SILK
LASER CLINICS

SILK Laser Australia Limited H1 FY23 results

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28 February 2023

SILK Group H1 FY23 results highlights

$102.8m
Network cash sales
+35% vs PCP

$49.0m
Reported revenue
+21% vs PCP

$13.7m
Adjusted EBITDA
+8% vs PCP

$6.6m
Adjusted NPAT
+15% vs PCP

$5.0m
Statutory NPAT
+22% vs PCP

142 clinics
+20 clinics this FY
Includes Eden acquisition

Successfully acquired Unique Laser and Eden Laser

Acquired Unique Laser effective 1 July 2022

- Increases footprint in Victoria, outer suburbs and regional towns
- 5 small, traditional franchises and one JV
- Rebranding to ASC completed in H1

Acquired Eden Laser Clinics effective 1 March 2023

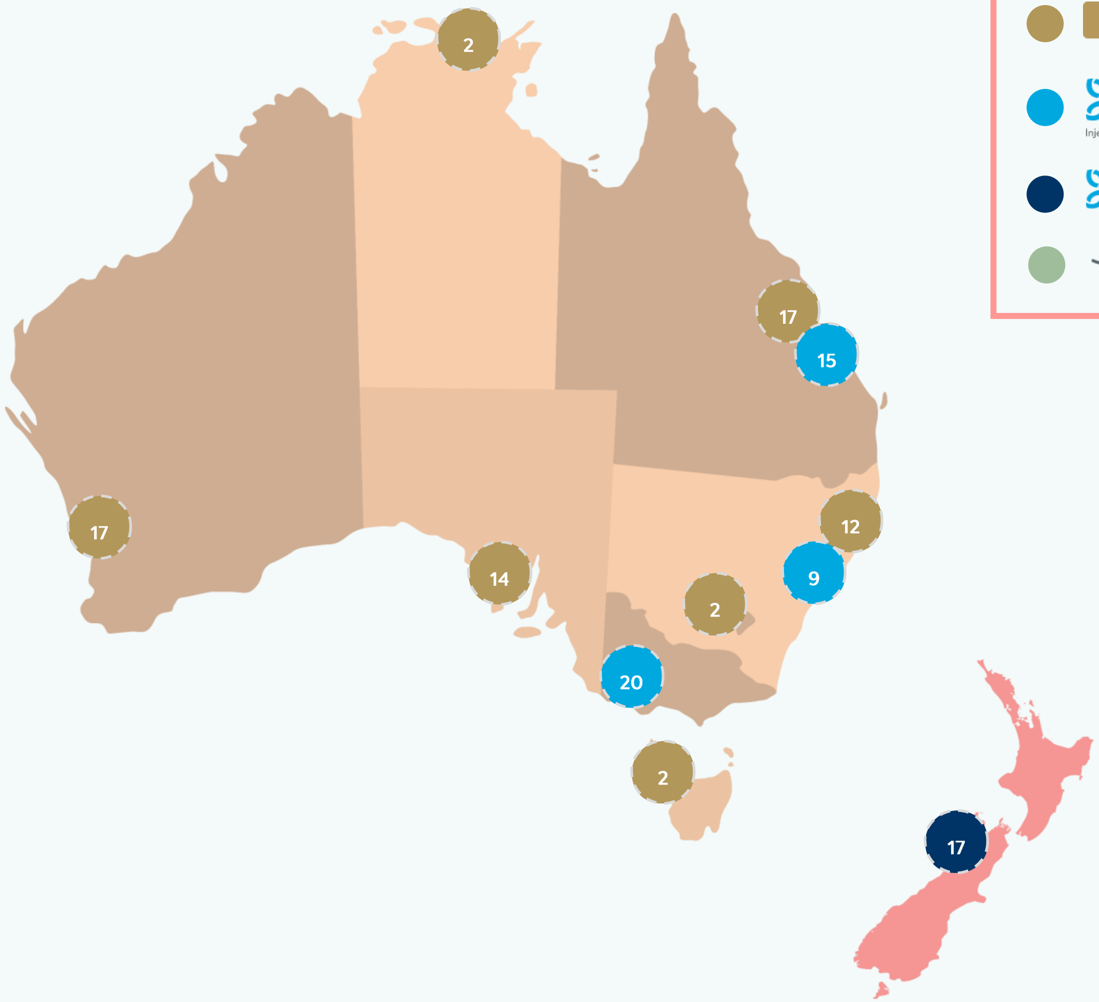
- Operates 10 cosmetic clinics across NSW (9) and ACT (1), increases footprint in underpenetrated Sydney market.
- An earnings accretive acquisition funded by debt and cash
- 1 JV and 9 corporates, will be rebranded and considering franchise opportunities
- Total consideration is expected to be $10M, albeit we shall take over cash at bank of $2.5M, with net outflow after all adjustments of $7.5M plus transaction costs of c$0.3M.

