



10 October 2023

ASX Market Announcements Office  
Australian Securities Exchange

**Baby Bunting Group Limited (ASX: BBN)**

### **AGM presentation**

Attached is a copy of the presentation to be delivered at the Company's 2023 Annual General Meeting today.

The release of this announcement was authorised by the Board.

For further information, please contact:

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Company Secretary  
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BabyBunting

# FY23 Annual General Meeting

10 October 2023

**Melanie Wilson**

Chair, Non-Executive Director

**Mark Teperson**

Chief Executive Officer



## Important notice and disclaimer

This document is a presentation of general background information about the activities of Baby Bunting Group Limited (Baby Bunting) current at the date of the presentation (10 October 2023). The information contained in this presentation is for general background information and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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### **Forward looking statements**

This document contains certain forward looking statements and comments about future events, including Baby Bunting's expectations about the performance of its business. Forward looking statements can generally be identified by the use of forward looking words such as 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar expressions. Indications of, and guidance on, future earnings or financial position or performance are also forward looking statements.

Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. The Baby Bunting Annual Report 2023 which includes the Directors' Report (dated 11 August 2023) contains details of the number of material risks associated with an investment in Baby Bunting. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause Baby Bunting's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of Baby Bunting. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of promise, representation, warranty or guarantee as to the past, present or the future performance of Baby Bunting.

### **Pro forma financial information**

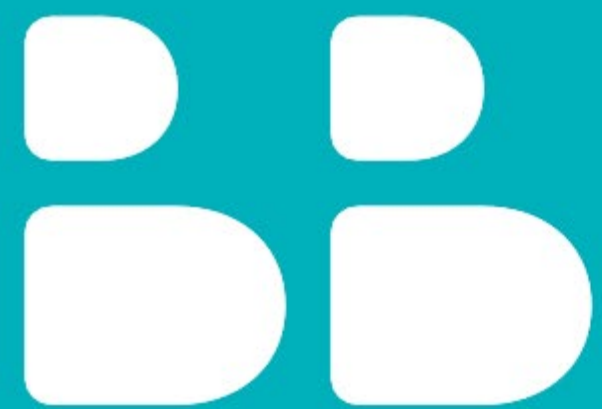
Pro forma financial results have been calculated to exclude certain items. These are set out in the Appendix of this document and the Directors' Report (dated 11 August 2023).

Baby Bunting uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS financial information.

Baby Bunting considers that this non-IFRS financial information is important to assist in evaluating Baby Bunting's performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business.

For a reconciliation of the non-IFRS financial information contained in this presentation to IFRS-compliant comparative information, refer to the Appendix to this presentation.

All dollar values are in Australian dollars (A\$) unless otherwise stated.



BabyBunting

Supporting new & expectant  
parents for over 40 years



# Melanie Wilson

Chair, Non-Executive Director



# Growth Strategy – grow market share

Building to become the most loved baby retailer for every family

- 1 Investment in digital to deliver the best possible customer experience across channels and enable new business models
- 2 Investment to grow market share from our core business
- 3 Growth from new markets
- 4 Profit margin improvement

Best Team

Logistics & Supply Chain

IT and Business Processes

Leveraging Data to Drive Insights & Revenue



## FY23 Pro Forma<sup>(1)</sup> Financial Summary – 52 weeks

<p>Sales</p> <p><b>\$515.8m</b></p> <p>Total sales growth 1.7% Comparable store sales growth -3.6%</p>	<p>Group EBITDA<sup>(2)</sup></p> <p><b>\$31.2m</b></p> <p>down 38.2% vs pcp 6.0% of sales</p>	<p>Full Year Dividend</p> <p><b>7.5cps</b></p> <p>down 51.9% vs pcp Final dividend 4.8 cps</p>
<p>Gross Profit %</p> <p><b>37.4%</b></p> <p>down 118 bps vs pcp</p>	<p>Group NPAT</p> <p><b>\$14.5m</b></p> <p>down 51.0% vs pcp</p>	<p>Free Cash Flow</p> <p><b>\$11.9m</b></p> <p>down from \$18.8m in FY22</p>
<p>CODB<sup>(2)</sup></p> <p><b>31.4%</b></p> <p>up 272 bps vs pcp</p>	<p>EPS</p> <p><b>10.8cps</b></p> <p>down 52.2% vs pcp</p>	<p>ROFE<sup>(3)</sup></p> <p><b>20.0%</b></p>

