Appendix 4D

(Rule 4.2A.3)

Baby Bunting Group Limited

ABN 58 128 533 693

For the half-year ended: Period ended 31 December 2023

Previous corresponding period: Period ended 26 December 2022

Results for announcement to the market

Statutory Financial Results	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	248,456	254,865	(6,409)	(2.5%)
Net profit from ordinary activities after tax (attributable to members)	2,679	2,709	(30)	(1.1%)
Net profit attributable to members	2,679	2,709	(30)	(1.1%)

Pro Forma Financial Results	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000	Mvmt $'000	up/(down) %
Revenue from ordinary activities	248,456	254,865	(6,409)	(2.5%)
Net profit from ordinary activities after tax (attributable to members)	3,521	5,124	(1,603)	(31.3%)
Net profit attributable to members	3,521	5,124	(1,603)	(31.3%)

Pro forma financial results have been calculated to exclude certain items contained in the following table that reconciles the statutory results to pro forma financial results for the period ended 31 December 2023 and provides further detail on pro forma adjustments. This has been done to more clearly represent the consolidated entity's underlying earnings (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards).

Period ended 31 December 2023 $'000	Sales	NPAT
Statutory results	**248,456**	**2,679**
Employee equity incentive expenses[1]	–	(394)
Transformation project expenses[2]	–	458
Restructuring costs[3]	–	1,138
Tax impact from pro forma adjustments	–	(360)
Pro forma results	**248,456**	**3,521**

1. Expense reflects the cost amortisation of performance rights (LTI) on issue in the current reporting period ($0.523 million). This also includes a recovery of prepaid payroll tax on the plans as the CAGR hurdles as defined under the LTI plan were not achieved.
2. The Company incurred ($0.858 million) non-capital costs 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.
3. The Company incurred restructuring costs ($1.138 million) which included make good costs relating to the Camperdown store closure ($0.186 million).

The following table reconciles the statutory results to pro forma financial results for the period ended 26 December 2022 (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards):

Period ended 26 December 2022 $'000	Sales	NPAT
Statutory results	**254,865**	**2,709**
Employee equity incentive expenses[1,2]	–	252
Transformation project expenses[3]	–	2,225
Tax impact from pro forma adjustments	–	(62)
Pro forma results	**254,865**	**5,124**

1. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a write-back of the 2020 (TSR CAGR) and 2020 (EPS CAGR) expenses ($1.673 million) as the CAGR hurdles as defined under the LTI plan, are unlikely to be achieved.
2. 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).
3. The Company continues its investment in transformation projects and during the half, the Company incurred ($2.225 million) non-capital costs associated with the implementation of an advance order management system and a time and attendance system. Other transformation project expenses include external consultant costs associated with project management costs to deliver the transformation projects.

Dividends

	Amount per security (cps)	Franked amount
Dividends paid		
Final 2023 dividend per share (paid 8 September 2023)	4.8	100%
Dividends determined		
Interim 2024 dividend per share	1.8	100%
Record date for determining entitlements to the dividend	5 March 2024	
Date dividend is payable	19 March 2024	

The Company does not currently offer a dividend reinvestment plan.

Commentary on results for the period

For further explanation of the statutory figures above refer to the accompanying Financial Report for the half-year ended 31 December 2023, which includes the Directors' Report. The Half Year Results Presentation released in conjunction with this Results Announcement provides further analysis of the results.

Net tangible assets per ordinary share

Net tangible assets per ordinary share	31 December 2023 $	26 December 2022 $
Net tangible assets per ordinary share	0.38	0.39

Other information

Independent Review by Auditor

This report is based on the consolidated financial statements which have been reviewed by Ernst & Young.

Financial Report

for the half-year ended
31 December 2023

Baby Bunting Group Limited
ABN 58 128 533 693

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Vision: to be the most loved baby retailer for every family, everywhere.

Directors' Report

The Directors of Baby Bunting Group Limited (the Company or Baby Bunting) submit the financial reports of the Company and its controlled entities (the consolidated entity) for the half-year ended 31 December 2023.

Directors

The names of the Directors of the Company during the half-year and up to the date of this report:

- Ms Melanie Wilson
- Mr Mark Teperson (appointed 2 October 2023)
- Mr Gary Levin
- Ms Donna Player
- Mr Gary Kent
- Ms Francine Ereira
- Mr Stephen Roche

The above-named Directors held office during the whole of the half-year with the exception of Mark Teperson who joined the board on 2 October 2023.

