

# Baby Bunting Group Limited

Half Year Ended 1 January 2017

Results Presentation  
17 February 2017

**Matt Spencer**

Chief Executive Officer  
& Managing Director

**Darin Hoekman**

Chief Financial Officer



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## 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 2016 which includes the Directors' Report (dated 12 August 2016) 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

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.

# Baby Bunting

Baby Bunting is Australia's largest specialty retailer of baby goods, aiming to provide customers with the widest range of products, high levels of service and low prices every day

- Founded in 1979, Baby Bunting is **Australia's largest specialty baby goods retailer**
- Successful multi-channel retailer operating 40 stores across Australia, with **the leading specialty baby goods website by number of visits**
- Target market is parents-to-be, parents, friends and family purchasing products for the **0 to 3 year age group** across all demographics
- Principal product categories include **prams, cots and nursery furniture, car safety, toys, babywear, feeding, nappies, manchester, associated accessories and consumables**



# Agenda

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- 1** Results highlights
- 2** Industry overview
- 3** Business overview
- 4** Growth strategy
- 5** Financial information
- 6** Outlook
- 7** Appendix – pro forma reconciliation

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Results highlights



# 1H FY2017 Results Highlights

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1	TRADING <sup>(1)</sup>	<ul style="list-style-type: none"><li>• Sales of \$135.1 million, up 18.1% on the prior corresponding 27 week period</li><li>• Comparable store sales growth of 8.2%</li><li>• Gross profit income up 17.7%, gross margin of 34.4% is 11 bps below 1H FY2016</li><li>• Cost of doing business (pro forma) improved by 43 bps from 1H FY2016, to 26.8% of sales</li></ul>
2	EARNINGS <sup>(2)</sup>	<ul style="list-style-type: none"><li>• EBITDA (pro forma) of \$10.4 million, up 23.3% on the prior corresponding period</li><li>• EBIT (pro forma) of \$8.4 million, up 21.9% on the prior corresponding period</li><li>• NPAT (pro forma) of \$5.7 million, up 22.5% on the prior corresponding period</li><li>• Interim dividend of 2.9 cents per share (fully franked)</li></ul>
3	CAPITAL STRUCTURE	<ul style="list-style-type: none"><li>• \$3.2 million of cash at end of 1H FY2017, plus \$20.0 million undrawn borrowing facility</li><li>• Net cash flow from operating activities of \$7.6 million</li><li>• Capital expenditure of \$3.8 million</li></ul>
4	GROWTH	<ul style="list-style-type: none"><li>• EBITDA (pro forma) margin growth of 32 bps on the prior corresponding period, to 7.7% of sales</li><li>• Investment in customer experience in-store &amp; online and our people culture programs</li><li>• 4 stores opened in 1H FY2017 in Camperdown and Belrose in NSW, Preston in VIC and Baldivis in WA</li></ul>
5	OUTLOOK	<ul style="list-style-type: none"><li>• 3 new stores expected to be opened in 2H FY2017</li><li>• FY2017 EBITDA expected to be in the range of \$21.5 – \$24.5 million, excluding employee equity incentive expenses</li></ul>

## Note:

1. Pro forma financial results have been calculated to reflect the result of the consolidated entity for the previous corresponding period as if the Company was publicly listed for full comparable 27 week period. Refer to page 34 for a reconciliation of week 27 trade. In addition, the current and prior corresponding periods have been calculated to exclude employee equity incentive expenses for comparison to FY2017 guidance.
2. Refer to page 34 for a reconciliation of the non-IFRS financial information contained in this presentation to the IFRS-compliant information

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## Industry overview

### GIFT REGISTRY

Our baby gift registry is a great way to help friends and family choose the perfect gift for your baby shower, birthday, christening or any special event.

Ask a team member for assistance on how to get started.

