



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

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info@bubsaustralia.com

Q2 FY22 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT SUSTAINED GROWTH WITH RECORD GROSS REVENUE AND POSITIVE CASHFLOW

- **Record quarterly gross revenue¹ of \$19.9m, up 56% pcp and up 8% QoQ.**
- **Record 1H group gross revenue¹ of \$38.5m, up 73% pcp and up 57% HoH.**
- **Bubs[®] Infant Formula gross revenue¹ up 83% across all markets pcp and up 13% QoQ.**
- **Strong revenue growth was achieved across key business segments;**
 - Gross revenue¹ of branded products in domestic retailers was up 9% pcp and up 17% QoQ.
 - China gross revenue² was up 121% pcp and up 21% QoQ.
 - International (ex-China) gross revenue¹ for Bubs[®] products was up 66% pcp and up 141% QoQ.
- **Bubs Australia remains the fastest growing infant formula manufacturer³ across Woolworths, Coles and Chemist Warehouse with a combined 31% scan sales increase pcp³ and a record 3.9% market share of the total infant formula category⁴.**
- **High growth momentum in the Corporate Daigou Channel, up 196% pcp and up 17% QoQ, driven by Bubs[®] Infant Formula sales up 272% pcp - with demand now exceeding pre-pandemic levels.**
- **Strong growth in China CBEC with Bubs[®] sales up 48% pcp and CapriLac[®] sales up 65% pcp.**
- **USA eCommerce sales now live on leading retail platforms; Walmart, Amazon and Thrive.**
- **Positive cashflow for 2nd consecutive quarter and robust balance sheet with \$30.6 million in cash reserves as at 31 Dec 2021, versus \$28.3 million in prior quarter (+\$2.3m).**

Melbourne, 31 January 2022: Bubs Australia (**ASX: BUB**), producer of Bubs[®] Australian made specialty infant formula, children's nutritional products and family dairy products, submits the Quarterly Activities Report and Appendix 4C Cashflow Statement for the second quarter, period ended 31 December 2021.

Bubs Founder and CEO Kristy Carr, commenting on the strong performance across the quarter, said: "Bubs has consolidated the solid gains of its COVID turnaround in the first quarter into a pattern of growth momentum across all key markets and product groups. Bubs[®] Infant Formula remains our hero product line and lead margin driver, up 83% on prior year, accounting for nearly two thirds of revenues.

"On the home front, sales revenue of branded products increased 17 percent quarter-on-quarter. Despite the subdued market, Bubs[®] Infant Formula grew in both absolute terms and in market share with scan sales growth of 31 percent in Coles, Woolworths and Chemist Warehouse³ consolidating its strong market share position to remain the fastest growing infant formula manufacturer, achieving nearly 4 percent market share of the total infant formula category⁴.

"For our China facing business, our response to the pandemic impact and decision to realign our China sales channels to execute 'Bubs Daigou 2.0' strategy has been validated. Working alongside our strategic channel partner, AZ Global, we focused on enhancing channel engagement and campaign activation, whilst maintaining stabilised pricing and balanced fresh inventory levels. This channel partnership has resulted in very strong Daigou demand for both Bubs[®] Goat and Organic Grass-fed Infant Formula products (nearly quadrupling revenues over the previous corresponding period), as well as CapriLac[®] adult milk powder (nearly doubling revenue on the previous corresponding period).

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"We continue to actively support the Corporate Daigou Channel, and are pleased to report revenues now exceed pre-pandemic levels.

"Our parallel focus on driving brand penetration on China's top-tier platforms has also delivered strong growth in the Cross-border e-Commerce (CBEC) Channel during the quarter, with Bubs® product sales up 48 percent over the previous comparable period and CapriLac® sales up 65 percent.

"Bubs® Goat Infant Formula achieved the number one share position for imported Australian goat formula brands on JD Global⁵ and Tmall TDI⁶, and number seven share position in the total category for both imported and Chinese goat and sheep formula brands on Tmall Global in 2021⁶. CapriLac® brand also experienced strong growth over the Double 11 period, ranking number one best-selling Adult Goat Milk Powder on Tmall Global⁷.

"During the quarter, we also made advances in our international business outside of China, with Bubs® products revenues up 66 percent over the same period last year. Importantly the major expansion opportunity represented by North America, a \$4.3 billion US dollar market⁸, is on track with our Aussie Bubs™ toddler formula product sales now live across three of the largest online marketplaces, including Walmart, Amazon and Thrive Market. Plans are well progressed to secure distribution into bricks and mortar retail outlets during the second half.

"We are pleased to report our second positive cashflow quarter for FY22 and a robust balance sheet with \$30.6 million in cash reserves as at 31 Dec 2021, up \$2.3 million on the prior quarter," Mrs. Carr said.

Q2 FY22 PERFORMANCE HIGHLIGHTS

The business consolidated the COVID impact turnaround during the first quarter with continuing sales growth across key markets and product groups;

- Record Quarter: Q2 gross revenue \$19.9m, up 56% pcp and up 8% QoQ.
- Record Half: 1H gross revenue \$38.5m, up 73% pcp and up 57% HoH.

