

11 October 2022

ASX Market Announcements Office
Australian Securities Exchange

Baby Bunting Group Limited (ASX: BBN)

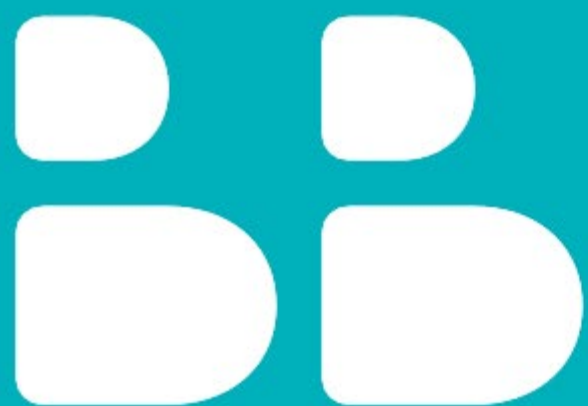
AGM presentation

Attached is a copy of the Chair's and CEO & Managing Director's presentation to be delivered at the Company's 2022 Annual General Meeting today.

The release of this announcement was authorised by the Board.

For further information, please contact:

Corey Lewis
Company Secretary
Ph: 03 8795 8169



BabyBunting

Annual General Meeting

11 October 2022

Melanie Wilson

Chair, Non-Executive Director

Matt Spencer

Chief Executive Officer
& Managing Director



Important notice and disclaimer

This document is a presentation of general background information about the activities of Baby Bunting Group Limited (Baby Bunting) current at the date of the presentation (11 October 2022). The information contained in this presentation is for general background information and does not purport to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor. These should be considered, with or without professional advice, when deciding if an investment is appropriate.

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Forward looking statements

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 2022 which includes the Directors' Report (dated 12 August 2022) contains details of the 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. These are set out in the Appendix of this document and the Directors' Report (dated 12 August 2022).

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.

For a reconciliation of the non-IFRS financial information contained in this presentation to IFRS-compliant comparative information, refer to the Appendix to this presentation.

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



BabyBunting

Supporting new & expectant
parents for over 40 years



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Melanie Wilson

Chair, Non-Executive Director



Growth Strategy – grow market share

Building to become the most loved baby retailer for every family

- 1 Investment in digital to deliver the best possible customer experience across channels and enable new business models
- 2 Investment to grow market share from our core business
- 3 Growth from new markets
- 4 Profit margin improvement

Best Team

Logistics & Supply Chain

IT and Business
Processes

Leveraging Data to
Drive Insights & Revenue



FY22 Pro Forma⁽¹⁾ Financial Highlights

Sales \$507.3m Total sales growth 8.3% Comparable store sales growth 5.0%	EBITDA⁽²⁾ \$50.5m up 16.1% vs pcp 10% of sales	EPS 22.5cps up 11.4% vs pcp
Gross Profit % 38.6% up 151 bps vs pcp	NPAT \$29.6m up 13.6% vs pcp	Full Year Dividend 15.6cps up 10.6% vs pcp Final dividend 9.0 cps
CODB⁽²⁾ 28.6% up 85 bps vs pcp Retail leverage achieved ⁽³⁾	AU NPAT \$31.1m up 20% vs pcp	ROFE⁽⁴⁾ 37.9%

1. Pro Forma financial results have been calculated to exclude certain items, which are set out in the Appendix in this document and the Directors' Report (dated 12 August 2022)

2. As measured under old lease accounting standards (pre AASB16)

3. See Slide 16 for further information

4. Return on Funds Employed – see Glossary

FY22 Operating Highlights

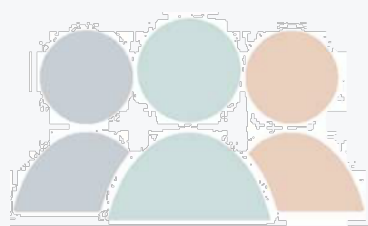
- ✓ Keeping our Team & Customers safe
LTIFR ⁽¹⁾ of 8.44 (down from 9.98)
- ✓ 4 new stores opened (plus 2 relocations & 2 refurbishments)
- ✓ 48% of online delivery orders processed through our store network
- ✓ Private Label & Exclusive Product (PLEX) sales were 45.3% of sales during FY22 (FY21: 41.4%)
- ✓ Best Buy Product sales were 37.7% of sales (FY21: 31.1%)
- ✓ Loyalty program launched
- ✓ Headless e-commerce architecture deployed
- ✓ New Zealand operations commenced
- ✓ National Distribution Centre delivered efficiencies & gross margin improvement



