



**ASX ANNOUNCEMENT
FOR IMMEDIATE RELEASE**

SHAVER SHOP 2018 ANNUAL GENERAL MEETING

Melbourne, 21 November 2018

Shaver Shop Group Limited (ASX: SSG) the Australia and New Zealand specialty retailer of male and female personal grooming products, will today address shareholders at its Annual General Meeting to be held in Melbourne, VIC commencing at 11a.m. AEST.

Attached is a copy of the address to be delivered by the Chairman, Mr. Brodie Arnhold and the address to be delivered by the Chief Executive Officer and Managing Director, Mr. Cameron Fox.

Voting results from the meeting will be lodged with the ASX later today.

-ENDS-

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2018 Annual General Meeting Chairman's Address – Brodie Arnhold

Good morning ladies and gentlemen and thank you for joining us today for our 2018 Annual General Meeting. My name is Brodie Arnhold and I am the Chairman of Shaver Shop Group Limited and have been a board member since 2013.

It is now 11.00am, the appointed time for the AGM. I am advised that a quorum is present. I therefore have the pleasure in declaring this meeting open. Thank you for attending.

Before proceeding to the formal business of the Meeting, I would like to introduce my colleagues:

- Cameron Fox, Managing Director and CEO
- Craig Mathieson, Non-Executive Director and Chair of the Audit and Risk Committee
- Trent Peterson, Non-Executive Director and Chair of our Nomination and Remuneration Committee
- Mel Wilson, Non-Executive Director
- Bringer Singer, Non-Executive Director is currently overseas and sends his apologies
- Larry Hamson, our CFO and Company Secretary

Also present is Daniel Rosenberg, an audit partner with PricewaterhouseCoopers. Daniel will be available to answer questions on the accounts at the appropriate time.

I would like to thank our legal counsel, Norton Rose Fulbright, for once again allowing us to use their facilities to host the Annual General Meeting.

We also welcome the team from Link Market Services Limited who will assist as required in the counting of votes in respect of all resolutions to be put to the meeting.

Agenda

The agenda for today's meeting is that following my introductory remarks, Cameron Fox, Managing Director and CEO, will present his review of the results of operations and activities for 2018 as well as some of the key priorities for the coming years. Cameron will also provide a brief trading update for the year so far as well as an outlook statement for the remainder of FY2019. We will then proceed to the formal business of the meeting and voting on the key items of business.

At the conclusion of the meeting, we invite you to join the Board and management for some light refreshments.

Procedural matters

On your way in, our share registry, would have provided you with one of three cards. Yellow cards are for shareholders that have not yet voted prior to the meeting and wish to vote here today.

Blue cards are for shareholders that have already voted through a proxy submission and therefore are ineligible to vote today. That said you are welcome to ask questions.

Red cards are for visitors to the meeting. We thank our visitors for joining us today, however as you are not a shareholder, you are ineligible to vote or ask questions.

As Chairman, under the Company's Constitution I have determined all items will be decided by poll and that the poll is now open.



If leaving early, place completed voting cards in the ballot box by the exit doors

The results of the poll will be available later today by visiting the Company's website or the Australian Securities Exchange (ASX).

The 2018 Annual Report is tabled before you.

In a retail market that is constantly evolving and becoming more global, Shaver Shop's business model remains highly differentiated and successful.

Our 30 year focus on personal grooming and hair removal solutions for men and now women has enabled us to develop a unique knowledge base in these categories. We use this knowledge to give our customers the best possible advice on what products to use and how best to use them so that they get the look they are seeking.

The increasing prevalence of social media has only increased the focus on personal health and beauty fuelling global growth in the sector. Our suppliers are investing millions of dollars every year to develop the latest and greatest beauty tool – particularly those that allow consumers to get that professional styling look from the comfort of their own home.

We work closely with those suppliers on identifying the trends in the marketplace as well as ensuring Shaver Shop has exclusive distribution rights to those new and innovative products as much as possible.

This gives us a unique customer value proposition that's driven by a unparalleled customer service and advice as well as having access to products that are not available at other retailers. It also gives us some increased protection from new competition entering the market.

And now that our brand is well recognised across Australia with more than 120 stores in the network, we believe we are increasingly being seen as the destination retailer for personal grooming and beauty appliances. Our online store has also been very successful – our key priority there being to replicate the experience our customers have in-store – on the web.

