



Investor briefing

H1 FY21 RESULTS

25 February 2021

SILK

LASER CLINICS

Martin Perelman, Founder & MD
Ivan Jacques, CFO

SILK delivers strong H1 FY21 result

+62%
VS PCP

Network cash sales
\$44.9m



+78%
VS PCP

Reported revenue
\$30.6m



+166%
VS PCP

Pro forma EBITDA
\$10.6m



+133%
VS PCP

Underlying EBITDA
\$10.3m



\$4.8m

Statutory NPAT
+318% VS PCP



\$15.3m

Operating cash flow
+168% VS PCP



Australia's leading non-surgical clinic network

+47%
VS PCP

Like-for-like growth



56
CLINICS

5 Clinics opened
in H1 FY21



330k+

Customers in database



78 NPS

Strong rankings
across platforms



WINNER

of '2020 Australian
Emerging Franchisor
of the Year' Award



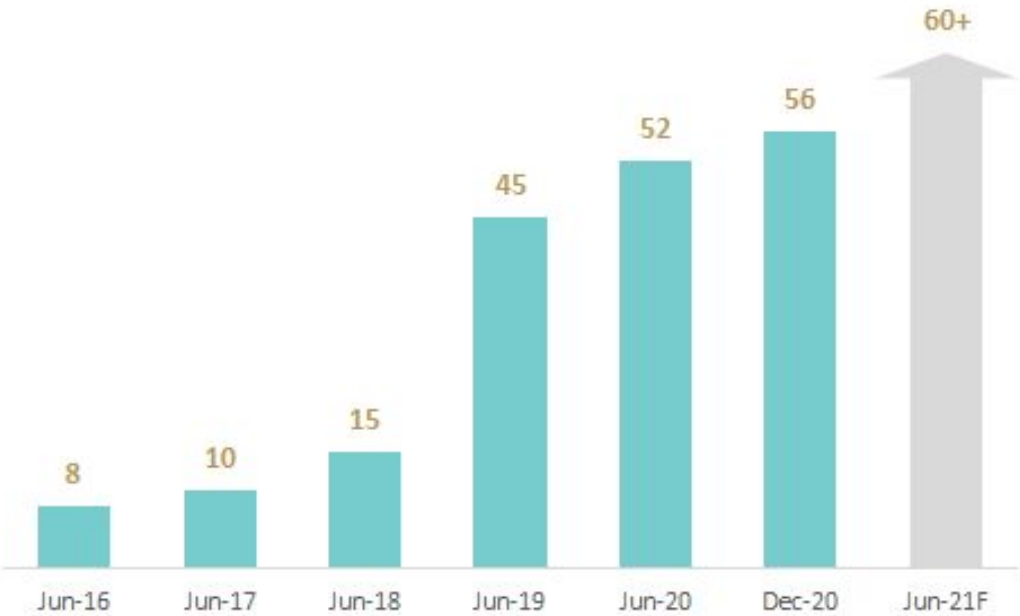
ASX:SLA

Listed on ASX in
December 2020

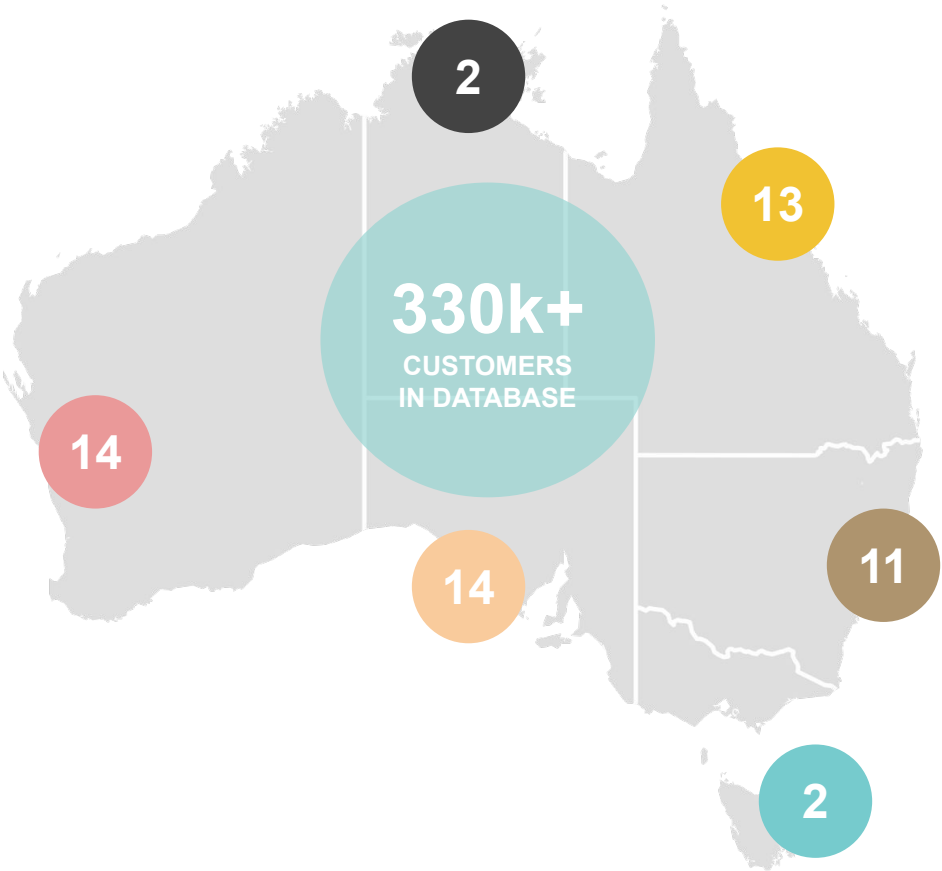


Expanding towards network plan of 150+ clinics

Number of clinics nationwide



Market leader in SA, WA and NT. Expanding opportunistically into other regions.



COVID-19 response

SILK has responded, and continues to respond, rapidly to the changes in the economic and operational environment caused by the COVID-19 pandemic.






SILK has a detailed plan which can be implemented in the event the government orders a temporary closure of clinics; this strategy was successfully deployed in SA in November 2020 and in QLD and WA in January 2021.

Committed to the health and safety of customers and staff

SILK's #1 priority remains the safety of its customers and staff; the Company is doing everything to ensure all health and safety protocols are above and beyond.



Updated safety protocols developed by SILK's Medical Team include:

-  Temperature checking of staff and clients
-  Hygiene measures, including cleaning of surfaces between each client using hospital-grade disinfectant
