



Bubs Australia Limited (ASX: BUB)  
ACN 060 094 742  
2-4/6 Tilley Lane, Frenchs Forest  
NSW 2086 Australia  
1800 2827 2878 (1800 BUBS AUST)  
hello@bubsaustralia.com  
investor.bubsaustralia.com

## 1H FY22 HALF YEAR RESULTS

### FIRST EBITDA PROFIT WITH RECORD REVENUES AND SIGNIFICANT MARGIN GAINS

- **Positive underlying EBITDA Profit: \$1.2 million.**
- **Record gross revenue<sup>1</sup>: \$38.5 million, up 73% prior corresponding period (pcp), up 57% on 2H21.**
- **Group revenue: \$33.6 million, up 84% pcp and up 60% on 2H21**
- **Significant improvement on Group Gross Margin<sup>2</sup>: increased to 38%**
- **Bubs<sup>®</sup> Infant Formula group gross revenue<sup>1</sup> doubled pcp.**
- **Fastest growing infant formula manufacturer in Australian retail<sup>4</sup> with 31% uplift in scan sales.**
- **Corporate Daigou gross revenue<sup>1</sup> at record high, up 276% pcp, now exceeding pre-COVID levels. Complemented by a strong growth trajectory in China CBEC gross revenue<sup>1</sup>, up 53% pcp.**
- **USA in-store penetration underway with secured ranging in Ralphs, Southern California's largest food retailer<sup>7</sup>, and listed with the three largest national food distributors; DPI, KeHE, and UNFI.**
- **Continued innovation with 16 new products launched across 3 product categories in 8 markets.**
- **Robust balance sheet with \$30.6 million in cash reserves as at 31 Dec 2021, following two consecutive quarters of positive cashflow.**

**Melbourne, 23 February 2022:** Bubs Australia (ASX: **BUB**), producer of Bubs<sup>®</sup> Australian made specialty infant formula, children's nutritional products and family dairy products, submits the Half Year Activities Report and auditor reviewed financial results for the six months ended 31 December 2021.

Bubs Founder and CEO Kristy Carr, commenting on the record financial performance, said: "Bubs is pleased to report its first half year to realise an underlying EBITDA profit. This was a product of management's uncompromising focus and ability to execute on strategic initiatives with precision, notwithstanding challenging macro-economic conditions.

"The fact we have been able to return to a growth trajectory speaks to our corporate DNA and our ability to navigate ways forward in a volatile environment. We see potential upside in Australia's borders reopening with the return of Chinese students, although continuing challenging market conditions are expected to remain for some time."

Mrs Carr said that the Company's financial turnaround was the result of a strong revenue performance across all key business segments. Importantly, Bubs<sup>®</sup> infant formula gross revenue<sup>1</sup> doubled across all channels during the period and remains the key margin driver within our portfolio.

"Reformed channel strategies put in place in the wake of the COVID-19 pandemic have driven record group gross revenue<sup>1</sup> of \$38.5 million for the half-year, resulting in a 73% uplift on the prior corresponding period and up 57% on the second half of FY21. In addition to increased scale, the Company delivered groupwide gross margin<sup>2</sup> of 38 percent, ahead of expectations for this stage of our development. This significant improvement in gross margin was gained by proactive optimisation of our product and channel mix, more effective trade spend execution, reengineering our supply chain operations to be more efficient, disciplined OPEX management, and inventory provision reversal.



Bubs Australia Limited (ASX: BUB)  
ACN 060 094 742  
2-4/6 Tilley Lane, Frenchs Forest  
NSW 2086 Australia  
1800 2827 2878 (1800 BUBS AUST)  
hello@bubsaustralia.com  
investor.bubsaustralia.com

"As a brand-led business, we have maintained a continuous innovation pipeline. During the first half, as part of our strategy to widen points of engagement with our target consumers, we have successfully launched sixteen new products across three product segments in eight markets.

"Aussie Bubs™ Goat and Grass-fed Toddler formula products were launched in North America. Bubs® Family Nutrition milk powders were exported to Singapore, China, Seychelles and Pacific Islands. And Bubs Organic® Plant Burst® refreshed baby food pouches, which are now available in Chemist Warehouse stores in Australia and New Zealand, were also exported to the Middle East, Taiwan, China and Singapore.

"It is this spirit of innovation, be it new product or new market development, that we believe underpins our capacity to accelerate growth and sustainable long-term earnings," Mrs. Carr said.

#### ***Fastest growing infant formula manufacturer in Australian retail<sup>4</sup>***

Bubs Australia continues to be the fastest growing infant formula manufacturer<sup>4</sup> across Woolworths, Coles, and Chemist Warehouse, outperforming the category which remains heavily impacted due to the disruption caused by border closures, with most infant formula brands in decline.

Bubs® Infant Formula scan sales at the checkout increased 31 percent on a moving annual total basis<sup>4</sup> with Bubs® total market share now at an all-time high of 3.9 percent<sup>5</sup>. Pleasingly this growth is supported by the rapid uplift of the organic grass-fed range, which grew 93% in domestic gross revenues<sup>1</sup> over the period, demonstrating Bubs® brand ability to stretch across multiple category segments.