### PARENTS ROOM

### FURNITURE

ALL THE BEST BRANDS AT LOW PRICES

EXCLUSIVE PRODUCTS & BRANDS

### GIFT REGISTRY



# Industry Overview

Estimated addressable market is ~\$2.4bn pa / ~1 million 0 to 3 year olds

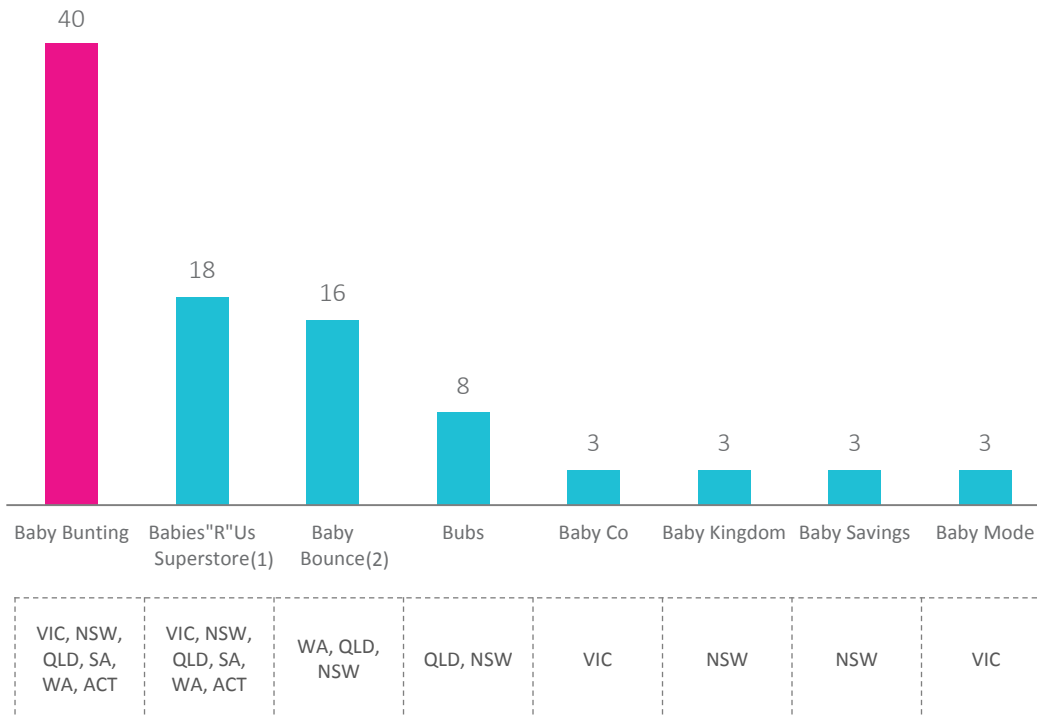
Changing competitive landscape

Large number of small, specialty players & department stores

Strict Australian mandatory product safety standards provide barriers to entry

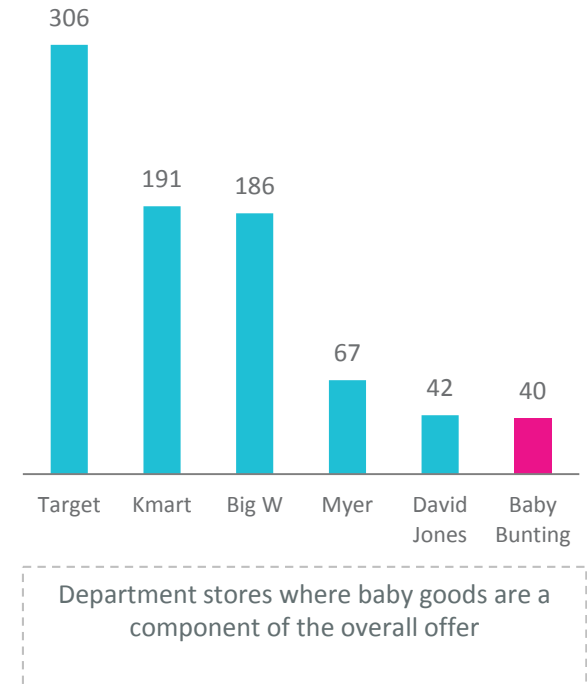
## SPECIALTY BABY GOODS RETAILERS IN AUSTRALIA

Number of Stores



## DEPARTMENT STORES IN AUSTRALIA

Number of Stores



Note:

1. Toys'R'Us has an additional 18 stores that sell a limited range of baby goods
2. Baby Bounce purchased 15 of 21 stores of the retail chain My Baby Warehouse (MBW). MBW went into administration in Dec-15



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Oricom  
Connecting you now

medela

purebaby

BONDS

gro

BABYWEAR

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Business  
overview

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# Drivers of Competitive Advantage

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# Baby Bunting's Store Network

40 stores across Australia, with significant roll-out potential to over 80 stores

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Queensland	
Helensvale	Booval
Kawana	North Lakes
Fortitude Valley	Burleigh Waters
Townsville	Capalaba
Macgregor	

New South Wales and ACT	
Penrith	West Gosford
Warners Bay	Campbelltown
Taren Point	Camperdown (21 Oct)
Auburn	Belrose (19 Dec)
Moore Park	Fyshwick (ACT)

Victoria		
Hawthorn	Ringwood	Maribyrnong
East Bentleigh	Thomastown	Bendigo
Frankston	Ballarat	Preston (19 Aug)
Taylors Lakes	Geelong	
Narre Warren	Hoppers Crossing	

South Australia	
Gepps Cross	Melrose Park

Western Australia	
Cannington	Midland
Myaree	Osborne Park
Joondalup	Baldivis (18 Nov)

# Store Experience

Stores are consistent in branding, range, operations and customer service

- ✓ The widest range of products with over 6,000 products in store
- ✓ Price match guarantee and continued investment in value for the customer
- ✓ Increasing range of Private Label and Exclusive Products
- ✓ Services include lay-by, car seat fitting, parenting room, in-store / online gift registry
- ✓ Click and collect in-store fulfilment from January 2017
- ✓ Dedicated team of knowledgeable staff to service customers individual needs
- ✓ Comprehensive range of Best Buy products to meet everyday parenting needs



Strong customer loyalty in-store & online with a Net Promoter Score of ~58 (1)

Note:  
1. Source: Baby Bunting. As at 1 January 2017. Net Promoter Score commonly referred to as NPS is a customer loyalty & satisfaction metric. Net Promoter® and NPS® are registered trademarks and Net Promoter Score and Net Promoter System are trademarks of Bain & Company, Satmetrix Systems and Fred Reichheld

