NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Strategic acquisition and capital raising

18 June 2021

SILK
LASER CLINICS

Martin Perelman, Founder & MD
Ivan Jacques, CFO

Important notice and disclaimer

This investor presentation is dated 18 June 2021 and has been prepared by SILK Laser Australia Limited (ACN 645 400 399) and its broader group of companies ("SILK"). This presentation has been prepared in relation to SILK's proposed acquisition of Beauty Services Holdings Pty Ltd ACN 086 990 785, LMD2 Pty Ltd ACN 644 360 047 and their broader group of entities ("ASC Group") (the "Acquisition") and a fully underwritten placement of new fully paid ordinary shares in SILK ("New Shares") to institutional investors under section 708A of the Corporations Act 2001 (Cth), as modified by ASIC Corporations (Disregarding Technical Relief) Instrument 2016/73 ("Placement" or the "Offer").

This presentation has been prepared solely for the use and benefit of the intended recipient. By accepting, accessing or reviewing this presentation, you acknowledge and agree to the terms set out below and on pages 38 to 39 of this presentation.

Limitation on information in relation to the ASC Group

All information in this presentation in relation to the ASC Group has been sourced from the ASC Group and its shareholder. Whilst steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its accuracy, completeness, fairness, correctness or adequacy by SILK or any Other Persons (as defined below).

General information only

This presentation contains general background information and summary information about SILK and its activities as at the date of this presentation. This presentation does not purport to and should not be considered to be comprehensive or to comprise all information which a shareholder or potential investor in SILK may require in order to determine whether to deal in SILK shares. It should be read in conjunction with SILK's periodic reports and other continuous disclosure announcements released to the Australian Securities Exchange, which are available at www.asx.com.au.

Not an offer

This presentation is not a prospectus, disclosure document, product disclosure statement or other offering document under Australian law (and will not be lodged with the Australian Securities and Investments Commission ("ASIC")). This presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction.

International offer restrictions

This presentation does not constitute an offer of New Shares in any jurisdiction in which it would be unlawful. In particular, this presentation does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 ("US Securities Act") and may not be offered or sold in the United States except in "offshore transactions" to eligible U.S. fund managers in reliance on Regulation S under the US Securities Act. See further International offer restrictions on pages 38 to 39 of this presentation.

Not investment advice

This presentation is not financial product nor investment advice or a recommendation to acquire SILK shares (nor does it or will it form part of any contract to acquire SILK shares). It has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making any investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal and taxation advice. Neither SILK nor any member of the ASC Group, the shareholder of the ASC Group and their respective advisers, affiliates, related bodies corporate, directors, officers, partners, consultants, employees and agents are licensed to provide financial product advice in respect of SILK shares. Cooling off rights do not apply to the acquisition of SILK shares.

This presentation and its contents are provided on the basis that recipients will not deal in the securities or the financial products of SILK in breach of applicable insider trading laws.

Past performance

Past performance is not necessarily indicative of future results and no person guarantees the performance of any financial product or service or the amount or timing of any return from it. There can be no assurance that the financial product or service will achieve any targeted return, that asset allocations will be met or that the financial product or service will be able to implement its investment strategy and investment approach or achieve its investment objective.

Forward looking statements

This presentation may contain forward looking statements, including but not limited to projections, guidance on future revenues, earnings, other potential synergies and estimates and the future performance of SILK and the ASC Group post acquisition. Forward looking words such as "anticipate", "expect", "should", "could", "may", "predict", "plan ", "project", "will", "believe", "opinion", "forecast", "aim", "estimate", "outlook", "guidance", "potential", "target", "likely", "intend", "propose" and other similar expressions are intended to identify forward looking statements within the meaning of securities laws of applicable jurisdictions. 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, and its officers, employees, agents and associates, that may cause actual results to differ materially from those expressed or implied in such statements. Actual results, performance or outcomes may differ materially from any projections and forward looking statements and the assumptions on which those assumptions are based.

Forward looking statements are provided as a general guide only and there can be no assurance that actual outcomes will not differ materially from these statements. Neither SILK, nor any other person, gives any representation, warranty, assurance or guarantee that the occurrence of the events, expressed or implied, in any forward looking statement will actually occur.

You should not place undue reliance on forward looking statements. Neither SILK, nor any Other Persons (as defined below), nor any of SILK's directors, employees, servants, advisers or agents assume any obligation to update such information.

Investment risk

An investment in SILK shares is subject to known and unknown risks, some of which are beyond the control of SILK. Neither SILK nor any Other Persons (as defined below) guarantees any particular rate of return or the performance of SILK. Investors should have regard to the risk factors outlined in this presentation on pages 26 – 36 when making their investment decision.

Disclaimer

None of the underwriters, each member of the ASC Group and the shareholder of the ASC Group nor any of their or SILK's respective advisers or any of their respective affiliates, related bodies corporate, directors, officers, partners, consultants, employees and agents ("Other Persons"), have authorised, permitted or caused the issue, submission, dispatch or provision of this presentation and none of them makes or purports to make any statement in this presentation and there is no statement in this presentation which is based on any statement by any of them or any of their respective advisers or any of their respective affiliates, related bodies corporate, directors, officers, partners, consultants, employees or agents.

For the avoidance of doubt, none of the Other Persons have made or purported to make any statement in this presentation and there is no statement in this presentation which is based on any statement by any of them.

To the maximum extent permitted by law, SILK and the Other Persons expressly exclude and disclaim all liability, including without limitation for fault or negligence on the part of any person, or for any expenses, losses, damages or costs incurred as a result of participation in the Offer, the use of this presentation or its contents and the information in this presentation being inaccurate or incomplete in any way for any reason, whether by negligence or otherwise.

Important notice and disclaimer (cont.)

To the maximum extent permitted by law, each of SILK and the Other Persons make no representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of all or any part of all or any part of this document, or any constituent or associated presentation, information or material, or the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in or implied by, the information in this presentation or any part of it. Each of the Other Persons expressly disclaim all liabilities in respect of, and take no responsibility for any part of, this presentation or the Offer.

The Other Persons make no recommendations as to whether you or your related parties should participate in the Offer nor do they make any representations or warranties, express or implied, to you concerning the Offer, and you represent, warrant and agree that you have not relied on any statements made by any of the Other Persons in relation to the Offer and you further expressly disclaim that you are in a fiduciary relationship with any of them. Statements made in this presentation are made only as the date of this presentation. The information in this presentation remains subject to change without notice. SILK reserves the right to withdraw the Offer or vary the timetable for the Offer without notice.

You acknowledge that determination of eligibility of investors for the Offer is determined by reference to a number of factors, including legal and regulatory requirements, logistical and registry constraints and the discretion of SILK and the underwriters. To the maximum extent permitted by law, each of SILK and each underwriter and each of their respective affiliates, related bodies corporate, directors, officers, partners, consultants, employees or agents disclaim any and all duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion.

The underwriters, together with their affiliates, are full service financial institutions engaged in various activities, which may include trading, financing, financial advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services including for which they have received or may receive customary fees and expenses. In the ordinary course of their various business activities, the underwriters and their affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and / or instruments of SILK, its affiliates and / or persons and entities with relationships with SILK and / or its affiliates. The underwriters and / or their affiliates are acting as lead managers, underwriters and bookrunners to the Offer. The underwriters are acting for and providing services to SILK in relation to the Offer. The underwriters have been engaged solely as independent contractors and are acting solely in a contractual relationship on an arm's length basis with SILK. The engagement of the underwriters by SILK is not intended to create any agency, fiduciary or other relationship between the underwriters and SILK, its security holders or any other investors. The underwriters, in conjunction with their affiliates, are acting in the capacity as such in relation to the Offer and will receive fees and expenses for acting in this capacity.

Except as required by applicable law or regulation (including the ASX Listing Rules), neither SILK nor the Other Persons have any obligation to provide any additional or updated information, whether as a result of new information, future events or results or otherwise.

This document does not constitute an offer to sell or a solicitation of an offer to purchase any security or financial product or service in any jurisdiction.

Financial data

Unless otherwise stated, all dollar values in this presentation are millions of Australian dollars (A$m). Investors should note that this presentation contains pro forma historical and forward looking financial information. The pro forma and forward looking financial information, and the historical information, provided in this presentation is for illustrative purposes only and is not represented as being indicative of SILK's views on its future financial condition and / or performance. You should note that the pro forma financial information included in this presentation does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the US Securities and Exchange Commission ("SEC").