-  Fully disposable consumables used
-  Social distancing enforced at each clinic
-  Cashless payments preferred

FY21 Prospectus forecasts upgraded

Continued strong momentum and positive trading outlook for H2 FY21

- ✓ Organic growth in injectables category and like-for-like growth has driven Prospectus forecast upgrade
- ✓ Consistent strong trading and ongoing growth of cosmetic injectables expected to continue
- ✓ Significant investment in body category
- ✓ Store openings on track to surpass full year forecast, with SILK's first clinic in ACT expected to open in March

On the basis that there are no significant disruptions to H2 trading due to COVID-19, SILK has upgraded Prospectus forecasts for FY21:






- ✓ Network Cash Sales expected in the range of \$82.0m and \$86.0m (vs. Prospectus forecast of \$81.0m)
- ✓ Pro forma EBITDA in the range of \$15.0m and \$16.0m (vs. Prospectus forecast of \$14.0m)
- ✓ Underlying EBITDA of \$14.0m to \$15.0m (vs. Prospectus forecast of \$13.5m)

**Strong
momentum
in a growing
market**



Cross-sell opportunity with complementary services and targeted marketing

Demonstrated ability to drive organic growth through new services and cross-sell within clinic network; implementing personalised marketing to increase client lifetime value

	 Laser Hair Removal	 Cosmetic Injectables	 Skin Treatments	 Body Sculpting <small>NEW GROWTH OPPORTUNITY</small>	 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 which 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	

A variety of ownership models to attract the best talent to drive clinic uplift and expansion

Flexible ownership structures enable attractive economics at various clinic sizes and allow SILK to target more 'whitespace' opportunities than some of its competitors.