Review of operations

Baby Bunting is Australia's largest specialty retailer of maternity and baby goods, primarily catering to parents with children from newborn up to three years of age and parents-to-be. Baby Bunting's core purpose is to support new and expectant parents in the early years of parenthood. It operates stores throughout Australia and an online store, babybunting.com.au.

Baby Bunting also has operations in New Zealand, with three stores in Auckland and one store in Christchurch and an online store, babybunting.co.nz.

The Company's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester, associated accessories and consumables. Baby Bunting also provides services that are complementary to the products it sells, including car seat installation and hire services of certain nursery products.

Key operational achievements for the Company in 1H FY24 included:

- Opening four new stores, being Manukau (NZ), Sylvia Park (NZ), Christchurch (NZ) and Cranbourne (Vic). The decision was made to close the Camperdown store (NSW) in December 2023 (as a result of being unable to reach agreement on rent to extend the lease). At the end of the half, the store network consists of 74 stores across Australia and New Zealand;
- Working capital management initiatives helped generate $25.924 million in cash from operating activities; a $17.099 million improvement relative to the prior corresponding period;
- Tight inventory management delivered $14.187 million reduction relative to prior corresponding period holdings of less productive lines were reduced in a challenging trading environment;
- Corporate cost restructure delivered net overheads savings of approximately $3 million;
- Refreshing the Company's advertising and marketing approach, with an increased focus on performance marketing and social media. This revised approach has correlated with growth in new customer acquisition which was up 6.6% in Q2 FY24 compared with -8.4% in Q1 FY24. New customer acquisition is measured as uniquely identifiable customers who have transacted for the first time with the Company in a period;
- Net debt finishing at $6.161 million compared to $20.330 million at the end of the prior corresponding period.

Review of the Company's financial performance

The half-year statutory results for the period ended 31 December 2023 (1H FY23: period ended 26 December 2022) are summarised below:

- Total sales were $248.456 million, a decrease of 2.5% against the prior corresponding period;
- Gross profit of $92.450 million down 2.4% against the prior corresponding period. Gross margin was flat against the prior corresponding period at 37.2%;
- Statutory net profit after tax (NPAT) of $2.679 million, a decrease of 1.1% against the prior corresponding period;
- Statutory basic earnings per share (EPS) of 2.0 cents, no change against the prior corresponding period;
- Net debt of $6.161 million (versus net debt of $20.330 million at the end of the prior corresponding period).

Pro forma financial results have been calculated to exclude the impact of employee equity incentive expenses, significant transformation project expenses, restructuring costs and the income tax impact associated with these adjustments.

On a pro forma basis, the 1H FY24 financial results were:

- Total sales fell 2.5% to $248.456 million; with comparable store sales growth of negative 7.0%;
- Pro forma NPAT of $3.521 million, a decrease of 31.3% on the prior corresponding period;
- Pro forma cost of doing business was $81.809 million or 32.9% of total sales, an increase of 55 basis points on the prior corresponding period (CODB 32.4% of sales in 1H FY23).

In challenging market conditions sales declined by 2.5% to $248.456 million (against the prior corresponding period). The total sales decline was driven by negative comparative store sales of 7.0% and partially offset by sales growth from the addition of four new stores opened in 1H FY24 and the annualising of new stores opened in FY23.

Sales from the store network were 2.6% down on the prior corresponding period and represented around 78% of total sales, online delivery sales (around 14% of total sales) grew 2.5% and click and collect sales (8% of total sales) were flat to the prior corresponding period. The growth in online sales was driven by a number of initiatives including increased investment in performance marketing, free delivery offers and an increase in the number of stores providing online fulfilment.

Sales from private label and exclusive products grew 1.8% and now represent 46.2% of total sales (44.4% in 1H FY23).

Gross margin remained flat at 37.2% (1H FY23 37.2%) in a more competitive pricing environment. The Company's two lead categories, car seats and prams, were an area of competitive focus, with an estimated sales impact of around $6 million because of price deflation resulting from increased price competition.

Pro forma Cost of Doing Business (CODB) expenses as a percentage of sales increased by 55 basis points to 32.9% of sales (32.4% of sales in 1H FY23). Pro forma CODB expenses were $81.809 million, representing a $0.706 million reduction to last year ($82.516 million in 1H FY23). The decrease in business expenses primarily related to the cost reduction initiatives that commenced in July 2023, the cycling of New Zealand and Baby Bunting marketplace set-up costs in 1H FY23, off-set by the opening of four new stores in 1H FY24 as well as seven stores opened in FY23. Investments in the Store Support Centre team, business processes as well as IT systems and infrastructure have continued, albeit at a moderated rate.

