



Bubs Australia Limited (ASX: BUB)
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Q3 FY22 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

BUBS CONTINUES HIGH GROWTH AGENDA WITH THREE CONSECUTIVE QUARTERS OF STRONG PCP GROWTH

- Q3 gross revenue of \$17.6m was up 49% pcp, the third consecutive quarter of growth on prior year.
- Positive growth momentum pcp across all key business pillars: Domestic, China, and International.
- Domestic Retail Infant Formula sales more than doubled, up 108% on previous corresponding period (pcp).
- Bubs® record market share at 4.2% of the total Infant Formula category, with 40% scan sales growth.¹
- Bubs® is now the No.1 Goat Infant Formula brand with 42.1% of the total Domestic Goat segment.¹
- Bubs Organic® accelerated market share gains with significant growth rate of 61.4% on prior year.¹
- Total China (Daigou + CBEC) sales were up 8% on previous corresponding period.
- International gross revenue was up 153% pcp, with International sales of Bubs® products up 63% pcp.
- USA retail footprint expands with ranging in 254 Smart & Final stores and 130 Buy Buy Baby stores.
- Entered strategic equity-linked alliance with lead Daigou distributor, Willis Trading; conditional on product purchase milestones of at least \$50M in FY22 and \$80M to \$120M in FY23.
- Launched Bubs Supreme® A2 beta-casein protein Infant Formula with 'super premium' formulation, with national Coles ranging from May and opening Purchase Order from Willis Trading valued at \$32.9M.

Melbourne, 26 April 2022: Bubs Australia (ASX: BUB), producer of Bubs® Australian made specialty infant formula, children's clean nutritional products and family dairy products, submits the Quarterly Activities Report and Appendix 4C Cashflow Statement for the third quarter, period ended 31 March 2022.

Bubs Founder and CEO Kristy Carr said: "The third quarter saw strong growth on prior year across all key business segments, including Domestic, China and International, demonstrating sustained turnaround to a high growth agenda with the diversification of our maturing business model.

"Bubs® experienced exceptional growth in our domestic retail business, more than doubling Infant Formula gross revenue over prior year. Bubs Australia remains the fastest growing infant formula manufacturer with scan sales growth of 40% in the latest quarter¹. Pleasingly, Bubs® is now the leading brand of Goat Infant Formula in value share in all three major retailers; Coles, Woolworths and Chemist Warehouse. Bubs Organic® also continues to gain share with significant growth rate of 61.4% on last year.¹ This continued scan sales momentum in Domestic retail is a strong testament to the growing power of Bubs® brand resonating with Australian families.

"Over the last two years, the team have collaborated with stakeholders to ensure the supply chain can withstand as much volatility as possible. It is a key factor for us to remain optimistic with the long-term growth trajectory for China, especially in the Daigou channel following the signing of the strategic equity-linked alliance with Bubs® lead Daigou distributor, Willis Trading.

"Our USA bricks and mortar retail footprint continues to expand with secured ranging of Aussie Bubs™ Goat and Grass Fed Toddler Formula in 254 Smart & Final supermarkets in Southern California, and 130 Buy Buy Baby stores spread across 37 states. These new listings complement our existing retail presence in 177 Ralph's supermarkets and online on Walmart.com, Amazon.com and Thrive.com.



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"Together, our underlying momentum across all key business segments and strong innovation pipeline, spearheaded by the launch of Bubs Supreme® A2 beta-casein protein Infant Formula, consolidates our strong growth trajectory and pathway to thrive in an otherwise volatile environment with multiple growth engines," said Mrs. Carr.

Record market share in Australian retail with 40% value growth and No.1 Goat brand

The gross revenue of Bubs® Infant Formula more than doubled during the quarter, up 108% compared to the previous corresponding period. Bubs Australia continues to be the fastest growing infant formula manufacturer across major grocery and pharmacy retailers, significantly outperforming the category. Scan data showing 40% value growth across Coles, Woolworths and Chemist Warehouse combined, resulted in a record 4.2% market value share.