Sustainability Strategy

A purpose-led organisation working to create a better tomorrow

Refer to
our 2022
Sustainability
Report



Our People

FY22 progress

- LTIFR ⁽¹⁾ finished at 8.44 (down from 9.98)
- Progressing towards our gender equality target of 50% of women in leadership roles by 2030
- Paid Parental Leave policy expanded
- Employee Share Gift Offer continues – around 50% of team members are shareholders
- COVID & vaccination leave



Our Communities

FY22 progress

- \$695k raised to support our partners PANDA and Life's Little Treasures Foundation and contributions to the Red Cross flood appeals as well as in-kind donations to families in need
- Commitment to product safety with the opening of our new Wen Huang Product Testing Room
- Ongoing partnership with INPAA and commitment to infant safety



Our Planet

FY22 progress

- 4% reduction in estimated scope 2 emissions as we commence our renewable energy program and energy efficiency initiatives
- 11% of energy consumption is renewable
- Installing roof-top solar – with first store to be completed in 1H FY23
- Product stewardship schemes
- Phasing out plastic bags in stores during FY23



Baby Bunting has been a long-term partner and supporter of the Infant and Nursery Products Alliance of Australia (INPAA)

Supporting partner of the first Baby Safety Month in November 2021
We are proud to support Baby Safety Month in November 2022

1. We define a lost time injury (LTI) to be any injury that results in a team member being unable to attend their next rostered shift

Gender diversity

Our gender equality target is to have women make up 50% across all levels by 2030

- **Board:** Women comprise **50%** of the Non-Executive Directors
- **Senior Leadership Team:** **25%** of our Senior Executives are Women
- **Operations:** Women make up **58%** of all Regional/Area Managers
- **Stores:** Women make up **76%** of all Store Manager positions
- **All Team Members:** **79%** of all team members are female



Future market share growth opportunities



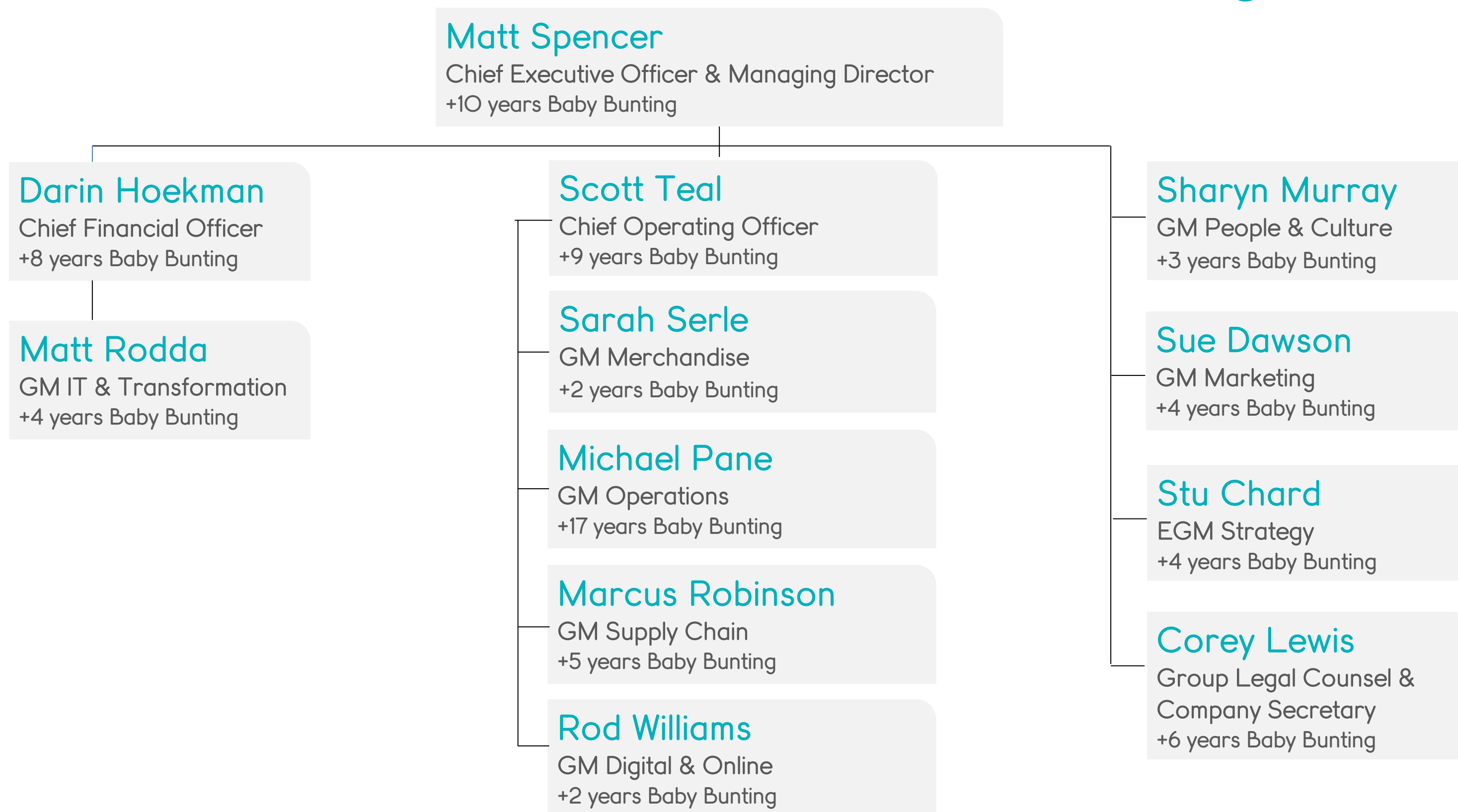
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Matt Spencer

