



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

1800 2827 2878 (1800 BUBS AUST)
info@bubsaustralia.com

24 October 2023

Q1 FY24 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

24 October 2023, Melbourne: Bubs Australia Limited (ASX:BUB) (“**Bubs**” or “**the Company**”) is pleased to announce its unaudited financial results for the quarter ending 30 September 2023 (**Q1 FY24**).

Key Highlights

- **Q1 group gross revenue of \$24.3m, up 21.7% on Q4 FY23 and up 3.4% on prior corresponding period (pcp) (Q1 FY23: \$23.6m)**
- **USA gross revenue of \$11.6m, up 24.1% on pcp. USA now represents 48% of group gross revenue**
- **Bubs Infant Formula Q1 gross revenue of \$17.5m, up 41% on pcp (Q1 FY23: \$12.4m) (excluding Supreme sales)**
- **Adult goat formula Q1 gross revenue of \$3.4m, up 863% on pcp (Q1 FY23: \$0.35m)**
- **No.1 Goat Formula brand in Australia² and USA³ based on market share**
- **Bubs Amazon sales continue to grow strongly with a 3%⁴ compounding weekly growth rate in Q1**
- **US FDA permanent access process remains on track with the clinical trial underway**
- **USA market expansion remains the long-term strategic priority**
- **Deloraine factory utilisation now at 33%, up from 31% at 30 June 2023**
- **Q1 operating cash outflow reduced to \$4.4m as working capital and cost discipline initiatives were implemented**
- **\$21.6 million in total cash and cash equivalents plus \$8.0m in undrawn debt facilities available as at 30 September 2023**
- **New management team embedded and implementing key initiatives and executing the strategy**

Bubs Chief Executive Officer and Managing Director, Reg Weine, commented: “Q1 was a successful period-for Bubs as the Company narrowed its focus on executing the strategic priorities of our 5-point plan announced to the market in July 2023. Pleasingly, Bubs strong sales momentum continued in Q1 with gross revenue up 21.7% on Q4 FY23 and growth of 3.4% on the pcp, a period that included the “Fly Formula” pipe fill in the US. This was a very strong quarter overall, led by the USA which was up 24.1% on the pcp and despite China sales being down 51% for the quarter. Bubs also captured further market share domestically, with value growth of 11.6% versus the total category value growth at 3.8%.¹ In line with our strategic plan to optimise the Bubs portfolio, we saw positive signs in the Caprilac adult formula product range with growth of 8x on the pcp, albeit off a low base. Overall, Bubs is on track to deliver its strategic plan and remains focused on responsibly managing capital to grow and maximise shareholder value.”



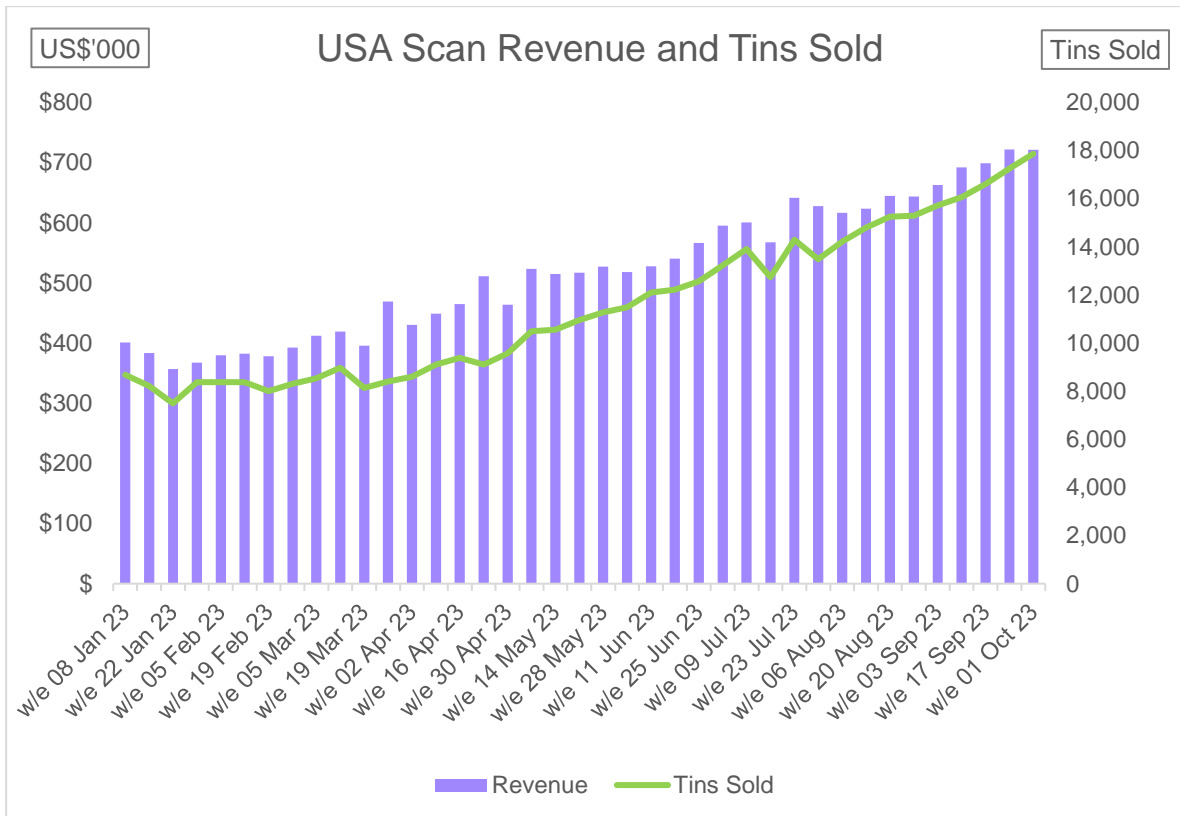
PERFORMANCE BY CATEGORY [gross revenue]

