

A photograph of a woman with dark hair, wearing a white t-shirt, kissing a baby on the cheek. The baby is lying on its back, wearing a white onesie, and looking towards the camera. The background is a light-colored, patterned fabric.

BabyBunting

Record sales and margin. Momentum builds.

FY26 Half Year Investor Presentation

Mark Teperson Chief Executive Officer

Darin Hoekman Chief Financial Officer

17 February 2026

Important notice and disclaimer

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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/investor-centre).

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Our Vision

**The best
start for
the brightest
future**

Our Mission

**To support & inspire
confident parenting,
from newborn
to toddler**

Results Summary

FY26 Half Year Investor Presentation

Mark Teperson Chief Executive Officer

1H FY26 results summary

Record half sales and gross margin achieved

Sales growth

6.7%

Comparable store sales growth
up 4.7% vs pcp

Store of the Future

Sales growth¹ **25%** vs pcp

Target range 15% to 25%
9 stores now refurbished and trading

Gross Margin

41.0%

up 124 bps vs pcp
FY26 guidance was 41.0%

Pro Forma² NPAT

\$5.0m

up 4.1% vs pcp
1H FY26 guidance \$4.5m – \$5.5m

Underlying⁵ NPAT

\$7.2m

up 44% vs pcp
excluding significant items of \$3.2m relating
to network optimisation and refurbishments

EBITDA⁴

\$14.6m

Underlying³ 6.0% of sales

1. Average sales growth % since re-opening up until 29 December 2025 for the 9 refurbished stores. 3 stores in FY25 and 6 stores in FY26.
2. Pro Forma NPAT excludes certain items as detailed in the Appendices to this presentation and in the Half Year Report dated 17 February 2026.
3. Underlying Pro Forma NPAT excludes significant items, reconciliation included in Appendices.
4. EBITDA calculated excluding impact of AASB 16 lease accounting.

Operating highlights

Store network transformation continues at pace

- ✓ 6 x **Store of the Future** refurbishments completed, taking our Store of the Future fleet to 9 stores
- ✓ 2 x **large format stores opened** in Dubbo (NSW) and Westgate (NZ)
- ✓ **Network optimisation** with exit of Hornsby (NSW) and relocation of Bentleigh (VIC) to Mentone (VIC)
- ✓ 3 x **BabyBunting Junior** small format pilot stores opened in Marion (SA), Plenty Valley (VIC) and Robina (QLD)
- ✓ Appointed new **GM of Merchandise & Planning** and new **Executive Head of Property**, bringing added strategic depth and domain expertise to the executive leadership team
- ✓ Scaled **online delivery** to 100% fulfilment from stores, optimising delivery costs and leveraging existing store labour
- ✓ **BabyBuntingMedia** new income stream launched in December 2024, currently tracking to plan at ~1% of sales
- ✓ **Exclusive three-year brand partnership agreement** signed with Stokke
- ✓ **Clear pathway to profitability in NZ**, with comparable store sales growth of 16% and gross margin improvement of 140 bps. Overhead reduction tracking to plan



Record sales performance

New store formats and more ways to shop driving sales growth

Comparable store sales growth

up **4.7%**

Q1: 3.7% Q2: 5.6%

Store of the Future

up **25%**

9 refurbished stores
now open & trading

- ✔ **Store of the Future:** 6 stores refurbished in 1H have further validated this investment program and market share growth opportunity
- ✔ Excluding refurbishment impacted stores¹, **underlying comparable store sales growth was 5.7%**