Performance Overview by Product Category

- **Bubs® portfolio:** up 76% pcp and up 18% QoQ, making up 64% of quarterly gross revenue;
 - Bubs® Infant Formula gross revenue across all markets was up 83% pcp and up 13% QoQ.
- **Adult goat dairy portfolio:** down 6% pcp (reflecting a discontinued B2B revenue stream of liquid goat milk in corresponding period) and up 5% QoQ, contributing 24% of quarterly sales;
 - Adult goat milk powder gross revenue across all markets was up 9% pcp and up 2% QoQ.
- **Deloraine Dairy Solutions (B2B):** increased nearly 5-fold pcp, contributing 12% of Q2 gross revenue.

Performance Overview by Channel

- **Domestic:** declined 11% pcp (reflecting a discontinued B2B revenue stream of liquid goat milk in corresponding period) and were up 10% QoQ, contributing 23% of quarterly sales;
 - Domestic retail sales of branded products up 9% pcp and up 17% QoQ.
- **China²** more than doubled, up 121% pcp and up 21% QoQ, contributing 60% of quarterly sales;
 - Daigou gross revenue nearly tripled, up 196% pcp and up 17% QoQ.
 - Cross-border e-Commerce (CBEC) gross revenue increased 53% pcp and up 29% QoQ.

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- **International:** up 54% pcp and down 23% QoQ (due to less bulk powder and ingredient sales compared to previous quarter), contributing 17% of quarterly sales;
 - Bubs® product sales to international markets (ex-China) were up 66% pcp and up 141% QoQ.
 - Bubs® Family Nutrition new product portfolio shipped to Africa, China, Singapore and Pacific Islands.

CASH POSITION

Bubs maintains a positive cashflow and robust balance sheet with \$30.6 million in cash reserves at 31 December 2021, versus \$28.3million at 30 September 2021 (up \$2.3 million).

OUTLOOK

Reflecting on continued momentum through the second quarter, Bubs Executive Chair Dennis Lin said: "Against the backdrop of myriad challenges, the team continue to execute strategy with precision through operational excellence, and the results speak for themselves as we lead the return to growth for our category.

"Bubs has always been known to be an authentic and innovative brand, with its unique business model of working with strategic partners. As our momentum gains further pace, we will continue to look for ways to grow through market and products expansion as we aspire to become the leading global family nutrition brand from Australia," Mr. Lin said.

KEY MANAGEMENT PERSONNEL UPDATE

Richard Paine, previously Chief Manufacturing Officer, has been promoted into the role of Chief Operating Officer following the resignation of Fabrizio Jorge, who will cease employment with the Company on 17 March 2022.

Richard joined the Bubs Family in 2018, during which time he has performed various executive leadership roles and has been integral in building Bubs vertically integrated business model and driving Bubs global growth strategy. Richard has over 25 years manufacturing and management experience in the Australian dairy landscape, and broad expertise across commercial and operations management, including senior site manager positions at Bega Cheese and Murray Goulburn.

ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$14.4 million on product manufacturing and operating costs, \$3.0 million on administration and corporate costs, \$1.9 million on staff costs, and \$2.2 million 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 of \$220,318 to related parties are to key management personnel.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 31 December 2021 is attached. The Report was lodged with the ASX on 31 January 2022.

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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 Aggregate gross revenue sales Corporate Daigou, Cross Border E-commerce (inc O2O) 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.

³ IRI Scan value scan sales growth % YA. Dollars (\$000's) Moving Annual Total (MAT) 26.12.2021.

⁴ IRI Scan value scan sales, Dollars (\$000's) share of total Baby Formula, Coles, Woolworths and Chemist Warehouse combined Quarter to 26.12.2021.

⁵ JD Global Data 11.11 2021.

⁶ Tmall Double 11 (1 Nov -11 Nov 2021), "Goat Formula Top 20", published on myguancha platform, 18 November 2021. Myguancha is a leading Mum & Baby industry sector and communication platform in China.

⁷ Tmall Global Data, 11.11.2021.

⁸ Nielsen 52 week ending 12.04.2020.

This release is approved by the Board of Directors.

END

Media and Investor Inquiries

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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 and families through its range of premium Australian infant nutrition and goat dairy products, including specialty and nutritional milk powder products for the whole family. 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, Southeast Asia, the Middle East and USA.

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")
31st December 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	23,928	39,216
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(14,390)	(22,535)
(c) advertising and marketing	(2,226)	(5,016)
(d) leased assets	(4)	(10)
(e) staff costs	(1,910)	(3,818)
(f) administration and corporate costs	(2,975)	(4,892)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	22	46
1.5 Interest and other costs of finance paid	(57)	(113)
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	2,388	2,878

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(62)	(126)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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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	(62)	(126)

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	28,309	27,883
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,388	2,878
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(62)	(126)

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	30,635	30,635

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	29,391	27,065
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)	30,635	28,309

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
220
-

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 \$220,318.

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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 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

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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.

31 January 2022

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.