



BabyBunting

# FY20 Full Year Results Presentation

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14 August 2020



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## Pro forma financial information

Pro forma financial results have been calculated by excluding non-cash employee equity incentive expenses and non-recurring costs relating to transformation project expenses. Prior year period pro forma financial results have been adjusted to reflect a comparable 52 week trading period.

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.

Our vision is to be the  
most loved baby retailer  
for every family,  
everywhere

Our core purpose is to  
support new and expectant  
parents in the early years  
of parenthood





# FY20 pro forma<sup>(1)</sup> results summary

SALES  
\$405.2M

Total sales growth **up 11.8%** vs pcp<sup>(2)</sup>

Comparable store sales<sup>(3)</sup> growth of **4.9%** (1H 1.0%, 2H 10.5%)

Online (including click & collect) growth of **39.1%** (1H 10.5%, 2H 66.1%)

GROSS  
PROFIT  
36.2%

Gross Profit income **\$146.9m, up 15.9%**

Gross Profit % **up 120 bps to 36.2%**

Private Label & Exclusive **36.5% of sales**

EBITDA<sup>(4)</sup>  
\$33.7M

EBITDA<sup>(4)</sup> growth **up 24.1%**

EBITDA<sup>(4)</sup> margin % now **8.3%**, up 80 bps vs pcp

**Did not qualify or receive JobKeeper payments**

NPAT<sup>(5)</sup>  
\$19.3M

NPAT<sup>(5)</sup> growth **up 34.1%**

EPS **15.2 cents, up 33.2%** vs pcp

Final dividend **6.4 cps (10.5 cps for the year)**

**ROFE 28.7% (FY19: 23.5%)**

**Net cash position \$13.3m (no debt)**

FY20  
Highlights

**All stores remain open**

**Net Promoter Score 81**

**LFRA Retailer of the Year 2019**

(1) FY20 results are presented on a pro forma basis. Refer to the Appendix for a reconciliation of the non-IFRS financial information contained in this presentation to the IFRS-compliant information.

(2) Prior corresponding 52-week period (pcp)

(3) Total sales generated from stores (including the online store) that were open at the beginning of the prior financial year

(4) EBITDA as measured under old lease accounting principles (i.e. pre AASB 16)

(5) NPAT as measured under current accounting standards

# FY20 operational objectives

1

Progress our transformation program & strategic investments to plan

2

Grow gross margin without compromising value to the consumer

3

Accelerate our Private Label & Exclusive Product strategy to exceed 35% of sales

4

Capitalise on shopping centre opportunities that present themselves

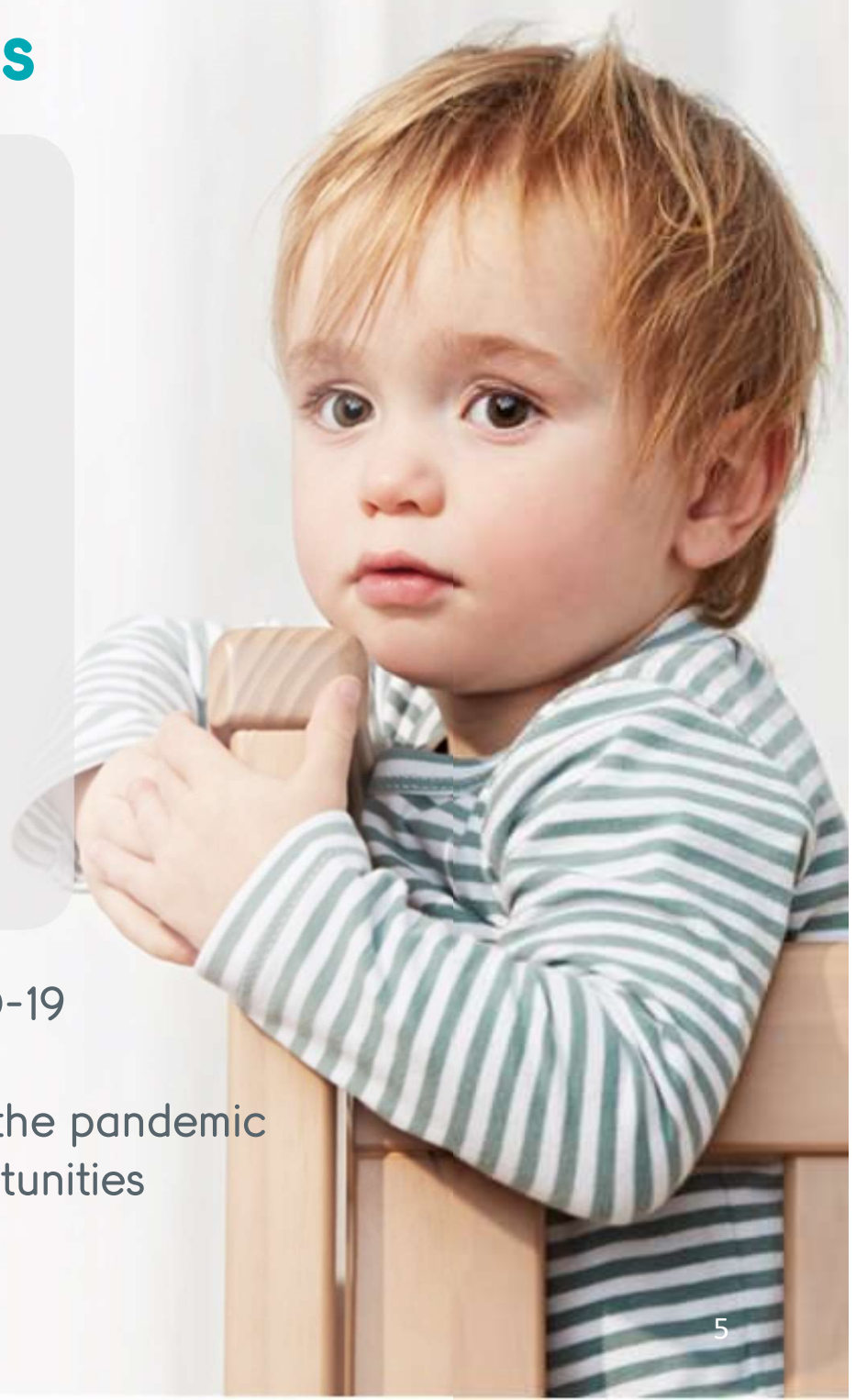
5

Achieve operating leverage through our retail network

2H

Respond to the many challenges of COVID-19

- Manage day-to-day operations
- Ensure a sustainable business through the pandemic
- Focus on recovery and strategic opportunities