Active Customer Growth

up **2.2%**

Q2 customer growth up 3.3%

Online sales

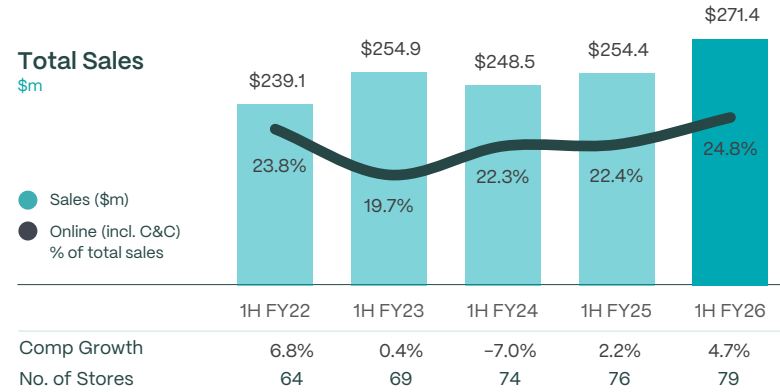
up **18%**

now 24.8% of sales
up from 22.4% last year

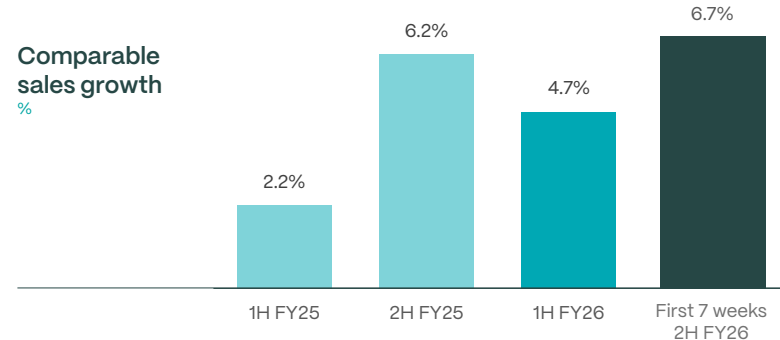
- ✔ Strategic investment in marketing driving sales and customer acquisition
- ✔ Online sales growth underpinned by introduction of same day/next day delivery and opening up full store network to online fulfilment

1. Refurbishment Impacted stores include the 6 refurbished stores (closed for an average of 10 weeks each during 1H FY26), as well as 5 adjacent stores that benefitted from sales redirection during these closure periods

Total Sales
\$m



Comparable sales growth
%



Gross margin performance

Annualising trading terms & exclusive brand growth driving margin expansion

Gross margin

41.0%

up 124 bps vs pcp
Q1: 40.6% Q2: 41.4%

Gross profit \$ growth

up 10.0%

Q1: up 6% Q2: up 14%

Softgoods growth

up 14.2%

Strong growth continues in higher-margin softgoods

PLEX % of sales

48.6%

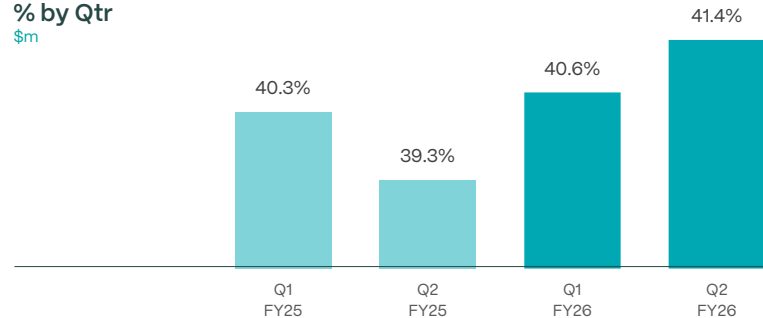
up 250 bps vs pcp

- ✓ Full 1H benefit from **supplier terms renegotiated** in 1H FY25
- ✓ Continued **product innovation** and **reduced clearance** activity
- ✓ **Exclusive partnership agreements** with Nuna, Edwards & Co (AU) and Bugaboo (NZ) delivering strong returns
- ✓ **BabyBuntingMedia** on track to deliver \$2m-\$3m of additional gross margin

