SILK
LASER AUSTRALIA

SILK Laser Australia Limited FY23 results

Presented by:

Martin Perelman | Co-founder and Managing Director

Ivan Jacques | Chief Financial Officer

30 August 2023

SILK Group FY23 results highlights

$199.7m
Network cash sales
+23% vs PCP

$97.6m
Reported revenue
+20% vs PCP

$24.8m
Adjusted EBITDA
+13% vs PCP

$11.2m
Adjusted NPAT
+17% vs PCP

$7.1m
Statutory NPAT
+11% vs PCP

145 clinics
+18 clinics this FY
Includes Eden acquisition

SLA entered into Scheme Implementation Deed

June 2023

- SLA entered a binding scheme implementation deed with API
- Under the deed, API will acquire 100% of the shares in SILK for cash consideration of $3.35 cash per share
- After due diligence, SILK Board deemed that Wesfarmers Health represents a logical, long-term owner of the SILK business with capacity and expertise to support continued growth

August 2023

- SLA announced ACCC and NZCC conditions have been satisfied, subject to usual caveats

October 2023

- A Scheme Booklet is expected to be sent to SILK shareholders in October 2023

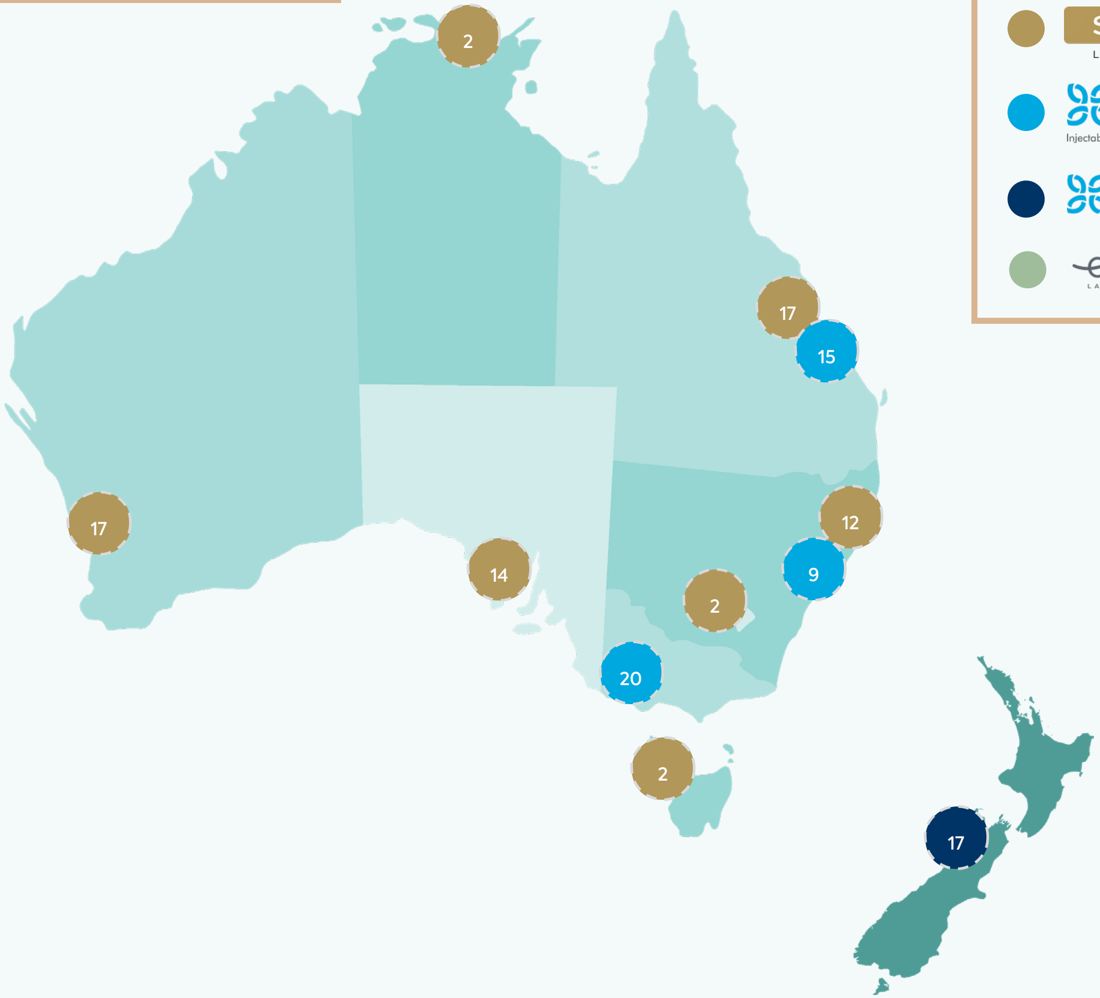
November 2023

- The Scheme meeting is expected to be held in November and voted on by SILK's shareholders.
- If the conditions are satisfied, the scheme is expected to be implemented in November.

