BabyBunting

# FY24 Investor Presentation

Mark Teperson, CEO

Darin Hoekman, CFO

20 August 2024

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**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).

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.

# Executing on the plan

Business initiatives and revised go-to-market strategy starting to deliver



**FY24 results**

- **Pro Forma[1] NPAT $3.7m** (FY24 guidance $2m–$4m)
  Statutory NPAT of $1.7m
- **Q4 Gross Profit %** was 37.3%, up 19 bps vs pcp

**Disciplined capital management**

- **Cash conversion** from operations **86%**, up 430 bps vs pcp
- **Inventory productivity**
  $7m reduction in comparable stores' inventory year-on-year
- **Net Debt finished at $13.0m** (last year $6.2m)
  Renewal of debt facility & banking covenants in compliance
- To support future growth, no final dividend will be paid

**FY25 trade update**

**Recent trade continues to improve**

- First 7 weeks of trade delivered +3.5% total sales growth & +2.0% comp growth
- **Range innovation** featuring strongly in our best performing sub-categories

**On track to deliver targeted 40% gross margin for FY25**

- **Trading terms renegotiations materially progressed** June-July
- **July 2024 gross margin % was up 180 bps vs pcp** driven by simplified pricing architecture and removal of Loyalty Spend & Earn in Q4 FY24
- **FY25 capital expenditure of $10m - $13m** expected to be fully funded through operating cashflow
- **New store design** is on time and on target for Q3 FY25 opening

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 20 August 2024).

# FY24 Operating summary

1. 4 new stores opened – 1 in AU and 3 in NZ. Closure of Camperdown (Q2 FY24) at end of its lease
2. Changed our **go-to-market strategy** through 2H FY24 including ramp up in performance & social marketing and resetting promotional program
3. Scaled up **online fulfilment** from all stores (completed Q4 FY24), making all inventory available to customers online ahead of on-demand delivery to be launched in Q2 FY25
4. **Retired Spend & Earn** from our Loyalty program in Q4 FY24 (annualised benefit of +150 bps), part of simplifying our pricing architecture
5. **Operational cost management** – efficiency gains in stores & Distribution Centre labour offset the 5.75% wage increase
6. **Working capital management** delivered $7m reduction in comparable stores' inventory, improving both age and quality of inventory
7. **Renewed NAB debt facility** of $70m to Sep '27 with existing pricing maintained
8. Commenced **store re-design** with The General Store in Q4 FY24 and anticipate first cohort of refurbished stores in market in Q3 FY25
9. Executed **cost-out initiatives** at Store Support Centre in Q1 FY24 to deliver $3m of savings vs pcp
10. **Investment in capability** – key executive appointments of new Chief Customer & Data Analytics Officer (commenced Q3 FY24) and General Manager of Supply Chain (commencing end of Q1 FY25)

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# Financial Summary

FY24 Investor Presentation

# Sales performance

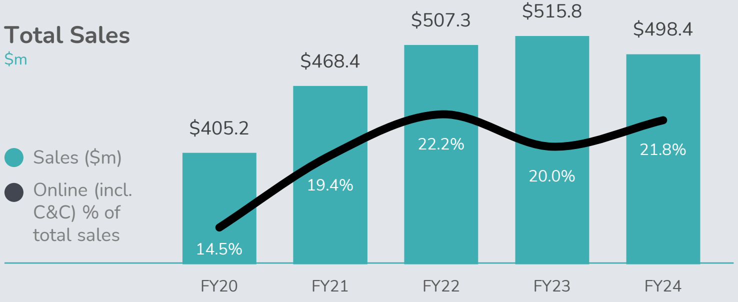
## We continue to experience tough trading conditions with an improved trend through Q4 and into FY25

On the back of significant changes to our go-to-market execution through FY24, sales performance improved through 2H:

- **Comparable sales of -6.3%,** improved from 1H of -7.0% to -5.6% in 2H (noting comp -0.7% in May-June)
- **4 new stores opened** (and closure of Camperdown (NSW) in Dec '23), as well as annualisation of 7 stores opened in FY23
- **New Zealand** sales of $11.0m (up from $5.4m in FY23)
  - sales momentum continues in this new market as we roll-out stores and invest in brand awareness
- **Online sales** (including Click & Collect) grew 5.6% vs pcp and now makes up 21.8% of total sales (20.0% pcp):
  - **Online fulfilment from stores** now makes up ~70% of all online delivery orders processed, ahead of on-demand delivery services (Uber) to be introduced Q2 FY25
  - First full year of **Marketplace** delivered $3.1m in GMV from 3P orders – proving to be a capital-efficient and effective incubation channel for new brands and categories

