



## **ASX ANNOUNCEMENT FOR IMMEDIATE RELEASE**

### **SHAVER SHOP 2022 ANNUAL GENERAL MEETING**

**Melbourne**, 10 November 2022

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 2022 Annual General Meeting to be held at Norton Rose Fulbright's offices at Level 38, 477 Collins Street, Melbourne, VIC, 3000.

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:**

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## **2022 Annual General Meeting Chairman's Address – Mr. Brodie Arnhold**

### **Introduction**

Good morning ladies and gentlemen and welcome to Shaver Shop's 2022 Annual General Meeting. My name is Brodie Arnhold and I am the Chairman of Shaver Shop Group Limited. On behalf of my fellow directors, it is my pleasure to welcome you today, in person, after having held digital shareholders meetings for the last two years.

### **Forward looking statements**

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

### **Agenda**

It is now 11am Melbourne time, the appointed time for holding our 2022 Annual General Meeting. Notice of this Meeting was duly given and the meeting has been properly convened. I am advised that we have a quorum and I therefore have the pleasure in declaring this meeting open. Thank you to all attending.

We will turn to the items of business and voting later in the meeting. Please note that only shareholders, proxy holders or shareholder company representatives may vote. Voting on all resolutions will be conducted by way of a poll.

Questions regarding each item of business will be discussed prior to disclosing the Proxy votes received on each item. Given we are meeting in person this year, we will be taking all questions from the floor as well as responding to any questions that were sent in advance of the meeting.

Following our review of each item of business, general business questions will be taken.

With that, let's now move onto the agenda for today.

Following my address, Cameron Fox, the CEO and Managing Director of Shaver Shop will provide an overview of Shaver Shop's results for FY2022, review our business priorities for the coming year as well as outline the results of our trading for the first four or so months of the year.

After that, we will move into the formal part of the meeting and the items of business that were outlined in the Notice of Annual General Meeting.

With that, I would now like to introduce you to your directors.

### **Your Board**

We are very fortunate to have an experienced Board with a broad range of skillsets that are drawn upon. There is also a common entrepreneurial spirit that is balanced with prudence and fiscal conservatism. Our credentials and backgrounds are outlined in the 2022 Annual Report.

Brian, Craig and myself have been involved with the Shaver Shop business for more than 10 years now and have seen it continue to go from strength to strength. Trent joined us as a director in 2016, just prior our IPO on the ASX, and Debra joined us in September 2019 – just in time for the whirlwind of the pandemic. Cameron of



course, has been with the business the longest, having led the company's day to day management since 2007. With the exception of Cameron, we are all independent directors.

Larry Hamson, our company secretary and chief financial officer is also here.

Brad Peake, our audit partner from PwC is in attendance, and available to answer any questions on our financial accounts at the appropriate time in the meeting.

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, our share registry, who are managing the voting process on all items of business.

Let us now move onto slide 6 and a general overview of the market in which Shaver Shop operates.

### **Beauty and personal care is a growing market**

We think it's important to understand some of the positive fundamentals underpinning our business and what has supported Shaver Shop's success over the long term. First let's look at the size and nature of the broader market in which Shaver Shop competes. We operate in the large and growing personal care, beauty and grooming market. We estimate the overall size of the market is around \$10 billion across Australia and New Zealand and as you can see by the graph on the right of the slide, it has been growing consistently for many years and even over the pandemic saw considerable growth. Health, personal care and wellness has been an increasing priority for many individuals – and for some it has become a non-discretionary item within their budgets.

Indeed, we believe COVID-19 has likely accelerated people's focus on their personal care and grooming regimes, particularly how to maintain their appearance from the comfort of their home. This broadened Shaver Shop's customer base considerably and introduced the brand to a whole new segment of the market that likely weren't aware of the depth and breadth of Shaver Shop's offering prior to the pandemic.