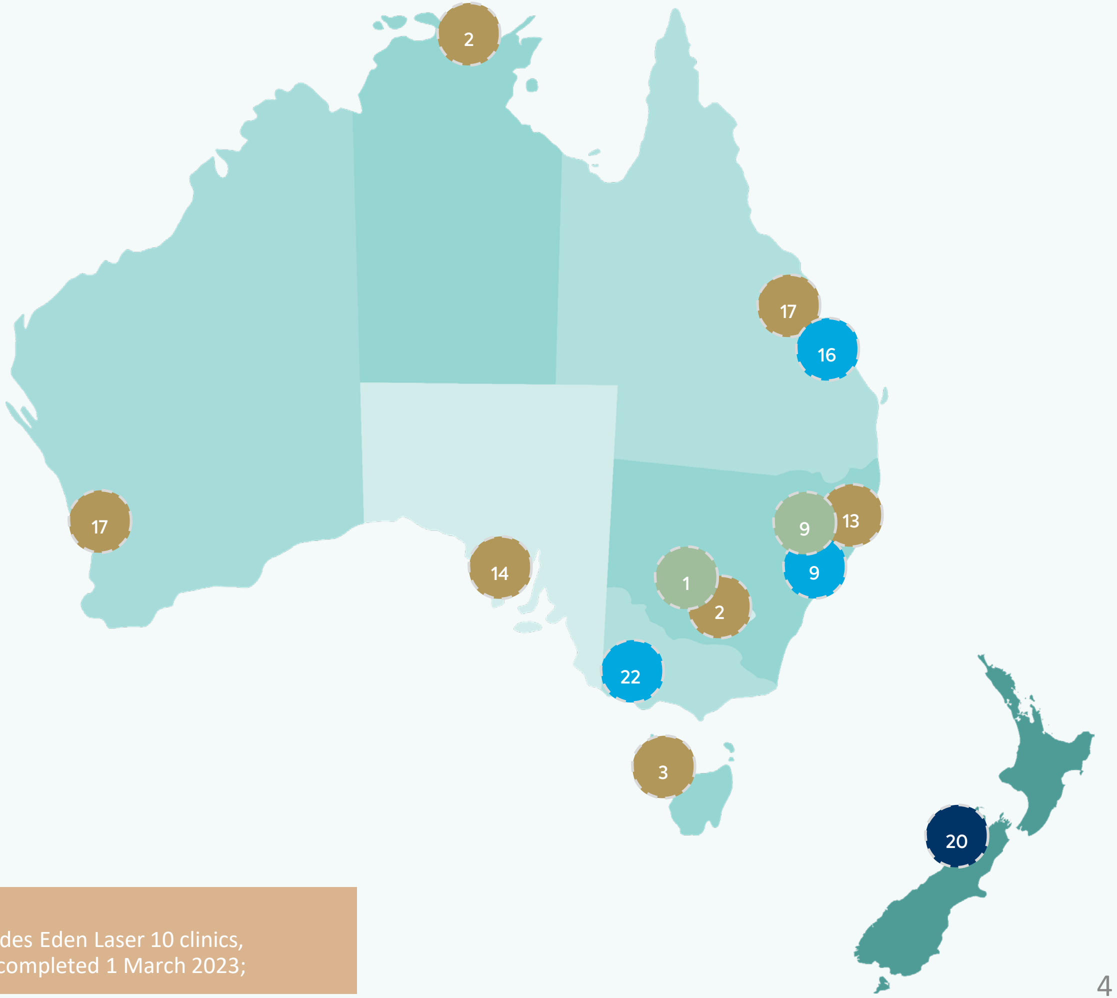
This is an indicative timeline and is subject to change.

Continued network growth

127 clinics
31 July 2022



145 clinics
Current



NOTES:
1. Above includes Eden Laser 10 clinics, acquisition completed 1 March 2023;

Market consolidation continues

Finalised ASC + TCC integration

- One support office team covering both SILK and ASC franchisees and clinic network.
- Integration of ASC and TCC NZ completed.

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 and serviced from group support office.

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, with one corporate clinic sold to a franchisee.
- Support services consolidated.

Technology program on track for completion H1 FY24

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	Completed August 2024	Will create common set of KPIs across the business, leveraging all platforms
Single Point of Sale (from 4 POS 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
Exploring how the network can benefit from AI across the network	FY24	Implementing tools to help our clients visualise their look and better communicate with us

Costs charged to P&L on systems projects this year totalled $2.6 million for the Finance, HR, Payroll and POS systems. Completing the POS rollout is expected to cost $1.3M in FY24 (P&L). A further $0.5M relating to the Data Warehouse and Scripting systems has been capitalised in FY23, plus c$0.4M of capital cost will be incurred in FY24 to finish both.

Leading the way in clinical governance

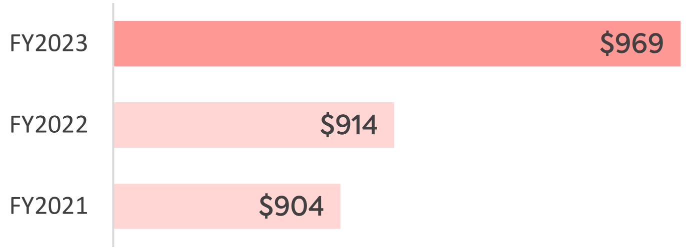
- Expanded the clinical governance team from 2 in 2018 to 25 in 2023 including trainers, prescribers, nurse managers, compliance and support officers.
- Continuing to increase focus on clinical governance in line with increased regulation across Australia and New Zealand.
- Established screening policy for psychological status (including body dysmorphia), which includes a series of questions in medical history form, reviewed by the injector and answers are discussed. This information is passed to the prescriber who makes the final assessment.
- Created and implemented a customer complaints policy accessible online.