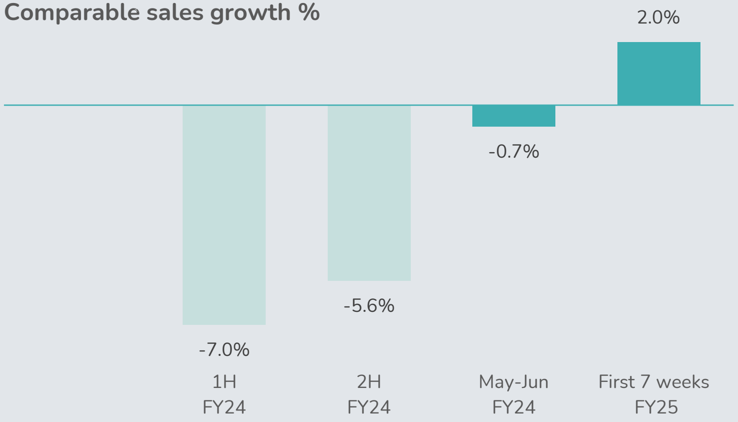


**Total Sales**
$m




| | FY20 | FY21 | FY22 | FY23 | FY24 |
|---|---|---|---|---|---|
| Comp Growth | 4.9% | 11.3% | 5.0% | -3.6% | -6.3% |
| No. of Stores | 56 | 60 | 64 | 71 | 74 |

**Comparable sales growth %**



# Profit & loss

## FY24 Pro Forma Income Statement

| $ million | Pro Forma FY24 | Pro Forma FY23 | Change |
|---|---|---|---|
| **Sales** | **498.4** | **515.8** | **-3.4%** |
| Comp growth % | -6.3% | -3.6% | |
| Cost of sales | (314.7) | (322.8) | |
| **Gross Profit** | **183.7** | **192.9** | **-4.8%** |
| Gross Profit Margin | 36.8% | 37.4% | |
| **Cost of doing business**[1] | **(167.7)** | **(161.7)** | **3.7%** |
| Cost of doing business % | 33.6% | 31.4% | |
| **EBITDA**[1] | **15.9** | **31.2** | **-48.9%** |
| EBITDA margin % | 3.2% | 6.0% | |
| Impact of AASB 16 application | | | |
| - Reverse operating leases expenses | 37.4 | 34.3 | |
| - Add ROU Asset Depreciation & Interest | (37.0) | (35.6) | |
| Depreciation - Plant & Equipment | (8.7) | (7.7) | |
| Finance costs - Borrowings | (1.9) | (1.7) | |
| **Profit before tax** | **5.7** | **20.5** | |
| Income tax expense | (2.0) | (6.0) | |
| **Net profit after tax**[2] | **3.7** | **14.5** | **-74.7%** |
| Net profit after tax margin % | 0.7% | 2.8% | |

Notes: 1. Pre AASB 16 application (ie. excluding the impact of lease accounting). 2. Post AASB 16 application

**Commentary**

**Total sales of $498.4m, down 3.4% vs pcp**, driven by comparable store sales decline of 6.3%

**Gross margin %** of 36.8%, declined by 56 bps vs pcp driven by competitor discounting in key hard-good categories and sell-through of less productive inventory lines

**CODB[1] $167.7m**, increased by $6.0m vs pcp (now 33.6% of sales) noting:

- **Store expenses** up $7.7m vs pcp driven by new and annualising stores ($7.3m), with 5.75% wage inflation offset by labour productivity initiatives
- **Administrative expenses** down $3.0m vs pcp driven by Store Support Centre cost-out initiatives executed in Jul '23

