



SILK Laser Australia Limited (ASX: SLA)

Wilsons Rapid Insights

Presented by:

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17 November 2022



SILK provides affordable access to the world's most advanced skin technologies



Laser Hair Removal



Cosmetic Injectables



Skin Treatments



Body Sculpting
NEW GROWTH OPPORTUNITY



Skincare

	Laser Hair Removal	Cosmetic Injectables	Skin Treatments	Body Sculpting NEW GROWTH OPPORTUNITY	Skincare
Customer journey	Base treatment offering Typically entry treatment for clients	Increasingly considered as part of regular beauty routine	Increasingly considered as part of regular beauty routine	Emerging category that appeals to both existing SILK clients and new clients	High margin own-brand retail products
Purchasing style	Majority prepaid (e.g. 3 x Sessions in a package)	Treatment paid at time of service (e.g. 1 x Anti-wrinkle + Fillers)	Majority prepaid (e.g. 4 x Microdermabrasion services)	Majority prepaid (e.g. 5 x Abdominal treatment sessions)	Cross-sell to complement other services
Client loyalty	3-12 month packages	High loyalty to injector	3-12 month packages	Ongoing maintenance	Ongoing
Repeat client sessions	Move to other body areas	Yes	Yes	Yes	

Executing IPO plan; delivering strong FY22 financial performance; beating FY22 guidance