Other factors driving the beauty and personal care category growth include:

- The fact that men continue to be more intentional and considered about their daily beauty and grooming regime. We estimate the men's grooming market is now worth more than \$1B in Australia and New Zealand and potentially growing at a faster pace than women's beauty and personal care;
- Suppliers continuing to invest heavily in new product development to make it easier to get the "salon look" at home; and
- Social media influencing beauty trends and people's desire to have the latest hot hairstyle, beauty or skin treatment.

In addition to the growth in DIY appliances, we are seeing brand new consumable categories springing to life, like beard oils and beard balms which didn't exist to any great extent 3-4 years ago. We also sold more than 150,000 cans of Shaver Guard last year. These exclusive products lubricate, disinfect and extend the life of men's and women's shavers, trimmers and clippers. The beauty of Shaver Shop's position is that as trends change with new looks and products becoming fashionable, we are in a great position to service our customers changing needs.

In summary, Shaver Shop operates in a large and attractive mass market that is growing and has characteristics that we believe make it resilient during downturns in the economic cycle.

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## **Our business model**

There are a number of factors that make our business model unique. First and foremost, we are the only retailer of scale across Australia and New Zealand that is purely focused on personal care and grooming solutions for men and women. We live and breathe this space and invest heavily in training our team members so they are product experts and passionate about ensuring our customers get the right product for their needs within their preferred budget.

Secondly, we have the broadest and deepest product range, with a large proportion of the items we sell being only available at Shaver Shop. This has led to our business being recognized by customers and suppliers as the destination of choice for their hair removal and grooming needs.

We are focused on delivering value for money offers which means we are aggressively price competitive on trade wide models and we pride ourselves on our pre and post sales service – as evidenced in our net promoter and customer experience scores consistently being at very high levels.

Our strong multi-channel offering has meant we have been able to readily accommodate the changes in customer shopping patterns when customers were unable to come into our stores. With shoppers now returning to our stores, we are in a great position to further build brand loyalty and repeat purchases, especially for those customers who were only introduced to Shaver Shop in the last two or three years.

Lastly, given we have been solely focused on these categories for the last 36 years, we have established deep and lasting relationships with suppliers that are mutually beneficial.

## **16-year performance trend**

What does that mean in practice? Our business has been very successful over the last 16 years, delivering a long-term compound average growth rate in sales of 10.3%. Growth has of course not been linear, but the long-term trend is very clear and has led us to being a market leader in hair removal and personal care appliances in Australia and increasingly in New Zealand.

## **Focus on long term shareholder value**

And finally, your Board remains very focussed on delivering strong and sustainable returns for shareholders. Our sales and net profits have more than doubled since the Company's listing on the Australian Stock Exchange over six years ago. Despite this, our share price has not appreciated and does not reflect the intrinsic value of the business in our opinion. We have also been focussed on delivering returns to shareholders in the form of dividends, something that is within our control, whilst maintaining a conservative balance sheet position. To this end, we have declared 35.7 cents in dividends to shareholders over the last six years with fully franked dividends of 10.0 cents in FY22 alone. We have also indicated that our intent is to continue to increase dividends over time, within the confines of our dividend policy, provided it represents the most attractive use of that capital for shareholders.

In addition to delivering financial returns, the Board is also focused on Shaver Shop being a good corporate citizen and a great place to work. We have a fantastic team throughout the organisation and on behalf of the Board, I would like to express my sincere thanks and gratitude for their ongoing efforts and unwavering commitment and passion for our business and its ongoing success.

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

Thank you.

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

Thanks Brodie, and welcome to everyone in attendance today.

Brodie touched on it, but our key competitive advantage remains our store teams and their ability to continually deliver exceptional customer service day in and day out. So, before I speak to the financial and operational results for FY2022, I need to first thank all the Shaver Shop team, but particularly the store teams, for their outstanding performance again this year.

### **Financial highlights**

Shaver Shop delivered another impressive set of financial results in 2022 with the strength of our multi-channel offering coming to the fore. Whether our stores were open to the public or just fulfilling online orders, we were able to continuously service our customers and meet their needs.

