

11 February 2022

## FY22 half year results release

### RECORD FIRST HALF SALES AND EARNINGS

- Total sales of \$239.1 million, up 10.0% on the prior corresponding 26-week period (pcp)
- Comparable store sales<sup>1</sup> growth of 6.8% (1H FY21 15.0%)

| Comparable Store Sales Growth              |      |       |                     |
|--|------|-------|---------------------|
|  | FY22 | FY21  | 2-year <sup>2</sup> |
| 1H   | 6.8% | 15.0% | 21.8%               |
| 1 <sup>st</sup> 6 weeks of 2H <sup>3</sup> | 3.6% | 18.4% | 22.0%               |
| YTD to 9 Feb <sup>3</sup>                  | 6.1% | 15.7% | 21.8%               |

- Online sales were 23.8% of sales (up from 19.7% of sales in 1H FY21)
- Gross margin up 192 basis points to 39.3%
- Pro forma<sup>4</sup> CODB up 125 basis points to 30.2%
- Pro forma<sup>4</sup> EBITDA was \$21.8 million, up 18.6% pcp
- Pro forma<sup>4</sup> NPAT was \$12.5 million, up 16.4%. Pro forma EPS growth of 15.4%
- Statutory NPAT of \$8.1 million, up 12.2%
- Fully franked interim dividend of 6.6 cents per share, up 13.8% (1H FY21: 5.8 cents)

Baby Bunting's CEO & Managing Director, Matt Spencer said:

*"Baby Bunting had an exceptional first half in what were, again, some challenging conditions. Through great work by the Baby Bunting team, we achieved record sales and grew gross profit, without compromising value to the consumer. This contributed to a significant growth in NPAT."*

*"We operate in a less discretionary category supplying the essential needs of new and expectant parents. As such, we were pleased to keep all of our stores open for our customers during the lockdowns that occurred in the first half. Our store performance was supported by our strengthened digital offer, including click and collect and online sales."*

*"Our merchandise and supply chain teams have done a fantastic job in ensuring that we have maintained high levels of inventory during these times. We continue to focus on providing a great range of products at great value, every day."*

*"We are excited about the balance of the financial year and are working hard to drive further sustainable growth and meeting the needs of our customers."*

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

<sup>2</sup> 2-year comparable store sales growth is the aggregate of FY21 and FY22 growth rates.

<sup>3</sup> 6 weeks post half year (FY22 at 9 February 2022; FY21 as at 10 February 2021).

<sup>4</sup> Pro forma NPAT excludes employee equity incentive expenses and the significant costs associated with business transformation projects. This information is presented on a pro forma basis to better demonstrate the underlying trading performance of the business. In addition, pro forma EBITDA also excludes the impact of AASB 16 lease accounting and is presented to aid comparisons with prior periods. Further information on the reconciliation of pro forma to statutory results are contained in the Directors' Report for the half year dated 11 February 2022 and released to ASX on that date.

## **Business performance**

Baby Bunting Group Limited (Baby Bunting or the Company) today reported statutory net profit after tax of \$8.1 million up 12.2%. On a pro forma basis NPAT was \$12.5 million, up 16.4% on the prior corresponding period and pro forma EBITDA was \$21.8 million, up 18.6%.

Total sales were \$239.1 million, representing growth of 10.0% (pcp). Comparable store sales growth (which includes sales from the online store of \$56.8 million) was 6.8% for the half. On a two year basis, sales have grown impressively by 28.3% or \$52.7 million.

Gross profit for the period was \$93.9 million, an improvement of 15.6% on the prior corresponding period. Gross profit margin has improved by 192 basis points to be 39.3%.

Private label and exclusive products sales grew 25.3% to be 44.5% of total sales (1H FY21: 39.0%). There has been considerable growth in the proportion of private label and exclusive sales and Baby Bunting is tracking well to achieve its long-term target of 50% of sales coming from private label and exclusive products.

The cost of doing business (on a pro forma basis) was 30.2% of sales for the year, an increase of 125 basis points. This reflected a significant investment in the new National Distribution Centre and one-off establishment costs for New Zealand. It also includes around \$500,000 of COVID-related costs.