Consistent performance across all categories

Injectables continues to grow

- Injecting team grew to approx. 260+ nurses - one of the largest groups in ANZ. Currently maintaining a 94% retention rate of nurses – well above industry standard.
- Increase in average annual client spend from circa $900 to $970.
- Bio-remodelling treatment proving to be popular- now 3% of total inject business and growing.
- Expanding number of fillers and toxins available in clinic to further customise the injectable offering for our clients.
- Seeing growth across the Australian injectables market due to improved accessibility, more younger patients using it as preventative, male patients increasing and social media influence. Data suggests this growth trend will continue.

Average spend per Inject client p.a.



Skincare rollout strategy on track

- Won 3 beauty industry awards for best-in-class new products developed in the year.
- Retail and wholesale price increase across three skincare brands delivering higher margins.
- Aesthetics Rx website upgraded and redesigned delivering significant direct to consumer increases.
- Own skincare brands continue to expand online sales both on SLA domains and via Adore Beauty, up 30% vs. PY.
- Increased take-up within the network of Aesthetics RX by ASC and TCC NZ franchisees.

Laser Hair Removal

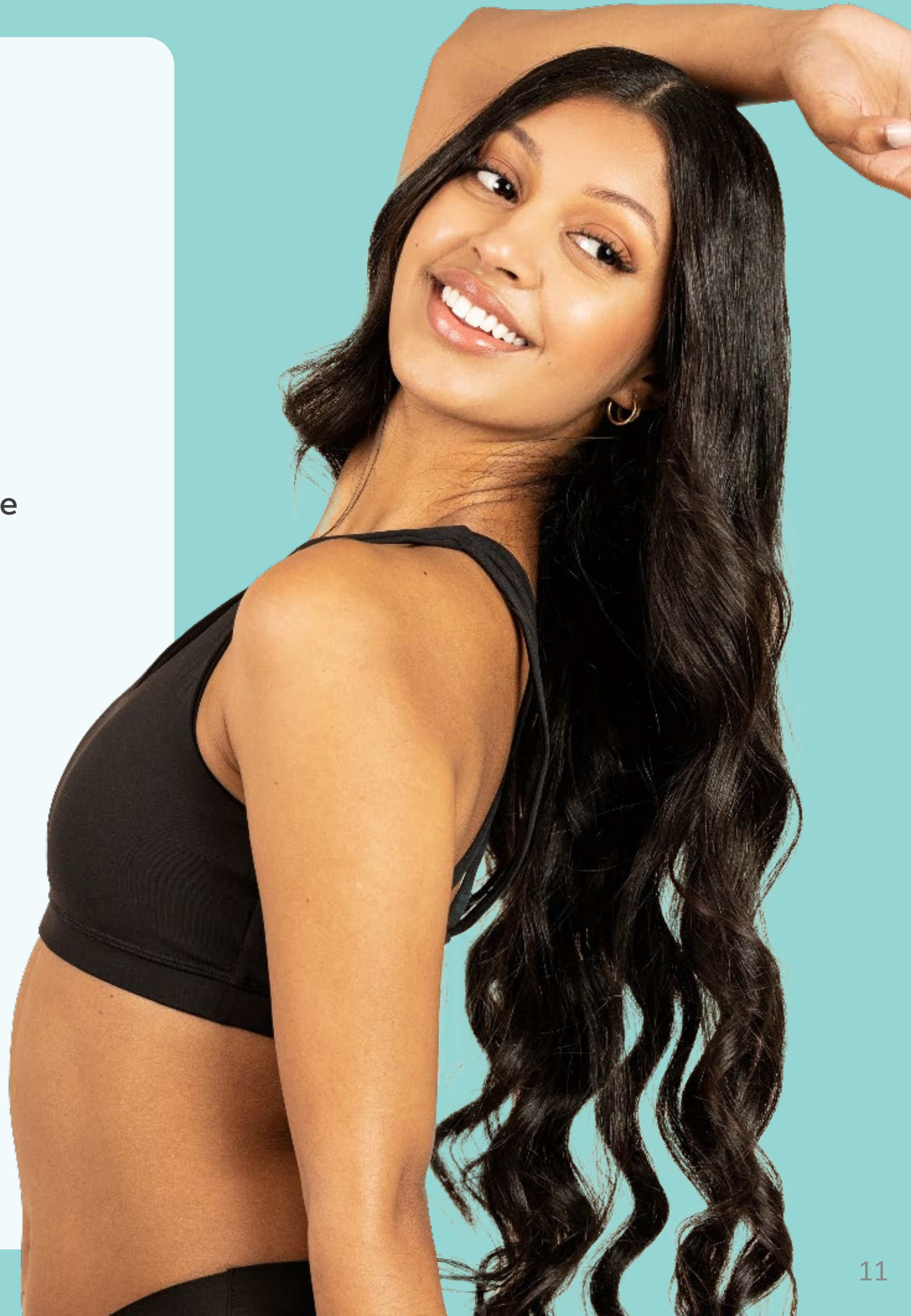
- Laser revenue up 25% YoY (including 4 months of Eden).
- Successfully implemented 8% price rise in Q3.
- Revenue growth in second half notwithstanding price increases.

