



Bubs Australia Limited  
ACN 060 094 742  
23-29 Nina Link, Dandenong South  
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**THIRD QUARTER ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT  
RESPONDING TO THE NEEDS OF BUBS FAMILY IN A CHALLENGING OPERATING ENVIRONMENT  
TO DELIVER SUSTAINABLE AND CONTINUED GROWTH**

- ***Record quarterly revenue at \$19.7m - 67% uplift pcg and up 36% on previous quarter***
- ***Positive quarterly operating cashflow of \$2.3m***
- ***Strong cash balance at the end of the quarter of \$36.4m***
- ***Significant increase in demand through all channels, with direct sales to China more than doubling***
- ***Continued focus on achieving profitability as business scales***

**Melbourne, 14 April 2020:** Releasing the Bubs Australia (**ASX: BUB**) Activities Report and Appendix 4C Cashflow Statement for the third quarter ended 31 March 2020, Bubs Founder and Chief Executive Officer, Kristy Carr said: "This quarter demonstrated the strength of our business model and agility of our team to continue to meet the needs of our Bubs Family in a challenging operating environment, and I am pleased that we have been able to maintain our sales momentum and deliver on our main objectives.

"The Bubs® infant formula range performed strongly, up 137 percent over the prior comparable period and 33 percent quarter-on-quarter."

"As a result, the company delivered positive operating cashflow of \$2.3 million for the period, providing us with a strong cash balance of \$36.4m at the end of the period and significant financial flexibility to take advantage of a dynamic and evolving market.

"Our vertical integration of the goat milk supply and product facilities has been a key strength during this period. As a designated *Essential Service*, we continue to uphold a solid supply chain with minimal disruption to our manufacturing operations. This has enabled us to meet increased domestic demand as well as commitments to our international strategic partners with heightened safety and operating practices.

"Given this agility and considering the current environment, the Company actively reviews its marketing strategy including launch dates for new products. This included the strategic decision to prioritise production of Bubs® Goat Milk Infant Formula range in the last quarter, resulting in a delay of the CapriLac® refresh by approximately four weeks to the end of March, which affected performance of Adult Goat Dairy during the period," said Mrs. Carr.



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## FINANCIAL HIGHLIGHTS

Bubs Australia has again delivered strong quarterly sales growth:

- Quarterly gross revenue highest on record at \$19.7m - 67% uplift pcp and up 36% QoQ
- Year-to-date gross revenue at \$48.5m, ahead of FY19 full-year revenue (\$46.8M)
- Strong performance in Bubs® Infant Milk Formula - 137% uplift pcp and up 33% QoQ
- Bubs® portfolio - up 123% pcp (62% of Q3 gross sales)
- Positive operating cash flow of \$2.3m
- \$36.4 million in cash reserves as at 31 March 2020

## PERFORMANCE BY CATEGORY

- Bubs® Infant Formula - up 137% pcp, representing 58% of Q3 gross sales
- Bubs® Organic Baby Food - up 17% pcp, representing 4% of Q3 gross sales
- Adult Goat Dairy - down 30% pcp reflecting product refresh, representing 22% of Q3 gross sales
- Contract manufacturing, development and procurement represented 16% of Q3 gross sales

## PERFORMANCE BY REGION

- Australia - up 34% pcp, representing 64% of gross sales for the quarter
- China - up 104% pcp, representing 24% of gross sales for the quarter
- Other markets - up almost 20x pcp, representing 12% of gross sales for the quarter, including significant growth of Bubs® Infant Formula into Vietnam.

"Our home market represented 64 percent of gross sales for the quarter, including a 140 percent increase relative to the prior comparable period. This segment includes sales to our key national retail partners, such as Coles, Woolworths, Big W, Amazon and Chemist Warehouse.

"In March 2020, we began ranging Bubs Organic® Grass Fed Infant Formula in around 200 Woolworths stores, ahead of the plan to be on-shelf in 700 stores in May.

"While fully satisfying domestic demand, export revenue has also increased as we ship product by sea container to our strategic partners, including Alibaba for online sales into China through its Centralised International Procurement initiative, and the Beingmate Joint Venture.