The pro forma financial information in this presentation has been prepared by SILK in accordance with the recognition and measurement principles of the Australian Accounting Standards. Financial information for the ASC Group contained in this presentation has been derived from unaudited management accounts and other financial information made available by the ASC Group in connection with the Acquisition. The Other Persons expressly disclaim all liabilities in respect of, and take no responsibility for, financial information in this presentation. Investors should note that the pro forma financial information does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the SEC, and such information does not purport to comply with Article 3-05 of Regulation S-X.

Investors should be aware that certain financial measures included in this presentation are 'non-IFRS financial information' under ASIC Regulatory Guide 230: 'Disclosing non-IFRS financial information' published by ASIC and also 'non-GAAP financial measures' within the meaning of Regulation G under the US Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards ("AAS") and International Financial Reporting Standards ("IFRS"). The non-IFRS financial information / non-GAAP financial measures include Enterprise Value, EBITDA and EBIT. The disclosure of such non-GAAP financial measures in the manner included in this presentation would not be permissible in a registration statement under the US Securities Act. Such non-IFRS financial information / non-GAAP financial measures do not have a standardised meaning prescribed by AAS or IFRS. Therefore, the non-IFRS financial information may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Although SILK believes these non-IFRS financial measures provide useful information to investors in measuring the financial performance and condition of its business, investors are cautioned not to place undue reliance on any non-IFRS financial information / non-GAAP financial measures included in this presentation.

Effect of rounding

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

Acceptance, withdrawal and cooling off

By attending an investor presentation or briefing, or accepting, accessing or reviewing this presentation, you acknowledge and agree to the terms set out in this 'Important notice and disclaimer'.

SILK reserves the right to withdraw or vary the timetable for the Offer without notice.

Cooling off rights do not apply to the acquisition of New Shares.

Acquisition highlights

#2

Solidifies SILK as #2 player in non-surgical aesthetics industry post acquisition

↑117

Taking SILK's pro forma clinic network to 117 clinics[1]

>20%

EPS accretion in first full year of ownership[2]

$80m

ASC network cash sales in first full year of ownership

14 VIC clinics
14 NZ clinics

Entry into new geographies

$4.9m

Pro Forma EBITDA contribution in first full year of ownership[3]

[1] Includes 4 opened ASC Group clinics captured under the earn-out mechanism; [2] EPS refers to earnings per share and is calculated on a full year basis as if the acquisition occurred on 1 July 2021 using SILK's FY22F broker consensus NPAT and ASC Group's earnings in the first full year of ownership adjusted for corporate clinics recently closed or transferred to franchisees and including full-year run-rate of new clinic openings and limited immediate cost savings (excludes synergies); [3] Based on expected earnings in the first full year of ownership adjusted for corporate clinics recently closed or transferred to franchisees, including full-year run-rate of new clinic openings and limited immediate cost savings. Pre AASB-16

Executive Summary

Acquisition of ASC Group

- SILK Laser Australia Limited (ASX:SLA) ("SILK") has entered into a binding agreement to acquire 100% of Beauty Services Holdings Pty Ltd, LMD2 Pty Ltd and their broader group of entities (which together operate Australian Skin Clinics in Australia and The Cosmetic Clinic in New Zealand) ("ASC Group") on a cash and debt free basis and assuming a normal level of working capital for $47.0 million upfront consideration in cash and up to an additional $5.0 million earn-out based on the opening of certain new clinics, excluding transaction costs (the "Acquisition")[1]
- The Acquisition is consistent with SILK's growth strategy – aligning with SILK's existing service offering and complementary to SILK's existing clinic network whilst providing scaled entry into Victorian and New Zealand markets
- Based on expected earnings in the first full year of ownership adjusted for corporate clinics recently closed or transferred to franchisees, including full-year run-rate of new clinic openings and limited immediate cost savings ("Pro Forma EBITDA"), the Acquisition implies multiples of:
  – EV / Pro Forma EBITDA pre AASB 16 of 10.6x before synergies and 9.6x including synergies[2,3,5]
  – EV / Pro forma EBIT pre AASB 16 of 11.1x before synergies and 10.0x including synergies[2,4,5]

Overview of ASC Group

- ASC Group and its franchisees provide non-surgical aesthetic products and services in Australia and New Zealand
- ASC Group has 56 clinics with revenue contribution primarily from Queensland, Victoria and New Zealand[6]
  – 35 traditional franchise clinics, 4 corporate clinics, and 3 joint venture clinic across five Australian states
  – 14 New Zealand clinics, trading as The Cosmetic Clinic, all operated under a Country Development License
- ASC Group has experienced recent growth, with network cash sales in the first full year of ownership expected to be $80 million, up from $72 million in FY20A

[1] As at the day of this announcement 4 new clinics have opened triggering $3.3 million of the earn-out; [2] Enterprise value based on $52.0 million including $5.0 million earn-out; [3] Pro Forma EBITDA of $4.9 million pre AASB16; [4] Pro forma EBIT of $4.7 million pre AASB16; [5] Estimated synergies of $0.5 million per annum to be realised after a one-year implementation period (excluding limited immediate cost savings included in the Pro Forma EBITDA); [6] Includes 4 opened ASC Group clinics captured under the earn-out mechanism

Executive Summary (cont.)

Strategic rationale	• Solidifies SILK as the #2 national player in the Australian non-surgical aesthetics industry based on number of clinics, providing further geographic diversification and scaled entry into Victorian and New Zealand markets – Combined pro forma total of 117 clinics, comprising 103 in Australia and 14 in New Zealand • Alignment with SILK's core service offering, in particular the high growth and margin segments such as injectables • Opportunity to further enhance brand awareness and secure synergies
Funding to include equity raise	• Acquisition upfront cash consideration and transaction costs will be funded by: – Debt of $22.5 million from a newly established debt facility; – Fully underwritten institutional placement of $20.0 million (the "Placement") at $4.30 per share; and – Existing cash from balance sheet of $7.5 million • The earn-out amount of up to $5.0 million is payable in ordinary shares in SILK (issued at 5-day VWAP immediately prior to signing binding agreements, being $4.38). At least $3.3 million under the earn-out will be paid based on clinics opened as at the date of this announcement • For the combined group, the expected net debt / FY21F pro forma group EBITDA (excluding synergies) ratio is less than 1.5x (post AASB 16)[1]

[1] Pro forma net debt $30.2 million post AASB 16 ($4.3 million pre AASB 16) subject to timing of transaction completion and based on current estimates of lease liabilities (subject to change based on lease renewals), with pro forma group EBITDA based on combination of SILK's FY21F EBITDA guidance of $15 million - $16 million and ASC Group's Pro Forma EBITDA (excluding synergies)

Executive Summary (cont.)

Expected financial impact	• The impact of the Acquisition and the Placement is expected to be >20% EPS accretive in the first full year of ownership[1] on a pro forma basis before synergies and excluding transaction and integration costs • ASC Group on a standalone basis is expected to contribute Pro Forma EBITDA of $4.9 million (pre AASB 16) • "Capital lite" franchisee model drives expected pro forma EBIT of $4.7 million (pre AASB 16) • Estimated synergies of $0.5 million per annum to be realised after a one-year implementation period, with more expected to be realised over the medium term (excluding limited immediate cost savings included in Pro Forma EBITDA)
Timing and conditions	• The Acquisition is not subject to FIRB approval and does not require approval from the Overseas Investment Office of New Zealand • The ACCC has confirmed it does not intend to conduct a public review of the proposed Acquisition • Expected completion by end of August 2021
Business update	• SILK has continued its strong momentum and reconfirms its upgraded forecasts for FY21 per the H1 FY21 results announcement[2] • Clinic openings for existing SILK clinic network on track to surpass full year forecast with management expecting 62 clinics to be opened by the end of FY21

[1] EPS refers to earnings per share and is calculated on a full year basis as if the acquisition occurred on 1 July 2021 using SILK's FY22F broker consensus NPAT and ASC Group's earnings in the first full year of ownership adjusted for corporate clinics recently closed or transferred to franchisees, including full-year run-rate of new clinic openings and limited immediate cost savings (excludes synergies); [2] Guidance excludes impact of the Acquisition, including associated costs incurred to date