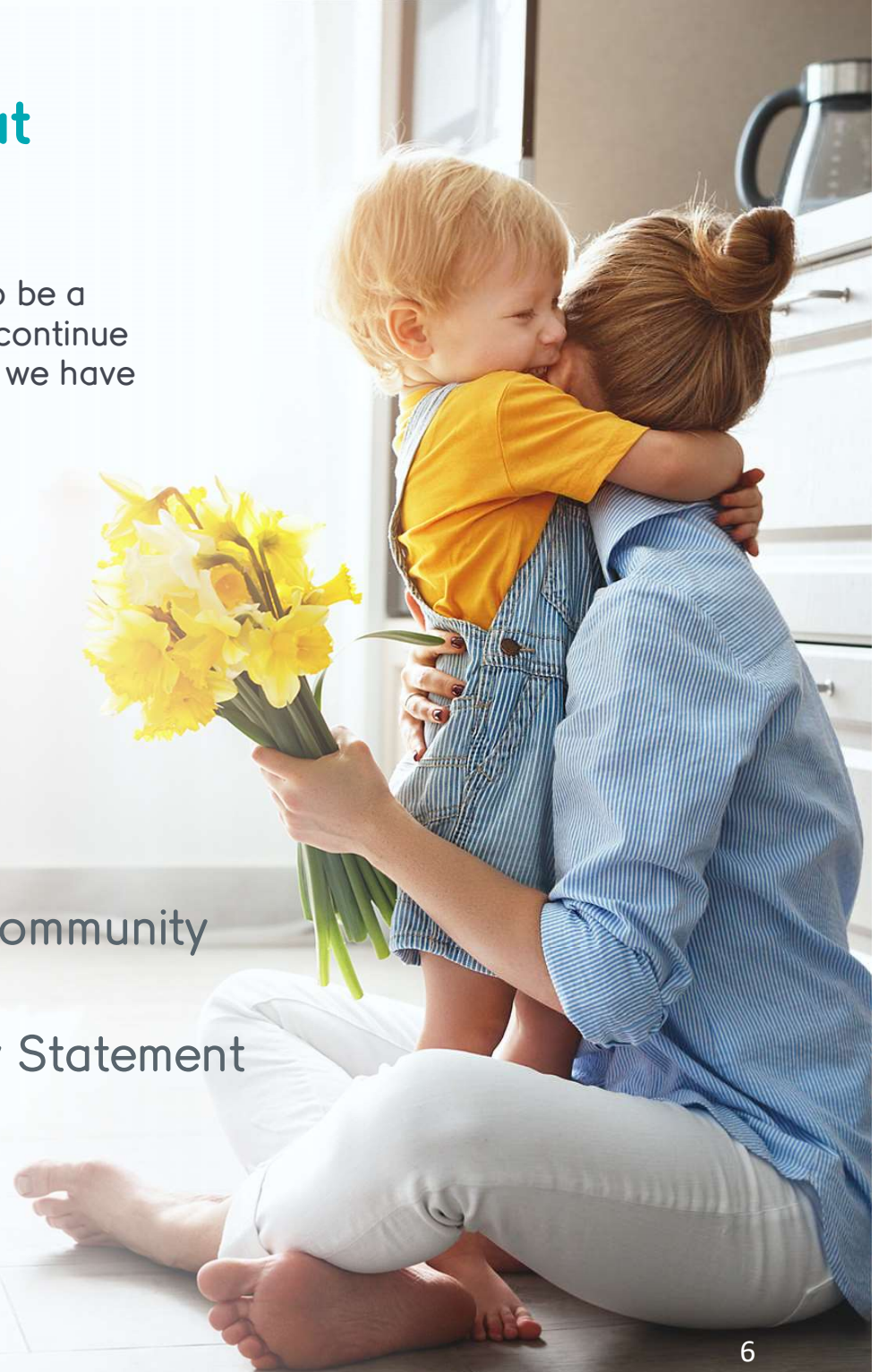




# Caring and supporting others is at the heart of our culture

Baby Bunting is a values driven organisation that seeks to be a good and responsible corporate citizen. As we grow, we continue to consider the ways in which we operate and the impact we have

- 1 Keeping our Team Safe
- 2 Promoting a Diverse and Inclusive Workplace
- 3 Rewarding our Team
- 4 Supporting our Customers & the Community
- 5 Ethical Sourcing & Modern Slavery Statement
- 6 Reducing Environmental impacts



# Response to COVID-19

Our response to COVID-19 centered around supporting the health and wellbeing of our Team and our Customers. Our approach focused on business continuity and maintaining jobs, forward planning & recovery and strategic opportunities

## Supporting our Team

- **Paid COVID-19 leave policy:** up to 2 weeks' paid leave for all team members (including casuals) to ensure team members not disadvantaged when staying home due to COVID-19
- **COVIDsafe working:** expanded cleaning, PPE, social distancing requirements, and enforcing customer limits in stores
- **Acknowledging our Team Members:** gifts of \$250 for all full-time team members and \$200 for part-time and casual team members, plus additional annual leave. Eligible team members will also receive \$1,000 of Baby Bunting shares later in FY21 (6th Employee Gift Share Offer)

## Operational Impacts

- **Transformation agenda suspended** in March. Recommenced in May
- **Costs incurred of \$0.5m** relating to additional cleaning, personal protective equipment and higher absenteeism
- **Supply chain disruption** with some short-term delays experienced in March and April:
  - Upstream supply chain disruption in China
  - International shipping challenges
  - Panic buying created temporary shortages of consumables
  - Online order fulfillment delays caused by carrier capacity affected customer delivery timeframes
- **Melbourne Stage 4 restrictions:** all stores remain open and DC continues to operate under COVIDsafe parameters



# Responding to consumer needs in COVID-19

Introduction of **contactless click & collect** and **Helping Hand** telephone shopping service allowed our customers to continue to shop safely with us

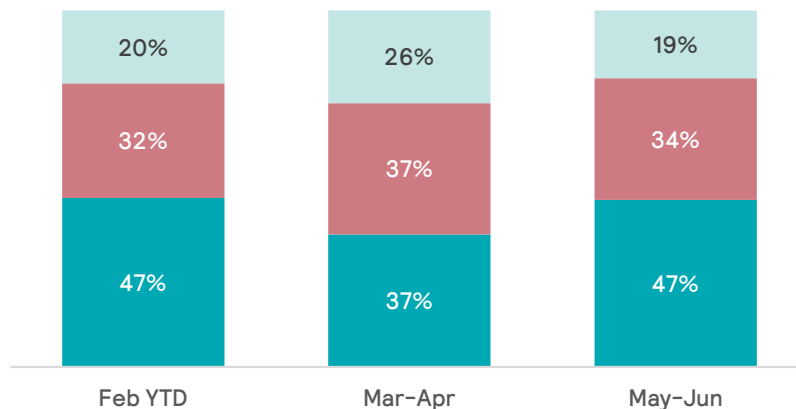
- Click & collect sales grew 91% in 2H and 137% in Q4, a run-rate maintained in the first 6 weeks of FY21

**Online fulfilment hubs (direct to customer)** scaled up to meet demand growth through March-April

- Flexibility to channel online fulfilment throughout the store network established
- Online delivery sales grew 44% in 2H
- Online delivery sales went from 9% to 15% of total sales through March & April. This has now moderated back to normal levels

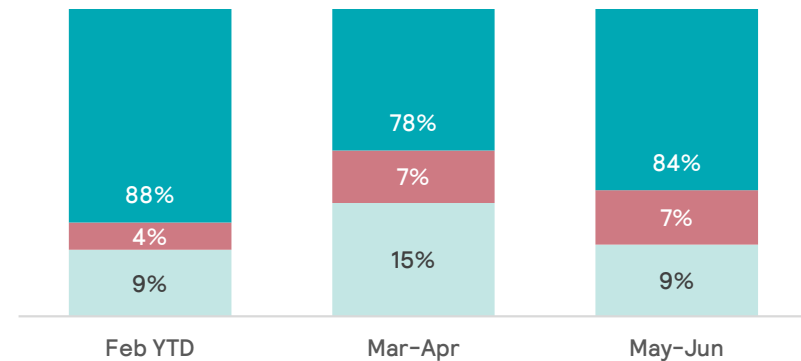
Category mix (% of total sales)

Travel Nesting Baby Essentials



Channel mix (% of total sales)

Online Delivery Click and Collect In Store



**Strong sales growth** experienced in baby essentials categories (ie. Nappies, feeding, consumables), as well as nesting related products (ie. manchester, nursery furniture, toys and play gear) during March & April.

As travel became restricted through the national 'lock-down' period our travel related categories declined (car seats, prams and strollers) and have rebounded as restrictions eased



1.

