



19 November 2018

ASX Market Announcements Office
Australian Securities Exchange

Baby Bunting Group Limited (ASX: BBN)

AGM presentation

Attached is a copy of the Chairman's and CEO & Managing Director's presentation to be delivered at the Company's 2018 Annual General Meeting today.

For further information, please contact:

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Company Secretary
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2018 ANNUAL GENERAL MEETING

19 NOVEMBER 2018



®



**IAN CORNELL,
CHAIRMAN**



BABY BUNTING

OUR VISION

To be the most loved baby retailer for every family, everywhere

OUR CORE PURPOSE

To support new and expectant parents in navigating the early years of parenthood

OUR VALUES

Being
Passionate

Being
Considerate

Being
Honest

Being
Positive

Being
Focused

Being
Bold

OUR STRATEGY

Digital-led customer
experience

Growth from existing
stores

Growth from new
markets

EBITDA margin
improvement

OUR CUSTOMER COMMITMENT

"The one stop baby shop"

Great customer service
and advice

The widest range of
quality nursery
products

Fantastic value every
day and every visit

Convenient store
locations and online

®



**MATT SPENCER,
CEO & MANAGING
DIRECTOR**



FY2018 RESULTS SUMMARY

| | |
|---|---|
| 1 Trading | <ul style="list-style-type: none">• Sales +9.0% to \$303.1 million, transaction growth of 12.5%• Comparable store sales flat year on year, comparable store transaction growth of 2.6%• Gross profit income up 5.9%, gross margin of 33.3% (FY17: 34.3%), impacted by price deflation of 3.6%• Cost of doing business (pro forma) increased by 113 bps from FY17, to 27.1% of sales |
| 2 Earnings ⁽¹⁾ | <ul style="list-style-type: none">• EBITDA (pro forma) of \$18.6 million, down 18.9% on the pcp. EBITDA margin at 6.1% of sales• EBIT (pro forma) of \$14.3 million, 24.7% below the pcp• NPAT (pro forma) of \$9.6 million, down 25.9% on the pcp• Total dividend for FY2018 of 5.3 cents per share |
| 3 Capital ⁽²⁾ Structure | <ul style="list-style-type: none">• \$7.2 million of cash at end of FY18, plus \$19.2 million available in borrowing facility• Net cash flow from operating activities of \$10.5 million; capital expenditure of \$6.7 million• Return on average funds employed (ROFE) 15.5% |
| 4 Growth | <ul style="list-style-type: none">• Online sales up 63% (vs pcp) representing 9.5% of total sales• 5 stores opened in FY18: Munno Para (SA), Albury (NSW), Aspley (Qld), Rutherford (NSW), Browns Plains (Qld)• 100% sales growth in private label and exclusive products (vs pcp); now represents 20.9% of total sales |

1. Pro forma financial results have been calculated by excluding employee equity incentive expenses for the current financial period and the prior financial period.

2. Return on average funds employed (ROFE) is calculated as pro forma EBIT for the previous 12 months as a percentage of average (opening, mid and closing) funds employed. Total funds employed is net assets excluding net debt and net tax balances