Body Sculpting

- Revenue consistent in FY23 vs prior year, despite relatively high price point.
- Increase in number of treatments purchased per client.

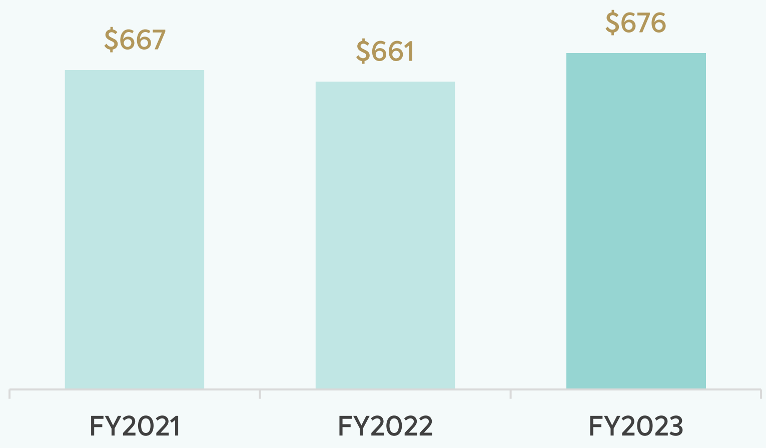
Skin Treatments

- Both revenue and new client increased YoY.
- Newly launched treatments significantly contributing to revenue growth in FY23.
- Focused on simplifying Skin menu across all clinics.
- Considering new technology to enhance treatment outcomes.



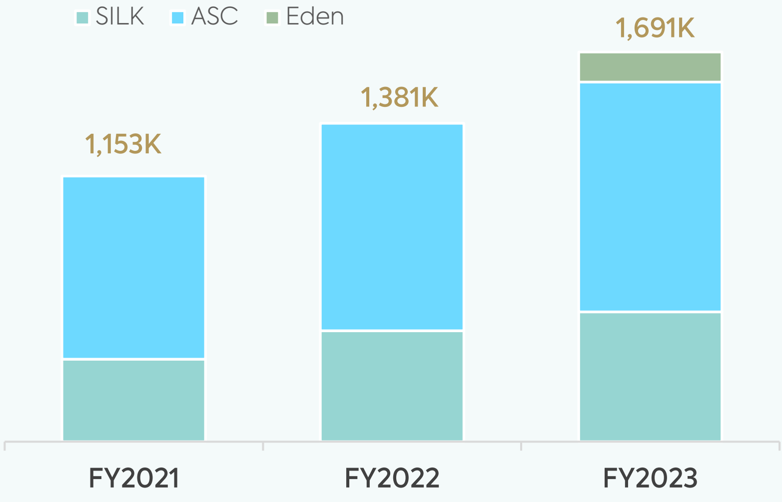
Growing customer base and treatment volumes

