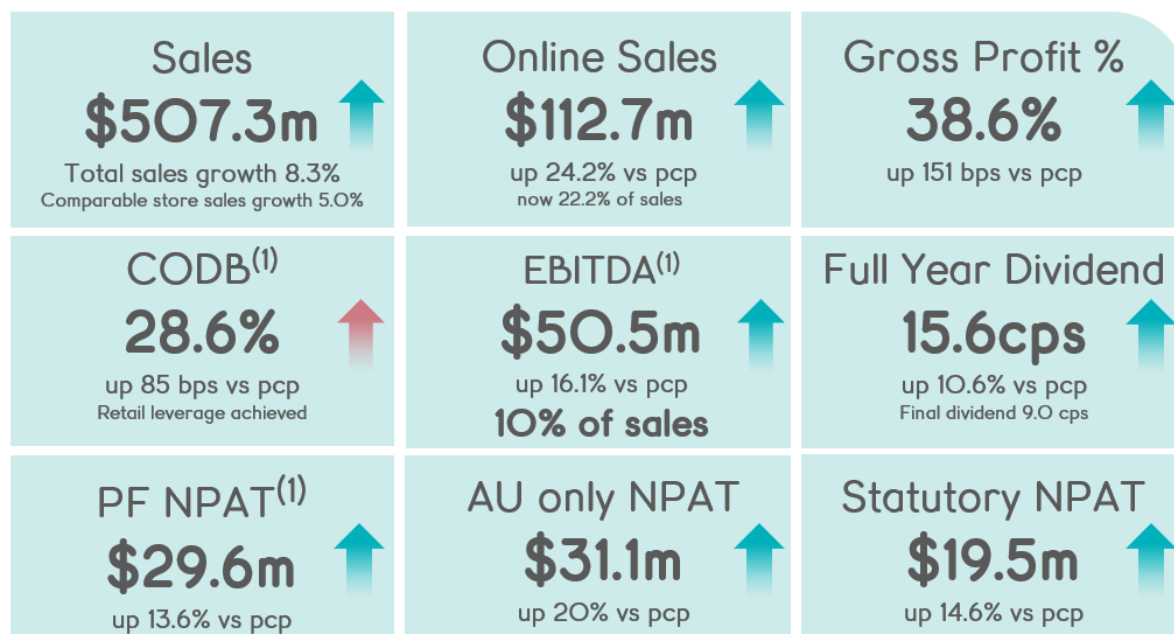


12 August 2022

FY22 full year results release
GROWING UP, WITH A BRIGHT FUTURE
Sales exceed half a billion, double digit growth continues


Baby Bunting's CEO & Managing Director, Matt Spencer said:

"Baby Bunting has had a very successful year.

"Our total sales exceeded half a billion dollars for the first time. We continued to grow our market share at the same time as we delivered very strong gross profit growth. But we also worked hard to continue to drive further efficiencies in our supply chain and in our buying to ensure we provide great prices to our customers, at a time when value remains so important.

"It is a tremendous result given the COVID-related lockdowns in place around Australia in the first half and the disruptions that occurred during the year. I am proud of the way our team has worked hard to keep us moving forward during the challenges this year, delivering some great operational performances as well as delivering on our transformation agenda.

"Just a few hours ago, our first New Zealand store in Auckland opened. The business is run by a great local team who are excited to be supporting New Zealand families and suppliers. It is wonderful to be able to bring our one stop, baby shop to parents in this market.

"Our future is looking bright."

Business performance

Baby Bunting Group Limited (Baby Bunting or the Company) is pleased to report a statutory net profit after tax of \$19.5 million up 14.6%. On a pro forma basis NPAT was \$29.6 million, up 13.6% on the prior corresponding period and pro forma EBITDA was \$50.5 million, up 16.1%.

1. See "Comments on reporting" for details of how pro forma results and EBITDA have been prepared.

The core Australian business (excluding the New Zealand start-up costs) performed strongly with a pro forma NPAT of \$31.1 million and achieved a pro forma EBITDA margin of 10.4%.