ASC + TCC integration complete

- Acquired businesses now fully integrated with SILK's business.
- One support office team covering both SILK and ASC franchisees and clinic network
- Integration of ASC and TCC completed for marketing, services and treatments.
- Alignment of ARx skincare across entire network
- POS alignment is the final key piece of integration scheduled for CY23

Continued network growth

31 July 2022 – **127 clinics**



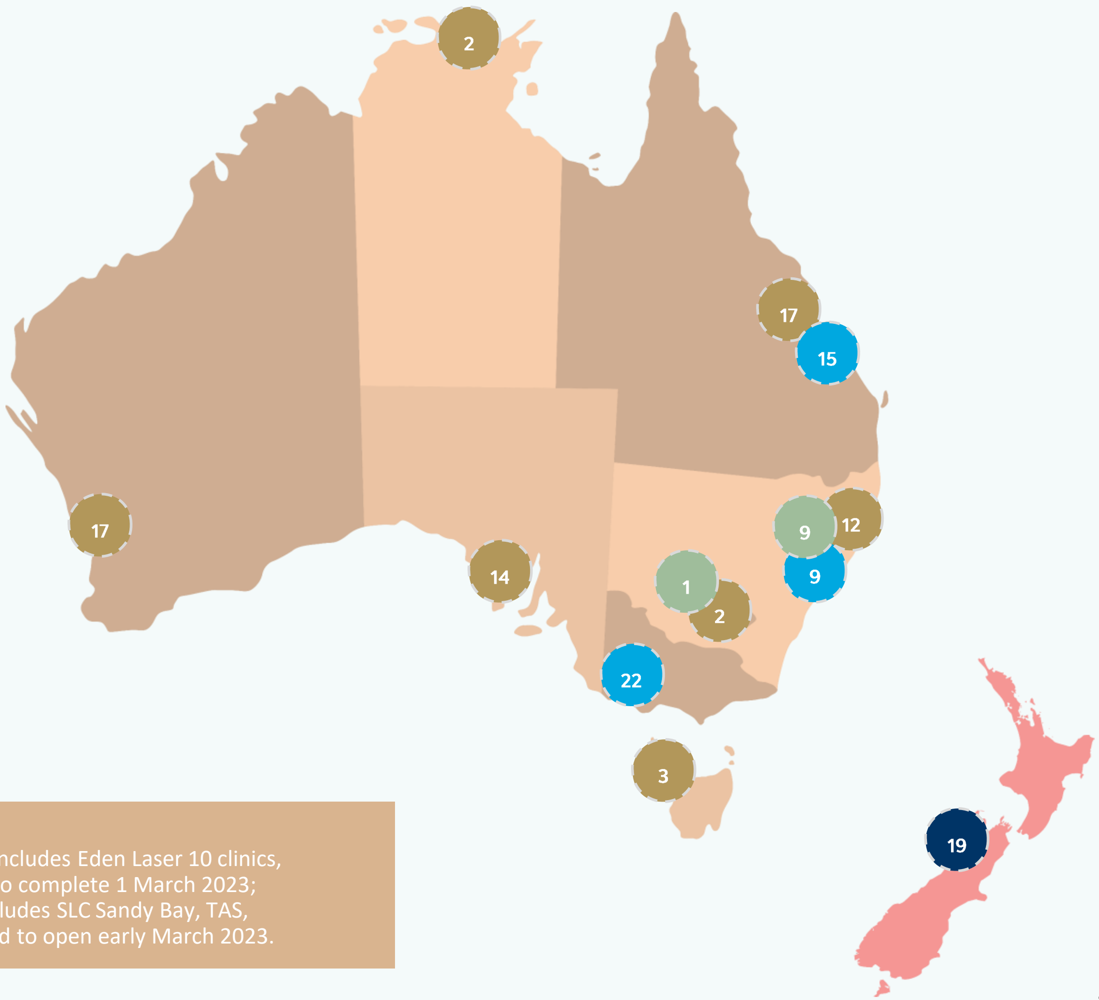
SILK LASER CLINICS

Australian Skin Clinics
Injectables, Laser & Rejuvenation

The Cosmetic Clinic
LASER, SKIN & INJECTABLES

eden LASER CLINICS

Current – **142 clinics**



NOTES:
1. Above includes Eden Laser 10 clinics, expect to complete 1 March 2023;
2. Also includes SLC Sandy Bay, TAS, expected to open early March 2023.

Further investment in systems to create efficient support office and improve performance

System	Timing	Benefits and enhancements
Finance system	Implemented Q1	Streamlined processes and multiple ledgers to integrated system
HR & Payroll	Implemented Q2	Consolidated system and adding learning modules to improve training;
Data warehouse	Expect Q4	Will create common set of KPIs across the business, leveraging all platforms
Single Point of Sale (from 4 platforms)	First clinics Q4/ Complete in H1 FY24	Common processes and data across the network, bringing tighter controls and integration with other systems
Proprietary scripting system (new)	H1 FY24	Will create common practice and put SILK at the forefront of industry best practice; creates opportunity for B2B growth

Given the introduction of a scripting system and increased requirements due to recent acquisitions, the program is likely to cost c$3.5M this year and approximately $0.5M next year to complete the POS and Scripting systems.

Diversified service offering with product mix integrated throughout customer journey

INJECTABLES

- Injecting team grew from approx. 200 to 250 nurses - one of the largest groups in ANZ
- Implemented a price increase across inject and added skin + inject combination packages
- Providing additional commercial support to the inject team to increase revenue
- 14% increase in average client spend from circa $440 to $500
- Accounts for approx. 45% total sales

LASER + SKIN

- Laser revenue and new client numbers increased YoY
- Skin saw revenue grow with the addition of new clients and an increase in average client spend
- SKIN price increases implemented from 1st Feb and LHR from 1 March
- Newly launched skin treatments contributing >$100k to overall skin revenue for FY23 to date.

