



11 October 2017

ASX Market Announcements Office  
Australian Securities Exchange

**Baby Bunting Group Limited (ASX: BBN)**

**Morgans Queensland Conference 2017 presentation**

Matt Spencer, CEO and Managing Director of Baby Bunting Group Limited, will today deliver a presentation at the Morgans Queensland Conference 2017.

A copy of the presentation is attached.

The presentation includes a business and trading update.

For further information, please contact:

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# Baby Bunting Group Limited business update

Morgans Conference  
11 October 2017

**Matt Spencer**  
Chief Executive Officer &  
Managing Director

# Important Notice and Disclaimer

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

To the maximum extent permitted by law, Baby Bunting, its related bodies corporate and their respective officers, directors and employees, do not warrant the accuracy or reliability of this information, and do not accept any liability to any person, organisation or entity for any loss or damage suffered as a result of reliance on this document.

## **Forward looking statements**

This document contains certain forward looking statements and comments about future events, including Baby Bunting's expectations about the performance of its business. Forward looking statements can generally be identified by the use of forward looking words such as 'expect', 'anticipate', 'likely', 'intend', 'should', 'could', 'may', 'predict', 'plan', 'propose', 'will', 'believe', 'forecast', 'estimate', 'target' and other similar expressions within the meaning of securities laws or applicable jurisdictions. Indications of, and guidance on, future earnings or financial position or performance are also forward looking statements.

Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. The Baby Bunting Annual Report 2017 which includes the Directors' Report (dated 11 August 2017) contains details of the number of material risks associated with an investment in Baby Bunting. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause Baby Bunting's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of Baby Bunting. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of promise, representation, warranty or guarantee as to the past, present or the future performance of Baby Bunting.

## **Pro forma financial information**

Baby Bunting uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS financial information.

Baby Bunting considers that this non-IFRS financial information is important to assist in evaluating Baby Bunting's performance. The information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business.

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

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

# Our Vision



**TO BE THE MOST LOVED  
BABY RETAILER FOR EVERY  
FAMILY, EVERYWHERE.**

# Growth strategies

## Multiple drivers of organic growth

1

### Growth from new store roll-out

- Disciplined roll out of 80 plus stores in identified trade catchments with a target of 4 to 8 new store openings each year

2

### Growth from existing stores and online

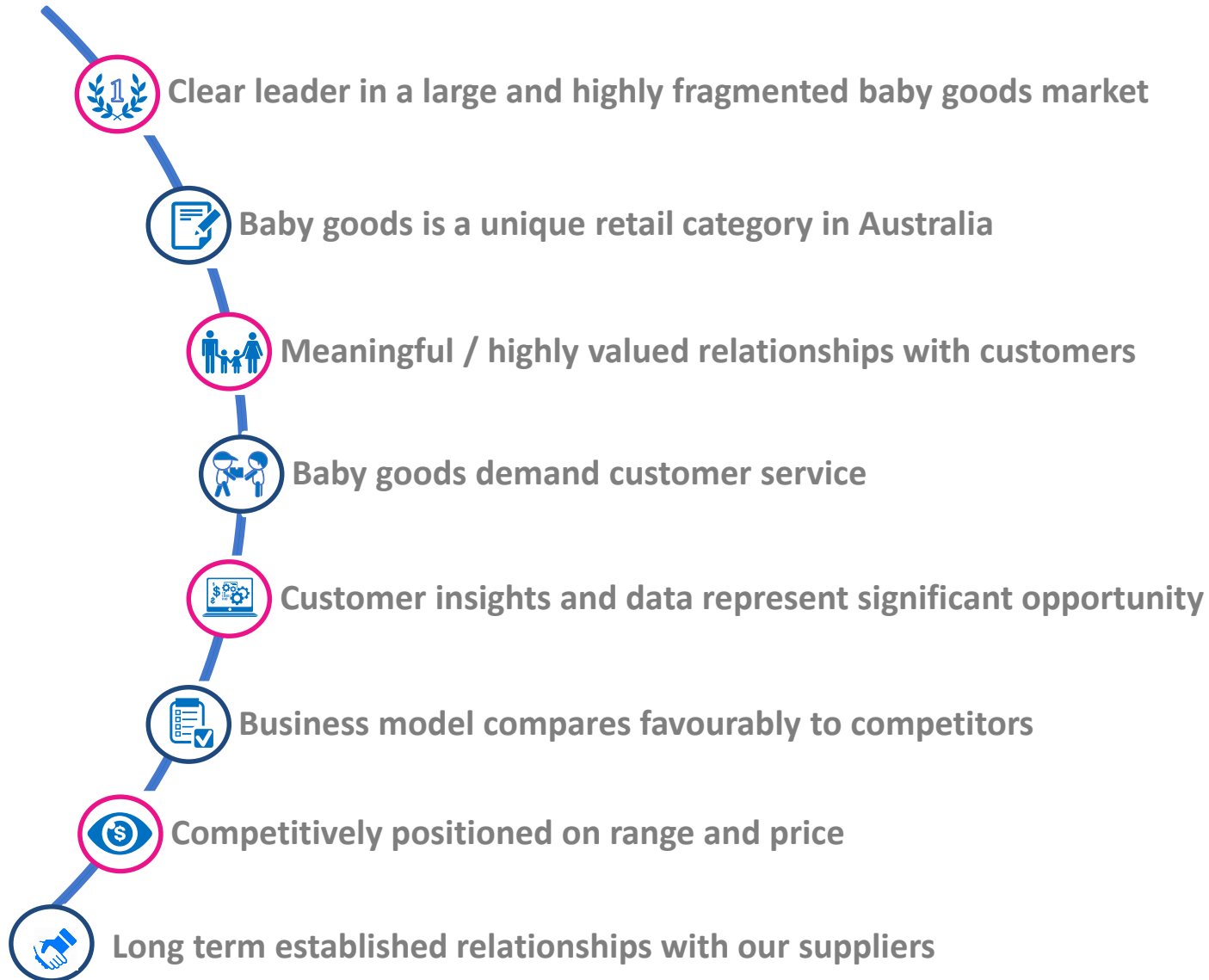
- 46% of stores are less than 3 years old
- Multiple initiatives to improve customer experience across all channels
- Growing brand awareness across all states and territories
- Increased investment in digital and online