#### ***Corporate Daigou Channel returns to high growth***

As Bubs continue to focus on China as its lead export market, recovery in the Daigou channel has been paramount to delivering the first half financial turnaround. International border closures triggered a radical change in Bubs approach to supplying channel partners, which led to the pivotal Daigou 2.0 strategy. This new supply model has been validated with Corporate Daigou gross revenue at a record high, increasing 276% compared to the prior period, now exceeding pre-COVID levels.

In the same way the strategic collaboration with Chemist Warehouse propelled Bubs® into the Pharmacy channel, Bubs has partnered with AZ Global to navigate complexities of the Daigou ecosystem. This alignment between Bubs® brand power and the channel's deep understanding of Chinese consumers, provides the Company with more direct identification of the target consumer groups and their product needs in real time with seamless supply chain delivery.

#### ***USA the standout opportunity internationally for online and in-store distribution***

During the reported period, Aussie Bubs™ went live on USA's two largest eCommerce retailer platforms; Walmart.com and Amazon. Aussie Bubs™ products were also launched on Thrive Market, a subscription-based e-commerce retailer offering natural and organic food products with over one million members.

Bubs has secured its first in-store ranging contract with South California's largest food retailer, Ralphs, and will roll out to its 177 supermarkets from March 2022. Ralphs is a subsidiary of Kroger, USA's largest supermarket chain, operating over 2,700 grocery outlets<sup>7</sup> nationwide. As the State with the highest number of births (c. 400,000 in 2020)<sup>6</sup> within USA, California is an important lead-in for Bubs' offline retail strategy. South California is a key demographic sub-region that underpins Bubs USA market entry, with population of c. 24 million<sup>8</sup> and a diverse range of premium and ethnic communities.



Bubs Australia Limited (ASX: BUB)  
ACN 060 094 742  
2-4/6 Tilley Lane, Frenchs Forest  
NSW 2086 Australia  
1800 2827 2878 (1800 BUBS AUST)  
hello@bubsaustralia.com  
investor.bubsaustralia.com

Bubs has also entered agreements with three of USA's largest food distributors; DPI, KeHe and UNFI, effectively allowing for supply of Aussie Bubs™ Toddler formula products to virtually any of the 63,000<sup>9</sup> grocery, natural, mass, or specialty retailers in the USA.

## 1H FY22 PERFORMANCE HIGHLIGHTS

Continuing strong sales growth across key markets and product groups into the second quarter leading to record performance for the first half, consolidating the turnaround evidenced in the first quarter.

Key outcomes include:

- Positive underlying EBITDA Profit: \$1.2 million
- Record group gross revenue<sup>1</sup>: \$38.5 million, up 73% pcp and up 57% on 2H21
- Group revenue: \$33.6 million, up 84% pcp and up 60% on 2H21
- Group gross margin<sup>2</sup> increased to 38%
  - Goat Infant Formula Product Margin<sup>3</sup> increased to 38% (vs. 34% in FY21)
  - Product margin<sup>3</sup> of all branded products increased to 30% (vs. 21% in FY21)

## Performance Overview by Product Category (Gross revenue<sup>1</sup>)

- **Bubs portfolio:** up 81% pcp, and up 65% on 2H21, contributing 62% of 1H gross revenue<sup>1</sup>
  - Bubs Infant Formula gross revenue<sup>1</sup> doubled, up 100% pcp, and up 70% on 2H21
- **Adult goat dairy portfolio:** up 8% pcp, and up 42% on 2H21, contributing 24% of 1H gross revenue<sup>1</sup>
  - Adult goat powder revenue was up 41% pcp, and up 44% on 2H21
- **B2B Deloraine Dairy Solutions:** up 834% pcp, and up 49% on 2H21, contributing 14% 1H gross revenue<sup>1</sup>

## Performance Overview by Channel (Gross revenue<sup>1</sup>)

- **Domestic:** down 12% pcp (driven by a discontinued revenue stream of raw milk in corresponding period), and up 19% on 2H21, contributing 23% of 1H gross revenue<sup>1</sup>
  - Gross revenue from branded products in Australian retail increased 8% pcp, and were up 26% on 2H21
- **China:** up 137% pcp, and up 88% on 2H21, contributing 56% of 1H gross revenue<sup>1</sup>
  - Corporate Daigou Channel: up 276% pcp and up 173% on 2H21
  - CBEC Channel: up 53% pcp and up 18% on 2H21
- **International:** up 164% pcp, and up 42% on 2H21, contributing 21% of 1H gross revenue<sup>1</sup>

## BALANCE SHEET / CAPITAL STRENGTH

Following two quarters of positive cashflow, Bubs maintains a robust balance sheet with \$30.6 million in cash reserves at 31 December 2021.



Bubs Australia Limited (ASX: BUB)  
ACN 060 094 742  
2-4/6 Tilley Lane, Frenchs Forest  
NSW 2086 Australia  
1800 2827 2878 (1800 BUBS AUST)  
hello@bubsaustralia.com  
investor.bubsaustralia.com

## OUTLOOK

Reflecting on progress in the half-year, Bubs Executive Chair Dennis Lin said: "As we go into the second half it's important to understand that successfully executing key strategic initiatives, such as Bubs Daigou 2.0 channel strategy into China and building a solid bridgehead into USA, while continuing to develop new products at pace, see us growth-focused and finding ways to innovate and thrive in an otherwise volatile environment through actionable outcomes.