1

Corporate

SILK Holdings 100%

Model used to enter new markets enabling SILK to extract synergies

23 clinics

2

Joint venture

SILK Holdings 50% or 75%
Franchisee 50% to 25%

SILK receives traditional franchisor economics & profit share

16 clinics

3

Traditional

Franchisee 100%

Model adopted in regional towns and locations with smaller catchments

17 clinics

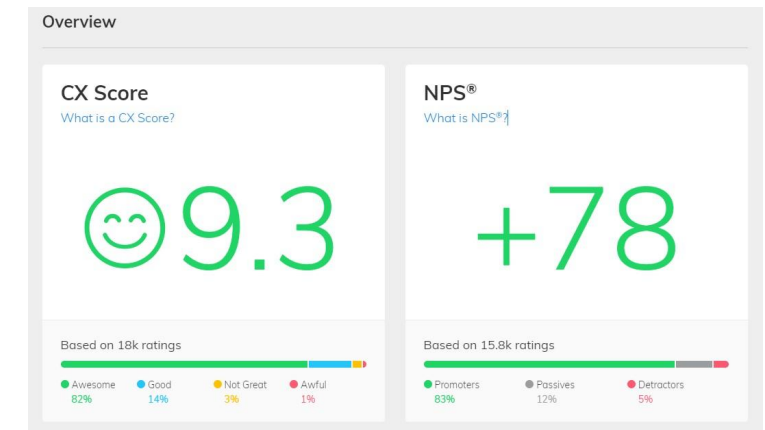
High rankings across review platforms

Strong promoter scores and online ratings reflect high customer satisfaction

- For the period 1 July – 31 December 2020, SILK achieved NPS score of 78:
 - Based on large sample size; almost 16,000 pieces of feedback
 - 83% of SILK's customers scored 9 or 10 out of 10
 - 95% of our customers scored at least 7 out of 10
- High ratings on Google Review and Trustpilot reflect SILK's focus on consistent experience and customer service across its network



Google 4.65 / 5



**Growth
across all
key metrics**



Network and category growth delivers strong H1 financial result

Strong growth across all service and product categories, with cosmetic injectables continuing to be the fastest growing category

Network cash sales up 62% to \$44.9m, driven primarily by the like-for-like growth in total network clinic sales of 47%

Reported revenue growth of 78% underpinned by improved like-for-like sales and the opening of new clinics

Gross Profit up 72% to \$19.8m underpinned by rapid growth of high-value but lower gross margin inject category

Pro forma EBITDA up 166% to \$10.6m

Underlying EBITDA up 133% to \$10.3m

Pro forma and underlying EBITDA and pro forma NPAT exclude one-off IPO costs of \$3.1m, JobKeeper and other government stimulus receipts of \$2.0m

EBITDA margin increase of 11.4 points to 34.5%

\$m unless stated	H1 FY21	H1 FY20	Change	% of Prospectus Fcst achieved
Clinic network (#)	56	52		
Network cash sales (ex GST)	44.9	27.7	62%	55%
Reported revenue	30.6	17.2	78%	57%
Gross Profit	19.8	11.5	72%	57%
<i>Gross Profit margin</i>	71.6%	74.5%		
Pro forma EBITDA	10.6	4.0	166%	76%
<i>Pro forma EBITDA margin</i>	34.5%	23.1%		
Underlying EBITDA	10.3	4.4	133%	76%
Pro forma NPAT	5.6	1.2	384%	102%
Basic EPS (cents)	11.48	2.84	304%	

Strong balance sheet to capitalise on growth opportunities

Strong cash position reflects completion of the IPO; includes funds raised for future investment in the business

Contract liabilities mainly relate to prepaid treatment packages and gift vouchers, which increase with the growth of the business

Revenue is recognised on redemption, although underlying EBITDA is based on clinic cash sales, with treatment packages recognised on receipt of the cash payment

Funding headroom available given minimal debt; \$0.9m of hire purchase loans

Lease liabilities represent IFRS 16 treatment of property leases as debt items, and they reduce over the term of the lease as rents are paid

