BabyBunting

2024 Annual General Meeting

Melanie Wilson, Chair, Non-Executive Director

Mark Teperson, Chief Executive Officer

15 October 2024

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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.

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Pro forma financial information

Pro forma financial results have been calculated to exclude certain items. Details of the adjustments and a reconciliation are contained in the Directors' Reports for the relevant financial years (available at investors.babybunting.com.au/reports-announcements).

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.

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

Agenda

1. Chair Address
2. CEO Address
3. FY25 Trading Update and Outlook
4. Formal Business

Melanie Wilson

Chair, Non-Executive Director

Our Vision

The best start for the brightest future

Our Mission

To support & inspire confident parenting, from newborn to toddler

Our market: $6.3 billion ANZ TAM and growing

Significant opportunity to grow and leverage our leadership in hard goods (~23% market share) to grow our share of soft goods

Our core competency

$1.8Bn
Hard goods
Australia

BabyBunting

~23%

~3%

The opportunity in soft goods

$3.4Bn
Soft goods
Australia

Incremental 1% gain in soft goods market share equal to **~$34m revenue opportunity**

Market value FY23

Hard goods	$Bn
Car seats	0.28
Prams and strollers	0.30
Furniture and nurseries	0.48
Safety	0.12
Toys	0.63

Soft goods	$Bn
Food, formula and feeding	0.74
Nappies & Health and Beauty	1.29
Clothing & Footwear	1.34

Total market size
By region

$5.2Bn
Australia

$1.1Bn
New Zealand

Australian data only. Source: IbisWorld, ABS, Statistica, ABS, Canstar, KenResearch, BabyBunting historic sales data

Sustainability

Car seat recycling trial commenced – 12 month trial across four Melbourne stores.

Target to take back and recycle up to 2,400 car seats, equivalent to around 12 tonnes of materials.

Life's Little Treasures Foundation supports the families of sick and premature babies. We have been supporters for eight years as the presenting partner for the foundation's major fundraising event Walk for Prems.

In FY2024, through the contributions of our customers, team and partners we were able to raise around $379k for Life's Little Treasures Foundation.

We are an active supporter of **PANDA**. PANDA offers information, services, support and counselling for parents experiencing perinatal anxiety and depression.

In FY2024 through the wonderful support of our customers end team we helped raise around $211k for PANDA.

40%

Baby Bunting has an objective of at least **40% of women** across all levels of the Group by 2030.

This has been achieved across all levels of management, with further progress to be made at the Executive level.

Mark Teperson

Chief Executive Officer

Growth plan

Baby Bunting has a strong core business as the leading specialist baby retailer in Australia with 71 stores.

We have a clear plan to stabilise the business and re-establish it as a +10% EBITDA margin business.

Delivering shareholder value

1 Grow Market share

Strengthen market position

- Leverage our strength in nursery essentials (hard goods)
- Capitalise on significant opportunity in soft goods market through our market leading hard goods offer

2 Grow EBITDA

Grow gross margin

- Clear path to grow gross margin to +40%
- Disciplined review of Cost of Doing Business

Focused media/marketing strategy

- Leverage significant customer data to provide renewed and targeted retail experience
- New revenue streams from media opportunity

3 Grow Return on invested capital

Optimised property strategy with greater discipline

- Progress roll-out of +40 stores in identified catchments
- Refresh / optimise old-format stores

Self-funded growth

- Disciplined balance sheet management to fund growth initiatives with operating cashflows

Executing on the plan

Business initiatives and revised go-to-market strategy starting to deliver

FY24 results

- **Pro Forma[1] NPAT $3.7m** (FY24 guidance $2m–$4m)
  Statutory NPAT of $1.7m

Disciplined capital management

- **Cash conversion** from operations **86%**, up 430 bps vs pcp
- **Inventory productivity**
  $7m reduction in comparable stores' inventory year-on-year
- **Net Debt finished at $13.0m** (last year $6.2m)
  Renewal of debt facility & banking covenants in compliance
- To support future growth, no final dividend was paid