**FY25 focus is on gross margin improvement and non-people cost reductions**

# Financial position

Renewed $70m NAB debt facility demonstrates NAB's support and provides us sufficient headroom to execute our growth strategy

| $ million | Statutory FY24 | Statutory FY23 |
|---|---|---|
| Cash & cash equivalents | 9.5 | 5.0 |
| Inventories | 94.4 | 98.0 |
| Plant and equipment | 27.1 | 29.5 |
| Goodwill & Intangibles | 53.1 | 52.2 |
| Right of Use assets | 131.3 | 143.9 |
| Other assets | 16.8 | 15.3 |
| **Total Assets** | **332.2** | 343.9 |
| Payables | 47.7 | 51.5 |
| Borrowings | 22.6 | 11.2 |
| Lease liability | 152.8 | 164.4 |
| Provisions | 7.8 | 8.9 |
| Income Tax Payable | 0.6 | 0.0 |
| **Total Liabilities** | **231.6** | 236.0 |
| **Net Assets** | **100.6** | 107.9 |
| **Net Cash / (Debt)** | **(13.0)** | (6.2) |
| **Return on Funds Employed** | **6.4%** | 20.0% |
| **Banking covenant ratios** | | |
| Operating Leverage | **0.8** | 0.4 |
| Financial Charge Cover | **1.7** | 2.0 |

Commentary

- **Inventory well managed**, $7.0m reduction in comparable stores' inventory offset by a $3.4m investment in new stores. This has delivered an improvement in the age and quality of our inventory
- **Right of Use assets and associated lease liabilities** decrease, as the property lease profile matures and half-way through their lease term despite 4 new stores opened during the year
- Net debt balance of $13.0m with a **renewed $70m NAB debt facility** to September 2027 with existing pricing maintained

**FY25 focus is on further work to continue to improve the age and quality of our inventory**

# Cash flow

Improved cash conversion ratio through disciplined capital management

| $ million | FY24 | FY23 |
|---|---|---|
| **EBITDA[1]** | **15.9** | **31.2** |
| Movement in working capital | 1.4 | (1.0) |
| Tax Paid | (2.2) | (4.7) |
| Restructuring costs | (1.4) | - |
| **Net cash flow from operating activities** | **13.7** | **25.5** |
| *Cash conversion ratio* | *86.0%* | *81.7%* |
| New store capex | (4.6) | (3.7) |
| Capex - other | (4.0) | (4.8) |
| Transformation program investments | | |
| - capex | - | (0.3) |
| - non capital | (0.9) | (4.7) |
| **Net cash flow from investing activities** | **(9.5)** | **(13.5)** |
| **Free cash flow** | **4.2** | **11.9** |
| Dividends paid | (8.9) | (15.6) |
| Borrowings (net) | 11.2 | (1.7) |
| Finance costs – borrowings | (1.9) | (1.9) |
| **Net cash flow** | **4.5** | **(7.2)** |

Note: 1. Pre AASB 16 application (ie. excluding the impact of lease accounting)

Commentary

**Cash conversion ratio** improved to 86.0% demonstrates well managed working capital despite tightened trading conditions

**Investment expenditure** of $9.5m includes investments in:

- $4.6m on 5 new stores (including Maroochydore to open in Q1 FY25)
- $4.0m investment in ongoing store and IT/Digital capex
- $0.9m to complete people systems upgrade

**Dividends**

- FY23 final dividend of 4.8 cents per share paid in September 2023 and FY24 interim dividend of 1.8 cents per share paid in March 2024
- **To support future growth, no FY24 final dividend will be paid**