Average customer spend stable*

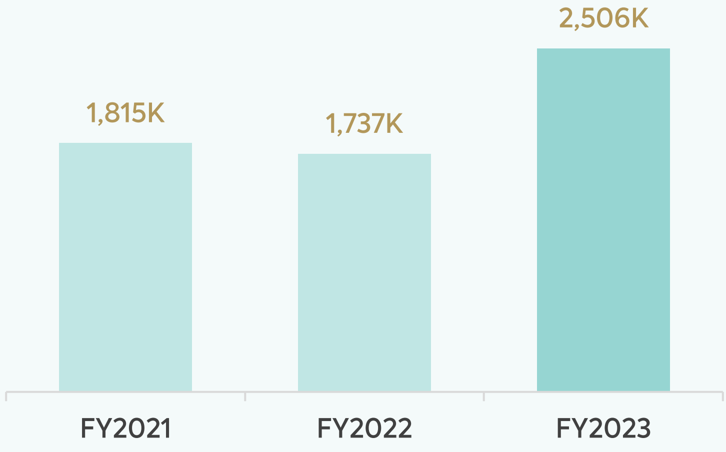


*FY22 Covid affected

Growing client base



Treatment volumes*



Strong growth in customer numbers and satisfaction remains high

1.7m customers

80 NPS

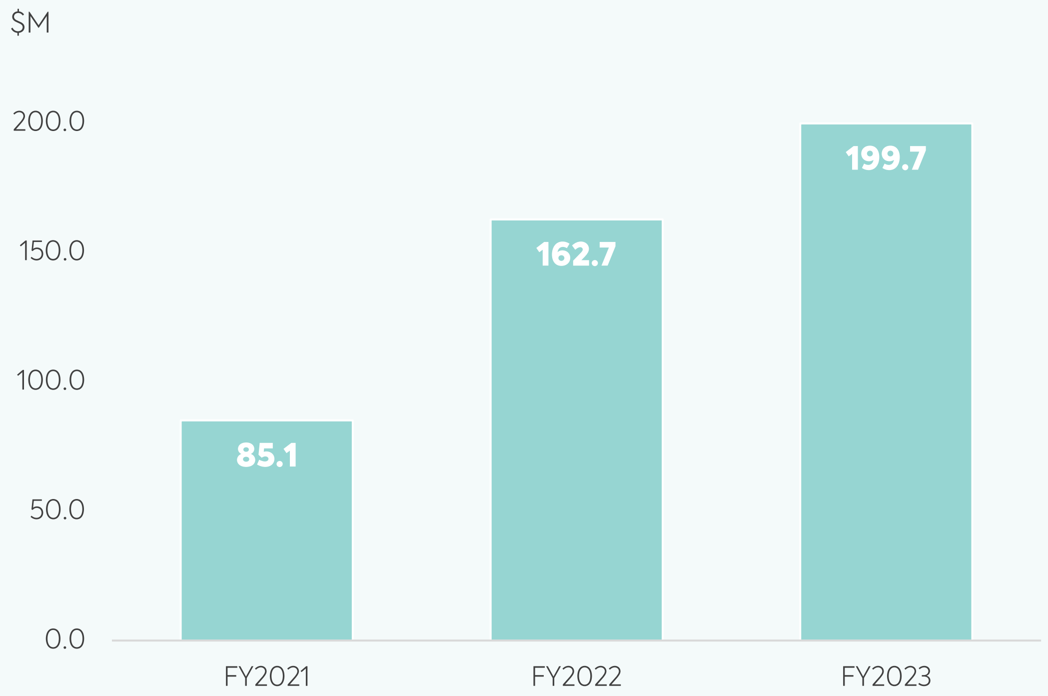
4.6 Google Review Rating

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

Solid performance across the business

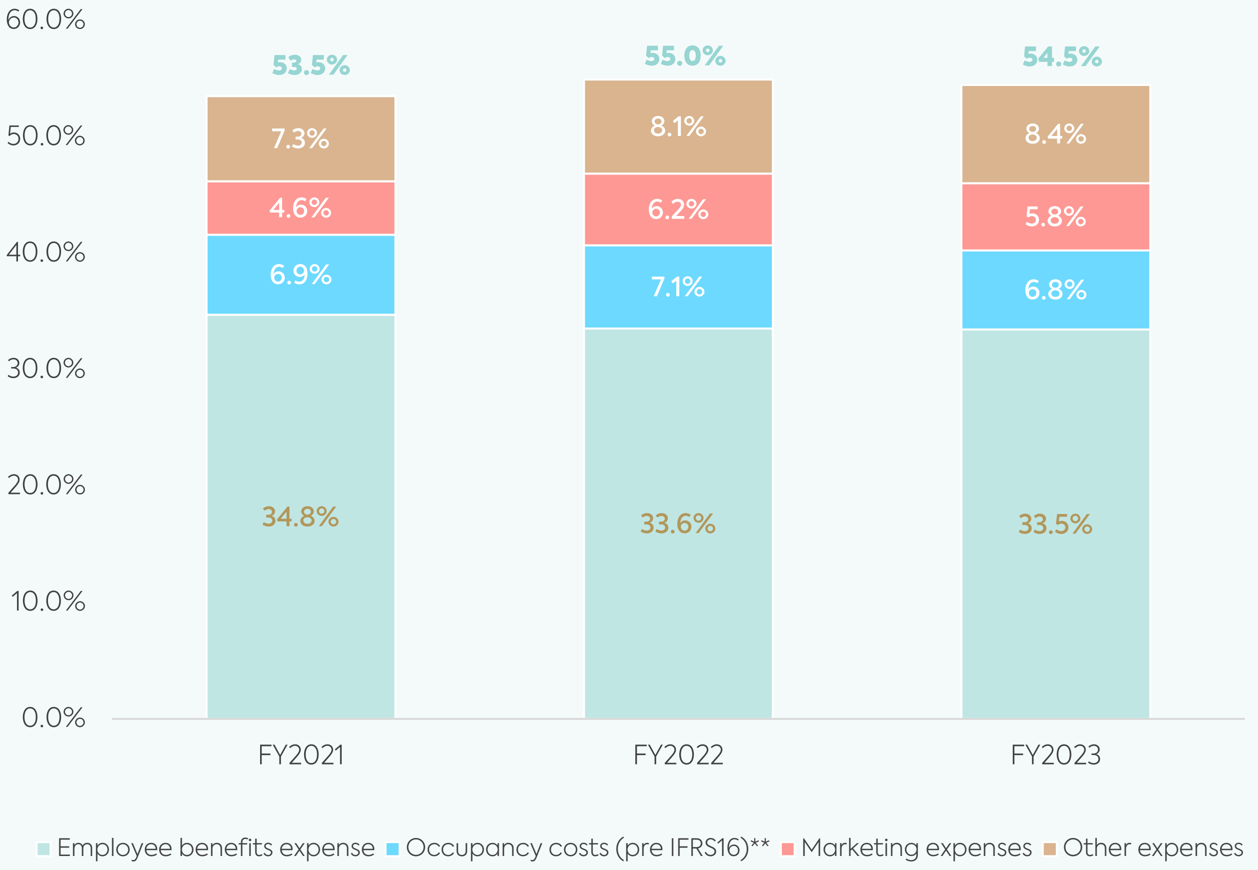
Network cash sales continues to grow

- Network sales up 23%, underpinned by growth in all sales categories, noting last year's step up was supported by ASC/ TCC acquisition.
- LFL NW sales growth in the second half overall was 4%, with the Australian business performing well, but slight softening in NZ.
- Laser category beat expectations, largely due to improvement in ASC after integration.
- Inject remains strong, seeing integration benefits across the network with ASC improving laser and SILK clinics improving skin.
- Eden delivered $3.5M of sales in the last 4 months, noting this is the quietest part of the year.