BODY

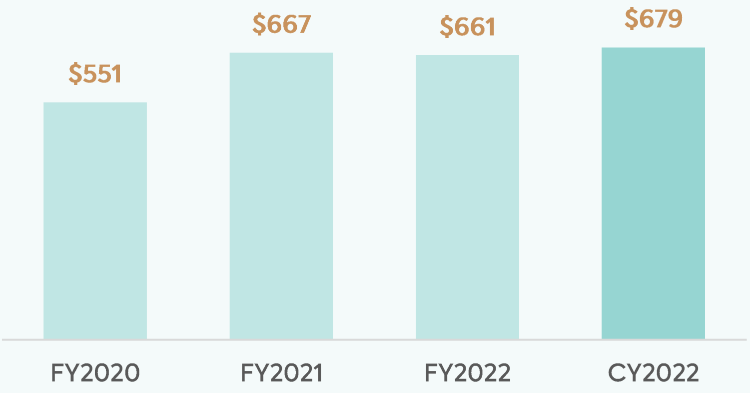
- Focus on education function to further upskill and develop training journey across all brands.
- Consolidated pricing model across all brands, aligning in service offering for better client experience.
- Eden represents another opportunity to roll out the category
- 110 body machines across the network

SKINCARE

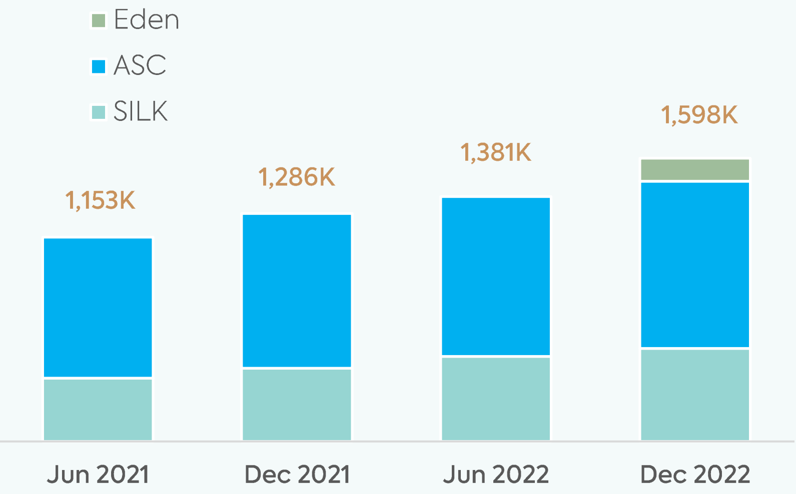
- Newly released Aesthetics Rx Anti-Pollution Cleansing Oil wins Best in Beauty Awards 2022: Hydrating Cleanser
- Released new Aesthetics Rx Microbiome Balancing Mist, tapping into one of the biggest trends in skincare for FY23
- Retail and wholesale price increase across three skincare brands delivering higher margins
- Skincare category expands consumables portfolio on track to achieve 152% on PY
- Adore Beauty sales up 23% on PY for Aesthetics Rx brand.
- Own skincare brands continue to expand online sales both on SLA domains and via Adore Beauty