## Financial & Trading Performance



# Market share growth continues

11.8%

total sales growth

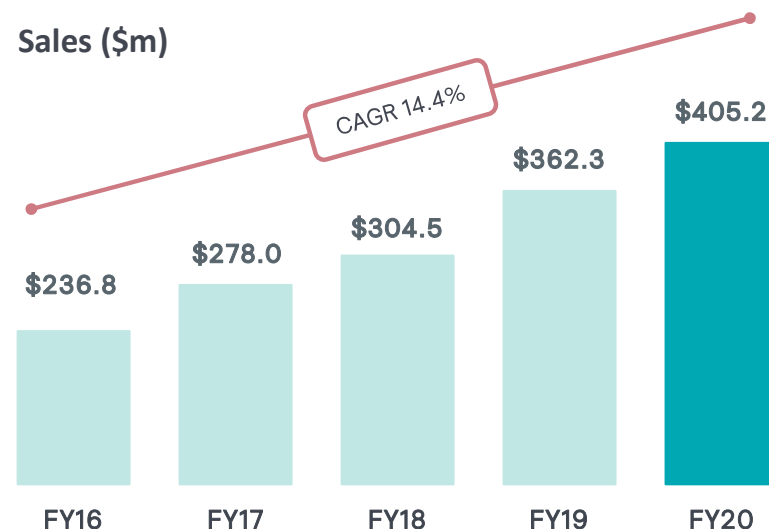
4.9%

comparable sales growth

**FY20 total sales growth of 11.8% (1H 8.1%, 2H 15.3%) driven by:**

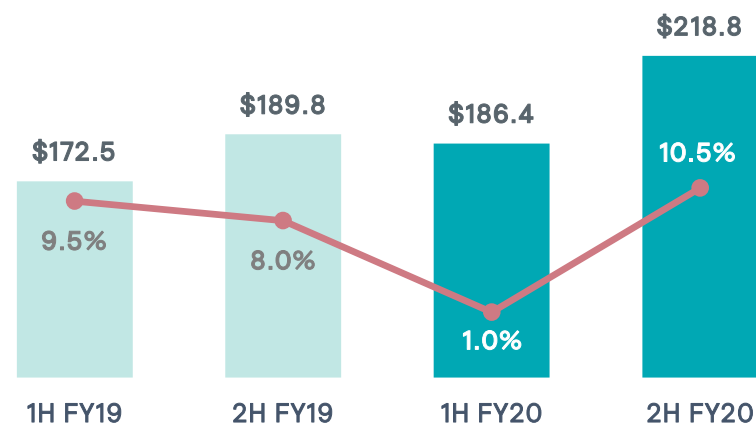
- Comparable sales growth of 4.9%
  - **2H comp growth of 10.5%**, with exceptional sales performance in Q4 of 13.9% comparable store sales growth
- **Online sales (including click & collect) grew 39.1%**, now making up 14.5% of total sales (up from 11.8% in FY19)
- 3 new stores opened in FY20
- 1H comp impacted by 310 bps (1.0% vs 4.1% underlying) as a result of website performance and significant sales redirection from 6 new stores opened in FY19

Sales (\$m)



Half-yearly sales (\$m)

Sales \$m  
Comparable sales growth %



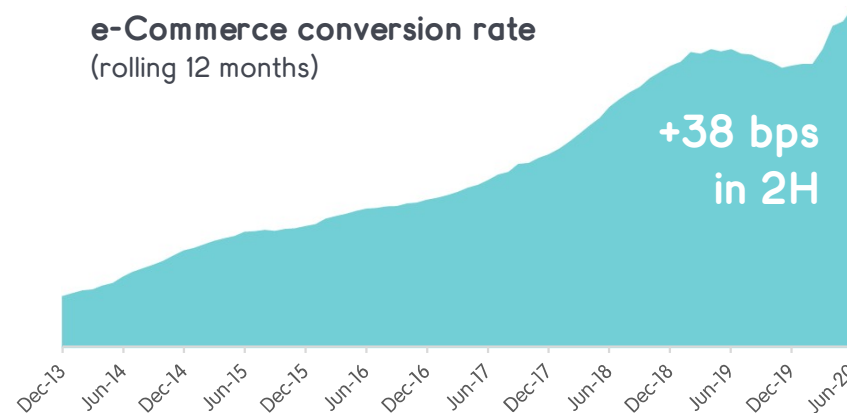
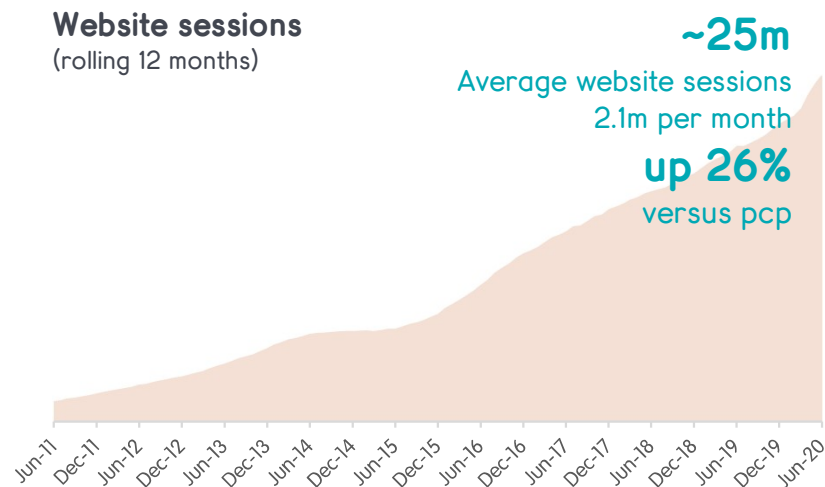
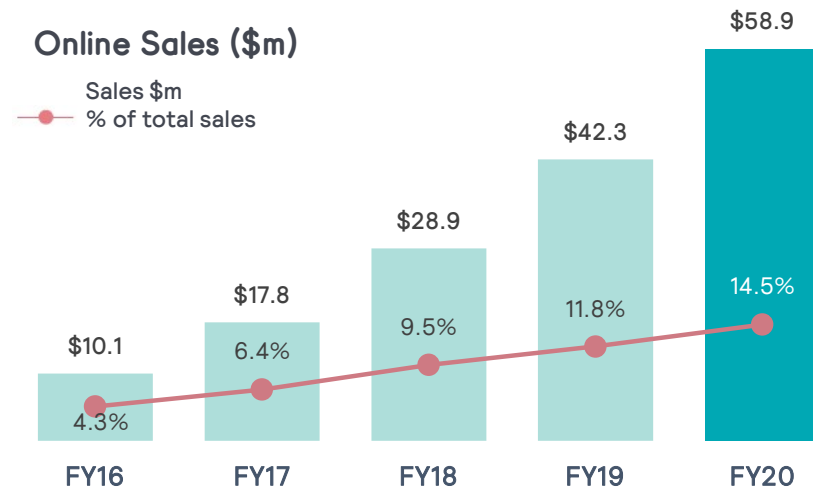
# Investment in Digital to grow Sales & Market Share

Our multi-channel retail experience delivers sales growth, online sales are now 14.5% of total sales

- **Website visits continue to grow**, unique visits exceeded 25 million, up 26% vs pcp (2H growth 34%)
- **Online sales (inc. click & collect) grew 39.1%**, making up 14.5% of total sales (11.8% in FY19)
- Click & Collect is **~50%** of all online sales where Baby Bunting has a store (ie. **+90%** of all sales involve a customer store visit in these catchments).
- Customer insights & tailored marketing campaigns

## Website update

- Website stability issues post implementation in July 2019 impacted the customer experience and constrained online sales growth in 1H
- Decision was made to roll-back to the old website in November
- Since roll-back, Online sales (inc. click & collect) continue to grow, in part due to:
  - Improved customer experience and functionality
  - Promotion of contactless shopping via our online channels during COVID-19
  - Scaled up infrastructure capacity and team capability
- Move to headless e-Commerce architecture leveraging best of breed applications delivering a world class customer experience through digital channels.
- Write-down of our digital assets of \$3.2m.



