



Shaver Shop Group Limited

# INVESTOR PRESENTATION

1H FY19 FINANCIAL RESULTS

21 February 2019



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## 1H FY19 HIGHLIGHTS

# FINANCIAL HIGHLIGHTS



Ex Daigou  
Sales up  
7.7%



Strong operating  
cash flow  
\$17.8m



Online sales  
now c.12%  
of total sales



Gross profit  
margin up  
110bps to  
42.7%

1H FY19 Norm.  
EBITDA - \$11.0m



Normalised Cash  
NPAT \$7.6m

Interim Dividend  
2.0 cps  
80% franked

# OPERATIONAL HIGHLIGHTS



## Omni-channel growth

- ✓ Total online sales up +10.6% (1H FY18 – 66.6%)
- ✓ New CMO and Head of E-commerce and Digital further strengthen leadership team
- ✓ On-line subscriber database increased c70% to 187,000 since 30 June 2018
- ✓ Strong sales growth achieved over key promotional events of Black Friday, Cyber Monday and Boxing Day

## Retail operations excellence

- ✓ Sales conversion (number of customers who enter a store that purchase) up to 37.5% on average
- ✓ World class store NPS scores – averaging 82 in 1H FY19

## Product range

- ✓ Positive like for like store sales growth from our core hair removal categories of 2.8%
- ✓ Strong hair styling sales and profit growth primarily driven by successful launch of the ghd product range
- ✓ 35 of top 50 selling product lines exclusive to Shaver Shop
- ✓ Launched Flair private label hair styling brand in late November 2018

## Store network expansion

- ✓ 6X Greenfield sites opened over 1H
- ✓ Secured Eastland (VIC) franchise buyback on attractive terms

# KEY CHALLENGES



- ✗ Complementary categories were soft overall leading to same store sales decline
  - ✗ Decline in Female Beauty (primarily driven by unprecedented demand in Daigou reseller channel in early 1H FY18)
  - ✗ Decline in massage – lack of new product innovation
  - ✗ Soft power oral care category result
- ✗ New trends in buying behaviours leading to challenging period immediately following Black Friday and Cyber Monday promotions
- ✗ NSW region same store sales particularly soft
- ✗ Undertook significant due diligence on strategically compelling acquisition opportunity in an adjacent segment - transaction did not proceed (~\$1.0m in DD costs expensed)



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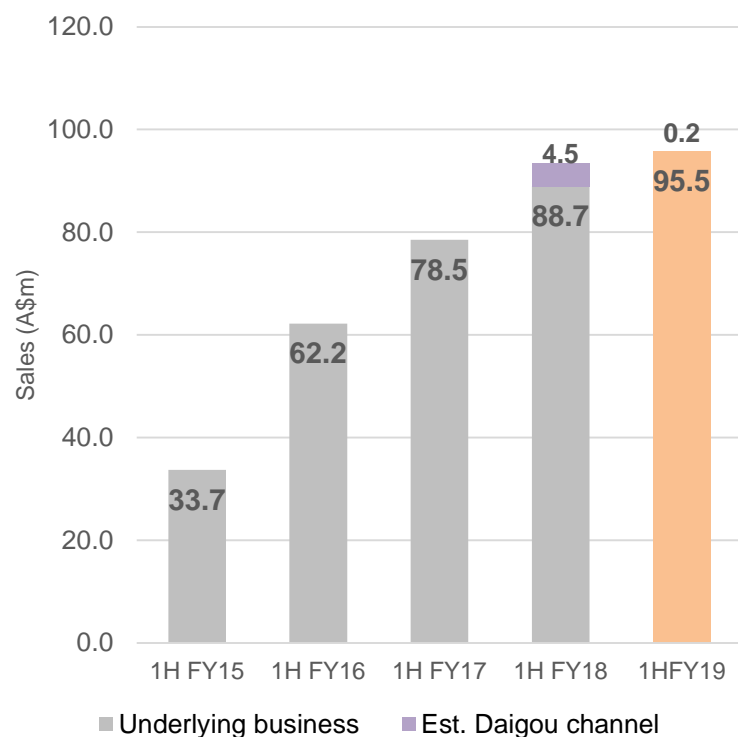
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## **1H FY19 FINANCIAL REVIEW**