Store expenses as a percentage of sales remained consistent with the prior corresponding period at 19.8% of sales, a very pleasing result noting that 4 new stores were opened and 2 store relocations occurred during the half.

Online sales (including click and collect) grew 32.6% to \$56.8 million and now make up 23.8% of total sales. Click and collect grew 46.4% and made up around 59% of all online sales in catchments where Baby Bunting has a store. This means about 90% of all sales involve a customer store visit in these catchments, reinforcing the importance of stores in servicing parents' needs.

Baby Bunting has continued its digital investment in the transition to a headless architecture as the technology foundation for online and digital commerce experiences. The new architecture has been successfully deployed and is now supporting Baby Bunting's Australian online channel, in addition to being in place for the Baby Bunting's website in New Zealand.

### **Expanding store and distribution network**

New stores in Alexandria (NSW), Wagga Wagga (NSW), Shepparton (Vic) and Cairns (Qld) were opened during the half. This brings the total store numbers to 64 stores and the Company's network plan is for more than 100 stores around Australia in various formats.

The Company's online fulfilment hubs combined with a number of online fulfilment stores have successfully fulfilled over 44% of online orders during the period. This has moved the Company closer to the long-term objective of fulfilling 90% of online orders same day in metro areas.

The Company's National Distribution Centre and Store Support Centre, at Dandenong South, was operational for the entire half, having been successfully commissioned on-time in May 2021. At the double the size of its former site, the National Distribution Centre is enabling the Company to achieve better margins and provides a basis to further expand the Company's range.

### **Business initiatives and transformation**

A number of elements of Baby Bunting's transformation program have now been successful delivered.

The new headless architecture has been deployed and this is now supporting the Company's Australian website. This platform will support future online growth and improved customer experience. The roll-out of "Baby Bunting family", the new loyalty program, has also been completed.

COVID-19 continues to impact the timing of the delivery of some projects, including delaying the roll-out of the first store in New Zealand. Travel restrictions have stayed in place longer than anticipated, and the opening of the first Baby Bunting New Zealand store is expected to occur in early FY2023.

### **Dividend**

The Board has announced an interim fully franked dividend of 6.6 cents per share, an increase of 13.8% on the prior corresponding period (1H FY21: 5.8 cents per share).

### **Trading update**

As at 9 February 2022, comparable store sales growth was 6.1% year-to-date (cycling 15.7%) and 3.6% for the previous 6 weeks (cycling 18.4%).

Online sales (including click and collect) have continued strongly and were up 30.0% for the previous 6 weeks against the prior corresponding period (cycling 71.0% growth for the same time last year). For the balance of the second half, it is noted:

- Baby Bunting operates in a less discretionary category – its goods are essential in nature for new and expectant parents.
- A focus will be to leverage the new headless e-commerce architecture and to drive loyalty membership and engagement through the newly launched “Baby Bunting family” loyalty program.
- A further 2 to 3 stores are expected to open in 2H.

Due to the ongoing uncertainty caused by COVID-19 impacting market conditions, and noting conditions can change quickly, specific guidance for FY22 earnings cannot be given at this time.

### **Growth into the future**

Baby Bunting’s CEO & Managing Director, Matt Spencer said:

*“Baby Bunting remains focused on executing its strategy of growing market share. We will continue to leverage our investments in our transformation program and growing our product range including exclusive relationships with suppliers and our own private label offering. We will also expand our services business and continue to strengthen our logistics and supply chain capabilities.*

*“Given our growth over the last 2 years, we will review our store network plan to assess potential growth opportunities. Leveraging our digital headless architecture, we intend to enhance the online experience and continue to expand our range of products online.*

*“Ultimately, as the strength of our offer grows and our customer engagement increases, we will assess the broader \$5.1 billion baby goods market for future long-term growth opportunities, relative to our current \$2.5 billion addressable market.”*

### **Investor conference call**

A presentation and a discussion will be hosted by Matt Spencer (CEO & Managing Director) and Darin Hoekman (CFO) at **9.15am (AEDT) on Friday, 11 February 2022**. You may access the call by registering via:

<http://apac.directeventreg.com/registration/event/7594931>

Upon registering you will be provided with dial in numbers and a passcode.

The release of this announcement was authorised by the Board.

For further information, please contact:

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