Gross Profit
\$m



Gross Profit
% by Qtr
\$m



Profit & loss

First half guidance met with 2H profit outlook maintained

\$ million	Pro Forma 1H FY26	Pro Forma 1H FY25	Change
Sales	271.4	254.4	+6.7%
Comp growth %	4.7%	2.2%	
Cost of sales	(160.0)	(153.1)	
Gross Profit	111.4	101.3	+10.0%
Gross Profit Margin	41.0%	39.8%	
Cost of doing business¹	(96.8)	(87.2)	+11.0%
Cost of doing business %	35.7%	34.3%	
EBITDA¹	14.6	14.0	+3.8%
EBITDA margin %	5.4%	5.5%	
Impact of AASB 16 application			
– Reverse operating leases expenses	18.9	17.8	
– Add ROU Asset Depreciation & Interest	(18.9)	(18.6)	
Depreciation – Plant & Equipment	(6.3)	(4.4)	
Finance costs – Borrowings	(1.0)	(1.0)	
Profit before tax	7.3	7.8	
Income tax expense	(2.3)	(3.0)	
Net profit after tax²	5.0	4.8	+4.1%
Net profit after tax margin %	1.8%	1.9%	

Commentary

Total sales of \$271.4m, up 6.7% vs pcp, driven by comparable store sales growth of 4.7%, plus the opening of five new stores during the half and annualisation of two stores opened in 1H FY25

Gross margin of 41.0%, up 124 bps vs pcp, reflecting annualised trading terms and Private Label & Exclusive Product growth

CODB¹ \$96.8m, up \$9.6m vs pcp (now 35.7% of sales) which includes significant items of \$1.9m:

- \$0.8m relating to network optimisation associated with the exit of the Hornsby (NSW) store & relocation of Bentleigh (Vic) to Mentone (Vic)
- \$1.1m associated with the relaunch of our Store of the Future stores

Depreciation expense includes \$1.3m of accelerated depreciation for refurbishment of the Store of the Future stores

Excluding these significant items, the Group delivered **underlying Pro Forma NPAT of \$7.2m**, 44% growth vs pcp. *Refer appendices for reconciliation.*

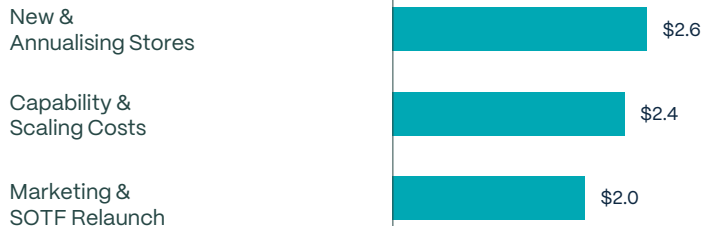
1. Pre AASB 16 application (ie. excluding the impact of lease accounting)
2. Refer to Appendices for reconciliation between statutory and pro forma profit

Cost of doing business¹

CODB \$96.8m, increased by \$9.6m vs pcp (now 35.7% of sales):

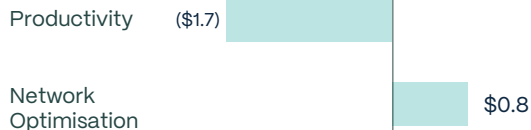
\$million

Growth investment



Inflation \$3.5

Productivity initiative



Commentary

New stores 5 new stores, 2 annualising stores delivering incremental EBITDA and 4 year maturation profile driving future period earnings growth and CODB leverage

Capability & scaling costs including expanded store build team, investment in data & analytics and Retail Media teams and some operational roles to support network expansion. As we elevate capability there has been some limited restructuring costs

Marketing & Store of the Future (SotF) relaunch investments have elevated our investment performance, social and brand marketing. Also, significant upweighting in our store opening investments. Further detail Slide 11.

