



Annual General Meeting

6 October 2020

Ian Cornell
Chairman

Matt Spencer
CEO & Managing Director



Important notice and disclaimer

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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 2020 which includes the Directors' Report (dated 14 August 2020) 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 by excluding non-cash employee equity incentive expenses and non-recurring costs relating to transformation project expenses. Prior year period pro forma financial results have been adjusted to reflect a comparable 52 week trading period.

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.

Ian Cornell

Chairman



Our vision is to be the
most loved baby retailer
for every family,
everywhere

Our core purpose is to
support new and expectant
parents in the early years
of parenthood



FY20 pro forma⁽¹⁾ results summary

SALES
\$405.2M

Total sales growth **up 11.8%** vs pcp⁽²⁾

Comparable store sales⁽³⁾ growth of **4.9%** (1H 1.0%, 2H 10.5%)

Online (including click & collect) growth of **39.1%** (1H 10.5%, 2H 66.1%)

**GROSS
PROFIT**
36.2%

Gross Profit income **\$146.9m, up 15.9%**

Gross Profit % **up 120 bps to 36.2%**

Private Label & Exclusive **36.5% of sales**

EBITDA⁽⁴⁾
\$33.7M

EBITDA⁽⁴⁾ growth **up 24.1%**

EBITDA⁽⁴⁾ margin % now **8.3%**, up 80 bps vs pcp

Did not qualify or receive JobKeeper payments

NPAT⁽⁵⁾
\$19.3M

NPAT⁽⁵⁾ growth **up 34.1%**

EPS **15.2 cents, up 33.2%** vs pcp

Final dividend **6.4 cps (10.5 cps for the year)**

ROFE 28.7% (FY19: 23.5%)

Net cash position \$13.3m (no debt)

**FY20
Highlights**

All stores remain open

Net Promoter Score 81

LFRA Retailer of the Year 2019

(1) FY20 results are presented on a pro forma basis. Refer to the Appendix for a reconciliation of the non-IFRS financial information contained in this presentation to the IFRS-compliant information.

(2) Prior corresponding 52-week period (pcp)

(3) Total sales generated from stores (including the online store) that were open at the beginning of the prior financial year

(4) EBITDA as measured under old lease accounting principles (i.e. pre AASB 16)

