



## **ASX ANNOUNCEMENT FOR IMMEDIATE RELEASE**

### **SHAVER SHOP 2019 ANNUAL GENERAL MEETING**

**Melbourne**, 30 October 2019

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 2019 Annual General Meeting to be held in Melbourne, VIC commencing at 11a.m. AEDT.

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-

**For Further Media Information:**

Cameron Fox, CEO and Managing Director  
+61 3 9840 5900

**For Investor Relations Information:**

Larry Hamson, CFO and Company Secretary  
+61 3 9840 5900



## **2019 Annual General Meeting Chairman's Address – Brodie Arnhold**

Good morning ladies and gentlemen and thank you for joining us today for our 2019 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.

### **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 financial results and operational highlights for 2019 before outlining Shaver Shop's growth priorities in the coming 12-24 months. Cameron will also provide a brief trading update for the year so far. 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.

### **Board of directors**

I would now like to introduce my colleagues that are here with me today:

- 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
- Melanie Wilson, Non-Executive Director
- Brian Singer, Non-Executive Director; and
- Larry Hamson, our CFO and Company Secretary

Also present is Daniel Rosenberg, our audit partner from 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.

### **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.

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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).

### **FY2019 Performance**

The 2019 Annual Report is now tabled before you.

I am pleased to report that, as evidenced by our 2019 financial results, Shaver Shop remains in a very strong and defensible position in the growing health and personal care market.

Pleasingly, growth came from our core hair removal and hair styling categories last year, and some of the volatility in sales and earnings from certain brands and the daigou reseller channel that we experienced in previous years were not major contributors in 2019.

Our balance sheet is strong with low net debt. We reported strong top line growth of around 8% in what was a pretty flat retail market and generated normalised operating cash flows of around \$12.5 million.

Shaver Shop's ability to drive strong cash flow conversion is not something new to the business and we don't expect will change in the future. This has allowed the company to retain low gearing whilst executing a relatively aggressive franchise buy-back and new store roll-out program over the last 5 years or so. This also put the Board and Management in the enviable position where we can consider various options to manage and deploy our capital.

One such opportunity emerged in late FY2018 when we were approached to consider a company transforming acquisition opportunity. Whilst pursuing the opportunity was not without risk and cost, the potential upside to shareholders was too large to ignore. We prudently undertook significant due diligence but unfortunately were not able to consummate the transaction. We remain convinced that, at the right terms, the deal would have been the right decision for Shaver Shop and its shareholders and so while it was disappointing to incur almost \$1 million by thoroughly investigating the opportunity, at the time, it was the right thing to do. In presenting the results for Shaver Shop, we have normalised these due diligence costs as they are not part of Shaver Shop's normal business activity and we don't expect to pursue any acquisitions like this in the foreseeable future.

### **Dividend History**

Also in terms of capital management, the Board of Shaver Shop declared dividends of 4.5 cents per share in 2019 franked to 80%. This was in-line with our dividend policy to payout approximately 60-80% of cash net profit after tax and was an increase of 0.3 cents (or 7.1%) on the 4.2 cents per share declared in FY2018. We feel this dividend amount per share and level of franking is sustainable at current levels for the foreseeable future whilst still allowing the company to invest in key growth opportunities like our omni-retail initiatives and store refit strategies – both of which were key drivers of same store sales growth in the second half of 2019.

Your board is also committed to sound governance practices as these provide the foundation for the realisation of Shaver Shop's objectives. Our aim is to be as transparent as possible about our strategies, policies and actions while making sound business decisions that ultimately will drive attractive returns for shareholders. As part of our governance process, the Board evaluates its own performance with a view, amongst other things, to ensure we have the right skills and experience at the table and are focusing on the right agenda items. In the next 12 months, we will be putting increased focus on the Board renewal process since many of our current Board have been with the business for more than 5 years.

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In summary, Shaver Shop's business remains very healthy and your board remains committed to driving attractive returns for shareholders. Shaver Shop's resilience has been shown through its ability to generate these returns over both the ups and the downs of the general retail and economic environment. And so, as a specialist retailer in a growing market, we feel Shaver Shop continues to be very well placed.

I would like to thank my Board colleagues for their contribution and guidance and to the entire Shaver Shop team for their efforts to inspire and serve our customers whilst driving value creation for our shareholders. I would also like to thank our shareholders for their ongoing support of the business.

I will now hand over to Cameron Fox, your CEO and Managing Director.

## **MD and CEO Presentation – Mr Cameron Fox**

Thank you Brodie and good morning ladies and gentlemen.