- Bubs IMF: up 41% on the pcp excluding Bubs Supreme (down 15% including Supreme), contributing 80% of quarterly sales
- Adult goat powder sales: grew 8x the pcp, contributing 15% of quarterly sales

PERFORMANCE BY REGIONS [gross revenue]

- USA: Gross revenue of \$11.6m up 24% on the pcp, contributing 48% of quarterly sales (Q1 FY23: 40%)
- Australia: Gross revenue of \$6.4m up 36% on the pcp, contributing 26% of quarterly sales (Q1 FY23: 21%)
- China: Gross revenue of \$3.8m down 51% on the pcp, contributing 16% of quarterly sales (Q1 FY23: 33%)
- Rest of World: Gross revenue of \$1.3m up 1% on the pcp, contributing 5% of quarterly sales (Q1 FY23: 6%)

USA: Bubs products ranged in over 5,900 stores whilst Amazon sales growing 3% week-on-week in Q1 FY24⁴





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Gross revenue in the USA was \$11.6m up 24% on the pcp (\$9.4m in Q1 FY23) and contributed 48% of group gross revenue in Q1 FY24, versus 40% in the pcp. Bubs achieved a record weekly retail scan sales in September 2023 where monthly sales of \$5.5m were up \$2.3m on the previous month, illustrating the strong sales momentum building in the US. Bubs accelerating online sales are being complemented by the 5,900 brick-and-mortar stores across the US now selling Bubs products, with the store count representing growth of 15.5% on the previous month.

Bubs products were also the fourth and eighth best-selling baby formula brands on the Amazon platform during September, demonstrating Bubs strong consumer acceptance and rapid growth, and despite Bubs only selling products on Amazon for less than a year.

USA General Manager, Chris Lotsaris, said “The USA remains our growth engine, with sales revenue in the USA growing rapidly. E-commerce now represents more than 60% of our US revenue and is complemented by the increased ranging and sales velocity we are seeing in brick-and-mortar stores since the new planograms have been rolled out. With our momentum building each week, we expect our US sales to grow by more than 100% in FY24 over FY23”.

Australia

Domestic gross revenue of \$6.4m was up 36% on the pcp (Q1 FY23 \$4.7m).

Bubs domestic market share strengthened to 5%² at the end of the quarter. Bubs continues to post consecutive quarter-on-quarter sales growth in Australia, and Bubs volume and value scan growth was ahead of the total category for the quarter. Bubs remains the Australian market leader in goat infant formula, holding 50%² percent share of the total IMF goat category in Australia.

China and Rest of World

China gross revenue of \$3.8m was down 51% on the pcp. Bubs has reset its approach to the China market and the Q1 result is encouraging given the setbacks we faced in this market due to the continued overhang of stock still held by Bubs former distributor.

Whilst the headline ex-factory sales figures were disappointing, Bubs achieved 58% growth in the CBEC channel in September and Bubs also experienced strong growth in adult formula sales which were up 863%. This result understates the performance and opportunity for Bubs Caprilac adult nutrition range in China which was constrained by stock availability during the quarter. This growth also reflects the new management team’s portfolio optimisation strategy and focused investment in Bubs’ hero brands, being key tenets of the 5-point strategic plan.

As advised to the market on 3 July 2023, Bubs previously had an exclusive distribution partnership with Willis Trading Limited (Willis) and Alice Trading Limited (Alice), entities affiliated with AZ Global. Bubs developed Bubs Supreme exclusively for its distributors Willis and Alice to distribute into China. Bubs is owed \$5.7m for finished goods delivered to these entities which remains outstanding. Bubs continues to pursue the outstanding debt from Willis and Alice.

Rest of World revenue was up 1% on the pcp, with progress made toward market access in Korea and new distributors appointed in Malaysia and Vietnam.