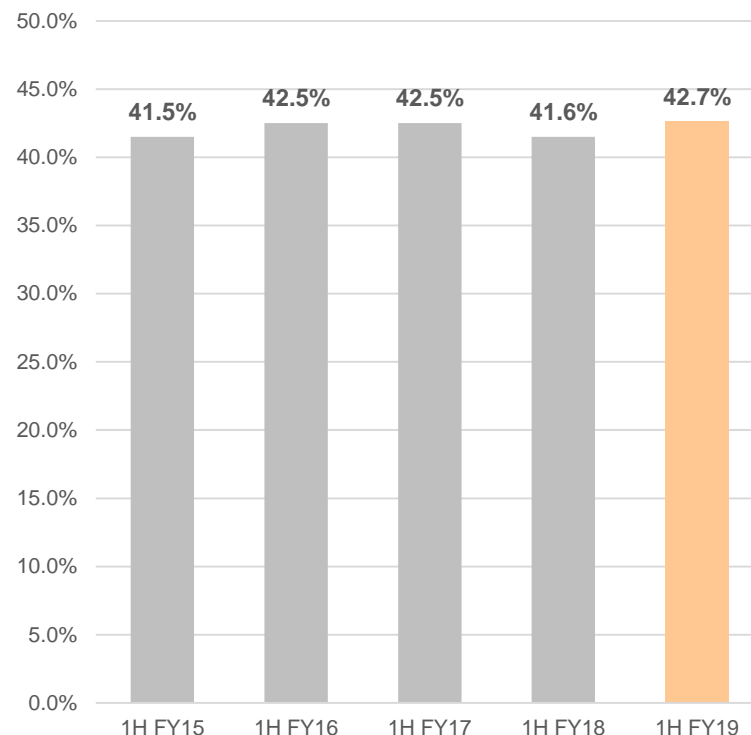
# UNDERLYING\* (I.E. EX DAIGOU) SALES GROWING WITH INCREASED MARGINS



**Underlying\* Sales Growth +7.7% to \$95.5m**



**Norm.\*\* gross profit margins up 110bps to 42.7%**



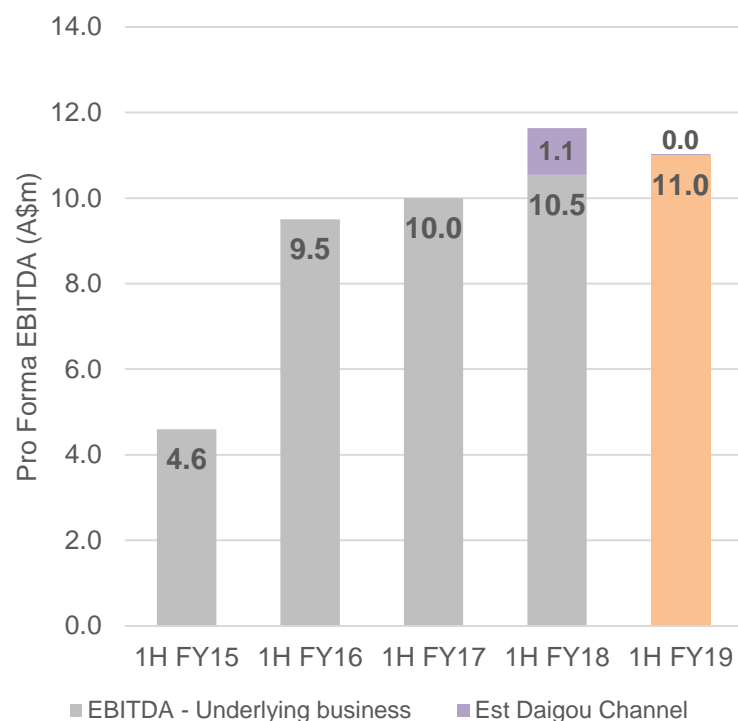
\* Underlying results exclude the estimated contributions from Daigou reseller channel sales in the relevant period. Sales to this channel are highly volatile and were largely driven by one female beauty product range in 2H FY17 and 1H FY18 which is no longer being sourced by SSG.

