

22 January 2024

Baby Bunting preliminary half year results update

Focus on trade, productivity and customer experience showing results

Baby Bunting Group Limited (Baby Bunting or the Group) today provides the following update.

For the first half of FY24 (3 July 2023 to 31 December 2023), Baby Bunting's preliminary unaudited financial results were:

\$m	1H FY24	1H FY23	change vs 1H FY23
Sales	248.5	254.9	-2.5%
Gross profit %	37.2%	37.2%	Flat
Pro forma ¹ NPAT	3.5	5.1	-31.3%
Statutory NPAT	2.7	2.7	-1.0%

Q2 sales metrics show an improving performance relative to Q1.

Sales growth	Q1 FY24	Q2 FY24	1H FY24
Total growth	-3.3%	-1.8%	-2.5%
Comparable store sales	-8.8%	-5.3%	-7.0%

Baby Bunting CEO, Mark Teperson, said "Our first half update shows that while conditions have remained challenging, we are beginning to see improvements in operations and performance from changes we have introduced into the business reflecting our focus on trade, productivity and customer experience. We expect the changes made to date will continue to deliver a trend of improved performance in the second half.

"Over the last quarter, we have refreshed how we go-to-market with an increased focus on performance marketing and social media. This revised approach has correlated with growth in new customer acquisition², which was 6.6% in Q2 compared to -8.4% in Q1. This improvement has been a key driver in sales impacts. We have also focused on expanding our omni-channel fulfilment and building momentum in New Zealand.

"Trends in sales growth are turning, with comparable store sales moving from -8.8% in Q1 to -5.3% in Q2. Over the last 9 weeks, which corresponds with the launch date of changes made to our go-to-market messaging and includes the Black Friday promotional events and the Boxing Day sale event, comparable store sales have been around positive 1% year-on-year with positive transactional growth in consumer staple categories negating the price compression experienced in some categories.

"Despite a more competitive pricing environment, gross margin has remained at 37.2% (LY 37.2%). In these environments, the two lead categories of car seats and prams, are an area of competitive

¹ Pro forma financial results exclude employee equity incentive expenses and significant costs associated with business transformation projects. This information is presented on a pro forma basis to better demonstrate the underlying trading performance of the business.

² New customer acquisition is measured as uniquely identifiable customers who have transacted for the first time in a period.

focus. While we believe that we have increased our volume share in both categories, there has been a sales impact of around \$6 million because of increased price competition.

“Through Q2 we also commenced a program of inventory reduction on less productive components of our range. While this expanded clearance activity had a 50 basis point decreative impact relative to the prior corresponding period, it has been a driver of further improvement in our inventory management with inventory finishing \$14 million below December 2022, notwithstanding an increase of six new stores during that time. As a result, the Group’s net debt finished the half at around \$6 million (against \$20 million at the end of 1H FY23) keeping our gearing at an appropriate level given the uncertainty in the retail environment.”

The Group’s expenses remain well managed. The half saw a decrease in net overheads of around \$3 million. Marketing cost reductions from the elimination of catalogues have been reinvested in digital and social marketing.

At the end of the half, Baby Bunting had 70 stores in Australia and 4 in New Zealand. The decision was made to close the Camperdown store in December at the end of its lease, noting an inability to agree a reasonable rent for that site. This is expected to deliver a cost benefit of around \$1 million in 2H.

In relation to New Zealand operations, Mark Teperson commented “A particularly pleasing element has been the performance of our New Zealand business which is trading to plan. The store network has expanded to four stores, with Manukau and Sylvia Park (both in Auckland) and Christchurch all opening in Q2.”

Mark Teperson concluded, “I am excited about the traction that we are beginning to see from the initial changes we have introduced from November and I look forward to providing further details on our first half performance and our plans for the year ahead at our results presentation in February.”

Baby Bunting will release its half year reviewed statutory results on Tuesday, 20 February 2024.

All financial information included in this update has not been reviewed or audited and remains subject to further review and finalisation.

The release of this announcement was authorised by the Board.

For further information, please contact:

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