1. Pro Forma financial results have been calculated to exclude certain items, which are set out in the Appendix in this document and the Directors' Report (dated 11 August 2023)
2. As measured under old lease accounting standards (pre AASB16)
3. Return on Funds Employed – refer glossary for definition

## FY23 Operating Summary

- ✓ **7 new stores opened** (plus 1 relocation) – 6 new stores with positive earnings contribution throughout the year
- ✓ **Marketplace** launched in June '23
- ✓ **New Zealand** store operations commenced, opened our first store in Auckland (Aug '22) and expanded our online offer
- ✓ **Inventory well managed:** working capital metrics maintained
- ✓ **Private Label & Exclusive Product (PLEX) sales** maintained at ~45% of sales
- ✓ **Loyalty program** changes implemented in Q2 increased average transaction value & gross margin throughout 2H
- ✓ **Net Promoter Score (NPS)** maintained at 72
- ✓ **Transformation** agenda: completion of People systems; ERP/POS investment timing slowed, project to be progressed in future periods





# Sustainability



## Baby Bunting and sustainability

Our ESG strategy is based around the following three pillars:

- **Our People** – creating an equitable, inclusive and safe workplace where our team members can thrive. With a focus on being a parent friendly organisation.
- **Our Communities** – contribute to support the communities in which we operate and to focus on the needs of parents and families.
- **Our Planet** – operating in a sustainable manner to reduce the environmental impact of our actions.

Our 2023 Sustainability Report describes in detail our goals and progress during FY2023. It is available at [investors.babybunting.com.au](https://investors.babybunting.com.au)

## Some highlights for FY2023 include:

- We raised and donated over \$1.06m to support our charity partners and families in need (up from \$695,000 in FY2022)
- Our use of green energy increased to 21% of our Australian store network (up from around 11% last year)
- In our online fulfilment operations, we have eliminated bubble wrap and plastic tape and in our stores we have phased out plastic bags
- By not printing paper catalogues, we saved around 205 million pages of paper

