



Bubs Australia Limited
ACN 060 094 742
23-29 Nina Link, Dandenong South
VIC 3175 Australia

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BUBS AUSTRALIA LIMITED Q4 FY20 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

- **FY20 full year Gross Revenue increased 32% to \$62 million, an increase of \$15 million pcp.**
- **Bubs® Infant Formula Q4 sales increased 20% pcp, representing 71% of quarterly gross revenue.**
- **China Direct Q4 sales increased 26% pcp, representing 22% of gross revenue for the quarter.**
- **Q4 Group Gross Revenue of \$13 million decreased 5% pcp, due to a strong pull-forward demand surge in Q3 driven by pantry stocking in multiple markets and challenging international logistics.**
- **Whilst consumer demand remains strong in all key markets, the growth momentum has been temporarily impacted by changing China channel mix dynamics.**
- **Other Export (excluding China) Q4 sales were up 71% pcp, doubling revenue contribution to 8% for the quarter.**
- **Robust balance sheet with \$26 million in cash reserves.**

Melbourne, 27 July 2020: Bubs Australia (ASX: **BUB**), producer of Bubs® Australian made specialty Infant Formula and children's nutrition products, and Australia's largest producer of goat dairy products, submits the following Activities Report and Appendix 4C Cashflow Statement for the fourth quarter, period ended 30 June 2020.

Releasing the Quarterly Activities Report, Bubs Founder and Chief Executive Officer, Kristy Carr said: "While international outbound logistics proved to be challenging throughout the fourth quarter, our full year performance delivered strong growth with gross revenue increasing to \$62 million, a 32 percent uplift over the previous financial year.

"Growth in sales of Bubs® Infant Formula has been a key driver of performance. Infant Formula has now reached a position of scale and is well established as the growth engine of our portfolio, with quarterly sales up 20 percent over the prior comparable period. On a full year basis, Infant Formula increased 69 percent on prior year. With this strong growth trajectory from our most profitable segment, Infant Formula quarterly revenue contribution was at an all-time high of 71 percent.

"Importantly, all of our top three markets demonstrated strong growth year-on-year, despite the very challenging conditions that prevailed throughout the second half across the entire sector in the wake of the COVID-19 global pandemic. China direct quarterly sales were up 26 percent, demonstrating consumer demand remains strong. Emerging export markets outside of China were up 71 percent on prior corresponding period, driven largely by the successful launch of Bubs® Infant Formula in Vietnam, now contributing 8% of group revenue for the quarter.

"Bubs vertical integration and local sourcing model provided us with supply chain security and manufacturing agility, allowing us to quickly respond to the sudden surge in demand in the third quarter as a result of pantry stocking that occurred in quick succession across all of our key markets. Importantly, Australian domestic consumer demand is showing signs of returning to normal pre-COVID



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levels. However, the outbound Daigou Channel remains constrained as a result of the significant reduction in Chinese students and tourists, and the lack of passenger planes resulting in increased logistics costs and longer delivery lead times.

“Overall, we are confident that the Bubs® brand and product range continue to engage with end-consumers in our key markets and as we remain agile to respond to the market dynamics, the underlying growth momentum will remain at pace in the long term.”

FINANCIAL OVERVIEW

- FY20 Gross Revenue was \$62m, up 32% pcp.
- 2H FY20 Gross Revenue was \$33m, up 28% pcp.
- Q4 FY20 Gross Revenue was \$13 million, down 5% pcp due to pantry stocking in Q3 across multiple markets effectively bringing forward Q4 revenue, and changing Channel dynamics for stock movement through to China caused by challenging international logistics.
- \$26 million in cash reserves as at 30 June 2020.

Q4 PERFORMANCE BY CATEGORY

- Bubs® Infant Nutrition - up 14% pcp, representing 75% of gross sales for the quarter.
- Adult Goat Dairy products in Cross-border eCommerce Channel (CBEC) - up 170% pcp, with successful refresh of Caprilac® product range, leveraging strategic partnership with Alibaba CIP.
- Total Adult Goat Dairy - down 31% pcp, representing 24% of quarterly gross sales. The comparable decline is attributed to a significant industrial bulk powder transaction in the previous corresponding quarter.
- Deloraine contract manufacturing represented 1% of Q4 gross sales.

Q4 PERFORMANCE BY REGION

- Australia - down 15% pcp, representing 70% of gross sales for the quarter. Australian Domestic Retail sales increased significantly through expanded distribution points and continued stock movement during the quarter. However, the outbound Daigou Channel has been temporarily impacted as a result of the reduction in Chinese tourists and students, increasing costs and longer delivery times for international logistics, and stabilising supply to meet ongoing consumer demand post pantry stocking surge in Q3.



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- China – direct sales up 26% pcp, driven by strong growth in CBEC. China now represents 22% of gross sales for the quarter. The launch of China General Trade products, including Bubs® Junior Nutrition were launched in Q4, contributing to the positive result.
- Other Export (excluding China) - up 71% pcp, driven by Vietnam, representing 8% of quarterly gross sales.

BALANCE SHEET AND CASH POSITION

- \$26 million in cash reserves as at 30 June 2020.

