



Bubs Australia Limited
ACN 060 094 742
2-4/6 Tilley Lane, Frenchs Forest
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28th August 2017

2017 Preliminary Financial Results

'A Business in Transition: Investing and Building Momentum for The Future'

Bubs Australia (ASX:BUB), producer of Australian made premium infant formula and organic baby food products, announces its preliminary 2017 Financial Year Financial Results.

Bubs Australia CEO, Nicholas Simms said: "We are pleased by the strategic achievements since listing on the ASX, and encouraged with the initial signs we are beginning to realise on the foundations that have been laid to date.

"Since listing, we have significantly reshaped the business and invested heavily in building channel capacity, both domestically by doubling our footprint, and internationally, principally into China with several ecommerce platform agreements and a strategic partnership with Brilite Nutrionals, which provides us with on-the-ground resources to activate our strategy in the key Mother and Baby Store channel.

"The financial results for the year therefore reflect a business in transition following the transaction leading to the re-listing of the business on the Australian Securities Exchange," Mr. Simms said.

FINANCIAL HIGHLIGHTS

- Bubs Australia has delivered consistent sales growth quarter on quarter in FY17.
- Annual domestic revenue growth continues: 2H revenue +33% versus 1H driven by increased domestic distribution in major grocery and pharmacy channels.
- Execution of trading agreements with leading Chinese e-commerce platforms Kaola & RED have seen China 2H revenue +67% versus 1H.
- However while building scale, and reflecting the fixed cost base, the company generated an underlying loss before tax.
- Statutory loss before tax of (\$5,041,338).

Consolidated entity	Year ended 30 June	
	2017	2016
Revenue	\$4,528,512	\$4,347,892
EBITDA	(\$4,941,960)	(\$1,019,981)
Normalised EBITDA	(\$2,657,298)	(\$1,019,981)



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EBIT	(\$5,058,494)	(\$1,107,978)
Normalised EBIT	(\$2,773,832)	(\$1,107,978)
Net Profit / (Loss) i.e. the Statutory/reported figure as in the 4E	(\$5,041,338)	(\$1,289,249)
Normalised Net Profit / (Loss)	(\$2,756,676)	(\$1,289,249)

OPERATIONAL HIGHLIGHTS

- Since listing on the ASX in January 2017, the Company has approximately doubled the number of stores in which Bubs products are sold.
- Domestic sales accounted for 79% of gross sales revenue, with 14% generated from China Cross-border e-Commerce sales, and the remaining 7% from other emerging international markets.
- Improved promotional effectiveness has been achieved whilst build average rate of sale performance of Bubs products.
- Further investment in developing new organic baby products due to be launched in 1H FY18.
- Continued investment in building international channel capacity including agreements with Kaola NetEase (e-commerce), RED (social-commerce) and a strategic partnership with Brilite (Mother and Baby stores, China).

Bubs Australia CEO, Mr. Simms said that Bubs has generated positive revenue growth domestically, underpinning by growing revenue streams from major supermarket & pharmacies.

"Bubs products are now available nationally with selected product ranges currently available through the majority of Coles Supermarkets and in Big W, Costco, Chemist Warehouse and leading pharmacy wholesalers Sigma and Symbion," Mr Simms said.

"Internationally we have focused on building our route to market capacity to provide growth opportunities and access to new markets beyond Australia. These included commercial agreements with e-commerce operators such as Kaola NetEase, RED and our relationships with Tmall Global and JD.com, as well as international retailer groups including Dairy Farm and NTUC FairPrice.

In addition, Mr. Simms said the company agreement with Brilite Nutritionals (Shanghai) Co., Ltd ("Brilite") as its exclusive partner and an authorised distributor in China, with a primary focus on the Mother and Baby store channel; should not be underestimated."



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"The strategic importance of the agreement provides Bubs with the gateway to the key Mother and Baby store channel, a sector that represents 49% of all infant formula value sales in China and growing, and material assistance with achieving regulatory approvals for all of Bubs infant formula and organic baby food products."

Subsequent to the year-end, Charles Li, Chairman of Brilite has been engaged as Chief Operating Officer for mainland China.

OUTLOOK

The company expects increasing demand in key domestic retail accounts and improved engagement of Chinese ecommerce platforms to continue.

In the meantime the Company will focus on enhancing supply chain scalability and capability, 'yield management', as well as pursuing a pipeline of new products.

The company will also progress its China CFDA application, aiming to complete lodgment by the end of the calendar year.