\*\* 1H FY18 gross profit results were normalised for the impact of a supplier liquidation and an associated provision for slow moving stock. Further details of all normalisations for 1H FY18 and 1H FY19 are in the appendices to this presentation.

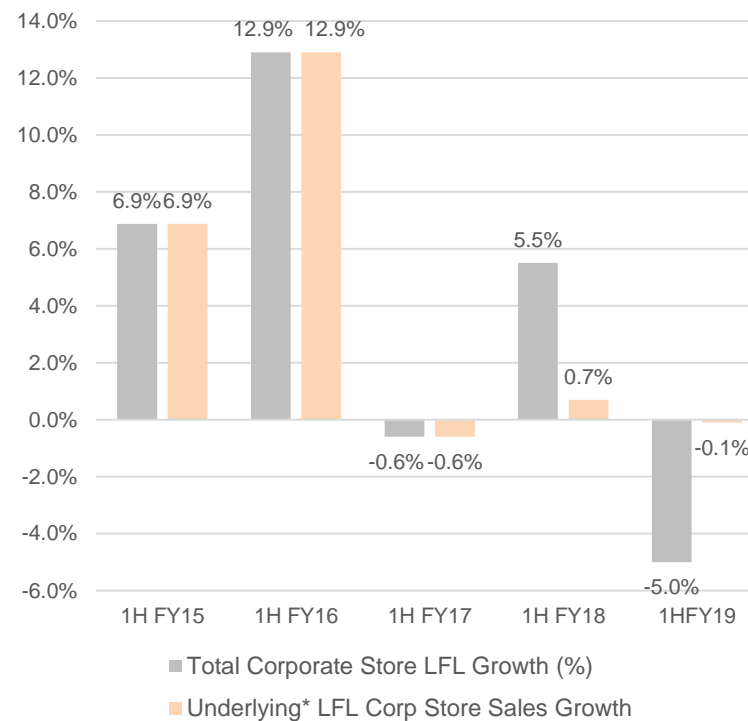
# UNDERLYING EBITDA GROWING ON FLAT UNDERLYING L4L SALES GROWTH



**Underlying\* (ex Daigou) EBITDA up \$0.5m to \$11.0m**



**Underlying LFL\*\* sales flat in 1H FY19 due to soft December quarter**



\* Underlying results are normalised (i.e. excluded one-off items) and also exclude the estimated contribution from Daigou reseller channel sales in the relevant period. Sales to this channel are highly volatile and were largely driven by one female beauty product range in 2H FY17 and 1H FY18 which is no longer being sourced by SSG.

\*\* 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.