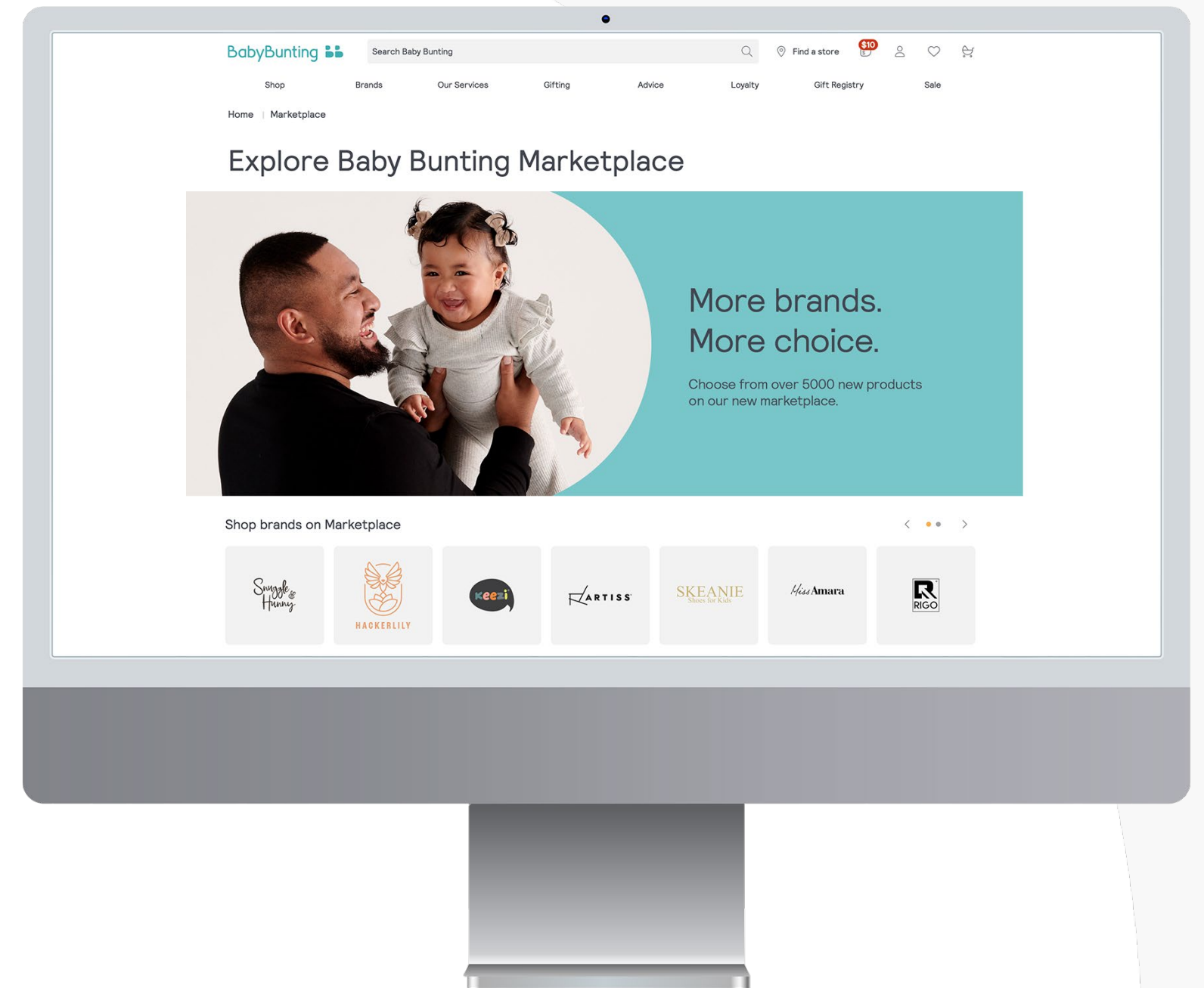


# Introducing Marketplace on babybunting.com.au

The one stop shop for baby goods & growing families in Australia

More products, more brands, more suppliers, and more choice

- **With ~30 million website visitations a year and <10% share of a \$1.5 billion online baby goods market,** Baby Bunting Marketplace presents a significant revenue opportunity
- **Assortment growth:** we've added ~9,000 SKUs to date which will grow to +20,000 by the end of FY24 – with a focus on range breadth and expansion into new categories and products (ie. nursery furniture, outdoor play equipment, footwear)
- **Capital efficiency:** expanded range without requiring investment in inventory and infrastructure
- **Curation:** bringing the brands that customers are asking for while maintaining the highest standards of quality and compliance
- **Tried and tested path:** Baby Bunting is following a tried and tested path that has delivered success to other major omni-channel retailers both in Australia and around the world



