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Shaver Shop Group Limited

# FY2017 RESULTS

## INVESTOR PRESENTATION

24 August 2017

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For a reconciliation of the non-IFRS financial information contained in this Presentation to IFRS-compliant comparative information, refer to the Directors Report that forms part of the Shaver Shop Group Limited Consolidated Financial Report that has been lodged with the ASX. All dollar values in this Presentation are in Australian dollars (A$), unless otherwise specified.

# TABLE OF CONTENTS

**01**
Key business highlights

**02**
Financial results

**03**
Cornerstones of our business

**04**
Key growth drivers

**05**
Summary & outlook

**06**
Appendices

# 01.

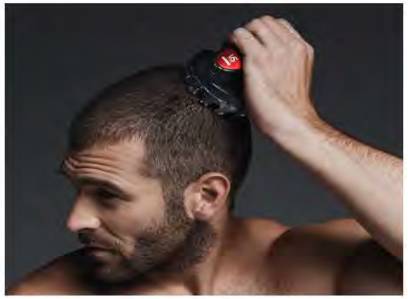
## KEY BUSINESS HIGHLIGHTS

# FY2017 SNAPSHOT

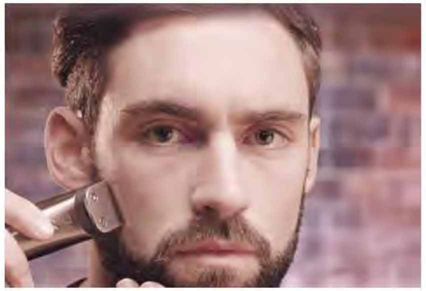
Shaver Shop had a strong finish to FY2017 beating its Prospectus forecast with EBITDA up 18.0% to $14.9 million

Sales up
33.6%
to $142.6m

Like for Like Sales Growth
6.2%




7 Franchise Buybacks



Gross Profit
Margin
41.7%

EBITDA*
up 18.0%
to $14.9m

Pro Forma
NPAT $9.1m
up 20.7%

Final
Dividend
2.4 cps
fully franked

* Comparison is to pro forma FY16 results

# FY17 KEY HIGHLIGHTS

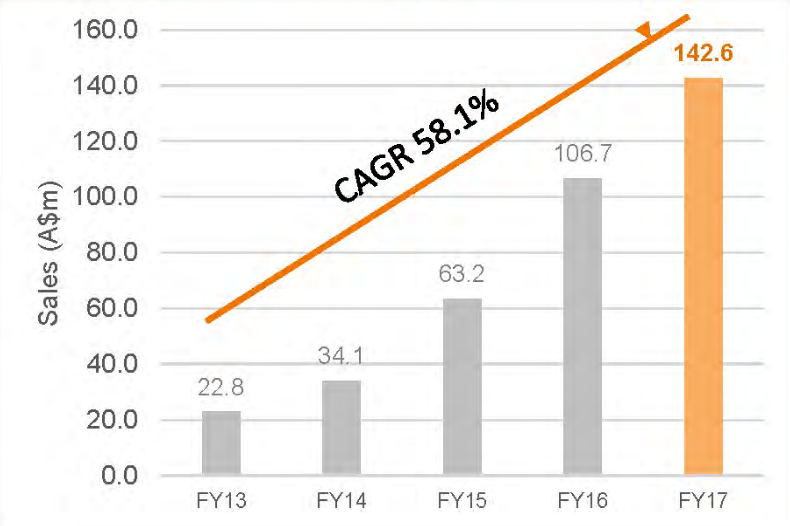
Achieved Prospectus forecast and delivered another year of significant earnings growth

| | |
|---|---|
| Store sales | • **Total Sales up 33.6%** to $142.6m on prior corresponding period (pcp)<br>• FY17 **LFL Network Sales growth +9.1%** (pcp +10.7%)<br>• FY17 **LFL Corporate Store Sales growth +6.2%** (pcp +9.2%)<br>• **Corporate store sales CAGR 58.1%** over period FY 13 to FY 17 |
| Earnings | • **EBITDA up 18.0% to $14.9m** in FY17 (pcp $12.6m)<br>• **FY17 pro forma gross profit margin 41.7%** (pcp – 42.8%) down 110 bps (product mix & multi-unit sales)<br>• Pro Forma **Cost of Doing Business 33.8% of sales** (FY16 – 34.7%) down 90 bps<br>• **Pro forma NPAT $9.1m up 20.7%** (FY16 - $7.5m)<br>• **Pro forma EBITDA CAGR 37.2%** over period FY 13 to FY 17 |
| Growth | • **Net CAPEX - $2.1m** - opened 8 new greenfield sites and launched new e-commerce platform<br>• **Completed 7 franchise buybacks** – net investment $8.0m (including net working cap)<br>• **New "multi-unit" reseller channel** delivered significant sales and earnings growth in 2H FY17<br>• **24 stores in maturity phase**<br>• **Accelerated investments** across e-commerce, talent management & staff training. |
| Capital Structure | • **Net debt - $9.4m** at 30 June 2017 ($11.2m unused debt capacity)<br>• **Debt to EBITDA ratio** of 0.63X<br>• **Final dividend – 2.4 cents per share fully-franked** (total FY17 franked dividends – 4.0 cents/share – payout ratio of 47% of pro forma cash NPAT)<br>• **FY17 pro forma operating cash flow (before interest and tax) - $7.4m** ($12.9m normalised for Phillips stock purchase and FY16 supplier payment timing) |

Variances refer to FY17 actual and pro forma (where applicable) results compared to pro-forma FY16 results

# PERFORMANCE TRENDS

## Reported Sales ($m)




## Corporate Store like for like sales growth* (%)


* LFL sales growth is calculated as the percentage change in total sales (including applicable online sales) in a relevant period, compared to the total sales in the prior corresponding period, excluding stores that did not trade for both the whole of the period and / or the prior corresponding period or were subject to major shopping centre refurbishment activities affecting shopper traffic.

