1H FY24 Investor Presentation

20 February 2024

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Pro forma financial information

Pro forma financial results have been calculated to exclude certain items. These are set out in the Appendix of this document and the Directors' Report (dated 20 February 2024).

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.


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Supporting new & expectant parents
in the early stages of parenthood

1H FY24 Pro Forma(1) Financial Summary

Group Sales **$248.5m** Total sales down 2.5%	**Gross Profit %** **37.2%** flat vs pcp	**CODB(2)** **$81.8m** down $0.7m vs pcp
Group EBITDA(2) **$10.6m** -12.6% vs pcp 4.3% of sales	**Net Debt** **$6.2m** Down from $20.3m pcp	**Free Cash Flow** **$7.4m** improving $14.6m on pcp
4 new stores opened 3 x NZ, 1 x AU 1 x AU store closed	**Interim Dividend** **1.8 cps** LY: 2.7 cps	**EPS** **2.6 cps** LY: 3.9 cps

(1) Pro forma financial results have been calculated to exclude certain items, which are set out in the Appendix in this document and the Directors' Report dated 20 February 2024

(2) Pre AASB 16 application (ie excluding the impact of lease accounting)

First half in review

Market

- Baby Bunting customers are **economising** in response to acute **cost of living pressures**
- Heightened **price competition** in national brands across key hard-good categories
- 296,000 births for the 12 months ended 30 June 2023, down 4.1% vs pcp
  - 12-week Medicare scans were up 1% vs pcp during 1H FY24

Business Performance

- **Economising** evident in customers & sales patterns **gravitating towards promotional events**
- **Gross margin of 37.2%** flat year-on-year
- **Working capital improvement** through inventory management program with free cash flow improving $14.6m vs pcp
- **Private Label & Exclusive sales of** 46.2% of sales (up from 44.4% pcp)
- **CODB well managed**, down $0.7m vs pcp

Changes actioned

- **Organisational restructure** executed in July 2023
- **Mark Teperson** (CEO) commenced 2 October 2023, business & strategy review underway
- **Go-to-market:** ramp up of investment in performance & social marketing and amplification of unique selling points (ie. price beat) through all channels
- Targeted **clearance of lower productive stock lines**
- Appointment of **new Executive lead** responsible for Customer Experience and Data & Analytics to join in March 2024

Green shoots

- **New customer acquisition[1] performance improved** (up +6.6% in Q2) on the back of go-to-market changes
- **Retail cost management:** ~8% improvement in store labour productivity
- **New Zealand:** 3 new stores launched in Q2, starting to achieve CODB leverage
- **Net Promoter Score** (NPS) of 75 (up from 73 in 1H FY23)
- **Marketplace** now run-rating at break-even

(1) New customer acquisition is measured as uniquely identified customers who have transacted for the first time in a period.

CEO insights

- Despite the current challenging macro environment, we have seen a steady improvement in comparable sales performance and new customer acquisition
- Clear leader in the category with a large total addressable market opportunity across AU & NZ, provides scope to grow sales through store roll-out and evolving our merchandise and brand experience to grow customer lifetime value
- Dialling up focus on customer through store & online experience, range innovation and value

Significant opportunities to leverage our existing scale to improve trade and business performance:

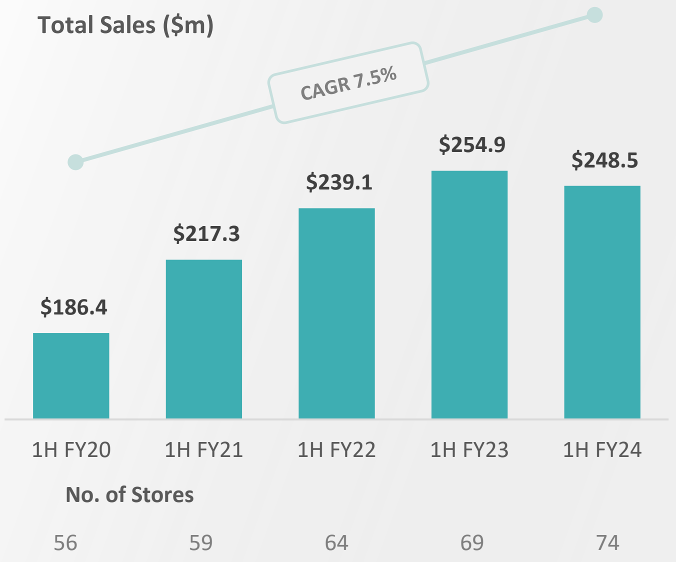
- Evolve go-to-market strategy and promotional calendar to drive new customer acquisition & sales
- Innovate stores, range & experience to drive engagement with current Millennial & future Gen Z customers
- Scale online fulfilment from all stores, increasing online stock availability & speed to customer
- Expand Marketplace in core categories to strengthen 1P & 3P sales
- Simplify pricing strategy while continuing to deliver value for customers
- Accelerate Private Label & Exclusive product opportunities to grow margin
- Focus on operational excellence disciplines to deliver productivity improvement
- Scale NZ to positive earnings contribution through store roll-out and operating leverage

