ASX ANNOUNCEMENT

SHAVER SHOP ANNOUNCES FY18 RESULTS

Melbourne, Thursday, 23 August 2018 – Shaver Shop Group Limited (ASX: SSG), the Australian specialty retailer of male and female personal grooming and beauty products, today announced its results for the full year ended 30 June 2018.

FY18 results overview (vs FY17)

- Total sales up 8.7% to $154.9 million
    - Underlying (excluding Daigou channel) like for like corporate store sales growth of +1.6% (Total Corporate Store like for like sales (including Daigou channel down 3.4%)
    - 8 new stores opened and 4 franchises bought back
- Reported results include the financial impact of one-off costs that are not considered to be reflective of the underlying business' performance:
    - Reported EBITDA down 18.1% to $12.2million
    - Reported NPAT of $6.6 million down 27.0%
- Normalised[1] results exclude the impact of one-off costs that are not considered to be reflective of the underlying business' performance:
    - Gross profit up 7.9% to $64.2 million, with margin down 30 basis points to 41.4%
    - EBITDA down 11.5% to $13.2 million
    - NPAT down 20.2% to $7.2 million
    - Cash NPAT[2]down 15.1% to $9.0 million
- Operating cash flow up 197% (or +$10.3 million vs FY17 pro forma) to $15.5 million
- Conservative balance sheet with net debt of $8.4 million (30 June 2017: $9.4 million)
- Fully-franked final dividend 2.4 cents per ordinary share

Commenting on Shaver Shop's FY18 results, Managing Director and CEO Cameron Fox said: "The strength of Shaver Shop's business model was reflected in the solid top line growth of 8.7% delivered in FY18 despite having a significantly reduced contribution from Daigou sales in the second half vs last year. Excluding the Daigou impact from both years, underlying like for like corporate store sales growth continued to improve and grew 2.9% through the second half, leading to underlying annual same store sales growth of +1.6%. At a product level, our core Hair Removal categories across Beard Trimmers and Mens' Wet Shave underpinned this growth."

Normalised gross profit was up 7.9% to $64.2 million, at a margin of 41.4% for FY18. Margins in the second half were dampened due to a strategic decision to rationalise the Hair Styling product range to make room in store for the launch of the ghd brand, as well as discounting to clear some slow moving stock lines. "The rationalisation of stock in store is now largely complete, and the ghd launch has met our expectations, returning sales and margin growth to Hair Styling after more than 12 months of decline," added Mr Fox.

[1] Normalised results exclude the impact of provisions for doubtful debts and stock provisions ($491,000 in aggregate) that resulted from the liquidation of two suppliers in 1H FY18 (the suppliers were affiliated with each other) as well as the settlement of an FY15 SA Stamp Duty Assessment related to franchise buybacks completed in that year ($156,000) and the impact of significant fraudulent transactions committed by a previous store manager at Shaver Shop ($327k). A reconciliation of reported to normalised results is available in the Appendix to the Company's FY18 Investor Presentation.

[2] Adjusting for the benefit of tax deductions in relation to historical franchise buybacks that reduce Shaver Shop's income tax payable in comparison to the income tax expense shown in the Company's reported profit and loss statement. A reconciliation between reported and normalised cash NPAT together with a summary of the expected future franchise buyback tax deductions available to Shaver Shop is outlined in the Directors Report's contained in the Company's FY18 Financial Statements.

Normalised EBITDA declined $1.7 million to $13.2 million, largely due to FY17 benefiting from Daigou channel sales that were not repeated in FY18. “While we are disappointed at the decline in earnings over FY18, I am very proud of the efforts from our corporate store and support office teams in returning the business to underlying like for like sales growth of 2.9% in the second half. In our core Hair Removal categories, the result was even stronger with underlying like for like sales growth up 5.7% in the second half.

“We have a great sales team, with world class in-store customer service metrics. Our Net Promoter Score consistently averages above 80, and our sales conversion metrics increased to more than 34% in June. That means that one in three people who are entering our stores are making a purchase, a compelling result that we can further improve on in FY19.”

Operating cash flow nearly triples to $15.4 million

One of the key highlights in FY18 was the significant improvement in operating cash flow. Average inventories per corporate store ended below $230,000 (target was $250,000). The significantly reduced stock position will enable Shaver Shop to invest in new and innovative products coming into the key Fathers’ Day and Christmas trading periods.

Strong growth in online sales, up 47.4%, and improving marketing capabilities

“Our strong operating cash flow enabled us to continue to invest in building the key technology and operational platforms that will drive and support future growth. Online sales grew 47.4% in FY18, and now represent approximately 10% of total network sales.

