

20 August 2024

FY24 Full Year Results

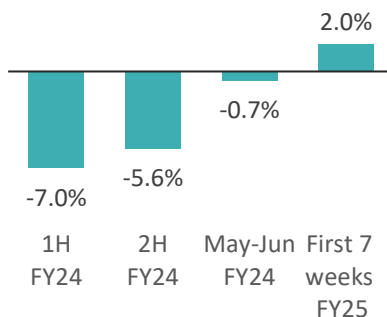
Refreshed strategy driving positive momentum

Overview

Positive progress in implementing the strategy announced in June 2024 highlighted by:

- **Continued improvement in sales trajectory in the first 7 weeks of FY25** underpinned by changes made in go-to-market strategy:
 - Total sales growth of 3.5%
 - Comparable store sales growth of 2.0%

Comparable store sales growth (1 July 2023 to 18 July 2024)



- **On track to achieve targeted 40% Gross Profit Margin in FY25:**
 - Key supplier trading terms renegotiations materially progressed through June-July
 - **July 2024 gross profit margin up 180 bps** (vs pcg) driven by simplified pricing architecture and removal of Loyalty Spend & Earn in Q4 FY24
- **Improved operating cash conversion ratio** (FY24: 86.0% vs. FY23: 81.7%) demonstrating well managed working capital in challenging trading conditions
- **Inventory productivity:** \$7m reduction in comparable stores' inventory year-on-year
- **Operating cashflow expected to fully fund FY25 capital expenditure** of \$10m to \$13m (including new store rollouts)

FY24 Key Financial Metrics

	Pro Forma Results ¹			Statutory Results		
	FY24	FY23	Change	FY24	FY23	Change
Sales	\$498.4m	\$515.8m	(3.4%)	\$498.4m	\$524.3	(4.9%)
GP %	36.8%	37.4%	(56 bps)	36.8%	37.4%	(57 bps)
NPAT	\$3.7m	\$14.5m	(74.7%)	\$1.7m	\$9.9m	(82.8%)
Interim Dividend				1.8 cps	2.7 cps	(33.3%)
Final Dividend				0 cps	4.8 cps	

¹ Pro forma financial results have been calculated to exclude certain items which are set out in the Appendix to the Investor Presentation and the Directors' Report released on 20 August 2024.

Baby Bunting Group Limited (Baby Bunting or the Group) today reports its financial results for the year ended 30 June 2024 (FY24). The Group reported a Statutory Net Profit after Tax (NPAT) of \$1.7 million compared to \$9.9 million in FY23.

FY24 Group Pro Forma NPAT was \$3.7 million, down from \$14.5 million in the prior corresponding period (pcp). This was within the range of \$2 million to \$4 million indicated by the Group at its June Investor Day. The Board has determined that no final dividend will be paid, to support the Group's capital expenditure program and growth initiatives. An interim dividend of 1.8 cents per share was paid in March 2024.

Baby Bunting's CEO, Mark Teperson said, *"While it is still early days, it is pleasing to see the implementation of the strategic growth initiatives that we announced as part of our Investor Day in June 2024 starting to deliver positive momentum in our trading and financial performance."*

"Of note has been the improvement in trajectory of our comparable store sales since May, reflecting the change in our go-to-market strategy and the 180-basis points improvement in our Gross Profit Margin achieved in July 2024 following simplification of elements of our pricing structure."

"We remain focused on continuing to implement our strategy and maintaining the positive momentum achieved over the past three months. Our key priorities for the rest of the financial year are completion of trading terms renegotiations with our key suppliers, which is progressing well, redesign of our store format due to be launched in market end of Q3, the phased roll-out of new stores and refurbishments in 2H FY25 and continuing the progress we have made to date on range innovation and exclusive brand offerings."

FY24 Financial overview

Total Sales of \$498.4 million for the year were down 3.4% against the prior corresponding period and comparable store sales were down 6.3%, reflecting the challenging trading conditions and cost of living pressures faced by consumers. Pleasingly, the Group has seen improvement in its sales performance trajectory since May as it implements strategic initiatives designed to improve both top line sales and profitability.

Gross Profit of \$183.7 million was down 4.8% on FY23 with **Gross Profit Margin** down 56 bps on FY23 at 36.8%. This decline reflects the increased margin pressure in key hard good categories which is being addressed through a number of initiatives including simplification of pricing architecture, renegotiation of trading terms with suppliers, and elevating exclusive brand partnerships in our range offer.

Inventory management delivered a \$7m reduction in comparable store inventory as we exited unproductive range and aligned inventory holdings to our changed trading profile. This contributed to the improvement in the Group's **Operating Cash Conversion Ratio** from 81.7% in FY23 to 86.0% in FY24.

Net Debt Balance closed at \$13.0 million as at 30 June 2024 versus \$6.2 million as at the end of FY23.

In June 2024, Baby Bunting announced it had renewed its \$70 million **NAB debt facility** for a further three years until September 2027 with existing pricing maintained.

Trading Outlook

The Group expects FY25 Pro Forma NPAT to be in the range of \$9.5 million to \$12.5 million, based on the expectation that:

- comparable store sales growth of 0% to 3%;
- full year gross profit margin of 40%;
- cost of doing business increases include new and annualising store costs, wage inflation of 3.75% and additional roles and marketing to support strategy execution;
- capital expenditure of \$10 million to \$13 million, fully funded from operating cash flow.

This outlook assumes no significant changes in economic and retail conditions, and no significant increases in sea freight expense.

Baby Bunting's CEO, Mark Teperson said, *"Baby Bunting is Australia's leading specialty retailer with a market leading omni-channel ecosystem comprised of 70 omni-channel stores in Australia and four in New Zealand. We enjoy an 85% unaided brand awareness rate with over 800,000 active loyalty customers generating over 90% of our sales."*

"We operate in a large addressable market with enormous potential to grow our share in the \$3.4 billion soft goods market where we are currently underrepresented with around a 3% market share.

"We have hit the ground running in implementing the strategy we announced in June which is designed to deliver sustainable top line revenue growth, enhance our gross margins, fund our strategic growth from operating cashflows and create shareholder value. We are making good progress in implementing our strategy and it is pleasing to see our initiatives already delivering demonstrable improvement in our performance."

Investor call

Mark Teperson (CEO) and Darin Hoekman (CFO) will host an FY24 results investor call at **9:15am (AEST)** today, **Tuesday, 20 August 2024**. To access the call please register via:

<https://s1.c-conf.com/diamondpass/10040885-nsf3lq.html>

The release of this announcement was authorised by the Board.

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