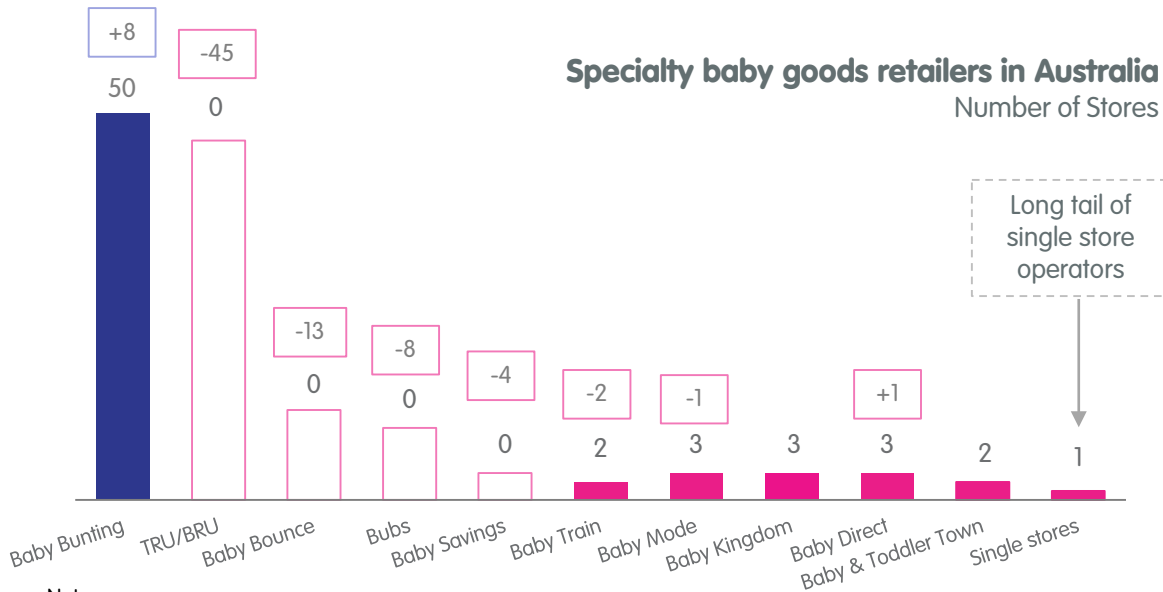
THE CLEAR LEADER IN SPECIALTY BABY GOODS RETAIL

Baby goods is a \$5.1bn market in Australia

BBN estimated addressable market is \$2.4bn

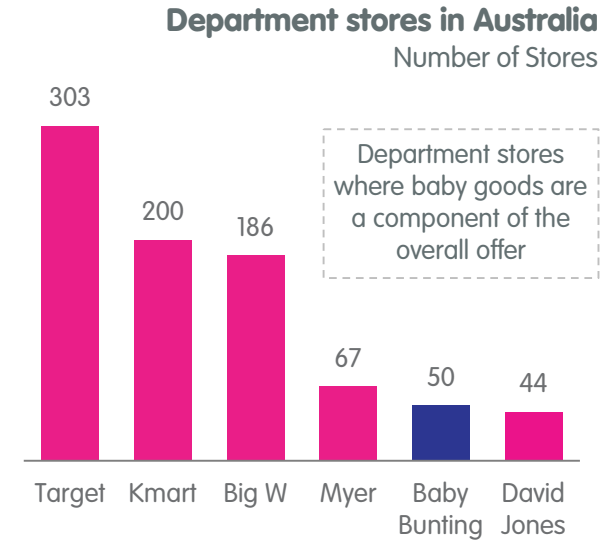
Large number of small, specialty players & department stores

Sector consolidation



Notes:

- Toys R Us/Babies R Us (TRU/BRU) had 18 Babies R Us superstores plus an additional 27 stores where baby goods ranging is less
- Toys R Us/Babies R Us stores ceased trading on 5 August 2018
- Store change numbers are changes since 25 June 2017



