Bubs Australia Limited
ACN 060 094 742
23-29 Nina Link, Dandenong South
VIC 3175 Australia

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Q2 FY21 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

STRONG QUARTER-ON-QUARTER TURNAROUND MOMENTUM DESPITE CONTINUED CHALLENGING MARKET CONDITIONS

- ***Group quarterly gross revenue $12.8m, up +36% over Q1 FY21 (QoQ), down -12% on prior year (pcp).***
- ***China cross border e-commerce (CBEC) sales up +27% QoQ and up +34% pcp.***
- ***Adult goat dairy gross revenue up +45% QoQ and up +25% pcp.***
- ***Bubs® infant nutrition portfolio represents 57% of Q2 revenue, with sales up +27% on Q1 FY21.***
- ***Bubs Australia is the fastest growing infant formula manufacturer across Woolworths, Coles and Chemist Warehouse with combined retail scan sales at the checkout up +41% QoQ and up +67% pcp.[1]***
- ***Bubs® Goat Formula has the fastest growing brand share across the total category, up +46% QoQ.[1]***
- ***Strong consumer offtake sales volume for Bubs® during Double 11 on Tmall Global, up +174% pcp.[3]***
- ***Bubs® consumer offtake sales increased +163% pcp across top-tier CBEC platforms in China.[4]***
- ***CapriLac® ranked No.1 goat milk brand on Tmall Global during Double 11 and for duration of Q2.[5]***
- ***Corporate Daigou trade is softer than pre-COVID levels, but up +122% on Q1 FY21.***
- ***Export sales to markets outside of China continue to strengthen, up 194% QoQ and up +138% pcp.***
- ***Robust balance sheet with $40.2 million in cash reserves.***

Melbourne, 28 January 2021: Bubs Australia (**ASX: BUB**) submits the Quarterly Activities Report and Appendix 4C Cashflow Statement for the second quarter, period ended 31 December 2020.

Bubs Founder and Chief Executive Officer, Kristy Carr said: "Whilst the impact of COVID-19 continues to cause channel disruption and market conditions remain challenging, we are pleased to report sales growth is returning across all product groups, channels and regions, with quarter-on-quarter gross revenue increasing 36 percent. While this is still some 12 percent below the prior comparable period due to the contraction of the Daigou channel, we are particularly pleased by the strong rebound in domestic sales which are up 31 percent quarter-on-quarter. Total export sales revenue was also up 45 percent on previous quarter, and up 55 percent on prior year, validating our global expansion strategy is taking hold.

"Bubs® Infant Formula has enjoyed a material uplift in Australian retail sales quarter-on-quarter with independent retail scan sales data confirming Bubs Australia is the fastest growing infant formula manufacturer across Woolworths, Coles and Chemist Warehouse; up 41 percent quarter-on-quarter, and up 67 percent compared to the prior corresponding period.[1] Bubs® is now the leading goat infant formula brand in Chemist Warehouse.[2]

"We can also report continuing strong Chinese consumer demand for Bubs® Infant Formula with Q2 FY21 China CBEC sales revenue being driven up 35 percent quarter-on-quarter. Based on the official Alibaba Tmall market data, Bubs® Goat Infant Formula was ranked the third highest selling imported goat formula

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brand on Tmall Global[3] and the No.1 Australian goat formula brand[3] during the Double 11 campaign. Bubs® Goat Infant Formula ranked No.2 imported goat formula brand on JD Global [6] during Double 11 with consumer offtake sales significantly increasing 200 percent on prior corresponding period.[6] Additionally, Bubs® Goat Infant Formula ranked No.3 imported goat formula brand on Kaola.com during the quarter.[7]

"Meanwhile, CapriLac® is now ranked No.1 adult goat dairy brand[5] on the Tmall Global platform, including domestic and international brands, demonstrating continued strengthening of demand for our adult goat dairy products in China. CapriLac® sales revenue is up 156 percent on the prior corresponding period.

