



Bubs Australia Limited
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BUBS AUSTRALIA DELIVERS RECORD REVENUES AND PROFIT FOR FY22

All key markets and product segments in earnings growth mode

- **Record Gross Revenue¹: \$104.2m, up 123% pcp (FY21 \$46.8m)**
- **Underlying EBITDA of \$4.8 million profit²**
- **Significant Group Gross Margin³ improvement to 32%**
- **Bubs[®] Infant Formula was key earnings driver with revenue increasing 177% pcp, contributing 60% of group revenue vs. 49% in FY21, presenting a more optimised product mix**
- **Major innovation success story with Bubs Supreme[®] A2 beta-casein protein formula range, launched in Q422 and already contributing 26% of FY22 formula sales**
- **Diversified product portfolio now covers all three premium infant formula growth segments; A2 beta-casein protein, Organic Grass-fed, and Easy-digest Goat**
- **Bubs Australia continues to be the fastest growing infant formula manufacturer⁴ in Australia with domestic scan sales growth of 38.6% and market share⁴ at a record 4.7%**
- **Record China gross revenue¹, up 166% pcp with Corporate Daigou gross revenue¹ up five-fold year on FY21 year**
- **Six Bubs[®] Infant Formula products launched in USA in June under FDA enforcement discretion, with USA revenue contributing 9% of group revenue for FY22**
- **FDA has committed to a permanent regulatory pathway for enforcement discretion recipients, allowing Bubs[®] as one of only eight brands in the world to continue to import infant formula past November**
- **Post balance sheet date \$63m successful completion of capital raise**

Melbourne, 30 August 2022: Infant nutrition and dairy specialist Bubs Australia (ASX: **BUB**) today lodged with the Australian Securities Exchange its Financial Results and Annual Report for Financial Year 2022, reporting record revenues and earnings driven by innovation and margin accretive growth across Australia, China and accelerated market entry into the United States.

Releasing the Annual Report and Results, Bubs Founder and Chief Executive Officer, Kristy Carr said: "The last year has delivered record revenues and earnings, spearheaded by major innovation with the successful launch of Bubs Supreme[®] A2 beta-casein protein formula, and high growth in all key markets. Our domestic market share continued to grow ahead of the category to reach an all-time high. We experienced strong momentum across our China business with a re-engineered and resurgent Corporate Daigou omnichannel model. Additionally, in the last quarter we accelerated our access to the United States with our early acceptance into the Biden-Harris Administrations' Operation Fly Formula initiative to assist American families during the infant formula shortage crisis.

"Gross margins³ increased significantly over the year to 32% for the group. Bubs[®] Goat Infant Formula product margin⁵ increased to 40%. This was driven primarily by increased scale, a growing proportion of



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sales derived from higher margin infant formula, optimisation of product and channel mix, and improved supply side economics inherent in our vertically integrated manufacturing model.

"As a result, with gross revenues¹ more than double the previous year, at \$104.2 million, we have achieved real scale and delivered our first full year of underlying EBITDA profit of \$4.8 million².

"These strong results have been achieved against a backdrop of the lingering impacts of the COVID-19 pandemic, supply chain disruption, inflation, and global economic uncertainty. The FY22 result is undoubtedly a reflection of the strong foundations on which our business is built, our agility, and our ability to innovate and leverage opportunities in response to market dynamics," Mrs Carr said.

FINANCIAL PERFORMANCE

- Record FY22 gross revenue¹ of \$104.2 million (FY21: \$46.8 million), a 123% increase pcp
- FY22 revenue of \$89.3 million (FY21: \$39.3 million), a 127% increase pcp
- Strong momentum: half-on-half gross revenue¹ growth of 71%
- Group gross margin³ profit of \$28.9 million (FY21: \$7.3 million loss), increased to 32%
- Underlying EBITDA of \$4.8 million profit²

