



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

23 October 2017

## **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 30 September 2017.

### **HIGHLIGHTS**

#### **Strong Recurring Sales Growth – Strategic Direction Reaffirmed**

Bubs Australia has delivered consistent positive sales growth trend quarter on quarter throughout FY17 and into Q1 FY18.

- Q1 Gross sales up 109% to \$1.724 million, on same period last year and up 22% on the previous quarter.
- Q1 Revenue up 101% to \$1.475 million, on same period last year and up 25% on the previous quarter.
- Gross margins improved 119% on same period last year and up 29% on the previous quarter, through the optimisation of product and channel mix.
- Quarterly growth driven by increased infant formula sales in both domestic grocery key accounts, and selected China cross-border e-commerce channels.
- Sales of Bubs ADVANCED PLUS+ Goat Infant formula grew 270% on same period last year and up 46% on the previous quarter, driven by strong domestic performance.
- Sales to China grew 274% for the first quarter versus the same period last year.

#### **A period of intense activity to advance business platform**

- Execution of important strategic supply agreements with leading Chinese e-commerce platforms; VIP.com and leading Mother & Baby Store chain, Kidswant.
- Partnership with Australia's leading healthcare distribution and field marketing services provider HealthOne, enhancing Bubs' channel executional capabilities; including new supply agreements with Australia's largest pharmaceutical wholesaler API, and the Pharmacy 4 Less banner group.
- Launched new range of Bubs Organic<sup>®</sup> Baby Cereals and Bubs Organic<sup>®</sup> Teething Rusks with initial distribution already secured in Chemist Warehouse and China cross-border e-commerce platforms, Kaola.com and VIP.com.
- Strong balance sheet: A\$18.2 million in cash reserves following A\$15.96 million (before costs) capital raising which was heavily oversubscribed.
- Strengthened governance: Dennis Lin, BDO Partner and Australia National Leader of China Advisory Services, appointed as Chairman.



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Releasing the Quarterly Activities Report, Bubs Australia Chief Executive, Nicholas Simms said: “We are encouraged by the traction Bubs has been gaining in both domestic and international markets, reflecting the intense groundwork done over the last twelve months in terms of securing distribution channels, marketing initiatives, new products and building supply chain capability.

“While we are still at an early stage in our journey, the progress made with the doubling of sales over the same period last year, driven by a 270% growth in infant milk formula sales over the previous comparable period, reaffirms our confidence in the strategic direction we are pursuing.

“We are pleased with strong growth in our domestic market, particularly in key accounts like Coles, and Costco, as well as significantly increasing our presence across the pharmacy sector, with domestic sales currently accounting for 75% of the total business.

“Brand awareness continues to grow on leading Chinese e-commerce platforms and we are encouraged by sales growth compared to the same period last year, and we clearly see this market as offering great potential. New Agreements with the likes of VIP.com and more recently Kidswant, provide another sustainable avenue for growth.

“The Company has a strong balance sheet and is well positioned to consider opportunities consistent with our strategic ambitions. Finally we would like to thank our shareholders for their continued support,” Mr. Simms said.

### **Cash Position**

On 1 September, Bubs Australia announced the successful completion of an institutional share placement, raising approximately A\$15.96 million (before costs) at \$0.45 per share from professional and sophisticated investors in Australia and internationally.

Bubs Australia continues to maintain a strong balance sheet with A\$18.2 million in cash reserves as at 30 September 2017, with no debt outside of existing trade partners’ payment terms.

### **Chair Appointed**

In August, Bubs Australia announced the appointment of Mr. Dennis Lin as Chairman of Board. Mr. Lin has been a Partner at BDO Australia since 2009 and is the firm’s National Leader of China Advisory Services. He has practiced as both a Chartered Accountant and Solicitor in Australia.

Mr. Lin specialises in commercial transactions, merger and acquisitions, and capital market activities between Chinese and Australian businesses, with a particular focus in agriculture and consumer goods sectors. He has acted as the lead financial advisor and project leader on transactions up to AUD1 billion, with a special interest in advising on inbound investments from China. He is a native speaker of Mandarin Chinese.



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## Strategic Progress

Since listing in January 2017, Bubs Australia has made significant progress in the implementation of its four pillar strategy that underpins the Company's future growth, including:

### 1. Increased Domestic Penetration

Approach: Improve availability of Bubs<sup>®</sup> products through key domestic grocery and pharmacy retailer accounts, to gain market share by improved points of distribution.