"Meanwhile, we have also achieved our planned operational objectives with regard to our COVID response plan, including stabilising pricing to improve the channel value chain and rebalancing channel inventory with fresh dated product ahead of time.

"In light of the progress made, management expects 2H22 to deliver modest Half on Half growth in Revenue, and underlying EBITDA (excluding non-cash equity compensation expenses, ie. share based payments) with revenue realisation from earlier new business development coming through in Q4 and after taking into account the seasonally quieter Q3.

"While our forward plans aren't contingent on COVID dislocations resolving quickly, we continue to exercise caution as pandemic related effects and macro-economic uncertainties remain that could result in transitory variability," Mr. Lin said.

## Reconciliation of loss before tax to the underlying EBITDA

	1HFY22	1HFY21
	\$	\$
Loss before tax	(572,592)	(17,072,174)
Interest income	65,256	73,255
Finance cost	(482,240)	(882,604)
<b>EBIT Loss</b>	<b>(155,608)</b>	<b>(16,262,825)</b>
Depreciation and amortisation	(1,309,759)	(1,862,181)
<b>Underlying EBITDA Profit / (Loss)</b>	<b>1,154,151</b>	<b>(14,400,644)</b>

## FOOTNOTES

<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 rebates and marketing contribution.

<sup>2</sup> Gross margin is calculated as (Revenue – Cost of Sales) / Revenue.

<sup>3</sup> Product margin is calculated as (Revenue – Production Costs) / Revenue.

<sup>4</sup> IRI Scan value scan sales growth % YA. Dollars (\$000's) Moving Annual Total (MAT) 26.12.2021.

<sup>5</sup> IRI Scan value sales, Dollars (\$000's) share of total Baby Formula, Coles, Woolworths and Chemist Warehouse combined Quarter to 26.12.2021

<sup>6</sup> CDC, National Centre for Health Statistics, Births: Final Data for 2020

<sup>7</sup> KROGER Fact Book 2020 + thekrogercompany.com company website, and Statistica "Leading Supermarkets in the US 2020, based on retail sales.

<sup>8</sup> United States Census Bureau, Quick Facts California 2021.

<sup>9</sup> IBIS World Industry Statistics Supermarkets & Grocery Stores in USA, 2002-2027

This release is approved by the Board of Directors.



Bubs Australia Limited (ASX: BUB)  
ACN 060 094 742  
2-4/6 Tilley Lane, Frenchs Forest  
NSW 2086 Australia  
1800 2827 2878 (1800 BUBS AUST)  
hello@bubsaustralia.com  
investor.bubsaustralia.com

### **Media and Investor Inquiries**

Deanne Curry  
Ph. +61 2 8353 0401  
investors@bubsaustralia.com  
media@bubsaustralia.com

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

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

## Appendix 4D

### Half year report

*Name of entity*

Bubs Australia Limited
------------------------

ABN	Half yearly (tick)	Preliminary final (tick)
63 060 094 742	✓	

The information disclosed in the Appendix 4D should be read in conjunction with the most recent annual financial report

#### 1. Details of reporting period

Current reporting period	31 December 2021
Previous corresponding period	31 December 2020

#### 2. Results for announcement to the market

					31 December 2020		31 December 2021
2.1	Total Revenue	Up	84%	from	\$18,286,003	to	\$33,627,180
2.2	Loss after income tax benefit	Down	95%	from	(\$12,896,529)	to	(\$601,925)
2.3	Loss after income tax benefit attributable to the members of Bubs Australia Limited	Down	95%	from	(\$12,896,529)	to	(\$601,925)

2.4	Dividends (distributions)	Amount per security	Franked amount per security
Current period:			
Interim dividend for the half year ended 31 December 2021		-	-
Final dividend for the year ended 30 June 2021		-	-
Previous corresponding period:			
Interim dividend for the half year ended 31 December 2020		-	-
Final dividend for the year ended 30 June 2020		-	-
2.5	Record date for determining entitlements to the dividend:	Refer section 5.0	

2.6	Brief explanation of any of the figures reported above and commentary on the results for the period: Refer to the directors' report – Operating and financial review on page 4 of the Interim Report for the half year ended 31 December 2021.
-----	---

### **3. Net tangible assets per security**

	30 June 2021 Cents	31 Dec 2021 cents
Net tangible asset backing per ordinary security	7.47	7.53

### **4. Control gained or lost over entities during the period**

No control gained or lost during the period

### **5. Details of dividends / distributions**

#### *Current period*

No interim dividend was declared for the half year ended 31 December 2021.

For the year ended 30 June 2021, no final dividend was declared.

#### *Previous corresponding period*

No interim dividend was declared for the half year ended 31 December 2020.

For the year ended 30 June 2020, no final dividend was declared.

### **6. Details of dividend / distribution reinvestment plan**

#### *Current period*

No interim dividend was declared for the half year ended 31 December 2021.

For the year ended 30 June 2021, no final dividend was declared.

#### *Previous corresponding period*

No interim dividend was declared for the half year ended 31 December 2020.

For the year ended 30 June 2020, no final dividend was declared.

### **7. Details of associates and joint venture entities**

As at 31 December 2021, the Company has the following associate entity:

- 49% of the issued shares in Bubs Brand Management Shanghai Co. Ltd
- 20% of the issued shares in Capela Dairy Nutrition Co. Pty Ltd

## **8. Accounting standards used by foreign entities**

International Financial Reporting Standards.

