14 February 2020

Baby Bunting Group Limited (ASX: BBN)

FY20 half year results presentation

Baby Bunting Group Limited provides the attached FY20 half year results presentation for the half year ended 29 December 2019.

The release of this announcement was authorised by the Board.

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BabyBunting

Half year ended 29 December 2019

Results Presentation

Matt Spencer
CEO & Managing Director

Darin Hoekman
CFO

14 February 2020

Important notice and disclaimer

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

Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. The Baby Bunting Annual Report 2019 which includes the Directors' Report (dated 16 August 2019) contains details of the number of material risks associated with an investment in Baby Bunting. Forward looking statements are provided as a general guide only, and should not be relied on as an indication or guarantee of future performance. Forward looking statements involve known and unknown risks, uncertainty and other factors which can cause Baby Bunting's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements and many of these factors are outside the control of Baby Bunting. As such, undue reliance should not be placed on any forward looking statement. Past performance is not necessarily a guide to future performance and no representation or warranty is made by any person as to the likelihood of achievement or reasonableness of promise, representation, warranty or guarantee as to the past, present or the future performance of Baby Bunting.

Pro forma financial information

Pro forma financial results have been calculated by excluding non-cash employee equity incentive expenses and non-recurring costs relating to transformation project expenses. Prior year period pro forma financial results have been adjusted to reflect a comparable 26 week trading period.

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

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

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

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

OUR CORE PURPOSE

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

1H FY20 proforma result reflects strong profit growth

SALES
$186.4M

Total sales growth up 8.1% vs pcp [1]
Comparable store sales growth of 1.0%
Underlying comparable store sales growth of 4.1% [2]

GROSS PROFIT
36.9%

Gross Profit income $68.9m
Gross Profit % up 223 bps to 36.9%
Gross Profit $ growth up 15.0%

EBITDA[3]
$14.3M

EBITDA[3] growth up 21.7%
EBITDA[3] margin % now 7.7%, up 90 bps vs pcp

NPAT[4]
$7.5M

NPAT[4] growth up 30.6%
EPS 5.9 cents, up 29.8% vs pcp
Interim dividend 4.1 cents per share

ROFE
25.0%

Capex $3.9m
Operating cash flow $7.9m

(1) Prior corresponding 26 week period (pcp)
(2) Underlying comparable store sales growth excludes the short-term impact of sales re-direction from new stores opened in Sydney & Melbourne
(3) EBITDA as measured under old lease accounting principles (i.e. pre AASB 16)
(4) NPAT as measured under current accounting standards
1H FY20 results are presented on a pro forma basis. Refer to the Appendix for a reconciliation of the non-IFRS financial information contained in this presentation to the IFRS-compliant information.

OUR VISION

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

FY20 operational objectives

Accelerate market share growth & profitability and invest in business transformation

1. **Progress our transformation program & strategic investments to plan**
   - Solid progress toward delivering the changes to support long-term growth objectives
2. **Grow gross margin without compromising value to the consumer**
   - Gross Profit % of 36.9% and anticipated to achieve 37%
3. **Accelerate our Private Label & Exclusive Product strategy to exceed 35% of sales**
   - Exceeding expectations at 35.5% of sales and on track for our long-term target of 50% of sales
4. **Capitalise on shopping centre opportunities that present themselves**
   - Opened Westfield Doncaster (Vic) and 2 more significant opportunities scheduled for 2H FY20
5. **Achieve operating leverage through our retail network**
   - Progress towards achieving this in 2H FY20

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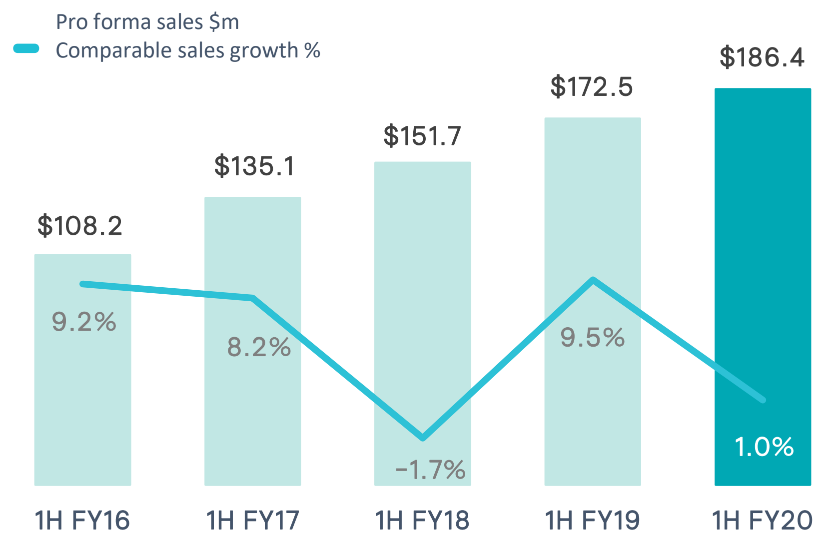
1.