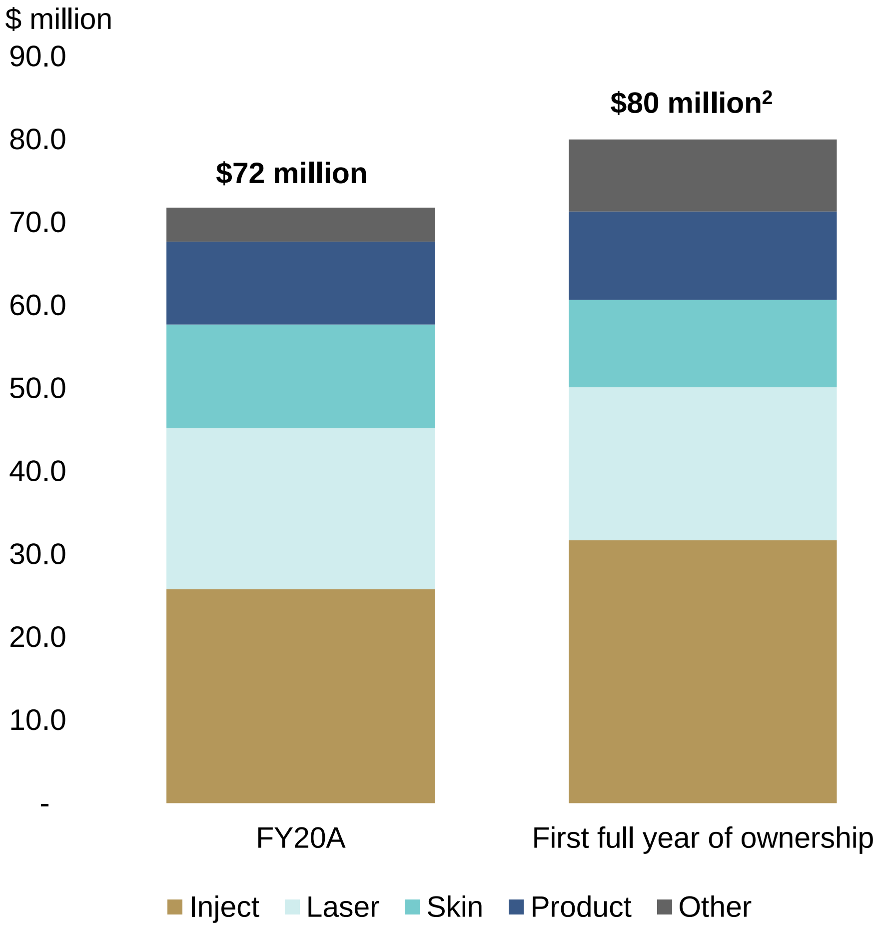
Acquisition overview

ASC Group overview

Company overview

- ASC Group is a leading provider of non-surgical aesthetic products and services, operating in Australia as 'Australian Skin Clinics' and in New Zealand as 'The Cosmetic Clinic'
- ASC Group provides SILK with scaled entry into Victorian and New Zealand markets whilst aligning across core service offerings:
  - Cosmetic injectables
  - Skin treatments
  - Hair removal
  - Fat reduction & body contouring
  - Skin care products
- The ASC Group owns and operates the Balense Skin business which supplies skincare products to Australian Skin Clinics and its franchisees, and operates The Advanced Skills Academy which is a registered training organisation
- Currently the ASC Group has 42 clinics across five Australian states and 14 clinics in New Zealand:[1]
  - Australian clinics: 35 traditional franchise clinics, 4 corporate clinics and 3 joint venture clinics
  - New Zealand clinics: 14 traditional franchise clinics all operated under a Country Development License which reduces support office requirements
- ASC Group offers franchising opportunities supported by a proven model, training and support. SILK conducted a survey of the network which indicated high franchisee satisfaction, a healthy network and 100% indication of franchisee renewal amongst franchisees who filled out the survey

Strong network cash sales growth (A$m)



[1] ASC Group clinics open as at the date of this announcement including the 4 opened and captured under the earn-out mechanism; [2] Estimated network cash sales for the first full year of ownership adjusting for corporate clinics recently closed or transferred to franchisees and including full-year run-rate of new clinic openings

Compelling strategic rationale

1 Complementary business model and service offering

- ✓ ASC Group aligns with SILK's existing service offering which reduces complexity and category management requirements
- ✓ Capital lite expansion model through the deployment of predominantly traditional franchise clinics
- ✓ SILK will continue to leverage ASC Group's brand strength on the Australian East Coast whilst capitalising on SILK's brand strength in Central and Western Australia

2 Complementary network providing scale and geographic presence

- ✓ Solidifies SILK's market leadership as #2 player in Australia and provides scaled entry into Victoria and New Zealand
- ✓ Provides immediate scale operations in metro Brisbane, Victoria and New Zealand
- ✓ Provides geographic diversity and operational scale with 117 combined clinics and platform for further roll-out opportunities

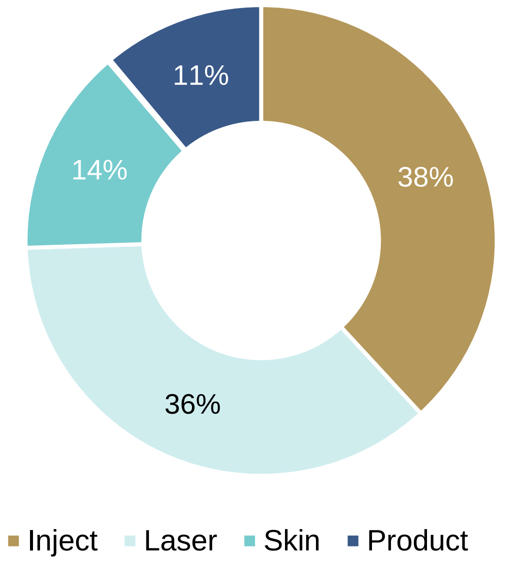
3 Significant value creation

- ✓ Scale provides opportunity for further investment in brand awareness, customer experience, business intelligence and systems / training to reinforce competitive advantage
- ✓ Synergies are expected to be realised through combined scale as well as introduction of exclusive SILK brands in the ASC Group network

Complementary service offering - sales by category

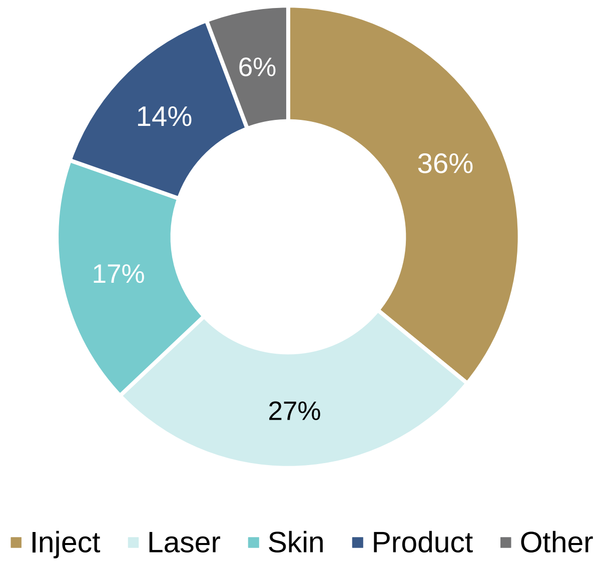
SILK LASER CLINICS

Network cash sales[1,2]



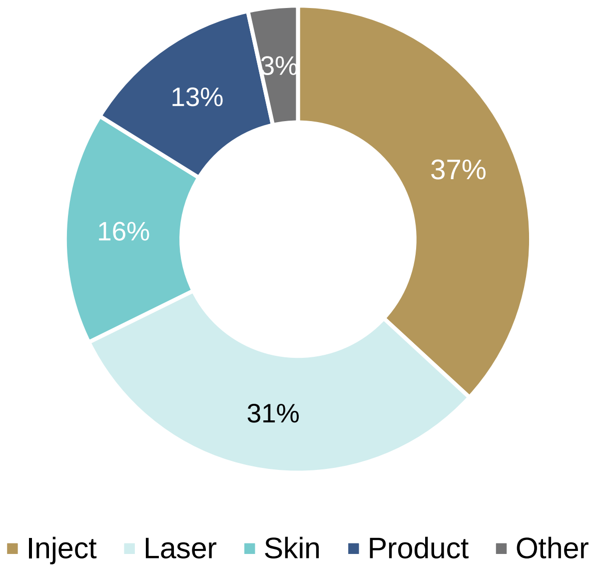
Australian Skin Clinics

Network cash sales[1]



Combined

Network cash sales[1]



- Aligned service offering
- Significant portion of high margin services
- Body offering to further support strength in high margin services

[1] FY20 network cash sales, which represents cash sales of clinics owned, 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 clients, rather than treatments performed for clients (presented net of GST); [2] Body category only introduced in FY20 and represented 0% of cash sales