"We are also encouraged by the turnaround progress in the Corporate Daigou channel with outbound domestic sales moving through the reseller channel more than doubling, up 122 percent quarter-on-quarter, helped by our active support for the channel which has great strategic importance in building brand awareness and new customer acquisitions in China. Whilst we remain confident in the long-term viability of the channel, the challenging COVID-19 environment and the near absence of Chinese visitors and students in Australia is likely to continue to constrain the domestic Daigou channel growth in the short term," Mrs. Carr said.

PERFORMANCE OVERVIEW BY PRODUCT CATEGORY

- Bubs® infant nutrition portfolio: up +27% QoQ and down -24% pcp, representing 57% of Q2 revenue.
- Adult goat dairy: up +45% QoQ and up +25% pcp, representing 40% of Q2 revenue.
- Deloraine Manufacturing (and Other): represented 3% of Q2 revenue.

REGIONAL PERFORMANCE HIGHLIGHTS

Strong Domestic Retail position – fastest growing infant formula manufacturer with material growth.

- Strong rebound in domestic sales revenue (including Daigou) up 31% quarter-on-quarter.
- 18% uplift in Bubs® Infant Formula sales revenue to grocery and pharmacy retailers on prior quarter.
- Independent scan sales data confirms Bubs® is the fastest growing infant formula manufacturer QoQ and pcp across all major retailers combined, with infant formula sales performance increasing 67% in last 13 weeks.[1]
- Bubs® is the No.1 goat infant formula brand in Chemist Warehouse in the last 13 weeks.[2]

China remains lead export market with strong growth trajectory.

- Total China CBEC sales of Bubs® Infant Formula increased +35% QoQ and up +7% pcp.
- Gross revenue generated from adult goat dairy direct sales to China increased +156% pcp.
- Bubs® achieved +174% growth pcp in Gross Merchandise Value on Tmall Global during Double 11.[3]
- Bubs® Goat Infant Formula ranked No.3 imported goat brand across Tmall Global and was the No.1 Australian Goat brand on Tmall during Double 11 shopping festival.[3]
- Bubs® Goat Infant Formula also ranked No. 2 imported goat brand on JD.com[6] and No.3 imported goat brand on Kaola.com.[7]
- Bubs® offtake sales volume increased +151% across the five major CBEC channels during Q2.[4]
- CapriLac® ranked No.1 imported adult goat milk powder brand on TDI and Tmall Global during 11.11.[5]

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International Expansion

- Export sales to international markets outside of China nearly tripled quarter-on-quarter, contributing 17% of Group Revenue (includes some international industrial milk powder sales).
- The first shipments of Bubs® Infant Formula and Bubs Organic® Baby Food products were exported to Malaysia during the second quarter.
- New prominent eCommerce platforms signed in the region with Bubs® products now sold on Redmart in Singapore and Lazada in Malaysia.

CASH POSITION

Bubs maintains a robust balance sheet with $40.2 million in cash reserves as at 31 December 2020. The Group's total cash on hand and unused finance facilities available as at 31 December 2020 is sufficient to fund the business operating activities for eight quarters based on FY21 Q2 net cash used in operating activities.

STRATEGIC DEVELOPMENTS

Innovation

- Vita Bubs® range of eight Children's Vitamin and Mineral Supplements were successfully launched with the national roll-out into Chemist Warehouse in October. The launch was supported by an extensive multi-media campaign endorsed by Bubs® Global Brand Ambassador, Jennifer Hawkins.
- During the quarter the entire Vita Bubs® range was also successfully exported to Hong Kong and China (CBEC) with products now sold on major eCommerce platforms, including JD.com and Kaola.com.

Enhanced manufacturing capability

A dual lane high speed single serve sachet production line was commissioned in the Deloraine facility with a state-of-the-art dedicated specialty batch blender that can produce 45,000 units per day capacity with size range of 1-50g per serving. The line is highly flexible and can service both adult formulations and the highest-grade infant formula specifications.

OUTLOOK

Bubs Executive Chairman, Dennis Lin said: "While a degree of uncertainty exists considering the continuing COVID-19 disruption, we take the significant quarter-on-quarter turnaround in sales momentum as a positive indicator for the long term.