The best start for
the brightest future

# 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.

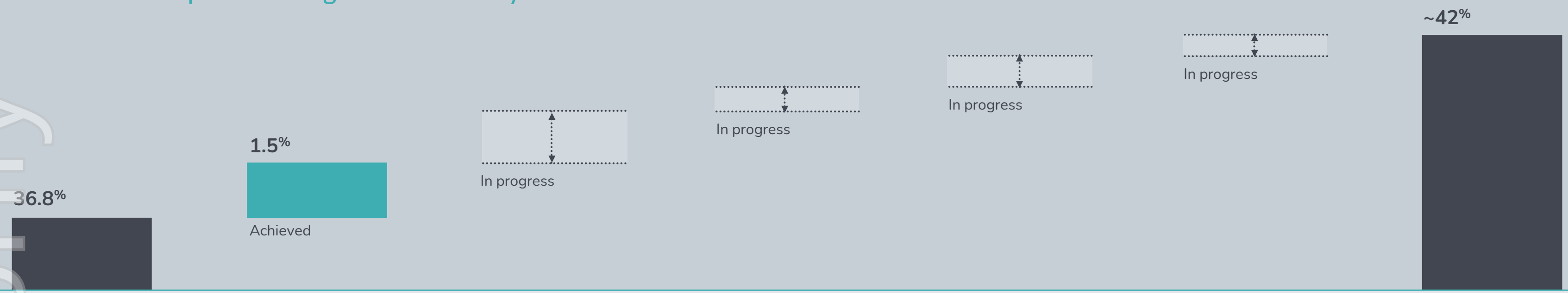
## Delivering shareholder value

| | | |
|---|---|---|
| 1 Grow Market share | Strengthen market position | • Leverage our strength in nursery essentials (hard goods)<br>• Capitalise on significant opportunity in soft goods market through our market leading hard goods offer |
| 2 Grow EBITDA | Grow gross margin | • Clear path to grow gross margin to +40%<br>• Disciplined review of Cost of Doing Business |
| | Focused media/marketing strategy | • Leverage significant customer data to provide renewed and targeted retail experience<br>• New revenue streams from media opportunity |
| 3 Grow Return on invested capital | Optimised property strategy with greater discipline | • Progress roll-out of +40 stores in identified catchments<br>• Refresh / optimise old-format stores |
| | Self-funded growth | • Disciplined balance sheet management to fund growth initiatives with operating cashflows |

Returning to growth | Grow EBITDA

# 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

- ✓ Completed actions
- ◌ In progress

**Simplify price architecture**
- ✓ Retired Spend & Earn from the Loyalty Program in Q4 FY24 - annualised 150 bps of margin benefit

**Trading terms**
- ✓ Terms agreed with several key suppliers with margin benefits starting to flow
- ◌ Negotiations continuing through Q1 with remaining supplier base

**Amplify exclusive brands**
- ✓ **New**: exclusivity agreements for Nuna products in AU (FY24-FY29) and Bugaboo products in NZ (FY24-FY27)
- ◌ Progressing opportunities with other exclusive brands

**Scale private label**
- ◌ Multi-year program for hard and soft goods

**De-range underperforming brands & products**
- ✓ Targeted clearance programs underway to efficiently reduce aged inventory ahead of new ranges

Strategic Priorities

# Our Progress

Growth objectives

Deliverables

1

**Grow Market share**

**Enhance customer experience**

**Market leading products**

**Exceptional experiences**

**Best-in-class services**

**Data & Analytics**

We presented our growth plan in June 2024. The following represents progress that has been made in the last 7 weeks

### Market leading products

**New brands launched**

July ‘24: Bibs, Subo & Bunjie launched and performing well

Sep ‘24: 5 new premium prams to launch

**Marketplace**

17,000 products online with 90 3P sellers now active

### Exceptional experiences

**Store experience**

Design work on track with The General Store - final store design plans anticipated by Nov ’24

**Omni-channel**

Agreement signed with Uber for same day delivery

Testing to commence in late Sept

### Best-in-class services

**1-on-1 personalised appointments**

**Pram Cleaning Services**

Pilots being developed to be deployed early in Q2 FY25

### Data & Analytics

Requirements for new **Loyalty program** being developed with design and testing to proceed in 2H FY25

Completed actions

In progress

Strategic Priorities

# Our Progress

Growth objectives

Deliverables

**2 Grow EBITDA**

**Drive platform leverage**

## Gross Margin

- ✔ **Trading terms**

  Negotiations with key suppliers progressing with annualised margin increased in line with plan
- ✔ **Exclusive Brands**

  Progressing opportunities with other exclusive brands
- ✔ **Private Label**

  New JENGO prams recently launched

## Media business

- ✔ Sonder Media engaged to **undertake audit** and valuation of our stores & digital assets to be delivered in Sep '24
- ◌ Planning underway for development of **media rate card**

## New Zealand profitability

- ✔ **Trading terms** updated for key NZ suppliers
- ✔ Dedicated New Zealand **marketing, merchandise and supply chain** resources
- ◌ **Review** underway of New Zealand supply chain and distribution network

## Operating leverage

- ◌ Lowering **variable costs**
- ◌ Leverage **systems investments**
- ◌ Simplify **operating structure**

We presented our growth plan in June 2024. The following represents progress that has been made in the last 7 weeks