# PERFORMANCE TRENDS (CONT'D)

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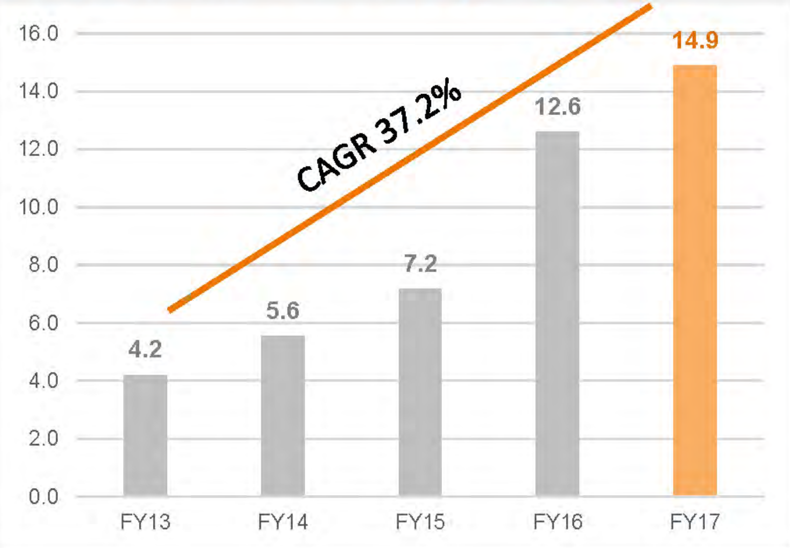
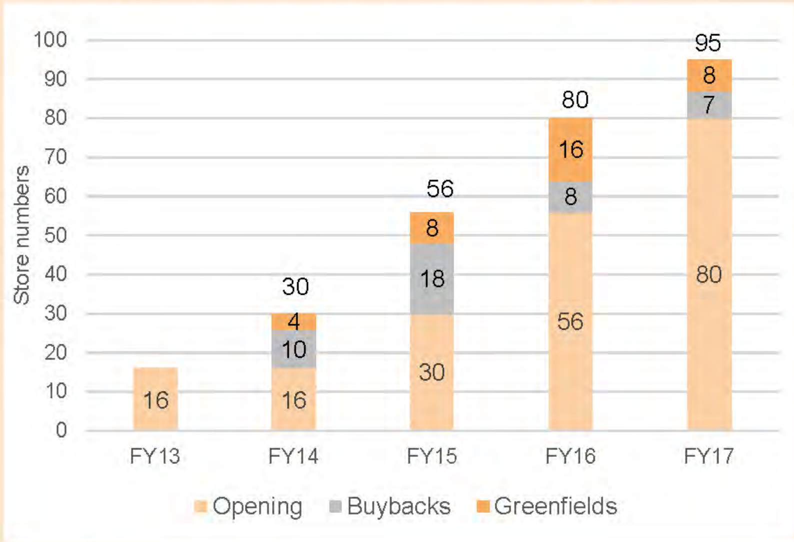
## Pro forma EBITDA ($m)




## Corporate Store Profile (#)




> At 30 June each year

# 02.

## FINANCIAL RESULTS

# FINANCIAL RESULTS SUMMARY


## Key highlights

- Achieved prospectus forecast
- Strong top line growth supported by 6.2% like for like sales growth
- Network online sales up 9.4% to $11.7m
- Successful foray into multi-unit reseller channel in 2H FY17 contributed to rate of like for like sales growth
- Pro forma gross profit margins declined 110bps due to the growth of the multi-unit reseller channel, which has lower margins, as well as product mix
- Pro forma EBITDA up 18.0% to $14.9m
- Utilised a portion of the 2H FY17 EBITDA upside to accelerate investment in on-line capabilities, IT systems, specialist expertise and targeted brand building activities
- Pro forma NPAT up 20.7% to $9.1m
- Cash tax rate approximately 21%*

* FY17 income tax payable/earnings before tax

# PROFIT & LOSS VS FY2016

Shaver Shop had a strong finish to FY2017 and is continuing to invest in the foundations to drive long term growth and increased shareholder value. Pro forma EPS up 20.7% and cash NPAT (adjusted for franchise termination tax benefit) up 23.0%.

| $000's | Pro Forma FY16 | Pro Forma FY17 | Variance ($) | Variance (%) |
|---|---|---|---|---|
| **Sales** | **106,711** | **142,568** | **35,857** | **33.6%** |
| **Gross profit** | **45,622** | **59,473** | **13,851** | **30.4%** |
| Gross margin % | 42.8% | 41.7% | -1.0% | (2.4%) |
| Franchise & other income | 4,028 | 3,570 | (458) | (11.4%) |
| Cost of doing business (CODB) | (37,046) | (48,173) | (11,126) | 30.0% |
| **EBITDA** | **12,604** | **14,870** | **2,266** | **18.0%** |
| EBITDA margin % | 11.8% | 10.4% | (1.4%) | (11.7%) |
| Depreciation and amortisation | (936) | (1,408) | (472) | 50.4% |
| Net finance costs | (945) | (407) | 538 | (57.0%) |
| Income tax expense | (3,200) | (3,974) | (774) | 24.2% |
| **NPAT** | **7,523** | **9,082** | **1,559** | **20.7%** |
| **EPS (cents) - (FY16 post IPO shares outstanding - FY17 weighted average shares outstanding)** | **6.0** | **7.3** | **1.2** | **20.7%** |
| Cash tax benefit (Franchise licence termination) | 1,131 | 1,565 | 434 | 38.4% |
| **Cash NPAT (after adjusting for tax benefit of franchise licence termination costs - 5 year amortisation)** | **8,654** | **10,646** | **1,993** | **23.0%** |

FY17 Statutory and Pro Forma results are the same with the exception of $87.6k tax adjustment for IPO exit incentives recognised in FY17 statutory result. See Directors Report for reconciliation between Statutory and Pro Forma results for FY16 and FY17.