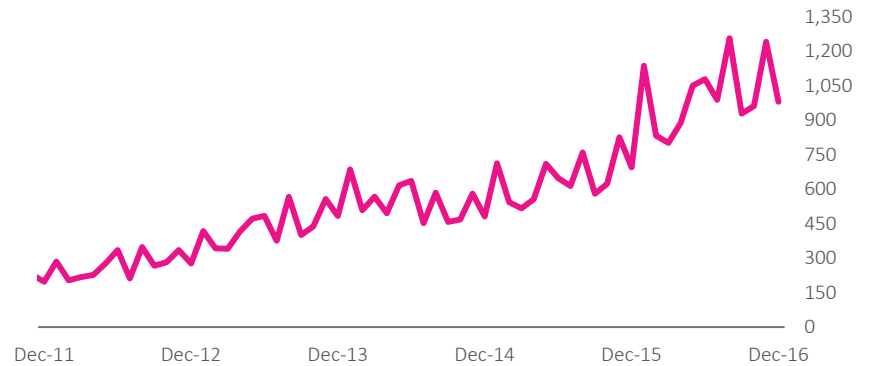
# Online

## www.babybunting.com.au continues to evolve & grow as the leading specialty baby goods website

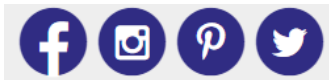
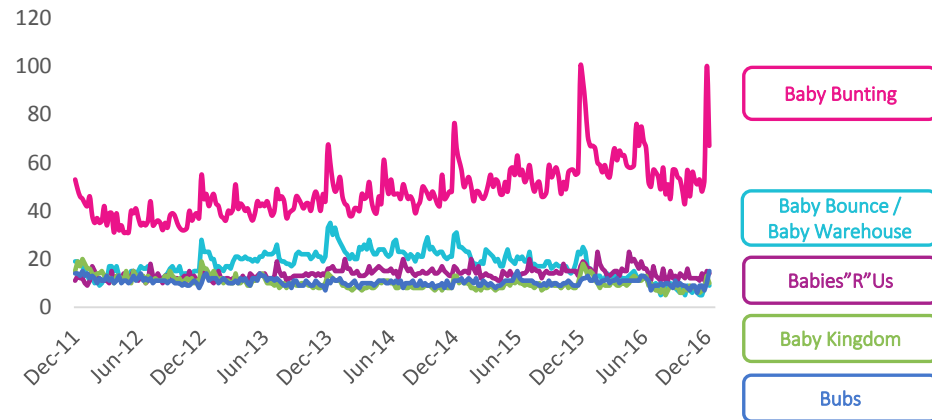
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- **Online is the largest store in the network**
- **55% increase** in website **visits** on prior comparative period, and a **44% increase** for the month of December year-on-year
- **Significant increase** in online **sales** on the prior comparable period, now approx. **5.9% of sales**
- **Social media** leveraged across Facebook, Instagram, Pinterest and Twitter
- Engagement with loyal customer base through **“baby talk”** forums

TOTAL WEBSITE SESSIONS BY MONTH (babybunting.com.au) <sup>(1)</sup>



GOOGLE TRENDS <sup>(2)</sup>



Note:



1. Source: Baby Bunting. Measures total non-unique website sessions across all devices
2. Source: Google Trends for Australia only



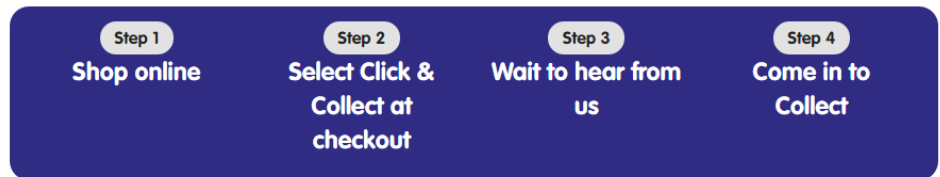
# Investment in Digital and the Customer Journey

Staying ahead of our customers' expectations across all channels is an investment priority

- **CRM** – invest to **better understand and engage with our customers** across all channels
- **Digital Team** – investing in capability
- **40 to 80+ fulfilment hubs (stores)**
- **3 hour** “order to pickup” for **click & collect**
- Rapid order fulfilment **DC to the customer**
- Investment in **digital innovation online and in-store**
- Investment in **SEO, SEM and social media platforms**

Average processing times	May 2016	December 2016	
 Order to Dispatch	~44 hours	~5 hours	89% improvement
	DC fulfilment	Store fulfilment	
 Click & Collect	~2-3 days	~3 hours	95% improvement

It's Simple, Just Follow These Easy Steps



# Sales and Marketing Strategy

Baby Bunting's sales and marketing strategy delivering value to our customers every day, every visit

- **Integrated promotions** across both traditional channels (catalogue, regional and pay TV, radio and print media), and digital channels (email, search and digital) as well as social media
- As at 1 January 2017:
  - ~**142,000 Facebook followers** up from ~130,000 in June 2016
  - ~**23,000 Instagram** and ~**2,800 Twitter** followers
  - ~**410,000 email addresses in the customer database**, up from ~360,000 in June 2016
  - ~**5.4 million catalogues** distributed at the last sales event (December Storktake 2016)
- **Pricing guarantee** providing value to our customers every day, every visit

**HUGE 12 PAGES**

**SALE**

**CATALOGUE OUT NOW** [Click to view >](#)

Colours, sizes and styles may vary from store to store. \*All ages are approximate. Not all offers available online.

for that wonderful, hilarious, frustrating, rewarding, exhausting, serious experience called parenting

**BEST PRICE GREAT ADVICE GUARANTEED!**

For more details, visit our website or search by a local number

**In-Store** | **Online** (Not all products available online) | **Click & Collect** | **\$9 Online Flat Delivery Fee** (Some exclusions apply, see babybunting.com.au/delivery-for-details)

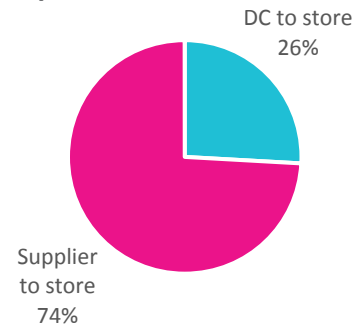
# Logistics & Supply Chain

## Continuous improvement in the Distribution Centre (DC) supporting the growth of the business

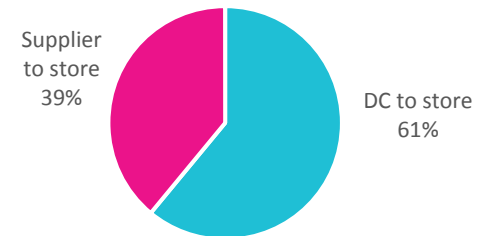
- **~1,500 products** held in the DC for store and online fulfilment and a further **~3,100 products held for online fulfilment only**
- **Supporting more stores and online sales growth** with improved **efficiency**
- **~26% of store products** are fulfilled from the DC and make up over **60% of store sales**
- **Expanded use of 3<sup>rd</sup> party logistics** improving stock flow and **customer experience** in peak trading periods
- **Supply chain opportunities** identified from source to shelf with the aim of driving continuous improvement and capability