### **Performance Trends**

Shaver Shop's financial performance has exhibited strong sales growth over the last 5 years driven by both increases in corporate store numbers (as you can see by the bottom left of the slide) as well as by strong underlying like for like sales growth over most years (that is, excluding estimated Daigou sales). I am pleased to say that after softer 2017 and 2018 performances, Shaver Shop delivered underlying like for like sales growth of 4.8% in 2019, which was more in line with the long term average for the business.

Importantly, there was no significant contribution from the Daigou channel last year, which means the underlying sales growth of 11.7% in 2019 also drove 11.7% growth (or \$1.4 million) in underlying EBITDA. The normalised EBITDA contribution of \$13.5 million was in fact very strong considering Shaver Shop had a soft Christmas trading period (as did most retailers). The Christmas period remains the most important one for us to win each year. We also had approximately \$1.2 million less EBITDA coming through the Daigou reseller channel.

### **FY19 Operational Highlights**

While the financial results were very healthy, they really only tell part of the story because they were underpinned by a number of operational achievements.

We continue to achieve Net Promoter Scores (NPS) consistently above 80. NPS measures in-store service levels and the overall customer service experience. An NPS score of 80 and above demonstrates that Shaver Shop customers are receiving best in class service levels.

Our sales conversion, that is the proportion of customers entering our store that end up buying something, increased to almost 38% in 2019 – an outstanding result which (again) goes some way in demonstrating that our investment in staff training, education and support is working.

We rounded out our executive team with the appointment of Allana May, our Chief Marketing Officer. Allana's appointment together with the appointment of her team supported online sales growth of 30.0% in the year. Online sales now represent 12.6% of our network's sales reflecting the success of some of the omni-retail investments we have made over the last 12 months.

Our Shaver Shop customer database more than doubled to 234,000 and we have now launched our CRM which will enable the business to improve customer insights and engagement.

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The New Zealand business delivered its strongest performance to date.

We understood 5 full store refits that are driving considerable sales growth for those stores since re-opening. We also opened six new stores and completed the buy-back of the Eastland franchise.

The growth in online sales in the second half of the financial year, up 63.2%, was a particular highlight and reflects the new “always on” approach to customer engagement and communication. This leads us into our key growth priorities.

### **Growth Strategies**

We have 6 components to our growth strategy but in reality many of these are intertwined:

1. The first is our omni-retail approach which is changing the way Shaver Shop and our customers interact with each other.
2. We are updating our in-store design to create a more engaging experience.
3. We are bringing more stores into the Corporate network through both franchise buy-backs and new store openings
4. We are continually looking to enhance our product and service offer through accessing innovative and exclusive product as well as staff training – so we are seen as the experts in our categories
5. We are working to expand the categories we offer as well as expand margins
6. And finally, while we already garner a significant proportion of the market for hair removal and personal care solutions, we feel there is more room to grow – both because the market itself is growing, and also by expanding our share in certain categories.

### **Best in class omni retail capabilities**

We aim to be the best in class omni channel retailer in our category. To do this, you need to have some key enablers in place – particularly with respect to inventory, order management and fulfilment, and customer relationship management systems. We are fortunate in that we have always utilised a distributed order management model – this means that each of our stores acts as a distribution point for online orders. The closest store to the customer, that has stock available to fulfil the order in full, is allocated the sale. This is regardless of whether the store is corporately owned or a franchise. The benefits of this model are many:

- Postage timeframes and costs are reduced
- The ability to offer click & collect is significantly improved
- There is no separate warehouse and stock investment specifically for online sales
- We utilise “slower” periods during the day for rostered staff to pick and pack online orders; and
- It also allows a local store to engage with our customers on a much more personal level than pure online competitors can offer. We feel this is very important given the personal nature of many of the products we sell.

You also need a fully functioning CRM so we can understand the preferred way for a specific customer to interact with Shaver Shop. I am pleased to say that our CRM is now in place which will enable us to deliver:

- Improved customer segmentation;
- Preference based marketing and increased automation; and
- Distribution of more frequent and relevant digital marketing campaigns that improve customer value and drive increased shopping frequency for Shaver Shop.

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In addition to getting the right people and platforms in place, we are accessing significantly more customers through increased social media activity, improved search engine strategies as well as by partnering with selected marketplaces that we believe will drive incremental value for Shaver Shop.

Omni-retail is now at the core of Shaver Shop's approach to customer service. While we used to track online and in-store as separate channels, we believe this is becoming less and less relevant because we want our customers to have the same, positive experience, shopping with Shaver Shop, regardless of the sales touchpoint they choose to use on any given day.

### **Engaging new store designs**

Our in-store layouts and designs have also evolved considerably over the last 24 months and now reflect a more contemporary, gender neutral, look and feel. Significant time has gone into upgrading the shop front, and while we have significantly improved the in-store layout and design, we think there is more we can do in this regard. The full store refits completed in March 2019 have delivered significant incremental sales growth so far which confirms we are on the right track. We expect to complete 10-12 full store refits in FY20 at key doors across Australia.