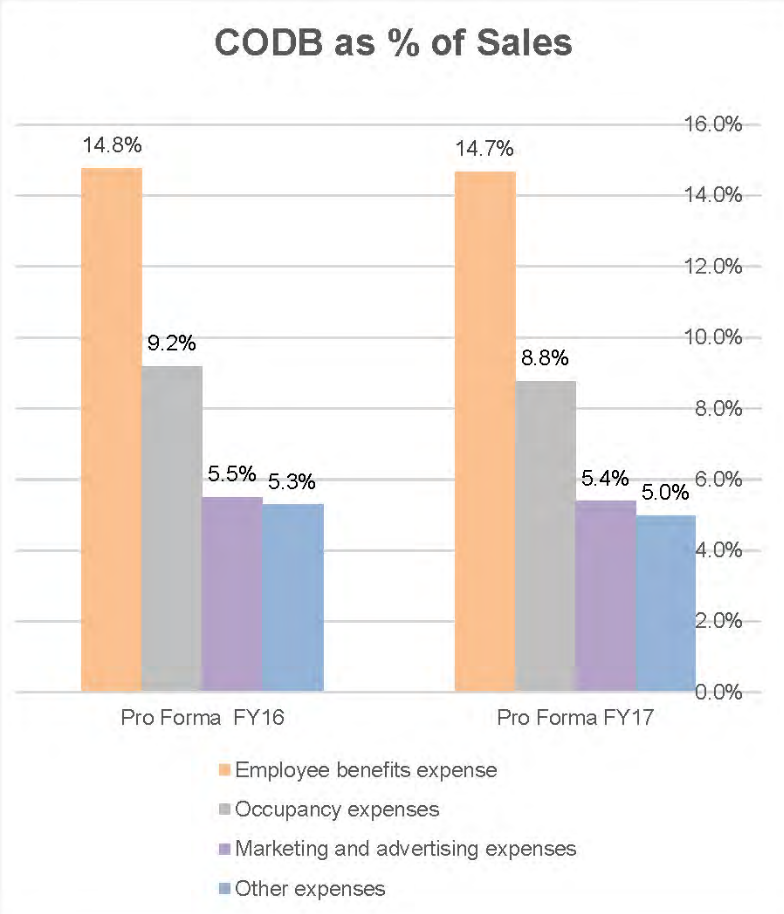
# PROFIT & LOSS VS PROSPECTUS

Shaver Shop exceeded its prospectus forecast in FY17. Strong top line growth through multi-unit sales (at lower margin) enabled incremental CAPEX and OPEX investments to be made to build brand presence, enhance operational capability and accelerate e-commerce initiatives

| $000's | Prospectus Forecast FY17 | Pro Forma FY17 | Variance ($) | Variance (%) |
|---|---|---|---|---|
| **Sales** | **127,119** | **142,568** | **15,449** | **12.2%** |
| **Gross profit** | **54,379** | **59,473** | **5,094** | **9.4%** |
| Gross margin % | 42.8% | 41.7% | (1.1%) | (2.5%) |
| Franchise & other income | 3,664 | 3,570 | (94) | (2.6%) |
| Cost of doing business (CODB) | (43,305) | (48,173) | (4,868) | 11.2% |
| **EBITDA** | **14,738** | **14,870** | **132** | **0.9%** |
| EBITDA margin % | 11.6% | 10.4% | (1.2%) | (10.0%) |
| Depreciation and amortisation | (1,336) | (1,408) | (72) | 5.4% |
| Net finance costs | (313) | (407) | (94) | 29.9% |
| Income tax expense | (3,979) | (3,974) | 5 | (0.1%) |
| **NPAT** | **9,110** | **9,082** | **(28)** | **(0.3%)** |
| | | - | | |
| **EPS (cents) - weighted average shares outstanding** | **7.3** | **7.3** | **-** | **-** |
| Cash tax benefit (franchise licence termination) | 1,109 | 1,565 | 456 | 41.1% |
| **Cash NPAT (after adjusting for tax benefit of franchise licence termination costs - 5 year amortisation)** | **10,219** | **10,646** | **428** | **4.2%** |

N.B. FY2017 actual results include $300k executive short term incentive accrual – not in Prospectus forecast EBITDA or NPAT ($210k post tax) leading to comparative FY17 EBITDA result of $15.17m.

# COST OF DOING BUSINESS (CODB)




## Lower CODB% of sales despite incremental 2H investments

> Pro forma CODB as a percentage of sales decreased 90 bps to 33.8% in FY17 (FY16 – 34.7%)

> Incremental 2H FY17 investments made in marketing to drive brand recognition (particularly beauty)

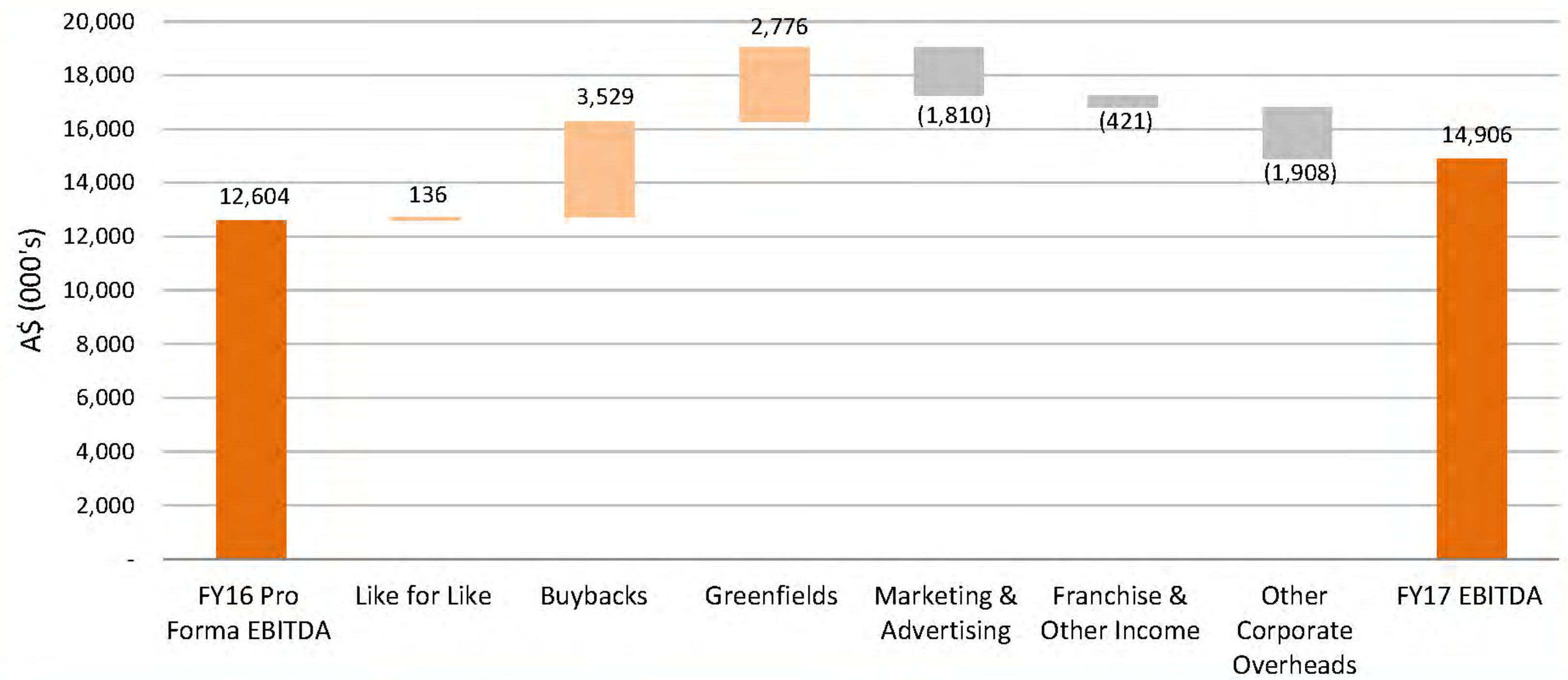
> Accelerated e-commerce investments to improve customer experience and drive back-end efficiency in both Australia and New Zealand