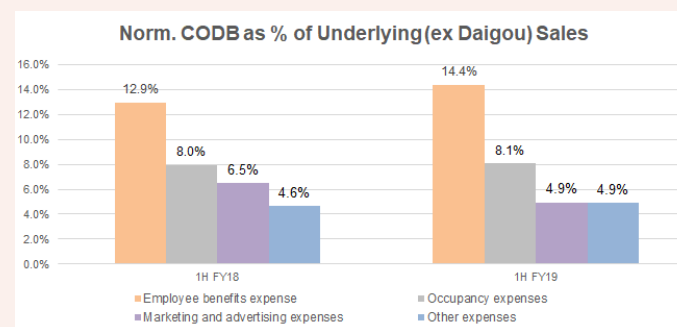
# NORMALISED PROFIT & LOSS



\$000's	Normalised* 1H FY18	Normalised* 1H FY19	Variance (\$)	Variance (%)
<b>Sales</b>	<b>93,175</b>	<b>95,716</b>	<b>2,541</b>	<b>2.7%</b>
<b>Gross profit</b>	<b>38,726</b>	<b>40,895</b>	<b>2,169</b>	<b>5.6%</b>
Gross margin %	41.6%	42.7%	1.2%	2.6%
Franchise & other income	1,284	927	(357)	(27.8%)
Cost of doing business (CODB)	(28,378)	(30,816)	(2,438)	(8.6%)
<b>EBITDA</b>	<b>11,632</b>	<b>11,007</b>	<b>(625)</b>	<b>(5.4%)</b>
EBITDA margin %	12.5%	11.5%	(1.0%)	(7.9%)
Depreciation and amortisation	(1,010)	(1,093)	(83)	(8.3%)
Net finance costs	(262)	(231)	31	11.7%
Income tax expense	(3,165)	(2,925)	240	7.6%
<b>NPAT</b>	<b>7,195</b>	<b>6,757</b>	<b>(438)</b>	<b>(6.1%)</b>
<b>Normalised basic EPS (cents) - weighted avg shares outstanding</b>	<b>5.76</b>	<b>5.55</b>	<b>(0.21)</b>	<b>(3.6%)</b>
Franchise buyback tax benefit	890	800	(90)	(10.1%)
<b>Cash NPAT (after adjusting for tax benefit of franchise licence termination costs - 5 year amortisation)</b>	<b>8,085</b>	<b>7,557</b>	<b>(529)</b>	<b>(6.5%)</b>
<b>Normalised Cash EPS (cents)</b>	<b>6.47</b>	<b>6.20</b>	<b>(0.27)</b>	<b>(4.2%)</b>

\* 1H FY18 gross profit results were normalised for the impact of a supplier liquidation and an associated provision for slow moving stock. 1H FY19 results have been normalised for due diligence costs expensed in relation to an acquisition opportunity that did not proceed. Further details of these normalisations as well as a reconciliation between reported and normalised results is included in the appendices to this presentation as well as in the 1H FY19 Directors Report. NB. Normalised results include contributions from the Daigou reseller channel in both periods.

- Total sales up 2.7% to \$95.7m
  - Underlying (ex Daigou) sales up 7.7%
- Gross margins up 110 bps to 42.7%
- Normalised CODB increased 8.6% - slightly higher than underlying sales growth
  - Investments in key marketing roles and store rosters
- Norm. EBITDA declined \$0.6m in 1H FY19 due to c. \$1.1m contribution from Daigou reseller channel in 1H FY18 (immaterial in 1H FY19)
- Norm. EPS – 5.55 cents
- Norm. cash EPS – 6.21 cents



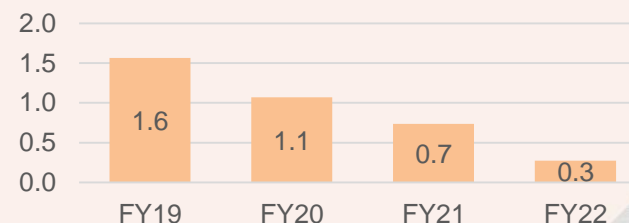
# CONSERVATIVE BALANCE SHEET



\$ millions	Statutory 31-Dec-17	Statutory 30-Jun-18	Statutory 31-Dec-18
Cash	9.5	2.9	14.0
Trade & other receivables	3.6	2.7	4.4
Inventory	36.6	23.9	33.6
Plant & Equipment	9.6	10.3	11.3
Goodwill & Intangibles	42.7	42.7	43.0
Other assets	6.8	7.5	6.4
<b>Total assets</b>	<b>108.8</b>	<b>89.9</b>	<b>112.6</b>
Trade payables	33.4	14.7	35.4
Interest bearing liabilities	7.3	11.3	9.8
Other liabilities	5.4	4.9	5.3
<b>Total liabilities</b>	<b>46.1</b>	<b>30.9</b>	<b>50.6</b>
<b>Net assets</b>	<b>62.7</b>	<b>59.0</b>	<b>62.0</b>