✔ Completed actions

◌ In progress

Strategic Priorities

# Our Progress

Growth objectives

Deliverables

3

**Grow**
**Return on invested capital**

**Disciplined capital management**

**Network growth**

- ✔ **Grow store network**

  Maroochydore (QLD) Aug '24

  Belmont (WA) in Q2 FY25 & Westgate (NZ) in Q4 FY25

- ✔ First **small format store** location secured, expected opening Q4 FY25

**Refurbish existing store network**

- ✔ First 3 stores to be **refurbished** in new store format have been identified

**Inventory productivity**

- ✔ **New inventory productivity benchmarks** being deployed across the business with an ongoing focus on delivering improvements in category and brand performance

**Re-platforming ERP/POS**

- To be progressed in FY26

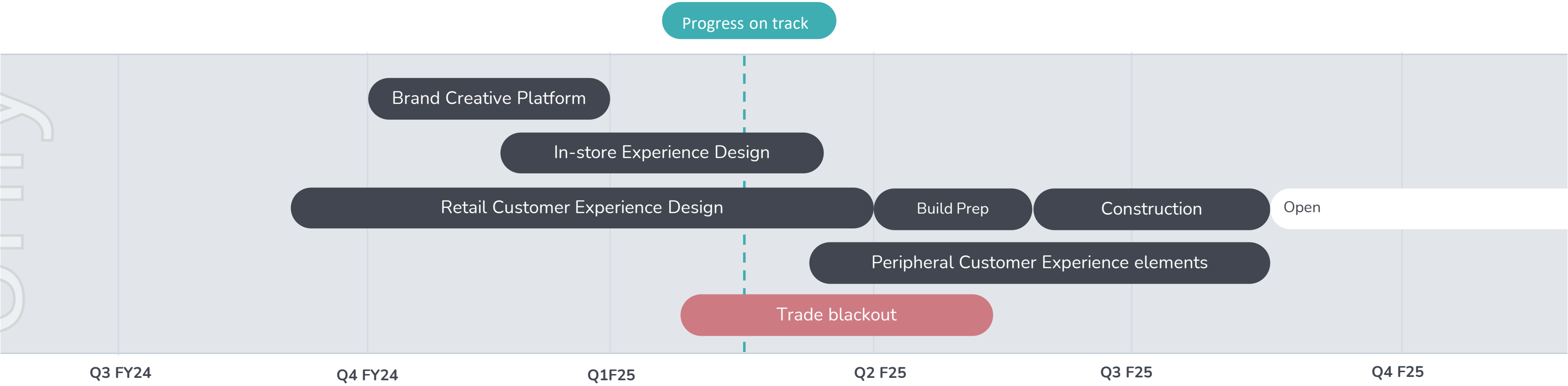
We presented our growth plan in June 2024. The following represents progress that has been made in the last 7 weeks

✔ Completed actions

In progress

# 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 late 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

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# FY25 Outlook

FY24 Investor Presentation

# FY25 capital investment & store roll-out

$10m to $13m of capex fully expected to be fully funded from operating cashflow

| FY25 capital investment program to include: | Status | Capex |
|---|---|---|
| **3 large format stores committed** | 2 AU, 1 NZ (timing Q1, Q2, Q4) | $2.4m - $3.0m |
| **3 refurbishments of existing stores** (new format) | New format into market – targeting late Q3 trading | $2.4m - $3.0m |
| **Targeting opening 3 small format stores** | First small format location identified, lease expected to signed shortly | $0.9m - $1.5m |
| **Ongoing store and IT capex spend** | | $3.0m - $4.5m |
| **Digital architecture spend** | | $1.0m |
| **Total** | | **$10m - $13m** |

# FY25 Outlook

Stabilising the business and returning to positive earnings growth

## FY25 trade update

**Recent trade continues to improve**

**First 7 weeks of trade**[1] is **+3.5% total sales growth** and **+2.0% comp sales growth**

- **Range innovation** featuring strongly in our best performing sub-categories

**On track to deliver targeted 40% gross margin for FY25**

- **Trading term renegotiations materially progressed** though June – July
- **July 2024 gross margin %** was up 180 bps vs pcp driven by simplified pricing architecture and removal of **Loyalty Spend & Earn** in Q4 FY24

## Outlook

FY25 pro forma NPAT expected to be in the range of **\$9.5m to \$12.5m**, based on expectation that:

- comparable store sales growth in the range of 0% to 3%
- gross margin of 40%
- cost of doing business increases in FY25 include new & annualising store costs, wage inflation of 3.75% and additional roles & marketing to support strategy execution
- capital expenditure of \$10m - \$13m fully funded through operating cash flow