3

### EBITDA margin improvement

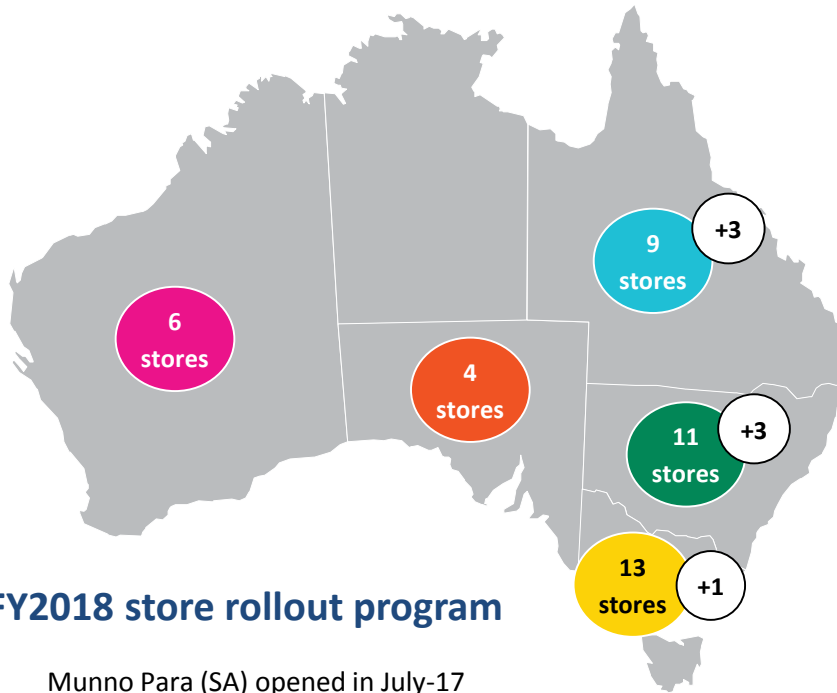
- Gross margin expansion by increases in scale, improving sourcing options and managing product mix
- Leverage and continue to invest in IT, the Support Office and Distribution Centre
- Building the best team
- Supply chain opportunities

# Baby Bunting is well positioned for future growth



# Baby Bunting's store network update

43 stores across Australia, with significant roll-out potential to over 80 stores



