



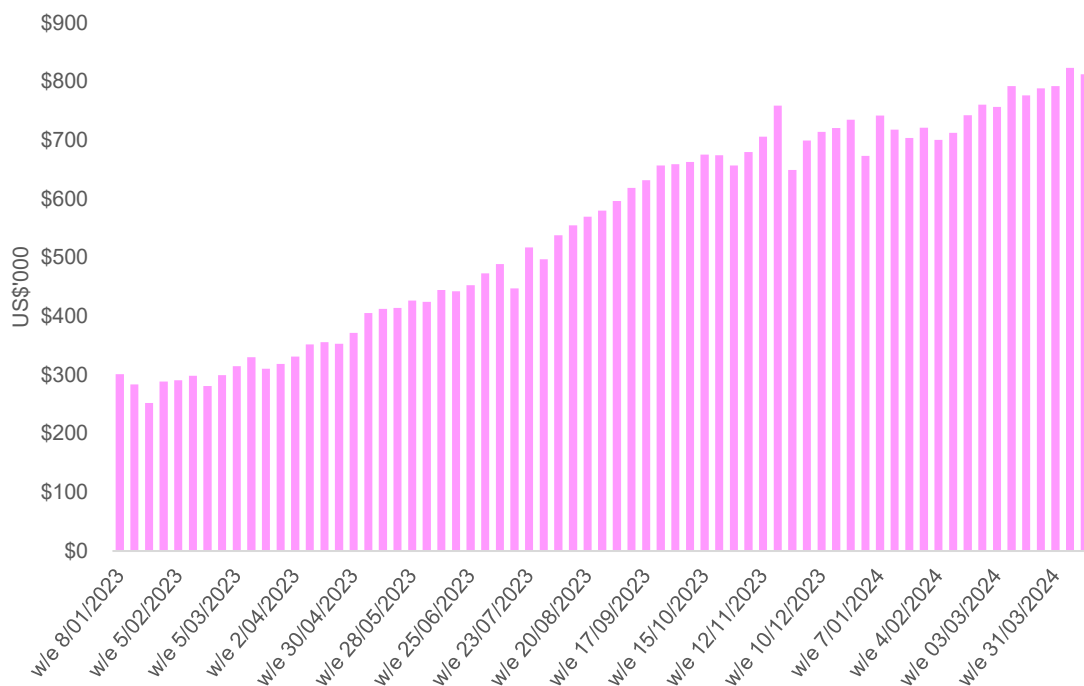
### Q3 FY24 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

**30 April 2024, Melbourne:** Bubs Australia Limited (ASX:BUB) (“**Bubs**” or “**the Company**”) is pleased to announce its unaudited financial results for the quarter ending 31 March 2024 (**Q3 FY24**).

#### Group Highlights

- On track to exceed FY24 group gross revenue<sup>1</sup> forecast of \$100m (net revenue of \$80m) with an underlying gross margin of 40%<sup>2</sup>
- Q3 group gross revenue<sup>1</sup> of \$19.9m, up 25.9% on prior corresponding period (pcp) (Q3 FY23: \$15.8m)
- Q4 FY24 group gross revenue<sup>1</sup> is expected to exceed \$30m driven by very positive retailer feedback to our new products, support from major customers and additional store ranging
- Bubs continues to follow the FDA’s guidance to obtain permanent access to the USA IMF market and are making meaningful progress in the Growth Monitoring Study with 212 infants enrolled, as at 31 March 2024. FDA approval expected prior to October 2025.
- Investment in inventory and working capital to support US growth largely responsible for the increased Q3 operating cash outflow of \$10.9m.
- \$16.5m in total cash and cash equivalents plus \$9.8m in undrawn debt facilities available as at 31 March 2024
- Bubs remains confident it will be cash flow positive and trading EBIT positive in FY25

Weekly USA Scan Sales Revenue<sup>3</sup>



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Bubs' Chief Executive Officer and Managing Director, Reg Weine, commented: "We delivered another strong quarter of growth, with Q3 gross revenue<sup>1</sup> up 25.9% on the prior corresponding period. The strong growth is primarily being driven by our USA operations where gross revenue<sup>1</sup> was 82.8% or \$5.8m higher than the same period last year. We continue to see strong demand for our products and brands in the USA, with scan sales for the quarter averaging approximately US\$750k per week<sup>3</sup>, a new quarterly record".

"In line with of our portfolio optimisation strategic pillar, we have simplified and refreshed our USA product portfolio. These changes will make it easier for US consumers to choose the right Bubs product for their infant, will enhance our shelf appeal and will highlight our clean label credentials which we know American parents really care about. Production of our new products, new packaging and new tin sizes for the US market commenced in Q3 FY24 and the "sell-in" or transition to the new tins, will commence in Q4 FY24".

"At the end of March our YTD gross revenue<sup>1</sup> was \$69.1m, which is 29% higher than pcp. Pleasingly, based on the incredibly positive retailer feedback, our major customers support and the ranging of our new products and tin sizes, we expect our Q4 group gross revenue<sup>1</sup> will be at least 58% higher than Q3".

"We continue to follow the FDA's guidance to obtain permanent access to the USA IMF market and are making meaningful progress in our Growth Monitoring Study. We have seen an uptick in patient enrollments in the past few months and we have now achieved 61% of our target enrollment for formula fed infants and 77% of our target enrollment for the smaller breast-feeding cohort."

