



Bubs Australia Limited
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BUBS EMBARKS ON PIVOTAL BREAKTHROUGH MANUFACTURING ARRANGEMENT TO SUPPORT OBTAINING SAMR REGISTRATION FOR BUBS® GOAT INFANT FORMULA IN CHINA

- ***Bubs and Joint Venture partner Beingmate enter a Memorandum of Understanding to manufacture Bubs® China label Goat Infant Formula locally in China, made from 100% Bubs Australian Goat Milk, at one of Beingmate's registered facilities.***
- ***Bubs intends to acquire an ownership interest in Beingmate's facility located in Beihai China, and secure exclusive use of a SAMR approved brand slot.***
- ***Beingmate owns five CNCA certified manufacturing facilities and has the largest Infant Formula portfolio in China, including 51 registered products across 17 brands.***
- ***Bubs to retain full ownership of Bubs® brand intellectual property and the proprietary Bubs® China formulations, specifically formulated for Chinese babies, targeting lower-tier cities.***
- ***Secures a faster, more certain route-to-market and full access to China's General Trade Channel, including Beingmate's existing distribution network across 30,000 Mother and Baby stores.***
- ***Bubs to continue progressing SAMR registration for an Australian made 'super-premium' product to be produced at its Deloraine facility, which will be aimed at tier-one cities.***
- ***Bubs intends to replicate this 'Created by Bubs®' localisation strategy in other jurisdictions to accelerate global expansion into sizeable markets with similar regulatory (or other) requirements.***

Melbourne, 24 August 2020: Bubs Australia (ASX: BUB) (Bubs) has entered into a Memorandum of Understanding (MoU) with Beingmate Co., Ltd (002570.SZ, Beingmate) under which Bubs has the opportunity to acquire an ownership interest in one of Beingmate's Infant Formula manufacturing facilities in Beihai China, and obtain Beingmate's support in securing a State Administration for Market Regulation (SAMR) brand slot, with the objective of producing Bubs® China label Goat Milk Infant Formula using 100% Bubs Australian goat milk.

A finished SAMR approved China label product, tailored to the Chinese market, will be sold by Bubs to the Beingmate Joint Venture company (*Bubs Brand Management Shanghai Co. Ltd.*) in which Bubs owns a 49% interest. The Joint Venture company will continue to distribute the Bubs® China label product into China's General Trade Channel, under the terms of the existing Joint Venture Agreement, executed on 6 May 2019.

Since April 2019, 92 product applications have been successful in obtaining SAMR registration. Of these, 77 are manufactured in China. Of the 15 products that are manufactured outside of China, 9 are Chinese owned brands manufactured in France. The only international brand to achieve certification during this period was Wyeth for 6 products manufactured in Singapore.

Beingmate is one of the largest Chinese owned enterprises in the infant nutrition industry and is listed on the Shenzhen Stock Exchange. They were the first Infant Formula company to obtain certification when China's new registration system was established and currently have 51 Infant Formula products under 17 brands successfully registered by SAMR and being sold nationwide in China.

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Bubs Founder and CEO, Kristy Carr said: "We are highly confident this step up in our collaboration with Beingmate, one of the largest Chinese owned enterprises in China's Infant Nutrition industry, who is also our Joint Venture distribution partner, coupled with their extensive capability to manufacture locally in China, will provide invaluable support in securing our SAMR brand registration. This will ultimately provide Bubs with a faster route-to-market and full access into China's Mother and Baby stores.

"Given the current geo-political landscape and regulatory risks, this breakthrough localisation strategy for a 'Created by Bubs®' product to be packed in China exclusively from our own Australian premium goat milk mitigates key risks and provides a secure pathway to gaining full access to the world's largest and fastest growing Infant Formula market, valued at A\$55 billion.

"Under our proposed manufacturing arrangement, Bubs® China label Goat Milk Infant Formula will be produced in Beingmate's Certification Accreditation Administration of the People's Republic of China (CNCA) certified Infant Formula production facility in Beihai and be positioned as a premium product targeting China's lower-tier cities. Beingmate has already had great success for many years driving distribution of their 51 registered infant formula products across their 30,000 strong Mother and Baby store network.

"Importantly this new localisation strategy would provide Bubs with exclusive use of a China domestic SAMR brand slot and partial ownership in a registered facility in China, whilst fully retaining IP ownership of the Bubs® brand and of eventual product proprietary formulations, which will be based on 100% Bubs Australian goat milk.