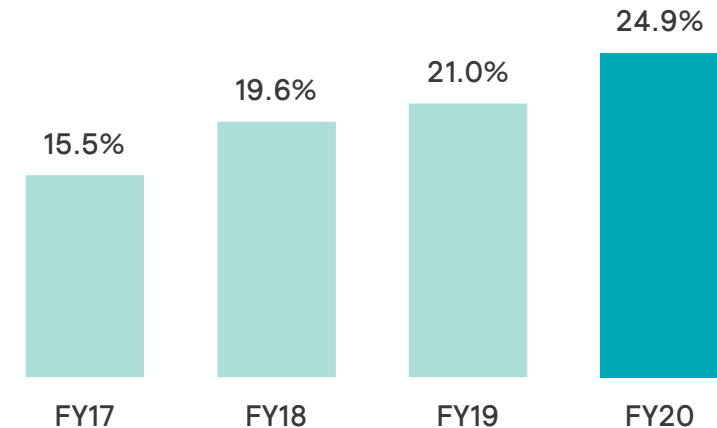


# Great Range at Low Prices Everyday

Our Price Promise underpins our value statement

- **Competitive pricing** with the widest range to:
  - Deliver **great value** to our customers
  - **Build trust** with our customers through **Our Price Promise**
    - find a lower priced item and we'll beat it by 5%
- **Best Buys** (EDLP) now making up **24.9% of total sales in FY20**, compared to 21.0% vs pcp. We continue to invest in the Best Buys program
- Our strategy is to differentiate against pure-play online retailers through **range, price** and **services offer**
- Investment in **Private Label** and **Exclusive Products** (36.5% of sales) underpin our value proposition

% of Total Sales – Best Buys (EDLP)



With the million and one things you have to worry about, **price won't be one of them.**

BabyBunting 



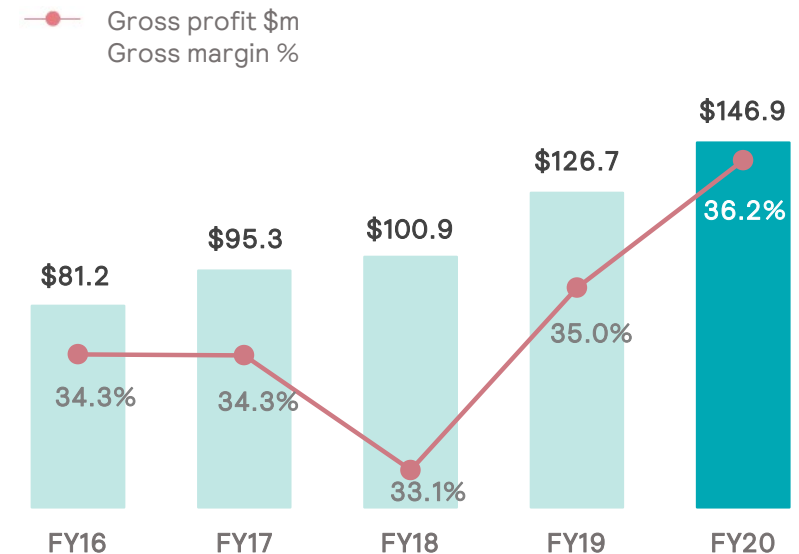
# Gross margin improvement of 120 bps to 36.2%

1H FY20 Gross Margin 36.9%, 2H 35.6%



- **2H Gross Margin performance reflects COVID-19 impacts:**
  - Consumer shift to online delivery which attracts a higher freight cost per transaction
  - Significant sales growth of lower margin baby essentials
  - Prices tightened during Q4 as retail contracted in April
- Changes to our promotional program included the introduction of 'Our Price Promise' and 'Spend & Earn' offers – both investments in value to further grow market share
- **Range improvements** with supplier partners delivering great products at sustainable margins and continued **improvement in trading terms**
- **Direct import volumes increased** by 31% in purchase value vs pcp
- Continued focus on **growing our Private Label & Exclusive Product range**
- Investment in our Baby on Board services business contributes to margin expansion

## Gross Profit

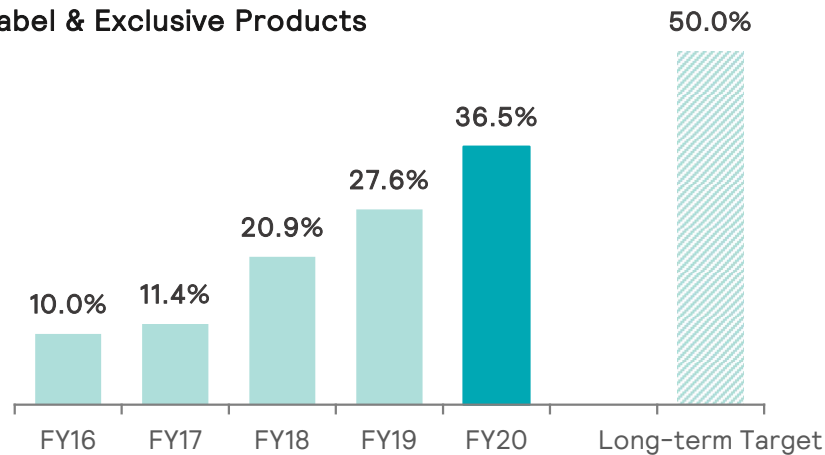


# Private Label & Exclusive Products

47.9%

PRIVATE LABEL & EXCLUSIVE SALES GROWTH

% of Total Sales – Private Label & Exclusive Products



Private Label & Exclusive Product sales grew 47.9%, now **36.5% of total sales** compared to 27.6% (pcp)

- Private Label & Exclusive Product sales represented **~46% of our Top 250 product sales** in FY20
- Plans to introduce a hard goods Private Label brand in FY21
- **Long-term target of 50%**, targeting +40% in FY21



Exclusive



Private Label



Exclusive



Private Label



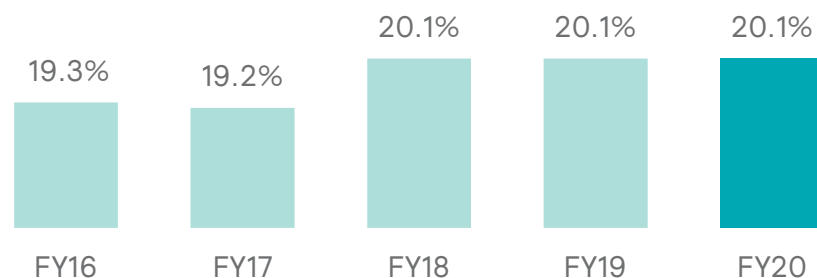
Private Label



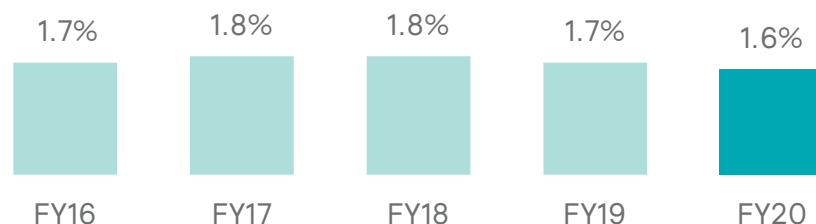
# Continued investment supports growth

## Cost of Doing Business metrics (% sales) <sup>(1)</sup>

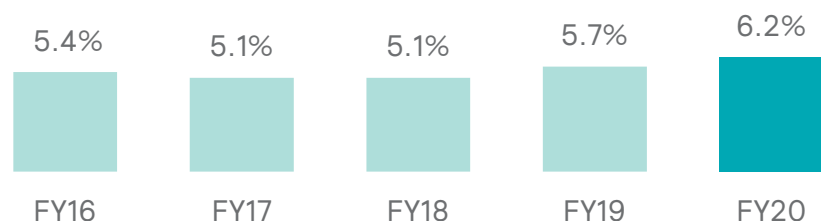
### Store expenses



### Marketing expenses



### Pro forma overhead expenses



CODB (pro forma) in FY20 was 27.9% of sales

### Store expenses of 20.1%

- 1H store efficiency initiatives delivered increased customer service levels and improving cost to sales ratios across the year
- 2H store expenses leverage of 40 bps (FY20 19.3% v FY19 19.7%)

### Marketing expenses of 1.6%

- We market through both digital marketing and traditional marketing mediums (radio and catalogues)
- Increasing our focus on digital marketing opportunities to improve customer engagement

