



Bubs Australia Limited
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2 June 2023

TRADING UPDATE

Bubs Australia Limited (ASX:BUB) provides the following Trading Update.

CHINA

As previously reported, China Q3 Gross Revenue was down 56% on pcp with significant amounts of finished goods inventory still held in trade, predominantly Bubs Supreme. Bubs Supreme is a product that was developed for distributor AZ Global and Alice Trading Limited for exclusive distribution into China.

Sales in April & May have followed the H2 YTD trend and Bubs Sales of IMF and Adult Nutrition in the China cross-border e-commerce (CBEC) and on-line to off-line (O2O) channels via AZ Global continue to remain below expectations.

Bubs current exclusive distribution agreement with Willis Trading Limited for Bubs Goat IMF, Organic Grass Feed IMF and Caprilac Adult Goat Nutrition, concludes on 30 June 2023. Bubs is working hard to improve the distribution and sell through in China.

Mr Jackie Lin, an experienced Chinese-Australian executive with a strong understanding of Chinese FMCG and infant milk formula markets has been seconded to Bubs to help the Board lead a strategic review of China operations. The Company has already made significant progress on right sizing the cost base supporting the China business and resetting the China strategy with a view to creating a truly diversified multi-channel approach. The Company will comment further on its future prospects in China once its strategic review is complete.

China Highlights

- Q3 China Net Revenue of \$2.6M was down 57% on pcp
- FY23 H2 April YTD China Net Revenue was \$12.9M, down 52% on pcp
- FY23 Forecast Full Year China Net Revenue is expected to be \$13.5M - \$13.8M versus \$53.6M in FY22.

UNITED STATES

The United States is the second largest infant formula market globally, valued at US\$5.6 billion¹.

Bubs is on track to meet all regulatory milestones for permanent access to the U.S. market and is working closely with the FDA and other stakeholders to secure ongoing availability for Bubs in the U.S. market.

As previously reported, Bubs ex-factory sales to retail stockists in the U.S. have been steadily building after the slowdown in Q2, as retailers sold through the initial 'Operation Fly Formula' pipe-fill.

United States Highlights

- Q3 US Net Revenue of \$4.6M
- FY23 H2 April YTD US Net Revenue was \$17.6M
- FY23 Forecast Full Year US Net Revenue is expected to be \$20.0M - \$22.0M versus \$8.1m in FY22.

¹ Euromonitor and Market Data



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AUSTRALIA

As previously reported, Australian retail high growth momentum continues: Bubs continues to be the fastest growing infant formula manufacturer within the top six major manufacturers.²

Bubs continues to consolidate its leadership of the goat formula segment, now representing 50 percent of the total goat formula market in Australia¹.

At 27 percent growth in scan sales value, Bubs Infant Formula portfolio has grown at nearly seven times the market growth rate of 4 percent, delivering over a quarter of the total market growth in absolute dollar value terms¹.

At the same time, Bubs Organic Grass-fed Formula continues to build momentum against the segment leader, delivering 33 percent growth in scan sales versus prior year¹.

As a result of the Bubs Supreme China purchase orders being significantly lower from Alice Trading than the FY23 forecast sales, the Group is currently carrying a significantly higher inventory level of base formula powder than during the prior year. Strategies to reduce this inventory holding are being actively investigated and a number of opportunities to convert inventory to cash are being considered.

Australia Highlights

- Q3 Net Revenue of \$4.26M was up 41% on pcp, with Bubs Infant Formula scan sales growing at nearly 7x the market growth rate¹ over the period.
- FY23 H2 April YTD Australia Net Revenue was \$12.7m, up 27% on pcp
- FY23 Forecast Full Year Australia Net Revenue is expected to be \$14.5M - \$14.9M versus \$12.9M in FY22.

OTHER INTERNATIONAL Exc. USA

- Q3 Net Revenue of \$922K was up 67% on pcp,
- FY23 H2 April YTD Other International Net Revenue was \$4.2M up 87% on pcp
- FY23 Forecast Full Year Other International Net Revenue is expected to be \$4.5M - \$5.0M versus \$2.8M in FY22.

CASH POSITION

Bubs held \$29.2 million in cash reserves as of 31 May 2023.

GOVERNANCE AND LEADERSHIP

A strategic review of the global business has commenced after the board changes announced on 11 April 2023 and the company expects the review to be completed by 30 June 2023.

This release is approved by the Board of Directors.

² Total AU Grocery & Pharmacy Retail Scan \$'s to MAT w/e 09/04/23



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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, and USA.

Consumer Website: bubsaustralia.com

Investor Centre: investor.bubsaustralia.com