### **Corporate store network growth**

In terms of the store network itself, we have 121 stores currently in ANZ with two stores now committed to open. One is in Auckland, New Zealand at the newly refurbished Westfield Newmarket centre. The second is the re-opening of our Karrinyup, WA store in the second half of the financial year, following that centre's redevelopment. Both promise to be strong contributors to the business. We are being more cautious regarding new store openings at present given the continuing transition to online sales as well as the potential for cannibalisation of existing stores.

We are also continuing to execute our franchise buy-back strategies with both the Hornsby, NSW and Doncaster, VIC stores being acquired in the first quarter of FY20.

### **Product and service excellence**

Shaver Shop's heritage is steeped in service and product knowledge. It's at the very core of who we are – we are product geeks in this category – and we're very proud of it. We have lived and breathed personal care categories since 1986 when our first store was opened in Lonsdale St, Melbourne. Personal care is (as its name would suggest) a personal category and it requires product matter experts who are capable of recommending the right product for the customer based on their needs and/or desired outcome.

We are very proud of our store teams and the level of product knowledge and customer service focus they display day in and day out and we continue to invest significantly in staff training and support to build upon (what we perceive) as one of our major competitive advantages.

The passion and knowledge of our store team provides many commercial benefits that are unique to the Shaver Shop business model. It helps us sell more high end men's electric shavers and beard trimmers, as an example, than any other retailer in the market. It's also one of the reasons we are able to negotiate exclusive access to products with suppliers. These suppliers see the motivation, skill and experience of our store teams at our national conference each year, and realise there is no other retailer in this space that can match our capability.

Our customers also know that we offer strong value for money, with highly competitive pricing across our range, particularly during key gifting periods.

So we are a specialist retailer that's equally focused on service as providing year round value to our customers.

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## **Brand and category expansion**

Moving onto our brand and category expansion activities.

Shaver Shop's brand has become synonymous with men's grooming and personal care solutions. You may be surprised to learn however that more than 50% of the customers that enter our store are women.

We have added numerous key brands over the years that help position Shaver Shop as a leading personal care destination for him and her. A few examples of these brands include: Dyson Supersonic & Ghd.

We will continue trialling complementary products and categories, like men's fragrances and skincare ranges.

We will also add new brands to our core categories when it makes sense and selectively increase our range of "private label" products, like Flair and Percy Nobleman that provide strong value for money to the customer as well as improved margins for Shaver shop. Whilst we will expand into private label products on a select basis, it should be stressed that remain a supporter of big brands who continue to bring innovation to the category which stimulates consumer demand. Shaver Shop has always been a supporter of brands that drive category innovation and we have a history of being able to lock down branded products on an exclusive basis. We broadly estimate (for example) that 90% of our Wahl Clip and Trim range is exclusive to Shaver Shop.

## **Market and market share growth**

Finally in terms of market share growth and increasing our share: there are some fundamental tailwinds for our market that should enable Shaver Shop to grow whether we continue to gain share or not.

The first is the impact social media is having on influencing human behaviour. People want to look and feel good. And the reality is, whether we agree with it or not, hair below the neckline for women and increasingly for men, is either expected to be removed entirely or groomed. This is especially the case for the burgeoning millennial segment – and this requires, in most cases, specialist personal tools to get the look you desire – which obviously Shaver Shop benefits from.

We are also seeing men becoming more like women in terms of their daily health and beauty regimes. This has been true overseas for some time now, and Australia is simply following the trends that have existed in markets like the US, UK and Europe over the last 5-10 years. Men are changing their approach to personal grooming. It is now common for men to be clean shaven for part of the week, grow stubble and a short beard by the end of the weekend, before shaving it all off again before work on Monday. This means having multiple tools in the bathroom to get the look they want on any given day of the week.

In addition to the market growing, Shaver Shop's position in the market has never been stronger. Our unprompted brand recognition is at its highest levels with our store footprint, promotional campaigns, and in-store staff putting us in a highly defensible position to either retain or grow market share in the future. For almost all our competitors, personal care and hair removal solutions are a secondary focus, for Shaver Shop, it's our livelihood and we are very strong and protective of this category.

## **Trading Update**

After almost four months of trading, Shaver Shop remains on track to deliver sales and EBITDA growth (on a consistent accounting basis) in FY20.

Like for like sales through 28 October 2019 are up approximately 9.2% with our online sales channel remaining a key driver of the sales growth.

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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. Most of our plans are now locked in and we remain cautiously optimistic about delivering same store sales growth over our most important trading period.

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 as well as our strong culture and values, I am confident we will have an even more successful and resilient business for many years to come.

Thank you.