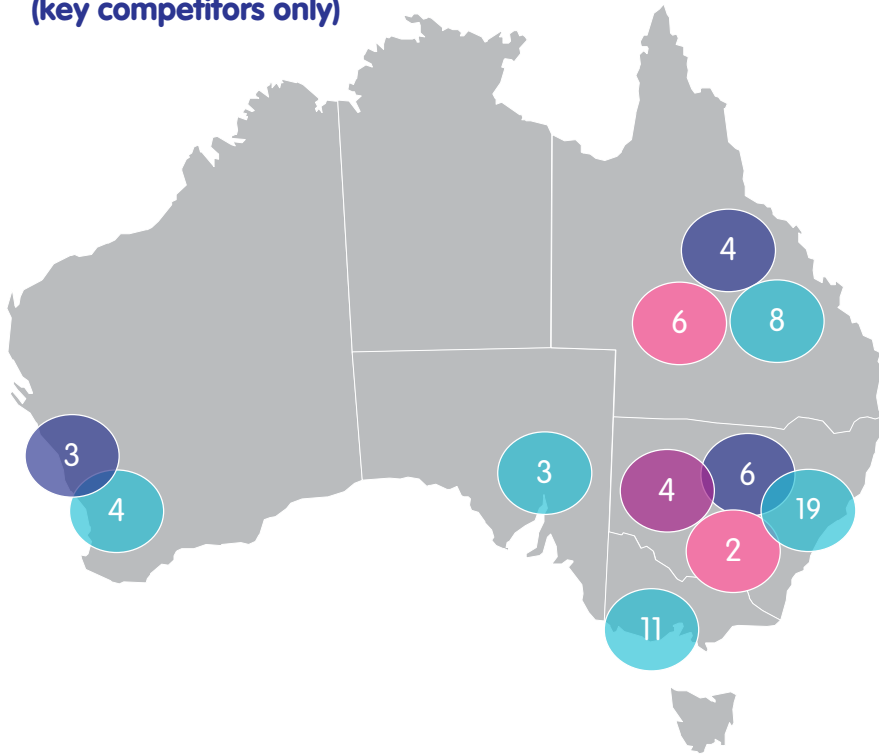
Pure play online retailers & market places in Australia with a baby goods component



CHANGES IN THE MARKET CREATES OPPORTUNITY

Changes in competition occurred in all markets since September 2017

Specialty baby retailer store closures by state (key competitors only)



| Key | Competitor | Closure dates | Stores | Estimated Sales |
|-----|-----------------------|---------------|--------|-----------------|
| ● | Bubs | ~Sep-17 | 8 | \$17m |
| ● | Baby Bounce (WA) | ~Nov-17 | 3 | ~\$5m |
| ● | Baby Bounce (NSW/Qld) | ~Jun-18 | 10 | ~\$20m |
| ● | Baby Savings | ~Jun-18 | 4 | ~\$6m |
| ● | Toys R Us/Babies R Us | ~Aug-18 | 45 | ~\$90m |
| | BBN store catchments | \$60m | | |
| | Other catchments | \$30m | | |
| | | | | ~\$138m |

Changes in competitive landscape with the closure of Bubs, Baby Bounce & Babies R Us provides **significant opportunity for Baby Bunting**

GROWTH STRATEGY – GROW MARKET SHARE

1 Invest in digital to deliver the best possible customer experience across channels

- Engage and retain the customer through the customer journey and lifecycle
- Aiming for same day fulfillment for 90% of consumers
- Customer insights and loyalty
- Click and collect

2 Investment to grow sales from existing stores

- Delivering a leading service offering supported by knowledgeable advice and guidance
- Operational evolution – reinvest to service the customer
- Leveraging the store network to grow service offering and ancillary businesses

3 Growth from new markets

- Rollout of new stores: 80+ network
 - Continue with major market format
 - Continue with regional format
 - Establish shopping centre format

4 EBITDA margin improvement

- Gross margin expansion by increases in scale, supply chain improvements, improved sourcing, development of private label and exclusive products
- CODB leverage through scale

