BabyBunting

9 May 2024

Trading Update

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

Comparable store sales growth	1H	2H (to end of April)	YTD (to end of April)
FY24	-7.0%	-7.7%	-7.4%
FY23	0.4%	-2.8%	-2.5%

The Group will be cycling comparable store sales growth of negative 2.8% in May 2023 and negative 14.4% in June 2023.

The trend of improving comparable store sales that was observed in the period to February has softened over the last two trading months, reflecting the ongoing cost-of-living pressures being experienced by new parents with young families.

"Baby Bunting remains focused on providing great value to customers. We're acutely aware that our customers are more sensitive than many other groups to the widespread cost-of-living pressures and are managing their spending carefully" Baby Bunting's CEO, Mark Teperson said. "While we have seen an improving trend in transactions in 2H compared to 1H, this was heavily impacted by a declining average transaction value driven by consumers trading down and ongoing competition in nursery essentials impacting market price."

Gross margin year-to-date is 36.9% (1H FY24: 37.2%). Through March and April, investments were made in price which fell short of expectations in terms of sales and performance.

Net debt as at the end of April is in line with the same time last year. Inventory is running at around $10 million below the prior year (with four new stores having opened in 1H FY24). There continues to be a focus on working capital efficiency.

FY24 pro forma NPAT is now expected to be in the range of $2 million to $4 million. This result includes a loss of approximately $1.2 million associated with the extended closure and remediation of the Cairns store (July 2023 to March 2024) due to structural issues with the property.

Progress on 2H priorities

The second half remains a transition period as the Group builds toward FY25 and progress is being made in achieving its second half priorities.

All stores are now enabled for online fulfilment. This has delivered lower freight costs (due to fewer split orders), better utilisation of inventory and lower pick costs through April.

The Spend & Earn element of the Loyalty program was discontinued in March with the full margin benefit of that change expected to be seen from mid-May. Loyalty sign-ups remain at a consistent level, with the program to be further refined in FY25.

The revised go-to-market promotional strategy is showing positive trends in active customers and transaction volumes. Outside of nursery essentials, there has been positive performance in some categories driven by newness and range innovation. There are a significant number of new and updated products coming into the range in the first quarter of FY25.

Mark Teperson concluded, "Our focus on customer experience and simplification of the business continues. We continue to look for opportunities to align the cost profile with the Group's sales trajectory and future growth plans."

June trading and FY25 update

Towards the end of June, the Group will provide an update on FY24 trading, the Group's initiatives into FY25 and its strategy for FY25 and beyond.

All financial information included in this update has not been audited and remains subject to further review and finalisation. The release of this announcement was authorised by the Board. For further information, please contact: Darin Hoekman, Chief Financial Officer (03) 8795 8100.

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