



Bubs Australia Limited  
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## BUBS AUSTRALIA FINANCIAL RESULTS LIFTING OFF INTO GLOBAL GROWTH

- ***FY20 full year group gross revenue<sup>1</sup> increased 32% to \$62 million***
- ***Bubs® Infant Formula sales increased 58% to \$30 million, representing 55% group revenue***
- ***Direct sales to China increased 32% to \$13 million***
- ***Export markets outside of China delivered 5-fold growth, representing 10% group revenue***
- ***Normalised gross margin<sup>2</sup> improved from 21% to 24%***
- ***Robust balance sheet with \$26 million in cash reserves***
- ***Post balance date announcement to fast track SAMR registration through a pivotal 'Created by Bubs®' localisation strategy with Joint Venture partner Beingmate***

**Melbourne, 31 August 2020:** Bubs Australia (**ASX: BUB**), producer of Australian premium infant formula, organic baby food, children's vitamins, and goat dairy products, today lodged with the Australian Securities Exchange its Financial Results and Annual Report for Financial Year 2020.

The Annual Report provides a detailed view of the Company's operational and financial performance, corporate responsibility and governance, and a strategic roadmap to accelerate global growth.

Releasing the Financial Results and Annual Report, Bubs Founder and Chief Executive Officer, Kristy Carr said: "Thanks to the foundations laid by the Company over the last two years, Bubs has enjoyed a year of solid revenue trajectory across all core products and in all key markets.

"Despite the challenges caused by the COVID-19 pandemic, FY20 gross revenue<sup>1</sup> increased 32 percent year-on-year to \$62 million with second half revenue advancing 28 percent over last year's second half gross revenue.

"Infant Formula continued to be our key driver and most profitable growth engine generating \$30 million in revenue, up 58 percent, driven by strong growth in domestic retailers, Junior Nutrition innovation and expansion into Vietnam. The Bubs® brand portfolio of products now accounts for 60 percent of group revenue, versus 49 percent in FY19.

<sup>1</sup> 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.

<sup>2</sup> Normalised gross margin is a non-IFRS measure. Non-IFRS measures have not been subject to audit or review. Normalised gross margin is calculated as (Revenue – Production Costs) / Revenue. Revenue excludes one off discount to Caprilac old packaging adult powder products.



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"Notwithstanding the COVID-19 disruptions, we experienced increasing market diversification. China direct sales momentum was unabated, increasing 32 percent year-on-year to \$13 million, representing 23 percent of group revenue. This channel shift mitigated disruption in the Australian outbound Daigou Channel. Other international markets experienced five-fold growth, accounting for 10 percent of group revenue, driven largely by the successful launch of Bubs® infant nutrition products in Vietnam at the end of the first half.

"As well, normalised gross margin<sup>2</sup> rose to 24 percent for the full year versus 21 percent in FY19. This was due to enhanced product mix focusing on high margin Infant Formula, a price increase in May 2020, and supply chain efficiencies - validating our acquisition of the Deloraine facility in Victoria. Our balanced product mix demonstrated our ability to allocate milk flow into multiple brands, categories and consumer segments.

"Importantly, during the latter half of the year, Bubs® domestic distribution footprint significantly increased with numerous new supply agreements, including Woolworths ranging our entire portfolio of eight Infant Formula products across a targeted selection of its 700 stores; and incremental ranging of Bubs Organic® Grass-fed Cow's Milk Formula in 482 stores Coles stores and 130 Big W stores, as well as the full Bubs® portfolio ranged in 52 Baby Bunting stores. This expansion led to a near three-fold increase in Infant Formula gross revenue in domestic retailers for the fourth quarter compared to last year.

"We also continued to invest in channel capacity, new product development across multiple brands and categories, and our end-to-end supply chain. Within this, trade marketing spend increased in line with our increased footprint across domestic retailers.

"However, despite the strong revenue growth, these investments resulted in a statutory loss after tax of \$8 million," Mrs Carr said.

## FINANCIAL PERFORMANCE

Bubs Australia has again delivered strong positive sales growth with improved normalised gross margin, driven by a 58% increase in Bubs® Infant Formula products.