ONLINE & DIGITAL PROGRESSION



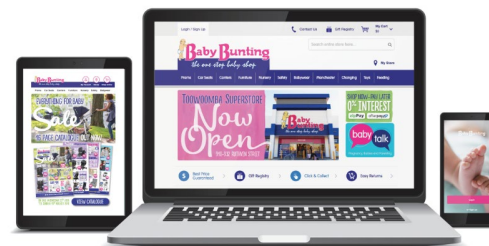
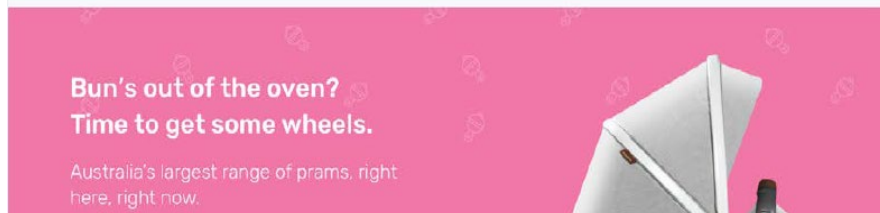
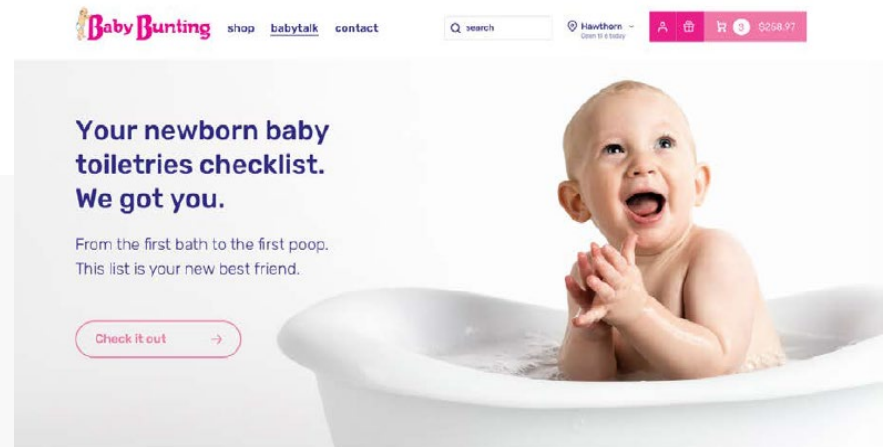
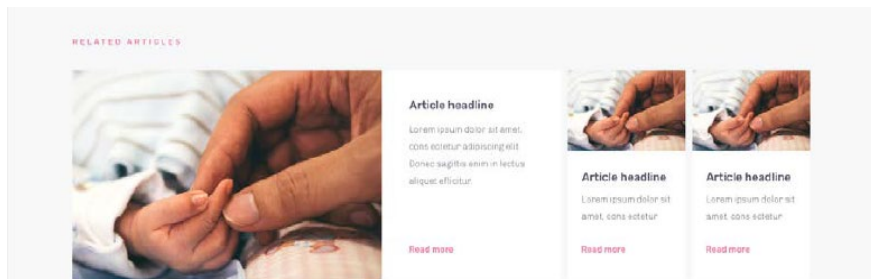
Website replatform expected to complete late 2018, delivering a better online customer experience. The website will focus on content and consumer solutions



Marketing Automation utilised with personalised communication to **~620,000 customers**. CRM investment now converting to tailored marketing to drive customer loyalty and engagement





Optimising social media channels



INVESTMENT IN THE CUSTOMER EXPERIENCE UPDATE

Progress update

- **Net Promoter Score of 72** – reflects high engagement with brand
- **Investment in the in-store customer experience**
 - **Team** leadership and service training underway
 - **In-store technologies** to free up Team Member time to service the customer better. Investment in communication devices and handheld technology
 - **Buy now, pay later (BNPL)**: introduction of expanded payment options across all channels gaining traction, reducing the number of layby sales in store  
- **Click and Collect** importance to the online sales experience is increasing. **Click and collect is 50%** of online sales in catchments where we have a physical store
- **Customer research completed** identifying opportunities in the areas of loyalty and brand positioning
- **Undertaking a strategic review** of the potential for additional ancillary store services leveraging our store network.
- **Operational efficiency transformation** underway in stores to remove surplus administration and free up resourcing to service customers

