Prospectus

The Prospectus relates to an initial public offering of fully paid ordinary shares in Baby Bunting Group Limited ABN 58 128 533 693

Lead Manager

Morgan Stanley

Co-Lead Manager

Morgans IN ALLIANCE WITH CIMB

important notices

Offer

The Offer contained in this Prospectus is an invitation for you to apply for fully paid ordinary shares (**Shares**) in Baby Bunting Group Limited (ABN 58 128 533 693) (**Company**). This Prospectus is issued by the Company and Baby Bunting SaleCo Limited (ACN 607 921 522) (**SaleCo**).

Lodgement and Listing

This Prospectus is dated 29 September 2015 and was lodged with ASIC on that date. This is a replacement prospectus that replaces the prospectus dated 22 September 2015 (**Original Prospectus**). The Company will apply to ASX within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on ASX (**Listing**) with the ASX Code "BBN". Neither ASIC nor ASX nor their respective officers take any responsibility for the content of this Prospectus or for the merits of the investment to which this Prospectus relates.

Expiry Date

No Shares will be issued or transferred on the basis of this Prospectus after the Expiry Date, being 13 months after 29 September 2015.

Note to Applicants

The information contained in this Prospectus is not financial product advice and does not take into account the investment objectives, financial situation or particular needs (including financial and tax issues) of any prospective investor.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company. In particular, in considering the prospects of the Company, you should consider the risk factors that could affect the performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and tax issues) and seek professional guidance from an independent and appropriately licensed or authorised professional adviser before deciding whether to invest in the Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances. You should also consider the best estimate assumptions underlying the Forecast Financial Information set out in Section 4.11 and the risk factors that could affect the Company's business, financial condition and results of operations.

Exposure Period

Under the Corporations Act, the Original Prospectus was subject to an exposure period of seven days from the date of lodgement of the Original Prospectus with ASIC (**Exposure Period**). The purpose of the Exposure Period is to enable the Original Prospectus to be examined by market participants prior to the raising of funds. The examination may result in the identification of deficiencies in this Prospectus, in which case any application may need to be dealt with in accordance with section 724 of the Corporations Act. Pursuant to ASIC Class Order 00/169, this Prospectus is not subject to any additional exposure period.

Changes in this Prospectus from the Original Prospectus

This Prospectus dated 29 September 2015 differs from the Original Prospectus in certain respects. The key differences are set out below.

A statement that the expenses of the Offer are to be borne by the Company (see Section 9.10) has been included in Section 1. There will be no apportionment of the expenses of the Offer to Selling Shareholders.

Further information on the Company's approach to preparing its estimate of the addressable market has been included in Section 2.2.

References to Australian Bureau of Statistics data in Section 2.2.1.1 and 2.2.1.2 have been updated.

The risk factor in Section 5.2.1 now includes a reference to identify Baby Bunting's existing competitors as being department stores, discount department stores, specialty retailers and online retailers. In addition, the risk factor in Section 5.2.2 now refers to the possibility that the Australian economic conditions may worsen, including as a result of Australia's economy entering into a recession.

In light of the changes made to the Original Prospectus, you are encouraged to carefully review this Prospectus even if you have read the Original Prospectus.

Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale.

Disclaimer and forward looking statements

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo, the Company's or SaleCo's directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information in this Prospectus. Except as required by law, and only to the extent so required, neither the Company or SaleCo nor the Lead Manager, nor any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

This Prospectus contains forward looking statements which are statements that may be identified by words such as "may", "could", "believes", "considers", "estimates", "expects", "intends" and other similar words that involve risks and uncertainties. The Forecast Financial Information is an example of forward looking statements. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the Prospectus Date, are expected to take place (including the key assumptions set out in Section 4.11).

The Company has no intention to update or revise the Forecast Financial Information or the forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, other than to the extent required by law.

Any forward looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, SaleCo, the directors of the Company and SaleCo, and management. Forward looking statements should therefore be read in conjunction with, and are qualified by reference to, Sections 4.11 and 4.13, and other information in this Prospectus. The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. The Company and SaleCo have based some of this information on market research prepared by third parties. There is no assurance that any of the forecasts contained in the reports, surveys and research of such third parties that are referred to in this Prospectus will be achieved. The Company has not independently verified this information. Estimates involve risks and uncertainties and are subject to change based on various factors, including the risk factors in Section 5.

As set out in Section 7.10.3, it is expected that the Shares will be quoted on ASX initially on a deferred settlement basis. The Company, SaleCo, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Morgan Stanley Australia Securities Limited has acted as Lead Manager to the Offer. The Lead Manager has not authorised, permitted or caused the issue or lodgement, submission, despatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by it or by any of its affiliates, officers or employees. To the maximum extent permitted by law, the Lead Manager and its affiliates, officers, employees and advisers expressly disclaim all liabilities in respect of, and make no representations regarding, and take no responsibility for, any part of this Prospectus other than references to its name and make no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

Financial information presentation

Section 4 sets out in detail the Financial Information referred to in this Prospectus. The basis of preparation of the Financial Information is set out in Section 4.2 and 4.11.

All references to FY2013, FY2014, FY2015 and FY2016 appearing in this Prospectus are to the financial years ended or ending 30 June 2013, 29 June 2014, 28 June 2015 and 26 June 2016, respectively, unless otherwise indicated.

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the accounting policies of the Company. The significant accounting policies of the Company relevant to the Financial Information are set out in Appendix A.

The Financial Information including the Pro Forma Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and they are qualified by reference to, the information contained in Sections 3 and 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables, figures and diagrams contained in this Prospectus are due to rounding.

Obtaining a copy of this Prospectus

A hard copy of the Prospectus is available free of charge during the Offer Period to any person in Australia by calling the Baby Bunting Offer Information Line on 1300 377 708 (toll free within Australia) or +61 (0)3 9415 4121 (outside Australia) between 8.30am and 5.00pm (**Melbourne Time**), Monday to Friday.

This Prospectus is also available in electronic form to Australian residents on the Company's website, www.babybuntingshareoffer.com.au. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website within Australia. Hard copy and electronic versions of this Prospectus are not available to persons in other jurisdictions, including the United States.

Applications for Shares may only be made on the Application Form attached to, or accompanying, this Prospectus in its hard copy form, or in its electronic form which must be downloaded in its entirety from www.babybuntingshareoffer.com.au, together with an electronic copy of this Prospectus. By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus. Refer to Section 7 for further information.

Cooling off rights do not apply to an investment in Shares pursuant to the Offer. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

No offering where illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to Shares in certain jurisdictions outside Australia, refer to Section 7.7.

This Prospectus does not constitute an offer to sell, or a solicitation of any offer to buy, securities in the United States. This Prospectus has been prepared for publication in Australia. The Shares to be offered under the Offer have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction in the United States, and may not be offered or sold in the United States, or to, or for the account or benefit of, a U.S. Person. The Offer is not being extended to any investor outside Australia.

Privacy

By completing an Application Form, you are providing personal information to the Company and SaleCo through the Company's service provider, Computershare Investor Services Pty Limited (**Share Registry**), which is contracted by the Company to manage Applications. The Company and SaleCo, and the Share Registry on their behalf, may collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.

Once you become a Shareholder, the Corporations Act and Australian taxation legislation require information about you (including your name, address and details of the Shares you hold) to be included on the Share register. In accordance with the requirements of the Corporations Act, information on the Share register will be accessible by members of the public. The information must continue to be included on the Share register if you cease to be a Shareholder.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the *Privacy Act 1988* (Cth):

- the Share Registry for ongoing administration of the Share register;
- the Lead Manager in order to assess your Application;
- printers and other companies for the purposes of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

The Company's agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information or obtain further information about the Company's privacy practices by contacting the Share Registry or the Company.

The Company aims to ensure that the personal information it retains about you is accurate, complete and up-to-date. To assist with this, please contact the Company or the Share Registry if any of the details you have provided change.

To the extent of any inconsistency between the foregoing and the Company's privacy policy, accessible at www.babybunting.com.au/privacy-policy, the foregoing will apply. In all other respects, personal information collected by the Company in connection with your Application will be handled in accordance with the privacy policy. Any queries, concerns or complaints about the Company's privacy practices can be directed to its Privacy Contact Officer as stipulated in the privacy policy.

Offer management

The Offer is being arranged, managed and underwritten by Morgan Stanley Australia Securities Limited.

Financial Services Guide

The provider of the Investigating Accountant's Report on the Financial Information is required to provide Australian retail clients with a Financial Services Guide in relation to that review under the Corporations Act. The Investigating Accountant's Report and accompanying Financial Services Guide is provided in Section 8.

Company website

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the Company's website, or any other website referred to in the sources contained in this Prospectus, are incorporated in this Prospectus by reference.

Defined terms and abbreviations

Defined terms and abbreviations used in this Prospectus, unless specified otherwise, have the meaning given in the Glossary in Appendix B. Unless otherwise stated or implied, references to times in this Prospectus are to the time in Melbourne, Australia.

Unless otherwise stated or implied, references to dates or years are calendar year references.

Questions

If you have any questions in relation to the Offer, contact the Baby Bunting Offer Information Line on 1300 377 708 (toll free within Australia) or +61 (0)3 9415 4121 (outside Australia) between 8.30am and 5.00pm (Melbourne Time), Monday to Friday.

This document is important and should be read in its entirety.

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key dates

Retail Offer opens	1 October 2015
Retail Offer closes	9 October 2015
Settlement	13 October 2015
Issue and transfer of Shares (completion of the Offer)	14 October 2015
Expected commencement of trading on ASX (on a deferred settlement basis)	14 October 2015
Expected completion of dispatch of holding statements	15 October 2015
Expected commencement of trading on ASX (on a normal settlement basis)	16 October 2015

Note: This timetable is indicative only and may change. Unless otherwise indicated, all times are stated in Melbourne Time. The Company and SaleCo, in consultation with the Lead Manager, reserve the right to vary any and all of the above dates and times without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before Settlement, in each case without notifying any recipient of this Prospectus or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act. Investors are encouraged to submit their Applications as early as possible after the Offer opens.

key Offer statistics

Offer Price[(a)]	$1.40
Total number of New Shares issued under the Offer	18.1 million
Total number of Existing Shares offered under the Offer	19.0 million
Total number of Shares to be offered under the Offer	37.2 million
Total number of Shares on issue at Completion of the Offer	125.6 million
Market capitalisation at the Offer Price	$175.8 million
Enterprise value at the Offer Price[(b)]	$171.2 million
Pro Forma Net Cash (as at 28 June 2015)	$4.6 million
Enterprise value to pro forma forecast FY2016 EBITDA multiple[(c)]	10.5x
Offer Price to pro forma forecast FY2016 NPAT per Share multiple[(d)]	19.4x
Forecast FY2016 dividend yield	3.9%
Forecast FY2016 dividend yield, annualised	5.5%

Notes

(a) Shares may trade below the Offer Price upon Listing.

(b) Enterprise value calculated as the market capitalisation at the Offer Price minus pro forma net cash as at 28 June 2015 as set out in Section 4.7.

(c) This ratio is commonly referred to as an EV/EBITDA ratio. The EV/EBITDA ratio is calculated as the enterprise value divided by pro forma forecast EBITDA (refer to Section 4.11 for more details).

(d) This ratio is commonly referred to as a price earnings or PE ratio. The PE ratio is calculated as the Offer Price divided by pro forma forecast NPAT divided by total Shares on issue immediately after Completion of the Offer (refer to Sections 4.11 and 7 for more details).

How to invest

Applications for Shares can only be made by completing and lodging the Application Form attached to or accompanying this Prospectus.

Instructions on how to apply for Shares are set out in Section 7 and on the back of the Application Form.


FEEDING &
MONITORS
BABYWEAR
MANCHESTER
SALE
Safe N Sound
$449
HOT PRICE
ASSORTED
BEACH TOYS
AT MARKED
PRICES
$29
$79
$55
babybunting.com.au
BEACH
$2.95
Britax
Safe-n-Sound
www.britax.com.au
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chairman's letter

Dear Investor,

On behalf of the Directors of Baby Bunting, it is my pleasure to invite you to read this Prospectus and to become a shareholder of Baby Bunting Group Limited.

Baby Bunting is Australia's largest specialty retailer of baby goods, currently operating 33 stores across Australia and a website, www.babybunting.com.au. The Company aims to provide customers with the widest range of products, high levels of service and low prices every day. The Company's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester and associated accessories.

The Company is focused on organic growth rather than acquisitions. This allows Baby Bunting to steadily and strategically expand its geographic footprint while maintaining a consistent retail offer and customer experience. With an aim to have more than 70 stores in Australia, the Company believes it has a substantial growth opportunity ahead.

The Australian baby goods market is large. The Company estimates the current addressable market, based on Baby Bunting's current product focus, to be approximately $2.3 billion per annum. Market demand for baby goods is underpinned by resilient long term drivers, such as the number of births and population growth. The industry is highly fragmented across small independent speciality retailers, a number of online only retailers and a few larger retailers where baby goods are part of their overall offering, for example department stores.

Baby Bunting's senior management team, led by CEO and Managing Director Matt Spencer, has a track record of delivering strong financial performance and growth. The Company has achieved three year compound annual growth in Sales and EBITDA of 19.8% and 81.5% respectively to FY2015.

An offer of approximately 37.2 million Shares is being made under this Prospectus. New Shareholders will hold approximately 30% of the Shares in the Company upon Completion of the Offer. The Senior Management team and Board members will retain an approximate 37% interest in the Company from Completion of the Offer. Based on the Offer Price, Baby Bunting is expected to have a market capitalisation of approximately $175.8 million upon Listing.

The Board, Senior Management and TDM Asset Management (a major Shareholder in the Company) have agreed that on Completion of the Offer their Shares will be subject to voluntary escrow restrictions. These restrictions will prevent them from disposing of their Shares until the relevant escrow period has expired (see Section 6.4 for further details).

Proceeds from the Offer will be used to further strengthen Baby Bunting's statement of financial position by repaying all of its outstanding bank debt of $8.0 million and increasing the Company's cash balance by $1 million to $4.6 million which will contribute towards the funding of the Company's roll-out strategy in the immediate term, in addition to paying a special dividend to Existing Shareholders and the costs of the Offer. Proceeds will also be paid to those Existing Shareholders who sell Existing Shares under the Offer.

This Prospectus contains detailed information about the Offer, the industry in which Baby Bunting operates, the Company's business and its historical and forecast financial performance. Baby Bunting is subject to a range of risks both within and outside of its control, including changes to key supplier relationships, failure to meet growth objectives or to execute the Company's growth strategy (including a failure to meet the Company's target number of new store openings in any year), reputational damage, and any movements in demand and supply factors. Some of the risks of investing in Baby Bunting are detailed in Section 5. I encourage you to read Section 5 and the whole Prospectus carefully and in its entirety before making your investment decision.

On behalf of my fellow Directors, I look forward to welcoming you on Baby Bunting's journey.

Yours sincerely,

Barry Saunders

29 September 2015

Baby Bunting is Australia's largest specialty retailer of baby goods, aiming to provide customers with the widest range of products, high levels of service and low prices every day.


Baby Bunting
baby jogger

1. investment overview

1.1. Investment overview

Table 1: Introduction

Topic	Summary	
What is Baby Bunting?	Founded in 1979, Baby Bunting is Australia's largest specialty retailer of baby goods, primarily catering to parents with children from newborn to three years of age. The Company aims to provide customers with the widest range of products, high levels of service and low prices every day. Baby Bunting's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester and associated accessories. The Company operates 33 stores across Australia, in both major markets and regional areas. Baby Bunting's stores are typically located in carefully selected bulky goods centres or at stand-alone sites and range from approximately 1,500 to 2,000 square metres in size. The Company's new regional store format has a smaller footprint, but without compromising the product range or customer service. The Company also operates Australia's leading specialty baby goods website, as measured by number of visits (www.babybunting.com.au). For the 12 months ended 28 June 2015, Baby Bunting generated sales of $180.2 million and statutory EBITDA of $12.0 million.	Refer to Section 3 for more information
What industry does Baby Bunting operate in?	Baby Bunting operates in the baby goods market in Australia. This market retails baby products and accessories used by parents-to-be, parents, friends and family, and care providers in the upbringing of young children. Baby goods retailers reach customers through two primary retail channels: physical stores and online.	Refer to Section 2 for more information
What is the Offer?	The Offer is an initial public offering of approximately 37.2 million Shares, comprising 18.1 million New Shares to be issued by the Company and approximately 19.0 million Existing Shares to be transferred by Selling Shareholders through SaleCo. The Offer is expected to raise approximately $51.6 million. The expenses of the Offer are currently estimated to be $3.6 million. This amount will be paid by the Company.	Refer to Sections 7 and 9.10 for more information
Why is the Offer being conducted?	The purpose of the Offer is to provide: • Existing Shareholders an opportunity to realise all or part of their investment in Baby Bunting; • Baby Bunting with access to capital markets to improve financial flexibility for growth; and • a liquid market for the Shares.	Refer to Section 7 for more information

Table 2: Key features of Baby Bunting's business model

Topic	Summary	
How does Baby Bunting generate its income?	Baby Bunting's business model centres around the sale of third party produced and branded baby goods through its network of stores and website. The Company also sells products created under its own brand (**Private Label**) as well as products on an exclusive basis for third party brands (**Exclusive Products**). The Company sources products from a large number of suppliers, which includes third party distributors and brands.	Refer to Section 3 for more information
What is Baby Bunting's strategy?	Baby Bunting aims to provide customers with the widest range of products, high levels of service and low prices every day. The key elements to Baby Bunting's growth strategy include: • **growth from existing stores and online**: The Company is focused on strengthening brand awareness at a national level and continuing to invest in improving the customer experience and product offer including providing an integrated omni-channel experience; • **store roll-out**: Baby Bunting is looking to grow the network of stores from the current level of 33 to over 70 stores. The Company expects to open four to eight stores a year, in carefully selected locations matching rigorous selection criteria based on a comprehensive network plan; and • **EBITDA margin improvement**: The Company is focused on driving further gross profit margin expansion with increases in scale, improving sourcing options and managing product mix, as well as leveraging the significant investment that has been made in the Support Office over time.	Refer to Section 3 for more information
How does Baby Bunting expect to fund its operations?	Baby Bunting expects to fund its ongoing activities through cash flows from operations. In addition, Baby Bunting has capacity available under its Existing Banking Facilities (see Section 4.7 for further detail). It is expected that the Company will have no drawn debt after Completion of the Offer. The pro forma net cash position of the Company at 28 June 2015 was $4.6 million.	Refer to Section 4 for more information
What is Baby Bunting's pro forma historical and forecast financial performance?	A selected summary of Baby Bunting's pro forma and statutory financial information is set out below. Investors should read this information in conjunction with the more detailed discussion of the Financial Information set out in Section 4, including the assumptions, management discussion and analysis and sensitivity analysis as well as the key risks set out in Section 5.	Refer to Section 4 for more information

	Pro forma historical			Pro forma forecast	Statutory forecast
$ million	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2016**
Sales	125.5	150.2	180.2	218.6	218.6
EBITDA	3.8	8.0	12.4	16.3	13.5
EBIT	1.9	6.0	10.0	13.2	10.4
NPAT	1.2	4.1	6.8	9.1	6.2

Topic	Summary	
What is Baby Bunting's dividend policy?	The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors including the Company's operating results, cash flows, financial condition, and any other factors the Directors may consider relevant. It is the current intention of the Directors to target a dividend payout ratio of between 70% to 100% of NPAT. However, the actual dividend payout ratio may vary between periods depending on the factors noted above. Other than in respect of the half year ending 27 December 2015, it is the current intention of the Directors to pay interim dividends in respect of half years ending 31 December (or thereabouts) and final dividends in respect of full years ending 30 June (or thereabouts) each year. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the relevant financial period. It is intended that future dividends will be franked to the maximum extent possible.	Refer to Section 4.14.1 for more information
What will be the first dividend and when will it be paid?	It is the Board's intention to pay a final dividend for the financial year ending 26 June 2016 in October 2016. Indicatively and subject to the factors noted above (as well as the risk factors noted in Section 5), the final dividend for FY2016 is expected to be 5.4 cents per share. Based on FY2016 pro forma forecast NPAT, this represents a dividend payout ratio of 75%. Any dividend for FY2016 is expected to be fully franked.	Refer to Section 4.14 for more information

A. Key Strengths

Listed below is a summary of Baby Bunting's key strengths.

Largest specialty retailer in the Australian baby goods market	Baby Bunting is the largest specialty retailer in the Australian baby goods market with 33 stores across Australia and a retail website. The Company is forecast to have 36 stores by June 2016. The Company estimates the current addressable market in Australia, based on Baby Bunting's current product focus, to be approximately $2.3 billion per annum.	Refer to Section 3 for more information
Focus on organic growth	Baby Bunting has a successful track record of organic store roll-out, with a focus on locating stores in areas exhibiting favourable demographic and competitive characteristics. This model seeks to achieve consistency of store layout, operations and branding, as well as alignment of staff to the strong service culture of the Company. All of the Company's stores have been newly opened stores, rather than existing baby goods stores acquired from other retailers.	Refer to Section 3 for more information
Baby Bunting business model	Baby Bunting's drivers of competitive advantage include: • **scale platform**: Baby Bunting's industry position and continued growth has enabled the Company to invest in its people, technology, brand, inventory levels, prices and customer experience; • **convenient network of stores and leading website offering**: Baby Bunting currently operates 33 stores across Australia. The Company's website, www.babybunting.com.au, is Australia's leading specialty baby goods website as measured by number of visits. The Company's omni-channel offering provides customers with flexibility on how, when and where they transact; • **customer centric team culture**: Baby Bunting's stores and customer contact centre have a dedicated team of well trained and knowledgeable staff to service customers' individual needs; • **consistent retail format**: Baby Bunting is focused on providing customers with a consistent retail experience across its network;	Refer to Section 3.3 for more information

Topic	Summary	
Baby Bunting business model *continued*	• **widest product offering, in-stock and available**: Baby Bunting offers what it believes to be the widest range with over 6,000 products available. Through its store network and Distribution Centre, Baby Bunting aims to have its product range in-stock and available at the time of the customer's purchase; • **competitively priced**: Baby Bunting's scale enables it to maintain low prices every day and deliver customers a national pricing policy backed by a price match guarantee; • **comprehensive range of ancillary services**: Across its entire store network, Baby Bunting provides additional services to its customers, including lay-by, car seat fitting, parenting rooms and a gift registry. A click & collect service is currently under development; and • **cost effective marketing**: A recent customer survey conducted by the Company indicated that Baby Bunting's most successful marketing tool is word of mouth. This is a critical factor in allowing the Company to limit its marketing expenditure to approximately 2% of sales.	Refer to Section 3.3 for more information
Growth from existing stores and online	Baby Bunting is focused on excellent retail execution and growing brand awareness to help drive continued sales growth across its existing stores and online. Strategies to increase Comparable Store Sales Growth include: • growing brand awareness, particularly in under-penetrated regions; • ongoing improvements in product ranging; • further investment in customer programs and in-store technology; • ongoing investment in website and expanding online capabilities such as click & collect and live chat; • remodelling the Baby Bunting loyalty program; • leveraging customer analytics to drive targeted digital marketing enabled by an investment in improved Customer Relationship Management (**CRM**) functionality; • continuing to improve the in-stock position; and • ongoing investment in training and store support. Baby Bunting has delivered average Comparable Store Sales Growth of 4.8% for the six years to 28 June 2015. In FY2015, the Company delivered Comparable Store Sales Growth of 7.6%.	Refer to Section 3.5.1 for more information
Growth from new store roll-out	Baby Bunting currently operates 33 stores across Australia, having grown organically since it was established in 1979. The Company has a proven track record in opening successful stores owing to a rigorous and methodical approach to new store site selection. The Company has a clearly defined network plan of more than 70 stores. The Company believes it can achieve the opening of four to eight new stores a year. The Company is targeting five new stores during FY2016, taking the forecast store total to 36 at the end of FY2016. This includes two new stores opened financial year to date.	Refer to Section 3.5.2 for more information

Topic	Summary	
Financial profile	Baby Bunting has a strong track record of financial performance including: • compound annual sales growth of 19.8% from FY2013 to FY2015, with average Comparable Store Sales Growth of 6.0%; • compound annual EBITDA growth of 81.5% from FY2013 to FY2015, with EBITDA margins improving from 3.0% to 6.9%; and • average store level Return on Invested Capital of more than 70% across all stores open for more than four years as at the end of FY2015. Baby Bunting expects to continue to deliver strong growth for FY2016 including: • sales growth of 21.3%; and • pro forma EBITDA growth of 32.1% and pro forma NPAT growth of 32.7%. More detail on the Forecast Financial Information (and the related assumptions) is set out in Section 4. Baby Bunting intends to have zero bank debt after Completion of the Offer.	Refer to Sections 3 and 4 for more information
Strong leadership team and track record	Baby Bunting has a highly skilled executive management team with deep retail sector experience. The team has been instrumental in driving the growth of the Company and includes: • **Matt Spencer** (CEO and Managing Director) joined in February 2012 and has nearly 20 years of international and domestic retail experience. Prior to joining Baby Bunting, Matt was the General Manager of Retail for ASX-listed Kathmandu Limited. Matt previously spent 10 years in operational and planning roles with Shell and then the Coles Group, including as a key contributor to the initial establishment of the Coles Express business; and • **Darin Hoekman** (Chief Financial Officer) joined in January 2014 and has over 15 years of experience in financial roles including at Godfrey's, Orica, and Ernst & Young. Since December 2007, the Company has cultivated and maintained a strong focus on corporate governance, including the appointment of a Board with diverse backgrounds and significant retail experience. In addition to Matt Spencer, the Directors are: • **Barry Saunders**, Non-Executive Chairman, is the former CEO of The Reject Shop, and has held senior leadership positions within Target, BIG W and Myer. Barry has also been a director of Myer Emporium, Coles Myer, Woolworths and The Reject Shop; • **Gary Levin**, Chairman of the Audit and Risk Committee, is currently a non-executive director of JB Hi-Fi; • **Tom Cowan**, Chairman of the Remuneration and Nomination Committee, is currently non-executive chairman of CSG Limited and a partner of TDM Asset Management; • **Tamalin Morton**, Non-Executive Director, is currently the General Manager – Brand and Marketing at Medibank Private. Previous roles include various positions within Kathmandu, the Coles Group and Bass Plc; and • **Ian Cornell**, Non-Executive Director, is currently a non-executive director of Myer Holdings and William Inglis. Ian has also been a non-executive director of Goodman Fielder and held senior executive roles at Westfield Group, Woolworths and Franklins.	Refer to Section 6 for more information

Topic	Summary	
B. Key Risks		
Before applying for Shares you should consider the key risks associated with an investment in Baby Bunting. The occurrence of any of these risks may have a material adverse impact on Baby Bunting's reputation, business, operational performance and financial results.		
Competition may increase	Baby Bunting's competitive position may deteriorate as a result of factors including actions by existing competitors (eg. department stores, discount department stores, other specialty retailers or online retailers), the entry of new competitors (including international retailers), or a failure by Baby Bunting to successfully respond to changes in the industry. Any deterioration in Baby Bunting's competitive position may make it difficult for Baby Bunting to deliver on its strategy that aims to provide customers with the widest range of products, high levels of service and low prices every day.	Refer to Section 5.2.1 for more information
Retail environment and general economic conditions may worsen	Baby Bunting is exposed to general economic conditions including the current state of, and future changes in, the retail environment in Australia. Economic conditions may worsen (including due to Australia's economy entering into a recession) which, among other things, could cause the retail environment to deteriorate.	Refer to Section 5.2.2 for more information
Supply chain	The key risks associated with Baby Bunting's supply chain include operational disruption due to catastrophic event such as fire or flood, delays in product delivery or complete failure to receive products ordered. This may lead to one or more of Baby Bunting's stores being insufficiently stocked.	Refer to Section 5.2.3 for more information
Supplier relationships and ability to source products exclusively	Suppliers may seek to alter the terms on which products are supplied (including ending any Exclusive Product arrangements), as well as the range of products available for Baby Bunting. This could adversely impact the Company's ability to successfully provide customers with a range of products at competitive prices.	Refer to Section 5.2.4 for more information
IT systems	If Baby Bunting's IT systems, including its retail point of sale and inventory management systems, or networks, are compromised for any reason, this could adversely impact Baby Bunting's ability to trade and satisfy its obligations to its customers. In addition, there is a risk that the investments in IT planned by the Company are not implemented successfully, resulting in increased costs or reduced benefits.	Refer to Section 5.2.5 for more information
Failure to comply with Australian mandatory product safety standards	Australia has strict product safety standards applicable to the retail baby goods market. Many of the products sold in Baby Bunting stores and online must comply with these product safety standards. Products sold by Baby Bunting may be subject to product recalls. Potential liability could extend to warranty claims, product recalls and other costs. In addition, breaches of Australia's mandatory product safety standards by the Company could result in heavy fines.	Refer to Section 5.2.6 for more information
Failure to achieve growth objectives	Baby Bunting's future financial performance is dependent on its ability to meet its growth objectives and to develop and execute appropriate strategies and initiatives in relation to those growth objectives, including the growth strategies outlined in Section 3.5. With a growing network of retail stores, there is a risk that Baby Bunting's growth strategy, if not appropriately controlled and implemented, could impact the overall customer offer, and the quality of its brand and reputation. There is also a risk that Baby Bunting may not be able to appropriately implement its roll-out strategy, due to inadequate availability of suitable properties in the targeted geographic locations or other factors. Any delays or failure to open new stores are likely to significantly limit the Company's ability to realise its growth initiatives.	Refer to Section 5.2.7 for more information

Topic	Summary	
Loss of key management personnel	Baby Bunting's future performance depends to a significant degree on its key personnel, and its ability to attract and retain experienced and high performing personnel. The current Senior Management team has extensive experience in, and knowledge of, Baby Bunting's business and the baby goods market. The loss of key management personnel, or any delay in their replacement, may therefore adversely affect Baby Bunting's ability to develop and implement its business and growth strategies or increase the cost of obtaining suitable personnel.	Refer to Section 5.2.8 for more information
Foreign exchange rates	Less than 10% of goods sourced by Baby Bunting are purchased in a foreign currency. However, the Company's Australian-based suppliers have exposure to foreign currency, most notably the USD. Consequently, Baby Bunting has some exposure to movements in the AUD/USD exchange rate.	Refer to Section 5.2.9 for more information
Privacy breaches	Baby Bunting has access to customer information, in particular, through its loyalty program. A significant breach of customer, employee or Company data could attract significant media attention, damage Baby Bunting's customer relationships and reputation and ultimately result in lost sales, fines or litigation.	Refer to Section 5.2.10 for more information
Workplace health and safety	Baby Bunting's employees are at risk of workplace accidents and incidents. In the event that an employee is injured in the course of their employment, Baby Bunting may be liable for penalties or damages.	Refer to Section 5.2.11 for more information
Regulation and litigation	There is risk that regulation is introduced that restricts, for example, Baby Bunting's interactions with consumers, retail trading hours, sales methods or marketing campaign efforts. Baby Bunting is also exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable consumer protection regimes and the Australian Consumer Law.	Refer to Section 5.2.12 for more information
Trading and liquidity in Shares and Existing Shareholders' interests	There can be no guarantee that an active market for the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also impact the prevailing market price at which Shareholders are able to sell their Shares. Following Listing, it is expected that the Escrowed Shareholders will hold 36.8% of the Shares, which may also impact on liquidity. Following release from escrow, Shares held by the Escrowed Shareholders will be able to be freely traded on ASX. A significant sale of Shares by the Escrowed Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of Shares.	Refer to Section 5.3.2 for more information

2. industry overview

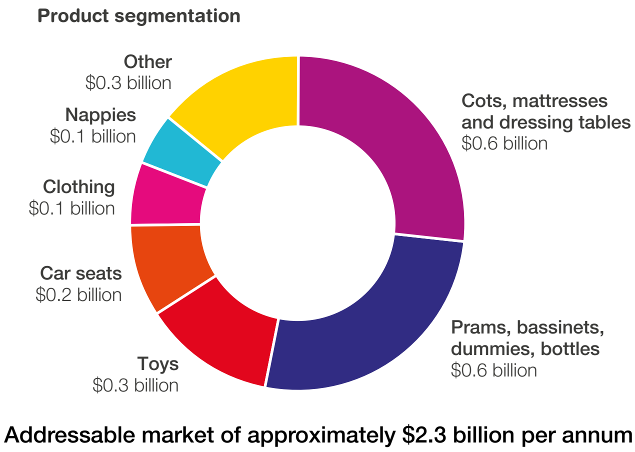
2.1. Introduction

There is limited public data available regarding the market characteristics and size of the Australian baby goods market. As a result, Baby Bunting utilises in-house knowledge of the market gathered from years of trading experience as well as detailed demographic data and occasionally published market data to determine the size of the market.

2.2. Australian baby goods market

The Company estimates that the Australian baby goods market, including apparel, food and consumables, has current annual sales of approximately $5 billion per annum. The Company estimates the current addressable market to be approximately $2.3 billion per annum (or approximately 45% of the total Australian baby goods market). This addressable market estimate was determined by cross-referencing Baby Bunting's major product categories to the Australian Bureau of Statistics Household Expenditure Survey data taking into account population data.

Figure 1: Baby Bunting's addressable market



Source: Baby Bunting

2.2.1. Baby goods drivers of demand

The demand for baby goods is influenced by a number of factors. The total number of births and population growth are considered to be the primary drivers of market growth.

To a lesser extent, demand is also driven by general economic conditions, including Gross Domestic Product (**GDP**) growth, the level of unemployment, household wealth, inflation and interest rates. The Company considers that baby goods purchases are typically less discretionary in nature than other retail categories.

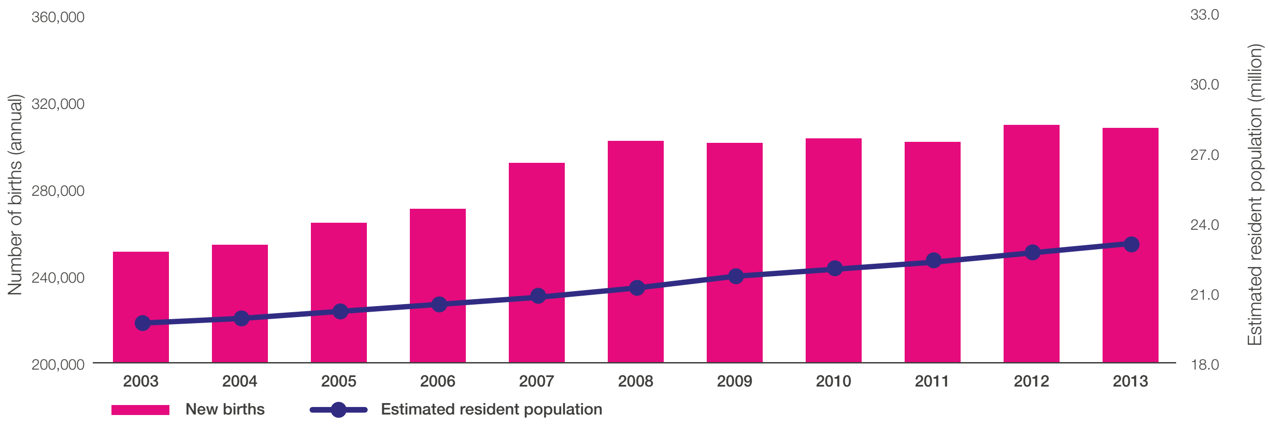
2.2.1.1 Number of births and population

The number of births and changes in population have exhibited growth over the last ten years, supporting the growth of the Australian baby goods market.

The number of births in Australia has grown at a Compound Annual Growth Rate (**CAGR**) of 2.1% over the ten year period from 2003 to 2013, with 308,000 newborns in 2013. The Australian population has grown at a 1.6% CAGR over the same period.

Over the five year period from 2008 to 2013 the number of births has grown at a CAGR of 0.4%. The Australian population has grown at 1.6% CAGR over the same period.