### LOGISTICS CONTROLLED FOR KEY PRODUCTS (1H FY2017)

% of products



% of sales





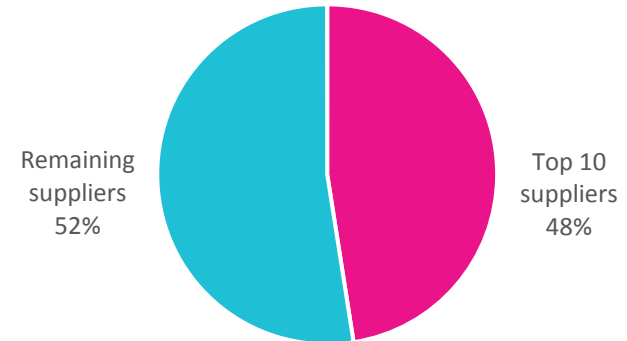
# Supplier Relationships

## Strong growth in Private Label and Exclusive Products<sup>(1)</sup>

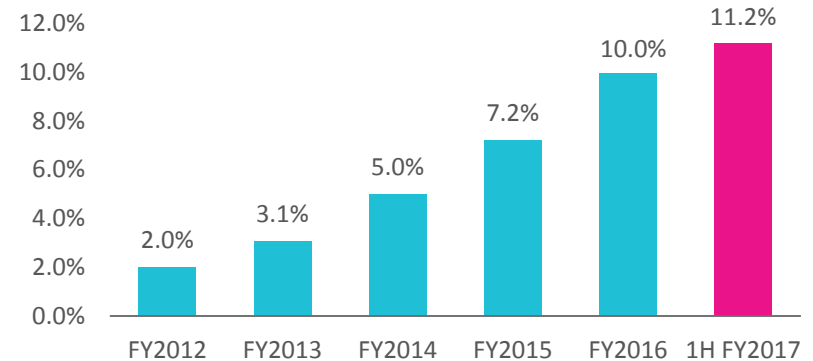
- Network of **more than 230 suppliers** across third party brands, private label and exclusive products
- **Top 10 suppliers represent 48% of sales**
- A focus of the business has been to increase the level of **direct sourcing, private label and exclusive products**
- **Private label and exclusive product sales** have grown from 10.0% of sales for FY2016 to **11.2% of sales in 1H FY2017**



SUPPLIER BREAKDOWN BY SALES (1H FY2017)



% OF SALES – PRIVATE LABEL AND EXCLUSIVE PRODUCTS



Notes:

1. Private Label and Exclusive Products includes products sold by Baby Bunting under its own 4Baby brand (ie private label products) as well as 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

# Building the Best Team

## Continued focus on the development of our growing team

- **Building the talent pipeline**
  - Inductions, training & development
  - Succession planning and performance coaching
- **Training & development**
  - Recruit, train, retain
  - New national sales & leadership training launched in 1H FY2017
- **Alignment across the Team**
  - Team alignment & engagement survey completed
  - ~50% of current employees are shareholders
- **Culture**
  - Customer focused
  - Family values based business

## BREAKDOWN OF EMPLOYEES (including casuals)

FUNCTION	Jun 2015	Dec 2015	Jun 2016	Dec 2016
Stores	550	644	700	771
Logistics	19	19	20	19
Support Office	46	55	58	63
<b>TOTAL</b>	<b>615</b>	<b>718</b>	<b>778</b>	<b>853</b>



Engagement survey completed 1H FY2017 reflecting high levels of engagement across the business

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Growth strategy



# Growth Priorities

## Multiple drivers of organic growth

1

### Growth from existing stores and online

- 43% of stores are less than 3 years old (at 1 January 2017)
- Multiple initiatives to improve customer experience across all channels
- Growing brand awareness across all states and territories
- Increased investment in digital and online

2

### Growth from new store roll-out

- Network plan of 80 plus identified trade areas with a target of 4 to 8 new store openings each year

3

### EBITDA margin improvement

- Gross margin expansion by increases in scale, improving sourcing options and managing product mix
- Leverage significant investment made in Technology, the Support Office and Distribution Centre

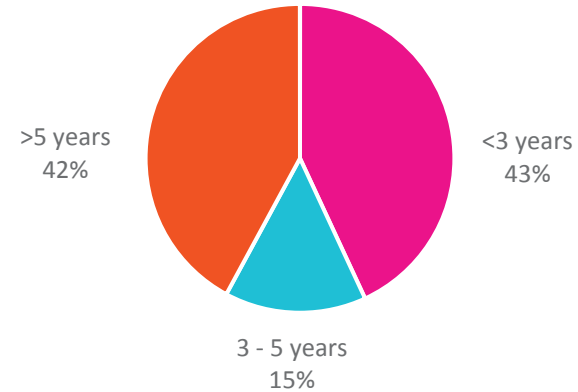
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# Growth from Existing Stores and Online

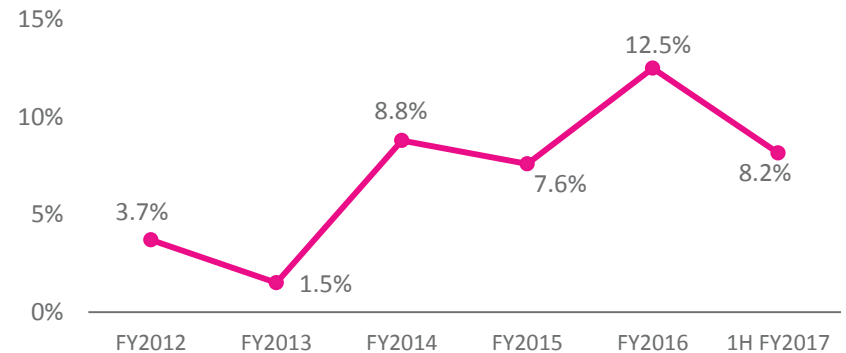
**Strong 1H FY2017 comparable store sales growth<sup>(1)</sup> of 8.2%**