Outlook assumes no significant changes in economic and retail trading conditions, and no significant increases in sea freight expense

1. 1 July to 18 August 2024

# Growth plan

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

## Delivering shareholder value

### 1 Grow Market share

**Strengthen market position**

- Leverage our strength in nursery essentials (hard goods)
- Capitalise on significant opportunity in soft goods market through our market leading hard goods offer

### 2 Grow EBITDA

**Grow gross margin**

- Clear path to grow gross margin to +40%
- Disciplined review of Cost of Doing Business

**Focused media/marketing strategy**

- Leverage significant customer data to provide renewed and targeted retail experience
- New revenue streams from media opportunity

### 3 Grow Return on invested capital

**Optimised property strategy with greater discipline**

- Progress roll-out of +40 stores in identified catchments
- Refresh / optimise old-format stores

**Self-funded growth**

- Disciplined balance sheet management to fund growth initiatives with operating cashflows

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# Appendix

Appendix One

# Statutory to Pro Forma Income Statement Reconciliation

| | FY24 | | | FY23 | | |
|---|---|---|---|---|---|---|
| $ million | Statutory FY24 | Add Pro Forma Adj[1] | Pro Forma FY24 | Statutory FY23 | Add Pro Forma Adj[1] | Pro Forma FY23 |
| **Sales** | **498.4** | | **498.4** | **524.3** | (8.5) | **515.8** |
| Cost of sales | (314.7) | | (314.7) | (328.1) | 5.2 | (322.8) |
| **Gross Profit** | **183.7** | | **183.7** | **196.2** | (3.3) | **192.9** |
| Other income | 0.4 | (0.4) b | - | - | | - |
| Store expenses | (81.6) | | (81.6) | (78.7) | 1.7 | (77.1) |
| Marketing expenses | (9.1) | | (9.1) | (8.3) | 0.1 | (8.2) |
| Warehouse expenses | (8.4) | | (8.4) | (8.1) | 0.1 | (8.0) |
| Administrative expenses | (31.7) | 0.5 a | (31.3) | (35.9) | 1.7 | (34.2) |
| Transformation project expenses | (1.3) | 1.3 b | - | (4.7) | 4.7 | - |
| Restructuring costs | (1.4) | 1.4 c | - | - | | - |
| **EBITDA** | **50.5** | **2.8** | **53.3** | **60.4** | **5.1** | **65.5** |
| Depreciation and amortisation | (38.5) | | (38.5) | (36.5) | 0.2 | (36.3) |
| **EBIT** | **12.0** | **2.8** | **14.8** | **24.0** | **5.3** | **29.2** |
| Net finance costs | (9.1) | | (9.1) | (8.7) | | (8.7) |
| **Profit before tax** | **2.8** | **2.8** | **5.7** | **15.2** | **5.3** | **20.5** |
| Income tax expense | (1.1) | (0.8) d | (2.0) | (5.4) | (0.6) | (6.0) |
| **Net profit after tax** | **1.7** | **2.0** | **3.7** | **9.9** | **4.6** | **14.5** |

Pro forma financial results have been calculated to exclude the following items (refer Directors' Report (dated 20 August 2024) for further detail):

a. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a recovery of prepaid payroll tax on the plans as the EPS CAGR hurdles as defined under the LTI plan were not achieved.

b. The Company incurred non-capital costs ($1.330 million) for transformation projects. This was offset by a $0.400 million cash settlement received in December 2023 from the vendor of order management software following a dispute in relation to that software and its implementation.

c. The Company incurred restructuring costs ($1.438 million) which included make good costs relating to the Camperdown store closure ($0.186 million) and payments associated with organisational restructure including the disestablishment of a number of head office roles.

d. Tax impact from pro forma adjustments.