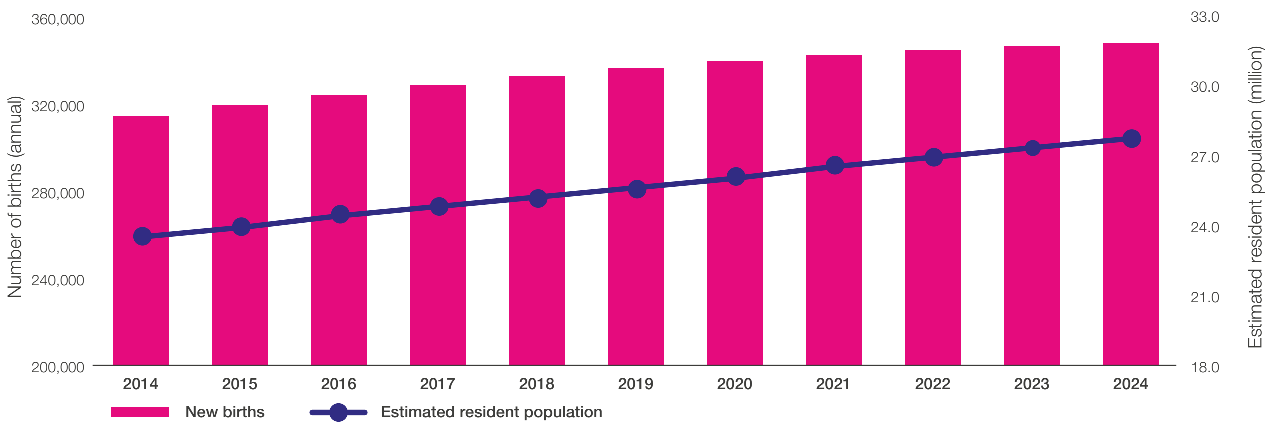
Figure 2: Number of births and total population in Australia



Source: Australian Bureau of Statistics, 3301.0 Births, Australia, 2013. Released 23 Oct 2014.

According to the Australian Bureau of Statistics projections, both the total number of births and population are forecast to grow over the long term, reaching 348,323 newborns and a total population of 27.7 million residents in 2024. This represents a CAGR of 1.0% and 1.6% respectively.

Figure 3: Forecast number of births and population in Australia

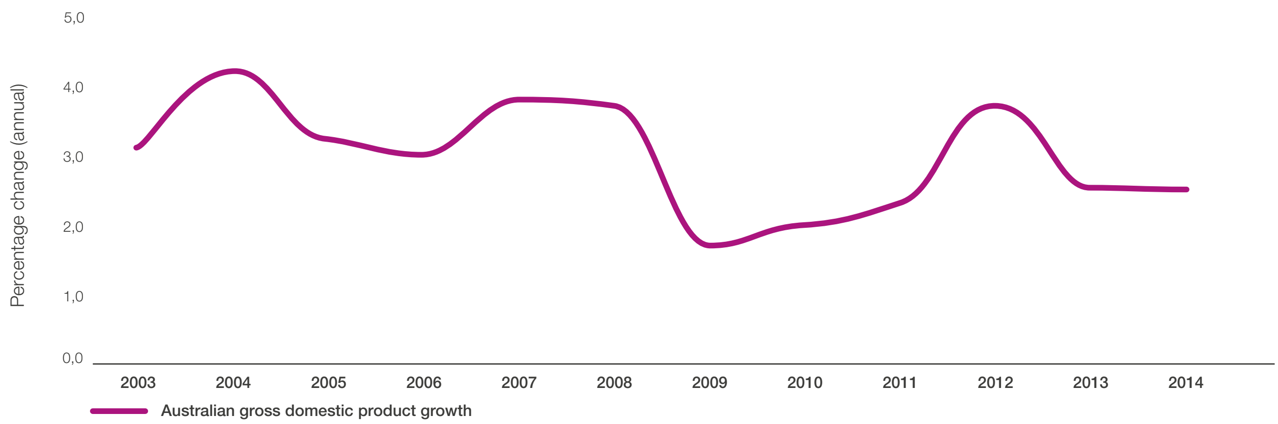


Source: Australian Bureau of Statistics, 3222.0 Population Projections, Australia, 2012 (base) to 2101, Series B. Released 26 Nov 2013.

2.2.1.2 General economic conditions

Despite challenges in the global and Australian macroeconomic environments, Australian GDP grew a seasonally adjusted 0.9% in the March 2015 quarter (quarter-on-quarter growth). GDP grew 2.3% in the year ended 31 March 2015 as compared to the prior comparative period.

Figure 4: Australian gross domestic product growth



Source: Australian Bureau of Statistics, 5206.0 Australian National Accounts: National Income, Expenditure and Product, March 2015. Released 3 Jun 2015.

In addition, the Australian labour market has continued to display relative resilience, with unemployment of 6.2% as at August 2015.

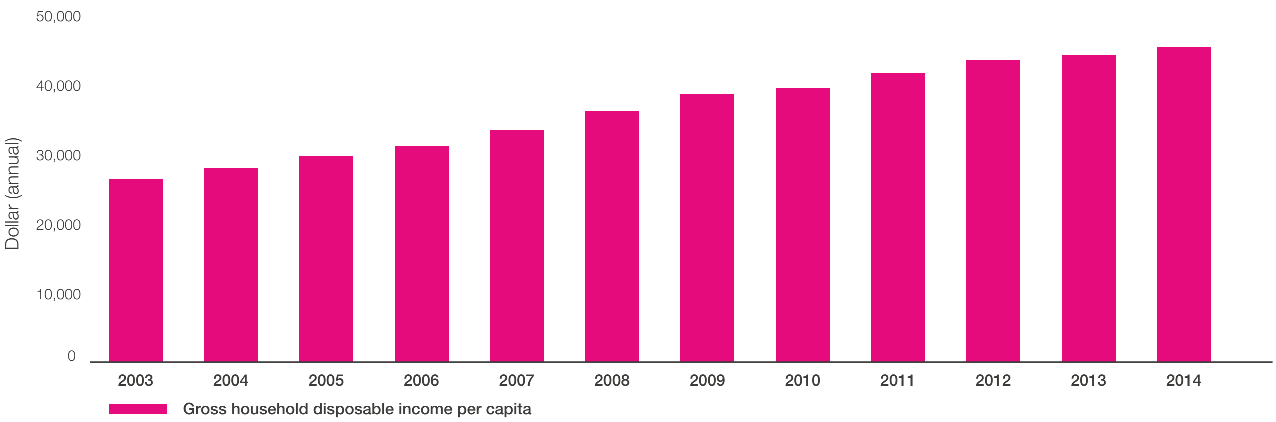
2.2.2. Household disposable income

Gross household disposable income per capita in Australia has been growing consistently over the 11 years from 2003 to 2014, showing a CAGR of 5.1%, in a low interest rate environment, with relatively stable unemployment and GDP growth.

Consistently growing household disposable income, coupled with the trend towards women having children later in life when they are more financially secure, contributes to support industry growth. However, Baby Bunting believes baby goods spend is generally less discretionary in nature, as certain products are considered essential purchases – for example, car seats, prams and cots.

Figure 5 shows household disposable income since 2003.

Figure 5: Gross household disposable income per capita



Source: Australian Bureau of Statistics, 5220.0 Australian National Accounts: State Accounts. Released 21 Nov 2014.

2.3. Structure of the baby goods retailing industry and competitive dynamics

2.3.1 Competitors in the industry

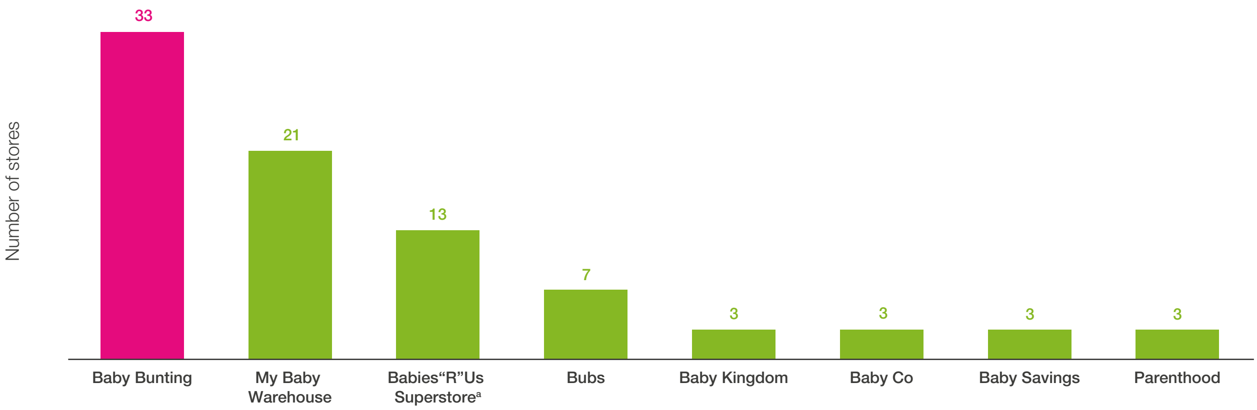
Baby Bunting competes in the Australian baby goods market, primarily catering to parents with children from newborn to three years of age. The baby goods market can be segmented into four key formats including:

- specialty baby goods retailers (including Baby Bunting);
- department stores, including David Jones and Myer;
- discount department stores, including BIG W, Kmart and Target; and
- online-only retailers.

In the specialty baby goods retailer category, three of Baby Bunting's competitors have more than three stores. There are also a large number of smaller scale businesses which are typically family owned and operated with only a small number of stores that compete in highly localised areas.

Figure 6 highlights the landscape of specialty baby goods retailers in Australia. Baby Bunting is the largest by number of stores, with 33 stores across Australia and a leading specialty baby goods website as measured by number of visits (www.babybunting.com.au).

Figure 6: Specialty baby goods retailers in Australia



Source: Baby Bunting, company websites.

Note:

a. Toys "R" Us have an additional 19 stores that sell a limited range of baby goods.

The baby goods market is subject to strict Australian mandatory product safety standards across Baby Bunting's core categories. These regulations add complexity for any potential international entrants into the market. Further information is provided in Section 2.4.

2.3.2. Basis of competition among baby goods retailers

Retailers of baby goods in Australia compete on a range of factors including:

- **scale**: this provides the retailer with the ability to invest in its people, technology, brand, inventory levels and prices in order to deliver the best possible customer experience;
- **width of range**: retailers need to have the systems, supplier relationships and scale to access and stock a wide range of products across a variety of brands. This enables the store and website to present a complete range of product options across different price points;
- **product in-stock and available**: as in any other retail segment, it is critical to make a significant investment in inventory to ensure product is in-stock and available at the time of the customer's purchase;
- **customer service levels**: the ability to understand the customer's individual baby care needs is important to providing expectant and new parents with a high level of customer service. Knowledgeable, highly trained and experienced staff are able to assist customers to find the appropriate products at the right price;
- **pricing**: customers consider price as a component of a retailer's value proposition;
- **additional services**: providing customers with services such as lay-by, car seat fitting, parenting rooms, online and in-store gift registry and delivery is viewed as important in offering a complete customer experience;
- **store network**: convenient, accessible stores with sufficient parking make the shopping experience more enjoyable. The baby goods industry sells many bulky items, making easy parcel pick up and home delivery an important component of the customer experience; and
- **online capability**: customers are increasingly researching products that they are looking to purchase and transacting online. A company's website is typically the first point of contact for any new customer. As a result, it is imperative for a retailer's website to provide an outstanding customer experience and communicate the core value proposition. For omni-channel retailers, an integration of the company's website and store network through capabilities such as click & collect are becoming more important for customers.

2.4. Australian mandatory product safety standards

Australia has strict mandatory product safety standards that apply to many of the baby products sold by retailers in Australia and by importers that may seek to sell products into Australia from overseas. The purpose of these mandatory product safety standards is to make particular safety or information features on consumer products compulsory for legal supply of the product into the Australian market. Mandatory product safety standards require goods to comply with particular performance, composition, contents, manufacture, design, construction, finish and packaging rules.

Product safety standards are administered by the Australian Competition & Consumer Commission (**ACCC**) along with relevant state authorities, and make it illegal to sell products to consumers in Australia that do not meet the mandatory standards. The presence of these mandatory product safety standards has limited the ability for international players to enter the Australian market without having had their range of products specifically tested to Australian mandatory product safety standards. For example, products sold by an international online retailer often do not meet the Australian mandatory product safety standards and therefore cannot be legally imported into Australia by the retailer.

The use by consumers of products that do not meet Australian mandatory product safety standards can have a number of consequences including breaching state and/or national laws, products not being covered by warranty or recall claims, and subjecting the infant to a potentially unsafe product.

Baby Bunting has a strong focus on ensuring compliance across its product offering and a track record of working closely and proactively with both suppliers and customers in the event of product recalls or warranty claims. The Company believes that its scale and specific focus on the baby goods market act as a competitive advantage relative to other local and international retailers.

Table 3 outlines the significance of Australian mandatory product safety standards in three categories of baby goods.

Table 3: Australian mandatory product safety standards for baby goods in selected categories

Product category	Standard	Comments
Car seats 	AS/NZS 1754	The mandatory standard for child restraints for motor vehicles came into effect on 7 November 1978 and was last amended on 19 September 2014. It covers various requirements for the design, construction, performance, user instructions, marking and packaging of child car restraints. Examples of mandatory Australian requirements include: • an upper tether strap; • double crotch straps (minimum five point harness); • self-locking harness adjusters; • a quick-release harness buckle; and • Australia-specific safety warnings and labels. The use of a car seat that does not meet the Australian standard may expose the driver of a vehicle to both substantial fines and demerit points.
Prams and strollers 	AS/NZS 2088:2000	The mandatory standard for prams and strollers came into effect on 1 July 2008. It covers performance testing, design, construction, safety warnings and informative labels for prams and strollers. Examples of mandatory Australian requirements include: • a red parking brake with the surrounding areas in a contrasting colour; • a tether strap with a perimeter of less than 360mm; • waist straps with a minimum width of 20mm; • double crotch straps (minimum five point harness); and • Australia-specific safety warnings and labels. Many of these requirements, such as having a red parking brake, are unique to Australia. It is illegal to sell a pram that does not meet the mandatory Australian standard to a consumer in Australia, regardless of where the retailer is based or the product is sourced.
Cots (folding) 	AS/NZS 2195:1999	The mandatory standard for children's portable folding cots came in to effect on 1 March 2009. It covers testing, design and construction, safety and performance and safety markings for folding cots. Examples of mandatory Australian requirements include: • locking devices designed to prevent a child inside from activating the mechanism; • must not have a mattress, or other parts, that are inflatable; and • Australia-specific safety warnings and labels, including to check before each use that the cot is correctly assembled and that locking devices are fully engaged. Portable and folding cots sold to Australian consumers must display the specific Australian labelling and warnings to comply with the mandatory standards.

Source: https://www.productsafety.gov.au/

3.

business overview

3.1. Overview of Baby Bunting

Baby Bunting is Australia's largest specialty retailer of baby goods, primarily catering to parents with children from newborn to three years of age.

The Company aims to provide customers with the widest range of products, high levels of service and low prices every day. Baby Bunting's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester and associated accessories.

The Company operates 33 stores across Australia, in both major markets and regional areas. Baby Bunting's stores are typically located in carefully selected bulky goods centres or at stand-alone sites and range from approximately 1,500 to 2,000 square metres in size. The Company's new regional store format has a smaller footprint, without compromising product range or service offering.

The Company also operates Australia's leading specialty baby goods website, as measured by number of visits (www.babybunting.com.au).

The Group's Support Office, along with its Distribution Centre, is located in Dandenong South, Victoria.

3.2. History of Baby Bunting

Baby Bunting was founded in 1979 by Arnold and Gail Nadelman. Over the years, Baby Bunting has organically grown its store network and is now Australia's largest specialty retailer of baby goods.

Barry Saunders, the former CEO of The Reject Shop (and has held senior leadership positions within Target Australia, BIG W and Myer), joined the Company as Chairman in December 2007 when a consortium of private investors purchased a majority shareholding from the Nadelman family.

TDM Asset Management became the largest shareholder[1] (42% of the fully diluted issued capital) in the Company in 2011.

Matt Spencer, current CEO and Managing Director, joined Baby Bunting in 2012 from the outdoor retailer Kathmandu.

Gary Levin, Tamalin Morton and Ian Cornell agreed to join Baby Bunting's Board in 2014, bringing significant additional retail experience.

Table 4 summarises the key events in the history of Baby Bunting.

Table 4: History of Baby Bunting (by financial year)

Year	Stores	History
FY1979	1 store	• Founded by Arnold and Gail Nadelman. The Nadelman family remain significant shareholders • First store was in Camberwell, Melbourne
FY2002	3 stores	• First large format store opened in East Bentleigh, Melbourne
FY2008	6 stores	• Consortium of private investors purchase a majority shareholding from the Nadelman family • Barry Saunders becomes Chairman • First store opened under new ownership in Thomastown, Melbourne • Established online presence
FY2009	9 stores	• Completed a detailed national network plan based on demographics, catchment areas and the competitive landscape • Interstate expansion commences with two stores opened in Adelaide
FY2010	12 stores	• First Sydney store opened in Moore Park
FY2011	15 stores	• Three small distribution centres consolidated into one approximately 10,000 square metre Distribution Centre in Dandenong South, Victoria
FY2012	19 stores	• TDM Asset Management becomes the largest shareholder in the Company with a 42% interest (fully diluted) • First Queensland and Western Australian stores opened • Matt Spencer joins as CEO and Managing Director from Kathmandu

1. TDM Asset Management has an indirect interest in the Shares held by its clients by virtue of the control it exercises in relation to the Shares under its investment management arrangements with its clients. TDM Asset Management and its clients hold in aggregate 45,245,589 Shares at Prospectus Date, and are expected to hold 36,901,303 Shares upon Completion of the Offer.

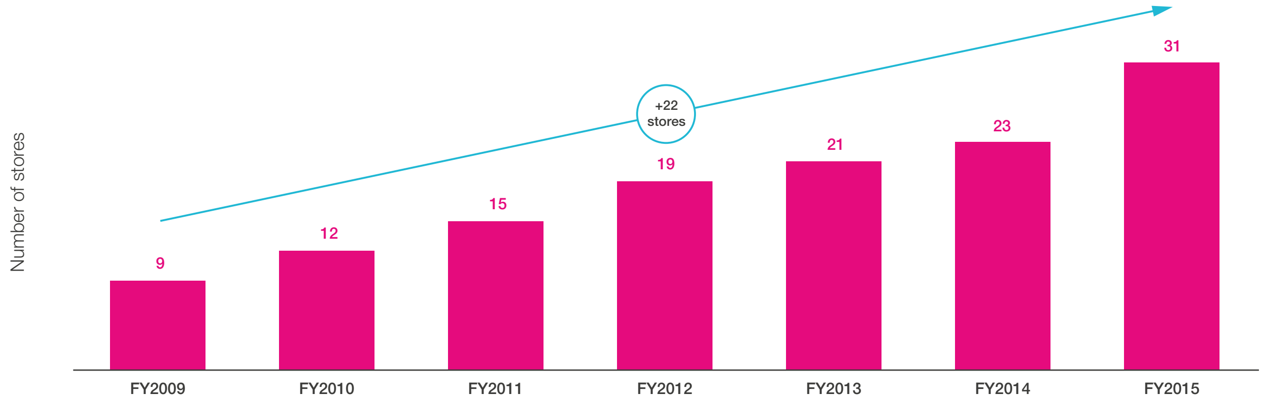
Year	Stores	History
FY2013	21 stores	• New Enterprise Resource Planning (**ERP**) system implemented and website upgraded • Baby Bunting's largest speciality baby goods competitor, Mothercare Australia, enters voluntary administration
FY2014	23 stores	• Starts selling Early Learning Centre (**ELC**) branded toy range from Mothercare UK • Distribution Centre expansion and online centralisation of order fulfilment
FY2015	31 stores	• Gary Levin, Tamalin Morton and Ian Cornell join the Board bringing significant additional retail experience • Starts selling Mothercare branded range from Mothercare UK • Record number of store openings with a total of eight new stores • Smaller format stores established in regional locations

Source: Baby Bunting.

Figure 7 and Figure 8 below show the growth of Baby Bunting over time. From FY2009 to FY2015, Baby Bunting has achieved the following:

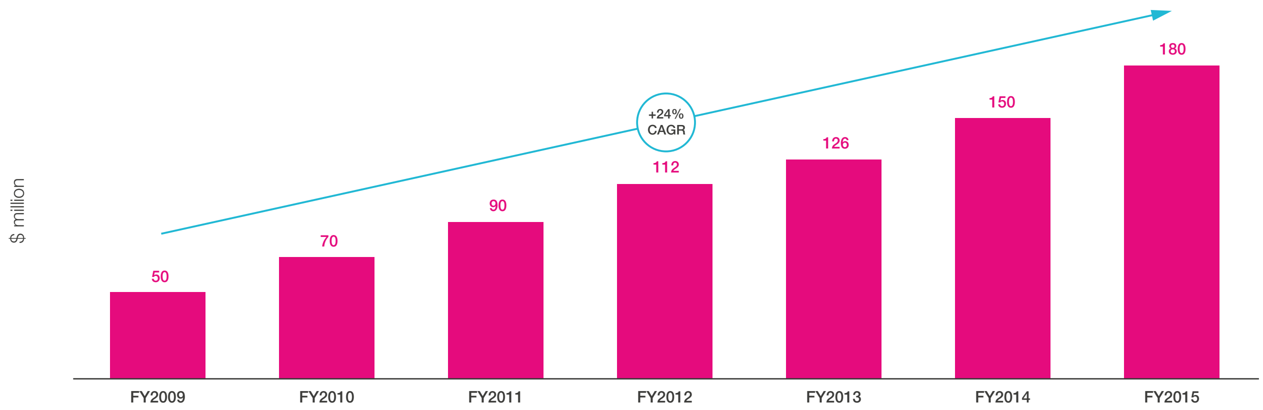
- total number of stores has increased from nine to 31 at the end of FY2015, through the organic roll-out of new stores; and
- sales have increased from $49.8 million in FY2009 to $180.2 million in FY2015, a CAGR of 23.9%.

Figure 7: Baby Bunting store network



Source: Baby Bunting.

Figure 8: Baby Bunting sales



Source: Baby Bunting.

3.3. Key characteristics of Baby Bunting's business model

Baby Bunting's business model centres around the sale of third party produced and branded baby goods through its store network and website. The Company also sells Private Label and Exclusive Products.

Baby Bunting's business model leverages several core competitive advantages, as summarised in Table 5.

The Company believes these competitive advantages have allowed it to achieve a favourable Net Promoter Score (**NPS**) of approximately 40[2], suggesting excellent customer loyalty. Baby Bunting performs customer surveys to obtain customer feedback so as to continually improve the product offering and service quality.

Table 5: Baby Bunting drivers of competitive advantage

Drivers of competitive advantage	Comment
Scale platform	Baby Bunting is the largest specialty retailer in the Australian baby goods market. Its industry position and continued growth has enabled the Company to invest in its people, technology, brand, inventory levels, prices and customer experience.
Convenient network of stores and a leading website offering	Baby Bunting currently operates 33 stores across Australia. The Company's website, www.babybunting.com.au, is Australia's leading specialty baby goods website as measured by number of visits. The Company is focused on delivering an omni-channel experience to its customers, providing flexibility on how, when and where they transact.
Customer centric team culture	Baby Bunting's stores and customer contact centre have a dedicated team of well trained and knowledgeable staff to service customers' individual needs.
Consistent retail format	Baby Bunting is focused on providing customers with a consistent retail experience across its network. Baby Bunting's major market stores range in size from approximately 1,500 to 2,000 square metres and are typically located in either bulky goods centres or at stand-alone sites. In regional centres, Baby Bunting typically operates a smaller store format of approximately 1,000 to 1,200 square metres, without compromising product range or customer service. Store formats and layout are largely consistent across the network, with customer-friendly navigation and clear demarcation of categories. Convenient parking is available directly outside all stores with parcel pick-up facilities allowing for easy loading of bulky items into customers' vehicles.
Widest product offering, in-stock and available	Baby Bunting offers what it believes to be the widest range of products, with over 6,000 products available. Through its store network and approximately 10,000 square metre Distribution Centre, Baby Bunting aims to have its product range in-stock and available at the time of the customer's purchase.
Competitively priced	Baby Bunting's scale enables it to maintain low prices and deliver value to customers with a national pricing policy backed by a price match guarantee.
Comprehensive range of ancillary services	Across its entire store network, Baby Bunting provides additional services to its customers, including lay-by, car seat fitting, parenting rooms which include baby weigh scales, and an in-store/online gift registry. A click & collect service is currently under development.
Cost effective marketing	A recent brand health survey conducted by the Company indicated that Baby Bunting's most successful marketing tool is word of mouth. This is a critical factor in allowing the Company to limit its marketing expenditure to approximately 2% of sales. Baby Bunting's marketing is further supported by traditional channels (regional TV, print media, catalogue and radio), online (email, search and digital) as well as social media. Baby Bunting also participates actively in baby expos.

Source: Baby Bunting.

2. NPS score based on a national customer survey conducted by the Company in early 2015 that included more than 15,000 responses. To calculate NPS, customers are categorised as "Promoters", "Passives" or "Detractors" based on how likely they would be to recommend Baby Bunting to a friend or colleague. The percentage of Detractors is then subtracted from the percentage of Promoters.

3.3.1. Store network

Baby Bunting currently operates a network of 33 stores across all Australian states and territories, except Northern Territory and Tasmania. The location and layout of stores is designed to deliver customers a consistent retail experience across the network. Figure 9 provides an overview of Baby Bunting's store network.

Figure 9: Baby Bunting's store network

Queensland
Helensvale, Kawana, Fortitude Valley, North Lakes, Townsville, Macgregor, Booval

New South Wales and ACT
Penrith, Warners Bay, Taren Point, Fyshwick (ACT), Auburn, Moore Park, West Gosford

Victoria
Hawthorn, Frankston, Narre Warren, Thomastown, Geelong, Maribyrnong, East Bentleigh, Taylors Lakes, Ringwood, Ballarat, Hoppers Crossing, Bendigo

South Australia
Gepps Cross, Melrose Park

Western Australia
Cannington, Myaree, Joondalup, Midland, Osborne Park

Source: Baby Bunting.

3.3.1.1. Store locations

Baby Bunting's stores are typically located within either bulky goods centres or at stand-alone sites. These sites are chosen based on factors such as demographic profile, proximity to existing stores and site specific criteria. Baby Bunting targets regions where it believes the market size is significant and the area is not adequately serviced by an existing Baby Bunting store. Within these regions, Baby Bunting searches for sites that satisfy its rigorous requirements (described in Section 3.5.2.1). Baby Bunting believes that its disciplined and strategic selection of locations and sites has been a key driver of its success.

All of Baby Bunting's new stores are leased with initial lease terms ranging from 5 to 10 years and typically include subsequent term extension options. The Company's landlord base is well diversified and the Company is not significantly exposed to any particular landlord. None of Baby Bunting's lease agreements include a percentage of sales component and no landlord has access to the Company's sales numbers at a store level.

The Company's process for identifying and evaluating new store locations is described in more detail in Section 3.5.2.1.

3.3.1.2 Store set-up

Baby Bunting aims to provide customers with a consistent retail experience across its store network.

Baby Bunting's major market stores typically range in size from approximately 1,500 to 2,000 square metres. In regional centres, Baby Bunting typically operates a smaller store format of approximately 1,000 to 1,200 square metres, without compromising product range or the customer service offering.

Typical features of Baby Bunting's stores include:

- an accessible store format allowing easy access and navigation for parents with prams;
- access to more than 6,000 products;
- a central "drive aisle" to highlight promoted items and help guide traffic into clearly demarcated product categories;
- additional services including lay-by, car seat fitting, a parenting room which includes baby weigh scales, and an in-store/online gift registry; and
- convenient customer parking directly outside stores with parcel pick-up facilities to allow for easy customer access.

Figure 10: Example of Baby Bunting stores

Source: Baby Bunting.

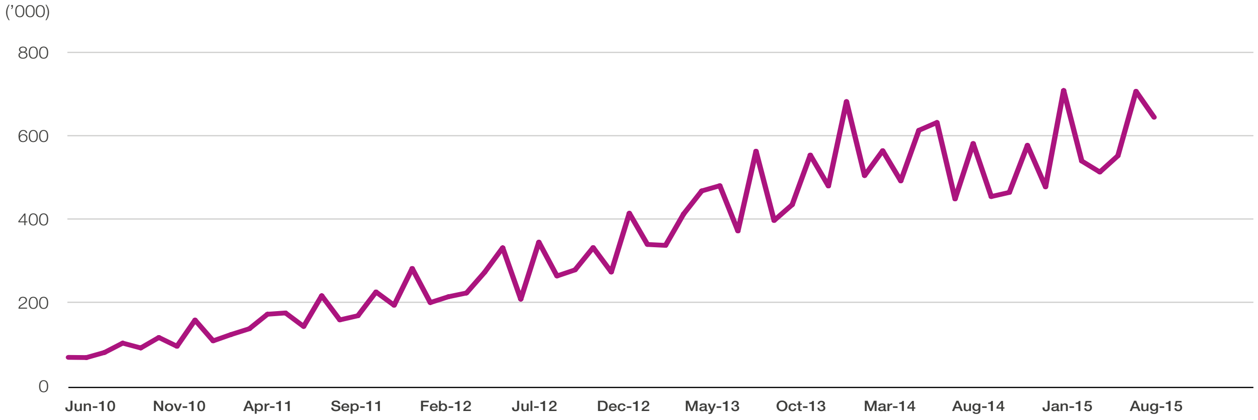
3.3.2. Website

Baby Bunting has focused on enhancing its online offering in recent years and the Company's website, www.babybunting.com.au, is today Australia's leading specialty baby goods website, as measured by number of visits. In FY2015, this channel generated sales approximately equal to the sales generated by one of Baby Bunting's average stores. Key metrics continue to show strong progress, with growth in website sessions (see Figure 11), sales conversion improving approximately 38% and sales increasing 59% year-on-year in FY2015.

Baby Bunting's website is integrated with the Company's marketing and promotional campaigns and helps drive traffic to stores.

A new website is currently under development designed to improve the user experience as well as adding additional features such as click & collect and live chat.

Figure 11: Baby Bunting website sessions by month



Source: Baby Bunting. Measures total non-unique website sessions across all devices.

3.3.3. Customer service

Providing high quality customer service is a key component of Baby Bunting's culture and offering.

Baby Bunting stores typically have a dedicated team of between 10 and 20 well trained and knowledgeable staff to service customers' individual needs. For a first time parent, it is common for a Baby Bunting staff member to spend up to two hours with a potential customer before they purchase any product. Many customers are making baby goods purchases for the first time and look to store staff for their experience and product knowledge.

Baby Bunting also has a customer contact centre that deals with phone calls and emails relating to online and store enquiries.

The Company believes that its strong service culture has been a key factor in achieving a favourable Net Promoter Score of approximately 40 (as described in Section 3.3).

3.3.4. Procurement and merchandising

Baby Bunting has a range of over 6,000 products sourced from over 260 local and international suppliers and factories.

Baby Bunting operates with a centralised team for product sourcing, ranging, supplier liaison and inventory management across its store network and the Distribution Centre. Product ranges within stores are determined by customer demographics relevant to the store catchment area as well as taking into consideration local and overseas trends.

The merchandise team determines the appropriate stock flow and stock holdings for each store by taking into consideration sales trends, upcoming promotional activity and store size, as well as insights from the store team and area managers.

Baby Bunting believes that it has the largest and most experienced merchandise team within the Australian specialty baby goods market. The Company sends members of the merchandising team to attend overseas sourcing and trade fairs to ensure it remains aware of category trends and new product innovations.

3.3.4.1 What products does Baby Bunting procure?

Baby Bunting sources a wide range of products across its various product categories from both local and overseas suppliers of baby goods for the newborn to three years age group. The Company's principal product categories include prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester and associated accessories.

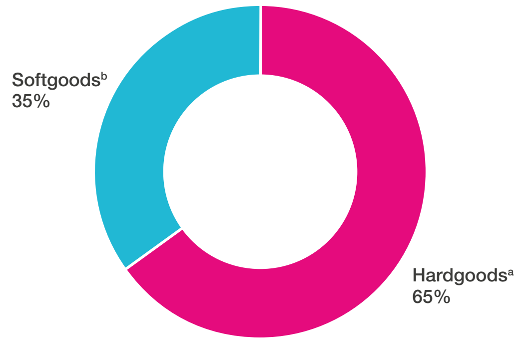
Baby Bunting actively manages its range of products with a focus on procuring, stocking and distributing products that provide the customer with a wide range of brands at various price points to cater for all customers' needs.

The Company procures and stocks product from a wide range of third party brands and suppliers. In addition, Baby Bunting also designs and sells its own products under its private label brand, 4Baby.

Figure 12 outlines the revenue split of the product categories for Baby Bunting in FY2015.

Figure 12: Product categories

% of sales for FY2015



Source: Baby Bunting.

Notes:

a. Hardgoods includes prams, car safety, cots and nursery furniture, toys and other hardgoods.

b. Softgoods includes manchester, bedding, babywear, nappies, feeding and other softgoods.

3.3.4.2 Private Label and Exclusive Products

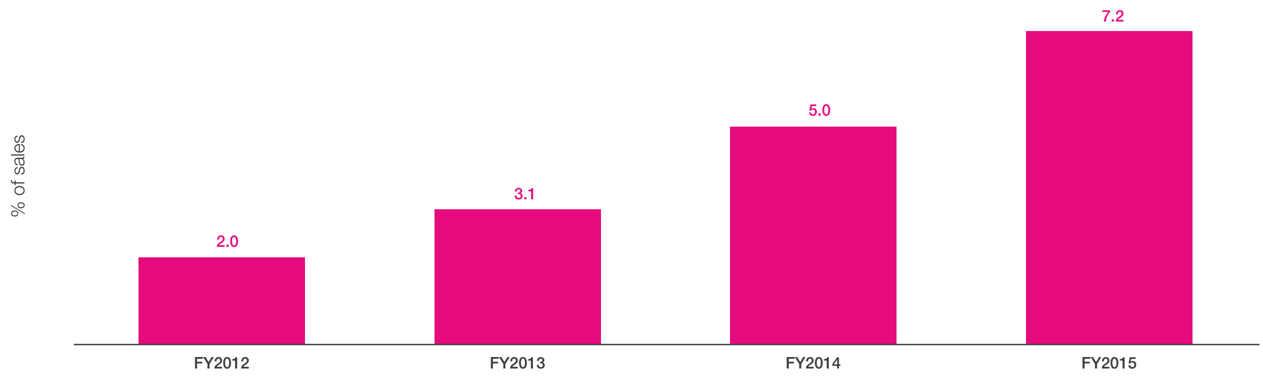
Baby Bunting's Private Label offering is sold under the brand name 4Baby. Under the 4Baby brand, Baby Bunting currently offers products across a number of departments including: strollers, change tables, manchester, babywear, portacots, plastics (baths, potties, etc.), toys, consumables and highchairs. Currently, Baby Bunting is not focused on product categories such as car seats that have onerous and costly compliance testing requirements.

Historically, exclusive supply arrangements have been arranged with suppliers in relation to selected products and for varying periods.

Baby Bunting believes that its Private Label and Exclusive Products offering helps provide product differentiation relative to its competitors.

Together, sales of Private Label and Exclusive Products contributed approximately 7.2% of revenue in FY2015 and Baby Bunting expects this to increase to over 10% in the medium term.

Figure 13: Private Label and Exclusive Products



Source: Baby Bunting.

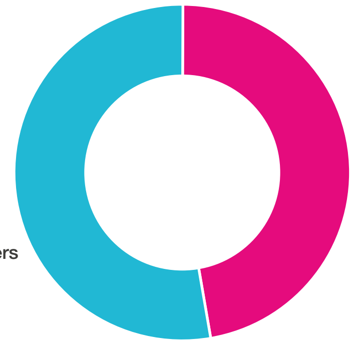
3.3.4.3 Who are Baby Bunting's suppliers?

The Company sources products from a large number of suppliers, including third party distributors and brands.

Baby Bunting's supplier base is fragmented, with more than 260 suppliers in the Company's network. The top 10 suppliers represented approximately 47% of sales in FY2015. The Company has focused on working with its key suppliers to leverage its increasing scale to buy in bulk container loads, delivering price and transport related efficiencies. Working closely with suppliers has also enabled Baby Bunting to secure access to exclusive brands and products. In addition, suppliers frequently utilise Baby Bunting's store network to showcase and launch new products.

