



Bubs Australia Limited  
ACN 060 094 742  
2-4/6 Tilley Lane, Frenchs Forest  
NSW 2086 Australia

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12 April 2018

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

Bubs Australia (ASX: BUB), producer of Australian-made specialty infant formula and organic baby food products, submits the following Activities Report and Appendix 4C Cash Flow Statement for the first quarter, period ended 31 March 2018.

### HIGHLIGHTS

#### Sales and revenue growth from first full reporting period of NuLac Foods transaction

- Q3 net sales up 422% to \$5.178 million on same period last year, and up 180% on the previous quarter.
- Q3 gross sales up 361% to \$5.455 million on same period last year, and up 174% on the previous quarter.
- Quarterly growth driven by additional revenues from both the Bubs business and the first full quarter of trading from NuLac Foods under Bubs Australia's ownership.
- Sales of Bubs® Goat Milk Infant Formula grew 63% on same period last year.
- Sales to China grew 55% for the third quarter versus the same period last year.
- Strong balance sheet: A\$5.570 million in cash reserves following the NuLac Foods acquisition.
- Added to the All Ordinaries index of the Australian Securities Exchange.

#### Continuing progress in advancing business platform

- Agreement for all 3 stages of Bubs® Goat Milk Infant Formula to be ranged in Woolworths supermarkets, with store implementation in April 2018.
- Incremental ranging in Woolworths has also now been confirmed for 2 varieties of Bubs Organic® Baby Cereals, with store implementation in May 2018.
- Chemist Warehouse has ranged 5 varieties of Bubs Organic® Baby Food pouches, with store implementation in April. This new supply agreement builds upon the existing national in-store ranging of 5 varieties of Bubs Organic® Baby Cereals and Toothy Rusks®, and Bubs® Goat Milk Infant Formula for sale on Chemist Warehouse e-commerce platforms in Australia and Tmall Global.
- International Supply Agreement with Chinese online giant, JD.com including Bubs® Goat Milk Infant Formula, Bubs Organic® Baby Food, Baby Cereals and Toothy Rusks®, as well as CapriLac® goat milk powder.
- Bubs Australia has incorporated CapriLac® products into the existing direct supply agreement with leading cross-border e-commerce platform, Netease Kaola.com.



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Releasing the Quarterly Activities Report, Bubs Australia Chief Executive, Nicholas Simms said: “We continue to make solid progress on our strategic journey to increase domestic penetration of our product range, and expand channel capability into China.

“We are particularly pleased with growing representation in our domestic market following ranging of Bubs infant formula and food products in Woolworths supermarkets, the benefits of which will begin to be truly realised in the next quarter. This means Bubs is now well represented in the largest supermarket chains in Australia. As well, our partnership with HealthOne has seen a significant increase in representation in the pharmacy channel, which alongside grocery and wholesale customers, we see as key to building sustainability and mitigating commercial risk.

“Our new look branding launched last year continues to be well received by consumers, while our content strategy delivering continuous presence on social media continues to grow with a community of over 100,000 engaged followers and more than 100 active partnerships with targeted Key Opinion Leaders.

“At the same time, we are engaging with key domestic retailers regarding CapriLac and Coach House Dairy products, as well as trialing CapriLac fresh milk in selected Aldi stores. We have also expanded our range of flavoured milks and confirmed incremental ranging in Coles, which is a positive early sign for the brand’s future development potential.

“Our penetration into China’s cross-border e-commerce channel continues to develop, most notably with our entering an International Supply Agreement with Chinese online giant, JD.com covering both Bubs and CapriLac product portfolio with JD.com itself fulfilling Chinese customer orders.”

Mr. Simms said that integration of the supply chain and associated quality control is the key underpinning of the Company’s go-forward strategy.

“During the quarter, we have been fully engaged on integrating the NuLac Foods business and investing in systems and processes to maximise value from the investment. This is central to our premium provenance positioning being Australia’s largest integrated ‘farm gate to end customer’ producer of goat milk dairy products. During the quarter Bubs Organic Baby Food, Cereals and Snacks have received certification from China Certification & Inspection Group Shanghai (CCIC) validating China Inspection & Quarantine (CIQ) approval, enabling official importation to China to commence.

