

A close-up photograph of a baby's face, focusing on the eyes. The baby has light blue eyes with a yellowish-white reflection in the center. The skin is fair and the hair is light brown. The image is overlaid with a semi-transparent white circle and a white outline of a rounded square.

BabyBunting 

# Investor Day

Mark Teperson, CEO

Darin Hoekman, CFO

27 June 2024

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# Important notice and disclaimer

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This document contains certain forward looking statements and comments about future events, including Baby Bunting's expectations about the performance of its business. Forward looking statements can generally be identified by the use of forward looking words such as 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar expressions. Indications of, and guidance on, future earnings or financial position or performance are also forward looking statements.

Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. The Baby Bunting Annual Report 2023 which includes the Directors' Report (dated 11 August 2023) contains details of a number of material risks associated with an investment in Baby Bunting. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause Baby Bunting's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of Baby Bunting. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of promise, representation, warranty or guarantee as to the past, present or the future performance of Baby Bunting.

## Pro forma financial information

Pro forma financial results have been calculated to exclude certain items. Details of the adjustments and a reconciliation are contained in the Directors' Reports for the relevant financial years (available at [investors.babybunting.com.au/reports-announcements](https://investors.babybunting.com.au/reports-announcements)).

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.

All dollar values are in Australian dollars (A\$) unless otherwise stated.





# Agenda

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| 1.  | Executive summary                       | CEO |
| 2.  | The customer                            | CEO |
| 3.  | Our immediate opportunities             | CEO |
| 4.  | Returning to growth                     | CEO |
| 5.  | Grow market share                       | CEO |
| 6.  | Grow EBITDA                             | CEO |
| 7.  | Grow return on invested capital         | CFO |
| 8.  | Capability platform                     | CEO |
| 9.  | Investment & execution plan             | CEO |
| 10. | The best start for the brightest future | CEO |
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| 12. | Appendix                                |     |







BabyBunting 

1. **Executive  
summary**

Mark Teperson, CEO

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# CEO's observations

Baby Bunting has a strong core business and market position as Australia's leading specialty nursery retailer

## The positives



### Market leading omni-channel ecosystem

- 70 AU omni-channel stores with strong unit economics
- 800,000 active loyalty customers (p.a.)
- ~32 million web visits (p.a.)
- >90% of sales from loyalty customers



### Attractive structural tailwinds

- ~300,000 births in Australia each year



### Large underpenetrated addressable market

- ~23% market share in \$1.8bn hard goods market
- ~3% market share in \$3.4bn soft goods market

## Focus areas for improvement

- Margins under pressure
- Optimise property strategy
- Legacy media / marketing strategy
- Untapped market opportunity
- New Zealand scale and profitability

The business has significant potential for operational improvement and to lift gross margins to 40% for FY25 notwithstanding the current macro operating environment



1. Executive summary

# Trading update

FY24 pro forma NPAT  
guidance reaffirmed

## FY24 trading update

- Total sales 1 May 2024 to 24 June 2024 were up 1.0%
- Comparable store sales 1 May 2024 to 24 June 2024 were down 0.7%
- Comparable store sales 1 January to 24 June 2024 were negative 5.6%
- Reaffirm FY24 pro forma NPAT guidance of \$2 million to \$4 million

Note: New Zealand car seat model shown



# Disciplined balance sheet management

Extended NAB Facility with existing pricing providing covenant headroom

## ✓ Extension of existing NAB Debt facility

- Rolled over our existing NAB facility (was due to mature in March 2025); now maturing Sept 2027, with existing pricing maintained
- Renewed 3-year deal demonstrating ongoing support for our business

## ✓ Headroom for current trading

- Baby Bunting maintains a strong relationship with NAB and has been closely engaging with them regarding current trading conditions
- FCCR covenant ratio has been lowered for the next three quarterly measurement points to provide Baby Bunting with headroom during this transitional period<sup>1</sup>
- Beyond this period, delivery of our FY25 plan would see Baby Bunting remain within FCCR and Operating leverage covenant limits<sup>1</sup>

Note: 1. In the absence of a significant deterioration in trading conditions

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# Growth plan

Baby Bunting has a strong core business as the leading specialist baby retailer in Australia with 70 stores.

We have a clear plan to stabilise the business and re-establish it as a +10% EBITDA margin business

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## Delivering shareholder value

 <b>Grow Market share</b>	<b>Strengthen market position</b>	<ul style="list-style-type: none"><li>• Leverage our strength in nursery essentials (hard goods)</li><li>• Capitalise on significant opportunity in soft goods market through our market leading hard goods offer</li></ul>
 <b>Grow EBITDA</b>	<b>Grow gross margin</b>	<ul style="list-style-type: none"><li>• Clear path to grow gross margin to +40%</li><li>• Disciplined review of Cost of Doing Business</li></ul>
	<b>Focused media/marketing strategy</b>	<ul style="list-style-type: none"><li>• Leverage significant customer data to provide renewed and targeted retail experience</li><li>• New revenue streams from media opportunity</li></ul>
 <b>Grow Return on invested capital</b>	<b>Optimised property strategy with greater discipline</b>	<ul style="list-style-type: none"><li>• Progress roll-out of +40 stores in identified catchments</li><li>• Refresh / optimise old-format stores</li></ul>
	<b>Self-funded growth</b>	<ul style="list-style-type: none"><li>• Disciplined balance sheet management to fund growth initiatives with operating cashflows</li></ul>






# Our market: \$6.3 billion ANZ TAM and growing

Significant opportunity to grow and leverage our leadership in hard goods (~23% market share) to grow our share of soft goods

## Our core competency



BabyBunting  ~23%

## The opportunity in soft goods



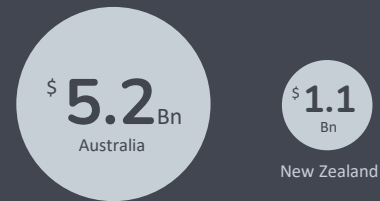
Incremental 1% gain in soft goods market share equal to ~\$34m revenue opportunity

### Market value FY23

Hard goods	\$Bn
Car seats	0.28
Prams and strollers	0.30
Furniture and nurseries	0.48
Safety	0.12
Toys	0.63

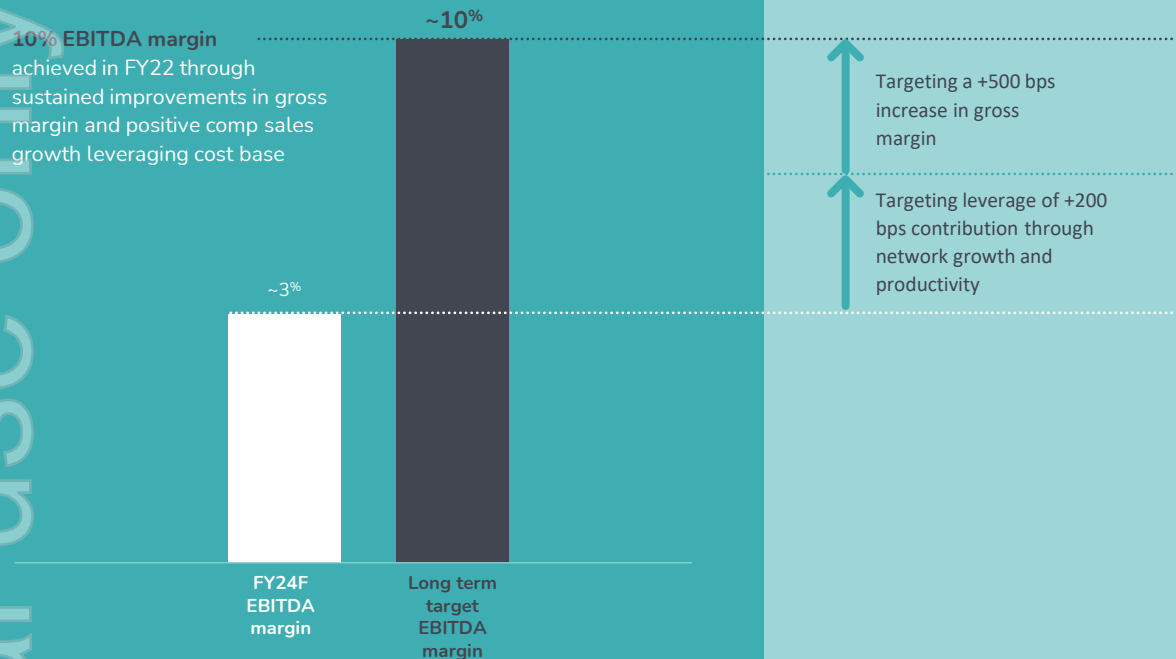
Soft goods	\$Bn
Food, formula and feeding	0.74
Nappies & Health and Beauty	1.29
Clothing & Footwear	1.34