\$162.7m

Network cash sales
+91% vs FY21

\$81.3m

Reported revenue
+38% vs FY21

\$22.0m

Adjusted EBITDA
+27% vs FY21

\$9.6m

Adjusted NPAT
+27% vs FY21

\$6.4m

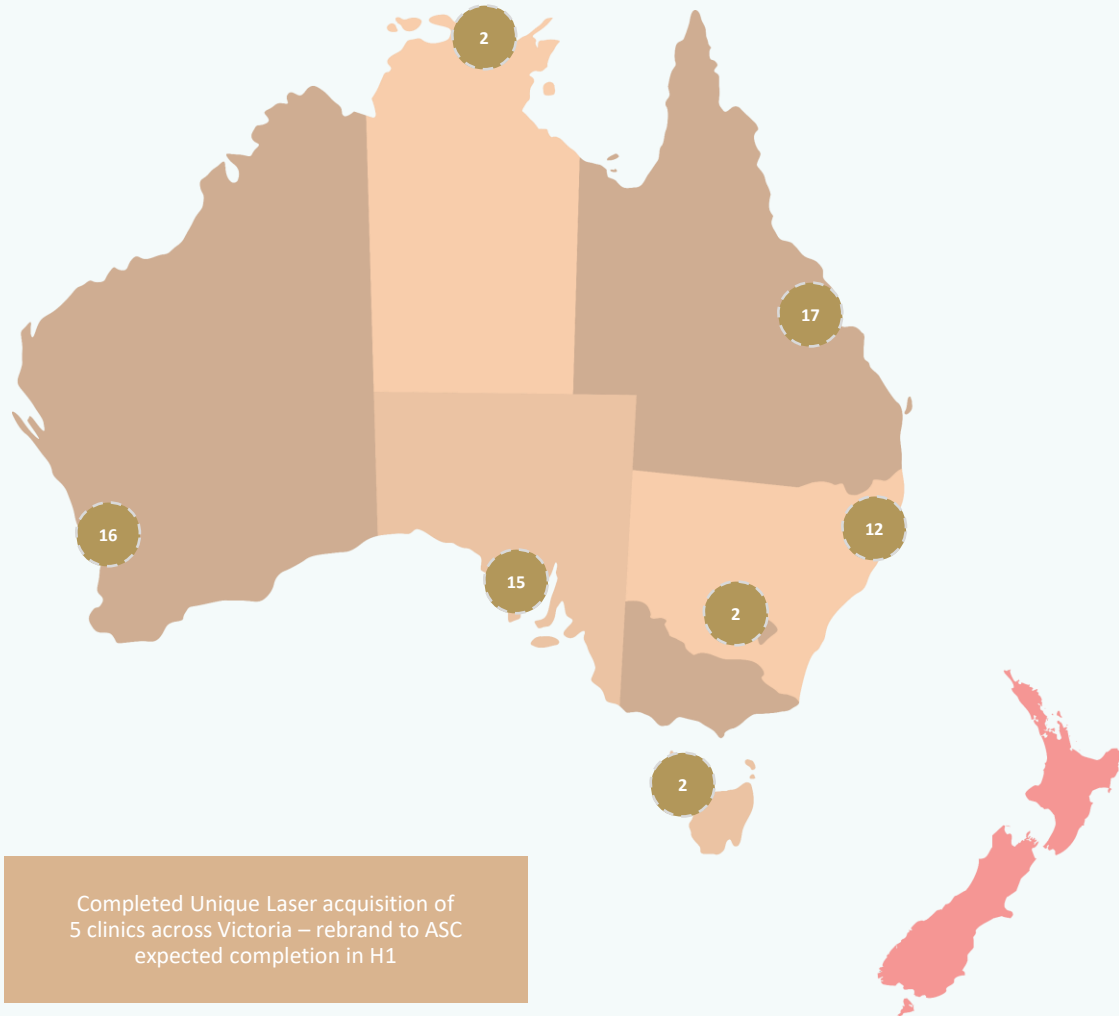
Statutory NPAT
+24% vs FY21

127 clinics

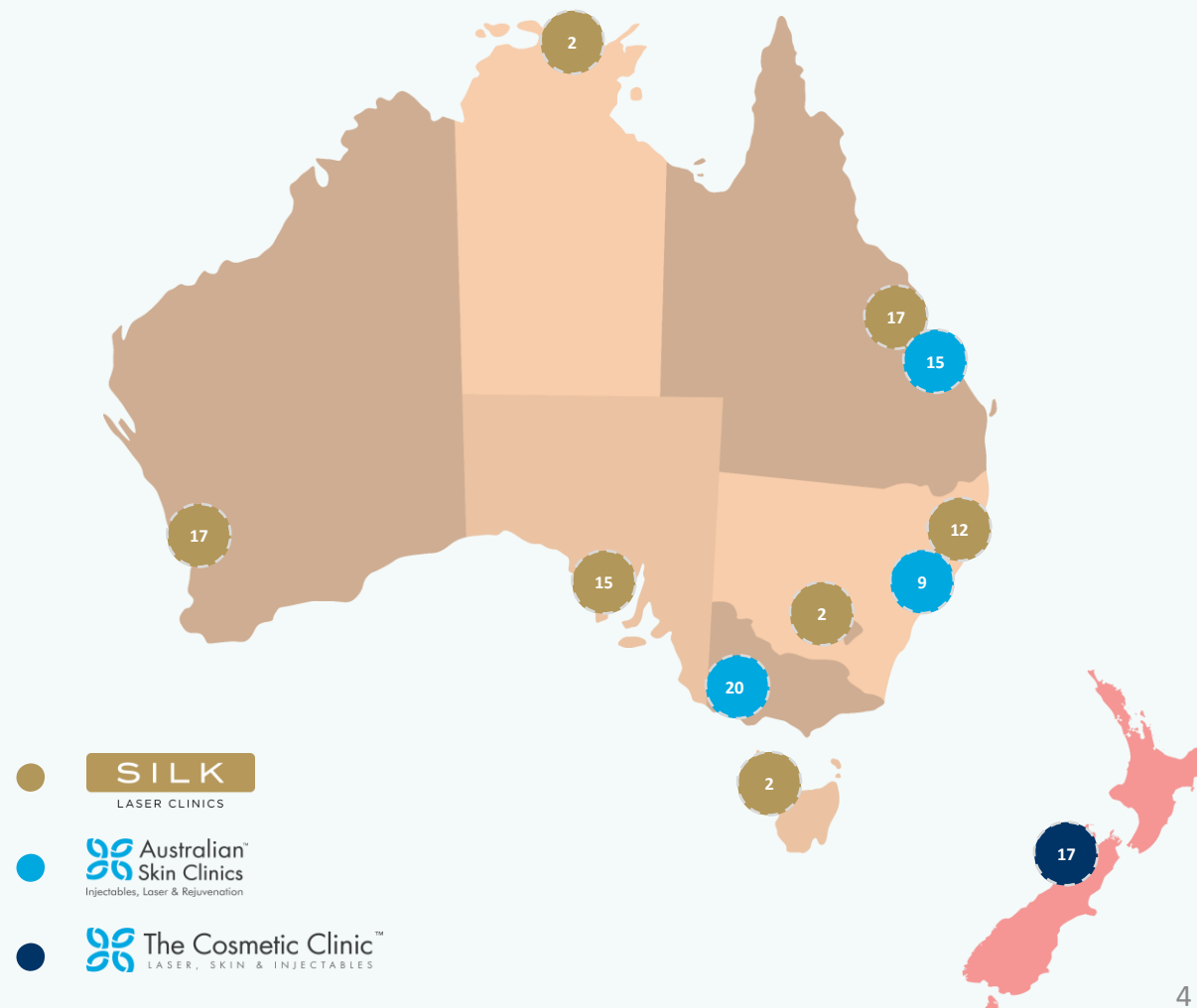
+66 clinics since end of FY21 to 31
July 2022