Dividends

The Company paid a fully franked final dividend of 4.8 cents per share, in respect of the 2023 financial year, on 8 September 2023 totalling $6.476 million. The Directors have determined to pay an interim fully franked dividend of 1.8 cents to be paid on 19 March 2024 (with a record date of 5 March 2024).

Non-IFRS measures

The consolidated entity uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures". Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and are not a substitute for those measures. Underlying statutory and pro forma results and measures are intended to provide shareholders additional information to enhance their understanding of the performance of the consolidated entity.

Non-IFRS financial measures that are referred to in this report are as follows:

Non-IFRS financial measure	Definition
Cost of doing business (CODB)	Includes store, administrative, marketing and warehousing expenses (excluding the impact of AASB 16 Lease Accounting).
EBIT	Earnings before interest and tax. EBIT eliminates the impact of the consolidated entity's capital structure and historical tax position when assessing profitability.
Operating EBIT	Excludes the effects of interest revenue, finance costs, income tax and other non-operating costs. The CEO assesses the performance of the operating segments (Australia and New Zealand) based on a measure of Operating EBIT.
Pro forma EBITDA	Earnings before interest, tax, depreciation, and amortisation expense (excluding the impact of AASB16 Lease Accounting) and excludes pro forma adjustments included in the financial results below.

Pro forma financial results have been calculated to exclude certain items contained in the following table that reconciles the statutory results to pro forma financial results for the period ended 31 December 2023 and provides further detail on pro forma adjustments. This has been done to more clearly represent the consolidated entity's underlying earnings (noting that this financial information has not been reviewed in accordance with Australian Auditing Standards).

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Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is attached to this Directors' Report on page 6.

Rounding of amounts

The Company has taken advantage of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and Financial Statements. Amounts in these reports have been rounded off in accordance with that Instrument to the nearest thousand dollars or in certain cases, to the nearest dollar.

The Directors' Report is made in accordance with a resolution of Directors.

On behalf of the Directors

Melanie Wilson

Melanie Wilson
Chair

Melbourne
20 February 2024

Auditor's Independence Declaration

Building a better
working world

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Auditor's Independence Declaration to the Directors of Baby Bunting Group Limited

As lead auditor for the review of the half-year financial report of Baby Bunting Group Limited for the half-year ended 31 December 2023, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;

(b) no contraventions of any applicable code of professional conduct in relation to the review; and

(c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Baby Bunting Group Limited and the entities it controlled during the financial period.

Ernst & Young

Ernst & Young

Tony Morse

Tony Morse
Partner
20 February 2024

Financial Report
for the year ended 31 December 2023

Contents

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the half-year ended 31 December 2023

	Note	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000
Revenue	4	248,456	254,865
Cost of sales		(156,006)	(160,171)
Gross profit		92,450	94,694
Other income	5	400	–
Store expenses	6	(56,443)	(53,844)
Marketing expenses		(4,509)	(4,744)
Warehousing expenses	6	(5,727)	(5,937)
Administrative expenses	6	(15,757)	(19,085)
Transformation project expenses	6	(858)	(2,225)
Restructuring costs	6	(1,138)	–
Finance costs	6	(4,487)	(4,187)
Profit before tax		**3,931**	**4,672**
Income tax expense		(1,252)	(1,963)
Profit after tax		**2,679**	**2,709**
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		88	95
Net gain/(loss) on cash flow hedges		(296)	(412)
Income tax effect relating to the components of OCI		50	38
Net other comprehensive gain/(loss) that may be reclassified to profit or loss in subsequent periods		**(158)**	**(279)**
Net other comprehensive income/(loss) for the year, net of tax		**(158)**	**(279)**
Total comprehensive income for the year, net of tax		**2,521**	**2,430**
Profit for the period attributable to:			
Equity holders of Baby Bunting Group Limited		**2,679**	**2,709**
Total comprehensive income attributable to:			
Equity holders of Baby Bunting Group Limited		**2,521**	**2,430**
Earnings per share			
From continuing operations			
Basic (cents per share)		2.0	2.0
Diluted (cents per share)		1.9	2.0

Notes to the consolidated financial statements are included in pages 12 to 21.