$ million	**FY23**	**FY22**	**Change %**
Network cash sales	199.7	162.7	+23%
SILK clinics	99.2	90.0	+10%
ASC/ TCC clinics	97.1	72.7	+33%
Eden clinics	3.5	n/a	–

Cost Of Doing Business as % reported revenue



* Total CODB % above is presented on a Pre-IFRS 16 basis
** Rent on a pre IFRS 16 added to true up to the full occupancy cost incurred in the year of $6.6M (inc Eden) in FY23 (FY22: $6.0M)

Costs stable in challenging environment

- CODB as % of reported revenue in line with previous periods. Increased operating leverage due to growth in revenues.
- Improving productivity and utilization will be helped by upgraded systems and reporting.
- Inflationary pressures offset by sales growth to date but needs careful management.
- Award wages for technicians increased twice in the year, putting pressure on clinic margins.
- FY24 facing increasing inflationary pressure, notably staff and occupancy costs continue to lift.

Strong results following successful integration of ASC

- Distribution sales grew strongly as we executed the strategy to sell SILK's proprietary skincare and leverage Injectable buying power across the franchise network.
- 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 43% vs PCP and now at 32% of trading sales.
- Underlying COGS have been constant YoY, helped by long term contracts and growing volumes.
- Franchise fees grew supported by good sales momentum and full year contributions from ASC and Unique Laser.
- Adjusted EBITDA grew 13% and adjusted NPAT grew 17%, helped by decrease in effective tax rate to 22% (FY22: 29%), due to additional deductions and increased franking credits from JVs' dividends.

Profit and loss

$ million	FY2023	FY2022	Change %
No. of clinics	145	122	+19%
Network cash sales	**199.7**	**162.7**	**+23%**
Clinic sales	54.7	50.1	+9%
Distribution sales	25.2	17.6	+43%
Trading sales	**79.9**	**67.8**	**+18%**
Gross profit	53.4	47.0	+14%
Gross margin %	*66.8%*	*69.4%*	*-4%*
Reported revenue	**97.6**	**81.3**	**+20%**
Including franchise fees	17.7	13.6	*+30%*
Cost of doing business	47.9	40.3	+19%
CODB as % revenue	*49.1%*	*49.6%*	*-1%*
EBITDA (adjusted)	**24.8**	**22.0**	**+13%**
EBITDA (adjusted) margin	*25.4%*	*27.1%*	*-6%*
Net profit after tax (adjusted)	**11.2**	**9.6**	**+17%**
NPAT margin %	*11.4%*	*11.8%*	*-3%*
Net profit after tax (statutory)	7.1	6.4	+11%
Adjusted Basic EPS (cents)	21.0	18.1	+16%

Balance sheet

$ million	30 June 2023	30 June 2022
Cash & cash equivalents	20.8	18.6
Trade receivables	7.7	5.1
Other receivables (mainly IFRS 16)	16.0	13.9
Inventories	5.5	5.3
Property, plant & equipment	21.2	18.7
Intangible & other assets	100.8	88.5
Right of use assets (IFRS 16)	12.7	10.8
Total assets	**184.7**	**160.9**
Trade & other payables	16.0	11.3
Contract liabilities	13.2	9.8
Deferred tax and other liabilities	3.8	5.2
Bank debt	29.9	22.4
Lease liabilities (IFRS 16)	25.4	22.8
Total liabilities	**88.3**	**71.6**
Net assets	**96.4**	**89.3**
Net debt (pre IFRS 16)	9.1	3.8

Strong cash position

- Cash balance almost $21m and net debt $9.1m. Gross bank debt now at $30m following $7.5m drawdown to fund Eden acquisition.
- Trade receivables uplift reflects expansion in network and distribution sales; has reduced since the half year.
- Inventories increased only slightly notwithstanding big step up in distribution sales.
- Contract liabilities mainly relate to unearned revenue on prepaid laser and skin treatment packages and gift vouchers.
- Comfortably within bank covenants throughout the period.
- Net debt + unearned revenue to EBITDA remains under 1.5X post-acquisition, we do not expect to move materially above this level through FY24.

Operating cash flow robust

- Operating cash flow pre-tax, interest (post IFRS 16 basis) up 27% vs PCP.
- Conversion of EBITDA 92%, with $2M of increased working capital reflecting ongoing growth in Distribution sales and Franchise fees.
- Cashflow presented to include rents.
- Significantly higher capex reflects investment in new clinics.
- Loans to Associates relates to new JV50 clinics, net of receipts.
- M&A mainly relates to Eden, plus Unique and two clinic buybacks from ASC network.
- Free cash flow $5.6M pre M&A and Systems investment.