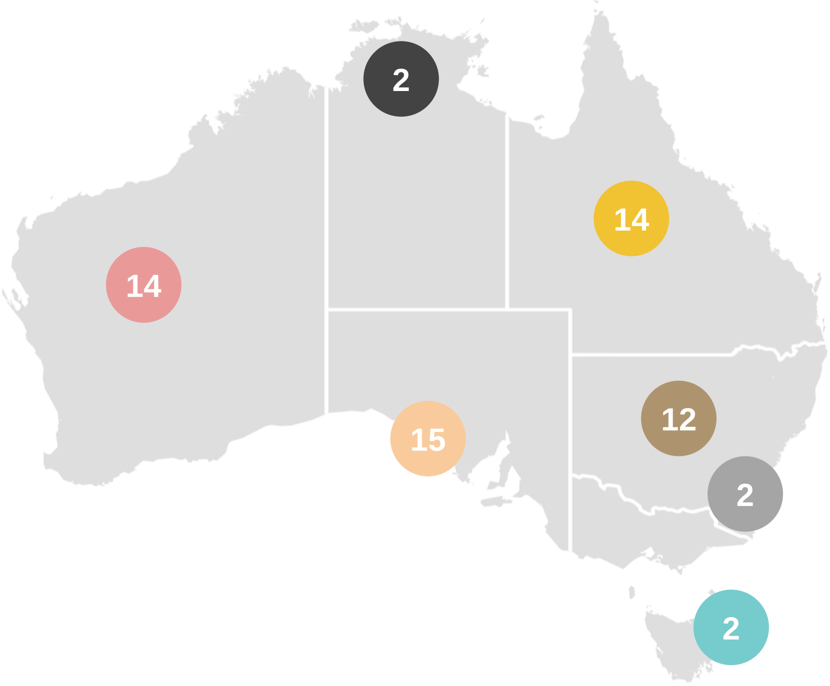
Ownership model alignment – capital lite expansion

	1	2	3
	Corporate	**Joint venture**	**Traditional**
	SILK 100%	SILK 50% or 75% Franchisee 50% or 25%	Franchisee 100%
	Model generally used to enter new markets enabling SILK to extract synergies	SILK receives traditional franchisor economics & profit share	Historically adopted in regional towns and locations with smaller catchments; provides capital-lite expansion
SILK[1]	24 clinics	20 clinics	17 clinics
ASC Group[2]	4 clinics	3 clinic	49 clinics[3]
Combined	28 clinics	23 clinics	66 clinics[3]

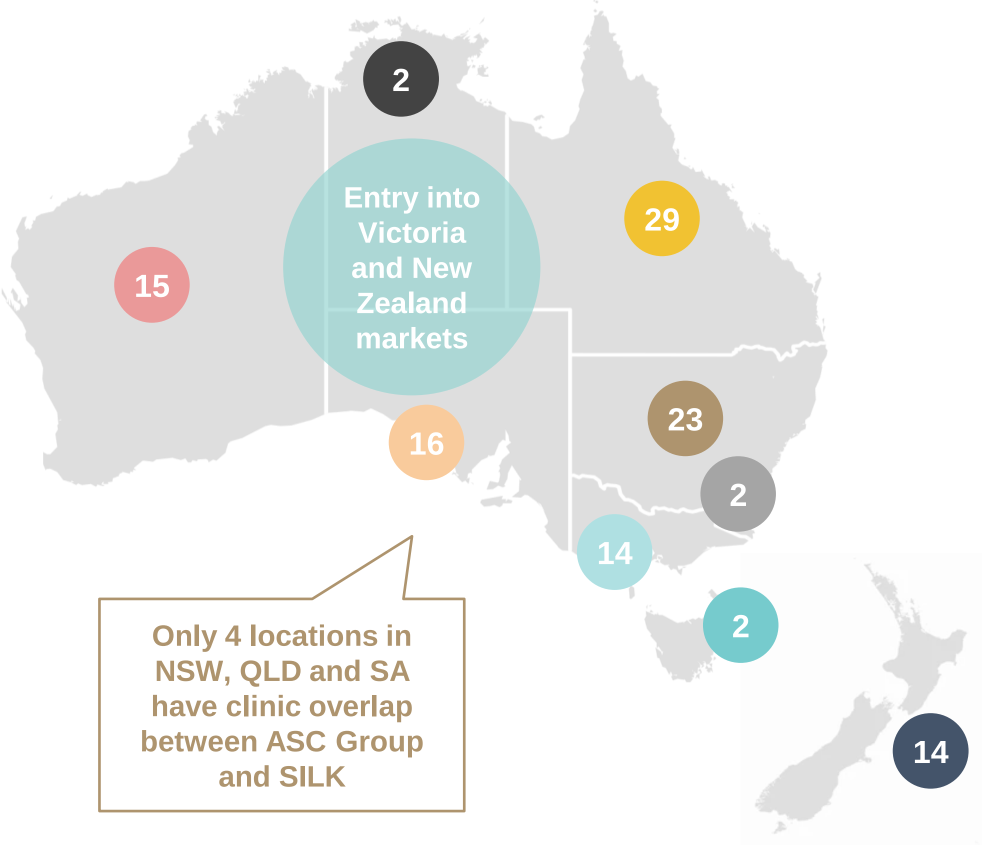
[1] SILK clinics as at the date of this announcement; [2] ASC Group clinics open as at the date of this announcement including the 4 opened and captured under the earn-out mechanism; [3] ASC Group New Zealand clinics included in traditional

Solidifies market leadership as #2 player in Australia; entry into VIC and NZ

SILK: 61 locations[1]



SILK + ASC Group: 117 locations[2]

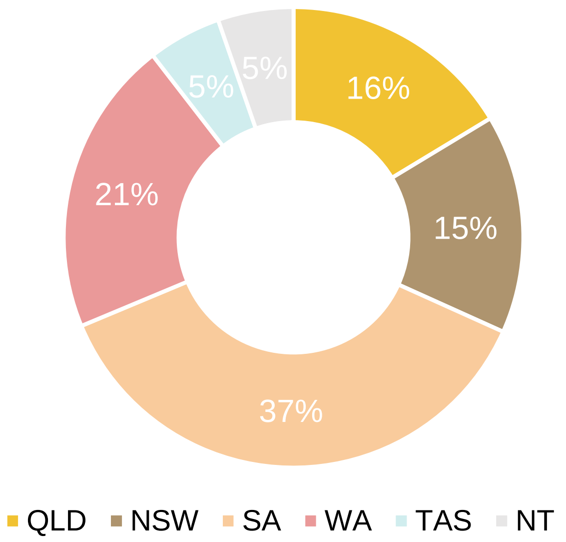


[1] SILK clinics as at the date of this announcement; [2] ASC Group clinics open as at the date of this announcement including the 4 opened and captured under the earn-out mechanism

Entry into new markets – sales by geography

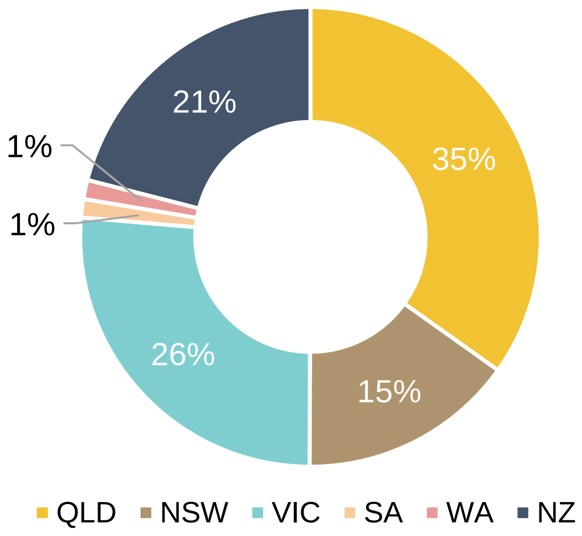
SILK LASER CLINICS

Network cash sales[1]



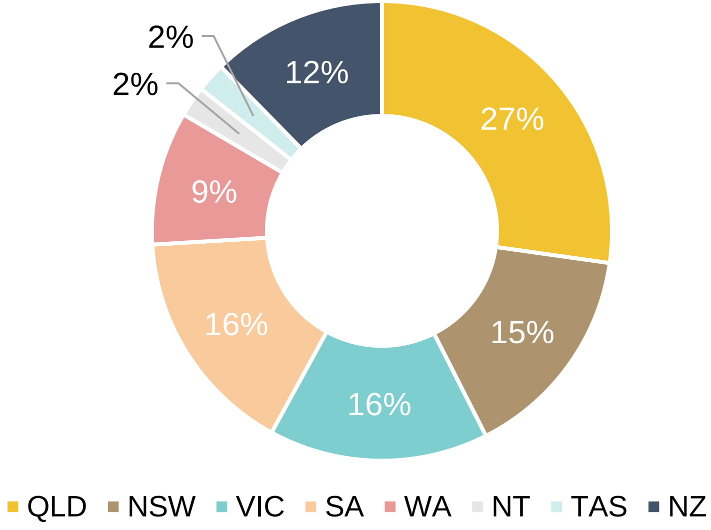
Australian Skin Clinics

Network cash sales[1]