### Pro forma overheads of 6.2%

- Investing ahead of curve to support future growth agendas and store network expansion
- First full year of Baby on Board services business personnel
- Continued focus on IT system enhancements and support capabilities through investment in people and infrastructure
- Annualisation of new roles

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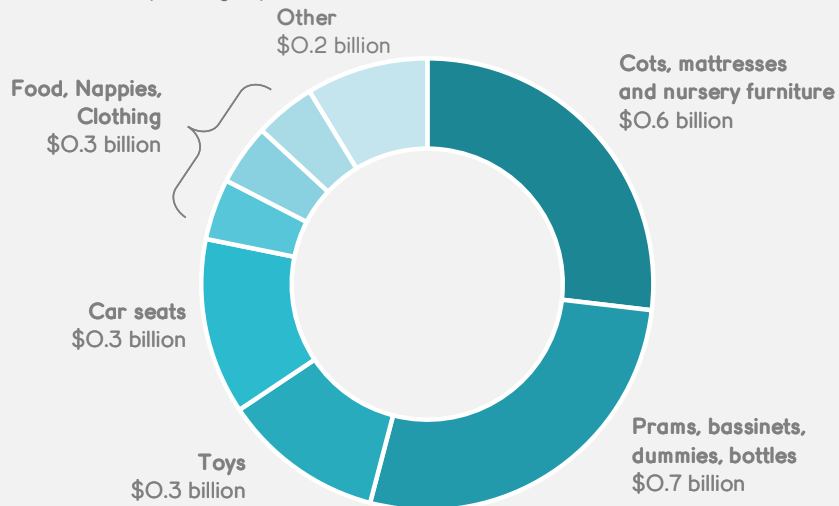
## Maternity & Baby Goods Market



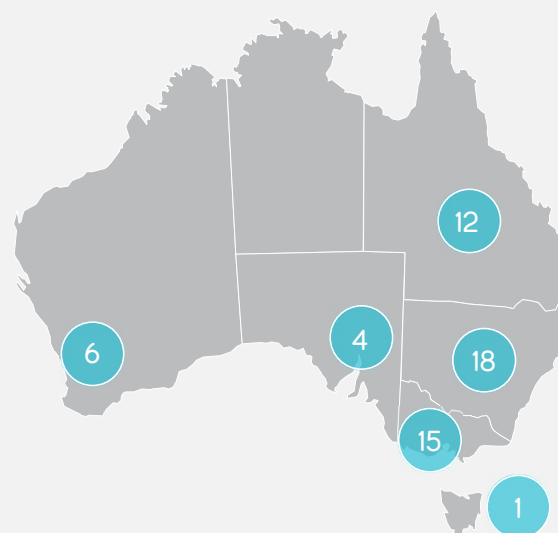
# Competitive landscape - our market expansion continues

## Baby Bunting leads the industry in a fragmented market

**Baby Bunting \$2.4bn estimated addressable market <sup>(1)</sup>**  
(breakdown by category)

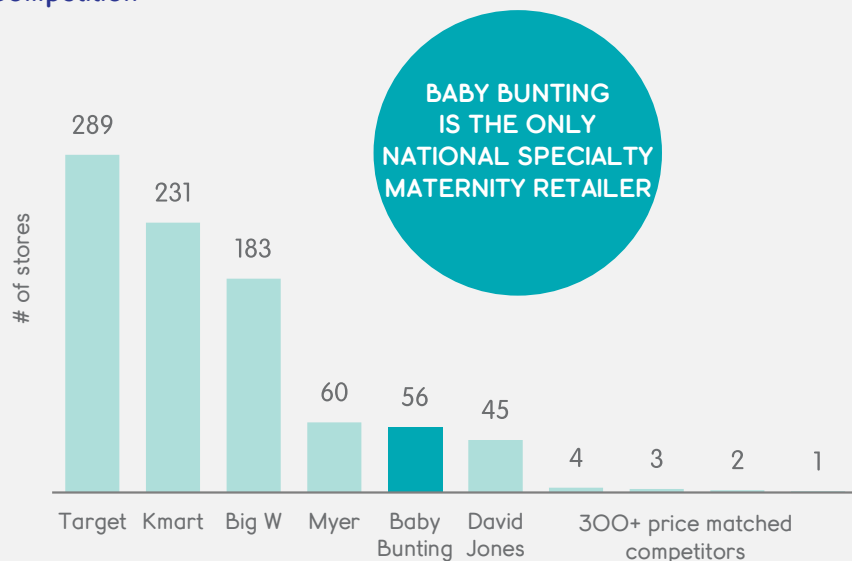


**Baby Bunting store numbers by state**



**NETWORK PLAN  
UPGRADED TO  
100+ STORES**

### Competition



### Other competing retailers



Baby Bunting has a branded store presence on ebay

### Drivers of differentiation

**Click & Collect** increasingly preferred way to shop. Now run-rating at ~60% of all Online sales in store catchments.

**Private Label & Exclusive** Products

**Store based fulfilment**

~77% (192 products) of our Top 250 selling SKU's are **not available on Amazon**

82% (205 products) of our Top 250 selling SKU's are **not available on Catch**

**Expanded services offer**

1. To arrive at Baby Bunting's addressable market we use IBIS World data and then discount the food, apparel and nappies categories which are a smaller component of our broad product offering



3.

## Strategy



# Growth strategy - grow market share

Focused investment in capability, IT systems and supply chain to support growth

- 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



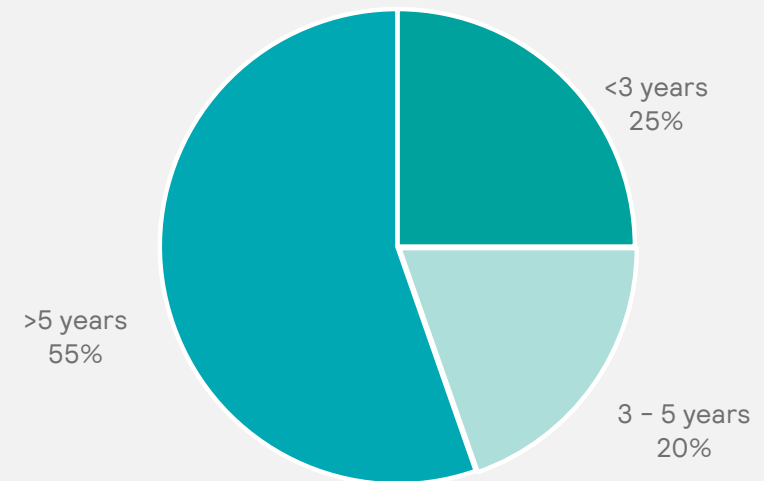




## Investment to Grow Sales from Existing Stores

- Improving the customer experience in-store, **NPS score of 81**
- Our Baby on Board car seat installation and services business continues to grow – **car seat fitting sales up 42% on pcp**
  - Our car seat installation profit grew 59% vs pcp
  - Hire services currently being rolled out across the store network
- Leveraging **CRM and marketing automation** to tailor lifecycle communications with customers
- **Contactless Click & Collect** and **Helping Hand** telephone service
- New and improved **loyalty program**, expected to launch 2H FY21

Store maturity profile as at 28 June 2020 (years opened)  
(stores on average take 4 years to reach sales maturity)