"This step up in our China market access plan would not have been possible without the strength of our collaboration with Beingmate, our existing Joint Venture distribution partner in China. As part of the proposed arrangements, Beingmate will assist in developing a formulation specially for Chinese babies and oversee the regulatory application process.

"In addition, a key factor in considering this particular route-to-market approach is Beingmate's longstanding impeccable track record in Food Safety and Quality Assurance, stemming from their Research and Development Centre being a certified post-doctoral research station. Combined with their established relationships and extensive distribution footprint across China's Mother and Baby stores, this makes Beingmate an ideal partner to co-develop and produce Bubs® Chinese label products in-market.

"Now, more than ever, Chinese consumers are seeking premium quality health and nutrition products, especially for their children, with food safety integrity at the forefront of their purchase decisions. As we have witnessed in our home-market, there is also growing consumer sentiment in China towards pride in purchasing domestically produced products with local relevance. We believe our new strategic manufacturing collaboration with a highly respected Chinese 'sister' company offers Chinese parents the best of both worlds: a trusted premium international brand made from Australian 'clean and green' quality milk, produced locally in a reputable manufacturing facility.

"We are confident this collaboration gives us the best opportunity to secure SAMR brand registration and accelerate our prospects of full market access in the shortest possible timeframe," Mrs Carr said.

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Bubs intends to withdraw the existing SAMR brand applications previously made by Deloraine, and resubmit differentiated super-premium formulations targeting consumers in tier-one cities. The new applications would adhere to any amendments in the China GB-national food guidelines, expected to be published in the near future, and will be manufactured at its Deloraine CNCA certified production facility, pending SAMR product registration approval.

There will be no change to the English label product currently produced at Deloraine and sold directly into China via the Cross-border eCommerce Channel.

Bubs Executive Chairman, Dennis Lin said: "This pivotal approach provides the cornerstone for our future global expansion plans. The key to a 'Created by Bubs®' localisation strategy is Bubs® trusted premium brand equity, coupled with a vertically integrated business model that provides proprietary insight into the supply chain process, and the ability to provide 100% Australian premium goat milk directly from its original source.

"We are excited to explore replicating this 'Created by Bubs®' localisation strategy in other key markets that show significant growth potential but where challenges exist to secure market entry. Stringent regulatory procedures are not unique to China. Markets like Indonesia may take up to two years to process import licences for Infant Formula. India applies substantial tariffs to imported Infant Formula brands, whilst expensive international logistics combined with cheaper manufacturing and labour costs in North America make the value chain challenging when compared with locally produced products. In these circumstances, a local manufacturing partnership could accelerate market access and provide consumers with the best quality Australian products at a competitive price.

"During this volatile period in which many businesses are operating under strong macro-economic forces, it is paramount we demonstrate agility and implement strategies ahead of the curve to respond to evolving market dynamics and changing consumer behaviours brought on by the global pandemic," Mr Lin said.

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About Beingmate

Beingmate Baby & Child Food Co., Ltd is the only infant and child nutrition business listed on China's A-share market. It was founded in 1992 and listed on the Shenzhen Stock Exchange in 2011. It has a market capitalisation of RMB5.5bn (~A\$1.1bn) and reported revenues for FY19 of RMB2.8bn (~A\$572m).

Beingmate's distribution network covers 30,000 Mother and Baby stores throughout China. Beingmate has an established brand position with the 'Beingmate Successful Child Care System,' which over the last 20 years has helped more than 10 million Chinese families.

The Beingmate portfolio covers 280 infant nutrition products and the largest Infant Formula portfolio, including 17 brands and 51 formula products successfully registered with the State Administration for Market Regulation (SAMR, formerly CFDA). These are manufactured at five mainland China facilities and physically distributed throughout China. Beingmate also has strong Research and Development capabilities, with its own certified post-doctoral research station.

About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia's vision is to create new generations of happy, healthy bubs through its range of super-premium infant nutrition and health products.

Bubs® Goat Milk Infant Formula and Bubs Organic® Grass-fed Cow's Milk Infant Formula, along with their organic baby food, cereals, toddler snacks, and Vita Bubs® infant and children's vitamin and mineral supplements, cater for all feeding occasions and stages of development from newborn through to childhood.

Bubs Australia is the leading producer of goat dairy products in Australia with their own exclusive milk supply. Bubs® is proudly the only infant formula in the world to be based on Australian goat milk.

Products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to China, Vietnam, South East Asia and the Middle East.

Consumer Website: bubsaustralia.com

Investor Centre: investor.bubsaustralia.com

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