\$m	Dec 2020	Jun 2020	Change
Cash & cash equivalents	26.6	4.6	22.0
Receivables & inventory	7.8	6.6	1.2
Total current assets	34.4	11.2	23.2
Property, Plant & Equipment	15.5	13.3	2.2
Intangible & other assets	48.9	47.1	1.8
Total non-current assets	64.4	60.4	4.0
Total assets	98.8	71.6	27.2
Trade & other payables	12.1	7.4	4.7
Lease liabilities	3.8	4.1	(0.3)
Contract liabilities	10.0	8.3	1.7
Total current liabilities	25.9	19.8	6.1
Lease liabilities	9.8	10.7	(0.9)
Deferred tax and other liabilities	5.3	4.2	1.1
Total non-current liabilities	15.1	14.8	0.2
Total liabilities	41.0	34.7	6.3
Net assets	57.8	36.9	20.8

Operating cash flow more than doubled

Operating cash flow up 168% to \$15.3m; 144% of Pro Forma EBITDA:

- Reflects the strong cash-generating nature of the business, driven by prepaid packages
- Also reflects the typical sales cycle, with first half usually being significantly stronger from cash flow perspective

Free cash flow of \$11.5m benefiting from strong sales and operating cash flow offsetting the investment in new clinics, and expansion at existing clinics including the body category

Cash flow from financing activities includes \$20m raised from the issue of new shares and one-off cash outflows related to the IPO

\$m unless stated	H1 FY21	H1 FY20	Change
Pro forma EBITDA	10.6	4.0	6.6
Cash flow from operations	15.3	5.7	9.6
Cash conversion	144%	143%	1%
Cash flow from investing activities	-3.7	-1.8	-1.9
Free cash flow	11.5	3.8	7.7
Cash flow from financing activities	10.4	-1.3	11.7
Net cash flow	21.9	2.5	19.4

**Well positioned
for continued
growth**



Scale, operating model, complementary service offering and brand drive competitive advantage

Large clinic frontage



Focus on retail product placement



Contemporary interiors



Scale platform driving improved economics

- #3 national player based on number of clinics; market leadership in SA, WA, NT and TAS
- Scale reduces clinic level cost burden from medical oversight, improving clinic economics
- National procurement results in pricing power and strong supplier relationships
- Growth has enabled investment in people, technology, brand and customer experience

Clinic format and injector-led model supports growth

- Variety of ownership models to attract best talent and exploit different locations and clinic size
- Injector-led model and brand supports being second or third market entrant, whilst still delivering high performance and predictable sales growth
- Use of business intelligence tools to optimise clinic performance

Complementary service offering and strong value proposition

- Complementary range of services and products (including high margin own-brand retail products) which drive upsell opportunities
- Superior customer value through a national pricing model
- High quality customer service founded on dedicated team of medical staff providing clinic oversight, and first-class education and training program for nurses

Recognised brand

- Market-leading NPS of 78 nationally drives repeat and new business
- Focus on consistent experience across network, including sophisticated branding and award winning design and layout
- Customer centric culture and team

Multiple growth levers

	1	2	3
Strategy	Strong like-for-like clinic growth	Expansion of clinic network plan	Clinic acquisitions
Drivers of strategy	High industry growth (increasing penetration)	Large 'whitespace' opportunity	Fragmented market structure
	Grow customer base (maturing of newer clinics)	Leverage flexible ownership structure	Leverage strong competitive position
	Leverage cross-sell opportunities	Strong unit economics	Management capability and proven experience
	<ul style="list-style-type: none"> • High portion of clinics are < 2 years in operation and it generally takes 3 years for clinics to mature and realise full potential across services • Grow customer base through brand awareness and new product offerings (Body category to service growing demand) • Increase share of customer wallet through cross-sell of services and high margin own-brand skin products • Leverage targeted and personalised marketing to increase customer lifetime value • Drive productivity and utilisation through technology and operational best practice, including use of business intelligence tools and dashboards • Increase capacity at existing clinics by adding additional rooms 	<ul style="list-style-type: none"> • Disciplined approach to identifying, evaluating and prioritising new clinics. Key criteria include: <ul style="list-style-type: none"> • Local market size • Proximity to existing clinics / competition • Demographic profile • Flexible ownership models help exploit different locations and clinic size • Brand strength and injector-led model means SILK can be second or third market entrant and still deliver high performance and sales growth • Unit economics supported by procurement benefits and lower medical oversight burden from enlarged network effect 	<ul style="list-style-type: none"> • Continue to expand platform that benefits from SILK's scale, operating strategies and brand • Various smaller 'tuck-in' acquisition opportunities • Focus on acquiring businesses with: <ul style="list-style-type: none"> • Strong market position in its catchment area • Service offering alignment • Strength in higher margin services