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STRATEGIC DEVELOPMENTS: USA FDA REGULATORY PATHWAY

During the quarter, the Company continued to progress its US FDA application process. The next milestone in the FDA regulatory approval process is the submission of the GMS (Growth Monitoring Study) clinical trial data, which is due by September 2024, followed by the deadline for submission for permanent access by October 2024. Bubs remains committed to meeting these deadlines for US FDA approved permanent access to the US market.

Given the size of the addressable market and Bubs' sales growth in the USA, obtaining permanent FDA access is Bubs' number one strategic priority. Furthermore, Bubs is making a significant investment and incurring significant costs associated with the FDA approval process (\$2.9m in Q1 FY24). These costs whilst one-off and non-recurring in nature, will continue throughout FY24 albeit front end loaded.

STRATEGIC PLAN SUMMARY

Bubs' Strategic Plan remains a key focus of the Bubs Board and management, with successful outcomes already being delivered in relation to each of the 5 points.

USA Growth Engine – E-commerce sales continue to grow strongly with Amazon weekly click sales growing 3% week-on-week during the quarter. Bubs is also delivering on its objective of growing further into the major retailers, including Grocery & Pharmacy with 5,900 stores stocking Bubs' products. Importantly, we are seeing improved consumer offtake in both e-commerce and brick-and-mortar stores as awareness for the Bubs brands grow. Progress was also made towards securing FDA permanent access to the USA market with the commencement of the clinical trial.

China Reset – the China reset is gaining momentum after a slow start to the quarter which was anticipated as Bubs reset its China strategy and strengthened relationships with its new distributors. Whilst the Chinese market remains very competitive across the various channels, Bubs' is confident in its strong brand and multi-channel go-to-market strategy under the leadership of Jackie Lin, Country Manager - China.

Portfolio Optimisation – Bubs is a market leader in its hero goat product segment, pioneering the IMF category in the USA and China. The strategic focus will continue around premiumisation, repositioning bovine IMF products, product rationalisation, and investment in core brands including Caprilac adult nutrition.

Sweat Existing Assets – during the quarter Bubs improved utilisation at Bubs' state-of-the-art manufacturing facility in Deloraine, Victoria from 31% as of June 2023 to 33% at the end of the quarter. Bubs factory is now full on a single shift, 5 day per week basis and running very efficiently. This was driven by higher quarter-on-quarter demand for Bubs' products in the US and Australia, as well as volume associated with selective co-manufacturing opportunities.

Working Capital – Cost out and right-sizing initiatives together with closer working capital management, has seen the monthly operating cash burn for the quarter reduce to \$1.5m, compared to the \$2m target outlined in the 5-point plan.

Cash Position

Bubs held \$21.6 million in cash reserves as at 30 September 2023, with an additional \$8m of unused headroom on its bank facilities. Bubs' net cash used in operating activities of \$4.4m represents an improvement of \$3.5m or 44% lower quarterly cash burn versus pcp. This was an encouraging result given there were a number of one-off expenses during the quarter. Management are delivering on reducing cash burn by implementing tighter working capital management and embedding greater accountability throughout the company.



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Footnotes

1 IRI scan data to 24/9/23

2 Circana MAT To 24/09/2023 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined

3 Circana Weekly To W/E 01/10/2023 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

4 AMAZON Unit Sales Scan Data To W/E 01/10/2023 - Currency USD \$'s

This release is approved by the Board of Directors

END

Quarterly Results Webinar Details

Date and Time: 8:30am AEST on Thursday 26th October 2023

To Register: Sign up using the link below:

<https://loghic.eventsair.com/bub-quarterly-results/register/Site/Register>

MEDIA INQUIRIES

John Fergusson

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T 0407 826 952

SHAREHOLDER ENQUIRIES

(61 3) 9799 9988

Monday to Friday between 9am and 5pm (AEST)

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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**

Investor Centre: **investor.bubsaustralia.com**

Appendix 4C

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

Name of entity

BUBS AUSTRALIA LIMITED (ASX:BUB)

ABN

63 060 094 742

Quarter ended ("current quarter")

30 September 2023

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	13,714	13,714
1.2 Payments for		
(a) research and development	(1,336)	(1,336)
(b) product manufacturing and operating costs	(5,581)	(5,581)
(c) advertising and marketing	(2,851)	(2,851)
(d) leased assets	3	3
(e) staff costs	(3,094)	(3,094)
(f) administration and corporate costs	(5,301)	(5,301)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	100	100
1.5 Interest and other costs of finance paid	(83)	(83)
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	(4,430)	(4,430)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(48)	(48)
(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	(48)	(48)

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	26,053	26,053
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,430)	(4,430)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(48)	(48)
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	21,575	21,575

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	20,312	24,789
5.2	Call deposits	1,264	1,264
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)	21,575	26,053

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
-
-

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: \$672,229

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 9.47% per annum secured with the maturity date 30 September 2023.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(4,430)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	21,575
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)	29,575
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	6.7

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: 24 October 2023

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 – e.g., 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.