- **Significant comparable store sales growth** across the network. 43% of stores were less than **3 years** old at the end of 1H FY2017
- Average comparable store sales growth of **7.0% pa since June 2012**
- **Focused strategies** to continue comparable store sales growth include:
  - **Growing brand awareness** across Australia
  - Investment in **digital** and **online capabilities**
  - Continue to improve our **in-stock** position
  - Continued investment in **training and in-store support**
  - Focus on core categories of **prams, car safety, cots & consumables**
  - Entry level pricing across a range of **Best Buy** products

STORE MATURITY PROFILE AT 1 JANUARY 2017 (YEARS OPENED)



COMPARABLE STORE SALES GROWTH (%) <sup>(1)</sup>



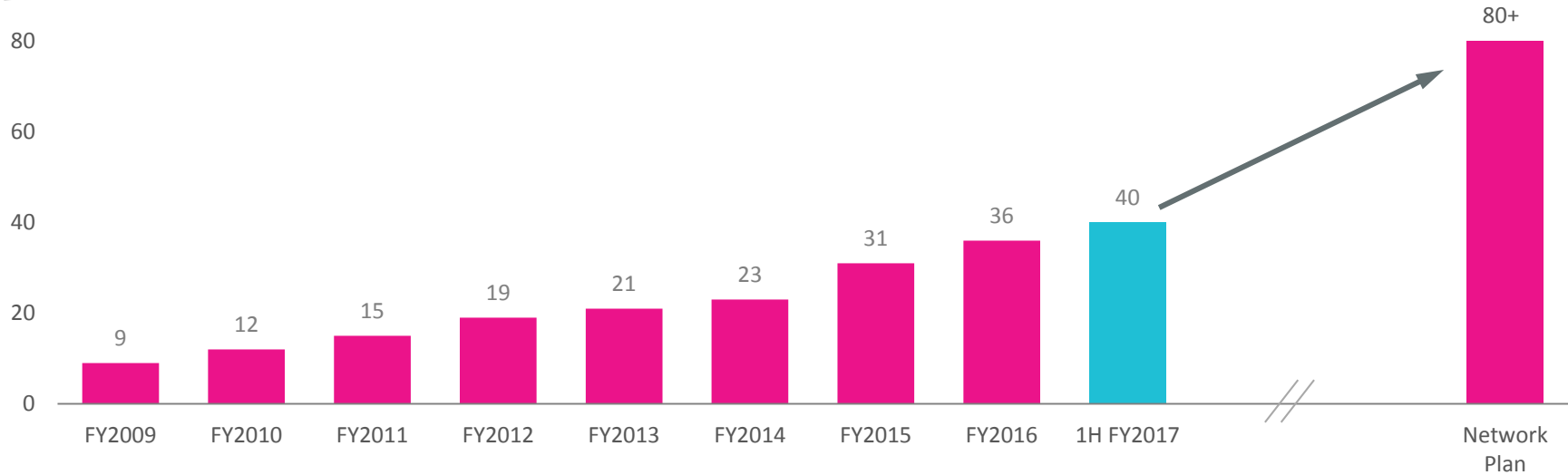
Note:

1. Refer to Glossary for a definition of comparable store sales growth

# Growth from New Store Roll-Out

4 new stores opened in 1H FY2017, 3 planned for 2H FY2017

NUMBER OF STORES



- **Opened 4 new stores** in 1H FY2017
- **Pipeline** of new store opportunities for 2H FY2017
- Target **4 to 8 new store** openings each year
- Network plan of 80 plus trade areas identified based on demographic, location and competition parameters, ~45% of remaining sites are in regional locations (population < 200,000)
- **2 regional stores** opened in FY2015 continue to trade in line with expectations
- **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** without compromising on range or service

# New Store Economics

On average, new stores deliver positive returns from year 1 and strong ROIC by year 4

	NEW BABY BUNTING STORES (ALL STORES OPENED FROM JUNE 2008)		GROUP AVERAGE (ALL STORES OPENED > 4 YEARS)
	YEAR 1	YEAR 2	FY2016
Revenue per store (\$m)	4.7	5.5	8.0
EBITDA per store (\$m)	0.3	0.5	1.2
Store EBITDA margin	6.7%	8.8%	15.4%
Return on Invested Capital <sup>(1)</sup>	~25%	~35%	>70%

- The table above shows average data for all the new stores opened from June 2008
- On average, these stores delivered approximately \$0.3 million EBITDA in year 1 and \$0.5 million in year 2
- Across Baby Bunting's portfolio of stores open for more than 4 years, the average EBITDA margin is currently ~15%
- 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

Notes:

1. Return on Invested Capital is calculated as store EBITDA 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.



# EBITDA Margin Improvement

## Product mix has shaped gross profit performance

### Gross Margin

- Gross profit income up 17.7% to \$46.5 million on a comparable 27 week basis
- Gross profit as a percentage of sales 34.4% is 11 bps lower than 1H FY2016 due to product sales mix
- Continued growth in prams, car seats, nappies and consumables and investment in value for our customers
- Provide customers with competitive pricing and lowest prices everyday
- Best Buy program expanding across key categories with ~115% increase in units sold in the first half (4Baby and national brands)

### Private Label and Exclusive Products

- Further expansion of our 4Baby range planned
- Private Label and Exclusive Products represented 11.2% of sales in 1H FY2017
- Medium term expectation is expand to around 15% of sales

**BEST BUYS**

Everything for your baby, at low prices everyday





# EBITDA Margin Improvement

## Further operating leverage achieved

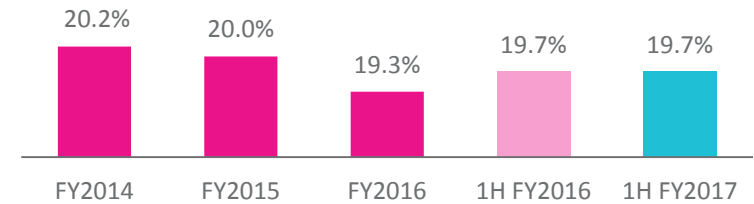
### Leverage investment in Technology, Support Office and the Distribution Centre