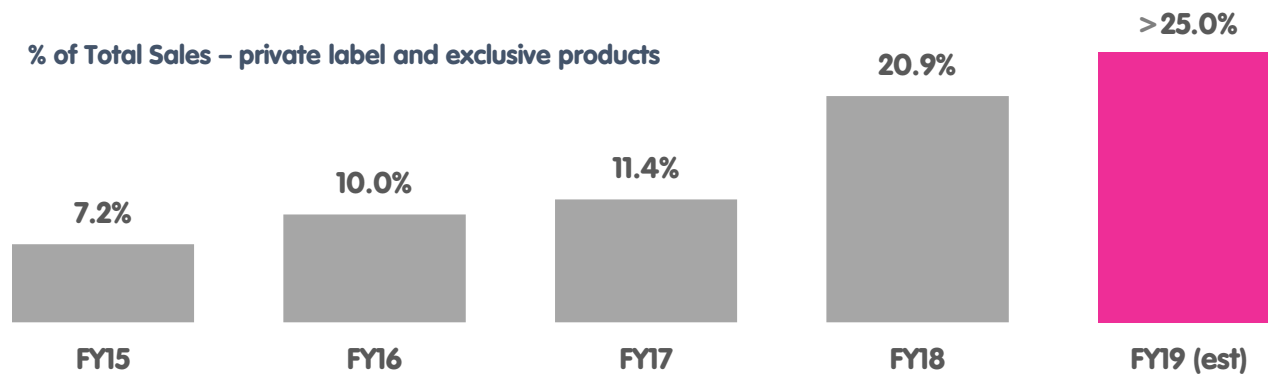
SUPPLY CHAIN STRATEGY UPDATE

Supply chain evolution to lower our current cost model, improve the customer experience through speed to market and increased on-shelf stock availability

- **Store to door online** fulfilment hubs identified and to be commissioned to facilitate **same day delivery** for online orders
 - State based online fulfilment hubs will improve the customer experience and reduce cost
 - 3 sites planned to be operational in FY2019
 - Hobart (Tas)
 - Cannington (WA)
 - Melbourne (VIC)
- **Transition of Linehaul transport services** to new vendor completed with immediate improvements
 - Reduction in costs
 - Store delivery on time performance improvements (DIFOT)
 - Improved stock availability in stores
- Investment in the **Dandenong South Distribution Centre** continues
 - Increased pick face capacity
 - Relocated online fulfilment area
 - Improved “pick path” efficiency improving operational effectiveness
- Increased **offshore direct sourcing**, delivering gross margin improvements

PRIVATE LABEL & EXCLUSIVE PRODUCTS UPDATE

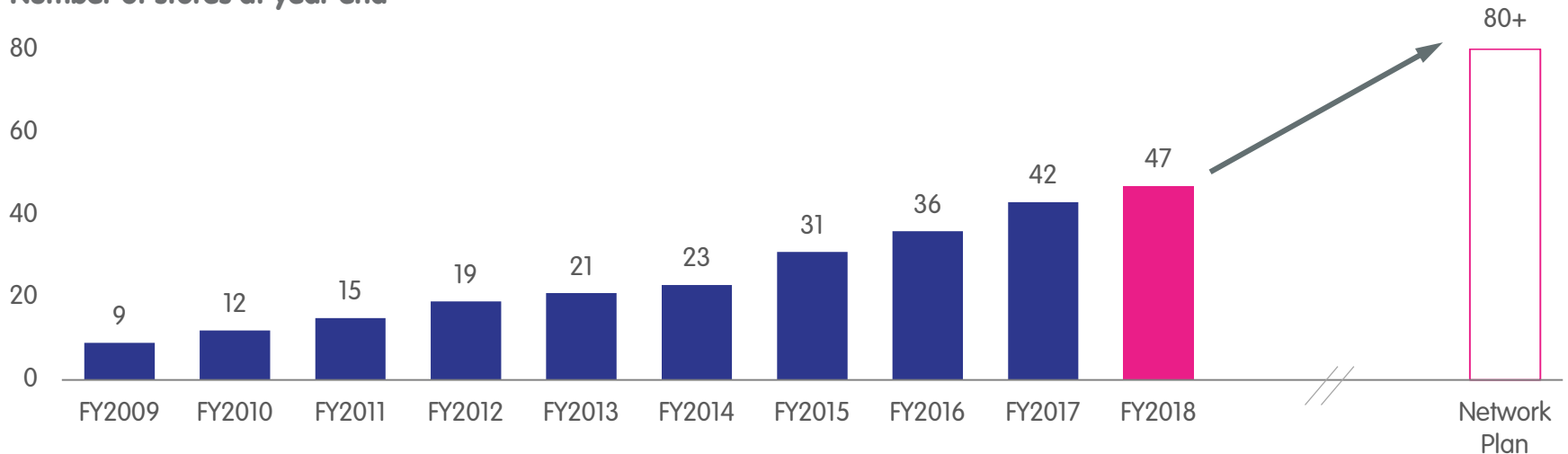
- **Leveraging scale to deliver improved ranging, service offers and profitability**
 - Further evolution of private label program to **introduce additional lines**
 - **Private label** and **exclusive products**
 - On track to exceed **25%** of total sales in **FY19**
 - **Long term target for private label and exclusive products is + 50%**
- **Expansion of Private Label Brands**
 - Creative agency to partner with us on brand development selected
- **Investment in product development resource**
 - Supporting direct import program
 - Private label development