Growing customers and average sales

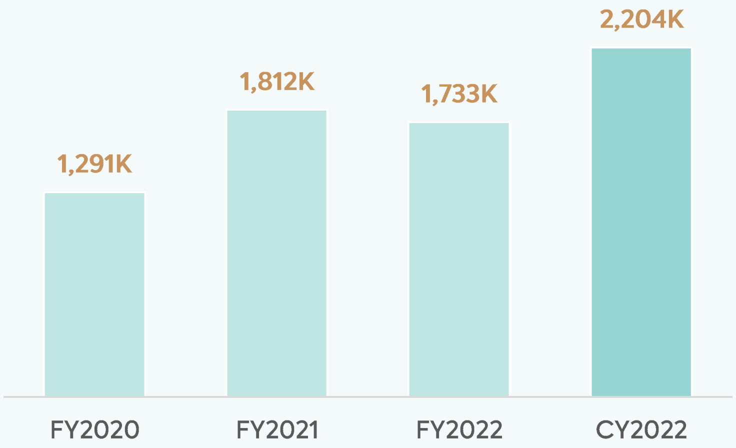
Average customer spend stable



Growing client base



Treatment volumes



Strong growth in customer numbers and satisfaction remains high

1.6m customers

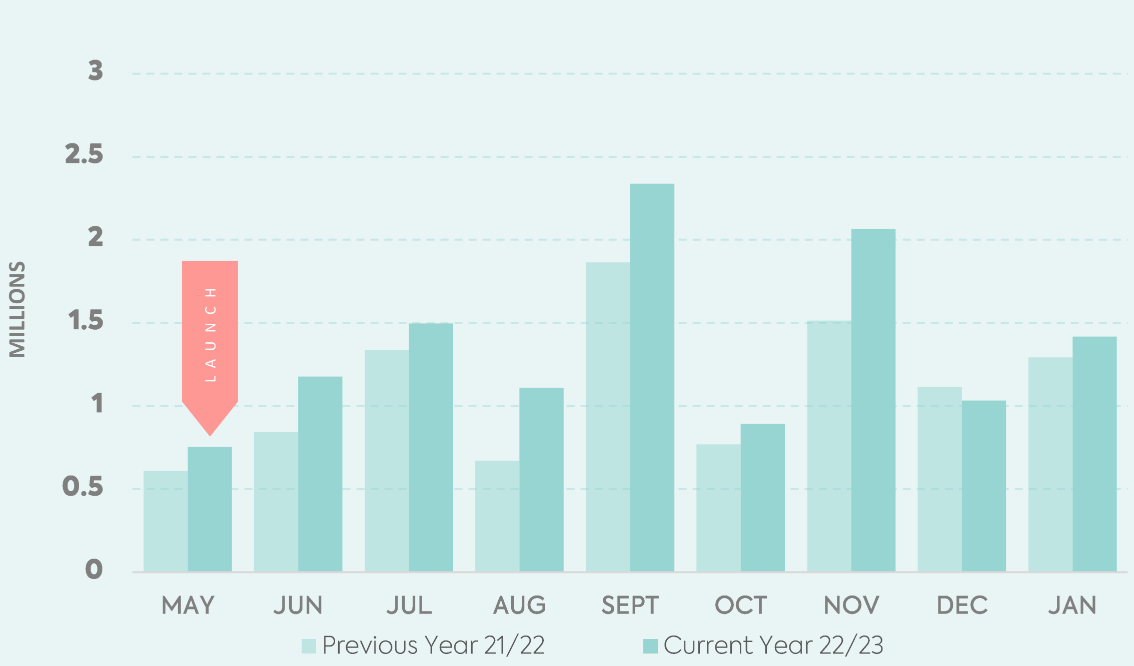
80 NPS

4.6 Google Review Rating

The above metrics are for SILK & ASC over a 12 month period

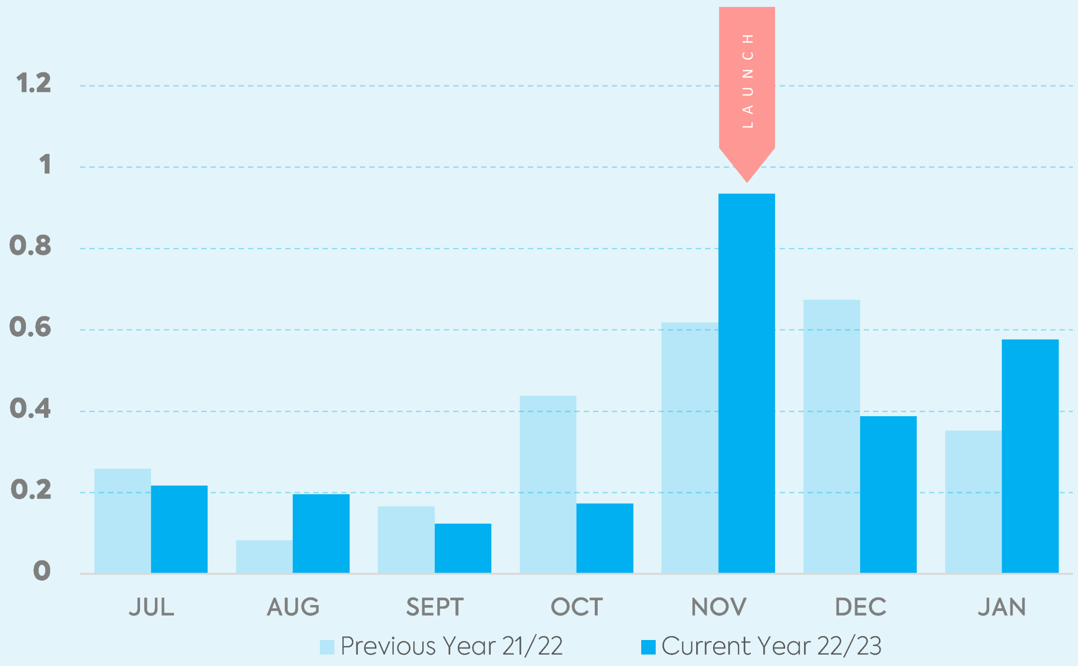
Expanding eCommerce with growing digital presence + New ASC website launch

SILK eCommerce Revenue



- SILK's user centric website continues to gain momentum with consumers with online booking and purchasing.
- SILK Online bookings increased 82% Jul – Dec YoY

ASC eCommerce Revenue

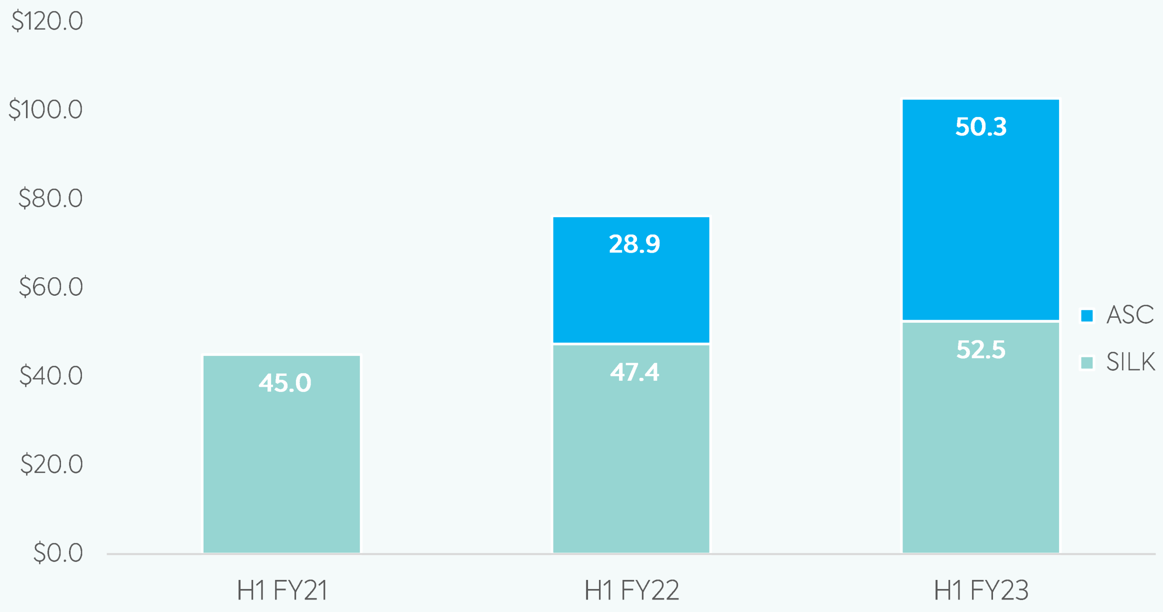


- Successful UX from SILK website has been adopted for ASC website
- Launched the ASC site in time for November's *Black Friday*, achieving online sale record. (NB: drop in online sales in Dec was due to variation in sale end date YOY)
- Online bookings for ASC has launched in Feb 2023.