### Total market size By region



# Long Term EBITDA Growth

Clear path to achieve historical EBITDA margins



## Cost of Doing Business initiatives

### Lowering our variable costs

- Supply Chain efficiencies
- Customer Care productivity improvement and in-housing team
- Supplier (goods not-for resale) cost management

### Leverage systems investment

- Better use of existing systems (eg. merchandise planning, inventory) to unlock further operating benefits

### Simplify operating structure

- Operational excellence in processes unlocking efficiencies and simplifying execution

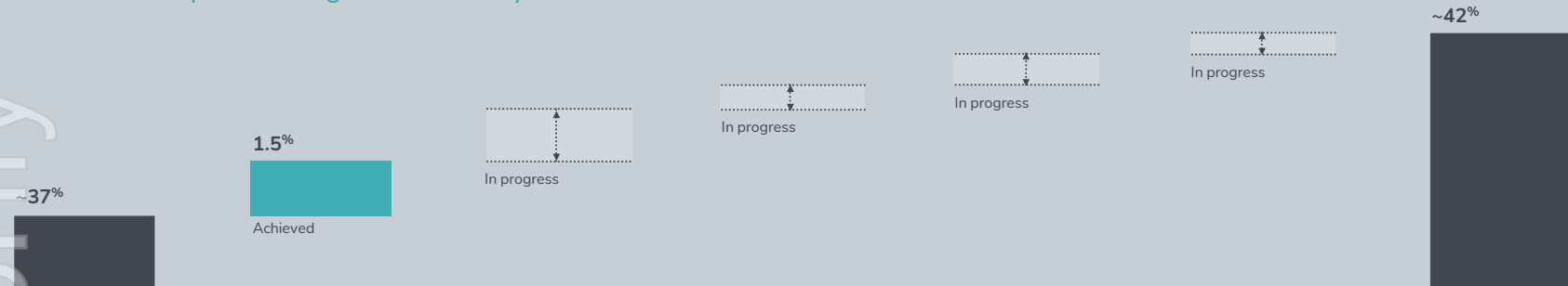
These deliverables are part of the stabilising and optimising actions that have commenced and will be ongoing through FY25 and into FY26.



1. Executive summary

# Grow Gross Margin

In FY25, we are targeting 40% gross margin with further expansion targeted in future years



FY24 margin

### Simplify price architecture

Eliminating layering of price discounting  
Enhance transparency and trust with our customers

### Trading terms

Working with our supplier partners on terms supporting mutual growth and profitability

### Amplify exclusive brands

Prioritising exclusive brand relationships

### Scale private label

Double the size of our private label from 10% of sales to ~20%

### De-range underperforming brands & products

Inventory productivity and re- investing in newness

Medium term target

#### Actions completed

- ✔ Retired Spend & Earn from the Loyalty Program in Q4 FY24 - annualised 150 bps of margin benefit
- ✔ Terms agreed with several key suppliers for FY25, delivering margin improvement in line with plan
- ✔ **New:** exclusivity agreement for Nuna products in AU (July 2024-2029)
- ✔ **New:** exclusivity agreement for Bugaboo products in NZ (July 2024-2027)
- ✔ Multi-year program for hard and soft goods
- ✔ Targeted clearance programs underway to efficiently reduce aged inventory ahead of new ranges

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1. Executive summary

# Building a media business & driving customer lifetime value

## Leveraging our platform through data & analytics

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Through our transaction & loyalty data we see:

- 3.4m transactions
- 800k active loyalty customers
- ~90% of transactions linked to customer record over 9m items purchased
- across 74 locations + online

**Historically we have not leveraged this data set to its true potential**

This rich data set enables us to understand customers through their early parenthood journey, and build predictive analytics based on known milestones through pregnancy and the early years of raising children.

- Offer our partners an unparalleled opportunity to engage with a dedicated audience of new and expectant parents
- **Generate a profitable, high-margin revenue stream**
- Enrich the customer journey, with personalised content and products tailored to unique needs



**Shopping**

Demographics Segment: High Value

34 years old 5 orders, 12 products

Richmond, VIC Hasn't bought a pram

Due in May Predicted Top 100

Close to Hawthorn store

...

**Engagement**

Online research

Doesn't open emails

Uses discounts

**Customers**

**Emily**  
Customer



1. Executive summary

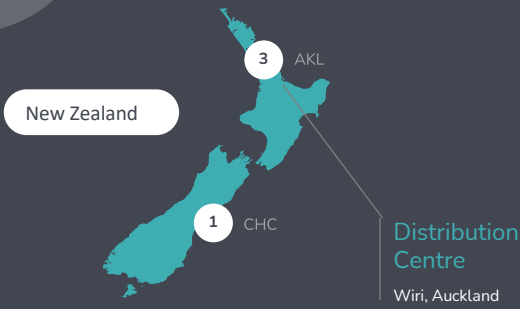
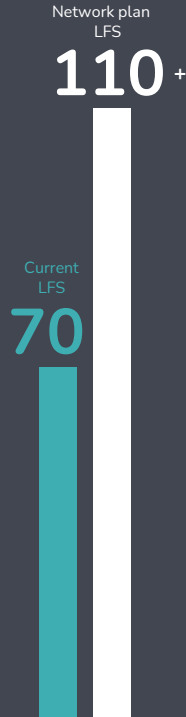
# Optimise and grow store network

Expanding the store network into new catchments and meeting more needs of parents through new store formats

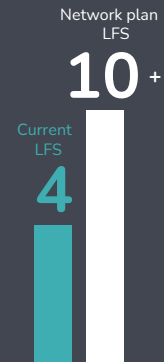
Small format store pilots expected to be in market Q4 FY25 followed by a period of testing and assessment

Small format stores will enable opportunity to meet more needs of parents in different locations

- **Network plan developed with assistance of third-party demographer.** Inputs include ABS spend, market share data, opportunities and cannibalisation
- **Network growth** is key to building omni-channel customers and growing customer lifetime value
- **Critical assessment** of opportunities in existing and targeted catchments
- **Property lease negotiations:** renegotiate leases due to expire with a whole of network lens, exit stores which do not meet benchmark ROIC



Store Support Centre & National Distribution Centre  
Dandenong South, Victoria



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# The customer

Mark Teperson, CEO





# An evolving customer base

Changing customer behaviour

15 years ago our core customer was a Gen X

Today our core customer is a Millennial

In 5 years Gen Z will be our core customer

Our current customer is different to our future customer

**Gen X**  
1965-1980  
Past - 2009

**Millennial**  
1981-1996  
Present - 2024

**Zoomers**  
1997-2010  
Future - 2029  
To 2035

Parenting style

Traditional, practical, durability focused

Progressive, focused on balance

Prioritise individuality and inclusivity

Technology

Moderate, comfortable but not as integrated

Tech savvy, influenced by social media and reviews

Expect seamless integration

Brand loyalty

Strong, trust based

More likely to try new brands with value alignment

Support transparent, sustainable, ethical brands

Price sensitivity

Moderate, quality driven

Value conscious

Value driven

Product preference

Practical, durable

Smart, organic, convenient

Personalised, ethical, innovative

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# The best start for the brightest future



To support &  
inspire confident  
parenting,  
from newborn  
to toddler





# Customer Value Proposition

What we promise to deliver to our customers



## Choice

We offer ANZ's widest range of carefully curated product across every stage of the early parenting journey, for every budget.