## **9. Qualification of audit / review**

- |   |   |
|---|---|
| <input type="checkbox"/> The accounts have been audited.  | <input checked="" type="checkbox"/> The accounts have been subject to review. |
| <input type="checkbox"/> The accounts are in the process of being audited or subject to review. | <input type="checkbox"/> The accounts have not yet been audited or reviewed.  |

## **10. Attachments**

Details of attachments (if any):

The interim report of Bubs Australia Limited for the half year ended 31 December 2021 is attached.

## **11. Signed**



Dennis Lin  
Executive Chairman

23 February 2022





bübs

# Interim Report

31 December 2021

**Bubs Australia Limited and  
Controlled Entities**

ACN 060 094 742

## Contents

Corporate Directory.....	3
Directors Report.....	4
Independent Auditor’s Review Report .....	7
Auditor’s Independence Declaration .....	9
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	10
Interim Consolidated Statement of Financial Position .....	11
Interim Consolidated Statement of Changes in Equity.....	13
Interim Consolidated Statement of Cash Flows.....	15
Notes to the Interim Consolidated Financial Statements.....	16
Director’s Declaration .....	23

# **Bubs Australia Limited and Controlled Entities**

## **Corporate Directory**

### **31 December 2021**

#### **Current Directors**

Dennis Lin  
Kristy-Lee Newland Carr  
Katrina Rathie  
Steve Lin

*Executive Chairman*  
*Executive Director*  
*Non-executive Director*  
*Non-executive Director*

#### **Company Secretary**

Jay Stephenson

#### **Registered Office and Domicile**

Bubs Australia Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:  
23-29 Nina Link Dandenong South  
Melbourne VIC 3175

#### **Share Registry**

Computershare Investor Services Pty Limited  
Level 2  
Reserve Bank Building  
45 St George's Terrace  
Perth WA 6000

#### **Auditors**

Deloitte Touche Tohmatsu  
477 Collins Street  
Melbourne VIC 3000

#### **Australian Stock Exchange**

ASX Code: BUB

# Bubs Australia Limited and Controlled Entities

## Directors report

31 December 2021

### Directors

The names of the directors of Bubs Australia Limited and the entities it controlled ('the Group') in office during the half-year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Dennis Lin  
Kristy-Lee Newland Carr  
Katrina Rathie  
Steve Lin

### Operating and financial review

#### *Financial performance and operating expenses management*

The Group achieved gross revenue<sup>1</sup> of \$38.5 million (73% up on 1HFY21) and revenue \$33.6 million (84% up on 1HFY21). Gross revenue<sup>1</sup> of Bubs Infant Formula increased 100% compared to 1HFY21 with revenue of Bubs Infant Formula increasing 117%.

Despite the subdued domestic market, Bubs Infant Formula grew in market share with scan sales growth of 31 percent<sup>2</sup> in Coles, Woolworths and Chemist Warehouse during the period consolidating its strong market share position to remain the fastest growing infant formula manufacturer, achieving 3.9 percent<sup>3</sup> market share of the total infant formula category.

Corporate Daigou channel has delivered a turnaround to high growth momentum. 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. These two channels have contributed 58% of revenue to the Group with an increase of 128% compared to 1HFY21.

The Group's global expansion strategy continues to advance in international markets outside of China with major expansion opportunities developing in North America. In addition, the creation of Deloraine Dairy Solutions, a revenue stream focused on industrial dairy ingredient sales, contract manufacture and end to end product development for global customers also contributed to the significant revenue growth in 1HFY22.

Group gross margin increased to 38%. This was primarily driven by optimising product mix and channel mix, revising trade spend strategy, improved supply chain efficiency and inventory provision reversal. Bubs Goat Infant Formula product margin was 38%<sup>4</sup> at 1HFY22 compared to 34% in FY21. The Group's product margin for branded products was 30%<sup>4</sup>.

Distribution costs to gross revenue<sup>1</sup> ratio decreased from 5% to 3%. Employee costs<sup>5</sup> increased 26% to support our organisational capability to sustain the long-term growth. Administrative and other

---

<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 rebates and marketing contribution.

<sup>2</sup> IRI Scan value scan sales growth % YA. Dollars (\$000's) Moving Annual Total (MAT) 26.12.2021

<sup>3</sup> IRI Scan value scan sales, Dollars (\$000's) share of total Baby Formula, Coles, Woolworths and Chemist Warehouse combined Quarter to 26.12.2021.

<sup>4</sup> Product margin is calculated as (revenue – production costs) / revenue.

<sup>5</sup> Employee costs exclude share based payments.

<sup>6</sup> Administrative and other costs do not include depreciation and amortisation.

**Bubs Australia Limited and Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 31 December 2021**

costs<sup>6</sup> decreased 17% mainly due to the bad debt recovery which is offset by a one-off cost to terminate a milk supply agreement in response to COVID disruption and the strategy to re-balance the milk supply and demand.

The brand marketing investment increased 4% compared to 1HFY21. We continue to make significant and essential investment in brand marketing with a focus on building brand awareness, new customer acquisition and channel capacity in China, USA and other Southeast Asian markets.

