



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

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Q4 FY21 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

CONTINUED QUARTERLY GROWTH DEMONSTRATES RECOVERY MOMENTUM

- **Q4 gross revenue \$12.8m, up 8% on prior quarter (QoQ).**
- **Management guidance for a modest increase in gross revenue for the second half delivered; 2H gross revenue \$24.6m, up 10% on 1H (HoH).**
- **FY21 gross revenue \$46.8m, down 24% pcp reflecting prolonged Covid-19 disruption.**
- **Q4 FY21 Highlights:**
 - Domestic Retail QoQ Growth**
 - Bubs® Infant Formula gross revenue to Australian major grocery and pharmacy chains up 67% QoQ.
 - China CBEC and Daigou Channel Recovery**
 - Group gross revenue to Cross-Border e-Commerce (CBEC) up 10% pcp.
 - Bubs® Infant Formula gross revenue to CBEC Channel up 15% pcp.
 - Group gross revenue to Corporate Daigou Channel up 166% pcp.
 - Bubs® Infant Formula gross revenue to Corporate Daigou Channel up 17x pcp.
 - Adult milk powder gross revenue (predominantly CapriLac®) up 6% across all Channels pcp, with CBEC increasing 4% pcp and up 42% QoQ.
 - International Expansion**
 - Q4 International gross revenue up 224% pcp and up 48% QoQ (including ingredient sales), with Bubs® products up 56% QoQ.
 - USA: First batches of the FDA label compliant Aussie Bubs® Goat and Cow milk toddler formula products produced and shipped for sale on Walmart.com and Amazon.com in September.
- **Fabrizio Jorge appointed as Chief Operating Officer to spearhead global expansion.**
- **Katrina Rathie appointed to the Board as a Non-Executive Director effective 21 July 2021** (subsequent event).
- **Cash Balance: \$27.9 million in cash reserves** sufficient to fund the business operating activities for eleven quarters.

Melbourne, 30 July 2021: Bubs Australia (ASX: BUB), producer of Bubs® Australian made specialty infant formula and children's nutrition products, and primary producer of Australian goat dairy products, submits the Quarterly Activities Report and Appendix 4C Cashflow Statement for the fourth quarter, period ended 30 June 2021.

Submitting the report for the fourth quarter, Bubs Founder and CEO Mrs. Carr said: "Bubs Australia continues to make solid progress on its Covid-19 recovery journey despite what has been a difficult year, reflecting our agility in responding to dynamic market conditions and the strength of our brand promise, delivering increased half-on-half revenue growth, as foreshadowed at our interim results.

"While not underestimating the challenges ahead, the continued momentum of our quarterly growth profile with our core business gives us confidence in being able to execute our growth acceleration plans."

Q4 FY21 PERFORMANCE OVERVIEW

The business showed quarter-on-quarter gross revenue improvement, however was marginally lower than the same period prior year, reflecting the channel demand fluctuations caused by Covid-19 in FY20. The proportional shortfall on prior year was markedly less in Q4 compared to Q3.

- Q4 group gross revenue \$12.8m, up 8% QoQ, but down 4% pcp (vs. 40% pcp shortfall in Q3).
- Q4 domestic sales were up by 9% QoQ, but down 29% pcp due to retailer supply chain fluctuations between quarters, representing 52% of quarterly gross revenue.
- Total export sales to China (including General Trade) in Q4 decreased 4% pcp, but were up 10% pcp in the CBEC Channel, and contributed 22% of quarterly gross revenue.
- Sales to other international markets (including ingredient sales), were up 224% pcp, and up 48% QoQ, contributing 26% of Q4 gross revenue.

Mrs. Carr commented, "The company closed the fiscal year comfortably with continued quarter-on-quarter growth momentum. Domestic sales increased 9 percent on prior quarter and further market share increases were achieved. China e-Commerce sales increased 10 percent over the same period last year validating our strategy to apply increased resources to this channel. Sales through the re-imagined and now digitally driven Corporate Daigou channel were up 166 percent over the same period last year, noting Q4 FY20 was significantly impacted by border closures and disrupted international logistics. Working closely with our lead Channel partner, it is pleasing to see this continued transformation into a facilitated omnichannel selling enterprise, including online-to-offline, open source live-streaming e-commerce and social selling, with delivery ex-Australia or consolidated via cross border warehouses within China.