...with many more brands to come

# Trading update

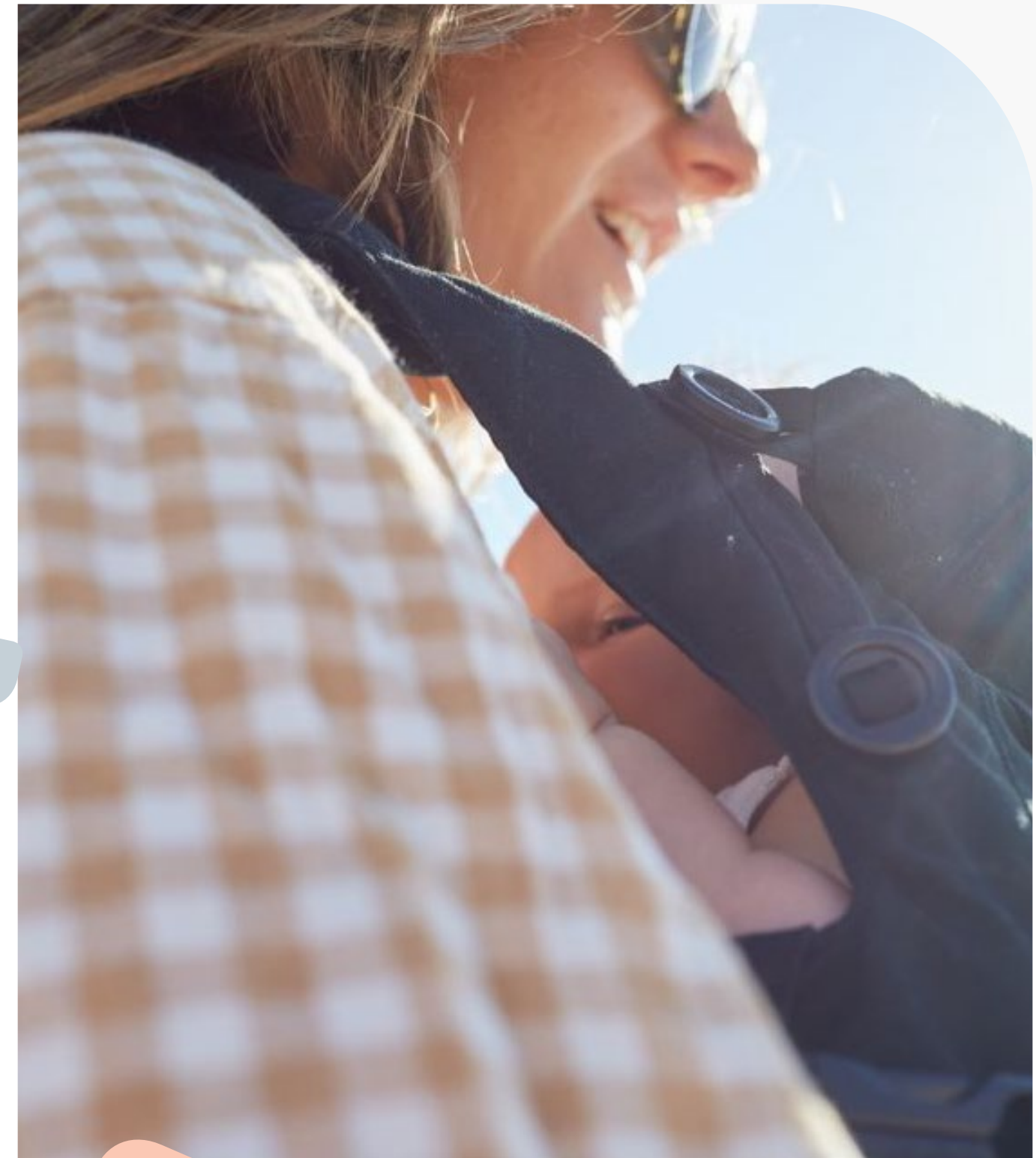
Continuing to manage variable consumer demand

As at 8 October 2023, year-to-date sales performance as follows:

- Total sales down 3.3%, cycling +12.0% pcp
- Comparable store sales down 8.5%, cycling +7.6% pcp
- Q1 FY24 gross profit % was 37.9% up 70 bps vs pcp
- Q1 FY24 administration costs reduced \$1.7m vs pcp
- Inventory levels well-controlled
- Opened Cranbourne (VIC) end of Q1, with plans to open a further 4 new stores (1 AU + 3 NZ)

## Outlook

With the continued economic uncertainty and challenging trading environment, FY24 earnings guidance will not be given at this time.



