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BabyBunting 

2024 Annual General Meeting

Melanie Wilson, Chair, Non-Executive Director

Mark Teperson, Chief Executive Officer

15 October 2024





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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.

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Pro forma financial information

Pro forma financial results have been calculated to exclude certain items. Details of the adjustments and a reconciliation are contained in the Directors' Reports for the relevant financial years (available at investors.babybunting.com.au/reports-announcements).

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.

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



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Agenda

1. Chair Address
2. CEO Address
3. FY25 Trading Update and Outlook
4. Formal Business



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Melanie Wilson

Chair, Non-Executive Director





Our Vision

The best start for the brightest future

Our Mission

To support & inspire confident parenting, from newborn to toddler



Our market: \$6.3 billion ANZ TAM and growing

Significant opportunity to grow and leverage our leadership in hard goods (~23% market share) to grow our share of soft goods

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Our core competency



BabyBunting ~23%

The opportunity in soft goods



Incremental 1% gain in soft goods market share equal to ~\$34m revenue opportunity

Market value FY23

Hard goods	\$Bn
Car seats	0.28
Prams and strollers	0.30
Furniture and nurseries	0.48
Safety	0.12
Toys	0.63

Soft goods	\$Bn
Food, formula and feeding	0.74
Nappies & Health and Beauty	1.29
Clothing & Footwear	1.34

Total market size By region



Australian data only. Source: IbisWorld, ABS, Statistica, ABS, Canstar, KenResearch, BabyBunting historic sales data



Car seat recycling trial commenced – 12 month trial across four Melbourne stores.

Target to take back and recycle up to 2,400 car seats, equivalent to around 12 tonnes of materials.



Life's Little Treasures Foundation supports the families of sick and premature babies. We have been supporters for eight years as the presenting partner for the foundation's major fundraising event Walk for Prems.

In FY2024, through the contributions of our customers, team and partners we were able to raise around \$379k for Life's Little Treasures Foundation.



We are an active supporter of PANDA. PANDA offers information, services, support and counselling for parents experiencing perinatal anxiety and depression.

In FY2024 through the wonderful support of our customers end team we helped raise around \$211k for PANDA.



Baby Bunting has an objective of at least **40% of women** across all levels of the Group by 2030.

This has been achieved across all levels of management, with further progress to be made at the Executive level.



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Mark Teperson

Chief Executive Officer





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Growth plan

Baby Bunting has a strong core business as the leading specialist baby retailer in Australia with 71 stores.

We have a clear plan to stabilise the business and re-establish it as a +10% EBITDA margin business.

Delivering shareholder value

 <p>Grow Market share</p>	<p>Strengthen market position</p> <ul style="list-style-type: none"> • Leverage our strength in nursery essentials (hard goods) • Capitalise on significant opportunity in soft goods market through our market leading hard goods offer
 <p>Grow EBITDA</p>	<p>Grow gross margin</p> <ul style="list-style-type: none"> • Clear path to grow gross margin to +40% • Disciplined review of Cost of Doing Business <p>Focused media/marketing strategy</p> <ul style="list-style-type: none"> • Leverage significant customer data to provide renewed and targeted retail experience • New revenue streams from media opportunity
 <p>Grow Return on invested capital</p>	<p>Optimised property strategy with greater discipline</p> <ul style="list-style-type: none"> • Progress roll-out of +40 stores in identified catchments • Refresh / optimise old-format stores <p>Self-funded growth</p> <ul style="list-style-type: none"> • Disciplined balance sheet management to fund growth initiatives with operating cashflows



Executing on the plan

Business initiatives and revised go-to-market strategy starting to deliver

FY24 results

- **Pro Forma¹ NPAT \$3.7m** (FY24 guidance \$2m–\$4m)
Statutory NPAT of \$1.7m

Disciplined capital management

- **Cash conversion** from operations **86%**,
up 430 bps vs pcp
- **Inventory productivity**
\$7m reduction in comparable stores' inventory
year-on-year
- **Net Debt finished at \$13.0m** (last year \$6.2m)
Renewal of debt facility & banking covenants in
compliance
- To support future growth, no final dividend was paid