Continued network growth

30 June 2021 - 61 clinics

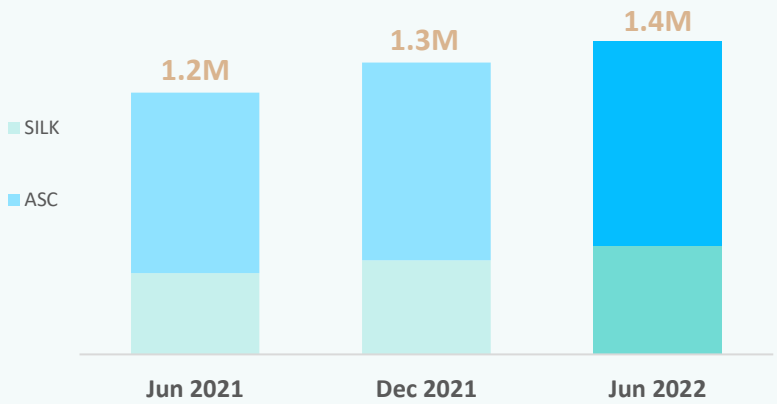


31 July 2022 – 127 clinics

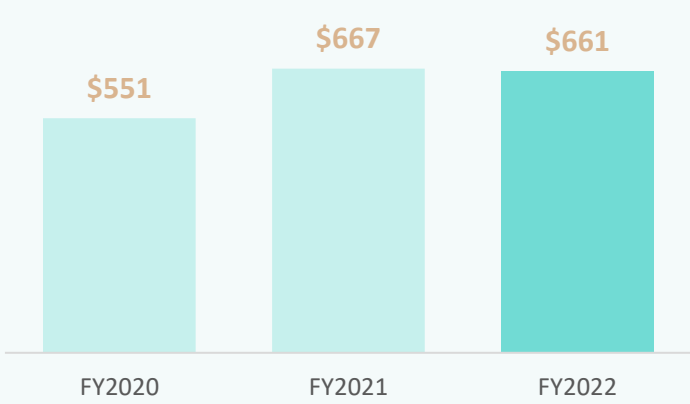


Growing customers and average sales

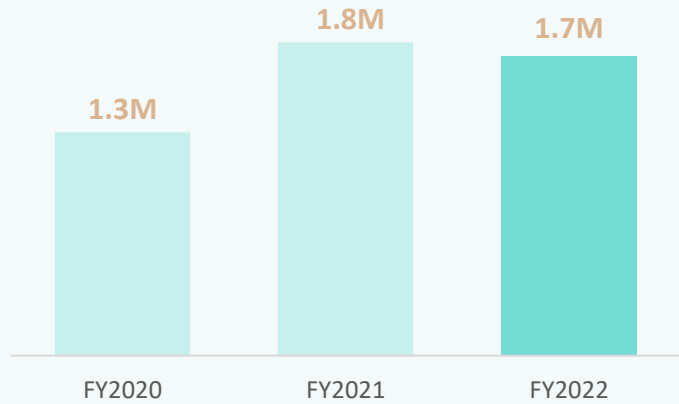
Growing client base



Average customer spend stable



Treatment volumes stable



Strong growth in customer numbers and satisfaction remains high



1.4m customers



80 NPS



4.6 Google Review Rating

The above metrics are for SILK & ASC

Investing to delight customers through improving their online and in-clinic experience

POINT OF SALE

- › Consolidation of multiple POS platforms into market leading cloud based POS, Zenoti
- › Improved customer experience and customer management, eg online booking
- › Simplified, tailored communications, integrated with web platforms

DATA & REPORTING

- › Implementation of new, single Data Warehouse to begin before Christmas
- › Development of streamlined and automated dashboards for all clinics and categories to improve reporting and insights
- › Improved real-time visibility across all brands, channels and products to inform finance and operations



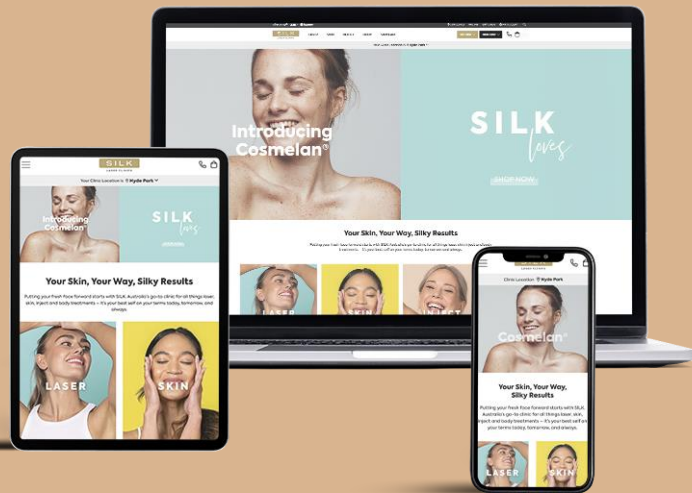
New website driving stronger engagement and increased sales

Brand NEW look!

New headless eCommerce website launched in May. The emphasis has been to ensure the new site is customer-centric, modern and provides a richer user experience.