Well placed to benefit from continued strong momentum

- ✓ Strong industry fundamentals due to increasing penetration of services (services increasingly part of regular beauty routine)
 - ✓ Integrated service offering enabling greater margin capture, cross-sell opportunities and client loyalty
 - ✓ Strong like-for-like growth driven by new and repeat customers
 - ✓ Clinic network plan supporting long-term growth
 - ✓ Attractive clinic level economics and very high cash flow generation
- ✓ On the basis that there are no significant disruptions to H2 trading due to COVID-19, SILK has upgraded Prospectus forecasts for FY21:
 - Network Cash Sales expected in the range of \$82.0m and \$86.0m (vs. Prospectus forecast of \$81.0m)
 - Pro forma EBITDA in the range of \$15.0m and \$16.0m (vs. Prospectus forecast of \$14.0m)
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Questions?

Thank you

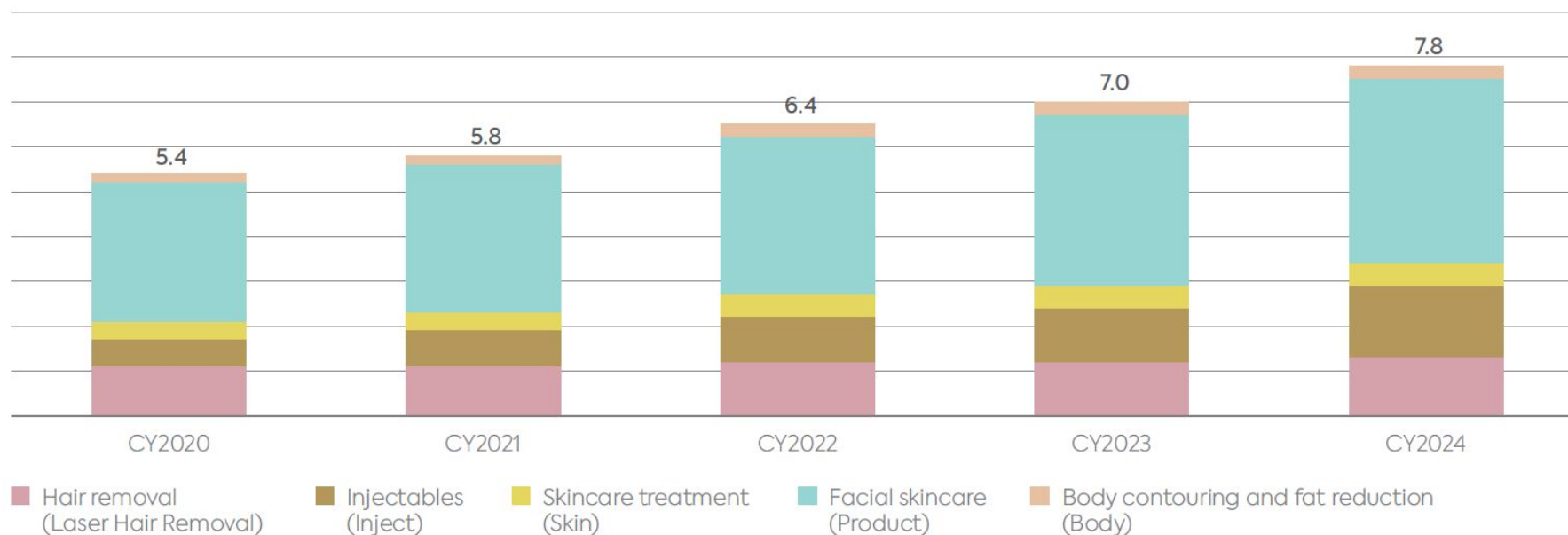


Appendices

**>\$5.4B Australian market
with continued tailwinds,
forecast to grow to \$7.8bn
by 2024**

Growth expected across the addressable market,
with injectables and body contouring experiencing
the highest growth rates