- Cost of doing business (pro forma) improvement of 43bps in 1H FY2017 to 26.8% of sales, from 27.2% in 1H FY2016.
- Sales growth and disciplined cost management driving leverage
- Maintained cost effective marketing spend
- Overhead leverage in Support Office and Distribution Centre expenses has been achieved despite an increased investment half-on-half (\$7.1 million to \$6.4 million on a pro forma basis)

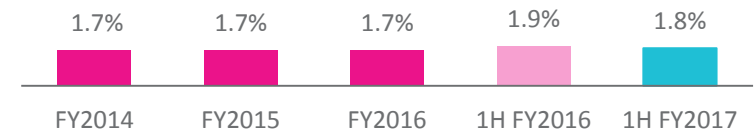


### Cost of Doing Business Metrics (% sales)

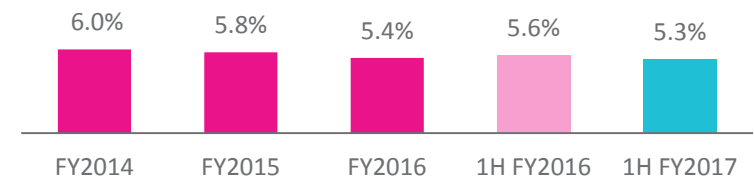
#### Store expenses



#### Marketing expenses



#### Pro forma overhead expenses



#### Note:

1. 1H FY2016 based on 27 week period. Refer to page 34 for reconciliation.
2. Refer to Glossary for a definition of Cost of Doing Business (CODB)

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Financial information

SALE  
\$259  
SAVE \$40

SALE  
25% to 30% OFF  
Cocalo  
Mix & Match  
Collection+

SALE  
499

SALE  
639

SALE  
1229

SALE  
629

SALE  
799

SALE  
849



bugaboo

Chicco

Philips Avent

with J&M

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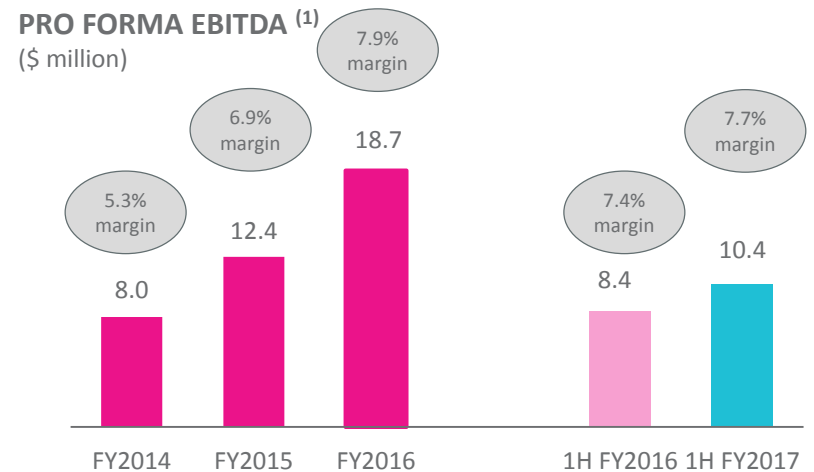
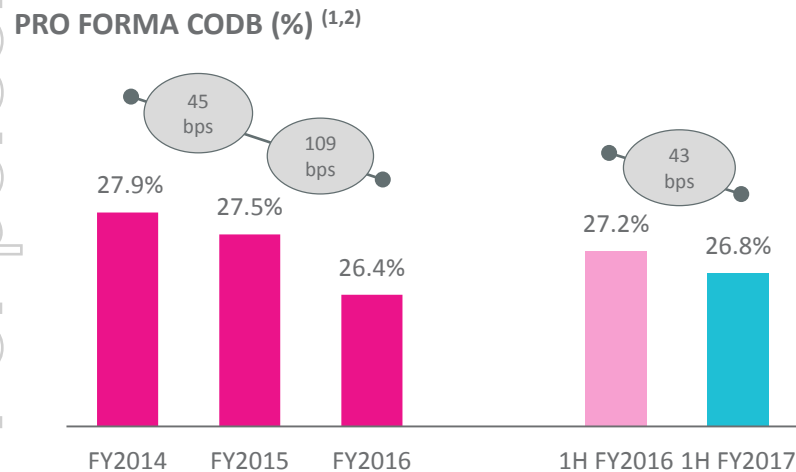
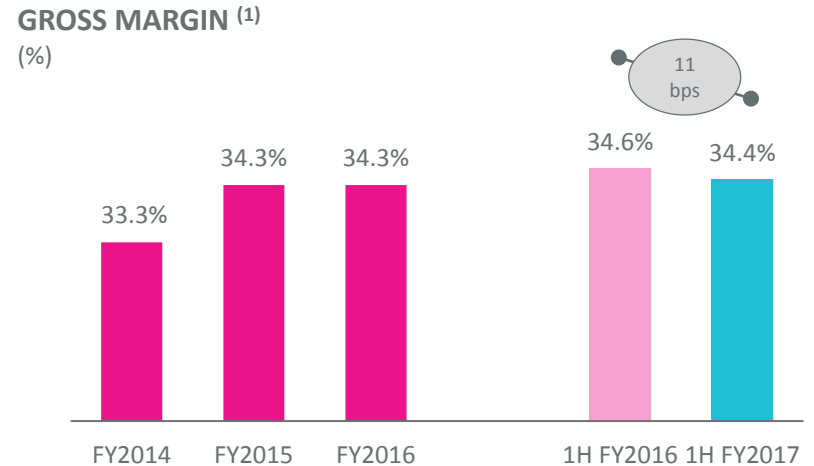
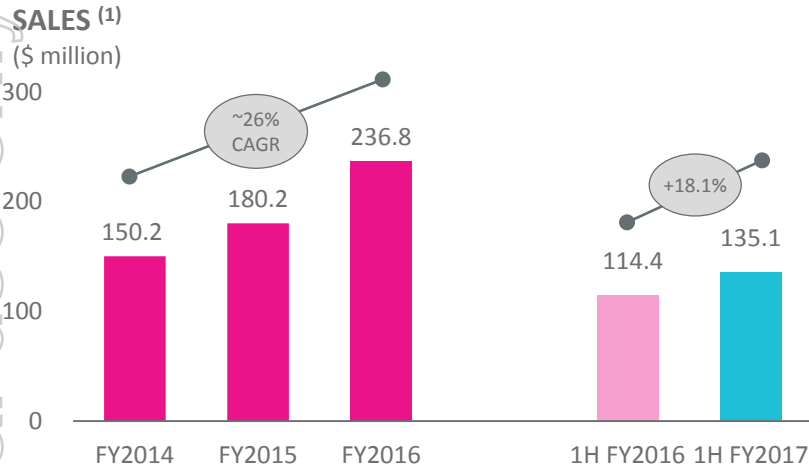
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# Strong Financial Track Record