(5) NPAT as measured under current accounting standards

Growth strategy - grow market share

Focused investment in capability, IT systems and supply chain to support growth

- 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 and Supply Chain

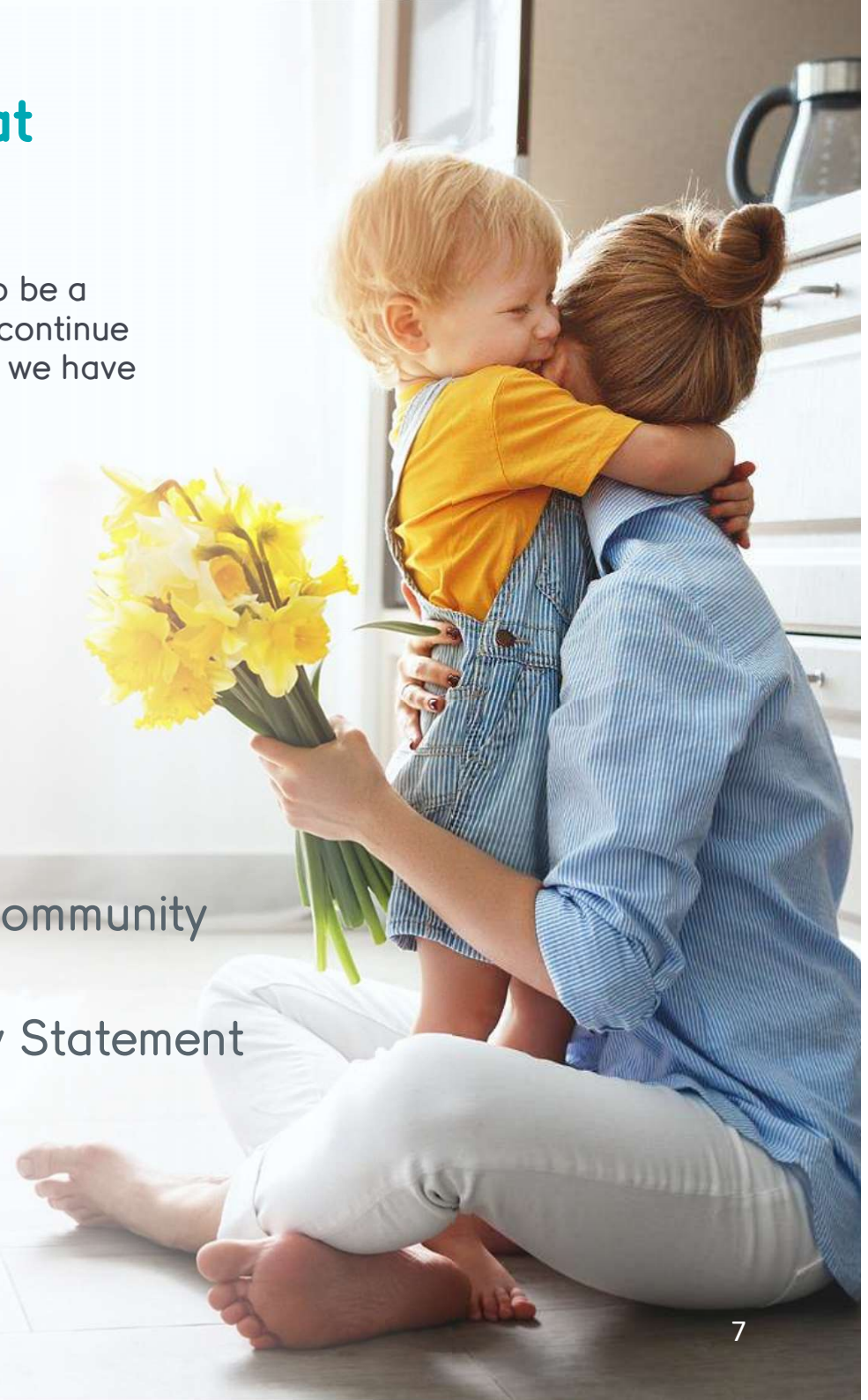
IT and Business Processes

Leveraging Data to Drive Insights & Revenue

Caring and supporting others is at the heart of our culture

Baby Bunting is a values driven organisation that seeks to be a good and responsible corporate citizen. As we grow, we continue to consider the ways in which we operate and the impact we have

- 1 Keeping our Team Safe
- 2 Promoting a Diverse and Inclusive Workplace
- 3 Rewarding our Team
- 4 Supporting our Customers & the Community
- 5 Ethical Sourcing & Modern Slavery Statement
- 6 Reducing Environmental impacts



Ian Cornell

Chairman



Matt Spencer

CEO & Managing
Director



FY20 operational objectives

SALES

\$405.2M

UP 11.8% vs pc
Comp 4.9%

GROSS PROFIT

36.2%

UP 120 bps

EBITDA⁽¹⁾

\$33.7M

UP 24.1%
8.3% margin

NPAT⁽²⁾

\$19.3M

UP 34.1%

- Progress our transformation program & strategic investments to plan
- Grow gross margin without compromising value to the consumer
- Accelerate our Private Label & Exclusive Product strategy to exceed 35% of sales
- Capitalise on shopping centre opportunities that present themselves
- Achieve operating leverage through our retail network

2H

Respond to the many challenges of COVID-19

- Manage day-to-day operations
- Ensure a sustainable business through the pandemic
- Focus on recovery and strategic opportunities



COVID-19

Supporting our Team

Pandemic leave implemented, COVIDsafe working, acknowledgment gifts for our Team members

Operational impacts

Increased costs, inventory impacts & delays to online deliveries by 3rd parties

Changes in consumer behaviour

Online sales (inc. click & collect) have grown 126% v pcp, now making up 20.9% of total sales in Q1 FY21 (12.0% pcp). This is a continuation of the trend we saw in 2H FY20.

Online fulfilment (direct to customer) scaled up to meet demand growth through March–April and additional Melbourne store hubs during Stage 4 restrictions in Q1 FY21

Click & Collect is **~50%** of all online sales where Baby Bunting has a store

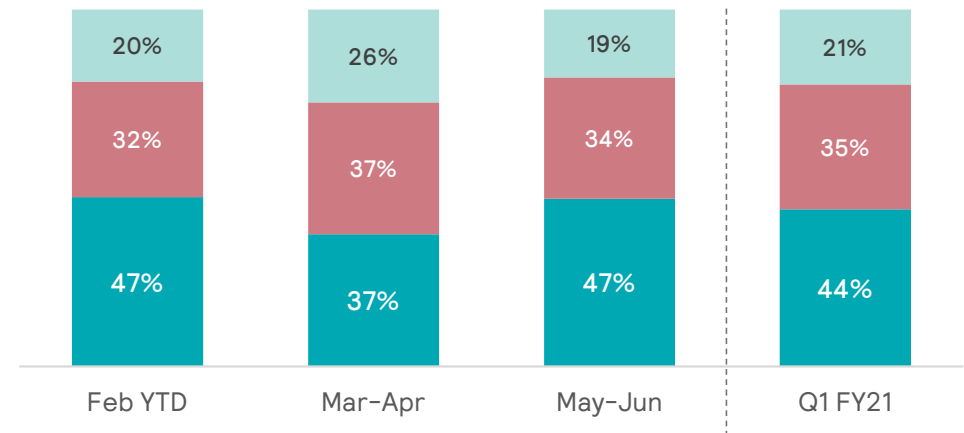
Strong sales growth experienced in consumables, as well as manchester, nursery furniture, toys and play gear during lock-down. As restrictions eased travel categories have performed strongly

During Q1 FY21, **online delivery sales grew 83%** and **click & collect was up 233%**. Excluding Victoria, online delivery was up 54% and click & collect increased 204%.