CEO and Managing Director



Stable executive team with extensive retail experience

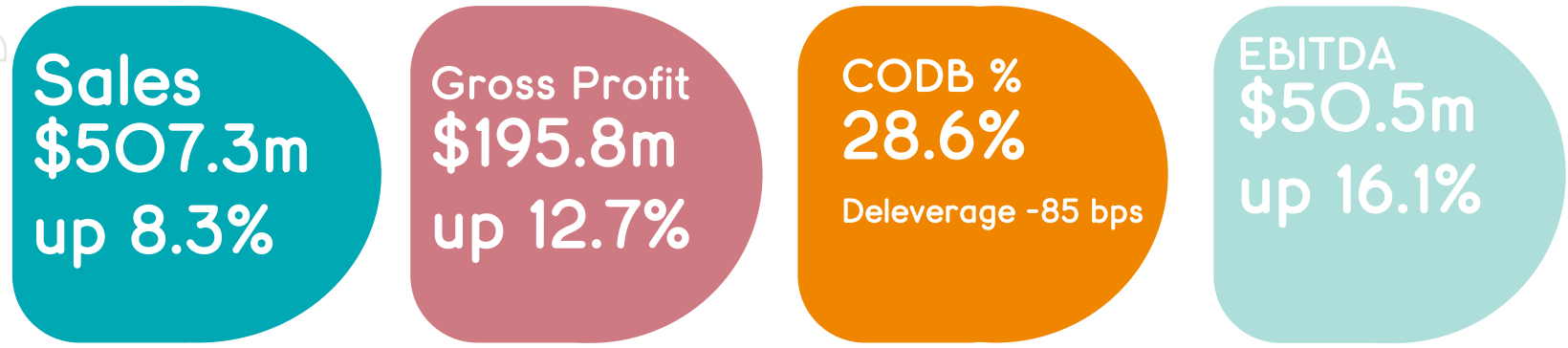


Executing on our FY22 operational plan & growth priorities

- ✓ Expanded our store network by 4 stores, now with a plan to grow our network to 110+ AU stores (10+ NZ)
- ✓ New Zealand operations commenced, opened our first store in Auckland (Aug '22) and expanded our online offer
- ✓ Grew gross margin without compromising on value
- ✓ Investment in Private Label & Exclusive Products
- ✓ Completed assessment of our expanded Total Addressable Market opportunity, including development of a Marketplace
- ✓ Investing in digital to transform the customer experience
- ✓ New loyalty program to build lifetime engagement and spend



Market share growth continues



All amounts presented on a pro forma basis and pre-application of AASB16 ⁽¹⁾

Sales grew 8.3% to \$507m

- Comparable store sales growth of 5.0%
- 25.2% increase in total sales over a two year period
- **Online sales** (including Click & Collect) grew 24.2% vs pcp, making up 22.2% of total sales (up from 19.4% pcp)