And if we sell it, you know it meets the highest safety standards.



## Service

We draw on 45 years of expertise to offer best in class service: reliable advice, education and services from car seat fitment to postnatal support to make the parenting journey easier.



## Experience

We go beyond the transaction to provide world class Customer Experience across our network of stores and seamless online shopping experience, making it easy to find what you need, when you need it.



## Value

We deliver exceptional value for all parents by ensuring competitive prices backed by our unbeatable price guarantee.

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# Our immediate opportunities

Mark Teperson, CEO



# Our immediate opportunities

Stabilising and optimising the business to improve trade and performance



## New customer acquisition:

Evolve go-to-market strategy and promotional calendar to drive new customer acquisition and sales



**Gross margin:** Reset on supplier relationships to improve margins, including in the face of rising costs



**Uplift store experience:**  
To evolve our retail offer with the customer



**Focus on operational processes:** Changes to achieve alignment with refreshed go-to-market strategy and productivity improvement



**Marketing:** Opportunity to invest in key digital mediums / channels to build reach



**Range planning and products:** Innovation of product range to provide newness to the customer and drive repeat visitation



**Supply chain:**  
Opportunities to realise supply chain efficiencies and cost outs



**New Zealand:** In ramp-up stage, with investment to grow and move to positive earnings contribution





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# Returning to growth

Mark Teperson, CEO





# Returning to growth

Growth objectives

Deliverables

  
**Grow Market share**

Enhance customer experience

 Market leading products

 Exceptional experiences

 Best-in-class services

 Data & Analytics

  
**Grow EBITDA**

Drive platform leverage

 Gross Margin


 Media business


 New Zealand profitability


 Operating leverage

  
**Grow Return on invested capital**

Disciplined capital management

 Network growth

 Refurbish existing store network

 Inventory productivity

 Re-platforming ERP/POS

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# Grow market share

Mark Teperson, CEO

# Our Market Share strategy is delivered by re-imagining our Customer Experience

Deepening customer relationships and enhancing lifetime value

Delivering a re-imagined Customer Experience that aims to:

- Drive New Customer Acquisition
- Increase frequency and basket size
- Significantly boost Customer Lifetime Value

Our focus is on products, experience, services and growing the store network

Market leading products

Exceptional experiences

Best-in-class services







# Grow strategic categories and improve our product offer

Focusing on product innovation and providing a pathway for newness

## Leveraging our robust position in Nursery Essentials, to:

- Broaden our market share in Prams & Strollers, Furniture & Nursery
- Amplify our presence in Car Seats

## Capitalise on our recent success in Food, Formula & Feeding, Manchester and Toys

We will do this by:

- Range segmentation & expansion
- Innovation & newness
- Customer experience
- Content to deliver unparalleled value to our customers and brand partners



## Driving growth and reinforcing our market leadership

- By continuously introducing new products, we meet the evolving needs of parents and differentiate ourselves from competitors
  - This pipeline fuels customer loyalty, expands market share, and enhances profitability
  - Exiting unproductive inventory lines frees up working capital
- ✓ **We have delivered growth at the sub-category level where we have introduced newness and range innovation**
  - ✓ **~25% more newness coming into the business in Q1 FY25 (vLY)**



## Providing customers with more choice and convenience

We launched Marketplace in June 2023 and have 17,000+ products online from over 85 sellers.

## Integrating Marketplace into our core categories is a strategic move that will:

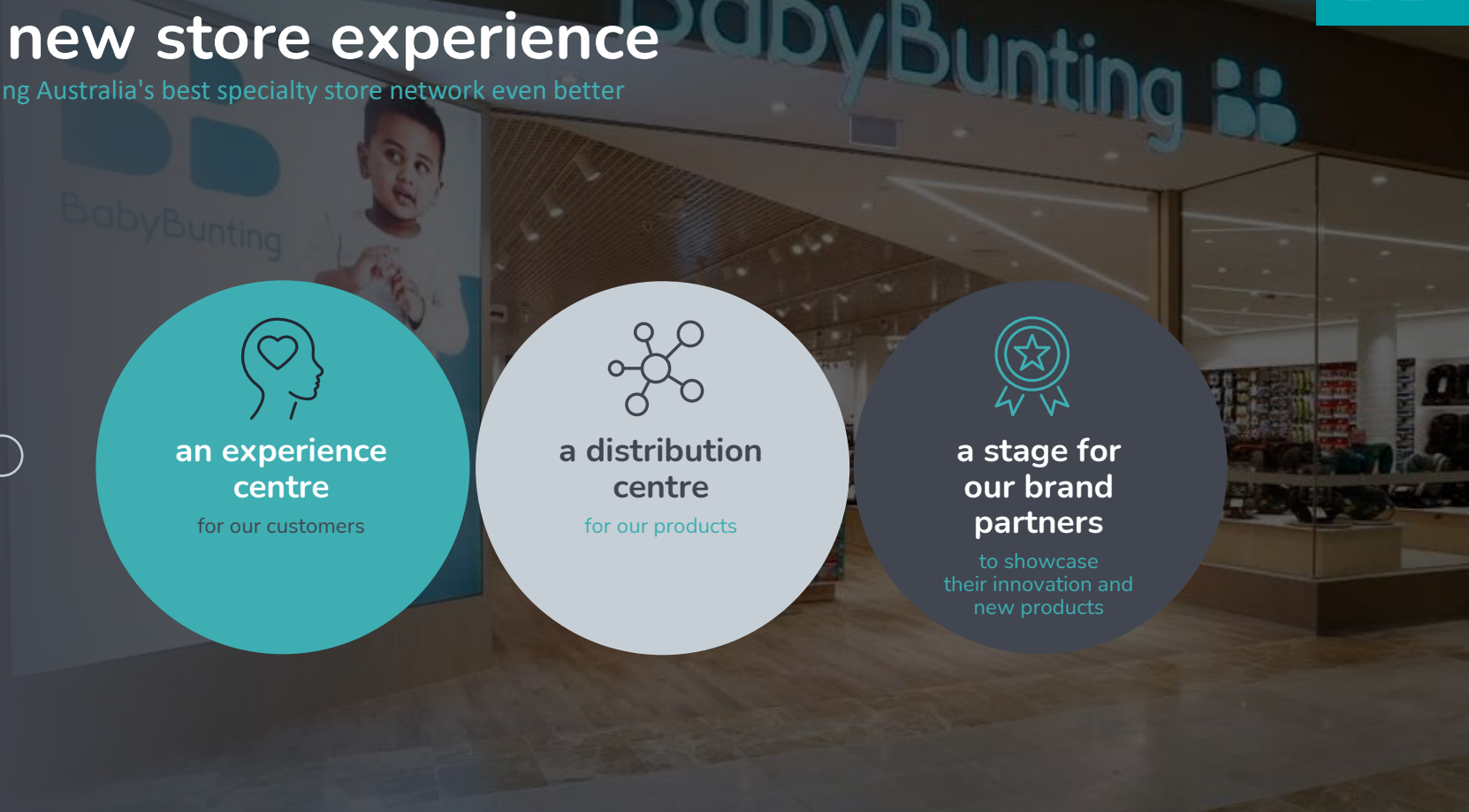
- Expand our Total Addressable Market
- Incubator for new brands and categories
- Strengthens our core categories



