

ASX ANNOUNCEMENT

SHAVER SHOP'S OMNI-RETAIL EXECUTION DRIVES RECORD SALES AND PROFIT

Melbourne, Monday, 24 August 2020 – Shaver Shop Group Limited (ASX: SSG), the Australian specialty retailer of male and female personal grooming and beauty products, is pleased to announce its financial results for the year ended 30 June 2020 (FY2020).

Shaver Shop delivered record sales, cash flow and profit in a dynamic and unpredictable retail environment.

The Company's FY2020 results highlight the strength and resilience of its business model, agility and ability to adapt to the rapidly changing demand and supply dynamics of the last six months. Shaver Shop's brand and market positioning, as well as its strong balance sheet and liquidity position, position the Company well to continue its growth trajectory.

Comparable¹ FY2020 results highlights (vs normalised² FY2019)

- Total sales up 16.4% to \$194.9 million
 - Like for like sales up 15.3% (including online sales)
 - Network online sales up 103.5% to \$47.8 million (22.7% of total network sales)
- Gross profit margin stable at 42.6%
- EBITDA up 36.0% to \$18.4 million (FY2019 - \$13.5 million)
- NPAT up 44.6% to \$10.6 million (FY2019 - \$7.4 million)
- EPS up 44.6% to 8.7 cents per share (FY2019 – 6.0 cents)
- Operating cash flow up 131% to \$28.9 million
- Strong balance sheet with excellent liquidity; \$12.6 million cash, no debt and \$30 million debt headroom (30 June 2019 – net debt of \$6.4 million)
- Final dividend up 8.0% to 2.7 cents per share, 100% franked (FY2019: 2.5 cps, 80% franked)

Shaver Shop was not eligible to receive any JobKeeper payments.

Commenting on Shaver Shop's FY2020 results, Managing Director and CEO Cameron Fox said: "We backed up a strong first half result with an even stronger second half. Our omni-retail strategies are delivering strong online and in-store results, evidenced by 15.3% growth in annual same store sales. Our key customer service metrics are also trending at all-time highs.

"It's been an incredible year for Shaver Shop. The resilience and adaptability of our business has been tested and proven itself. Our record financial results this year could not have been accomplished without the amazing efforts and dedication of the entire Shaver Shop team. I would like to thank all our people, but most

¹ The Company adopted the new accounting standard for leases (AASB 16 Leases) on 1 July 2019, and accordingly, FY2020 Statutory Results presented in the Shaver Shop's 30 June 2020 Financial Report have been prepared in accordance with the new standard. The Company used the modified retrospective approach when adopting AASB 16 and, as a result, prior period comparatives were not restated. To allow for prior period comparison, all FY2020 results disclosed in this Announcement are presented on a comparable basis and therefore exclude the impact of AASB 16. Refer to the Directors' Report in the Financial Report or the Company's FY2020 Investor Presentation for reconciliations between Statutory and pre-AASB 16 results.

² Normalised FY2019 results exclude due diligence expenses in relation to a potential acquisition opportunity that did not proceed. At the time negotiations ceased, due diligence was near completion resulting in transaction related costs of \$0.99 million, which were expensed in FY2019. A reconciliation of reported to normalised results is available in the Directors Report accompanying the Financial Report as well as in an appendix to the Company's FY2020 Investor Presentation.



specifically those on the front-line, in our stores, for delivering truly exceptional results in a very challenging, COVID-impacted retail environment.”

Omni-retail category leadership – online sales up 103.5% to \$47.8 million

Online sales grew 103.5% to \$47.8 million in FY2020. The online channel now represents almost 23% of Shaver Shop’s total sales. We believe COVID-19 has led to an acceleration of consumer adoption of both online shopping and do-it-yourself (DIY) personal grooming. Shaver Shop is further increasing its digital investment and capability to extend its online leadership position and further increase market share in the category.

“The investments we made in our digital platforms and capability over the past 18 months drove strong growth across the year. Importantly, this investment enabled Shaver Shop to manage the surge in online sales in the fourth quarter as customers moved to online ordering. More recently, the flexibility and strength of our omni-retail approach has again proved invaluable in Victoria, where despite Stage 4 store closures in metro Melbourne, overall sales have remained robust.

“Our stores and store teams remain the hub of our omni-retail capabilities. Our store teams provide service excellence to our in-store customers, whilst also fulfilling and dispatching online orders making our full range and inventory holding available to all our online customers, regardless of the location of the inventory in our business. This improves the productivity of our inventory investment, makes for a superior customer experience, and aligns our store teams around delivering an excellent omni channel customer experience, regardless of how customers choose to engage with Shaver Shop,” added Mr Fox.

Strong sales and earnings growth in New Zealand

New Zealand continues to be a bright spot, with strong growth in sales and earnings in FY2020. The new store launched at Newmarket in Auckland has been a resounding success, supporting further compelling greenfield opportunities in New Zealand. Shaver Shop currently has 7 stores in New Zealand, across both the North and South Islands.

