



31 July 2023

Q4 FY23 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

Bubs Australia Limited (ASX:BUB) (“**Bubs**” or “**the Company**”) Group Gross Revenue for the quarter ending 30 June 2023 was \$20.0M, up 27% on Q3 and continuing the recent momentum in sales growth.

Group Highlights

- Q4 Group Gross Revenue of \$20.0m was down 59% on pcp, but up 27% on Q3
- Q4 Group Gross Revenue for branded products (excluding B2B and bulk powder sales): \$19.9m, down 59% on pcp and up 27% on Q3
- Q4 Group Gross Revenue for Infant Milk Formula (IMF) was down 52% on pcp and up 49% on Q3
- Q4 Group Operating Expenses were up 110% on pcp
- Full Year Group Gross Revenue of \$73.7m was down 29% on LY
- Post balance date developments:
 - On 6 July 2023, the Company announced the findings of its Strategic Review of the global Bubs business which detailed a 5-point plan to responsibly manage capital and to grow and maximise shareholder value
 - On 27 July 2023, the Company announced the outcome of the Extraordinary General Meeting (EGM) where all resolutions put forward by a small group of shareholders were defeated

Regional Highlights

- USA continues to build momentum with Q4 Gross Revenue of \$11.8m up 45% on PCP and up 97% on Q3
- China Q4 Gross Revenue of \$1.4m was down 96% on PCP and down 55% on Q3 with significant amounts of finished goods inventory still held in trade.
- Australia Q4 Gross Revenue of \$5.1m was up 7% on PCP and down 3% on Q3



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United States

On 21 June 2023, the Company provided a market update on the Bubs USA business, reporting that the US business continues to build momentum in all go-to-market channels. Bubs achieved its first \$1 million dollar month on the Amazon e-commerce platform in May and sales increased again in June. With the continued strength of the Bubs e-commerce and DTC business in the USA, the full year Net Revenue finished above our guidance range at \$23.8m, up 95% on LY.

Bubs remains on track to meet all regulatory milestones for permanent access to the USA market.

Australia

Australia Q4 Gross Revenue of \$5.1m was up 7% on PCP and down 3% on Q3.

With the continued growth in market share and with additional stockists including Big W and Baby Bunting, Bubs finished the year strongly with full year Net Revenue finishing above the guidance range at \$15.2m, up 19% on LY.

China

On 30 June 2023, the Company provided a market update on the Bubs China business including its dispute with entities affiliated with AZ Global (Alice Trading Limited (Alice) and Willis Trading Limited (Willis), both being subsidiaries of the Hong Kong Stock Exchange listed Alpha Professional Holdings Limited (948:HK). As previously reported, there remains a significant amount of inventory held in trade, predominantly Bubs Supreme.

As a consequence of the excess stock in trade and the ongoing dispute with Willis and Alice, sales into China remain subdued. China Q4 Gross Revenue of \$1.4m was down 96% on PCP and down 55% on Q3. Bubs China Net Revenue for the full year came in at \$13.6m and at the lower end of the previous forecast guidance range of between \$13.5M - \$13.8M, versus \$53.6M in FY22.

We are now starting to see some modest growth and sell-through in CBEC for Caprilac and the Bubs sales volumes have stabilised. With new Trade Partners and Distributors on board we expect to see our China sales and volumes build steadily in the coming year.

Other International Exc. USA

We continue to see strong growth in all key export markets with Other International Net Revenue finishing the year just above the guidance range at \$5.1m, up 81% on LY.



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Strategic Plan Summary

Bubs recently announced the outcome of its Strategic Review, setting out a 5-point plan to responsibly manage capital and to grow and maximise shareholder value. The key points in summary include:

USA Growth Engine – grow further into the major retailers, including Grocery & Pharmacy and increase velocity or sell-through. Continue to drive growth and scale through E-Commerce platforms, and secure FDA permanent access to the US market.

China Reset – reset has commenced with a multi-channel go-to-market strategy with new leadership, new trade partners and focused where Bubs has a clear competitive advantage – goat infant milk formula (IMF) and goat adult milk powder.

Portfolio Optimisation - Bubs is a market leader in its hero goat product segment pioneering the IMF category in the USA and China. Strategic focus will be around premiumisation, repositioning bovine IMF products, product rationalisation, innovation, and investment in core brands.

Sweat Existing Assets - Bubs' state of the art manufacturing facility in Deloraine, Victoria is underutilised, operating at approximately 31% capacity. To boost utilisation and improve shareholder returns, Bubs is assessing State Administration for Market Regulation (SAMR) registration for China, toll manufacturing and selective private label opportunities.

Working Capital – annual operating expenses have been reduced by approximately \$10m and we expect that the monthly cash outflow will be more than halved from approximately \$5m to \$2m from Q2 FY24 (excluding EGM and legal expenses). Bubs' current growth plans are fully funded, and plans are in place to liquidate excess inventory. Bubs will continue to support its growth markets and core brands, maintaining its marketing investment at 15% of net sales.

Cash Position

Bubs held \$26.1 million in cash reserves as at 30 June 2023. The Group's total cash on hand and unused finance facilities available as at 30th June 2023 is \$34.0 million.

This release is approved by the Board of Directors.

END

MEDIA & 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, and USA.

Consumer Website: [bubsaustralia.com](https://www.bubsaustralia.com)

Investor Centre: 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")

30 June 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	10,676	69,783
1.2 Payments for		
(a) research and development	(641)	(950)
(b) product manufacturing and operating costs	(11,755)	(70,032)
(c) advertising and marketing	(4,786)	(18,445)
(d) leased assets	(4)	(18)
(e) staff costs	(3,182)	(11,945)
(f) administration and corporate costs	(3,335)	(14,976)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	182	492
1.5 Interest and other costs of finance paid	(140)	(362)
1.6 Income taxes paid	-	(106)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(12,985)	(46,559)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	(4,000)
(c) property, plant and equipment	(124)	(525)
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

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)	-	-
2.6	Net cash from / (used in) investing activities	(124)	(4,525)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	60,348
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	477
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)	-	-
3.10	Net cash from / (used in) financing activities	-	60,825

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	39,161	16,311
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(12,985)	(46,559)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(124)	(4,525)

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)	-	60,825
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	26,052	26,052

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	24,789	37,913
5.2	Call deposits	1,264	1,248
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	26,053	39,161

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
-
-

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 \$388,616.

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**

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	-	-
	10,000	2,000
	-	-
	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 9.47% per annum secured with the maturity date 30 September 2023.

8. Estimated cash available for future operating activities

\$A'000

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

(12,985)

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

26,053

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)

34,053

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

3

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: 31 July 2023

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.