



ASX ANNOUNCEMENT FOR IMMEDIATE RELEASE

SHAVER SHOP 2020 ANNUAL GENERAL MEETING

Melbourne, 28 October 2020

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 2020 Annual General Meeting to be held virtually via our virtual AGM platform at: <https://agmlive.link/shaver20>.

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.

Approved by the Board.

-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



2020 Annual General Meeting Chairman's Address – Mr. Brodie Arnhold

Introduction

Good morning and welcome.

Today we are holding our first virtual annual general meeting through a streaming technology provided by our share registrar Link Market Services Limited. Given this is our first time using the technology, please bear with us as we work through today's agenda. Fingers crossed, we don't encounter any technical issues.

Due to the current COVID-19 pandemic, we thought it prudent to take steps to discourage a physical public gathering and encourage attendance online.

We hope that holding a virtual meeting will assist to further curb the spread of the COVID-19 virus and encourage greater participation and engagement amongst our shareholders in this most unusual of times. If we do experience any technical issues today, a short recess or an adjournment may be required depending on the number of shareholders being affected. If this occurs, I shall advise you accordingly.

Forward looking statements

I draw your attention to Slide 2 regarding forward looking statements contained in this presentation.

Formalities

Now for the meeting formalities, Notice of the Meeting was duly given and the meeting has been properly convened. I am pleased to advise that we have a quorum. We will turn to resolutions later in the meeting. Please note that only shareholders, proxy holders or shareholder company representatives may vote. Voting on the resolutions will be conducted by way of poll.

Shareholders attending the meeting online will be able to cast their vote using the electronic voting card received when online registration is validated. Please refer to the virtual annual meeting online portal guide or use the help line specified. Questions regarding each item of business will be discussed prior to disclosing the Proxy votes received on each item.

Following voting, general business questions will be taken. Shareholders participating online through the virtual meeting website – please click on 'Ask Question' button, type your question and click submit. I encourage shareholders attending online, and who have questions, to send their questions through as soon as possible. Shareholder questions received prior to the meeting will be addressed during the general business questions session.

Agenda

Now onto the Agenda.

Following my introductory remarks, Cameron Fox, Managing Director and CEO, will present his review of the financial results and operational highlights for 2020 before providing additional detail around our omni-retail growth initiatives. These omni-retail initiatives have been one of the key drivers of Shaver Shop's strong growth over the last 24 months or so – and an area where we still see significant potential for further growth.

Cameron will then review our first quarter trading results, as outlined to the share market earlier this month. We will then proceed to the formal business of the meeting and voting on the key items of business.



Board of Directors

I would now like to introduce my colleagues that are here with us virtually:

- 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
- Brian Singer, Non-Executive Director
- Debra Singh, Non-Executive Director and our most recent addition to the Board; 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.

Also in attendance is Jeremy Wickens from Norton Rose Fulbright, who will assist if there are any technical questions for which we require legal advice during the meeting.

We also welcome the team from Link Market Services Limited who are facilitating this virtual meeting with their AGM technology and shareholder support services.

2020 Overview

The 2020 Annual Report is tabled before the meeting and is available from the investor relations section of Shaver Shop's website.

I am pleased to report that following last year's address and the solid performance delivered in 2019, Shaver Shop continued to perform very strongly across the entire 2020 financial year. This is best exemplified by the fact we reported record first half sales and earnings before backing it up with record full year results.

As with all retailers, we were extremely concerned around the middle of March 2020 as sales and foot traffic across our stores plummeted. The Board was forced to make the difficult decision, based on the limited available data at that time, to cancel the interim dividend and take measures to reduce operating costs and drive liquidity into the business.

This conservative approach has largely been maintained through to recent times, although as we all know, sales rebounded strongly in late March and early April as customers were forced to consider do-it-yourself (or DIY) options for personal care and grooming solutions as well as being forced to shop online.

Pleasingly, the investments we made both in capability as well as e-commerce technologies over the last 24 months meant we were exceptionally well positioned to adapt to these immediate and dramatic changes in demand.

In reality however, COVID-19 has really only accelerated, in our opinion, the shift towards DIY personal grooming as well as online shopping. These are two market and demand drivers that Shaver Shop's business has been benefitting from over many years and a trend that we expect will continue as our suppliers continue to bring out new, cost-effective and easy to use tools that may mean you don't need to go to the barber, beauty or waxing salon as frequently as you may have in the past.

Pleasingly, the strength and differentiation of Shaver Shop's business model appears to be increasingly understood by more investors, with our share price having recovered strongly from the lows in March to now be nearing all-time highs.