1H FY2017 sales growth of +18.1% and pro forma EBITDA growth of +23.3% <sup>1</sup>

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**Note:**

- 1H FY2016 based on 27 week period. Refer to page 34 for reconciliation.
- Refer to Glossary for a definition of CODB (%)

# Summary Pro Forma Income Statement

## Pro forma statement of profit or loss

	Pro Forma 1H FY2017 27 weeks	Pro Forma 1H FY2016 27 weeks	Change
<b>\$ million</b>			
<b>Sales</b>	<b>135.1</b>	<b>114.4</b>	<b>18.1%</b>
Cost of sales	(88.5)	(74.9)	
<b>Gross Profit</b>	<b>46.5</b>	<b>39.5</b>	<b>17.7%</b>
<i>Gross Profit Margin</i>	34.4%	34.6%	
Cost of doing business	(36.1)	(31.1)	
<i>Cost of doing business %</i>	26.8%	27.2%	
<b>EBITDA</b>	<b>10.4</b>	<b>8.4</b>	<b>23.3%</b>
<i>EBITDA margin</i>	7.7%	7.4%	
Depreciation and amortisation	(2.0)	(1.6)	
<b>EBIT</b>	<b>8.4</b>	<b>6.9</b>	<b>21.8%</b>
<i>EBIT margin</i>	6.2%	6.0%	
Net finance costs	(0.2)	(0.2)	
<b>Profit before tax</b>	<b>8.2</b>	<b>6.7</b>	<b>22.5%</b>
Tax	(2.5)	(2.0)	
<b>Net profit after tax</b>	<b>5.7</b>	<b>4.7</b>	<b>22.5%</b>
<i>Net profit after tax margin</i>	4.2%	4.1%	

## Financial highlights

- **Total sales of \$135.1 million, up 18.1%**
  - Comparable store sales growth of 8.2%
- **Gross margin of 34.4%, up 17.7%**
- Pro forma **EBITDA of \$10.4 million**, up 23.3%
- Pro forma **Cost of doing business \$36.1 million**
  - **43 bps** leverage achieved;
  - **New store costs** of \$3.2 million (including the annualising costs of 5 stores opened in FY2016);
  - Annualising costs for software licences and moving to a **hosted IT and communications environment**;
  - **Customer service investment** improving customer loyalty; and
  - New **Support Office roles** and annualising Support Office roles added in FY2016, including roles in merchandising, IT and compliance

# Balance Sheet

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## Statement of financial position

	Statutory 01-Jan-17	Statutory 26-Jun-16
<b>\$ million</b>		
Cash and cash equivalents	3.2	7.4
Inventories	50.0	41.0
Plant and equipment	18.8	17.0
Goodwill & Intangibles	45.1	45.1
Other Assets	13.3	12.3
<b>Total Assets</b>	<b>130.4</b>	<b>122.8</b>
Payables	33.3	23.8
Borrowings	-	-
Provisions	5.6	5.4
Income tax Payable	0.9	0.8
<b>Total Liabilities</b>	<b>39.8</b>	<b>30.0</b>
<b>Net Assets</b>	<b>90.6</b>	<b>92.7</b>
<b>Net Cash / (Debt)</b>	<b>3.2</b>	<b>7.4</b>

## Capital structure

- **\$3.2 million net cash position**
- **Inventory** increase reflects 4 new stores added ~\$3 million, and ~\$6 million of inventory to support post Christmas sales ahead of supplier shutdowns in January (consistent with historical trends)
- Payables increase in line with inventory
- Undrawn **borrowing facility** of \$20 million

## Dividends

- **FY2016 dividend of 6.3 cents (fully franked) or \$7.9 million** paid in September 2016
- **1H FY2017 interim dividend of 2.9 cents (fully franked)**
- Board's policy is to target an ongoing payout ratio of **70% - 100% of NPAT**

# Cash Flow Statement

## Statement of cash flows

\$ million	Statutory	Statutory
	1H FY2017	1H FY2016
	27 weeks	26 weeks
<b>EBITDA<sup>1</sup></b>	<b>10.4</b>	<b>7.9</b>
Movement in working capital	0.2	(4.4)
Tax Paid	(2.8)	(3.9)
Net finance costs paid	(0.2)	(0.3)
<b>Net cash flow from operating activities</b>	<b>7.6</b>	<b>(0.6)</b>
New store capex	(2.6)	(2.1)
Capex (excluding new stores)	(1.2)	(1.6)
<b>Operating cashflow</b>	<b>3.8</b>	<b>(4.3)</b>
Net proceeds from issue of shares	-	25.1
Dividends paid	(7.9)	(16.1)
Borrowings (net)	-	(1.0)
<b>Net cash flow</b>	<b>(4.1)</b>	<b>3.7</b>

