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Business

Chinese deal puts Bubs on its feet

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ASX-listed baby food company Bubs Australia is stepping up its exposure to the rapidly growing Chinese “mother and baby” market with a deal to supply China’s largest distributor of infant nutrition products.

Bubs announced yesterday that it had struck a deal with QianJiaWanPu (QJWP), which supplies 80,000 stores across China.

The deal represents the first move into bricks and mortar stores by Bubs, which was started in Sydney in 2006, specialising in making organic baby food and infant formula from goat milk.

Under the deal, announced at a seminar on the Chinese infant formula market in Sydney yesterday, Bubs will supply organic baby food products, cereals and snacks to the Chinese distributor.

The initial order, worth \$1.1 million, will be supplied between June and December this year. It represents a significant boost to the company’s revenue, which was \$3.24m for the six months to the end of December 2017.

Bubs is also looking to sell its goat milk infant formula products into China through the company once it is given approval by Chinese regulatory authorities.

Bubs founder and director Kirsty Carr yesterday described the deal as “a very exciting and significant development in the execution of our China strategy”.

She said QianJiaWanPu was a trusted distribution partner in China that handled many major international brands including Nestle and Wyeth Nutrition, the largest supplier of infant formula in China.

“The company’s chairman and founder, Mr Zhou Dongming, recognises Bubs’ growth potential and is committed to supporting our launch into physical retail stores throughout China,” Mrs Carr said.

Until now Bubs has been selling its products into China on e-commerce platforms and through sales by Australia-based daigou or personal shoppers, who buy products to sell to their friends back in China.

The growing network of mother and baby stores in China is an increasingly important outlet for baby food and infant formula, overtaking the traditional supermarket outlets.

Mrs Carr said QJWP had committed itself to promote the Bubs brand in China through its extensive distribution network.

“The importance of this partnership cannot be underestimated given that mother and baby stores account for over half of all the infant formula products sold in China,” Mrs Carr said.

“They are also the prime source for new parents seeking advice about baby’s development and infant nutrition products.

“This is why physical representation in the sector is critical to our long-term success in the market, notwithstanding the importance of cross border e-commerce and daigou shoppers as our existing primary routes to market.” QianJiaWanPu chairman Mr Zhou, who was in Sydney yesterday, said the company saw

the addition of Bubs organic baby food products as an important extension of its international product portfolio.

"We look forward to deepening our association with Bubs once its goat milk infant formula products are approved for import," he said.

"Premium organic baby food and goat milk-based formulas are two segments of the category experiencing rapid growth in China.

"I'm confident my retail customers and Chinese mothers will find Bubs' Australian brand story and premium quality attributes a winning combination.

"No other infant formula brand in the world uses Australian goat milk, so this point of differentiation will be highly sought after."Bubs shares rose by 2c to 81.5c.

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