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	31 Dec 2023 $'000	2 Jul 2023 $'000
Current assets			
Cash and cash equivalents		6,771	4,997
Trade and other receivables	7	3,370	3,451
Inventories	8	98,737	98,046
Current tax assets		–	96
Other financial assets		–	185
Other assets	9	4,329	4,183
Total current assets		**113,207**	**110,958**
Non-current assets			
Plant and equipment		29,794	29,453
Intangibles		7,367	6,863
Goodwill		45,321	45,321
Right of use asset		146,745	143,916
Deferred tax assets		8,421	7,377
Total non-current assets		**237,648**	**232,930**
Total assets		**350,855**	**343,888**
Current liabilities			
Trade and other payables	10	51,539	45,371
Other liabilities	11	4,970	6,156
Current tax liabilities		1,148	–
Lease liabilities		37,660	34,057
Other financial liabilities		167	–
Provisions	12	6,309	6,795
Total current liabilities		**101,793**	**92,379**
Non-current liabilities			
Borrowings	13	12,932	11,209
Lease liabilities		130,927	130,296
Provisions	12	1,984	2,070
Total non-current liabilities		**145,843**	**143,575**
Total liabilities		**247,636**	**235,954**
Net assets		**103,219**	**107,934**
Equity			
Issued capital	14	87,650	88,695
Reserves	17	15,800	15,673
(Accumulated losses)/Retained earnings		(231)	3,566
Total equity		**103,219**	**107,934**

Notes to the consolidated financial statements are included in pages 12 to 21.

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Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Issued Capital $'000	Shares held in Trust $'000	Share-based Payments Reserve $'000	Share-based Payment Tax Reserve $'000	Cash Flow Hedge Reserve $'000	Foreign Currency Translation Reserve $'000	(Accumulated losses)/ Retained Earnings $'000	Total Equity $'000
Balance at 26 June 2022	**87,913**	**–**	**15,782**	**1,287**	**285**	**24**	**9,430**	**114,721**
Profit for the period	–	–	–	–	–	–	2,709	2,709
Other comprehensive income	–	–	–	–	(374)	95	–	(279)
Total comprehensive income for the period	–	–	–	–	(374)	95	2,709	2,430
Issue of shares (Note 14)	782	–	–	–	–	–	–	782
Dividends (Note 15)	–	–	–	–	–	–	(11,921)	(11,921)
Share-based payment expense (Note 17)	–	–	(686)	–	–	–	–	(686)
Tax effect of share-based payments (Note 17)	–	–	–	(1,440)	–	–	–	(1,440)
Transfer to retained earnings	–	–	–	155	–	–	(155)	–
Balance at 26 December 2022	**88,695**	**–**	**15,096**	**2**	**(89)**	**119**	**63**	**103,886**
Balance at 2 July 2023	**88,695**	**–**	**15,531**	**2**	**129**	**11**	**3,566**	**107,934**
Profit for the period	–	–	–	–	–	–	2,679	2,679
Other comprehensive income	–	–	–	–	(246)	88	–	(158)
Total comprehensive income for the period	–	–	–	–	(246)	88	2,679	2,521
Issue of shares (Note 14)	–	–	–	–	–	–	–	–
Purchase of shares in relation to equity incentive plan (Note 14)	–	(1,045)	–	–	–	–	–	(1,045)
Dividends (Note 15)	–	–	–	–	–	–	(6,476)	(6,476)
Share-based payment expense (Note 17)	–	–	285	–	–	–	–	285
Balance at 31 December 2023	**88,695**	**(1,045)**	**15,816**	**2**	**(117)**	**99**	**(231)**	**103,219**

Notes to the consolidated financial statements are included in pages 12 to 21.

Consolidated Statement of Cash Flows

for the half-year ended 31 December 2023

	Note	Period ended 31 Dec 2023 $'000	Period ended 31 Dec 2022 $'000
Cash flows from operating activities			
Receipts from customers		272,196	281,757
Payments to suppliers and employees		(240,848)	(267,038)
Income tax paid		(934)	(1,976)
Finance costs paid		(4,490)	(3,918)
Net cash from operating activities		**25,924**	**8,825**
Cash flows from investing activities			
Payments for plant and equipment and intangibles		(4,945)	(5,158)
Net cash used in investing activities		**(4,945)**	**(5,158)**
Cash flows from financing activities			
Lease payments		(13,411)	(11,370)
Dividends paid		(6,476)	(11,921)
Proceeds from borrowings		1,724	18,218
Purchase of shares in relation to equity incentive plan		(1,045)	–
Net cash used in financing activities		**(19,208)**	**(5,073)**
Net increase/(decrease) in cash and cash equivalents		1,771	(1,406)
Net foreign exchange difference		3	2
Cash and cash equivalents at beginning of the period		4,997	12,238
Cash and cash equivalents at end of the period		**6,771**	**10,834**

Notes to the consolidated financial statements are included in pages 12 to 21.