Channel mix returning to normal outside of Victoria, where restrictions continue to apply

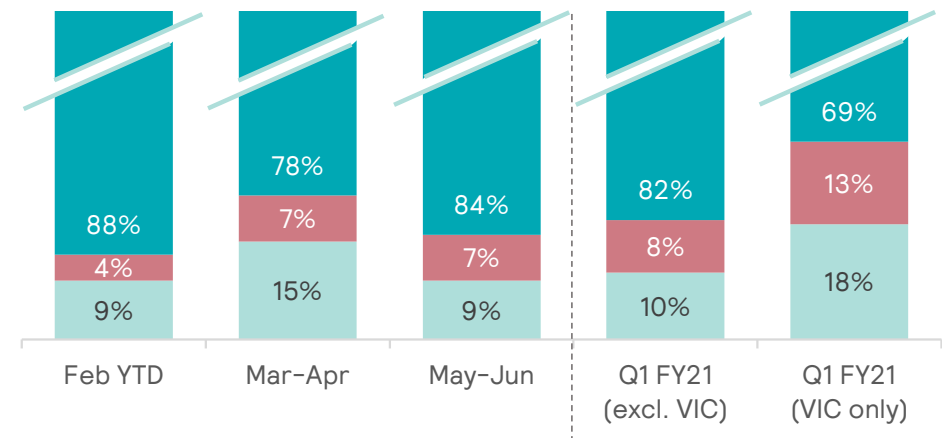
Category mix (% of total sales)

Travel Nesting Baby Essentials



Channel mix (% of total sales)

Online Delivery Click and Collect In Store



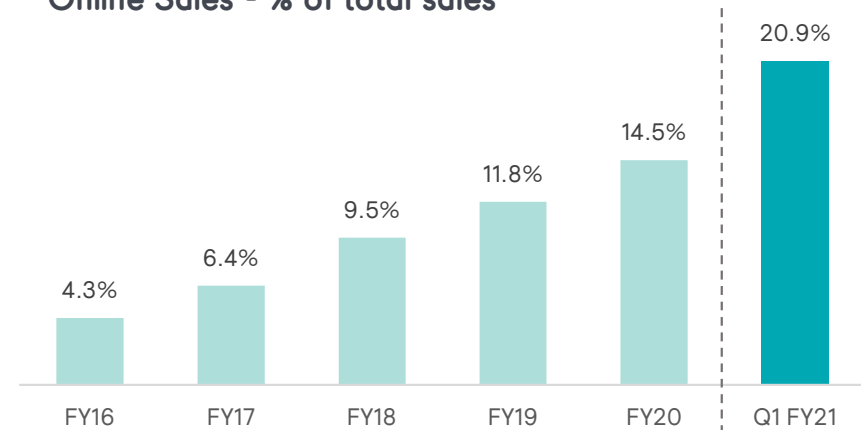
Note: Percentages may not add to 100% due to rounding

Online performance returns

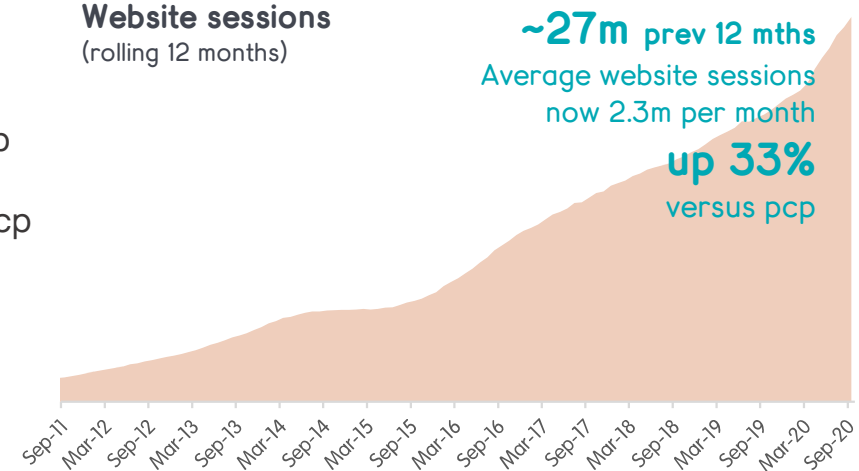
Our multi-channel retail experience delivers sales growth:

- **FY20 online sales (incl. C&C) were 14.5% of total sales**
- 1H FY20 online sales affected by website performance issues post-implementation in July 2019. Roll-back to old website occurred in November 2019, with write-down of digital assets of \$3.2m
- Q1 FY21 online sales (incl. C&C) were 20.9% of total sales, an increase of 126% on pcg
 - Excluding Victoria: 17.7%, an increase of 92% on pcg
- **Website visits continue to grow**, sessions grew 51% vs pcg during Q1 FY21.
- Website visits exceeded 27 million for the previous 12 months (Oct-19 to Sep-20), up 33% vs pcg.
- **Conversion rate up 77 bps during Q1 FY21**, cycling website performance issues from 1H FY20.