“Shaver Shop’s strong growth in online sales is a key strength of the business. We are investing further in enhancing our omni-channel retail capabilities, both through the implementation of a new CRM as well as refinements to our online user experience. The appointments of a new Chief Marketing Officer [ex Priceline] and Head of e-Commerce [ex 2XU] who both come with significant and relevant experience in the retail sector, will help accelerate our omni-channel retail plans in FY19,” added Mr Fox.

Strong balance sheet

Shaver Shop continues to have a strong balance sheet, with net debt decreasing $1.0 million over FY18 to $8.4 million. Gearing remains comfortable with the Company’s leverage ratio (net debt/normalised EBITDA) at 0.64x, well within banking covenants.

Reflecting the Company’s strong balance sheet, operating cash flows and outlook, Shaver Shop’s Board of Directors is pleased to declare a fully franked final dividend of 2.4 cents per share, with a record date of 17 October 2018 and a payment date of 31 October 2018. This brings the Company’s total FY18 dividends to 4.2 cents per share fully franked (an increase of 5% vs FY17 dividends of 4.0 cents).

Growing ‘private label’ or ‘own-brand’ products

“To enhance Shaver Shop’s competitive differentiation and increase margins, we have been building our range of ‘private label’ or ‘own-brand’ products. The LumiSkin skin rejuvenation range was launched in Q3 FY18, and I’m pleased to announce the launch of our first private label brand in Hair Styling, ‘Flair’, in Q2 FY19. These are exciting additions to our business that complement our range of leading global brands.” said Mr Fox.

Corporate store expansion

Shaver Shop’s Corporate Store network grew to 106 stores at 30 June 2018, with 100 stores in Australia and 6 in New Zealand. Shaver Shop also has 9 franchise operated stores.

Commenting on the growth in Shaver Shop's retail network, Mr Fox said: "We opened 8 new stores in FY18 and completed 4 franchise store buybacks. We also chose to temporarily close our store in Karrinyup while that shopping centre goes through a significant redevelopment. As a group, our greenfield stores continue to meet or exceed expected returns, leading us to commit to 5 new stores so far for opening during in FY19. We are on-track to open 8 to 10 new stores this financial year, including another flagship store recently opened in the Sydney CBD at Broadway."

Key initiatives for FY19

Shaver Shop commenced several investments in 2H FY18 that will continue in FY19. These investments lay the foundations for medium to long-term growth. These investments in systems and core capabilities are crucial to ensuring the Company is best positioned to compete and succeed in the future, and include:

- Building a leading omni-retail marketing team across digital, social and traditional media
- Completing several technology transformation projects to drive efficiency across the business
- Completing the implementation of the new CRM platform and launching a new customer loyalty program
- Fully launching Shaver Shop's wet shave subscription program
- Launching the Company's first hair straightening "own-brand" product in October 2018
- Opening 8-10 new stores across Australia
- Continued investments across our e-commerce platforms in both Australia and New Zealand.

Summary and outlook

Reflecting on the Company's performance in FY18 and how it's positioned for FY19, Mr Fox said:

"At a headline level, we expected FY18 to be a challenging year given the sales growth from the Daigou channel experienced in the second half of FY17 which dissipated materially into FY18. However, our underlying performance in FY18 was solid. The key indicators of our business health remain robust, namely our world class in-store customer service ratings and sales conversion rates remain high, strong online growth has been delivered, we have improved stock turns, and significantly increased our operating cash flow. These results, together with the strong like for like sales growth in our core hair removal categories, give me confidence that the business is on the right track looking forward to FY19 and beyond.

"To position the Company for the next phase of sustainable growth in our core business, we are now making the right investments in people, systems and processes. These investments will underpin long-term growth, and while they will not deliver significant earnings upside in FY19, they will deliver sales growth and operational efficiency in the years beyond.

"Our stores are performing well, and our online channel has emerged as a material contributor to our sales and earnings growth. New exclusive products as well as private label products recently launched are showing strong appeal to our customers. Key suppliers continue to see Shaver Shop as a trusted and premium partner who can deliver great outcomes and reward them for effective innovation."

"The Board expects the business to deliver another year of underlying like for like sales growth and we expect to see gross profit margins improve vs FY18. Earnings growth in FY19 will however be moderated by the significant business investment program being undertaken to provide the foundations for sustainable long-term growth."

The Company expects the following in FY19:

	FY18	FY19 Guidance
Year end corporate stores (including online)	106	112-116
Sales	$154.9m	$160m - $170m
Gross Profit % (Normalised)	41.4%	42.0% - 42.5%
EBITDA (Normalised)	$13.2m	$12.0m - $14.5m

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