



Bubs Australia Limited
ACN 060 094 742
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VIC 3175 Australia

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1Q FY22 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

REVAMPED BUSINESS STRATEGY RETURNS BUBS TO ACCELERATED GROWTH

- **Total gross revenue¹ nearly doubled at \$18.5m, up 96% over Q1 FY21 and up 45% QOQ.**
- **Revenue growth was achieved across key business segments, overcoming COVID-19 disruption and challenging macro environment:**
 - Bubs® Infant Formula gross revenue¹ increased 124% pcp across all markets, and was up 64% QOQ.
 - Adult Goat Milk Powder total gross revenue¹ increased 100% on prior year, and was up 61% QOQ.
- **Bubs Australia remains the fastest growing Infant Formula manufacturer across Domestic Grocery and Pharmacy Retailers², with Bubs® Infant Formula scan sales up 35% in the last quarter pcp.**
- **Strong rebound in China-facing business³ with revenue up 156% on prior year and up 98% QOQ:**
 - Bubs® Infant Formula Daigou sales increased 648% pcp, and were up 265% QOQ.
 - Bubs® Infant Formula Cross-Border e-Commerce sales were up 49% pcp, and up 19% QOQ.
- **International gross revenue increased 489% on prior year, and was up 35% QOQ.**
- **Global expansion strategy advances with established entities in NZ, China and USA.**
- **Positive quarterly cashflow and robust balance sheet with \$28.3 million in cash reserves.**

Melbourne, 13 October 2021: Bubs Australia (**ASX: BUB**), producer of Bubs® Australian made specialty Infant Formula and children's nutrition products, and a leading producer of Australian goat dairy products, submits the Quarterly Activities Report and Appendix 4C Cashflow Statement for the first quarter, period ended 30 September 2021.

Commenting on the quarterly report, Bubs Founder and CEO Kristy Carr said: "Bubs has largely put the disruption and challenges of COVID-19 behind us, delivering a turnaround to high growth during the quarter as we revamped our business strategy in response to the rapidly changing market dynamics.

"Importantly, there continues to be strong consumer demand for Bubs® quality nutritional products in all key markets with solid performance across our core business segments. Our turnaround growth strategy delivered gross revenue of \$18.5 million, nearly double the prior year and up 45% on the previous quarter.

"Bubs achieved market share gains and scan sales growth of 35% for Bubs® Infant Formula in Domestic Retail², remaining the fastest growing Infant Formula manufacturer in Coles, Woolworths and Chemist Warehouse.

"Similarly, our China-facing business has rebounded strongly with total gross revenues increasing by 156%³ on the same period last year and nearly double the previous quarter. Demand for Bubs® Infant Formula has surged in the Daigou Channel, up 6.5 times on prior year and up 265% quarter-on-quarter.

"This transformation reflects the collaboration with our strategic partners to execute our new integrated channel growth strategy built around Bubs® strong brand equity. We have accelerated channel confidence by both restructuring our value chain to deliver enhanced channel margins, and rebalancing channel inventory to meet stabilised demand."



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Mrs. Carr said the continuing momentum and ability to enter new markets is grounded in Bubs® robust vertically integrated supply chain and nutritional expertise in specialty dairy manufacturing.

"Our Global expansion strategy continues to advance with business entities and representation now established in New Zealand, China and North America. International gross revenue outside of China was up nearly five-fold over the same time last year, and up 35% on prior quarter.

"The first shipment of Aussie Bubs® products arrived in the USA during the quarter and Bubs is now an official Walmart vendor, with the first online sales expected to be realised in October 2021.

"Our renewed strategic focus on leveraging our specialty dairy expertise has led to the creation of Deloraine Dairy Solutions, now a meaningful revenue stream focused on industrial dairy ingredient sales, contract manufacture and end-to-end product development for global customers, thereby increasing diversification of our customer base and optimising our valuable assets to bring efficiencies across the entire business.

"Meanwhile we are pleased to report a positive cashflow quarter and a robust balance sheet with \$28.3 million in cash reserves," said Mrs Carr.

Q1 FY22 PERFORMANCE HIGHLIGHTS

The business showed high growth turnaround during the first quarter with Group Gross Revenue of \$18.5 million, up 96% on prior comparable period (pcp) and up 45% on previous fiscal quarter (QOQ).