Financial & Trading Performance

Positive market share growth continuing

Pro forma sales



Sales Growth by Market (vs pcp) (1)

State	New Stores (2)	Comp Stores	Comp Growth %	Sales Growth %
NSW	5	12	(2.7%)	15.5%
VIC/TAS	3	14	(2.3%)	10.1%
QLD	1	11	6.7%	7.2%
SA		4	4.9%	4.9%
WA		6	4.5%	4.5%
Total	9	47	1.0%	8.1%

(1) Includes Online sales split by State
(2) New stores opened since Jun '18

1H FY20 total sales growth of 8.1% driven by:

- Comparable sales growth of 1.0% – underlying 4.1%, noting we are cycling 9.5% vs pcp
  - 37 comp stores and Online delivered underlying comparable sales growth of 4.1% for the half (see reconciliation below)
  - New store openings performing well and have delivered significant overall sales growth, with a short term impact on comparable store sales

Comparable store sales growth	%
UNDERLYING	4.1%
Sydney – 4 new stores opened (2), impacting 8 stores	(2.0%)
Chadstone (Vic) opened, impacting 2 stores	(1.1%)
REPORTED	1.0%

- 2H has started strongly with comparable store sales growth of 5.7% (after 6 weeks of trade)

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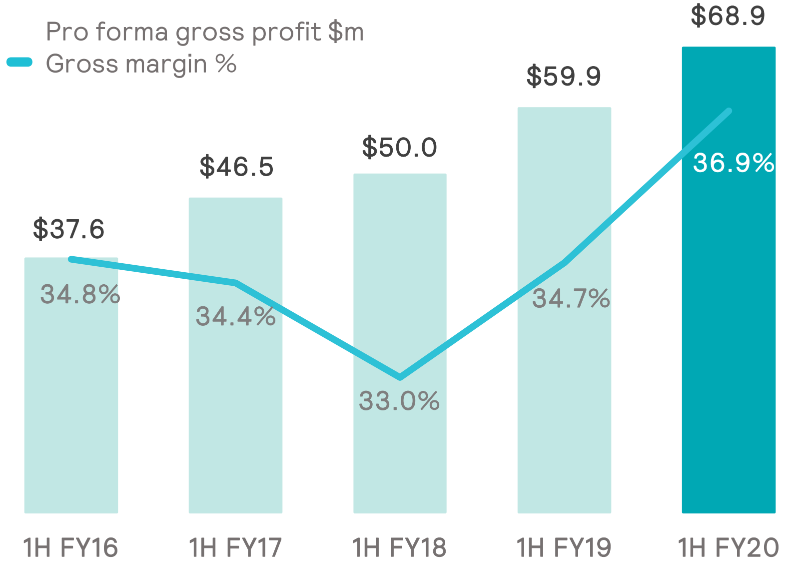
Gross margin improvement of 223 bps to 36.9%

Gross margin on track to reach 37% in FY20

- Range improvements with supplier partners delivering great products at sustainable margins
- Further improvement in trading terms
- Direct import volumes increased by 29% in purchase value vs pcp
- Continued focus on growing our Private Label & Exclusive Product range
- Investment in our Baby on Board services business contributes to margin expansion

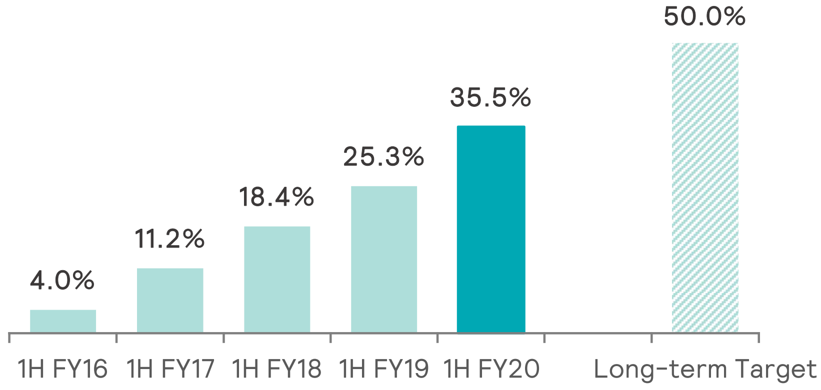
Pro Forma Gross Profit



Private Label & Exclusive Products

- 1H FY20 Private Label & Exclusive Product sales grew 52% to 35.5% of total sales compared to 25.3% (pcp)
- Private Label product initiatives delivering strong results:
  - 4baby is one of our most popular babywear brands, growing 60% vs pcp
  - ‘Bilbi’, new soft-goods private label brand launched in late 1H, performing strongly

% of Total Sales – Private Label & Exclusive Products



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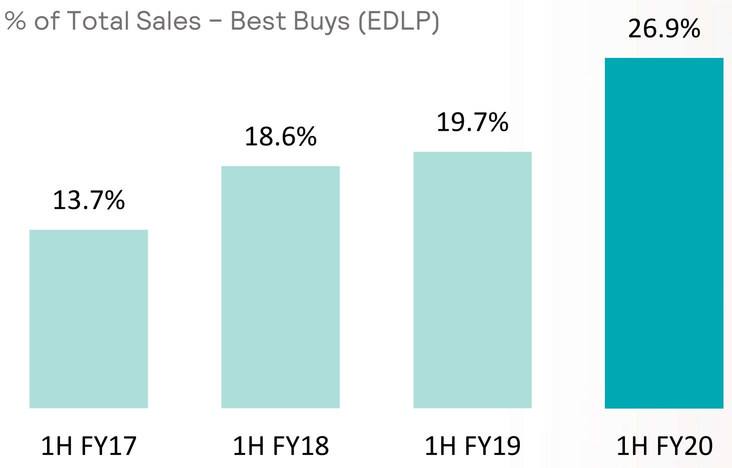
Great value, every day

Value is the number one driver to purchase in our category

- 48% sales growth in Best Buys (EDLP) now making up 26.9% of total sales in 1H FY20, compared to 19.7% vs pcp
- Strategy continues to invest in our Best Buy range across a number of categories including prams, carriers and babywear