Bubs<sup>®</sup> domestic footprint has more than doubled since listing with nationwide coverage across Grocery, Health and Pharmacy channels.

In July, Bubs Australia announced an agreement with HealthOne, Australia's leading healthcare field marketing services provider. HealthOne provides pharmacy sales and key account management to the Pharmacy Channel with nationwide coverage, delivering hundreds of interactions within the healthcare industry daily. Both companies have worked together throughout the first quarter to develop and commence executing tailored marketing initiatives to enhance Bubs<sup>®</sup> brand presence and increase sales performance in existing stores, and grow distribution in new stores and key retail banners.



In August, Bubs Australia entered into a Supply Agreement with Australian Pharmaceutical Industries (ASX: API), Australia's largest wholesale distributor of pharmaceutical products. API is the parent company of pharmacy retail banners Priceline, Soul Pattinson Chemist and Pharmacist Advice; additionally API distributes to many other pharmacy banner groups throughout Australia.

This new agreement with API, in combination with existing agreements with Sigma Healthcare and Symbion, enables Bubs Australia the ability to supply all pharmacies nationally.



In September, ranging in Pharmacy 4 Less chemists was established, with Bubs<sup>®</sup> infant formula and organic baby food products now sold in all retail outlets.



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## 2. Enhanced Asian Focus

Approach: Build on Asian activities with key partners to leverage Bubs<sup>®</sup> certified organic status and Australian provenance.

During the quarter, Bubs Australia established additional key strategic partnerships with leading e-commerce platforms in China and commenced direct supply of Bubs<sup>®</sup> products.



Bubs Australia has entered into a direct international Supply Agreement with online marketplace giant VIPshop.

VIP is the third largest B2C e-commerce platform in China, with 23 million daily unique visitors and sales revenue exceeding USD8bn in 2016. The platform has a strong focus on the 'Mother and Baby' sector, with more than 80% of their 300 million members being female online shoppers, typically with high disposable income and strong purchasing power. They provide a curated experience by offering meaningful content to consumers via monthly promotional events and personalised recommendations to drive customer engagement.

Bubs<sup>®</sup> infant formula and organic baby food products are now sold on [www.vip.com](http://www.vip.com) and on their mobile application '唯品会': <https://tinyurl.com/VIPbubs>.



Bubs Australia has entered into a direct international Supply Agreement with Kidswant Children Products Co., to sell Bubs<sup>®</sup> range of infant formula and organic baby food products on the Kidswant mobile Application '孩子王 APP': <https://tinyurl.com/kidswant>.

Kidswant is a leading 'Mother and Baby' retail chain in mainland China with over 190 super stores located in major shopping centers in 100 cities, with an annual turnover of RMB 6 billion. The Kidswant e-commerce App attracts 5 million loyal customers, with 80% being multi-channel customers across their in-store and digital offering. The partnership enables Bubs<sup>®</sup> to access its loyal and highly active community, with over 7 million new mothers belonging to Kidswant Club.

Kidswant Chief Operating Officer, Jacky Wu, commented on the partnership: "Infant formula is our highest performing product category. Our customers want premium international brands that are truly authentic and consumed by Australian babies. We are confident Bubs will be well received by our members and we are looking forward to executing our strategy on the Kidswant e-commerce platform to promote Bubs unique product attributes and endearing brand story."



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### 3. Brand Awareness and Impact

Approach: Drive awareness and reaffirm brand credentials through brand refresh and investment to support growth.

Bubs' contemporary new 'smile' design was rolled out across our infant formula range



Bubs' new look packaging began rolling out across our infant formula range this quarter, being well received by retailers and customers. Bubs' Australian made ADVANCED PLUS+ formulation remains unchanged, with only the packaging and marketing materials being updated with Bubs' new 'smile' branding to reflect its premium positioning and nurturing tone.

Bubs Australia continues to evolve its highly effective digitally led marketing campaign, inspiring mum-to-mum connection through content and social community. Bubs' now boasts in excess of 90,000 highly engaged fans, the second largest community across Facebook and Instagram in the baby food and formula category.

Bubs Australia has engaged nutritional experts, brand ambassadors and over one hundred social influencers identified as Key Opinion Leaders, who are highly active in generating social currency in the form of word-of-mouth conversation, product reviews and referrals. In combination with Bubs' targeted display advertising using rich data to reach more than 50,000 new mums with over 300,000 impressions every week.