Australian market size by segment
CY2020-CY2024 (Revenue A\$bn)¹



Clinic financial profile

			
	New SILK Clinics (opened August 2017- August 2019)		SILK group average
	Year 1	Year 2	All clinics > 3 years
Cash Sales per clinic (\$000) ¹	996	1,417	1,526
Statutory EBITDA per clinic (\$000)	(78)	154	227
Underlying EBITDA per clinic (\$000) ²	54	181	278
Clinic Underlying EBITDA margin	5%	13%	18%
Return on Investment Capital	8%	26%	40%



Capex required to open a typical new clinic estimate at \$0.5-0.8m



Following opening, additional costs of marketing and staff recruitment result in clinic level EBITDA losses initially



As client flow builds, clinics generally move to cash breakeven within 1 year of operation

Notes: 1. Cash sales includes the sale of prepaid treatment packages sold for Laser Hair Removal, Skin and Body Service. 2. Underlying EBITDA is management's key measure of the profitability of the business. It is calculated using Statutory EBITDA with certain adjustments. See Section 4.4.1 of the Pathfinder Prospectus for further details on Pro forma EBITDA and Section 4.6.7.2 for further details on Underlying EBITDA. 3. Figures exclude GST.

Select SILK products and services



SKIN TREATMENTS



Microdermabrasion
Removes impurities and resurfaces your skin



Laser Pigmentation Removal
Pigmentation lesions safely removed with laser technology



LED
Healite LED device is a Low-Level Light Therapy (LLLT) used as a skin surface treatment system



Observ 520
Advanced camera technology to look deep into skin layers, enabling more sophisticated diagnosis and treatment



SKINCARE



SILK skincare
Range includes serums, moisturisers, cleansers, scrubs and balms



Aesthetics RX skincare
Range includes serums, moisturisers, cleansers, skincare tools and balms



