

## Bubs Australia Limited (BUB)

Food, Beverage & Tobacco

**UNDERPERFORM**

**BUB A\$0.61**

**TARGET PRICE A\$0.44**

Bubs Australia Ltd. is a holding company, which offers organic baby food, goat milk infant formula and fresh dairy products. The company was founded by Kristy-Lee Newland Carr on May 28, 1993 and is headquartered in Frenchs Forest, Australia.

### Company Data

Number of shares	612.8M
Market Capitalisation (\$m)	346.2
Free float (%)	64.9
12-month high/low	\$0.68/\$0.34
Average Daily Turnover (\$m)	15.97
% S&P/ASX200	0.018%
DDM Ranking	414
% All Ordinaries	0.015%
GICS Industry Group	Food, Beverage & Tobacco

Source: FactSet, BPC

### Earnings Summary (AUD)

Year end June	2021A	2022F	2023F	2024F
Revenue (\$M)	46.8	100.0	113.7	144.2
EBITDA (\$M)	-28.5	2.4	5.0	10.8
Reported NPAT (\$M)	-74.7	-7.1	0.7	5.5
Adjusted NPAT (\$M)	-17.5	-2.6	0.3	4.6
Adjusted EPS (c - FD)	-2.9	-0.7	0.0	0.7
Adjusted EPS growth (%)	N/A	N/A	N/A	N/A
Adjusted P/E (x)	N/A	N/A	N/A	91.5
Dividend (c/sh)	0.0	0.0	0.0	0.0
Gross yield (%)	0.0	0.0	0.0	0.0
Net yield (%)	0.0	0.0	0.0	0.0
ROIC (%)	N/A	N/A	0.3	4.7

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

### Share Price Performance



Source: FactSet, Barclay Pearce Capital

### Disclaimer

## FY22 Market Guidance Update

On 17<sup>th</sup> of June 2022, Bubs Australia Limited (BUB) announced an upgrade to the company's FY22 revenue and earnings expectations:

### Highlights:

- On 23<sup>rd</sup> of February 2022, Bubs reported a gross revenue of \$38.5 million (+73% pcp) and an EBITDA profit of \$1.2 million at 1H FY22 Results;
- Management expected 2H FY22 to deliver modest Half on Half growth in revenue and underlying EBITDA.

### Outlook:

- Propelled by a strong momentum in China and unanticipated volume of sales in the USA, turnover in the fourth quarter is "likely to be higher than originally anticipated".

### CEO comments:

BUB CEO, Mrs Carr, commented: "All key product segments, including Bubs® A2 Beta-Casein Protein, Organic Grass-Fed, and Easy-Digest Goat Milk Infant Formula ranges, are performing strongly in Australia, China and the USA.

Due to a strong momentum in China and the unanticipated volume of sales in the USA, complemented by Bubs' demonstrated agility and speed to respond to the call for action with first mover advantage, Fourth Quarter turnover is likely to be higher than originally anticipated.

The Company confirms Bubs is continuing to supply Australian retailers and export markets to meet ongoing consumer demand."

### Guidance:

- BUB expects FY22 Gross Revenue to exceed \$100m and to achieve at least 100% increase on 1H22 Underlying EBITDA of \$1.2M.

## Earnings changes

BUB has updated its FY22 guidance for gross revenue to be over \$100 million and an EBITDA growth of over 100%. This implies a FY22 EBITDA close to \$2.4 million, which compares to market expectations of \$0.6 million. Hence, we expect positive earnings revisions of 30% for FY22 and no significant earnings revisions for future periods.

## Valuation

We are updating our price target from \$0.31 to \$0.44 and retaining our UNDERPERFORM recommendation. The price target is underpinned by our valuation.

**Russell Wright**

17 June 2022

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This Research Report has been prepared by Russell Wright ("Mr Wright") in his capacity as an Authorised Representative (AR: 422117) and is issued by Barclay Pearce Capital Management Pty Ltd (BPCM) AFSL 503261.

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## Conflicts of Interest

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**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for BPCM to assign a Buy or Underperform rating.

## Valuation Methodology

**Russell Wright**

17 June 2022

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Buy	37.9%	0.0% of stocks with recommendations are Barclay Pearce clients)
Hold	22.8%	0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	39.4%	0.0% of stocks with recommendations are Barclay Pearce clients)