FY25 trade update

On track to deliver targeted 40% gross margin for FY25

- **Q1 FY25 gross margin % was 40.3% up 240 bps vs pcp of 37.9%** driven by simplified pricing architecture and removal of Loyalty Spend & Earn in Q4 FY24, and trading terms negotiations
- Trading terms renegotiations program continues
- As at 13 October 2024, year-to-date sales delivered +2.4% total sales growth and +0.6% comp growth
- **Range innovation** featuring strongly in our best performing sub-categories

General

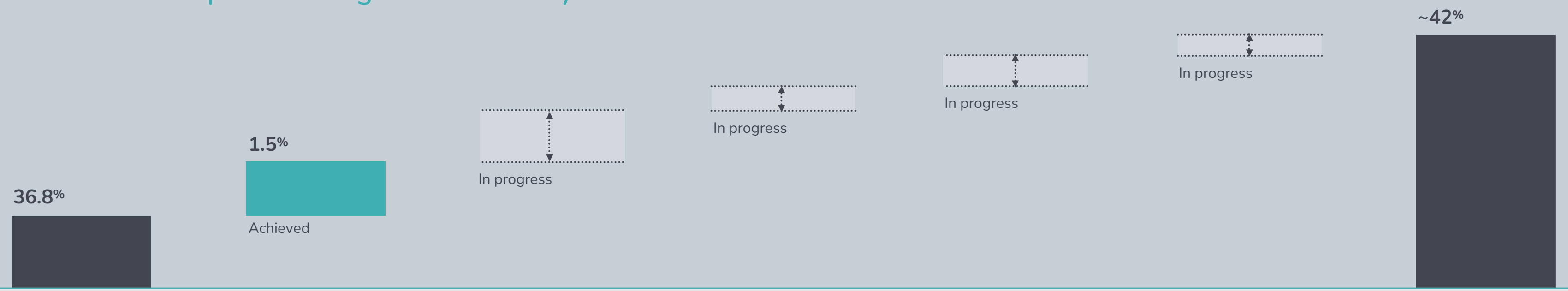
- Q1 FY25 **net debt** of $21m in line with plan and reflecting normal working capital cycles of the business
- **New store design** is on time and on target for Q3 FY25 opening

1. Pro Forma financial results have been calculated to exclude certain items, which are set out in the Appendix in this document and the Directors' Report (dated 20 August 2024).

Returning to growth | Grow EBITDA

Grow Gross Margin

In FY25, we are targeting 40% gross margin with further expansion targeted in future years



FY24 margin	Simplify price architecture	Trading terms	Amplify exclusive brands	Scale private label	De-range underperforming brands & products	Medium term target
	Eliminating layering of price discounting Enhance transparency and trust with our customers	Working with our supplier partners on terms supporting mutual growth and profitability	Prioritising exclusive brand relationships	Double the size of our private label from 10% of sales to ~20%	Inventory productivity and re- investing in newness	

Actions completed

- Completed actions
- In progress

Simplify price architecture
- (Completed) Retired Spend & Earn from the Loyalty Program in Q4 FY24 - annualised 150 bps of margin benefit

Trading terms
- (Completed) Terms agreed with several key suppliers with margin benefits starting to flow
- (In progress) Trading terms negotiation program continues with strong progress made since August

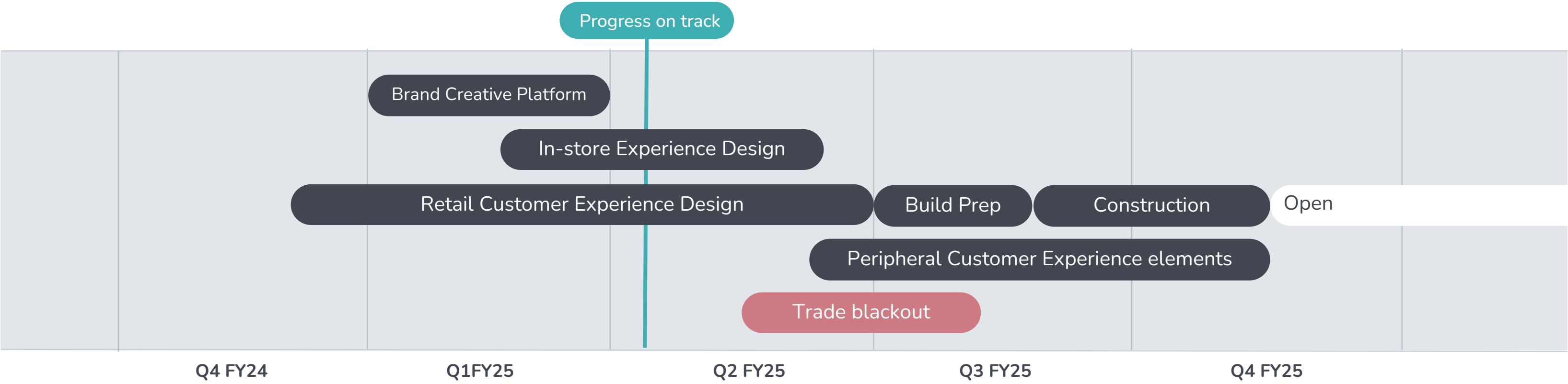
Amplify exclusive brands
- (Completed) Exclusivity agreements for Nuna products in AU (FY24-FY29) and Bugaboo products in NZ (FY24-FY27)
- (In progress) Progressing opportunities with other exclusive brands