- Net cash of \$4.2m (31 Dec 17 - \$2.2m)
- Inventory decreased \$3.4m from 31 Dec 17 despite 8 more stores in network
  - Average inventory per corporate store c.\$280k at 31 December
- Conservative gearing
- Increased store numbers and ongoing investments in management information systems, digital and e-commerce assets leading to increase in Plant & Equipment
- Deferred tax asset declined to \$5.5m as franchise buyback tax benefits are reducing annual income taxes paid. FY19 to FY23 tax benefit - \$3.7m.

**Franchise buy-back tax benefit (\$m)**



# STRONG OPERATING CASH FLOW



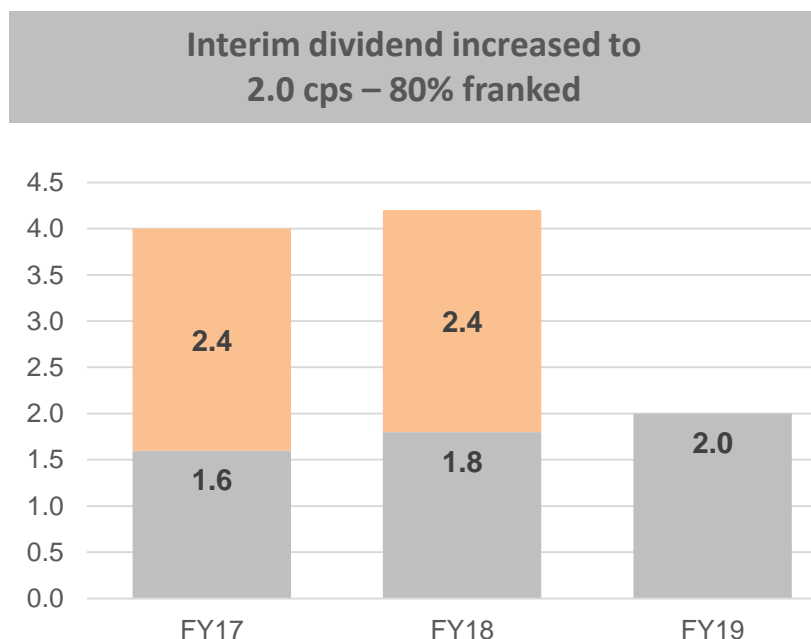
\$'000	1H FY18	1HFY19	Variance (\$)
EBITDA - reported	11,141	10,037	(1,104)
Change in working capital and other	11,958	9,360	(2,598)
Net finance costs	(262)	(231)	31
Income tax payments	(1,409)	(1,359)	50
<b>Net cash flow from operating activities</b>	<b>21,428</b>	<b>17,807</b>	<b>(3,621)</b>
Payments for franchise store buy backs	(4,542)	(335)	4,207
CAPEX (net of landlord contributions)	(1,854)	(1,520)	334
<b>Net cash flow before financing activities</b>	<b>15,032</b>	<b>15,952</b>	<b>920</b>
Dividends paid	(3,033)	(2,942)	91
Share buy-back	(378)	(25)	353
One-off costs (cash impact)	-	(390)	(390)
Borrowings drawdown / (repayment)	(4,500)	(1,500)	3,000
<b>Net cash flow</b>	<b>7,121</b>	<b>11,095</b>	<b>3,974</b>
<b>Opening Cash Position - 30 June</b>	<b>2,389</b>	<b>2,927</b>	
<b>Closing Cash Position – 31 Dec</b>	<b>9,510</b>	<b>14,022</b>	
<b>Net Cash Position – 31 Dec</b>	<b>2,185</b>	<b>4,198</b>	