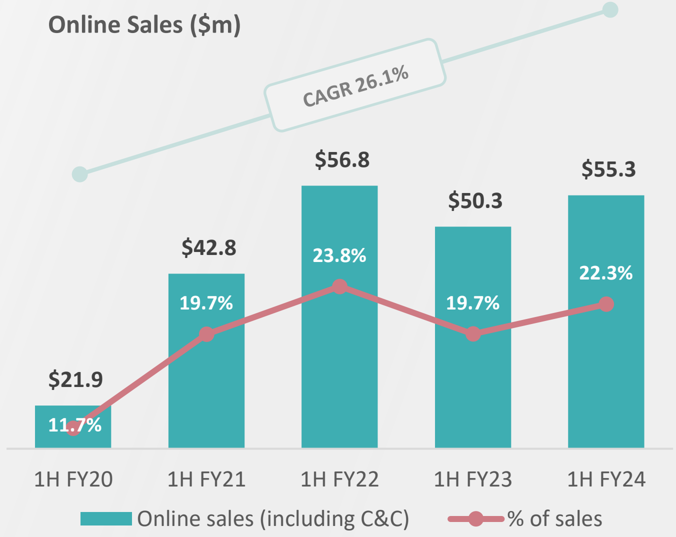
Expect 2H FY24 to be a transition period building towards FY25

Sales performance

Change in go-to-market strategy has driven a steady sales improvement

- **Comparable sales of -7.0%**, some recovery on the back of improved customer acquisition since Nov 2023
  - Q1: -8.8%, Q2: -5.3%, last 8 weeks[(1)]: -3.2%
  - **Price deflation** sales impact of $6m in 1H across car seats & prams
- **New customer acquisition[(2)]** up 6.6% during Q2 & up 3.4% since Boxing Day, after being down -8.4% in Q1
  - New customer acquisition has a positive compounding effect in future periods
- **Our customers are being patient and economising**
  - **Price Beat sales impact** was ~1% of sales in line with prior year, however on lower value items
  - More discerning & patient customer behaviour gravitating towards key promotional events (ie. Black Friday / Boxing Day). **Record Black Friday / Cyber Monday** sales results achieved.
- **4 new stores opened** (less closure of Camperdown (NSW) in Dec '23), as well as annualisation of 7 stores opened in FY23
  - **Australia:** Cranbourne (VIC) late Q1
  - **New Zealand:** Sylvia Park & Manukau in Auckland and Christchurch all opened towards end of 1H
- **Online sales** (including click & collect) grew 9.9%, now making up 22.3% of total sales (19.7% pcp)
  - **Online delivery** has grown 17.3% vs pcp
    - Number of stores enabled for online fulfilment has increased from 29 stores active end of Q1 FY24 to now 37 stores
  - **Click & collect** reduced by -1.8% but 219% higher than 1H FY20 (pre-COVID)





(1) *To show a like-for-like comparison with the prior corresponding period, the measurement period has been taken from 26 December 2023. In 1H FY23 the period ended on 26 December 2022*

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

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Gross Margin

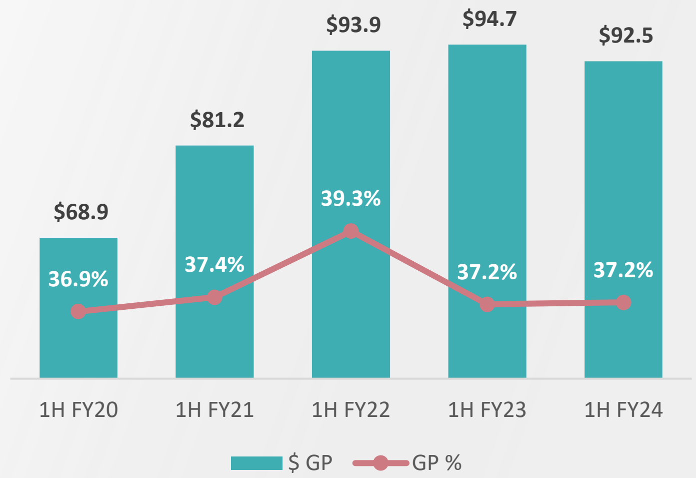
Cost of living & price competition providing headwinds to gross margin improvement