### Regional Highlights

- **Continued momentum in USA with gross revenue of \$10.6m, up 82.8% on pcp (Q3 FY23: \$5.8m). USA now represents 53% of group gross revenue**
- **China gross revenue of \$2.3m, down 28.1% on pcp (Q3 FY23: \$3.2m)**
- **Australia gross revenue of \$5.6m, down 5.1% on pcp (Q3 FY23: \$5.9m)**
- **Rest of World gross revenue of \$1.4m, up 55.6% on pcp (Q3 FY23: \$0.9m)**

**Working Capital** – Operating cash outflow increased to \$10.9m in Q3 FY24. Following the stock shortages in Q2 FY24, Bubs decided to increase its levels of safety stock to prevent further stock shortages and to also reduce the ongoing need for air freight. The capital raising conducted in Q2 FY24 has enabled Bubs to invest in working capital and also commence a 2<sup>nd</sup> production shift at Deloraine to service the strong growth in the USA. In addition to the 2<sup>nd</sup> daily production shift, Bubs has also commenced a 6<sup>th</sup> day of production every fortnight to mitigate future stock shortages. On a two-shift basis, Deloraine is operating at 91% utilisation with the option of adding a third shift when necessary, providing an additional 30% capacity.

Average monthly cash burn for the 9 months to 31 March 2024 was \$2.6m, noting this includes non-recurring costs such as FDA regulatory costs (\$4.0m), litigation costs (\$1.9m), ERP implementation costs (\$0.7m) and air freight (\$1.3m). Excluding these one-off non-recurring costs, normalised cash burn was \$1.7m per month.

"The higher cash burn is demand driven and is due to our investment in additional inventory to support the strong growth in the USA, an increase in safety stock necessary to avoid stock shortages and air freight costs, pipe fill for the new products and pack sizes, and the initial investment in a 2<sup>nd</sup> shift at Deloraine. Overall, this is a positive story and this short-term working capital investment required to fund future growth in the USA underpins Bubs' pathway to positive trading EBIT and cashflow in FY25," said Reg Weine.



## Cash Position

Bubs held \$16.5m in cash reserves as at 31 March 2024, with a further \$9.8m of headroom on its bank facilities, totaling \$26.3m of available liquidity. Bubs remains confident it will be cash flow positive with positive trading EBIT in FY25.

## ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$20.2m on product manufacturing and operating costs, \$2.8m on administration and corporate costs, \$3.5m on staff costs, and \$2.9m 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 \$531,691 were made to Key Management Personnel which includes \$95k paid to Non-Executive Directors.

## Footnotes

<sup>1</sup> In this announcement, gross revenue is a non-IFRS term. Gross revenue represents the revenue recognised before trading terms, trade spend and promotional support

<sup>2</sup> In this announcement, underlying gross margin is a non-IFRS term. Underlying gross margin is excluding net inventories provision for raw materials/bulk

<sup>3</sup> Circana Weekly To W/E 31/03/2024 Value Sales \$'s Total US Multi-Outlet (Note: Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates, AMAZON Unit Sales Scan Data To W/E 31/03/2024 - Currency USD \$'s

This release is approved by the Board of Directors

END

## MEDIA 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<sup>®</sup> A2 Beta-Casein Protein, Bubs Organic<sup>®</sup> Grass-fed, and Easy-Digest Goat Milk Infant Formula, along with Bubs Organic<sup>®</sup> baby food range, cater for all feeding occasions and stages of a child's development during their first 1,000 days of life.

Bubs<sup>®</sup> 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)

## 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")**

**31 March 2024**

<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	19,812	51,373
1.2 Payments for		
(a) research and development	(1,214)	(3,960)
(b) product manufacturing and operating costs	(20,198)	(42,661)
(c) advertising and marketing	(2,899)	(8,015)
(d) leased assets	(156)	(454)
(e) staff costs	(3,530)	(10,562)
(f) administration and corporate costs	(2,815)	(9,275)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	122	305
1.5 Interest and other costs of finance paid	(30)	(136)
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>(10,908)</b>	<b>(23,385)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	(99)
(d) investments	-	-
(e) intellectual property	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date \$A'000</b>
	(f) other non-current assets	-	-
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>(99)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	17,376
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	-	(1,695)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(1,800)
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>13,881</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	<b>27,358</b>	<b>26,053</b>
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,908)	(23,385)

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(99)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	13,881
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>16,450</b>	<b>16,450</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	10,155	26,085
5.2	Call deposits	6,295	1,273
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>16,450</b>	<b>27,358</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
95
-

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

During the quarter \$95k was paid for directors' remuneration, including \$5.5k in superannuation contribution and was included in item 1.2.

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**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.*

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	-	-
	10,000	200
	-	-
	10,000	200

7.5 **Unused financing facilities available at quarter end**

9,800,000

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 8.74% per annum secured with the maturity date 30 September 2024.

**8. Estimated cash available for future operating activities**

**\$A'000**

8.1 Net cash from / (used in) operating activities (Item 1.9)

(10,908)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

16,450

8.3 Unused finance facilities available at quarter end (Item 7.5)

9,800

8.4 Total available funding (Item 8.2 + Item 8.3)

26,250

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

2.4

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.

Date: 30 April 2024

Authorised by: The Board of Directors  
(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.