## FY2018 store rollout program

- Munno Para (SA) opened in July-17
- Expect a further 7 new stores to open in FY2018
  - 3 new stores in Queensland
  - 3 new stores in NSW
  - 1 new store in Victoria
- Expect two new stores to open before Xmas - Albury (NSW) & Aspley (QLD)

| Queensland |                  |                 |            |
|------------|------------------|-----------------|------------|
| Helensvale | Fortitude Valley | North Lakes     | Capalaba   |
| Kawana     | Macgregor        | Burleigh Waters | Townsville |
|            | Booval           |                 |            |

| New South Wales and ACT |              |              |                |
|-------------------------|--------------|--------------|----------------|
| Penrith                 | Auburn       | Campbelltown | Blacktown      |
| Warners Bay             | Moore Park   | Camperdown   | Fyshwick (ACT) |
| Taren Point             | West Gosford | Belrose      |                |

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

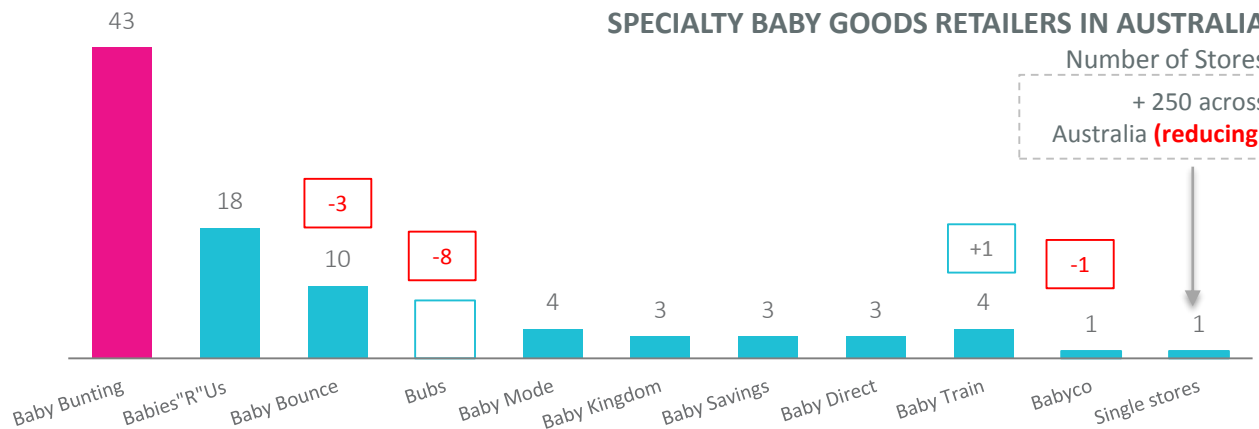
| South Australia |              |          |            |
|-----------------|--------------|----------|------------|
| Gepps Cross     | Melrose Park | Mile End | Munno Para |

| Western Australia |           |              |          |
|-------------------|-----------|--------------|----------|
| Cannington        | Joondalup | Osborne Park | Baldivis |
| Myaree            | Midland   |              |          |



# Recent changes in the baby goods market

- Since August 2017, a number of competitor stores have closed and some competitors have ceased trading (eg Bubs Baby Shops)
- Single stores have a national reach in the digital age – distressed specialty stores are focussing on core top sellers to drive foot traffic, impacting GP%
- All regions have seen distressed businesses competing with greater intensity, clearing stock or closing down – this has negatively affected GP%. We expect margin to improve with improvements in the trading environment
- Toys “R” Us - Chapter 11 (applicable USA and Canada) creating uncertainty in the category (still opening stores in Australia)
- Some supply challenges from key suppliers in Q1 that affected in-stock positions now resolving:
  - Britax relocated manufacturing to China
  - ELC toys shipments delayed
  - Some baby carriers out of stock



**Notes:**

1. Changes since August 2017
2. Toys"R"Us has an additional 21 stores that sell a limited range of baby goods





# Competitor physical store closures

A selection of recent actual or announced store closures

## Key

- Located in proximity to BBN store ●
- Not located in proximity to BBN store ○

## Baby Bounce

- Myaree ●
- Cannington ●
- Balcatta (22 Oct) ●

-3 stores

-2 stores

-7 stores

-4 stores

-3 stores

## YCN

- Adelaide ● (closure announced, timing early 2H)