Gross Profit % up 151 bps, now 38.6%

- Supply chain investment in National DC (NDC) underpins GP growth
- ~80% of sales flowed through the NDC (FY21 ~72%), target 90%
- **Private Label & Exclusive Products** were 45.3% of sales

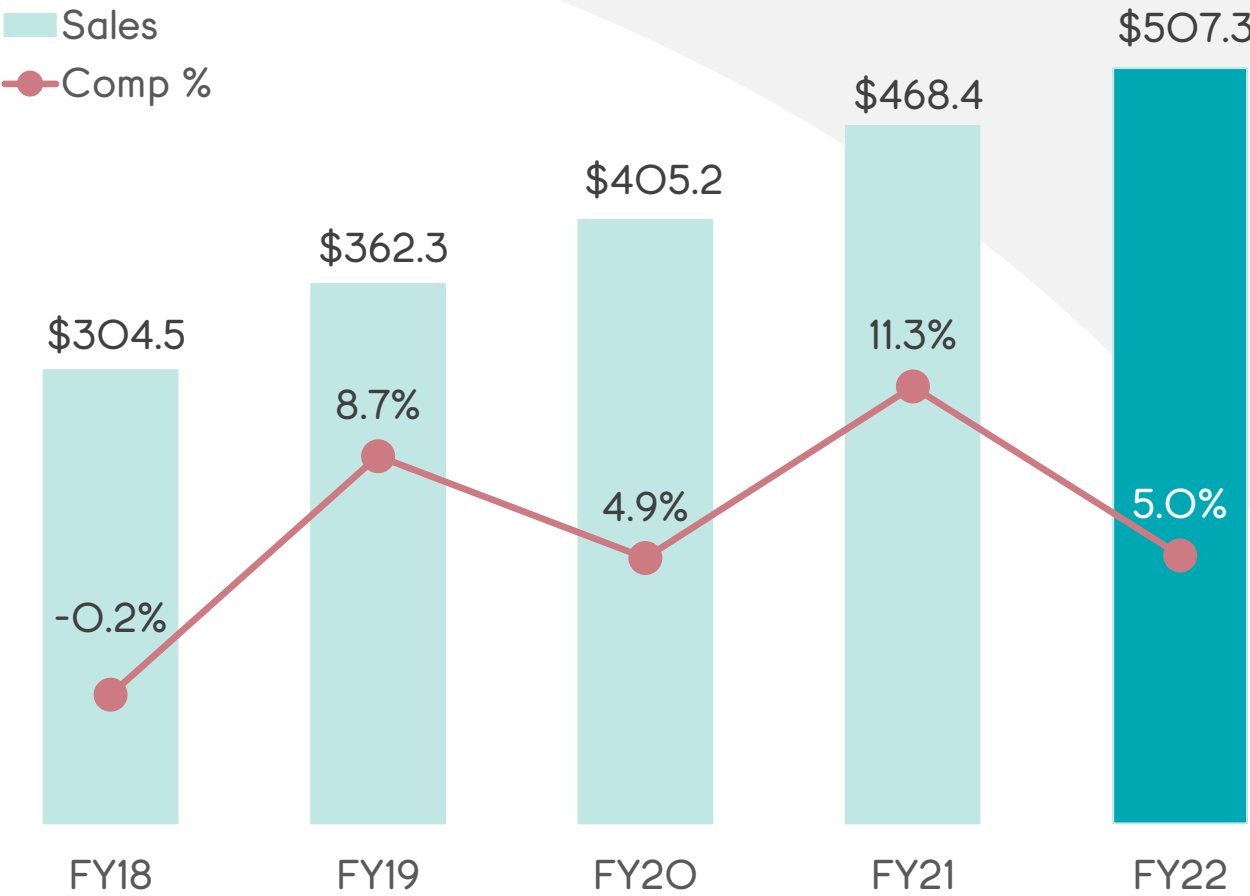
CODB of 27.8%, deleverage of 85 bps vs pcp

- Retail store efficiencies delivered leverage of 17 bps
- New DC impact of ~40 bps, contributing to GP gains
- ~\$1.5m investment in NZ start-up costs ~30 bps impact