$ million	FY2023	FY2022	Change %
Adjusted EBITDA	**24.8**	**22.0**	**+13%**
Cash flow from operations (pre tax and interest)	22.9	18.0	+27%
Cash conversion	**92%**	**82%**	
Tax paid	(5.2)	(7.8)	
Net interest received (excluding IFRS)	0.1	0.3	
Rents paid net of sub lease receipts	(5.3)	(5.0)	
Cash flow from operations (post tax, interest, rent)	**12.4**	**5.5**	**+125%**
Capex (net of disposals)	(6.5)	(2.5)	
Loans to Associates (net of dividends received)	(0.6)	(2.0)	
Other investing activities	0.3	1.5	
Net cash from investing activities (pre M&A, Systems)	**(6.8)**	**(3.0)**	
Free cash flow (pre M+A & Systems)	**5.6**	**2.5**	**+125%**
M&A related investing	(7.1)	(49.3)	
Takeover advisory expenses	(1.1)	0.0	
Systems investment	(2.6)	(1.2)	
Free cash flow (post M&A)	(5.2)	(48.0)	
Net cash from financing activities	7.4	22.0	
Net increase / (decrease) in cash	**2.2**	**(26.0)**	

Business Summary

Boosting franchisee engagement

- Hosted SILK's inaugural franchisee leadership conference over two days in Adelaide where we saw 300+ franchisees and SILK leaders come together to collaborate, learn and build relationships.

- Focusing on boosting engagement by providing market insights, support and sharing our FY24 growth strategy.

- Franchisee advisory council established and meeting quarterly, engaging positively.

- Second Franchisee engagement survey due to be run in next 6 months.

SILK business continues to perform in tough conditions

- First 8 weeks of trade in FY24:
  - LFL total network cash sales holding at 1%
  - Australian clinics grew at 5% LFL
- Recent acquisitions and organic clinic openings have expanded SILK's network to 145 clinics across Australia and New Zealand
- All major IT infrastructure projects due to be complete by end of calendar year including POS.

Appendices

Profit and loss: Summary of non-IFRS adjustments

$000s	Statutory FY 2023	Adjustments FY 2023	Adjusted FY 2023	Statutory FY 2022	Adjustments FY 2022	Adjusted FY 2022
Clinic sales	54,737			50,144		
Distribution sales	25,191			17,623		
Trading Sales	79,928		79,928	67,767		67,767
Cost of Sales	(26,506)		(26,506)	(20,745)		(20,745)
Gross Profit from Trading	53,422		53,422	47,022		47,022
Gross Margin %	*66.8%*		*66.8%*	*69.4%*		*69.4%*
Franchise Revenue	17,680		17,680	13,555		13,555
Reported revenue	97,608		97,608	81,322		81,322
Other Income*	823		823	1,154		1,154
Share of Profits from Associates	773		773	628		628
Cost of Doing Business**	(47,884)		(47,884)	(40,349)		(40,349)
as % of Reported Revenue	*49%*		*49%*	*50%*		*50%*
IPO Related Expenses	(30)	30	0	(247)	247	0
Business combination expenses	(1,059)	1,059	0	(2,175)	2,175	0
Takeover advisory expenses	(1,114)	1,114	0			
Systems investment - cloud based	(2,582)	2,582	0	(1,245)	1,245	0
EBITDA	20,029	4,785	24,814	18,343	3,667	22,010
EBITDA (adjusted) margin %	*20.5%*		*25.4%*	*22.6%*		*27.1%*
Depreciation and Amortisation Expenses	(5,589)	1,034	(4,555)	(4,755)	861	(3,894)
Depreciation - Right-of-Use Assets (IFRS 16)	(4,311)		(4,311)	(3,698)		(3,698)
EBIT	10,129	5,819	15,948	9,890	4,528	14,418
EBIT margin %	*10.4%*		*16.3%*	*12.2%*		*17.7%*
Net-Finance Income - Loans and Cash	106		106	272		272
Net Finance Costs - IFRS 16 Leases	(1,156)		(1,156)	(1,070)		(1,070)
Profit Before Tax	9,079	5,819	14,898	9,092	4,528	13,620
Income Tax Expenses	(1,998)	(1,746)	(3,744)	(2,703)	(1,357)	(4,060)
Net Profit After Tax	7,081	4,073	11,155	6,389	3,171	9,561