# Our new store experience

We're making Australia's best specialty store network even better

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Each store is



**an experience centre**  
for our customers



**a distribution centre**  
for our products

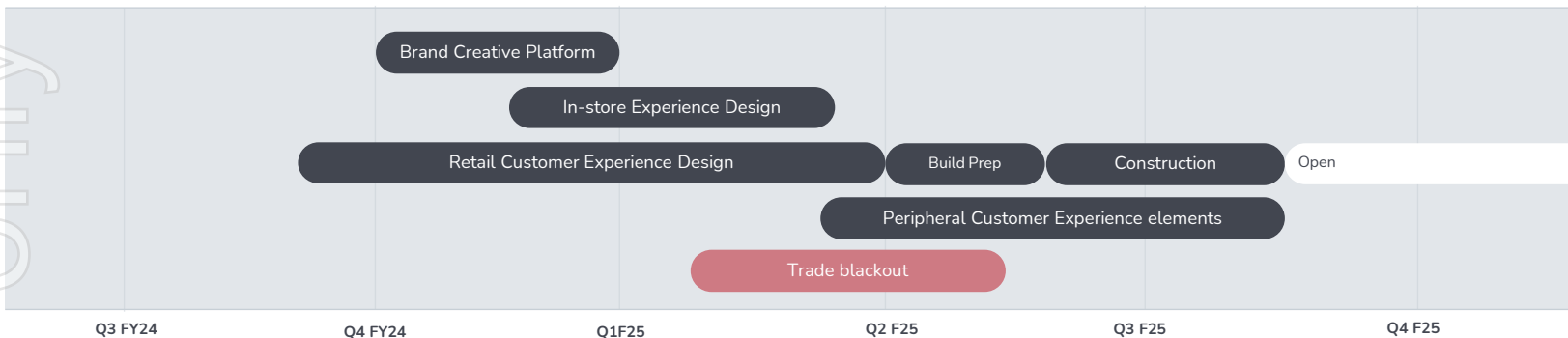


**a stage for our brand partners**  
to showcase their innovation and new products



# Our new store experience: timetable

We're making Australia's best specialty baby goods store network even better



## Redesign process has commenced:

- The General Store – one of Australia's leading brand and store design agencies – has been appointed to undertake a brand and store redesign.
- We anticipate final store design plans towards the end of Q2 FY25 with the first cohort of refurbished stores in market Q3 FY25.

## New Store Formats to enhance experience and maximise TAM

### Large store format:

Revamping our large format stores with:

- an emotionally resonant design
- activity-led merchandising

### New small format stores will:

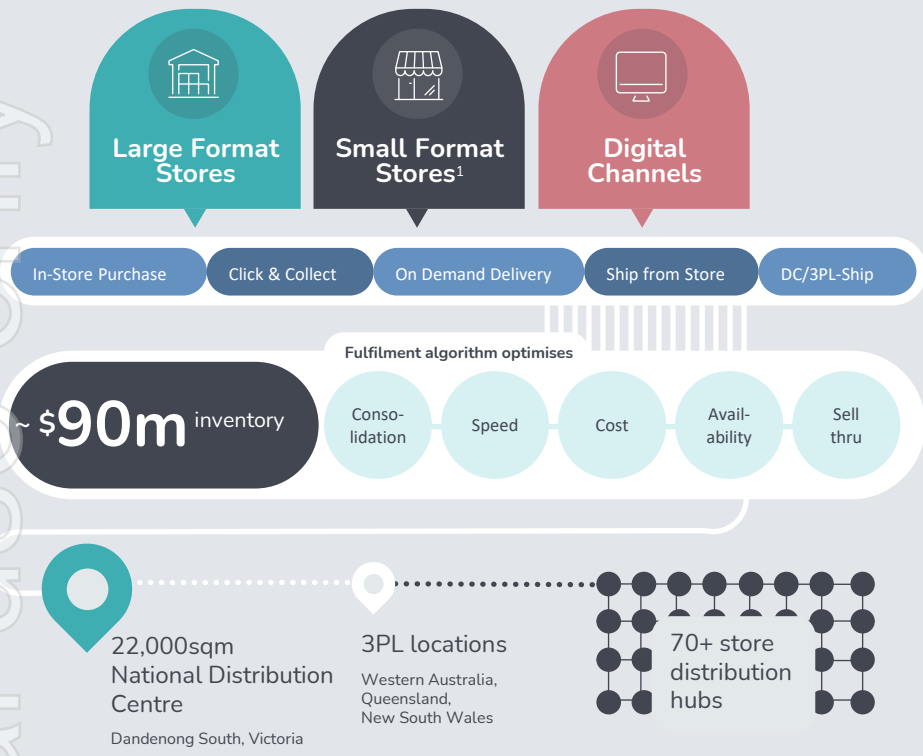
- increase footprint
- increase customer lifetime value
- offer convenience and open up new catchments



# Omni-channel as a force multiplier

Our store network and our online channel together drive greater customer lifetime value

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**74%**  
of new customer acquisition occurs in-store

An Omni-channel customer is worth **2.6x** more than a single channel customer  
**\$1,224 vs \$474**

In September 2024 through Uber delivery we'll be able to reach **65%** of the Australian population with on-demand delivery

1. Future State. Not currently in market.



# Expanding best-in-class services

Providing services creates network effects in our core categories on a national scale



## Car seat installations

Delivering expert car seat installations

- We install >140k car seats every year
- Creating a virtuous cycle of repeat engagement
- Our professional car installation service provides customers with peace of mind, reinforcing loyalty and return patronage
- Ongoing focus on this core activity



New

## 1-on-1 personalised appointments

Tailored care, Unmatched attention

- 1,600+ team members; trained / skilled with product learning capabilities
- Transforming consultations into powerful sales drivers, providing tailored advice
- Gift registry reimaged, welcoming friends and family into our brand family and expand our community
- Pilot of service in Q1 FY25, with aim for roll-out later in FY25



New

## Re-Condition; Pram Cleaning Service

Extending life, Enhancing value

Our Pram Cleaning Service:

- extends the lifecycle of products
- ensures our customers can trust us for eco-friendly and high-quality solutions,
- adds value to our customers' purchases and our brand

This ultimately extends the LTV of our customers

Pilot of service in Q2 FY25, with aim for roll-out later in FY25





New

# Leveraging data & analytics to grow loyalty and lifetime value

Through our transaction & loyalty data we see:

- 3.4m transactions
- 800k active loyalty customers
- ~90% of transactions linked to customer record over 9m items purchased
- across 74 locations + online

This rich data set enables us to understand customers through their early parenthood journey, and build predictive analytics based on known milestones through pregnancy and the early years of raising children.

This enables us to offer the right education, content, guidance and products to support the parents of newborns to toddlers, growing loyalty to our brand and lifetime value of our customers.

## Demographics

34 years old

Richmond, VIC

Due in May

Close to Hawthorn store

...

## Engagement

Online researcher

Doesn't open emails

Uses discounts

...

## Shopping

Segment: High Value

5 orders, 12 products

Hasn't bought a pram

Predicted Top brand: Bugaboo

...

## Value

Total spend: \$1800

High value customer

Medium churn risk

...

