

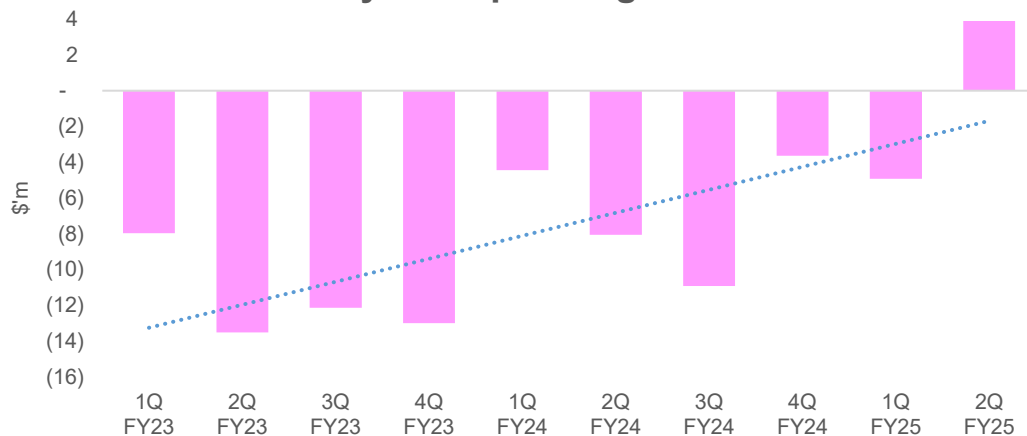
Q2 FY25 QUARTERLY ACTIVITIES REPORT AND APPENDIX 4C CASHFLOW STATEMENT

22 January 2025, Melbourne: Bubs Australia Limited (ASX: BUB) (“**Bubs**” or “**the Company**”) is pleased to announce its unaudited financial results for the quarter and half year ending 31 December 2024 (Q2 FY25 and H1 FY25).

Group Highlights

- H1 FY25 positive EBITDA¹ of \$2.9m²; a turnaround from the \$6.8m EBITDA¹ loss in prior corresponding period (pcp)
- Q2 operating cash inflow of \$3.9m; up from a \$13.0m outflow in pcp
- \$17.2m in total cash and cash equivalents plus \$5.0m in undrawn debt facilities available as at 31 December 2024
- Bubs achieved Q2 FY25 group gross revenue³ of \$32.9m (net revenue of \$28.7m, up 42% on pcp (Q2 FY24: \$20.2m)
- Gross profit margin of 48%^{2,3} in H1 FY25 (up from 38%³ in pcp)
- Bubs continues to follow the FDA’s guidelines and make meaningful progress on its USA clinical trial and USA FDA permanent access, with patient enrollment in the Growth Monitoring Study now complete at the end of December 2024. FDA approval decision is expected in October 2025.
- Bubs reaffirms FY25 outlook guidance of \$102m revenue, gross margin > 40% and EBITDA¹ breakeven⁵.

Quarterly Net Operating Cash Flow



Bubs’ Chief Executive Officer and Managing Director, Reg Weine, commented: “We are very pleased with the continued progress against our strategic pillars, and our turnaround is gathering pace with another strong quarter of performance which was aided by a strong US dollar.

Pleasingly, our focus on growth in multiple markets, led by the US, working capital discipline, cost-out initiatives, portfolio optimisation and a reduction in one-off expenses, has resulted in Bubs achieving positive operating cash flow of \$3.9m in Q2 FY25. The cash flow in Q3 FY25 will likely fluctuate as we invest in working capital for the second half however, we expect to be cash flow positive in Q4 FY25.”

Regional Highlights

- **USA quarterly gross revenue⁴ of \$17.2m, up 26% on pcp (Q2 FY24: \$13.7m)**
- **China quarterly gross revenue⁴ of \$7.1m, up 68% on pcp (Q2 FY24: \$4.2m)**
- **Australia quarterly gross revenue⁴ of \$6.3m, up 32% on pcp (Q2 FY24: \$4.8m)**
- **ROW quarterly gross revenue⁴ of \$2.3m, up 92% on pcp (Q2 FY24: \$1.2m)**