Bubs® Goat Infant Formula achieved No.1 market share position in the goat category in the quarter, with 42.1% of the total Goat segment. Overall, scan sales value growth has seen an impressive 28.8% uplift on last year.² Bubs Organic® also accelerated its market share gains in Q3 with significant growth rate of 61.4% on last year.¹

Bubs® continues to be the lead challenger brand in the category as Australian families embrace our Australian made quality, clean nutrition value proposition.

Launch of Bubs Supreme® A2 beta-casein protein Infant Formula

The launch of Bubs Supreme® A2 beta-casein protein cow's milk Infant Formula with a unique 'super premium' formulation is our most ambitious innovation project to date, and enables us to address a much larger share of the infant formula market with Bubs® masterbrand now extending across the three fastest growing premium category segments.

Bubs Supreme® will be on shelf in 500 Coles supermarkets from May 2022, adding to the shelf presence of existing Goat and Organic Grass Fed lines, now totaling nine Bubs® Infant Formula and Toddler Milk products.

Bubs lead Corporate Daigou distributor, Willis Trading, has committed to an opening Purchase Order valued at \$32.9 million with the first containers already shipped and being sold in China from April.

Equity-linked strategic alliance with lead Corporate Daigou distributor, Willis Trading

In March Bubs entered into a strategic equity-linked alliance with Willis Trading; Bubs' single largest customer in FY21 and FY22, and the lead distributor for both Bubs® and CapriLac® brands in the Corporate Daigou Channel.

The agreement with Willis Trading is conditional on product purchase milestones of at least \$50M in FY22 and \$80M to \$120M in FY23.

We have worked closely with Willis Trading for many years and together we have successfully returned Bubs® Daigou sales to record highs year to date, now exceeding pre-COVID levels. Strengthening our partnership with the Daigou community will align Bubs® brand power with deep channel engagement to provide additional visibility and reliability as we work together to rapidly accelerate our Chinese consumer base.



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Latest pandemic related lockdowns in China

Due to renewed concerns regarding an increased number of COVID cases, authorities in China have implemented a range of measures including lockdowns. Bubs is working with its partners to ensure that consumers are able to access our products. Whilst there continue to be new challenges and issues to work through, the unique restructure of supply chain and logistics over the last two years have enabled the business to maintain and accelerate the growth momentum.

Bubs® brand ambassador Will Liu reaches 42.1 million followers

In February, Bubs entered into a brand collaboration arrangement with Mr. Will Liu (刘畊宏), a Shanghai based father of three who has enjoyed a successful music career and is well known for his clean diet, health regime and genuine interest in a brand's clean nutrition profile before any form of collaboration. At around the time of signing on 23 February 2022, Will Liu had 1.68 million followers on TikTok (or Douyin in China).

To encourage a better exercise regime during the lockdown period, Will Liu and his wife created a range of fitness exercises that went viral and have proven to be extraordinarily popular. Will Liu's followers increased to 3.3 million on 31 March, and as at 24 April his followers reached 42.1 million. It is widely regarded as one of the quickest and most significant increases in social media following in China's e-commerce history.

Bubs is proud to be associated with Will Liu, whose health and wellness routines with a sense of humour are lifting the spirits of residents subject to lockdowns during these challenging times.

USA bricks and mortar retail footprint expansion

Bubs USA retail footprint expands with secured ranging in 254 Smart & Final supermarkets in California and 130 Buy Buy Baby stores across 37 states. These are in addition to our ranging in Ralphs Supermarkets, as well as an online presence on Walmart.com, Amazon.com, Thrive.com and several leading national food distributors.

Q3 FY22 PERFORMANCE HIGHLIGHTS

After allowing for the traditionally slower third quarter, off the back of the Q2 major Chinese shopping festivals (Double 11 and 12.12) and pre-Christmas/Chinese New Year forward stocking, strong underlying momentum across all key business segments underpins the company's forward outlook.