PERFORMANCE BY CATEGORY

- Bubs® infant formula: up 177% pcp, representing 60% of group revenue (FY21: 49%)
- Bubs® nutritional products: up 30% pcp, representing 2% of group revenue (FY21: 4%)
- Adult goat dairy products: up 36% pcp, representing 22% of group revenue (FY21: 36%)
- Canning service and raw materials: up 236% pcp, representing 16% of group revenue (FY21: 11%)

PERFORMANCE BY REGION

- Australia: up 17% pcp, representing 16% of group revenue (FY21: 31%)
- China: up 166% pcp, representing 55% of group revenue (FY21: 47%)
- Other International (Asia, MEA, USA): up 202% pcp, representing 28% of group revenue (FY21: 21%)

Fastest growing infant formula manufacturer in Australia taking a record 4.7% market share⁴

Bubs® Infant Formula grew in market share in FY22 with scan sales growth of 38.6%⁴ across Australia's leading retailers; Coles, Woolworths and Chemist Warehouse. As a result, Bubs has consolidated its strong market position as the fastest growing infant formula manufacturer, achieving 4.7%⁴ market share of the total infant formula category.

Bubs® is the clear lead challenger brand in the domestic market, retaining the No.1 position as the top selling goat infant formula brand in all three major Australian retailers⁴. Bubs Organic® also continues to show solid growth momentum and Bubs Supreme® A2 beta-casein protein range was successfully launched into Coles



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during the fourth quarter, completing a comprehensive product offering across the fastest growing high value segments of the infant formula category.

Resurgent Corporate Daigou revenues drive China strong turnaround to record highs

The equity linked strategic partnership with our Corporate Daigou partner, and the successful launch of Bubs Supreme® A2 beta-casein protein infant formula through e-Commerce and Mother and Baby Stores via Offline to Online (**O2O**) has delivered a five-fold year on year increase over FY21 in gross revenue¹.

AZ Global, our long-term strategic partner in China, now fulfils a majority of wholesale orders from resellers within China and attracts Chinese customers with a direct-to-consumer consolidated e-Commerce model, enhancing traceability of channel inventory.

The parallel focus on driving brand penetration on China's top-tier platforms, such as Tmall Global, has also delivered strong gross revenue growth of 29% in the Cross-border e-Commerce (**CBEC**) Channel. These two channels have contributed 55% of revenue to the Group with 166 percent increase in revenue over FY21.

Pricing discipline has been maintained through balancing market supply and demand, contributing to solid margins throughout the supply chain and continual recruitment of new consumers to Bubs®. China remains a key margin driver and long-term strategic priority for the business with significant upside potential.

Accelerated market establishment in the USA with over 800,000 tins across 6,000 stores

As indicated this time last year, the USA is Bubs new frontier. Revenue generated from the USA contributed 9% of total group revenue in FY22, with revenue from two of the six 'Operation Fly Formula' planes being realised in June. The groundwork done in launching Aussie Bubs™ Toddler Formula in September 2021 enabled Bubs to be one of the first-to-market in response to the Biden-Harris Administrations' call for urgent help to American families suffering from the infant formula shortage.

Since the U.S. FDA enforcement discretion notification approving all six Bubs® Infant Formula products, the Company has air freighted over 800,000 tins to the USA, 540,000 of which were funded by the U.S. Government under the 'Operation Fly Formula' program. Within 24 days of receiving the U.S. FDA notification, Bubs® products started appearing on supermarket shelves across the country, demonstrating team agility and our commitment to developing the U.S. market for the long-term.

The Company has since entered into supply agreements with major retail banners to range Bubs® Infant Formula products in over 6,000 stores across 42 States, including Walmart, Kroger, Albertsons-Safeway, Target, Meijer, HyVee, Buy Buy Baby, HEB and more recently Wholefoods, and aims to expand its retail footprint to 10,000 stores by the end of Calendar Year.

Bubs® Infant and Aussie Bubs™ Toddler Formula products have received duty free tariff concession under the Australia United States Free Trade Agreement (**AUSFTA**).