Inflation of \$3.5m with key impacts 3.5% Fair Work wage case and general inflation on goods & services plus increases in business operating compliance costs

Productivity ~\$1.2m labour optimisation through 100% online fulfilment through stores without increasing rostered hours. This will continue to deliver benefits in 2H. **NZ warehousing** costs reduced by \$0.5m (with further 2H benefit of \$0.4m)

Network optimisation exit costs for Hornsby (NSW), an underperforming store with sub two-year optimisation payback and relocation of Bentleigh (Vic) to Mentone (Vic)

Productivity initiatives

- ✓ 100% online fulfilment from stores
- ✓ Remaining ~\$0.4m NZ supply chain cost savings to be realised in 2H FY26
- ✓ Further labour productivity initiatives underway better aligning hours to demand and conversion of casuals to permanent
- ✓ Warehouse initiatives focused on lowering pick/fulfilment costs and casual conversion

1. Cost of doing business calculated excluding impact of AASB 16 lease accounting

Brand & Marketing

Investment to elevate brand and drive promotional program delivering returns

Advertising investment increased by \$1.8m (now 2.7% of sales vs 2.1% in pcp), underpinning customer growth and stronger comparable sales growth:

New Store Launches

- ✓ **\$0.6m investment** in Store of the Future relaunches delivered immediate in catchment sales growth benefits and a refreshed brand story nationally. **These launch investments will have a multi-period payback**

Media & Brand Awareness

- ✓ Increased investment in media spend helped drive stronger 1H comps
- ✓ Investment across social channels focused on growing share of voice among younger customer demographic
- ✓ New Zealand brand awareness, repeating the May-25 campaign ahead of Cyber in Nov-25 to sustain strong Q2 sales momentum



Active Customer Growth

+2.2%

Note 6 flagship stores closed for an average of 10 weeks during 1H

+3.9%

Q2 returning customer growth

+12%

NZ Active customer growth

+600 bps

NZ brand awareness (+800 bps in Auckland)

Financial position

Strong balance sheet underpins growth strategy

\$ million	Statutory 1H FY26	Statutory 1H FY25
Cash & cash equivalents	5.2	12.0
Inventories	107.0	97.7
Plant and equipment	47.7	26.1
Goodwill & Intangibles	55.1	54.1
Right of Use assets	131.8	123.9
Other assets	25.6	20.5
Total Assets	372.2	334.3
Payables	62.1	51.5
Borrowings	26.3	21.1
Lease liability	152.7	145.5
Provisions	9.1	8.4
Income Tax Payable	3.2	2.1
Total Liabilities	253.5	228.6
Net Assets	118.7	105.7
Net Cash / (Debt)	(21.1)	(9.1)
Average Inventory per store	1.4	1.3

Commentary

Inventory finished at \$107.0m:

- Average store inventory up 4% vs pcp
- Carrying higher weeks cover in core Pram and Car Seat categories to support Exclusive Product growth

Net debt balance of \$21.1m with ample banking covenant headroom

Net **Right of Use** liability of \$21m, decreased \$0.6m, driven by the termination of the Hornsby lease and the cycling of lease renewals and lease additions:

- 1 lease termination: Hornsby
- 4 lease renewals
- 6 new leases

Cash flow

Record 11 store projects completed with a further 8 underway for 2H

\$ million	1H FY26	1H FY25
EBITDA¹	14.6	14.0
Movement in working capital	(3.5)	(3.2)
Tax Paid	(0.7)	(2.0)
Net cash flow from operating activities	10.3	8.9
<i>Cash conversion ratio</i>	<i>70.9%</i>	<i>63.1%</i>
Refurbishments & new store capex	(23.1)	(2.0)
Capex – other	(2.6)	(2.4)
Transformation program investments	(0.2)	-
Net cash flow from investing activities	(25.9)	(4.4)
Free cash flow	(15.6)	4.5
(Repayment) / proceeds from borrowings	9.4	(1.5)
Finance costs – borrowings	(0.9)	(0.6)
Net cash flow	(7.2)	2.5

Commentary

Cash conversion ratio at 70.9%

1H Investment expenditure of \$25.9m includes:

