

12 February 2021

FY21 half year results release

DELIVERING AUSTRALIAN MARKET SHARE GROWTH. PLAN FOR NEW ZEALAND EXPANSION ANNOUNCED.

- Total sales of \$217.3 million, up 16.6% on the prior corresponding 26-week period (pcp)
- Comparable store sales¹ growth of 15.0% (21.8% excluding Victorian stores)
- Total online sales growth of 95.9%, with click & collect sales growth of 218%
- Gross margin up 41 basis points to 37.4%
- Pro forma² EBITDA of \$18.5 million, up 29.7% pcp
- Pro forma NPAT of \$10.8 million, up 43.5%. Statutory NPAT up 54.7% to \$7.5 million
- Fully franked interim dividend of 5.8 cents per share (1H FY20: 4.1 cents)
- Baby Bunting did NOT seek, or receive, any JobKeeper support
- Comparable store sales growth for the first 6 weeks of 2H FY21 was strong at 18.5%, bringing year-to-date growth to 15.7%

Baby Bunting's CEO & Managing Director, Matt Spencer said: *"Maternity and baby goods are essential products for parents and parents-to-be and are less discretionary in nature. Our strong comparable store and total sales growth performance demonstrates that we continue to deliver on our strategy of growing market share. The Baby Bunting Team has done tremendously well servicing new and expectant parents in what can only be described as an unusual and difficult time.*

"Sales in all channels were up. Our online sales growth in the half was very pleasing, with total online sales (including click & collect) up 95.9%. Significantly, we still have over 90% of sales occurring or being completed in our stores highlighting the importance of our store network across Australia. And we continue to progress our store network expansion in Australia with three stores opened in the half and more planned for the period ahead.

"Following a successful launch of online sales into New Zealand, I'm very excited to announce our plans to establish a multi-channel retail proposition in New Zealand with our first store anticipated to be opened in FY22.

"All up, we have seen some great results and it continues to be a very exciting time for Baby Bunting."

¹ Total sales generated from stores (including the online store) open at the start of the prior financial year.

² Pro forma financial results have been calculated to exclude certain items. These are set out in the Investor Presentation and the Directors' Report released to ASX on 12 February 2021.

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Business performance

Baby Bunting Group Limited (Baby Bunting or the Company) today reported statutory net profit after tax of \$7.5 million for the 26 weeks to 27 December 2020. On a pro forma basis NPAT was \$10.8 million. Baby Bunting's pro forma EBITDA was \$18.5 million, up 29.7% on the prior corresponding period.

Sales growth

Total sales were \$217.3 million in the half, representing growth of 16.6% on the prior corresponding period. Comparable store sales growth was 15.0%. All stores remained open during the period. However, sales did moderate in Victoria as a result of the stage 4 lock down in Melbourne. Excluding Victorian stores, comparable store sales growth was 21.8% during 1H FY21.

The second half has started strongly both in-store and online, with comparable store sales growth of 18.5% in the first 6 weeks of the half and year-to-date comparable store sales growth is now 15.7%.

Gross profit and gross margin

Pro forma gross profit for the half was \$81.2 million, an improvement of 17.9% on the prior corresponding period. Gross profit margin has improved by 41 basis points to be 37.4%.

This improvement is the outcome of range improvements with supplier partners delivering great products at sustainable margins, the continued growth of our private label and exclusive products range and investments in our Baby on Board services business which contributes to margin expansion.

Private Label and Exclusive Products grew 28.2% to be 39.0% of total sales compared to 35.5% in the prior corresponding period. Baby Bunting is targeting above 40% for the full year and is tracking well to achieve its long-term target of 50% of sales coming from private label and exclusive products.

Baby Bunting continues to invest in value for customers with the introduction of "Our Price Promise" and the launch of our new "Baby Bunting family" loyalty program, designed to further grow market share.

Operating expenses

The cost of doing business (on a pro forma basis) was 28.8% of sales in the first half, an improvement of 45 basis points. Store expenses improved by 120 basis points, reflecting leverage of fixed store costs and investments in process and technology to enable labour efficiency. To support ongoing growth, we have continued our investment in IT capability and infrastructure and additional Digital and Supply Chain roles. COVID related expenses had an impact on overheads, although they are expected to moderate significantly in 2H FY21.

Digital and online

Total online sales (including click & collect) grew 95.9%, making up 19.7% of total sales. Click & collect sales grew 218% and are now around 55% of all online sales in catchments where Baby Bunting has a store.

Investment in Digital continues as website visits continue to grow (up 39% against the prior corresponding period) with conversion up 66 basis points. Migration to a headless e-commerce architecture is underway, leveraging best of breed applications delivering a world class customer experience through digital channels.

Store network

We opened three new stores in the first half, being Knox (Vic), Castle Towers (NSW) and Coffs Harbour (NSW). There are now 59 Baby Bunting stores around Australia, with plans to see a network of over 100 stores around Australia.

Progress on transformation projects

Baby Bunting made good progress during the half with its transformation projects to support future growth. This progress includes the development of a new loyalty program (with additional elements to be launched in 2H FY21), a new merchandise planning and forecasting system as well as progress of a new purpose-built DC in Dandenong South to replace the existing facility which is expected to go live in the coming months.

Plan for New Zealand expansion

Baby Bunting commenced shipping online orders to New Zealand in July 2020 and has completed an assessment of the NZ\$450 million New Zealand market opportunity.

Baby Bunting now plans to launch a multi-channel retail proposition in New Zealand with the first store anticipated to open in FY22 as part of a network plan of at least 10 stores. This decision is supported by detailed customer research noting that there are no large format baby specialty retail chains in the market.

In talking about the New Zealand expansion plans, Matt Spencer said: *"In bringing Baby Bunting's offer to New Zealand, we believe we can provide New Zealand parents with a broader range and services and great value, every day. Our plan will involve Baby Bunting supporting New Zealand parents with a New Zealand team and I'm very excited about what lies ahead."*

Dividend

The Board has announced an interim fully franked dividend of 5.8 cents per share (FY20 interim dividend: 4.1 cents per share).

Outlook

Comparable store sales growth for the first 6 weeks of 2H was strong at 18.5%. This has seen comparable store sales growth rise to 15.7% year-to-date.

A new store at Westfield Belconnen (ACT) is due to open in March with the potential for another store in the second half. There is a strong pipeline of new stores anticipated for FY22.

With the continuing economic uncertainty and on-going risk of COVID-19 restrictions, FY21 earnings guidance cannot be given at this time.

Investor conference call

A presentation and a discussion will be hosted by Matt Spencer (CEO & Managing Director) and Darin Hoekman (CFO) at **9.15am (AEST) on Friday, 12 February 2021.**

You may access the call by registering via:

<http://apac.directeventreg.com/registration/event/8058558>

The release of this announcement was authorised by the Board.

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