**Emily**

Customer profile example



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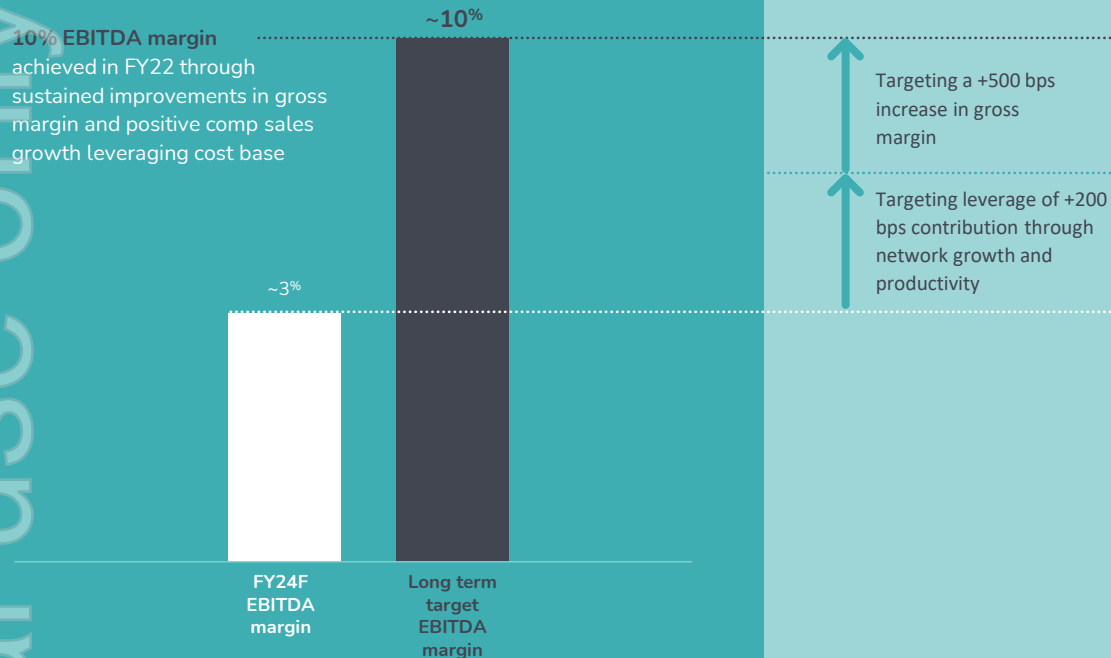
# Grow EBITDA

Re-establish business  
back to +10% EBITDA margin

Mark Teperson, CEO

# Long Term EBITDA Growth

Clear path to achieve historical EBITDA margins



## Cost of Doing Business initiatives

### Lowering our variable costs

- Supply Chain efficiencies
- Customer Care productivity improvement and in-housing team
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### Leverage systems investment

- Better use of existing systems (eg. merchandise planning, inventory) to unlock further operating benefits

### Simplify operating structure

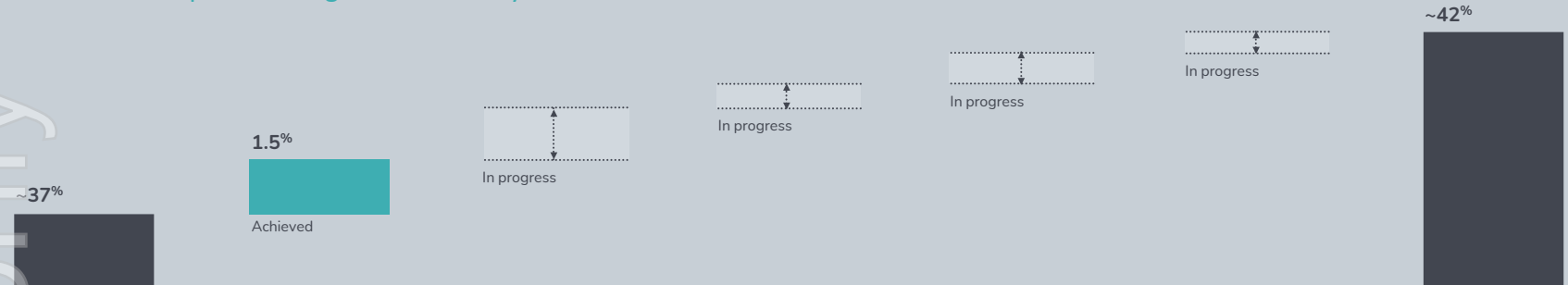
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FY24 margin

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Double the size of our private label from 10% of sales to ~20%

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Inventory productivity and re-investing in newness

Medium term target

### Actions completed

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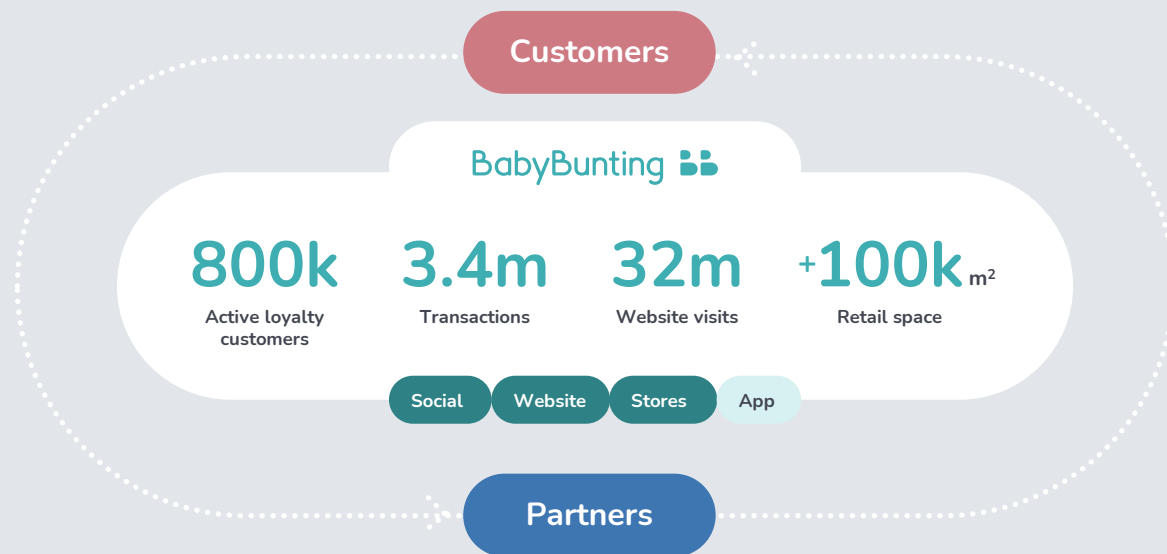
# Building a media business: unlocking the value of our platform

Realising a new revenue stream through monetising our existing in-store and digital assets

- Offer our partners an unparalleled opportunity to engage with a dedicated audience of new and expectant parents
- Generate a profitable, high-margin revenue stream, reinforcing Baby Bunting's position as a leading destination for nursery and maternity products and services
- Enrich the customer journey, with personalised content and products tailored to unique needs

## Actions completed

- ✓ Appointed retail media strategy agency to undertake audit and valuation of Baby Bunting in-store and digital assets; to be completed during Q1 FY25





# Building New Zealand profitability

Scale NZ to positive earning contribution through store roll-out and operating leverage

- We are building scale in New Zealand, with three new stores opened in late Q2 FY24. Our network plan is targeting 10+ large format stores
- We will continue to build brand awareness in market
  - Further store planned for Auckland in Q4 FY25
  - Albany & Christchurch performing strongly
- Initial priority was market share growth over margin to deliver minimum order quantity benefits and eliminate AU-NZ freight leg from current supply chain. As we scale, we need to bring trading terms and margin to levels that support ongoing profitability and improve supply chain economics

## Actions completed

- ✓ Expanded NZ team in Q4 FY24 (3x NZ based team members marketing, merchandise and supply chain) to support better focus and execution
- ✓ Aligned marketing calendar with AU, driving efficiencies in go-to-market
- ✓ Achieving improved gross margin terms for key suppliers (program of trading terms negotiations underway)
- ✓ **New:** exclusivity agreement for Bugaboo products in NZ (July 2024-2027)





# Group Operating Leverage

Active cost management as we scale store network

## Lowering our variable costs

Targeting incremental improvements across the network and discipline in cost control

- Supply Chain efficiencies
- Customer Care productivity improvement and in-housing team
- Supplier (goods not-for resale) cost management

## Leverage systems investment

Focus on productivity improvements to leverage existing systems investments

- Better use of existing systems (eg. merchandise planning, inventory) to unlock further operating benefits

## Simplify operating structure

Simplify organisation around new ways of working and go-to-market

- Operational excellence in processes unlocking efficiencies and simplifying execution

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These deliverables are part of the stabilising and optimising actions that have commenced and will be ongoing through FY25 and into FY26.