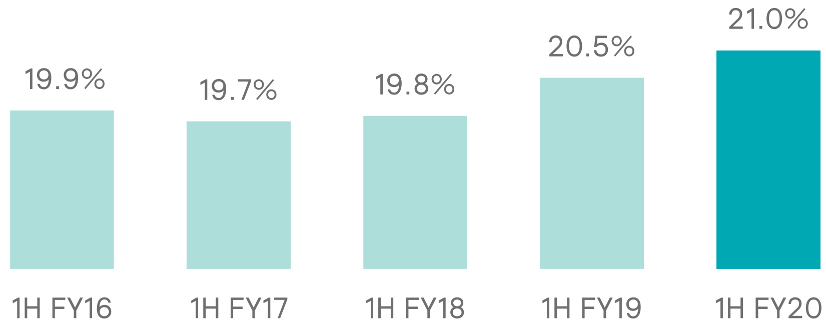


- Competitive pricing with the widest range to:
  - Deliver great value to our customers
  - Build trust with our customers through our Price Beat Guarantee
- We continue to drive differentiation against pure-play online retailers through range, price and services offer

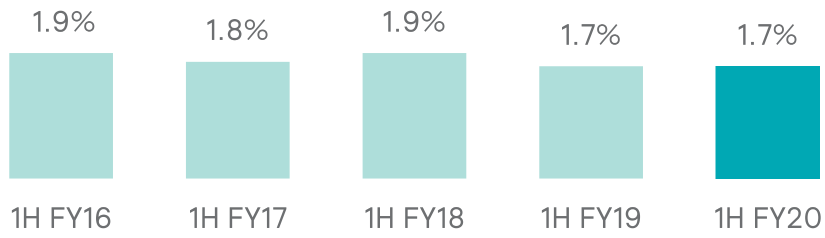
Continued investment to support growth

Cost of Doing Business metrics (% sales) [(1)]

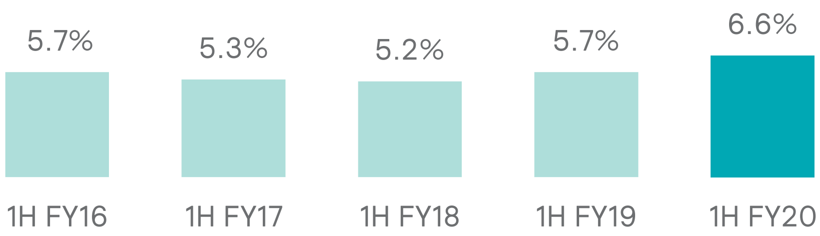
Store expenses



Marketing expenses



Pro forma overhead expenses



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CODB (pro forma) in 1H FY20 was 29.3% of sales

Store expenses of 21.0% increased by 50 bps (vs pcp)

- Added 6 premium location sites including shopping centre format stores and Online fulfilment hubs
- Increase of 3.0% in store wages

Marketing expenses of 1.7% maintained in line with prior year

- We continue to market through a range of channels including both digital marketing and traditional mediums (radio and catalogues)
- Increased focus on maximising digital marketing opportunities to improve customer engagement

Pro forma overheads of 6.6% increased by $2.3 million (vs pcp)

- Addition of Baby on Board services business personnel
- Investment in Customer Care contact centre
- Additional roles in the warehouse to support the Direct Import and Exclusive Product program
- Continued focus on IT system integrity and support capabilities through investment in people and infrastructure
- Annualisation of new roles

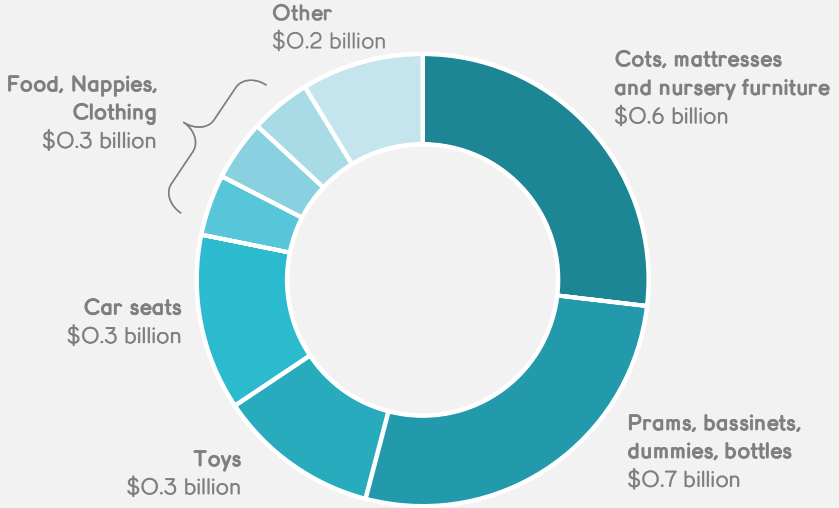
Note:
1. 1H FY19 and 1H FY20 restated on a pre AASB 16 basis for comparative purposes.
   1H FY19 also restated on a 26 week basis
   Refer to Appendix for AASB 16 reconciliation