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 infant milk formula products.

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

For general information please contact:

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Appendix 4E

Preliminary Final report

Name of Entity:

Bubs Australia Limited (formerly Hillcrest Litigation Services Ltd)

ACN: 060 094 742

1. Reporting Period

Current period : 30 June 2017

Previous corresponding period : 30 June 2016

2. Results for announcement to market

Revenue	Increase	4.1%	To	\$A4,528,512
(Loss) from ordinary activities after tax attributable to members	Increase	391.0%	To	(\$A5,041,338)
Net (loss) for the period attributable to members	Increase	391.0%	To	(A\$5,041,338)
<i>Dividends</i>	Amount per share cents	Franked amount per share cents		
Final	-	-		
Interim	-	-		

Record date for determining entitlements to dividends: N/A

Brief explanation of figures:

Revenue has grown quarter on quarter throughout the year. The rate of growth reflects consolidation of certain products / distribution channels offset by strong growth in the revenues from Domestic and China market performances in the fourth quarter (up 19% over the third quarter, and up 35% on the same period for the previous year)

Operating loss reflects that the business is still in the development phase including marketing, new product development and expenses related to building international channel capacity.

A one-off Corporate Transaction Accounting Expense of \$1,722,893 in connection with the reverse takeover and related share-based payments of \$561,769 make up the consolidated net loss after tax from continuing operations.

The Corporate Transaction Accounting Expense is a one-off, non-recurring accounting entry that represents the cost of the reverse acquisition to the Group. As this is not reflective of the continuing IFC business, a normalised loss has also been disclosed to exclude this value.

3. Condensed consolidated income statement

	Consolidated	
	2017	2016
	\$	\$
Revenue from continuing operations		
Gross sales	4,528,512	4,347,892
Trading rebates	(607,330)	(688,564)
Revenue	3,921,182	3,659,328
Cost of sales	(3,084,716)	(2,812,406)
Gross profit	836,466	846,922
Other income	-	-
Distribution and selling costs	(272,106)	(243,184)
Employee costs	(1,292,585)	(775,439)
Marketing and promotion costs	(812,861)	(389,936)
Rent	(140,407)	(67,442)
Administrative and other costs	(975,805)	(390,902)
Share-based payments	(561,769)	-
Corporate Transaction Accounting Expense	(1,722,893)	-
Depreciation, amortisation and impairment	(116,534)	(87,997)
Earnings before net interest and tax	(5,058,494)	(1,107,978)
Net interest expense	(1,652)	(200,079)
Profit before tax	(5,060,146)	(1,308,057)
Income tax (expense) / benefit	18,808	18,808
Loss for the year	(5,041,338)	(1,289,249)
Other comprehensive income	-	-
Total comprehensive loss for the year	(5,041,338)	(1,289,249)

4. Condensed consolidated balance sheet

	Consolidated	
	2017	2016
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,306,746	2,081,606
Trade and other receivables	1,368,623	753,342
Inventories	971,757	2,467,174
Total current assets	7,647,126	5,302,122
Non-current assets		
Property, plant and equipment	66,026	89,475
Intangible assets	1,275,447	1,349,067
Total non-current assets	1,341,473	1,438,542
Total assets	8,988,599	6,740,664
Liabilities		
Current liabilities		
Trade and other payables	1,057,048	1,120,238
Borrowings	-	3,557
Provisions	189,835	23,746
Total current liabilities	1,246,883	1,147,541
Non-current liabilities		
Borrowings	-	35,958
Deferred tax liabilities	199,338	218,146
Total non-current liabilities	199,338	254,104
Total liabilities	1,446,221	1,401,645
Net assets	7,542,378	5,339,019
Equity		
Issued capital	15,082,928	8,400,000
Reserves	561,769	-
Accumulated losses	(8,102,319)	(3,060,981)
Total equity	7,542,378	5,339,019