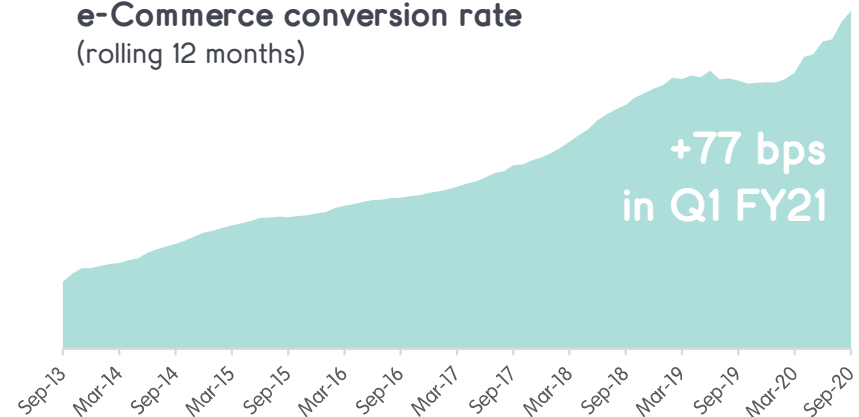
Online Sales - % of total sales



Website sessions
(rolling 12 months)

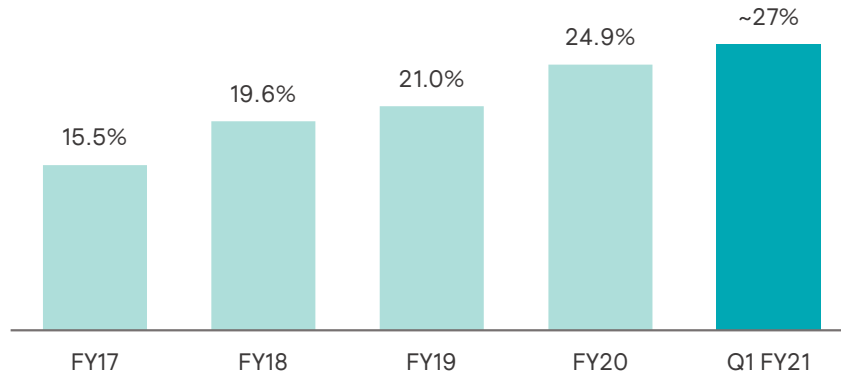


e-Commerce conversion rate
(rolling 12 months)



Delivering Great Range at Low Prices Everyday

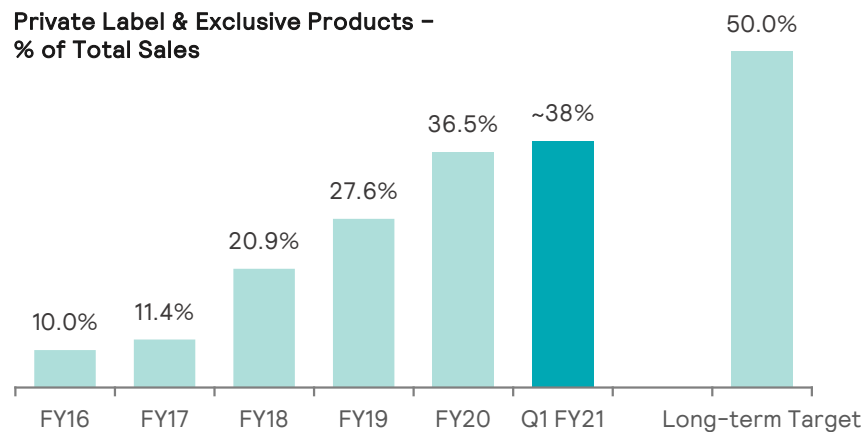
Best Buys (EDLP) – % of Total Sales



We continue to invest in our Best Buys program. **Best Buys** (EDLP) now making up **~27% of total sales** during Q1 FY21, compared to ~24% vs pcp.

Our strategy is to differentiate against pure-play online retailers through **range, price** and **services offer**

Private Label & Exclusive Products – % of Total Sales



During Q1 FY21, **Private Label & Exclusive** Product sales represented **~38% of total sales** compared to ~33% (pcp)

- Private Label & Exclusive Product sales represented **~46% of our Top 250 product sales** in FY20
- Plans to introduce a hard goods Private Label brand in FY21
- **Long-term target of 50%**, targeting +40% in FY21

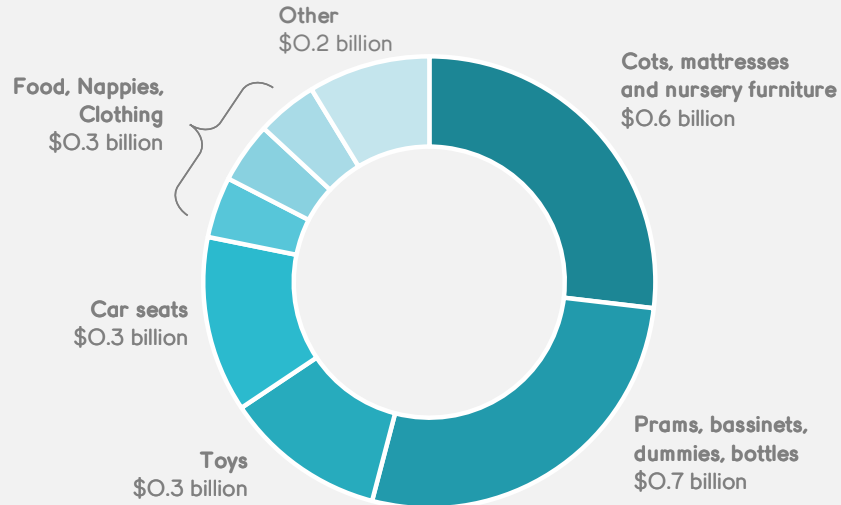
With the million and one things you have to worry about,
price won't be one of them.