Shaver Shop's financial performance over the last two financial years has been dynamic and impacted by some major product launches in the hair styling and beauty spaces that have driven significant sales growth but for a limited time period. The reality is that we've applied our expertise in picking the next big hair removal product to these new and increasingly important female categories. This has led to some volatility in our sales and financial results but strategically has been the right decision.

Turning to our financial position, Shaver Shop's balance sheet remains very strong with relatively conservative gearing. We generated approximately \$15.5m in operating cash flow in FY2018 and had net debt of \$8.4 million at the end of the financial year.

Our strong cash flow generation and financial position provides the flexibility for Shaver Shop to consider various growth and capital management initiatives. This time last year we announced an on-market buyback of the company's shares and proceeded to acquire approximately 3% of the shares on issue. The Board and management team are currently contemplating various options for growing long term shareholder value, and have therefore chosen to suspend the on-market buyback while we consider various capital deployment alternatives.

That said, we continue to return a significant proportion of our profits to shareholders through dividends. Shaver Shop paid out fully-franked dividends amounting to 4.2 cents per share for FY2018. Our dividend policy remains as a payout ratio of approximately 50% of our cash net profit after tax. This is our reported net profit after tax after adjusting for the tax benefit we have derived through our franchise buy-back activity.

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And while there are various external environment factors that may influence consumer sentiment from time to time, this business has a track record of being highly resilient. We are a specialist retailer, but we operate in the mass market of hair removal, health and beauty products. With our brand awareness now up to 87% our challenge is to increasingly deliver more personal and relevant offers to our customers.

Your Board and I are confident that we are on the right path. Shaver Shop remains a nimble, speciality retailer with a very profitable and differentiated business model that we expect to deliver robust returns to shareholders in the future.

I will now hand over to Cameron Fox to run through a bit more detail regarding Shaver Shop's 2018 results and provide a trading update and commentary around our full year outlook.

MD and CEO Presentation – Mr Cameron Fox

Thanks Brodie.

Before I begin, I would like to thank the entire Shaver Shop team for their ongoing commitment and dedication to the business. 2018 was a challenging year for Shaver Shop to maintain its growth trajectory given the significant contribution from the Daigou reseller channel in the second half of FY2017.

Whilst normalised EBITDA decreased to \$13.2 million or approximately 11.5%, this was primarily driven by the reduced Daigou contribution. When you exclude this impact, the performance of the business was generally quite strong:

- Underlying (i.e. excluding the estimated impact of Daigou sales) like for like sales were up 1.6%
- Our core hair removal categories generated like for like sales growth of 2.9%
- The business drove underlying like for like sales growth in 9 of 12 months
- Our digital investments drove a 47% increase in online sales and now represent approximately 10% of our total network turnover
- We made significant additions to our hair styling product range through the launch of Dyson Supersonic in October 2017 and then ghd in late May 2018;
- We achieved underlying operating leverage by keeping our marketing expenditure and head office overheads in check
- We also deliberately drove a significant reduction in average stock levels across the store network which translated into robust operating cash flow of \$15.5 million

So while our earnings were down, this was due to isolated and explainable reasons. That said it was still a disappointing result particularly given we did not achieve same store sales growth in our most important month – December. As a seasonal business, the Christmas trading period remains our most important by a significant margin and one that we need to perform well in to be confident of growing our business each year.

After having a soft Christmas, we were compelled to deal with some product lines where we had more stock than preferable. This was particularly the case in Hair Styling where we needed to derange a number of lower price point brands and models to make way for ghd – the leading global hair styling brand for women. So whilst this had an impact on gross margin % for the business, it was the right decision, and put us in a good position leading into FY2019.



Shaver Shops Key Priorities

Shaver Shop's strategic direction has not changed for many years. Our number one objective is for customers to see Shaver Shop as their preferred destination for personal grooming solutions. We differentiate by providing a unique customer experience centred around exceptional service and unparalleled product knowledge – it's something the business was founded upon and remains core to our DNA and culture. Our strategic and tactical imperatives are built around this key philosophy so I'll run through a number of these initiatives now.

