



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

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

Q1 FY21 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

- ***Q1 Group Gross Revenue at \$9.4m, limited by COVID-led contraction in the Daigou Channel with greatest impact to Adult Goat Milk Powder products, ahead of evident consumer demand shift to cross border e-commerce platforms with time lag for inventory to move through the ecosystem.***
- ***Bubs® Infant Formula sales across all Channels up 9% pcp.***
- ***Bubs® Infant Formula sales to Australian major grocery and pharmacy retailers up 29% pcp.***
- ***Bubs Australia is the fastest growing Infant Formula manufacturer, in double digit growth across Coles, Woolworths, Chemist Warehouse and My Chemist combined; up 44% value growth pcp.¹***
- ***Bubs® Goat Formula has 25% market share in goat formula segment in top 3 domestic retailers².***
- ***Bubs® Goat Formula direct export sales to China up 76% pcp.***
- ***Bubs® Infant Formula sales to export markets outside of China up 6% pcp.***
- ***Vita Bubs® range successfully launched into 400 Chemist Warehouse stores in October.***
- ***Appointment of new distribution partner in Malaysia with first container to ship in November.***
- ***Robust cash balance at the end of the quarter of \$42.6m.***

Melbourne, 30 October 2020: Bubs Australia (ASX: BUB), producer of Bubs® specialty infant formula, organic baby food and children's vitamins, and Australia's largest producer of goat dairy products, submits the following Activities Report and Appendix 4C Cashflow Statement for the first quarter, period ended 30 September 2020.

Releasing the Quarterly Activities Report, Bubs Founder and Chief Executive Officer, Kristy Carr said: "Despite macro volatility and channel disruption during the quarter, Bubs® Infant Formula sales remained strong and continued to grow in all key markets, with material sales uplifts of 29% across major Australian retailers, and direct export sales of our Goat Formula products to China increasing 76%, compared to the same period prior year. Despite this growth in core business areas, our group performance was considerably impacted by the sharp downturn in the domestic Daigou Channel, particularly in relation to our Adult Goat Milk Powder products.

"Post the initial pantry stocking period we have retained visibility of inventory in the Channel and throughout the subsequent unwinding process, and have certainty this stock has now moved through the outbound Channel. Managing our supply to meet the true consumer demand is particularly important as we thereby managed to also uphold the value chain successfully during this period.

"To address the significant disruption to the Daigou Channel, caused by the sudden border closures and increased international freight costs, we are also working alongside our Corporate Daigou partners to continue to actively support social marketing with their Daigou customers via live-streaming and social e-

¹ IRI Scan value sales data QTR 27/9/20 combined Woolworths; Coles Group; and My Chemist/Chemist Warehouse.

² IRI Scan value sales share data QTR 27/9/20 combined Woolworths, Coles Group; and My Chemist/Chemist Warehouse.



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commerce. We have already started to see positive sales momentum return in late September through to October, and we anticipate improved performance from the Daigou Channel in the second quarter as we lead into China's major e-commerce shopping events.

"It is clear Chinese consumer demand for our premium products remains strong with Bubs® ranking No.1 Goat Formula brand on JD.com³, and doubling goat market share to 12% on Tmall Global⁴, making it the fastest growing Goat Formula brand on the platform. Compared to the prior corresponding period, Bubs® Goat Formula consumer sales data shows a 9-fold increase⁵ in this quarter pcp, across total China top-tier cross border e-commerce platforms.

"In addition, CapriLac® is ranked No.1 Adult Goat Milk Powder brand on Tmall Global⁶. This is particularly positive given the consumer demand shift from Daigou to cross border e-commerce will undoubtedly become more evident over the medium term, as existing inventory moves through the ecosystem.

"Given the dynamic Channel mix in our traditionally Daigou driven Adult Goat Milk powder business, we have commenced development of new Adult Goat Milk functional products under our CapriLac® brand suitable for the General Trade Channel, thereby doubling the addressable market size.

"Consumer scan sales in our major Australian retailers also demonstrated strong growth year-on-year, despite the very challenging conditions that prevailed in the wake of the COVID-19 global pandemic. Bubs® is now ranked No.1 Goat Formula brand in Coles⁷ and scan sales of Bubs® Goat Formula in Woolworths have increased 172% in the last 13 weeks⁸.

"Additionally, since launching in 700 Woolworths supermarkets in May 2020, Bubs Organic® Grass-fed Formula has already achieved 18% market share of the Organic Formula category⁹, establishing Bubs® as a strong No.2 challenger brand to the longstanding market leader.

"Bubs® suite of products now offers families one of the world's most comprehensive infant nutrition portfolios. Coupled with our vertical integration and deep understanding of the specialty goat dairy supply chain, we remain strategically well placed with a strong relative advantage. We are confident our unique business model will underpin the business trajectory and we expect the underlying growth momentum will normalise and strengthen throughout the financial year.