2.
Baby Goods Market

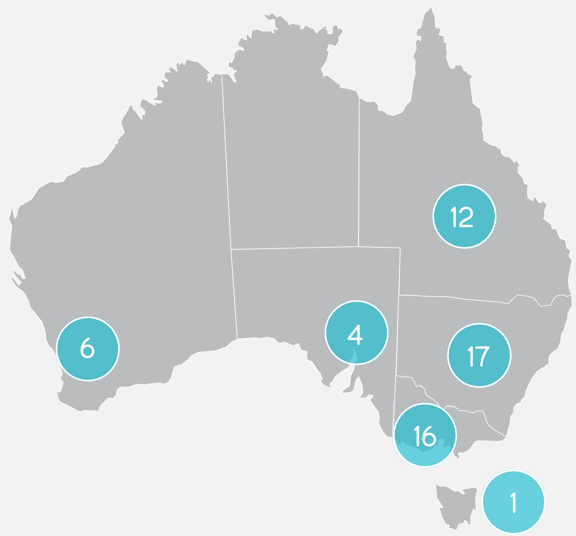
Competitive landscape - our market expansion continues

Baby Bunting continues to be the industry leader in a fragmented market

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



Baby Bunting store numbers by state

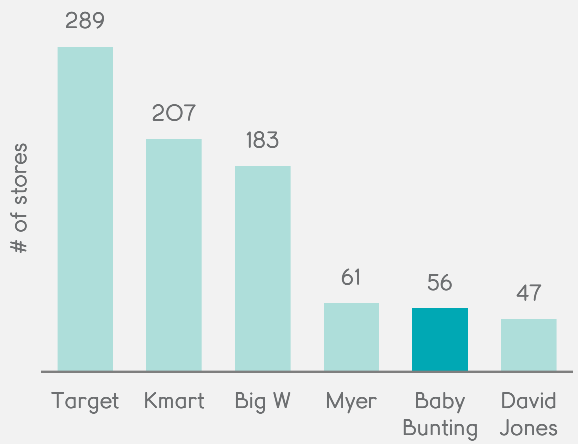


NETWORK PLAN CURRENTLY 80+ STORES

Specialty baby goods retailers
(mainly single site operators)

BABY BUNTING IS THE ONLY NATIONAL SPECIALTY BABY GOODS RETAILER

Discount department stores and department stores
(all have online presence)



Pure play online retailers

amazon

catch.com.au

kogan.com

hobby warehouse

ebay

Baby Bunting has a branded store presence on ebay

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

3.

Strategy

Growth strategy - grow market share

Focused investment in Team, IT systems and supply chain to support growth, our strategy to grow market share remains unchanged

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

- Engage and retain the customer through the customer journey lifecycle and management
- Customer insights and loyalty strategy
- Endless aisle opportunity

2 Investment to grow sales from existing stores

- Delivering a leading customer experience
- Operational evolution – re-invest in service to the customer
- Leveraging the store network to grow services offer and ancillary businesses
- Same day online fulfillment (major metro markets) leveraging store fulfilment hubs

3 Growth from new markets

- Rollout of new stores: 80+ network
    - Continue with major market format
    - Continue with regional format
    - Evolve shopping centre format and offer
    - Explore other format opportunities

4 Profit margin improvement

- Gross margin expansion by increasing scale, supply chain improvements, improved sourcing, and development of Private Label and sourcing of Exclusive Products
- CODB leverage through scale over time
- Procurement opportunities