"In addition to doubling direct sales into China, we have experienced growth across all channels and key partners. In particular, there has been strong demand from Vietnam during the quarter with frequent replenishment expected into April and beyond," said Mrs. Carr.



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## **CASH POSITION**

Bubs Australia has a robust balance sheet with \$36.4 million in cash reserves as at 31 March 2020.

## **SERVING THE WELLBEING OF BUBS FAMILY**

Bubs Executive Chairman Dennis Lin said: "Now more than ever the Bubs® portfolio is an Essential Service critical to the wellbeing of the Bubs Family who rely on infant formula as the sole source of nutrition for their newborn and infant nutrition needs. Importantly, we have revamped our online store to ensure continuity of supply to Australian families who may have difficulties accessing their regular stores.

"We continue to be fully focused on ensuring our integrated supply chain is responsive to the increased demand being observed through all channels.

"We remain agile and able to quickly respond to this fast-moving situation, with operating flexibility from our vertical supply chain and strong balance sheet position. Our expanded production teams are now running two eight-hour shifts daily to meet domestic demand, as well as committing to volume container shipping of product to Asia to meet increased export demand.

"As a result, Bubs has enjoyed record quarterly revenue building on strong underlying sales momentum established in the second quarter, and we are proud to be keeping people employed and continuing to expand our team.

"None of this would have been possible without the efforts of our team, and we are particularly grateful to our Australian farmers who supply quality milk and all the other suppliers, such as Bega Cheese, who contribute to the end product.

"With regards to the Bubs Family, we are actively supporting the health and wellbeing of our employees and their families with targeted initiatives.

"We continue to be grateful for the efforts of all our healthcare and Essential Service workers, many with young families of their own, who are working so diligently to contain the pandemic," said Mr. Lin.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 31 March 2020 is attached. The Report was lodged with the ASX on 14 April 2020.

**END**



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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 super-premium infant nutrition products. Bubs® goat milk and Bubs 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 through to childhood.

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 Australian goat milk.

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 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")**

31 March 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	23,416	49,428
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(15,084)	(45,767)
(c) advertising and marketing	(3,414)	(8,200)
(d) leased assets	(4)	(15)
(e) staff costs	(1,564)	(4,662)
(f) administration and corporate costs	(1,154)	(5,244)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	129	270
1.5 Interest and other costs of finance paid	(43)	(160)
1.6 Income taxes paid	-	-
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>2,282</b>	<b>(14,350)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (KPI payment to Nulac vendors)	(6,700)	(6,700)
(c) property, plant and equipment	(28)	(116)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(f) other non-current assets (Priority right at UphamGo Australia Limited)	(1,800)	(1,800)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses (Joint Ventures - Uphamgo Australia Pty Ltd, New Zealand Nutritional Goat Company Limited, Cambria Management Company Pty Ltd and Cambria Unit Trust)	3,493	3,493
	(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 (capital injection of associate)	-	(1,034)
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(5,035)</b>	<b>(6,157)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	35,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	150
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,320)
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 (Deferred consideration payment to Nulac vendors)	-	(237)
3.10	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>33,593</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	39,130	23,291
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,282	(14,350)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,035)	(6,157)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	33,593
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>36,377</b>	<b>36,377</b>

<b>5.</b>	<b>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	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	35,147	32,900
5.2	Call deposits	1,230	6,230
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>36,377</b>	<b>39,130</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to these parties included in item 1
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2

**Current quarter  
\$A'000**

600

-

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

Salaries to Key Management Personnel \$224,289

Marketing expenses to the associate Bubs Brand Management Shanghai Co. Ltd \$375,422

**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.*

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1 Loan facilities		
7.2 Credit standby arrangements	5,000	2,000
7.3 Other (please specify)		
7.4 <b>Total financing facilities</b>	<b>5,000</b>	<b>2,000</b>

7.5 **Unused financing facilities available at quarter end** \$3,000,000

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 5.99% per annum secured with the maturity date 31 May 2021.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	2,282
8.2 Cash and cash equivalents at quarter end (Item 4.6)	36,377
8.3 Unused finance facilities available at quarter end (Item 7.5)	3,000
8.4 Total available funding (Item 8.2 + Item 8.3)	39,377
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	17

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.

14 April 2020

Date: .....

By the board

Authorised by: .....  
(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 – eg 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.