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Increasing Shareholder Returns

The strength of Shaver Shop's business was not only reflected in our profitability in 2020 but also in our balance sheet.

Through careful stock management and re-ordering in the fourth quarter, we were able to significantly reduce investment in working capital and end the year in an exceptional financial position with \$12.6 million in cash and no debt.

Whilst some of the factors that led to this exceptional cash position will reverse in the first half of 2020, we are confident that we have the financial strength and available debt capacity to be able to manage safely through what continues to be highly uncertain times.

As a result, the Board decided to effectively re-instate the cancelled interim dividend by declaring an equivalent special dividend in June. This special dividend of 2.1 cents per share, 80% franked was paid in July. This was subsequently followed up by an 8% increase in the final dividend to 2.7 cents per share as well as increasing franking to 100%. Full year dividends have now consistently increased in each financial year since Shaver Shop listed in mid-2016 – something we take great pride in. With our heritage of generating strong operating cash flows, we expect this level of dividend is sustainable whilst still enabling Shaver Shop to pursue the growth initiatives we wish to invest in.

FY2021+ Growth Strategies

Which takes me to our growth strategies.

We operate in an attractive market that is growing. And whilst our business has grown strongly in recent years, we still have a very small market share.

We have four core pillars in our growth strategy that are largely interdependent:

1. Further increasing market share by increasing our customer database, using SEO and SEM strategies wisely to drive traffic to our websites and increasing our participation in online marketplaces;
2. Increase our share of wallet from existing customers by leveraging our customer database to increase transaction frequency and average transaction value. We are now up to just over 500,000 engaged customers that have opted-in to receive marketing material. Through smart retargeting of these customers with personalized offers, we see significant potential to drive incremental sales from this customer set.
3. We will continue identifying new innovations that will drive category growth in our segment and expanding into compelling adjacent categories, like we did with fragrances last year; and finally,
4. Using the latest available digital tools and capability, like Artificial Intelligence to not only retarget customers intelligently and more effectively but also drive higher returns from our marketing spend.

We believe these strategies together with our strong financial position, provide Shaver Shop with a compelling growth platform for many years to come.

Finally on behalf of the board, I would like to thank all shareholders, Board and team members at Shaver Shop as well as our customers and suppliers for your ongoing support over the last year. It has been a transformational year for many reasons and Shaver Shop's future remains very bright.

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

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MD and CEO Presentation – Mr. Cameron Fox

Thank you Brodie.

I'd also like to echo Brodie's thanks to all of our stakeholders, but especially our team members, who are responsible for delivering many of the exceptional operational and financial results that I will speak to today.

The team, particularly within our stores, has performed exceptionally well and lived up to Shaver Shop's values in dynamic and very challenging circumstances.

It is this relentless focus on our values and providing exceptional customer service that is one of the proudest aspects of our performance since the pandemic began.

FY2020 Highlights

So moving onto our FY2020 highlights.

Shaver Shop generated record sales, profitability and cash flow last financial year.

Sales were up 18.4% to almost \$195 million driven in large part by online sales growing 103.5% to now represent 22.7% of total sales within our network. Our online sales have been growing strongly for almost two years now as a result of the digital marketing and e-commerce investments we have been making over the last two years.

The strong sales growth was supported by healthy gross profit margins and ongoing cost control, particularly in the second half, which led to comparable earnings before interest, tax, depreciation and amortisation being up 36% to \$18.5 million.

Comparable net profit after tax also grew strongly – up 44.6% to \$10.6 million.

From an operational perspective, we launched our CRM in October 2019 which is allowing us to significantly improve our customer understanding. The upside from this information is still to come – something I will speak more to later in the presentation.

Another real highlight for FY2020 was the performance of our New Zealand business, which delivered exceptional sales and profit growth last year. We still see significant potential in New Zealand, both through growing sales from existing stores and online, as well as opening new stores in key centres across the country.

Lastly, in terms of capital structure, we finished the year with \$12.6 million in cash and no debt. This was in part due to decisions we took to increase liquidity and reduce stock in Q4 as the pandemic hit. This led to operating cash flow of \$28.9 million last year – albeit around \$7.7 million of that we expect to reverse in the first half of 2021. We feel very confident about our financial position and our ability to weather any unforeseen impacts brought about by COVID-19 given we also have an undrawn \$30 million debt facility available to us, should we need to use it in the future.

FY2020 Trading Review

The next slide breaks down our total and like for like sales results between the first 3 quarters of FY2020 – essentially before the impact of the pandemic – and the last quarter.