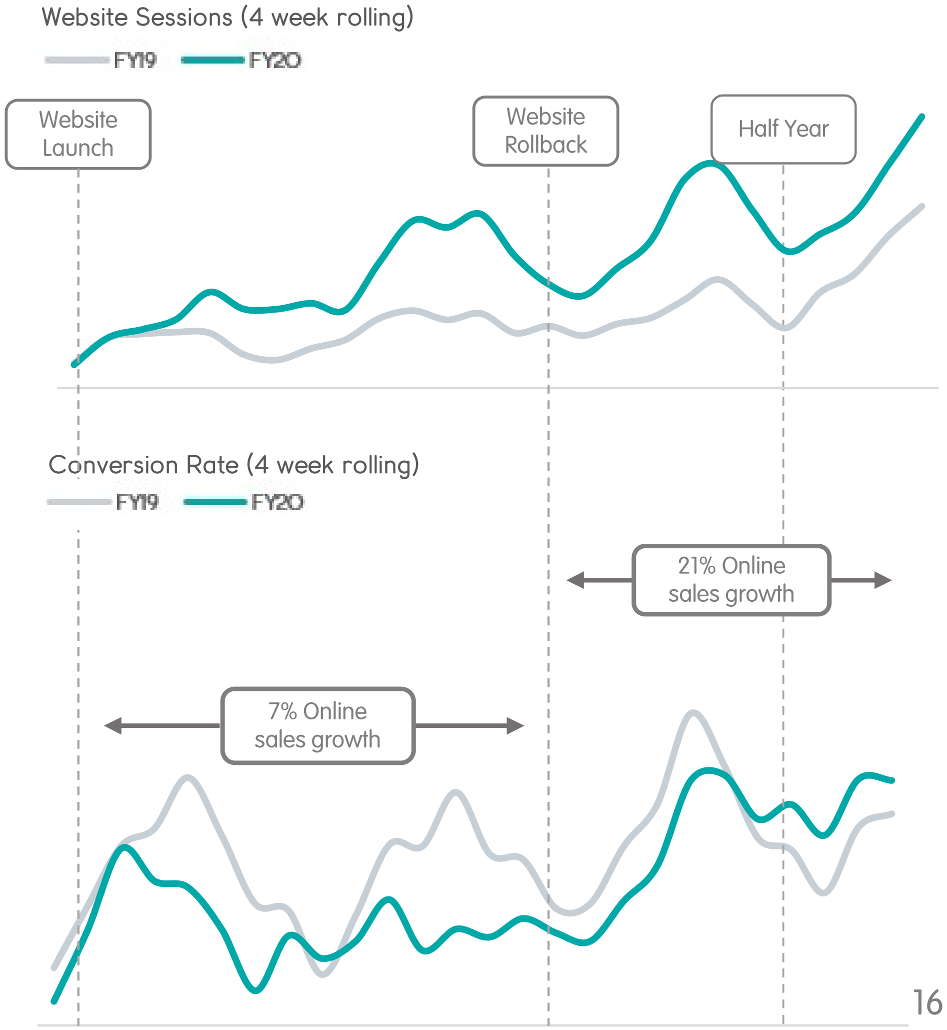
Investment in Digital

Online sales continue to complement store sales growth

- Website visits continue to grow, unique visits exceeded 10 million for the half, up 13% vs pcp
- Online sales (inc. Click & Collect) grew 10.5%, making up 11.7% of total sales
- Click & Collect is ~45% of all online sales where Baby Bunting has a store (ie. ~96% of all sales involve a customer store visit in these catchments)
- Customer insights & tailored marketing campaigns
- New loyalty program development underway

Website update

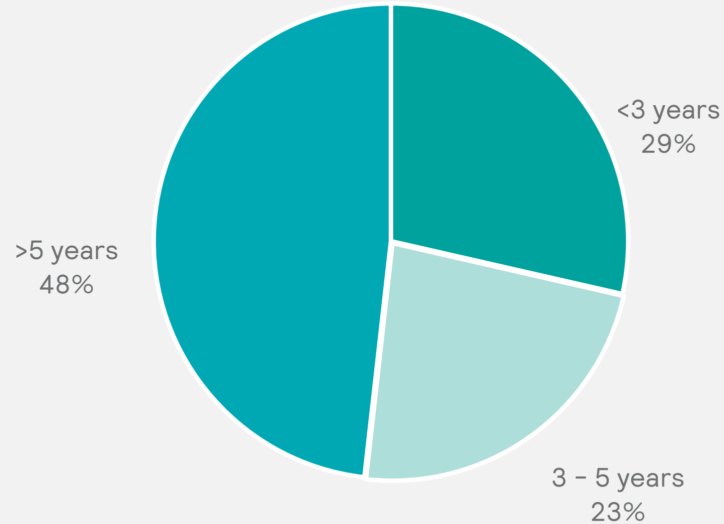
- New website platform launched early July 2019
- Technical and website stability issues post implementation impacted customer experience and constrained online sales growth
- The decision was made to roll-back to the old website in November to further analyse and address conversion and CX issues
- Since roll-back, Online sales (incl. Click & Collect) have stabilised with growth of ~21% post roll-back



Investment to Grow Sales from Existing Stores

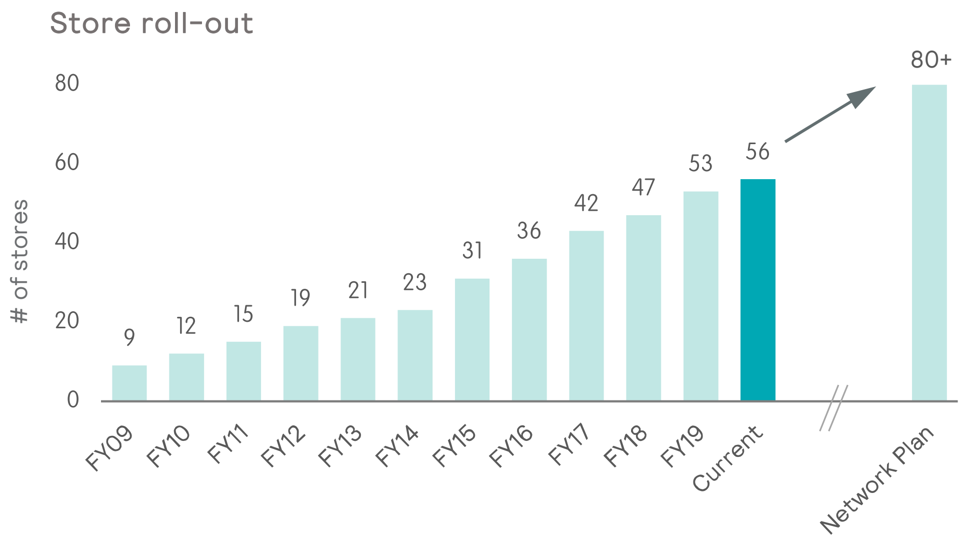
- Improving the customer experience in-store, in-store NPS score of ~80
- Our Baby on Board car seat installation and services business continues to grow – car seat fitting sales up 40% on pcp
- Leveraging CRM and marketing automation to tailor lifecycle communications with customers
- Significant progress made in the development of a new and improved loyalty program, expected to launch early FY21
- Changing the in-store experience based on learnings from our shopping centre format stores

Store maturity profile as at 29 December 2019 (years opened)
(stores on average take 4 years to reach sales maturity)



29% of our stores are less than 3 years old and in their growth phase

Growth from New Markets



- Network plan – we are in the final stages of completing our latest network plan review, incorporating:
  - the addition of shopping centre format stores
  - store trading performance
  - updated market share performance post competitor landscape changes
  - ongoing changes and shifts in retail landscape

- New stores opened – Westfield Doncaster (Oct), Wetherill Park (Nov) and Casula (Dec)