5. Condensed consolidated statement of cashflows

	Consolidated	
	2017	2016
	\$	\$
Cash flows from operating activities		
Receipts from customers	3,924,057	3,914,253
Grants received		-
Payments to suppliers and employees	(6,027,050)	(6,713,979)
Interest paid	(1,652)	(200,079)
Net cash used in operating activities	<u>(2,104,645)</u>	<u>(2,999,805)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(18,475)	(73,380)
Purchase of intangible assets	(990)	(44,400)
Cash acquired from acquisitions	<u>5,510,699</u>	<u>-</u>
Loans provided to investee companies	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>5,491,234</u>	<u>(117,780)</u>
Cash flows from financing activities		
Proceeds from share issue	28,000	6,400,000
Capital raising costs	(149,935)	-
Proceeds / (repayment) of borrowings	(39,515)	(1,252,355)
Proceeds from hire purchase liabilities	-	39,515
Net cash from financing activities	<u>(161,450)</u>	<u>5,187,160</u>
Net increase / (decrease) in cash and cash equivalents	<u>3,225,139</u>	<u>2,069,575</u>
Cash and cash equivalents at the beginning of the financial year	<u>2,081,607</u>	<u>12,032</u>
Cash and cash equivalents at the end of the financial year	<u>5,306,746</u>	<u>2,081,607</u>

6. Dividends

Amount per security

		Amount per security	Franked amount per security at 30% tax cents	Amount per security of foreign source dividend cents
Final Dividend	-Current year	-	-	-
	-Previous year	-	-	-
Interim dividend	-Current year	-	-	-
	-Previous year	-	-	-

Total Dividends an all securities for the year

	Current period	Previous corresponding period
Ordinary securities	238,870,888	25,000
Preference securities	-	-
Other equity securities	-	-

7. Dividend re-investment plan

The dividend reinvestment plans shown below are in operation: None

Last date for receipt of election notices for the dividend reinvestment plan: N/A

8. Retained Earnings

	Current period	Previous corresponding period
(Accumulated losses) at beginning of financial period	(3,060,981)	(1,771,732)
Net (loss) attributable to members	(5,041,338)	(1,289,249)
(Accumulated losses) at end of financial period	(8,102,319)	(3,060,981)

9. Net Tangible Assets

	Current period	Previous corresponding period
	Cents	Cents
Net tangible asset backing per ordinary share	0.026	159.598

10. Details of entities over which control has been gained or lost

On 20 December 2016 Bubs (previously known as Hillcrest Litigation Services Limited (HLS)) acquired 100% of the ordinary share capital and voting rights of The Infant Food Holding Co. Pty Ltd (IFHC).

11. Details of associates and joint ventures

N/A

12. Any other significant information

The company is still in development phase and continued to invest in innovating products and resources to expand its international channel and domestic distribution capacities.

During the period, the Company concluded agreements with Kaola NetEase, RED, and Brilite Nutritionals. The agreement with Briite Nutritionals includes Brilite assisting with certification of the Company's products, needed for in-store sales in the Chinese market from 2018.

In addition the company negotiated additional domestic distribution capacity including with Coles Supermarkets, BigW, and wholesale and retail pharmacy groups.

13. Accounting standards

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

14. Results for the period

14.1 Earnings per share

	Current period	Previous corresponding period
	Cents	Cents
Basic Earnings per Share	(2.4831)	(0.7890)
Diluted earnings per share (if materially different)		
	Number	Number
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic EPS	203,025,124	163,400,000

14.2 Return to shareholders

N/A

14.3 Significant features of operating performance

At an operating level, domestic distribution capacity increased significantly during the third and fourth quarters approximately doubling the number of stores and wholesale channels through which Bubs products are sold.

Domestic realised sales delivered top line revenue growth of 33% for the year.

Domestic sales account for approximately 79% of gross revenue and approximately 14% of revenue was generated through China cross border e-commerce - not requiring certification.

14.4 Segment Results

The financial information presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position is the same as that presented to the Board of Directors.

14.5 Trends in performance

The company expects to experience continued increasing demand in key domestic retail accounts and improved engagement of Chinese ecommerce platforms to continue.

In the meantime the Company will focus on enhancing supply chain scalability and capability, 'yield management', as well as pursuing a pipeline of new products to compliment Bubs existing premium range of Australian made organic baby food and infant milk formula products

14.6 Any other factors which have affected the results in the period which are likely to affect the result in the future including those where the effect could not be quantified:

Nil.

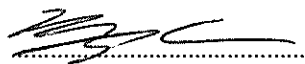
15. This report is based on accounts to which one of the following applies:

- The accounts have been audited
- ✓ The accounts are in the process of being audited
- The accounts have been subject to a review
- The accounts have not yet been audited or reviewed

16. Description of any likely audit dispute or qualification

N/A

Sign here:


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Company Director

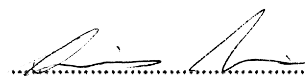
Date:

28th August 2017

Print Name:

Kristy Carr

Sign here:


.....

Company Director

Date:

28th August 2017

Print Name:

Dennis Lin