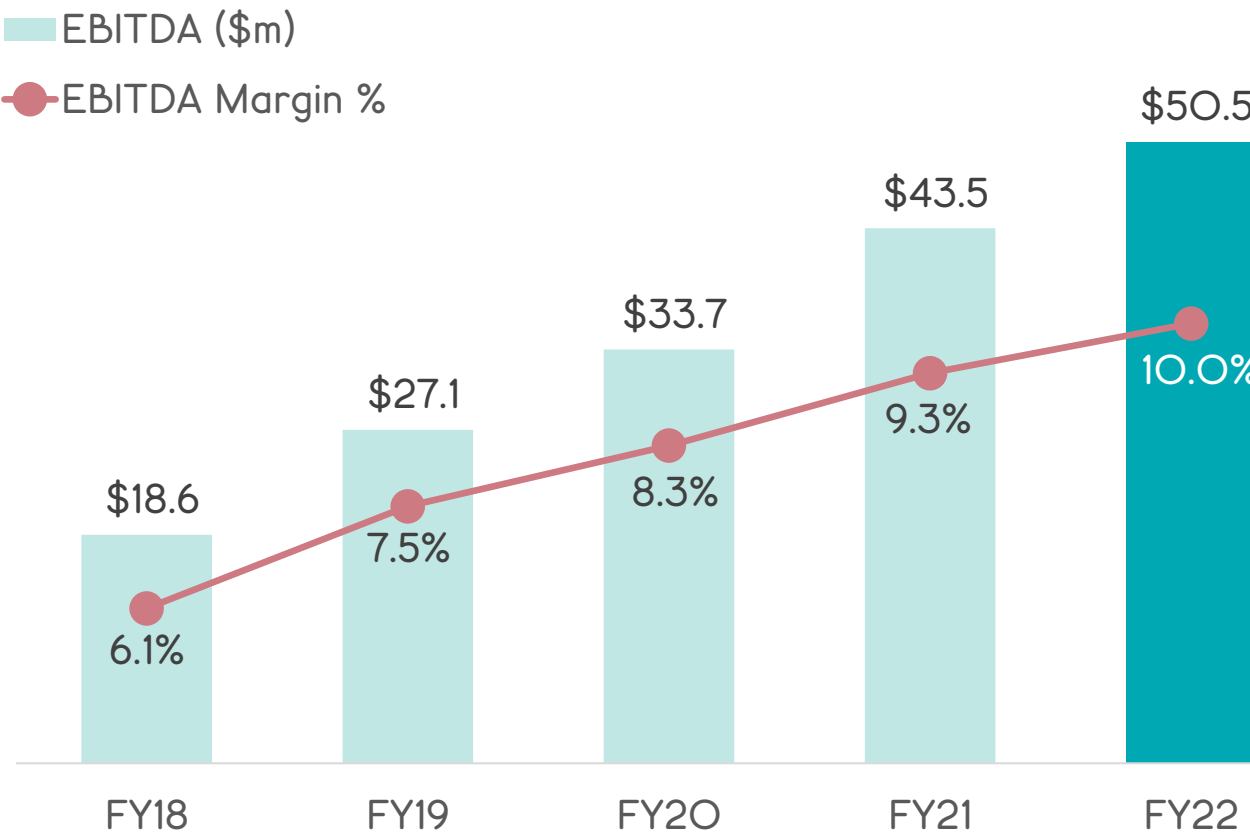
EBITDA growth of 16.1% vs pcp

- Long-term EBITDA margin goal of 10% achieved

Sales (\$m)



EBITDA (\$m)