USA

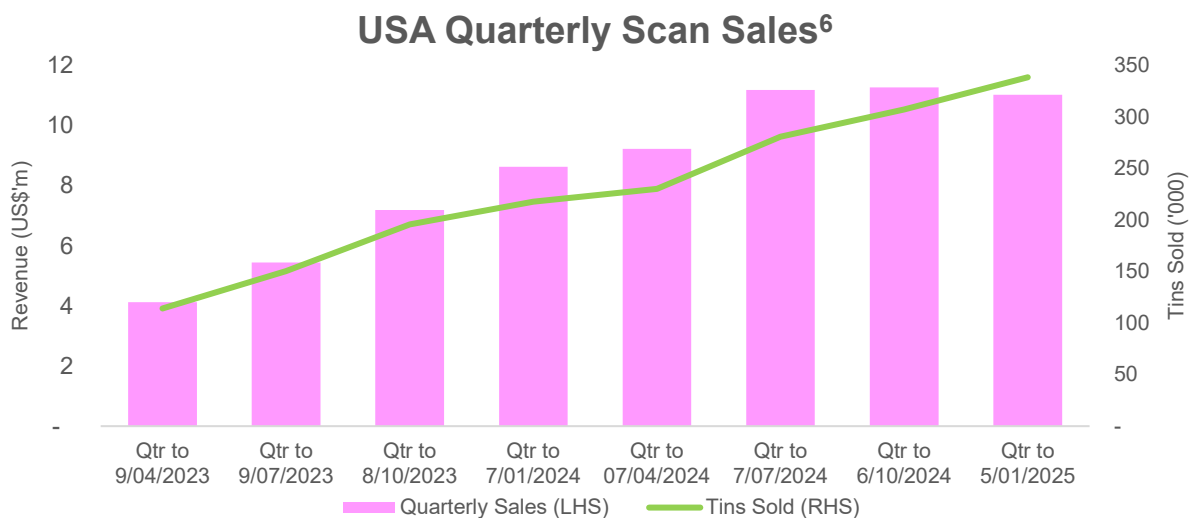
“USA gross revenue⁴ continues to increase and is up 26% on pcp to \$17.2m from \$13.7m. As previously disclosed, in Q4 FY24 we rolled out our new look labels and new pack formats in the US which were required under US labelling laws and to better align with the market norms and our competitors’ formats. The new 20 ounce or 567gm tin size is the standard IMF tin size in the US market and it provides a lower price point for consumers looking to trial Bubs infant formula.

As expected, these significant but positive changes impacted US Q2 ex-factory sales as we transitioned from the old tins to the new tins. Sales during the quarter were impacted as both pack formats were still being sold in the marketplace however, in the week ending 5 January 2025, 98%⁶ of tins sold in the US were Bubs’ new pack formats. We expect the remainder of the old tins to be fully sold out in the marketplace in the coming weeks.

“Also, during the quarter, Amazon temporarily suppressed some of our products from their online marketplace due to new pack format documentation compliance issues in their system. This issue has now been resolved, and we expect our Amazon sales to improve in Q3.

“Sales via our bricks and mortar channel have rapidly increased. The rolling 13-week avg. sales for bricks and mortar, was ~US\$510k⁶ in the week ending 5 January 2025, up from ~US\$250k⁶ in the week ending 22 September 2024.

“The higher sales velocity of the new pack formats, which are higher margin products than the old tin formats, have contributed to the Group’s strong gross margin in H1 FY25 of 48%^{2,3}, exceeding our target gross margin for FY25 of 40%. A stronger US dollar provided additional support for our delivered gross margin in Q2.



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China

“Bubs China continued to demonstrate strong growth in Q2, as brand awareness and confidence builds in the CBEC channel, and we continue to successfully penetrate the Online to Offline (O2O) Mother & Baby store channel where we now have distribution in 20 provinces and 61 cities across China. With over 480 new O2O stores added in the quarter, this brings the total O2O stores selling Bubs products to over 985, which contributed to a \$2.9m increase in China gross revenue⁴ over pcp. Our China go-to-market channel strategy focused on CBEC and O2O continues to deliver strong profitable growth with significant scope to grow our distribution footprint and branded sales in the coming years.

Australia

“In Australia we continue to be the dominant player in the domestic goat infant milk formula (IMF) market, with 55%⁷ market share. Bubs is the fastest growing supplier in Australian major retailers, growing at 13.1%⁷, or 6x faster than the market growth of 2.0%⁷.

Rest of World

“We are currently developing our optimal market entry strategy for Canada and while we previously envisaged a soft market entry launch in H2 FY25, we now expect to commence selling Bubs products in Canada in FY26.

Operations

“Given the strong demand from customers for Bubs’ products in our key sales channels, our Deloraine manufacturing facility is now at 84%⁸ capacity,” Mr Weine said.

FDA Update

At the end of Q2, Bubs finalised its infant enrolment for the USA Clinical Trial. The Company has been conducting a large-scale clinical trial in the USA as part of its commitment to obtain permanent regulatory approval in the US market. Currently Bubs is one of only 8 companies⁹ permitted to operate under the USFDA’s “Enforcement Discretion” regulatory process. A key part of this process has been Bubs’ commitment to undertake a clinical trial for USFDA review, as outlined in the USFDA’s response to the 2022 Infant Formula Crisis.

Bubs, an active participant in the “Fly Formula” White House response to the crisis, has continued to make meaningful progress on all aspects of the formal regulatory process. A total of 478 infants have been enrolled in the clinical trial. With the enrolment phase now completed, the study remains active whilst the remaining infants complete the 16-week period of participation and evaluation.

Bubs’ CEO Reg Weine said; “this represents an important milestone for Bubs in its journey to obtain permanent market access for the USA. With the USA already our biggest market and one in which we continue to see significant growth, it is pleasing to see that the overall regulatory progress remains firmly on-track. This remains one of the company’s strategic pillars and will underpin future sustainable growth.”