Notes to the Consolidated Financial Statements

for the half-year ended 31 December 2023

Note 1: Reporting entity

Baby Bunting Group Limited (the Company) is a company domiciled in Australia. The address of the Company's registered office and its principal place of business is 153 National Drive, Dandenong South, Victoria 3175, Australia.

The consolidated financial statements of the Company as at and for the half-year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "consolidated entity"). The consolidated entity is primarily involved in the retailing of baby merchandise.

The Company was admitted to the official list of the Australian Securities Exchange (ASX) on 14 October 2015 under the ASX code 'BBN'.

The Company has adopted a retail calendar for financial reporting purposes which ended on 31 December 2023. The prior half year was a retail calendar which ended on 26 December 2022.

Note 2: Summary of significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the half-year financial report.

a. Statement of Compliance

The half-year financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Act 2001*.

This half-year financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 2 July 2023 and any public announcements made by the Company during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This half-year financial report was authorised for issue by the Directors on 20 February 2024.

b. Basis of Preparation

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2023 annual financial report for the year ended 2 July 2023.

Comparative figures are shown in the statement of financial position for 2 July 2023.

The Company has taken advantage of ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' and financial reports. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases to the nearest dollar.

Impact of change in accounting policy

Several amendments and interpretations apply for the first time effective 2 July 2023, but have no impact on the half-year consolidated financial statements of the Group.

Other Australian accounting standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the reporting period ended 31 December 2023.

Note 3: Accounting estimates and judgements

The preparation of the half-year financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this report the significant estimates and judgements applied in the consolidated entity's accounting policies were consistent with those applied to the consolidated financial statements as at and for the year ended 2 July 2023.

Note 4: Revenue

	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000
Revenue from contracts with customers(i)	248,456	254,865

(i) Revenue from contracts with customers includes online revenue (including click & collect) $55.303 million (26 December 2022: $50.309 million).

Note 5: Other income

	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000
Other income(i)	400	–

(i) The Company received a cash settlement payment ($0.4 million) from the vendor of order management software following a dispute in relation to that software and its implementation.

Note 6: Profit for the period

	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000
Profit before income tax expense includes the following expenses:		
Interest and finance charges paid/payable:		
Interest on lease liabilities	3,625	3,472
Interest on borrowings	862	715
Depreciation and amortisation	4,147	3,545
Depreciation on right of use asset	14,919	14,064
Occupancy expenses	2,228	1,607
Employee benefits expense	43,948	46,968

Depreciation and amortisation

Depreciation and amortisation is disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Store expenses", "Warehousing expenses", "Administrative expenses" and "Transformation Project expense" as detailed below:

Period ended 31 December 2023	As reported $'000	Depreciation and amortisation on PPE and Intangibles $'000	Depreciation on right of use asset $'000	Excluding Depreciation and amortisation $'000
Store expenses	(56,443)	3,263	13,200	(39,980)
Warehousing expenses	(5,727)	109	1,572	(4,046)
Administrative expenses	(15,757)	775	147	(14,835)
Transformation project expenses	(858)	–	–	(858)
Restructuring costs	(1,138)	–	–	(1,138)
Total	**(79,923)**	**4,147**	**14,919**	**(60,857)**

Period ended 26 December 2022	As reported $'000	Depreciation and amortisation on PPE and Intangibles $'000	Depreciation on right of use asset $'000	Excluding Depreciation and amortisation $'000
Store expenses	(53,844)	2,738	12,338	(38,768)
Warehousing expenses	(5,937)	98	1,550	(4,289)
Administrative expenses	(19,085)	709	176	(18,200)
Transformation project expenses	(2,225)	–	–	(2,225)
Total	**(81,091)**	**3,545**	**14,064**	**(63,482)**

Note 7: Trade and Other receivables

	31 Dec 2023 $'000	2 Jul 2023 $'000
Current		
Trade receivables	286	229
Other receivables	3,084	3,222
	3,370	3,451

There are no material receivables past due date.