The navigation is clear and simple and the online booking and purchasing pathways have been streamlined for clients.

The responsive design is critical for driving online sales and ASC will follow with the same approach.



Revenue & Conversion Rate

Revenue

48.53%

A\$8,152,988.27 vs
A\$5,488,967.15



Ecommerce Conversion Rate

27.07%

3.26% vs 2.56%



Transactions

Transactions

49.52%

36,140 vs 24,170



End to end integration between website and POS platform will allow personalised customer interactions

Migration to Amazon AWS to improve site speeds and security


Improved user experience resulting in

- 49% increase in online revenue
- 50% increase in eCommerce transactions
- 27% increase in eCommerce conversions (May-Sep 2022 vs 2021)


It is expected that similar website performance improvements will be achieved on the new Australian Skin Clinics website planned for launch November 2022.

Video calls and increased time in front of the digital mirror are prompting Australians to take a closer look at their appearance

PUTTING OUR 'BEST FACE' FORWARD ON VIDEO CALLS

 **50%**
SPENT TIME MAKING SURE THEY HAD FAVOURABLE LIGHTING AND ANGLES.

 **48%**
HAD CONSIDERED A RANGE OF BEAUTY TREATMENTS TO IMPROVE THEIR PERSONAL APPEARANCE.

 **14%**
WERE CONSIDERING DERMAL FILLER OR ANTI-WRINKLE INJECTIONS (TO IMPROVE THEIR APPEARANCE).

MIRROR, MIRROR ON THE... DEVICE?


71%
OF THOSE SURVEYED INCREASED THEIR FREQUENCY OF VIDEO CALLS/ONLINE MEETINGS DURING 2020



OF THIS GROUP

34%  **20**
INCREASED THIS TIME BY UP TO 10-20 HOURS PER WEEK.

31% 
THREE IN TEN FELT MORE AWARE OF THEIR FLAWS.

67% 
TWO-THIRDS CARED ABOUT HOW THEY LOOK (ON VIDEO CALLS).

27% 
1 IN 4 WERE MORE JUDGMENTAL OF OTHER PEOPLE'S FACIAL FEATURES.

The future of Injectables, SILK's fastest growing category

- › Shifting consumer attitudes about wellness, beauty, and healthy aging have increased awareness and acceptance of aesthetics, generating demand from new clients, including men and millennials
- › More than half of Australian women between 18 and 59 are comfortable discussing their injectable treatment with others, highlighting what was once a taboo subject, is now open for discussion
- › McKinsey research shows that the global aesthetics injectables market could grow by 12-14% pa over the next 5 years if providers capitalise on market trends
- › Aided by a post Covid increased consciousness and focus on aesthetics procedures, SILK believes that fundamental trends and elevated concerns about aging and health will see continued growth
- › Social media is driving awareness and acceptance, especially for new client segments
- › New technology and product: being a market leader, SILK is always investigating new technology and products to enhance the Company's existing range and treatment offerings. This enables us to be at the forefront of the industry and offer our patients the latest treatments



"Getting my injectables every 6 months is a necessity - it makes me feel good. I go to SILK because of Nurse Anna - she's an amazing injector. And, while I'm in the clinic, I get my laser hair removal maintenance done too."

Kristy, NSW



Leading regulatory compliance

- › First operator licensed as a day procedure centre under Section 9 of the Tasmanian Government Health Service Establishments Act 2006
- › Over an 18-month period, SILK worked side-by-side with Tasmania Health to obtain our licence
- › Tasmania Health's focus on this regulatory change was around better medical oversight and more thorough poisons management
- › We continue to work closely with all State and Territory Governments as a key stakeholder for regulatory change

SILK is a community of business owners,
working to have a **positive social impact**

60%

Female leadership
team

**Community
minded**

Supporting local sporting
clubs, schools and
organisations

98%

Female Workforce

50%

Female / Male non-
executive directors

**76% female
franchisees**

Empowering women in
business, but supplementing
the network with diversity

**Committed to
doing better**

Reviewing areas for further
opportunity such social partnerships,
diversity metrics and supply chain
efficiency



"I am passionate about what I do and I feel fortunate to have a business in an industry that I enjoy. We support other women in our franchise network and in our industry to become the best they can be. SILK and now ASC can take learnings from my and other female business owners' experiences from the early days into the future."

Nurse Cher Zollo
-Franchise Partner, South Australia

In summary

- › SILK performed strongly in FY22 despite COVID disruptions, exceeding previous guidance
- › Substantial network growth to 127 clinics cements SILK as one of Australasia's largest specialist non-surgical aesthetics clinic networks
- › High customer engagement and growing customer numbers
- › Expanding online presence strengthens omnichannel approach
- › SILK is well placed to continue its growth trajectory



"It's not just about how you look, it's about how you feel. I could've bought a car, diamonds, jewellery, but you take your body everywhere so I want it to look and feel amazing. Working on my body has been just as much of a mental health journey as it has been a physical one. It gives me back my confidence."