Pleasingly Shaver Shop delivered total and like for like for like sales growth in each of the first 3 quarters of the year and had guided the market at the end of February to full year EBITDA of \$14.25 million to \$15.75 million.

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Sales growth then accelerated in the fourth quarter as government restrictions were implemented and Australians and New Zealanders looked for personal care and grooming solutions that could be used at home.

As shopping centre opening hours were reduced and foot traffic plummeted, we decided to close 11 stores in Australia and, as a result of Stage 4 restrictions in New Zealand, all 7 of our stores shut for the month of April. But at the same time as our in-store sales declined, we saw massive growth in our online sales, up almost 300% across the months of April and May.

To accommodate this growth and mitigate risk in the event our stores were required to shut, we established a high volume fulfilment facility for online orders in a warehouse on the outskirts of Melbourne. This was accomplished within 2-3 weeks and was an outstanding effort by the team and shows the agility and capability of our business to adapt quickly under very difficult and uncertain circumstances.

In June, we saw many of our Australian stores gradually re-open with foot traffic levels also recovering. And while bricks and mortar like for like sales increased in June, online sales also remained strong, around double the prior year, leading to the Board updating the market and providing earnings guidance of \$17.25m to \$18.25m. We ended up exceeding this guidance with comparable EBITDA up 36% to \$18.4 million. This was all achieved whilst continuing to drive stock investment down and liquidity up across the fourth quarter.

So overall, an exceptional result for our business as we adapted to a constantly changing operating environment.

Shaver Shop Growth Trajectory

Now let's put our FY20 financial results in context. Shaver Shop has delivered sales growth in each of the last four years. In the early years, this sales growth was primarily driven by new store openings and franchise buybacks, but more recently, as the transition to online shopping has continued, the top line has been driven by same store sales growth and a significantly increased contribution from online sales.

This is a trend that we expect will continue and, with the investments we have made in our e-commerce and fulfilment platforms over the last few years, we are very well positioned to benefit from. This means that we are taking a more deliberate and careful review of our store network and the incremental earnings being generated by each site.

To this end, earlier this month we decided to close our Plenty Valley, Victoria store at the end of October. This was following our decision to close the Belrose homemaker centre site in NSW in early January 2021. We will continue to review, particularly with changes in tenancy mix expected at numerous centres, whether the current network of stores remains optimal – both from a customer service and profitability perspective.

Importantly, we will still consider opening new stores, but as we've shown over the last two years, we'll take a cautious and considered approach to ensure we drive appropriate returns for our shareholders.

Our Omni-Retail Growth Opportunity

So with that context, let's discuss Shaver Shop's omni-retail growth initiatives in a bit more detail. Omni-retail is a bit of a buzz word, so what does it mean for Shaver Shop? At the heart of these initiatives is our Shaver Shop customers.

We want to give them the option to choose how, when and where they engage with Shaver Shop while at all times ensuring we provide the highest levels of customer service and support that we have become well known for. This is not an easy task, and in many respects is an ongoing journey for our business – we have made great progress in the last two or so years, but I am excited by what still lays ahead.

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I will now take you through why we feel there is still so much growth potential in further leveraging the systems and customer data we now have in place.

Large and Growing Market

This is a slide that was presented at our full year results. The key takeaways are that Shaver Shop operates in the large, attractive and growing category of mens and womens beauty and personal care solutions.

We estimate this is around a \$10B market here in Australia with an addressable market size for Shaver Shop of around \$7B.

The DIY trends for personal care and beauty have been around for some time and Shaver Shop has clearly benefited from this.

As Brodie mentioned earlier, we are confident that we'll be able to gain an even higher market share in this category as we continue to implement our omni-retail initiatives.

Stores Are Critical In Delivering Customer Experience

So what makes Shaver Shop's business model so different than any other significant retailer that operates in this category.

First and foremost, we are specialists in what we sell and we take great pride in not only being product experts but also educating our customers about how to get the results they desire. Our stores are therefore critical in delivering this customer experience. We invest heavily in staff training across the year to empower our store teams with the knowledge and expertise Shaver Shop has gained over the last 35 or so years. I sincerely believe you just can't do this as effectively without a store network. There are a great number of customers who will still prefer to engage with our teams face to face – particularly given many of the products we sell are used on quite sensitive areas of the body.

Secondly, our stores give our customers confidence that if they have a question or support issue post purchase, they can visit one of our stores to sort it out. This level of assurance is something you just can't provide if you only sell online.