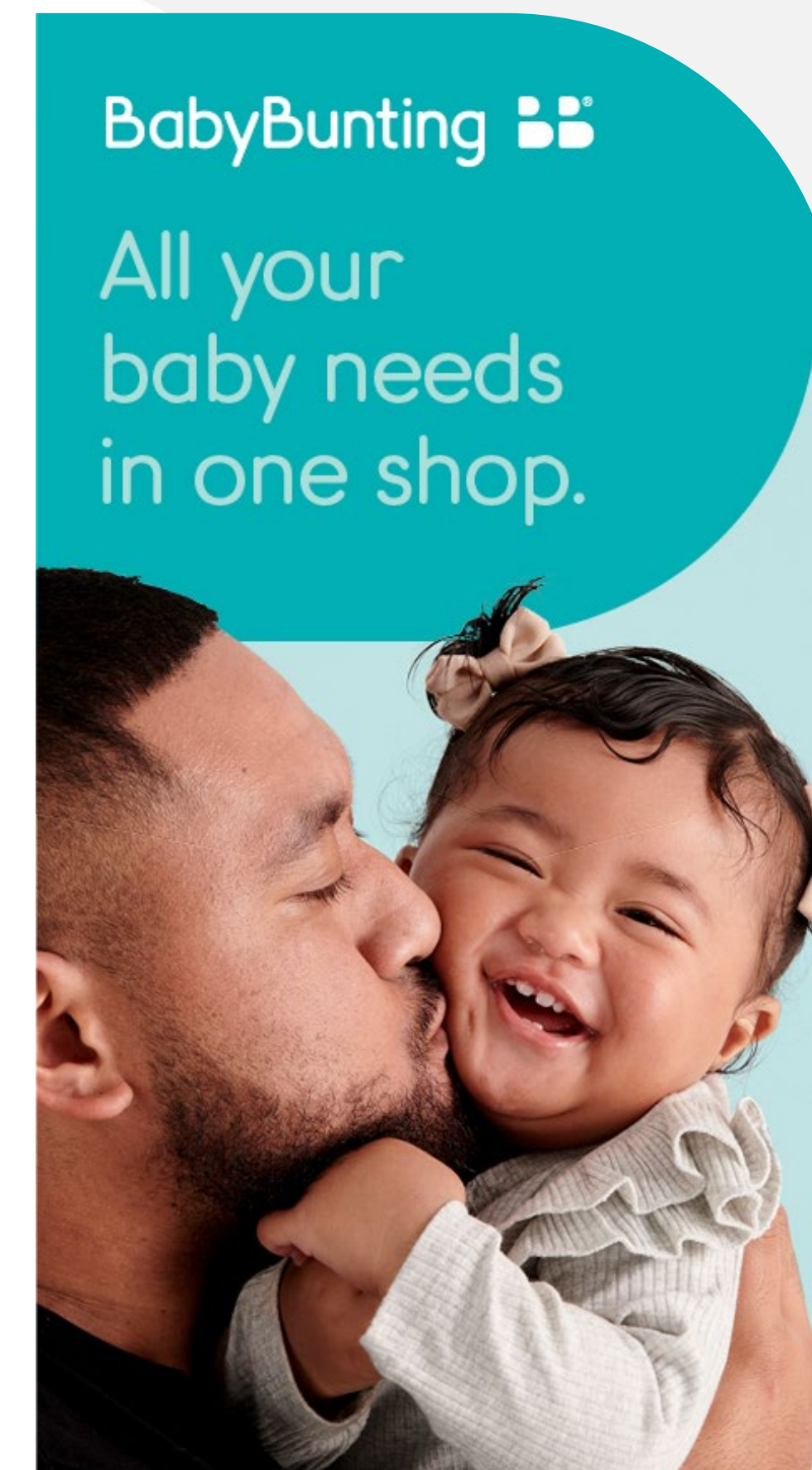
1. Pro Forma financial results have been calculated to exclude certain items, which are set out in the Appendix in this document and the Directors' Report (dated 12 August 2022)

Supporting New Zealand parents with a local team

Now open for business

NZ\$45Om+ addressable market opportunity

- First store opened in Auckland
- Second store opening in Christchurch (Q3 FY23)
- Local website launched with local pricing and fulfilment
- Now fulfilling online orders direct from our 5,000 sqm Auckland DC
- Online sales up 71% vs pcp year-to-date in FY23
- One-off establishment spend of ~A\$1.5m in FY22 and a further ~A\$0.4m in Q1 FY23
- Tailored range for the New Zealand market



Transformation program⁽¹⁾ delivering long-term benefits

AGM Presentation 2022

Project	Project features		Status
Acquisition of Services Business	137,000 car seat installations: 27% CAGR since acquisition - Platform for future B2B growth	Successful launch of capsule & breast pump hire business	✓
Brand modernisation	- Roll-out of new brand completed Aug 2020 - Unaided brand awareness now 88%	Supporting connection to today's new & expectant parents	✓
Headless E-Commerce Architecture	- Best of breed technical stack deployed Feb 2022 - Platform for future digital innovation	Improved customer experience, with significant improvement in conversation rate	✓
Merchandising systems	- Improved availability - Agile inventory planning and forecasting	Better stock management reducing inventory write-downs	✓
Data & Analytics	- Leveraging data to enable better decision making - Laying the foundation for machine learning / advanced data science	Improved data warehouse, reporting & analysis tools	✓
National Distribution Centre	- Centralised stock management and improved stock availability - Improved operational efficiencies – better picking & packing	Increase gross profit through FOB purchasing & transition of DTS deliveries	✓
Loyalty	- Greater customer intimacy and personalised offers - Increase lifetime value & frequency spend	Leveraging our customer database for customer behavioural insights	✓
People Systems	- Speed to recruit & on-boarding and smarter rostering - Improving communications, learning & development	Payroll compliance	Payroll now live! ✓ Time & Attendance to be completed in FY23
Advanced Order Management	- Activating new online delivery options to improve conversion - Improved online order routing	Enabling online range expansion	Anticipated go live FY23
ERP/POS	- Replacement of ERP & in-store POS - Deliver in-store & HO administrative efficiencies	Modernise technologies and introduce multi-currency capability	Deferred to FY23/24 to prioritise Marketplace