Total sales were up 4.2% to almost \$223 million despite Shaver Shop losing around 6,200 in-store trading days to government mandated lockdowns associated with COVID-19. This was an incredibly challenging time for our business and team, and I am so proud of the way in which we pulled together and remained focussed on the tasks at hand. Online sales were very strong, representing 34% of total sales, as customers were forced to shop online. We have seen this normalise considerably over the last six months with customers increasingly reverting to their pre-pandemic channel preferences.

Gross profit margins were also very healthy at 43.9%. This was down slightly on the outstanding result from FY21, but was still well above our long term average gross profit margin range of 42% to 43%.

We also maintained strong control over our operating costs, leading to net profit after tax being \$16.7 million – the second highest result in the company's history, just behind the exceptional result in FY2021.

The pleasing trading performance of the business has enabled us to maintain a very strong balance sheet. We had net cash of \$9.4 million at 30 June 22 and a \$30 million undrawn debt facility. We generated operating cash flow of \$28.3 million which enabled Shaver Shop's Board to declare fully-franked dividends of 10.0 cents per share last year – which represents the return of more than \$13 million to shareholders.

### **Operational highlights**

Brodie spoke to our business model a bit earlier, but if there is one thing that defines Shaver Shop's value proposition, it is providing unparalleled customer service and I am very pleased that once again we delivered a world class net promoter score of approximately 88.4 on average across the year.

This is critical in driving brand loyalty and repeat purchase particularly when shopping centre foot traffic remains well below pre-pandemic levels. Pleasingly sales conversion, the proportion of people entering our stores that make a purchase, is still very high which is a testament to our store teams customer focus.

The performance of our omni-channel retail model was also a key highlight. We had more than 650,000 active online customers last year and we fulfilled more than 630,000 orders across the store network. That represents an impressive 1,700 online orders each and every day of the year.

Other highlights include the return of face-to-face training nights across Australia. This is critical in the lead up to our biggest promotional periods of Black Friday, Christmas and Boxing Day as it allows our store teams to learn about the promotional program and our product priorities. Just as important, is the peer-to-peer learning that takes place in these forums and fostering the Shaver Shop culture across each and every team member.

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Speaking of the store teams, as I mentioned before, their focus and resilience has been consistently outstanding. We are also very pleased that our most recent engagement survey delivered a result of 91.2%, the highest level we have recorded.

### **Strong 5 year growth trend**

The operational results are critical to delivering positive financial trends over the long term. All of Shaver Shop's key financial metrics are strong:

- Sales were \$222.7 million up 4.2% on last year and up 43.7% since 2018;
- Gross profit margin was 43.9% - clearly above our 5 year average
- Net profit was \$16.7 million down slightly on last year but up 132% on 2018's result.

In short, a very pleasing trend that the Shaver Shop team is proud of.

### **Strong growth trend in hair removal and complementary categories**

This trajectory is being supported by growth in both Shaver Shop's core hair removal categories as well as complementary categories like power oral care, hair styling, massage and female beauty. There were some concerns that COVID-19 may have led to a pull forward in demand for hair removal devices but as you can see, with the store lockdowns over the last two years, category sales have been flat – breaking the growth trend of the last 15 years or so. What we have seen, however, is vastly different growth rates within our hair removal subcategories. During lockdowns, hair clippers and long-term hair removal solutions (IPL) were in high demand with men's shavers and wet shave being quite soft.

As restrictions have eased, men's shavers and wet shave products have rebounded strongly with sales of beard trimmers also continuing to grow.

So, while there may have been some pull forward of demand in hair clippers, for example, at the start of the pandemic, there was an offsetting decline in clean shaven product lines that is now normalising. There are also channel switching behaviours occurring where women are becoming more comfortable with at home IPL solutions that provide a cost-effective long-term hair reduction alternative, compared to going into a laser hair removal clinic.

In summary, while the pandemic changed the nature of subcategory demand and sales within our business, we believe the long-term growth trend in hair removal and complementary categories remains on track and with our leading market share in many of these areas, we are well placed to take advantage of this.