FY25 trade update

On track to deliver targeted 40% gross margin for FY25

- **Q1 FY25 gross margin % was 40.3% up 240 bps vs pcp of 37.9%** driven by simplified pricing architecture and removal of Loyalty Spend & Earn in Q4 FY24, and trading terms negotiations
- Trading terms renegotiations program continues
- As at 13 October 2024, year-to-date sales delivered +2.4% total sales growth and +0.6% comp growth
- **Range innovation** featuring strongly in our best performing sub-categories

General

- Q1 FY25 **net debt** of \$21m in line with plan and reflecting normal working capital cycles of the business
- **New store design** is on time and on target for Q3 FY25 opening

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 20 August 2024).



Returning to growth

Grow EBITDA

Grow Gross Margin

In FY25, we are targeting 40% gross margin with further expansion targeted in future years

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FY24 margin

Simplify price architecture

Eliminating layering of price discounting

Enhance transparency and trust with our customers

Trading terms

Working with our supplier partners on terms supporting mutual growth and profitability

Amplify exclusive brands

Prioritising exclusive brand relationships

Scale private label

Double the size of our private label from 10% of sales to ~20%

De-range underperforming brands & products

Inventory productivity and re-investing in newness

Medium term target

Actions completed

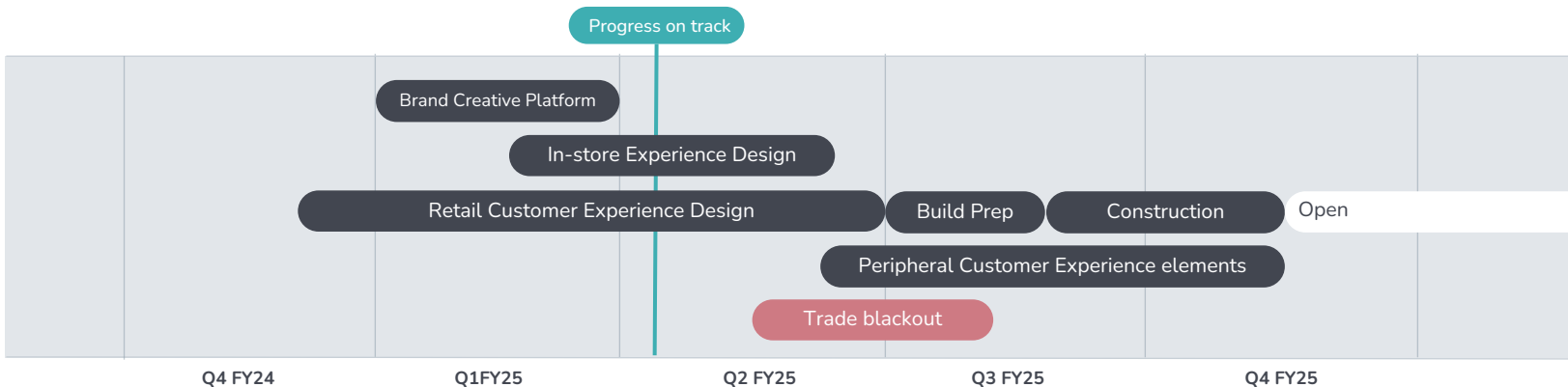
- ✓ Completed actions
- ⊙ In progress

- ✓ Retired Spend & Earn from the Loyalty Program in Q4 FY24 - annualised 150 bps of margin benefit
- ✓ Terms agreed with several key suppliers with margin benefits starting to flow
- ⊙ Trading terms negotiation program continues with strong progress made since August
- ✓ Exclusivity agreements for Nuna products in AU (FY24-FY29) and Bugaboo products in NZ (FY24-FY27)
- ⊙ Progressing opportunities with other exclusive brands
- ⊙ Multi-year program for hard and soft goods
- ✓ Targeted clearance programs underway to efficiently reduce aged inventory ahead of new ranges