Bubs Australia continues to participate in events and sponsorship opportunities to generate brand awareness and category leadership. During September, Bubs Organic was the exclusive sponsor of the Baby Food Category for 'Australian Organic Awareness Month.'

Bubs Australia has been nominated as a finalist for 'Business of the Year' in the 2017 Australian Organic Annual Awards for Excellence.





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#### 4. Product Innovation and Development

Approach: Product innovation to cater for all stages of development during the first 1,000 days of a parent's journey to nourish their baby, from newborn to toddler.



In September, Bubs Australia expanded its product portfolio and produced the first batches of a new innovative range of organic baby cereals and teething rusks, bringing the Company closer to its goal of providing parents quality Australian made nutritional options for all stages of development and consumption occasions during Bub's first 1,000 days of life.

The new range of organic cereals and rusks are available in Chemist Warehouse stores nationally, as well as their online store: <https://tinyurl.com/BubsCWH>.

Infant cereals is currently the second largest segment within the category following infant formula in China and Bubs Australia has already secured ranging on partner Chinese cross border e-commerce platforms; Kaola.com and VIP.com.

Bubs Organic<sup>®</sup> iron enriched cereals and lactose free Toothy Rusks<sup>™</sup> are 100% Australian Made and accredited by Australia's leading organic certification body, Australian Certified Organic (ACO).

Bubs Australia Appendix 4C Quarterly Cash Flow Statement for the period ended 30 September 2017 is attached. The Report was lodged with the ASX on 23 October 2017.

END



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**About Bubs Australia Limited**

Bubs Australia is engaged in the business of inspiring new generations of happy, healthy bubs through its premium range of Australian made organic baby food and specialty infant milk formula products.

Founded in 2006 in Sydney Australia, Bubs Australia develops and markets innovative infant nutrition products that give parents and their bubs reason to 'smile from the inside™.'

[www.bubsaustralia.com](http://www.bubsaustralia.com)  
[facebook.com/bubsaustralia](https://facebook.com/bubsaustralia)  
[instagram.com/bubsaustralia](https://instagram.com/bubsaustralia)

# 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 September 2017**

**Note 1** On the 8<sup>th</sup> September 2017 Bubs Australia Limited (BUBs) issued 35,467,243 fully paid ordinary shares under part 60.2 of the Corporation Act. A\$15.96 million (before costs) was raised.

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 Months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	1,687	1,687
1.2 Payments for:	-	-
(a) research and development	(13)	(13)
(b) product manufacturing and operating costs	(2,617)	(2,617)
(c) advertising and marketing	(238)	(238)
(d) leased assets	-	-
(e) staff costs	(284)	(284)
(f) administration and corporate costs	(871)	(871)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
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):	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,332)</b>	<b>(2,332)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(5)	(5)
(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>(5)</b>	<b>(5)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 Months) \$A'000
<b>3. Cash flows from financing activities</b>			
3.1 Proceeds from issues of shares		15,960	15,960
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		(688)	(688)
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 (provide details if material)		-	-
<b>3.10 Net cash from / (used in) financing activities</b>		<b>15,272</b>	<b>15,272</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		5,307	5,307
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(2,332)	(2,332)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(5)	(5)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		15,272	15,272
4.5 Effect of movement in exchange rates on cash held		-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>		<b>18,242</b>	<b>18,242</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		18,242	18,242
5.2 Call deposits		-	-
5.3 Bank overdrafts		-	-
5.4 Other (provide details)		-	-
<b>5.5 Cash and cash equivalents at end of quarter</b> (should equal item 4.6 above)		<b>18,242</b>	<b>18,242</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		70	
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		20	
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			

**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
-	-
-	-
-	-

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.

N/A

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

**\$A'000**

9.1 Research and development

(60)

9.2 Product manufacturing and operating costs

(2,000)

9.3 Advertising and marketing

(400)

9.4 Leased assets

(5)

9.5 Staff costs

(360)

9.6 Administration and corporate costs

(885)

9.7 Other (provide details if material)

-

9.8 **Total estimated cash outflows**

(3,710)

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

10.1 Name of entity

**Acquisitions**

**Disposals**

-

-

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

-

-

**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: 23 October 2017

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.
- 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.

+ See chapter 19 for defined terms

1 September 2016

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