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

Gross profit % of 37.2% was flat vs pcp, a solid result in the current environment

- **Margin impact of price deflation:** price competition in key hard-good categories intensified during the period
- Offset by **lower sea freight** vs pcp and annualising **refinements to loyalty program** (implemented in Q2 FY23, ie. minimum spend threshold)
- **Private Label & Exclusive Product** (PLEX) sales at 46.2% of sales (44.4% pcp)
  - Private Label sales grew 7.5%, now 9.9% of sales (9.0% pcp)
  - National exclusive brand sales now 36.3% of sales (35.4% pcp)
  - Opportunity to further leverage this to improve margin
- **Targeted clearance** of slow-moving stock (-50 bps impact to gross margin in the half)
  - Focus on productivity of inventory to continue in 2H
  - Invest in newness and better utilisation of store space

Gross Profit ($m)



Cost of Doing Business

Focus on operational excellence has driven productivity improvement

CODB $81.8m, down $0.7m vs pcp (now 32.9% of sales) including:

Store expenses up $2.5m vs pcp

- $3.3m on 4 new stores opened during the half and annualising costs of 7 stores opened in FY23
- $1.6m on wage increase for store employees due to award rate increase of 5.75% applied
- $2.4m cost down through labour productivity initiatives

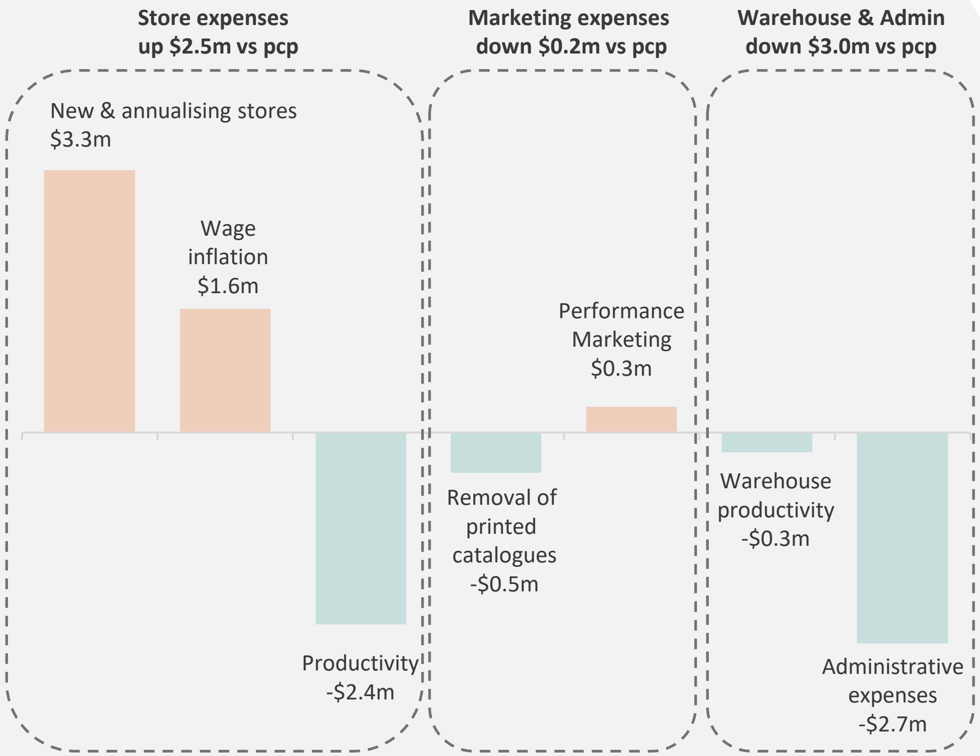
Marketing expenses down $0.2m

- Previously communicated a $1m annual benefit from removal of printed catalogue distribution, now being re-invested in digital & social marketing to drive customer acquisition and sales