Performance Overview by Product Category

- **Bubs® infant nutrition portfolio:** up 89% pcp, contributing 58% of quarterly gross revenue.
 - Bubs® Infant Formula gross revenue across all markets was up 124% pcp, and up 64% QOQ
- **Adult goat dairy portfolio:** up 29% pcp, contributing 25% of quarterly gross revenue
 - Adult Goat Milk Powder gross revenue across all markets was up 100% pcp, and up 61% QOQ
- **B2B Deloraine Dairy Solutions:** increased 16-fold pcp, contributing 17% of Q1 gross revenue

Performance Overview by Channel

Note: Daigou has been reclassified from Domestic to China in Q1 FY22 and prior year market segmentation to reflect Daigou and Cross-border e-Commerce channels merging into one China integrated ecosystem.

- **Domestic:** declined 13% pcp, contributing 23% of quarterly sales, predominantly due to a discontinued revenue stream of fresh milk to a B2B customer.
 - Domestic Retail sales of branded products were up 8% pcp, and Bubs® Infant Formula up 29% pcp
- **China** (Daigou, CBEC and General Trade):³ up 156% pcp, contributing 53% of quarterly gross revenue
 - Cross-border e-Commerce gross revenue increased 50% pcp and up 14% QOQ
 - Daigou gross revenue increased by 451% pcp (with 6.5x growth in infant formula) and up 209% QOQ
- **International** (excl. China): up 489% pcp, contributing 24% of quarterly sales
 - Export sales of Bubs® Infant Formula to markets outside of China were up 154% pcp



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CASH POSITION

Bubs maintains a robust balance sheet with \$28.3 million in cash reserves at 30 September 2021 (vs. Q4 FY20 \$27.9 million).

OUTLOOK

Reflecting on the turnaround experienced in the first quarter, Bubs Executive Chair Dennis Lin said: "Innovation, agility and an entrepreneurial performance-based culture remain at the forefront of Bubs approach to doing business. As a result, we have been able to pivot quickly in response to the rapidly changing market conditions brought on by COVID-19. We continue to explore opportunities to stretch the Bubs® brand to cater to new market segments, adjacent categories and consumer groups.

"In light of that, we are confident that our vision to take Bubs to a global stage is becoming a reality. We are investing in our manufacturing capabilities at our facility in Victoria and have extended the Bubs family to have local representation in New Zealand, China and North America, as we continue to diversify our business model.

"Having recovered the ground lost due to COVID-19 disruption, we expect to be able to sustain continued growth momentum, to the extent our go forward approach does not depend on a material improvement in the pandemic setting. That being said, effects of the pandemic on our sector may continue to create a degree of uncertainty on future demand," Mr Lin said.

ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$8.1m on product manufacturing and operating costs, \$1.9m on administration and corporate costs, \$1.9m on staff costs, and \$2.8m 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 \$267,585 to key management personnel.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 30 September 2021 is attached. The Report was lodged with the ASX on 13 October 2021.

This release is approved by the Board of Directors.

FOOTNOTES

¹ 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.

² IRI Scan value scan sales, Dollars (\$000's) share of total Infant Formula in Coles, Woolworths and Chemist Warehouse combined Quarter to 26.09.2021.

³ Aggregate sales Corporate Daigou, Cross Border E-commerce (inc 020) and General Trade. Daigou has been reclassified from the Domestic segment to the China segment as the products sold in Daigou channel are to end consumers within the Chinese economic environment.

END



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About Bubs Australia

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.

Bubs® 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

Name of entity
BUBS AUSTRALIA LIMITED (ASX:BUB)
ABN
63 060 094 742
Quarter ended ("current quarter")
30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	15,288	15,288
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(8,145)	(8,145)
(c) advertising and marketing	(2,790)	(2,790)
(d) leased assets	(6)	(6)
(e) staff costs	(1,908)	(1,908)
(f) administration and corporate costs	(1,917)	(1,917)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	24	24
1.5 Interest and other costs of finance paid	(56)	(56)
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	490	490

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(64)	(64)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(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	(64)	(64)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	27,883	27,883
4.2	Net cash from / (used in) operating activities (item 1.9 above)	490	490
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(64)	(64)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	28,309	28,309

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	27,065	26,639
5.2	Call deposits	1,244	1,244
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)	28,309	27,883

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

268

-

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 \$267,585.

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
10,000	2,000
-	-
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 3.59% per annum secured with the maturity date 30 September 2022.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

8.3 Unused finance facilities available at quarter end (Item 7.5)

8.4 Total available funding (Item 8.2 + Item 8.3)

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

N/A

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

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.

Date: 13 October 2021

Authorised by: The Board of Directors
(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.