- Strong operating cash flow of \$17.8m in 1H FY19
  - Decrease from 1H FY18 due previously disclosed one-off Philips stock purchase in late 2H FY17 (c.\$3m) and incremental Female Beauty stock for Daigou channel at 30 June 17 leading to working capital reduction (operating cash inflow) in 1H FY18
- Net capex - \$1.5m in 1H FY19
  - 6 new stores, 1 full store refit and ongoing digital/CRM/MIS investments
  - 5 full corporate store refits underway in February 2019 (Chermside, Eastland, Hyperdome, Garden City, Watergardens)
  - 1 franchise buyback completed (Eastland, VIC)
  - 4 corporate store refits planned for July 2019
- Reduced gross debt from 30 June 18 by \$1.5m to \$9.8m

# DIVIDENDS & DIVIDEND POLICY INCREASED



- Board declared a 2.0 cps - 80% franked dividend payable in April 2019 (1H FY18 – 1.8 cps fully franked)
- Dividend policy increased to payout approximately 60-80% of annual cash NPAT as dividends (previously approximately 50% of annual cash NPAT) to deliver higher returns to shareholders
- Franking credit balance declining due to low level of income tax paid in part resulting from franchise buy-back tax deductions – franking credit balance c\$1m at 31 January 2019
- Underlying business growth, strong cashflow and conservative gearing provides confidence that dividend payout (in \$ terms) can be maintained





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## 2H FY19 PRIORITIES

# KEY 2H FY19 INITIATIVES



- ✓ 5 full corporate store refits underway in several key doors
- ✓ Phase 1 launch of CRM for 360 degree view of customer
- ✓ Enhanced demand planning, procurement and payment solution for stock
- ✓ Ongoing enhancements to digital marketing and sales platforms across e-mail, website and social media in both Australia and New Zealand
  - ✓ E.g. Marketing automation, social media scheduling and monitoring, new online customer journeys and basic personalisation
- ✓ New products and innovation *e.g. hairstyling and men's grooming.*
- ✓ Targeted promotional program opportunities to drive category growth
- ✓ Continued focus on staff training and people management systems (including the implementation of World Manager)



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## SUMMARY & OUTLOOK

# TRADING UPDATE



- Total same store sales growth of c.7.0% over the first 6-7 weeks (through 17 Feb 19) of 2H FY19 driven by:
  - Underlying (ex Daigou) same store sale growth of 8.1% through 17 Feb 19
  - Growth across all States and Territories (excl. NT) – including NSW
  - Double digit like for like sales growth in Hair Removal categories
  - Growth in Hair Styling partially offsetting declines in other complementary categories
- Gross margin in-line with internal targets
- Average inventory per store in-line with internal targets



# SUMMARY & OUTLOOK



- Shaver Shop reiterates the guidance ranges provided in its FY18 full year results presentation that is expected to deliver a normalised EBITDA result between \$12.0 million and \$14.5 million
- Solid normalised financial performance in 1H FY19 considering
  - reduction in Daigou reseller channel sales and earnings contribution
  - soft December quarter foot traffic and volatile consumer shopping patterns
- Assessed significant and compelling acquisition opportunity leading to \$970k of one-time costs related to due diligence efforts
- Store sales conversion and service metrics remain very strong
- Business model remains differentiated with 35 of top 50 products remaining exclusive to SSG
- Strong cash flow and conservative gearing
- Interim dividend increased 11% to 2.0 cps – 80% franked (FY18 – 1.8 cps fully franked)
- Increased dividend payout ratio to approximately 60-80% of cash NPAT (up from 50%)