Leading omni retail capabilities

This is a bit of a buzz word in retail at the moment but it is crucial for our business and particularly given our service focus. We need our customers to receive the same unique experience at Shaver Shop whether they walk into our stores, talk to a customer service representative on the phone or choose to browse and purchase online. This sounds relatively easy to do, but in reality it's not.

I am pleased to have appointed two key members of the team that will help make this happen. Both Allana May, our Chief Marketing Officer and Simon Jordan, our Head of Digital and e-Commerce have hit the ground running – ensuring we have the right building blocks in place to have a 360 degree view of the customer.

Ultimately this will lead to Shaver Shop having the ability to engage with our customers on a more relevant and personalised level and enable them to choose the way they want to research, compare or be inspired by the products we sell.

We have a number of initiatives planned for our online business (including loyalty and subscription plans) and so we will continue to invest in this fast growing, ever evolving sales channel for the foreseeable future.

A passionate and high performing team

Our in-store team members are critical to the success of our business and live our core values on a daily basis. They are experts in the products we sell and ensuring our customers not only get the products they need but also fully understand how to get the most from them.

I am very proud of our in-store teams and the world class levels of service they are providing. Over the last 18 months we implemented a Net Promoter Score feedback tool within all stores that allows customers to rate their experience at the coal face. I am pleased to report that our NPS score consistently averages above 80, which is near the top levels achieved globally.

If it were not for the care and passion of our store teams, our business would not be the success it is today. It is for these reasons, we will be continuing to invest in our training platforms so that our staff continue to get access to the latest sales and product knowledge and so our business continues provide a unique and valued in-store experience.

Product innovation and exclusivity

Our business has been driven on new product innovation for some time and we work closely with our global suppliers to ensure we pick the new lines that will drive incremental growth. But it's not just about picking the right product, it's about ensuring the pricing, in-store training and promotional programs are fully aligned and drive the intended sales and earnings result for Shaver Shop as well as for our suppliers. Our unique customer proposition and commitment to partnering with vendors leads us to being able to negotiate exclusivity arrangements that benefit both Shaver Shop and our supplier partners. To this end, we are entering another Christmas period where we have secured exclusive distribution rights for a substantial proportion of our top selling products – particularly in our core hair removal categories.

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We are also selectively investing in private label brands in complementary categories where we believe the addition of these lines fills a gap in our current offering.

Evolving In Store Experience

The layout and design of our stores is another important contributor to having a strong and engaging experience for our customers. Each year, our brand and business continues to evolve along with the market. Similarly, we are taking steps with our store designs to ensure we continue to attract new and retain existing customers across all ages and demographics.

Some of this is just maintaining a contemporary look and feel – given many of the products we sell are becoming fashion accessories as opposed to beauty tools. However, we are also refining the flow and layout of the store to ensure men and women can easily find what they are looking for or are comfortable just taking time to browse. This is important, as many new customers are not aware of the depth and breadth in our product range.

We will have seven stores undergoing full refits in February 2019, with some of these in key doors in A grade centres. Recent experience suggests these refurbishments should drive immediate uplifts in sales and strong returns for the business.

New Stores and Franchise Store Buybacks

So far in FY19 we have committed to 6 new stores with the last, in Wagga Wagga, to open in the first week of December. This means we remain on track to open 8-10 stores this financial year. We are keeping a close eye on the performance of these new stores as well as those in their vicinity to ensure we assess any potential cannibalisation impacts.

In addition to new greenfield sites, subject to achieving appropriate return metrics, we will continue to undertake franchise buybacks. To this end, I am pleased to advise we acquired the Eastland, Victoria franchise business in late October. With the right stock ranging and in-store experience, we are very confident of delivering returns that exceed our minimum thresholds.

Trading Update & Outlook

After the first four months of trading, Shaver Shop's EBITDA performance is in-line with its internal targets.

I would like to remind everyone that Shaver Shop is a seasonal business with material sales and earnings contributions coming from the upcoming Christmas and Boxing Day trading periods.

Shaver Shop's Board reiterates the guidance ranges provided in the FY18 full year results presentation in August and remains committed to executing strongly across the business through the rest of the year.

Finally, I would like to thank all the individuals that have supported and contributed to the Shaver Shop business, from our customers, to our suppliers to our team members and shareholders. We have a strong and successful business today, but with the initiatives in place, we will have an even stronger and more resilient business for years to come.

Thank you.

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