Combined

Network cash sales[1]

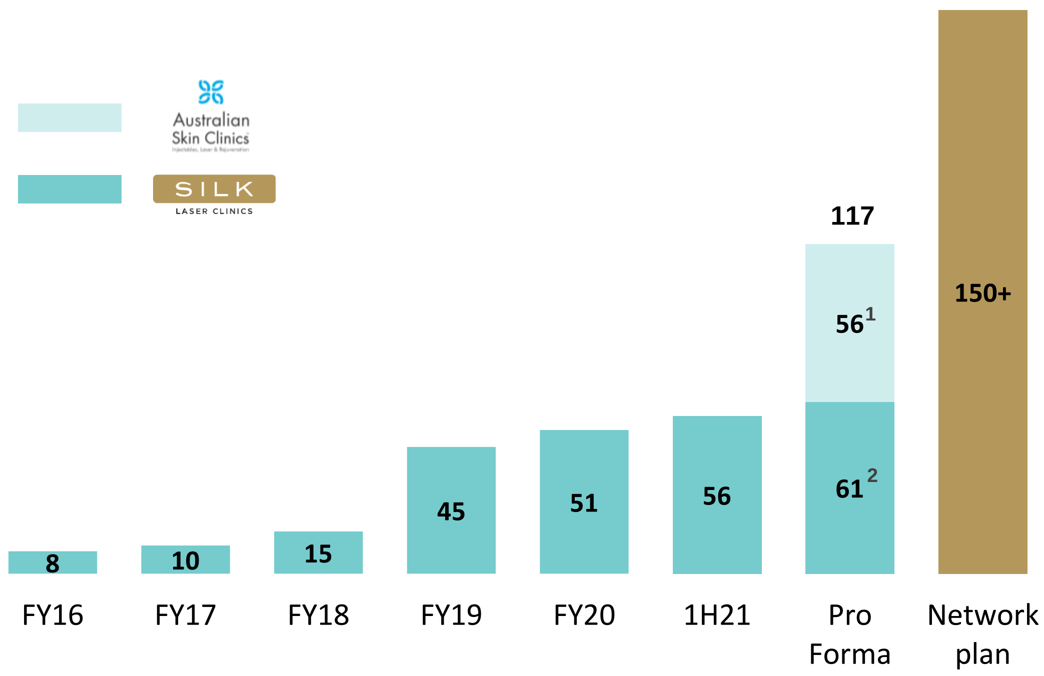


- Entry into Victoria and New Zealand markets
- Complementary clinic footprint
- Enhanced presence in Queensland and New South Wales

[1] FY20 network cash sales, which represents cash sales of clinics owned, 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 clients, rather than treatments performed for clients (presented net of GST)

Acquisition accelerates stated growth strategy

Expanding towards network plan of 150+ clinics



- Acquisition continues to expand platform that benefits from SILK's scale, operating strategies and brand
- ASC Group meets key selection criteria:
  1. Strong market position in its catchment area
  2. Service offering alignment
  3. Strength in higher margin services
- Solidifies Australian market leadership as #2 player by number of clinics, and provides scaled entry in Victorian and New Zealand markets

[1] ASC Group clinics open as at the date of this announcement including the 4 opened and captured under the earn-out mechanism; [2] SILK clinics as at the date of this announcement

Scale to reinforce competitive advantage through investment in customer service and brand

Enhanced economics	• Further strengthen national procurement through improved volume based pricing and strong supplier relationships • Enlarged size to enable greater investment in people, technology, brand and customer experience
Customer service	• Maintain exceptional customer service through dedicated team of medical staff providing clinic oversight, and first-class education and training program for nurses • Use of business intelligence tools across network to optimise customer service and clinic performance
Recognised brand	• Clinic rebrand to support consistent experience across network, including sophisticated branding and award winning design and layout • Customer centric culture and team

Expected acquisition synergies

Acquisition of ASC Group is expected to generate opportunities for synergies for SILK

- Products – transition to existing suppliers and in-house brands to achieve volume and margin benefits
- Head office – streamline support across brands and marketing, and invest in procurement to support a larger business
- **Estimated synergies of $0.5 million per annum to be realised after a one-year implementation period, with additional synergies anticipated over the medium term (excluding limited immediate cost savings included in Pro Forma EBITDA)**

SILK estimates one-off integration costs of approximately $1.0 million in the first full year of ownership

Attractive financial profile

- ASC Group on a standalone basis is expected to contribute Pro Forma EBITDA in the first full year of ownership of $4.9 million pre AASB 16
- "Capital lite" franchisee model is expected to drive pro forma EBIT in the first full year of ownership of $4.7 million pre AASB 16
- Before synergies, the Acquisition implies multiples of:
  - EV / Pro Forma EBITDA pre AASB 16 basis of 10.6x[1]
  - EV / Pro forma EBIT pre AASB 16 basis of 11.1x[1]
- The Acquisition is expected to be >20% EPS accretive[2] in the first full year of ownership on a pro forma basis before synergies and excluding transaction and integration costs, assuming the proposed funding structure including a combination of new equity, debt and cash on balance sheet

ASC Group financials – first full year of ownership

$m unless stated	Pre AASB 16	Post AASB 16
Clinic network (#)	56	56
Reported revenue	16.1	16.1
Pro Forma EBITDA	4.9	5.4
Pro Forma EBITDA margin	*30.5%*	*33.5%*
Pro forma EBIT	4.7	4.8
Pro forma EBIT margin	*29.2%*	*29.6%*

[1] Enterprise value includes $47.0 million upfront consideration and $5.0 million earn-out; [2] EPS calculated using SILK's FY22F broker consensus NPAT and ASC Group's earnings in the first full year of ownership adjusted for corporate clinics recently closed or transferred to franchisees, including full-year run-rate of new clinic openings and limited immediate cost savings (excludes synergies)

Combined balance sheet

Pro forma 1H21 balance sheet[1,2]

$m unless stated	SILK 1H21	Impact of acquisition[3]	Impact of Offer and new debt facility[4]	SILK pro forma 1H21 combined
Cash	26.6	(47.0)	39.5	19.1
Trade receivables and inventory	8.4	1.9	-	10.3
Property, plant and equipment	15.5	1.5	-	17.0
Intangibles	27.9	45.1	-	73.0
Other assets	20.4	13.7	-	34.0
Total assets	**98.7**	**15.2**	**39.5**	**153.4**
Trade payables	8.7	0.7	-	9.4
Lease liabilities	12.7	13.2	-	25.9
Borrowings	0.9	-	22.5	23.4
Other liabilities	18.7	1.3	-	20.0
Total liabilities	**41.0**	**15.2**	**22.5**	**78.7**
Net assets	**57.7**	**-**	**17.0**	**74.7**
Net cash / (debt) pre AASB 16 - excluding lease liabilities	*25.7*			*(4.3)*
Net cash / (debt) post AASB 16 - including lease liabilities	*13.0*			*(30.2)*

- Cash balance post Acquisition and Placement provides headroom for additional potential M&A, capex requirements and ongoing working capital requirements
- New $30.0 million debt facility established with drawn debt of $22.5 million for partly funding the upfront cash consideration of $47.0 million for the Acquisition
  - Net debt / FY21F pro forma Group EBITDA of less than 1.5x post AASB 16[5]
  - On a pre AASB 16 basis pro forma net debt is expected to be $4.3 million with an expectation to be net cash by end of FY22

[1] Does not include the impact of purchase price adjustments which will not be known until completion of the Acquisition has occurred; [2] The pro forma combined balance sheet is based on SILK's balance sheet as at 31 December 2020 and does not consider any operating cash flows of SILK in 2H FY21. The financial information for ASC Group has been based on a consolidated balance sheet provided by management (not audited); [3] Cash includes total consideration of $47.0 million (assuming ASC Group is acquired on a cash and debt free basis and excludes any completion adjustments), whilst lease liabilities is based on current estimates (subject to change based on lease renewals). Other assets includes restricted cash of $0.2 million; [4] The increase in cash is net of transaction costs and includes both the equity raise and drawn debt facility; [5] Pro forma group EBITDA based on combination of SILK's FY21F EBITDA guidance of $15 million - $16 million and ASC Group's Pro Forma EBITDA (excluding synergies)

