



H1 FY25 RESULTS

Strong progress towards sustainable free cash flow and profitability

28 February 2025, Melbourne: Bubs Australia Limited (ASX:BUB) (“Bubs” or “the Company”) is pleased to release its audited financial results for the six months ending 31 December 2024 (1HY25).

Group Highlights

- 1HY25 net profit after tax of \$3.6m, up from a net loss of \$(7.7)m in 1HY24
- 1HY25 EBITDA of \$0.5m¹, up from a \$(7.0)m¹ EBITDA loss in pcp
- 1HY25 net cash used in operating activities of \$0.5m, compared to \$12.2m in pcp
- 1HY25 group revenue of \$48.5m, up 23% on pcp (1HY24: \$39.4m)
- \$17.2m in total cash and cash equivalents plus \$5.0m in undrawn debt facilities available as at 31 December 2024
- Gross margin of 50% vs. 49% in pcp
- Bubs reaffirms FY25 outlook guidance of \$102 revenue and EBITDA¹ breakeven before share based payments expense, with forecast gross margin upgraded from 40% to 45%
- Patient enrolment in the Growth Monitoring Study complete at the end of December 2024. FDA decision on permanent access is expected in October 2025

Regional Highlights

- USA revenue of \$23.2m, up 28% on pcp (1HY24: \$18.2m)
- Australia revenue of \$10.5m, down 10%² on pcp (1HY24: \$11.7m)
- China revenue of \$10.2m, up 45% on pcp (1HY24: \$7.1m)
- Rest of World revenue of \$4.6m, up 85% on pcp (1HY24: \$2.5m)

Financial Performance

Bubs reported a net profit after tax of \$3.6m in 1HY25, compared to a net loss after tax of \$(7.7)m in 1HY24. 1HY25 revenue was \$48.5m, up 23% on pcp (1HY24: \$39.4m). The improvement in 1HY25 compared to pcp, was driven by strong growth in USA where revenue grew 28% (\$5.0m) over pcp. USA contributed 48% of total revenue, with total weekly scan revenue in USA averaging US\$0.9m³ 1HY25 vs. US\$0.6m³ in 1HY24.

Bubs' gross margin of 50% vs. 49% in the pcp, reflects Bubs' premium brand and market positioning, improved inventory management, higher margin new pack formats in the US, lower ingredient & packaging costs and favourable currency movements.

Bubs Chief Executive Officer and Managing Director, Reg Weine, commented: “We are very pleased with our performance in the first half of FY25 as we continue to achieve strong growth across all regions². 1HY25 is the first half-year net profit reported by Bubs, which is a testament to our sustained turnaround as we continue to execute on our strategic priorities.”



Working Capital and Cash Flow

In July 2023, working capital was identified as a key strategic priority under the strategic review⁴. Bubs has continued to demonstrate continued progress to reduce its cash burn every quarter and in Q2 FY25, Bubs achieved positive operating cash flow of \$3.9m. The total reduction in net cash was \$0.3m from Jun-24 to Dec-24.

"I am pleased to confirm that our focus on working capital, continued cost-out initiatives and reduction in one-off expenses, has enabled Bubs to achieve its strongest half-yearly cash flow. This year we also implemented pack size changes and rationalised a number of poor performing SKUs, which has also improved our cash flow. Since 2023, we have eliminated 20% of our SKU count, which has simplified our operations, allowing us to focus on our higher margin products," Mr. Weine said.

"The reduction in one-off non-recurring costs along with our cost optimisation initiatives, has reduced our operating expenses as a percentage of revenue to 52% in 1HY25, down from 68% in pcp.

"Working capital will likely fluctuate in Q3 FY25 as we invest in working capital for H2 FY25 however, Bubs expects to be cash flow positive in Q4 FY25."

Cash Position

Bubs held \$17.2 million in cash reserves as at 31 December 2024, with an additional \$5.0m of unused headroom on its bank facilities.

USA

"Our USA growth engine continues to deliver, with \$23.2m of revenue in 1HY25, an increase of 28% over the pcp. As outlined to investors previously, Bubs transitioned to new pack formats in FY24, and the roll-out of the new pack formats impacted sales in 1HY25 as both pack formats were still being sold in the marketplace. With the old formats now fully sold out in the marketplace other than Amazon, it allows management to focus sales and marketing efforts on our new high margin packs and formulas.

Bubs total weekly scan revenue in USA averaged US\$0.9m³ in 1HY25 compared to US\$0.6m³ in 1HY24 which highlights the strong demand for our products from our American customers."

China

China achieved revenue of \$10.2 million, a 45% increase on 1HY24 (\$7.1m). Bubs China continued to demonstrate strong growth in 1HY25, as brand awareness and confidence continues to build in the CBEC channel, and as Bubs continues to successfully penetrate the Online to Offline (O2O) Mother & Baby store channel.

"We are continuing to achieve growth in China. Our O2O sales strategy is performing strongly, and Bubs' products are now stocked in over 1,050 O2O stores, which is an increase of over 700 stores this financial year. I am also pleased to advise that Bubs won the "Annual Goat Milk Potential Product" and the Annual New Consumer Choice" awards at the Maternity and Baby Category Awards in Shanghai in January 2025, which is judged by industry experts, media and consumers. These prestigious awards are followed by more than 10m Chinese consumers which drives incremental awareness and elevates the brand, and we have already received more than 1.4m exposures since the awards were announced", Mr. Weine said.

Australia

Domestically, Bubs continues to be the dominant player in the goat infant milk formula (IMF) market, with 55%⁵ market share. Bubs continues to be one of the fastest growing infant formula manufacturers in the category and the fastest growing premium brand, achieving revenue of \$10.5 million (1HY24: \$11.7m). The comparative revenue period (1HY24) included sales of excess raw materials of \$2.3m and third-party contract manufacturing



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canning services of \$0.6m, with the underlying revenue growth on pcg excluding these non-recurring sales at 16%.

Rest of World

Rest of World markets are performing very strongly with revenue of \$4.6 million and growth of 85% on 1HY24 (\$2.5m) driven by strong performances from the Japan and Vietnam markets.

Outlook

"With the product and pack changes now fully implemented in the USA, we expect a steady improvement in our US sales over the next few months. We expect our FY25 gross profit to be approximately 45% (upgrade from 40% at the start of the financial year), supporting our full year EBITDA delivery and we expect continued improvement in our working capital and cash flow. We are expecting to be in a position over the coming months to announce some positive developments for our Rest of World business.

"We are very pleased with our 1HY25 results and remain cautiously optimistic about our full year outlook," Mr. Weine said.

Footnotes

¹ EBITDA is a non-IFRS term and refers to Earnings before interest, tax, depreciation and amortisation. Non-IFRS terms have not been subject to audit or review. The classification of foreign exchange gains was modified at 31 December 2024 and \$3.5m was reclassified to finance income to reflect more appropriately the financing nature of these transactions (see note 5 in the Interim Report)

² 1HFY24 included sales of excess raw materials of \$2.3m and third-party contract manufacturing canning services of \$0.6m. The underlying growth half on half on the Australian core portfolio is 16%.

³ Circana Weekly To 02/02/2025 Value Sales \$'s Total US Multi-Outlet (Nb Excludes Online) Powder, RTD's, Electrolytes & Liquid Concentrates

⁴ ASX announcement dated 6 July 2023.

⁵ Circana Scan Dollars (\$000's), Coles, Woolworths and AU My Chemist Group Combined to MAT 12/01/2025.

This release is approved by the Board of Directors

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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

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