- 6 x Store of the Future refurbishments
- 3 x Small Format concept stores
- 2 x new Large Format openings
- 2 x new Large Formats in progress (opening Q3)
- \$2.5m design & development costs for the above

Note: capex excludes ~\$1m of landlord contributions given as rent-free periods

Full Year capex range now expected to be \$41m – \$43m

Capital Management

To support future growth including new store roll out and store refurbishment program, **no interim dividend will be paid**

Strategy Update

1H FY26 Investor Presentation

Mark Teperson Chief Executive Officer

Store of the Future – refurbishment program

Acceleration of refurbishment roll out to drive earnings growth and CODB leverage

FY26 refurbishment program



2H FY26 refurbishment program

- 6 stores to be refurbished in 2H FY26
- Value engineering and adoption of 1H learnings expected to bring costs in line with targeted average \$1.5m cost per store
- ~10–12 week closures to execute de-fit and refurbishment; one store requires 16 weeks due to additional landlord works. Some locations will operate temporary pop-up stores
- ~\$0.5m of accelerated depreciation in 2H FY26
- One-off de-fit and launch costs of \$50k–\$75k per store

Maintaining capital payback of less than

3 years

Commentary

1H FY26 refurbishment costs

- Average cost per build in 1H FY26 was \$1.7m, higher than estimated average but still achieving **<3 year payback**
- **Speed to market prioritised** to drive Q2 earnings growth. This impacted 1H build costs as we incurred air freight and deferred some fixture re-engineering. Some additional build complexity also impacted construction costs
- 2H FY26 refurbishment costs targeted to average \$1.5m per store, net of landlord contributions.

From FY27 onwards

- Targeting net capital investment for metro stores of \$1.0m – \$1.4m and regional stores \$0.8m – \$1.0m (net of landlord contributions)
- Cost per store expected to reduce over time through value engineering with builders and suppliers, operational efficiencies, and scale benefits in fixture purchasing

25%

average¹ sales growth since launch
15% – 25% target

1. Average sales growth % since re-opening up until 29 December 2025 for the 9 refurbished stores. 3 stores in FY25 and 6 stores in FY26

Small format stores

Robina (Qld)

Opened 13 September

Plenty Valley (VIC)

Opened 4 October

Marion (SA)

Opened 20 December

Strategy to unlock high value smaller catchments (inner urban and regional) to further support market share growth

The new small store formats target revenue of +\$2.5 million and ROIC of 50%

- Higher margin products
- Lower staff costs
- Higher per square metre rent

Curated range of products with a focus on consumables and higher frequency categories.

Initial observations

Launched in Q2 FY26, early indicators are encouraging:

- all stores are achieving gross margin targets & we are seeing strong in-store conversion
- 78% of customers are existing customers
- no sales re-direction effect on surrounding large format stores

Early performance varies, with 1 store trading to plan and 2 stores below initial expectations, showing steady improvement, consistent with pilot-phase testing. Pilots are providing rich insights informing refinements to execution and trade elements.

We will continue to optimise the model through 2H FY26, before determining the next phase of expansion.



New Zealand

Sales growth, stronger margins and supply chain efficiency to deliver breakeven NPAT in FY27

Sales Growth¹
up **16.5%**

First 7 weeks 2H
up 17.8% comp

Gross Margin
38.4%

up 140 bps vs pcp

Loss Before Tax
\$1.4m

\$0.7m improvement
on prior year

Current Store Network
5

Opened first NZ Store
of the Future in Dec 2025

FY26 initiatives underway

Targeting pro forma NPAT break-even in FY27 through:

- Continued investment in brand marketing to elevate brand awareness and reinforce Baby Bunting's unique selling points
- Achieve remaining ~\$0.4m of annual ~\$1m of supply chain cost savings
- Improve labour productivity to sales in the range of 2% to 4%
- Grow gross margin to +40%
- Continue to deliver on long term plan of expanding network to +10 stores and grow market share

