



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

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info@bubsaustralia.com

31 January 2019

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

- H1 FY19 gross revenue of \$21 million exceeded total FY18 gross revenue
- Q2 FY19 gross revenue up 499% year-on-year to \$12.1 million
- Bubs® products sales up 216% year-on-year, and up 75% on previous quarter
- CapriLac® powder (acquired end Q2, FY18) up 23% on previous quarter
- China sales up 2,281% driven by successful activation of CBEC and Corporate Daigou channels
- Continued strong domestic growth: up 375% year-on-year
- Group gross margin improvement of 37% compared to FY18, driven by Bubs® products gross margin at 32%

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

### HIGHLIGHTS

#### China sales momentum for Bubs® portfolio delivers strong revenue growth year-on-year:

- Gross revenue of \$21 million for the first half of the financial year 2019 exceeded the gross revenue for full financial year 2018.
- Q2 gross revenue up 499% year-on-year and up 35% on previous quarter to \$12.1 million.
- Sales of Bubs® products grew 216% on same period last year and 75% on previous quarter. The increase is driven by strong domestic presence, China cross-border eCommerce sales, and activation of the Corporate Daigou distribution channel, delivering:
  - Infant Formula up 279% on same period last year and 107% on previous quarter, equating to 40% of group quarterly revenue
  - Organic Baby Food up 61% on same period last year
  - Organic Toddler Snacks up 71% on same period last year
- Bubs® gross margin up 60% to 32%, resulting in 37% improvement in total group gross margin.
- CapriLac® powder (acquired end Q2, FY18) grew 23% on previous quarter and equated to 38% of group quarterly revenue.
- Sales to China grew 2,281% on same period last year and 121% on previous quarter.
- Domestic sales grew 375% versus prior comparable period and 18% on previous quarter.
- Strong balance sheet with \$26.7 million in cash reserves as at 31 December 2018, with inventory position circa \$12 million.



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Releasing the Quarterly Activities Report, Bubs Australia Founder and CEO, Mrs. Kristy Carr said:

"We are very pleased with the positive sales momentum of the Bubs portfolio, the revenue for which has more than doubled over the same period last year. At the same time, as the scale of business grows, we are making significant progress on closing the gap between revenue and production and operating expense.

"In addition to strong (375%) domestic growth, our strategic underpinning, sales into China have been catalysed by traction on China's major eCommerce B2C platforms and the successful activation of the Corporate Daigou distribution channel in Australia. Sales into China are 23-fold up on the same period last year, demonstrating our route-to-market strategy is being successfully executed.

"Importantly we are achieving an excellent balance between the key elements of our portfolio – Bubs products and CapriLac powder account for 48 percent and 38 percent of the last quarter's revenue respectively, with fresh dairy products accounting for the remaining 14 percent.

"As foreshadowed at the last report, we are now in a position to deliver sustainable locally sourced production of infant formula and have invested significantly in production anticipating increased sales volume related to our expanding network of Chinese partners.

"In December 2018 we announced Bubs had secured additional goat milk supply with Central Dairy Goats Pty Limited, representing an established group of goat dairy farmers on the North Island of New Zealand. This new arrangement provides Bubs guaranteed access to an additional milk pool in excess of 6 million litres of premium New Zealand goat milk per annum.

"The milk will be processed to powder at a New Zealand facility ready for further processing in Australia to produce CapriLac® products. This allows for the existing Australian milk supply to be leveraged in the production of Bubs® goat milk infant formula, making it the first infant formula in the world to be based on Australian goat milk, with all-important product traceability from the farm gate to the point of sale, as we continue to be the only vertically integrated producer of goat milk formula in Australia.

"Our total goat milk capacity now stands at some 20 million litres annually and able to support our growth trajectory in the medium term.

"Meanwhile, our overall strategic direction remains unchanged. It has delivered excellent volume growth in the premium infant nutrition segments both here and overseas, with a key focus on China. We continue to invest in product development and expect to release new product innovation in the market during the coming months," Mrs. Carr said.



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## Cash Position

Bubs Australia continues to maintain a strong balance sheet with \$26.7 million in cash reserves as at 31 December 2018. The inventory position at the end of Q2 was circa \$12 million, in line with the company's routine stock holding requirements.

Bubs Australia Appendix 4C Quarterly Cash Flow Statement for the period ended 31 December 2018 is attached. The Report was lodged with the ASX on 31 January 2019.

## Investor Briefing

A report outlining the company's strategic progress and future business direction will accompany the Half Yearly Financial Report, to be lodged with the ASX on or before 28 February 2019.

Company information, results, market announcements and latest company news and policies can be found on the Bubs Australia Investor Resource Centre: [www.investor.bubsaustralia.com](http://www.investor.bubsaustralia.com).

**END**

## Investor and Media Inquiries:

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## About Bubs Australia Limited

Founded in 2006 in Sydney, Bubs Australia (ASX: BUB) is engaged in the business of *inspiring new generations of happy, healthy bubs* through its range of Australian made premium infant nutrition products. Bubs<sup>®</sup> speciality infant formula and organic baby food caters for a child's first 1,000 days of life.

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, and Australia's only vertically integrated producer of goat milk infant formula.

Products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to China, South East Asia, and the Middle East.

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

# 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 December 2018**

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	9,175	16,258
1.2 Payments for:		
(a) research and development	-	-
(b) product manufacturing and operating costs	(11,360)	(24,408)
(c) advertising and marketing	(982)	(1,437)
(d) leased assets	(4)	(8)
(e) staff costs	(809)	(1,615)
(f) administration and corporate costs	(1,037)	(2,423)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	99	195
1.5 Interest and other costs of finance paid	(34)	(68)
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>(4,952)</b>	<b>(13,506)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(11)	(30)
(b) businesses (see item 10) – net cash acquired	-	-
(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>(11)</b>	<b>(30)</b>

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (6 Months) \$A'000</b>
<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of shares	-	1,300
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	358
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Loan to a third party	(50)	(50)
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>	<b>(50)</b>	<b>1,608</b>
<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	31,728	38,643
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(4,952)	(13,506)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(11)	(30)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(50)	1,608
4.5 Effect of movement in exchange rates on cash held	-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>	<b>26,715</b>	<b>26,715</b>
<b>5. Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1 Bank balances	6,015	6,528
5.2 Call deposits	20,700	25,200
5.3 Bank overdrafts	-	-
5.4 Other - Solicitor's trust	-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)	<b>26,715</b>	<b>31,728</b>
<b>6. Payments to directors of the entity and their associates</b>		<b>Current quarter \$A'000</b>
6.1 Aggregate amount of payments to these parties included in item 1.2		117
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 quarter \$A'000</b>
7.1 Aggregate amount of payments to these parties included in item 1.2		8,073
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 6.33% per annum unsecured
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**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**

-
11,370
1,205
4
825
1,050
-
14,454

**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.



31 January 2019

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.