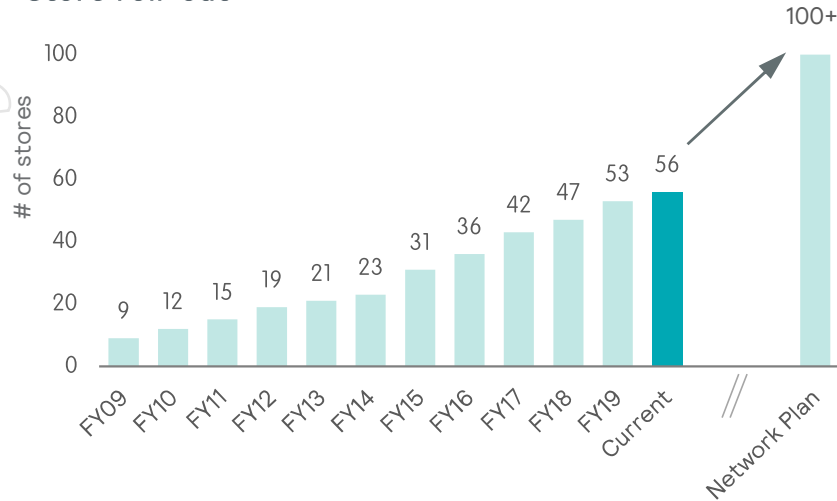


**45% of our stores are less than 5 years old and in their growth phase**

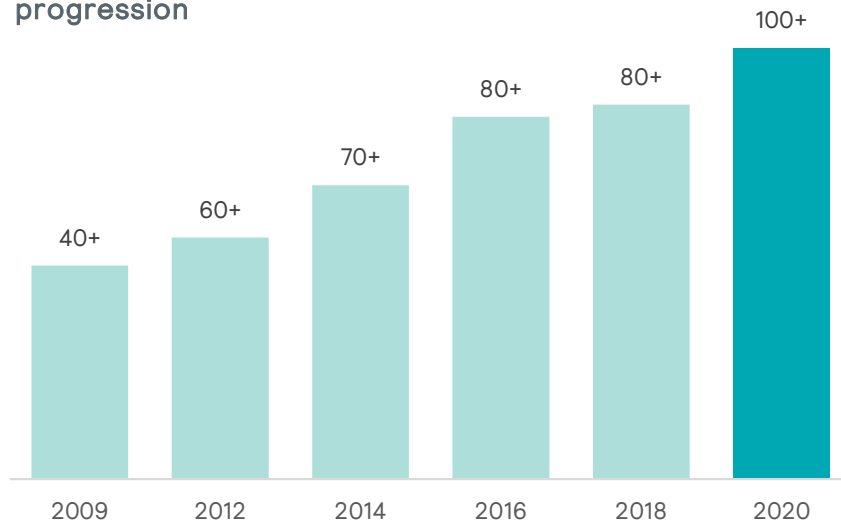


# Growth from New Markets

Store roll-out



Baby Bunting store network plan progression



## Network Plan upgraded to 100+ stores

100+  
STORE  
NETWORK PLAN

On the back of significant market share growth and the changes in competitive landscape, Baby Bunting has capacity to grow its **network of stores to 100+**

- Expanding our store network by using the optimal format for each catchment
- Developing alternative store formats
- **Major markets 1,500 to 2,000 square metres** in bulky goods centres or at stand-alone sites
- **Regional store format of 1,000 to 1,200 square metres**
- **Shopping centre format**, with all the service attributes of our large format stores
- In executing our long-term network plan, we will only select locations that meet our rigorous ROI hurdles. Our long-term target will also adjust and respond to any changes in future consumer behaviours and retail trends



New Baby Bunting stores  
(all stores opened from  
June 2008)

Group Average  
(all stores opened  
> 4 years)

|                            | YEAR 1 | YEAR 2 | FY2020 |
|----------------------------|--------|--------|--------|
| Revenue per store (\$m)    | 4.9    | 5.4    | 7.8    |
| EBITDA per store (\$m)     | 0.4    | 0.5    | 1.3    |
| Store EBITDA margin        | ~8%    | ~10%   | ~17%   |
| Return on Invested Capital | ~28%   | ~39%   | >80%   |

Table above shows average data for all new stores opened since June 2008 where stores have been opened for at least 12 months

It is anticipated that regional stores at maturity will achieve between 40% and 60% of the current sales of stores opened for more than 4 years. Our regional stores are on average achieving ~\$3.7m in annual sales (not including opening year) and average ROI of 57%

BabyBunting 

## New Store Economics

New Store performance exceeding expectations

- **Mature store average EBITDA margin 17%**, +200 bps from FY19 driven by gross margin improvements and operational efficiency initiatives
- 6 new stores opened in FY19, delivered average **Year 1 sales of \$5.9m** (historical average \$4.9m)
- **New stores opened** – Westfield Doncaster (Oct), Wetherill Park (Nov) and Casula (Dec)
- **Pipeline** – Westfield Knox (Vic) scheduled opening Q1 FY21, with Castle Towers (NSW) and Belconnen (ACT) in Q2 FY21. We are currently assessing an opportunity in Coffs Harbour (Regional NSW)

# New Zealand

Following on from our launch of shipping online orders to New Zealand, a review of the New Zealand market is currently being undertaken:

**\$450m+**  
addressable market

## \$450m addressable market

- Fragmented retail market with similar attributes
- Common language and regulatory system
- Product compliance aligns with Australia with high safety standards
- Common brands & supply opportunities
- Appeals to a multi-channel retail strategy

## Successful launch of shipping to NZ from Australia

- Baby Bunting is now shipping into New Zealand leveraging our existing website, fronted to reflect NZ product and shipping requirements. Focus on value
- Commenced digital marketing, engaging with the New Zealand consumer
- Conducting a strategic review of the opportunity based on learnings to date and market understanding





# Profit Margin Improvement

Program of business initiatives and managed investment in costs over time as the business builds to scale to deliver the long term goal of 10% EBITDA<sup>(1)</sup> margin

## Gross Margin Improvement

- Growing the Private Label program and introduce new Private Label brands
- Expansion of Exclusive Products and brands
- Investment to grow our services business
- Investment in merchandise automated replenishment and forecasting system

## Supply chain improvements

- Improving margin by unlocking value within the supply chain
- Invest in distribution infrastructure
- Invest in logistical capability
- Further build out our network of local market online fulfilment hubs & fulfilment stores to reduce freight time & cost and improve the customer experience

## CODB leverage

- CODB leverage to be achieved over time as business initiatives support sales growth and business efficiency improvements



4.

## Transformation Update



# Transformation – investing to grow

**FY20: \$4m capex and \$4m project expenses**

\$2.6m write down of old brand assets

**FY21: ~\$10m capex and ~\$4m project expenses**

~\$1m write down of PPE (old support office)



## Significant business transformation project pipeline continues

### Brand Modernisation



Introduced a modern contemporary brand that reflects the brand essence of supporting new and expectant parents in the early years of parenthood.

### Investment in Data Analytics



Utilising the power of data to make more informed decisions, specifically in the areas of digital and loyalty.

### Expand Services Business



Grow car seat fittings, leverage our stores to grow nursery hire business. Establish a wholesale nursery business servicing B2B and government needs.

### Core Systems



Implementation of automated replenishment software completed in Q4 FY20, with merchandise forecasting systems anticipated to go live in 2H FY21. Review of point of sale, people & financial systems.

### Website and e-commerce re-platform



Migrate to a headless e-commerce architecture and invest in strategic digital platforms.

### Loyalty Program



Development of Loyalty program to build engagement and increase lifetime value of the customer.

### Supply Chain Strategy



Improving margin by realising value through the investment in supply chain, a new distribution centre and logistical capability.

### Online Fulfilment Hubs



Leverage existing store network to facilitate same day fulfilment for 90% of online metro orders. Hobart, Cannington (WA), Casula (NSW) operational. Additional store hubs scaled up to meet spike in online demand in Q4.

### Customer Care



Evolve Customer Care and improve the customer experience across all channels.



# Our Brand

New parents' expectations of brands and shopping experiences changes over generations. However, their need for support and advice remains constant

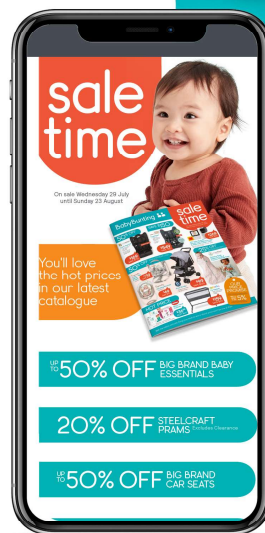
Our new brand represents our core values of support and advice with a warm and friendly tone



Our Collateral



Our Stores



Our eDMs



Our Brand...