1. As measured in NZD



Our newest exclusive brand partner

Baby Bunting is proud to announce a new exclusive three-year partnership with Stokke, one of the world's most respected premium children's product brands

- ✓ Effective from April 2026, Baby Bunting will be the exclusive retailer of Stokke products in Australia
- ✓ Founded in Norway in 1932, Stokke is a globally recognised premium children's brand with a long heritage of Scandinavian design, craftsmanship and innovation. Best known for its iconic Tripp Trapp® chair, Stokke has built a worldwide reputation for creating thoughtfully designed products that grow with the child and promote closeness, connection and family bonding
- ✓ A strong endorsement of Baby Bunting's strategy, our national store network, our deep understanding of Australian families and the trust we have built with leading global brands.

STOKKE

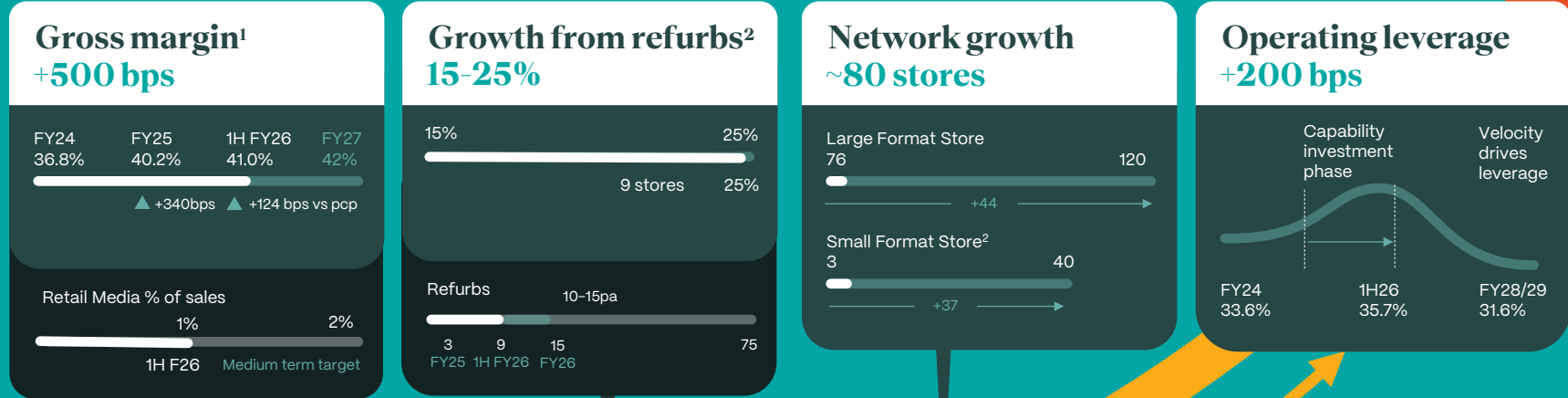
Here we grow



BabyBunting

Shareholder value accelerator

Velocity of Store of the Future rollout fuels leverage improvement



Targets for future periods shown. Achievement subject to performance

Accelerated earnings where New Zealand losses diminish and become positive

FY25 (\$3.6m) PF NPAT Loss
FY27 PF NPAT Breakeven
FY28 PF NPAT Accretive Earnings

Clear pathway to +10% EBITDA⁴ margin business

1. Increase from FY24 Gross Margin.
2. Average sales growth % since re-opening up until 29 December 2025 for the 9 refurbished stores. 3 stores in FY25 and 6 stores in FY26.
3. Dependent on strategic review of FY26 pilot stores.
4. On a pre-AASB 16 basis