- Pipeline – Westfield Knox (Vic) planned to open in 2H FY20, with a deal close to being finalised in a *big gun* shopping centre in Sydney

- Major markets 1,500 to 2,000 square metres in bulky goods centres or at stand-alone sites. Regional store format of 1,000 to 1,200 square metres. Shopping centre format, with all the service attributes of our large format stores

New Store Economics

	New Baby Bunting stores (all stores opened from June 2008)		Group Average (all stores opened > 4 years)
	YEAR 1	YEAR 2	FY2019
Revenue per store ($m)	4.8	5.4	7.8
EBITDA per store ($m)	0.3	0.5	1.2
Store EBITDA margin	~7%	~10%	~15%
Return on Invested Capital	~25%	~36%	>70%

Table above shows average data for all new stores opened since June 2008 where stores have been opened for at least 12 months
It is anticipated that regional stores at maturity will achieve between 40% and 60% of the current sales of stores opened for more than 4 years. Our regional stores are on average achieving ~$3.7m in annual sales (not including opening year)

New Store performance exceeding expectations

- 4 new stores opened in 1H FY19, delivered average Year 1 sales of $5.6m (historical average $4.8m)
- New store performance in NSW has been exceptional which resulted in short term sales re-direction away from our existing store network
- Shopping centre stores performing well

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Profit Margin Improvement

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

- Relocation of our Melbourne Distribution Centre to a larger site (anticipated 2H FY21), reducing 3PL storage requirements and direct-to-store deliveries
- State based online fulfilment hubs will improve the customer experience and reduce logistics costs
    - Hobart & Cannington (WA) now operational with orders fulfilled being delivered either same or next day
    - Casula (NSW) opened in December with online fulfilment launching March 2020
- Automated replenishment project anticipated to go live in Q4 FY20, improving stock availability to our customers and reducing inventory held

Leveraging scale to deliver improved ranging, service offers and profitability

- Growing the Private Label program and introduce new Private Label brands
- Expansion of Exclusive Products and brands
- Investment in our services business

Managed investment in cost ahead of the growth curve, including investment in:

- Capability and leadership to support growth
- Product quality assurance processes
- New systems and technology
- Digital capability and marketing
- CODB leverage to be achieved over time as business initiatives support sales growth and business efficiency improvements

4.
Transformation Update

Transformation - Investing to grow

Investment in transformational projects to support future growth

FY20-FY21: ~$25m capex and project expenses, ~$4m accelerated amortisation

Significant business transformation project pipeline over FY20-21

Brand Modernisation

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

Investing in Services

Completed acquisition of some of our 3rd party car seat installer businesses in Q4 FY19 – our Baby on Board business. Training existing staff as supplementary fitters underway. Experiencing +40% total sales growth in car seat fittings for 1H FY20.

Expand Ancillary Services

Enter into the nursery hire market with a focus initially on the hiring out of car seats and baby capsules. Currently piloting hire services in Qld.

Core Systems

Improve our Merchandise, Planning and Forecasting systems, as well as Point of Sale and Financial systems. Commenced implementation of new Merchandise forecasting & automated replenishment software.

Website and e-commerce re-platform

Designed to deliver engaging content and experiences for our customers.

Loyalty Program

Development of Loyalty program well underway, anticipated to launch early FY21.

Supply Chain Strategy

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

Online Fulfilment Hubs

Leverage existing store network to facilitate same day fulfilment for 90% of online metro orders, Australia-wide. Hobart & Cannington (WA) now operational, with Casula (NSW) to be operational Q3 FY20.

Customer Care

Expand our Customer Care centre, diverting calls from stores whilst re-investing store labour back into in-store customer service.

Transformation - progress update

Strategic Focus	Project	Progress Update	Estimated Completion	
			FY20	FY21
Invest in Digital	Website re-platform	• New website launched in July 2019 had issues which impacted Customer Experience • Successful roll-back to old platform in November 2019 • New website vendor working collaboratively to remediate issues		
Invest to grow sales from existing stores	Brand modernisation	• Roll-out commenced Q2 FY20 with new stores (Doncaster, Casula, Wetherill Park) and Chadstone re-branded • Key customer facing branding and tone of voice continue to be rolled out • Completion of branding across full store network August 2020		
	Loyalty program	• Extensive customer research undertaken to confirm new loyalty proposition • Development of new loyalty platform to support the customer proposition • Anticipated launch early FY21		
	Online fulfilment hubs	• Hobart (Tas) & Cannington (WA) operational • Stock build for Casula (NSW) has commenced • Go Live for NSW planned for early March		
	Customer Care	• Appointed Customer Care Manager to assist with transformation and increased team member numbers to better support volume of calls • Focus on reducing calls through technology support and development		
Growth from new markets	Expand Ancillary Services	• Continuing training of store supplementary car seat fitters • Piloting car seat and capsule hire services in QLD		
Profit margin improvement	Core Systems	• Forecasting and replenishment solution planned to roll out across stores in 2H and across full supply chain in early FY21 • Delivering improved availability, increased sales and reduced inventory • New and improved systems in FY21 for Merchandise Financial Planning will deliver improved business efficiency and customer experience.		
	Supply Chain Strategy	• New purpose-built DC in Dandenong South to replace existing facility • Go live anticipated 2H FY21 • Increase in storage and handling capacity to support growth • New global freight forwarder appointed in July 2019 with improved buying terms		

