

MARKET RELEASE (ASX: SLA)

30 August 2023

SILK delivers solid performance amidst tough market conditions

Key FY23 highlights (vs FY22):

- Network cash sales up 23% to \$199.7 million
- Reported revenue up 20% to \$97.6 million
- Adjusted EBITDA up 13% to \$24.8 million
- Statutory NPAT up 11% to \$7.1 million
- Adjusted NPAT up 17% to \$11.2 million
- 145 clinics at 30 June 2023 (up from 127 at 30 June 2022, incl. the acquisition of 10 Eden clinics)
- Strong balance sheet with cash position of \$20.8 million, and net debt of \$9.1 million
- A binding scheme implementation deed signed with API (Wesfarmers Health Division) at \$3.35 cash per share

Adelaide, South Australia: SILK Laser Australia Limited (ASX:SLA) ("SILK" or the "Company"), one of Australia's largest specialist non-surgical aesthetics clinic networks, is pleased to announce its results for the twelve months ended 30 June 2023 (FY23), that saw the Company deliver continued solid performance driven by successful network expansion, sales momentum and scale efficiency benefits.

Commenting on the FY23 results, SILK's Co-Founder and Managing Director Martin Perelman said:

"SILK delivered solid results despite inflationary pressures increasing the cost of doing business. We successfully integrated ASC/TCC into the business and expanded our network further with the strategic acquisitions of Unique and Eden Laser. Through organic growth and strategic acquisitions, we have significantly strengthened our position in the non-surgical aesthetics market. The growth of our network has enabled our franchise partners to leverage the significant buying power achieved through scale while also benefiting from the efficiency and cost-effectiveness of centralised support functions."

Total network cash sales grew 23% to \$199.7 million in FY23 (21% growth to \$196.2m excl. Eden). Revenue was up 20% to \$97.6 million (16% growth to \$94.7m excl. Eden).

Adjusted EBITDA was up 13% to \$24.8 million with SILK successfully implementing several price increases across categories to offset the impact of higher costs in an inflationary environment. Adjusted NPAT grew 17% to \$11.2 million.

Strong balance sheet and 76% growth in operating cash flows

SILK continues to have a strong balance sheet with cash balance of \$20.8 million and net debt of \$9.1 million at 30 June 2023 (excluding IFRS 16 lease liabilities).

Operating cash flows were up 76% to \$16.6 million, supporting continued investment in the network and SILK's technology systems. Operating cash on a pre-tax and interest basis increased by 27% to \$22.9 million, representing a 92% conversion to adjusted EBITDA on a post IFRS 16 basis.

Resilient nature of SILK's categories and innovation supported organic growth

SILK's products and services proved their resilience in FY23 despite inflation and higher interest rates putting pressure on consumer spend:

- Injectables: SILK attracted new customers to the category which continues to expand. Price increases were successfully implemented without an impact on sales and combination packages of Skin + Inject were added. SILK increased average client spend per year from \$914 to \$969.
- Skincare: Won 3 beauty industry awards for best-in-class new products developed in the year. Retail and wholesale price increase rolled out across three skincare brands delivering higher margins. Noted an increased take-up of Aesthetics RX by franchisees.
- Skin: Skin treatments saw revenue grow with the addition of new clients and newly launched skin treatments significantly contributing to overall skin revenue for FY23. Focused on simplifying the menu across all clinics and considering new technology to enhance treatment outcomes.
- Laser Hair Removal: Price increases were successfully implemented and we saw the category beat expectations.
- Body: Sales consistent with FY23, noting an increase in the number of treatments purchased per individual transaction.

Further network growth achieved through strategic acquisitions

SILK continued to deliver on its growth strategy by increasing its network scale with the acquisitions of Unique Laser and Eden Laser Clinics.

In July 2022, SILK acquired Unique Laser, comprising one Joint Venture franchised clinic and four traditional franchises in Victoria. These clinics have been successfully rebranded to ASC and fully integrated into the Group.

In March 2023, SILK completed the acquisition of Eden Laser Clinics, consisting of nine clinics in NSW and one clinic in ACT, comprising one Joint Venture and nine corporate-owned clinics. The acquisition of Eden strengthens SILK's position in the strategically important Sydney market. SILK is now focused on rebranding the clinics and fully integrating Eden into the Group to realise synergies and drive further growth within the network.

SILK entered into a binding scheme implementation deed with API

In June, SILK announced that it had entered into a Scheme Implementation Deed (SID) with Australian Pharmaceutical Industries Pty Ltd (API), Wesfarmers Health Division, under which API will acquire 100% of the shares in SILK for cash consideration of \$3.35 per share (Scheme). SILK will have the discretion to pay shareholders a fully franked dividend of up to a maximum of 10 cents per share (Special Dividend), with the cash consideration of \$3.35 to be reduced by the cash component of any such Special Dividend.

The Board of SILK unanimously recommends that SILK shareholders vote in favour of the Scheme, and intends to vote, or cause to be voted, SILK shares in their control in favour of the Scheme, in each case in the absence of a superior proposal and subject to an Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of SILK shareholders. The Board's recommendation is based on the offer providing shareholders:

- **Significant premium:** The cash consideration of \$3.35 per share represents an attractive premium of 38.4% to the undisturbed closing price of \$2.42 per share on 19 April 2023, being the last trading day prior to the announcement that SILK received an indicative and non-binding proposal from API. The offer also represents a premium of 65.0% to the 30-day volume weighted average price to 19 April 2023 (VWAP) of \$2.03 per share and 78.3% to the 60day VWAP to 19 April 2023 of \$1.88 per share.
- **Certainty of value:** The Scheme provides SILK shareholders with certainty of value and opportunity to realise in full their investment for cash.

A Scheme Booklet relating to the Scheme (including the Independent Expert's report on whether the Scheme is in the best interests of SILK's shareholders) is expected to be sent to SILK shareholders in October 2023, followed by a Scheme Meeting which is expected to be held in November 2023. Subject to the conditions of the Scheme being satisfied, the Scheme is expected to be implemented around the end of November 2023.

Trading update

The first 8 weeks of trade in FY24 LFL saw network cash sales holding at 1%, with Australian based clinics growing at 5% LFL over the same period.

All major IT infrastructure projects are due to be completed by the end of the year.

Investor briefing today at 10:30am AEST

Martin Perelman (Founder and Managing Director) and Ivan Jacques (Chief Financial Officer) will host an investor briefing at 10:30am AEST today. Following the presentation, participants will have an opportunity to ask questions.

To attend the briefing please register at: <https://s1.c-conf.com/diamondpass/10032573-wk2ujb.html>.

—ENDS—

This announcement has been authorised for release by the Board of Directors of SILK Laser Australia Limited.

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About SILK Laser

Founded in 2009, SILK is one of Australia's largest specialist clinic networks, offering a range of non-surgical aesthetic products and services. SILK's five core offerings comprise laser hair removal, cosmetic injectables, skin treatments, body contouring and skincare products.

Visit: www.silk laser.com.au.