Figure 14: Supplier breakdown

% of sales for FY2015



Source: Baby Bunting.

3.3.5. Sales and marketing

Baby Bunting aims to offer value to its customers every day. The Company's value proposition is reinforced by a national pricing policy and backed by a price guarantee to match the lowest price offered by competitors.

A recent brand health survey conducted by the Company indicated that Baby Bunting's most successful marketing tool is word of mouth. This is a critical factor in allowing the Company to limit its marketing expenditure to approximately 2% of sales.

Promotions are carried out in an integrated manner across traditional channels (regional TV, radio, print media and catalogue), online (email, search and digital), as well as social media with the goal of promoting value, exclusivity and newness, as well as building the brand nationally.

Baby Bunting reinforces its value proposition with weekly email specials and through seven catalogue sale events per annum. Approximately 4.3 million catalogues are distributed each sale event, while the Company's email specials are delivered to over 262,000 email addresses each week. Baby Bunting also utilises email and social media to facilitate the launch of new brands, products and store openings. The Company currently has approximately 110,000 Facebook followers, up from approximately 78,000 12 months ago.

Baby Bunting also participates in baby expos across Australia. These events are used to promote certain brands and channel customers into Baby Bunting stores.

In 2016, Baby Bunting will focus on developing a single view of the customer through the use of CRM software. The CRM software will help to segment Baby Bunting's customers to maximise relevance and engagement with customers through their babies' early years of development.

Figure 15: Baby Bunting promotions

Source: Baby Bunting.

3.3.6. Logistics and supply chain

Baby Bunting operates its Distribution Centre of approximately 10,000 square metres in Dandenong South, Victoria. The strategic investment in the Distribution Centre has been instrumental in supporting the development and growth of Baby Bunting, and will play a pivotal role in supporting the Company's future growth plans.

The Company believes that with continuous improvement through higher density utilisation, cross docking, upgraded technology, third party logistics arrangements and fine tuning of major stock pipeline product flows the Distribution Centre will support the Company's planned growth for the foreseeable future.

Figure 16: Dandenong South Distribution Centre[a]

- 10,000 square metre Distribution Centre
- 7,700 pallet capacity and opportunity to further increase capacity by reconfiguring racks
- 8 weeks stock on hand of products that flow through the Distribution Centre
- 1,600 products held in the Distribution Centre for store and online fulfilment and approximately 2,200 held for online fulfilment only

Source: Baby Bunting.

Note:

a. All numbers in **Figure 16** are approximate.

During 2014, Baby Bunting completed a racking expansion at the Distribution Centre which now gives the Company the capacity to hold approximately 7,700 pallets. During the same year, Baby Bunting centralised its online fulfilment to the Distribution Centre. Previously, online orders were fulfilled from a small sub-scale warehouse attached to a major store in the Company's network. The centralisation of online fulfilment added a further 1,800 products (approximately) to the Distribution Centre and provided benefits including:

- pick-and-pack efficiencies;
- fulfilment turnaround improvements; and
- the capability to continue to increase the website's product range over time.

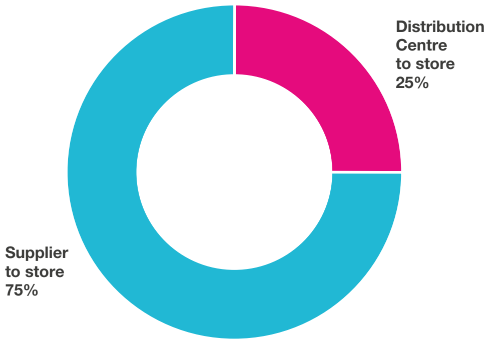
Baby Bunting sees further scope to improve its operational efficiency within the Distribution Centre. For example, the Company has recently implemented a supplier handbook with the aim of bringing greater standardisation, professionalism and efficiency in the management of stock flow into the Distribution Centre and into stores. The supplier handbook covers, among other things, delivery times, packaging requirements, invoicing, safety standards, pallet standards and delivery expectations.

Baby Bunting has also recently implemented new warehouse management software which is expected to provide the Company with greater efficiency in its Distribution Centre operations and assist with inventory accuracy and flow.

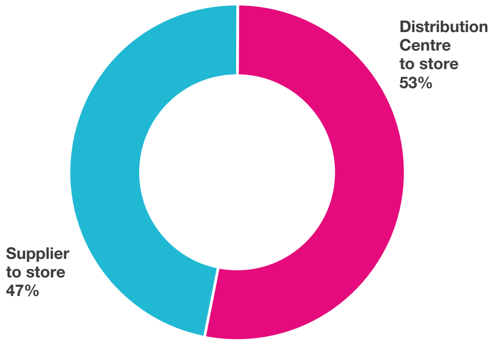
In FY2015, the Distribution Centre managed approximately 25% of products delivered to stores. These products represented approximately 53% of sales. This provides Baby Bunting with greater control over the supply chain for key products and helps to minimise disruption at stores from supplier deliveries. The Company expects to continue to increase the number of products held in the Distribution Centre, thereby gaining greater control over the supply chain and further improving the flow of inventory and stock availability, both in-store and online.

Figure 17: Supply chain

% of products for FY2015



% of sales for FY2015



Source: Baby Bunting.

3.3.7. Information technology systems

Baby Bunting utilises a range of information technology (**IT**) solutions to support its operational and administrative functions. The IT systems play a critical role in enabling the Company to optimise the operation of its network of stores by centralising a number of critical processes and maximising co-ordination with suppliers and the Distribution Centre.

Baby Bunting's IT systems, strategy and planning are managed centrally by the Support Office.

All Baby Bunting stores have the same point-of-sale, time and attendance system and inventory management software. This is integrated with the Company's financial systems to allow for timely financial reporting at the Support Office.

Baby Bunting is currently investing further in IT to enhance its warehouse management processes, to improve CRM functionality, to further automate recurring administrative processes and to gain improved business intelligence. The Company is also in the process of moving its IT and communications to a hosted environment.

During FY2016, the Company is launching a new website to improve the user experience across all devices and to provide a more scalable platform to support future growth in online sales.

3.3.8. Finance and administration

Baby Bunting's finance systems enable management to track each store's sales and gross profit margin on a daily basis, and wage expense on a weekly basis. Monthly financial accounts are produced within five business days after month end.

The finance team is also responsible for co-ordinating and managing creditor terms and managing accounts payable.

3.4. People and organisational structure

Baby Bunting has invested significantly in new talent, reshaping its leadership since Matt Spencer joined as CEO and Managing Director in 2012.

The Company has been able to attract new talent across the business, and focuses on having the appropriate set of skills at every level and function, from the store floor up to the Board.

The Company has also invested in personnel development and training and is planning on implementing a leading learning and development platform that will also incorporate an improved corporate communications suite during FY2016.

Baby Bunting has a strong focus on organisational culture, values and behaviours, and what these attributes mean for the Baby Bunting brand. The customer remains at the forefront of Baby Bunting's thinking, and the Company believes that it has been successful in maintaining the family values first established by Arnold and Gail Nadelman in 1979.

As at 31 August 2015, Baby Bunting employed 662 staff across the business. Table 6 provides a breakdown of Baby Bunting's employees by function.

Table 6: Overview of Baby Bunting's people

Number of employees as at 31 August 2015

Function	Employees (incl. casual)
Stores	592
Logistics (including Distribution Centre)	20
Support Office	50
Total	**662**

Source: Baby Bunting.

3.5. What is Baby Bunting's growth strategy?

Baby Bunting has a record of strong growth. From FY2009 to the end of FY2015, Baby Bunting has increased the number of stores from nine to 31 and grown sales from $49.8 million to $180.2 million.

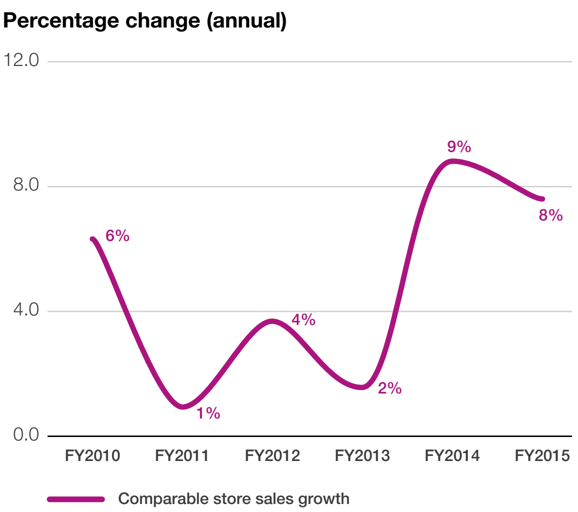
The Company considers that it is well positioned to execute on the following growth initiatives.

3.5.1. Growth from existing stores and online

Baby Bunting has delivered average Comparable Store Sales Growth of 4.8% p.a. over the six years to June 2015.

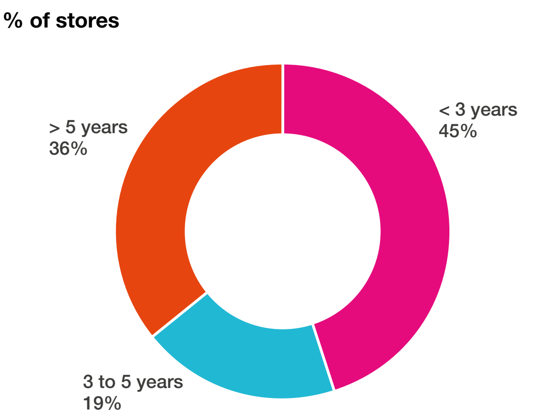
Baby Bunting's store network includes a significant proportion of "immature" stores, with 45% of stores less than three years old as at June 2015. Baby Bunting stores historically take four years to mature and have stronger Comparable Store Sales Growth in the first four years of operation. As a result, the maturity of newer stores should support further growth in comparable store sales. Refer to Section 3.5.2.2 for more information on the store ramp-up profile and economics.

Figure 18: Baby Bunting Comparable Store Sales Growth



Source: Baby Bunting.

Figure 19: Store maturity profile (as at FY2015)



Source: Baby Bunting.

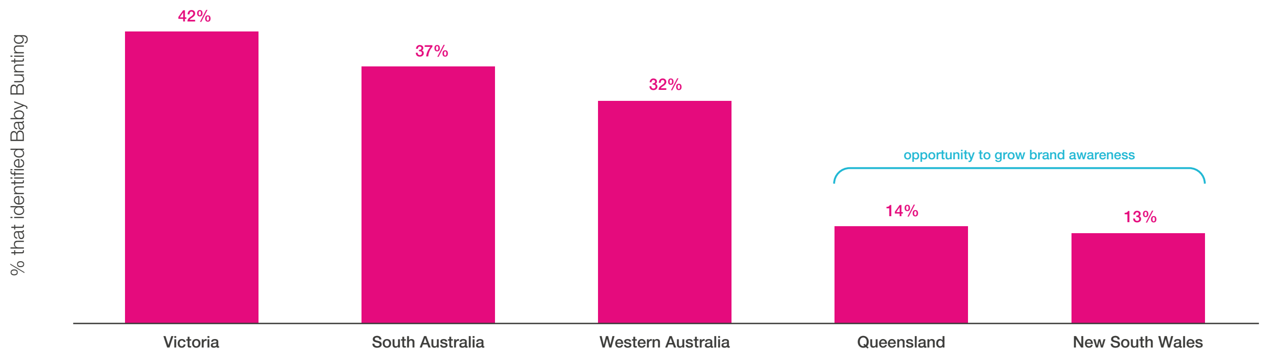
Online sales are included in the calculation of Comparable Store Sales Growth. In FY2015, online sales grew at 59% which positively impacted Comparable Store Sales Growth. Online sales were approximately equal to that of an average store in Baby Bunting's network in FY2015.

Baby Bunting's management team has identified a number of strategies to allow existing stores and online to capture greater market share. Key strategies include:

- **Grow brand awareness**
  - Baby Bunting has very strong first-to-mind awareness in Victoria and South Australia and aims to replicate this across other areas of Australia, with a particular focus on Queensland and New South Wales. Higher brand awareness has typically had a positive impact on store sales. On average, in FY2015 sales of Victorian and South Australian stores (excluding stores open less than one year at FY2015) were 21% higher than stores in other states and territories (Western Australia, New South Wales and ACT, and Queensland).

Figure 20: First to mind awareness for Baby Bunting

Question asked to a sample of more than 1,000 female individuals aged 18 or more:
"Thinking about stores that sell baby and children's products, which store comes to mind first for prams/strollers, car seats, high chairs and cots?"



Source: Baby Bunting (March 2015).

- **Improve customer experience**
  - investments in customer programs, in-store technology and remodelling of the loyalty program;
  - investments in online capabilities including a new website and features such as click & collect to further improve the omni-channel customer experience;
  - investments in inventory and logistics to continue to improve stock availability both in-store and online; and
  - investments in training and support for employees across the business to enable staff to better understand and address customer needs.
- **Perform targeted and effective marketing campaigns**
  - Baby Bunting is looking to leverage customer analytics to drive highly targeted digital marketing based on its knowledge and insights of parents' product needs through their baby's early life stages. This will be enabled by an investment in 2016 in improved CRM functionality.

3.5.2. New store roll-out

Baby Bunting is looking to grow the network of stores from the current level of 33 to over 70 stores. The Company plans to open four to eight new stores per year. The Company expects to open five new stores in FY2016.

Baby Bunting will continue to focus on new store openings only where the Company's rigorous selection criteria are met. The Company has developed a team within its Support Office which is capable of delivering its stated store opening target. The Board regularly reviews the optimal rate of new store openings subject to the availability of high quality sites.

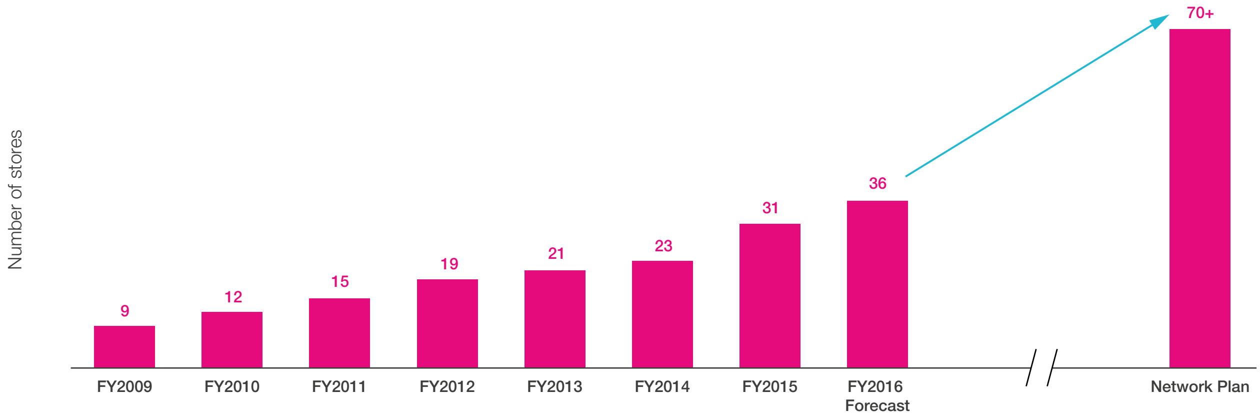
3.5.2.1 Strategy and site selection

Baby Bunting has developed a disciplined approach to identifying, evaluating and prioritising new store locations. In 2009, Baby Bunting developed a national store network plan which included developing a better understanding of catchment demographics to help identify priority locations for new stores. This network plan was refreshed in 2012 and 2014 and is continuously revisited by the Company.

All new Baby Bunting stores have been newly opened by the Company (rather than previously operating baby good stores acquired by the Company) and have been opened in locations matching rigorous selection criteria. All stores that have been opened for more than one year, as at FY2015, were making a positive EBITDA contribution at the store level.

The pipeline of identified site opportunities is split approximately 60% major markets (population >200,000) and 40% regional locations.

Figure 21: Number of Baby Bunting stores



Source: Baby Bunting.

Some of the risks associated with the store roll-out plan are described in Section 5.2.7.

Figure 22 below summarises Baby Bunting's approach to identifying new store opportunities

Figure 22: Baby Bunting approach to new store selection

1 Network Planning	2 Premises Identification	3 Location Assessment	4 Business Proposal
• Network plan developed to identify new store opportunities based on demographic data in defined catchments spanning major markets and regional centres • Detailed network plan, including sales forecasts, built up to identify network gaps • All opportunities are ranked based on attractiveness (gross and net sales)	• Potential locations are sourced against the defined network plan and format requirements • Desktop feasibility is undertaken to assess identified opportunities • Consideration given to existing network plan and cannibalisation impact of existing opportunities	• Site location suitability is assessed in terms of several qualitative factors • Site visit with operational assessment undertaken for suitability of layout and services infrastructure • Retail plans and store development scope are established • Commercial negotiations commence	• A non-binding heads of agreement is signed to secure the property, subject to Board approval and appropriate leasing terms being agreed • CEO site visit undertaken • A detailed business proposal, including a 5 year forecast, is developed • The proposal is submitted to the Board for approval, addressing all essential elements necessary for the Board to make a decision on whether to proceed

Source: Baby Bunting.

Baby Bunting evaluates potential new store locations based on the following criteria:

- local market size;
- proximity to existing stores (cannibalisation is assessed using postcode analysis of sales at existing stores);
- demographic profile;
- local competitive environment;
- location type (assessed by convenience, visibility, parking availability, parcel pick-up and other factors);
- store size and layout (Baby Bunting targets a store size of approximately 1,500 to 2,000 square metres, or 1,000 to 1,200 square metres in regional areas);
- available lease term; and
- required upfront capital expenditure.

3.5.2.2 Financial parameters

Baby Bunting estimates that, on average, capital expenditure required to open a typical new store of approximately 1,500 square metres will be in the range of $0.5 million to $0.6 million.

New Baby Bunting stores exhibit a ramp-up in sales and profitability as the Baby Bunting brand develops in the local community.

In the months surrounding a new store opening, Baby Bunting will incur a range of start-up costs, including freight, marketing and staff expenditure, which are generally at higher levels as a proportion of sales in the early phase of a new store. Baby Bunting may incur occupancy costs prior to opening, as well as some other operational costs associated with opening a store. Together, these start-up costs typically result in store level EBITDA losses at and around the time of opening.

Table 7 below shows summary data for all new Baby Bunting stores opened from June 2008 to June 2015. The table shows average data for these stores.

In the first year of operation, the stores achieved average sales of $4.9 million and EBITDA of $0.3 million (6.4% EBITDA margin).

In year two, the stores achieved average sales of $5.6 million and average EBITDA of $0.5 million (8.4% EBITDA margin).

As an indication of the longer term potential of Baby Bunting stores, the Company's existing stores which have been open for more than four years achieved average sales of $7.5 million and average EBITDA of $1.1 million in FY2015. This represents an average EBITDA margin of 14.9%.

It is anticipated that, at maturity, regional stores will achieve between 40% and 60% of the current average sales of stores opened for more than four years.

Table 7: Baby Bunting new store financial profile

	New Baby Bunting stores (opened from 2008)		Group average (all stores opened > 4 years)
	Year 1	**Year 2**	**Year 3**
Revenue per store ($m)	4.9	5.6	7.5
EBITDA per store ($m)	0.3	0.5	1.1
Store EBITDA margin	6.4%	8.4%	14.9%
Return on Invested Capital[a]	~25%	~35%	>70%

Note:

a. Return on Invested Capital is calculated as store EBITDA 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 12 month trading periods that the store has been open.

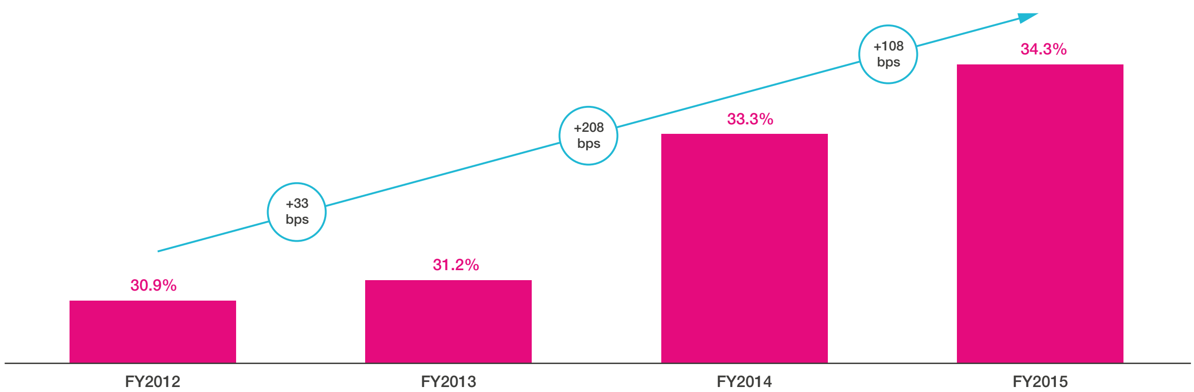
3.5.3. EBITDA margin improvement

The Company has implemented a number of initiatives to improve the EBITDA margin in recent financial years.

3.5.3.1 Gross profit margin

Over the last three years, the Company has invested significantly in its capabilities to improve gross profit margin as illustrated in Figure 23. Management believes that the Company is well positioned to continue gross profit margin improvement in future periods.

Figure 23: Gross profit margin improvement



Source: Baby Bunting

The key initiatives of gross profit margin improvement have included:

- **Team**
  - the Company has invested in new talent within its merchandise teams, doubling the size of the team over the last three years to 16 people (as at 28 June 2015).
  - the merchandise team has been successful in reshaping supplier relationships and focusing on developing better strategies in range and product mix, as well as expanding Private Label and Exclusive Product sales.
- **Private Label and Exclusive Products**
  - the Company offers Private Label products in strollers, change tables, manchester, babywear, portacots, plastics, toys, consumables and highchair categories and is focused on further expanding its Private Label range in future periods.
  - Private Label and Exclusive Products together represented 7.2% of sales in FY2015. The Company believes that in the medium term, sales of Private Label and Exclusive Products will increase to over 10% of total sales. Although gross profit margin on Private Label and Exclusive Products varies by product, the Company believes that the increased sales penetration of these products will facilitate further margin improvement in future periods.
- **Logistics**
  - the Distribution Centre has allowed the Company to improve control over the stocking of critical products and drive procurement efficiencies. It also has provided the Company with flexibility to buy an increasing proportion of products in bulk from brand owners or third party distributors, allowing for price and transport related efficiencies.

3.5.3.2. Leverage of Support Office and Distribution Centre investment

The Company has made a significant investment in both capabilities and infrastructure within the Support Office and Distribution Centre since 2008. This investment has been across all functions (finance, merchandise, marketing, operations, logistics, the Distribution Centre, HR and IT) to provide the level of support necessary to build a leading specialty retailer in the baby goods market.

Between FY2013 and FY2015, Support Office and Distribution Centre expenses on a pro forma basis increased by $3.0 million from $7.5 million to $10.5 million reflecting these investments. In FY2016, Support Office and Distribution Centre expenses are forecast to increase by a further $2.1 million to $12.6 million. This investment is reflected in employee headcount for these functions increasing from 45 in FY2013 to an expected 77 in FY2016 (including an increase in Distribution Centre personnel to support the larger number of stores).

The Company believes that it will be able to leverage this investment in the Support Office and Distribution Centre as the store network continues to expand and that the incremental growth rate of Support Office and Distribution Centre expenses will grow at a slower rate than sales in the future.

Refer to management discussion and analysis of the Pro Forma Historical Financial Information and Pro Forma Forecast Financial Information in Sections 4.10 and 4.12.

4. financial information

4.1. Introduction

This Section contains a summary of the following financial information:

- statutory historical financial information of the Company being:
  - the statutory historical consolidated statements of profit or loss for the financial years ended 30 June 2013 (**FY2013**), 29 June 2014 (**FY2014**) and 28 June 2015 (**FY2015**); and
  - the statutory historical consolidated statement of financial position as at 28 June 2015,

  (together the **Statutory Historical Financial Information**);
- pro forma historical financial information of the Company being:
  - the pro forma historical consolidated statements of profit or loss for FY2013, FY2014 and FY2015;
  - the summary pro forma historical consolidated statements of cash flow for FY2013, FY2014 and FY2015; and
  - the pro forma historical consolidated statement of financial position as at 28 June 2015,

  (together the **Pro Forma Historical Financial Information**);
- pro forma forecast financial information of the Company being:
  - the pro forma forecast consolidated statement of profit or loss for the financial year ending 26 June 2016 (**FY2016**); and
  - the summary pro forma forecast consolidated statement of cash flows for FY2016,

  (together the **Pro Forma Forecast Financial Information**); and
- statutory forecast financial information of the Company being:
  - the statutory forecast consolidated statement of profit or loss for FY2016; and
  - the summary statutory forecast consolidated statement of cash flows for FY2016,

(together the **Statutory Forecast Financial Information**).

The Pro Forma Forecast Financial Information and Statutory Forecast Financial Information together form the **Forecast Financial Information**.

The Statutory Historical Financial Information, Pro Forma Historical Financial Information and the Forecast Financial Information together form the **Financial Information**.

Also summarised in this Section are:

- the basis of preparation and presentation of the Financial Information (see Section 4.2);
- the key operating and financial metrics of the Company (see Section 4.3);
- a summary of the Company's indebtedness before and after the Offer (see Section 4.7);
- a summary of the Company's debt finance facilities (see Section 4.7);
- a summary of the Company's lease commitments as at 28 June 2015 (see Section 4.8);
- management discussion and analysis of the Pro Forma Historical Financial Information (see Section 4.10);
- the Directors' best estimate assumptions underlying the Forecast Financial Information (see Section 4.11);
- management discussion and analysis of the Pro Forma Forecast Financial Information (see Section 4.12);
- an analysis of the key sensitivities in respect of the Pro Forma Forecast Financial Information (see Section 4.13); and
- a summary of the Company's proposed dividend policy (see Section 4.14).

All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $100,000. Rounding in the Financial Information may result in some immaterial rounding differences between the components and the total percentage calculations outlined within the tables and commentary.

4.2. Basis of preparation and presentation of the Financial Information

The Financial Information has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards issued by the Australian Accounting Standards Board (**AASB**) and the accounting policies of the Company.

The Financial Information is presented in abbreviated form and does not include all of the disclosures, statements and comparative information required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

The significant accounting policies of the Company relevant to the Financial Information are set out in Appendix A.

The Financial Information presented in the Prospectus has been reviewed and reported on by Deloitte Corporate Finance Pty Limited, whose Investigating Accountant's Report is contained in Section 8. Investors should note the scope and limitations of that report (refer to Section 8).

In accordance with AASB 8 *Operating Segments*, the Company has one reportable segment being the retailing of baby goods in Australia.

The information in this Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.2.1. Preparation of Pro Forma Historical Financial Information

The Statutory Historical Financial Information has been extracted from the Company's annual reports for the periods of FY2013, FY2014 and FY2015. The FY2013, FY2014 and the FY2015 audited consolidated statutory financial statements included within the annual reports have been audited by Deloitte Touche Tohmatsu which issued unmodified audit opinions in respect of these periods. These financial statements are available on the Offer website (www.babybuntingshareoffer.com.au) and the Statutory Historical Financial Information is summarised in Section 4.4.2.

The Pro Forma Historical Financial Information has been prepared for the purposes of inclusion in this Prospectus. It has been derived from the Statutory Historical Financial Information, with pro forma adjustments being made to reflect the Company's intended operating and capital structure following Completion and to exclude non-recurring items as set out in Section 4.4.2.

The following statutory to pro forma reconciliations are contained within this Section:

- the Company's statutory historical consolidated statements of profit or loss and the pro forma historical consolidated statements of profit or loss at the sales, EBITDA and NPAT levels (refer to Section 4.4);
- statutory historical consolidated net cash flows from operating activities and summary pro forma historical consolidated statements of cash flow (refer to Section 4.9); and
- statutory historical consolidated statement of financial position and pro forma historical consolidated statement of financial position (refer to Section 4.6).

Investors should note that past results are not a guarantee of future performance.

4.2.2. Preparation of Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors with due care and attention, and having regard to an assessment of present economic and operating conditions, and based on a number of best estimate general and specific assumptions regarding future events and actions. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, and is not intended to be a representation that the assumptions will occur.

The Directors believe the best estimate assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a materially positive or negative effect on the Group's actual financial performance or financial position. Accordingly, the Directors, the Company's Senior Management, or any other person cannot give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

Investors are advised to review the Forecast Financial Information in conjunction with the general and specific forecast assumptions set out in Section 4.11, the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5 and other information set out in this Prospectus.

The Forecast Financial Information is presented on both a statutory and pro forma basis.

The Statutory Forecast Financial Information has been prepared on a basis consistent with how the Company's statutory financial statements are expected to be prepared for future financial periods. The Statutory Forecast Financial Information for FY2016 is the best estimate of the financial performance that the Directors expect to report in the Company's general purpose statutory consolidated financial report for FY2016.

The Statutory Forecast Financial Information assumes Completion of the Offer will occur on 15 October 2015, hence it reflects only a part-year effect of the Company's intended operating and capital structure following Completion of the Offer.

The Pro Forma Forecast Financial Information differs from the Statutory Forecast Financial Information as the Pro Forma Forecast Financial Information reflects the full-year effect of the operating and capital structure that will be in place upon Completion of the Offer, excluding costs and other non-recurring items related to the Offer that are not expected to occur in the future. See Section 4.4.2 for reconciliations between the Statutory and Pro Forma Forecast Financial Information.

The basis of preparation and presentation of the Pro Forma Forecast Financial Information, to the extent relevant, is consistent with the basis of preparation of the Pro Forma Historical Financial Information. The Directors have no intention of updating or revising the Forecast Financial Information or other forward looking statements following the issue of this Prospectus, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.3. Explanation of certain non-International Financial Reporting Standards (IFRS) financial measures

The Company uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as "non-IFRS financial measures". Non-IFRS financial measures are intended to supplement the measures calculated in accordance with Australian Accounting Standards and not as a substitute for those measures. These non-IFRS financial measures do not have a prescribed definition under IFRS and the method that the Company uses to calculate them may be different to methods adopted by other companies to calculate similarly titled measures.

The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

- major market stores are stores located in catchments with a population greater than 200,000;
- regional stores are stores located in catchments with a population less than 200,000;
- Comparable Store Sales Growth represents the 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 corresponding period, provided the stores were open at the beginning of the prior financial year;
- gross profit is calculated as sales less cost of sales;
- gross profit margin is a profitability measure and is calculated by dividing gross profit by sales, expressed as a percentage;
- Cost of Doing Business (**CODB**) is the sum of store expenses, marketing expenses, warehouse expenses and administrative expenses;
- EBITDA is earnings before net interest and financing costs, income tax expense, depreciation and amortisation;
- EBITDA margin is a profitability measure and is calculated by dividing EBITDA by sales, expressed as a percentage;
- EBIT is calculated by deducting depreciation and amortisation from EBITDA;
- EBIT margin is a profitability measure and is calculated by dividing EBIT by sales, expressed as a percentage;
- NPAT margin is a profitability measure and is calculated by dividing net profit after taxes by sales, expressed as a percentage;
- working capital comprises inventories, lay-by and other receivables, trade payables, accruals, employee entitlement provisions and operating lease provisions (accounting and cash timing differential);
- capital expenditure (excluding new stores) includes expenditure to acquire and maintain store, warehouse and Support Office fixed assets except for any expenditure related to the opening of new stores; and
- new store capital expenditure includes the initial expenditure made to acquire fixed assets related to the opening of new stores.

4.4. Consolidated pro forma historical and forecast consolidated statements of profit or loss

Set out below in Table 8 is a summary of the Company's pro forma historical consolidated statements of profit or loss for FY2013, FY2014 and FY2015, pro forma forecast consolidated statement of profit or loss and statutory forecast consolidated statement of profit or loss for FY2016.

Table 8: Pro forma historical consolidated statements of profit or loss, pro forma forecast consolidated statement of profit or loss and statutory forecast consolidated statement of profit or loss

	Pro forma historical[a]			Pro forma forecast[b]	Statutory forecast
$ millions	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2016**
Sales	125.5	150.2	180.2	218.6	218.6
Cost of sales	(86.4)	(100.2)	(118.3)	(141.8)	(141.8)
Gross profit	**39.1**	**49.9**	**61.9**	**76.8**	**76.8**
Cost of doing business:					
Store expenses	(25.7)	(30.4)	(36.0)	(43.8)	(43.8)
Marketing expenses	(2.2)	(2.5)	(3.1)	(4.0)	(4.0)
Warehouse expenses	(2.5)	(3.1)	(3.2)	(3.5)	(3.5)
Administrative expenses	(5.0)	(5.9)	(7.3)	(9.1)	(11.9)
EBITDA	**3.8**	**8.0**	**12.4**	**16.3**	**13.5**
Depreciation and amortisation	(1.9)	(2.0)	(2.4)	(3.1)	(3.1)
EBIT	**1.9**	**6.0**	**10.0**	**13.2**	**10.4**
Net finance costs	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)
Profit before tax	**1.7**	**5.8**	**9.7**	**12.9**	**10.1**
Tax	(0.5)	(1.7)	(2.9)	(3.9)	(3.8)
Net profit after tax	**1.2**	**4.1**	**6.8**	**9.1**	**6.2**

Notes:

a. The pro forma historical consolidated statements of profit or loss for FY2013, FY2014 and FY2015 are reconciled to the respective statutory historical consolidated statements of profit or loss for FY2013, FY2014 and FY2015 in Section 4.4.2.

b. The pro forma forecast consolidated statement of profit or loss for FY2016 is reconciled to the statutory forecast consolidated statement of profit or loss for FY2016 in Section 4.4.2.

4.4.1. Key operating and financial metrics

Set out below in Table 9 is a summary of the Company's key pro forma historical operating and financial metrics for FY2013, FY2014 and FY2015, and the key pro forma forecast operating and financial metrics for FY2016.

Table 9: Pro forma historical and forecast operating and financial metrics for FY2013 to FY2016

		Pro forma historical			Pro forma forecast
	Notes	**FY2013**	**FY2014**	**FY2015**	**FY2016**
Retail Stores					
Major market stores		21	23	29	34
Regional stores		–	–	2	2
Total		**21**	**23**	**31**	**36**
Store openings		3	3	8	5
Store closures	a	1	1	–	–
Net new stores		**2**	**2**	**8**	**5**

Key pro forma financial metrics				
Total sales growth	n/a	19.6%	20.0%	21.3%
Comparable Store Sales Growth	1.5%	8.8%	7.6%	4.3%
Gross profit growth	n/a	27.6%	23.9%	24.1%
Gross profit margin	31.2%	33.3%	34.3%	35.1%
CODB as a percentage of sales	28.2%	27.9%	27.5%	27.6%
EBITDA growth	n/a	113.6%	54.2%	32.1%
EBITDA margin	3.0%	5.3%	6.9%	7.5%
EBIT growth	n/a	216.1%	66.4%	32.0%
EBIT margin	1.5%	4.0%	5.5%	6.0%
NPAT growth	n/a	245.0%	69.0%	32.7%
NPAT margin	0.9%	2.7%	3.8%	4.1%

Notes:

a. The closure of the Bella Vista (New South Wales) store in FY2013 was due to the compulsory acquisition of the site by the NSW Government. The Balwyn (Victoria) store was closed at end of its lease term in FY2014 and was relocated to Hawthorn in FY2015.

4.4.2. Pro forma adjustments to the statutory historical and forecast consolidated statements of profit or loss

The pro forma historical and forecast consolidated statements of profit or loss included in this Prospectus have been derived by applying certain pro forma adjustments to the statutory historical and forecast consolidated statements of profit or loss. These adjustments are summarised in Table 10.