> Improved Retail Operations and Training capability in Q4

> Incremental head office focus on multi-unit sales channel to maximise opportunity

# EBITDA BRIDGE

Corporate store EBITDA growth re-invested in leadership talent, brand development and digital projects to improve competitive positioning




- L4L store EBITDA – flat - sales growth of 6.2% offset by decline in GP% c. -110 bps
- Strong contribution from buybacks and greenfields
- Incremental EBITDA contribution from multi-unit reseller channel used to increase investment in brand and marketing, accelerate IT/e-Commerce projects and increase leadership and capability across operations, training & merchandising

# STRONG FINANCIAL POSITION

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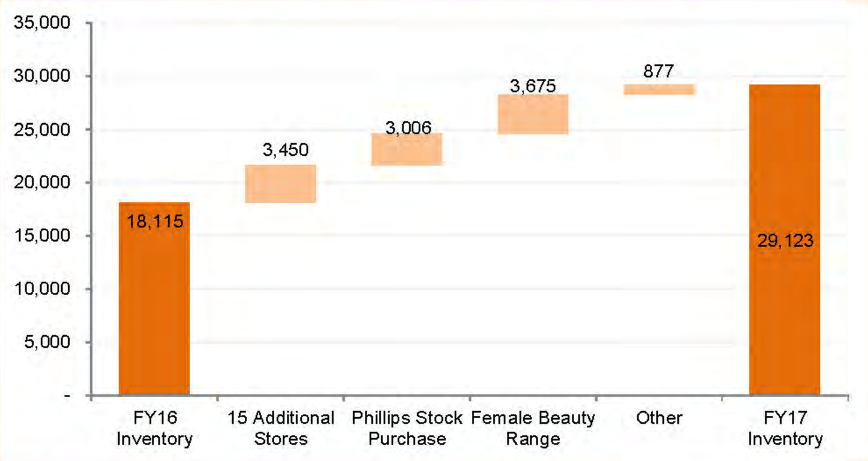
## Low gearing and high liquidity

| $000's | Statutory 30-Jun-16 | Pro Forma 30-Jun-16 | Statutory 30-Jun-17 | Change % |
|---|---|---|---|---|
| Cash | 4,334 | 2,529 | 2,389 | -6% |
| Inventory | 18,115 | 18,115 | 29,123 | 61% |
| Other assets | 48,441 | 49,322 | 56,341 | 14% |
| **Total assets** | **70,890** | **69,966** | **87,853** | **26%** |
| | | | | |
| Interest bearing liabilities | 5,124 | 5,124 | 11,824 | 131% |
| Other liabilities | 13,720 | 12,797 | 16,946 | 32% |
| **Total liabilities** | **18,845** | **17,921** | **28,770** | **61%** |
| | | | | |
| Equity | 50,385 | 50,385 | 50,385 | 0% |
| Retained earnings/Reserves | 1,660 | 1,660 | 8,697 | 424% |
| **Shareholders Equity** | **52,045** | **52,045** | **59,083** | **14%** |

> Net debt of $9.4m at 30 June 17 leading to gearing ratio (Net debt/EBITDA) of 0.63X

> $11.2m of unutilised debt capacity provides further opportunities for investment

## Inventory Position ($A 000s)




> Increase in inventory (+$11.0m) driven by:

– 15 additional Corporate Stores at c.$230k per store (c.$3.5m)

– Inventory c$3m higher than normal due to deliberate investment in Phillips stock in May 2017 to protect our position during trading terms negotiation

– Category expansion into female beauty (c.$3.7m) in FY17

> We expect inventory to normalise to approximately $230k per store following Christmas trading period

# PRO FORMA NET CASH FLOW

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| $'000 | Pro Forma FY16 | Pro Forma FY17 | Variance ($) FY17 v FY16 |
|---|---|---|---|
| EBITDA | 12,604 | 14,870 | 2,266 |
| Non-cash items | 308 | | (308) |
| Change in working capital (excluding IPO related costs) | (831) | (7,471) | (6,640) |
| **Net cash flow from operating activities before investing activities, financing activities and tax** | **12,081** | **7,399** | **(4,681)** |
| Payments for franchise store buy backs | (6,465) | (8,019) | (1,554) |
| CAPEX (net of landlord store fitout contributions) | (4,035) | (2,040) | 1,995 |
| **Net cash flow before financing activities and tax** | **1,581** | **(2,660)** | **(4,240)** |
| Income tax payments | (2,490) | (1,774) | 717 |
| Net finance costs | (945) | (407) | 538 |
| Borrowings drawdown / (repayment) | 4,425 | 6,700 | 2,275 |
| **Net cash flow before dividends** | **2,571** | **1,860** | **(710)** |
| Dividends paid | - | (2,001) | (2,001) |
| **Net cash flow** | **2,571** | **(141)** | **(2,712)** |
| **Pro Forma - Opening Cash Position** | **(41)** | **2,530** | **2,571** |
| **Pro Forma - Closing Cash Position** | **2,530** | **2,389** | **(141)** |