Note 8: Inventories

	31 Dec 2023 $'000	2 Jul 2023 $'000
Finished goods	99,508	98,792
Less: Provision for shrinkage, obsolescence and mark-down	(771)	(746)
	98,737	98,046

The cost of inventories recognised as an expense during the half-year in respect of continuing operations was $156.006 million (26 December 2022: $160.171 million).

Note 9: Other assets

	31 Dec 2023 $'000	2 Jul 2023 $'000
Prepayments	3,516	3,011
Right of return	813	1,172
	4,329	4,183

Note 10: Trade and other payables

	31 Dec 2023 $'000	2 Jul 2023 $'000
Current		
Trade payables	37,757	29,713
Sundry payables and accruals	13,782	15,658
	51,539	45,371

Note 11: Other liabilities

	31 Dec 2023 $'000	2 Jul 2023 $'000
Unredeemed gift cards and vouchers	3,632	4,255
Refund liability	1,284	1,782
Security deposit – car seat hire	54	119
	4,970	6,156

Note 12: Provisions

	31 Dec 2023 $'000	2 Jul 2023 $'000
Current		
Employee benefits	5,834	6,495
Make-good provision	475	300
	6,309	6,795
Non-current		
Employee benefits	1,163	1,251
Make-good provision	821	819
	1,984	2,070

Note 13: Borrowings

	31 Dec 2023 $'000	2 Jul 2023 $'000
Non-Current - Secured		
Bank Loan	12,932	11,209

The ongoing funding requirements of the consolidated entity are provided by the National Australia Bank ("NAB"). The secured multi option facility matures on 30 March 2025.

The total facility limit as at balance date was $70,000,000, consisting of a single Corporate Market Loan ("CML") facility. The CML facility can be drawn to the lesser of $70,000,000 or 2.5 times the last 12 months historical rolling EBITDA. Interest on the facility is charged at a variable rate.

The consolidated entity was in compliance with the facility agreement at 31 December 2023. The current facility does not require the consolidated entity to amortise borrowings.

Note 14: Issued capital

	31 Dec 2023		2 Jul 2023	
	No. of shares	$'000	No. of shares	$'000
Fully paid ordinary shares				
Balance at beginning of the period	134,906,489	88,695	132,458,126	87,913
Issue of shares				
– Employee Gift Offer	–	–	277,182	782
– Vesting of LTI Plans	–	–	2,171,181	–
Balance at end of the period	**134,906,489**	**88,695**	**134,906,489**	**88,695**
Shares held in trust				
Balance at beginning of the period	–	–	–	–
Purchase of shares in relation to equity incentive plan	(467,289)	(1,045)	–	–
Balance at end of the period	**(467,289)**	**(1,045)**	**–**	**–**
Total Issued Capital	**134,439,200**	**87,650**	**–**	**–**

The Company has previously established an employee share plan trust, of which Baby Bunting EST Pty Ltd is the trustee. Shares held in trust are ordinary shares that have been purchased on-market by the trustee and held to satisfy potential future obligations to provide shares to share plan participants in the future.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Note 15: Dividends

	31 Dec 2023		2 Jul 2023	
	$ per ordinary share	$'000	$ per ordinary share	$'000
Recognised amounts				
Final prior year dividend	0.048	6,476	0.090	11,921
Unrecognised amounts				
Interim dividend	0.018	2,428	0.027	3,642

On 11 August 2023, the Directors determined to pay a fully franked final dividend of 4.8 cents per share to the holders of fully paid ordinary shares in respect of the financial year ended 2 July 2023. The dividend was subsequently paid to shareholders on 8 September 2023 totalling $6.476 million.

On 20 February 2024, the Directors determined to pay an interim fully franked dividend of 1.8 cents per share to the holders of fully paid ordinary shares in respect of the half-year ended 31 December 2023, to be paid to shareholders on 19 March 2024. The dividend has not been included as a liability in these consolidated financial statements.
The record date for determining entitlements to the dividend is 5 March 2024. The total estimated dividend to be paid is $2.428 million.

Note 16: Segment information

Management has determined the operating segments based on the reports reviewed by the CEO (the chief operating decision maker as defined under AASB 8) that are used to make strategic and operating decisions. The CEO considers the business primarily from a geographic perspective. On this basis management has identified two reportable segments, Australia and New Zealand.