Helen, QLD
-Coolsculpting + EMSculpt client

Thank you. Questions?



Appendices



August 2022 trading update: New year started on plan

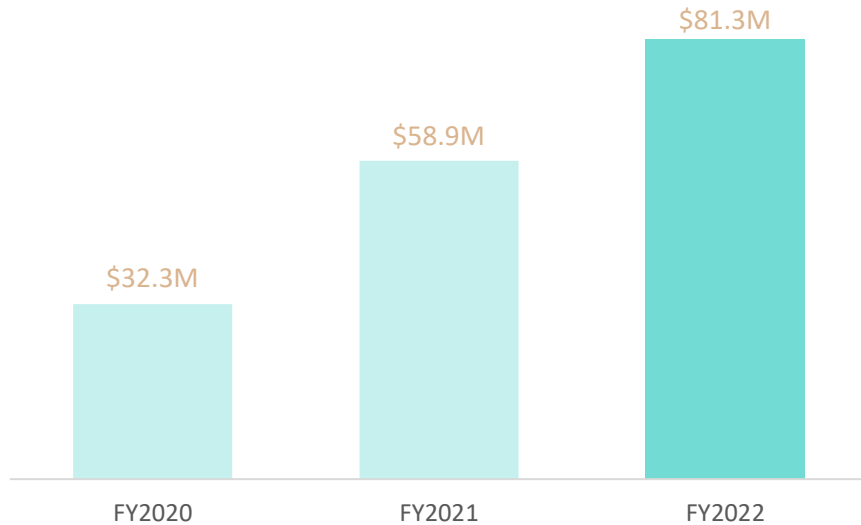
- › Solid start to FY23 – LFL up 5%, outperforming internal budget for July
- › Strongest growth was in NZ franchised network
- › Service mix continues to skew further to inject. Injectables is the strongest and most resilient category, posting highest ever cash month in SILK-only clinics for July; Body continues to grow as planned.
- › Strategic price increases mitigating cost inflation across inject and skincare actioned from July 1 – have recorded no reduction in transaction volume.
- › Completed Unique Laser acquisition of 5 clinics in complementary locations across Victoria
- › Near term pathway to reach and exceed the IPO network target of 150 clinics
- › Investments in upgraded corporate systems to provide a platform for significant scale: Finance and HRIS will go live in first half and new data warehouse and POS will go live in the second half, expect total project spend in FY23 approximately \$2.5m.
- › SILK continues to evaluate both organic growth and various M&A opportunities, including clinic buy-backs, to continue to execute against our previously stated business plan.

SILK Group (\$M)	8 weeks to 28 August 2022	8 weeks to 28 August 2021	% change
Group network cash sales (unadjusted)	30.7	21.6	+42%
Group like-for-like cash sales (adjusted for lost trading days)	20.6	19.7	+5%