On a statutory basis, loss after tax was \$0.6 million (1HFY21: \$12.9 million). Underlying EBITDA was \$1.2 million (1HFY21: \$14.4 million loss). The reconciliation of loss before tax to the underlying EBITDA for 1HFY22 compared to 1HFY21 is set out in the table below.

	1HFY22	1HFY21
	\$	\$
Loss before tax	(572,592)	(17,072,174)
Interest income	65,256	73,255
Finance cost	(482,240)	(882,604)
<b>EBIT Loss</b>	<b>(155,608)</b>	<b>(16,262,825)</b>
Depreciation and amortisation	(1,309,759)	(1,862,181)
<b>Underlying EBITDA Profit / (Loss)</b>	<b>1,154,151</b>	<b>(14,400,644)</b>

The Group continues to maintain a strong balance sheet position with \$30.6 million cash and cash equivalents at 31 December 2021 (30 June 2021: \$27.9 million) and minimal external debt at balance date. Since 30 June 2021, the Group's inventory position has improved and returned to our targeted position to support the growth of the business.

The directors are confident of the Group's ability to continue as a going concern and meet its debts and future commitments as and when they fall due and payable.

#### Subsequent events

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or could significantly affect the reported results from operations or financial position for the period then ended.

#### Rounding

The financial report is presented in Australian dollars and all values in this report and the interim finance report are to the nearest dollar.

#### Auditor's independence declaration

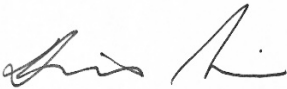
A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 9 and forms part of this report.



**Bubs Australia Limited and Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 31 December 2021**

This report is made in accordance with a resolution of the directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Dennis Lin', is written over a light grey rectangular background.

Dennis Lin  
Executive Chairman

Sydney

Dated: 23 February 2022

## **Independent Auditor's Report to the members of Bubs Australia Limited**

### **Report on the Interim Financial Report**

#### *Conclusion*

We have reviewed the interim financial report of Bubs Australia Limited (the "Company") and its subsidiaries (the "Group"), which comprises the interim consolidated statement of financial position as at 31 December 2021, and the interim consolidated statement of profit or loss and other comprehensive income, the interim consolidated statement of cash flows and the interim consolidated statement of changes in equity for the interim period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 23.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the interim period ended on that date; and
- Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

#### *Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Interim Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

#### *Directors' Responsibilities for the Interim Financial Report*

The directors of the Company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.


#### *Auditor's Responsibilities for the Review of the Interim Financial Report*

Our responsibility is to express a conclusion on the interim financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the interim period ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



DELOITTE TOUCHE TOHMATSU



Lian (Andrew) Sun  
Partner  
Chartered Accountants

Melbourne, 23 February 2022



23 February 2022

The Board of Directors  
Bubs Australia Limited  
23-29 Nina Link  
Dandenong South, VIC 3175

Dear Board Members

### **Auditor's Independence Declaration to Bubs Australia Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bubs Australia Limited.


As lead audit partner for the review of the half year financial report of Bubs Australia Limited for the half year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- Any applicable code of professional conduct in relation to the review.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Lian (Andrew) Sun  
Partner  
Chartered Accountant

**Bubs Australia Limited and Controlled Entities**  
**Interim Consolidated Statement of Profit or Loss and Other Comprehensive**  
**Income**  
**For the six months ended 31 December 2021**

	Note	31/12/2021 \$	31/12/2020 \$
Revenue	3	33,627,180	18,286,003
Cost of sales	5	(20,900,653)	(19,801,631)
Gross profit / (loss)		12,726,527	(1,515,628)
Other Income		329,877	92,910
Share of net profits of associate accounted for using the equity method		87,679	(57,573)
Distribution and selling costs		(1,338,081)	(1,137,822)
Marketing and promotion costs		(3,978,843)	(3,820,569)
Administrative and other costs	5	(7,952,467)	(9,769,678)
Other expenses	5	(30,300)	(54,465)
Interest income		65,256	73,255
Finance cost	5	(482,240)	(882,604)
<b>Loss before tax</b>		<b>(572,592)</b>	<b>(17,072,174)</b>
Income tax (expense) / benefit		(29,333)	4,175,645
<b>Loss for the year after tax</b>		<b>(601,925)</b>	<b>(12,896,529)</b>
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax)			
Exchange difference on translation of foreign operations		(100,304)	(28,133)
<b>Other comprehensive income, net of tax</b>		<b>(100,304)</b>	<b>(28,133)</b>
<b>Total comprehensive loss for the year</b>		<b>(702,229)</b>	<b>(12,924,662)</b>
<b>Loss per share</b>			
Basic (loss) per share (dollars)	6	(0.00)	(0.02)
Diluted (loss) per share (dollars)	6	(0.00)	(0.02)

The accompanying notes form part of these financial statements.

