



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 October 2018

## QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

***Record quarterly sales, circa \$9M: 416% year-on-year growth***  
***Bubs® products sales up 90% year-on-year and up 26% on previous quarter***

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 2018.

### HIGHLIGHTS

#### **Solid Sales Growth Year-on-Year – Strategic Direction Unchanged**

- Q1 gross sales revenue up 416% on same period last year to \$8.98 million.
- Growth driven by increased sales of Bubs® products in Coles and Woolworths, as well as China's 'daigou' C2C and cross-border B2C eCommerce channels.
- Sales of Bubs® products grew 90% on same period last year driven by strong consumer off-take across the existing distribution footprint in both Australia and China, including:
  - Infant Formula up 82% on same period last year
  - Organic Baby Food up 57% on same period last year
  - Organic Toddler Snacks up 92% on previous quarter (launched Q2, FY18 – no prior comparable period)
- Sales of CapriLac® (acquired end Q2, FY18) equated to 55% of group quarterly revenue at \$4.92 million.
- Sales to China grew 338% for the first quarter versus the same period last year.
- Domestic sales grew 462% versus prior comparable period.

Releasing the Quarterly Activities Report, Bubs Australia Founder and CEO, Mrs. Kristy Carr said: "We remain confident in the strategic direction we have been pursuing. Over the last 12 months Bubs product portfolio has gained significant traction in domestic and international markets, including securing several key new distribution channels and successfully implementing new product launches.

"We are particularly pleased with the strong growth in our domestic business, with ranging in more than 2,500 Australian retail touchpoints across our full product portfolio, including Coles, Woolworths, Big W, Costco, Aldi, IGA, Chemist Warehouse, and other pharmacy chains. Domestic sales currently account for around 82% of total revenue as we are seeing strong positive momentum in consumer off-take in-store.



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"Following the NuLac Foods acquisition we have expanded our supply chain capability, with our milk pool now exceeding 13 million litres per year. During the quarter, a strategic decision was made to prioritise the increase in herd size over milk production to take our ongoing capacity to a significantly higher level. Although this resulted in a short-term shortage of CapriLac products and limited milk powder sales in the first quarter during the kidding season, we are now well placed to deliver sustainable fully-domestic sourced production of infant formula and CapriLac stock has been replenished for optimum sales in the second quarter.

"The strategic value of the NuLac Foods acquisition is undiminished as Bubs continues to be the only vertically integrated producer of goat milk formula in Australia, offering product traceability from the farm gate to the point of sale. Importantly, the integration of the NuLac Foods business and optimisation of product lines has moved to the point where further integration operational costs are expected to be minimal.

"China's cross-border eCommerce continues to develop, as we prepare inventory and marketing activities for the upcoming shopping events taking place in the second quarter. Clearly we see this channel as offering great potential and have begun to see the benefits of our partnerships with New Times Asia, JD.com and Alibaba, and made our first shipments to HiPac, servicing the O2O (Online to Offline) Mother and Baby store channel, along with increased strategic 'daigou' engagement here in Australia.

"Bubs Organic registered baby food products are being successfully rolled out into physical Mother and Baby stores throughout China, including major Key Accounts in top tier cities. We have a targeted sales strategy to deliver a distribution coverage of 5,000 stores in FY19.

"We continue to pursue our application for China registration, having entered a long term agreement with Australia Deloraine Dairy, to enable us to export Bubs infant formula to physical stores in China. Australia Deloraine Dairy has submitted the completed dossier application with China's State Administration for Market Regulation (SAMR) which has taken over the regulatory role previously performed by CFDA. We will update the market when there is further progress.

"Having achieved our intermediate goals, we are making solid progress toward our strategic goal of becoming a prominent brand in the premium infant nutrition segments both here and overseas, with a key focus on China, as well as planning our entry into other markets in South East Asia with growing consumer demand for the products in our portfolio," Mrs. Carr said.

### **Cash Position**

Bubs Australia continues to maintain a strong balance sheet with \$31.7 million in cash reserves as at 30 September 2018, with no debt outside of existing trade partners' payment terms.

Bubs Australia Appendix 4C Quarterly Cash Flow Statement for the period ended 30 September 2018 is attached. The Report was lodged with the ASX on 29 October 2018.



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

**END**

**Investor and Media Inquiries:**

Deanne Curry  
Ph. 02 8353 0411  
investors@bubsaustralia.com  
media@bubsaustralia.com

**About Bubs Australia Limited**

Founded in 2006 in Sydney, Bubs Australia 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.

Other dairy brands in the Company's portfolio include CapriLac<sup>®</sup> fresh goat milk, yoghurt, and milk powder, and Coach House Dairy<sup>®</sup> flavoured Jersey milks. 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)

**30 September 2018**

### 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	7,083	7,083
1.2 Payments for:		
(a) research and development	-	-
(b) product manufacturing and operating costs	(13,048)	(13,048)
(c) advertising and marketing	(455)	(455)
(d) leased assets	(4)	(4)
(e) staff costs	(806)	(806)
(f) administration and corporate costs	(1,386)	(1,386)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	96	96
1.5 Interest and other costs of finance paid	(34)	(34)
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>(8,554)</b>	<b>(8,554)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) property, plant and equipment	(19)	(19)
(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>(19)</b>	<b>(19)</b>

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 Months) \$A'000
<b>3. Cash flows from financing activities</b>			
3.1 Proceeds from issues of shares		1,300	1,300
3.2 Proceeds from issue of convertible notes		-	-
3.3 Proceeds from exercise of share options		358	358
3.4 Transaction costs related to issues of shares, convertible notes or options		-	-
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>1,658</b>	<b>1,658</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		38,643	38,643
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(8,554)	(8,554)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(19)	(19)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		1,658	1,658
4.5 Effect of movement in exchange rates on cash held		-	-
<b>4.6 Cash and cash equivalents at end of quarter</b>		<b>31,728</b>	<b>31,728</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		6,528	38,643
5.2 Call deposits		-	-
5.3 Bank overdrafts		25,200	-
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>31,728</b>	<b>38,643</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		132	
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		7,269	
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

12,093

9.3 Advertising and marketing

957

9.4 Leased assets

4

9.5 Staff costs

802

9.6 Administration and corporate costs

1,375

9.7 Other (provide details if material)

-

9.8 **Total estimated cash outflows**

15,231

**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.



Signed:

Dated: 29 October 2018

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.