



11 August 2017

Baby Bunting Group Limited (ASX: BBN)

Baby Bunting Group Limited – FY17 Full Year Results

Key financial highlights

- Total sales of \$278.0 million, up 17.4% on the prior corresponding period (pcp)
- Comparable store sales growth of 6.9%
- Gross profit of \$95.3 million, up 17.4% on pcp. Gross profit as a percentage of sales was consistent with the prior financial year at 34.3%
- Pro forma* earnings before interest, tax, depreciation, and amortisation (EBITDA) of \$23.0 million, up 23.0%
- Pro forma EBITDA margin increased by 38 basis points to 8.3%
- Pro forma net profit after tax (NPAT) of \$13.0 million, up 21.9% and statutory NPAT of \$12.2 million, up 47.0%
- Total cash of \$6.4 million at the end of the financial year
- Final fully franked dividend of 4.3 cents per share (record date is 25 August 2017)

Baby Bunting Group Limited (Baby Bunting or the Company) today reported net profit after tax for the financial year ended 25 June 2017 of \$12.2 million, up 47.0% on the prior corresponding period. Baby Bunting's pro forma net profit after tax was \$13.0 million, an improvement of 21.9% (FY2016: \$10.6 million).

Baby Bunting's pro forma EBITDA was \$23.0 million, up 23.0% on FY2016 (\$18.7 million). This was at the mid-point of the Company's FY2017 earnings guidance range of \$21.5 million to \$24.5 million.

Matt Spencer, CEO & Managing Director, said "2017 was another successful year for Baby Bunting. Sales increased 17.4% on the prior year to \$278.0 million, our store network expanded by 6 stores and we achieved growth in earnings and profitability. This is a result our team can be very proud of."

Business Performance

The Company had 42 stores at the end of the year, having opened new stores in Preston in Melbourne, Camperdown, Belrose and Blacktown in Sydney (the largest market), Baldivis, south of Perth and Mile End in Adelaide. In July 2017, the Company opened its 43rd store in Munno Para, a suburb north of Adelaide.

Comparable store sales growth was 6.9%, which is a growth rate in line with our expectations and the Company's long term historical average. Earnings results were also very positive with pro forma NPAT growth of 21.9% and pro forma EBITDA growth of 23.0% on the 2016 financial year.

** Pro forma financial results have been calculated to exclude the non-cash impact of employee equity incentive expenses and in relation to the comparative period to reflect the results as if the Company was publicly listed for the full year. Refer to Section 2.6 of the Company's Directors' Report (dated 11 August 2017) for a reconciliation between statutory and pro forma financial results.*



Gross profit increased 17.4% to \$95.3 million (FY2016: \$81.2 million). Gross profit as a percentage of sales was 34.3%, consistent with the prior corresponding period. In the second half, gross profit margin improved by 25 basis points on the prior corresponding half. Pro forma cost of doing business as a percentage of sales improved by 37 basis points to 26.0% (FY2016: 26.4%).

“Our aim is to be the most loved baby retailer for every family, everywhere” said Matt Spencer. “We believe we have a compelling offer for customers as we provide a range of services, great advice, the widest selection of products and at low prices every day. To further support this, we have commenced offering everyday low pricing on our Best Buys range of products and, in July 2017, we have expanded this offer to cover our core range of car seats. We are taking a leading position on value to deliver great prices to our customers every day and every visit.”

Supporting new and expectant parents in navigating the early years of parenthood is our core purpose. During the year we introduced the opportunity for customers to provide feedback at the conclusion of each transaction by way of a Net Promoter Score (NPS). The NPS for the year was 63. Matt Spencer continued: “NPS is one measure we use to track customer loyalty and advocacy to the Baby Bunting brand. This is an important measure as we know that around 60% of new customers are directed to us through word-of-mouth.”

Online and digital

Online sales increased by 76% to be 6.4% of sales. We improved our click & collect service during the year, with the commencement of in-store fulfilment of click & collect orders. This has resulted in a significant reduction in the time it takes to fulfil click & collect orders. On average click and collect orders are fulfilled in about 3 hours.

A Customer Relationship Management (CRM) system and marketing automation platform were introduced in the year and have now been deployed. The CRM system will provide a single view of the customer and their shopping preferences across the store network and online. The marketing automation platform will improve customer engagement via personalised and relevant communication.

Dividend

The Board has announced a final fully franked dividend of 4.3 cents per share. Together with the interim dividend of 2.9 cents per share, the total dividend payment for the year is 7.2 cents per share (equivalent to approximately 70% of the Company’s FY2017 pro forma NPAT) (FY2016: 6.3 cents per share).

The record date for the dividend is 25 August 2017 and the dividend will be paid on 15 September 2017.

Invest to grow

During the year, Baby Bunting expanded its store network and grew market share in store and online. During FY2018, the Company intends to make further investments in technology, digital and supply chain initiatives, among other things, to ensure that Baby Bunting is well positioned to continue to grow and better serve its customers.

Please refer to “Forward looking statements” section on page 2 of the Investor Presentation dated 11 August 2017 (regarding the risks associated with forward looking statements). Please also refer to section 4 of the Directors’ Report (dated 11 August 2017) which describes some of the key risks and uncertainties that may have an effect on the Company’s ability to execute its business strategies.



FY2018 Outlook

The current outlook for FY2018# is:

- around \$4 million capital for infrastructure and capability to deliver growth, plus investment in new stores and refurbishments, and up to \$3 million investment in operating expenditure of which \$0.5 million is non-recurring;
- at 6 August 2017, year to date sales growth was 8% and comparable store sales growth was -4%, reflecting differences in the promotional program and lower pram sales;
- we expect comparable store sales growth to be mid-single digits for the year;
- EBITDA (excluding employee equity incentive expenses) is expected to be in the range of \$25.3 million to \$27.0 million. This represents growth of between 10% to 17%;
- five to eight new store openings. In addition to the Munno Para (SA) store that opened in July 2017, we expect to open another two stores later in 1H FY2018.

Investor conference call

A presentation and a discussion will be hosted by Matt Spencer (CEO & Managing Director) and Darin Hoekman (CFO) at **10.30am (AEST) on Friday, 11 August 2017**.

To access the call, you must register promptly by 10.30am (AEST) using the details below:

Australian guests	Dial: 1800 725 000
International guests	Dial: +61 2 8373 3610
Conference ID	5654 1667#

Further information and enquiries

Darin Hoekman
Chief Financial Officer
email: darinh@babybunting.com.au
Phone: 03 8795 8100

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