



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

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

29 July 2019

## FOURTH QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

***Highest quarterly revenue on record with FY19 Q4 sales exceeding the full year FY18 revenue.  
FY19 gross revenue totalled \$51.3m, a 179% uplift over prior year.***

Bubs Australia (**ASX: BUB**), producer of Australian-made premium infant formula, organic baby food, and goat dairy products, submits the following Activities Report and Appendix 4C Cashflow Statement for the fourth quarter, period ended 30 June 2019.

Releasing the Quarterly Activities Report, Bubs Founder and Chief Executive Officer, Kristy Carr said: "We are pleased to deliver the strongest quarter in the company's history, with our fourth quarter sales exceeding that of the full year in 2018. The full year finished at \$51.3 million in gross revenues, which is up 179 percent on prior year. This demonstrates the validity of our continuing focus on our four-pillar growth strategy, combined with underlying investments in supply chain and capabilities, and key strategic channel partnerships, is delivering an aggressive growth trajectory and a platform for moving into profitable growth in the near term."

### FINANCIAL HIGHLIGHTS

Bubs Australia has again delivered strong positive quarterly sales growth, driven by a threefold increase in Bubs® goat milk infant formula sales compared to the same period prior year.

- Q4 finished at \$18.46 million – highest quarterly revenue on record.
- FY19 Q4 revenue exceeded the full year FY18 revenue.
- Q4 is 56% up compared to previous quarter, and up 108% pcp (prior corresponding period).
- FY19 finished at \$51.3 million, a 179% increase pcp.
- \$23.3 million in cash reserves as at 30 June 2019.
- Positive cashflow was achieved in operating activities through fourth quarter.

### PERFORMANCE BY CATEGORY

- Infant Formula - up 341% pcp, representing 42% of gross sales for the quarter.
- Organic Baby Food - up 13% pcp, representing 5% of gross sales for the quarter.
- Total Bubs® products - up 236% pcp, representing 47% of gross sales for the quarter.
- Adult Dairy products - up 47% pcp, representing 50% of gross sales for the quarter.
- Deloraine production - represents 2% of Q4 gross sales following its acquisition in April 2019.



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## PERFORMANCE BY REGION

- Australia - up 127% pcg, representing 85% of gross sales for the quarter.
- China - up 13% pcg, representing 12% of gross sales for the quarter.
- International markets - up 909% pcg, representing 3% of gross sales for the quarter.

## Q4 STRATEGIC DEVELOPMENTS

- Joint Venture established in China with Beingmate, a leading producer of infant nutrition products.
- Strategic equity-linked alliance with Chemist Warehouse, securing national ranging of 28 products.
- Major equity investment by C2 Capital Partners, of which Alibaba Group is an anchor investor.
- 100% acquisition of Australia Deloraine Dairy, a CNCA licensed infant formula processing facility.
- Strategic eCommerce partnership with Alibaba Tmall for Bubs® products.
- Channel partnership with Kidswant, China's largest mother and baby store chain.
- Development of organic grass-fed cow milk infant formula in partnership with Fonterra Australia.

Commenting on operating performance and strategic developments, Mrs Carr said: "During the quarter, we saw over 56 percent uplift in group sales over the previous quarter, and more than double sales revenue compared to the same period last year. The core driver was Bubs® goat milk infant formula, which increased 341 percent year-on-year. Our infant nutrition and adult dairy portfolios' revenue split continues to be closely balanced, providing us with branded product flexibility to manage our milk pool and the associated seasonal milk curves from fresh, to powder, through to our core infant formula range which is now the first infant formula in the world to be made from Australian sourced goat milk.

"Our home market experienced the strongest growth throughout the quarter, driven by increasing penetration in Coles, Woolworths, Big W, Amazon and Costco, and the national roll-out of all 28 products in Chemist Warehouse outlets in June. In addition, the rapid growth of the corporate *Daigou* segment contributed to our domestic sales more than doubling that of the prior year.

"Our China route-to-market platform capability advanced significantly through new strategic partnerships with Beingmate, Alibaba and Kidswant. Sales through these channels were initiated late in the quarter and are expected to drive future growth in B2B export sales to China," said Mrs. Carr.

## C2 Placement and Deloraine Acquisition

In April, Bubs Australia initiated a \$31.4 million share placement to C2 Capital Partners, a private equity fund anchored by Alibaba Group. The investment was a very strong expression of support for Bubs Australia's vision and China strategy. Following the placement and utilising the capital raised, we acquired 100% of Australia Deloraine Dairy, a state-of-the-art CNCA accredited infant formula manufacturing facility – thereby consolidating the Company's vertical integration strategy.



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### **Chemist Warehouse Alliance**

The four-year equity-linked agreement with Chemist Warehouse is a major step forward in augmenting our domestic stronghold, with all 28 Bubs® products now ranged in 450 Chemist Warehouse outlets across Australia. Chemist Warehouse is Australia's largest pharmacy chain network by total sales, generating over \$5 billion in retail sales, of which over \$200 million stem from infant formula. Chemist Warehouse has commenced promotional activity with strong co-funded marketing support to maximise the specified sales performance targets within the agreement.

