20 February 2024

FY24 half year results release

Remaining focussed on the customer in challenging conditions

- Total sales of $248.5 million, down 2.5% on the prior corresponding period (pcp)
- Comparable store sales down 7.0% (1H FY23: 0.4%)
- Online sales were 22.3% of sales (1H FY23: 19.7%)
- Gross profit margin was flat at 37.2% (1H FY23: 37.2%)
- Pro forma[1] CODB was 32.9% (1H FY23: 32.4%)
- Pro forma[1] NPAT was $3.5 million (1H FY23: $5.1 million)
- Statutory NPAT was $2.7 million (1H FY23: $2.7 million)
- Fully franked dividend of 1.8 cents per share (1H FY23: 2.7 cents)

Baby Bunting Group Limited (Baby Bunting or the Group) today reported its financial results for the first half of FY24 (3 July 2023 to 31 December 2023).

The financial results are in line with the preliminary financial results published on 22 January 2024.

Statutory net profit after tax was $2.7 million, down 1.0% on the prior corresponding period. On a pro forma basis, NPAT was $3.5 million, down 31.3% on the prior corresponding period.

Total sales of $248.5 million for the half were down 2.5% when compared with 1H FY23 and comparable store sales were down 7.0%, cycling 0.4% in the prior period.

Baby Bunting's CEO, Mark Teperson said: "In the face of challenging economic conditions continuing, our focus on customers has led to an improvement in new customer acquisition over the half, a disciplined approach to inventory management, and cost control which delivered a significant year-on-year improvement on operating cashflow.

"Trading has tended to be softer outside promotional periods with our customers more attracted to key promotional events during the year, such as the Boxing Day promotion, while the Black Friday promotion was our largest ever."

Gross profit margin finished the half at 37.2%, which was the same level as for 1H FY23, a solid result in the current conditions. Cost of living pressures and price competition on national brands are providing some headwinds to gross margin improvement. There was also a targeted clearance of less productive inventory which had an impact of 50 basis points.

The cost of doing business (on a pro forma basis) was 32.9% of sales, an increase of 55 basis points. Factors driving this increase included new store running costs and higher wages costs. These were offset by a strong focus on cost control, with the organisational restructure announced in July 2023 helping to drive $3 million in savings for the half.

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[1] Pro forma financial results exclude employee equity incentive expenses and significant costs associated with business transformation projects. This information is presented on a pro forma basis to better demonstrate the underlying trading performance of the business.

Working capital was well managed in the half, with a significant improvement in cash conversion with free cash flow of $7.4 million and net debt finishing at $6.2 million, which was an improvement in the net debt position of $14 million relative to the prior year. The Group retains significant capacity in its $70 million borrowing facility.

New Zealand

The Group opened three new stores in the half in New Zealand at Sylvia Park and Manukau (in Auckland) and a store in Christchurch. There are now 4 stores in New Zealand and the Group remains committed to a store network plan of at least 10 stores. The Group will focus on growing market share in New Zealand and achieving operating leverage, so as to move closer to positive earnings contributions from that market.

2H priorities and future growth

Baby Bunting is the clear leader in its category with a large total addressable market opportunity across Australia and New Zealand. This provides scope to grow sales through store roll-out and evolving the merchandise and brand experience to grow customer lifetime value.

Mark Teperson said "Our priority is stabilising performance through our focus in the areas of trade, productivity and customer experience. In the longer term, the success of the business will be based upon connecting more meaningfully with parents and carers through range innovation, value and experience."

Dividend

The Board has announced an interim fully franked dividend of 1.8 cents per share, payable on 19 March 2024 (FY23 interim dividend: 2.7 cents per share).

Trading update and outlook

The trading performance since Boxing Day[2] (up to 16 February 2024) has seen total sales down 1.4% and comparable store sales down 3.2%. In the same period, the rate of new customer acquisition[3] is up 3.4% against the prior corresponding period. Online sales are up 14.0%.

Mark Teperson concluded, "While we're seeing progress with our recent initiatives, it's important to acknowledge that cost of living pressures affecting our customers are unlikely to abate in the short term with economising likely to continue."

In current circumstances, FY24 earnings guidance will not be given at this time.

Investor call

Mark Teperson (CEO) and Darin Hoekman (CFO) will host a call at **9.15am (AEDT)** on **Tuesday, 20 February 2024**. You may access the call by registering via:

https://registrations.events/signup/ID84168

The release of this announcement was authorised by the Board.

Further details are provided in the 1H FY24 Investor Presentation published at the same time as this announcement.

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2 To show a like-for-like comparison with the prior corresponding period, the measurement period has been taken from 26 December 2023. In 1H FY23, the period ended on 26 December 2022.

3 New customer acquisition is measured as uniquely identifiable customers who have transacted for the first time in a period.