Scale private label
- (In progress) Multi-year program for hard and soft goods

De-range underperforming brands & products
- (Completed) Targeted clearance programs underway to efficiently reduce aged inventory ahead of new ranges

Our new store experience: timetable

We're making Australia's best specialty baby goods store network even better



Redesign process materially progressed:

- We anticipate final store design plans towards the end of Q2 FY25
- First cohort of refurbished stores in market late Q3 FY25

New Store Formats to enhance experience and maximise TAM

Large store format:
Revamping our large format stores with:

- an emotionally resonant design
- activity-led merchandising

New small format stores will:

- increase footprint
- increase customer lifetime value
- offer convenience and open up new catchments

Strategic Priorities

Our Progress

Growth objectives

Deliverables

1 **Grow Market share**

Enhance customer experience

Market leading products

Exceptional experiences

Best-in-class services

Data & Analytics

We presented our growth plan in June 2024. The following represents progress that has been made in Q1 FY25

Market leading products

- ✓ **New brands launched**

  July '24: Bibs, Subo & Bunjie launched and performing well

  Aug-Sep '24: 5 new premium prams launched (ie. Nuna Demi Next, UPPAbaby Vista 3, Milly + Coup)

- ✓ **Marketplace**

  17,000 products online with more than 90 3P sellers now active

Exceptional experiences

- **Store experience**

  Design work on track with The General Store - final store design plans anticipated by Nov '24

- **Omni-channel**

  Testing for Uber same day delivery underway with go live anticipated for Q2 FY25

Best-in-class services

- **1-on-1 personalised appointments**

  Pilot of personalised appointments now live in 3 stores

- **Pram Cleaning Services**

  Pilots to be deployed in Q2 FY25

Data & Analytics

- Requirements for new **Loyalty program** being developed with design and testing to proceed in 2H FY25

✓ Completed actions

In progress

Strategic Priorities

Our Progress

Growth objectives

Deliverables

2 Grow EBITDA

Drive platform leverage

- **Gross Margin**
- **Media business**
- **New Zealand profitability**
- **Operating leverage**

We presented our growth plan in June 2024. The following represents progress that has been made in Q1 FY25

Gross Margin

- ✓ **Trading terms**

  Negotiations with key suppliers progressing with annualised margin increased in line with plan
- ✓ **Exclusive Brands**

  Progressing opportunities with other exclusive brands
- ✓ **Private Label**

  New JENGO prams recently launched

Media business

- ✓ Completed an audit and valuation of our stores & digital assets
- ◌ Building the platform and rate card to enable retail media – technology provider has been engaged

New Zealand profitability

- ✓ **Trading terms** updated for key NZ suppliers
- ✓ Dedicated New Zealand **marketing, merchandise and supply chain** resources
- ◌ **Review** underway of New Zealand supply chain and distribution network – identified opportunities expected to be progressed in 2H

Operating leverage

- ✓ Re-shaped our core team structure to align with customer shopping behaviour and deliver **operating efficiency**
- ◌ Lowering **variable costs**
- ◌ Leverage **systems investments**