## Haggle Baby

- Mile End ●

## Bubs

- Aspley ○
- Fortitude Valley ●
- Helensvale ●
- Logan ○
- Maroochydore ●
- Kawana Waters ●
- Noosa ○

## Bubs

- Rutherford ●
- Tuggerah ●

## Buy 4 Baby

- Narrabeen ●

## Baby Savings

- Willoughby relocation to Chatswood ○
- Kotara for sales ○

## BabyCo

- Maribyrnong ●

## Baby Train

- Dandenong ●

## Baby Time

- Hoppers Crossing ●

# Our Core Purpose



TO SUPPORT NEW AND  
EXPECTANT PARENTS IN  
NAVIGATING THE EARLY  
YEARS OF PARENTHOOD.

# Operational update – progress made



Supply Chain review commenced



Focus on value EDLP launch tracking well



NPS improvement and now stands at 66

## We are progressing key initiatives



Thomastown store refurbishment nearly complete (\$0.5m capex)

for that wonderful, frustrating, hilarious, serious, exhausting, rewarding experience called parenting



Commercial activity from CRM & Marketing Automation has commenced in Q2



2<sup>nd</sup> Employee Engagement survey conducted  
3<sup>rd</sup> Employee Share Gift Offer concluded

# Proactive investment addresses new market entrants

## Investing in future online fulfilment

### Online fulfilment and supply chain opportunities:

- Click & Collect – leverage our store footprint
- Store to door same day delivery
- Endless aisle
- Drop ship strategy
- Investment in systems & capability

## Investment in digital

### Staying ahead of our customers' expectations across all channels is an investment priority:

- Investment in mobile
- Applications development
- Online re-platform
- CRM & Marketing Automation
- Investment in capability

**Price  
Leadership  
with best  
value,  
everyday**

## Product differentiation

### Differentiation and exclusivity in product range:

- Exclusive products and private label to exceed 25% of total sales in the long term
- Expanding private label beyond entry price point
- Expansion program to occur across all categories

## Building on the customer experience

### Invest in a multi-channel experience:

- All interactions personalised
- In store service & experience
- Convenience of store network
- Loyalty via engagement
- Payment & finance options

# Investment update

## Capital and operating expenditure plan FY2018

- Investment in new stores and refurbishments, plus ~\$4 million capital for infrastructure and capability to deliver growth:
  - In store customer experience projects
  - CRM & Marketing Automation
  - Systems & the replatform of the website
- Up to \$3 million investment in operating expenditure of which ~\$0.5 million is non-recurring
  - annualisation of existing roles \$0.4m, CPI \$0.4m and new roles to support growth \$0.8m
  - investment in capability, leadership, IT application software, recruitment and strategy \$1.5m (\$0.5m one off)

## Update @ 11 October 2017

- GM Supply Chain appointed, to commence in December
- Supply Chain review underway with quick win opportunities identified
- Thomastown refurbishment (\$0.5m) nearly complete
- CRM / marketing automation – groundwork is complete, Q2 will see expanding commercial activity
- Website Livechat activated



# Outlook

## FY2018 guidance

- As stated on 11 August 2017, EBITDA expected to be in the range of \$25.3 million to \$27.0 million, representing growth of between 10% to 17%.
- As at 8 October 2017 YTD comp sales are now 0% (flat year-on-year) improving from -4% as at 6 August 2017 (noting we are cycling high prior year +11% comp sales growth – which was driven by high pram clearance at this time last year). As anticipated, our comparable store sales trend is returning to our forecast range of mid-single digits.
- Current trading environment:
  - competitor distress and closures impacting stock positions and market pricing creating short term margin pressure
  - key supplier stock availability issues, seeing delay in getting some lines of stock into stores
- Anticipate opening a further 7 new stores in FY2018 (two in Q2 and Q3 FY2018; three in Q4 FY2018)
- The impact of changes in the competitor set and stock availability in a challenging retail environment would need to stabilize to deliver within the stated earnings guidance range

## Next scheduled trading update at Baby Bunting's AGM – 20 November 2017

Note: Refer to "Forward looking statements" section on page 2 of this Investor Presentation (regarding the risks associated with forward looking statements). Please also refer to section 4 of the 2017 Directors' Report (dated 11 August 2017) which describes some of the key risks and uncertainties that may have an effect on the Company's ability to execute its business strategies.



THANK YOU