Table 10: Pro forma adjustments to the statutory historical consolidated statements of profit or loss for FY2013, FY2014 and FY2015 and the statutory forecast consolidated statement of profit or loss for FY2016

		Historical			Forecast
$ millions	**Notes**	**FY2013**	**FY2014**	**FY2015**	**FY2016**
Statutory sales		**125.5**	**150.2**	**180.2**	**218.6**
Pro forma sales		**125.5**	**150.2**	**180.2**	**218.6**
Statutory EBITDA		**5.3**	**8.6**	**12.0**	**13.5**
Listed public company costs	a	(0.6)	(0.4)	(0.3)	(0.1)
Existing share options plan	b	–	–	0.9	0.8
New executive management LTI Plan	c	(0.2)	(0.2)	(0.2)	(0.1)
General employee share plan	d	–	–	–	0.4
Compulsory store closure	e	(0.8)	–	–	–
Transaction costs	f	–	–	–	1.8
Pro forma EBITDA		**3.8**	**8.0**	**12.4**	**16.3**
Statutory NPAT		**1.8**	**4.1**	**6.0**	**6.2**
Listed public company costs	a	(0.6)	(0.4)	(0.3)	(0.1)
Existing share options plan	b	–	–	0.9	0.8
New executive management LTI Plan	c	(0.2)	(0.2)	(0.2)	(0.1)
General employee share plan	d	–	–	–	0.4
Compulsory store closure	e	(0.8)	–	–	–
Transaction costs	f	–	–	–	1.8
Net finance costs	g	0.6	0.5	0.3	0.1
Income tax effect of adjustments and effective rate	h	0.3	0.0	0.0	(0.1)
Pro forma NPAT		**1.2**	**4.1**	**6.8**	**9.1**

Notes:

a. ***Listed public company costs*** represent the anticipated incremental costs that the Company will incur as a listed public company. These incremental costs include Directors' remuneration, listing and registry fees, investor relations and audit fees. In the FY2016 statutory forecast consolidated statement of profit or loss, incremental listed public company costs have been assumed to commence from 15 October 2015.

b. The ***existing share options plan*** adjustment represents the cost recorded in the statutory consolidated statements of profit or loss in relation to the existing share options that have been exercised in FY2016 prior to the date of the Offer. The cost of the existing share options plan was accelerated in FY2015 and FY2016 when an initial public offering of the Company became probable. Indirect tax costs associated with the existing share options plan have been recognised in the FY2016 statutory forecast consolidated statement of profit or loss. Refer to Section 6.3.3.5.

c. ***New executive management LTI Plan*** represents the anticipated annual cost of the new executive LTI Plan with reference to the terms of the plan and the Directors' best estimate of the achievement of plan hurdles and forecast targets beyond FY2016 based on available information. In the FY2016 statutory forecast consolidated statement of profit or loss, costs from the new executive management LTI Plan have been assumed to commence from 15 October 2015. Refer to Sections 6.3.3.4 and 9.4.

d. ***General employee share plan*** has been recognised in the FY2016 statutory forecast consolidated statement of profit or loss. Refer to Section 9.5.

e. ***Compulsory store closure*** represents the compensation income received from the State Government of New South Wales in relation to the compulsory store closure in Bella Vista, New South Wales in FY2013.

f. ***Transaction costs*** reflect the amount anticipated to be recorded in the FY2016 statutory forecast consolidated statement of profit or loss. These costs represent the portion of transaction costs attributable to the sale of the Existing Shares. Transaction costs attributable to the issue of New Shares by the Company are anticipated to be capitalised to Issued capital.

g. The ***net finance costs*** adjustment presents the pro forma net finance costs on the Existing Banking Facilities assuming that the debt pay down as part of the Offer was completed on 1 July 2012. In the FY2016 statutory forecast consolidated statement of profit or loss, net finance costs have assumed debt pay down as at 15 October 2015.

h. ***Income tax effect of adjustments and effective rate*** reflects the net tax effect of the pro forma adjustments as well as adjusting the historical tax expense to reflect the Company's anticipated effective tax rate as a listed public company of 30%.

Set out in Table 11 below is the statutory historical consolidated statements of profit or loss for FY2013, FY2014 and FY2015.

Table 11: Statutory historical consolidated statements of profit or loss for FY2013, FY2014 and FY2015

	Statutory historical		
$ millions	**FY2013**	**FY2014**	**FY2015**
Sales	**125.5**	**150.2**	**180.2**
Cost of sales	(86.4)	(100.2)	(118.3)
Gross profit	**39.1**	**49.9**	**61.9**
Other income	0.9	–	–
Cost of doing business:			
Store expenses	(25.7)	(30.4)	(36.0)
Marketing expenses	(2.2)	(2.5)	(3.1)
Warehouse expenses	(2.5)	(3.1)	(3.2)
Administrative expenses	(4.3)	(5.3)	(7.7)
EBITDA	**5.3**	**8.6**	**12.0**
Depreciation and amortisation	(1.9)	(2.0)	(2.4)
EBIT	**3.5**	**6.6**	**9.6**
Net finance costs	(0.8)	(0.7)	(0.6)
Profit before tax	**2.6**	**5.8**	**9.0**
Tax	(0.8)	(1.8)	(3.0)
Net profit after tax	**1.8**	**4.1**	**6.0**

4.5. Operating Segments

In accordance with AASB 8 *Operating Segments*, the Company has one reportable segment being the retailing of baby goods in Australia.

4.6. Pro forma historical consolidated statement of financial position

4.6.1. Pro forma adjustments to the statutory statement of financial position

Details of the pro forma adjustments to the audited consolidated statement of financial position as at 28 June 2015 are set out in the notes to Table 12 below. The pro forma historical consolidated statement of financial position is provided for illustrative purposes only. It is not intended to be representative of the Company's view on its future financial position. Further information on the sources and uses of funds of the Offer is contained in Section 7.1.2.

The pro forma historical consolidated statement of financial position as at 28 June 2015 in Table 12 is based on the audited statutory historical consolidated statement of financial position as at 28 June 2015, adjusted for certain pro forma adjustments to reflect the impact of the Offer and the change in capital structure that will take place as part of the Offer, as if it was in place as at 28 June 2015.

Table 12: Pro forma historical consolidated historical statement of financial position as at 28 June 2015

$ millions	Notes	Audited 28 Jun 15	Pro forma adjustments	Pro forma 28 Jun 15
Current assets				
Cash and cash equivalents	a	3.6	1.0	4.6
Other receivables		5.8	–	5.8
Inventories		35.5	–	35.5
Other assets		0.3	–	0.3
Total current assets		**45.2**	**1.0**	**46.2**
Non-current assets				
Plant and equipment		14.9	–	14.9
Deferred tax assets	b	2.1	0.5	2.6
Goodwill		44.2	–	44.2
Non-current assets		**61.2**	**0.5**	**61.7**
Total assets		**106.3**	**1.5**	**107.9**
Current liabilities				
Trade and other payables	c	19.6	0.1	19.7
Provision for income tax		2.4	–	2.4
Provisions (employee benefit entitlements)		1.7	–	1.7
Total current liabilities		**23.7**	**0.1**	**23.8**
Non-current liabilities				
Borrowings	d	8.0	(8.0)	–
Provisions (employee benefit entitlements)		0.3	–	0.3
Operating lease provision		2.4	–	2.4
Total non-current liabilities		**10.6**	**(8.0)**	**2.7**
Total liabilities		**34.3**	**(7.8)**	**26.5**
Net assets		**72.0**	**9.4**	**81.4**
Equity				
Issued capital	e	55.1	27.5	82.6
Reserves		1.0	–	1.0
Retained profits	f	16.0	(18.1)	(2.2)
Total equity		**72.0**	**9.4**	**81.4**

Notes:

a. The **Cash and cash equivalents** adjustment of $1.0 million reflects:
   - proceeds from the Offer ($25.0 million);
   - proceeds from the exercise of existing share options in FY2016 prior to the date of the Offer ($3.7 million). Refer to Section 6.3.3.5;
   - repayment to nil of the Existing Banking Facilities ($8.0 million);
   - payment of a special dividend intended to be paid prior to or at completion of the Offer to the Existing Shareholders ($16.1 million); and
   - payment for transaction costs associated with the Offer ($3.6 million).

b. The ***Deferred tax asset*** adjustment of $0.5 million reflects the recognition of the tax effect of transaction costs associated with the Offer.

c. The ***Trade and other payables*** adjustment of $0.1 million reflects the recognition of costs and GST recoverable associated with the transaction costs.

d. The ***Borrowings*** adjustment of $8.0 million reflects the repayment to nil of the Existing Banking Facilities.

e. The ***Issued capital*** adjustment of $27.5 million reflects:
   - capital raised from the issue of new shares under the Offer ($25.0 million) and the exercise of existing share options ($3.7 million); partially offset by
   - transaction costs associated with the Offer ($1.2 million) capitalised to issued capital.

f. The ***Retained earnings*** adjustment of $18.1 million reflects:
- payment of a special dividend to the Existing Shareholders ($16.1 million); and
- recognition of costs relating to exercise of the existing share options and anticipated transaction costs associated with the Offer in the FY2016 statutory forecast consolidated statement of profit or loss ($2.0 million).

4.7. Indebtedness

4.7.1. Indebtedness

Set out below is a summary of indebtedness as at 28 June 2015, before and following Completion of the Offer. The Pro Forma Net Cash position of $4.6 million reflects pro forma net cash adjusted for the repayment of senior debt to nil as if Completion of the Offer had occurred at 28 June 2015 (**Pro Forma Net Cash**). No adjustment has been made to reflect the cash from operations since that date.

Table 13: Indebtedness as at 28 June 2015

	Audited[a]	Pro forma[b]
$ millions	**28 Jun 15**	**28 Jun 15**
Total borrowings	**8.0**	**–**
Cash and cash equivalents	3.6	4.6
Net debt/(net cash)	**4.4**	**(4.6)**

Notes:

a. Refer to Table 12 in Section 4.6.1 for details of pro forma adjustments relating to the Company's statutory and pro forma consolidated statement of financial position as at 28 June 2015.

b. Pro Forma Net Cash of $4.6 million reflects pro forma net cash adjusted for repayment of senior debt to nil after the 28 June 2015 balance date. No adjustments have been made to reflect the cash generated from operations since that date.

4.7.2. Description of Existing Banking Facilities

4.7.2.1 Overview

The Company is party to a $26 million Facility Agreement (Existing Banking Facility Agreement) with National Australia Bank Limited (**NAB**), maturing on 31 December 2017, pursuant to which NAB provides the Company with:

- a $20 million cash advance/accommodation bill facility (the commitment under which is reduced by the value of outstanding letters of credit);
- a $6 million bank guarantee facility; and
- a $2 million letter of credit facility,

(**Existing Banking Facilities**). The Existing Banking Facilities will remain in place after the successful Completion of the Offer. The Existing Banking Facilities are available for general working capital purposes. The facility is expected to be undrawn at the time of and immediately subsequent to Listing. The Existing Banking Facilities are repayable in full at maturity.

4.7.2.2 Representations and warranties

The Existing Banking Facility Agreement contains representations and warranties customary for debt facilities of this nature, the breach of which may lead to the financial accommodation drawn becoming due on an accelerated basis and the Existing Banking Facilities being cancelled.

4.7.2.3 Undertakings

The Existing Banking Facility Agreement contains financial, information and reporting undertakings customary for debt facilities of this nature. The financial undertakings include the Company's compliance with certain leverage and interest coverage ratios, which will be tested quarterly on a rolling 12-monthly basis. The Company expects to remain in compliance with these undertakings.

4.7.2.4 Security

The Company's obligations under the Existing Banking Facility Agreement are secured by a fixed and floating charge and cross guarantee granted in favour of NAB by the Company and its subsidiary Baby Bunting Pty Ltd.

4.7.2.5 Financial covenants

The Existing Banking Facility Agreement includes the following financial covenants which will be tested quarterly on the last trading day of each March, June, September and December:

- operating leverage ratio to be less than or equal to 2.0 times, where operating leverage means Total Debt (being the aggregate of the principal amounts outstanding under the Facilities excluding bank guarantees and any other permitted financial indebtedness) divided by EBITDA (being the 12 month rolling earnings before interest, tax, depreciation and amortisation and excluding non-cash items in relation to mark to market adjustments for interest rate risk management swaps); and
- financial charges cover ratio to be greater than or equal to 1.5 times, where financial charges cover ratio means EBITDA plus last 12 months cash lease rent expense divided by interest paid on Total Debt plus last 12 months cash lease rent expense.

4.7.2.6 Events of default

The Existing Banking Facility Agreement prescribes events of default which are usual for debt facilities of this nature, including in relation to failures to pay, breaches of financial undertaking, cross-default, insolvency and related events and material adverse effects. The occurrence of an event of default, subject in certain cases to specified grace periods, may lead to the financial accommodation drawn becoming due on an accelerated basis and the Existing Banking Facilities being cancelled.

4.7.2.7 Review events

If a review event occurs, including a change in control (other than as a result of the Listing), the Company and the Lender will be required to re-negotiate revised terms for the Existing Banking Facility Agreement. If agreement cannot be reached within a certain period, then it may lead to some or all of the financial accommodation drawn becoming due and the Existing Banking Facilities being cancelled.

4.7.3. Liquidity and capital

Following Completion of the Offer, the Company's principal source of funds will be cash flow from operations. The Company expects that it will have sufficient cash flow from operations to meet its operational needs during the Forecast Period. The Company expects that operating cash flows, together with the Existing Banking Facilities, will position the Company to meet the funding requirements of its growth objectives.

4.8. Lease commitments

The Company has a number of lease commitments related to its stores and the Distribution Centre and Support Office, which are shown in Table 14.

Table 14: Lease commitments as at 28 June 2015

$ millions	As at 28 June 2015
Within one year	12.2
Later than one year but not later than five years	33.8
Later than five years	10.4
Total	**56.4**

4.9. Historical and forecast consolidated statements of cash flow

Set out below are the Company's pro forma historical consolidated statements of cash flow for FY2013, FY2014 and FY2015 and the pro forma and statutory forecast consolidated statement of cash flows for FY2016.

Table 15: Summary pro forma historical and forecast consolidated statements of cash flow and statutory forecast consolidated statement of cash flows

		Pro forma historical			Pro forma forecast	Statutory forecast
$ millions	**Notes**	**FY2013**	**FY2014**	**FY2015**	**FY2016**	**FY2016**
EBITDA		**3.8**	**8.0**	**12.4**	**16.3**	**13.5**
Add back non-cash share based payments		0.2	0.2	0.2	0.2	1.0
Add back loss/(gain) on disposal of assets		(0.1)	0.0	(0.0)	–	–
Movement in working capital	a	(1.7)	(1.4)	(4.6)	(0.9)	(0.9)
Operating cash flow (before capital expenditure)		**2.2**	**6.9**	**7.9**	**15.5**	**13.6**
Capital expenditure (excluding new stores)	b	(0.8)	(1.6)	(1.2)	(2.6)	(2.6)
Operating cash flow (before new store capital expenditure)		**1.4**	**5.2**	**6.7**	**13.0**	**11.0**
New store capital expenditure		(1.8)	(1.9)	(4.8)	(2.8)	(2.8)
Net cash flow (before financing and tax)		**(0.4)**	**3.3**	**1.9**	**10.2**	**8.3**
Income tax					(6.1)	(6.1)
Net finance costs					(0.2)	(0.3)
Proceeds from the Offer						25.0
Proceeds from the exercise of existing share options						3.7
Repayment of borrowings						(8.0)
Transaction costs (capitalised)	c					(1.8)
Dividends	d					(16.1)
Net cash flow					**3.8**	**4.7**

Notes:

a. ***Movement in working capital*** comprises inventories, lay-by and other receivables, trade payables, accruals, employee entitlement provisions and operating lease provisions (accounting and cash timing differential).

b. ***Capital expenditure (excluding new stores)*** comprises expenditure to acquire or replace existing store, warehouse and Support Office fixed assets.

c. ***Transaction costs*** represents anticipated costs capitalised to issued capital in relation to the issue of New Shares by the Company under the Offer. Transaction costs attributable to the sale of the Existing Shares have been assumed in the FY2016 statutory forecast consolidated statement of profit or loss.

d. ***Dividends*** represents the special dividend anticipated to be paid to the Existing Shareholders on or about Listing.

4.9.1. Pro forma adjustments to the statutory historical consolidated statements of cash flow

In presenting the pro forma historical consolidated statements of cash flow and the pro forma forecast consolidated statement of cash flows included in this Prospectus, adjustments to the statutory historical consolidated statement of cash flows and statutory forecast consolidated statements of cash flows have been made for certain pro forma transactions. These adjustments are summarised in Table 16 and Table 17 below.

Table 16: Pro forma adjustments to the statutory historical consolidated statements of cash flow for FY2013, FY2014 and FY2015

		Historical		
$ millions	**Notes**	**FY2013**	**FY2014**	**FY2015**
Statutory net cash flow from operating activities		**2.2**	**5.4**	**4.8**
Income tax		0.4	0.8	2.7
Net finance costs		1.1	1.1	0.9
Capital expenditure		(2.6)	(3.5)	(6.0)
Listed public company costs	a	(0.6)	(0.4)	(0.3)
Compulsory store closure	b	(0.8)	–	–
Pro forma net cash flow before financing and taxation		**(0.4)**	**3.3**	**1.9**

Notes:

a. The ***Listed public company costs*** adjustment reflects the recognition of incremental listed public company costs in the pro forma historical consolidated statements of cash flow.

b. The ***Compulsory store closure*** adjustment reflects the exclusion from the pro forma historical consolidated statements of cash flow of the cash received with regard to the compulsory store closure in FY2013.

Table 17: Pro forma adjustments to the statutory forecast consolidated statement of cash flow for FY2016

		Forecast
$ millions	**Notes**	**FY2016**
Statutory net cash flow		**4.7**
Listed public company costs	a	(0.1)
Proceeds from the exercise of existing share options	b	(3.4)
Proceeds from the Offer		(25.0)
Repayment of borrowings		8.0
Transaction costs	c	3.5
Net finance costs	d	0.1
Dividends		16.1
Pro forma net cash flow		**3.8**

Notes:

a. The ***Listed public company costs*** adjustment reflects the full year recognition of listed public company costs in the pro forma forecast consolidated statement of cash flows.

b. The ***Existing share options plan*** adjustment reflects the cash proceeds received by the Company net of associated indirect tax costs ($0.3 million) recognised in the statutory forecast consolidated statement of cash flows.

c. ***Transaction costs*** are reflected in the statutory forecast consolidated statement of cash flows representing transaction costs expensed and capitalised (net of GST recovered).

d. The ***Net finance costs*** adjustment reflects the full year impact repayment of the Existing Banking Facilities in the pro forma forecast consolidated statement of cash flows. The statutory forecast consolidated statement of cash flows assumes debt pay down from 15 October 2015.

4.10. Management discussion and analysis of the Pro Forma Historical Financial Information

4.10.1. General factors affecting the operating results of the Company

Set out below is a brief discussion of the general factors that have affected the Company's operating and financial performance in FY2013, FY2014 and FY2015 and which the Directors expect may continue to affect operating and financial performance in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected the Company's historical operating and financial performance, or everything that may affect the Company's operating and financial performance in the future.

The information in this Section should also be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

4.10.1.1 Sales

Sales are generated by the Company through the sale of baby goods through its network of stores and website. Key drivers of sales include:

- Comparable Store Sales Growth;
- new stores opened in the current period;
- full-year impact of new stores opened in the comparative period; and
- store closures.

New stores opened by the Company exhibit a stronger sales growth profile during the first four years of trading as the store matures with the building of brand awareness in the respective store catchment. The addition of recently opened stores into the calculation of Comparable Store Sales Growth has been, and is expected to continue to be, a positive driver of the Company's Comparable Store Sales Growth.

4.10.1.2 Gross profit

Cost of sales incorporates the purchase cost of inventory sold, freight, net supplier rebates, as well as shrinkage. The Company actively manages its cost of sales via negotiations with its suppliers.

The following factors can affect gross profit margin:

- selling prices – driven by the range of product and level of discounting offered during promotional events;
- supplier rebates – are principally either volume-related incentive rebates or promotional support for catalogue periods;
- Private Label and Exclusive Products – the Company typically earns a higher gross profit margin on the sale of Private Label and Exclusive Products than other products. The gross profit margin on Private Label and Exclusive Products can be up to 15% more than the gross profit margin for a comparable, third party branded product;
- freight – stores located further from the Distribution Centre and in areas where the Company has a lower store density typically have higher freight expenses relative to established major markets. Freight costs are also impacted by delivery options available, the frequency of deliveries and potential changes in fuel costs;
- product mix – gross profit margin varies by department, brand and product;
- foreign currency – the Company has a relatively low direct foreign currency exposure with less than 10% of goods sourced in a foreign currency. However, the Company's Australian-based suppliers have exposure to foreign currency, most notably the USD. A weakening of the AUD relative to the USD may result in higher purchase costs as suppliers adjust their pricing accordingly. In such circumstances, the Company has historically demonstrated an ability to pass on price increases without negatively affecting sales or gross profit margin performance; and
- shrinkage – inventory control is a core business activity with an active stocktake schedule and cycle counts performed to minimise shrinkage.

4.10.1.3 Cost of doing business

Key elements of the cost of doing business (CODB) include:

- store expenses – include labour, occupancy costs, merchant service fees and other store expenses. Labour costs and the number of employees vary by store depending on store sales levels. Store leases are on terms of up to ten years and are recognised on a straight-line basis over the term of the lease, inclusive of any incentives provided by lessors. Merchant service fees are largely variable based on sales. Other store expenses are largely fixed in nature;
- administrative expenses – include labour costs and other overheads reflecting store operations support, finance, merchandise, human resources, IT and executive functions;
- marketing expenses – include the costs incurred on marketing activities carried out by the Company across traditional media (catalogue, regional TV, radio and print media), online (email, search and digital) as well as social media; and
- warehousing expenses – most notably include labour and occupancy costs of the Distribution Centre. The number of Distribution Centre staff is expected to increase incrementally with the number of new store openings. The Distribution Centre is leased until 2021 with rental costs recognised on a straight-line basis.

4.10.1.4 Depreciation and amortisation

Store capital expenditure is depreciated on a straight-line basis over between three and 10 years, depending on the class of asset. Support Office and Distribution Centre capital expenditure is depreciated over its useful life typically between three and 10 years, depending on the class of asset.

4.10.1.5 Change in working capital

Working capital comprises inventories, lay-by and other receivables, trade payables, accruals, employee entitlement provisions and operating lease provisions (accounting and cash timing differential).

Inventory is primarily driven by the number of stores trading at the end of a period. New stores require a net inventory investment of between $0.5 million and $0.7 million per store.

Receivables relating to lay-by sales are primarily influenced by overall sales performance and the timing of promotional events. Lay-by sales relative to total sales and lay-by trading terms have remained stable in recent financial periods.

Trade payables can be affected by the length of payment terms agreed with suppliers as well as the forecast amount of sales for each product.

4.10.1.6 Capital expenditure

The Company's capital expenditure relates primarily to three categories:

- expenditure relating to the establishment cost of new stores;
- expenditure relating to store refurbishment and upgrades; and
- expenditure relating to additional or replacement operational assets within the Distribution Centre and Support Office, investment in new IT software and other items.

The capital expenditure (net of any landlord contributions) required to open a new store has historically been between approximately $0.5 million and $0.6 million.

In FY2013, FY2014 and FY2015 the Company recorded capital expenditure (excluding new stores) of $0.8 million, $1.6 million and $1.2 million respectively relating to store refurbishments, existing store sustenance and Support Office and Distribution Centre expenditure.

4.10.2. Pro forma historical consolidated statements of profit or loss: FY2014 compared to FY2013

Table 18: Summary of pro forma historical consolidated statements of profit or loss for FY2013 and FY2014

	Pro forma historical[a]		
$ millions	**FY2013**	**FY2014**	**% change**
Sales	**125.5**	**150.2**	***20%***
Cost of sales	(86.4)	(100.2)	*16%*
Gross profit	**39.1**	**49.9**	***28%***
Cost of doing business	(35.4)	(41.9)	*18%*
EBITDA	**3.8**	**8.0**	***114%***
Depreciation and amortisation	(1.9)	(2.0)	*9%*
EBIT	**1.9**	**6.0**	***216%***
Net finance costs	(0.2)	(0.2)	*3%*
Profit before tax	**1.7**	**5.8**	***245%***
Tax	(0.5)	(1.7)	*245%*
Net profit after tax	**1.2**	**4.1**	***245%***

Note:

a. The pro forma historical consolidated statements of profit or loss for FY2013 and FY2014 are reconciled to the respective statutory historical consolidated statement of profit or loss for FY2013 and FY2014 in Section 4.4.2.

Table 19: Summary of operating and financial metrics for FY2013 and FY2014

	FY2013	**FY2014**
Retail Stores		
Major market stores	21	23
Regional stores	–	–
Total	**21**	**23**
Retail Stores openings	3	3
Retail Stores closures	1	1
Net new Stores	**2**	**2**

	Pro forma historical	
Key pro forma financial metrics	**FY2013**	**FY2014**
Total sales growth	n/a	19.6%
Comparable Store Sales Growth	1.5%	8.8%
Gross profit growth	n/a	27.6%
Gross profit margin	31.2%	33.3%
CODB as a percentage of sales	28.2%	27.9%
EBITDA growth	n/a	113.6%
EBITDA margin	3.0%	5.3%
EBIT growth	n/a	216.1%
EBIT margin	1.5%	4.0%
NPAT growth	n/a	245.0%
NPAT margin	0.9%	2.7%

4.10.2.1 Sales

Sales increased by $24.6 million to $150.2 million in FY2014 (representing 20% growth) primarily driven by:

- Comparable Store Sales Growth of 8.8% reflecting sales performance across stores in the majority of states and improved general trading conditions following the exit of a competitor from the market during FY2013;
- part-year contribution from three stores opened at Joondalup, Midland and Taren Point in FY2014 of $11.6 million;
- the full-year incremental contribution of stores opened in FY2013 at Warners Bay, Kawana and Fortitude Valley of $8.7 million; and
- the closure of the Balwyn (Victoria) store on 31 January 2014 that was partly offset by a benefit realised by nearby catchment stores and the closure of the Bella Vista (New South Wales) store on 11 May 2013 due to a compulsory acquisition by the NSW Governmment.

4.10.2.2 Gross profit

Gross profit rose by 28% to $49.9 million in FY2014 as a result of the increase in sales and gross profit margin expansion. The gross profit margin increased by 2.1% from 31.2% to 33.3%. The increase in gross profit margin was predominantly driven by improved procurement terms, an increase in supplier rebates, and Private Label and Exclusive Product sales increasing from 3.1% of total sales in FY2013 to 5.0% in FY2014 (refer to Section 3.3.4.2).

4.10.2.3 Cost of doing business

Total CODB grew 18% from $35.4 million to $41.9 million. As a percentage of sales, CODB decreased by 0.3% from FY2013 to 27.9%. This was due to a combination of:

- store expenses – increased 18.2% to $30.4 million. The increase in store expenses most notably reflected three new store openings in FY2014 and the full-year impact of stores opened in FY2013. As a percentage of sales, store expenses decreased by 0.3% to 20.2%, primarily as store labour also decreased relative to sales by 0.3%. This reflects labour efficiencies achieved in the store network with the introduction of time and attendance software;
- marketing expenses – increased 12.5% to $2.5 million. The increase of marketing expenses largely reflected an expanded coverage area to support new stores. Marketing expenses relative to sales declined slightly due partially to improved pricing on a re-negotiated catalogue distribution contract and improved targeting of catalogue distribution;
- warehouse expenses – increased 27.7% to $3.1 million. The increase primarily reflected additional personnel required to support volume growth, wage indexation and the cost of additional material handling equipment hired during the period; and
- administration expenses – increased 17.9% to $5.9 million. The increase included the strategic investment in the merchandise team (refer to Section 3.5.3), the addition of an area manager for Western Australia to support growth in the store network, and wage indexation across Support Office personnel.

4.10.2.4 EBITDA and EBIT

Pro forma EBITDA increased by 114% from $3.8 million in FY2013 to $8.0 million in FY2014. As a percentage of sales, pro forma EBITDA increased from 3.0% to 5.3% over the same period.

Pro forma EBIT increased by 216% from $1.9 million in FY2013 to $6.0 million in FY2014. Pro forma EBIT as a percentage of sales increased from 1.5% to 4.0% over the same period.

4.10.3. Pro forma historical consolidated statement of cash flows: FY2014 compared to FY2013

Table 20 sets out the summary pro forma historical consolidated statement of cash flows for FY2013 and FY2014.

Table 20: Summary of pro forma historical consolidated statement of cash flows for FY2013 and FY2014

	Pro forma historical[a]		
$ millions	**FY2013**	**FY2014**	**% change**
EBITDA	**3.8**	**8.0**	*114%*
Add back non-cash share based payments	0.2	0.2	*0%*
Add back other non-cash items	(0.1)	0.0	*n/m*
Movement in working capital	(1.7)	(1.4)	*(19%)*
Operating cash flow (before capital expenditure)	**2.2**	**6.9**	*217%*
Capital expenditure (excluding new stores)	(0.8)	(1.6)	*109%*
Operating cash flow (before new store capital expenditure)	**1.4**	**5.2**	*286%*
New store capital expenditure	(1.8)	(1.9)	*6%*
Net cash flow (before financing and tax)	**(0.4)**	**3.3**	*n/m*

Note:

a. The pro forma historical consolidated statements of cash flows for FY2013 and FY2014 are reconciled to the respective statutory historical consolidated net cash flows from operations in Section 4.9.1.

4.10.3.1 Net cash flow (before financing and tax)

Net cash flow (before financing and tax) increased from $(0.4) million in FY2013 to $3.3 million in FY2014, reflecting a 114% increase in EBITDA and the impact of the items set out below.

4.10.3.2 Change in working capital

Working capital increased by $1.4 million in FY2014. This was primarily driven by the required investment in inventory to support new store openings and an increase in lay-by receivables due to higher sales partially offset by creditor balances related to the investment in inventory.

4.10.3.3 Capital expenditure

New store capital expenditure was $1.9 million in FY2014. This reflected the opening of three new stores in the period.

Excluding new stores, capital expenditure was $1.6 million in FY2014 relating to corporate level capital expenditure including Support Office, Distribution Centre and IT spend.

4.10.4. Pro forma historical consolidated statement of profit or loss: FY2015 compared to FY2014

Table 21: Summary of pro forma historical consolidated statement of profit or loss for FY2014 and FY2015

	Pro forma historical[a]		
$ millions	**FY2014**	**FY2015**	**% change**
Sales	**150.2**	**180.2**	***20%***
Cost of sales	(100.2)	(118.3)	*18%*
Gross profit	**49.9**	**61.9**	***24%***
Cost of doing business	(41.9)	(49.5)	*18%*
EBITDA	**8.0**	**12.4**	***54%***
Depreciation and amortisation	(2.0)	(2.4)	*18%*
EBIT	**6.0**	**10.0**	***66%***
Net finance costs	(0.2)	(0.2)	*2%*
Profit before tax	**5.8**	**9.7**	***69%***
Tax	(1.7)	(2.9)	*69%*
Net profit after tax	**4.1**	**6.8**	***69%***

Note:

a. The pro forma historical consolidated statements of profit or loss for FY2014 and FY2015 are reconciled to the respective statutory historical consolidated statements of profit or loss for FY2014 and FY2015 in Section 4.9.1.

Table 22: Summary of operating and financial metrics for FY2014 and FY2015

	FY2014	**FY2015**
Retail Stores		
Major market stores	23	29
Regional stores	–	2
Total	**23**	**31**
Retail Stores openings	3	8
Retail Stores closures	1	–
Net new Stores	**2**	**8**

	Pro forma historical	
Key pro forma financial metrics	**FY2014**	**FY2015**
Total sales growth	19.6%	20.0%
Comparable Store Sales Growth	8.8%	7.6%
Gross profit growth	27.6%	23.9%
Gross profit margin	33.3%	34.3%
CODB as a percentage of sales	27.9%	27.5%
EBITDA growth	113.6%	54.2%
EBITDA margin	5.3%	6.9%
EBIT growth	216.1%	66.4%
EBIT margin	4.0%	5.5%
NPAT growth	245.0%	69.0%
NPAT margin	2.7%	3.8%

4.10.4.1 Sales

Sales increased by $30.0 million to $180.2 million in FY2015 (representing 20% growth) primarily driven by:

- Comparable Store Sales Growth of 7.6% reflecting improved store sales performance in most states partially offset by stores sales performance in Victoria. As expected, the Comparable Store Sales Growth of some Melbourne stores was negatively impacted by the opening of the Hawthorn store in July 2014 and the Taylors Lakes store in December 2014;
- part-year contribution from eight new stores opened at Hawthorn, Taylors Lakes, Ballarat, Bendigo, Osborne Park, West Gosford, Townsville and Macgregor in FY2015 of $18.6 million; and
- the full-year incremental contribution of stores opened in FY2014 at Joondalup, Midland and Taren Point of $4.6 million.

4.10.4.2 Gross profit

Gross profit rose by 24% to $61.9 million in FY2015 as a result of the increase in sales and gross profit margin improvement. The gross profit margin increased by 1.0% from 33.3% in FY2014 to 34.3%. The increase in gross profit margin was predominantly driven by improved procurement terms, an increase in supplier rebates, and Private Label and Exclusive Product sales increasing from 5.0% of total sales in FY2014 to 7.2% in FY2015 (refer to Section 3.5.3.1).

4.10.4.3 Cost of doing business

Total CODB grew 18% from $41.9 million in FY2014 to $49.5 million in FY2015. As a percentage of sales, CODB decreased by 0.4% to 27.5%. This was due to a combination of:

- store expenses – increased 18.4% to $36.0 million. The increase most notably reflected eight new store openings in FY2015 and the full-year impact of stores opened in FY2014. As a percentage of sales, store expenses decreased by 0.2% to 20.0%, largely reflecting the leverage achieved on the relatively fixed store expense base;
- marketing expenses – increased 20.7% to $3.1 million. The increase in marketing expense was predominantly a result of an expanded distribution of catalogues to support new stores, initial radio and promotion support around new store openings and an increased investment in digital media;
- warehouse expenses – increased 0.9% to $3.2 million. The Distribution Centre marginally reduced employee costs in FY2015 relative to FY2014 reflecting the leverage that was achieved from a focus on labour efficiency; and
- administration expenses – increased 24.4% to $7.3 million. The increase in administration expenses was driven by expansion of the human resources and IT functions including the addition of dedicated functional managers, and new area managers in Queensland and Victoria to support current and future store network growth and general salary indexation.

4.10.4.4 EBITDA and EBIT

Pro forma EBITDA increased by 54% from $8.0 million in FY2014 to $12.4 million in FY2015. As a percentage of sales, pro forma EBITDA increased from 5.3% in FY2014 to 6.9% in FY2015.

Pro forma EBIT increased by 66% from $6.0 million in FY2014 to $10.0 million in FY2015. Pro forma EBIT as a percentage of sales increased from 4.0% to 5.5%.

4.10.5. Pro forma historical consolidated statements of cash flow: FY2014 compared to FY2015

Table 23 sets out the summary pro forma historical consolidated statements of cash flow for FY2014 and FY2015.

Table 23: Summary of pro forma historical consolidated statements of cash flow for FY2014 and FY2015

	Pro forma historical[a]		
$ millions	**FY2014**	**FY2015**	**% change**
EBITDA	**8.0**	**12.4**	*54%*
Add back non-cash share-based payments	0.2	0.2	*0%*
Add back other non-cash items	0.0	(0.0)	*n/m*
Movement in working capital	(1.4)	(4.6)	*237%*
Operating cash flow (before capital expenditure)	**6.9**	**7.9**	*15%*
Capital expenditure (excluding new stores)	(1.6)	(1.2)	*(25%)*
Operating cash flow (before new store capital expenditure)	**5.2**	**6.7**	*28%*
New store capital expenditure	(1.9)	(4.8)	*153%*
Net cash flow (before financing and tax)	**3.3**	**1.9**	*(44%)*

Note:

a. The pro forma historical consolidated statements of cash flow for FY2014 and FY2015 are reconciled to the respective statutory historical consolidated net cash flows from operations in Section 4.9.1.

4.10.5.1 Net cash flow (before financing and tax)

Net cash flow (before financing and tax) decreased from $3.3 million in FY2014 to $1.9 million in FY2015, reflecting a 54% increase in EBITDA that was offset by higher working capital and capital expenditure related to the opening of new stores, as described below.

4.10.5.2 Change in working capital

Working capital increased by $4.6 million in FY2015 primarily driven by investment in inventory to support new store openings and an increase in lay-by receivables due to higher sales.

