



Bubs Australia Limited (ASX: BUB)  
ACN 060 094 742  
23-29 Nina Link, Dandenong South  
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## Q4 FY22 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

### FY22 4<sup>TH</sup> QUARTER REVENUE SURPASSES FY21 TOTAL REVENUE SIGNIFICANT GROWTH MOMENTUM ACROSS ALL KEY PRODUCTS AND MARKETS

- Record Q4 gross revenue: \$48.1m, up 278% pcp and up 174% QoQ, delivering the fourth consecutive quarter of growth on prior year.
- H2 gross revenue: \$65.7m, up 168% pcp and up 71% HoH.
- FY22 gross revenue: \$104.2m, up 123% pcp (more than double FY21: \$46.8m).
- Sustained growth momentum pcp across all key product segments (A2 Beta-Casein, Organic Grass-fed, and Easy-digest Goat infant formula), and all key markets (Australia, China and USA).
- USA takes off: FDA discretion for all six Bubs® Infant Formula products to be imported, with over 540,000 tins delivered between May and July, funded by U.S. Government's Operation Fly Formula.
- Bubs® Infant Formula products now sold in over 5,400 stores across 34 States, including the four largest retailers of infant formula: Walmart, Kroger, Albertsons/Safeway and Target.
- Post balance date developments:
  - 22 States approved six Bubs® Infant Formula products under the Special Supplement Program for Women, Infants and Children (WIC).
  - FDA commits to a regulatory framework for suppliers like Bubs, already approved under the enforcement discretion policy to continue selling infant formula beyond November 2022.
  - Bubs® Infant Formula products to be imported tariff free under the United States-Australia Free Trade Agreement (AUSFTA).
  - \$63m underwritten capital raising successfully launched, including an oversubscribed \$32.4m Institutional Placement and an accelerated non-renounceable rights issue to raise \$30.6m.

**Melbourne, 20 July 2022:** Infant nutrition and dairy specialist Bubs Australia (ASX: **BUB**), submits the Quarterly Activities Report and Appendix 4C Cashflow Statement for the fourth quarter, period ended 30 June 2022, reporting a record Q4 FY22 revenue that surpassed FY21 total annual revenue, reflecting the Company's continued growth trajectory.

Bubs Founder and CEO Kristy Carr said: "The last quarter has seen the business reach critical mass following exceptional growth across Australia, China, and rapid expansion in the USA with our involvement in the Biden-Harris Administrations' Operation Fly Formula initiative aimed at helping to mitigate the ongoing infant formula shortage crisis. This business diversification and increased scale of our most profitable products and channels has flowed through to our operating margins, delivering profitability for the full year (excluding non-cash equity compensation expenses).



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"The quarter demonstrates initial success of our comprehensive business strategies, led by our clean label infant formula products experiencing high growth in all three key market segments. This was achieved despite a challenging macro environment.

"We are confident of the long-term growth prospects for the USA now that the Food and Drug Administration has committed to a framework for suppliers like Bubs, who have already been approved to import infant formula products, to remain on shelf beyond November 2022. As a result, we envisage the USA will become a lead export market opportunity on par with China in the future," said Mrs Carr.

### Performance Overview by Channel

- **Australia:** up 15% pcp, contributing 11% of quarterly sales
  - Domestic retail sales revenue of Infant Formula was up 31% pcp
- **China:** up 523% pcp, contributing 64% of quarterly sales
  - Corporate Daigou sales were up 1,201% pcp and CBEC sales were up 20% pcp
- **International:** up 265% pcp, contributing 25% of quarterly sales
  - USA Q4 gross revenue includes two of the six Operation Fly Formula flights realised in June

### Performance Overview by Product Category

- **Bubs® portfolio:** up 420% pcp, contributing 75% of quarterly sales
  - Total infant formula sales were up 455% pcp
- **Adult goat dairy portfolio:** up 194% pcp, contributing 18% of quarterly sales
- **B2B:** up 23% pcp, contributing 7% of quarterly sales

### Continued strong growth in domestic sales

Bubs Australia continues to be the fastest growing infant formula manufacturer across Woolworths, Coles, and Chemist Warehouse, with scan sales and market share gains outperforming its peers.

"Bubs® is the clear lead challenger brand in the domestic market recording 41.4 percent<sup>1</sup> scan sales growth and a record 4.5 percent<sup>1</sup> market share over the year, outstripping the category. Bubs® is now the No.1 goat infant formula brand in Australia, while Bubs Organic® continues to show solid growth, and Bubs Supreme™ A2 beta-casein was successfully launched into Coles during the quarter," Mrs Carr said.

### Corporate Daigou sales at all-time high building on Cross Border e-Commerce strength

The Alpha Group equity-linked strategic partnership and the China launch of Bubs Supreme™ A2 beta-casein has proven to be highly successful whilst remaining our most profitable channel.

"The strategic rethink about our Daigou business triggered by the COVID-19 pandemic and the subsequent signing of an equity alliance with Alpha Group, our largest corporate Daigou partner, has been rewarded



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with rapid growth in Corporate Daigou sales which now stand at a record high, growing thirteen-fold in Q4 FY22 compared to the same period prior year.

"We are also pleased with the successful roll out of Bubs Supreme™ A2 beta-casein in China, both through eCommerce and Mother and Baby Stores via Online-to-Offline (O2O) with the same English label products sold in Australia and the USA, driving efficiencies across our supply chain," said Mrs Carr.