This strong result was underpinned by:

- **Total sales** of \$507.3 million, representing a growth of 8.3% (pcp). Comparable store sales growth was 5.0% for the year. On a two-year basis, sales have grown impressively by 25.2% or \$102.1 million.
- **Online sales** (including click and collect) grew 24.2% to \$112.7 million and now make up 22.2% of total sales. Click and collect grew 28.2% to be 10.4% of sales.
- Four **new stores** opened during the year (plus two store relocations and two store refurbishments).
- **Gross profit** for the year was \$195.8 million, an improvement of 12.7% on the prior corresponding period. Gross profit margin percent has improved by 151 basis points to be 38.6%.
- **Private Label & Exclusive Products** sales grew 18.3% to be 45.3% of total sales (FY21: 41.4%). Our private label range comprises three quality brands: 4baby, Bilbi and JENGO brands.
- **Pro forma costs of doing business** (CODB) as a percentage of sales were 85 basis points higher year-on-year at 28.6% of sales, reflecting continued investment in our team, national Distribution Centre, and systems to support the expanding store network and to improve customer experience in-store and online.
- **Leverage in store expenses was achieved**, with a reduction of 17 basis points, through operational efficiencies.

Establishment of operations in New Zealand

The first New Zealand store opened today. During the year, establishment costs included standing up the Auckland distribution centre, building the New Zealand team, store development and establishing relationships with local suppliers. There were around \$1.5 million of one-off costs associated with these activities.

Investment supporting future growth and market share expansion

The Company successfully transitioned its digital technology to a new headless architecture and the Australian website was switched over to the new platform in January 2022. This went smoothly and is enabling the building out of new features and experiences for customers.

Baby Bunting's transformation program, which is primarily focused on transition of business systems to modern platforms, made good progress. The new headless e-commerce architecture was initiated and the loyalty program, "Baby Bunting family" was launched and is now available across all channels.

A project to implement Advanced Order Management has commenced, with the aim of activating new online fulfilment options, improved order routing and supporting online range expansion.

Future growth – a bright future

Baby Bunting's growth opportunities are expanding. Historically, Baby Bunting's estimated addressable market has been \$2.5 billion which was based on a targeted age range (0-3 years) and reflected the planned store network and online sales. Through new initiatives, Baby Bunting believes it can expand its addressable market opportunity to be \$3.5 billion, primarily through the growth of online and expanding certain category ranges beyond 0-3 years. The initiatives supporting the expansion of the addressable market opportunity include:

- expanding the online range and availability;
- growing and further leveraging the store network;

- introducing marketplace to further extend range with more products, more brands and more suppliers.

Baby Bunting has commenced building out its online range, including by opening up more store inventory to fulfil online orders.

During the year, the Company has **updated its store network plan** and now has a plan to grow its network in Australia to over 110 stores (up from 100 stores), along with its network plan to open more than 10 stores in New Zealand.

Work has commenced on establishing a **Baby Bunting marketplace**, that will facilitate first party drop ship sales and the sale of third-party products. The marketplace is expected to launch in the second half of FY23.

FY23 trading update

Comparable store sales as at 10 August 2022 were 15.3% year-to-date (cycling negative 6.4% in the prior corresponding period) and total sales growth has been 19.3%.

We expect comparable store sales growth to moderate as we cycle periods affected by lockdowns throughout Australia.

Through the Company's expanded Best Buy range and loyalty program, we are committed to delivering the greatest value to new and expectant parents when they shop at Baby Bunting.

We anticipate opening at least six new stores in Australia in FY23, including the store at Hornsby (NSW) which opened on 5 August 2022. In addition to the Albany, Auckland store which opened today, we anticipate opening a second New Zealand store in Christchurch in the second half of FY23.

With continuing economic uncertainty, inflationary pressures and other global challenges, no guidance about FY23 earnings can be given at this time.

Matt Spencer concluded:

“We have started the new financial year in good shape. We are the clear leader in our category. Our transformation agenda is delivering efficiencies and benefits. We are executing on our strategy to grow market share. And, through the strategic initiatives announced today, we have plans to broaden our total addressable market to increase the opportunity before us. It is an incredibly exciting time.”

Comments on reporting

Pro forma NPAT excludes employee equity incentive expenses and the business transformation project expenses. This information is presented on a pro forma basis to better demonstrate the underlying trading performance of the business. In addition, pro forma EBITDA also excludes the impact of AASB 16 lease accounting and is presented to aid comparisons with prior periods. Further information on the reconciliation of pro forma to statutory results is contained in section 2.5 of the Directors' Report dated 12 August 2022 and released to ASX on that date.

Investor call

Matt Spencer (CEO & Managing Director) and Darin Hoekman (CFO) will host a call at **9.15am (AEST) on Friday, 12 August 2022**. You may access the call by registering via:

<https://registrations.events/signup/ID80083>

The release of this announcement was authorised by the Board.

For further information, please contact:

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