Our Price Promise

# Supply Chain Strategy

Supply chain evolution to improve gross margin.  
Lower our cost to serve. Improve the customer experience through speed to market and increased on-shelf stock availability

## New Distribution Centre & Support Office

- We are moving to a new larger Distribution Centre in Melbourne, this will support:
  - our growing store network
  - increase in direct imports
  - increase in stock availability
  - reduction in 3PL storage costs
  - long-term PLEX targets
  - reduce direct-to-store deliveries
  - 15% reduction in rent per sqm



5.

## Financial Information







## Summary Pro Forma Income Statement

| Summary Pro Forma Income Statement                 |                     |                     |              |
|--|---------------------|---------------------|--------------|
|  | Pro Forma<br>FY2020 | Pro Forma<br>FY2019 | Change       |
| \$ million   |                     |                     |              |
| <b>Sales</b>                                       | <b>405.2</b>        | <b>362.3</b>        | <b>11.8%</b> |
| Cost of sales                                      | (258.3)             | (235.7)             |              |
| <b>Gross Profit</b>                                | <b>146.9</b>        | <b>126.7</b>        | <b>15.9%</b> |
| <i>Gross Profit Margin</i>                         | <i>36.2%</i>        | <i>35.0%</i>        |              |
| <b>Cost of doing business<sup>(1)</sup></b>        | <b>(113.2)</b>      | <b>(99.5)</b>       |              |
| <i>Cost of doing business %</i>                    | <i>27.9%</i>        | <i>27.5%</i>        |              |
| <b>EBITDA<sup>(1)</sup></b>                        | <b>33.7</b>         | <b>27.1</b>         | <b>24.1%</b> |
| <i>EBITDA margin %</i>                             | <i>8.3%</i>         | <i>7.5%</i>         |              |
| <i>Impact of AASB 16 application<sup>(3)</sup></i> |                     |                     |              |
| - Reverse operating leases expenses                | 24.9                | 21.8                |              |
| - Add ROU Asset Depreciation & Interest            | (24.9)              | (22.8)              |              |
| Depreciation - Plant & Equipment                   | (5.3)               | (5.0)               |              |
| Finance costs - Borrowings                         | (0.8)               | (0.7)               |              |
| <b>Profit before tax</b>                           | <b>27.5</b>         | <b>20.4</b>         | <b>32.9%</b> |
| Income tax expense                                 | (8.2)               | (6.0)               |              |
| <b>Net profit after tax<sup>(2)</sup></b>          | <b>19.3</b>         | <b>14.4</b>         | <b>34.1%</b> |
| <i>Net profit after tax margin %</i>               | <i>4.8%</i>         | <i>4.0%</i>         |              |

(1) Pre AASB 16 application

(2) Post AASB 16 application

(3) Refer Appendix 2 AASB 16 Transition Impact for further breakdown.

- Total pro forma sales of **\$405.2 million**, up 11.8% vs pcp
  - Comparable store sales growth of 4.9%
- **Gross margin of 36.2%**, up 120 bps above pcp, the result of:
  - range improvements
  - increased Private Label & exclusive products
  - expansion of services business; and
  - direct imports
- Pro forma **Cost of Doing Business \$113.2 million<sup>(1)</sup>**
  - **Store expenses** in line with FY19 as a % to sales with 40 bps leverage achieved in 2H;
  - **Overheads** increase with investment in new roles, IT infrastructure & systems, as well as integration of services business. We also incurred an additional \$0.5m of COVID-19 related expenses (ie. additional cleaning, PPE & higher rates of absenteeism)
- Pro forma **EBITDA<sup>(1)</sup> of \$33.7 million**, above pcp 24.1%
- Pro forma **NPAT<sup>(2)</sup> of \$19.3 million**, above pcp 34.1%



# Statement of Financial Position

|                           | Statutory<br>28-Jun-20 | Statutory<br>30-Jun-19 |
|---------------------------|------------------------|------------------------|
| <b>\$ million</b>         |                        |                        |
| Cash and cash equivalents | 13.3                   | 5.8                    |
| Inventories               | 65.1                   | 68.2                   |
| Plant and equipment       | 22.5                   | 24.5                   |
| Goodwill & Intangibles    | 49.0                   | 49.9                   |
| Right of Use assets       | 93.5                   | 95.7                   |
| Other assets              | 14.8                   | 12.6                   |
| <b>Total Assets</b>       | <b>258.3</b>           | <b>256.6</b>           |
| Payables                  | 51.9                   | 46.2                   |
| Borrowings                | -                      | 3.1                    |
| Lease liability           | 106.0                  | 107.5                  |
| Provisions                | 5.7                    | 4.5                    |
| Income tax payable        | 1.3                    | 2.7                    |
| <b>Total Liabilities</b>  | <b>164.9</b>           | <b>164.1</b>           |
| <b>Net Assets</b>         | <b>93.4</b>            | <b>92.5</b>            |
| <b>Net Cash / (Debt)</b>  | <b>13.3</b>            | <b>2.7</b>             |

## Strong balance sheet with no debt

- **Net cash position of \$13.3m**
- **Inventory** decrease of \$3.1m compared to 30 June 2019 reflects strong Q4 sales performance and improved inventory management through automated stock replenishment
- **Plant & Equipment** increase reflects investment in new stores, IT infrastructure and other capital projects, offset by depreciation & write-off of old branding assets
- **Intangibles** decrease includes \$3.2m non-cash impairment of digital assets (as we transition to a new headless digital architecture)
- **Right-of-use assets** and **associated lease liabilities** now recognised upon adoption of AASB 16 (associated with property leases & material handling equipment leases)
- Available debt facility at year-end was \$50m (undrawn), this facility was increased to \$70m in July 2020

# Cash Flow

Statutory  
28-Jun-20    Statutory  
30-Jun-19

\$ million

|  |              |               |
|--|--------------|---------------|
| <b>EBITDA<sup>(1)</sup></b>                    | <b>58.6</b>  | <b>48.9</b>   |
| Movement in working capital                    | 8.1          | 3.7           |
| Tax Paid                                       | (7.2)        | (4.1)         |
| Finance costs – borrowings                     | (0.8)        | (0.9)         |
| Finance costs – leases                         | (4.9)        | (5.0)         |
| Transformation project expenses                | (4.0)        | (0.8)         |
| <b>Net cash flow from operating activities</b> | <b>49.8</b>  | <b>41.8</b>   |
| Acquisition of new business                    | –            | (1.3)         |
| New store capex                                | (2.3)        | (5.4)         |
| Capex (excluding new stores)                   | (6.0)        | (5.1)         |
| <b>Net cash flow from investing activities</b> | <b>(8.3)</b> | <b>(11.8)</b> |
| Repayment of leases                            | (19.2)       | (16.4)        |
| <b>Free cash flow</b>                          | <b>22.3</b>  | <b>13.6</b>   |
| Dividends paid                                 | (11.7)       | (7.3)         |
| Borrowings (net)                               | (3.1)        | (7.6)         |
| <b>Net cash flow</b>                           | <b>7.5</b>   | <b>(1.4)</b>  |

(1) Post AASB 16 application

- **Improvement in working capital** reflects significant Q4 sales growth accelerating stock turns through 2H
- **Capital expenditure** of \$8.3m includes investments in:
  - \$2.3m in new store capex for 3 new stores, as well as Knox scheduled to open 1H FY21
  - \$2.0m for store & IT sustenance
  - \$4.0m in transformation project (including IT systems & branding)

## Dividends

- FY19 final dividend of 5.1 cents per share was paid in September, 1H F20 full franked dividend of 4.1 paid in March
- **FY20 final dividend of 6.4 cents per share** to be paid in September (Board's policy is to target ongoing payout ratio of 70–100% of pro forma NPAT)



6.

## Outlook



A photograph of a young couple sitting together, looking at a pregnancy test. The woman is in the foreground, smiling broadly, and the man is behind her, also smiling. They are both wearing casual clothing. The background is a bright, out-of-focus window.