Trading update & outlook

1H FY26 Investor Presentation

Mark Teperson Chief Executive Officer

Trading update & outlook

2H pro forma NPAT guidance maintained at \$12.5m to \$14.5m

Full Year pro forma NPAT guidance of \$17.5m to \$19.5m

2H FY26 trading update

First 7 weeks of trade to 15 February is +6.7% comparable sales growth (within our 2H guidance range of 6% – 8%)

- AU comparable sales growth of +6.4%
- NZ comparable sales growth¹ of +17.8%

2H FY26 store roll out program

- **Store of the Future** refurbishments: 6 to be completed in 2H
- Risks related to the refurbishments include duration of refurbishment (targeting 10–12 weeks per store) and level of sales redirection
- Opening 2 new **large formats** in 2H (Tuggerah (NSW) & Mentone (VIC)), with handover of another location in Q4, opening Q1 FY27

Outlook

2H pro forma NPAT guidance range of \$12.5m to \$14.5m maintained, validated by Store of The Future trading performance and gross margin.

FY26 pro forma NPAT now expected to be in the range of \$17.5m to \$19.5m (previously \$17.0m to \$20.0m) assuming:

- full year comparable store sales growth now anticipated to be 5%–7% (up from previous guidance of 4% – 6%):
 - 2H: 6%–8% with post refurbishment sales growth targeted to be between 15% to 25%
- gross margin now to be above 41%
- 2H retail store CODB investment: ~\$2.5m for 2H FY26 new store costs and \$1.0m of refurbishment related costs, including accelerated depreciation and miscellaneous closure and re-opening costs
- capital expenditure is now anticipated to be in the range of \$41m – \$43m (excludes ~\$2m of rent-free landlord contributions), maintaining adequate banking covenant and facility headroom

Outlook assumes no significant changes in economic and retail trading conditions.

Appendices

1H FY26 Investor Presentation

Statutory to Pro Forma Income Statement Reconciliation

\$ million	1H FY26				1H FY25			
	Statutory	Add Pro Forma Adj ⁽¹⁾	Pro Forma	Significant items	Underlying Pro Forma NPAT ⁽²⁾	Statutory	Add Pro Forma Adj ⁽¹⁾	Pro Forma
Sales	271.4		271.4		271.4	254.4		254.4
Cost of sales	(160.0)		(160.0)		(160.0)	(153.1)		(153.1)
Gross Profit	111.4		111.4		111.4	101.3		101.3
Other income	–		–		–	0.8		0.8
Store expenses	(47.1)		(47.1)	1.3 ^(d)	(45.8)	(43.3)		(43.3)
Marketing expenses	(7.2)		(7.2)	0.6 ^(e)	(6.6)	(5.4)		(5.4)
Warehouse expenses	(4.8)		(4.8)		(4.8)	(4.6)		(4.6)
Administrative expenses	(23.3)	4.4 ^(a)	(18.9)		(18.9)	(17.8)	1.2 ^(a)	(16.5)
Transformation project expenses	(0.2)	0.2 ^(b)	–		–	0.0		0.0
Restructuring costs	–		–		–	(0.4)		(0.4)
EBITDA	28.9	4.6	33.5	1.9	35.3	30.6	1.2	31.8
Depreciation and amortisation	(21.7)		(21.7)	1.3 ^(f)	(20.5)	(19.6)		(19.6)
EBIT	7.1	4.6	11.7	3.2	14.9	11.0	1.2	12.2
Net finance costs	(4.4)		(4.4)		(4.4)	(4.4)		(4.4)
Profit before tax	2.7	4.6	7.3	3.2	10.4	6.6	1.2	7.8
Income tax expense	(0.9)	(1.4) ^(c)	(2.3)	(0.9) ^(g)	(3.2)	(2.7)	(0.3) ^(c)	(3.0)
Net profit after tax	1.8	3.2	5.0	2.2	7.2	3.9	0.9	4.8

1. Pro forma financial results have been calculated to exclude the following items (refer Directors' Report dated 17 February 2026 for further detail):

- a. Administrative Expense represents the cost amortisation of performance rights (LTI and deferred STI) on issue in the reporting period.
- b. Transformation project expenses represent non-capital expenditure incurred to enable the technology platform upgrade of the Group's ERP and POS environments.
- c. Tax impact from pro forma adjustments.