4.10.5.3 Capital expenditure

New store capital expenditure was $4.8 million in FY2015 reflecting the opening of eight new stores in the period.

Excluding new stores, capital expenditure was $1.2 million in FY2015. This related to existing store refurbishments and corporate level capital expenditure.

4.11. Forecast Financial Information

4.11.1. Best estimate assumptions underlying forecasts

4.11.1.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions have been adopted by the Directors:

- no material change in the competitive environment in which the Company operates;
- no significant change in the global or local Australian economic conditions relevant to the Company;
- no material change in Commonwealth, state or local government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of the Company;
- no significant change to interest rates in Australia;
- no material change in applicable Australian Accounting Standards or other mandatory professional reporting requirements or the Corporations Act, which have a material effect on the Company's financial performance, financial position, accounting policies, financial reporting or disclosure;
- no material business acquisitions or disposals;
- no material industrial strikes or other disturbances, environmental costs or legal claims;
- retention of key personnel;
- no material change to the baby goods market that would have a material impact on demand for, or prices of, the Company's products;
- no change in the Company's capital structure other than as set out in, or contemplated by, this Prospectus;
- no material amendment to any material agreement or arrangement relating to the Company's businesses other than as set out in, or contemplated by, this Prospectus;
- no material adverse change to the Company's offshore product sourcing capabilities and costs;
- no material cash flow or income statement or financial position impact in relation to litigation (existing or otherwise);
- none of the risks listed in Section 5 have a material adverse impact on the business and operational performance of the Company; and
- the Offer proceeds to Completion in accordance with the timetable set out in Key Dates on page 2 of this Prospectus.

4.11.1.2 Material assumptions affecting the Forecast Financial Information and management discussion

In preparing the Forecast Financial Information, the Company has undertaken an analysis of historical performance and applied assumptions, where appropriate, across the business. The assumptions set out below should be read in conjunction with the general assumptions set out in Section 4.11.1.1, the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5 and the other information in this Prospectus.

4.11.1.3 Sales

The Forecast Financial Information has been prepared on the basis of the following key sales assumptions:

- Comparable Store Sales Growth and the maturing of stores opened in FY2013 and FY2014. Sales are forecast on a store-by-store basis giving consideration to store-specific factors including maturity, competition, cannibalisation from planned new store openings and local market demographics;
- full-year contribution of the eight stores opened in FY2015; and
- part-year contribution of five new stores forecast to open in FY2016.

4.11.1.4 Gross profit

The Forecast Financial Information has been prepared on the basis of the following gross profit assumptions:

- the number and duration of planned promotional events;
- expected product mix changes, including further growth in Private Label and Exclusive Products as a percentage of total sales;
- supplier rebates based on anticipated purchase volumes and promotional support provided by suppliers for catalogue periods;
- freight costs based on store locations and the anticipated mode of freight and rates; and
- anticipated level of shrinkage developed with regard to recent inventory stocktake performance.

4.11.1.5 Cost of doing business

The Forecast Financial Information has been prepared on the basis of the following CODB assumptions:

- store expenses:
  - existing stores: labour expenses reflect the current level of employees adjusted for anticipated indexation in accordance with the existing Enterprise Agreement (**EA**). Occupancy expenses reflect lease agreement terms on a straight-line accounting basis. Merchant service fees reflect a percentage of sales with other store expenses (notably utilities) forecast with reference to FY2015 and assumed inflation; and
  - new stores: labour expenses and other store expenses have been anticipated with reference to the planned store opening date and expense profile of stores recently opened by the Company. Occupancy expenses reflect lease expenses developed with regard to the new store location and anticipated lease terms applied on a straight-line accounting basis;
- administrative expenses are based on the current labour and occupancy expenses associated with the Support Office adjusted for indexation. Additional employees and expenses have been forecast in operations support, IT, human resources and merchandise functions to support the Company's store network expansion strategy;
- marketing expenses are based on the current promotional plans of the business; and
- warehousing expenses are based on the current labour and occupancy expenses of the Distribution Centre adjusted for indexation and volume demand growth with the assumed store network expansion in FY2016.

4.11.1.6 Net finance costs

The Forecast Financial Information has been prepared on the basis of the following net finance costs assumptions:

- nil pro forma debt and net cash generation through the Forecast Period; and
- various fees on the Existing Banking Facilities.

4.11.1.7 Income tax

The Forecast Financial Information has been prepared on the basis of the following income tax assumption that the forecast income tax expense reflects the anticipated effective corporate tax rate of 30%.

4.11.1.8 Change in working capital

The Forecast Financial Information has been prepared on the basis of the following working capital assumption:

- trading terms in line with historic trading;
- the forecast number and timing of new store openings reflecting inventory held by new stores and associated incremental inventory held by the Distribution Centre; and
- management expectations on timing of orders and payments.

4.11.1.9 Capital expenditure

The Forecast Financial Information has been prepared on the basis of the following capital expenditure assumptions:

- expenditure relating to the establishment cost of new stores of $0.6 million per store;
- annual sustenance expenditure of between $0.02 million and $0.04 million per existing store; and
- expenditure relating to maintenance associated with the general purchase and replacement of operational assets such as IT hardware, the investment in new IT software to improve operational efficiency and other items at the Support Office and Distribution Centre of $0.5 million in FY2016.

4.12. Management discussion and analysis of the Forecast Financial Information

4.12.1. Pro forma historical and forecast consolidated statement of profit or loss: FY2016 compared to FY2015

The Financial Information for the year ending 26 June 2016 has been prepared on the basis of the reviewed Pro Forma Historical Financial Information for the 52 weeks ended 28 June 2015. The Company's forecast for the 52 weeks ending 26 June 2016 also has regard to the current trading performance up until the Prospectus Date.

Table 24 below sets out the Pro Forma Forecast Financial Information for FY2016 compared to the Pro Forma Historical Financial Information for FY2015.

Table 24: Pro forma historical and pro forma forecast consolidated statement of profit or loss: FY2016 compared to FY2015

$ millions	Pro forma historical[a] FY2015	Pro forma forecast[b] FY2016	% change
Sales	**180.2**	**218.6**	***21%***
Cost of sales	(118.3)	(141.8)	*20%*
Gross profit	**61.9**	**76.8**	***24%***
Cost of doing business	(49.5)	(60.4)	*22%*
EBITDA	**12.4**	**16.3**	***32%***
Depreciation and amortisation	(2.4)	(3.1)	*32%*
EBIT	**10.0**	**13.2**	***32%***
Net finance costs	(0.2)	(0.2)	*3%*
Profit before tax	**9.7**	**12.9**	***33%***
Tax	(2.9)	(3.9)	*33%*
Net profit after tax	**6.8**	**9.1**	***33%***

Notes:

a. The pro forma historical consolidated statement of profit or loss for FY2015 is reconciled to the statutory historical consolidated statement of profit or loss for FY2015 in Section 4.4.

b. The pro forma forecast consolidated statement of profit or loss for FY2016 is reconciled to the statutory pro forma consolidated statement of profit or loss for FY2016 in Section 4.4.

Table 25: Summary operating and financial metrics for FY2015 and FY2016

	FY2015	FY2016
Retail Stores:		
Major market stores	29	34
Regional stores	2	2
Total	**31**	**36**
Retail Stores openings	8	5
Retail Stores closures	–	–
Net new Stores	**8**	**5**
Key pro forma financial metrics	**Pro forma historical FY2015**	**Pro forma forecast FY2016**
Total sales growth	20.0%	21.3%
Comparable Store Sales Growth	7.6%	4.3%
Gross profit growth	23.9%	24.1%
Gross profit margin	34.3%	35.1%
CODB as a percentage of sales	27.5%	27.6%
EBITDA growth	54.2%	32.1%
EBITDA margin	6.9%	7.5%
EBIT growth	66.4%	32.0%
EBIT margin	5.5%	6.0%
NPAT growth	69.0%	32.7%
NPAT margin	3.8%	4.1%

4.12.1.1 Sales

Sales are forecast to increase by $38.4 million to $218.6 million in FY2016 (representing 21% growth), primarily driven by:

- Comparable Store Sales Growth of 4.3%;
- part-year contribution from five new stores planned to open in FY2016 of $11.8 million; and
- full-year incremental contribution of $19.6 million from the eight new stores opened in FY2015 at Hawthorn, Taylors Lakes, Ballarat, Bendigo, Osborne Park, West Gosford, Townsville and Macgregor.

4.12.1.2 Gross profit

Gross profit is forecast to increase by 24% to $76.8 million in FY2016 as a result of the increase in sales and gross profit margin improvement. Gross profit margin is forecast to increase by 0.8% from 34.3% in FY2015 to 35.1%. The increase is anticipated from growth in Private Label and Exclusive Product relative to total sales (refer to Section 3.5.3.1) and product mix changes.

4.12.1.3 Cost of doing business

Total CODB is forecast to increase by 22% from $49.5 million in FY2015 to $60.4 million in FY2016. As a percentage of sales, CODB is forecast to increase by 0.1%. The increase in CODB reflects the following forecast assumptions:

- store expenses – forecast to increase 21.9% to $43.8 million. The increase most notably reflects five planned new store openings in FY2016 and the full-year impact of stores opened in FY2015. As a percentage of sales, store expenses are expected to increase by 0.1% to 20.1%. Expenses of comparable stores relative to sales have been assumed to remain in line with FY2015;
- marketing expenses – forecast to increase 31.5% to $4.0 million. The forecast increase in marketing expense is driven primarily by increased catalogue volume due to new store catchments, promotional support for new stores and an investment in digital media to drive penetration in the online channel;

- warehouse expenses – forecast to increase 8.8% to $3.5 million. The increase reflects expense inflation and additional labour required to service the anticipated volume increase through the Distribution Centre from the store network expansion. The reduction of warehouse expenses relative to sales largely reflects the anticipated leverage of the Distribution Centre expense base relative to the store network expansion; and
- administration expenses – forecast to increase 25.0% to $9.1 million. In FY2016, further investment in the Support Office is anticipated in order to continue to facilitate the current and future store network expansion. This investment most notably reflects the full year impact of expanded human resources and IT functions, additional resources in the merchandise and customer contact functions, and the transition to an externally-hosted IT and communications environment.

4.12.1.4 EBITDA and EBIT

Pro forma EBITDA is forecast to increase by 32% from $12.4 million in FY2015 to $16.3 million in FY2016. As a percentage of sales, the pro forma EBITDA margin is forecast to increase by 0.6% to 7.5%.

Pro forma EBIT is forecast to increase by 32% from $10.0 million in FY2015 to $13.2 million in FY2016. As a percentage of sales, the pro forma EBIT margin is forecast to increase by 0.5% to 6.0%.

4.12.2. Pro forma historical and forecast consolidated statement of cash flows: FY2016 compared to FY2015

Table 26 sets out the summary pro forma historical and forecast consolidated statement of cash flows for FY2015 and FY2016.

Table 26: Pro forma historical and forecast consolidated statement of cash flows for FY2015 and FY2016

	Pro forma historical[a]	Pro forma forecast[a]	
$ millions	**FY2015**	**FY2016**	**% change**
EBITDA	**12.4**	**16.3**	*32%*
Add back non-cash share-based payments	0.2	0.2	*0%*
Add back other non-cash items	(0.0)	–	*n/m*
Movement in working capital	(4.6)	(0.9)	*(80%)*
Operating cash flow (before capital expenditure)	**7.9**	**15.5**	*97%*
Capital expenditure (excluding new stores)	(1.2)	(2.6)	*110%*
Operating cash flow (before new store capital expenditure)	**6.7**	**13.0**	*95%*
New store capital expenditure	(4.8)	(2.8)	*(43%)*
Net cash flow (before financing and tax)	**1.9**	**10.2**	*447%*

Note:

a. The pro forma historical consolidated statements of cash flows for FY2015 are reconciled to the statutory historical consolidated net cash flows from operations and pro forma forecast consolidated statement of cash flow for FY2016 are reconciled to the statutory consolidated net cash flows in Section 4.9.1.

4.12.2.1 Net cash flow (before financing and tax)

Net cash flow (before financing and tax) is expected to increase by $8.4 million from $1.9 million in FY2015 to $10.2 million in FY2016, reflecting a 32% increase in EBITDA and the impact of the items set out below.

4.12.2.2 Change in working capital

In FY2016, working capital is forecast to increase by $0.9 million. This reflects the investment in inventory for new stores partially offset by anticipated improved inventory management practices in existing stores.

4.12.2.3 Capital expenditure

In FY2016, new store capital expenditure is forecast to be $2.8 million reflecting the planned opening of five new stores. New store capital expenditure is expected to decrease by 43% in FY2016 compared to FY2015 as a result of opening a lower number of stores.

Excluding new stores, capital expenditure is forecast to be $2.6 million in FY2016, increasing from $1.2 million in FY2015. The increase is primarily due to existing store refurbishments of approximately $2.0 million and IT initiatives including the re-design of the website, click & collect capabilities, CRM and learning management software of approximately $0.6 million.

4.13. Sensitivity analysis of Forecast Financial Information

The Forecast Financial Information included above is based on a number of estimates and assumptions as described in Section 4.11.1. These estimates and assumptions are subject to business, economic and competitive uncertainties, many of which are beyond the control of the Company, the Directors and management. These estimates are also based on assumptions in relation to future business developments, which are subject to change.

Investors should be aware that future events cannot be predicted with certainty and as a result, deviations from the figures forecast in this Prospectus are to be expected. To assist investors in assessing the impact of these assumptions, set out below is a summary of the sensitivity of the Forecast Financial Information to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

For the purposes of this analysis, each sensitivity is presented in terms of the impact of each on FY2016 pro forma forecast NPAT of $9.1 million and is set out in Table 27 below.

Table 27: Sensitivity analysis for FY2016 pro forma NPAT

			FY2016 pro forma NPAT
Assumption	**Notes**	**Increase/ Decrease**	**Impact ($ million)**
Comparable Store Sales Growth	a	+/– 1.0%	+0.4/–0.4
Timing of new store openings	b	+/– 1 month	+0.1/–0.1
Gross profit margin	c	+/– 25bps	+0.4/–0.4

Notes

a. The full-year impact of an increase or decrease in Comparable Store Sales Growth of 1.0% relative to that assumed in the FY2016 forecast sales. The sensitivity assumes FY2016 gross profit margin to remain constant.

b. Impact on FY2016 NPAT of a change in store opening dates by one month, assuming all five retail stores forecast to be opened in FY2016 open a month early or are delayed by a month. The sensitivity is based on an average monthly site contribution across the entire network of stores.

c. Full-year impact of an increase or decrease in the Company's gross profit margin by 25 basis points.

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables, in order to illustrate the likely impact on the forecast.

In practice, changes in variables may offset each other or be additive, and it is likely that the Company's management would respond to any adverse change in one variable by seeking to minimise the net effect on the Company's NPAT.

4.14. Dividends

4.14.1. Dividend policy

The payment of a dividend by the Company is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results, cash flows and the financial condition of the Company, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by the Company, and any other factors the Directors may consider relevant.

It is the current intention of the Directors to target a dividend payout ratio of between 70% and 100% of NPAT and to weight dividend payments towards the final dividend in the ratio of approximately 40%/60% (interim/final). However the level of payout ratio is expected to vary between periods depending on the factors above. No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

Other than in respect of the half year ending 27 December 2015, it is the current intention of the Directors to pay dividends in respect of half years ending 31 December (or thereabouts) and final dividends in respect of full years ending 30 June (or thereabouts) each year. It is anticipated that interim dividends will be paid in April and final dividends will be paid in October following the relevant financial period. It is expected that all future dividends will be franked to the maximum extent possible.

It is the intention of the Directors to pay a final dividend for the financial year ending 26 June 2016. Indicatively and subject to the factors noted above (as well as the risk factors noted in Section 5), the final dividend for FY2016 is expected to be 5.4 cents per share. Based on FY2016 pro forma forecast NPAT, this represents a dividend payout ratio of 75%. Any dividend for FY2016 is expected to be fully franked.

5.

risks

5.1. Introduction

This Section 5 describes some of the potential risks associated with an investment in Shares. Baby Bunting is subject to a variety of risks, some of which are specific to its business activities and some of which are of a more general nature. This Section 5 does not purport to list every risk that may be associated with Baby Bunting's business or the industry in which it operates, or an investment in Shares now or in the future, and the occurrence or consequences of some of the risks described in this Section are partially or completely outside the control of Baby Bunting, the Directors and management. Any or a combination of these risks may have a material adverse impact on Baby Bunting's reputation, business, operational performance and financial results.

The selection of risks included in this Section 5 has been based on an assessment of a combination of the probability of the risk occurring and the impact of the risk on Baby Bunting's business or an investment in Shares if it did occur. The assessment is based on the knowledge of the Directors as at the Prospectus Date, but there is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Before applying for Shares, you should satisfy yourself that you have a sufficient understanding of these matters and should consider whether Shares are a suitable investment for you, having regard to your own investment objectives, financial circumstances and taxation position. If you do not understand any part of this Prospectus or are in any doubt as to whether to invest in Shares, it is recommended that you seek professional guidance from an independent and appropriately licensed or authorised professional adviser before deciding whether to invest.

5.2. Risks specific to an investment in the Company

5.2.1. Competition may increase

Baby Bunting faces competition from specialty retailers as well as department stores and online only retailers. Competition is based on a variety of factors including merchandise range, price, advertising, store location, store presentation, product presentation, new store roll-out and customer service.

There is a risk that existing competitors (eg. department stores, discount department stores, other specialty retailers or online retailers) or new entrants (including international retailers), directly competing with Baby Bunting, aggressively attempt to grow their market share through store roll-out, increased advertising and/or discounting. Such activities may cause the competitive position of Baby Bunting to deteriorate and make it increasingly difficult for Baby Bunting to deliver on its strategy which aims to provide customers with the widest range of products, high levels of service and low prices every day.

Any deterioration in the Company's competitive position may result in a decline in sales and margins and a loss of market share which could have a material adverse impact on the Company's business, operational performance and financial results.

5.2.2. Retail environment and general economic conditions in Baby Bunting's reference market may worsen

Although the purchase of baby goods may be considered less discretionary compared with other consumer goods categories, Baby Bunting's performance is sensitive to the current state of, and future changes in, the retail environment and general economic conditions in Australia.

Australian economic conditions may worsen including as a result of Australia's economy entering into a recession. This could cause the retail environment to deteriorate as consumers reduce their level of consumption of discretionary items. In addition, the retail market may experience periods of price deflation in certain categories, which may reduce the gross profit made on the sale of items. At the same time the cost of products purchased for sale in USD by a retailer may be impacted by any significant devaluation of the AUD against the USD. Should any of these developments occur, they could have a material adverse impact on Baby Bunting's business, operational performance and financial results.

5.2.3. Supply chain

The key risks associated with Baby Bunting's supply chain include operational disruption due to catastrophic event such as fire or flood, delays in product delivery or complete failure to receive products ordered. The realisation of any of these identified risks may result in increased product sourcing costs, a deterioration of the terms on which Baby Bunting is able to source its products, a reduction in the available product range or one or more of Baby Bunting's stores being insufficiently stocked. This may in turn cause consumers to shop at Baby Bunting's competitors, adversely impact sales and margins, reduce overall profitability and adversely impact the future financial performance of Baby Bunting.

5.2.4. Supplier relationships and ability to source products exclusively

The Company's relationships with suppliers are often governed by individual purchase orders and invoices.

Under those arrangements, suppliers may seek to alter the terms on which products are supplied as well as the range of products available for supply. This may result in changes of pricing levels and a reduction in the range of products made available to Baby Bunting, both of which could adversely impact the Company's ability to successfully provide customers with a wide range of products at competitive prices. If this occurred, this would be likely to reduce Baby Bunting's overall profitability and adversely impact its financial performance.

Through its relationship with certain suppliers, Baby Bunting has been able to make arrangements with third party distributors and brands for the supply of products to Baby Bunting on an exclusive basis (so that those products can only be purchased in Australia from Baby Bunting stores). These arrangements have generally been for specific products and for varying time periods. These exclusive product supply arrangements have not generally been under long term arrangements or agreements. Accordingly, there is a risk that Baby Bunting may not be able to offer products on an exclusive basis in the same manner that it does today or that suppliers may enter into exclusive product arrangements with Baby Bunting's competitors. If this were to occur, it may have a material adverse impact on Baby Bunting's business, operational performance and financial results.

5.2.5. IT systems

Baby Bunting is reliant on the capability and reliability of its IT systems, retail point of sale and inventory management systems, networks and backup systems, and those of its external service providers, such as communication carriers and data providers, to process transactions (including online transactions), manage inventory, report financial results and manage its business. If Baby Bunting's IT systems, including its retail point of sale and inventory management systems, or networks are compromised for any reason, this could adversely impact Baby Bunting's ability to trade and to satisfy the needs of its customers.

Baby Bunting is currently investing further in IT to enhance its warehouse management processes and CRM functionality, to further automate recurring administrative processes and gain improved business intelligence. Accordingly, there is a risk that any proposed investments in IT are not implemented successfully (including as a result of increased costs or delays) or do not ultimately provide the intended benefits to the business.

If any of the risks associated with Baby Bunting's IT systems and arrangements eventuate, they could have a material adverse impact on Baby Bunting's business, operational performance and financial results.

5.2.6. Failure of products to comply with Australian mandatory product safety standards

Australia has strict product safety standards on the retail baby goods market and many of the products sold in Baby Bunting's stores or online must comply with these product safety standards. From time to time, goods sold in the retail baby goods market can be subject to manufacturer or mandatory product recall notices due to failure of those goods to comply with the relevant Australian mandatory product safety standards or otherwise due to defects and risks posed by products. Products sold by Baby Bunting may be defective and/or subject to product recalls which may require the Company to immediately stop selling the affected products, remove all stock from retail outlets and recall the products from the supply chain and consumers.

The risk or potential liability for the Company in these circumstances will depend on the extent of the failure rate and the quantity of affected product in the market. Potential liability for the Company could extend to warranty claims, product recalls and other costs that Baby Bunting may be unable to fully recover from suppliers or third parties. In addition, breaches of Australia's mandatory product safety laws by the Company could result in heavy fines. To the extent that these events occur, they may have a material adverse impact on the Company's business and reputation, operational performance and financial results.

5.2.7. Failure to achieve growth objectives or meet forecast returns

Baby Bunting's future financial performance is dependent on its ability to meet its growth objectives and to develop and execute appropriate strategies and initiatives pursuant to those objectives, including the growth strategies outlined in Section 3.5 in relation to the opening of new stores. With a growing network of retail stores, there is a risk that Baby Bunting's growth strategy, if it is not appropriately controlled and implemented, could adversely impact the overall customer offer, and the quality of its brand and reputation. There is also a risk that Baby Bunting may not be able to appropriately implement its new store roll-out strategy, or that the regional store format does not achieve its targets. The Company's ability to successfully open stores as planned may be affected by a number of factors, including the ability to find and acquire rights to suitable locations, negotiations with landlords and the ability to find and retain suitable employees. Any delays or failure to open new stores is likely to significantly restrain the Company's ability to realise its growth initiatives. The roll-out of new stores may also reduce the sales of any nearby existing stores, beyond that anticipated in the strategy.

If Baby Bunting's growth strategies and initiatives are ineffective, poorly implemented or implemented later than expected, Baby Bunting may not meet its growth objectives and its forecast financial performance. This may result in a material adverse impact on the Company's business, operational performance and financial results.

5.2.8. Loss of key management personnel

Baby Bunting's future performance depends to a significant degree on its key personnel, and its ability to attract and retain experienced and high performing personnel. The current Senior Management team has extensive experience in, and knowledge of, Baby Bunting's business and the baby goods market.

The loss of key management personnel, and any delay in their replacement, may therefore adversely affect Baby Bunting's ability to develop and implement its business and growth strategies or increase the cost of obtaining suitable personnel. This may result in an adverse impact on Baby Bunting's future operating and financial performance.

5.2.9. Foreign exchange rates

Less than 10% of goods sourced by the Company are purchased directly in a foreign currency. However, the Company's Australian-based suppliers have exposure to foreign currency, most notably the USD, providing the Company with a secondary foreign currency exposure. A decrease in the exchange rate of the AUD relative to the USD could result in increased costs of goods imported by the Company's suppliers and, conversely, an increase in the AUD relative to the USD could result in decreased costs of goods imported. Consequently, the Company is exposed to movements in the AUD/USD exchange rate should suppliers pass through to the Company movements in the cost of goods attributed to foreign exchange. To the extent there are adverse movements in the AUD/USD exchange rate the Company's financial performance could be adversely impacted. The Company has historically elected to pass on changes to the cost of goods from foreign exchange movements without adversely impacting sales or gross profit margin.

5.2.10. Privacy breaches

The protection of customer, employee and Company data is critical to Baby Bunting. Baby Bunting has access to customer information, in particular, through its loyalty program. The legal and regulatory environment surrounding information security and privacy is increasingly complex and demanding. A significant breach of customer, employee or Company data could attract significant media attention, damage Baby Bunting's customer relationships and reputation and ultimately result in lost sales, fines or litigation, which may have a material adverse effect on the Company's business, operational performance and financial results.

5.2.11. Workplace health and safety

Baby Bunting's employees are at risk of workplace accidents and incidents. In the event that an employee is injured in the course of their employment, Baby Bunting may be liable for penalties or damages.

5.2.12. Regulation and litigation

There is risk that regulation is introduced that restricts, for example, Baby Bunting's interactions with consumers, retail trading hours, sales methods or marketing campaign efforts. Such changes could impact the operations of Baby Bunting and reduce its ability to generate sales which could have an adverse impact on Baby Bunting's future financial performance.

Baby Bunting is also exposed to litigation risk in the jurisdictions in which it operates, for instance under the applicable consumer protection regimes and the Australian Consumer Law.

5.3. General risks of an investment in Baby Bunting

5.3.1. Price of Shares

Once the Company becomes a publicly listed company on ASX, it will become subject to general market risk that is inherent in all securities listed on a stock exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operations and activities of Baby Bunting.

The price at which Shares are quoted on ASX may increase or decrease due to a number of factors. These factors may cause the Shares to trade at prices below the Offer Price. There is no assurance that the price of the Shares will increase following the quotation on ASX, even if Baby Bunting's earnings increase.

Some of the factors which may adversely impact the price of the Shares include fluctuations in the domestic and international market for listed securities, general economic conditions including interest rates, inflation rates, exchange rates, consumer sentiment, commodity and oil prices, changes to government fiscal, monetary or regulatory policies and settings, changes in legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which Baby Bunting operates and general operational and business risks.

5.3.2. Trading and liquidity in Shares and Escrowed Shareholders' interests

There can be no guarantee that an active market for the Shares will develop. There may be relatively few potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also impact the prevailing market price at which Shareholders are able to sell their Shares.

Following Listing, it is expected that the Escrowed Shareholders will hold up to 36.8% of the Shares, which may also impact liquidity. The Escrowed Shareholders will be subject to voluntary escrow arrangements in relation to all of their Shares as described in Section 6.4. The absence of any sale of Shares by the Escrowed Shareholders during the applicable periods may cause, or at least contribute to, limited liquidity in the market for the Shares. This could impact the prevailing market price at which Shareholders are able to sell their Shares. It is important to recognise that, on a disposal, Shareholders may receive a market price for their Shares that is less than the price that they paid under the Offer.

Following release from escrow, Shares held by the Escrowed Shareholders will be able to be freely traded on ASX. A significant sale of Shares by the Escrowed Shareholders, or the perception that such sales have occurred or might occur, could adversely impact the price of the Shares. The Escrowed Shareholders' Shareholding may also allow them to, collectively, exert significant influence over the outcome of matters relating to the Company, including the election of Directors and the approval of transactions. The interests of the Escrowed Shareholders may be different from the interests of investors who acquire Shares in the Offer.

5.3.3. Shareholder dilution

In the future, the Company may elect to issue Shares or other securities. While the Company will be subject to the constraints of the Listing Rules regarding the issue of Shares or other securities, Shareholders may be diluted as a result of such issues of Shares or other securities.

5.3.4. Changes in tax law

Changes in tax law (including the goods and service tax, rules relating to deductible liabilities and stamp duty), or changes in the way taxation laws are interpreted may impact the tax liabilities of the Company or the tax treatment of a Shareholder's investment. In particular, both the level and basis of taxation may change. Any changes to the current rate of company income tax may impact Shareholder returns, and any change in tax rules and tax arrangements could have an adverse impact on the level of dividend franking and Shareholder returns. In addition, an investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in the Company.

5.3.5. Dividends may not be franked

To the extent that the Company pays any dividends, the Company may not have sufficient franking credits in the future to frank dividends (either partially or at all), or the franking system may be subject to review or reform. The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use franking credits, either as a tax offset or to claim a refund after the end of the income year, will depend on the individual tax position of each Shareholder.

5.3.6. Accounting standards

Australian Accounting Standards are issued by the AASB and are not within the control of Baby Bunting or the Directors. Any changes to the accounting standards or to the interpretation of those standards may have an adverse impact on the reported financial performance and position of Baby Bunting.

5.3.7. General economic and financial market conditions

General economic conditions (both domestically and internationally) may adversely impact the price of Shares as well as Baby Bunting's ability to pay dividends. This includes an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, amongst other factors. As a result of the abovementioned factors, Baby Bunting is unable to forecast the market price for Shares, and they may trade on ASX at a price that is below their Offer Price.

5.3.8. Interest rate fluctuations

Changes in interest rates will impact borrowings which bear interest at floating rates. Any increase in interest rates will impact Baby Bunting's costs of servicing these borrowings, which may adversely impact its financial position.

5.3.9. Ability to refinance debt or access debt markets on attractive terms

Baby Bunting is subject to the risk that it may not be able to refinance its existing or future bank facilities as and when they fall due, or that the terms available to Baby Bunting on refinancing will not be as favourable as the terms of its existing or future bank facilities.

5.3.10. Force majeure events

Events may occur within or outside the markets in which Baby Bunting operates that could impact upon the global or regional economies, the operations of Baby Bunting and/or the price of the Shares. The events include, but are not limited to, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease or other natural or man-made events or occurrences that can have an adverse impact on the demand for Baby Bunting's products and its ability to conduct its business.

6.

key people, interests and benefits

6.1. Board of Directors

The Directors of the Company bring to the Board relevant skills and experience including in the areas of industry and business knowledge, financial management and corporate governance.

Figure 24: Board of Directors – Experience and background

Director		Experience
	**Matt Spencer** *CEO and Managing Director*	Matt joined Baby Bunting as CEO and Managing Director in February 2012. Prior to Baby Bunting, Matt was General Manager Retail – Australia, New Zealand and the UK at Kathmandu from 2007 to 2012 where he was responsible for over 110 stores, including network planning, store design and store development. Matt's previous roles include Operations, Strategy and Development Manager of Coles Express as well as various management roles at Shell Australia. He was a key contributor to the establishment and roll-out of the Coles Express brand.
	**Barry Saunders** *Chairman* *Non-Executive Director*	Barry has over 50 years of retailing experience in Australia across a variety of categories. He was previously CEO of The Reject Shop from 2000 to 2007, a period of strong growth for the company that included its listing on ASX in 2004. Barry's past roles have included CEO of Target Australia, Managing Director of Myer, and Chief General Manager of BIG W. Barry has served on the boards of The Myer Emporium, Coles Myer, Woolworths and The Reject Shop.
	**Gary Levin** *Non-Executive Director* *Chairman of Audit and Risk Committee*	Gary has over 30 years' management, executive and non-executive experience in public and private companies including in the retail, investment and property industries. He is currently a non-executive director of JB Hi-Fi Limited, having joined the Board in 2000 when the company had only 15 stores. Gary has been actively involved through the strong growth phase of JB Hi-Fi during which sales grew from $155 million in FY2001 to $3.5 billion in FY2014. Gary was previously the founder and Managing Director of TLC Dry Cleaners Pty Limited and joint Managing Director of Rabbit Photo Holdings Limited.
	**Tom Cowan** *Non-Executive Director* *Chairman of Remuneration and Nomination Committee*	Tom is a partner at TDM Asset Management, a Sydney-based private investment firm. TDM Asset Management invests in public and private companies globally. Tom has over 15 years of financial markets experience, including roles in corporate finance and investment banking at Investec Wentworth and KPMG Australia. Tom is currently non-executive Chairman of CSG Limited.
	**Tamalin Morton** *Non-Executive Director*	Tamalin has considerable international retail experience, having worked in the UK with leisure retailer Bass plc, in Australia with Coles Group, and in Australia, New Zealand and the UK with Kathmandu. She is currently General Manager – Brand and Marketing at Medibank Private, a position she has held since December 2014. Prior to joining Medibank, Tamalin spent seven years at Kathmandu including as Group General Manager – Sales and Marketing.

Director		Experience
	**Ian Cornell** *Non-Executive Director*	Ian has extensive experience in the retailing and property industries in Australia. He most recently held senior executive corporate roles with the Westfield Group until 2012, including responsibility for all HR functions and the overall management of retail relations for the Group. Prior to joining Westfield, Ian had a 23 year career with Woolworths. His roles included Chief General Manager of Woolworths' Supermarket division and as a key member of the management team that implemented successful growth strategies such as "The Fresh Food People" and the establishment of the Dan Murphy's chain. Ian has also been Chairman and CEO of Franklins. Ian is currently a non-executive director of Myer and William Inglis, and was a non-executive director of Goodman Fielder until it was taken over in March 2015.

Source: Baby Bunting.

6.2. Senior Management

Profiles of Baby Bunting's Senior Management team are set out below. Further information on the terms of employment of certain members of the senior management team, including the CEO and Managing Director and Chief Financial Officer, are set out in Section 6.3.

Figure 25: Senior Management – Experience and background

Senior Management		Experience
	**Matt Spencer** *CEO and Managing Director*	As per Figure 24.
	**Darin Hoekman** *CFO and Company Secretary*	Darin joined Baby Bunting as CFO in January 2014. Prior to Baby Bunting Darin spent over five years with Godfreys as Group Financial Controller. His previous experience includes Finance Manager of Chemnet Australia, a division of Orica with turnover of approximately $350 million (2005 to 2008). Darin previously had a six year career with Ernst & Young, focusing on the retail and manufacturing sectors.
	**Scott Teal** *General Manager Merchandise and Marketing*	Scott joined Baby Bunting as General Manager Merchandise and Marketing in May 2013. Prior to Baby Bunting, Scott was General Manager of General Merchandise Buying at Harris Scarfe from 2008 to 2012, as well as a member of the Harris Scarfe Board from 2009 to 2012. Scott's previous roles have included 17 years at Coles Group where he held a number of merchandise buying and buying manager roles within various departments.

Senior Management		Experience
	**Michael Pane** *General Manager Operations*	Michael joined Baby Bunting in December 2005. Michael has more than 25 years of retailing experience in the baby goods market having joined Pram City (later renamed BabyCo) in 1988. During his career with BabyCo, Michael gained broad retail experience though a number of leadership roles including as Operations Manager, National Buyer, and Warehouse and Logistics Manager. At the time, BabyCo was the largest specialty retailer in the baby goods market with approximately 30 stores nationally.
	**Caine Groves** *General Manager Logistics*	Caine joined Baby Bunting in July 2012. Caine has over 10 years of experience in senior supply chain and logistics roles, most recently as National Business Manager at CEVA Logistics from 2009 to 2012. His previous roles include National New Business Implementation Manager at Post Logistics and National Logistics Manager at King Island Dairies covering many areas of the supply chain.
	**Catherine Power** *IT Manager*	Catherine joined Baby Bunting in March 2015. Catherine has over 15 years of experience in IT and systems management, specialising in business and IT strategies, project management, business analysis and solution architecture. Prior to joining Baby Bunting, Catherine spent five years at Toll Holdings including as Manager of Business Analysis and Customer Deployment and most recently as Business Solution Architect for the Strategy and Architecture Team. Catherine has also held positions in IT and systems management at Fusion Retail Brands, Godfreys and Mitre10.
	**Sandy Nikakis** *Human Resources Manager*	Sandy joined Baby Bunting as Human Resources Manager in June 2014. Sandy has over 15 years of experience in human resources management roles including at Pharmore Pharmacies, AWPL, and The Perfume Connection. Sandy brings a broad human resources background with a specialised focus on training and development, talent management and culture.

Source: Baby Bunting.

