



ASX announcement

17 February 2017

Baby Bunting Group Limited – FY2017 1H Results

Baby Bunting Group Limited (ASX: BBN) (**Baby Bunting** or the **Company**) today announced its financial results for the half year ended 1 January 2017.

Key financial highlights

The key financial highlights include:

- sales of \$135.1 million, up 18.1% on the prior corresponding 27 week period*;
- comparable store sales growth of 8.2%;
- statutory EBITDA of \$9.8 million, up 87.4% on the prior corresponding reporting period;
- pro forma* EBITDA of \$10.4 million, up 23.3% on the prior corresponding period;
- statutory NPAT of \$5.2 million, up 131.1% on the prior corresponding reporting period;
- pro forma NPAT of \$5.7 million, up 22.5% on the prior corresponding period;
- an interim dividend of 2.9 cents per share (fully franked).

** 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 the full comparable 27 week period, and to exclude employee equity incentive expenses. The Company has previously issued guidance on the basis that employee equity incentive expenses were excluded.*

Business performance

Matt Spencer, CEO & Managing Director, said “We have delivered a solid result for the first half of FY2017. We have continued to see strong sales growth, with sales of \$135.1 million for the half being an increase of 18.1% against the prior 27 week corresponding period.

“Pro forma EBITDA for the period increased 23.3% (against the prior corresponding period) to \$10.4 million. Pro forma NPAT was \$5.7 million, an increase of 22.5% against the prior corresponding period.

“Comparable store sales growth was 8.2%. This is in line with our expectations, as we had anticipated that comparable stores sales growth would moderate to be more in line with the long term historical average – being mid-single digit growth.”

Matt Spencer continued: “I am also happy with the performance of the new store roll-out program. We have continued to expand the network by four stores in the half, including two stores in Sydney which is our largest market opportunity in Australia. Complementing our store roll-out has been the very pleasing growth of our online channel which continues to expand at a rapid rate.”

New store roll-out

During the half, the Company opened its 40th store at Belrose, a suburb in the northern beaches of Sydney. Stores were also opened in Camperdown (in inner Sydney), Preston (a northern suburb of Melbourne) and Baldivis (in a fast growing region south of Perth).

The Company’s network plan has a target of growing the store network to over 80 stores and the Company aims to open between four and eight new stores each year. For the remainder of the financial year, the Company expects to open another three new stores.

Online and digital

Investment in online and digital is continuing and online sales accounted for 5.9% of sales for the period, an increase of 94% against the prior corresponding period. In January 2017, Baby Bunting transitioned its click and collect service from a centralised fulfilment model to a store based fulfilment model. Matt Spencer commented: “This investment has resulted in some great improvements in customer experience, with click and collect orders now being fulfilled and ready for collection from stores in around 3 hours of the online order being placed. We see our stores as fulfilment hubs and the number of these will grow to over 80 as we continue our store roll-out in line with our network plan.”

Investments in improving customer experience

The business continues to invest in pricing and value, processes and systems to support the expanding store network and to further strengthen the Company’s core commitment to improving the customer experience. Examples include:

- Working to develop a Customer Relationship Management (**CRM**) system which will give Baby Bunting a single view of the customer and provide the opportunity to deliver a personalised experience and a much improved customer engagement across its digital and in-store channels.
- Expanding the Best Buy program across key categories resulting in over 100% increase in units sold, demonstrating the commitment to the strategy of offering value to customers every day and every visit.
- Introducing an ability for customers to rate their experience each time they transact with Baby Bunting. The “net promoter score” based on all responses received at the end of the reporting period was 58. This displays a strong level of customer loyalty with the Baby Bunting brand. Nevertheless, the Company continues to work on opportunities to improve customer experience.
- Investing in a national training program for sales and leadership across the store network, to continue to improve the customer experience.
- Undertaking an inaugural employee engagement survey, designed to measure the alignment and engagement of the Company’s employees throughout Australia. The survey results have assisted in identifying areas of focus as the Company continues with its theme of “building the best team”.

Dividend

The Board has announced an interim dividend of 2.9 cents per share (fully franked). The record date for the dividend is 3 March 2017 and the dividend will be paid on 17 March 2017.

Outlook

The outlook for the balance of FY2017[#] is:

- Three new store openings are expected, bringing the number of new stores for the full year to seven;
- EBITDA is expected to be in the range of \$21.5 million to \$24.5 million. This represents 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 long term historical average (mid single digit) as we cycle against the prior year’s strong comparable store sales growth.

Please refer to “Forward looking statements” section on page 2 of the Investor Presentation dated 17 February 2017 (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.

Investor conference call

A presentation and a discussion will be hosted by Matt Spencer (CEO & Managing Director) and Darin Hoekman (CFO) at **10.30am (AEDT)** on **Friday, 17 February 2017**.

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

Australian guests	Dial: 1800 725 000
International guests	Dial: +61 2 8373 3610
Conference ID	5924 9415#

Further information and enquiries

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