1. Excludes IPO transaction costs expensed and equity expenses. Refer to page 34 for reconciliation.

- **Working capital maintained** despite 4 new store openings and investment in inventory to support strong sales growth
- **Tax paid** includes finalisation of FY2016 tax return (\$0.8m) and FY2017 provisional tax (\$2.0m)
- **Capital expenditure** (excluding new stores) included investments in:
  - Improved website, adding click & collect in-store fulfilment functionality;
  - Completion of signage upgrade program across the existing network of stores (commenced FY2016); and
  - Additional investment in store fixtures to improve the customer shopping experience

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Outlook



# Outlook

## FY2017 outlook reflecting continuing strong trading performance and new store rollout

- **FY2017 guidance:**

- Anticipate a further 3 new stores to be opened in 2H FY2017
- EBITDA expected to be in the range of \$21.5 million to \$24.5 million, representing growth of between 15% to 31%. This excludes employee equity incentive expenses
- Comparable store sales growth as at 12 February 2017 is 8.0% year to date. This is expected to moderate to be more in line with the historical average (mid single digit) as we cycle against the prior year's strong comparable store sales growth

Note: Refer to "Forward looking statements" section on page 2 of this Investor Presentation (regarding the risks associated with forward looking statements). Please also refer to section 4 of the 2016 Directors' Report (dated 12 August 2016) which describes some of the key risks and uncertainties that may have an effect on the Company's ability to execute its business strategies.





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Appendix –  
pro forma  
reconciliation



# Statutory - Pro Forma Income Statement Reconciliation

1H FY2017			
	Statutory 1H FY2017	Add Pro Forma adjustments <sup>(a)</sup>	Pro Forma 1H FY2017 27 weeks
<b>\$ million</b>			
<b>Sales</b>	<b>135.1</b>		<b>135.1</b>
Cost of sales	(88.5)		(88.5)
<b>Gross Profit</b>	<b>46.5</b>		<b>46.5</b>
Cost of doing business:			
Store expenses	(26.5)		(26.5)
Marketing expenses	(2.4)		(2.4)
Warehouse expenses	(1.8)		(1.8)
Administrative expenses	(6.0)	0.6	(5.4)
IPO transaction costs expensed	0.0		0.0
<b>EBITDA</b>	<b>9.8</b>	<b>0.6</b>	<b>10.4</b>
Depreciation and amortisation	(2.0)		(2.0)
<b>EBIT</b>	<b>7.7</b>	<b>0.6</b>	<b>8.4</b>
Net finance costs	(0.2)		(0.2)
<b>Profit before tax</b>	<b>7.6</b>	<b>0.6</b>	<b>8.2</b>
Income tax expense	(2.3)	(0.1)	(2.5)
<b>Net profit after tax</b>	<b>5.2</b>	<b>0.5</b>	<b>5.7</b>

1H FY2016					
	Statutory 1H FY2016 26 weeks	Add Pro Forma adjustments <sup>(a)</sup>	Pro Forma 1H FY2016 26 weeks	Add 1H FY2016 Week 27 <sup>(a)</sup>	Pro Forma 1H FY2016 27 weeks
	<b>108.2</b>		<b>108.2</b>	<b>6.2</b>	<b>114.4</b>
	(70.6)		(70.6)	(4.3)	(74.9)
	<b>37.6</b>		<b>37.6</b>	<b>1.9</b>	<b>39.5</b>
			0		
	(21.6)		(21.6)	(1.0)	(22.6)
	(2.0)		(2.0)	(0.2)	(2.2)
	(1.7)		(1.7)	(0.1)	(1.7)
	(5.3)	0.8	(4.4)	(0.2)	(4.6)
	(1.9)	1.9	0.0	0.0	0.0
	<b>5.2</b>	<b>2.7</b>	<b>7.9</b>	<b>0.5</b>	<b>8.4</b>
	(1.5)		(1.5)	(0.1)	(1.6)
	<b>3.7</b>	<b>2.7</b>	<b>6.4</b>	<b>0.5</b>	<b>6.9</b>
	(0.2)	0.1	(0.2)	(0.0)	(0.2)
	<b>3.5</b>	<b>2.7</b>	<b>6.2</b>	<b>0.5</b>	<b>6.7</b>
	(1.2)	(0.7)	(1.9)	(0.1)	(2.0)
	<b>2.3</b>	<b>2.1</b>	<b>4.4</b>	<b>0.3</b>	<b>4.7</b>

(a) Pro forma financial results have been calculated to:

- reflect the result of the consolidated entity for the previous corresponding period as if the Company was publicly listed for full comparable 27 week period; and
- exclude employee equity incentive expenses. The Company has previously issued guidance for FY2017 (on 12 August 2016) on the basis that employee equity incentive expenses were excluded.

The Baby Bunting Financial Report for the half-year which includes the Directors' Report (dated 17 February 2017) contains further details of the above adjustments under the section "Pro forma financial results".

# Glossary

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|--------------------------------------|--|
| <b>Comparable Store Sales Growth</b> | <ul style="list-style-type: none"><li>• 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 corresponding period, provided the stores were open at the beginning of the prior financial year</li></ul>  |
| <b>Cost of Doing Business (CODB)</b> | <ul style="list-style-type: none"><li>• Includes store, administrative, marketing and warehousing expenses (excluding depreciation and amortisation)</li></ul>   |
| <b>Exclusive Products</b>            | <ul style="list-style-type: none"><li>• 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</li></ul> |
| <b>Private Label</b>                 | <ul style="list-style-type: none"><li>• Products sold by Baby Bunting under its own brand (Baby Bunting currently markets its private label products under the 4Baby brand name)</li></ul>   |
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**Thank You!**