Consistent growth across the business

Network cash sales momentum maintained

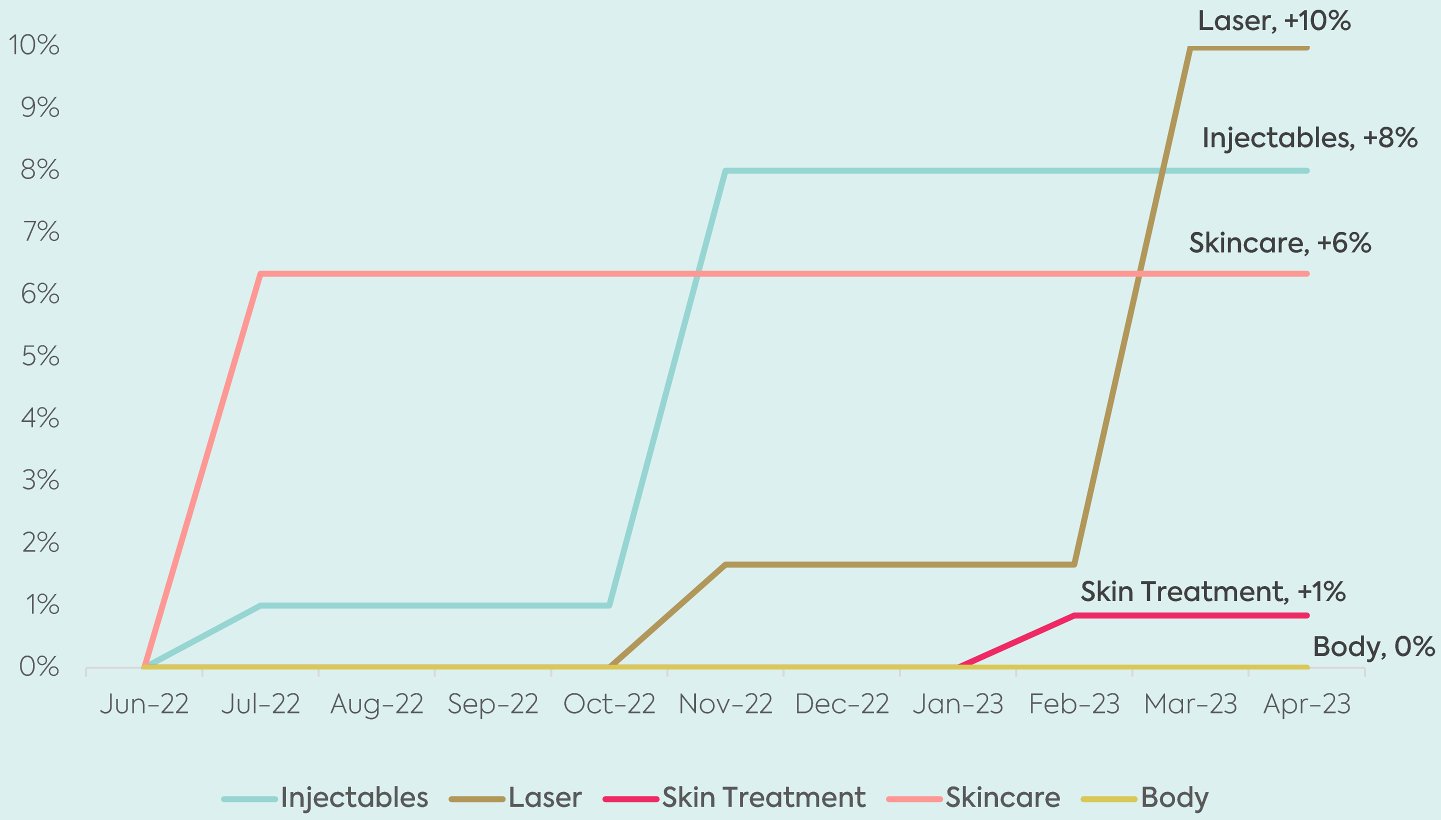
- Positive network sales growth of 35% compared to the prior period, underpinned by growth in Victoria, NSW and New Zealand.
- LFL is not meaningful in this period due to covid-impacted trading, absenteeism and not owning ASC for the full prior period.
- Skin treatments and retail products grew strongest in the half , together represent almost a quarter of network sales.
- Cosmetic Inject remains very strong, slightly stronger in SILK but for both brands in represents c45% of total sales.
- Body continues to grow but showed a slight softening in some states on a comparable basis.