Our new store experience: timetable

We're making Australia's best specialty baby goods store network even better



Redesign process materially progressed:

- We anticipate final store design plans towards the end of Q2 FY25
- First cohort of refurbished stores in market late Q3 FY25

New Store Formats to enhance experience and maximise TAM

Large store format:

Revamping our large format stores with:

- an emotionally resonant design
- activity-led merchandising

New small format stores will:

- increase footprint
- increase customer lifetime value
- offer convenience and open up new catchments

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Our Progress

Growth objectives

Deliverables



Grow Market share

Enhance customer experience



Market leading products



Exceptional experiences



Best-in-class services



Data & Analytics

We presented our growth plan in June 2024. The following represents progress that has been made in Q1 FY25



New brands launched

July '24: Bibs, Subo & Bunjie launched and performing well

Aug-Sep '24: 5 new premium prams launched (ie. Nuna Demi Next, UPPAbaby Vista 3, Milly + Coup)



Marketplace

17,000 products online with more than 90 3P sellers now active



Store experience

Design work on track with The General Store - final store design plans anticipated by Nov '24



Omni-channel

Testing for Uber same day delivery underway with go live anticipated for Q2 FY25



1-on-1 personalised appointments

Pilot of personalised appointments now live in 3 stores



Pram Cleaning Services

Pilots to be deployed in Q2 FY25



Requirements for new **Loyalty program** being developed with design and testing to proceed in 2H FY25



Completed actions



In progress

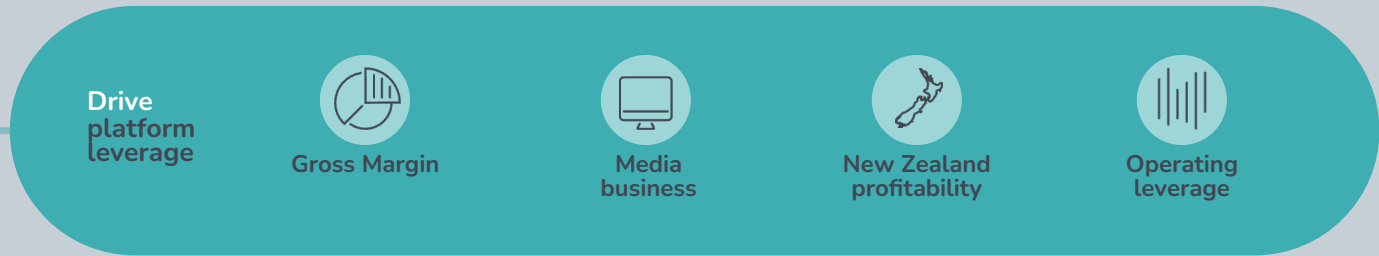
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Our Progress

Growth objectives

Deliverables



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We presented our growth plan in June 2024. The following represents progress that has been made in Q1 FY25

- ✓ Trading terms**
Negotiations with key suppliers progressing with annualised margin increased in line with plan
- ✓ Exclusive Brands**
Progressing opportunities with other exclusive brands
- ✓ Private Label**
New JENGO prams recently launched
- ✓ Completed an audit and valuation of our stores & digital assets**
⊘ Building the platform and rate card to enable retail media – technology provider has been engaged
- ✓ Trading terms updated for key NZ suppliers**
✓ Dedicated New Zealand marketing, merchandise and supply chain resources
⊘ Review underway of New Zealand supply chain and distribution network – identified opportunities expected to be progressed in 2H
- ✓ Re-shaped our core team structure to align with customer shopping behaviour and deliver operating efficiency**
⊘ Lowering variable costs
⊘ Leverage systems investments

✓ Completed actions

⊘ In progress



Our Progress

Growth objectives

Deliverables



**Grow
Return on
invested
capital**

**Disciplined
capital
management**



**Network
growth**



**Refurbish
existing store
network**



**Inventory
productivity**



**Re-platforming
ERP/POS**

We presented our growth plan in June 2024. The following represents progress that has been made in Q1 FY25