- Pro forma net operating cashflow (before interest & tax) was $7.4m primarily due:
  - deliberate investment in stock (see prior slide)
  - c.$2.5m supplier payments deferred into FY17 from FY16 (as outlined in FY16 Results Presentation)
- Normalised operating cashflow (before interest & tax), adjusted for timing of FY16 supplier payments and short term inventory investments was c.$12.9m
- Investments in CAPEX and buybacks amounted to $10.1m in FY17
- Net tax payments were $1.8m – significantly lower than tax expense due to tax benefit on franchise termination ($1.55m) and FY16 refund received in FY17
- Pro forma net cash flow before dividends $1.9m (FY16 - $2.6m)

# RETURN AND CAPITAL RATIOS

| | Pro Forma FY16 | Pro Forma FY17 |
|---|---|---|
| Number of corporate stores | 80 | 95 |
| Pro forma diluted earnings per share (cents)* | 6.0 | 7.2 |
| Fixed charge cover ((EBITDA + Occupancy + Net Interest) / (Occupancy + Net Interest) | 2.2 | 2.2 |
| Pro forma net debt ($A000s – 30 June) | 1,976 | 9,435 |
| Leverage ratio (Net Debt / EBITDA) | 0.2 | 0.6 |
| Return on equity (NPAT/Shareholders Equity) | 14.5% | 15.4% |

*FY16 Pro forma EPS uses post IPO shares outstanding at 30 June 16.

## Strong capital position

> Significant headroom in all debt covenants

> Fixed charge cover remained above 2X

> Return on equity increased 90bps to 15.4% in FY17

> Leverage ratio – 0.63X

> FY17 dividend payout of 4 cents per share (Interim and Final)

> Dividend policy adjusted to be a payout of approximately 50% of “Cash NPAT” (i.e. after adjusting for tax benefit from franchise licence termination deduction)

# 03.

## CORNERSTONES OF OUR BUSINESS (A RECAP)

# BUSINESS CORNERSTONES
## (A RECAP)

**1 Category leadership**
- High market share – particularly at top price points
- 110 locations across ANZ
- Offer all key brands in category – one-stop
- Strong online presence and improving

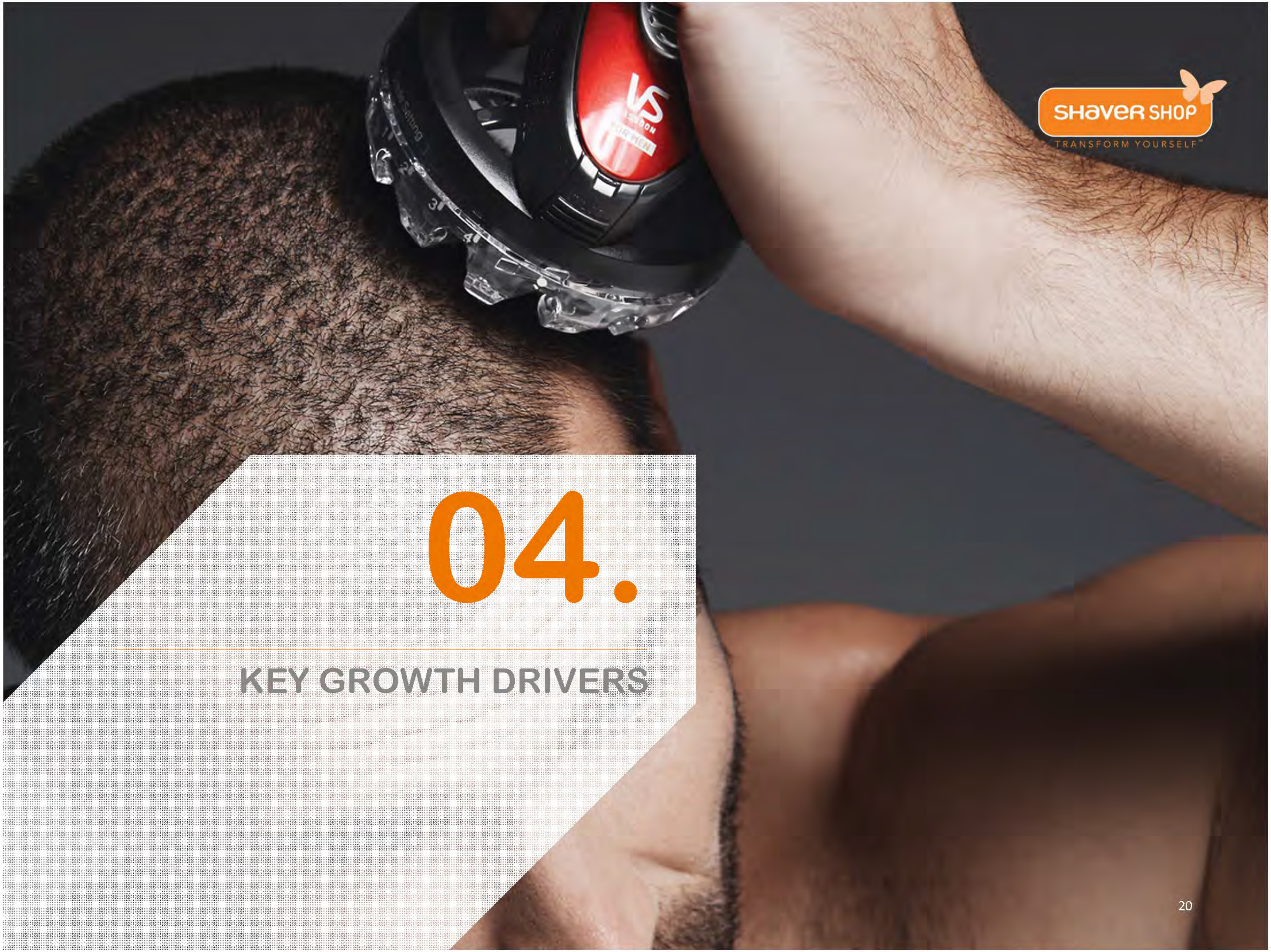
**2 Excellent service & product knowledge**
- Experienced leaders and buying team
- Specialist sales and product training for store staff
- Innovation drives the category and Shaver Shop sales priorities