Transaction structure and consideration

Upfront consideration	• The upfront consideration is a cash payment of $47.0 million on completion of the Acquisition (subject to any adjustments on and/or after completion for any debt and debt-like items, any variance to the target working capital on a dollar for dollar basis and rent arrears owed by franchisees at completion that are not paid or put onto acceptable payment plans within 12 months from completion)
Earn-out	• The earn-out consideration amount of up to $5.0 million is payable in ordinary shares in SILK following release by SILK of its Appendix 4E. The maximum number of shares issued will be 1.1 million based on the 5-day VWAP of SILK ordinary shares[1] immediately prior to entering into the binding share sale agreement • The earn-out amount will be determined based on whether or not certain identified new clinics in Australia and New Zealand have opened – The 'Australian Earn-Out Amount' will be $4.0 million if there are at least 3 Opened Australian Clinics as at 31 July 2021, subject to a pro-rata reduction to the extent that there are 2 or fewer Opened Australian Clinics, and shall be $Nil if there are no Opened Australian Clinics as at 31 July 2021 – The 'NZ Earn-Out Amount' will be $1.0 million if there are at least 3 Opened New Zealand Clinics as at 31 December 2021, subject to a pro-rata reduction to the extent that there are 2 or fewer Opened New Zealand Clinics, and shall be $Nil if there are no Opened New Zealand Clinics as at 31 December 2021 • As at the date of this announcement, 4 qualifying new clinics (2 in Australia and 2 in New Zealand) have been opened under the earn-out mechanism, meaning at least $3.3 million will be paid under the earn-out
Conditions and other terms[2]	• The Acquisition is not subject to FIRB approval and does not require approval from the Overseas Investment Office of New Zealand • The ACCC has confirmed it does not intend to conduct a public review of the proposed Acquisition • Expected completion by end of August 2021

[1] 5-day VWAP of $4.38 as at 17 June 2021; 2. For further information on the terms of the Acquisition Agreement, please refer to Appendix 2: Summary of Acquisition Agreement

Funding overview

Funding overview

Acquisition price	• Upfront consideration payable for ASC Group of up to $47.0 million in cash, excluding transaction costs of $3.0 million • Earn-out consideration of up to $5.0 million payable in ordinary shares in SILK
Equity raising	• A fully underwritten institutional Placement of approximately $20.0 million at an issue price of $4.30 per share to fund a portion of upfront consideration
Other funding	• Balance of upfront consideration funded through combination of cash on SILK's balance sheet, and new debt • SILK has arranged a new debt facility in connection with the Acquisition, with total facility limit of $30.0 million and interest cost of approximately 2.0% p.a.
Timing	• No shareholder approval is required for the Placement, as SILK will utilise its existing placement capacity under ASX Listing Rule 7.1 (inclusive of any scrip issued to the seller of ASC Group as part of earn-out consideration) • Acquisition is expected to complete by end of August 2021

Sources and Uses – Upfront Consideration

$m	
Sources	
Placement (underwritten)	20.0
New debt	22.5
Partial use of existing cash on balance sheet	7.5
Total Sources	**50.0**
Uses	
Fund upfront portion of Acquisition	47.0
Estimated transaction costs	3.0
Total Uses	**50.0**

Equity raising details

Offer size and structure	• Fully underwritten institutional Placement of approximately $20.0 million • Approximately 4.7 million new ordinary shares in SILK ("New Shares") to be issued under the Placement representing approximately 9.9% of current SILK shares on issue
Offer price	• Offer price of $4.30 per New Share under the Placement which represents: – 5.1% discount to the last close price of SILK shares as at 17 June 2021; and – 1.8% discount to the 5 trading day VWAP of SILK shares as at 17 June 2021. • Final allocation decisions will be determined by SILK in agreement with the Joint Lead Managers
Ranking	• New Shares issued under the Placement will rank equally with SILK's existing shares on issue
Major shareholder participation	• Due to its investment mandate, funds managed by Advent Partners ("Advent") will not be participating in the Placement. However, Advent are highly supportive of the Acquisition and the wider SILK business
Advisers and underwriters	• SILK was advised by Highbury Partnership Pty Ltd • Wilsons Corporate Finance Limited and Ord Minnett Limited are Joint Lead Managers and underwriters to the Placement

Indicative Timetable

- **18 June 2021** — Trading halt and announcement of Acquisition and Placement
- **21 June 2021** — Announcement of completion of the Placement

  Trading halt lifted; normal trading resumes
- **23 June 2021** — Settlement of Placement
- **24 June 2021** — Allotment and normal trading of New Shares under the Placement
- **August 2021** — Expected completion of the Acquisition

These dates are indicative only and subject to change. SILK reserves the rights, subject to the Corporations Act 2001 (Cth) and the ASX Listing Rules, to amend this indicative timetable without notice.

Key risks


SILK
LASER CLINICS
sale on now!
zip
LASER HAIR REMOVAL • COSMETIC INJECTIONS • SKIN TREATMENTS •

Key risks

Introduction

This section describes some of the potential risks associated with SILK's business and the industry in which it operates, the Acquisition, and the risks associated with an investment in New Shares.

An investment in SILK is subject to risk factors, some of which are specific to either the Acquisition or SILK's business activities, and others that are more general in nature.

Any single risk, or a combination of these risks, may have a material adverse impact on SILK's business, financial performance and operations (both standalone and post-Acquisition) and the value of SILK shares. This section does not purport to list every risk that may be associated with an investment in New Shares. While SILK seeks to manage risks to prevent adverse outcomes, many of these risks are outside the control of SILK, SILK's Board and SILK's senior management.

The selection of risks in this section has been based on an assessment of a combination of the likelihood of the risk occurring, and the impact of the risk if it did occur. This assessment is based on the knowledge of SILK's Board and SILK's senior management as at the date of this presentation. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge.

Potential investors should carefully review the entire presentation and publicly available information on SILK (such as that available on the websites of SILK and ASX), ensure that they have a sufficient understanding of these matters (including the risks described in this section), carefully consider their personal circumstances (including the ability to lose all or a portion of their investment) and consult their professional advisers before making an investment decision.

Acquisition specific risks

<u>Assumed liabilities</u>

Following the Acquisition, SILK will be required to account for any outstanding liabilities that the ASC Group has incurred in the past, including any liabilities which were not identified during its due diligence or which are greater than expected, for which insurance may not be available, and for which SILK may not have post-completion recourse under the binding sale and purchase agreement and which may include fines, penalties or other sanctions.

These could include liabilities relating to current or future litigation, regulatory actions, health and safety claims, claims by franchisees, warranty or performance claims and other liabilities. Such liabilities may adversely affect the financial performance or position of the ASC Group, or SILK's share price, post-Acquisition and even put at risk the group's capacity to carry on its business, either at all or from one or more of the geographic sites from which the group currently operates.

<u>Completion risk</u>

If SILK is unable to complete the Acquisition for any reason (for example, SILK is unable to fund the Acquisition due to termination of the Placement underwriting or termination of the acquisition debt financing), the seller of the ASC Group may seek to compel SILK to complete the Acquisition and/or claim damages for breach of the binding sale and purchase agreement.

If the Acquisition is not completed for any reason, SILK will need to consider alternative uses for the proceeds from the Placement. If completion of the Acquisition is delayed, SILK may incur additional costs and it may take longer than anticipated for SILK to realise synergies and other benefits of the Acquisition. Any failure to complete, or delay in completing, the Acquisition and/or any action required to be taken to return capital raised under the Placement to investors may have a material adverse effect on SILK's financial performance, financial position and the price of SILK's shares.

Key risks (cont.)

Warranty & indemnity insurance

SILK has obtained warranty and indemnity insurance to cover claims for breach of certain warranties and claims under certain indemnities contained in the binding sale and purchase agreement. SILK's primary remedy for breach of warranties and claims under the relevant indemnities is to make a claim under the warranty and indemnity insurance policy, with recourse to the seller of the ASC Group and the guarantors of the seller (including the shareholders of the ASC Group) in certain circumstances.

The warranty and indemnity insurance policy is subject to certain exclusions and limitations on liability. Accordingly, where such exclusions or limitations apply, there is a risk that SILK will not be able to fully recover losses arising from a breach of warranty or make claims under the relevant indemnity through the warranty and indemnity insurance. In certain circumstances, where particular exclusions in the warranty and indemnity insurance policy apply, SILK will have recourse to recover from the seller and/or the guarantors of the seller up to the limitations on liability set out in the binding sale and purchase agreement.