The United States Department of Agriculture (**USDA**) has approved Bubs® infant formula portfolio for the Women Infants and Children (**WIC**) program in 27 States, up until 31 December 2022. Around half of all infant formula sold in the U.S. is made to families receiving subsidy payments through WIC. In addition, Bubs was



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recently awarded a contract to directly supply Bubs® Infant Formula products to the United States Government.

The U.S. FDA has announced it is developing a new framework for continued access for U.S. parents and caregivers for those international infant formulas, like Bubs®, which it has already assessed as safe and nutritious under the enforcement discretion to remain in market beyond November. Bubs remains committed to working closely with the FDA on the regulatory framework for continued, expanded access for ongoing infant formula importation to the U.S. Management is confident and fully committed to establishing a basis for a permanent presence in the AUD \$5.6 billion market.

Margin improvement with scale and efficiency

During FY22, Group gross margin³ increased to 32%.

As noted above, key drivers for margin growth were optimising product and channel mix, efficient trade spend management, improved supply chain efficiency and inventory management.

Importantly, our focus on both the e-Commerce and O2O Mother and Baby store channel in China provided efficiencies across our supply chain, with the same English label products able to be sold across Australia, China and the USA.

BALANCE SHEET CAPITAL STRENGTH

Bubs held \$16.3 million in cash reserves as at 30 June 2022. Post balance date, the Company launched, and has now completed, a fully underwritten capital raising of \$63 million at \$0.52 per share by way of an institutional placement which was oversubscribed, and an accelerated non-renounceable rights issue. This additional Balance Sheet flexibility will support future growth initiatives and execution of long-term strategic goals, as well as increasing manufacturing capacity.

THE YEAR AHEAD

Bubs Executive Chairman Dennis Lin said: "With the business achieving real scale, we will see our next phase of development clearly focused on margin accretion and earnings growth as we continue our journey toward becoming a global challenger, underpinned by our brand-led innovation strategies in achieving those aspirations.

"Now that Bubs offers a comprehensive infant formula portfolio catering to all three premium category segments experiencing value growth, infant formula revenue will be the major driver behind FY23 growth trajectory as we focus on further optimising our product mix.

"Whilst we will continue to protect and grow our domestic market position, China and the USA will be the key growth engines, with both markets expected to be similar in revenue and margin contribution within the next three years," Mr Lin said.



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Reconciliation of underlying EBITDA Profit / (Loss) to Loss before tax

	FY22	FY21
	\$	\$
Loss before tax	(11,301,122)	(77,878,500)
Interest income	58,378	144,774
Finance cost	(914,374)	(1,507,582)
EBIT Loss	(10,445,126)	(76,515,692)
Depreciation and amortisation	(2,693,197)	(3,405,018)
EBITDA Loss	(7,751,929)	(73,110,674)
Share based payments	(8,344,078)	1,207,998
Equity linked transaction	(4,246,021)	-
Impairment	-	(44,640,260)
Underlying EBITDA profit / (loss)	4,838,170	(29,678,412)

FOOTNOTES

¹ Gross revenue is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Gross revenue represents the revenue recognised without rebates and marketing contribution.

² Underlying EBITDA profit \$4.8m is calculated as: EBITDA loss of \$7.8m, excluding share-based payments (\$8.3m) and equity linked transactions (\$4.2m) with strategic trading partner.

³ Gross margin is calculated as (Revenue – Cost of Sales) / Revenue..

⁴ IRI Scan Data, Dollars (\$000's) Growth YA, Market Share Coles, Woolworths and Chemist Warehouse combined to MAT 03/07/2022.

⁵ Product margin is calculated as (revenue – production costs) / revenue. Revenue excludes Corporate Daigou equity linked transaction.

This release is approved by the Board of Directors.

END

MEDIA AND INVESTOR INQUIRIES

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ABOUT BUBS AUSTRALIA LIMITED (ASX: BUB)

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

Investor Centre: investor.bubsaustralia.com