Shaver Shop Group Limited

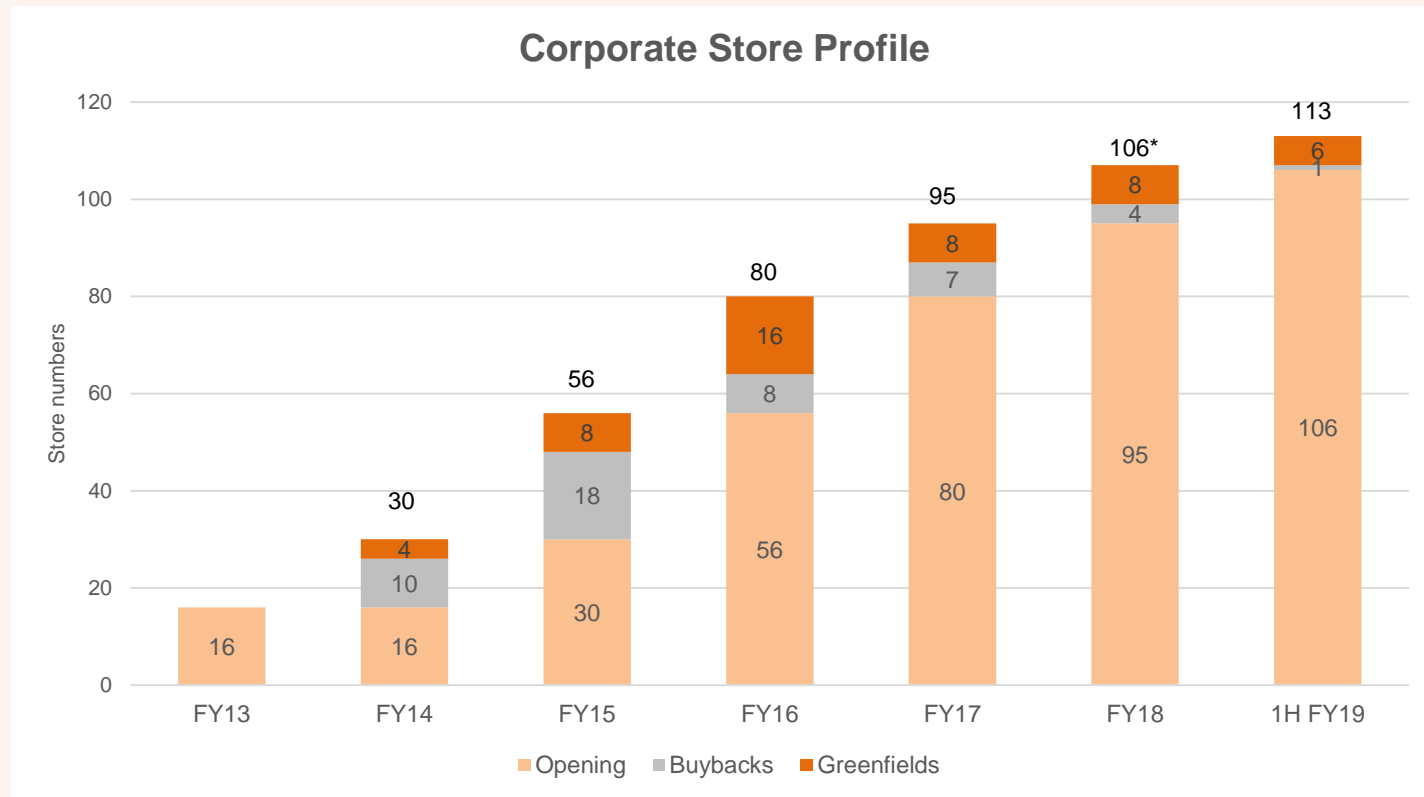
# APPENDICES

# KEY METRICS



	Normalised 1H FY18	Normalised 1H FY19
Number of corporate stores	106	113
Number of franchise stores	9	8
Total stores	115	121
Corporate store sales (\$'000)	93,175	95,716
Franchise store sales (\$'000)	13,997	10,271
Total network sales (\$'000)	107,172	105,987
Corporate store LFL sales growth %	5.5%	-5.0%
Underlying (exc Daigou) corporate store L4L sales growth %	0.7%	-0.1%
Franchise store LFL sales growth %	0.8%	-8.6%
Corporate store total sales growth %	18.7%	2.7%
Normalised gross profit margin %	41.6%	42.7%
Employee benefits expense as a % of sales (inc. Daigou sales)	12.3%	14.3%
Occupancy expenses as % of sales (inc. Daigou sales)	7.6%	8.0%
Marketing and advertising expenses as % of sales (inc. Daigou sales)	6.2%	4.9%
Other expenses (inc. Daigou sales)	4.4%	4.9%
Normalised EBITDA margin	12.5%	11.5%
Normalised EBIT margin	11.4%	10.4%