Financing risk

There is a risk that a material default of certain terms of the debt facility commitment which will be relied on by SILK to partially fund the Acquisition could occur prior to financial close and completion of the Acquisition, which would give the financiers the right not to fund on financial close.

If the debt facility commitment or formal debt agreements are terminated for any reason, or if the financiers' obligation to provide funds under those documents is otherwise limited, then SILK may not be able to obtain funding under these arrangements, its financial position might change and it might need to take other steps to raise capital or to fund the Acquisition. While the SILK Board believes that SILK has a number of alternatives to raise funding if this circumstance arose (which may include both debt and equity), there can be no guarantee that SILK would be able to raise sufficient funding on acceptable terms or at all.

Change of control

The Acquisition will result in a change of control of the ASC Group. There are a number of contractual arrangements that the ASC Group has with counterparties which are the subject to review, consent or termination rights on change of control. There is no guarantee that counterparties will not exercise their rights or negotiate reasonably with SILK in relation to these change of control events. If such rights are exercised by counterparties, SILK may incur costs, or loss of revenue, which could be material.

Due diligence risk

SILK undertook a due diligence process in respect of the ASC Group, which relied in part on the review of financial and other information provided by the ASC Group. SILK has prepared (and made assumptions in the preparation of) the financial information included in this presentation relating to the ASC Group on a stand-alone basis and also relating to SILK post-Acquisition in reliance on limited financial information (including unaudited financial information) and other information provided by the ASC Group. SILK is unable to verify the accuracy or completeness of any of the information provided by or about the ASC Group. If any such information proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of SILK may be materially different to the financial position and performance expected by SILK and reflected in this presentation.

Investors should also note that there is no assurance that the due diligence conducted was conclusive and that all material issues and risks (including potential liabilities) in respect of the Acquisition have been identified and avoided or managed appropriately, or that any conclusions and forecasts made or prepared in the due diligence process are accurate or will be realised in due course. Therefore, there is a risk that unforeseen issues and risk may arise, which might also have a material impact on SILK (for example, liabilities or defects which were not identified through due diligence or for which SILK has no protection or recourse). This might adversely affect the operations, financial performance or position of SILK. While SILK has been able to review some of the foundations for forward-looking information relating to the ASC Group provided during due diligence, forward-looking information is inherently unreliable and based on assumptions that may not be achieved or satisfied in the future.

Future earnings

SILK has undertaken financial and business analysis of the ASC Group in order to determine its attractiveness to SILK and whether to pursue the Acquisition. To the extent that the actual results achieved by the ASC Group are weaker than those anticipated, or any unforeseen difficulties emerge in integrating the operations of the ASC Group, there is a risk that the profitability and future earnings from the operations of SILK may differ in a materially adverse way from the pro forma performance as reflected in this presentation.

Similarly SILK is not able to confirm what the profitability of the whole group will be in the future and this is based on a number of factors and risks, including risks to financial performance due to COVID lockdowns in States, regions, towns or cities.\

Key risks (cont.)

Achievement of synergies

There is a risk that the realisation of synergies or benefits (including cost savings) described in this presentation may not be achieved in a timely manner, at all or to the extent envisaged, or that the costs associated with achieving them may be higher than anticipated. SILK has only been able to undertake limited work in this area due to issues regarding commercial confidentiality and sensitivity.

Integration risk

The integration of a business of the size of ASC Group carries numerous risks, including potential delays, loss of key staff, difficulties integrating accounting, risk and compliance and internal controls, additional unanticipated costs in implementing necessary changes, and difficulties in integrating various operations. The success of the ASC Group acquisition will depend on the effective and timely consolidation of ASC Group's business alongside SILK's business following completion of the Acquisition. These risks are particularly accentuated by the disruptions caused by COVID-19, which may make integration difficult or delayed. A failure to effectively integrate the operations of ASC Group, or a delay in the integration process, could impose unexpected costs or delay the realisation of benefits that may adversely affect the financial performance and position of ASC Group.

Equity underwriting risk

SILK has entered into a lead management and underwriting agreement under which the lead managers have agreed to fully underwrite the Placement, subject to the terms and conditions of the lead management and underwriting agreement. Prior to the settlement of the Placement, there are certain events which, if they were to occur, may affect the lead managers' obligation to underwrite the Placement. If certain conditions are not satisfied or certain events occur under the lead management and underwriting agreement, the lead managers may terminate the lead management and underwriting agreement. If the lead management and underwriting agreement is terminated for any reason, then SILK may not receive the full amount of the proceeds expected under the Placement, its financial position might change and it might need to take other steps to raise capital or fund the Acquisition.

Further details regarding the termination rights of the lead managers under the lead management and underwriting agreement are set out on pages 43 to 45 of this presentation.

ASC Group franchisee risk

The majority of ASC Group's clinics comprise of traditional franchises (which are owned and operated by unrelated parties), whereas the majority of SILK's clinics are owned and operated by subsidiaries of SILK or are operated as joint venture clinics (in which SILK has an ownership interest in). As such, ASC Group is more reliant on unrelated parties in respect of the conduct and operation of its clinics.

As a franchisor, ASC Group may be liable for breaches of laws and regulations by its franchisees, such as underpayment of staff by franchisees, if the relevant franchisor has failed to take reasonable steps to ensure compliance by franchisees.

SILK's due diligence investigations included a third party HR compliance review of a sample of ASC Group franchisees and a review of franchisee satisfaction surveys. There is no assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the ASC Group franchisee network have been identified and avoided or managed appropriately.

Given that the majority of ASC Group's clinics comprise of traditional franchises, ASC Group has less visibility over the ASC Group's traditional franchises. While SILK has undertaken due diligence on ASC Group, SILK's due diligence did not include a review of the financial information of, or compliance with laws by, all of ASC Group's traditional franchisees. SILK is therefore unable to confirm the financial performance and financial position of, or compliance with laws by, all of ASC Group's traditional franchisees.

ASC Group lease risks

A significant proportion of ASC Group's clinics (including franchise clinics) are operated from premises where the lessee is a subsidiary of ASC Group ('**ASC Lessee**'). For a number of franchises, ASC Lessee has granted the relevant franchisee a right to occupy the premises in consideration for the relevant lessee complying with the terms of the head lease (which includes payment of all rent and other amounts). However, ASC Lessee still remains liable to the relevant lessor for such amounts.

As a result of COVID-19, ASC Group and some of their Australian franchisees remain in discussion with a number of lessors regarding rental arrears and other outstanding amounts owing by ASC Group. It is possible that ASC Group may not be able to achieve the desired reduction in the amount of arrears that are required to be paid which may lead to increased outgoings for ASC Group and have an adverse impact on its financial and operating performance and the financial standing of certain franchisees.

Key risks (cont.)

Risks specific to an investment in SILK (both SILK standalone and in combination with ASC Group post-Acquisition)

Changes in market and consumer trends

SILK's and ASC Group's continued success depends in part on their ability to anticipate, gauge and respond to industry trends and changes in consumer preferences and attitudes towards different non-surgical aesthetic treatments. Due to the increasing use of social and digital media by consumers and the speed by which information and opinions are shared, trends may change rapidly, SILK must work continually to ensure that it has an appropriate mix of service and product offerings in order to attract and retain clients. If SILK or ASC Group is unable to anticipate and respond to trends in the non-surgical aesthetics industry and changing consumer demands in a timely fashion, its financial results may deteriorate.

Consumer behaviour and spending in the non-surgical aesthetics sector can be volatile and are largely affected by the state of the broader economy, including interest rates, the unemployment rate, consumer and business sentiment, geographical and political events and asset prices in general.

Although SILK believes that non-surgical aesthetics are increasingly becoming part of a regular beauty routine and are seen less as a discretionary spending category, there is no guarantee this trend will eventuate or continue into the future.

If Australian economic conditions worsen, there is a risk that consumers will reduce their level of consumption or redirect their spending to cheaper alternatives to SILK's non-surgical aesthetic treatments and skincare products, which may result in a reduction in SILK's or ASC Group's revenue and may have a material adverse effect on SILK's or ASC Group's financial performance and financial position.

Non-compliance with regulations and regulatory changes

There is a risk that SILK or ASC Group may fail to comply with applicable laws and regulations in operating its business (including in relation to franchising, privacy and employment). As a franchisor, SILK or ASC Group may be liable for breaches of laws and regulations by its franchisees, such as underpayment of staff by franchisees, where it has failed to take reasonable steps to ensure compliance by franchisees.