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# Grow return on invested capital

Darin Hoekman, CFO

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# Grow Return on Invested Capital

Unlocking value from our existing assets and disciplined future investments

## Grow store network

### New store roll-out

- Large format stores:
  - AU: 26 metro catchments and 15 regional catchments on store network plan
  - NZ: 6 metro catchments on store network plan
- Small format stores: number of future small format stores depends on performance of pilots (from Q4 FY25). Potential for between 20 to 40 over the longer term

## Refurbishing existing store network

### New store design to revitalise our store fleet

- New store design to better engage customers
- Driving increased sales and better returns

Actions completed

- ✓ Store of the Future program commenced with new store designs expected to be deployed in Q3/4 FY25

## Inventory productivity

### Focus on working capital

- Inventory productivity benchmarks (GMROI, GMROM) to better inform range management
- Ongoing focus

## Re-platforming ERP/POS

### Enablement for future growth

- Culmination of our transformation program
- Key enabler of new technologies and store experiences
- Capital investment: \$8m-\$10m over 2 years from FY26

- ✓ Completed requirements and vendor assessment for ERP & POS
- Anticipated commencement in FY26 over a two-year implementation period



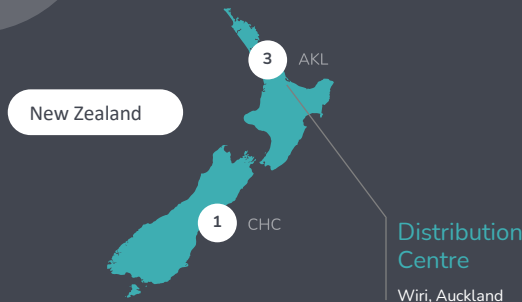
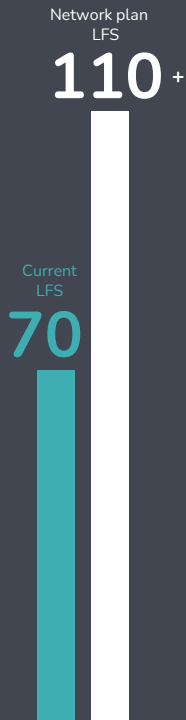
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Expanding the store network into new catchments and meeting more needs of parents through new store formats

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- **Network growth** is key to building omni-channel customers and growing customer lifetime value
- **Critical assessment** of opportunities in existing and targeted catchments
- **Property lease negotiations:** renegotiate leases due to expire with a whole of network lens, exit stores which do not meet benchmark ROIC



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# Large format stores deliver great returns

25% of stores are in their growth phase with new store roll out to come

Metro Australia	Mature Metro Stores (>4 yr)		
	FY2020	FY2022	FY2024
Revenue per store (\$m)	7.8	8.5	7.2
EBITDA per store (\$m)	1.3	1.7	1.0
Store EBITDA margin	17%	20%	14%
Return on Invested Capital	90%	119%	75%

Year 1 sales of \$5m (average)

Regional Australia	Mature Regional Stores (>4 yr)		
	FY2020	FY2022	FY2024
Revenue per store (\$m)	4.5	5.6	5.2
EBITDA per store (\$m)	0.5	1.0	0.7
Store EBITDA margin	12%	18%	13%
Return on Invested Capital	50%	91%	61%

Year 1 sales of \$3.5m (average)

- FY2022 was the historical high watermark in terms of sales productivity
- Mature store ROIC on average ~75%
- Average inventory and capital employed per new store opening is \$1.3m
- New Zealand in infancy

Future new **large format** store roll out:

- AU: 26 large format metro stores targeted to deliver +\$7m in sales (on average) at maturity
- AU: 15 large format regional AU stores targeted to deliver +\$5m in sales (on average) at maturity
- NZ: further +6 large format metro stores in NZ targeted to deliver +\$5m in sales (on average) at maturity (2H FY24 store run-rate +\$3m)



# Network growth plan

Growing the network leverages our omni-channel capability and has a compounding effect on network sales

Existing network Australia

41 identified catchments with online sales today

41 New Store network catchments Australia

AU Mature Metro Catchment Average Sales



+



+

Identified roll out opportunities

AU Large format rollout plan



AU Mature Regional Catchment Average Sales



+



+

Identified roll out opportunities

AU Large format rollout plan



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# Small Format Stores

Pilot new small format store to target higher traffic areas and grow Customer Lifetime Value

Unlock high value smaller catchments that do not currently support our large format store (inner urban and regional)

The new small store format will target revenue of +\$2 million and ROIC of 50%

- Higher margin products
- Lower staff costs
- Higher per sq metre rent

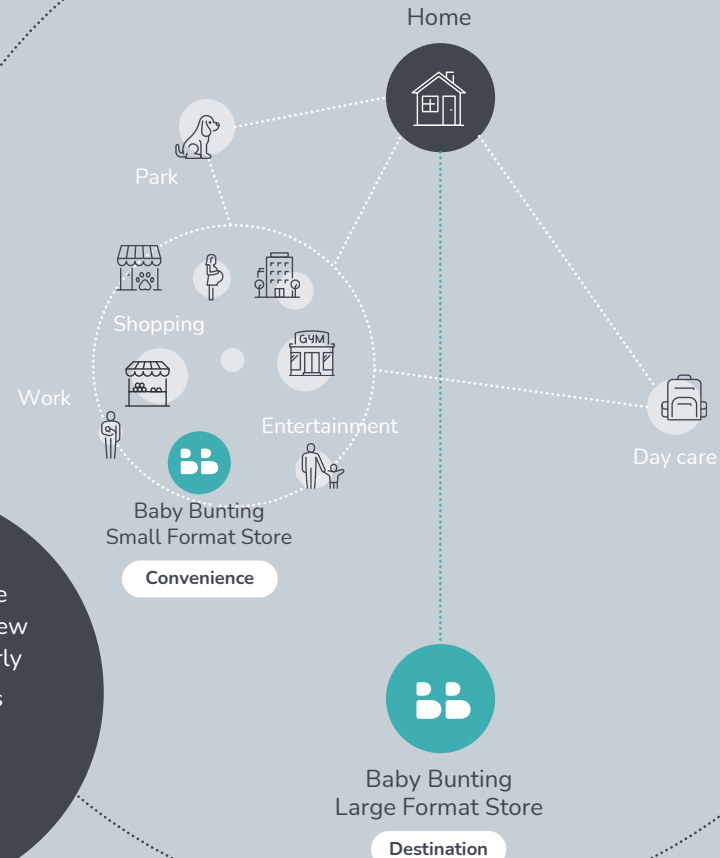
Curated range of products with a focus on consumables and higher frequency categories

We will deploy 3 small format stores as pilots in metro markets from Q4 FY25 to test and assess the operating model

Small format stores: number of future small format stores depends on performance of pilots (from Q4 FY25). Potential for between 20 to 40 over the longer term

Stores located on the ant trails of where new parents shop regularly

- Shopping centres
- High street strips
- Everyday needs centres





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# 8. Capability Platform

We are enhancing our Capability Platform, focusing on our people and investing in new ERP and POS technology

Mark Teperson, CEO





# Build New Capability Platforms

New Platforms: Unlocking Capabilities, Powering Potential

New

## Data & Analytics Muscle

Data Mastery: Driving Decisions, Delivering Innovation

Investing in our Data & Analytics Muscle transforms raw data into strategic insights, propelling informed decision-making, measurement and innovation. Harnessing predictive analytics, we'll optimise operations, personalise customer experiences, and forecast trends to stay ahead.