"Throughout the quarter, we have continued to demonstrate our agility in response to evolving market dynamics and have growth strategies in place to leverage our unique value proposition as we embark on our five-year growth pathway across multiple regions throughout Asia and the Americas with our current portfolio, as well as entry into adjacent high margin categories where we have the supply chain security and expertise to innovate," Mrs. Carr said.

³ JDI last 30 days total platform sales as at 8 October 2020.

⁴ Alibaba, Tmall Global Sales Data as at 30 September 2020.

⁵ Alibaba, total Tier 1 Platforms Bubs Infant Formula sales, as at quarter ending 30 September 2020 pcp.

⁶ Alibaba, total Tier 1 Platforms CapriLac Goat Milk sales, as at 23 September 2020.

⁷ AC Nielsen Scan Units Sold last 13 weeks as at 30/8/2020.

⁸ AC Nielsen Scan Units Sold last 13 weeks as at 30/8/2020.

⁹ AC Nielsen Scan Units Sold last 13 weeks as at 30/8/2020.



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PERFORMANCE OVERVIEW BY PRODUCT CATEGORY

- Group quarterly gross revenue of \$9.4m was down 34% pcp, primarily driven by COVID-19 disruption to the domestic Daigou Channel, with the largest impact to Adult Milk Powder products.
- Bubs® portfolio: up 6% pcp, representing 61% of Q1 gross revenue (Infant Formula sales up 9%).
- Adult Goat Dairy: down 59% pcp, representing 37% of Q1 gross revenue.
- Contract manufacturing, development and procurement represented 2% of Q1 gross revenue.

REGIONAL PERFORMANCE HIGHLIGHTS

Strong foothold on Domestic Retail and traction with Australian families

- Despite the downturn in the Daigou Channel, Domestic gross revenue of \$6.1m accounted for 65% of group quarterly revenue with Bubs® retail scan sales over indexing against the category.
- Bubs® Infant Formula gross revenue increased 29% pcp across all major Australian retailers, including Woolworths, Coles, Chemist Warehouse, Big W and Baby Bunting.
- Bubs Australia is the fastest growing Infant Formula manufacturer experiencing double-digit growth verses last year, across Coles, Woolworths, Chemist Warehouse & My Chemist combined.¹⁰
- Bubs® is now ranked No.1 Goat Formula brand in Coles¹¹ ahead of the longtime multinational market leader and scan sales in Woolworths have increased 172% in last 13 weeks¹¹.
- Since launching in 700 Woolworths supermarkets in May 2020, Bubs Organic® Grass-fed Formula has already achieved 18% market share of the Organic Formula category, establishing itself as a strong No.2 challenger brand to the longstanding market leader¹¹.
- Successfully implemented an increase in the Recommended Retail Price for Bubs® Goat Formula from \$35 to \$38 in major domestic retailers, contributing to future improvements in gross margins.

China remains lead export market with strong growth trajectory

- Total China direct export gross sales of \$2.6m represented 27% of group quarterly revenue.
- Bubs® Goat Formula China export sales increased 76% pcp.
- Bubs® Goat Formula volume sales have increased 9 times across all top-tier CBEC platforms YOY¹².
- Bubs® ranked No.1 Goat Formula brand on JD.com¹³.
- Bubs® is the fastest growing Goat Formula brand on Alibaba, ranking in 3rd position on Tmall Global (No.1 Australian made brand) with 12% market share¹⁴, doubling year-on-year.
- CapriLac® ranked No.1 Adult Goat Milk Powder brand on Tmall Global¹⁵.

International Expansion in SE Asia

- Sales to international markets outside of China at \$758k represented 8% of Q1 group gross revenue.
- Infant Formula export sales to international markets were up 6% pcp.
- Appointed Astra Baby Sdn Bhd as distribution partner in Malaysia with first container of Bubs® Halal certified products to be shipped in November. Astra Baby specialises in marketing and sales distribution of well-known premium baby products across 1500 retail outlets covering all major channels in Malaysia.

¹⁰ IRI Scan value sales data QTR 27/9/20 across Woolworths, Coles Group; and My Chemist/Chemist Warehouse.

¹¹ AC Nielsen Scan Units Sold last 13 weeks as at 30/8/2020.

¹² Alibaba, total Tier 1 Platforms Bubs Infant Formula sales, as at quarter ending 30 September 2020 pcp.

¹³ JD last 30 days total platform sales as at 8 October 2020.

¹⁴ Alibaba, Tmall Global Sales Data as at 30 September 2020.

¹⁵ Alibaba, total Tier 1 Platforms CapriLac Goat Milk sales, as at 23 September 2020.