The following is an analysis of the consolidated entity's revenue and results by reportable segment:

	Australia		New Zealand		Total	
	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000	Period ended 31 Dec 2023 $'000	Period ended 26 Dec 2022 $'000
Revenue	244,514	252,550	3,942	2,315	248,456	254,865
Operating EBIT	9,773	11,324	(1,749)	(2,213)	8,024	9,111
Total segment assets	323,157	358,911	27,698	11,958	350,855	370,869
Additions to plant and equipment and intangibles	2,007	4,189	2,952	969	4,959	5,158
Depreciation and amortisation	18,139	16,977	927	632	19,066	17,609
Total non-current assets[1]	209,998	222,840	19,229	7,694	229,227	230,534
Total segment liabilities	224,546	259,929	23,090	7,054	247,636	266,983

1. Non-current assets exclude net deferred tax assets.

Revenue reported above represents revenue generated from external customers.

The CEO assesses the performance of the operating segment based on a measure of Operating EBIT. This measurement basis excludes the effects of interest revenue, finance costs, income tax, equity expenses, other non-operating and associated indirect tax costs.

Operating EBIT

A reconciliation of Operating EBIT to profit before tax is provided as follows:

	Australia		New Zealand		Total	
	31 Dec 23 $'000	26 Dec 22 $'000	31 Dec 23 $'000	26 Dec 22 $'000	31 Dec 23 $'000	26 Dec 22 $'000
Operating EBIT	**9,773**	**11,324**	**(1,749)**	**(2,213)**	**8,024**	**9,111**
Finance costs	(4,292)	(4,061)	(195)	(126)	(4,487)	(4,187)
Employee share-based payments (inclusive of tax)	394	(252)	–	–	394	(252)
Profit/(loss) before tax	**5,875**	**7,011**	**(1,944)**	**(2,339)**	**3,931**	**4,672**

Segment assets and liabilities

The amounts provided to the CEO with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. The reportable segment's assets and liabilities are reconciled to total assets as follows:

	Australia		New Zealand		Total	
	31 Dec 23 $'000	2 Jul 23 $'000	31 Dec 23 $'000	2 Jul 23 $'000	31 Dec 23 $'000	2 Jul 23 $'000
Total segment assets	323,157	332,256	27,698	11,632	350,855	343,888
Total segment liabilities	224,546	226,590	23,090	9,364	247,636	235,954

Note 17: Reserves

a. Share-based payments

	31 Dec 2023 $'000	2 Jul 2023 $'000
Share based payments		
Balance at beginning of period	15,531	15,782
Performance rights – expense (Note 17(b))	285	1,698
Performance rights – reversal (Note 17(b))	–	(1,949)
Balance at end of period	**15,816**	**15,531**

b. Performance rights

The consolidated entity has previously established a Long Term Incentive Plan (LTI Plan) involving the grant of performance rights. Upon vesting, each right entitles the participant to one fully paid ordinary share in the Company. No dividends or voting rights are attached to performance rights prior to vesting. The number of rights that vest, across various grants, will be determined by reference to certain performance conditions that include:

- Earnings per share (EPS) growth;
- Total shareholder return (TSR) growth; and
- Service condition (Sign-on rights, EPS, TSR).

Fair value of performance rights granted

The weighted average fair value of the performance rights TSR component granted during the reporting period under the LTI Plan is $0.832 (26 December 2022: $0.45). The fair value of the TSR component of performance rights is determined at grant date using a Monte Carlo simulation. For the non-market component (EPS CAGR and service rights), the fair value is determined with reference to the share price of ordinary shares at grant date.

Performance rights series	Grant date	Grant date fair value	Exercise price	Expiry date
2022 – (TSR CAGR)	23 November 2021	$1.89	nil	(1)
2022 – (EPS CAGR)	23 November 2021	$5.81	nil	(1)
2023 – (TSR CAGR)	21 November 2022	$0.45	nil	(1)
2023 – (EPS CAGR)	21 November 2022	$2.56	nil	(1)
2024 – (TSR CAGR)	15 December 2023	$0.83	nil	(1)
2024 – (EPS CAGR)	15 December 2023	$1.83	nil	(1)
2024 – (Sign-on rights)	15 December 2023	$1.83	nil	(1)

(1) These performance rights vest and can be exercised at the end of the relevant service and performance period, subject to meeting the relevant performance condition. The Board determines whether vesting occurs or not. Any performance rights that have not vested following the final applicable performance period lapse.

	2024 – TSR	2023 – TSR
Grant date share price	$1.83	$2.60
Exercise price	Nil	Nil
Expected volatility	45%	40%
Expected life (years)	2.70	2.90
Dividend yield	4.00%	3.00%
Risk-free interest rate	3.79%	3.20%

Movements in performance rights during the period

The consolidated entity recorded a share-based payments expense for performance rights of $0.285 million (26 December 2022: benefit for performance rights of $0.686 million) disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under "Administrative expenses".

