Bubs Australia Limited
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STRATEGIC REVIEW OUTCOME

Plan for growth & delivering shareholder value

6 July 2023, Melbourne: On 28 April 2023, Bubs Australia Limited (ASX:BUB) ("**Bubs**" or "**the Company**") announced it had commenced a Strategic Review of the business with particular focus on the USA, Australia, and China operations. Today the Company is pleased to share the findings of the Strategic Review.

"The Strategic Review sets out a 5-point plan to responsibly manage capital and to grow and maximise shareholder value," Bubs Chairman, Katrina Rathie said.

The key points in summary include:

USA Growth Engine – grow further into the major retailers, including Grocery & Pharmacy and increase velocity or sell-through. Continue to drive growth and scale through E-Commerce platforms, and secure FDA permanent access to the US market.

China Reset – reset has commenced with a multi-channel go-to-market strategy with new leadership, new trade partners and focused where Bubs has a clear competitive advantage – goat infant milk formula (IMF) and goat adult milk powder.

Portfolio Optimisation - Bubs is a market leader in its hero goat product segment pioneering the IMF category in the USA and China. Strategic focus will be around premiumisation, repositioning bovine IMF products, product rationalisation, innovation, and investment in core brands.

Sweat Existing Assets - Bubs' state of the art manufacturing facility in Deloraine, Victoria is under-utilised, operating at approximately 31% capacity. To boost utilisation and improve shareholder returns, Bubs is assessing State Administration for Market Regulation (SAMR) registration for China, toll manufacturing and selective private label opportunities.

Working Capital – annual operating expenses have been reduced by approximately $10m and we expect that the monthly cash burn will be more than halved from approximately $5m to $2m from Q2 FY24 (excluding EGM and legal expenses). Bubs' current growth plans are fully funded, and plans are in place to liquidate excess inventory. Bubs will continue to support its growth markets and core brands, maintaining its marketing investment at 15% of net sales.

Ms Rathie said: "Given Mr Weine's extensive CEO and operational experience in FMCG, dairy and agri-business, the Board tasked him with taking a lead role in the strategic review of the Company conducted over the past two months working closely with the Bubs Board, our executive team, and our external independent advisors, including Kidder Williams. The Board is pleased to have Mr Weine present the results of the Strategic Review to the market".

Bubs Independent Non-Executive Director, Reg Weine said, "We must immediately arrest the decline in shareholder value and get Bubs back on track. Capitalising on our first mover advantage in the US and resetting China are two significant components of our strategic plan. We have a clear competitive advantage in goat infant and adult nutrition, and we need to focus our efforts on this part of our portfolio. With a greater focus on working capital, and tighter control on costs, we will quickly reduce the monthly cash burn, extend the runway, and deliver sustainable shareholder value".

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Bubs Chair Ms Katrina Rathie said, “The Board is confident that we now have the right governance structure and operational teams in place and have identified the key people and strategic partners to execute with precision to deliver strong and profitable growth. We look forward to updating shareholders regularly on Bubs’ progress.”

FY24 Outlook

The Company is committed to delivering growth for shareholders in FY24 including:

- Net sales revenue $80m, representing a 35% increase on the previous year
- Gross profit margin of 40%
- Continued FDA progress
- Renewed focus on infant & adult goat nutrition
- Working capital improvements
- Improved transparency and governance
- Cash flow positive in FY25.

Bubs will host a webcast to present the Strategic Review on Thursday 6 July at 10.00am AEST.

All Bubs shareholders are welcome to join the briefing.

Registration details:

Date: Thursday 6 July 2023

Time: 10:00am AEST

Please pre-register for the webcast at: https://webcast.openbriefing.com/bub-ib-2023/

An archive will be available on the Open Briefing website at the following link: http://www.openbriefing.com/OB/5211.aspx

This release is approved by the Board of Directors.

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