# CORPORATE STORE NUMBERS



\* Karrinyup, WA corporate store temporarily closed during significant centre redevelopment – expected to reopen late 1H FY2020.



# REPORTED TO NORMALISED\* RESULTS RECONCILIATION



\$A 000s	Reported 1H FY18	Normalisation	Normalised 1H FY18
<b>Sales</b>	<b>93,175</b>		<b>93,175</b>
Cost of goods sold	(54,602)	154	(54,448)
<b>Gross profit</b>	<b>38,572</b>	<b>154</b>	<b>38,726</b>
<b>Gross margin %</b>	<b>41.3%</b>		<b>41.6%</b>
<b>Franchise and other revenue</b>	<b>1,284</b>		<b>1,284</b>
Employee benefits expense	(11,466)		(11,466)
Occupancy expenses	(7,062)		(7,062)
Marketing and advertising expenses	(5,732)		(5,732)
Other expenses	(4,456)	337	(4,119)
<b>Overhead expenses</b>	<b>(28,715)</b>	<b>337</b>	<b>(28,378)</b>
<b>EBITDA</b>	<b>11,141</b>	<b>491</b>	<b>11,632</b>
<b>EBITDA margin</b>	<b>12.0%</b>		<b>12.5%</b>
Depreciation and amortisation	(1,010)		(1,010)
<b>EBIT</b>	<b>10,131</b>	<b>491</b>	<b>10,622</b>
Net finance costs	(262)		(262)
<b>Profit before income tax</b>	<b>9,869</b>	<b>491</b>	<b>10,360</b>
Income tax expense	(3,018)	(147)	(3,165)
<b>NPAT</b>	<b>6,852</b>	<b>344</b>	<b>7,195</b>
<b>Basic EPS (cents) - weighted avg shares outstanding</b>	<b>5.48</b>	<b>0.28</b>	<b>5.76</b>
Basic shares outstanding – weighted avg.	124,961,739	124,961,739	124,961,739

Reported 1HFY19	Normalisation	Normalised 1HFY19
<b>95,716</b>		<b>95,716</b>
(54,821)		(54,821)
<b>40,895</b>	<b>-</b>	<b>40,895</b>
<b>42.7%</b>		<b>42.7%</b>
<b>927</b>		<b>927</b>
(13,724)		(13,724)
(7,687)		(7,687)
(4,711)		(4,711)
(5,664)	970	(4,694)
<b>(31,786)</b>	<b>970</b>	<b>(30,816)</b>
<b>10,037</b>	<b>970</b>	<b>11,007</b>
<b>10.5%</b>		<b>11.5%</b>
(1,093)		(1,093)
<b>8,943</b>	<b>970</b>	<b>9,913</b>
(231)		(231)
<b>8,712</b>	<b>970</b>	<b>9,682</b>
(2,634)	(291)	(2,925)
<b>6,078</b>	<b>679</b>	<b>6,757</b>
<b>4.99</b>	<b>0.56</b>	<b>5.55</b>
121,797,192	121,797,192	121,797,192

\* 1H FY2018 results exclude the impact of stock and debtor provisions associated with the liquidation of two of SSG's suppliers. 1H FY2019 results have been normalised for amounts expensed in relation to due diligence activities associated with a potential acquisition that did not proceed.

NB. Reported and normalised results include the sales and earnings contributions from Daigou reseller channel sales in both periods.

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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.



Shaver Shop Group Limited

**THANK YOU**