✓ Completed actions

◌ In progress

Strategic Priorities

Our Progress

Growth objectives

Deliverables

Grow Return on invested capital

Disciplined capital management

Network growth

Refurbish existing store network

Inventory productivity

Re-platforming ERP/POS

We presented our growth plan in June 2024. The following represents progress that has been made in Q1 FY25

Network growth

- ✓ **Grow store network**

  Maroochydore (QLD) Aug '24

  Belmont (WA) in Q2 FY25 & Westgate (NZ) in Q4 FY25

- ✓ Multiple **small format store** locations under consideration

Refurbish existing store network

- ✓ First 3 stores to be **refurbished** in new store format have been confirmed

Inventory productivity

- ✓ **New inventory productivity benchmarks** being deployed across the business with an ongoing focus on delivering improvements in category and brand performance
- ◌ **Aged inventory** profile continues to improve in AU & NZ

Re-platforming ERP/POS

- To be progressed in FY26

✓ Completed actions

◌ In progress

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FY25 Outlook

2024 Annual General Meeting

FY25 Outlook

Stabilising the business and returning to positive earnings growth

FY25 trade update

On track to deliver targeted 40% gross margin for FY25

- **Q1 FY25 gross margin % was 40.3% up 240 bps vs pcp of 37.9%** driven by simplified pricing architecture and removal of Loyalty Spend & Earn in Q4 FY24, and trading terms negotiations
- Trading terms renegotiations program continues
- As at 13 October 2024, year-to-date sales delivered +2.4% total sales growth and +0.6% comp growth
- **Range innovation** featuring strongly in our best performing sub-categories
- **New store design** is on time and on target for Q3 FY25 opening

Outlook

FY25 outlook maintained

FY25 pro forma NPAT expected to be in the range of **$9.5m to $12.5m**, based on expectation that:

- comparable store sales growth in the range of 0% to 3%
- gross margin of 40%
- cost of doing business increases in FY25 include new & annualising store costs, wage inflation of 3.75% and additional roles & marketing to support strategy execution
- capital expenditure of $10m - $13m fully funded through operating cash flow

Outlook assumes no significant changes in economic and retail trading conditions, and no significant increases in sea freight expense

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Appendix

Appendix One

Statutory to Pro Forma Income Statement Reconciliation

$ million	FY24 Statutory FY24	FY24 Add Pro Forma Adj[1]	FY24 Pro Forma FY24	FY23 Statutory FY23	FY23 Add Pro Forma Adj[1]	FY23 Pro Forma FY23
Sales	**498.4**		**498.4**	**524.3**	(8.5)	**515.8**
Cost of sales	(314.7)		(314.7)	(328.1)	5.2	(322.8)
Gross Profit	**183.7**		**183.7**	**196.2**	(3.3)	**192.9**
Other income	0.4	(0.4) b	-	-		-
Store expenses	(81.6)		(81.6)	(78.7)	1.7	(77.1)
Marketing expenses	(9.1)		(9.1)	(8.3)	0.1	(8.2)
Warehouse expenses	(8.4)		(8.4)	(8.1)	0.1	(8.0)
Administrative expenses	(31.7)	0.5 a	(31.3)	(35.9)	1.7	(34.2)
Transformation project expenses	(1.3)	1.3 b	-	(4.7)	4.7	-
Restructuring costs	(1.4)	1.4 c	-	-		-
EBITDA	**50.5**	**2.8**	**53.3**	**60.4**	**5.1**	**65.5**
Depreciation and amortisation	(38.5)		(38.5)	(36.5)	0.2	(36.3)
EBIT	**12.0**	**2.8**	**14.8**	**24.0**	**5.3**	**29.2**
Net finance costs	(9.1)		(9.1)	(8.7)		(8.7)
Profit before tax	**2.8**	**2.8**	**5.7**	**15.2**	**5.3**	**20.5**
Income tax expense	(1.1)	(0.8) d	(2.0)	(5.4)	(0.6)	(6.0)
Net profit after tax	**1.7**	**2.0**	**3.7**	**9.9**	**4.6**	**14.5**

Pro forma financial results have been calculated to exclude the following items (refer Directors' Report (dated 20 August 2024) for further detail):

a. Expense reflects the cost amortisation of performance rights (LTI) on issue in the reporting period. This also includes a recovery of prepaid payroll tax on the plans as the EPS CAGR hurdles as defined under the LTI plan were not achieved.

b. The Company incurred non-capital costs ($1.330 million) for transformation projects. This was offset by a $0.400 million cash settlement received in December 2023 from the vendor of order management software following a dispute in relation to that software and its implementation.

c. The Company incurred restructuring costs ($1.438 million) which included make good costs relating to the Camperdown store closure ($0.186 million) and payments associated with organisational restructure including the disestablishment of a number of head office roles.

d. Tax impact from pro forma adjustments.