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CASH POSITION

- \$42.6 million in cash reserves as at 30 September 2020.
- Successful Institutional Share Placement heavily oversubscribed raising \$28.3m (and SPP \$3.8m, finalised in October 2020).

STRATEGIC DEVELOPMENTS

- Vita Bubs®, a new range of eight Children's Vitamin and Mineral Supplements, were distributed to 400 Chemist Warehouse stores in October, with opening B2B orders exceeding expectations.
- Jennifer Hawkins appointed as Bubs® category-exclusive Global Brand Ambassador, with multi-media campaigns produced and activated during the quarter.
- Entered a MOU with Joint Venture partner Beingmate to manufacture Bubs® China label Goat Formula locally in China, made from 100% Bubs Australian goat milk. Bubs intends to acquire an ownership interest in Beingmate's facility to secure exclusive use of their SAMR approved brand slot. Technical, financial and commercial due diligence is near completion and the parties are progressing with definitive legal documentation.

Commenting on strategic developments, Executive Chairman, Dennis Lin said: "As planned, the Vita Bubs® range of children's vitamin and mineral supplements launched on-shelf in Chemist Warehouse stores nationally in October. We are now onto our subsequent production runs to fulfil anticipated export orders across China, Vietnam, Malaysia and Hong Kong. This is a truly exciting development and demonstrates our ability to launch into adjacent high margin categories that leverage our brand and core competencies in new consumer nutritional needs and consumption occasions.

"The appointment of Astra Baby as our distribution partner in Malaysia is a further step in our strategy to rapidly accelerate international expansion. Astra Baby has over 1500 distribution points across all retail channels in Malaysia, and specialises in premium baby products.

"Meanwhile, we are confident our MOU with Joint Venture partner Beingmate to manufacture Bubs® China label Goat Formula locally in China, made from 100% Bubs Australian goat milk, will secure a faster, more certain route-to-market providing full access to China's General Trade Channel, including Beingmate's existing distribution network across 30,000 Mother and Baby stores," Mr. Lin said.

A copy of Bubs most recent Strategic Update presented at the Citi 12th Annual Australia & New Zealand investor conference, was published on the ASX on 15 October 2020 and is available at investor.bubsaustralia.com. The presentation outlines Bubs core strategies: maximising brand equity growth; optimising goat dairy leadership; driving innovation; leveraging strategic partnerships including accelerating market access into China through local manufacturing; and a measured approach to entering new global markets, underpinned by domestic strength across major retailers.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 30 September 2020 is attached. The Report was lodged with the ASX on 31 October 2020.

The Bubs Australia virtual Annual General Meeting is scheduled for 2pm, 23 November 2020. A Notice of Meeting was dispatched the shareholders on 23 October 2020 with details of how to participate.



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ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$11.331m on product manufacturing and operating costs, \$1.965m on administration and corporate costs, \$2.056m on staff costs, and \$4.159m on advertising and marketing. Details of the business activities are found within this report.

Pursuant to ASX Listing Rule 4.7C.3, the Company advises that payments to related parties include \$360,974 in Salary and FY20 Bonus payments to Key Management Personnel and \$61,007 to Bubs Brand Management Shanghai Co. Ltd.

Media and Investor Inquiries

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About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia's vision is to create new generations of happy, healthy bubs through its range of super-premium infant nutrition and health products. Bubs® Goat Milk Infant Formula and Bubs Organic® Grass-fed Cow's Milk Infant Formula, along with their organic baby food, cereals, toddler snacks, and Vita Bubs® infant and children's vitamin and mineral supplements, 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 their own exclusive milk supply. 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, Vietnam, 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 September 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,389	9,389
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(11,331)	(11,331)
(c) advertising and marketing	(4,159)	(4,159)
(d) leased assets	(9)	(9)
(e) staff costs	(2,056)	(2,056)
(f) administration and corporate costs	(1,965)	(1,965)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	31	31
1.5 Interest and other costs of finance paid	(46)	(46)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(10,146)	(10,146)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(351)	(351)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(f) other non-current assets	(18)	(18)
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(369)	(369)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	28,297	28,297
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,245)	(1,245)
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)	-	-
3.10	Net cash from / (used in) financing activities	27,052	27,052

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	26,026	26,026
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,146)	(10,146)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(369)	(369)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	27,052	27,052
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	42,563	42,563

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	41,322	24,786
5.2	Call deposits	1,241	1,240
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)	42,563	26,026

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

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

422

-

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

Salary and FY20 Bonus payments to Key Management Personnel \$360,974

Payments to Bubs Brand Management Shanghai Co. Ltd \$61,007

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)	(10,146)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	42,563
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)	50,563
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:

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.

Date: 31 October 2020

Authorised 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.