“We have significantly increased our online presence in New Zealand after launching on TradeMe and implementing many of the same IT platform improvements that we put in place in Australia. We believe we are now at the stage where New Zealand has sufficient brand awareness and critical mass to drive improved top line growth and operating leverage in this market,” said Mr Fox.

Store portfolio and store refresh program

Shaver Shop has 123 stores across Australia and New Zealand with 6 of those stores owned by one franchise group.

The store refresh program was temporarily paused in H2 FY2020 given the uncertainty caused by COVID-19. In H1 FY2021, Shaver Shop anticipates that 2 full store refits will be undertaken, and, subject to trading circumstances, 4 more fitouts will be completed in H2 FY2021.

Having regard to the shift towards online shopping as well as trends in shopping centre foot traffic, Shaver Shop will continue to evaluate the size and composition of its store network to optimise returns. In line with this, the Belrose store will be closed in January 2021. Belrose was a pilot store for evaluating new greenfield opportunities in homemaker centres, however did not achieve the targeted level of sales to justify it remaining open.

Strong cash flow and liquidity

Shaver Shop generated \$28.9 million in operating cash flow in FY2020. In response to COVID-19 risks, deliberate decisions were taken in Q4 FY2020 to drive improved liquidity through reducing stock levels across



the network. This program was highly successful, with stock levels reducing \$10.6 million compared to 30 June 2019 and without any noticeable impact to sales.

At 30 June 2020, Shaver Shop had \$12.6 million cash on hand, no debt, and an undrawn debt facility of \$30.0 million; a substantial improvement on the \$6.4 million net debt at 30 June 2019.

“In late March when COVID-19 concerns were at their highest, Shaver Shop embarked on an immediate plan to reduce financial and operational risk through improved stock turns and higher liquidity. We worked closely with our suppliers and landlords to address the rapidly changing foot traffic and demand dynamics. With some of the investments made in core operating platforms, we were able to successfully increase the frequency of ordering for stores and work to promote slower moving stock lines when some of our top sellers were unavailable,” said Mr Fox.

Shaver Shop expects to be able to retain around 50% of the working capital benefit achieved in FY2020. This means re-investing around \$5 million in resetting inventory positions in FY2021.

Final dividend up 8% with 100% franking

In July 2020, Shaver Shop paid a special dividend of 2.1 cents per share (80% franked) in lieu of the cancelled FY2020 Interim Dividend.

Having regard to the Company’s strong operating performance and financial position (as seen in no JobKeeper payments being received), Shaver Shop’s Board decided to increase the final dividend by 8% to 2.7 cents per share, 100% franked (FY2019 – 2.5 cents per share, 80% franked). This brings total FY2020 dividends to 4.8 cents per share (FY2019 – 4.5 cents).

“In terms of overall capital management, the Board is striking a balance between managing through an unpredictable retail environment, re-investing in growth opportunities, and increasing dividend returns for shareholders,” said Mr Fox.

Trading update

The strong trading results and demand for DIY personal care appliances that was seen across FY2020 has continued over the first seven weeks of FY2021, with total sales up 27.5% over the first 7 weeks of FY2021 driven by:

- Like for like store sales up 28.2%(includes online sales and excludes closed stores in relevant periods)
- Online sales up 187%

On 4 August 2020, the Victorian Government imposed restrictions that necessitated the closure of 26 stores in the Melbourne metropolitan area for a period of six weeks from 6 August. While these stores are physically shut to customers, reduced store teams at 22 stores are still fulfilling online orders from these locations (4 Victorian stores are not currently operating in any capacity). Shaver Shop has seen a material increase in online sales in the last two weeks such that August month to date sales for Victoria are down approximately 16% versus the prior year.

Outlook

Commenting on Shaver Shop’s outlook for FY2021, Mr Fox said: “Our current position, with excellent trading momentum, a proven omni channel model, cash balance and no debt, means we are entering FY2021 in a position of strength. We intend to maintain our prudent approach to stock purchases in the first half. We see opportunities to further accelerate our omni-retail initiatives and will keep investing in the capabilities required to maximise this opportunity.”



Having regard to the continuing uncertainty caused by COVID-19, as well as the importance of Christmas trading to Shaver Shop's annual financial results, it is not appropriate to provide FY2021 earnings guidance at this time.

Approved for release by the Board.

-ENDS-

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About us

Shaver Shop Group Limited (ASX: SSG) is an Australian and New Zealand speciality retailer of male and female personal grooming products, and aspires to be the market leader in 'all things related to hair removal'.

There are currently 123 Shaver Shop stores across Australia and New Zealand. The Company also sells products via its websites www.shavershop.com.au and www.shavershop.net.nz, and an eBay store.

Shaver Shop offers customers a wide range of quality brands, at competitive prices, supported by excellent staff product knowledge. The Company's specialist knowledge and strong track record in the personal grooming segment enables it to negotiate exclusive products with suppliers.

Shaver Shop sources products from major manufacturers who seek to create functional and innovative products to meet customers' needs and wants in the hair removal and personal care product categories. The Company's core product range comprises male and female hair removal products such as electric shavers, clippers and trimmers, and wet shave items. Complementary to its core product range, Shaver Shop retails various products across the oral care, hair care, massage, air treatment, and beauty categories.