# Mark Teperson

Chief Executive Officer



# Appendices



## Appendix 1: Statutory - Pro Forma Income Statement Reconciliation

	FY23			FY22		
	Statutory FY23	Add Pro Forma Adj <sup>(1)</sup>	Pro Forma FY23	Statutory FY22	Add Pro Forma Adj <sup>(1)</sup>	Pro Forma FY22
<b>\$ million</b>						
<b>Sales</b>	<b>524.3</b>	(8.5) <sup>(a)</sup>	<b>515.8</b>	<b>507.3</b>		<b>507.3</b>
Cost of sales	(328.1)	5.2	(322.8)	(311.5)		(311.5)
<b>Gross Profit</b>	<b>196.2</b>	(3.3)	<b>192.9</b>	<b>195.8</b>		<b>195.8</b>
Store expenses	(78.7)	1.7	(77.1)	(69.4)		(69.4)
Marketing expenses	(8.3)	0.1	(8.2)	(8.2)		(8.2)
Warehouse expenses	(8.1)	0.1	(8.0)	(7.0)		(7.0)
Administrative expenses	(35.9)	1.7 <sup>(b)</sup>	(34.2)	(39.4)	9.3	(30.1)
Project Expenses	(4.7)	4.7 <sup>(c)</sup>	0.0	(4.7)	4.7	0.0
<b>EBITDA</b>	<b>60.4</b>	<b>5.1</b>	<b>65.5</b>	<b>67.0</b>	<b>14.0</b>	<b>81.0</b>
Depreciation and amortisation	(36.5)	0.2	(36.3)	(31.8)		(31.8)
<b>EBIT</b>	<b>24.0</b>	<b>5.3</b>	<b>29.2</b>	<b>35.3</b>	<b>14.0</b>	<b>49.3</b>
Net finance costs	(8.7)		(8.7)	(7.0)		(7.0)
<b>Profit before tax</b>	<b>15.2</b>	<b>5.3</b>	<b>20.5</b>	<b>28.3</b>	<b>14.0</b>	<b>42.3</b>
Income tax expense	(5.4)	(0.6) <sup>(d)</sup>	(6.0)	(8.8)	(3.9)	(12.7)
<b>Net profit after tax</b>	<b>9.9</b>	<b>4.6</b>	<b>14.5</b>	<b>19.5</b>	<b>10.1</b>	<b>29.6</b>

1. Pro forma financial results have been calculated to exclude the following items (refer Directors' Report (dated 11 August 2023) for further detail):

- FY2023 was a 53 week retail financial year. Week 53 revenues and expenses have been excluded to enable comparison to the FY2022 full year financial period (52 weeks) and prior years.
- (i) Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a write-back of the 2020 (EPS CAGR) expenses (\$1.673 million) and the 2021 (EPS CAGR) expenses (\$0.275 million) and the payroll tax paid on the plans as the CAGR hurdles as defined under the LTI plan, are unlikely to be achieved;  
(ii) The Company issued 277,182 shares under its General Employee Share Plan in the reporting period with no monetary consideration payable by participating eligible employees who each received approximately \$1,000 worth of shares (\$0.782 million).
- The Company continued its investment in transformation projects and during the period the Company incurred (\$4.745 million) non-capital costs associated with the implementation of a time and attendance system and the initial planning phase of a replacement of its enterprise resource planning (ERP) and point-of-sale systems. Other transformation project expenses include external consultant costs associated with project management costs to deliver the transformation projects.
- Tax impact from pro forma adjustments includes income tax expense relating to performance rights vesting under the Company's Long Term Incentive Plan (\$0.864 million).