- FY20 gross revenue<sup>1</sup> of \$62 million (FY19: \$47 million), a 32% increase pcp
- FY20 revenue of \$55 million (FY19: \$44 million), a 24% increase pcp
- Normalised gross margin<sup>2</sup> of 24% (21%, FY19)
- Statutory loss after tax of \$8 million (FY19: \$36 million loss)

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## PERFORMANCE BY CATEGORY

- Bubs® Infant Nutrition products - up 50% pcp, representing 60% of group revenue for the year
- Adult Dairy products - down 17% pcp including the pause for CapriLac® relaunch, deletion of loss making yoghurt products, and disposal of Coach House Dairy® brand assets, representing 33% of group revenue for the year
- Raw materials – up 594% pcp, representing 3% of group revenue for the year
- Deloraine canning services - represents 4% of group revenue following its acquisition in Q419

## PERFORMANCE BY REGION

- Australia – up 9% pcp reflecting the strong footprint expansion in domestic retailers, offset by a second half contraction in the Daigou Channel as a result of COVID-19 disruption, representing 67% of group revenue for the year
- China - up 32% pcp, representing 23% of group revenue for the year
- Other International markets - up 501% pcp, representing 10% of group revenue for the year (2%, FY19)

## CASH POSITION

- Strong balance sheet cash position of \$26.0 million at 30 June 2020

## POST BALANCE DATE

In July 2020, the Company announced it will enter the high margin adjacent Children's Vitamin and Mineral Supplements category with the launch of Vita Bubs™, to be ranged in 400 Chemist Warehouse stores from October 2020. This is a white space opportunity in the A\$2.3 billion Australian Vitamin and Mineral Supplements market, leveraging Bubs® unique positioning as an Infant Nutrition and Australian Goat Dairy specialist.

Also in July 2020, the Company announced the 3-year appointment of Jennifer Hawkins, a much loved Australian celebrity icon and new mother, as Bubs® Global Brand Ambassador.

In August 2020, the Company announced a Memorandum of Understanding with Joint Venture partner Beingmate to acquire exclusive use of a China domestic State Administration for Market Regulation (SAMR) brand slot and an ownership interest in one of Beingmate's CNCA registered manufacturing facilities in Beihai, China.



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Bubs Executive Chairman, Dennis Lin said: "This pivotal 'Created by Bubs®' localisation strategy is aimed at fast-tracking a SAMR registration for Chinese manufactured Bubs® Chinese label Goat Milk Infant Formula products in a China registered facility, whilst still utilising Bubs® brand, intellectual property and 100 percent Australian premium goat milk source.

## **THE YEAR AHEAD**

"With the support of our strategic partners we expect the same agility displayed in FY20 will stand us in good stead to leverage opportunities for international growth and product extensions.

"The new financial year outlook is likely to be coloured by COVID-19 and its impacts, resulting in new ways of doing business and engaging with consumers. Nevertheless, as a scale business we will continue innovate and look to new markets.

"We expect Bubs® Infant Formula to be the engine room for accelerated profitable growth across all key channels and markets. To that end, we can look to an aspirational revenue goal of \$400 million and gross margin floor of 40 percent by 2025.

"We therefore remain optimistic and retain a high level of confidence in the strengths of Bubs business model to continue to navigate these challenges and leverage ongoing opportunities," Mr Lin said.

**END**

## **Media and Investor Inquiries**

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### **About Bubs Australia Limited (ASX: BUB)**

Founded in 2006 in Sydney, Bubs Australia's vision is to create new generations of happy, healthy bubs through its range of super-premium infant nutrition and health products.

Bubs® Goat Milk Infant Formula and Bubs Organic® Grass-fed Cow's Milk Infant Formula, along with their organic baby food, cereals, toddler snacks, and Vita Bubs® infant and children's vitamin and mineral supplements, cater for all feeding occasions and stages of development from newborn through to childhood.

Bubs Australia is the leading producer of goat dairy products in Australia with their own exclusive milk supply. 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, Vietnam, South East Asia and the Middle East.

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

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