



CELEBRATING 25 YEARS

25

H 1 F Y 2 0 R E S U L T S

21 FEBRUARY 2020

H1 FY20 PERFORMANCE HEADLINES



Record revenues \$431.6m, up 14%

Strong performance from Information and Communication Technology (ICT)

- ▶ Growth in device and accessory revenues
- ▶ Reduction in connectivity income and loss of bespoke remuneration more than offset

Growing contribution from Skin-Health and Wellness (SHAW)

- ▶ Channel expansion
- ▶ Greenfield revenues growing
- ▶ Leveraging capability that has driven ICT's success
- ▶ Continued investment in talent and Artisan Aesthetic Clinics brand

EBITDA¹ (pre-AASB 16) \$26.4m, up 5%
EBIT² \$22.1m, up 11%; NPAT³ \$14.5m, up 3%

- ▶ Revenue growth
- ▶ Productivity gains
- ▶ Portfolio optimisation

Healthy balance sheet

- ▶ No net debt
- ▶ Flexibility for shareholders to take dividends or re-invest via DRP
- ▶ Access to equity and debt to fund growth initiatives

¹ Earnings before interest, tax, depreciation, and amortisation

² Earnings before interest and tax

³ Net profit after tax

NEW LEASE ACCOUNTING STANDARD (AASB 16)

Balance sheet (H1 FY20 impact)

		1 July take on value (\$m)
Right of use assets	↑	37.8
Deferred tax asset	↑	0.6
Lease liabilities	↑	42.8
Pre AASB 16 lease provisions	↓	3.0
Retained earnings	↓	1.4

Income statement (H1 FY20 impact)

		31 Dec 2020 (\$m)
Depreciation	↑	6.5
Finance cost (interest)	↑	1.1
Occupancy cost (rent)	↓	7.0
Net impact to profit	↓	0.6

- ▶ New lease standard (AASB 16) adopted 1 July 2019
- ▶ Modified retrospective approach (comparatives not restated)
- ▶ Recognised on balance sheet:
 - ▶ Lease asset: right of use leased assets
 - ▶ Deferred tax asset
 - ▶ Lease liability: present value of future lease payments
- ▶ De-recognised pre-AASB 16 lease straight-line and lease incentive provisions
- ▶ Retained earnings down \$1.4m
- ▶ Depreciation of lease assets and interest on lease liabilities now recognised in income statement over lease term
- ▶ Impact on EBIT +\$1.1m; NPAT -\$0.6m
- ▶ No impact on cashflows or debt covenants

INCOME STATEMENT - GROUP

(\$m unless otherwise stated)	H1 FY20	H1 FY19	Change
Revenue	431.6	377.0	14%
Gross Profit	117.5	115.6	2%
Gross Profit %	27.2%	30.7%	
EBITDA (pre-AASB 16)	26.4	25.0	5%
EBIT	22.1	19.9	11%
NPAT	14.5	14.1	3%
Interim Dividend	8.7	8.4	3%
Interim Dividend (cps)	5.3cps	5.2cps	2%

Record revenues \$431.6m, up 14%

- ▶ ICT up 13% reflecting higher device and accessory revenues
- ▶ SHAW up 65% with growth in clinic numbers and a higher greenfield contribution

Gross profit \$117.5m, up 2%

- ▶ Higher accessory and device profits and an increasing contribution from SHAW partially offset by lower fee income on connectivity and loss of bespoke remuneration

EBITDA (pre-AASB 16) \$26.4m, up 5%

- ▶ Cost base only marginally up despite investments in SHAW
- ▶ Productivity gains

Net profit after tax \$14.5m, up 3%

Interim dividend \$8.7m, up 3%

- ▶ 5.3cps, up 2% on prior year

INCOME STATEMENT - ICT

(\$m unless otherwise stated)	H1 FY20	H1 FY19	Change
Revenue	420.0	370.1	13%
Gross Profit	109.5	111.9	(2%)
Gross Profit %	26.1%	30.2%	
EBITDA (pre-AASB 16)	43.7	39.9	9%
Points of Presence (at period end)	105	107	

ICT revenues \$420.0m, up 13%

- Retail ICT up 19% reflecting strength in device and accessory categories
- Sprout up 23%
- Business ICT down 52% – focus on more profitable mid-market segment

Gross profit \$109.5m, down 2%

- Gross margin rate reflects a higher proportion of devices and accessory in the sales mix

EBITDA (pre-AASB 16) \$43.7m, up 9%

- Increase in team productivity
- Cost reduction in Business ICT
- Continued physical portfolio optimisation