## Appendix 2: AASB 16 Transition Impact - Pro Forma Income Statement

	FY23				FY22			
	Pro Forma FY23	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY23	Pro Forma FY22	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY22
<b>\$ million</b>								
<b>Sales</b>	515.8			515.8	507.3			507.3
Cost of sales	(322.8)			(322.8)	(311.5)			(311.5)
<b>Gross Profit</b>	<b>192.9</b>			<b>192.9</b>	<b>195.8</b>			<b>195.8</b>
Store expenses	(77.1)		(30.1)	(107.2)	(69.4)		(27.1)	(96.6)
Marketing expenses	(8.2)			(8.2)	(8.2)			(8.2)
Warehouse expenses	(8.0)		(3.7)	(11.7)	(7.0)		(3.0)	(10.0)
Administrative expenses	(34.2)		(0.4)	(34.6)	(30.1)		(0.4)	(30.5)
Project Expenses	0.0			0.0	0.0			0.0
<b>EBITDA</b>	<b>65.5</b>		(34.3)	<b>31.2</b>	<b>81.0</b>		(30.5)	<b>50.5</b>
Depreciation and amortisation	(36.3)	28.6		(7.7)	(31.8)	25.6		(6.2)
<b>EBIT</b>	<b>29.2</b>	<b>28.6</b>	(34.3)	<b>23.5</b>	<b>49.3</b>	<b>25.6</b>	(30.5)	<b>44.3</b>
Net finance costs	(8.7)	7.0		(1.7)	(7.0)	6.1		(0.9)
<b>Profit before tax</b>	<b>20.5</b>	<b>35.6</b>	(34.3)	<b>21.8</b>	<b>42.3</b>	<b>31.7</b>	(30.5)	<b>43.5</b>
Income tax expense	(6.0)	(10.7)	10.3	(6.4)	(12.7)	(9.5)	9.2	(13.1)
<b>Net profit after tax</b>	<b>14.5</b>	<b>24.9</b>	(24.0)	<b>15.4</b>	<b>29.6</b>	<b>22.2</b>	(21.4)	<b>30.4</b>

## Glossary

<b>Comparable Store Sales Growth</b>	<ul style="list-style-type: none"> <li>Calculated as a percentage change of the total sales generated from stores (including the online store) in a relevant period, compared to the total sales from the same set of stores in the prior financial year, provided the stores were open at the beginning of the prior financial year</li> </ul>
<b>Cost of Doing Business (CODB)</b>	<ul style="list-style-type: none"> <li>Includes store, administrative, marketing and warehousing expenses (excluding the impact of AASB 16 depreciation and amortisation)</li> </ul>
<b>PLEX</b>	<ul style="list-style-type: none"> <li>Private Label &amp; Exclusive Products</li> </ul>
<b>Exclusive Products</b>	<ul style="list-style-type: none"> <li>Products sourced by Baby Bunting for sale on an exclusive basis (so that those products can only be purchased in Australia from Baby Bunting stores). Historically, exclusive supply arrangements have been arranged with suppliers in relation to selected products and for varying lengths of time</li> </ul>
<b>Private Label</b>	<ul style="list-style-type: none"> <li>Products sold by Baby Bunting under its own brand (Baby Bunting currently markets its private label products under the "4baby", "Bilbi" and "JENGO" brand names)</li> </ul>
<b>Return on Average Funds Employed (ROFE)</b>	<ul style="list-style-type: none"> <li>Return on average funds employed (ROFE) is calculated as pro forma EBIT (pre AASB 16) for the previous 12 months as a percentage of average (opening, mid and closing) funds employed. Total funds employed is net assets excluding net debt and net tax balances</li> </ul>
<b>Return on Invested Capital (ROIC)</b>	<ul style="list-style-type: none"> <li>Return on Invested Capital is calculated as store EBITDA (pre AASB 16) divided by end-of-period cumulative store capital expenditure plus end-of-period store net inventory and an allocation of warehouse net inventory based on the number of stores open. Year 1 and Year 2 Return on Invested Capital is based on the first and second full twelve month trading periods that the store has been open</li> </ul>