The following reconciles the performance rights outstanding at the beginning and end of the period:

	Period ended 31 December 2023			53 weeks ended 2 July 2023		
	TSR Number of rights	EPS Number of rights	Sign-On Number of rights	TSR Number of rights	EPS Number of rights	Sign-On Number of rights
Balance at beginning of the period	**2,611,000**	**2,134,000**	**–**	**3,310,500**	**3,035,500**	–
Granted during the period	1,106,841	737,895	1,117,289	822,000	548,000	–
Forfeited during the period	(63,000)	(42,000)	–	(366,000)	(294,000)	–
Exercised during the period	–	–	–	(1,015,681)	(1,155,500)	–
Lapsed during the period	(1,180,000)	(1,180,000)	–	(139,819)	–	–
Balance at end of period	**2,474,841**	**1,649,895**	**1,117,289**	**2,611,000**	**2,134,000**	**–**
Exercisable at end of period	**–**	**–**	**–**	**–**	**–**	**–**

c. General Employee Share Plan (GESP)

The consolidated entity previously established the GESP which is intended to be part of the consolidated entity's overall remuneration policy to reward Baby Bunting employees, from time to time. The GESP provides for grants of Shares to eligible employees of the consolidated entity up to a value determined by the Board.

There were no grants made under the GESP during the reporting period, (26 December 2022: 277,182 shares). In the prior year $0.782 million was fully expensed at the time of granting, as there are no performance or service conditions.

d. Shared-based payments tax reserve

	31 Dec 2023 $'000	2 Jul 2023 $'000
Share-based payment tax reserve		
Balance at beginning of period	2	1,287
Tax effect of share-based payments[1]	–	(1,440)
Transfer to retained earnings[2]	–	155
Balance at end of period	**2**	**2**

1. $1.440 million represents a decrease in future income tax benefits recognised in share-based payment tax reserve that is in excess of any future benefits relating to the cumulative share-based payment expense recognised in profit or loss. This decrease in the reserve reflects the unlikelihood of performance rights vesting, relative to what was estimated as at the last reporting date, plus the addition of the 2023 performance rights granted to participants in December 2022 under the Company's Long Term Incentive Plan.
2. In 1H FY23, 2,171,181 performance rights vested under the Company's Long Term Incentive Plan (market value of $5.798 million). The balance transferred to retained earnings represents the income tax payable recorded in the reserves associated with share-based payments that vested in the current period.

Note 18: Related party transactions

The immediate parent and ultimate controlling party of the consolidated entity is Baby Bunting Group Limited (incorporated in Australia).

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the consolidated entity and other related parties are disclosed below.

Loans to and from key management personnel and directors

As at the end of the current reporting period, no loans were outstanding to or from key management personnel or directors of the consolidated entity (26 December 2022: nil).

Note 19: Subsequent events

Dividends on the Company's ordinary shares

An interim dividend of 1.8 cents per fully paid ordinary shares has been determined for the half-year ended 31 December 2023 – refer Note 15.

There have been no other events subsequent to the date of this report which would have a material effect on the half-year financial report of the consolidated entity as at 31 December 2023.

Directors' Declaration

The Directors declare that:

a. In their opinion, the financial statements and notes of the Company and its subsidiaries (collectively the Group) for the half-year ended 31 December 2023 are in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Group's financial position as at 31 December 2023 and of its performance for the half-year ended on that date; and
   ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

b. in their opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Board.

Melanie Wilson
Chair

Melbourne
20 February 2024

Independent Auditor's Review Report

Building a better working world

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Independent auditor's review report to the members of Baby Bunting Group Limited

Conclusion

We have reviewed the accompanying half-year financial report of Baby Bunting Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2023, the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the Corporations Act 2001, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity (ASRE 2410). Our responsibilities are further described in the Auditor's responsibilities for the review of the half-year financial report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 31 December 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Ernst & Young

Ernst & Young

Tony Morse

Tony Morse
Partner

Melbourne
20 February 2024

Corporate Directory

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Company Secretary

Corey Lewis

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Ernst & Young

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Securities Exchange Listing

Baby Bunting Group Limited shares are listed on the Australian Securities Exchange (ASX)

(ASX code: BBN)

Investor Website

investors.babybunting.com.au

Online Store

babybunting.com.au

babybunting.co.nz

BabyBunting