6.3. Interests and benefits

This Section sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in this Prospectus, no:

- Director or proposed Director of the Company;
- person named in this Prospectus and who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or a financial services licensee named in the Prospectus as a financial services licensee involved in the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no other amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given, to any such persons for services in connection with the formation or promotion of the Company or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of the Company.

6.3.1. Deeds of access, indemnity and insurance for Directors

The Company has entered into a deed of access, indemnity and insurance with each Non-Executive Director and the CEO and Managing Director which confirms each person's right of access to certain books and records of the Company while they are a Director and after they cease to be a Director. The deed also requires the Company to provide an indemnity for liability incurred as an officer of the Company and its subsidiaries, to the maximum extent permitted by law.

Pursuant to the Constitution, to the fullest extent permitted by law, the Company must indemnify every officer of the Company and its wholly-owned subsidiaries, and may indemnify its auditor against any liability incurred as such an officer or auditor to a person (other than the Company or a related body corporate). The deed restates this indemnity and also provides that the Company must advance to the Director, costs reasonably incurred by the Director in conducting or defending certain proceedings.

The Constitution also allows the Company to enter into and pay premiums on contracts of insurance, insuring any liability incurred by a current or former Director and officer of the Company. The deed requires the Company to use its best endeavours to maintain an insurance policy, which insures the Director against liability as a Director and officer of the Company from the date of the deed until the date which is seven years after the Director ceases to hold office as a Director.

Section 7.11.19 summarises the provisions of the Constitution authorising indemnities in favour of Directors and officers.

6.3.2. Non-Executive Directors

6.3.2.1 Non-Executive Director appointment letters

Prior to the Prospectus Date, each Non-Executive Director has entered into appointment letters with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company's expectations of them as Non-Executive Directors.

6.3.2.2 Non-Executive Directors' remuneration

Under the Constitution, the Directors decide the total amount paid to all Non-Executive Directors as remuneration for their services as a Director. However, under the Constitution (and the ASX Listing Rules), the total amount paid to all Non-Executive Directors must not exceed in aggregate in any financial year $1,000,000 (being the amount specified in the Constitution) or any other amount fixed by the Company in general meeting. Currently, the aggregate fee cap is $1,000,000. For FY2016, it is expected that the fees payable to the current Non-Executive Directors will not exceed $400,000 in aggregate. Annual Non-Executive Directors' fees currently agreed to be paid by the Company are $120,000 to the Chairman, Mr Barry Saunders, and $65,000 to each of the remaining Non-Executive Directors.

In addition, the Chairman of the Audit and Risk Committee will be paid $15,000 annually and the Chairman of the Remuneration and Nomination Committee will be paid $15,000 annually. Other committee members will receive $5,000 per annum for serving on each of the Audit and Risk Committee and the Remuneration and Nomination Committee. The remuneration must not include a commission on, or a percentage of, operating revenue. Superannuation contributions provided by the Company are included in these amounts.

The Non-Executive Directors are not entitled to participate in any Baby Bunting employee incentive plan.

6.3.2.3 Other information

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs. Non-Executive Directors may also be paid additional remuneration as the Directors decide is appropriate where a Director performs extra services or makes special exertions.

There are no retirement benefit schemes for Non-Executive Directors, other than statutory superannuation contributions.

6.3.2.4 Directors' interests in Shares and other securities

Directors are not required under the Constitution to hold any Shares in the Company. However, the Directors (and their associates) are entitled to apply for Shares in the Offer.

The number of Shares held by the Directors as at the Prospectus Date and the number which will be held by the Directors on Completion of the Offer (not including Shares acquired by a Director under the Offer) is set out below:

	Shares at Prospectus Date	Shares on Completion of the Offer	Rights under LTI Plan held on Completion of the Offer
Barry Saunders (Chairman)	4,788,924	3,227,291	nil
Matt Spencer (CEO and Managing Director)	2,472,848	2,487,132	1,881,714
Gary Levin (Non-Executive Director)	610,000	488,000	nil
Tom Cowan (Non-Executive Director)[1]	45,245,589	36,901,303	nil
Tamalin Morton (Non-Executive Director)	49,193	49,193	nil
Ian Cornell (Non-Executive Director)	610,000	610,000	nil

1. Tom Cowan is a partner of TDM Asset Management. It has an indirect interest in the Shares held by its clients by virtue of the control it exercises in relation to the Shares under its investment management arrangements with its clients. TDM Asset Management and its clients hold in aggregate 45,245,589 Shares at Prospectus Date, and are expected to hold 36,901,303 Shares upon Completion of the Offer. See also Section 7.1.5.

Directors' interests comprise Shares directly held as well as interests in Shares held through companies or trusts.

All of the Shares described in the table above will be subject to voluntary escrow restrictions outlined in Section 6.4.

As described above, Matt Spencer (and the other members of Senior Management) will receive grants of Performance Rights on or around Completion pursuant to the terms of the LTI Plan. See Section 9.4 for further details of the LTI Plan.

As at the Prospectus Date, some of the Shares held by Barry Saunders, Matt Spencer and the other members of Senior Management are partly paid. These Shares were received in connection with pre-existing share options incentives (see Section 6.3.3.5). The outstanding amounts payable on those Shares are to be repaid to the Company out of proceeds realised by Barry Saunders and Senior Management selling some of their Shares under the Offer as well as from amounts received through payment of the Pre-IPO Dividend to Existing Shareholders prior to Listing.

The details in the table above of the Shares to be held on Completion of the Offer assume that some of the Directors' interests in Shares will reduce as a result of the sale of Shares via SaleCo in the Offer.

6.3.3. Executive Remuneration

6.3.3.1 CEO and Managing Director

Matt Spencer is employed by the Company in the position of CEO and Managing Director and reports to the Board. Under his employment agreement, Matt's annual total fixed remuneration is $458,990 per annum (inclusive of superannuation contributions and other allowances). Matt is also entitled to participate in short term incentive arrangements and the Company's long term incentive plan.

Matt Spencer's employment contract does not have a fixed term. Either the Company or Matt may terminate the employment by giving 12 months' notice or, in the case of the Company, by making a payment in lieu of notice. The Company may terminate his employment without payment in lieu of notice in circumstances involving serious or wilful misconduct. Matt's contract includes a restraint on working for a competitor for up to 12 months after ceasing employment. Enforceability of such restraint is subject to all usual legal requirements.

6.3.3.2 Chief Financial Officer

Darin Hoekman is employed by the Company in the position of CFO and Company Secretary. Under his employment agreement, Darin's annual total fixed remuneration is $285,740 per annum (inclusive of superannuation contributions and other allowances). Darin is also entitled to participate in the Company's short term incentive plan and long term incentive plan.

Darin Hoekman's employment contract does not have a fixed term. Either the Company or Darin may terminate the employment by giving six months' notice or, in the case of the Company, by making a payment in lieu of notice. The Company may terminate his employment without payment in lieu of notice in circumstances involving serious or wilful misconduct. Darin's contract includes a restraint on working for a competitor for up to 12 months after ceasing employment. Enforceability of such restraint is subject to all usual legal requirements.

6.3.3.3 Other senior management arrangements

The other members of Senior Management referred to in Section 6.2 are each party to contracts of employment with the Company under which either the Company or the senior manager may terminate the employment by giving between three and six months' notice or, in the case of the Company, by making a payment in lieu of notice. The Company may terminate the senior manager's employment without payment in lieu of notice in circumstances involving serious or wilful misconduct. Each contract includes a restraint on working for a competitor for up to 12 months after ceasing employment. Enforceability of such restraint is subject to all usual legal requirements.

6.3.3.4 Executive incentive arrangements

The Company has established a Long Term Incentive Plan (**LTI Plan**) with effect from Listing to assist in the motivation, retention and reward of Baby Bunting senior executives. The LTI Plan is designed to align the interests of senior executives more closely with the interests of Shareholders by providing an opportunity for eligible senior executives to receive an equity interest in the Company through the grant of "rights". See Section 9.4 for further details of the LTI Plan.

Members of Senior Management may also be eligible to participate in the Company's short term incentive plan (**STI**). Under the STI, a cash bonus can be paid to a member of Senior Management, subject to the achievement of a range of financial and non-financial key performance indicators. For FY2016, if members of Senior Management achieve their non-financial key performance indicators and the Company's FY2016 EBIT achieves forecast, they will be eligible to cash bonuses of approximately 20% of their fixed annual remuneration. Any actual bonuses paid may be higher or lower than that amount depending upon the level of performance, and may vary as between individual members of Senior Management.

6.3.3.5 Existing share options plan

Prior to establishment of the LTI Plan, share options were granted to some Directors and senior executives of the Company in the period from 2011 to 2015 in accordance with the Company's former remuneration and incentive arrangements (the **Existing share options plan**).

The Existing share options plan was recognised in the Statutory Historical Financial Information in accordance with AASB 2 *Share-based Payment*. The cost of the Existing share options plan was accelerated in FY2015 and FY2016 when an initial public offering of the Company became probable and the Directors and senior executives committed to exercising their share options.

All outstanding share options (number of options: 9.9 million; exercise price: $0.25 to $0.55) were exercised in FY2016 prior to Completion of the Offer. Cash proceeds received from exercise of the outstanding share options have been recognised in the pro forma historical consolidated statement of financial position as at 28 June 2015 and statutory forecast statement of cash flows for FY2016 ($3.7 million).

6.3.4. Related party arrangements

Tom Cowan is a partner at TDM Asset Management, which is receiving a consultancy fee in connection with professional advisory services provided to the Company in relation to the Offer. See Section 6.3.5 for further information.

On or about Listing, each Existing Shareholder will receive a Pre-IPO Dividend of 15.0 cents per Share. The payment of the Pre-IPO Dividend is conditional on Completion of the Offer.

The Company will bear the costs of the Offer (see Section 9.10). There will be no apportionment of the costs of the Offer with Selling Shareholders.

The Company has entered into an agreement with each member of Senior Management to, if requested by that person, provide a loan to the person on a limited recourse basis. The maximum amount that may be advanced by the Company is $3 million. The request can be made during the period following the end of the Escrow Period for Senior Management until 30 April 2017. If the loan is requested and made, the money advanced can only be used to meet the tax liabilities of the executive that arose in connection with the executive acquiring Shares before the date of this Prospectus (as part of pre-existing equity incentives). Any loan is to be repaid as soon as practicable and no later than six months after the date of the advance (or such longer period as the Board may determine). Interest will be payable on any amount advanced equivalent to the interest rate payable on the Company's finance facilities at that time. Funds will not be advanced where an executive has ceased to be an employee. Existing Shareholders approved the entry into these arrangements in respect of the CEO and Managing Director prior to the Prospectus Date.

6.3.5. Interests of advisers

The Company has engaged Morgan Stanley Australia Securities Limited to act as Lead Manager and Underwriter to the Offer. The Company has agreed to pay the Lead Manager the fees described in Section 9.6.1 for these services.

Morgans Financial Limited has been engaged as Co-Lead Manager in relation to the Offer and the Company has agreed to pay the Co-Lead Manager approximately $120,000 (excluding disbursements and GST) for services provided in relation to the Offer.

Ashurst Australia has acted as legal advisor to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately $460,000 (excluding disbursements and GST) for services provided in relation to the Offer. Further amounts may be paid to Ashurst Australia in accordance with its normal time-based charges.

Deloitte Corporate Finance Pty Limited has acted as Investigating Accountant in relation to the Offer, and has performed work in relation to its Investigating Accountant's Report in Section 8. The Company has paid, or agreed to pay, approximately $210,000 (excluding disbursements and GST) for services provided in relation to the Offer. Further amounts may be paid to Deloitte Corporate Finance Pty Limited in accordance with its normal time-based charges.

TDM Asset Management (an entity with relevant interests in the Company of approximately 42.1% at the Prospectus Date) has been engaged by the Company to provide advisory and other services in relation to the Offer. The Company has paid, or agreed to pay, approximately $300,000 (excluding disbursements and GST) for services provided in relation to the Offer. Further amounts may be paid to TDM Asset Management in accordance with its normal time-based charges.

6.4. Voluntary escrow arrangements

The Shares held by each of the Escrowed Shareholders at Completion of the Offer will be escrowed until:

- in the case of TDM Asset Management and the Non-Executive Directors – the date which is three days after the Company's full-year results for the period ending 26 June 2016 are released to ASX; and
- in the case of Senior Management – the date which is three days after the Company's half-year results for the period ending 31 December 2016 (or thereabouts) are released to ASX.

Each of the Escrowed Shareholders has agreed to enter into an escrow deed in respect of their Escrowed Shares. This deed will prevent them from disposing of their Escrowed Shares for the applicable Escrow Period.

The restriction on "disposing" is broadly defined and includes, among other things, selling, assigning, transferring or otherwise disposing of any interest (including an economic interest) in the Escrowed Shares, encumbering or granting a security interest over the Escrowed Shares, granting or exercising an option over the Escrowed Shares, doing, or omitting to do, any act if the act or omission would have the effect of transferring effective ownership or control of any of the Escrowed Shares, or agreeing to do any of those things.

All of the Escrowed Shareholders may be released early from these escrow obligations to enable:

- the Escrowed Shareholders to accept an offer under a takeover bid in relation to their Escrowed Shares if holders of at least half of the Shares the subject of the bid that are not held by the Escrowed Shareholders have accepted the takeover bid; or
- the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement under Part 5.1 of the Corporations Act.

During the relevant Escrow Period, the Escrowed Shareholders whose Shares are subject to escrow may deal in any of their Shares to the extent the dealing is required by applicable law (including an order of a court of competent jurisdiction).

In aggregate 46,212,493 Shares will be the subject of these escrow arrangements.

The number of Shares in respect of which the Escrowed Shareholders have agreed to enter into voluntary escrow arrangements with the Company are set out in the table below.

Name of Escrowed Shareholder	Shares held immediately post-IPO	Number of Shares held in escrow
TDM Asset Management	36,901,303	36,901,303
Non-Executive Directors	4,374,484	4,374,484
Senior Management Shareholders	4,936,706	4,936,706

6.5. Corporate governance

This Section explains how the Board will oversee the management of the Company's business. The Board is responsible for the overall performance of the Company and accordingly takes accountability for monitoring the Company's business and affairs and strategic direction, establishing policies and overseeing the Company's financial position and performance. The Board is committed to maximising performance, generating appropriate levels of returns for Shareholders and sustaining the growth and success of the Company. In conducting business with these objectives, the Board is concerned to ensure that Baby Bunting is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has adopted corporate governance policies and practices designed to promote the responsible management and conduct of the Company.

The Company has adopted its corporate governance policies having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition) (**ASX Recommendations**). As a listed entity, Baby Bunting will be required to report annually the extent to which it has followed the ASX Recommendations during each financial year. If it has not followed a particular ASX Recommendation during the year, Baby Bunting must disclose its reasons for not doing so.

Copies of the Company's key corporate governance policies and charters will be available at www.babybunting.com.au during the Offer Period.

6.5.1. The Board of Directors

The Board comprises five Non-Executive Directors and the CEO and Managing Director:

- Barry Saunders (Chairman)
- Gary Levin
- Tom Cowan
- Tamalin Morton
- Ian Cornell
- Matt Spencer

Biographies of the Directors are set out in Section 6.1.

Each Director has confirmed to the Company that they anticipate being available to perform their duties as a Non-Executive Director or Executive Director without constraint from other commitments.

The Board considers an independent Director to be a Non-Executive Director who is free of any interest, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect, his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of the Company. The materiality of the interest, position, association or relationship will be assessed to determine whether it might interfere, or might reasonably be seen to interfere, with the Director's characterisation as an independent Director.

In assessing independence, the Board will have regard to the factors set out in the ASX Recommendations and one of those factors is whether a Director has a substantial holding in the Company (a relevant interest of 5% or more) or is otherwise associated with a substantial holder. Tom Cowan is a partner of TDM Asset Management, a major Shareholder of the Company. Accordingly, for the purpose of the ASX Recommendations, Tom Cowan will have an interest that may affect his characterisation as an independent Director. Notwithstanding this, the Board considers that following the Completion of the Offer the interest Tom has in the Company's Shares (through TDM Asset Management) works to align his interests with those of other Shareholders and does not impede his ability to bring an independent judgement to bear on issues before the Board and act in the best interests of the Company.

6.5.2. Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the composition, role and responsibilities of the Board, including that the Board is responsible for approving and monitoring the Company's strategy, business performance objectives and financial performance objectives, and overseeing and monitoring the establishment of systems of risk management and systems of internal controls;
- the roles and responsibilities of the Chairman and the Company Secretary;
- the division of authority between the Board and the CEO and Managing Director and management;
- the ability of Directors to seek independent advice; and
- the process for periodic performance evaluations of the Board, each Director and Board committees.

6.5.3. Board committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee.

Other committees may be established by the Board as and when required. Membership of Board committees will be based on the needs of the Company, relevant legislative and other requirements, and the skills and experience of individual Directors.

6.5.4. Audit and Risk Committee

The Audit and Risk Committee assists the Board in fulfilling its responsibilities for corporate governance and oversight of the Company's financial and corporate reporting, risk management and compliance structures and external audit functions.

The Committee comprises three Non-Executive Directors being Gary Levin (Chairman), Tom Cowan, and Ian Cornell. Gary Levin and Ian Cornell are considered to be independent Non-Executive Directors.

The Audit and Risk Committee Charter sets out:

- the composition of the Committee, including that the Committee must comprise only Non-Executive Directors, a majority of whom are independent and that the Chairman of the Committee is not to be the Chairman of the Board;
- the Committee's ability to have access to Company records and employees and the external auditor for the purpose of carrying out its responsibilities. The Charter also provides that the Committee may seek the advice of independent advisors on any matter relating to the duties or responsibilities of the Committee; and
- the specific responsibilities of the Committee in respect of the areas of risk management and compliance, financial and corporate reporting and external audit matters. With respect to external audit matters, the Committee has responsibility for developing and overseeing implementation of the Company's policy on the engagement of the external auditor to supply non-audit services (noting that the Committee is required to advise the Board as to whether it is satisfied that the provision of any non-audit services is compatible with the general standard of independence for auditors).

The Audit and Risk Committee will meet at least four times annually or as frequently as required to undertake its role effectively. All meetings will be minuted by the Company Secretary and made available for inspection by any Director. The Audit and Risk Committee will regularly report to the Board about committee activities.

6.5.5. Remuneration and Nomination Committee

The Remuneration and Nomination Committee's role is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior management and to ensure that the remuneration policies and practices are consistent with the strategic goals of the Board.

The Committee comprises Tom Cowan (Chairman), Barry Saunders and Ian Cornell. Each of them is a Non-Executive Director. Tom Cowan is a Non-Executive Director but is not designated as independent (as noted in Section 6.5.1 above). This means the Committee does not have an independent chairperson as recommended in the ASX Recommendation 8.1. Notwithstanding this, the Board considers that Tom has the appropriate skills and experience to chair this Committee and his association with TDM Asset Management (a major Shareholder of the Company) in no way diminishes his ability to act independently from management in remuneration matters.

The Remuneration and Nomination Committee Charter sets out:

- the composition of the Committee, including that the Committee must comprise only Non-Executive Directors, a majority of whom are independent and that the Chairman of the Committee is not to be the Chairman of the Board;
- the Committee's ability to have access to Company records and employees and the external auditor for the purpose of carrying out its responsibilities. The Charter also provides that the Committee may seek the advice of independent advisors on any matter relating to the duties or responsibilities of the Committee; and
- the specific responsibilities of the Committee in respect of the areas of nomination (including in respect of matters going to the composition of the Board, the Board's skills matrix and succession planning for the Board) and remuneration (including responsibilities to review and make recommendations to the Board on executive and non-executive Director remuneration, reviewing the Company's remuneration policies, overseeing employee equity incentive plans and responsibility for reviewing the Company's remuneration report).

The Remuneration and Nomination Committee will meet at least twice annually or as often as required to undertake its role effectively. All meetings will be minuted by the Company Secretary and made available for inspection by any Director, and any matter or resolution requiring Board consideration will be brought directly to the consideration of the Board.

6.5.6. Continuous Disclosure Policy

As an ASX-listed entity, Baby Bunting will be subject to continuous disclosure requirements in the ASX Listing Rules and the Corporations Act. Subject to exceptions contained in the ASX Listing Rules, the Company will be required to disclose to ASX any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company has adopted a Continuous Disclosure Policy to promote awareness within the Company of its continuous disclosure obligations and which establishes procedures which are aimed at ensuring that Directors and management are aware of and fulfill their obligations in relation to the timely disclosure of market sensitive information. The policy also sets out procedures for dealing with external communications that seek to ensure, among other things, that market sensitive information is first disclosed to ASX before being communicated to third parties.

All relevant information provided to ASX will be posted on the Company's website after ASX confirms the appropriate ASX announcement has been made.

6.5.7. Code of Conduct

Baby Bunting is committed to promoting and protecting the brand. Accordingly, the Board has approved the adoption by the Company of a formal Code of Conduct which outlines how Baby Bunting expects its employees to behave and conduct business in the workplace. The Code of Conduct applies to all employees, regardless of employment status or work location. In addition, the Directors, in the Board Charter, have committed to abiding by the Code of Conduct as it applies to the Board.

The Code of Conduct is designed to:

- provide a benchmark for ethical and professional behaviour throughout Baby Bunting;
- promote a healthy, respectful and positive workplace and environment for all team members;
- ensure that there is compliance with laws, regulations, policies and procedures relevant to Baby Bunting's operations, including workplace health and safety, privacy, fair trading and conflict of interest;
- ensure that there is an appropriate mechanism for team members to report conduct which breaches the Code of Conduct; and
- ensure that team members are aware of the consequences they face if they breach the Code of Conduct.

The Code of Conduct is available on Baby Bunting's website.

6.5.8. Securities Trading Policy

Baby Bunting has adopted a Securities Trading Policy to:

- ensure that all Directors, employees and contractors of the Company (and their associates) are aware of the Australian insider trading laws as they apply to trading in Shares (and other securities of the Company); and
- protect the reputation of the Company and its Directors and employees by seeking to avoid the possibility that misconceptions, misunderstandings or suspicions might arise as a result of trading by Directors and others who may be, or may be perceived to be, in possession of inside information. The policy seeks to do so by imposing additional restrictions on the trading of Shares by Directors, senior executives and other specified employees (referred to in the policy as Restricted Persons).

The policy explains what inside information is and what trading is prohibited and allowed under the Corporations Act. In addition to prohibiting trading where to do so would contravene the insider trading laws, the policy also provides additional procedures that must be followed before Restricted Persons are permitted to trade in Shares. These procedures include:

- prohibitions on trading during closed periods, being the periods between the end of the full or half year and until the trading day after the release of the Company's results for that period and any other period the Board may specify; and
- requirements for prior clearance for trading outside the closed periods as well as reporting after trading has taken place.

The policy specifies certain types of trading that are exempt from the policy (provided however, that the trading must otherwise not contravene the insider trading provisions). These exemptions include disposals arising as a result of acceptance of a takeover bid or equal access buy-back, acquisitions under a dividend reinvestment plan and acquisitions under an employee incentive plan (noting that subsequent trading of Shares acquired in the scheme must comply with the policy).

The policy also provides that Restricted Persons must ensure that any trading by their close family members or closely connected entities also complies with the restrictions and procedures in the policy.

6.5.9. Communication with Shareholders

The Board's aim is to ensure that Shareholders are provided with sufficient information to assess the performance of the Company and that they are informed of all major developments affecting the affairs of the Company.

The Company is required by law to communicate to Shareholders through the lodgement of all relevant financial and other information with ASX and, in some instances, mailing information to Shareholders. It will also publish information (including information released to ASX) on the Company's website. The Company's website will also contain information about it, including media releases, key policies and the charters of the Board committees.

6.5.10. Diversity and Inclusion policy

The Board has adopted a Diversity and Inclusion Policy which sets out Baby Bunting's commitment to recognising the importance of diversity and inclusion for its business. Diversity and inclusion is seen as an asset at Baby Bunting and is considered to be integral to the Company's approach to doing business and important to assist with the Company's commercial success. The policy recognises that diversity not only includes gender diversity but also includes matters of age, ethnicity, religious or cultural background or sexual orientation. Other matters addressed in the policy include a commitment to diversifying sources of recruitment and merit-based appointments, as well as recognition that the Company will not tolerate workplace discrimination, harassment, vilification or victimisation.

The policy also includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and Baby Bunting's progress in achieving them. These objectives and the progress in achieving them will be disclosed in the Company's annual corporate governance statement, along with the respective proportions of men and women on the Board, in senior executive positions and throughout the Company.

7. details of the Offer

7.1. The Offer

This Prospectus relates to an invitation to apply for 37.2 million shares in the Company at the Offer Price of $1.40 per Share. The Shares to be issued under this Prospectus will represent approximately 29.6% of the Shares on issue on Completion of the Offer. The Offer is expected to raise approximately $51.6 million.

Shares held on Completion of the Offer by TDM Asset Management, the Board and Senior Management will be subject to voluntary escrow agreements described in Section 6.4.

The total number of Shares on issue at Completion will be 125.6 million and all Shares will, once issued, rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.11.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

7.1.1. Structure of the Offer

The Offer comprises:

- the **Retail Offer**, which consists of the:
  - **Broker Firm Offer** – open to Australian resident retail clients of Brokers who have received an invitation to participate from their Broker; and
  - **Employee Gift Offer** – open to Eligible Employees; and
  - **Priority Offer** – open to selected investors in Australia who have received a priority invitation; and
- the **Institutional Offer** – an invitation to bid for Shares made to Institutional Investors in Australia and in certain other eligible jurisdictions.

No general public offer of Shares will be made under the Offer.

Details of the Broker Firm Offer and the allocation policy under it are described in Section 7.3. Details of the Employee Gift Offer and the allocation policy under it are described in Section 7.4. Details of the Priority Offer and the allocation policy under it are described in Section 7.5. Details of the Institutional Offer and the allocation policy under it are described in Section 7.6. The allocation of Shares between the Retail Offer and the Institutional Offer was determined by the Lead Manager in consultation with the Company, having regard to the allocation policies outlined in Sections 7.3, 7.4, 7.5 and 7.6.

The Offer has been fully underwritten pursuant to an Underwriting Agreement under which the Lead Manager has been appointed to arrange and manage and act as lead manager, bookrunner and underwriter of the Offer. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.6.

7.1.2. Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- provide Existing Shareholders with an opportunity to realise all or part of their investment in Baby Bunting;
- provide Baby Bunting with access to capital markets to improve financial flexibility for growth; and
- provide a liquid market for the Shares.

The proceeds of the Offer will be applied to:

- repayment of debt drawn on the Company's debt facilities of $8.0 million in aggregate;
- payment to Existing Shareholders who sell Existing Shares into the Offer via SaleCo;
- fund the Pre-IPO Dividend;
- increase cash and cash equivalents; and
- payment of the costs associated with the Offer.

Table 28: Offer sources and uses

Sources	$	%
Cash proceeds received from Offer	$51.6 million	88%
Cash proceeds from the exercise of existing share options	$3.7 million	6%
Existing Cash	$3.6 million	6%
Total Sources	**$58.9 million**	**100.0%**

Uses	$	%
Payment of proceeds to Existing Shareholders who sell Shares	$26.6 million	45%
Funding of Pre-IPO Dividend	$16.1 million	27%
Repayment of existing debt facilities	$8.0 million	13%
Cash post Offer	$4.6 million	8%
Payment of costs of the Offer	$3.6 million	6%
Total Uses	**$58.9 million**	**100%**

7.1.3. Pro forma historical consolidated statement of financial position

The Company's pro forma statement of financial position following Completion, including details of the pro forma adjustments, is set out in Section 4.6.

7.1.4. Capitalisation and indebtedness

The Company's capitalisation and indebtedness as at 28 June 2015, before and following the Completion of the Offer, is set out in Section 4.7.

7.1.5. Shareholding structure

The details of the ownership of Shares (which includes relevant interests in Shares) at the Prospectus Date and Shares on Completion of the Offer[1] are set out below:

Table 29: Shareholding structure

	Shares at Prospectus Date	Pre-Offer (%)	Shares on Completion of the Offer	Completion of the Offer (%)
TDM Asset Management[2]	45,245,589	42.1%	36,901,303[3]	29.4%
Nadelman Family	14,658,781	13.6%	7,658,781	6.1%
Barry Saunders	4,788,924	4.5%	3,227,291	2.6%
Other Non-Executive Directors	1,269,193	1.2%	1,147,193	0.9%
Matt Spencer (CEO and Managing Director)	2,472,848	2.3%	2,487,132	2.0%
Other Senior Management	2,517,498	2.3%	2,449,574	2.0%
Other Existing Shareholders	36,494,756	34.0%	34,602,613	27.6%
New Shareholders	–	–%	37,119,301	29.6%
Total	**107,447,589**	**100.0%**	**125,593,188**	**100.0%**

2. TDM Asset Management has an indirect interest in the Shares held by its clients by virtue of the control it exercises in relation to the Shares under its investment management arrangements with its clients. TDM Asset Management and its clients hold in aggregate 45,245,589 Shares at Prospectus Date, and are expected to hold 36,901,303 Shares upon Completion of the Offer.
3. TDM Asset Management will, on behalf of its clients, sell a number of Shares into the Offer via SaleCo. In addition, as part of a reorganisation of holdings of Shares of its clients, TDM Asset Management will, on behalf of its clients, sell an additional number of Shares into the Offer and apply for and acquire that same number of Shares as part of the Offer at the Offer Price, in order to affect the reorganisation.

1. This excludes any Shares acquired by Existing Shareholders under the Offer.

A number of Existing Shareholders have provided a commitment to sell 19.0 million Shares into the Offer via SaleCo (see Section 9.3 for further details).

All of the Shares held by TDM Asset Management, the Board and Senior Management will be subject to voluntary escrow arrangements (see Section 6.4 for further details).

7.1.6. Control implications of the Offer

The Directors do not expect any Shareholder to control the Company on Completion (as defined in Section 50AA of the Corporations Act).

7.1.7. Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion, the Company will have sufficient funds available from the cash proceeds of the Offer to fulfil the purposes of the Offer and meet the Company's stated business objectives.

7.2. Terms and Conditions of the Offer

Table 30: Offer terms and conditions

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in the capital of the Company).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
What is the consideration payable for each security being offered?	Successful Applicants under the Offer will pay the Offer Price, being $1.40 per Share. Eligible Employees can receive Shares under the Employee Gift Offer for no monetary payment.
What is the Retail Offer period?	The Retail Offer opens at 9.00am on 1 October 2015. The Retail Offer closes at 5.00pm on 9 October 2015. The key dates, including details of the Offer Period, are set out on page 2. No securities will be issued on the basis of this Prospectus later than the expiry date of 13 months after the Prospectus Date.
What are the cash proceeds to be raised?	Approximately $51.6 million will be raised if the Offer proceeds (comprising $25.0 million from the issue of New Shares by Baby Bunting for its own benefit and $26.6 million for the sale of Existing Shares by SaleCo on behalf of Existing Shareholders who sell their Shares).
Is the Offer underwritten?	Yes. The Lead Manager has fully underwritten the Offer pursuant to the Underwriting Agreement. Details are provided in Section 9.6.
What is the minimum and maximum Application size under the Retail Offer?	The minimum Application under the Broker Firm Offer is as directed by the Applicant's Broker. Eligible Employees who apply under the Eligible Gift Offer will receive a guaranteed allocation of $1,000 worth of Shares at the Offer Price (rounded down to the nearest number of Shares), for no monetary payment. The minimum Application size under the Priority Offer is $2,000 worth of Shares, and in multiples of $1,000 worth of Shares thereafter.

Topic	Summary
What is the allocation policy?	The allocation of Shares between the Retail Offer and the Institutional Offer was determined by agreement between the Lead Manager and the Company, having regard to the allocation policy outlined in Sections 7.3, 7.4, 7.5, 7.6. For Broker Firm Offer participants, the relevant Broker will decide as to how they allocate Shares among their retail clients. The allocation of Shares among Applicants in the Priority Offer and the Employee Offer will be determined at the absolute discretion of the Company, subject to the guaranteed allocations described below. The allocation of Shares among applicants in the Institutional Offer was determined by the Lead Manager in consultation with the Company. The Lead Manager, in conjunction with the Company, has absolute discretion regarding the allocation of Shares to Applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. The Lead Manager, in conjunction with the Company, also reserves the right to aggregate any Applications that it believes may be multiple Applications from the same person or scale back any applications (or aggregation of applications) in the Retail Offer which are for more than $100,000. Applicants under the Retail Offer will be able to call 1300 377 708 (within Australia) or +61 (0)3 9415 4121 if eligible to participate in the Offer and calling from outside Australia, from 8.30am to 5.00pm (Melbourne Time) on Monday to Friday during the Retail Offer period.
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on Thursday, 15 October 2015.
Will the Shares be listed?	The Company will apply to ASX for admission to the Official List and quotation of Shares on ASX (which is expected to be under the code BBN). Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest, as soon as practicable in accordance with the requirements of the Corporations Act.
Is the Offer conditional?	Yes. The contracts formed on acceptance of applications and confirmations of allocations of Shares will be conditional on: • ASX agreeing to admit the Company to the Official List and to quote the Shares; and • Settlement. Trades occurring on ASX before issue occurring will be conditional on the above matters occurring and the issue of Shares to Successful Applicants under the Offer.
When are the Shares expected to commence trading?	It is expected that trading of the Shares on ASX will commence on 14 October 2015, initially on a deferred settlement basis. Trading will continue on a deferred settlement basis until the Company has advised ASX that initial holding statements have been mailed to Shareholders. It is expected that trading will then be on a normal basis on and from 16 October 2015. It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk. The Company and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Baby Bunting Offer Information Line, by a Broker or otherwise.
Are there any escrow arrangements?	Yes. Details are provided in Section 6.4.

Topic	Summary
Has an ASIC relief or ASX waiver been obtained or been relied on?	Yes. Details are provided in Section 9.8
Are there any tax considerations?	Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.9. The tax consequences of any investment in the Shares will depend upon on investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.
Are there any brokerage, commission or stamp duty considerations?	No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.
What should I do with any enquiries?	All enquiries in relation to this Prospectus should be directed to Baby Bunting Offer Information Line on 1300 377 708 (toll free within Australia) or +61 (0)3 9415 4121 (outside Australia) between 8.30am and 5.00pm (Melbourne Time), Monday to Friday. All enquiries in relation to the Broker Firm Offer should be directed to your Broker. If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should seek professional guidance from your stockbroker, solicitor, accountant, financial advisor or other independent professional advisor before deciding whether to invest.

7.3. Broker Firm Offer

7.3.1. Who may apply

The Broker Firm Offer is open to persons who have received an invitation to participate from their Broker and who have a registered address in Australia. If you have received an invitation to participate from your Broker, you will be treated as a Broker Firm Offer Applicant. You should contact your Broker to determine whether you can receive an invitation from them under the Broker Firm Offer.

7.3.2. How to apply

If you have received an invitation to participate from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Broker Firm Offer Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Forms or payment to the Share Registry.

Applicants under the Broker Firm Offer should contact their Broker or Baby Bunting Offer Information Line on 1300 377 708 (toll free within Australia) or +61(0)3 9415 4121 (outside Australia) to request a Prospectus and Application Form, or download a copy at www.babybuntingshareoffer.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.00pm (Melbourne Time) on the Closing Date or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Offer Application Form with the Broker from whom you received your invitation to participate. Broker Firm Offer Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to this Prospectus, together with an Application Form. ***The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.***

The minimum application under the Broker Firm Offer is as directed by the Applicant's Broker. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company and the Lead Manager reserve the right to aggregate any applications which they believe may be multiple applications from the same person or reject or scale back any applications in the Broker Firm Offer which are for more than $100,000 worth of Shares. The Company may determine whether a person is eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion, in compliance with applicable laws.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Melbourne Time) on Thursday, 1 October 2015 and is expected to close at 5.00pm (Melbourne Time) on Friday, 9 October 2015. The Company and the Lead Manager may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.3.3. Payment methods

Applicants under the Broker Firm Offer must pay their Application Monies to their Broker in accordance with instructions provided by that Broker.