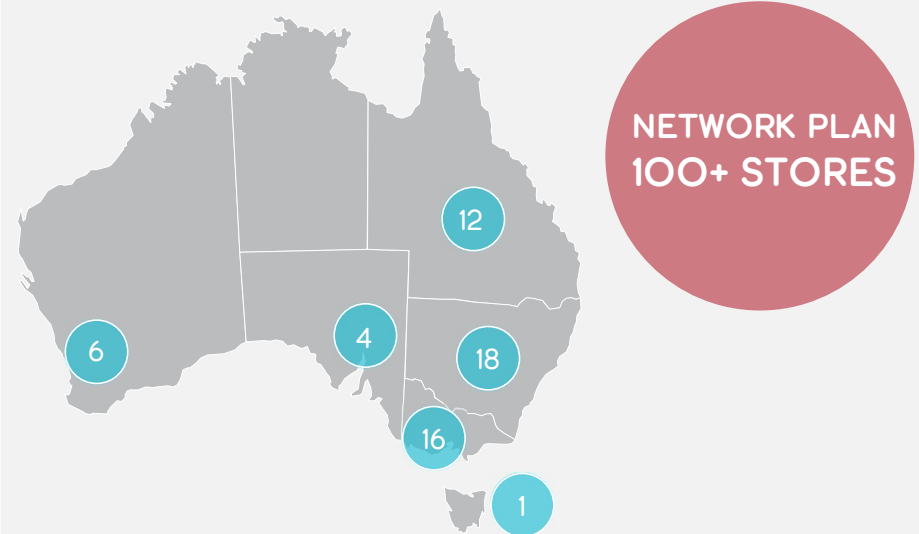
Competitive landscape - our market expansion continues

Baby Bunting leads the industry in a fragmented market

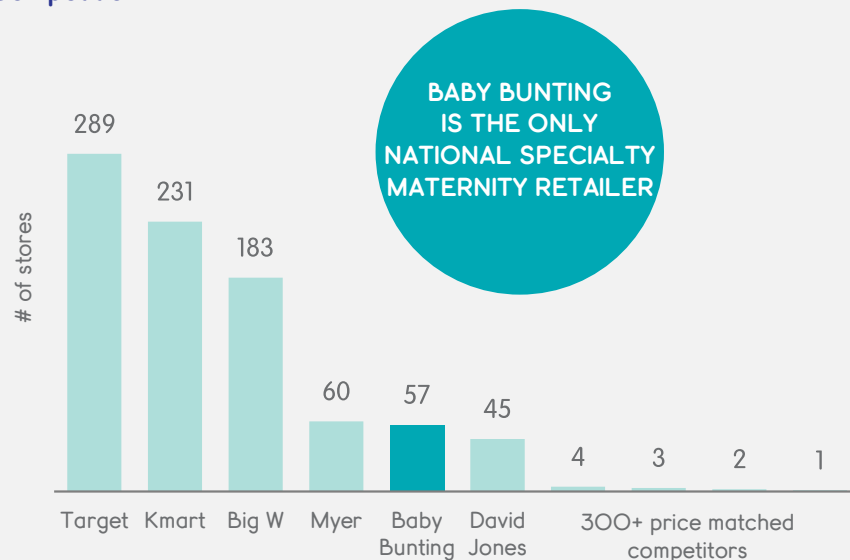
Baby Bunting \$2.4bn estimated addressable market ⁽¹⁾
(breakdown by category)



Baby Bunting store numbers by state



Competition



Other competing retailers



Drivers of differentiation

Click & Collect increasingly preferred way to shop. Click & Collect sales growth of 233% during Q1 FY21.

Private Label & Exclusive Products

Store based fulfilment

~77% (192 products) of our Top 250 selling SKU's are **not available on Amazon**

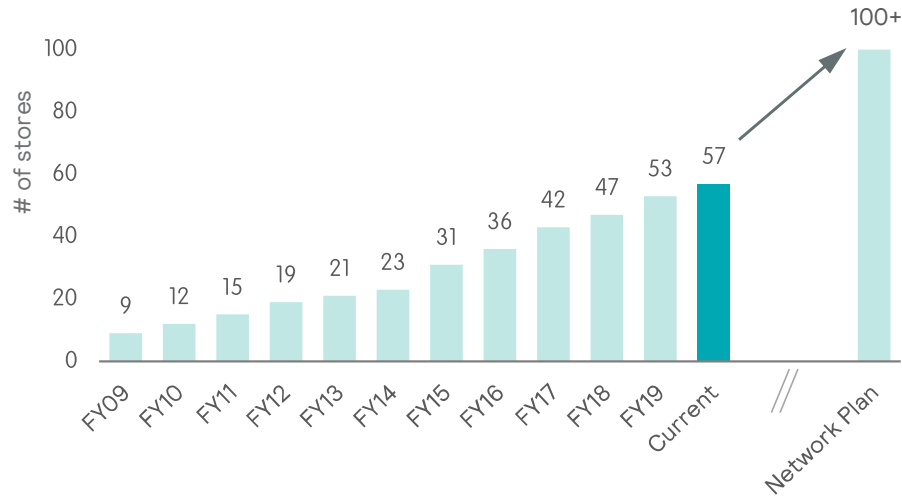
82% (205 products) of our Top 250 selling SKU's are **not available on Catch**