Administrative expenses down $2.7m driven by organisational restructure executed in July 2023

Warehouse expenses down $0.3m on the back of labour productivity initiatives to align to reduced sales volumes

Cost of Doing Business Movement ($m)



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Profit & Loss

$million	1H FY24	1H FY23	Change
Sales	**248.5**	**254.9**	**-2.5%**
Comp growth %	*-7.0%*	*0.4%*	
Cost of sales	(156.0)	(160.2)	
Gross Profit	**92.5**	**94.7**	**-2.4%**
Gross Profit Margin	*37.2%*	*37.2%*	
Cost of doing business [(1)]	**(81.8)**	**(82.5)**	**-0.9%**
Cost of doing business %	*32.9%*	*32.4%*	
EBITDA [(1)]	**10.6**	**12.2**	**-12.6%**
EBITDA margin %	*4.3%*	*4.8%*	
Impact of AASB 16 application			
- Reverse operating leases expenses	18.0	16.8	
- Add ROU Asset Depreciation & Interest	(18.5)	(17.5)	
Depreciation - Plant & Equipment	(4.1)	(3.5)	
Finance costs - Borrowings	(0.9)	(0.7)	
Profit before tax	**5.1**	**7.1**	
Income tax expense	(1.6)	(2.0)	
Net profit after tax [(2)]	**3.5**	**5.1**	**-31.3%**
Net profit after tax margin %	*1.4%*	*2.0%*	

(1) Pre AASB 16 application (ie excluding the impact of lease accounting)

(2) Post AASB 16 application

Total sales of $ 248.5m, down 2.5% vs pcp

- Comparable store sales decline of 7.0%

Gross margin of 37.2% was flat year-on-year, a solid result in the current environment

Cost of doing business of $81.8m reduced by $0.7m vs pcp including:

- **New and annualising stores** added $3.3m
- Wage inflation in stores more than offset by **labour productivity**
- Savings from printed catalogues re-invested in **digital & social marketing**
- Administrative and Warehouse **cost savings** of $3.0m

Statement of Financial Position

Balance sheet continues to be in a strong position with plenty of headroom for growth

$ million	1H FY24	1H FY23
Cash and cash equivalents	6.8	10.8
Inventories	98.7	112.9
Plant and equipment	29.8	30.8
Goodwill & Intangibles	52.7	51.8
Right of Use assets	146.7	148.0
Other assets	16.1	16.6
Total Assets	**350.9**	**370.9**
Payables	56.5	60.3
Borrowings	12.9	31.2
Lease liability	168.6	167.1
Other liabilities	9.6	8.4
Total Liabilities	**247.6**	**267.0**
Net Assets	**103.2**	**103.9**
Net Cash / (Debt)	**(6.2)**	**(20.3)**
Debt Covenant Ratio		
Financial Charge cover ratio	1.9	2.4
Operating leverage ratio	0.4	0.8

- **Inventory** reduction of $14.2m vs pcp driven by focus on inventory productivity
- **Net debt** of $6.2m improved by $14.1m vs pcp due to improved working capital management
- **Debt covenant ratios** remain within compliance requirements

Cash Flow

Free cash flow up $14.6m vs pcp

$ million	1H FY24	1H FY23
EBITDA[1]	**10.6**	**12.2**
Movement in working capital	4.3	(10.1)
Tax Paid	(0.9)	(2.0)
Restructuring costs	(1.1)	0.0
Net cash flow from operating activities	**12.9**	**0.1**
Cash conversion ratio	*120.9%*	*1.2%*
New store capex	(3.4)	(2.8)
Capex (excluding new stores)	(1.6)	(2.1)
Transformation program investments		
- Capital	(0.0)	(0.2)
- Non-Capital	(0.5)	(2.2)
Net cash flow from investing activities	**(5.4)**	**(7.4)**
Free cash flow	**7.4**	**(7.2)**
Dividends paid	(6.5)	(11.9)
Borrowings (net)	1.7	18.2
Finance costs – borrowings	(0.9)	(0.5)
Net cash flow	**1.8**	**(1.4)**

(1) Pre AASB 16 application (ie excluding the impact of lease accounting)

Working capital management improved driven by better inventory management including expanded clearance activities on less productive SKUs

Restructuring costs to simplify some elements of our operating model including closure of Camperdown (NSW)

Investment expenditure includes:

- $3.4m on opening 4 new stores
- $1.6m in ongoing operational, IT and digital spend
- $0.5m in transformation projects