### **Exclusive products contribution**

One of the reasons we feel we are so well placed, is that our model has been built around securing exclusive access to the latest category innovations particularly with respect to hair removal appliances. Suppliers are willing to entrust Shaver Shop with these important new launches because they know we will invest in training our staff about the new product, make significant investments in above the line marketing, as well as developing a tailored multi-channel promotional campaign that will support their brand and drive the best sales outcome for both businesses.

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This unique value proposition meant that Shaver Shop generated more than 50% of its sales and almost 60% of its gross profit from products that were only available through our business. This is a significant competitive advantage and barrier to entry, and a differentiation we will fiercely seek to preserve.

### **FY2023 priorities and progress**

In addition to maintaining our existing supplier relationships, we are always looking to expand our range to attract new customers, as well as increase our relevance for men and women alike. I am very pleased to announce that we launched two new luxury female brands in the first few months of FY2023, with Cloud 9 and Foreo both now being offered online, and in our stores. These are important brands that will attract new and existing female shoppers to Shaver Shop.

We are also prioritising our social media presence with more engaging and authentic content across a broader range of platforms. Much of this content is coming directly from our store teams, our product experts, and initial feedback is that this new content is resonating strongly with customers so far. We expect this to ramp up significantly in the next few months.

As I mentioned earlier, we have returned to State-based, face-to-face training sessions. I returned from the second phase of these around 2 weeks ago and was excited by the passion and desire to learn from our store teams.

We are continuing to look to expand our presence in New Zealand with at least one more visit expected in the second half of year. We hope to lock in 2-3 more sites in the next 12 months in New Zealand if we can secure the right locations at the right commercial terms. We still have plans to open 5-6 additional stores over the longer term.

We have always exercised prudence in managing our financial affairs and maintaining a healthy balance sheet and cash flow position will remain a priority, particularly given the potentially volatile trading environment we face as interest rate rises and cost of living increases impact future shopping patterns. Stock levels are being closely managed and thankfully we are not expecting any supply chain issues in the lead up to peak trade.

Lastly, but most importantly, we will not waver in our focus on the customer and their needs as this is the most important determinant of our long-term success.

### **Trading Update & Outlook**

This brings me to our trading update.

Given the first four months of last year was impacted by extended lockdowns in several States, for additional context we have provided sales growth comparisons to the last three years. Total sales are up 13% year to date compared to last year and our 3-year (pre-pandemic) sales growth rate is 30.4%. Over the last two weeks, Shaver Shop has started to cycle the very strong post-lockdown sales experienced in FY22 and FY21 (particularly in FY22 when NSW, VIC and ACT stores re-opened but also in FY2021 when VIC re-opened). Total sales over this period have moderated but remain above pre-pandemic levels

With a significant proportion of our hair removal range being exclusive to Shaver Shop, this is supporting very healthy gross profit margins – up consistently on last year and continuing to be well above long-term averages.

Pleasingly, in-store sales have continued to experience strong growth with in-store sales up 80.3% versus last year and 19.2% on the pre-pandemic levels of FY2020. While we remain ambivalent regarding how customers choose to shop with us, the return to in-store shopping is driving two important benefits in our view. The first is

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exposing customers to our key competitive advantage, our store teams, and their ability to consistently delight customers and provide them with a uniquely enjoyable and engaging shopping experience. The second benefit we experience is the reduced postage costs, merchant fees and the number customer service calls we receive. These are very tangible outcomes that are supporting a positive start to the year.

Stock levels are growing in-line with expectation in the lead up to Black Friday, Christmas and Boxing Day trade. We have also retained our positive net cash position throughout the start of the year.

Our store teams are energised and prepared and we have many compelling offers and promotions locked-in for our key trading periods that start this month and continue throughout December.

As with prior years, the upcoming sales period in Q2 remains a material driver of our full-year profitability. Given the importance of Black Friday, Christmas and Boxing Day trading to our annual financial results, as well as the potential impact to demand from recent interest rate rises and cost of living increases, it is not appropriate for Shaver Shop to provide FY2023 sales or earnings guidance at this time.

That concludes my presentation. Thank you for your ongoing support and for attending our AGM today. I will now hand you back to Brodie.