**3 Product innovation & exclusivity**
- 36 of top 50 products by sales are exclusive to SSG*
- Solid and cooperative supplier relationships
- Nimble sales approach
- Trusted partner of key brands

**4 Attractive growth category (personal care & beauty)**
- Long term category growth c.6.4%**
- Comprehensive and expanding range (innovation)
- "In-home" (DIY) personal care growing
- Personal beauty/uniqueness preferences growing

**5 Disciplined retail execution**
- No significant pure-play competitor
- Consistency of offer and strong site selection
- Multi-channel flexibility
- Proven systems & supply chain

* FY17 Shaver Shop Network Sales
**Source: Euromonitor International Limited: Personal Care Appliances in Australia 2016 Edition, CAGR from 2001 to 2015



# 04.

## KEY GROWTH DRIVERS

# LIKE FOR LIKE SALES GROWTH

## L4L growth of 6.2% in FY17

> Shaver Shop continued its track record of robust like for like sales growth

> Suppliers continuing to innovate and offer Shaver Shop exclusive distribution rights

> Increasing understanding of the multi-unit reseller channel and our ability to work with, and nurture demand

> Female focused category expansion initiatives have been successful

> L4L growth in Female Beauty, Mens Electric Shavers, Long Term Hair Removal and Power Oral Care offset by declines in Hair Styling, Massage, Body Grooming and Hair Clippers

> Q4 changes to national operations structure showing encouraging signs

# CONTINUED BRAND REALIGNMENT
# A BEAUTY DESTINATION
# 'MORE FOR HER'

## EXCITING RANGE EXPANSION WITH GLOBAL BRANDS



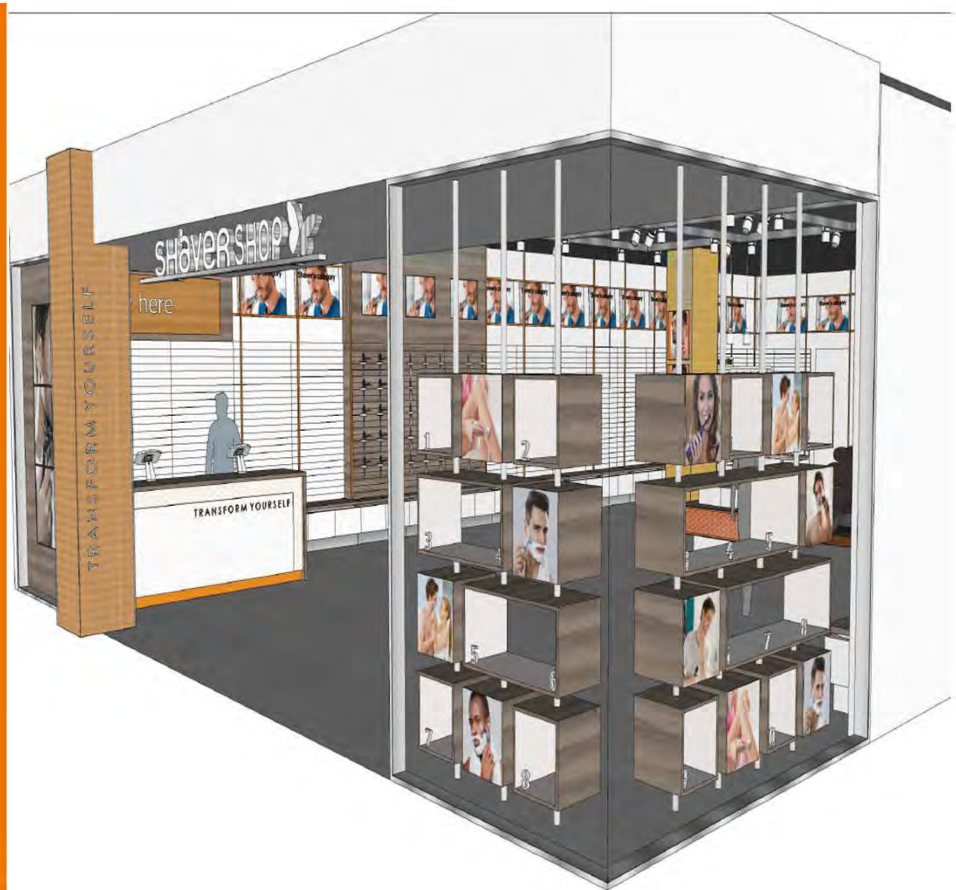
## RECENT DEVELOPMENTS

- Launching Dyson Supersonic™ in Q2 FY18
- StylPro launched exclusively in Q4 FY17
- Dafni exclusivity retained through Christmas 2017
- Foreo launched in Q2 FY17
- Veet and Scholl brands launched Q2 FY17
- Increasing relevance to female demographic
- More to come…

# NEW STORE ROLLOUT

## 8 GREENFIELD STORES OPENED IN FY17

- Greenfield stores met target in FY17
- Continuing to evaluate each new store on a case by case basis
- Seven additional sites committed in 1H FY18 including a 200 sq m store at Belrose, NSW – home maker centre
- Trialing new store formats and revamped merchandising options
- 24 stores remain in maturity phase (24 months) as at 30 June 17
- Seven new stores committed in FY18
- Total network on track for 115 stores by 31 December 2017
  - 109 in Australia (12 franchises)
  - 6 in New Zealand



# FRANCHISE BUYBACKS

## Remaining true to investment discipline

- 13 franchised stores in network at 30 June 2017
- 1 franchise (The Glen, VIC) contracted to buyback in September 2017
- Remaining franchise stores are amongst the largest stores (by sales) and well run making it more difficult to buyback at attractive multiples
- Will retain a disciplined, ROI-based, investment approach