## Exciting times ahead

We remain focused on executing our growth strategy:

- Expansion of our store network plan to 100+ stores and alternative store formats
- Expansion of our Private Label products
- Expansion of our services business, car seat hire and other product categories
- Undertake assessment of the New Zealand market opportunity
- Investing in digital to transform the customer experience
- Loyalty program to build engagement and increase lifetime value of the customer

**We continue to look at the bigger picture. These strategic initiatives, and others being developed, will set the groundwork for future growth**



## FY21 outlook

### Strong start to FY21

We have seen positive trading momentum continue. Sales reflect the less discretionary nature of the maternity and baby goods category.

As at 9 August 2020, **comparable store sales growth** of 20.0% for the first 6 weeks of FY21.

All Victorian stores remain open. Sales moderating in Melbourne under Stage 4 lock-down. Excluding Victoria, as at 9 August 2020, our comparable store sales are 28.7%.

### Guidance

We anticipate 4-6 new store openings in FY21, with 3 new stores in 1H.

The COVID-19 pandemic continues to create significant uncertainty, as evidenced by current trading conditions and the impact on the economy.

Accordingly, FY21 earnings guidance cannot be given at this time.



# QUESTIONS



6.

## Appendices



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

| FY2020                          |                   |  |                   | FY2019 |                   |  |                   |
|---------------------------------|-------------------|--|-------------------|--------|-------------------|--|-------------------|
|                                 | Statutory<br>FY20 | Add<br>Pro Forma<br>Adj <sup>(a)</sup> | Pro Forma<br>FY20 |        | Statutory<br>FY19 | Add<br>Pro Forma<br>Adj <sup>(a)</sup> | Pro Forma<br>FY19 |
| <b>\$ million</b>               |                   |  |                   |        |                   |  |                   |
| <b>Sales</b>                    | <b>405.2</b>      |  | <b>405.2</b>      |        | <b>368.0</b>      | <b>(5.7)</b>                           | <b>362.3</b>      |
| Cost of sales                   | (258.3)           |  | (258.3)           |        | (239.6)           | 3.9                                    | (235.7)           |
| <b>Gross Profit</b>             | <b>146.9</b>      |  | <b>146.9</b>      |        | <b>128.4</b>      | <b>(1.8)</b>                           | <b>126.7</b>      |
| Store expenses                  | (58.0)            |  | (58.0)            |        | (52.8)            | 1.0                                    | (51.8)            |
| Marketing expenses              | (6.6)             |  | (6.6)             |        | (6.0)             | 0.0                                    | (6.0)             |
| Warehouse expenses              | (4.3)             |  | (4.3)             |        | (4.5)             | 0.1                                    | (4.5)             |
| Administrative expenses         | (22.0)            | 2.6                                    | (19.3)            |        | (18.0)            | 2.5                                    | (15.5)            |
| Transformation project expenses | (9.8)             | 9.8                                    | 0.0               |        | (0.8)             | 0.8                                    | 0.0               |
| <b>EBITDA</b>                   | <b>46.1</b>       | <b>12.4</b>                            | <b>58.6</b>       |        | <b>46.3</b>       | <b>2.6</b>                             | <b>48.9</b>       |
| Depreciation and amortisation   | (25.3)            |  | (25.3)            |        | (23.3)            | 0.4                                    | (22.8)            |
| <b>EBIT</b>                     | <b>20.8</b>       | <b>12.4</b>                            | <b>33.3</b>       |        | <b>23.0</b>       | <b>3.1</b>                             | <b>26.1</b>       |
| Net finance costs               | (5.7)             |  | (5.7)             |        | (5.7)             | 0.1                                    | (5.6)             |
| <b>Profit before tax</b>        | <b>15.1</b>       | <b>12.4</b>                            | <b>27.5</b>       |        | <b>17.3</b>       | <b>3.1</b>                             | <b>20.4</b>       |
| Income tax expense              | (5.1)             | (0.6)                                  | (8.2)             |        | (5.6)             | (0.4)                                  | (6.0)             |
| <b>Net profit after tax</b>     | <b>10.0</b>       | <b>11.9</b>                            | <b>19.3</b>       |        | <b>11.6</b>       | <b>2.7</b>                             | <b>14.4</b>       |

a) Pro forma financial results have been calculated to exclude employee equity incentive expenses and non-recurring costs relating to impairment of assets and transformation project expenses. Prior year figures (based on 52 weeks) have been re-stated to exclude a non-comparable trading week.

The Baby Bunting Annual Report which includes the Directors' Report (dated 14 Aug 2020) contains further details of the above adjustments.



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

| FY2020                          |                |  |                                    |                  | FY2019         |  |                                    |                  |  |
|---------------------------------|----------------|--|------------------------------------|------------------|----------------|--|------------------------------------|------------------|--|
|                                 | Pro Forma FY20 | Remove AASB 16 Depreciation and Interest | Recognise Operating Lease Expenses | Pre-AASB 16 FY20 | Pro Forma FY19 | Remove AASB 16 Depreciation and Interest | Recognise Operating Lease Expenses | Pre-AASB 16 FY19 |  |
| <b>\$ million</b>               |                |  |                                    |                  |                |  |                                    |                  |  |
| <b>Sales</b>                    | <b>405.2</b>   |  |                                    | <b>405.2</b>     | <b>362.3</b>   |  |                                    | <b>362.3</b>     |  |
| Cost of sales                   | (258.3)        |  |                                    | (258.3)          | (235.7)        |  |                                    | (235.7)          |  |
| <b>Gross Profit</b>             | <b>146.9</b>   |  |                                    | <b>146.9</b>     | <b>126.7</b>   |  |                                    | <b>126.7</b>     |  |
| Store expenses                  | (58.0)         |  | (23.6)                             | (81.6)           | (51.8)         |  | (21.2)                             | (73.0)           |  |
| Marketing expenses              | (6.6)          |  |                                    | (6.6)            | (6.0)          |  |                                    | (6.0)            |  |
| Warehouse expenses              | (4.3)          |  | (1.1)                              | (5.4)            | (4.5)          |  | (0.5)                              | (5.0)            |  |
| Administrative expenses         | (19.3)         |  | (0.2)                              | (19.6)           | (15.5)         |  | (0.1)                              | (15.6)           |  |
| Transformation project expenses | 0.0            |  |                                    | 0.0              | 0.0            |  |                                    | 0.0              |  |
| <b>EBITDA</b>                   | <b>58.6</b>    |  | <b>(24.9)</b>                      | <b>33.7</b>      | <b>48.9</b>    |  | <b>(21.8)</b>                      | <b>27.1</b>      |  |
| Depreciation and amortisation   | (25.3)         | 20.0                                     |                                    | (5.3)            | (22.8)         | 17.8                                     |                                    | (5.0)            |  |
| <b>EBIT</b>                     | <b>33.3</b>    | <b>20.0</b>                              | <b>(24.9)</b>                      | <b>28.3</b>      | <b>26.1</b>    | <b>17.8</b>                              | <b>(21.8)</b>                      | <b>22.1</b>      |  |
| Net finance costs               | (5.7)          | 4.9                                      |                                    | (0.8)            | (5.7)          | 5.0                                      |                                    | (0.7)            |  |
| <b>Profit before tax</b>        | <b>27.5</b>    | <b>24.9</b>                              | <b>(24.9)</b>                      | <b>27.5</b>      | <b>20.4</b>    | <b>22.8</b>                              | <b>(21.8)</b>                      | <b>21.4</b>      |  |
| Income tax expense              | (8.2)          | (7.5)                                    | 7.5                                | (8.2)            | (6.0)          | (6.8)                                    | 6.5                                | (6.3)            |  |
| <b>Net profit after tax</b>     | <b>19.3</b>    | <b>17.5</b>                              | <b>(17.4)</b>                      | <b>19.3</b>      | <b>14.4</b>    | <b>15.9</b>                              | <b>(15.2)</b>                      | <b>15.1</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 pre AASB 16 depreciation and amortisation)</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>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" and "Bilbi" brand names)</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> |