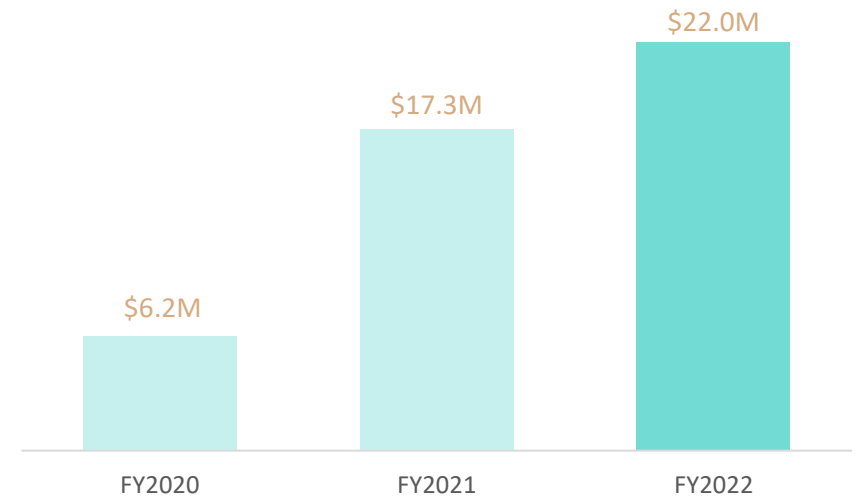


Growing revenue and profit by executing IPO strategy

Reported revenue growing year-on-year, CAGR 36%

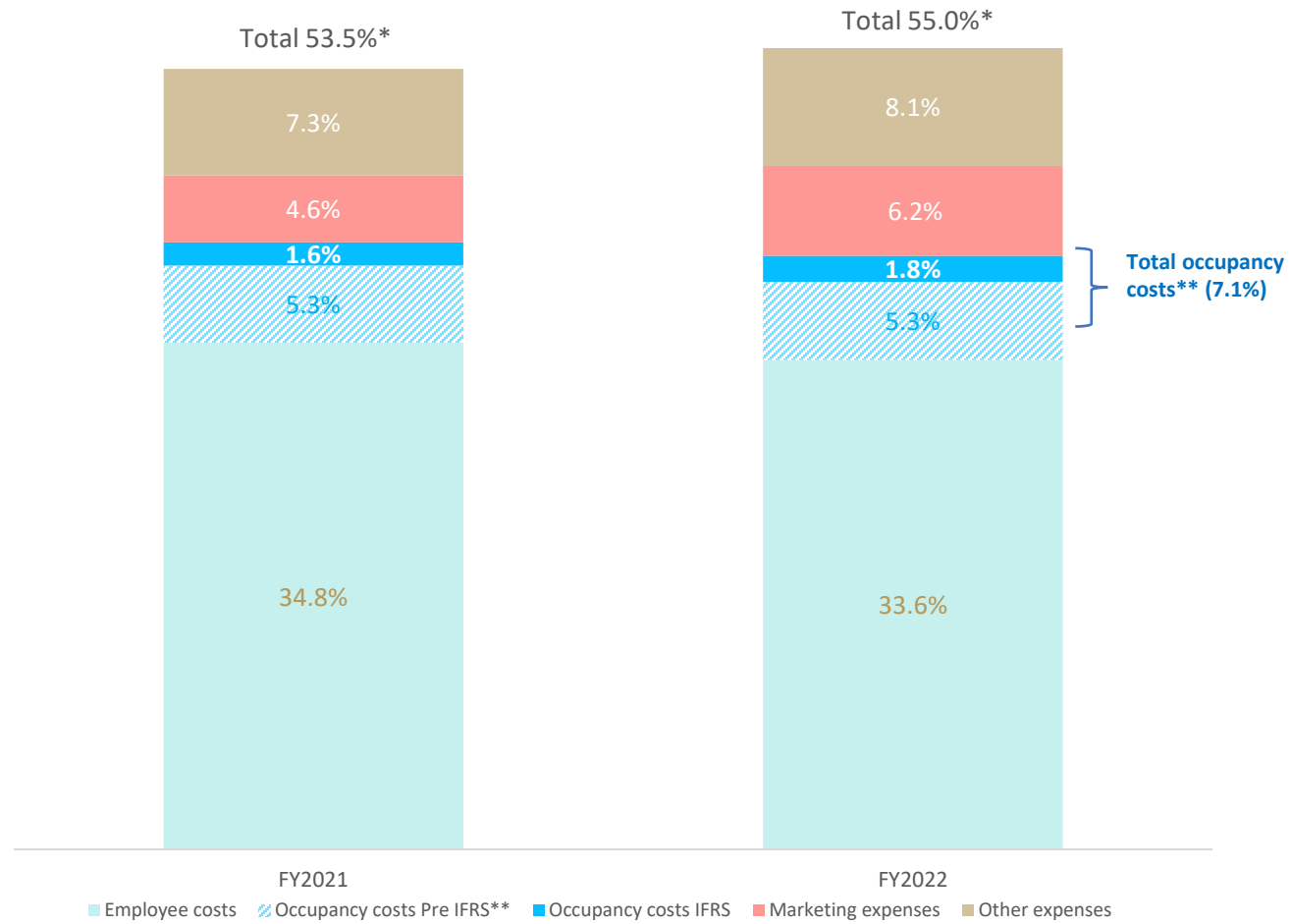


Sustained growth in adjusted EBITDA, CAGR 53%



- › SILK is executing on its growth strategy outlined at the IPO in December 2020
- › Sales driven by a combination of strong organic growth (FY21 LFL growth in 52% in network cash sales) and acquisitions, with ASC representing the major milestone, delivering a strong presence on the East Coast and New Zealand
- › Growing sales, controlling costs, whilst supporting franchisees and maintaining strong protocols has driven increased profits.

CODB breakdown as % of reported revenue



* Total CODB % post IFRS is 49.6% for FY2022; 48.2% PCP

** Occupancy costs Pre IFRS added to true up to the full cost incurred in the year

Costs under control in challenging times

- › Slight overall lift in CODB as percentage of revenue
- › Marketing costs % lift was highest due additional marketing fund (ASC), matched by franchisee contributions, and changed algorithms from major digital platforms.
- › Employee costs reduced slightly as %, even though COVID caused some labour inefficiencies and we invested in the HQ team to support growth and enhanced capability.
- › Clinic labour is semi variable:
 - › Nurses (one third of clinic labour costs) are largely paid on commission as % of sales
 - › Technician utilisation metrics were held in line with target metrics.
- › Occupancy costs stable year on year, rent costs are rising with some annual increases CPI indexed. Pre IFRS rent costs were \$4.6m plus outgoings of \$1.0m.
- › Other expenses rise mainly due to increased costs in IT, Office (both ASC related), logistics, insurance and travel costs.