Expanded services offer

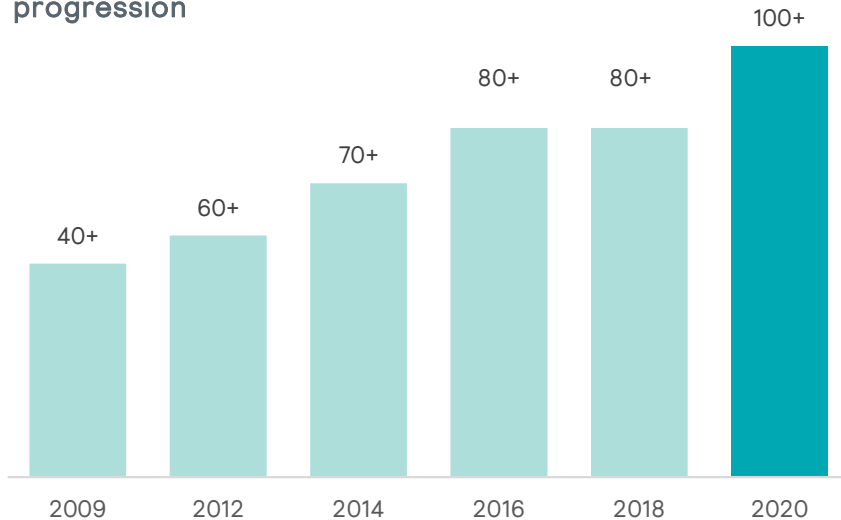
1. To arrive at Baby Bunting's addressable market we use IBIS World data and then discount the food, apparel and nappies categories which are a smaller component of our broad product offering

Growth from New Markets

Store roll-out



Baby Bunting store network plan progression



Network Plan upgraded to 100+ stores

100+
STORE
NETWORK PLAN

On the back of significant market share growth and the changes in competitive landscape, Baby Bunting has capacity to grow its **network of stores to 100+**

- **+90%** of all sales (incl. online sales) involve a customer store visit in catchments where we have a Baby Bunting store
- Expanding our store network by using the optimal format for each catchment
- Developing alternative store formats
- **Major markets 1,500 to 2,000 square metres** in bulky goods centres or at stand-alone sites
- **Regional store format of 1,000 to 1,200 square metres**
- **Shopping centre format**, with all the service attributes of our large format stores
- **New store pipeline:** Westfield Knox (Vic) opened mid-September. Castle Towers & Coffs Harbour (NSW) anticipated opening in Q2 and Belconnen (ACT) anticipated opening Q3. Additional opportunities being assessed for Q4.

In executing our long-term network plan, we will only select locations that meet our rigorous ROI hurdles. Our long-term target will also adjust and respond to any changes in future consumer behaviours and retail trends

New Zealand

⁽¹⁾
\$450m+
addressable market

Following on from our launch of shipping online orders to New Zealand, we are conducting a strategic review of the New Zealand market, including:

- Understanding the overall market and different geographic & demographic segments
- Deep-dive into customer & purchasing behaviour
- Undertake network plan review and store economic modelling

\$450m addressable market ⁽¹⁾

- Fragmented retail market with similar attributes
- Common language and regulatory system
- Product compliance aligns with Australia with high safety standards
- Common brands & supply opportunities
- Appeals to a multi-channel retail strategy



Transformation – investing to grow

FY20: \$4m capex and \$4m project expenses

\$2.6m write down of old brand assets

FY21: ~\$10m capex and ~\$4m project expenses

~\$1m write down of plant & equipment (old support office)



Significant business transformation project pipeline continues



Brand Modernisation

Introduced a modern contemporary brand that reflects the brand essence of supporting new and expectant parents in the early years of parenthood.



Core Systems

Implementation of automated replenishment software completed in Q4 FY20, with merchandise forecasting systems anticipated to go live in 2H FY21. Review of point of sale, people & financial systems.



Supply Chain Strategy

Improving margin by realising value through the investment in supply chain, a new distribution centre and logistical capability.



Investment in Data Analytics

Utilising the power of data to make more informed decisions, specifically in the areas of digital and loyalty.



Website and e-commerce re-platform

Migrate to a headless e-commerce architecture and invest in strategic digital platforms.



Online Fulfilment Hubs

Leverage existing store network to facilitate same day fulfilment for 90% of online metro orders. Hobart, Cannington (WA), Casula (NSW) operational. Additional store hubs scaled up to meet spike in online demand in Q4.