**Bubs Australia Limited and Controlled Entities**  
**Interim Consolidated Statement of Financial Position**

	Note	31/12/2021 \$	30/06/2021 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		30,630,197	27,883,202
Trade and other receivables	7	9,181,986	8,643,277
Other assets		2,487,596	686,435
GST receivable		272,845	417,036
Inventories	8	20,152,656	20,546,605
<b>Total Current Assets</b>		<b>62,725,280</b>	<b>58,176,555</b>
<b>Non-Current Assets</b>			
Other assets		394,213	391,545
GST receivable		-	267,691
Plant and equipment		4,072,784	4,146,761
Right of use assets		1,416,405	1,622,575
Intangible assets	10	40,147,471	41,267,323
Investment in associates		133,366	45,883
<b>Total Non-Current Assets</b>		<b>46,164,239</b>	<b>47,741,778</b>
<b>Total Assets</b>		<b>108,889,519</b>	<b>105,918,333</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		12,261,263	8,010,503
Contract liabilities		3,069	28,297
Income tax payable		29,333	-
Lease liabilities		407,884	426,667
Borrowings		2,000,000	2,000,000
Provisions		1,048,963	1,326,911
Share based payment liability		272,845	417,036
Deferred consideration payables	9	4,815,273	4,510,181
<b>Total Current Liabilities</b>		<b>20,838,630</b>	<b>16,719,595</b>
<b>Non-Current Liabilities</b>			
Lease liabilities		1,532,168	1,738,076
Provisions		201,159	173,180
Share based payment liability		-	267,691
<b>Total Non-Current Liabilities</b>		<b>1,733,327</b>	<b>2,178,947</b>
<b>Total Liabilities</b>		<b>22,571,957</b>	<b>18,898,542</b>
<b>Net Assets</b>		<b>86,317,562</b>	<b>87,019,791</b>

The accompanying notes form part of these financial statements.

**Bubs Australia Limited and Controlled Entities**  
**Interim Consolidated Statement of Financial Position**

	Note	31/12/2021 \$	30/06/2021 \$
<b>Equity</b>			
Issued capital	11	274,851,116	274,851,116
Share based payments reserve	12	2,988,548	2,988,548
Foreign currency translation reserve		(122,718)	(22,414)
Accumulated losses		(191,399,384)	(190,797,459)
<b>Total Equity</b>		<b>86,317,562</b>	<b>87,019,791</b>

The accompanying notes form part of these financial statements.

**Bubs Australia Limited and Controlled Entities**  
**Interim Consolidated Statement of Changes in Equity**

For the six month ended 31 December 2021	Issued Capital	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Loss	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2021	274,851,116	2,988,548	(22,414)	(190,797,459)	87,019,791
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(601,925)	(601,925)
Other comprehensive loss	-	-	(100,304)	-	(100,304)
<b>Total comprehensive loss</b>	-	-	(100,304)	(601,925)	(702,229)
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	-	-	-	-	-
<b>Balance at 31 December 2021</b>	<b>274,851,116</b>	<b>2,988,548</b>	<b>(122,718)</b>	<b>(191,399,384)</b>	<b>86,317,562</b>

The accompanying notes form part of these financial statements.

**Bubs Australia Limited and Controlled Entities**  
**Interim Consolidated Statement of Changes in Equity**

<b>For the six month ended 31 December 2020</b>	<b>Issued Capital</b>	<b>Share Based Payments Reserve</b>	<b>Foreign Currency Translation Reserve</b>	<b>Accumulated Loss</b>	<b>Total equity</b>
	\$	\$	\$	\$	\$
Balance at 1 July 2020	236,965,360	11,005,047	(12,210)	(116,059,539)	131,898,658
<b>Comprehensive income</b>					
Loss for the period	-	-	-	(12,896,529)	(12,896,529)
Other comprehensive loss	-	-	(28,133)	-	(28,133)
<b>Total comprehensive loss</b>	<b>-</b>	<b>-</b>	<b>(28,133)</b>	<b>(12,896,529)</b>	<b>(12,924,662)</b>
<b>Transactions with owners in their capacity as owners:</b>					
Issue of shares	38,907,402	-	-	-	38,907,402
Capital raising costs, net of tax	(1,021,646)	-	-	-	(1,021,646)
Share based payment expense	-	1,437,631	-	-	1,437,631
Share based payment expense – Corporate transaction	-	(6,808,501)	-	-	(6,808,501)
<b>Balance at 31 December 2020</b>	<b>274,851,116</b>	<b>5,634,177</b>	<b>(40,343)</b>	<b>(128,956,068)</b>	<b>151,488,882</b>

The accompanying notes form part of these financial statements.

**Bubs Australia Limited and Controlled Entities**  
**Interim Consolidated Statement of Cash Flows**  
**For the six months ended 31 December**

	<b>31/12/2021</b>	<b>31/12/2020</b>
	\$	\$
<b>Cash flows from operating activities</b>		
Receipts from customers	38,955,791	22,566,286
Payments to suppliers and employees	(35,690,072)	(38,277,898)
Interest received	72,019	73,225
Interest paid	(179,632)	(118,883)
<b>Net cash provided by/(used in) operating activities</b>	<b>3,158,106</b>	<b>(15,757,270)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(131,005)	(428,551)
Proceeds from disposal of property, plant and equipment	-	3,490
<b>Net cash used in investing activities</b>	<b>(131,005)</b>	<b>(425,061)</b>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	32,098,901
Capital raising costs	-	(1,459,495)
Repayment of lease liabilities	(280,106)	(272,740)
<b>Net cash from / (used in) financing activities</b>	<b>(280,106)</b>	<b>30,366,666</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,746,995</b>	<b>14,184,335</b>
Cash and cash equivalents at the beginning of the financial year	27,883,202	26,025,575
<b>Total cash and cash equivalents at the end of the period</b>	<b>30,630,197</b>	<b>40,209,910</b>

The accompanying notes form part of these financial statements.

