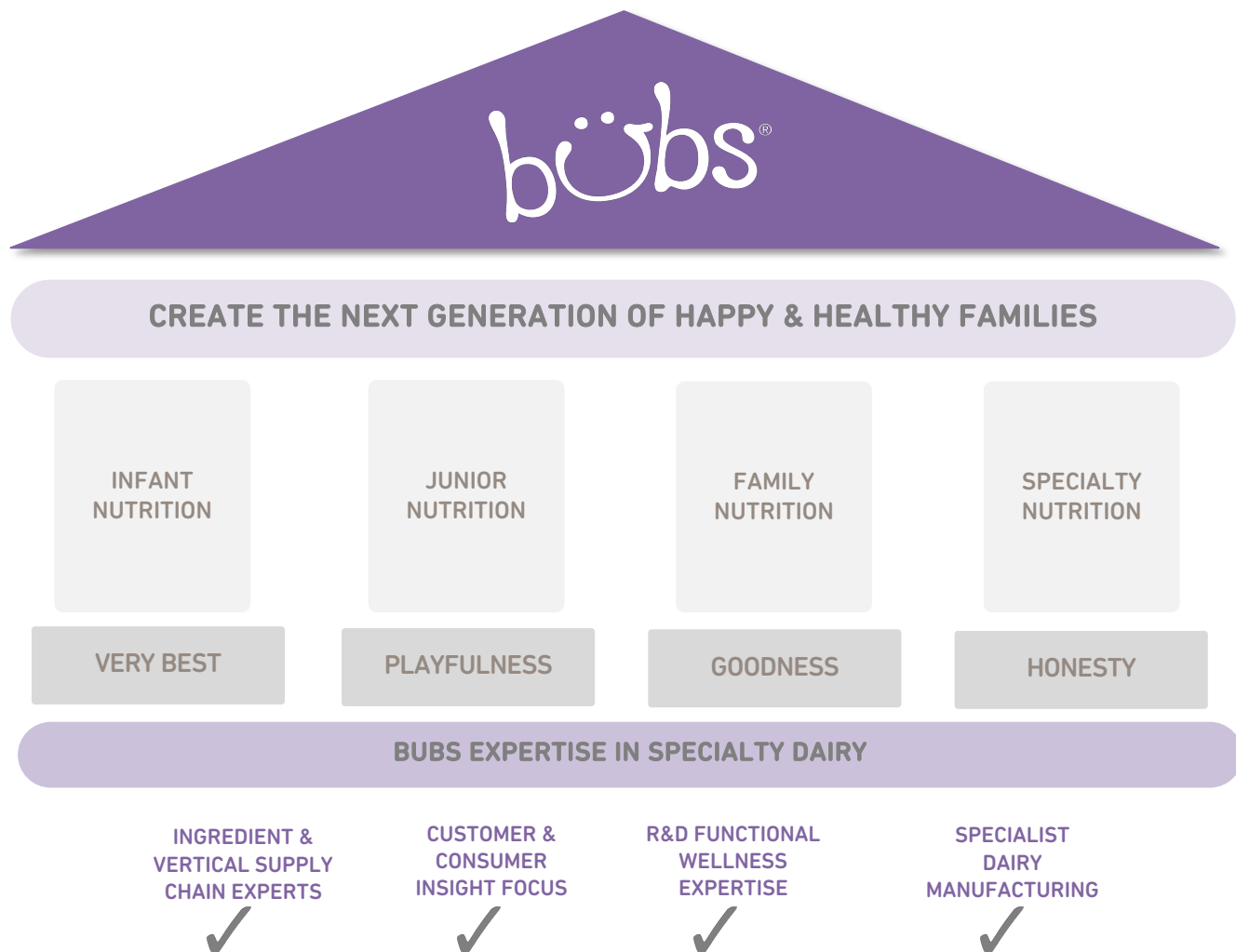
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# OUTLOOK

Opportunity to stretch **Bubs®** brand equity into new categories, consumer segments and occasions.



## OUTLOOK

Bubs is well placed with **strong foundations, brand share growth and a robust balance sheet** to go forward with a sustainable growth strategy as the Australian lead challenger brand in infant nutrition.

### Responding to pandemic impacts with our unique strategic pillars

Continued focus on our core business and competencies, coupled with the operational changes we have executed in response to the pandemic, mean Bubs is well positioned to rebuild from a strong foundational base with a rebalanced inventory position to meet stabilised demand.

We remain confident in the unique strengths of Bubs business model and our organisational agility will enable us to navigate the ongoing macro challenges posed by COVID-19, and we anticipate rebuilding towards a sustained growth trajectory in FY22.

Since the initial COVID-led Channel disruption impact occurred most heavily in the first quarter, our China strategy has been reimaged in collaboration with our strategic partners to deliver significant advances throughout the year. We remain committed to continuing to build the Bubs® brand in China, and expect sales momentum to continue across all Channels.

In addition to building our hero product lines in our established channels, we plan to stretch Bubs® brand awareness to support new categories in line with our position as a specialist producer of dairy based nutritional products. We will also pursue our global expansion strategy to consolidate our regional market penetration and launch into North America.

The Company remains confident that the Bubs® brand and business model, along with adapted route-to-market strategies and sufficient cash reserves, will deliver sustained growth in FY22 and beyond.

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Growing Generation Joy