2. Underlying pro forma financial results have been calculated to exclude significant items relating to the closure of two stores during the half and Store of the Future refurbishment:

- d. \$0.8m of costs relating to the permanent closure of the Hornsby (NSW) store and relocation of Bentleigh (Vic) to Mentone (Vic), plus \$0.5m of costs associated with the refurbishment of 6 stores during the half
- e. Marketing costs associated with the relaunch of 6 x Store of The Future stores during the half
- f. Accelerated depreciation of fixed assets relating to the closure of the two stores during the half, as well as the Store of the Future refurbishment program
- g. Tax impact of significant items above

Pro Forma Income Statement

AASB 16 Transition Impact

\$ million	1H FY26			Pre-AASB 16 1H FY26
	Pro Forma 1H FY26	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	
Sales	271.4			271.4
Cost of sales	(160.0)			(160.0)
Gross Profit	111.4			111.4
Other income	-			-
Store expenses	(47.1)		(17.1)	(64.1)
Marketing expenses	(7.2)			(7.2)
Warehouse expenses	(4.8)		(1.6)	(6.4)
Administrative expenses	(18.9)		(0.2)	(19.1)
Transformation project expenses	-			-
Restructuring costs	-			-
EBITDA	33.5		(18.9)	14.6
Depreciation and amortisation	(21.7)	15.5		(6.3)
EBIT	11.7	15.5	(18.9)	8.3
Net finance costs	(4.4)	3.4		(1.0)
Profit before tax	7.3	18.9	(18.9)	7.3
Income tax expense	(2.3)	(5.7)	5.7	(2.3)
Net profit after tax	5.0	13.2	(13.2)	5.0

Pro Forma 1H FY25	1H FY25		Pre-AASB 16 1H FY25
	Reversal of AASB 16 Depreciation and Interest	Add Operating Lease Expenses	
254.4			254.4
(153.1)			(153.1)
101.3			101.3
0.0			-
0.8			0.8
(43.3)		(15.8)	(59.1)
(5.4)			(5.4)
(4.6)		(1.9)	(6.5)
(16.5)		(0.2)	(16.7)
0.0			0.0
(0.4)			(0.4)
31.8		(17.8)	14.0
(19.6)	15.3		(4.4)
12.2	15.3	(17.8)	9.7
(4.4)	3.4		(1.0)
7.8	18.6	(17.8)	8.6
(3.0)	(5.6)	5.3	(3.3)
4.8	13.0	(12.5)	5.4

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 opened stores in the prior financial year, provided the stores were open at the beginning of the prior financial year. Stores that were permanently closed during the year are excluded from the calculation from the date of closure
Cost of Doing Business (CODB)	Includes store, administrative, marketing and warehousing expenses (excluding the impact of AASB 16 depreciation and amortisation) and other income
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).
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 Funds Employed (ROFE)	ROFE is measured as Net Operating Profit Before Tax (NOPBT) divided by Funds Employed. NOPBT is calculated as statutory profit before tax, after adding back interest on borrowings, deducting interest income and adding back any significant items before tax. Lease related depreciation and interest costs are included in the net operating profit amount. Funds Employed is the sum of the opening balance of shareholders' equity, net debt and significant items after tax that have been excluded from NOPBT. Any final dividend declared in respect of the year prior to the final year of the performance period (but which is paid in that final year), is also excluded from Funds Employed. Opening Funds Employed (rather than closing or average) is used; as returns from any capital deployed during the performance period are mostly delivered in subsequent periods. For example, investments in new store openings and refurbishments materially occur after the first year as the store's sales performance matures after the initial year of opening. However, all of the capital for the new store is deployed in advance of the store commencing trading.
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)