Speaking specifically to the trial, COO Richard Paine commented: “The commitment from Bubs’ own team, Bubs’ USA regulatory specialists, strategic partners and Clinical Trial CRO partners has been outstanding. The completion of the enrolment phase is a crucial one and will see submission of the completed clinical trial and supporting documentation to the USFDA in a timely manner. This is one of the largest infant formula studies ever undertaken, as it has been conducted across all three of Bubs’ formulations simultaneously. Notably, it also includes a breast-feeding cohort. I expect this study to provide a robust basis for Bubs’ future growth, not only in the USA but in other adjacent markets we look to enter.”

Cash Position - Bubs held \$17.2m in cash reserves as at 31 December 2024, with a further \$5.0m of headroom on its bank facilities, totalling \$22.2m of available cash liquidity.

Outlook

The new pack transition impacted H2 results as expected however, sales of the new packs comprised 98% of total tins sold in the first week of January 2025 and the sellout of the old pack formats is largely complete. Now that the old tins are practically sold out, Bubs can fully concentrate its sales and marketing efforts on the new pack format, which Management could not do efficiently while two product formats were in the marketplace.

H1 FY25 EBITDA¹ of \$2.9m² is ahead of Bubs' FY25 target of EBITDA¹ breakeven⁵ and was supported by a favourable US dollar.

Mr Weine commented: "We remain firmly on track to achieve our full year FY25 guidance of \$102m revenue, gross margin over 40% and EBITDA¹ breakeven⁵."

ASX Additional Information

Pursuant to ASX Listing Rule 4.7C.1, and as outlined in the Appendix 4C, the Company advises it spent \$11.9m on product manufacturing and operating costs, \$2.2m on administration and corporate costs, \$3.4m on staff costs, and \$3.4m 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 \$403k were made to Key Management Personnel and \$100k was paid for Directors' remuneration, including \$6k paid in superannuation contributions. These payments are included in item 1.2.

Footnotes

¹ Earnings before interest, tax, depreciation and amortisation

² This figure has not been subject to audit or review

³ Excluding net inventory provisions / reversals

⁴ In this announcement, gross revenue is a non-IFRS term. Gross revenue represents the revenue recognised before trading terms, trade spend and promotional support

⁵ Before share-based payments

⁶ Circana Weekly To 05/11/2025 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

⁷ Circana MAT To 08/12/2024 Value Sales \$'s Woolworths, Coles & Chemist Warehouse Combined

⁸ Based on 2 shifts per day, 5 days per week Monday to Friday

⁹ The U.S. Food and Drug Administration's Long-Term National Strategy to Increase the Resiliency of the U.S. Infant Formula Market – January 2025

Note: the figures and statements in this announcement have not been audited

This release is approved by the Board of Directors

END

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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

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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 December 2024

| 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 | 26,138 | 49,362 |
| 1.2 Payments for | | |
| (a) research and development | (862) | (936) |
| (b) product manufacturing and operating costs | (11,916) | (28,508) |
| (c) advertising and marketing | (3,442) | (7,591) |
| (d) leased assets | (185) | (367) |
| (e) staff costs | (3,409) | (7,917) |
| (f) administration and corporate costs | (2,234) | (4,904) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 70 | 224 |
| 1.5 Interest and other costs of finance paid | (178) | (305) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | 3,982 | (942) |

| | | |
|--|-----|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) businesses | - | - |
| (c) property, plant and equipment | (3) | (28) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date \$A'000 |
|---|----------------------------|-------------------------|
| (d) investments | - | - |
| (e) intellectual property | - | - |
| (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 | - | (4) |
| 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 | (3) | (32) |

| | | |
|---|----------------|------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 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 | - | - |
| 3.5 Proceeds from borrowings | 975 | 2,975 |
| 3.6 Repayment of borrowings | (2,000) | (2,284) |
| 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 | (1,025) | 691 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date \$A'000 |
|---|--|------------------------------------|---------------------------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 14,286 | 17,523 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | 3,982 | (942) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (3) | (32) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | (1,025) | 691 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 17,240 | 17,240 |

| 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 | 15,901 | 12,969 |
| 5.2 | Call deposits | - | - |
| 5.3 | Bank overdrafts | - | - |
| 5.4 | Other (Term deposits) | 1,338 | 1,317 |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 17,240 | 14,286 |

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 | 100 |
| 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

Pursuant to ASX LR4.7C.3, the Company advises that payments of \$ 402,633 were made to Key Management Personnel and \$100k was paid for Directors' remuneration, including \$5.9k paid in superannuation contributions. These payments are included in item 1.2.

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 | 5,000 |
| | - | - |
| | 10,000 | 5,000 |

7.5 Unused financing facilities available at quarter end

5,000

- 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 8.62% per annum secured with the maturity date 29 August 2025.

| 8. Estimated cash available for future operating activities | \$A'000 |
|---|----------------|
| 8.1 Net cash from / (used in) operating activities (Item 1.9) | 3,982 |
| 8.2 Cash and cash equivalents at quarter end (Item 4.6) | 17,240 |
| 8.3 Unused finance facilities available at quarter end (Item 7.5) | 5,000 |
| 8.4 Total available funding (Item 8.2 + Item 8.3) | 22,240 |
| 8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | N/A |

- 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.

22 January 2025

Date:

The Board of Directors

Authorised by:
(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.