1. Our transformation program was defined back in FY18, it is made up of a number of large, one-off investments to modernise systems, brand & supply chain

FY23 Operating Priorities

Delivering growth in uncertain times

- › Continue to pursue **market share growth**
- › Restore **gross margin** performance in a high inflation environment
- › Progress the **Transformation** program
- › Launch Baby Bunting **Marketplace**
- › Grow our **Online** range
- › Expand our **Every Day Low Price** (Best Buy) program
- › Invest in our **Private Label & Exclusive Product** ranges
- › Harnessing the benefits of our new **Loyalty** program
- › Open 8 **new stores**, 6 in Australia + 2 in NZ



Future market share growth opportunities



Commitment to value

Lowering the cost of parenting

- Expand our **Every Day Low Price (Best Buy)** ranges
- In Q1 FY23, we transitioned Cots & Furniture and Carry departments to **Every Day Low Prices**
- **Every Day Low Price (Best Buy) Product sales** were 37.7% of sales during FY22 (FY21: 31.1%). Now just over **50% of sales year-to-date**
- **'Our Price Promise'** – 5% Price Beat
- Reinvestment of **Supply Chain** efficiencies into Price
- Investment in **Private Label & Exclusive Products** (45.5% of sales year-to-date)



Trading update

As at 7 October 2022, year-to-date sales continue to grow:

- **total sales growth** of 12.0%, cycling 2.1% last year
- **total transaction growth** of 15.2%
- **comparable store sales growth** of 7.6% cycling negative 0.9% last year
- **online sales** 19.6% of sales (28.6% pcp)

Q1 gross profit % down 230 bps vs Q1 FY22

PF NPAT for Q1 was \$3m below Q1 FY22

Inventory levels are well-controlled

Opened **3 new stores** in Q1 (Burnside (Vic), Hornsby (NSW) and Albany (NZ))

Looking ahead

Plans in place to address the first half impacts and recover earnings over the full year.

We plan to open a further 5 new stores in FY23 (4 AU + 1 NZ).

Elements affecting Q1 margin performance:

- maintained entry price points to demonstrate value to our customers
- competitor pricing impact on top selling items
- some input costs rose quicker than retail prices; e.g. domestic freight (~70 bps) and FX rates (~20 bps)
- playgear category impacted ~60 bps relative to performance during COVID lockdowns in FY22
- loyalty program (introduced Q2 FY22) performed incredibly well, delighting our customers resulting in higher than anticipated redemptions. This reduced gross margin % ~60 bps more than expected in Q1 FY23

Appendices



Appendix 1: Statutory - Pro Forma Income Statement Reconciliation

FY2022				FY2021			
	Statutory FY22	Add Pro Forma Adj ⁽¹⁾	Pro Forma FY22	Statutory FY21 Restated	Add Pro Forma Adj ⁽¹⁾	Pro Forma FY21 Restated	
\$ million							
Sales	507.3		507.3	468.4		468.4	
Cost of sales	(311.5)		(311.5)	(294.7)		(294.7)	
Gross Profit	195.8		195.8	173.7		173.7	
Other Income	0.0		0.0	2.5	(2.4)	0.1	
Store expenses	(69.4)		(69.4)	(64.7)		(64.7)	
Marketing expenses	(8.2)		(8.2)	(7.0)		(7.0)	
Warehouse expenses	(7.0)		(7.0)	(5.4)		(5.4)	
Administrative expenses	(39.4)	9.3 ^(a)	(30.1)	(34.5)	8.2	(26.3)	
Project Expenses	(4.7)	4.7 ^(b)	0.0	(7.4)	7.4	0.0	
EBITDA	67.0	14.0	81.0	57.1	13.2	70.3	
Depreciation and amortisation	(31.8)		(31.8)	(28.9)	0.9	(28.0)	
EBIT	35.3	14.0	49.3	28.2	14.1	42.3	
Net finance costs	(7.0)		(7.0)	(5.7)		(5.7)	
Profit before tax	28.3	14.0	42.3	22.6	14.1	36.6	
Income tax expense	(8.8)	(3.9) ^(c)	(12.7)	(5.5)	(5.1)	(10.6)	
Net profit after tax	19.5	10.1	29.6	17.0	9.0	26.0	