Dividends

- FY23 final dividend of 4.8 cents per share paid in September
- **1H FY24 interim dividend of 1.8 cents per share** with a payment date of 19 March 2024 (70% of pro forma NPAT)


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Follow the customer and you'll never have to look for growth

2H Priorities

Area of Focus		What?	Impacts: Sales	Impacts: Margin	Impacts: CODB	Impacts: CX
Trade	Change in go-to-market approach	• Increase investment in performance & social marketing to drive new customer acquisition and network sales growth • Transition from digital catalogues to event-based promotions and personalised offers	✓			✓
Trade	Drive New Zealand momentum	• Grow New Zealand market share • Deliver operating leverage	✓	✓	✓	
Productivity	Aged inventory	• Effectively reduce & optimise slow moving inventory • Reinvest in newness and range innovation	✓	✓		✓
Productivity	Operational Excellence	• Continued focus on simplifying elements of our operating model • Prepare the foundations to scale the business with existing cost base to deliver CODB leverage			✓	
Customer Experience	Omni-channel fulfilment	• Enable online fulfilment from all stores • Open up all inventory to be available for sale online	✓	✓		✓
Customer Experience	Simplify pricing & loyalty program re-design	• Simplify pricing strategy & removal of Spend & Earn (ie. spend $200, earn $10 voucher) in Q4 FY24 • Focus on growing customer LTV and continue to deliver value for customers	✓	✓		✓

Building out our capability platform

- **Appointment of new Executive** in dual role of **Chief Customer Officer & Chief Data & Analytics Officer** (commencing March 2024)
- Commence **new store re-design** to drive engagement with Millennial & Gen Z customers
- **Expand Marketplace offering** in core categories

Looking to the future

Our goal remains to return the business to 10% EBITDA[1] margin

- **Elevated focus on customer**
  - Adapt to the evolving preferences and behaviours of Millennial & Gen Z parents
  - Transform the in-store & online experience to provide our customers with a more reassuring and memorable journey into and through the world of parenthood
- **Harnessing the power of data & technology**
  - Further investment in our data & analytics capability platform
  - Enhance decision-making and customer engagement through data-driven insights
- **Leverage the store network as a force multiplier**
  - Strengthen the role of physical stores in an omnichannel eco-system
  - All stores fulfilling online, as well as introducing same-day delivery
  - Explore different store formats best suited to different catchments and demographics
- **Private Label & Exclusive product expansion**
  - Differentiate our brand through exclusive offerings and further grow gross margin
  - Identify potential investment opportunities
- **Growth potential in core and non-core high-margin categories**
  - Capitalise on untapped opportunities within existing core categories
  - Maximise growth potential in higher margin soft-good categories

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(1) EBITDA as measured under pre-AASB16 lease accounting standards

Trading update

Trading performance since Boxing Day[1] until 16 February 2024:

- Total sales down 1.4%
- Comparable store sales down 3.2%
- New customers acquired up 3.4% vs pcp
- Online sales up 14.0% vs pcp

Store roll-out

Our next store will be Maroochydore (Qld) to open in Q1 FY25

FY24 outlook

Cost of living pressures affecting our customers unlikely to abate in the short-term, with economising likely to continue

Under current circumstances, **FY24 earnings guidance will not be given at this time**

(1) *To show a like-for-like comparison with the prior corresponding period, the measurement period has been taken from 26 December 2023. In 1H FY23 the period ended on 26 December 2022*