"As Australia's largest producer of goat dairy products built on our unique vertically integrated business model and deep understanding of the specialty goat dairy supply chain, we enjoy a portfolio of highly regarded products showcasing Australian provenance. We are well placed to take advantage of a continued domestic market recovery, in which Bubs Australia is now the fastest growing manufacturer in the category. The Bubs® brand clearly resonates strongly with Australian families.

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"Importantly, we expect our total China cross border e-commerce and Corporate Daigou channel sales momentum to continue to reflect the ongoing Chinese consumer demand for our premium quality infant nutrition and adult goat dairy products.

"Global expansion remains a key focus with continued export sales momentum throughout the quarter. We anticipate revenue contribution from South East Asia will substantially increase with our recent launch in Malaysia building on existing business in Vietnam, Hong Kong, Macau and Singapore," Mr. Lin said.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 31 December 2020 is attached. The Report was lodged with the ASX on 28 January 2021.

ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined In the Appendix 4C, the Company advises it spent $13.6m on product manufacturing and operating costs, $1.1m on administration and corporate costs, $1.6m on staff costs, and $2.7m on advertising and marketing. Details of the business activities are found within this report.

Pursuant to ASX LR4.7C.3, the Company advises that payments to related parties are $272,507 to key management personnel.

FOOTNOTES

[1] IRI Scan value sales data quarter as at 20/12/2020, Coles, Woolworths and Chemist Warehouse combined.
[2] IRI Scan value sales data quarter as at 20/12/2020, Chemist Warehouse.
[3] 2020 Double 11 event official results in unit sales data from Tmall Global (CBEC) platform, 1 - 11 Nov 2020.
[4] Q2 FY21 official results in unit sales data from Tmall Global (FSS), TDI, VIP.com, Kaola and JD Global platform.
[5] Q2 FY21 official results in unit sales data CapriLac® from Tmall Global.
[6] 2020 Double 11 event official results in unit sales data from JD Global (CBEC) platform, 1 Nov to 11 Nov 2020.
[7] Q2 FY21 Kaola.com platform data.

END

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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 premium Australian infant nutrition and goat dairy products. Bubs® Goat Milk Infant Formula and Bubs Organic® Grass-fed Cow's Milk Infant Formula, along with 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 exclusive milk supply back to the farm gate. 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, South East Asia and the Middle East.

Consumer Website: **bubsaustralia.com**
Investor Centre: **investor.bubsaustralia.com**

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

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Name of entity	
BUBS AUSTRALIA LIMITED (ASX:BUB)	
ABN	**Quarter ended ("current quarter")**
63 060 094 742	**31 December 2020**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
1.	**Cash flows from operating activities**	13,307	22,696
1.1	Receipts from customers		
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(13,587)	(24,918)
	(c) advertising and marketing	(2,710)	(6,869)
	(d) leased assets	(8)	(17)
	(e) staff costs	(1,618)	(3,674)
	(f) administration and corporate costs	(1,055)	(3,020)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	43	74
1.5	Interest and other costs of finance paid	(56)	(102)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(5,684)**	**(15,830)**
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(114)	(465)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	(18)

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	4	4
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(110)**	**(479)**

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,801	32,098
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(360)	(1,605)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**3,441**	**30,493**

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	42,563	26,026
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,684)	(15,830)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(110)	(479)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,441	30,493
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**40,210**	**40,210**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	38,968	41,322
5.2	Call deposits	1,242	1,241
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**40,210**	**42,563**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	273
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Salary payments to Key Management Personnel $272,507

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7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	10,000	2,000
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	10,000	2,000

7.5	**Unused financing facilities available at quarter end**	8,000,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

NAB Trade Refinance facility 5.51% per annum secured with the maturity date 31 May 2021.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(5,684)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	40,210
8.3	Unused finance facilities available at quarter end (Item 7.5)	8,000
8.4	Total available funding (Item 8.2 + Item 8.3)	48,210
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	8

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

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Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

28 January 2021

Date: .....

The Board of Directors

Authorised by: .....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

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