Key outcomes include:

- Q3 gross revenue \$17.6m, up 49% pcp
- Continued pcp growth momentum across all key pillars: Domestic, China, and International

Performance Overview by Product Category

- **Bubs® portfolio:** up 13% pcp, contributing 48% of quarterly sales
- Infant Formula sales were up 15% pcp
- **Adult goat dairy portfolio:** up 7% pcp, contributing 22% of quarterly sales
- **Deloraine Dairy Solutions (B2B):** up 560% pcp, contributing 30% of quarterly sales



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Performance Overview by Channel

- **Australia:** up 60% pcp, contributing 28% of quarterly sales
- Domestic Retail sales of Infant Formula were up 108% pcp
- **China:** up 8% pcp, contributing 40% of quarterly sales
- Daigou sales were up 11% pcp and CBEC sales were up 2% pcp
- **International:** up 153% pcp, contributing 32% of quarterly sales
- International sales of Bubs® products were up 63% pcp

CAPITAL STRENGTH

Bubs maintains a strong balance sheet with \$24.1 million in cash reserves as at 31 March 2022. The Group's total cash on hand and unused finance facilities available as at 31 March 2022 is sufficient to fund the business operating activities for five quarters based on FY22 Q3 net cash used in operating activities.

Balances reflect application of cash to working capital for innovation and production of opening orders for Bubs Supreme® A2 beta-casein protein Infant Formula.

OUTLOOK

In line with earlier guidance, the company expects 2H FY22 to deliver modest Half on Half growth in Revenue, with accelerated revenue expected from the roll out of Bubs Supreme® A2 beta-casein protein Infant Formula to be realised in Q4.

Bubs Executive Chair Dennis Lin said: "Some time ago, we chose to adapt our business and navigate our way back to being a high-growth business against the background of a different macro climate. The key factors were our willingness to work closely with strategic partners with agility, and our ability to innovate with consumers, as the new environment is likely to involve our capability to compete for market share in the category.

"Bubs Supreme® is a wonderful case study of our team's ability to do exactly that, and we are focused on executing with precision as we bring FY22 to a close," Mr Lin said.

Meanwhile, the Company recognises continuing macro-economic uncertainties and ongoing COVID related supply chain disruption could result in transitory variability.

ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent:

\$21.2 million on product manufacturing and operating costs, \$2.5 million on administration and corporate costs, \$2.2 million on staff costs, and \$2.4 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 to related parties are salary payments of \$223,920 to key management personnel.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 31 March 2022 is attached. The Report was lodged with the ASX on 26 April 2022.

This release is approved by the Board of Directors.



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FOOTNOTES

¹ IRI Scan value sales, Dollars (\$000's) share of total Baby Formula; Coles, Woolworths and Chemist Warehouse combined, Quarter to 13.03.2021.

Media and Investor Inquiries

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About Bubs Australia

Founded in 2006, Bubs Australia's vision is to create new generations of happy, healthy bubs through its range of premium Australian infant nutrition products. Bubs[®] Infant Formula ranges include A2 beta-casein protein milk, easy-digest goat milk, and organic grass fed cow's milk, as well as organic baby food, toddler snacks, and Vita Bubs[®] vitamin supplements, catering for all feeding occasions from newborn through to childhood.

Bubs[®] products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to China, 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")

31 March 2022

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	21,964	61,180
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(21,207)	(43,631)
(c) advertising and marketing	(2,365)	(7,381)
(d) leased assets	(4)	(14)
(e) staff costs	(2,205)	(6,134)
(f) administration and corporate costs	(2,452)	(7,344)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	51
1.5 Interest and other costs of finance paid	(62)	(175)
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	(6,326)	(3,448)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(243)	(369)
(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	(243)	(369)

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	30,635	27,883
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,326)	(3,448)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(243)	(369)

Appendix 4C
Quarterly cash flow report for entities subject to Listing Rule 4.7B

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	24,066	24,066

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	22,821	29,391
5.2	Call deposits	1,245	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)	24,066	30,635

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
224
-

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 \$223,920

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)	(6,326)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	24,066
8.3 Unused finance facilities available at quarter end (Item 7.5)	8,000
8.4 Total available funding (Item 8.2 + Item 8.3)	32,066
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	5

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: 26 April 2022

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.