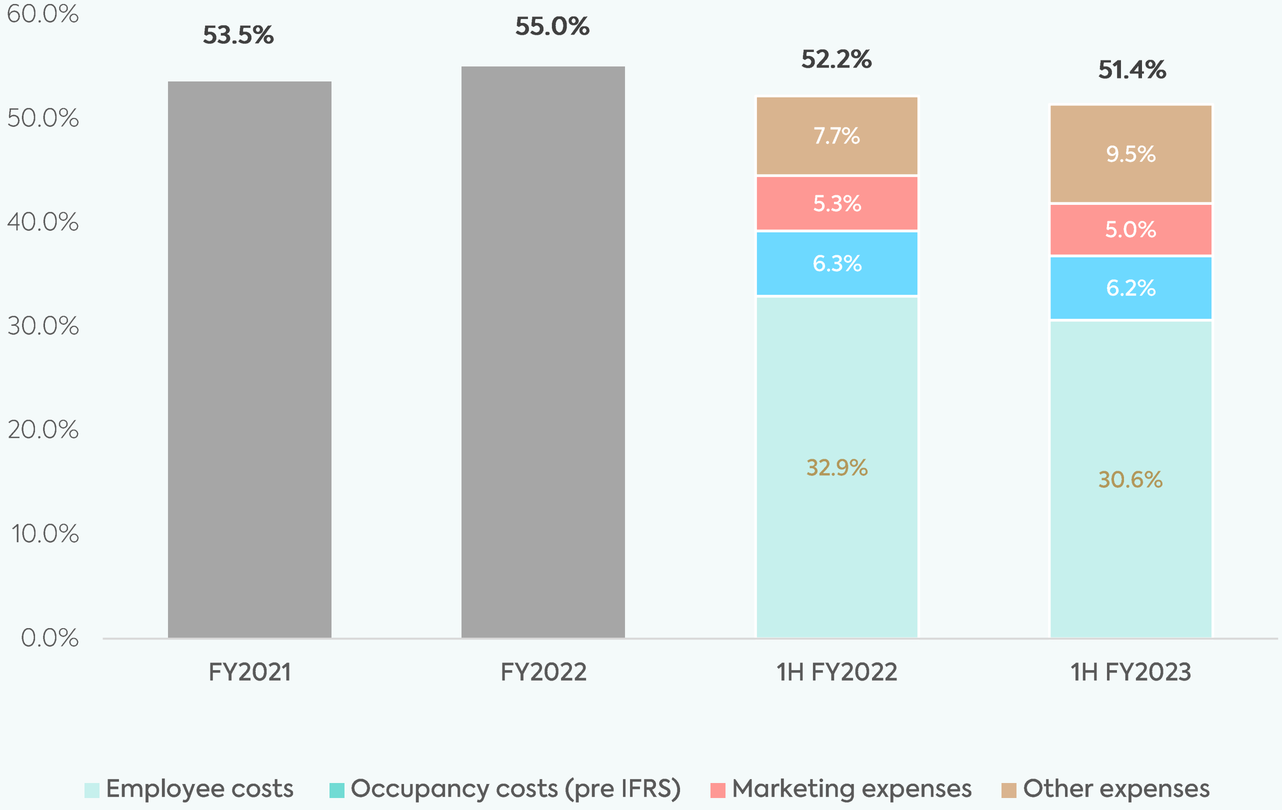
$ million	H1 FY23	H1 FY22	Change %
Network cash sales	102.8	76.4	+35%
ASC/ TCC Clinics	50.3	28.9	+74%
SILK clinics	52.5	47.5	+11%

Strategic price increases to combat cost pressures

- Increasing prices whilst remaining competitive
- Continuous process of assessing opportunities to lift headline and package prices
- Price points aligned across the total network



Cost Of Doing Business as % reported revenue



* Total CODB % above is presented on a Pre-IFRS 16 basis
** Occupancy costs Pre IFRS added to true up to the full cost incurred in the year, cash rent was $2.45M in H1 FY23 (H1 FY22: $2.16M)

Managing costs in inflationary environment

- CODB as % of reported revenue in line with previous periods
- Inflationary pressures have been offset by sales growth to date
- Investment continues to be made on systems & head office in preparation for further growth

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

- Clinic sales relate to corporate and majority owned clinics, which have reduced by 2, following clinic sales to JV50 partners.
- Distribution sales grew very strongly as we executed the strategy to sell SILK's proprietary skincare and leverage Injectable buying power.
- Overall gross margin reduction reflects the mix change in Trading sales post the ASC acquisition, as flagged, with Distribution sales (mainly wholesale skincare products and injectables), growing by 65% vs PCP and now at 34% of Trading sales.
- Wholesale skincare margin is c60% and represents about 35% of Distribution sales. We have improved Inject wholesale margin by c1%
- Franchise fees grew very strongly, supported by good sales momentum in NSW and Victoria in particular.
- Other income mainly relates to interest income and profits on sales of clinics to JV partners. These are not predictable and in the prior year was unusually high.
- Adjusted EBITDA grew 8% and adjusted NPAT grew 15%, with effective tax rate at 29%, down by 1% point versus prior year.

Profit and loss

$ million	H1 FY23	H1 FY22	Change %
Clinic sales	26.5	26.3	+1%
Distribution sales	13.4	8.1	+65%
Trading sales	**39.9**	**34.4**	**+16%**
Gross profit	26.2	24.7	+6%
Gross margin %	*65.6%*	*71.8%*	*-9%*
Reported revenue	**49.0**	**40.5**	**+21.1%**
Including franchise fees	*9.1*	*6.1*	*+50%*
Other income and share of associates (ex interest income)	1.0	1.6	-39%
Cost of doing business	-22.6	-19.7	+15%
CODB as % revenue	*-46.0%*	*-48.7%*	*-5%*
EBITDA (adjusted)	**13.7**	**12.7**	**+8%**
EBITDA (adjusted) margin	*28.0%*	*31.3%*	*-11%*
Net profit after tax (adjusted)	**6.6**	**5.7**	**+15%**
NPAT margin %	*13.4%*	*14.1%*	*-5%*
Net profit after tax (statutory)	5.0	4.1	+22%
Adjusted Basic EPS (cents)	12.4	11.2	+11%

Balance sheet

$ million	H1 FY23	June 2022
Cash & cash equivalents	19.4	18.6
Trade receivables	10.3	5.1
Other receivables (mainly IFRS 16)	14.7	13.3
Inventories	4.8	5.3
Property, plant & equipment	17.9	18.7
Intangible & other assets	101.6	99.5
Right of use assets (IFRS 16)	9.7	10.8
Total assets	**178.5**	**171.4**
Trade & other payables	12.6	11.3
Contract liabilities	10.2	9.8
Deferred tax and other liabilities	16.5	16.3
Bank debt	22.4	22.4
Lease liabilities (IFRS 16)	22.0	22.3
Total liabilities	**83.8**	**82.1**
Net assets	**94.8**	**89.3**
Net debt / (cash)	**3.0**	**3.8**

