



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

31 January 2020

SECOND QUARTER ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

- **Record quarterly gross revenue at \$14.54m – 21% uplift pcp.**
- **Strong performance from Bubs® Goat Infant Formula – up 118% on previous quarter.**
- **Bubs® total portfolio represents 66% of sales for the quarter.**
- **Successful \$30m institutional/professional investor placement and \$5m retail share placement.**

Melbourne, Victoria: Releasing the Bubs Australia (ASX: **BUB**) Activities Report and Appendix 4C Cashflow Statement for the second quarter ended 31 December 2019, Bubs Founder and Chief Executive Officer, Kristy Carr said: “We are pleased to report continuing positive sales momentum with a record second quarter sales, up 21 percent over the previous corresponding period. Bubs Infant Formula has been a stand-out, up 77 percent over the same period last year and more than doubling quarter on quarter this year.

“During the quarter, investment continued to be made in transitioning our developing China direct business to our key partners, being the Beingmate joint venture, which signed Kidswant as our flagship retail partner in the Mother & Baby stores. We have also continued our investment in and partnering with Alibaba in the cross-border eCommerce channel.

“As well, we are continuing to invest in development of new products, new packaging and brand extensions beyond infant nutrition to capitalise on our unique integrated supply chain. This involves an increased stock position prior to launching exciting new products and brands in profitable categories and channels to optimise distribution, ensuring our inventory achieves highest and best use. The first example was the launch of specialty adult goat milk powder under our Deloraine® brand in partnership with Alibaba’s Centralised Import Procurement (**CIP**) division. In addition, a range of junior nutrition dairy products targeting older children aged 3-12 years is scheduled for launch during the fourth quarter.

“With our expanded data-focused partnerships, such as Alibaba and Chemist Warehouse, we are now in a position to make much greater use of data driven marketing to optimise our return on investment, as we respond to consumer trends and the evolving dynamics of the market.



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“During the period we placed an increased focus on expanding our international footprint beyond China. Following the appointment of Viet Nam TVV Service and Trading Company Limited (**TVV**), products were ranged in BiboMart, Vietnam’s largest Mother & Baby store chain and other independent stores throughout both north and south Vietnam.

“In December 2019, we also entered into a distribution agreement with WeMe eCommerce Solution Limited (**WeMe**) to distribute and market Bubs products in Hong Kong. We anticipate sales to the Pharmacy Channel in this market will exceed \$1.2 million in the 2020 calendar year. Hong Kong also plays a strategically important role as a gateway to China, so we will be giving this market increasing priority moving forward.

“In Australia we similarly are seeing the benefit of our strategic partnership with Chemist Warehouse and the targeted activation in the Daigou Channel, with domestic sales at an all-time high, up 17% compared to the previous quarter,” said Mrs. Carr.

FINANCIAL HIGHLIGHTS

Bubs has again delivered quarterly sales growth with 21% uplift on the previous corresponding period:

- Quarterly revenue highest on record at \$14.54m.
- Strongest performance in Bubs® Goat Infant Formula - up 118% compared to previous quarter.
- Bubs® complete nutritional portfolio - up 77% compared to previous quarter.
- \$39.1 million in cash reserves as at 31 December 2019.

PERFORMANCE BY CATEGORY

- Bubs® infant formula up 77% pcp; representing 59% of gross sales for the quarter.
- Bubs® baby food up 15% pcp; representing 7% of gross sales for the quarter.
- Adult milk powder – down 28% pcp, reflecting transition to new distribution arrangements and pending relaunch with new packaging, products and brands; currently representing 23% of quarterly gross sales.
- Fresh milk products – down 54% pcp, representing 5% of gross sales for the quarter following loss-making deletion of yoghurt products and Coach House Dairy® disposal.
- Deloraine Manufacturing – represented 6% of gross sales for the quarter.



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PERFORMANCE BY REGION

- Australia – up 31% pcp, representing 79% of gross sales for the quarter.
- China – overall down 32% pcp, representing 15% of gross sales for the quarter. However, Bubs® products sales to the Mother and Baby store channel in Q2 were up 44% pcp. Decline in China sales was driven by the phasing of CapriLac® off-take sales pre-Winter following the strong Q1 distribution in the Daigou Channel. (Adult milk powder sales in 1H are up 30% pcp).
- Emerging international markets - up 1,319% pcp, representing 6% of gross sales for the quarter.

CAPITAL / CORPORATE

- Successful \$35 million (net receipts \$33.7 million) institutional capital raising and retail shareholder placement.
- Appointment of Dennis Lin to Executive Chair (previously Non-Executive Chair).
- Relocation of Head Quarters to Melbourne, Victoria.

Bubs Executive Chair, Dennis Lin said: "Following the successful capital raising and retail share placement in December, the Company continues to maintain healthy cash balances. Along with meeting M&A commitments, funds raised will be used to enhance the company's financial flexibility to take advantage of future growth opportunities in China and our new emerging Asian markets, as well as advance new product development under our core infant portfolio and brand extensions in the non-infant goat dairy sector.

"We are continuing to accelerate our vertical integration strategy as we further integrate the Australia Deloraine Dairy processing plant into our supply chain, as well as moving our registered head office to the Melbourne based Deloraine facility. Supported by the Victorian state government, this move will facilitate closer engagement with our goat milk suppliers, processors and logistics services to major customers.

"In recent months, we have also been in close contact with our local Goat Dairy Farmers over this difficult recent bushfire period and can confirm all of our Goat Dairy farms are safe and well. Our farms are located in an area much further west of the impacted areas and away from the current fires. The structure of our milk supply agreements also continues to assist farmers with certainty, enabling them to reinvest and grow their businesses together with us."