7.3.4. Allocation policy under the Broker Firm Offer

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the Applicants nominated by those Brokers. It will be a matter for each Broker as to how they allocate firm Shares among their retail clients, and they (and not the Company and the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

7.3.5. Acceptance of Applications

An Application in the Broker Firm Offer is an offer by you to the Company to apply for the amount of Shares specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement document) and the Application Form (including the conditions regarding quotation on ASX in Section 7.2 and the acknowledgements in Section 7.8). To the extent permitted by law, an Application by an Applicant is irrevocable.

An Application may be accepted in respect of the full amount, or any amount lower than that specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract on allocation of Shares to Successful Applicants.

The Lead Manager, in agreement with the Company, reserves the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

7.3.6. Application Monies

The Company reserves the right to decline any application in whole or in part, without giving any reason. Application Monies received under the Broker Firm Offer will be held in a special purpose account until Shares are issued or transferred to Successful Applicants.

Applicants whose applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Broker.

Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will be mailed a refund (without interest) of all or part of their Application Monies, as applicable. No refunds pursuant solely to rounding will be provided. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will be retained by the Company.

7.4. Employee Gift Offer

7.4.1. Who may apply

The Employee Gift Offer is an invitation to Eligible Employees to apply for Shares in the Company for no monetary payment. Eligible Employees are permanent, full-time and part-time employees of Baby Bunting as at the Prospectus Date who have been employed by the Company for a minimum of six months as at 1 September 2015 and who are resident in Australia and who are provided with an Employee Gift Offer Application Form.

7.4.2. How the Employee Gift Offer works

Eligible Employees who apply under the Eligible Gift Offer will receive an allocation of $1,000 worth of Shares at the Offer Price (rounded down to the nearest number of Shares), for no monetary payment. If all Eligible Employees participate, approximately $403,838 worth of Shares will be issued under the Employee Gift Offer.

Shares acquired under the Employee Gift Offer will be subject to a disposal restriction in accordance with current Australian tax legislation. The impact of this restriction means that Eligible Employees who participate in the Employee Gift Offer will not be able to sell or transfer those Shares for a minimum period of three years (or earlier if their employment ceases).

Baby Bunting will implement necessary arrangements to give effect to this restriction. By applying for Shares under the Employee Gift Offer, Eligible Employees will be agreeing to the imposition of any restriction, including a holding lock, on a transfer of those Shares.

7.4.3. How to apply

If you are an Eligible Employee and you wish to apply for Shares under the Employee Gift Offer, you must complete the Employee Gift Offer Application Form by Friday, 9 October 2015. No monetary payment is required to apply under the Employee Gift Offer.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Employee Gift Offer Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

An Application in the Employee Gift Offer is an application for $1,000 worth of Shares at the Offer Price (rounded down to the nearest number of Shares) on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Employee Gift Offer Application Form (including the conditions regarding quotation on ASX in Section 7.2 and the acknowledgements in Section 7.8). To the extent permitted by law, an Application by an Eligible Employee under the Offer is irrevocable.

7.5. Priority Offer

7.5.1. Who may apply

The Priority Offer is open to selected investors in Australia who have received a Priority Invitation to participate. If you are a Priority Offer Applicant, you should have received a personalised invitation to apply for Shares in the Priority Offer.

The Priority Offer is not open to persons in the United States.

7.5.2. How to apply

If you have received a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for all or some of those Shares, you should follow the instructions on your personalised invitation to apply.

You may apply for an amount up to and including the amount indicated on your personalised invitation. Applications under the Priority Offer must be for a minimum of $2,000 worth of Shares and in multiples of $1,000 worth of Shares thereafter.

By making an Application, you declare that you were given access to this Prospectus (or any supplementary or replacement prospectus), together with an Application Form. ***The Corporations Act prohibits any person from passing an Application Form to another person unless it is included in, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.***

An Application in the Priority Offer is an offer by an Applicant to the Company to apply for Shares in the amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form (including the conditions regarding quotation on ASX in Section 7.2 and the acknowledgements in Section 7.8). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by the Company and the Lead Manager in respect of the full number of Shares specified in the Application Form, or any of them, without further notice to the Applicant. Subject to the guaranteed allocation referred to in Section 7.5.4, the Company reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Priority Offer who are allocated a lesser number of Shares than the amount applied for will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies provided by the Offer Price.

If the amount of your Application Monies that you pay is less than the amount specified on your Application Form, you may be taken to have applied for such lower Australian dollar amount of Shares as for which your cleared Application Monies will pay (and to have specified that amount on your online Application Form) or your Application may be rejected.

Acceptance of an Application will give rise to a binding contract.

7.5.3. How to pay

If you are a Priority Offer Applicant, you must pay for Shares applied for following the instructions on your personalised invitation.

7.5.4. Allocation policy under the Priority Offer

Allocations under the Priority Offer will be at the absolute discretion of Baby Bunting, provided that those allocations (in aggregate) do not exceed $5.0 million.

Priority Offer Applicants will receive a guaranteed allocation up to and including the amount indicated on their personalised invitation.

7.6. Institutional Offer

7.6.1. Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.6.2. Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Lead Manager in consultation with the Company. The Lead Manager and the Company had absolute discretion regarding the basis of allocation of Shares among Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy was influenced, but not constrained, by the following factors:

- number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Listing;
- the Company's desire to establish a wide spread of institutional Shareholders;
- overall level of demand under the Broker Firm Offer and the Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long term Shareholders; and
- any other factors that the Company and the Lead Manager considered appropriate.

7.7. Restrictions on distribution

7.7.1. General

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to subscribe for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States or elsewhere outside Australia, unless it has attached to it the selling restrictions applicable in the jurisdictions outside Australia; and may only be distributed to persons to whom the Institutional Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

The Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States.

7.7.2. European Economic Area – Germany and The Netherlands

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to publish a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in the Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000; and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, "MiFID"); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

7.7.3. Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the **SFO**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

7.7.4. New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the **FMC Act**). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

7.7.5. Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**), or as otherwise pursuant to, and in accordance with, the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares; (ii) an "institutional investor" (as defined in the **SFA**); or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

7.7.6. United Kingdom

Neither the information in this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (FSMA)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person, in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the **FSMA**) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**); (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO; or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

7.8. Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of this Prospectus (and any supplementary or replacement prospectus) included in or accompanying the Application Form and having read them all in full;
- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian Dollar amount shown on the front of the Application Form;
- agreed to be allocated the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company and the Lead Manager and their respective officers or agents, to do anything on behalf of the applicant(s) necessary for Shares to be allocated to the applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the applicant(s), given the investment objectives, financial situation or particular needs of the applicant(s);
- declared that the applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant in the Retail Offer, and each person in Australia to whom the Institutional Offer is made under this Prospectus, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold in the United States;
- it is not in the United States;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia.

Each Applicant under the Institutional Offer will be required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

7.9. Discretion regarding the Offer

The Company may withdraw the Offer at any time before the issue or transfer of Shares to Successful Applicants. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

The Company and the Lead Manager also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.10. ASX listing, registers and holding statements, and deferred settlement trading

7.10.1. Application to ASX for listing of the Company and quotation of Shares

The Company will apply for admission to the official list of ASX and quotation of the Shares on ASX within seven days of the Prospectus Date. The Company's ASX code is expected to be BBN.

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the Official List is not to be taken as an indication of the merits of the Company or the Shares offered for subscription.

If permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by the Company will be refunded (without interest) as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

7.10.2. CHESS and issuer sponsored holdings

The Company has applied to participate in ASX's Clearing House Electronic Subregister System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters – an electronic CHESS subregister or an issuer sponsored subregister. For all Successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister, or through the Share Registry in the case of a holding on the issuer sponsored subregister. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.10.3. Deferred settlement trading and selling Shares on market

It is expected that the Shares will commence trading on ASX on Wednesday, 14 October 2015, initially on a deferred settlement basis.

Trading will continue on a deferred settlement basis until the Company has advised ASX that holding statements have been dispatched to Shareholders, which will be on or around Thursday, 15 October 2015. Normal settlement trading (that is, trading on a T+3 settlement basis) is expected to commence on or around Friday, 16 October 2015.

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants or bidders who sell Shares before they receive an initial holding statement do so at their own risk. The Company, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them or by the Baby Bunting Offer Information Line.

7.11. Description of the Shares

7.11.1. General

The rights attaching to ownership of the Shares are detailed in the Constitution of the Company (which may be inspected during normal business hours at the registered office of the Company) and in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and the general law.

The following is a summary of the major provisions of the Constitution. This summary is not intended to be exhaustive and is qualified by the terms of the Constitution. This summary does not constitute a definitive statement of the rights and liabilities of Shareholders.

This summary assumes that Baby Bunting is admitted to the official list of ASX (at which time, the Constitution will come into immediate effect).

7.11.2. Voting

At a general meeting, every member present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, one vote for each fully paid Share held (with adjusted voting rights for partly paid Shares). Where there are two or more joint holders of a Share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders.

Voting at any meeting of members is by a show of hands unless a poll is demanded. A poll may be demanded by at least five members entitled to vote on the resolution, members with at least 5% of the votes that may be cast on the resolution on the poll, or the chairperson. The chairperson does not have a second or casting vote. If an equal number of votes are cast for or against a resolution at a meeting of members, the matter is decided in the negative.

7.11.3. Dividends

Subject to the Corporations Act, other requirements in the Constitution and the terms of issue of shares, the Board may resolve to pay any dividend (including an interim dividend) it thinks appropriate and fix the time for payment. The Directors may fix the amount and the method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to the terms of issue of shares, the Company may pay a dividend on one class of Shares to the exclusion of another class (if there is more than one class of Shares). Subject to the Constitution each Share of a class on which the Board resolves to pay a dividend carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the Share bears to the total issue price of the Share.

7.11.4. Issue of shares

Subject to the Constitution, the Listing Rules and the ASX Settlement Rules, the Directors have the right to issue, grant options or otherwise dispose of unissued shares on the terms, with the rights, and at the times that the Directors decide.

7.11.5. Variation of class rights

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied or cancelled only:

- with the written consent of the holders of 75% of the issued shares of the affected class; or
- by a special resolution passed at a separate meeting of the holders of shares of the affected class.

Subject to the terms of issue of shares, the rights attached to a class of shares are not treated as varied by the issue of further shares of that class.

7.11.6. Transfer of Shares

Subject to the Constitution, a member may transfer a Share by any means permitted by the Corporations Act or by law. Unless permitted by the Listing Rules, the Company must not charge any fee on transfer of a Share.

All transfers must comply with the Constitution, the Listing Rules, the ASX Settlement Rules and the Corporations Act as applicable and, subject to these requirements, the Directors may refuse to register a transfer of Shares in circumstances permitted by the Listing Rules or the Corporations Act. The Directors must refuse to register a transfer of Shares if the Corporations Act, the Listing Rules or the ASX Settlements Rules forbid such registration.

7.11.7. Unmarketable parcels

The Directors may sell the Shares of a member if that member holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed. An unmarketable parcel of Shares is defined in the Listing Rules and is, generally, a holding of shares with a market value of less than $500.

7.11.8. General meetings and notices

Each member is entitled to receive notice of, attend and vote at general meetings of the Company and receive all notices, accounts and other documents required to be sent to the members under the Constitution or the Corporations Act. At least 28 days' notice of a meeting must be given to each member.

7.11.9. Winding up

Subject to the Constitution and the terms of the issue of shares, members will be entitled in a winding up to share in any surplus assets of the Company in proportion to the number of fully paid Shares held by them. For this purpose, a partly paid Share is counted as a fraction of a fully paid Share equal to the proportion which the amount paid on it bears to the total issue price of the Share.

7.11.10. Directors – powers and duties

Subject to the Constitution, the Corporations Act and the Listing Rules, the Directors have the power to manage the business of the Company and may exercise every right, power or capacity of the Company to the exclusion of the Company in general meeting and the members.

7.11.11. Directors – appointment and removal

The minimum number of Directors is three and the maximum is to be fixed by the Directors but may not be more than eight Directors. The Board may from time to time determine to increase the maximum number of Directors but the maximum applying at any time cannot be reduced except by the Company in a general meeting.

Subject to the Constitution, the Board may appoint a person to be a Director at any time except during a general meeting. Any Director so appointed automatically retires at the next annual general meeting and is eligible for election by that general meeting. A Director (other than the Managing Director) must retire from office at the third annual general meeting after the Director was elected or last re-elected.

7.11.12. Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the chairperson has a second or casting vote, unless there are only two Directors entitled to vote or the chairperson is not entitled to vote, in which case the proposed resolution is taken as having been lost.

7.11.13. Directors' remuneration

The Directors, other than the Managing Director or any other executive Director, are entitled to be paid by way of Directors' fees for services, provided that the total fees do not exceed the maximum aggregate sum approved from time to time by the Company in general meeting or include costs of a commission on, or percentage of, operating revenue. The Constitution also makes provision for the Company to pay all expenses of Directors in attending meetings and carrying out their duties. Remuneration of the Managing Director or any other executive Directors will be the amount that the Directors decide.

7.11.14. Alteration of share capital

Subject to the Listing Rules, the Constitution and the Corporations Act, the Company may alter its share capital.

7.11.15. Preference shares

The Company may issue preference shares including preference shares which are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution.

7.11.16. Variation of the Constitution

The Constitution can only be amended by a special resolution, being a resolution passed by at least three quarters of members present and entitled to vote on the resolution. The Company must give at least 28 days' written notice of its intention to propose the resolution.

7.11.17. Share buy-backs

Subject to the Corporations Act, the Listing Rules and the ASX Settlement Rules, the Company may buy back shares in itself on terms and at times determined by the Directors.

7.11.18. Dividend plans

The Constitution contains a provision allowing Directors to implement a dividend re-investment plan (under which an eligible member may elect that the dividends payable by the Company be retained by the Company and applied in payment for fully paid Shares).

7.11.19. Indemnity

To the fullest extent permitted by law, the Company must indemnify every officer of the Company and its wholly-owned subsidiaries, and may indemnify its auditor against any liability incurred as such an officer or auditor to a person (other than the Company or a related body corporate).

The indemnity provided by the Company in the Constitution is subject to the terms of any agreement or deed entered into between the Company and an officer of the Company or of its wholly-owned subsidiaries.

8.

investigating accountant's report and financial services guide

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The Directors
Baby Bunting Group Limited
955 Taylors Road
Dandenong South Victoria 3175

The Directors
Baby Bunting SaleCo Limited
955 Taylors Road
Dandenong South Victoria 3175

29 September 2015

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT AND FINANCIAL SERVICES GUIDE

Introduction

This report has been prepared at the request of the Directors of Baby Bunting Group Limited (the Company) and of Baby Bunting SaleCo Limited (SaleCo) (the Directors) for inclusion in a Prospectus to be issued by the Company and SaleCo in respect of the initial public offering of fully paid ordinary shares in the Company (the Offer) and listing of the Company on the Australian Securities Exchange.

Deloitte Corporate Finance Pty Limited is wholly owned by Deloitte Touche Tohmatsu and holds the appropriate Australian Financial Services licence under the Corporations Act 2001 (Cth) for the issue of this report.

References to the Company and other terminology used in this report have the same meaning as defined in the Glossary of the Prospectus.

Scope

Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review:

- the Statement of Profit or Loss for the three financial years ended 28 June 2015; and
- the Statement of Financial Position as at 28 June 2015;

as set out in Table 11 and Table 12 of the Prospectus (together the Historical Financial Information).

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial reports of Company for the three financial years ended 28 June 2015, which were audited by Deloitte Touche Tohmatsu in accordance with the Australian Auditing Standards. Deloitte Touche Tohmatsu issued unmodified audit opinions on the financial reports for the three financial years ended 28 June 2015. The Historical Financial Information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

Pro forma Historical Financial Information

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review:

- the pro forma Statement of Profit or Loss for the three financial years ended 28 June 2015;
- the pro forma Statement of Financial Position as at 28 June 2015; and
- the pro forma Statements of Cash Flow for the three financial years ended 28 June 2015;

as set out in Table 8, Table 12 and Table 15 of the Prospectus (together the Pro forma Historical Financial Information).

The Pro forma Historical Financial Information has been derived from the Historical Financial Information after adjusting for the effects of pro forma adjustments described in Table 10 and Table 16 of the Prospectus.

The stated basis of preparation of the Pro forma Historical Financial Information is the recognition and measurement principles contained in Australian Accounting Standards applied to the Historical Financial Information and the events or transactions to which the pro forma adjustments relate, as described in Section 4.2 of the Prospectus, as if those events or transactions had occurred as at the date of the Historical Financial Information. Due to its nature, the Pro forma Historical Financial Information does not represent the Company's actual or prospective financial position, financial performance and cash flows.

The Forecasts

Deloitte Corporate Finance Pty Limited has been engaged by the Directors to review:

- the forecast Statement of Profit or Loss and the forecast Statement of Cash Flows of the Company for the financial year ending 26 June 2016 as set out in Table 8 and Table 15 of the Prospectus (the Statutory Forecast). The director's best estimate assumptions underlying the Statutory Forecast are described in Section 4.11 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Forecast is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies;

- the pro forma forecast Statement of Profit or Loss and the pro forma forecast Statement of Cash Flows of the Company for the financial year ending 26 June 2016 as set out in Table 8 and Table 15 of the Prospectus (the Pro forma Forecast). The Pro forma Forecast has been derived from the Statutory Forecast, after adjusting for the effects of the pro forma adjustments described in Table 10 and Table 17 of the Prospectus (the Pro forma Adjustments). An audit has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Forecast is the recognition and measurement principles contained in Australian Accounting Standards applied to the Statutory Forecasts and the events or transactions to which the Pro forma Adjustments relate, as if those events or transactions had occurred as at 29 June 2015. Due to its nature the Pro forma Forecast does not represent the Company's actual prospective financial performance and/or cash flow for the financial year ending 26 June 2016.

(together the Forecasts).

The Forecasts have been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the financial year ending 26 June 2016. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecasts since anticipated events or transactions frequently do not occur as expected and the variation may be material.

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The Directors' best estimate assumptions on which the Forecasts are based relate to future events and transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the assumptions on which the Forecasts are based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any option on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the prospective financial information. Accordingly prospective investors should have regard to the investment risks and sensitivities set out in Section 5 of the Prospectus. The sensitivity analysis set out in Section 4.13 of the Prospectus demonstrates the impacts on the pro forma forecast Statement of Profit or Loss of changes in key assumptions. The Forecasts are therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecasts will be achieved.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Historical Financial Information and the Pro forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro forma Historical Financial Information;
- the preparation of the Forecasts, including the best estimate assumptions underlying the Forecasts and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro forma Forecast; and
- the information contained within the Prospectus.

This includes responsibility for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Historical Financial Information, the Pro forma Historical Financial Information and the Forecasts that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Pro forma Financial Historical Information, the Statutory Forecast and the Pro forma Forecast based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with Australian Standard on Assurance Engagement (ASAE) 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.*

Our review consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

We have performed the following procedures as we, in our professional judgement, considered reasonable in the circumstances:

Historical Financial Information

- a review of the extraction of Historical Financial Information from the audited financial statements of the Company for the three financial years ended 28 June 2015;
- analytical procedures on the Statements of Profit and Loss for the three financial years ended 28 June 2015 and Statement of Financial Position of the Company as at 28 June 2015;
- a consistency check of the application of the stated basis of preparation, as described in the Prospectus, to the Historical Financial Information;
- a review of the Company's work papers, accounting records and other documents; and
- enquiry of Directors, management and others in relation to the Historical Financial Information.

Pro forma Historical Financial Information

- consideration of work papers, accounting records and other documents , including those dealing with the extraction of Historical Financial Information of the Company from its audited financial statements for the three financial years ended 28 June 2015;
- consideration of the appropriateness of Pro forma Adjustments described in Table 10 and Table 16 of the Prospectus;
- enquiry of Directors, management, personnel and advisors;
- the performance of analytical procedures applied to the Pro forma Historical Financial Information;
- a review of work papers, accounting records and other documents of the Company and its auditors; and
- a review of the accounting policies adopted and used by the Company over the period for consistency of application.

The Forecasts

- enquiries, including discussions with management and Directors of the factors considered in determining the assumptions;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecasts;
- review of the accounting policies adopted and used in the preparation of the Forecasts; and
- consideration of the Pro forma Adjustments applied to the Statutory Forecast in preparing the Pro forma Forecast.

Conclusions

Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in Table 11 and Table 12 of the Prospectus, and comprising:

- the Statement of Profit or Loss for the three financial years ended 28 June 2015; and
- the Statement of Financial Position as at 28 June 2015,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Prospectus.

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Pro forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Pro forma Historical Financial Information comprising

- the pro forma Statement of Profit or Loss for the three financial years ended 28 June 2015;
- the pro forma Statement of Financial Position as at 28 June 2015; and
- the pro forma Statements of Cash Flow for the three financial years ended 28 June 2015,

is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 of the Prospectus.

The Statutory Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Statutory Forecast do not provide reasonable grounds for the Statutory Forecast

(ii) in all material respects, the Statutory Forecast:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.11 of the Prospectus,
b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards

(iii) the Statutory Forecast itself is unreasonable.

The Pro forma Forecast

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

(i) the Directors' best estimate assumptions used in the preparation of the Pro forma Forecast do not provide reasonable grounds for the Pro forma Forecast

(ii) in all material respects, the Pro forma Forecast:

a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.11 of the Prospectus,
b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Company and the recognition and measurement principles contained in Australian Accounting Standards, applied to the Statutory Forecast and the Pro forma Adjustments as if those adjustments had occurred as at 29 June 2015

(iii) the Pro forma Forecast itself is unreasonable.

Restrictions on Use

Without modifying our conclusions, we draw attention to Important Notices of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Investigating Accountant's Report may not be suitable for use for another purpose.

Consent

Deloitte Corporate Finance Pty Limited has consented to the inclusion of this limited assurance report in the Prospectus in the form and context in which it is included.

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Disclosure of Interest

Deloitte Corporate Finance Pty Limited does not have any interest in the outcome of this Offer other than the preparation of this report and participation in the due diligence procedures for which normal professional fees will be received.

Deloitte Touche Tohmatsu is the auditor of the Company.

Yours sincerely

Deloitte Corporate Finance Pty Limited

Ashley Miller
Authorised representative of
Deloitte Corporate Finance Pty Limited (AFSL Number 241457)
AR Number 461007

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Financial Services Guide

What is a Financial Services Guide?

This Financial Services Guide (FSG) provides important information to assist you in deciding whether to use our services. This FSG includes details of how we are remunerated and deal with complaints.

Where you have engaged us, we act on your behalf when providing financial services. Where you have not engaged us, we act on behalf of our client when providing these financial services, and are required to give you an FSG because you have received a report or other financial services from us. The person who provides the advice is an Authorised Representative (AR) of Deloitte Corporate Finance Pty Limited (DCF), which authorises the AR to distribute this FSG. Their AR number is included in the report which accompanies this FSG.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

Our general financial product advice

Where we have issued a report, our report contains only general advice. This advice does not take into account your personal objectives, financial situation or needs. You should consider whether our advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is provided to you in connection with the acquisition of a financial product you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we and all employees remunerated?

Our fees are usually determined on a fixed fee or time cost basis and may include reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. Clients may request particulars of our remuneration within a reasonable time after being given this FSG.

Other than our fees, we, our directors and officers, any related bodies corporate, affiliates or associates and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary and while eligible for annual salary increases and bonuses based on overall performance they do not receive any commissions or other benefits as a result of the services provided to you. The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

We are ultimately controlled by the Deloitte member firm in Australia (Deloitte Touche Tohmatsu). Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu. We and other entities related to Deloitte Touche Tohmatsu:

- do not have any formal associations or relationships with any entities that are issuers of financial products
- may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have any concerns regarding our report or service, please contact us. Our complaint handling process is designed to respond to your concerns promptly and equitably. All complaints must be in writing to the address below.

If you are not satisfied with how we respond to your complaint, you may contact the Financial Ombudsman Service (FOS). FOS provides free advice and assistance to consumers to help them resolve complaints relating to the financial services industry. FOS' contact details are also set out below.

The Complaints Officer	Financial Ombudsman Service
PO Box N250	GPO Box 3
Grosvenor Place	Melbourne VIC 3001
Sydney NSW 1220	info@fos.org.au
complaints@deloitte.com.au	www.fos.org.au
Fax: +61 2 9255 8434	Tel: 1300 780 808
	Fax: +61 3 9613 6399

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services provided by us. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

July 2014

Deloitte Corporate Finance Pty Limited, ABN 19 003 883 127, AFSL 241457 of Level 1 Grosvenor Place, 225 George Street, Sydney NSW 2000

9. additional information

9.1. Incorporation, share capital and corporate structure

The Company was registered in Victoria on 19 November 2007. On Completion of the Offer, the Company will have approximately 125.6 million Shares on issue, including 37.2 million Shares offered under this Prospectus.

Baby Bunting Pty Ltd is a wholly-owned subsidiary of the Company. It is the operating entity of the Group. The Company's only other subsidiary is Baby Bunting EST Pty Ltd. It will act as trustee of the trust established in connection with the Group's employee share plans.

9.2. Company tax status

The Company will be subject to tax at the Australian corporate tax rate.

9.3. Sale of Shares by SaleCo

SaleCo, a special purpose vehicle, has been established to facilitate the sale of Existing Shares by the Selling Shareholders. As at the Prospectus Date, a number of Existing Shareholders have committed to sell approximately 19.0 million Shares into the Offer via SaleCo.

At or around the Prospectus Date, Existing Shareholders have been or will be provided with the opportunity to enter into deed polls in favour of, and for the benefit of, SaleCo, under which they irrevocably offer to sell to SaleCo a specified portion of their Existing Shares, which will be sold by SaleCo into the Offer, free from encumbrances and third party rights and conditional on (among other things) the Underwriting Agreement not having being terminated as at the date of settlement of the Offer.

The Existing Shares which SaleCo acquires from the Selling Shareholders will be transferred to Successful Applicants at the Offer Price. The price payable by SaleCo for these Existing Shares is the Offer Price. The Company will bear the costs of the Offer (see Section 9.10). The Company will also issue New Shares to Successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and the deed polls described above. The Directors of SaleCo are Barry Saunders, Tom Cowan and Matt Spencer who are also Directors of the Company. They are also each a shareholder of SaleCo. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer. The Company has indemnified SaleCo and the shareholder and officers of SaleCo for any loss which they may incur as a consequence of the Offer.

9.4. Long Term Incentive Plan

The Company has established a Long Term Incentive Plan (**LTI Plan**) conditional upon Completion of the Offer to assist in the motivation, retention and reward of Baby Bunting senior executives. The LTI Plan is designed to align the interests of Senior Management more closely with the interests of Shareholders by providing an opportunity for Senior Management of the Company to receive an equity interest in the Company through the grant of "rights" (**Rights**). Upon vesting, each right entitles the participant to one fully paid ordinary share in Baby Bunting.

Under the LTI Plan, Rights will initially be offered to the Company's Senior Management, including the CEO and Managing Director, on or around Completion of the Offer.

It is currently intended that 5,017,905 Rights (representing approximately 4% of the Company's issued share capital) will be granted around the time of Completion of the Offer to Senior Management.

The number of Rights in a grant that vest will be determined by reference to two performance conditions. Half of the Rights granted will be subject to an earnings per share (**EPS**) growth performance condition (**EPS Rights**). The other half of the Rights granted will be subject to a total shareholder return (**TSR**) growth performance condition (**TSR Rights**). Broadly, TSR is a measure of the increase in the price of a Share (assuming dividends are reinvested). Both of these conditions are expressed as a CAGR percentage.

The EPS growth performance condition is a measure of the compound annual growth rate in the Company's EPS measured over the relevant performance period. EPS growth will be measured as the annual compound percentage increase in the Company's EPS with the base level EPS calculated by dividing the Company's FY2016 NPAT (excluding the expense of the LTI Plan recognised in the Company's statutory financial statements and any unusual items) by the number of Shares on issue as at 26 June 2016. The TSR growth performance condition is a measure of the compound annual growth of the Company's TSR measured over the relevant performance period with the Issue Price used as the base level (and with no allowance for the Pre-IPO Dividend).

The performance periods and the number of Rights that vest if the relevant performance condition is satisfied are as follows:

EPS Rights	TSR Rights
Performance periods	
There are three separate performance periods that apply to the EPS Rights: • 20% of the EPS Rights will be assessed against EPS growth measured in the two year period from the end of FY2016 to the end of FY2018 • 30% of the EPS Rights will be assessed against EPS growth measured in the three year period from the end of FY2016 to the end of FY2019 • 50% of the EPS Rights will be assessed against EPS growth measured in the four year period from the end of FY2016 to the end of FY2020 If an EPS Right does not vest at the end of the first and/or second performance period, it does not lapse but remains available for vesting at the end of the next applicable performance period. If an EPS Right has not vested at the end of the third performance period, it will lapse. There is no further re-testing after the third performance period.	There are three separate performance periods that apply to the TSR Rights: • 20% of the TSR Rights will be assessed against TSR growth measured in the period from Completion of the Offer to shortly following the release of the Company's financial results for FY2018 • 30% of the TSR Rights will be assessed against TSR growth measured in the period from Completion of the Offer to shortly following the release of the Company's financial results for FY2019 • 50% of the TSR Rights will be assessed against TSR growth measured in the period from Completion of the Offer to shortly following the release of the Company's financial results for FY2020 If a TSR Right does not vest at the end of the first and/or second performance period, it does not lapse but remains available for vesting at the end of the next applicable performance period. If a TSR Right has not vested at the end of the third performance period, it will lapse. There is no further re-testing after the third performance period.
Number of Rights to vest	
• 15% of the EPS Rights will vest if the minimum EPS growth hurdle condition of 15% EPS CAGR is achieved over the relevant performance period; • 100% of the EPS Rights will vest if the EPS growth hurdle of 25% EPS CAGR is achieved over the relevant performance period; and • if the EPS CAGR is within the range of 15% to 25% EPS CAGR, the number of EPS Rights that will vest will be pro-rated on a straight-line basis.	• 15% of the TSR Rights will vest if the minimum TSR growth hurdle condition of 15% TSR CAGR is achieved over the relevant performance period; • 100% of the TSR Rights will vest if the TSR growth hurdle of 25% TSR CAGR is achieved over the relevant performance period; and • if the TSR CAGR is within the range of 15% to 25% TSR CAGR, the number of TSR Rights that will vest will be pro-rated on a straight-line basis.

The other key terms of the LTI Plan are as follows:

Feature	Description
Administration	The LTI Plan is administered by the Board or the Board's delegate.
Eligibility	Participation in the LTI Plan is by invitation. The Board may determine which members of Senior Management or other senior employees are eligible.
Award	A Right will vest on satisfaction of the applicable performance, service or other vesting conditions specified at the time of the grant.
Change in control	Generally, in the event of a change in control of the Company, unvested Rights will vest on a pro-rata basis having regard to the proportion of the performance period that has passed and after testing the relevant performance conditions at that time. The Board has discretion to determine whether a change in control has occurred and the treatment of the rights at that time.
Rights	Each Right carries the conditional right to receive a Share, by issue or transfer, upon vesting (subject to the Offer).
Performance period	For the initial award of Rights, the performance periods are as described above. For future awards, the performance periods will be specified in the relevant offer.
Shares	Unless otherwise specified in an offer made under the LTI Plan, Shares issued or transferred under the LTI Plan will rank equally with all existing Shares from the date of issue or transfer.
Treatment on cessation of employment	Upon resignation, a participant's unvested Rights will lapse. In addition, in instances where the participant's employment was terminated for cause or as a result of unsatisfactory performance, unvested Rights will lapse. In other circumstances, a person ceasing employment may retain unvested Rights with vesting to be tested at the end of the relevant performance period. However, in all cases, the Board has discretion to permit a participant to retain unvested Rights, including a discretion to reduce the number of retained unvested Rights to reflect the part of the performance period for which the participant was employed. Prior to the Prospectus Date, Existing Shareholders provided approval under sections 200B and 200E of the Corporations Act to permit the Company to give a benefit to a participant who holds a managerial or executive office in these circumstances. This approval is for the period up to the 2018 annual general meeting.
New issues	Subject to the Listing Rules (where relevant), a participant may only participate in the new issues of Shares or other securities if the Right has been exercised in accordance with its terms and Shares are issued or transferred and registered in respect of the Right on or before the record date for determining entitlements to the issue. Participants will also be entitled to receive an allocation of additional Shares as an adjustment for bonus issues.
Limitations	In the first three years of its operation, the number of Rights to be granted (including those to be granted to Senior Management around the time of Completion of the Offer) will be limited to a maximum of 5% of the number of Shares after Completion of the Offer. Otherwise, the number of Rights that can be granted under the Plan will comply with the limits imposed by applicable ASIC class orders.
Trustee	Baby Bunting may appoint a trustee to do such things as considered appropriate to enable the implementation of the LTI Plan, including to acquire and hold Shares or other securities of the Company, on behalf of Participants, for transfer to future Participants or otherwise for the purposes of the LTI Plan.
Quotation	The Company will apply for official quotation of any Shares issued under the LTI Plan upon the vesting of any Right, in accordance with the Listing Rules.
Amendments	Baby Bunting may vary, amend, terminate or suspend the LTI Plan at any time, provided that such action does not adversely affect or prejudice rights of participants holding Rights at that time. Such amendments may be given retrospective effect.
Other terms	The LTI Plan contains other terms relating to the administration, transfer, termination and variation of the LTI Plan.

9.5. General Employee Share Plan

The Company has established a General Employee Share Plan (**GESP**) conditional upon Completion of the Offer. This plan is intended to be part of the Company's overall remuneration policy to reward Baby Bunting employees, from time to time. The GESP provides for grants of Shares to eligible employees of the Company up to a value determined by the Board. The Board's present intention is for awards of Shares to be up to $1,000 in value, with no monetary consideration payable by participating eligible employees. The Employee Gift Offer is an example of the type of offer that may be made under the GESP.

Shares acquired under the Employee Gift Offer will be subject to a disposal restriction in accordance with current Australian tax legislation.

The maximum number of Shares that can be offered under the GESP will be limited by reference to the limits imposed by applicable ASIC class orders.

9.6. Underwriting Agreement

Baby Bunting, SaleCo and the Lead Manager have entered into an underwriting agreement on or about the Prospectus Date (**Underwriting Agreement**) pursuant to which the Lead Manager agrees to arrange, manage and underwrite the Offer.

9.6.1. Fees, costs and expenses

Based on the Offer being completed successfully, Baby Bunting must pay to the Lead Manager an underwriting fee in the amount of $1,446,177 and a management fee of $361,544 (exclusive of any applicable GST).

The underwriting fee and the management fee are payable to the Lead Manager by 5.00pm on the day of settlement for the Offer (**Settlement Date**). Baby Bunting must also pay or reimburse the Lead Manager in relation to all reasonable costs, charges or expenses of and incidental to the Offer.