Actions completed



Appointed new:

Chief Customer Officer & Chief Data and Analytics Officer

March 2024 [New role](#)

Head of Data & Analytics  
March 2024

Head of Insights  
June 2024 [New role](#)

New

## Growth Marketing & Digital Trade Capability

Fuelling Sustainable Growth with Data-Driven Marketing

Establishing robust Growth Marketing capabilities is crucial to navigating the competitive retail landscape. By leveraging data-driven strategies, targeted customer acquisition, and retention tactics, we can fuel sustainable growth. This proactive approach to marketing will empower us to meet ambitious targets, drive revenue, and enhance our market position.



Appointed new:

Head of Social & Content  
May 2024 [New role](#)

Head of Online Trade & Experience  
Sept 2024

New

## Investment in Training & Service Delivery

Empowering Teams & Elevating Service

Investing in Continuous Education & Training is fundamental to maintaining our competitive edge. By fostering a culture of learning and development, we empower our team with the latest skills and knowledge, ensuring they can adapt to industry changes and drive innovation. This commitment enhances employee satisfaction and customer service excellence.





# Recalibrate Existing Capability Platforms

Refining Platforms: Sharpening Skills, Enhancing Execution

## Re-imagine Product Development

### Doubling down on Private Label Innovation

Re-imagining our product development process aims to fuel the ambitious goal of doubling our private label sales. Over a multi-year program, we will focus on creating products that resonate deeply with our customers' needs, driving growth and reinforcing our market position through unique offerings.

Actions completed

## Re-energise Merchandise Planning & Supply Chain

### Optimising Performance: Smarter Merchandise Planning & Supply Chain

Re-energising our merchandise planning involves optimising our network, category, and inventory performance. Focusing on key metrics such as GMROI, GMROM, GMROL, and better managing aged inventory, we aim to enhance profitability and efficiency, ensuring we deliver the right products at the right time and price.

## Re-platform ERP & POS

### Streamlining Operations: Smart Systems, Superior Service

Modernising our ERP and POS systems is vital for bolstering productivity and enhancing customer engagement. In addition, it will drive informed decision-making and operational efficiency, aligning more seamlessly with our digital ecosystem.

- ✓ **Appointed new:**  
Head of Planning  
April 2024  
GM of Supply Chain  
commencing Sept 2024

- ✓ Completed requirements and vendor assessment for ERP & POS  
Anticipated commencement in FY26 over a two-year implementation period



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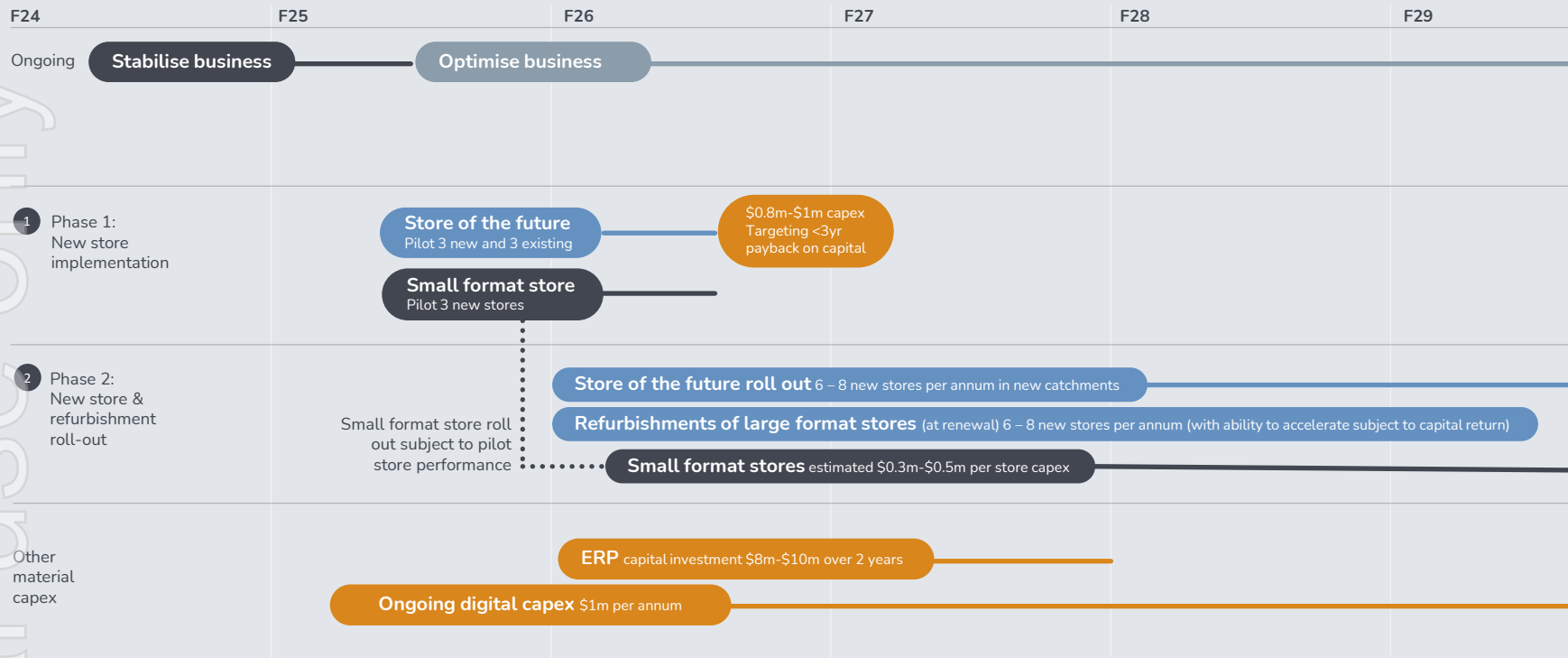
# 9. Investment & Execution Plan

Mark Teperson, CEO



# Our investment and execution plan

Phasing our investment plan to address immediate issues and build into the future



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# FY25 financial objectives

Funding growth initiatives through improved operating cashflow

1

## Stabilise sales

- Range innovation, including 25% more newness in Q1 FY25 vLY
- Ongoing refinement of the promotional calendar and go-to-market
- Introduction of Retail Media business

2

## Targeting 40% gross margin

- Simplifying Price Architecture
- Supplier Trading Terms reset
- Amplify Exclusive Brands
- Private Label
- De-range underperforming brands and products

3

## Progress and embed productivity initiatives

- Variable costs including Supply Chain and Customer Care
- Inventory productivity
- Supplier (non-inventory) cost out initiatives

## FY25 capital investment program to include:

- 3 large format stores committed
- 3 refurbishments of existing stores (new format)
- targeting opening 3 small format stores
- ongoing store and SSC sustenance
- digital architecture spend

**\$10m to \$13m of capex funded from operating cashflow**

**Working capital improvement**

**FY24 final dividend to be reviewed when finalising results in August**





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10.