Expand Services Business

Grow car seat fittings, leverage our stores to grow nursery hire business. Establish a wholesale nursery business servicing B2B and government needs.



Loyalty Program

Development of Loyalty program to build engagement and increase lifetime value of the customer.



Customer Care

Evolve Customer Care and improve the customer experience across all channels.

Supply Chain Strategy

Supply chain evolution to improve gross margin. Lower our cost to serve. Improve the customer experience through speed to market and increased on-shelf stock availability

Online Fulfilment

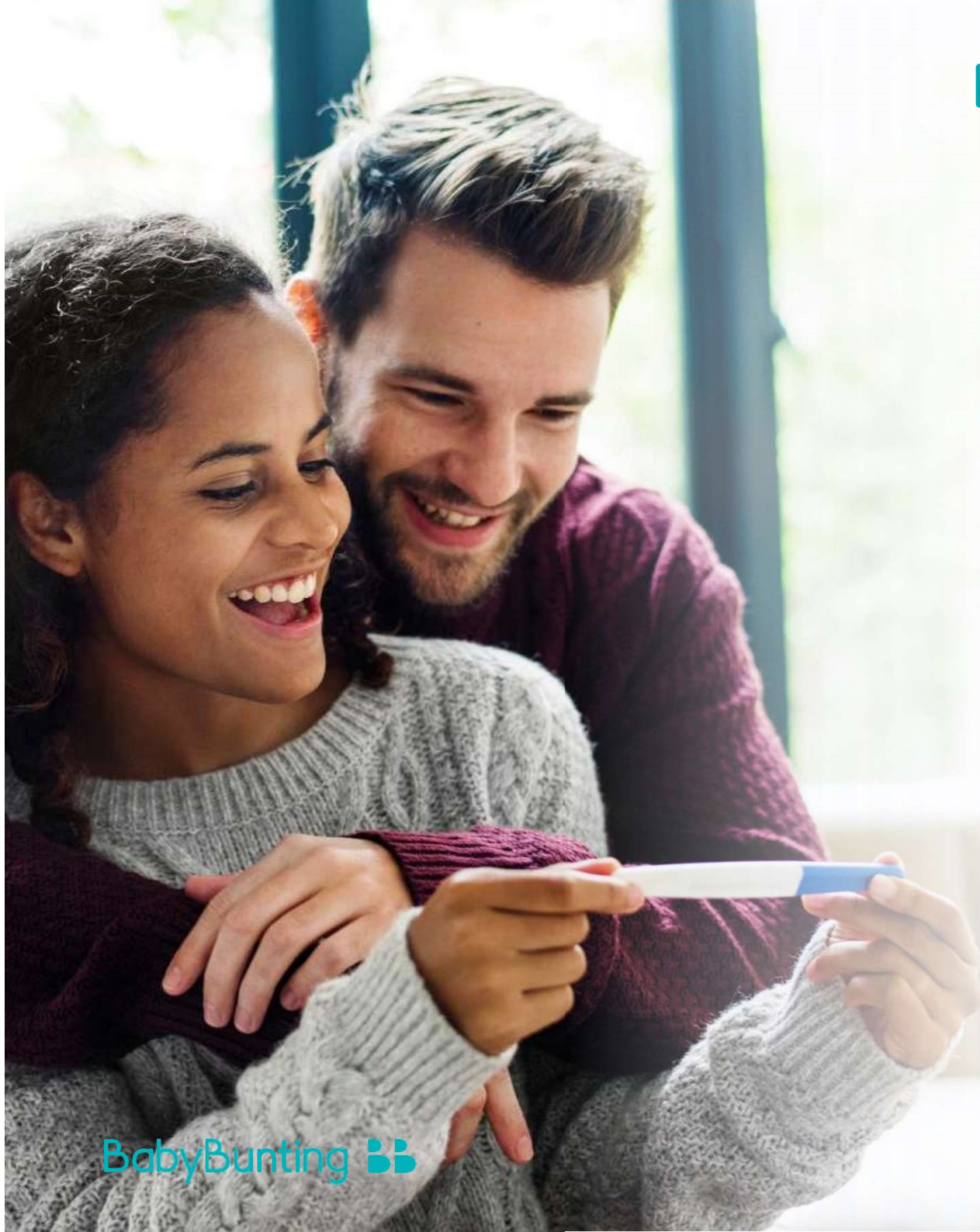
Leveraging our store network to improve the customer experience through speed to market and reduce logistic costs:

- Store-to-door
- Online fulfilment hubs
 - Online fulfilment hubs & stores processed ~34% of all online delivery orders during Q1 FY21

New Distribution Centre & Support Office

We are moving to a new larger Distribution Centre in Melbourne, this will support our growing store network and:

- increase in direct imports
- increase in stock availability & reduction in 3PL storage costs
- long-term PLEX targets
- reduce direct-to-store deliveries
- 15% reduction in rent per sqm



Exciting times ahead

We remain focused on executing our growth strategy:

- Expansion of our store network plan to 100+ stores and alternative store formats
- Grow gross margin whilst delivering value
- Introduction of new Private Label brands & expansion of Exclusive products
- Expansion of our services business, car seat hire and other product categories
- Undertake assessment of the New Zealand market opportunity
- Investing in digital to transform the customer experience
- Loyalty program to build engagement and increase lifetime value of the customer

We continue to look at the bigger picture. These strategic initiatives, and others being developed, will set the groundwork for future growth

FY21 outlook

Positive sales momentum continues

Sales reflect the less discretionary nature of the maternity and baby goods category.