1. Pro forma financial results have been calculated to exclude the following items (refer Directors' Report (dated 12 August 2022) for further detail):
- a) amortisation of performance rights (LTI) on issue (\$8.6m) and the associated payroll tax and shares issued under the General Employee Share Plan with no monetary consideration (\$0.8m)
 - b) transformation project expenses relating to:
 - a) assessment and when necessary, replacement of core information technology systems. During the year, the Company incurred \$3.2m of non-capital costs associated with the implementation of an order fulfilment system, Loyalty system, people systems & digital technology assets
 - b) Other transformation project expenses including external consultant costs associated with project management to deliver the transformation projects (\$1.4m)
 - c) Tax impact from pro forma adjustments includes income tax benefit relating to performance rights vesting under the Company's Long Term Incentive Plan (\$2.3m)

Appendix 2: AASB 16 Transition Impact - Pro Forma Income Statement

FY2022					FY2021				
	Pro Forma FY22	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY22	Pro Forma FY21 Restated	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY21 Restated	
\$ million									
Sales	507.3			507.3	468.4			468.4	
Cost of sales	(311.5)			(311.5)	(294.7)			(294.7)	
Gross Profit	195.8			195.8	173.7			173.7	
Other Income	0.0			0.0	0.1			0.1	
Store expenses	(69.4)		(27.1)	(96.6)	(64.7)		(25.3)	(90.0)	
Marketing expenses	(8.2)			(8.2)	(7.0)			(7.0)	
Warehouse expenses	(7.0)		(3.0)	(10.0)	(5.4)		(1.2)	(6.7)	
Administrative expenses	(30.1)		(0.4)	(30.5)	(26.3)		(0.2)	(26.5)	
Project Expenses	0.0			0.0	0.0			0.0	
EBITDA	81.0	0.0	(30.5)	50.5	70.3	0.0	(26.8)	43.5	
Depreciation and amortisation	(31.8)	25.6		(6.2)	(28.0)	22.3		(5.7)	
EBIT	49.3	25.6	(30.5)	44.3	42.3	22.3	(26.8)	37.8	
Net finance costs	(7.0)	6.1		(0.9)	(5.7)	4.7		(0.9)	
Profit before tax	42.3	31.7	(30.5)	43.5	36.6	27.0	(26.8)	36.9	
Income tax expense	(12.7)	(9.5)	9.2	(13.1)	(10.6)	(8.1)	8.0	(10.7)	
Net profit after tax	29.6	22.2	(21.4)	30.4	26.0	18.9	(18.7)	26.2	

Glossary

Comparable Store Sales Growth	Calculated as a percentage change of the total sales generated from stores (including the online store) in a relevant period, compared to the total sales from the same set of stores in the prior financial year, provided the stores were open at the beginning of the prior financial year
Cost of Doing Business (CODB)	Includes store, administrative, marketing and warehousing expenses (excluding pre AASB 16 depreciation and amortisation)
PLEX	Private Label & Exclusive Products
Exclusive Products	Products sourced by Baby Bunting for sale on an exclusive basis (so that those products can only be purchased in Australia from Baby Bunting stores). Historically, exclusive supply arrangements have been arranged with suppliers in relation to selected products and for varying lengths of time
Private Label	Products sold by Baby Bunting under its own brand (Baby Bunting currently markets its private label products under the "4baby", "Bilbi" and "JENGO" brand names)
Return on Average Funds Employed (ROFE)	Return on average funds employed (ROFE) is calculated as pro forma EBIT (pre AASB 16) for the previous 12 months as a percentage of average (opening, mid and closing) funds employed. Total funds employed is net assets excluding net debt and net tax balances
Return on Invested Capital (ROIC)	Return on Invested Capital is calculated as store EBITDA (pre AASB 16) divided by end-of-period cumulative store capital expenditure plus end-of-period store net inventory and an allocation of warehouse net inventory based on the number of stores open. Year 1 and Year 2 Return on Invested Capital is based on the first and second full twelve month trading periods that the store has been open