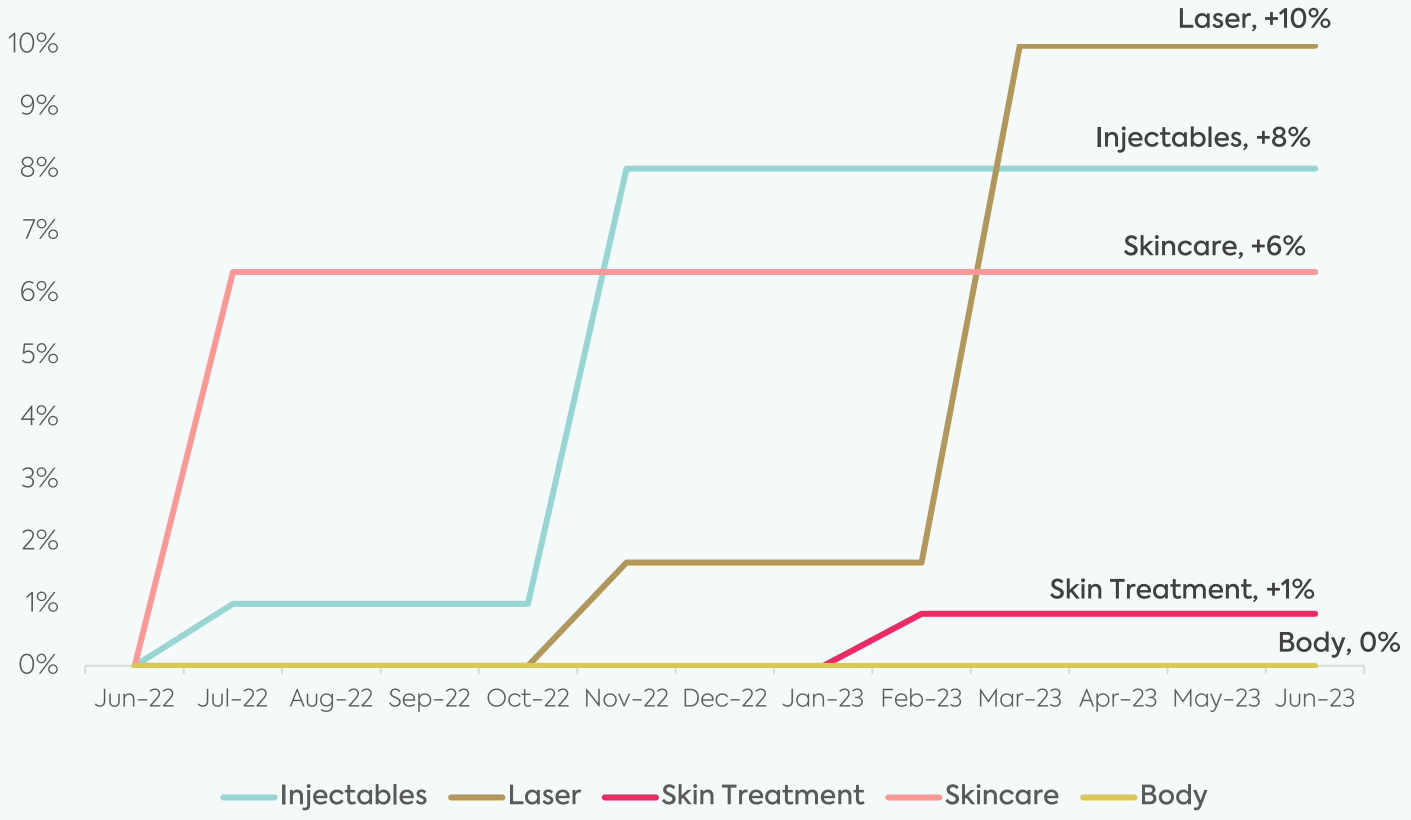
Summary of clinic ownership and accounting

	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 has sold equipment and shares in franchised clinics on deferred payment terms	
Number of clinics at 30 June 2023:	30	17	25	73	145
Summary financials ($M) to June 2023					
Network sales (Traditionals on cash basis)	$30.8M	$22.1M	$41.5M	$105.4M	$199.7M
Adjusted EBITDA %	15%	14%	17%	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	$5.0M	$0.5M	$5.5M

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

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.



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, Takeover advisory 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

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.

For further information please contact

Investors

Heidi Lord
Investors Relations

M +61 404 216 403
E heidi.lord@automicgroup.com.au

Media

Alex Beashel
Corporate Communications

M +61 466 308 667
E ab@alexbeashel.com

Corporate

Martin Perelman
Co-founder and Managing Director

D +61 7225 6489
E martin.perelman@silklaser.com.au

Ivan Jacques
CFO

D +61 7225 6489
E ivan.jacques@silklaser.com.au

SILK LASER AUSTRALIA

SILKLASER.COM.AU

Disclaimer

The material in this presentation is general background information about SILK Laser Australia Limited (SILK) and is current at the date of the presentation, 30 August 2023.

The information in the presentation is given for informational purposes only, is in summary form and does not purport to be complete. It is intended to be read by a professional analyst audience in conjunction with SILK's other announcements to ASX, including the FY23 Market Release, Appendix 4E and audited Financial Report.

It is not intended to be relied upon as advice to current shareholders, investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular shareholder or investor. No representation is made as to the accuracy, completeness or reliability of the presentation. SILK is not obliged to, and does not represent that it will, update the presentation for future developments.

All currency figures are in Australian dollars unless otherwise stated. Totals may not add up precisely due to rounding.

This presentation contains statements that are, or may be deemed to be, forward looking statements. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believe", "estimate", "plan", "target", "project", "anticipate", "expect", "intend", "likely", "may", "will", "could" or "should" or similar expressions, or by discussions of strategy, plans, objectives, targets, goals, future events or intentions. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements. You are cautioned not to place undue reliance on such forward-looking statements. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of SILK which may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements.

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance.