



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

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31 July 2018

QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

Highest quarterly sales revenue on record: 99% year on year growth for Bubs® infant formula
Significant advances in China route-to-market strategy; agreement with CNCA manufacturer

Bubs Australia (ASX: BUB), producer of Australian-made premium infant formula, organic baby food, and dairy products, submits the following Activities Report and Appendix 4C Cash Flow Statement for the fourth quarter, period ended 30 June 2018.

Releasing the Quarterly Activities Report, Bubs Australia Founder and Managing Director, Kristy Carr said: "During the quarter, we saw a strong growth trend with material uplift in infant formula and overall sales to China delivering our highest quarterly revenues. The sales performance reflects both a 99 percent year on year increase in Bubs® infant formula and the additional sales from the NuLac Foods® portfolio."

"Our China route-to-market strategy advanced significantly with several new cross-border trading partnerships. Our long-term Manufacturing Agreement with Certification and Accreditation Administration of China (CNCA) approved Australian Deloraine Dairy means we are well positioned to progress our application for registration of our infant milk formula with the China Food and Drug Administration (CFDA).

"In June, Bubs Australia initiated a \$40 million share placement. The material over-subscription was a powerful affirmation from professional and sophisticated investors of their support for the Bubs vision," said Mrs. Carr.

REVENUE HIGHLIGHTS

Bubs Australia has again delivered consistent positive sales growth, quarter on quarter throughout FY18, across both the Bubs® and NuLac Foods® portfolios:

- Quarterly growth driven by additional revenue streams for Bubs® infant formula, CapriLac® powder, and increased China cross-border eCommerce sales across the total product portfolio.
- Q4 gross sales up 531% to \$8.89 million on same period last year, and up 63% on the previous quarter.
- Q4 net sales up 620% to \$8.51 million on same period last year, and up 64% on the previous quarter.
- Q4 export sales to China grew 644% to \$1.9 million on same period last year, accounting for 22% of the group's total quarterly gross revenue.
- Q4 sales of Bubs® infant formula grew 99% to \$1.77 million on same period last year, accounting for 68% of Bubs® quarterly revenue.
- Q4 sales of CapriLac® milk powder up 133% to \$4.52 million on the previous quarter, accounting for 72% of NuLac Foods® quarterly revenue.
- Domestic sales remain strong with new ranging of Bubs® infant formula and cereals in Woolworths, and Bubs® infant formula sales increasing by 21.2% in Coles, making it the fastest growing brand in value over the last 26 weeks versus last year (*Source: Nielsen Scan Sales Data as at 17 July 2018*).
- Successful share Placement raising \$40 million.



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CHINA ROUTE-TO-MARKET ADVANCES

- Nominated as one of three CFDA brand slots with Australia Deloraine Dairy, a CNCA licenced production facility. The Manufacturing Agreement will facilitate registration of Bubs® Chinese labelled infant formula products.
- Merchant Agreement with Alibaba Group and launched Bubs® Flagship Store on Tmall Global.
- Long-term Supply Agreement with Hangzhou based supply chain and service provider, New Times Asia, to supply Bubs® and CapriLac® products to up to twenty eCommerce platforms in China, with minimum sales commitments of \$17M in FY19, \$24M in FY20 and \$37M in FY21. New Times Asia's opening order was valued at \$1.265 million and has been shipped.
- Opened a representative office in Shanghai with cross functional team to support growth in market development, sales, brand marketing, customer service, and regulatory compliance, led by Charles Li; an infant formula industry specialist and Bubs Australia's Chief Operating Officer - China.

Successful \$40 million share Placement to support growth

On 18 June 2018, Bubs Australia announced the completion of a substantially oversubscribed share Placement, raising \$40 million from professional and sophisticated investors to enhance the Company's financial flexibility and provide working capital to support new strategic opportunities and growth momentum, particularly in relation to China market development and new milk supply agreements.

"Recent capital raising will provide the necessary working capital and inventory management to support growth in market development, supply chain, brand marketing and product innovation. The new capital is expected to support the next stage of growth and take the company to profitability," said Mrs. Carr.

Strong Australian foundation and new partnerships to advance China route-to-market strategy

The group's continuing focus on its four-pillar strategy, combined with underlying investments in supply chain and capabilities, continues to deliver controlled and measured growth.

"We are now an established leader in Australia's goat dairy landscape. Our vertical integration back to farm gate has given us valuable insight into and influence over the supply chain from raw milk to retail ready products. As such, we are uniquely positioned in the marketplace from a provenance and product quality perspective," said Mrs. Carr.

New strategic partnerships established during the quarter with Australia Deloraine Dairy, QianJiaWanPu, New Times Asia, and Alibaba Group, as well as opening an office in China with a specialised cross functional team, puts us in good stead to aggressively advance our China expansion strategy in FY19.

"Securing the New Times Asia partnership enhances our China expansion capability. In addition to servicing major platforms previously partnered with Bubs, such as JD.com, Kaola.com, VIP.com, Kidswant and RED, New Times Asia has already secured incremental online ranging on Suning, Mia, Jumei, Yuou, Baobaoshu, and HiPac; an Online-to-Offline (O2O) distributor for Mother and Baby stores," said Mrs. Carr.



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Cash Position enhancement following successful Share Placement

In June 2018, Bubs Australia initiated a \$40 million share placement to professional and sophisticated investors, which was significantly oversubscribed. Following the completion of the share placement, Bubs Australia continues to maintain a robust balance sheet with \$38.6 million in cash reserves as at 30 June 2018.

The closing cash position reflects that a part of the funds from the capital raise were received post 30 June 2018, timing differences between receipts and expenditure, including expenses for inventory, and cash expenditure relating to the integration of NuLac Foods®.

The Bubs Australia Appendix 4C Quarterly Cash Flow Statement for the period ended 30 June 2018 is attached. The Report was lodged with the ASX on 31 July 2018.

A report outlining the Company's strategic progress, operational performance and future business plans will accompany the Annual Financial Report, to be lodged with the ASX on or before 28 September 2018.

END

Media and Investor Inquiries

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About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia is engaged in the business of inspiring new generations of happy, healthy families through its range of Australian made premium infant nutrition and dairy products.

Bubs® speciality infant formula and organic baby food caters for a child's first 1,000 days of life. Other dairy brands in the Company's portfolio include CapriLac® and Coach House Dairy®. Products are widely ranged throughout Australia in Coles, Woolworths, Aldi, Chemist Warehouse, Costco and Big W, as well as exported to China, South East Asia, and the Middle East.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply from the largest milking goat herd in the country, providing a 'pathway to provenance' to become Australia's only vertically integrated producer of goat milk infant formula.

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)

30 June 2018

Consolidated statement of cash flows

1. Cash flows from operating activities

- 1.1 Receipts from customers
- 1.2 Payments for:
 - (a) research and development
 - (b) product manufacturing and operating costs
 - (c) advertising and marketing
 - (d) leased assets
 - (e) staff costs
 - (f) administration and corporate costs
- 1.3 Dividends received (see note 3)
- 1.4 Interest received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes (paid) / refunded
- 1.7 Government grants and tax incentives
- 1.8 Other (provide details if material):
- 1.9 **Net cash from / (used in) operating activities**

Current quarter \$A'000	Year to date (12 Months) \$A'000
7,762	16,021
-	-
(46)	(55)
(9,147)	(20,549)
(350)	(1,326)
(4)	(16)
(459)	(1,781)
(1,869)	(5,147)
-	-
17	63
(37)	(70)
-	-
-	-
-	-
(4,133)	(12,860)
2. Cash flows from investing activities	
2.1 Payments to acquire:	
(a) property, plant and equipment	(7)
(b) businesses (see item 10) – net cash acquired	(32)
(c) investments	(24,990)
(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)	-
(7)	(25,022)
2.6 Net cash from / (used in) investing activities	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 Months) \$A'000
3. Cash flows from financing activities			
3.1 Proceeds from issues of shares		38,824	74,783
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		(1,611)	(2,965)
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)		-	-
3.10 Net cash from / (used in) financing activities		37,213	71,218
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of quarter/year to date		5,570	5,307
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(4,133)	(12,860)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(7)	(25,022)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		37,213	71,218
4.5 Effect of movement in exchange rates on cash held		-	-
4.6 Cash and cash equivalents at end of quarter		38,643	38,643
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		38,643	4,969
5.2 Call deposits		-	-
5.3 Bank overdrafts		-	-
5.4 Other - Solicitor's trust		-	601
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)		38,643	5,570
6. Payments to directors of the entity and their associates		Current quarter \$A'000	
6.1 Aggregate amount of payments to these parties included in item 1.2		102	
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.			
7. Payments to related entities of the entity and their associates		Current quarter \$A'000	
7.1 Aggregate amount of payments to these parties included in item 1.2		2,971	
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 \$A'000	Amount drawn at quarter end \$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

10,341

9.3 Advertising and marketing

957

9.4 Leased assets

4

9.5 Staff costs

1,105

9.6 Administration and corporate costs

1,974

9.7 Other (provide details if material)

-

9.8 **Total estimated cash outflows**

14,381

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

- This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- This statement gives a true and fair view of the matters disclosed.



31 July 2018

Signed:

Dated:

Company Secretary

Print name: Jay Stephenson

Notes

- 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.
- 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.