"Our regional expansion into Asia showed good momentum, and along with industrial ingredient sales, international revenues more than tripled over the same period last year. In perhaps our most exciting development with significant growth potential, we produced the first batches of the FDA label compliant Goat and Cow milk toddler formula for the USA for sale on Walmart.com and Amazon.com in September.

"Importantly, to support our global expansion we have strengthened our Board and management capability. In May, Fabrizio Jorge joined us as Chief Operating Officer following a solid career in dairy with Fonterra, for much of which he led international market development across Asia, Europe and Africa.

"We are also delighted to welcome Ms. Katrina Rathie to Bubs Board, effective from 21 July 2021. Katrina is an internationally recognised leading Intellectual Property, brands and consumer lawyer, for the main part as an equity partner in King Wood Mallesons for 27 years, most recently as Partner in Charge."

BRAND PRESENCE: CONTINUING GROWTH

Australia market share gains

- Retail scan data shows Bubs® offtake sales were up 77% in the last quarter pcp¹; with Goat formula up 41%¹ and Organic Grass Fed formula up 216%¹.
 - Woolworths: Bubs® Q4 growth +113% pcp¹
 - Coles: Bubs® Q4 growth +54% pcp¹
 - Chemist Warehouse: Bubs® Q4 growth +64% pcp¹
- Bubs is the clear challenger brand, ranking No.2 Goat formula and No.2 Organic formula brand across Woolworths, Coles and Chemist Warehouse. ²



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Commenting on domestic brand performance Mrs. Carr said: "Bubs Australia continues to outperform the category with strong value growth and market share gains throughout FY21. Bubs has firmly positioned itself as the fastest growing infant formula manufacturer in Australia¹. Retail scan data shows offtake sales across Chemist Warehouse, Coles and Woolworths are up 77% in the last quarter¹ compared with the previous year, despite the total Infant Formula category sharply declining, driven by the prolonged disruption of closed borders impacting retail in-store sales to Chinese tourists and students. This achievement in a mature market is testament to the strength and engagement with our Bubs® brand values and premium provenance positioning resonating with Australian families."

China 6.18 Mid-Year Shopping Festival performance

Alibaba and JD.com reported the China 6.18 Mid-Year Shopping Festival, the second largest annual online sales event, generated record consumer demand boosted by the rapidly growing consumer trend to shop online and surge in livestreaming ecommerce.

- Bubs® Goat Formula offtake sales (GMV) increased 53%³ during the 6.18 campaign period across the top-tier platforms, compared to prior year.
- Bubs® ranked No.3 Goat Formula brand on Alibaba Tmall Global (TDI and Tmall Flagship Store) and was the No.2 Goat Formula brand on JD Global (JDI)⁴.
- CapriLac® offtake sales (GMV) increased 72% during the campaign period across all top-tier platforms, compared to prior year.⁵
- CapriLac® ranked the No.1 Goat milk powder brand on Tmall Global during the 6.18 festival.⁶

International expansion progress

- **USA:** First batch of FDA label compliant Goat and Cow Toddler Formula was produced in June and is on track to launch on Walmart.com and Amazon.com in September, with English-Hispanic label featuring the Clean Label Purity Award.
- **Malaysia:** Bubs® Goat and Organic Grass-fed Halal certified Infant Formula portfolio is now ranged in 200 stores nationwide. Bubs Organic® range was recognised in Malaysia's leading 'Parenthood' magazine as "Brand of Choice" by its readers.
- **Singapore:** The full portfolio of Bubs® Goat and Organic Grass-fed Infant Formula has now been registered and shipped to Singapore with sales to begin in Q1 FY22 on Redmart.com (previously only Toddler, Junior Nutrition and Baby Food products were ranged due to regulatory processes).

"Notwithstanding the pleasing progression of our brand launches into these markets, the growth momentum of our consumer export sales into ASEAN markets has been subdued and impacted by the challenges posed through the continuing effects of the pandemic and extensive lockdown periods in these markets.

"We are however encouraged to see the vertical integration of our business, with exclusive access to numerous Australian & New Zealand goat dairy farmers, has provided an additional strategic pillar to expand our international sales opportunity. The offering of our premium and high-quality goat dairy ingredients to an established and growing network of B2B international sales customers, will provide the continued ability to better mitigate our international sales reliance on consumer export sales, by cushioning the impact of future disruption.