# The best start for the brightest future

Mark Teperson, CEO





# Growth plan

Baby Bunting has a strong core business as the leading specialist baby retailer in Australia with 70 stores.

We have a clear plan to stabilise the business and re-establish it as a +10% EBITDA margin business

## Delivering shareholder value

 <p><b>Grow Market share</b></p>	<p><b>Strengthen market position</b></p> <ul style="list-style-type: none"> <li>• Leverage our strength in nursery essentials (hard goods)</li> <li>• Capitalise on significant opportunity in soft goods market through our market leading hard goods offer</li> </ul>
 <p><b>Grow EBITDA</b></p>	<p><b>Grow gross margin</b></p> <ul style="list-style-type: none"> <li>• Clear path to grow gross margin to +40%</li> <li>• Disciplined review of Cost of Doing Business</li> </ul> <p><b>Focused media/marketing strategy</b></p> <ul style="list-style-type: none"> <li>• Leverage significant customer data to provide renewed and targeted retail experience</li> <li>• New revenue streams from media opportunity</li> </ul>
 <p><b>Grow Return on invested capital</b></p>	<p><b>Optimised property strategy with greater discipline</b></p> <ul style="list-style-type: none"> <li>• Progress roll-out of +40 stores in identified catchments</li> <li>• Refresh / optimise old-format stores</li> </ul> <p><b>Self-funded growth</b></p> <ul style="list-style-type: none"> <li>• Disciplined balance sheet management to fund growth initiatives with operating cashflows</li> </ul>



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# Q&A

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# Appendix

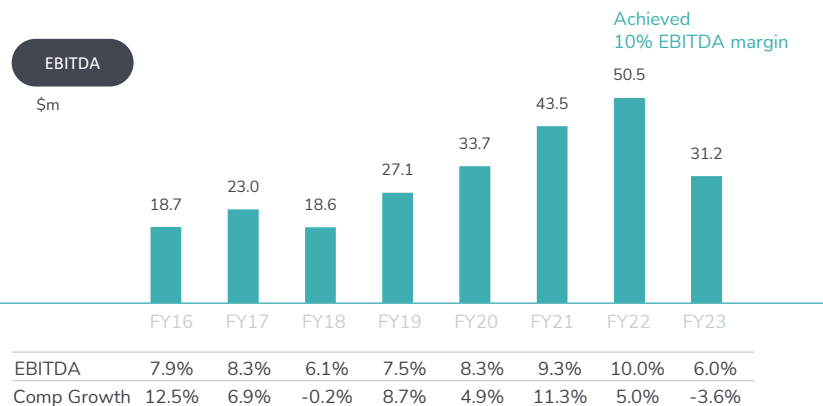
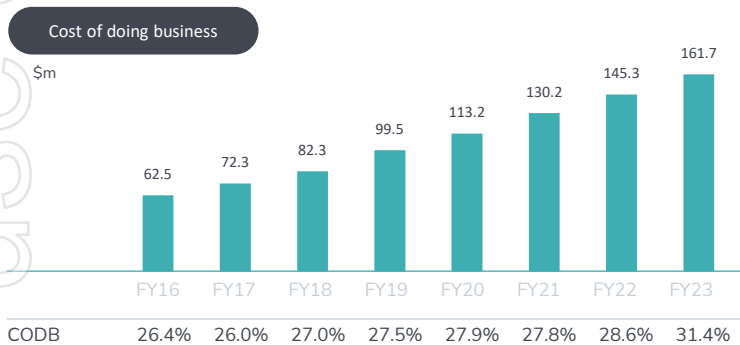
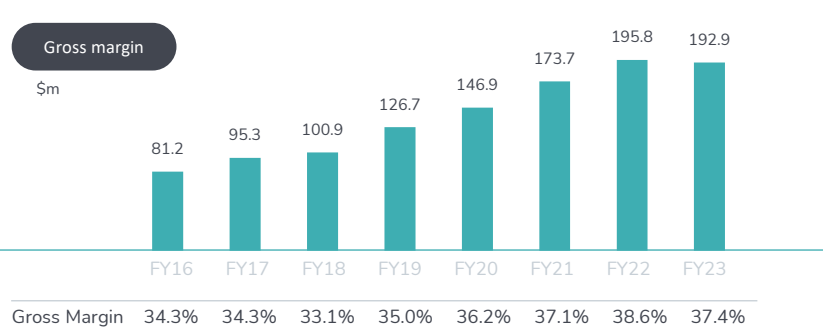
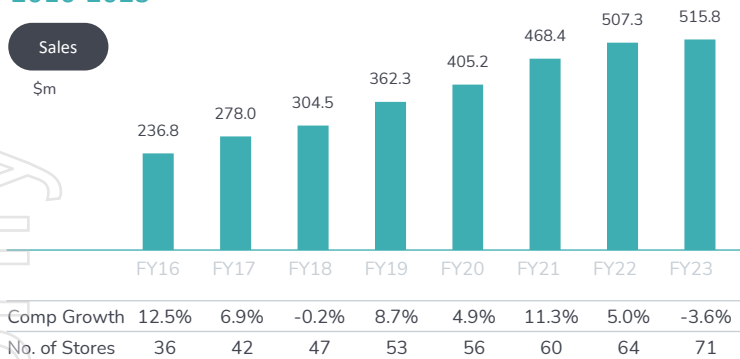


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# Pro forma financial performance

## 2016-2023

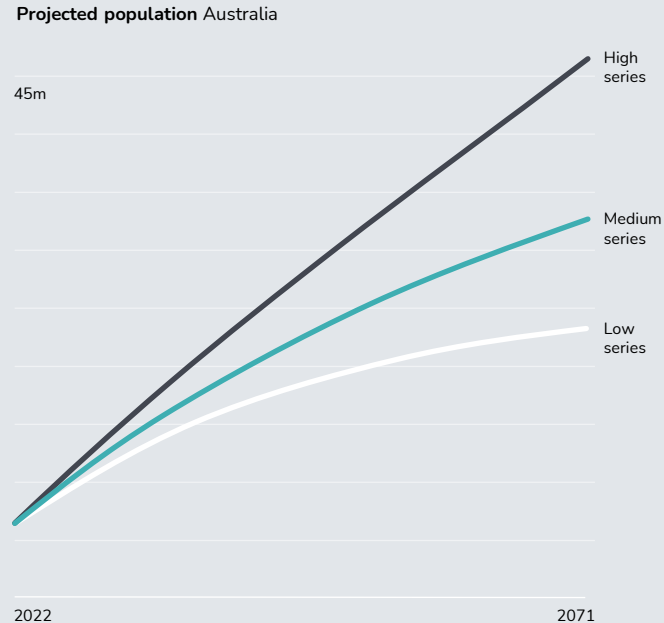


Pro Forma financial results exclude Week 53 revenue and expenses (where applicable), expenses relating to performance rights (LTI) and shares issued under employee incentive plans, as well as investment in transformation projects over relevant years. Cost of Doing Business and EBITDA is presented excluding the impact of AASB16 lease accounting. Reconciliations to statutory results are contained in the Directors' Reports for relevant financial years available at [investors.babybunting.com.au/reports-announcements](https://investors.babybunting.com.au/reports-announcements).

# Macro trends supporting future growth

## Tailwinds support long-term market growth

- ~300,000 births p.a. in Australia run rate over 20 years
- Strict mandatory product safety standards differentiates Australia from global markets
- Australia's population is now forecast to reach 28.1 million by the end of 2026 and 38 million by 2050
- Most of the extra residents are expected to reside in NSW, Victoria, Queensland and Western Australia
- Fewer people are expected to leave NSW and Victoria for other parts of the country, with both states also forecast to be home to the majority of new immigrants



~300<sup>k</sup>  
Births  
in Australia each year