5.
Financial Information

Summary Pro Forma Income Statement

Summary Pro Forma Income Statement			
	Pro Forma 1H FY2020	Pro Forma 1H FY2019	Change
$ million			
Sales	**186.4**	**172.5**	*8.1%*
Cost of sales	(117.5)	(112.6)	
Gross Profit	**68.9**	**59.9**	*15.0%*
Gross Profit Margin	*36.9%*	*34.7%*	
Cost of doing business (1)	**(54.6)**	**(48.2)**	
EBITDA (1)	**14.3**	**11.7**	*21.7%*
EBITDA margin %	*7.7%*	*6.8%*	
Impact of AASB 16 application (3)			
- Reverse operating leases expenses	11.6	10.4	
- Add ROU Asset Depreciation & Interest	(12.1)	(10.8)	
Depreciation - Plant & Equipment	(2.7)	(2.5)	
Finance costs - Borrowings	(0.4)	(0.3)	
Profit before tax	**10.6**	**8.4**	*26.2%*
Income tax expense	(3.1)	(2.7)	
Net profit after tax (2)	**7.5**	**5.8**	*30.6%*
Net profit after tax margin %	*4.0%*	*3.3%*	

(1) Pre AASB 16 application
(2) Post AASB 16 application
(3) Refer Appendix 2 AASB 16 Transition Impact for further breakdown.

- Total pro forma sales of $186.4 million, up 8.1% vs pcp
  - Comparable store sales growth of 1.0%
  - Underlying comparable store sales growth of 4.1%
- Gross margin of 36.9% 223 bps above pcp, the result of:
  - range revisions;
  - increased exclusive products; and
  - direct imports
- Pro forma Cost of Doing Business $54.6 million (1)
  - Store expenses increase as a result of 6 premium location sites added, including larger footprint sites to operate same-day fulfilment in our metro markets
  - Overheads increase with investment in customer care & warehouse roles, as well as integration of services business
- Pro forma EBITDA (1) of $14.3 million, above pcp 21.7%
- Pro forma NPAT (2) of $7.5 million, above pcp 30.6%

Statement of Financial Position

$ million	Statutory 29-Dec-19	Statutory 30-Jun-19
Cash and cash equivalents	10.4	5.8
Inventories	80.8	68.2
Plant and equipment	26.3	24.5
Goodwill & Intangibles	49.8	49.9
Right of Use assets	100.3	95.7
Other assets	12.1	12.6
Total Assets	**279.6**	**256.6**
Payables	47.3	46.2
Borrowings	21.1	3.1
Lease liability	112.2	107.5
Provisions	5.0	4.5
Income tax payable	1.3	2.7
Total Liabilities	**186.8**	**164.1**
Net Assets	**92.8**	**92.5**
Net Cash / (Debt)	**(10.7)**	**2.7**

Balance Sheet

- Inventory increase of $12.6m compared to 30 June 2019 reflects:
  - additional three new stores;
  - inventory purchases brought forward due to timing of Chinese New Year; and
  - ensuring a strong in-stock position for start of 2H
- Plant & Equipment increase reflects investment in new stores, online, IT infrastructure and other capital projects
- Right-of-use assets and associated lease liabilities now recognised upon adoption of AASB 16 (associated with property leases & material handling equipment leases)
- $13.4 million increase in net debt reflects increased investment in working capital and project investments (capex of $3.9m & project costs $1.3m)
  - We retain ~$29 million in unutilised debt facilities

CASH FLOW

$ million	Statutory 29-Dec-19	Statutory 30-Dec-18
Pro Forma EBITDA[1]	25.8	22.1
Movement in working capital	(11.4)	(0.7)
Tax Paid	(3.8)	(2.5)
Net finance costs paid	(2.9)	(2.9)
Net cash flow from operating activities	**7.9**	**16.0**
Transformation project expenses	(1.3)	0.0
New store capex	(1.7)	(5.2)
Capex (excluding new stores)	(2.3)	(2.3)
Free cash flow	**2.6**	**8.5**
Repayment of leases	(9.6)	(8.4)
Dividends paid	(6.4)	(3.1)
Borrowings (net)	18.0	2.3
Net cash flow	**4.6**	**(0.7)**

(1) Post AASB 16 application

- Change in working capital reflects build up of inventory balance ahead of Chinese New Year and our biggest trading period
- Capital expenditure of $3.9m includes investments in:
  - $1.7m in new store capex for 3 new stores
  - $0.9m in store and support centre sustenance
  - $0.7m for core systems

Dividends

- FY19 final dividend of 5.1 cents per share was paid in September
- 1H FY20 interim dividend of 4.1 cents per share to be paid in March (Board’s policy is to target ongoing payout ratio of 70-100% of pro forma NPAT)

6.
Outlook

FY20 outlook remains unchanged

Positive momentum in 2H FY20

As at 9 February 2020, comparable store sales growth:

- 2.0% year-to-date
- 5.7% for the first 6 weeks of 2H
- 22% Online sales growth for the first 6 weeks of 2H

FY20 guidance

Pro forma NPAT remains unchanged and expected to be in the range of $20.0 million to $22.0 million.
Pro forma EBITDA (pre AASB 16 application) remains unchanged and expected to be in the range of $34.0 million to $37.0 million

Guidance assumes:

- Comparable store sales growth to be low to mid-single digits for the year, noting we are cycling 8.7% for FY19
- Gross margin anticipated to reach 37% for the full year
- Opening of 1 new store in 2H FY20
- No significant disruption from Coronavirus
- Excludes employee equity incentive expenses and transformation project costs

Note: Refer to "Forward looking statements" section on page 2 of this Presentation (regarding the risks associated with forward looking statements). Please also refer to section 4 of the 2019 Directors' Report (dated 16 August 2019) which describes some of the key risks and uncertainties that may have an effect on the Company's ability to execute its business strategies.