✓ **Grow store network**

Maroochydore (QLD)
Aug '24

Belmont (WA) in Q2
FY25 & Westgate (NZ) in
Q4 FY25

✓ Multiple **small format
store** locations under
consideration

✓ First 3 stores to be
refurbished in new
store format have
been confirmed

✓ **New inventory
productivity
benchmarks** being
deployed across the
business with an
ongoing focus on
delivering improvements
in category and brand
performance

⊘ **Aged inventory** profile
continues to improve in
AU & NZ

⊘ To be progressed in
FY26

✓ Completed actions

⊘ In progress

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FY25 Outlook

2024 Annual General Meeting





FY25 Outlook

Stabilising the business and returning to positive earnings growth

FY25 trade update

On track to deliver targeted 40% gross margin for FY25

- **Q1 FY25 gross margin % was 40.3% up 240 bps vs pcp of 37.9%** driven by simplified pricing architecture and removal of Loyalty Spend & Earn in Q4 FY24, and trading terms negotiations
- Trading terms renegotiations program continues
- As at 13 October 2024, year-to-date sales delivered +2.4% total sales growth and +0.6% comp growth
- **Range innovation** featuring strongly in our best performing sub-categories
- **New store design** is on time and on target for Q3 FY25 opening

Outlook

FY25 outlook maintained


FY25 pro forma NPAT expected to be in the range of **\$9.5m to \$12.5m**, based on expectation that:

- comparable store sales growth in the range of 0% to 3%
- gross margin of 40%
- cost of doing business increases in FY25 include new & annualising store costs, wage inflation of 3.75% and additional roles & marketing to support strategy execution
- capital expenditure of \$10m - \$13m fully funded through operating cash flow

Outlook assumes no significant changes in economic and retail trading conditions, and no significant increases in sea freight expense



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Appendix



Statutory to Pro Forma Income Statement Reconciliation

\$ million	FY24			FY23		
	Statutory FY24	Add Pro Forma Adj ¹	Pro Forma FY24	Statutory FY23	Add Pro Forma Adj ¹	Pro Forma FY23
Sales	498.4		498.4	524.3	(8.5)	515.8
Cost of sales	(314.7)		(314.7)	(328.1)	5.2	(322.8)
Gross Profit	183.7		183.7	196.2	(3.3)	192.9
Other income	0.4	(0.4) ^b	-	-		-
Store expenses	(81.6)		(81.6)	(78.7)	1.7	(77.1)
Marketing expenses	(9.1)		(9.1)	(8.3)	0.1	(8.2)
Warehouse expenses	(8.4)		(8.4)	(8.1)	0.1	(8.0)
Administrative expenses	(31.7)	0.5 ^a	(31.3)	(35.9)	1.7	(34.2)
Transformation project expenses	(1.3)	1.3 ^b	-	(4.7)	4.7	-
Restructuring costs	(1.4)	1.4 ^c	-	-		-
EBITDA	50.5	2.8	53.3	60.4	5.1	65.5
Depreciation and amortisation	(38.5)		(38.5)	(36.5)	0.2	(36.3)
EBIT	12.0	2.8	14.8	24.0	5.3	29.2
Net finance costs	(9.1)		(9.1)	(8.7)		(8.7)
Profit before tax	2.8	2.8	5.7	15.2	5.3	20.5
Income tax expense	(1.1)	(0.8) ^d	(2.0)	(5.4)	(0.6)	(6.0)
Net profit after tax	1.7	2.0	3.7	9.9	4.6	14.5

Pro forma financial results have been calculated to exclude the following items (refer Directors' Report (dated 20 August 2024) for further detail):

- Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a recovery of prepaid payroll tax on the plans as the EPS CAGR hurdles as defined under the LTI plan were not achieved.
- The Company incurred non-capital costs (\$1.330 million) for transformation projects. This was offset by a \$0.400 million cash settlement received in December 2023 from the vendor of order management software following a dispute in relation to that software and its implementation.
- The Company incurred restructuring costs (\$1.438 million) which included make good costs relating to the Camperdown store closure (\$0.186 million) and payments associated with organisational restructure including the disestablishment of a number of head office roles.
- Tax impact from pro forma adjustments.