Finally, our in-store customers really enjoy their shopping experience. This is clearly evident given our net promoter score and customer experience ratings are world class. So our stores enable our customers to better connect with Shaver Shop's brand and what we stand for:

- access to the latest innovative products in beauty and personal care for both men and for women, often on an exclusive basis;
- exceptional product knowledge and customer service; and
- value for money.

Importantly, this unique value proposition for our customers is delivered by a store network that generates strong contribution margins for our business.

Translating the in-store experience online

The opportunity for us now is translating the decades of insight that we've generated in these categories into the online environment.

I am pleased to note that we made significant strides to do this in 2020. We launched the Blog, or "How To" section of our website to help customers both in their pre-purchase decision making as well as post purchase.

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We generate our own content for this part of the site and also leverage our supplier partner relationships to get the latest “on trend” information about hair styling, long term hair removal, beard care, skin care or how to clean and extend the life of the grooming tools we sell.

And because we have the deepest and broadest range of personal care and grooming appliances, we are ideally positioned to compare and contrast the various product options available in each category.

The content in our Blog section is largely static today, but we intend to make this even more interactive and engaging as we more fully leverage the proprietary knowledge we have about these categories.

Strong Growth From Understanding Our Customers

Now let’s review the progress we have made in understanding our customers.

As I mentioned earlier, we launched our CRM platform around 12 months ago and since that time have been gathering customer insights about all transactions completed online. This data has confirmed that around 50% of our customers are women, although they are often shopping for men.

We have grown our opt-in database to from around 234,000 customers in August 2019 to 440,000 a year later and I’m now pleased to report this has swelled to more than half a million today.

Based on the last 12 month’s data, on average only around 1/3rd of our active customer database is transacting with Shaver Shop each year. To be clear, this is only based on online transactions as we haven’t had the ability to track whether our active customers may also be purchasing in-store. So this number could be higher if a customer on our database receives an e-mail and then chooses to purchase an item in-store - as we haven’t had an ability in the past to record and use customer e-mail addresses in-store.

This should change over the next month with the implementation of a new solution that will enable our in-store teams to e-mail customer receipts and in doing so track whether that customer has also shopped online.

What’s so exciting for our growth potential is the ability for Shaver Shop to not only increase our database size by asking our in-store customers if they wish to receive Shaver Shop marketing communication, but as important, is increasing transaction frequency from our engaged customers from what appears to be well less than once per annum to even just once per annum.

The most obvious way of doing this is through retargeting customers with some of the many consumable products across our categories. A good example is Shaver Guard, an exclusive lubrication and cleaning solution for shavers, clippers and body groomers. This is a high margin product and runs out every 3-4 months if used as directed. We also have foils and cutters for electric shavers, brush tip refills for electric toothbrushes; shave preps, shave creams, after shave and fragrances; as well as skin care and skin rejuvenation products.

Many of these are higher margin products and important in making sure the product you buy today, gives you the same result in 6, 12 or 24 months time. So these consumable products are not only good for Shaver Shop, but most importantly, they are good for the customer as well.

Pleasingly we are already seeing a significant increase in transaction frequency from our opt-in customers, as shown in the bottom right hand graph on this slide, with more than 50% of online sales since July 2020 coming from customers that have opted in to receive electronic marketing collateral. This is before we have even started our efforts to intelligently re-target customers with personalized and relevant offers based on their prior purchase history.

So in short, the early signs are very encouraging, and we feel there is still significant upside yet to come. I look forward to sharing more insights about our customers as our datasets and analysis further improve over time.

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Strong Q1 FY2021 Performance

I will now move onto our business update and outlook which was provided to the ASX earlier this month. The trends that we saw in the fourth quarter of last quarter largely continued through the first quarter of FY2021. The only major exception to that was in Victoria, where, due to the government imposed lockdowns, around 20% of our store network has remained closed for the better part of three months.

Despite this, total sales for Q1 were up almost 20% to \$49.1 million supported by online sales being up 192% and representing almost one third of total sales.

Outside Victoria, we experienced solid sales growth across all States and Territories as evidenced by total sales (excluding Victoria) being up 31.2% and with favourable category and product mix, gross profit margins have remained healthy.

This combined with ongoing and prudent cost control initiatives saw net profit after tax increase 185% to \$4.9 million.

Of course, the second quarter remains our most important trading period of the year and critical for delivering our full year sales and earnings targets. As a result, and given the ongoing uncertainty caused by the global pandemic, Shaver Shop's board of directors is not in a position to provide FY2021 sales and earnings guidance at this time.

I'll now hand back to Brodie who will take us through the formal part of the meeting.