INCOME STATEMENT - SHAW

(\$m unless otherwise stated)	H1 FY20	H1 FY19	Change	FY19
Revenue	11.0	6.7	65%	13.7
Gross Profit	7.9	4.7	68%	9.7
Gross Profit %	71.6%	70.7%		71.0%
EBITDA (pre-AASB16)	(0.8)	(0.4)		(3.7)
Total Points of Presence (# at period end)	16	10		13
Artisan Branded Clinics (included in total)	11	2		9

SHAW revenues \$11.0m, up 65%

- Increase in clinic numbers
- Improving contribution from greenfield clinics

Healthy gross margins

- Modality and product mix; procurement benefits

Investment in brand and capability adding value

- Artisan brand
- Training academy
- Proprietary software (cosmedcloud™)

EBITDA (pre-AASB 16) (\$0.8m) vs full year FY19 (\$3.7m)

- H1 FY20 performance \$2.5m up on H2 FY19
- Accelerating clinics to profitable scale via micro-acquisitions and roll-ins
- Focus on organic performance improvement
- Adverse variance vs last year reflects capability investments made in H2 FY19

BALANCE SHEET

(\$m unless otherwise stated)	31 Dec 19	31 Dec 18
Cash	35.7	27.1
Current assets (exc. cash)	60.3	60.8
Non-current assets	185.9	126.4
Total assets	281.9	214.3
Current liabilities	(122.1)	(97.0)
Non-current liabilities	(41.6)	(11.0)
Total liabilities	(163.7)	(108.1)
Net assets	118.1	106.2

Cash	35.7	27.1
Debt	(11.9)	(9.8)
Net cash	23.8	17.2

Healthy cash balance

- Favourable timing of cash receipts

Tight management of working capital

- Receivables down \$2.8m
- Inventory up \$2.3m with growth in ICT and SHAW

Non-current assets up

- Plant, and equipment up \$10.5m following investment in new-format Telstra stores and SHAW expansion
- Right of use assets (ROUA) brought onto balance sheet: \$41.7m
- Intangibles up \$6.6m, driven by SHAW acquisitions
- Deferred tax asset up \$0.7m

Current and non-current liabilities up

- Payables up \$5.4m driven by strong December trading
- Borrowings up \$2.0m as a result of ICT fit-out and acquisition activity
- Lease liabilities now recognised under AASB 16: \$46.6m
- Provisions and tax liabilities up \$1.7m

Healthy treasury position – net cash \$23.8m

- Gross cash \$35.7m; bank debt \$11.9m

CASH FLOW

(\$m unless otherwise stated)	H1 FY20	H1 FY19
Operating cash flows	27.2	13.4
Investing cash flows	(9.0)	(6.7)
Financing cash flows	(9.2)	(11.2)
Net cash movement	9.0	(4.5)
Opening cash balance	26.7	31.6
Closing cash balance	35.7	27.1

Operating cashflows

- ▶ Strong cash conversion

Note: property lease payments classified as financing cash flows under AASB 16 in FY20 \$7.9m – previously in operating cash flows

Investing activities

- ▶ Capex directed towards:
 - ▶ Skin-Health and Wellness acquisitions \$1.6m, greenfield clinics \$2.4m
 - ▶ ICT acquisition \$1.0m
 - ▶ ICT fitouts \$4.8m
 - ▶ IT equipment \$1.1m
- ▶ Offset by proceeds from sale of ICT stores \$1.9m

Financing activities

- ▶ Net drawdowns \$3.2m
- ▶ Lease payments \$7.9m – previously classified as operating cash flows (pre-AASB 16)
- ▶ Dividends offset by proceeds from dividend reinvestment program \$4.5m

Information and Communication Technology

Master Licence Agreement extended to 2025

- ▶ Parties strategically aligned
- ▶ Ongoing focus on out-performance

Outlook

- ▶ Continued margin pressure in connectivity; however further device and accessory opportunities in H2 FY20
- ▶ Further innovation in proprietary accessory brand, Sprout
- ▶ Focus on consulting to drive productivity and customer experience
- ▶ Novel coronavirus (COVID-19):
 - ▶ Some potential short-term or timing risk:
 - ▶ Apple devices constrained
 - ▶ Samsung supply unaffected
 - ▶ Possible impact to accessories – being actively managed





Skin-Health and Wellness Outlook

Artisan Aesthetic Clinics

- ▶ Growing Artisan brand awareness
- ▶ Targeting 20-23 clinics end FY20
- ▶ Simplifying clinic operations to focus on sales, productivity, and advocacy
- ▶ Growth strategy focused on acquiring profitable clinics and rolling the team into new and existing Artisan clinics to build scale and profitability
- ▶ Long-term target to create a scaled, national network of clinics

Summary

Strategy on track

Information and Communication Technology

✓ delivering profit and cashflow

Skin-Health and Wellness

✓ significant long-term value creation potential



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