Strong results built on platform of SILK model and successful integration of ASC

- › Clinic sales growth momentum continued, with four majority owned new SILK clinics opening and three ASC clinics joining the consolidated group.
- › Distribution sales grew even more strongly, reflecting the strategy of selling SILK's proprietary skincare and leveraging its Injectable buying power for the benefit of the whole network.
- › Gross margin reduction reflects the change in mix of Trading sales post the ASC acquisition, with Distribution sales (mainly wholesale product), growing by 75% vs PCP driven by good traction into the ASC network. Distribution sales are now c30% of Trading sales.
- › Step up in franchise revenues includes \$7.3m from ASC, largely franchised network, SILK franchise fees grew 11.5%.
- › Adjusted EBITDA grew 27% and comfortably beat market guidance of \$20m.
- › Adjusted NPAT grew by same percentage; effective tax rate at 30% down from 32.5% in PY.
- › Incurred \$1.2m on cloud-based systems' investment in the year as we position for growth driven by data driven decision-making.

Profit and loss

\$ million	FY2022	FY2021	Change %
Number of clinics EOFY	122	61	+100%
Network cash sales	162.7	85.1	+91%
Clinic sales	50.1	43.2	+16%
Distribution sales	17.6	10.1	+75%
Trading sales	67.8	53.3	+27%
Gross profit	47.0	38.9	+21%
Gross margin %	69.4%	72.9%	-4%
Reported revenue	81.3	58.9	+38%
Including franchise fees	13.6	5.6	+142%
Other income and share of associates	1.8	1.3	+43%
Cost of doing business	40.3	28.4	+42%
CODB as % Reported revenue	49.6%	48.2%	+3%
EBITDA (adjusted)	22.0	17.3	+27%
EBITDA (adjusted) margin	27.1%	29.4%	-8%
EBIT (adjusted)	14.4	11.2	+28%
EBIT margin %	17.7%	19.1%	-7%
Net profit after tax (adjusted)	9.6	7.5	+27%
NPAT margin %	11.8%	12.7%	-7%
Net profit after tax (statutory)	6.4	5.2	+24%
Adjusted Basic EPS (cents)	18.1	17.1	+6%

Balance sheet

\$ million	30 June 2022	30 June 2021
Cash & cash equivalents	18.6	44.7
Trade receivables	5.1	2.8
Other receivables (mainly IFRS 16)	13.3	3.9
Inventories	5.3	3.0
Property, plant & equipment	18.7	18.8
Intangible & other assets	99.5	39.1
Right of use assets (IFRS 16)	10.8	11.4
Total assets	171.4	123.6
Trade & other payables	11.3	9.7
Contract liabilities	9.8	9.5
Deferred tax and other liabilities	16.3	10.3
Bank debt	22.4	0.6
Lease liabilities (IFRS 16)	22.3	15.8
Total liabilities	82.1	45.9
Net assets	89.3	77.7

Strong cash position to support growth

- › Cash balance of almost \$19m and net debt was \$3.8m at end of the year.
- › Movement in cash position mainly reflects purchase of ASC on 31 August 2021, including cash payment of \$45.9m.
- › Retained strong liquidity position with \$18.6m cash at bank and \$10.5m of debt headroom to draw upon.
- › Remained comfortably within bank covenants throughout the year. Facility is not renewable until August 2025.
- › Working capital growth reflects increased skincare and injectable sales into the ASC network, likely to grow over the next six months.
- › Growth in intangible assets and lease liabilities mainly reflects the ASC acquisition.
- › Contract liabilities mainly relate to unearned revenue on prepaid laser and skin treatment packages, with balance of \$9.4m at end of year.
- › Net assets of \$89.3m up \$11.6m.

Operating cash flow (pre-tax) remains robust

\$m unless stated	FY22	FY21
Adjusted EBITDA	22.0	17.3
Cash flow from operations (pre-tax, grants and interest)	20.5	23.7
Cash conversion	93%	137%
Tax paid & grants received	(7.8)	0.6
Net interest paid	(0.8)	(0.4)
Cash flow from operations (post tax, grants and interest)	11.9	23.8
Capex (net of disposals)	(3.0)	(8.9)
Loans to Associates (mainly new clinics)	(2.2)	0.0
Other investing activities	1.8	(0.4)
Net cash from investing activities (pre M&A)	(3.5)	(9.3)
Free cash flow (pre M&A + Systems)	9.7	14.5
M&A + Systems related investment	(50.1)	(0.3)
Free cash flow (post M&A)	(40.4)	14.2
Net cash from financing activities	14.3	25.9
Net cash flow	(26.1)	40.1

- › Operating cash flow \$20.5m and 93% of EBITDA.
- › High tax payments during the year, reflecting catch up due to rapid growth of the group.
- › Capex and loans to associates (JV50 clinics) reflect new clinics and continued roll out of body devices across the network.
- › M&A related investing relates to ASC acquisition and clinic buybacks including two from ASC network.
- › Removing M&A + systems investments, generated almost \$10m of Free Cash.