QUESTIONS

6. Appendices

Appendix 1: Statutory - Pro Forma Income Statement Reconciliation

	1H FY2020			1H FY2019		
	Statutory 1H FY20	Add Pro Forma Adj [(a)]	Pro Forma 1H FY20	Statutory 1H FY19	Add Pro Forma Adj [(a)]	Pro Forma 1H FY19
$ million						
Sales	186.4		186.4	177.7	(5.2)	172.5
Cost of sales	(117.5)		(117.5)	(116.2)	3.6	(112.6)
Gross Profit	68.9		68.9	61.5	(1.6)	59.9
Store expenses	(28.2)		(28.2)	(26.4)	0.9	(25.5)
Marketing expenses	(3.2)		(3.2)	(3.1)	0.1	(3.0)
Warehouse expenses	(2.1)		(2.1)	(2.0)	0.1	(1.9)
Administrative expenses	(11.6)	2.0	(9.6)	(8.5)	1.2	(7.4)
Transformation project expenses	(1.3)	1.3	0.0	0.0	0.0	0.0
EBITDA	22.6	3.3	25.8	21.5	0.6	22.1
Depreciation and amortisation	(12.4)		(12.4)	(11.4)	0.4	(11.0)
EBIT	10.2	3.3	13.5	10.0	1.1	11.1
Net finance costs	(2.9)		(2.9)	(2.8)	0.1	(2.7)
Profit before tax	7.4	3.3	10.6	7.2	1.2	8.4
Income tax expense	(2.5)	(0.6)	(3.1)	(2.4)	(0.2)	(2.7)
Net profit after tax	4.8	2.7	7.5	4.8	0.9	5.8

a) Pro forma financial results have been calculated to exclude employee equity incentive expenses and non-recurring costs relating to transformation project expenses. Prior year figures (based on 27 weeks) have been re-stated to exclude a non-comparable trading week.

The Baby Bunting Financial Report for the half-year which includes the Directors' Report (dated 14 Feb 2020) contains further details of the above adjustments.

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

	1H FY2020				1H FY2019			
	Pro Forma 1H FY20	Remove AASB 16 Depreciation and Interest	Recognise Operating Lease Expenses	Pre-AASB 16 1H FY20	Pro Forma 1H FY19	Remove AASB 16 Depreciation and Interest	Recognise Operating Lease Expenses	Pre-AASB 16 1H FY19
$ million								
Sales	186.4			186.4	172.5			172.5
Cost of sales	(117.5)			(117.5)	(112.6)			(112.6)
Gross Profit	68.9			68.9	59.9			59.9
Store expenses	(28.2)		(11.0)	(39.1)	(25.5)		(9.8)	(35.3)
Marketing expenses	(3.2)			(3.2)	(3.0)			(3.0)
Warehouse expenses	(2.1)		(0.6)	(2.6)	(1.9)		(0.3)	(2.3)
Administrative expenses	(9.6)		(0.0)	(9.6)	(7.4)		(0.3)	(7.6)
Transformation project expenses	-			-	-			-
EBITDA	25.8		(11.6)	14.3	22.1		(10.4)	11.7
Depreciation and amortisation	(12.4)	9.7		(2.7)	(11.0)	8.5		(2.5)
EBIT	13.5	9.7	(11.6)	11.6	11.1	8.5	(10.4)	9.2
Net finance costs	(2.9)	2.5		(0.4)	(2.7)	2.3		(0.3)
Profit before tax	10.6	12.1	(11.6)	11.2	8.4	10.8	(10.4)	8.9
Income tax expense	(3.1)	(3.6)	3.5	(3.3)	(2.7)	(3.3)	3.1	(2.8)
Net profit after tax	7.5	8.5	(8.1)	7.9	5.8	7.6	(7.3)	6.1

Glossary

Comparable Store Sales Growth	• Calculated as a percentage change of the total sales generated from stores (including the online store) in a relevant period, compared to the total sales from the same set of stores in the prior financial year, provided the stores were open at the beginning of the prior financial year
Cost of Doing Business (CODB)	• Includes store, administrative, marketing and warehousing expenses (excluding pre AASB 16 depreciation and amortisation)
Return on Average Funds Employed (ROFE)	• Return on average funds employed (ROFE) is calculated as pro forma EBIT (pre AASB 16) for the previous 12 months as a percentage of average (opening, mid and closing) funds employed. Total funds employed is net assets excluding net debt and net tax balances
Exclusive Products	• Products sourced by Baby Bunting for sale on an exclusive basis (so that those products can only be purchased in Australia from Baby Bunting stores). Historically, exclusive supply arrangements have been arranged with suppliers in relation to selected products and for varying lengths of time
Private Label	• Products sold by Baby Bunting under its own brand (Baby Bunting currently markets its private label products under the “4baby" brand name and has recently launched a new private label, “Bilbi”)
Return on Invested Capital (ROIC)	• Return on Invested Capital is calculated as store EBITDA (pre AASB 16) divided by end-of-period cumulative store capital expenditure plus end-of-period store net inventory and an allocation of warehouse net inventory based on the number of stores open. Year 1 and Year 2 Return on Invested Capital is based on the first and second full twelve month trading periods that the store has been open