Pro Forma Income Statement

AASB 16 Transition Impact

\$ million	FY24				FY23			
	Pro Forma FY24	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY24	Pro Forma FY23	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY23
Sales	498.4			498.4	515.8			515.8
Cost of sales	(314.7)			(314.7)	(322.8)			(322.8)
Gross Profit	183.7			183.7	192.9			192.9
Other income	-			-	-			-
Store expenses	(81.6)		(33.3)	(114.9)	(77.1)		(30.1)	(107.2)
Marketing expenses	(9.1)			(9.1)	(8.2)			(8.2)
Warehouse expenses	(8.4)		(3.7)	(12.1)	(8.0)		(3.7)	(11.7)
Administrative expenses	(31.3)		(0.4)	(31.7)	(34.2)		(0.4)	(34.6)
Transformation project expenses	-			-	-			-
Restructuring costs	-			-	-			-
EBITDA	53.3		(37.4)	15.9	65.5		(34.3)	31.2
Depreciation and amortisation	(38.5)	29.8		(8.7)	(36.3)	28.6		(7.7)
EBIT	14.8	29.8	(37.4)	7.3	29.2	28.6	(34.3)	23.5
Net finance costs	(9.1)	7.2		(1.9)	(8.7)	7.0		(1.7)
Profit before tax	5.7	37.0	(37.4)	5.3	20.5	35.6	(34.3)	21.8
Income tax expense	(2.0)	(11.1)	11.2	(1.9)	(6.0)	(10.7)	10.3	(6.4)
Net profit after tax	3.7	25.9	(26.2)	3.4	14.5	24.9	(24.0)	15.4

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Returning to growth

Grow EBITDA

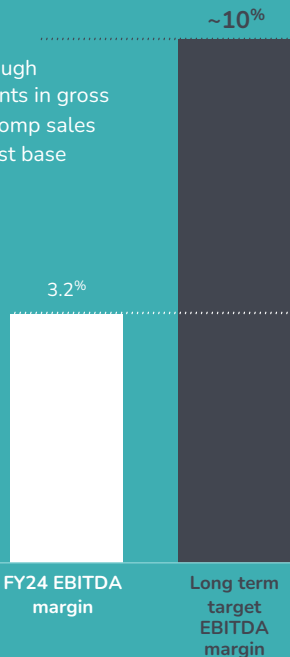
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Long Term EBITDA Growth

Clear path to achieve historical EBITDA margins

10% EBITDA margin

achieved in FY22 through sustained improvements in gross margin and positive comp sales growth leveraging cost base



Targeting a +500 bps increase in gross margin

Targeting leverage of +200 bps contribution through network growth and productivity

Cost of Doing Business initiatives

Lowering our variable costs

- Supply Chain efficiencies
- Customer Care productivity improvement and in-housing team
- Supplier (goods not-for resale) cost management

Leverage systems investment

- Better use of existing systems (eg. merchandise planning, inventory) to unlock further operating benefits

Simplify operating structure

- Operational excellence in processes unlocking efficiencies and simplifying execution

These deliverables are part of the stabilising and optimising actions that have commenced and will be ongoing through FY25 and into FY26.



Optimise and grow store network

Expanding the store network into new catchments and meeting more needs of parents through new store formats

Network plan developed with assistance of third-party demographer. Inputs include ABS spend, market share data, opportunities and cannibalisation