Appendix Two

# Pro Forma Income Statement

## AASB 16 Transition Impact

| $ million | FY24 Pro Forma FY24 | FY24 Reversal of AASB 16 Depreciation and Interest | FY24 Add Operating Lease Expenses | FY24 Pre-AASB 16 FY24 | FY23 Pro Forma FY23 | FY23 Reversal of AASB 16 Depreciation and Interest | FY23 Add Operating Lease Expenses | FY23 Pre-AASB 16 FY23 |
|---|---|---|---|---|---|---|---|---|
| **Sales** | **498.4** | | | **498.4** | **515.8** | | | **515.8** |
| Cost of sales | (314.7) | | | (314.7) | (322.8) | | | (322.8) |
| **Gross Profit** | **183.7** | | | **183.7** | **192.9** | | | **192.9** |
| Other income | - | | | - | - | | | - |
| Store expenses | (81.6) | | (33.3) | (114.9) | (77.1) | | (30.1) | (107.2) |
| Marketing expenses | (9.1) | | | (9.1) | (8.2) | | | (8.2) |
| Warehouse expenses | (8.4) | | (3.7) | (12.1) | (8.0) | | (3.7) | (11.7) |
| Administrative expenses | (31.3) | | (0.4) | (31.7) | (34.2) | | (0.4) | (34.6) |
| Transformation project expenses | - | | | - | - | | | - |
| Restructuring costs | - | | | - | - | | | - |
| **EBITDA** | **53.3** | | **(37.4)** | **15.9** | **65.5** | | **(34.3)** | **31.2** |
| Depreciation and amortisation | (38.5) | 29.8 | | (8.7) | (36.3) | 28.6 | | (7.7) |
| **EBIT** | **14.8** | **29.8** | **(37.4)** | **7.3** | **29.2** | **28.6** | **(34.3)** | **23.5** |
| Net finance costs | (9.1) | 7.2 | | (1.9) | (8.7) | 7.0 | | (1.7) |
| **Profit before tax** | **5.7** | **37.0** | **(37.4)** | **5.3** | **20.5** | **35.6** | **(34.3)** | **21.8** |
| Income tax expense | (2.0) | (11.1) | 11.2 | (1.9) | (6.0) | (10.7) | 10.3 | (6.4) |
| **Net profit after tax** | **3.7** | **25.9** | **(26.2)** | **3.4** | **14.5** | **24.9** | **(24.0)** | **15.4** |

Returning to growth | Grow Market Share

# 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

$ 1.8 Bn
Hard goods
**Australia**

BabyBunting
~23%

~3%

### The opportunity in soft goods

$ 3.4 Bn
Soft goods
**Australia**

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

$ 5.2 Bn
Australia

$ 1.1 Bn
New Zealand

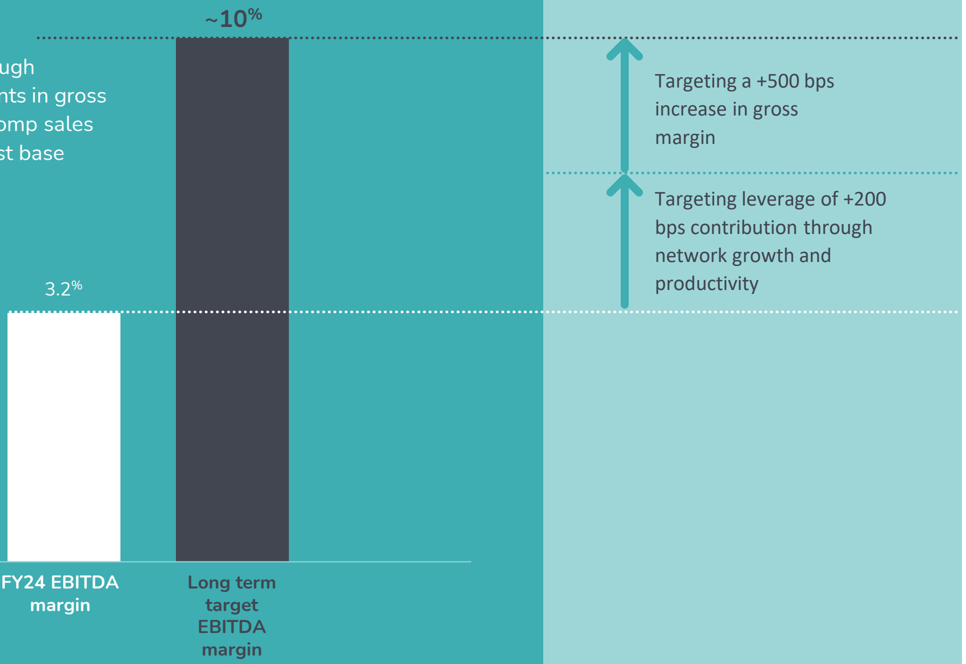
Australian data only. Source: IbisWorld, ABS, Statistica, ABS, Canstar, KenResearch, BabyBunting historic sales data