Strong cash position to support growth

- Cash balance of almost $19.4m and net debt of $3.0m at end of the half year.
- Trade receivables uplift reflects the growth in franchise fees and distribution sales into the network, with extended terms initially offered to give ASC franchisees time to sell through.
- Inventories decreased slightly with emphasis on reducing stock at clinic level.
- Contract liabilities mainly relate to unearned revenue on prepaid laser and skin treatment packages, with balance of $9.8m at half year.
- Debt headroom was $10.5m at half year. We have since drawn $7.5m to fund Eden acquisition, with a further $1.5M to be covered from cash at bank.
- Total Eden estimated at $9M post cash acquired.
- Remained comfortably within bank covenants throughout the period. Facility is renewable in August 2025. Net debt + Unearned revenue to EBITDA will be approximately 1.5X post acquisition, we do not expect to move materially above this level.

Operating cash flow (pre-tax) remains robust

- Operating cash flow pre tax, interest (post IFRS 16 basis) up 8% vs PCP
- Post interest up 3%
- Significantly higher capex reflects investment in new clinic of H1.
- Loans to Associates relates to new JV50 clinics
- M&A related investing relates to one clinic buyback from ASC network.
- Free cash of almost $8M pre M&A and Systems

$ million	H1 FY23	H1 FY22	Change %
Adjusted EBITDA	**13.7**	**12.7**	**+8%**
Cash flow from operations (pre tax and interest)	13.5	12.3	+10%
Cash conversion	**98%**	**97%**	
Tax paid	(2.9)	(2.0)	
Net interest paid	(0.5)	(0.4)	
Cash flow from operations (post tax, and interest)	**10.1**	**9.8**	**+3%**
Capex (net of disposals)	(2.4)	(1.5)	
Loans to Associates (mainly new clinics)	(0.7)	(0.7)	
Other investing activities	0.7	1.8	
Net cash from investing activities (pre M&A, Systems)	-2.4	-0.5	
Free cash flow (pre M+A & Systems)	**7.7**	**9.3**	**-18%**
M&A related investing	(1.0)	(48.4)	
Systems investment	(1.3)	0.0	
Free cash flow (post M&A)	**5.4**	**-39.1**	
Net cash from financing activities	-4.6	18.4	
Net increase / (decrease) in cash	**0.8**	**-20.7**	

	H1 FY23	H1 FY22
Adjusted EBITDA (post rent)	11.3	10.4
Cashflow from operations	13.5	12.3
Lease payments including sub leases	-4.6	-3.5
Cash flow from operations (pre tax and interest, post rent)	8.9	8.7

Capital management plan

- Capital management under continuous board review with several initiatives under consideration
- Share buy-back being one of these considerations
- Emphasis is on maintaining a strong balance sheet
- Continue to review investment opportunities to grow the SILK network via M&A and organically

Growth trajectory continuing in H2 FY23

Trading update: 10% like-for-like growth in first 7 weeks of H2 FY23

- Strong start to H2 FY23 – Overall network cash sales up 17% over 7 weeks to 19 February 2023
- Like-for-like cash sales up 10% in the same period due to highly successful January sale, which lifted sales in the Laser and Skin treatments' categories
- Strongest growth by state occurred in Queensland, Victoria, & the NT
- Strategic price increases continue to be successfully implemented with no reduction in transaction volume
  - Skin Treatment price increases actioned from 1 February
  - Laser Hair price increases effective from 1 March
- Further investment in systems to create efficient support office and improve performance as business scales and acquisitions are successfully integrated - expect total project spend in FY23 approximately $3.5m
- Organic growth and various M&A opportunities continue to be evaluated to reach and exceed the network target of 150 clinics

SILK Group ($M)	7 weeks to 19 February 2023	7 weeks to 19 February 2022	% change
Network cash sales	24.3	20.8	+17%
Like-for-like cash sales	22.6	20.6	+10%

SILK is well placed to grow shareholder value

- SILK operates in a fast-growing health and wellness category
- Strong LFL sales in first 7 weeks of H2 FY23 reinforce the "essential" rather than "discretionary" nature of SILK's services and products
- Recent acquisitions and organic clinic openings have expanded SILK's network to 142 clinics across Australia and New Zealand – clear number 2 in ANZ.
- Benefits from recent acquisitions to flow through in H2 FY23 – full 6-month contribution from Unique Laser and 4-month contribution from Eden Laser Clinics
- Investment in support office systems to be mainly complete by end of FY23, with estimated spend $3.5M this year, providing necessary infrastructure to deliver benefits of economics of scale and improve clinic performance in FY24
- Strong balance sheet supports continued organic and M&A growth initiatives, as well as consideration of capital management options.