Appendices

Appendix 1: Statutory – Pro Forma Income Statement Reconciliation

	1H FY24			1H FY23		
	Statutory 1H FY24	Add Pro Forma Adj [1]	Pro Forma 1H FY24	Statutory 1H FY23	Add Pro Forma Adj [1]	Pro Forma 1H FY23
$ million						
Sales	**248.5**		**248.5**	**254.9**		**254.9**
Cost of sales	(156.0)		(156.0)	(160.2)		(160.2)
Gross Profit	**92.5**		**92.5**	**94.7**		**94.7**
Other income	0.4	(0.4) (b)	0.0	0.0		0.0
Store expenses	(40.0)		(40.0)	(38.8)		(38.8)
Marketing expenses	(4.5)		(4.5)	(4.7)		(4.7)
Warehouse expenses	(4.0)		(4.0)	(4.3)		(4.3)
Administrative expenses	(14.8)	(0.4) (a)	(15.2)	(18.2)	0.3	(17.9)
Transformation project expenses	(0.9)	0.9 (b)	0.0	(2.2)	2.2	0.0
Restructuring costs	(1.1)	1.1 (c)	0.0	0.0		0.0
EBITDA	**27.5**	**1.2**	**28.7**	**26.5**	**2.5**	**28.9**
Depreciation and amortisation	(19.1)		(19.1)	(17.6)		(17.6)
EBIT	**8.4**	**1.2**	**9.6**	**8.9**	**2.5**	**11.3**
Net finance costs	(4.5)		(4.5)	(4.2)		(4.2)
Profit before tax	**3.9**	**1.2**	**5.1**	**4.7**	**2.5**	**7.1**
Income tax expense	(1.3)	(0.4) (d)	(1.6)	(2.0)	(0.1)	(2.0)
Net profit after tax	**2.7**	**0.8**	**3.5**	**2.7**	**2.4**	**5.1**

1. Pro forma financial results have been calculated to exclude the following items (refer Directors' Report (dated 20 February 2024) for further details):
   (a) 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.
   (b) 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.
   (c) The Company incurred restructuring costs ($1.138 million) which included make good costs relating to the closure of one store.
   (d) Tax impact from pro forma adjustments.

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Appendix 2: AASB 16 Transition Impact – Pro Forma Income Statement

1H FY24				
$ million	Pro Forma 1H FY24	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 1H FY24
Sales	**248.5**			**248.5**
Cost of sales	(156.0)			(156.0)
Gross Profit	**92.5**			**92.5**
Other income	0.0			0.0
Store expenses	(40.0)		(16.0)	(56.0)
Marketing expenses	(4.5)			(4.5)
Warehouse expenses	(4.0)		(1.9)	(5.9)
Administrative expenses	(15.2)		(0.2)	(15.4)
Transformation project expenses	0.0			0.0
Restructuring costs	0.0			0.0
EBITDA	**28.7**		**(18.0)**	**10.6**
Depreciation and amortisation	(19.1)	14.9		(4.1)
EBIT	**9.6**	**14.9**	**(18.0)**	**6.5**
Net finance costs	(4.5)	3.6		(0.9)
Profit before tax	**5.1**	**18.5**	**(18.0)**	**5.6**
Income tax expense	(1.6)	(5.6)	5.4	(1.8)
Net profit after tax	**3.5**	**13.0**	**(12.6)**	**3.9**

1H FY23				
$ million	Pro Forma 1H FY23	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 1H FY23
Sales	**254.9**			**254.9**
Cost of sales	(160.2)			(160.2)
Gross Profit	**94.7**			**94.7**
Other income	0.0			0.0
Store expenses	(38.8)		(14.7)	(53.5)
Marketing expenses	(4.7)			(4.7)
Warehouse expenses	(4.3)		(1.9)	(6.2)
Administrative expenses	(17.9)		(0.2)	(18.1)
Transformation project expenses	0.0			0.0
Restructuring costs	0.0			0.0
EBITDA	**28.9**		**(16.8)**	**12.2**
Depreciation and amortisation	(17.6)	14.1		(3.5)
EBIT	**11.3**	**14.1**	**(16.8)**	**8.6**
Net finance costs	(4.2)	3.5		(0.7)
Profit before tax	**7.1**	**17.5**	**(16.8)**	**7.9**
Income tax expense	(2.0)	(5.3)	5.0	(2.3)
Net profit after tax	**5.1**	**12.3**	**(11.7)**	**5.7**

Glossary

Comparable Store Sales Growth	•	Calculated as a percentage change of the total sales generated from stores (including the online store) in a relevant period, compared to the total sales from the same set of stores in the prior financial year, provided the stores were open at the beginning of the prior financial year
Cost of Doing Business (CODB)	•	Includes store, administrative, marketing and warehousing expenses (excluding the impact of AASB 16 depreciation and amortisation)
Exclusive Products	•	Products sourced by Baby Bunting for sale on an exclusive basis (so that those products can only be purchased from Baby Bunting stores). Historically, exclusive supply arrangements have been arranged with suppliers in relation to selected products and for varying lengths of time
New Customer Acquisition	•	New customer acquisition is measured as uniquely identified customers who have transacted for the first time in a period
Private Label	•	Products sold by Baby Bunting under its own brand (Baby Bunting currently markets its private label products under the "4baby", "Bilbi" and "JENGO" brand names)