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Commenting on operating performance, Mr. Lin said: "In our home market which represents 79 percent of our business for the quarter, total sales were up by a third compared to the same time last year, including a 25 percent increase in sales through major supermarkets and pharmacies, which includes Coles, Woolworths, and Chemist Warehouse. Also counted in the Australian segment, the corporate Daigou channel continues to significantly contribute to our domestic revenues, increasing 21 percent over the previous comparable period.

"China direct sales of Bubs nutrition products increased 44 percent through the Mother and Baby store channel. Whilst China cashflow performance in the second quarter was affected by reduced CapriLac® adult milk powder sales, it underlines our intention to relaunch products and brands that will reflect the premium positioning of our superior products in this category and we expect to do so in second half of this financial year.

"In addition, we are saddened by the news of the coronavirus outbreak in China. We are working closely with our stakeholders and partners in Australia and China to ensure that our customers and their families continue to have security of supply, as well as the most accurate information for them to remain healthy and safe.

"Importantly, Bubs goat milk infant formula continues to be the most profitable segment and strongest growth driver in the business, delivering quarterly revenues in excess of \$8 million, a 118% uplift on the first quarter. This is a clear indication that our infant nutrition strategy is well founded and being executed with precision alongside our key partners," said Mr. Lin.

Cash Position

Bubs Australia has a robust balance sheet with \$39.1 million in cash reserves as at 31 December 2019.

The company's cashflow performance for the quarter reflects the previously mentioned in-market inventory management of adult milk powder on change of distribution partner ahead of the launch of a refreshed Caprilac® range of products, as well as seasonal timing of payments.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 31 December 2019 is attached. The Report was lodged with the ASX on 31 January 2020.

END



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About Bubs Australia Limited (ASX: BUB)

Founded in 2006 in Sydney, Bubs Australia is engaged in the business of inspiring new generations of happy, healthy bubs through its range of premium infant nutrition products. Bubs® goat milk and organic grass-fed infant formula ranges, and organic baby food, cereals and toddler snacks cater for all feeding occasions and stages of development from newborn to preschool.

Bubs Australia is the leading 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.

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: www.bubsaustralia.com

Investor Centre: www.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)

31 December 2019

Consolidated statement of cash flows

1. Cash flows from operating activities

- 1.1 Receipts from customers
- 1.2 Payments for:
 - (a) research and development
 - (b) product manufacturing and operating costs
 - (c) advertising and marketing
 - (d) leased assets
 - (e) staff costs
 - (f) administration and corporate costs
- 1.3 Dividends received (see note 3)
- 1.4 Interest received
- 1.5 Interest and other costs of finance paid
- 1.6 Income taxes (paid) / refunded
- 1.7 Government grants and tax incentives
- 1.8 Other (provide details if material):
- 1.9 **Net cash from / (used in) operating activities**

**Current
quarter
\$A'000**

**Year to date
(6 Months)
\$A'000**

13,322	26,012
-	-
(18,832)	(30,683)
(3,360)	(4,786)
(7)	(11)
(1,624)	(3,098)
(1,925)	(4,090)
-	-
28	141
(87)	(117)
-	-
-	-
-	-
(12,485)	(16,632)

2. Cash flows from investing activities

- 2.1 Payments to acquire:
 - (a) property, plant and equipment
 - (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 (Capital injection of joint venture)
- 2.6 **Net cash from / (used in) investing activities**

(28)	(88)
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	-
-	(1,034)
(28)	(1,122)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 Months) \$A'000
3. Cash flows from financing activities			
3.1 Proceeds from issues of shares		35,000	35,000
3.2 Proceeds from issue of convertible notes		-	-
3.3 Proceeds from exercise of share options		27	150
3.4 Transaction costs related to issues of shares, convertible notes or options		(1,320)	(1,320)
3.5 Proceeds from borrowings		-	-
3.6 Proceeds from loan repayments		-	-
3.7 Transaction costs related to loans and borrowings		-	-
3.8 Dividends paid		-	-
3.9 Other (Deferred consideration payment to Nulac vendors)		(42)	(237)
3.10 Net cash from / (used in) financing activities		33,665	33,593
4. Net increase / (decrease) in cash and cash equivalents for the period			
4.1 Cash and cash equivalents at beginning of quarter/year to date		17,978	23,291
4.2 Net cash from / (used in) operating activities (item 1.9 above)		(12,485)	(16,632)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(28)	(1,122)
4.4 Net cash from / (used in) financing activities (item 3.10 above)		33,665	33,593
4.5 Effect of movement in exchange rates on cash held		-	-
4.6 Cash and cash equivalents at end of quarter		39,130	39,130
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		32,900	9,978
5.2 Call deposits		6,230	8,000
5.3 Bank overdrafts		-	-
5.4 Other - Solicitor's trust		-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)		39,130	17,978
6. Payments to directors of the entity and their associates		Current quarter \$A'000	
6.1 Aggregate amount of payments to these parties included in item 1.2		134	
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.			
7. Payments to related entities of the entity and their associates		Current quarter \$A'000	
7.1 Aggregate amount of payments to these parties included in item 1.2		44	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3		-	
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
-	-
5,000	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 5.99% per annum secured

9. Estimated cash outflows for next quarter

\$A'000

9.1 Research and development

-

9.2 Product manufacturing and operating costs

19,467

9.3 Advertising and marketing

3,056

9.4 Leased assets

7

9.5 Staff costs

1,513

9.6 Administration and corporate costs

2,000

9.7 Other (provide details if material)

-

9.8 **Total estimated cash outflows**

26,043

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: 31 January 2020

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.