Q4 STRATEGIC DEVELOPMENTS

Significant Domestic Retail Distribution Gains

- In June, national ranging in Big W was secured for Bubs Organic® Grass Fed Infant Formula to be sold in all 130 stores, building on our existing partnership with Big W, which has ranged Bubs® Goat Milk Infant Formula since 2014. Product will be on-shelf late July.
- In addition to national core ranging for Bubs® Goat Infant Milk Formula and Toddler Snacks, Bubs Organic® Grass Fed Infant Formula was launched in 482 Coles supermarkets in June 2020.
- In May, Bubs® Goat Milk Infant Formula, Bubs Organic® Grass Fed Infant Formula, baby food pouches and cereals were launched in 52 Baby Bunting stores, Australia's largest nursery retailer.
- The above new retail agreements make Bubs® the only Australian Made and Australian Owned specialty Infant Formula brand to achieve national core ranging across all major retailers, with Coles, Woolworths, Chemist Warehouse, Big W and Baby Bunting now collectively ranging both the Goat and Organic Grass Fed Infant Formula products in more than 2,000 stores.

Infant Nutrition Innovation

- In June, the first Bubs® China label dairy product was successfully exported to China. The launch of Bubs® Goat Milk Junior Nutrition now extends the Bubs® range into the important 4-12 year age group in China's Mother and Baby physical stores via the strategic alliance with Beingmate.
- Bubs® Goat Milk Junior Nutrition and Bubs Organic® Junior Nutrition English label products launched nationally in Woolworths and Chemist Warehouse, as well as Vietnam and China CBEC.



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Adult Goat Dairy Innovation

Capela™

- Capela™, a new premium goat milk powder product formulated specifically for the nutritional needs of seniors aged 50+, was produced and launched in June in partnership with AZ Global.
- AZ Global is a Top 15 shareholder in Bubs Australia and is Australia's largest B2B reseller of exported infant nutrition and wellness products into the China Cross-border eCommerce Channel (CBEC).
- AZ Global will distribute Capela™ to Australian retailers and via a combination of both traditional reseller model into China and on AZ Global's exclusive CBEC integrated service platform; **myaz.com**.

Deloraine®

- The initial production and export of Deloraine® Adult Goat Milk 400g tin for distribution via a strategic agreement with Alibaba CIP into the China General Trade Channel was completed in June.
- Deloraine® initial distribution confirmed across 231 RT Mart supermarkets and 110 Hema supermarkets in Tier 1 and Tier 2 cities throughout China.
- RT Mart is a leading hypermarket group in China with 400 stores and Herma is the Alibaba owned chain of gourmet supermarkets with 200 stores.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 30 June 2020 is attached. The Report was lodged with the ASX on 27 July 2020.

Audited results for year ended 30 June 2020 will be lodged with the ASX on or before 30 September 2020.

A report outlining the Company's strategic progress, operational performance and future business plans will accompany the Annual Financial Report.

ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$18.8m on product manufacturing and operating costs, \$889k on administration and corporate costs, \$1.143m on staff costs, and \$3.014m on advertising and marketing. Details of the business activities are found within this report.

Pursuant to ASX LR4.7C.3, the Company advises that payments to related parties include \$224,289 to key management personnel and \$12,211 payments to BDO.

END



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About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia is inspiring new generations of happy, healthy bubs through its Australian range of super-premium infant and children's nutrition products.

Bubs® goat milk and Bubs Organic® grass-fed cow's milk infant formula, organic baby food, cereals and toddler snacks cater for all stages of a child's development, nutritional health need and usage occasion.

Bubs Australia is the leading vertically integrated 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. The Company also produces goat milk products for adults under multiple brand portfolios, including CapriLac®, Deloraine®, and Capela®.

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

Investor Centre: 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")
30 June 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	16,780	66,208
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(18,803)	(64,570)
(c) advertising and marketing	(3,014)	(11,214)
(d) leased assets	(4)	(19)
(e) staff costs	(1,143)	(5,805)
(f) administration and corporate costs	(889)	(6,133)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	90	360
1.5 Interest and other costs of finance paid	(59)	(219)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	136	136
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(6,906)	(21,256)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses (KPI payment to Nulac vendors)	-	(6,700)
(c) businesses (Deferred consideration to Deloraine vendors)	(5,000)	(5,000)
(d) property, plant and equipment	(274)	(390)
(e) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
(f) intellectual property	-	-
(g) other non-current assets (Priority right at UphamGo Australia Limited)	-	(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
(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)
2.5 Other (Working capital adjustment from Deloraine acquisition)	2,795	2,795
2.6 Net cash from / (used in) investing activities	(2,479)	(8,636)
3. Cash flows from financing activities		
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)
3.9 Other (Purchase Order refund pre Deloraine acquisition)	(966)	(966)
3.10 Net cash from / (used in) financing activities	(966)	32,627

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	36,377	23,291
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,906)	(21,256)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,479)	(8,636)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(966)	32,627
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	26,026	26,026

5.	Reconciliation of cash and cash equivalents 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	24,786	35,147
5.2	Call deposits	1,240	1,230
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	26,026	36,377

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**

236

-

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

Payments to BDO \$12,111

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
10,000	2,000
10,000	2,000

7.5 **Unused financing facilities available at quarter end**

\$8,000,000

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 5.51% per annum secured with the maturity date 31 May 2021.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

(6,906)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

26,026

8.3 Unused finance facilities available at quarter end (Item 7.5)

8,000

8.4 Total available funding (Item 8.2 + Item 8.3)

34,026

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

5

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- 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

- 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

- 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.

Date: 27 July 2020

Authorised by: By the Board
(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.