Appendix Two

Pro Forma Income Statement

AASB 16 Transition Impact

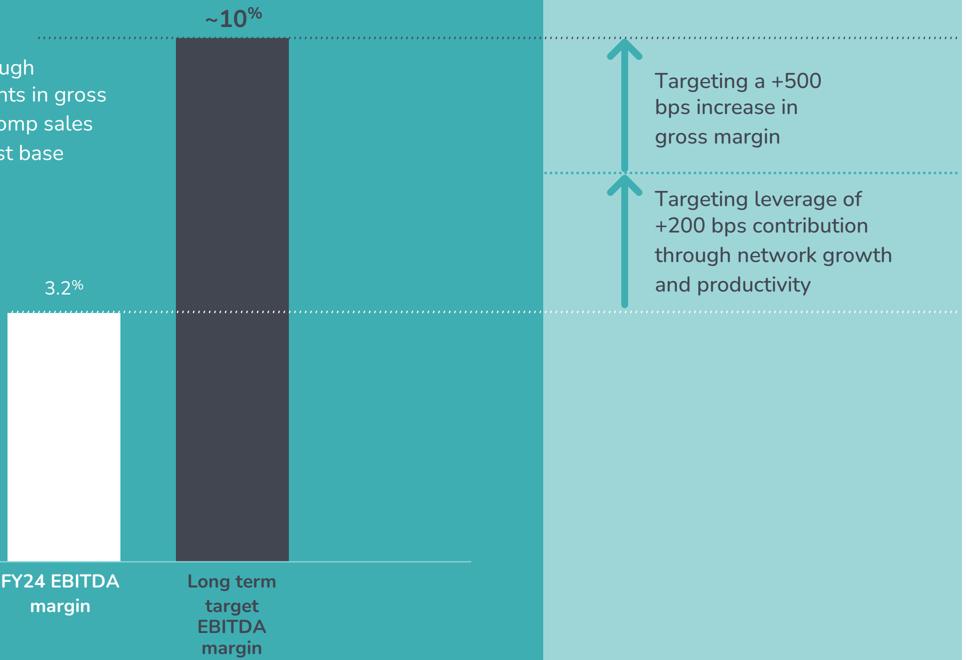
	FY24				FY23			
$ million	Pro Forma FY24	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY24	Pro Forma FY23	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	Pre-AASB 16 FY23
Sales	**498.4**			**498.4**	**515.8**			**515.8**
Cost of sales	(314.7)			(314.7)	(322.8)			(322.8)
Gross Profit	**183.7**			**183.7**	**192.9**			**192.9**
Other income	-			-	-			-
Store expenses	(81.6)		(33.3)	(114.9)	(77.1)		(30.1)	(107.2)
Marketing expenses	(9.1)			(9.1)	(8.2)			(8.2)
Warehouse expenses	(8.4)		(3.7)	(12.1)	(8.0)		(3.7)	(11.7)
Administrative expenses	(31.3)		(0.4)	(31.7)	(34.2)		(0.4)	(34.6)
Transformation project expenses	-			-	-			-
Restructuring costs	-			-	-			-
EBITDA	**53.3**		**(37.4)**	**15.9**	**65.5**		**(34.3)**	**31.2**
Depreciation and amortisation	(38.5)	29.8		(8.7)	(36.3)	28.6		(7.7)
EBIT	**14.8**	**29.8**	**(37.4)**	**7.3**	**29.2**	**28.6**	**(34.3)**	**23.5**
Net finance costs	(9.1)	7.2		(1.9)	(8.7)	7.0		(1.7)
Profit before tax	**5.7**	**37.0**	**(37.4)**	**5.3**	**20.5**	**35.6**	**(34.3)**	**21.8**
Income tax expense	(2.0)	(11.1)	11.2	(1.9)	(6.0)	(10.7)	10.3	(6.4)
Net profit after tax	**3.7**	**25.9**	**(26.2)**	**3.4**	**14.5**	**24.9**	**(24.0)**	**15.4**