Returning to growth | Grow EBITDA

# Long Term EBITDA Growth

Clear path to achieve historical EBITDA margins

**10% EBITDA margin** achieved in FY22 through sustained improvements in gross margin and positive comp sales growth leveraging cost base




## 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.

Returning to growth | Grow Return on Invested Capital

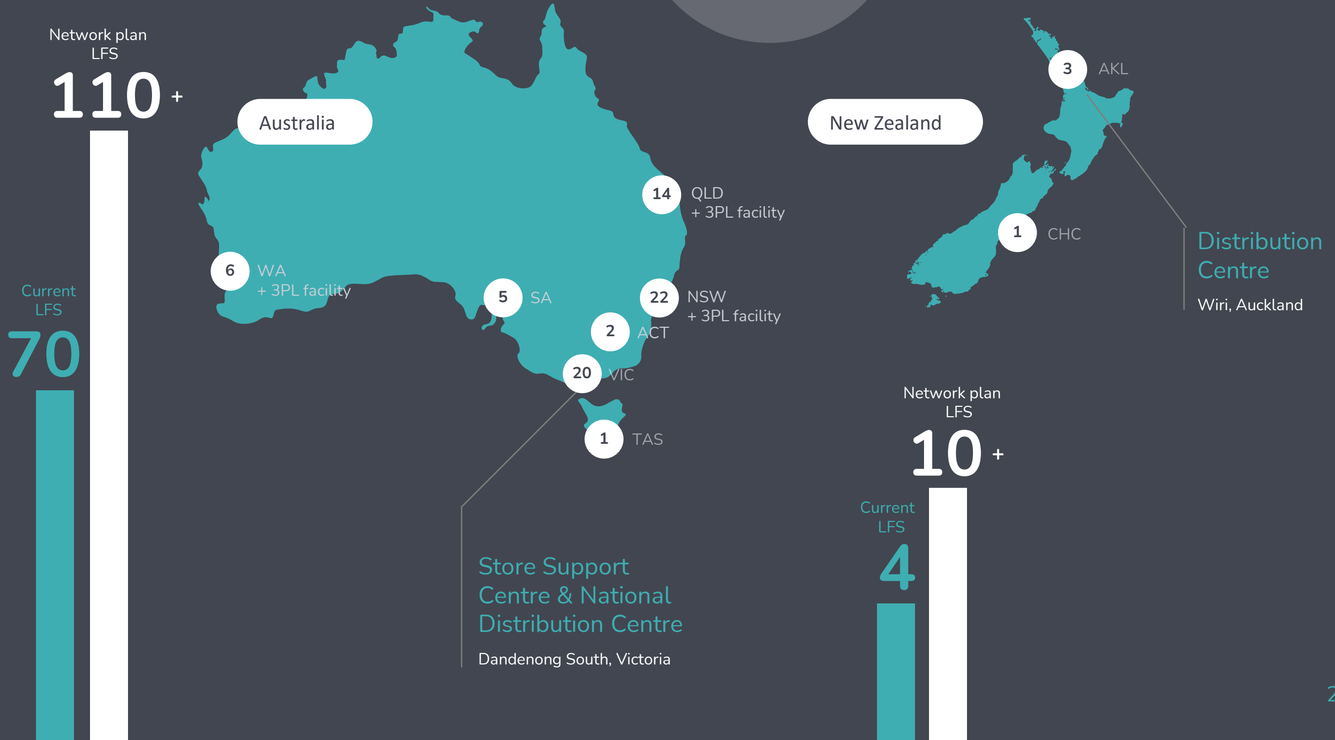
# Optimise and grow store network

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

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

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

- **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



# 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)

Table above shows average data for all open stores for 4 or more years. Revenue includes click & collect sales fulfilled from store inventory of ~8% of average total store sales. First New Zealand store opened in August 2022.

# 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 the impact of 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) |
| **GMV** | Gross Merchandise Value (GMV) is the total value of sales transacted on Baby Bunting Marketplace. Baby Bunting only recognises in its revenue the commission paid by third-party sellers to Baby Bunting |
| **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 equity + net debt (excluding 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 |
| **Cash Conversion from Operations** | Cash Conversion from Operations (or cash conversion ratio) is calculated as Net Cash Flow from Operating Activities divided by EBITDA (pre AASB 16) |