# **Bubs Australia Limited and Controlled Entities**

## **Notes to the Interim Consolidated Financial Statements**

### **For the six months ended 31 December 2021**

#### **1. Corporate information**

The interim consolidated financial statements of Bubs Australia Limited and the entities it controlled (“the Group”) for the six month ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 23 February 2022. The interim consolidated financial statements are presented in Australian dollars, which is Bubs Australia Limited’s functional and presentational currency.

The Group is a for-profit entity that is a listed public company limited by shares, incorporated and domiciled in Australia. A description of the nature of the Group’s operations and its principal activities is included in the directors’ report, which is not part of the financial report.

#### **2. Basis of preparation and changes to the Group’s accounting policies**

##### **2.1 Basis of preparation**

The interim consolidated financial statements for the six months ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard *AASB 134: Interim Financial Reporting* and the *Corporations Act 2001*.

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual consolidated financial statements as at 30 June 2021 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements arising under the Australian Securities Exchange listing rules and the *Corporations Act 2001*.

##### **2.2 New, revised or amending Accounting Standards and Interpretations adopted**

Several amendments and interpretations applied for the first time in the 2022 financial period. These new amendments and interpretations do not have a material impact on the consolidated financial statements of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.



**Bubs Australia Limited and Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 31 December 2021**

**3. Revenue from contracts with customers**

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Type of goods and services	Half year ended	
	31/12/2021	31/12/2020
	\$	\$
Sale of Infant Formula	18,417,112	8,504,507
Sale of Nutritional Products	950,626	1,016,917
Sale of Adult Goat Dairy Products	8,750,163	8,174,648
Sale of Raw Materials	5,300,471	26,732
Canning services	208,808	563,199
<b>Total revenue from contracts with customers</b>	<b>33,627,180</b>	<b>18,286,003</b>

**4. Segment information**

The Group had identified a single operating segment being the sale of nutritional food, fresh products, adult powder and providing canning services of nutritional dairy products. Accordingly, the financial information presented in the interim consolidated statement of profit or loss and other comprehensive income and interim consolidated statement of financial position was the same as that presented to the chief operating decision makers.

**Geographic information**

	Half year ended	
	31/12/2021	31/12/2020
	\$	\$
Australia	6,264,560	6,820,901
China	19,488,260	8,561,199
Other International	7,874,360	2,903,903
<b>Total</b>	<b>33,627,180</b>	<b>18,286,003</b>

The revenue information above is based on the locations of the end customers. Daigou has been reclassified from the Australia segment to the China segment as the products sold in Daigou channel are to end consumers within the Chinese economic environment.

The Group had two external customers who generated greater than 10 percent of the Group's revenue. For the period ended 31 December 2021, the revenue for these customers were \$17,878,463 (2020: \$5,758,597) respectively.

**Bubs Australia Limited and Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 31 December 2021**

**5. Expenses**

	Half year ended	
	31/12/2021	31/12/2020
	\$	\$
<b>Cost of sales</b>		
Production costs	25,435,512	16,682,116
Inventory provision / (reversal)	(4,534,859)	3,119,515
<b>Total</b>	<b>20,900,653</b>	<b>19,801,631</b>
<b>Included in administrative and other expenses are the following:</b>		
Listing and registry fees	173,425	249,934
Accountancy and legal fees	608,799	496,937
Insurance	317,802	336,143
Travel costs	113,497	98,946
Consultancy fee	479,903	105,000
Occupancy costs	102,739	66,391
Credit losses / (reversal)	(452,345)	1,171,637
Depreciation and amortisation	1,309,759	1,862,181
<b>Employee costs</b>		
Wages and salaries	3,406,865	2,710,366
Superannuation	339,995	251,849
Share based payments	-	1,437,631
<b>Total</b>	<b>3,746,860</b>	<b>4,399,846</b>

**Bubs Australia Limited and Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 31 December 2021**

	Half year ended	
	31/12/2021	31/12/2020
	\$	\$
<b>Other expenses</b>		
Corporate transaction accounting and legal expense	30,300	54,465
<b>Total</b>	<b>30,300</b>	<b>54,465</b>
<b>Finance costs</b>		
Interest expense	121,732	150,349
Interest expense on lease liabilities	55,416	65,759
Unwinding of deferred consideration payable	305,092	666,496
<b>Total</b>	<b>482,240</b>	<b>882,604</b>

**6. Loss per share (LPS)**

	Half year ended	
	31/12/2021	31/12/2020
	\$	\$
Loss attributable to the Group used in calculating basic and diluted EPS	(601,925)	(12,896,529)
Weighted average number of ordinary shares for basic EPS	612,775,580	594,579,342
Basic LPS (dollars)	(0.00)	(0.02)
Diluted LPS (dollars)*	(0.00)	(0.02)

\* The Group has granted 11,941,620 options to employees that could potentially dilute basic earnings per share in the future, but were not included in the calculation above because they are anti-dilutive for the period(s) presented.