“Finally, we would like to thank our shareholders for their continued support which has seen their company added to the All Ordinaries Index of the Australian Securities Exchange – no mean feat considering initial listing was only just over twelve months ago,” Mr. Simms said.

### **Cash Position**

After accounting for the NuLac Foods transaction, Bubs Australia continues to maintain a strong balance sheet with A\$5.570 million in cash reserves as at 31 March 2018.

Bubs Australia Appendix 4C Quarterly Cash Flow Statement for the period ended 31 March 2018 is attached. The Report was lodged with the ASX on 12 April 2018.



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### **Media and Investor Inquiries**

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### **About Bubs Australia Limited (ASX: BUB)**

Bubs Australia is engaged in the business of inspiring new generations of happy, healthy bubs through its range of Australian made premium infant nutritional and goat dairy products.

Founded in 2006 in Sydney, Bubs Australia develops and markets innovative infant nutrition products for the first 1,000 days of life, that give parents and their bubs reason to 'smile from the inside®.'

In 2017, Bubs Australia acquired NuLac Foods giving the company a 'pathway to provenance' to become Australia's only vertically integrated producer of goat milk infant formula, and the largest producer of goat dairy products in the country.

# Appendix 4C

## Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

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

ABN

**63 060 094 742**

Quarter ended (Current quarter)

**31 March 2018**

### Consolidated statement of cash flows

|  | Current<br>quarter<br>\$A'000 | Year to date<br>(9 Months)<br>\$A'000 |
|--|-------------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>                   |                               |                                       |
| 1.1 Receipts from customers                                      | 5,144                         | 8,259                                 |
| 1.2 Payments for:  | -                             | -                                     |
| (a) research and development                                     | -                             | (9)                                   |
| (b) product manufacturing and operating costs                    | (6,702)                       | (11,375)                              |
| (c) advertising and marketing                                    | (384)                         | (976)                                 |
| (d) leased assets  | -                             | -                                     |
| (e) staff costs  | (668)                         | (1,322)                               |
| (f) administration and corporate costs                           | (526)                         | (3,318)                               |
| 1.3 Dividends received (see note 3)                              | -                             | -                                     |
| 1.4 Interest received  | 35                            | 46                                    |
| 1.5 Interest and other costs of finance paid                     | (33)                          | (33)                                  |
| 1.6 Income taxes (paid) / refunded                               | -                             | -                                     |
| 1.7 Government grants and tax incentives                         | -                             | -                                     |
| 1.8 Other (provide details if material):                         | -                             | -                                     |
| <b>1.9 Net cash from / (used in) operating activities</b>        | <b>(3,134)</b>                | <b>(8,728)</b>                        |
| <b>2. Cash flows from investing activities</b>                   |                               |                                       |
| 2.1 Payments to acquire:   |                               |                                       |
| (a) property, plant and equipment                                | (5)                           | (24)                                  |
| (b) businesses (see item 10) – net cash acquired                 | -                             | (24,990)                              |
| (c) investments  | -                             | -                                     |
| (d) intellectual property  | -                             | -                                     |
| (e) other non-current assets: payments made in respect to 2.1(a) | -                             | -                                     |
| 2.2 Proceeds from disposal of:                                   | -                             | -                                     |
| (a) property, plant and equipment                                | -                             | -                                     |
| (b) businesses (see item 10)                                     | -                             | -                                     |
| (c) investments  | -                             | -                                     |
| (d) intellectual property  | -                             | -                                     |
| (e) 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)                          | -                             | -                                     |
| <b>2.6 Net cash from / (used in) investing activities</b>        | <b>(5)</b>                    | <b>(25,014)</b>                       |

| <b>Consolidated statement of cash flows</b>   | <b>Current<br/>quarter<br/>\$A'000</b>  | <b>Year to date<br/>(9 Months)<br/>\$A'000</b> |
|---|---|--|
| <b>3. Cash flows from financing activities</b>  |   |  |
| 3.1 Proceeds from issues of shares  | -   | 35,959   |
| 3.2 Proceeds from issue of convertible notes  |   |  |
| 3.3 Proceeds from exercise of share options   | -   | -  |
| 3.4 Transaction costs related to issues of shares, convertible notes or options   | -   | (1,354)  |
| 3.5 Proceeds from borrowings  | -   | -  |
| 3.6 Repayment of borrowings   | -   | (600)  |
| 3.7 Transaction costs related to loans and borrowings   | -   | -  |
| 3.8 Dividends paid  | -   | -  |
| 3.9 Other (provide details if material)   | -   | -  |
| <b>3.10 Net cash from / (used in) financing activities</b>  | -   | 34,005   |
| <b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>   |   |  |
| 4.1 Cash and cash equivalents at beginning of quarter/year to date  | 8,709   | 5,307  |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above)   | (3,134)   | (8,728)  |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above)   | (5)   | (25,014)                                       |
| 4.4 Net cash from / (used in) financing activities (item 3.10 above)  | -   | 34,005   |
| 4.5 Effect of movement in exchange rates on cash held   | -   | -  |
| <b>4.6 Cash and cash equivalents at end of quarter</b>  | 5,570   | 5,570  |
| <b>5. Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of<br>cash flows) to the related items in the accounts | <b>Current<br/>quarter<br/>\$A'000</b>  | <b>Previous<br/>quarter<br/>\$A'000</b>        |
| 5.1 Bank balances   | 4,969   | 8,051  |
| 5.2 Call deposits   | -   | -  |
| 5.3 Bank overdrafts   | -   | -  |
| 5.4 Other - Solicitor's trust   | 601   | 658  |
| <b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)  | 5,570   | 8,709  |
| <b>6. Payments to directors of the entity and their associates</b>  |   | <b>Current<br/>quarter<br/>\$A'000</b>         |
| 6.1 Aggregate amount of payments to these parties included in item 1.2  |   | 87   |
| 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3  |   | -  |
| 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2  | Payments made in respect to director fees and salaries.   |  |
| <b>7. Payments to related entities of the entity and their associates</b>   |   | <b>Current<br/>quarter<br/>\$A'000</b>         |
| 7.1 Aggregate amount of payments to these parties included in item 1.2  |   | 2,667  |
| 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3  |   | 600  |
| 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2  | Disbursements relating to Director International Business travel for Bubs Australia Ltd & Prepayment of service fees to related entity. |  |

**8. Financing facilities available**

Add notes as necessary for an understanding of the position

| Total facility amount at quarter end<br>\$A'000 | Amount drawn at quarter end<br>\$A'000 |
|---|--|
| -   | -                                      |
| 2,000   | 2,000                                  |
| -   | -                                      |

8.1 Loan facilities

8.2 Credit standby arrangements

8.3 Other (please specify)

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

|  |
|--|
| NAB Bank Trade Finance 5.78% per annum unsecured |
|--|

**9. Estimated cash outflows for next quarter**

**\$A'000**

9.1 Research and development

9.2 Product manufacturing and operating costs

9.3 Advertising and marketing

9.4 Leased assets

9.5 Staff costs

9.6 Administration and corporate costs

9.7 Other (provide details if material)

9.8 **Total estimated cash outflows**

|       |
|-------|
| -     |
| 7,635 |
| 366   |
| -     |
| 611   |
| 592   |
| -     |
| 9,204 |

**10. Acquisitions and disposals of business entities**  
(items 2.1(b) and 2.2(b) above)

10.1 Name of entity

10.2 Place of incorporation or registration

10.3 Consideration for acquisition or disposal

10.4 Total net assets / (deficiency)

10.5 Nature of business

| Acquisitions | Disposals |
|--------------|-----------|
| -            | -         |
| -            | -         |
| -            | -         |
| -            | -         |
| -            | -         |

**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.

Signed: \_\_\_\_\_

Dated: \_\_\_\_\_

Company Secretary

Print name: Jay Stephenson

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.