### **Beingmate Joint Venture**

Beingmate is one of the largest Chinese owned enterprises in the infant nutrition industry with 2,200 employees, and has the highest number of registered infant formula brands in China, including 51 products that are successfully registered with the State Administration for Market Regulation (SAMR). The Joint Venture will distribute Bubs® products within its existing network of 30,000 mother and baby stores, implement brand and trade marketing activities, and provide unparalleled expertise advising on Chinese regulatory compliance and import regulations.

### **Kidswant Channel Partnership**

A supply agreement with Kidswant was the first major initiative of the Beingmate Joint Venture. Kidswant has the largest market share of mother and baby retail in China. Bubs Organic® registered food products are now ranged in all 275 Kidswant stores in 123 cities throughout China. The retail sales value of this contract is expected to reach RMB 30 million (AUD 6 million) in the first year.

### **Organic Grass-fed Formula**

After many months of development, Bubs entered a supply agreement with Fonterra Australia in May to produce Bubs Organic® cow milk infant formula. The dual certified organic formula is Australia's first organic grass-fed formula and completes our product portfolio offering parents and their babies premium nutritional options for all feeding occasions, dietary requirements and stages of development. Initial production has commenced and product will be available in stores from September.

### **Cash Position**

Bubs Australia continues to maintain a robust balance sheet with \$23.3 million in cash reserves as at 30 June 2019. The company has optimised its positive cashflow position in the quarter through better inventory management.

"Finally, the earlier manufacturing partnership entered into with Bega for one-step processing, the acquisition of Australia Deloraine Dairy, the sale of the Uphamgo facility and the sale of the non-core flavoured fresh dairy products division, along with increased scale and supply chain efficiencies, have notably improved our margins enabling the Company to be primed for profitable growth in the new financial year," said Mrs. Carr.



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The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 30 June 2018 is attached. The Report was lodged with the ASX on 29 July 2019.

Preliminary results for year ended 30 June 2019 will be lodged with the ASX on or before 30 August 2019. A report outlining the Company's strategic progress, operational performance and future business plans will accompany the Annual Financial Report.

**END**

**Media and Investor Enquiries:**

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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 bubs through its range of premium infant nutrition products. Bubs® goat milk and organic grass-fed infant formula ranges, and organic baby food, cereals and toddler snacks cater for all feeding occasions and stages of development from newborn to preschool.

Bubs Australia is the leading producer of goat dairy products in Australia with exclusive milk supply from the largest milking goat herds in the country. Bubs® is proudly the only infant formula in the world to be based on 100% Australian goat milk.

Products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to New Zealand, 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)

**30 June 2019**

### 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 (Contingent consideration payment to Nulac vendors)
- 1.9 Other (Deferred consideration payment to Nulac vendors)
- 1.10 **Net cash from / (used in) operating activities**

**2. Cash flows from investing activities**

- 2.1 Payments to acquire:
  - (a) property, plant and equipment
  - (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 (Coach House Dairy intangible 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**

Current quarter \$A'000	Year to date (12 Months) \$A'000
14,737	40,030
-	-
(8,138)	(44,082)
(1,424)	(4,185)
(4)	(16)
(1,058)	(3,590)
(1,728)	(5,358)
-	-
60	372
(27)	(133)
-	-
49	49
-	(6,700)
(158)	(1,250)
2,309	(24,863)
(21)	(75)
(24,000)	(25,000)
-	-
-	-
-	-
-	-
-	-
-	-
500	500
-	-
-	-
-	-
(23,521)	(24,575)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 Months) \$A'000
<b>3. Cash flows from financing activities</b>			
3.1 Proceeds from issues of shares		31,438	32,738
3.2 Proceeds from issue of convertible notes		-	-
3.3 Proceeds from exercise of share options		100	791
3.4 Transaction costs related to issues of shares, convertible notes or options		(44)	(44)
3.5 Proceeds from borrowings		-	-
3.6 Proceeds from loan repayments		8	601
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>31,502</b>	<b>34,086</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		13,001	38,643
4.2 Net cash from / (used in) operating activities (item 1.10 above)		2,309	(24,863)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(23,521)	(24,575)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		31,502	34,086
4.5 Effect of movement in exchange rates on cash held		-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>		<b>23,291</b>	<b>23,291</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		16,291	4,001
5.2 Call deposits		7,000	9,000
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>23,291</b>	<b>13,001</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		129	
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		126	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-	
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

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

**\$A'000**

9.1 Research and development

-

9.2 Product manufacturing and operating costs

13,135

9.3 Advertising and marketing

1,936

9.4 Leased assets

4

9.5 Staff costs

1,679

9.6 Administration and corporate costs

1,183

9.7 Other (provide details if material)

-

9.8 **Total estimated cash outflows**

17,937

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

10.1 Name of entity

Australia Deloraine Dairy Group Limited

-

10.2 Place of incorporation or registration

British Virgin Islands

-

10.3 Consideration for acquisition or disposal

\$25m cash + \$10m shares + \$15m earn out

-

10.4 Total net assets / (deficiency)

-\$7.3m (book value)

-

10.5 Nature of business

Canning services

-

**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.



Signed:

Dated: 29 July 2019

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.

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.