# DIGITAL INVESTMENTS DELIVERING GROWTH

## Accelerating e-commerce investments

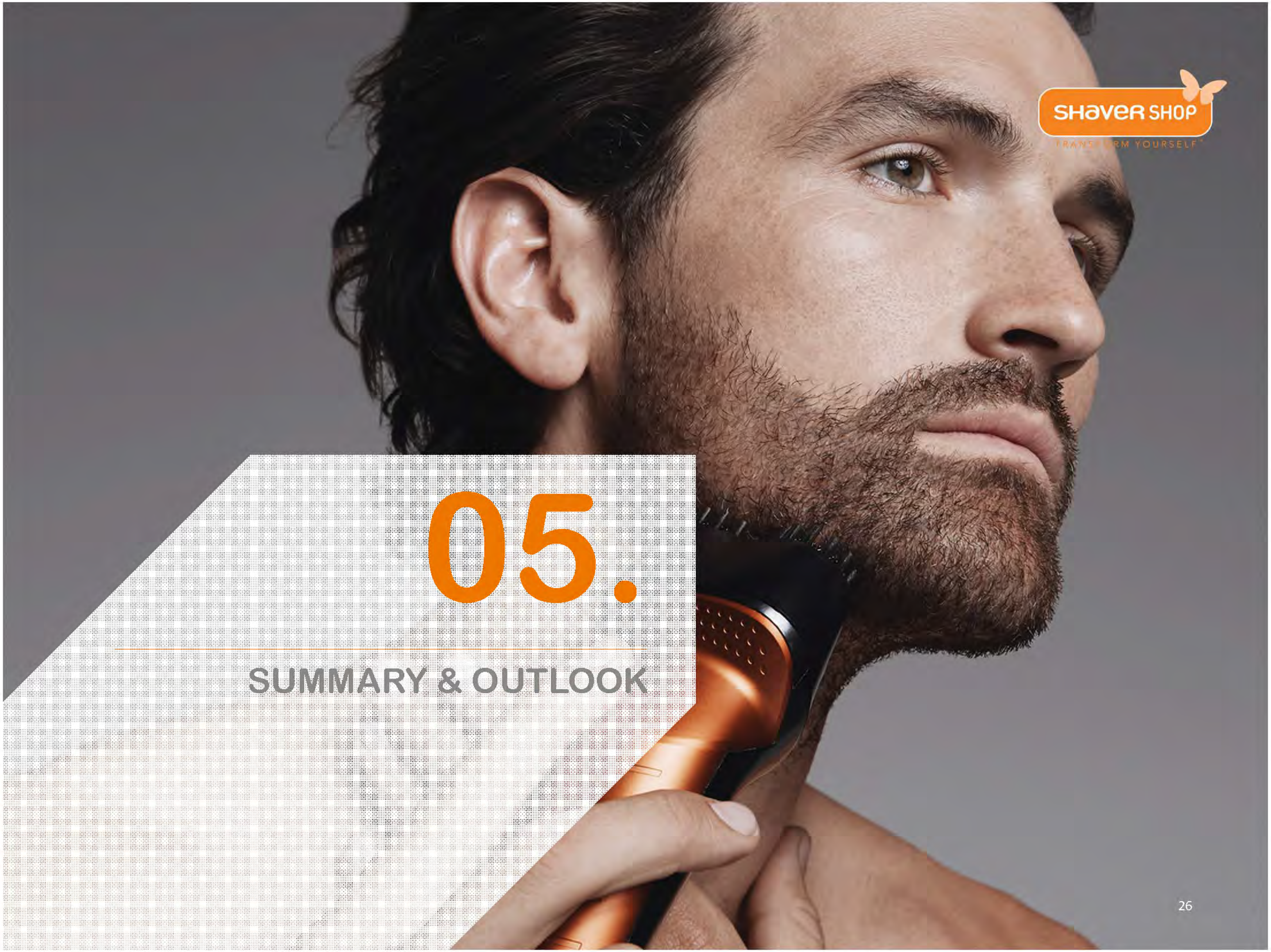
> New e-commerce site has delivered >20% growth over prior period since launch

> Leveraged 2H EBITDA upside to accelerate incremental digital functionality

- Customer testimonials - launched
- Buy-now/pay-later options – launched
- Single click checkout – launched
- E-Bay integration and offering expansion

> Developments in progress (not exhaustive)

- Click & Collect
- NZ website transformation
- Personalised EDMs
- Subscription options…



# 05.

## SUMMARY & OUTLOOK

# SUMMARY

**Agile response to multi-unit reseller channel opportunity enhanced our H2 results and enabled accelerated digital, marketing and talent investments**

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> Entrepreneurial approach remains a core strength of Shaver Shop (adaptability and innovation are two core values for all staff)
> Exceeded FY17 prospectus forecast at Sales, EBITDA and NPAT
  – Same store sales growth – 6.2%
  – 8 greenfield sites
  – 7 buybacks
  – Shaver Shop brand association extending to "her" and "him"
> FY17 earnings upside enabled accelerated investments to improve competitive positioning:
  – Enhanced operations and training teams
  – Incremental investment in marketing
  – Accelerated enhancements to online shopping experience and back-end logistics efficiency
  – In-store Customer Experience (NPS) roll-out and foot-traffic conversion technology pilot (roll out in FY18)
> Full year FY17 dividends of 4.0 cents per share (2.4 cents final, 1.6 cent interim) fully franked represents a payout ratio of 47% of pro forma cash NPAT (56% of reported NPAT)

# OUTLOOK

**Solid start to FY18 and promising Christmas promotional program. Supply uncertainty for key "multi-unit" product lines and seasonal reliance on Christmas period creates difficulty in forecasting with certainty at this time**

