



## H1 FY24 RESULTS

### US NET REVENUE UP 84.6% ON H1 FY23

**26 February 2024, Melbourne:** Bubs Australia Limited (ASX:BUB) (“Bubs” or “the Company”) is pleased to announce its auditor reviewed financial results for the six months ending 31 December 2023 (**H1 FY24**).

#### Group Highlights

- H1 FY24 group statutory net revenue of \$39.4m, up 25% on prior corresponding period (pcp) (H1 FY23: \$31.5m)
- H1 FY24 group gross revenue<sup>1</sup> of \$49.2m, up 29.8% on pcp (H1 FY23: \$37.9m)
- Underlying gross margin<sup>2</sup> of 38% vs. 35% in pcp
- US FDA permanent access process remains on track with the clinical trial progressing and 160 infants enrolled as at 26 February 2024
- Deloraine factory 2<sup>nd</sup> production shift commenced 29 January 2024 to service strong demand in the USA, with Deloraine factory utilisation now at 70% (previously 31% at Jun-23)
- \$27.4 million in total cash and cash equivalents plus \$9.8m in undrawn debt facilities available as at 31 December 2023

#### Regional Highlights

- USA net revenue of \$18.2m, up 84.6% on pcp (H1 FY23: \$9.8m)
- Australia net revenue of \$11.7m, up 36.8% on pcp (H1 FY23: \$8.5m)
- China net revenue of \$7.1m, down 30.3% on pcp (H1 FY23: \$10.1m)
- Rest of World net revenue of \$2.5m, down 15.5% on pcp (H1 FY23: \$2.9m)

#### Financial Performance

Bubs reported a statutory net loss before tax of \$7.7m in H1 FY24, compared to a statutory net loss before tax of \$44.4m in H1 FY23. H1 FY24 net revenue was \$39.4m, up 25% on pcp (H1 FY23: \$31.5m). The improvement in H1 FY24 compared to pcp, was driven by rapid growth in the USA where net revenue grew 85%. USA contributed 46% of total net revenue, with total weekly scan revenue<sup>3</sup> in USA averaging US\$0.7m in Dec-23 and Jan-24.

<sup>1</sup> 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 trade spend.

<sup>2</sup> Underlying gross margin excludes gross margin on excess bulk powder sold (\$1.5m) and provision reversals on Bubs' product range (\$3.3m) Underlying gross margin is a non-IFRS measure and has not been subject to audit or review.

<sup>3</sup> Circana Weekly To 28/01/2024 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates



Similarly, there was strong demand in Australia where Bubs holds 52%<sup>4</sup> of the domestic goat IMF market, and 5.3%<sup>4</sup> of the total Australian IMF market.

Bubs achieved an underlying gross margin of 38%<sup>2</sup> vs. 35%<sup>2</sup> in the pcp driven by strong sales volumes of higher margin goat products. The improvement is also due to stronger inventory management, together with geographic and channel optimisation. Operating expenses<sup>5</sup> as a percentage of revenue reduced to 53% in H1 FY24 vs. 78% in H1 FY23, driven by effective cost discipline and providing a pathway to profitability in FY25.

Bubs Chief Executive Officer and Managing Director, Reg Weine, commented: "Momentum in our business continues to build and H1 was a very strong six months with gross revenue up 29.8% on the prior corresponding period driven by our rapid growth in the US. Bubs remains firmly on track to achieve our guidance for FY24.

"I'm pleased to confirm that our interim CFO Robin Johnston, is now a permanent member of the Bubs leadership team which complements and augments our high performing team.

"USA market expansion remains our number one priority and our capital raising in November 2023 has enabled us to commence our 2<sup>nd</sup> production shift at our Deloraine manufacturing facility and doubled our daily production volumes. This will enable us to service the increased demand in the USA where we are ranged at over 5,800 physical stores.

"Our China reset is well underway, and we expect sales in H2 to exceed H1, delivering mid-single digit revenue growth over FY23 for the full year. While the inventory overhang in China under Bubs' previous exclusive distributor continues to be heavily discounted in all channels, this inventory will be cleared by the end of FY24.

"Bubs is on track to deliver its strategic plan and guidance for the full year and remains focused on responsibly managing capital to grow and maximise shareholder value."

### **Working Capital and Cash Flow**

Management target cash burn is \$2.0m per month from Q2 FY24 for FY24<sup>6</sup>. Actual average monthly cash burn was \$2.1m for Jul-23 to Dec-23, noting this includes non-recurring costs such as FDA regulatory costs (\$2.7m), litigation costs (\$1.9m), ERP implementation costs (\$0.6m) and airfreight (\$1.3m). Excluding these non-recurring costs, normalised cash burn was \$1.0m per month.

Bubs expects to be EBITDA positive and cash flow positive in FY25.

### **Cash Position**

Bubs held \$27.4 million in cash reserves as at 31 December 2023, with an additional \$9.8m of unused headroom on its bank facilities.

### **Litigation**

Bubs is pleased to have settled the proceedings in the Federal Court of Australia with Ms Kristy-Lee Newland Carr and Mr Dennis Lin. The claim commenced by Ms Carr and Mr Lin against Bubs, Katrina Rathie, Steve Lin, Paul Jensen and Reg Weine and the cross claim commenced by Bubs against Ms Carr and Mr Dennis Lin have been (mutually) discontinued on confidential terms with no orders as to costs.

Bubs is also pleased to advise that it has agreed binding terms to resolve all outstanding matters with respect to its Chinese Joint Venture with Zhitong (Hangzhou) Health Technology Co Ltd.

<sup>4</sup> Circana MAT To 14/01/2024 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined

<sup>5</sup> Operating expenses excluding share-based payments, litigation costs, FDA costs, ERP Implementation costs and depreciation and amortisation. This is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review.

<sup>6</sup> ASX strategic announcement 6 July 2023



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This release is approved by the Board of Directors

**END**

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#### **ABOUT BUBS AUSTRALIA LIMITED (ASX: BUB)**

Founded in 2006 in Australia, Bubs' purpose is to grow happy, healthy families through clean nutrition. Bubs® A2 Beta-Casein Protein, Bubs Organic® Grass-fed, and Easy-Digest Goat Milk Infant Formula, along with Bubs Organic® baby food range, cater for all feeding occasions and stages of a child's development during their first 1,000 days of life.

Bubs® products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to ten markets across China, Southeast Asia, the Middle East, and USA.

**Consumer Website:**

**[bubsaustralia.com](http://bubsaustralia.com)**

**Investor Centre:**

**[investor.bubsaustralia.com](http://investor.bubsaustralia.com)**

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