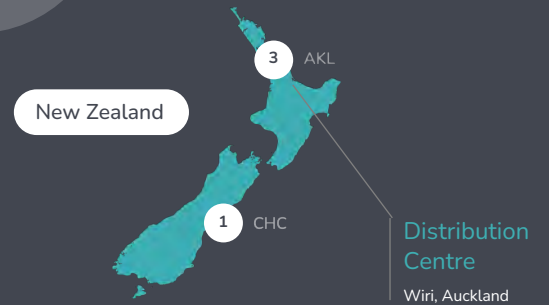
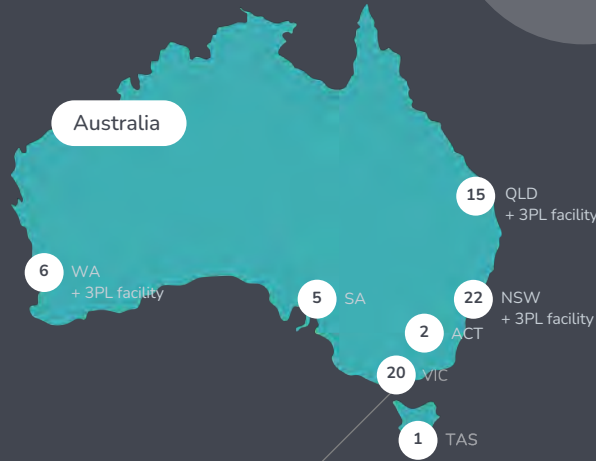
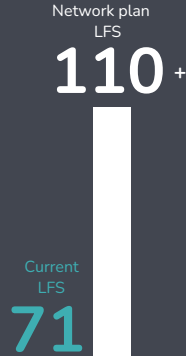
Network growth is key to building omni-channel customers and growing customer lifetime value

Critical assessment of opportunities in existing and targeted catchments

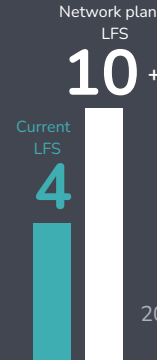
Property lease negotiations: renegotiate leases due to expire with a whole of network lens, exit stores which do not meet benchmark ROIC

Small format stores will enable opportunity to meet more needs of parents in different locations

Small format store pilots expected to be in market Q4 FY25 followed by a period of testing and assessment



Store Support Centre & National Distribution Centre
Dandenong South, Victoria





Large format stores deliver great returns

25% of stores are in their growth phase with new store roll out to come

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Metro Australia	Mature Metro Stores (>4 yr)		
	FY2020	FY2022	FY2024
Revenue per store (\$m)	7.8	8.5	7.2
EBITDA per store (\$m)	1.3	1.7	1.0
Store EBITDA margin	17%	20%	14%
Return on Invested Capital	90%	119%	75%

Year 1 sales of \$5m (average)

Regional Australia	Mature Regional Stores (>4 yr)		
	FY2020	FY2022	FY2024
Revenue per store (\$m)	4.5	5.6	5.2
EBITDA per store (\$m)	0.5	1.0	0.7
Store EBITDA margin	12%	18%	13%
Return on Invested Capital	50%	91%	61%

Year 1 sales of \$3.5m (average)

- FY2022 was the historical high watermark in terms of sales productivity
- Mature store ROIC on average ~75%
- Average inventory and capital employed per new store opening is \$1.3m
- New Zealand in infancy

Future new **large format** store roll out:

- AU: 26 large format metro stores targeted to deliver +\$7m in sales (on average) at maturity
- AU: 15 large format regional AU stores targeted to deliver +\$5m in sales (on average) at maturity
- NZ: further +6 large format metro stores in NZ targeted to deliver +\$5m in sales (on average) at maturity (2H FY24 store run-rate +\$3m)

Table above shows average data for all open stores for 4 or more years. Revenue includes click & collect sales fulfilled from store inventory of ~8% of average total store sales. First New Zealand store opened in August 2022.



Glossary

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Comparable Store Sales Growth	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
Cost of Doing Business (CODB)	Includes store, administrative, marketing and warehousing expenses (excluding the impact of AASB 16 depreciation and amortisation)
PLEX	Private Label & Exclusive Products
Exclusive Products	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
Private Label	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)
Return on Invested Capital (ROIC)	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
Cash Conversion from Operations	Cash Conversion from Operations (or cash conversion ratio) is calculated as Net Cash Flow from Operating Activities divided by EBITDA (pre AASB 16)