Appendices

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 31 December 2022:	23	12	24	72	131
<u>Summary financials ($M) to December 2022</u>					
Network sales (Traditionals on cash basis)	$15.1M	$9.5M	$19.3M	$56.7M	$100.6M
Adjusted EBITDA %	14%	18%	20%	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	$6.4M	0	$6.4M

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

Profit and loss: Summary of non-IFRS adjustments

$000s	Statutory H1 FY23	Adjustments H1 FY23	Adjusted H1 FY23	Statutory H1 FY22	Adjustments FY 2022	Adjusted FY 2022
Clinic sales	26,524			26,271		
Distribution sales	13,362			8,094		
Trading Sales	39,886		39,886	34,368		34,368
Cost of Sales	(13,719)		(13,719)	(9,697)		(9,697)
Gross Profit from Trading	26,167		26,167	24,671		24,671
Gross Margin %	*65.6%*		*65.6%*	*71.8%*		*71.8%*
Franchise Revenue	9,132		9,132	6,102		6,102
Reported revenue	49,018		49,018	40,470		40,470
Other Income (ex. interest income)	499		499	1,357	0	1,357
Share of Profits from Associates	479		479	239		239
Cost of Doing Business (rents are post IFRS 16)	(22,553)		(22,553)	(19,692)	0	(19,692)
as % of Reported Revenue	*46.0%*		*46.0%*	*48.7%*		*48.7%*
IPO Related Expenses	(49)	49	0	(159)	159	0
Business combination expenses	(431)	431	0	(1,875)	1,875	0
Systems investment - cloud based	(1,279)	1,279	0	0		
EBITDA	11,965	1,759	13,724	10,643	2,034	12,677
EBITDA (adjusted) margin %	*24.4%*		*28.0%*	*26.3%*		*31.3%*
Depreciation and Amortisation Expenses	(2,523)	522	(2,001)	(2,297)	326	(1,971)
Depreciation - Right-of-Use Assets (IFRS 16)	(1,947)		(1,947)	(1,789)		(1,789)
EBIT	7,495	2,281	9,776	6,557	2,360	8,917
EBIT margin %	*15.3%*		*19.9%*	*16.2%*		*22.0%*
Net-Finance (Expense) Income - Loans and Cash	(233)		(233)	125		125
Net Finance Costs - IFRS 16 Leases	(286)		(286)	(526)		(526)
Profit Before Tax	6,976	2,281	9,257	6,156	2,360	8,516
Income Tax Expenses	(2,020)	(661)	(2,681)	(2,086)	(708)	(2,794)
Net Profit After Tax	4,956	1,620	6,576	4,070	1,652	5,722

Working together 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

Environmentally friendly uniforms

Made from plastic bottles and using environmentally friendly dyes.

Reducing waste

Reducing cold chain packaging waste for injectables stock and looking for more opportunities to minimise environmental footprint

Glossary

Network cash sales

Represents cash sales of all clinics in SILK network, regardless of ownership, 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).

Like-for-like growth

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

Reported Revenue

Comprises trading sales and franchise revenue reported in SILK's consolidated financial statements under statutory accounting policies.

Adjusted EBITDA, EBIT and NPAT

Follows statutory accounting and based on a post IFRS 16 basis but makes adjustments for income and expense items of a one-off nature, such Business combination expenses, IPO expenses and major investments in cloud-based systems (where cannot be capitalized).

See Profit and Loss summary in appendix slide above, which sets out all adjustments made.

Cost of doing business (CODB)

This comprises all operational costs for running the business, including:

- Employment benefit expenses
- Occupancy costs
- Marketing expenses
- Other expenses

Headless eCommerce

The separation of the front and backend of an eCommerce application. The front and back-end function independently, allowing increased agility and adaptability.

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.

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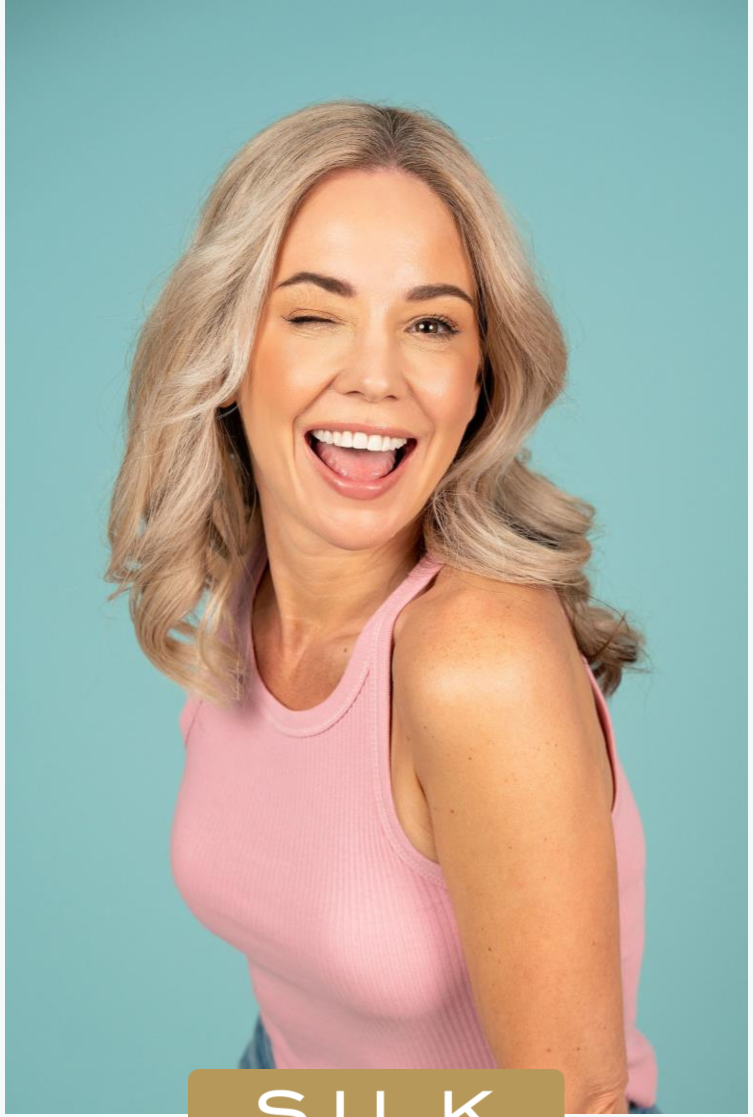

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