Year-to-date (as at 2 October 2020), **comparable store sales growth¹ is 17.0%.**

All Victorian stores remain open. Sales have moderated in Melbourne Metro during Stage 4 restrictions. **Excluding Melbourne Metro stores**, as at 2 October 2020, our year-to-date comparable store sales growth is **28.5%.**

Online sales (incl. C&C) grew 126% during Q1 FY21, driven by Click & Collect sales growth of 233%. Excluding Victoria, online sales (inc. C&C) grew 92%.

Gross Margin (year-to-date) is 37.5%, up 90 bps on pcp.

COVID-19 has impacted operating costs (including higher freight, cleaning & general operating costs).

Guidance

We anticipate 4-6 new store openings in FY21.

The COVID-19 pandemic continues to create significant uncertainty, as evidenced by current trading conditions and the future impact on the economy.

Accordingly, FY21 earnings guidance cannot be given at this time.

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



Appendices



Appendix 1: Statutory - Pro Forma Income Statement Reconciliation

FY2020				FY2019			
	Statutory FY20	Add Pro Forma Adj ^(a)	Pro Forma FY20		Statutory FY19	Add Pro Forma Adj ^(a)	Pro Forma FY19
\$ million							
Sales	405.2		405.2		368.0	(5.7)	362.3
Cost of sales	(258.3)		(258.3)		(239.6)	3.9	(235.7)
Gross Profit	146.9		146.9		128.4	(1.8)	126.7
Store expenses	(58.0)		(58.0)		(52.8)	1.0	(51.8)
Marketing expenses	(6.6)		(6.6)		(6.0)	0.0	(6.0)
Warehouse expenses	(4.3)		(4.3)		(4.5)	0.1	(4.5)
Administrative expenses	(22.0)	2.6	(19.3)		(18.0)	2.5	(15.5)
Transformation project expenses	(9.8)	9.8	0.0		(0.8)	0.8	0.0
EBITDA	46.1	12.4	58.6		46.3	2.6	48.9
Depreciation and amortisation	(25.3)		(25.3)		(23.3)	0.4	(22.8)
EBIT	20.8	12.4	33.3		23.0	3.1	26.1
Net finance costs	(5.7)		(5.7)		(5.7)	0.1	(5.6)
Profit before tax	15.1	12.4	27.5		17.3	3.1	20.4
Income tax expense	(5.1)	(0.6)	(8.2)		(5.6)	(0.4)	(6.0)
Net profit after tax	10.0	11.9	19.3		11.6	2.7	14.4

a) Pro forma financial results have been calculated to exclude employee equity incentive expenses and non-recurring costs relating to impairment of assets and transformation project expenses. Prior year figures (based on 52 weeks) have been re-stated to exclude a non-comparable trading week.

The Baby Bunting Annual Report which includes the Directors' Report (dated 14 Aug 2020) contains further details of the above adjustments.

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

FY2020					FY2019				
	Pro Forma FY20	Remove AASB 16 Depreciation and Interest	Recognise Operating Lease Expenses	Pre-AASB 16 FY20	Pro Forma FY19	Remove AASB 16 Depreciation and Interest	Recognise Operating Lease Expenses	Pre-AASB 16 FY19	
\$ million									
Sales	405.2			405.2	362.3			362.3	
Cost of sales	(258.3)			(258.3)	(235.7)			(235.7)	
Gross Profit	146.9			146.9	126.7			126.7	
Store expenses	(58.0)		(23.6)	(81.6)	(51.8)		(21.2)	(73.0)	
Marketing expenses	(6.6)			(6.6)	(6.0)			(6.0)	
Warehouse expenses	(4.3)		(1.1)	(5.4)	(4.5)		(0.5)	(5.0)	
Administrative expenses	(19.3)		(0.2)	(19.6)	(15.5)		(0.1)	(15.6)	
Transformation project expenses	0.0			0.0	0.0			0.0	
EBITDA	58.6		(24.9)	33.7	48.9		(21.8)	27.1	
Depreciation and amortisation	(25.3)	20.0		(5.3)	(22.8)	17.8		(5.0)	
EBIT	33.3	20.0	(24.9)	28.3	26.1	17.8	(21.8)	22.1	
Net finance costs	(5.7)	4.9		(0.8)	(5.7)	5.0		(0.7)	
Profit before tax	27.5	24.9	(24.9)	27.5	20.4	22.8	(21.8)	21.4	
Income tax expense	(8.2)	(7.5)	7.5	(8.2)	(6.0)	(6.8)	6.5	(6.3)	
Net profit after tax	19.3	17.5	(17.4)	19.3	14.4	15.9	(15.2)	15.1	

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)
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
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" and "Bilbi" brand names)
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