Returning to growth | Grow EBITDA

Long Term EBITDA Growth

Clear path to achieve historical EBITDA margins

10% EBITDA margin achieved in FY22 through sustained improvements in gross margin and positive comp sales growth leveraging cost base



Cost of Doing Business initiatives

Lowering our variable costs

- Supply Chain efficiencies
- Customer Care productivity improvement and in-housing team
- Supplier (goods not-for resale) cost management

Leverage systems investment

- Better use of existing systems (eg. merchandise planning, inventory) to unlock further operating benefits

Simplify operating structure

- Operational excellence in processes unlocking efficiencies and simplifying execution

These deliverables are part of the stabilising and optimising actions that have commenced and will be ongoing through FY25 and into FY26.

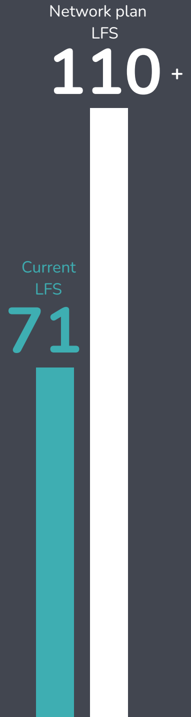
Optimise and grow store network

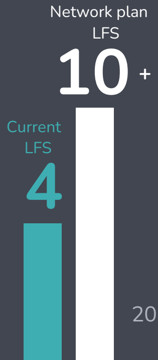
Expanding the store network into new catchments and meeting more needs of parents through new store formats

Small format stores will enable opportunity to meet more needs of parents in different locations

Small format store pilots expected to be in market Q4 FY25 followed by a period of testing and assessment

- **Network plan developed with assistance of third-party demographer.** Inputs include ABS spend, market share data, opportunities and cannibalisation
- **Network growth** is key to building omni-channel customers and growing customer lifetime value
- **Critical assessment** of opportunities in existing and targeted catchments
- **Property lease negotiations:** renegotiate leases due to expire with a whole of network lens, exit stores which do not meet benchmark ROIC





Large format stores deliver great returns

25% of stores are in their growth phase with new store roll out to come

Metro Australia	**Mature Metro Stores** (>4 yr)		
	FY2020	**FY2022**	**FY2024**
Revenue per store ($m)	7.8	8.5	7.2
EBITDA per store ($m)	1.3	1.7	1.0
Store EBITDA margin	17%	20%	14%
Return on Invested Capital	90%	119%	75%

Year 1 sales of $5m (average)

Regional Australia	**Mature Regional Stores** (>4 yr)		
	FY2020	**FY2022**	**FY2024**
Revenue per store ($m)	4.5	5.6	5.2
EBITDA per store ($m)	0.5	1.0	0.7
Store EBITDA margin	12%	18%	13%
Return on Invested Capital	50%	91%	61%

Year 1 sales of $3.5m (average)

- FY2022 was the historical high watermark in terms of sales productivity
- Mature store ROIC on average ~75%
- Average inventory and capital employed per new store opening is $1.3m
- New Zealand in infancy

Future new **large format** store roll out:

- AU: 26 large format metro stores targeted to deliver +$7m in sales (on average) at maturity
- AU: 15 large format regional AU stores targeted to deliver +$5m in sales (on average) at maturity
- NZ: further +6 large format metro stores in NZ targeted to deliver +$5m in sales (on average) at maturity (2H FY24 store run-rate +$3m)

Table above shows average data for all open stores for 4 or more years. Revenue includes click & collect sales fulfilled from store inventory of ~8% of average total store sales.
First New Zealand store opened in August 2022.

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 the impact of AASB 16 depreciation and amortisation)
PLEX	Private Label & Exclusive Products
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", "Bilbi" and "JENGO" brand names)
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
Cash Conversion from Operations	Cash Conversion from Operations (or cash conversion ratio) is calculated as Net Cash Flow from Operating Activities divided by EBITDA (pre AASB 16)