### **USA infant formula shortage: our response showcases business agility**

Bubs was one of the first infant formula manufacturers to apply and receive FDA's temporary approval (referred to as 'enforcement discretion'). Within 24 days of approval, the first air cargo shipment began appearing on major U.S. retailer shelves. Now, over 540,000 tins are in the USA in over 5,400 stores, with additional shipments and retailers planned in the near term.

To date, Bubs is one of only eight manufacturers, including four multinationals, to be permitted to import infant formula into the USA.

"The hallmark corporate DNA of Bubs agility was on full display in addressing the USA infant formula shortage. We are very proud of the way our entire team worked together in responding to an issue we felt strongly about and, at the same time, accelerate entry into a key market that was on our agenda for some time," Mrs Carr said.

### **Funding expansion to meet accelerating demand**

During the quarter, the Company experienced significant growth across all key products and markets. While the growth is contributing positively to profitability, it also necessitated and required an initial larger base of working capital and inventory.

As a result, in early July, the Company launched a fully underwritten equity raising of approximately \$63 million at \$0.52 per share comprising a now completed oversubscribed institutional placement to raise approximately \$32.4 million, and a 1-for-10.42 accelerated non-renounceable Entitlement Offer to raise approximately \$30.6 million. The Placement and Institutional Entitlement Offer were completed on 5 July raising \$40.1 million. The Retail Entitlement Offer to raise \$22.9 million closes 5.00 pm (Sydney Time) Tuesday 26 July.

Funds raised will principally be used for working capital to support accelerated expansion, build inventory to mitigate the current logistics environment, build the Company's presence in the USA and capital expenditure to triple the capacity of our processing and canning facility. The Company received very positive support during the Placement and Institutional Entitlement Offer, and welcome eligible shareholders to participate in the Retail Entitlement Offer.

"We would like to thank the institutional investors for their interest and commitment in our business, and welcome them to the register," Mr Lin said.



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## BALANCE SHEET / CAPITAL STRENGTH

Bubs held \$16.3 million in cash reserves as at 30 June 2022 (before receipt of funds from capital raise post-balance date). The Group's total cash on hand and unused finance facilities available as at 30 June 2022 was sufficient to fund the business operating activities for 4 quarters based on FY22 Q4 net cash used in operating activities.

On a proforma basis, on completion of the institutional and Retail components of the capital raising, Bubs expects to have available liquidity of \$82.3 million comprising \$76.3 million cash, \$2.0 million drawn debt and \$8.0 million undrawn debt.

## OUTLOOK

In line with earlier guidance, the Company expects to report underlying EBITDA of greater than \$2.4M (excludes non-cash equity compensation expenses, i.e. share based payments and equity linked transactions).

Executive Chair Dennis Lin said: "Now that we have achieved scale with over \$100 million in gross revenue, we expect margin accretive growth to continue, and anticipate FY23 revenue and margin contribution will be largely attributed to growth in China and the USA, and across our portfolio segments, with infant formula forming a significantly higher proportion of revenue than the current 60 per cent.

"The USA represents the most dynamic opportunity and long-term growth prospect for the business. The team will be singularly focused on delivering earnings accretive growth in FY23 and beyond for our existing and new shareholders," Mr Lin said.

## ASX ADDITIONAL INFORMATION

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent: \$28.2 million on product manufacturing and operating costs, \$2.8 million on administration and corporate costs, \$2.2 million on staff costs, and \$3.5 million 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 of \$210,320 to related parties are to key management personnel.

The Bubs Australia Appendix 4C Quarterly Cashflow Statement for the period ended 30 June 2022 is attached. The Report was lodged with the ASX on 20 July 2022.

This release is approved by the Board of Directors.

## FOOTNOTE

<sup>1</sup> IRI Scan value scan sales growth % YA. Dollars (\$000's) Quarter 05.06.22, Coles, Woolworths, and Chemist Warehouse combined.



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### About Bubs Australia

Founded in 2006 in Australia, Bubs' purpose is to grow happy, healthy families through clean nutrition. Bubs® A2 Beta-Casein Protein, Bubs Organic® Grass-fed, and Easy-Digest Goat Milk Infant Formula, along with Bubs Organic® baby food range, cater for all feeding occasions and stages of a child's development during their first 1,000 days of life.

Bubs® products are widely sold in major supermarkets and pharmacies throughout Australia, as well as exported to ten markets across China, Southeast Asia, the Middle East and USA.

Consumer Website: [bubsaustralia.com](http://bubsaustralia.com)

Investor Centre: [investor.bubsaustralia.com](http://investor.bubsaustralia.com)

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## 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 2022**

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	30,036	91,216
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(28,248)	(71,879)
(c) advertising and marketing	(3,456)	(10,837)
(d) leased assets	(4)	(18)
(e) staff costs	(2,168)	(8,302)
(f) administration and corporate costs	(2,803)	(10,147)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	5	56
1.5 Interest and other costs of finance paid	(81)	(256)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(6,719)</b>	<b>(10,167)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	(1,000)	(1,000)
(c) property, plant and equipment	(74)	(443)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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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	-	-
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,074)</b>	<b>(1,443)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	-
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)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>-</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	24,066	27,883
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,719)	(10,167)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,074)	(1,443)

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)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>16,273</b>	<b>16,273</b>

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	15,028	22,821
5.2	Call deposits	1,245	1,245
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>16,273</b>	<b>24,066</b>

**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**

210

-

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 \$210,320

**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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	10,000	2,000
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	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 3.59% per annum secured with the maturity date 30 September 2022.

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	(6,719)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	16,273
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)	24,273
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	4

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.

20 July 2022

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.

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