9.6.2. Termination events not limited to materiality

If any of the following events occurs before 10.00am on the Settlement Date (or at any other time specified in the Underwriting Agreement), the Lead Manager may terminate its obligations under the Underwriting Agreement:

- (**disclosures**) a statement contained in the documents prepared for the Offer or any other public statement made by or on behalf of the Company or SaleCo is or becomes misleading or deceptive, or a matter required to be included by Australian law is omitted from the documents prepared for the Offer;
- (**new circumstances**) there occurs a new circumstance that arises after the Prospectus is lodged that would have been required to be included in the Prospectus if it had arisen before lodgement;
- (**supplementary prospectus**)
  - Baby Bunting and SaleCo are required to issue a supplementary prospectus to comply with section 719 of the Corporations Act; or
  - Baby Bunting and SaleCo lodge a supplementary prospectus with ASIC in a form that has not been approved by the Lead Manager in circumstances required by the Underwriting Agreement or the supplementary prospectus otherwise fails to comply with the requirements specified in the Underwriting Agreement;
- (**market fall**) the S&P/ASX All Ordinaries Index is, at the close of trading:
  - for two consecutive business days during any time after the date of the Underwriting Agreement; or
  - on the business day immediately prior to the Settlement Date,

  at a level that is 90% or less of the level as at the close of trading on the business day before the date of the Underwriting Agreement;
- (**escrow agreements**) a representation or warranty or an undertaking in the Underwriting Agreement relating to the voluntary escrow arrangements is breached, becomes not true or correct or is not performed;
- (**sale deed polls**) an election or agreement made by an Existing Shareholder is withdrawn, varied, terminated, rescinded, altered or amended, or breached or failed to be complied with;
- (**forecast**) any financial forecast that appears in the documents prepared for the Offer is, or becomes, incapable of being met within the relevant forecast period;
- (**listing and quotation**) approval is refused or not granted, or approval is granted subject to conditions other than customary conditions or conditions that are acceptable to the Company and the Lead Manager, acting reasonably, for:
  - Baby Bunting's admission to the official list of ASX on or before the date by which ASX is to have confirmed quotation of the Shares; or
  - the quotation of all of the Shares, including the Shares issued under the Offer, on ASX or for the Shares, to be cleared through CHESS on or before the date on which normal trading of the Shares commences,

  or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions or conditions that are acceptable to the Company and the Lead Manager, acting reasonably) or withheld;

- (**notifications**) any of the following notifications are made in respect of the Offer (other than a notification or hearing that is not made public and that is withdrawn after two business days or prior to 8.00am on the Settlement Date, whichever is earlier):
  - ASIC issues an order (including an interim order) under section 739 of the Corporations Act;
  - ASIC holds a hearing under section 739(2) of the Corporations Act;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer Document or ASIC commences any investigation or hearing under Part 3 of the *Australian Securities and Investments Commission Act 2001* (Cth) in relation to any document prepared for the Offer;
  - any person (other than the Lead Manager) who has previously consented to the inclusion of its name in the Prospectus withdraws its consent; or
  - any person (other than the Lead Manager) gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
- (**certificate not provided**) Baby Bunting or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- (**withdrawal**) Baby Bunting or SaleCo withdraws the Offer;
- (**applications and proceedings**) any person makes an application under Part 9.5 of the Corporations Act, or to any Government Agency, in relation to the Prospectus or the Offer or ASIC commences or gives notice of an intention to hold any investigation, proceedings or hearing in relation to the Offer or Prospectus;
- (**insolvency events**) a member of the Group becomes insolvent, or there is an act or omission which is likely to result in any member of the Group becoming insolvent;
- (**timetable**) any event specified in the timetable is delayed by more than two business days without the prior written consent of the Lead Manager;
- (**unable to issue or transfer**) the Company or SaleCo are prevented from issuing or transferring (as applicable) the Shares, within the time required by the timetable included in the Underwriting Agreement, the Offer documents, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a Government Agency;
- (**change to Company or SaleCo**) other than as disclosed in the Prospectus, Baby Bunting or SaleCo:
  - alters the issued capital of the Company or a member of the Group; or
  - disposes or attempts to dispose of a substantial part of the business or property of Baby Bunting or a member of the Group,

  without the prior written consent of the Lead Manager;
- (**regulatory approvals**) if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer;
- (**force majeure**) there is an event or occurrence, including any statute, order, rule, regulation, directive or request of any Government Agency which makes it illegal for the Lead Manager to satisfy its obligations under the Underwriting Agreement, or to market, promote or settle the Offer;
- (**change in management**) a change in the chief executive officer or chief financial officer of the Company occurs; or
- (**fraud and prosecutions**) any of the following occur:
  - a director or prospective director, or the chief financial officer of the Company or SaleCo engages or has engaged in any fraudulent conduct or activity or is charged with an indictable offence;
  - any Government Agency commences any public action against the Company, SaleCo or any other Group member or any of the directors or prospective directors of the Company and SaleCo in their capacity as an officer of the Company, or announces it intends to take such action;
  - any director or prospective director of the Company or SaleCo is disqualified from managing a corporation under the Corporations Act; or
  - any member of the Group engages in fraudulent conduct or activity, whether or not in connection with the Offer.

9.6.3. Termination Events limited to materiality

If any of the following events occur at any time before 10.00am on the Settlement Date (or such other time specified in the Underwriting Agreement), the Lead Manager may not terminate its obligations under the Underwriting Agreement unless it has reasonable grounds to believe that the event has or is likely to have a materially adverse effect on: the success, settlement, outcome or marketing of the Offer, or on the ability of the Lead Manager to market, promote or settle the Offer, or the likely price at which the Shares will trade on ASX, or the willingness of investors to subscribe for the Shares; or will, or is likely to, give rise to a liability of the Lead Manager under, or give rise to or result in, a contravention by the Lead Manager or its Affiliates or the Lead Manager or its Affiliates being involved in a contravention of, any applicable law.

- (**Government enquiry or action**) any Government Agency (other than ASX or ASIC) commences or gives notice of an intention to hold any enquiry in relation to the Offer, the Company or SaleCo or any of their officers or directors;

- (**disclosures in the due diligence report**) the due diligence report, or verification material, or any other information supplied by or on behalf of Baby Bunting or SaleCo to the Lead Manager concerning the Group or in relation to the Offer is or becomes false, misleading or deceptive, or likely to mislead or deceive, including by way of omission;
- (**adverse change**) any adverse change occurs, or is likely to occur (in the reasonable opinion of the Lead Manager) in the assets, liabilities, financial position or performance, profits, losses, or prospects of the Company or the Group, including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or the Group from those respectively disclosed in any document prepared for the Offer or any other public disclosures of the Company;
- (**change of law**) there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any state or territory of Australia a new law or the Reserve Bank of Australia, or any Commonwealth or state authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement);
- (**breach of laws**) there is a contravention by the Company, SaleCo or any other member of the Group of the Corporations Act, the *Competition and Consumer Act 2010* (Cth), the ASIC Act or any of the ASX Listing Rules;
- (**compliance with laws**) any of the documents prepared for the Offer or any aspect of the Offer does not comply with the Corporations Act, the Company's constitution, the ASX Listing Rules or any other applicable law or regulation;
- (**representations and warranties**) a representation, warranty, or undertaking contained in the Underwriting Agreement on the part of Baby Bunting or SaleCo is breached, becomes not true or correct or is not performed;
- (**default**) Baby Bunting or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- (**constitution**) the Company varies its constitution without the prior consent of the Lead Manager;
- (**hostilities**) hostilities not presently existing commence (whether war has been declared or not) or an escalation in existing hostilities occurs (whether war has been declared or not) involving any one or more of Australia, New Zealand, the United States, the United Kingdom, the People's Republic of China, Singapore, or any member state of the European Union or a major terrorist act is perpetrated against any diplomatic, military, commercial or political establishment of any of those countries anywhere in the world;
- (**certificate incorrect**) any closing certificate provided by Baby Bunting or SaleCo to the Lead Manager is false, misleading, or deceptive (including by way of omission);
- (**disruption in financial markets**) any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, Japan, Hong Kong, the United Kingdom, the United States, or any member state of the European Union is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - any adverse effect on the financial markets in Australia, Japan, Hong Kong, the United Kingdom, the United States, or any member state of the European Union, or in foreign exchange rates or any development involving prospective changes in political, financial or economic conditions in any of those countries; or
  - trading in all securities quoted or listed on ASX, the Hong Kong Stock Exchange, the Tokyo Stock Exchange, New York Stock Exchange or London Stock Exchange is suspended or limited in a material respect for one day on which that exchange is open for trading.

9.6.4. Conditions, representations, warranties and undertakings

The Underwriting Agreement contains common representations, warranties and undertakings provided by Baby Bunting to the Lead Manager relating to matters such as the conduct of the parties, the conduct and outcome of the due diligence process, information provided to the Lead Manager, financial information, material contracts, licences, compliance with ASX Listing Rules and laws, information contained in this Prospectus and the conduct of the Offer.

The undertakings provided by Baby Bunting include that Baby Bunting will not, during the period following the date of the Underwriting Agreement until 120 days after completion of the Offer, allot or agree to allot, or indicate in any way that it may or will allot or agree to allot, any Shares or other equity securities other than in relation to the Offer issues under the Company's employee incentive plans described in the Prospectus, or reduce, reorganise or otherwise alter its capital structure without the prior written consent of the Lead Manager, or until 120 days after the completion of the Offer dispose or agree to dispose of the whole or a substantial part of its business or property except as disclosed in this Prospectus, or change Baby Bunting's constitution except with the prior written consent of the Lead Manager other than as disclosed in this Prospectus.

In addition, the Underwriting Agreement contains common conditions precedent to the Lead Manager's obligations, including the entry by Escrowed Shareholders into the voluntary escrow deeds (and those deeds not having been breached or terminated).

9.6.5. Indemnity

Subject to certain exceptions, Baby Bunting and SaleCo indemnify the Lead Manager and persons associated with the Lead Manager against certain liabilities which relate to or arise from the Underwriting Agreement, this Prospectus (or any related document) or the Offer.

9.7. Existing debt facility

Baby Bunting has existing debt financing with NAB. Key terms of the debt facility arrangements are set out in Section 4.5.2.

9.8. Regulatory relief

9.8.1. ASIC exemptions and relief

ASIC has granted the following exemptions from, and modifications to, the Corporations Act:

- an exemption pursuant to section 741(1)(a) of the Act from compliance with section 734(2) (Restrictions on advertising and publicity) to allow the Company to communicate with its employees and shareholders of the Company in relation to the Offer, on the terms, and subject to the conditions, set out in the relief instrument; and
- relief from section 606 of the Corporations Act applying to the Company to prevent it acquiring a relevant interest in 20% or more of the Shares by virtue of the voluntary escrow deeds, on certain conditions, as well as modification of section 671B to require the Company to make substantial holding disclosure of the relevant interest it would have acquired, but for relief, as a result of the voluntary escrow deeds.

9.8.2. ASX waiver

ASX has provided in-principle advice to the Company that it will likely (upon receipt of its listing application) grant a waiver from Listing Rule 1.1, Condition 11, in relation to Rights granted under the Company's LTI Plan with a nil exercise price.

9.9. Australian tax considerations

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account for Australian income tax purposes and are not acquiring Shares through a permanent establishment outside Australia. The categories of Shareholders are limited to individuals, companies (other than life insurance companies), trusts (other than managed investment trusts), partnerships and complying superannuation funds.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non-Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies, managed investment trusts or taxpayers that carry on a business of trading in Shares. These Shareholders should seek independent professional advice.

These comments also do not consider the consequences of Division 230 of the Income Tax Assessment Act 1997 (the Taxation of Financial Arrangements or "TOFA" regime). Shareholders who are subject to TOFA should obtain their own tax advice as to the implications under the TOFA regime (if any).

The comments below are based on the tax laws in force as at 9.00am on the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. They do not take into account the tax law of countries other than Australia.

Australian tax laws are complex. The summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The precise implications of ownership or disposal of the Shares by Shareholders will depend upon each Shareholder's specific circumstances. It is strongly recommended that Shareholders obtain specialist taxation advice on the consequences of acquiring, holding or disposing of the Shares, taking into account their own specific circumstances.

9.9.1. Dividends paid on Shares

Dividends paid by the Company will constitute assessable income of Shareholders.

9.9.1.1 Individuals and complying superannuation entities

Shareholders who are individuals or complying superannuation entities should include the dividend in their assessable income in the year the dividend is received, together with any franking credit attached to that dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. Where the tax offset exceeds the tax payable on the Shareholder's taxable income, the Shareholder should be entitled to a tax refund.

9.9.1.2 Corporate Shareholders

Corporate Shareholders are also required to include both the dividend and the associated franking credit in their assessable income, and are entitled to a tax offset equal to the franking credit. The franking credit is also credited to the corporate Shareholder's franking account.

Excess franking credits received by corporate Shareholders cannot give rise to a refund, however may be able to be converted into carry forward tax losses.

9.9.1.3 Trusts and partnerships

Shareholders who are trustees (other than trustees of complying superannuation entities) or partnerships should include the dividend and associated franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a proportionate share of any tax offset arising due to the franking credit, based on the beneficiary's or partner's share of the net income of the trust or partnership, or on a beneficiary's specific entitlement to the dividend.

9.9.1.4 Shares held at risk

The benefit of franking credits can be denied where the Shareholder is not a "qualified person". In that case, the Shareholder will not include an amount for the franking credits in their assessable income and will not be entitled to a tax offset for franking credits.

Broadly, to be a qualified person, a Shareholder must satisfy the holding period rule and, if necessary, the related payment rule. The holding period rule requires a Shareholder to hold the Shares at risk for a continuous period of 45 days commencing the day after the Shareholder acquires the Shares and ending 45 days after the Shares become ex-dividend.

Under the related payment rule, a different testing period applies where the Shareholder has made (or is under an obligation to make) a related payment in relation to a dividend. In that case, the Shareholder must have held the Shares at risk for a period of 45 days commencing on the 45th day before, and ending on the 45th day after, the day the Shares become ex-dividend.

For institutional investors, the benchmark portfolio method may be available to reduce the compliance burden associated with the holding period rule.

The holding period rule is subject to certain exceptions, including where the total franking offsets of an individual in a year of income do not exceed $5,000.

Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied.

9.9.1.5 Dividend washing

The Australian Government has enacted a specific integrity rule in the tax law to address "dividend washing" arrangements. Under a dividend washing arrangement a shareholder in a company holds a parcel of shares which they sell on the ordinary market on an ex dividend basis, then purchases a substantially identical parcel of shares on a special market, which include the rights to receive a dividend. The acquirer may be either the shareholder or a related party. If a dividend washing arrangement in respect of franked distributions is entered into, the tax offset associated with the distribution on the acquired shares will not be available, and will not be included in the purchaser's assessable income.

The integrity rule does not apply to individuals who receive $5,000 or less in franking credits in the relevant income year, although general anti-avoidance rules may still apply.

Shareholders should seek professional advice to determine if these rules apply.

9.9.2. Disposal of Shares

The disposal of a Share by a Shareholder will be a capital gains tax (**CGT**) event. A capital gain will arise where the capital proceeds received on disposal exceed the CGT cost base of the shares. The CGT cost base of the shares is broadly the amount paid to acquire the shares plus any transaction/incidental costs.

The CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation entity or trustee; the Shares have been held for more than 12 months prior to sale; and certain other requirements have been met.

Where the CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trust that is a complying superannuation entity) may be reduced by one-half after offsetting current year or prior year capital losses. For complying superannuation entities, any capital gain may be reduced by one-third after offsetting current year or prior year capital losses.

A company is not entitled to a CGT discount.

A shareholder will realise a capital loss where the capital proceeds from the disposal are less than the reduced cost base of the Shares. Capital losses may only be offset against capital gains realised by the Shareholder in the same income year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.9.3. Tax file numbers

An investor is not required to quote their tax file number (**TFN**) to Baby Bunting. However, if a TFN or exemption details are not provided, Australian tax may be required to be deducted by Baby Bunting from dividends at the maximum marginal tax rate plus the Medicare levy and Temporary Budget Repair levy (until 30 June 2017).

9.9.4. Australian Goods and Services Tax (GST)

No GST should be payable by Shareholders in respect of their acquisition of Shares. An Australian resident Shareholder that is registered for GST will not generally be entitled to claim full input tax credits in respect of GST on expenses they incur that related to the acquisition or disposal of the Shares (e.g. lawyers', accountants' and brokerage fees).

Shareholders should seek their own advice on the impact of GST in their own particular circumstances.

9.9.5. Stamp duty

No stamp duty should be payable by Shareholders on the acquisition of Shares.

9.9.6. Employee Gift Offer

The comments below provide a general summary of Australian tax issues for Australian tax resident Shareholders who acquire Shares as part of the Employee Gift Offer.

It is strongly recommended that employees obtain specialist taxation advice on the consequences of acquiring, holding or disposing of the Shares, taking into account their own specific circumstances.

9.9.6.1 Discount on grant

Eligible Employees are being offered $1,000 worth of Shares (rounded down to the nearest number of Shares) for no monetary payment.

Employees who accept this offer (**Participating Employees**) may be exempt from income tax in relation to the grant of these Shares if the sum of the following amounts for the particular employee is not more than $180,000:

- taxable income (calculated as if the grant of the Shares was subject to tax);
- reportable fringe benefits total;
- reportable superannuation contributions; and
- total net investment loss,

for the tax year ended 30 June 2016.

It is the Participating Employee's responsibility to determine whether or not they meet this requirement to be able to receive the Shares exempt from income tax. If the Participating Employee does not meet this requirement, they will need to include the value of the Shares in their assessable income for the tax year ended 30 June 2016.

9.9.6.2 Date of acquisition and CGT cost base

A Participating Employee who receives Shares will be taken to have acquired the Shares for CGT purposes on the date on which they are granted to the Participating Employee.

The cost base of the Shares for CGT purposes will be the market value of the Shares on the date granted (even if the Participating Employee was not subject to tax in respect of the grant of the Shares).

9.9.6.3 Dividends, disposals of Shares and stamp duty

The consequences for a Participating Employee of receiving a dividend or disposing of their Shares will be the same as outlined above in Sections 9.9.1 and 9.9.2 respectively.

The stamp duty consequences for a Participating Employee of acquiring Shares under the Employee Gift Offer will be the same as outlined at Section 9.9.5 above.

9.10. Expenses of the Offer

If the Offer proceeds, the total estimated costs in connection with the Offer (including advisory, legal, accounting, tax, listing and administrative fees, the Lead Manager's management fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses) are currently estimated to be $3.6 million. This amount will be paid by the Company.

9.11. Legal proceedings

So far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal, or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

9.12. Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications and bids under this Prospectus are governed by the laws applicable in Victoria, and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

9.13. Consents to be named and statement of disclaimers of responsibility

Each of the parties referred to in the following table (except as discussed below):

- has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus in the form and context in which it is named;
- has not made, and does not purport to make, any statement or representation in the Prospectus or any statement or representation on which a statement or representation made in the Prospectus is based; and
- does not cause or authorise the issue of the Prospectus, and to the maximum extent permitted by law (together with its affiliates), expressly disclaims, makes no representation regarding, and takes no responsibility for any statements or material in or omissions from the Prospectus and excludes and disclaims all liability or damage, loss (whether direct, indirect or consequential), cost or expense that may be incurred by an applicant for, or investor in, the Shares as a result of the Prospectus being inaccurate or incomplete in any way for any reason.

Role	Consenting parties
Lead Manager	Morgan Stanley Australia Securities Limited
Co-Lead Manager	Morgans Financial Limited
Australian Legal Advisor	Ashurst Australia
Investigating Accountant	Deloitte Corporate Finance Pty Limited
Auditor	Deloitte Touche Tohmatsu
Share Registry	Computershare Investor Services Pty Limited

Deloitte Corporate Finance Pty Limited has given, and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 8, in the form and context in which it is included (and all other references to that report and those statements) in this Prospectus.

9.14. Statement of Directors

This Prospectus is authorised by each Director of the Company and each Director of SaleCo, each of whom has consented to its lodgement with ASIC and its issue.

A

appendix A: significant accounting policies

The following significant accounting policies have been adopted in the preparation of the Financial Information in Section 4.

A.1. Sales

Proceeds from the sale of goods are recognised at the point of sale. All sales are stated net of the amount of goods and services tax (**GST**), returns and discounts. Sales from lay-by sales are recognised at the point of sale. This approach is taken as experience indicates that most lay-by sales are consummated; the customer has paid a significant deposit; and the goods are on hand, identified and ready for delivery to the customer. The balance owing on outstanding lay-by sales is recognised as a receivable at balance date.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

A.2. Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average cost formula basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

A.3. Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

A.4. Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The depreciable amounts of all fixed assets are depreciated over their estimated useful lives. The estimated useful lives and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis. The useful life for each class of asset is:

Class of fixed asset	Useful Life
Plant and equipment	3 to 10 years
Leasehold improvements	5 to 10 years

A.5. Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the consolidated entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of the acquisition.

Goodwill is subsequently measured at its cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units, or groups of cash-generating units, expected to benefit from the synergies of the business combination. Cash-generating units or groups of cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or groups of cash-generating units), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or groups of cash-generating units) and then to the other assets of the cash-generating units pro-rata on the basis of the carrying amount of each asset in the cash-generating unit (or groups of cash-generating units). An impairment loss recognised for goodwill is recognised immediately in the statement of profit or loss and other comprehensive income and is not reversed in a subsequent period.

A.6. Impairment testing of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The key assumptions used in the value in use calculations are as follows.

Forecast sales growth	3.0% for comparable store growth.
Forecast gross margin	Average gross margins achieved in the period immediately before the forecast period increased in the subsequent year for expected efficiency improvements, with no further changes to forecasted gross margins thereafter. The Directors expect efficiency improvements of approximately 0.5% to 1.0% in FY2016 to be reasonably achievable based on the improvements seen in previous years.
Forecast retail store expenses	Forecast increases correlate to the consumer price indices during the forecast period. The values assigned to the key assumption are consistent with external sources of information.
Post-tax weighted average cost of capital	11.0%.

A.7. Trade payables

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services.

A.8. Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

A.9. Income tax

The Company is part of a tax consolidated group under Australian taxation law, of which Baby Bunting Group Limited is the head entity. As a result Baby Bunting Group Limited is subject to income tax through its membership of the tax consolidated group. The consolidated current and deferred tax amounts for the tax consolidated group are allocated to members of the tax consolidated group (including Baby Bunting Group Limited) using the "separate taxpayer within group" approach, with deferred taxes being allocated a reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation. Current tax liabilities and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax sharing arrangement with the head entity. Under the terms of the tax funding arrangement, Baby Bunting Pty Ltd has agreed to pay a tax equivalent payment to or from the head entity equal to the tax liability or asset assumed by the head entity for that period as noted above. Such amounts are reflected in amounts receivable from or payable to the head entity. Accordingly, the amount arising under the tax funding arrangement for each period is equal to the tax liability or asset assumed by the head entity for that period and no contribution from (or distribution to) equity participants arises in relation to income taxes.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

B

appendix B: glossary

Term	Meaning
AASB	Australian Accounting Standards Board
ACCC	Australian Competition & Consumer Commission
ACT	Australian Capital Territory
Applicant	A person who submits an Application
Application	An application made to apply for Shares under the Offer
Application Form	The relevant form attached to or accompanying this Prospectus pursuant to which Applicants apply for Shares and includes the Broker Firm Offer Application Form and the Employee Gift Offer Application Form (as the context requires)
Application Monies	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ABN 98 008 624 691) or the financial market operated by it, as the context requires
ASX Listing Rules	The official rules of ASX
ASX Recommendations	The third edition of the Corporate Governance Principles and Recommendations issued by the ASX Corporate Governance Council
ASX Settlement	ASX Settlement Pty Ltd (ABN 49 008 504 532)
ASX Settlement Operating Rules	The operating rules of ASX Settlement
ATO	Australian Taxation Office
AUD, $	Australian dollars
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board and Urgent Issues Group interpretations
Baby Bunting, Baby Bunting Group or the Group	The Company, including its subsidiary Baby Bunting Pty Ltd, or, where the context requires, the business described in this Prospectus
BBN	Expected ASX code of Baby Bunting Group Limited
BIG W	A division of Woolworths Limited
Board	The board of Directors of the Company
Broker	Any ASX participating organisation selected by the Lead Manager to participate in the Broker Firm Offer
Broker Firm Offer	The invitation to apply for Shares made under this Prospectus to Australian resident clients of Brokers who have received an invitation to participate from their Broker
Broker Firm Offer Application Form	An application form attached to or accompanying this Prospectus in respect of the Broker Firm Offer
Business Day	A day on which (a) ASX is open for trading in securities and (b) banks are open for general banking business in Sydney

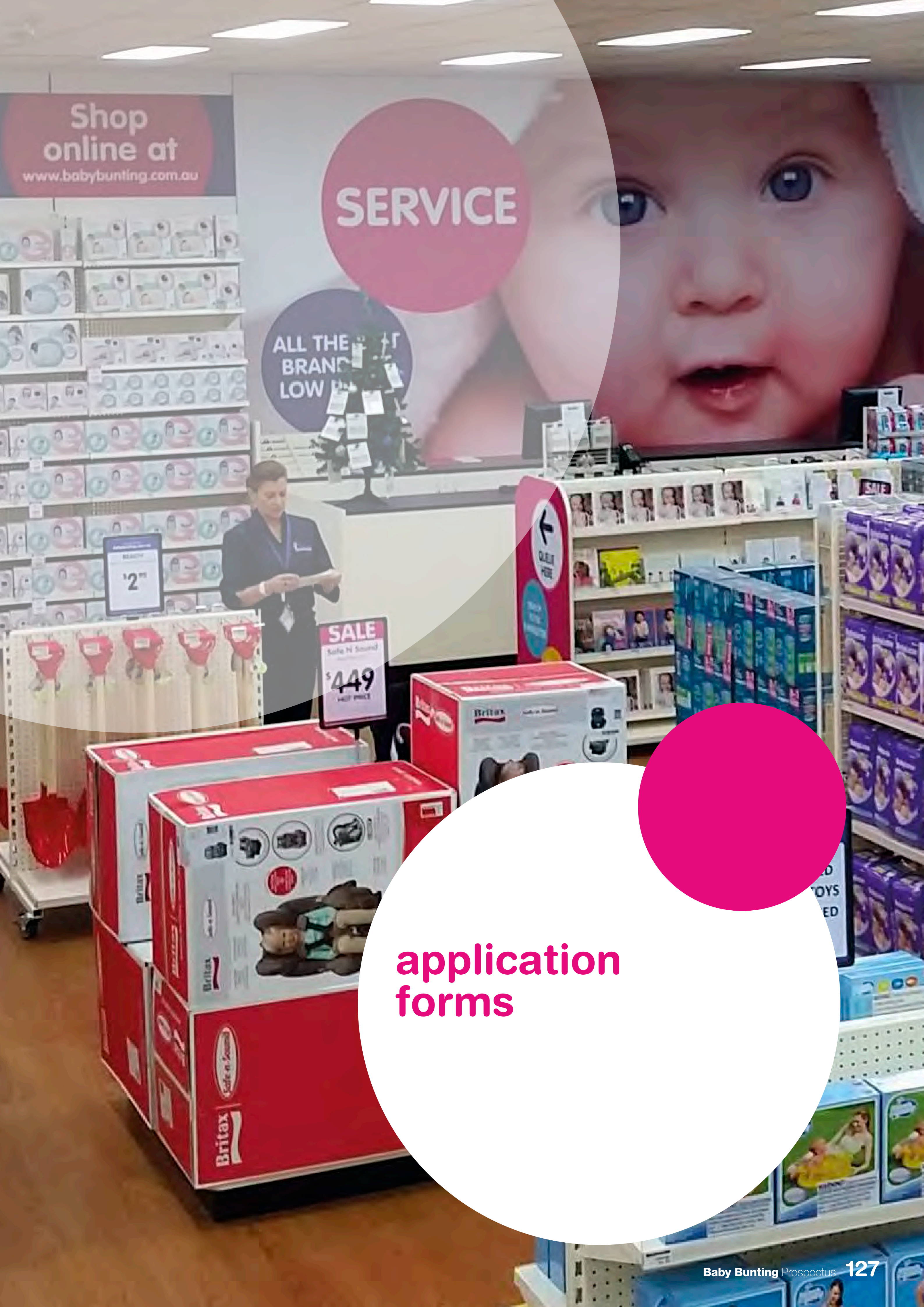
Term	Meaning
CAGR	Compound annual growth rate
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGT	Capital gains tax
CHESS	Clearing House Electronic Sub-register System operated in accordance with the Corporations Act
Closing Date	The date on which the Offer is expected to close, being Friday, 9 October 2015 in respect of the Broker Firm Offer, Priority Offer and Employee Gift Offer. This date may be varied without prior notice.
CODB	Cost of doing business
Company	Baby Bunting Group Limited (ABN 58 128 533 693)
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 corresponding period, provided the stores were open at the beginning of the prior financial year.
Completion of the Offer	Completion in respect of the issuance of Shares in accordance with the Underwriting Agreement
Constitution	The constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth)
CRM	Customer Relationship Management
CRN	Customer Reference Number
Director	Each of the directors of the Company from time to time
Distribution Centre	Baby Bunting's approximately 10,000 square metre distribution centre located in Dandenong South, Victoria
EA	Baby Bunting Enterprise Agreement 2010 in accordance with the *Fair Work Act 2009* (Cth)
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
ELC	Early Learning Centre (ELC), brand of Mothercare
Eligible Employee	A permanent, full-time or part-time employee of Baby Bunting Group as at the Prospectus Date who has been employed by the Company for a minimum of six months as at 1 September 2015 and who is resident in Australia and who is provided with an Employee Gift Offer Application Form
Employee Gift Offer	The component of the Offer under which Eligible Employees can apply for $1,000 worth of Shares (rounded down to the nearest Share) for no monetary payment, as discussed in Section 7.4
Employee Gift Offer Application Form	A personalised application form distributed to Eligible Employees to accept their Employee Gift Offer
EPS	Earnings per share

Term	Meaning
ERP	Enterprise resource planning
Escrow Period	In respect of TDM Asset Management and the Non-Executive Directors, the period commencing on the date the Company is admitted to the official list of ASX until three Business Days after the date the audited financial accounts of the Company for FY2016 have been released to ASX In respect of the Senior Management, the period commencing on the date the Company is admitted to the official list of ASX until three Business Days after the date the financial accounts of the Company for the half year ending 31 December 2016 (or thereabouts) have been released to ASX
Escrowed Shareholders	Each of TDM Asset Management, the Non-Executive Directors and Senior Management
Escrowed Shares	Each of the Shares held by the Escrowed Shareholders at Completion
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.
Existing Banking Facilities	Has the meaning given in Section 4
Existing Shareholders	Shareholders of the Company as at the Prospectus Date
Existing Shares	Shares on issue as at the Prospectus Date
Expiry Date	29 October 2016, the date which is 13 months after the Prospectus Date, after which no Shares will be issued under this Prospectus
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum of seven days from the date the Original Prospectus was lodged with ASIC, during which an Application must not be accepted. ASIC may extend this period by a further seven days after the end of this period
Financial Information	Has the meaning given in Section 4
Forecast Financial Information	Has the meaning given in Section 4
Forecast Period	The period from Completion of the Offer until 26 June 2016
FY and Financial Year	52 weeks ending the nearest Sunday to 30 June in 2012, 2013, 2014 and 2015
FY2012	52 weeks ended 1 July 2012
FY2013	52 weeks ended 30 June 2013
FY2014	52 weeks ended 29 June 2014
FY2015	52 weeks ended 28 June 2015
FY2016	52 weeks ending 26 June 2016
GDP	Australian Gross Domestic Product
GESP	General Employee Share Plan as described in Section 9.5
GST	Goods and services or similar tax imposed in Australia
HIN	Holder Identification Number

Term	Meaning
IFRS	International Financial Reporting Standards
Institutional Investor	An investor to whom offers of, or invitations to apply for, Shares can be made without the need for a lodged prospectus, including in Australia to persons to whom offers or invitations can be made without the need for a lodged prospectus under Section 708(8) or (11) of the Corporations Act
Institutional Offer	The invitation to bid for Shares made to Institutional Investors under this Prospectus as described in Section 7.6
Investigating Accountant	Deloitte Corporate Finance Pty Limited (ABN 19 003 833 127)
Investigating Accountant's Report	The Investigating Accountant's report set out in Section 8
IPO	Initial public offering
IT	Information technology
Kathmandu	Kathmandu Holdings Limited
Key Dates	The key dates as listed on page 2
Lead Manager	Morgan Stanley Australia Securities Limited (ABN 55 078 652 276) who has been appointed by the Company to act as lead manager, sole bookrunner and underwriter pursuant to the terms of the Underwriting Agreement
Listing	The date on which the Company is admitted to the official list of ASX
LTI Plan	Long Term Incentive Plan as described in Section 9.4
Melbourne Time	The time in Melbourne, Australia
Mothercare Australia	Mothercare Australia Limited, an ASX listed company in which Mothercare plc (through its subsidiary Mothercare Finance Limited) had a minority 23% shareholding before the company went into administration in January 2014
Myer	Myer Holdings Limited
NAB	National Australia Bank Limited
New Shareholders	Individuals or entities that obtain New Shares
New Shares	Shares issued pursuant to the Offer
Non-Executive Director	A Director who is not an employee or executive of the Company, and as described in Section 6
NPAT	Net profit after tax
NPS or Net Promoter Score	Net promoter score is a method of measuring customers' loyalty. To calculate NPS, customers are categorised as "Promoters", "Passives" or "Detractors" based on how likely they would be to recommend Baby Bunting to a friend or colleague. The percentage of Detractors is then subtracted from the percentage of Promoters.
Offer	The offer of Shares under this Prospectus
Offer Information Line	(toll free within Australia) 1300 377 708 (outside Australia) +61 (0)3 9415 4121

Term	Meaning
Offer Period	The period from 1 October 2015 to 9 October 2015
Offer Price	$1.40 per Share
Options	Options over Shares in the Company issued by the Company to certain members of the Company's management under the LTI Plan
Original Prospectus	The prospectus dated 22 September 2015 that was lodged with ASIC on that date and which is replaced by this Prospectus
Pre-IPO Dividend	A special dividend of 15.0 cents per Share to be paid to Existing Shareholders immediately before, and conditional upon, Listing
Priority Offer	The component of the Offer under which investors who have received an invitation can apply for Shares, as discussed in Section 7.5
Private Label	Products sold by Baby Bunting under its own brand (Baby Bunting currently markets its private label products under the 4Baby brand name) (see Section 3.3.4.2).
Pro Forma Historical Statement of Financial Position	Has the meaning given in Section 4
Pro Forma Historical Cash Flows	Has the meaning given in Section 4
Pro Forma Historical Consolidated Statement of Profit or Loss	Has the meaning given in Section 4
Pro Forma Historical Financial Information	Has the meaning given in Section 4
Pro Forma Net Cash	The Company's pro forma net cash position, adjusted for actual debt repayments of senior debt after the 28 June 2015 balance date
Prospectus	This document (including the electronic form of this Prospectus) and any supplementary or replacement prospectus in relation to this document
Prospectus Date	29 September 2015, the date of this Prospectus
Retail Offer	The Broker Firm Offer, the Employee Gift Offer and the Priority Offer
Return on Invested Capital	Calculated as store EBITDA 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.
Rights	Rights to Shares in the Company that may be issued by the Company to certain members of the Company's management under the LTI Plan
SaleCo	Baby Bunting SaleCo Limited ACN 607 921 522
Selling Shareholders	Means Existing Shareholders who elect to sell Shares to SaleCo
Senior Management	The executives described in Section 6.2 and Senior Manager means any one of them

Term	Meaning
Settlement	Settlement in respect of the Shares the subject of the Offer, occurring as described in the Underwriting Agreement
Share	A fully paid ordinary share in the Company
Share Registry	Computershare Investor Services Pty Limited
Shareholder	The registered holder of a Share
SRN	Security holder Reference Number
Statutory Forecast Results	Has the meaning given in Section 4
Statutory Historical Statement of Financial Position	Has the meaning given in Section 4
Statutory Historical Consolidated Statement of Profit or Loss	Has the meaning given in Section 4
Statutory Historical Financial Information	Has the meaning given in Section 4
Successful Applicant	An Applicant who is issued or transferred Shares under the Offer
Support Office	Located in Dandenong South, Victoria and serves to centrally support the needs of the store network. It includes the administration, buying and marketing, IT, retail operations, finance and HR functions.
Target	Target Australia Pty Ltd, department store chain owned by the Wesfarmers Group
TDM Asset Management	TDM Asset Management Pty Ltd (ABN 91 133 246 330)
TFN	Tax file number
The Reject Shop	The Reject Shop Limited
TOFA	Taxation of Financial Arrangements regime under Division 2230 of the Income Tax Assessment Act 1997
TSR	Total shareholder return
Underwriting Agreement	The underwriting agreement, dated on or about the Prospectus Date, between the Company, SaleCo and the Lead Manager in connection with the Offer, as described in Section 9.6
USD, US$	United States dollars



application forms

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corporate directory

BABY BUNTING'S REGISTERED OFFICE
Baby Bunting Group Limited
955 Taylors Road
Dandenong South VIC 3175

LEAD MANAGER
Morgan Stanley Australia Securities Limited
Level 39, Chifley Tower, 2 Chifley Square
Sydney NSW 2000

CO-LEAD MANAGER
Morgans Financial Limited
Level 29, 123 Eagle Street
Brisbane QLD 4001

AUSTRALIAN LEGAL ADVISOR
Ashurst Australia
181 William Street
Melbourne VIC 3000

INVESTIGATING ACCOUNTANT
Deloitte Corporate Finance Pty Limited
550 Bourke Street
Melbourne VIC 3000

AUDITOR
Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000

SHARE REGISTRY
Computershare Investor Services Pty Limited
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Abbotsford VIC 3067

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