BODY SCULPTING

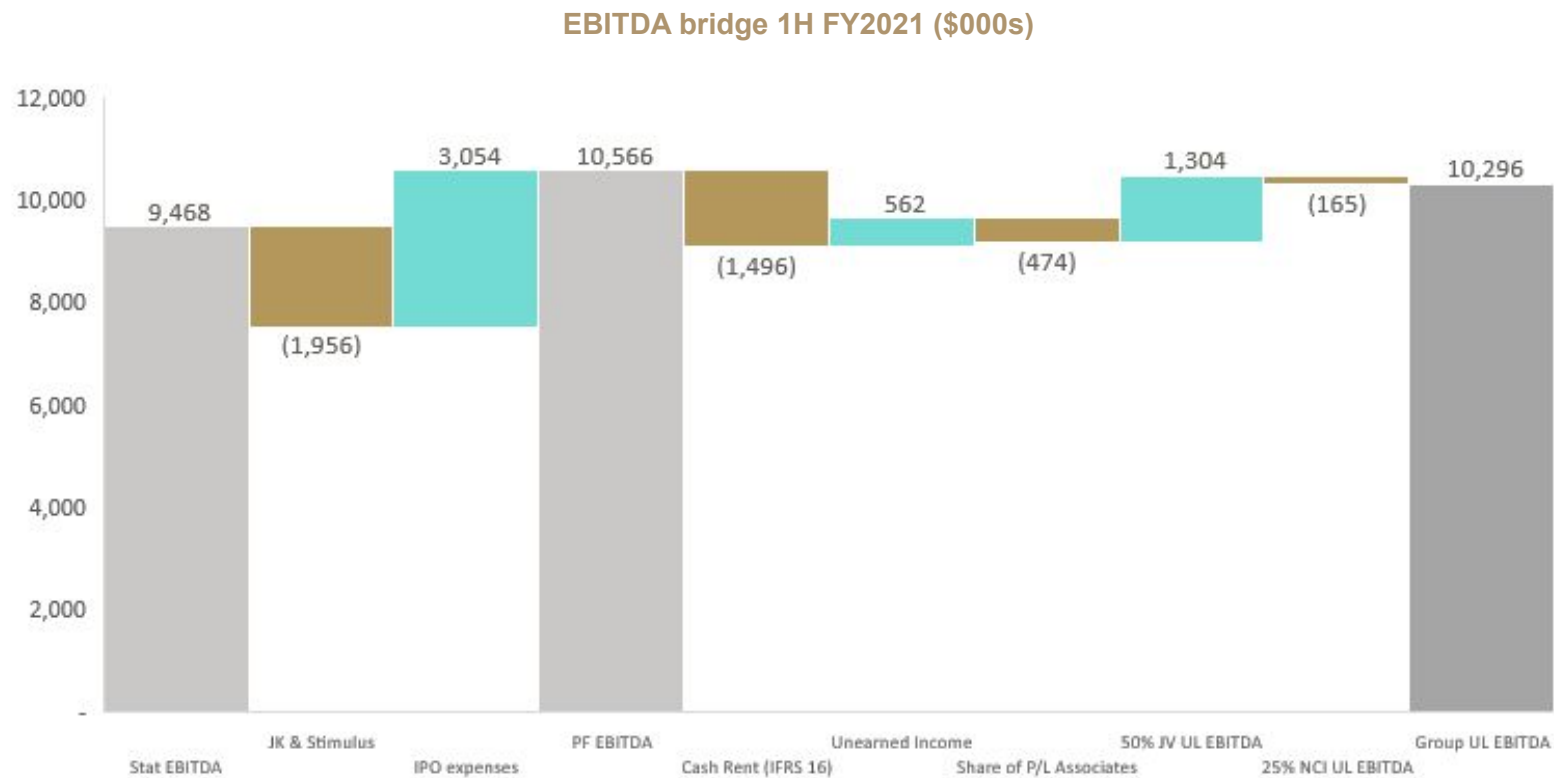


CoolSculpting
Fat reduction technology with non-invasive fat removal, where fat cells are frozen and crystallise and die



EmSculpt
Non-invasive body contouring treatment which builds muscle and fat (equivalent of 20,000 sit-ups in a 30 minute session)

Statutory EBITDA to Underlying EBITDA bridge



Glossary

Like-for-like growth

Represents the increase in total network clinic sales compared with the prior comparable period, based on clinics open for the whole of both periods.

Net promoter score or NPS

The percentage of clients rating their likelihood to recommend a company, a product or a service to a friend or colleague.

Network cash sales

Represents cash sales of clinics owned by SILK, clinics operated as a joint venture and franchised clinics, exclusive of GST where applicable. Cash sales represents treatments and other items sold and paid for by SILK's clients, rather than treatments performed for SILK's clients (presented net of GST).

Pro forma EBITDA

Refer to 4.4.3 in the Prospectus for pro forma adjustments, relating to one off costs of IPO and non-recurring government support related to COVID 19.

Underlying EBITDA

Management's key measure of the profitability of the business. It is calculated from Pro forma EBITDA as described above, but is adjusted as follows:

Add:

- unearned revenues that have been received but not recognised as sales under AASB 15 to reflect cash sales of treatment packages sold but not yet performed, noting that this affects Laser Hair Removal, Skin and Body treatments only; and
- SILK's 50% share of the EBITDA of its JV50 clinics, adjusted for unearned revenues received but not recognised as per the point above and rent paid in respect of lease arrangements (i.e. the Underlying EBITDA of JV50s).

Deduct:

- the equity accounted profit included in EBITDA from JV50s;
- the 25% share of the EBITDA from its JV75s (i.e. in respect of the share it does not own) adjusted for unearned revenues received but not recognised; and
- rent paid in respect of SILK's lease arrangements (including for Corporate and JV75 clinics). working capital means the sum of trade and other receivables, inventory, prepayments, other assets

Reported Revenue

Includes trading sales and franchise revenue.

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