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"Following the Covid-led impact across all key channels and markets, we have continued to prioritise rebalancing our inventory position throughout the second half, which included selling excess bulk powder at a loss to maximise cash conversion. Although the demand volatility has resulted in providing for a provision balance and applied group gross margin pressure throughout FY21, it means we can look forward to returning to a healthy balanced inventory position in Q1 FY22 to meet the now stabilised demand forecast," said Mrs. Carr.

CASH POSITION

Bubs maintains a robust balance sheet with \$27.9 million in cash reserves as at 30 June 2021. The Group's total cash on hand and unused finance facilities available as at 30 June 2021 is sufficient to fund the business operating activities for eleven quarters based on FY21 Q4 net cash used in operating activities.

CORPORATE DEVELOPMENTS

On 1st July 2021, Bubs (Shanghai) Trading Co Ltd, a wholly owned enterprise of Bubs Australia was officially approved by the Chinese authorities and granted a business import licence to operate in China. The Shanghai based business will be responsible for Bubs integrated e-Commerce and General Trade channels with fulfilment delivery ex-Australia or via bonded warehouses within China.

As noted above, on 10th May, Mr. Fabrizio Jorge was appointed as Chief Operating Officer to spearhead global expansion and post-balance date, Ms. Katrina Rathie was appointed to the Board as a non-executive director effective from 21st July 2021.

OUTLOOK

Good progress was made during the quarter in executing the Covid-19 recovery strategy. While the Company is well placed to return to accelerating topline revenue growth in FY22, the ongoing effects of the pandemic are expected to continue to be a key factor impeding future performance given the challenging macro environment. The Company maintains a strong balance sheet cash position to support the pursuit of its strategic ambitions.

ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$7.1m on product manufacturing and operating costs, \$1.5m on administration and corporate costs, \$1.6m on staff costs, and \$2.3m 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 are \$313,029 to key management personnel.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 30 June 2021 is attached. The Report was lodged with the ASX on 30 July 2021.

Audited results for year ended 30 June 2021 will be lodged with the ASX on or before 31 August 2021. A report outlining the Company's strategic progress, operational performance and future business plans will accompany the Annual Financial Report.

This release is approved by the Board of Directors.



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FOOTNOTES

¹ IRI Scan Data, Dollars (\$000's) Growth % YA, Coles, Woolworths and AU My Chemist Group combined Qtr to 04/07/2021

² IRI Scan Data, Units (000's) Share of Total Baby Formula, Coles, Woolworths and AU My Chemist Group combined Qtr to 04/07/2021

³ Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global platform data.

⁴ Bubs Goat Milk Formula GMV (Gross Merchandise Value) Q4 FY21 growth pcp from Tmall Global & JD Global platform data

⁵ Q4 FY21 official results in unit sales data CapriLac from Tmall Global and JD Global platforms.

⁶ Q4 FY21 official results in unit sales data CapriLac from Tmall Global.

END

Media and Investor Inquiries

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About Bubs Australia

Founded in 2006 in Sydney, Bubs Australia's vision is to create new generations of happy, healthy bubs through its range of premium Australian infant nutrition and goat dairy products. Bubs® Goat Milk Infant Formula and Bubs Organic® Grass-fed Cow's Milk Infant Formula, along with 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 exclusive milk supply back to the farm gate. Bubs® is proudly the only infant formula in the world to be based on Australian goat milk.

Bubs® 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 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	9,075	43,981
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(7,063)	(42,586)
(c) advertising and marketing	(2,344)	(11,821)
(d) leased assets	(6)	(29)
(e) staff costs	(1,558)	(6,682)
(f) administration and corporate costs	(1,463)	(5,754)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	35	147
1.5 Interest and other costs of finance paid	(55)	(218)
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	(3,379)	(22,962)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	(5,000)	(5,000)
(c) property, plant and equipment	(42)	(661)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	(18)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	4
	(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	(5,042)	(5,675)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	32,098
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	-	(1,605)
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	-	30,493

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	36,303	26,026
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,379)	(22,962)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5,042)	(5,675)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	30,493
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	27,882	27,882

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	26,638	35,060
5.2	Call deposits	1,244	1,243
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)	27,882	36,303

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
313
-

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 payments to Key Management Personnel \$313,029

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 3.86% per annum secured with the maturity date 31 August 2021.

8. Estimated cash available for future operating activities

\$A'000

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

(3,379)

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

27,882

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)

35,882

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

11

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.

30 July 2021

Date:

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.