NEW STORES UPDATE

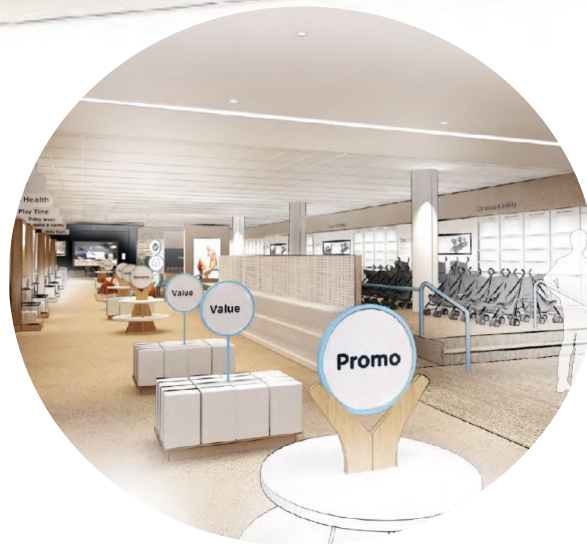
Building a network of 80+ stores

Number of stores at year end



- **48th store** opened in July 2018 (Toowoomba Qld), **49th store** opened in September 2018 (Chatswood NSW), **50th store** opened in October 2018 (Hobart, Tasmania)
- **Pipeline** – Chadstone (opening mid-December), Bankstown (former TRU site opening December), Cannington (store relocation to former TRU site opening early December), Shellharbour (in negotiations and expected to open in Q4 FY19)
- **Network plan updated in May 2018** with ~50% of remaining sites in regional locations (population < 200,000). Existing regional stores are trading in line or ahead of expectation
- **New stores support online sales growth** and brand awareness in a store catchment. Due to the nature of the customer journey, online supports instore sales and vice versa over an elongated buying cycle; a positive relationship

CHADSTONE SHOPPING CENTRE – CONCEPT IMAGES



OUTLOOK

FY2019 guidance

- EBITDA now expected to be in the range of \$25.0 million to \$27.0 million, representing growth of between ~34% to ~45%. This excludes employee equity incentive expenses
- Guidance assumes:
 - Comparable store sales growth to be mid to high single digits for the year. A key factor in the guidance range is the extent to which Baby Bunting continues to capture incremental market share from those competitors exiting the market
 - Gross margin to exceed 34% in FY19
 - Guidance assumes the opening of 6 new stores in FY2019
- Trading year to date as at 15 November 2018
 - **Total sales growth was 17%** with positive sales momentum
 - **Comparable store sales growth was 9.6%**
 - **Gross margin tracking well** and in line with guidance
 - **3 new stores opened:** Toowoomba (Qld), Chatswood (NSW) and Hobart (Tas)
 - **Pipeline:** Chadstone (Vic) (opening December), Bankstown (NSW) (opening December), Cannington (WA) (store relocation) (opening December), Shellharbour (NSW) (expected to open Q4 FY19)⁽¹⁾

Note: Refer to "Forward looking statements" section on the following page of this Investor Presentation (regarding the risks associated with forward looking statements). Please also refer to section 4 of the 2018 Directors' Report (dated 10 August 2018) which describes some of the key risks and uncertainties that may have an effect on the Company's ability to execute its business strategies.

1. Lease not yet signed

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 2018 which includes the Directors' Report (dated 10 August 2018) contains details of a number of material risks associated with an investment in Baby Bunting (but not necessarily all). 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.