**7. Trade and other receivables**

	31/12/2021	30/06/2021
	\$	\$
Trade debtors	8,796,050	8,410,194
Allowance for credit losses	(259,260)	(717,691)
Other receivables	327,841	296,213
Receivable from associates	317,355	654,561
	<b>9,181,986</b>	<b>8,643,277</b>

**Bubs Australia Limited and Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 31 December 2021**

**8. Inventories**

	31/12/2021	30/06/2021
	\$	\$
Raw materials	13,857,442	14,278,684
Finished goods	6,295,214	6,267,920
	<u>20,152,656</u>	<u>20,546,604</u>

*Significant estimates made*

Estimation of net realisable value includes assessment of expected future turnover of inventory held for sale and the expected future selling price of such inventory. Management assessed the recoverability of inventories based on the estimated ongoing impact from COVID on distribution channels and estimated end consumer demand in 2H FY22. Changes in trading and economic conditions, and changes in country specific regulations, may impact these estimations in future periods. Management will continue to monitor the inventory level and minimum life on receipt for finished goods in conjunction with the sales forecasts. In addition, the raw material usage will be monitored on a regular basis, together with the production plan, in estimating the net realisable value of inventories in accordance with the company's policy.

**9. Fair value measurement**

A reconciliation of fair value measurement of the deferred consideration payable is provided below:

Balance at 30 June 2021	\$4,510,181
Unwinding of the deferred consideration payable recognised in profit or loss in the current period	<u>\$305,092</u>
Balance at 31 December 2021	<u>\$4,815,273</u>

**10. Goodwill and intangible assets**

In accordance with the accounting standard *AASB 136 Impairment of Assets*, the Group has conducted a review of indicators of impairment during the half year for each of the cash generating units (CGUs) to which goodwill and intangible assets have been allocated.

Each CGU performance for the half year was ahead of forecast previously assumed in the impairment model at 30 June 2021 and no other indicators presented as at 31 December 2021. As a result, no impairment indicators noted for all 3 CGUs at 31 December 2021.

**Bubs Australia Limited and Controlled Entities**  
**Notes to the Interim Consolidated Financial Statements**  
**For the six months ended 31 December 2021**

**11. Share capital**

	31/12/2021		30/06/2021	
	Shares	\$	Shares	\$
<b>Movement in share capital</b>				
Balance at the beginning of the year	612,775,580	274,851,116	560,295,334	236,965,360
Share based payment expense – Corporate transaction	-	-	12,356,627	6,808,501
Exercise of options	-	-	-	-
Placement of shares	-	-	35,371,844	28,297,475
Share purchase plan	-	-	4,751,775	3,801,426
Share issue transactions costs (net of tax)	-	-	-	(1,021,646)
<b>Balance at the end of the period</b>	<b>612,775,580</b>	<b>274,851,116</b>	<b>612,775,580</b>	<b>274,851,116</b>

Fully paid ordinary shares carry one vote per share and carry right to dividends. Fully paid ordinary shares have no par value.

**12. Share based payments reserve**

The equity settled payments reserve is used to record the value of share-based payments. The movement in the share based payments reserve is as follows:

	31/12/2021	30/06/2021
	\$	\$
Balance at the beginning of the year	2,988,548	11,005,047
Share based payment	-	(1,207,998)
Share based payment – Corporate transaction	-	(6,808,501)
<b>Balance at the end of the period</b>	<b>2,988,548</b>	<b>2,988,548</b>

Share based payment – Corporate transaction represents the value of shares that the Group has issued to Chemist Warehouse Retail Group during the period. The value of the shares was transferred to the issued capital with a reduction in the share based payments reserve.

Subject to the future satisfaction of sales performance targets by Chemist Warehouse relating to the actual sales of Bubs products in Chemist Warehouse stores for the years ending 30 June 2022, the remaining 12,365,627 fully paid ordinary shares will be issued.

## **Bubs Australia Limited and Controlled Entities**

### **Notes to the Interim Consolidated Financial Statements**

#### **For the six months ended 31 December 2021**

As part of the Chemist Warehouse transaction the Group engaged in FY19, the Group is required to pay cash for the GST component relating to the shares to be issued to Chemist Warehouse subject to the future satisfaction of sales performance targets. This has been presented as a share based payment liability. This amount is expected to be fully recoverable and a corresponding GST receivable has been recorded.

#### **13. Contingent liabilities**

In relation to the legal matter with Central Dairy Goats Limited ('CDG') disclosed in the Group's annual report at 30 June 2021, the Group has resolved the dispute without admission of liability in November 2021. As a result, the milk supply agreement with CDG has been terminated.

#### **14. Subsequent events**

No matter or circumstance has arisen since 31 December 2021 that has significantly affected, or could significantly affect the reported results from operations or financial position for the period then ended.

**Bubs Australia Limited and Controlled Entities**  
**Director's Declaration**  
**31 December 2021**

In the opinion of the Directors of Bubs Australia Limited (the 'Company'):

- a) The financial statements and notes that are set out on page 10 to 22 are in accordance with the *Corporations Act 2001*, including:
  - i. Giving a true and fair view of the financial position as at 31 December 2021 and its performance for the half year ended on that date; and
  - ii. Complying with Accounting Standard *AASB 134: Interim Financial reporting* and the *Corporations Regulations 2001*.
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Dennis Lin  
*Executive Chairman*

23 February 2022





bübs®

Growing Generation Joy