Summary of clinic ownership and accounting

	Corporate 100% SILK owned	Joint Venture SILK majority owned	Associate/ JV 50 50% or less SILK owned	Traditional clinics No SILK ownership	TOTAL
How is economic return captured?	Consolidated in accounts Franchise fees and intercompany sales are eliminated in consolidation 100% consolidated	Consolidated in accounts Franchise fees and intercompany sales are eliminated in consolidation 100% consolidated, with Non-controlling interest removed from the NPAT	Franchise and management fees paid to SILK Margin on sale of Skincare, injectables and other items Equity accounted: share of increase in equity; ASC JV50s are partnerships and share of net profit or loss is included in consolidation	Franchise fees paid to SILK Margin on sale of Skincare, injectables and other items	
How is each type of clinic funded?	100% by SILK SILK currently provides all of the finance	Norm is 75% SILK, 25% with JV partner, but sometimes JV partner has more than 25% SILK may provide vendor loan to JV partner. Loans to the JV75 entity are netted out on consolidation	50/50 with JV partner. SILK may provide equipment finance and may provide vendor loan to JV partner	100% by franchisee SILK does not finance traditional franchisees	
Number of clinics at 30 June 2022:					
~ SILK clinics	23	12	14	17	66
~ ASC / TCC clinics	1	1	5	49	56
<u>Summary financials (\$M) to December 2021</u>					
Network sales (Traditionals on cash basis)	34.4	15.7	30.2	83.8	164.2
Adjusted EBITDA %	17%	15%	18%	N/A	N/A
Value of SILK's investments in clinics outside the Group (includes loans to JVs and JV partners)	N/A - consolidated	N/A - consolidated	5.4	0.0	5.4

The Network sales above are calculated on a statutory basis for clinics in which clinic has an ownership and cash basis for traditional franchises.

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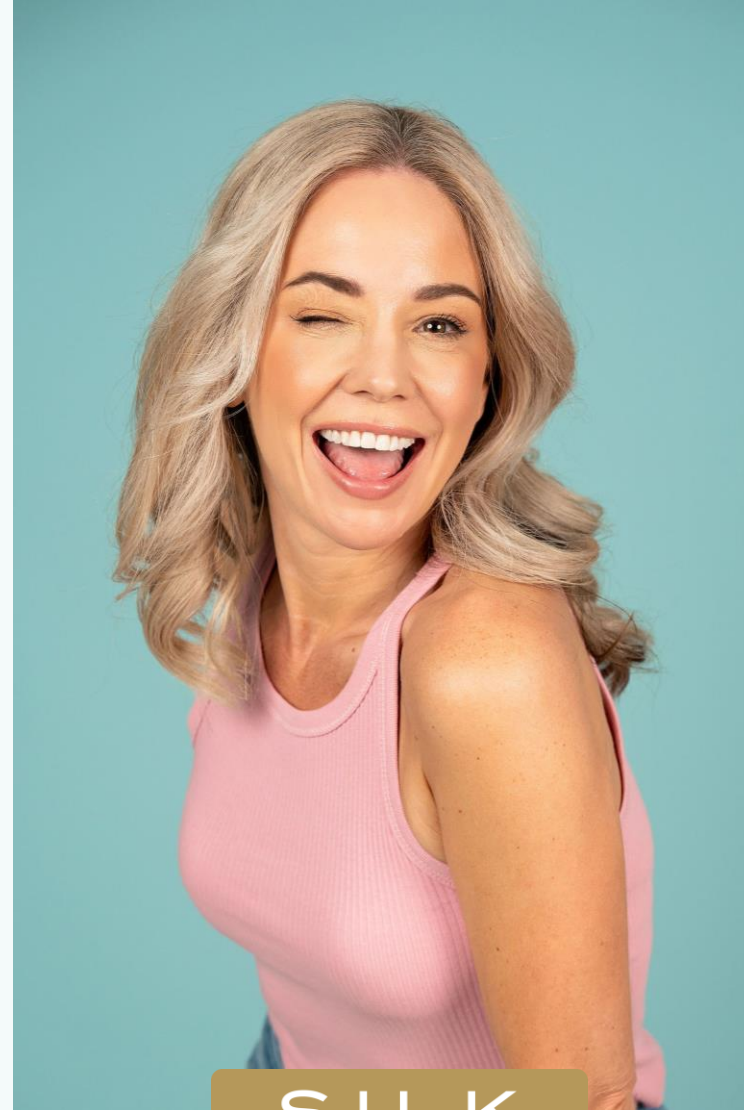
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LASER CLINICS

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