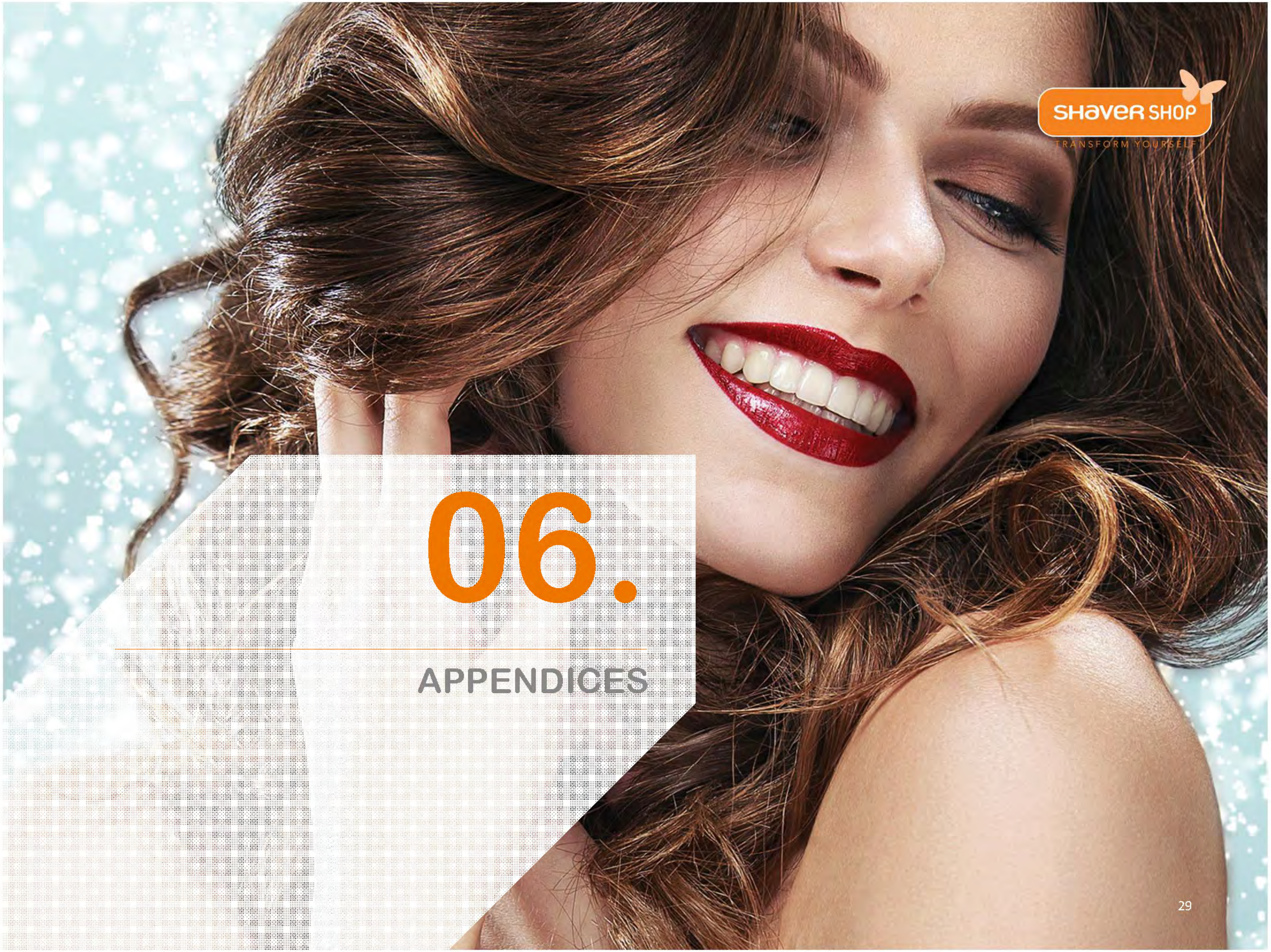
> Shaver Shop remains in a strong and differentiated position
  - Excellent customer experience in-store and online
  - Exclusivity on key lines continues to provide strong defensive position
  - Strong balance sheet with low net debt

> C.+15% same store sales growth in first seven weeks of FY18 driven by:
  - Multi-unit reseller channel – increasing supply uncertainty for key products expected to moderate our growth for the remainder of FY18
  - Underlying same store sales growth – c.4% (excl. estimated multi-unit reseller channel)

> Increasing understanding of the demand side sustainability and our ability to cultivate and manage the demand from the multi-unit reseller channel

> FY18 will see continued investment for growth:
  - Enhancing marketing capability to drive social media, CRM, loyalty program initiatives
  - E-commerce, foot traffic conversion & training initiatives
  - New store rollout on-track – 7 new stores committed for FY18 so far
  - One buyback – imprudent to expect more at this time

> Promising product innovation and Christmas promotional programs
  - Christmas period sales as well as contribution from multi unit reseller channel are key growth variables for FY18



# 06.

## APPENDICES

# FY17 RECONCILIATION OF STATUTORY TO PRO FORMA RESULTS

| $A 000s | Statutory FY17 | Share Based Payments FY17 | Pro Forma FY17 |
|---|---|---|---|
| **Sales** | **142,568** | | **142,568** |
| Cost of goods sold | (83,095) | | (83,095) |
| **Gross profit** | **59,473** | | **59,473** |
| ***Gross margin %*** | ***41.7%*** | | ***41.7%*** |
| **Franchise and other revenue** | **3,570** | | **3,570** |
| Employee benefits expense | (20,906) | | (20,906) |
| Occupancy expenses | (12,509) | | (12,509) |
| Marketing and advertising expenses | (7,673) | | (7,673) |
| Other expenses | (7,085) | | (7,085) |
| **Overhead expenses** | **(48,173)** | | **(48,173)** |
| **EBITDA** | **14,870** | | **14,870** |
| ***EBITDA margin*** | ***10.4%*** | | ***10.4%*** |
| Depreciation and amortisation | (1,408) | | (1,408) |
| **EBIT** | **13,462** | | **13,462** |
| Net finance costs | (407) | | (407) |
| **Profit before income tax** | **13,055** | | **13,055** |
| Income tax expense | (4,061) | 87 | (3,974) |
| **NPAT** | **8,994** | **87** | **9,081** |

# KEY PERFORMANCE METRICS

| | Pro Forma FY16 | Pro Forma FY 17 |
|---|---|---|
| Number of corporate stores | 80 | 95 |
| Number of franchise stores | 20 | 13 |
| Total stores | 100 | 108 |
| Corporate store sales ($'000) | 106,711 | 142,568 |
| Franchise store sales ($'000) | 43,555 | 37,614 |
| Total network sales ($'000) | 150,266 | 180,182 |
| Corporate store LFL sales growth % | 9.2% | 6.2% |
| Total network LFL sales growth % | 10.7% | 9.1% |
| Sales growth % | 68.7% | 33.6% |
| Gross profit margin % | 42.8% | 41.7% |
| Employee benefits expense as a % of sales | 14.8% | 14.7% |
| Occupancy expenses as % of sales | 9.2% | 8.8% |
| Marketing and advertising expenses as % of sales | 5.5% | 5.4% |
| EBITDA margin | 11.8% | 10.4% |
| EBIT margin | 10.9% | 9.4% |

# SHAVER SHOP
## FY2017 RESULTS
### INVESTOR PRESENTATION

THANK YOU