In addition, there are various federal, state and territory laws and regulations that govern the non-surgical aesthetics industry in Australia, which impact SILK and ASC Group and the health practitioners based at SILK's or ASC Group's clinics.

Clinics administering cosmetic injections must comply with state and territory legislation for the prescription and administration of cosmetic injections, including the requirement to hold certain licences and otherwise in connection with the administration and storage practices required to be adopted by SILK and ASC Group.

Clinics offering laser hair removal services must comply with certain regulations, which vary from state to state and include the requirement for SILK and ASC Group to hold certain licences and maintain radiation management plans. Further, labelling of SILK's Aesthetics RX and SILK branded skincare products, and two of ASC Group's Balense branded skincare products, are governed by *Trade Practices (Consumer Product Information Standards) (Cosmetics) Regulations 1991* (Cth), which prescribe cosmetic product labelling requirements in Australia.

Due to the nature of the services offered by SILK and ASC Group, consumer confidence in SILK, ASC Group and their clinics is important to retaining and attracting new clients. Non-compliance with applicable laws and regulations, and associated adverse publicity, could damage SILK's or ASC Group's brand and reputation and result in loss of clients and reduced demand for SILK's or ASC Group's services and products.

Other adverse consequences for SILK or ASC Group include loss of regulatory licences, regulatory penalties or other litigation and product recalls, as well as costs associated with dealing with such adverse consequences (such as legal costs), which could materially affect SILK's or ASC Group's financial performance and financial position.

Any future changes in regulation or in current interpretation that apply to SILK's or ASC Group's operations, including changes that apply to the non-surgical aesthetics industry and franchising industry, may have an adverse impact on the way SILK or ASC Group operates its business. For example, while the *Guidelines for registered medical practitioners who perform cosmetic medical and surgical procedures* contemplates that Authorised Prescribers may have a consultation with the patient by video (i.e. as a 'telehealth' service), there is a risk that this practice may not be accepted in the future. As a result, SILK or ASC Group may need to change the way its clinics operate or the aspects of its business that operate under a franchise model which may increase SILK's and ASC Group's costs and have a negative impact on SILK's or ASC Group's financial performance and financial position.

Key risks (cont.)

Key management and personnel

The successful operation of SILK and ASC Group is reliant on its ability to attract and retain experienced, skilled and high performing talent personnel, particularly cosmetic injectable nurses (who have particular skills and accreditations which are required to offer certain services in accordance with applicable laws). The successful operation of SILK is also reliant on its ability to attract and retain experienced, skilled and high performing key management.

Failure to attract and retain such personnel may adversely affect SILK's or ASC Group's operations and ability to execute its business strategy, which may, in turn, result in a material increase in the cost of obtaining appropriately qualified and experienced personnel and affect SILK's or ASC Group's financial performance.

Given the personal and sensitive nature of certain services offered by SILK and ASC Group (particularly cosmetic injectables), clients tend to be loyal to particular service providers or clinics, rather than to SILK and ASC Group and its business more generally. SILK's and ASC Group's ongoing success depends to a significant extent on the continued engagement of its key talent personnel which are important to maintaining a dedicated client base and attracting new clients. Failure to retain key talent may have a materially adverse impact on SILK's or ASC Group's financial performance and financial position.

Brand or reputational damage

SILK's and ASC Group's ability to maintain its reputation is critical to the consumer perception of its clinics and offerings. A number of factors as set out in this section may adversely impact SILK's or ASC Group's brand name, related intellectual property and general reputation of SILK's or ASC Group's business.

These factors include serious or unexpected side effects experienced by clients from the provision of SILK's or ASC Group's non-surgical aesthetic services or SILK's or ASC Group's skincare products (which may or may not be the fault of SILK or ASC Group), failure to maintain consistent and high standards across its network of clinics, inadvertent breach of privacy obligations leading to the disclosure of client personal or sensitive information, potential disputes or litigation with suppliers, clients, employees or other third parties and other risks to SILK's or ASC Group's brand and reputation that are beyond SILK's or ASC Group's control, including any adverse publicity in relation to the non-surgical aesthetics industry.

Consumer confidence in SILK, ASC Group and their non-surgical aesthetic services is important to retaining and attracting new clients. Allegations of adverse reactions regarding SILK's or ASC Group's treatments, or commentary (including on social media or online) on product safety or suitability for use by a particular consumer, even if untrue, may adversely impact SILK's or ASC Group's reputation and financial performance.

Damage to the reputation of SILK's or ASC Group's third party suppliers (which may be affected by matters outside of SILK's or ASC Group's control) could have an adverse effect on SILK's or ASC Group's operations and ability to execute its growth strategy, which may result in a material adverse impact on SILK's or ASC Group's financial performance, condition and future prospects.

Treatments and products

There is a risk that the provision of SILK's or ASC Group's non-surgical aesthetic services and SILK's or ASC Group's skincare products may cause serious or unexpected side effects, including injury or harm to consumers. Consumer confidence in SILK or ASC Group and their non-surgical aesthetic services (in particular, sensitive services such as cosmetic injectables and skincare services) and SILK's and ASC Group's skincare products are important to retaining and attracting new clients. Allegations or media reports of adverse reactions regarding SILK's or ASC Group's treatments, or commentary on product safety or suitability for use by a particular consumer, even if untrue, may adversely impact SILK's or ASC Group's reputation and financial performance.

There is a risk that both existing or new technologies and products adopted by SILK or ASC Group may have unexpected side effects on the human body (including impacts that may only be identified in the future) or may not otherwise provide the results that clients expect (particularly as external factors outside of SILK's control, such as diet and exercise, can impact results experienced by clients).

If any of SILK's or ASC Group's non-surgical aesthetic treatments or SILK's or ASC Group's skincare products are perceived to be unsafe or inferior, or if they otherwise fail to meet clients' expectations, SILK's or ASC Group's relationship with consumers could suffer and SILK or ASC Group may lose market share and become subject to liability claims.

There is a risk that any adverse publicity on the safety and efficacy of non-surgical aesthetic treatments of SILK's and/or ASC Group's competitors (that is beyond the control of SILK, SILK's Board and SILK's senior management) may impact consumer confidence in the non-surgical aesthetics industry more generally and have a negative impact on the demand for SILK's or ASC Group's services and products and SILK's or ASC Group's financial performance.

Key risks (cont.)

Increased competition

SILK and ASC Group operate in a highly competitive industry that is subject to factors such as changing consumer preferences. SILK and ASC Group have a number of competitors within the markets of their five core segments, specifically, the hair removal, injectables, facial care, skincare and body contouring and fat reduction market segments. Competition is based on a variety of factors including client experience, pricing, selection and quality of services, clinic accessibility and brand recognition.

As clients tend to be loyal to a particular service provider or clinic given the personal and sensitive nature of the services offered by SILK and ASC Group, SILK's or ASC Group's ability to attract new clients from its competitors may be limited.

SILK's or ASC Group's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors, a failure by SILK or ASC Group to maintain its market position or the introduction of new technology or proprietary products that may not be accessible by SILK or ASC Group. A decline in SILK's or ASC Group's competitive position in any one of its core categories could adversely impact its ability to upsell and cross-sell to clients and therefore reduce client stickiness (being the recurring nature of clients) to SILK's or ASC Group's business. Any deterioration in SILK's or ASC Group's competitive position may result in a loss of market share and a decline in revenue and earnings.

Unfavourable provisions in lease arrangements

All of SILK's and ASC Group's clinics are operated from leased premises. Each lease has different legal terms including expiry dates and renewal options. For example, generally lease options are not granted by shopping centre landlords, however a number of SILK's high street locations have one or two five-year lease options. Any failure to comply with the terms of its leases, deterioration in relationships with its landlords or other actions taken by landlords may negatively impact the security of tenure of SILK's or ASC Group's clinics. There is also a risk that SILK or ASC Group, SILK or ASC Group's joint venture entities or traditional franchisees may not be able to renew their leases on favourable terms, which may increase operating costs and adversely impact SILK's or ASC Group's financial performance.

SILK or ASC Group may be liable for obligations under its lease agreements, including payment of rent without rebate, even if restrictions are imposed on SILK's or ASC Group's operations in connection with the COVID-19 pandemic, including any government imposed restrictions such as the lockdown measures imposed in the months of March to May 2020.

As SILK is listed on the ASX, any new leases, or renewals of existing leases in certain circumstances, will not be covered by the retail leases legislation in certain states and territories, and landlords will be able to pass relevant costs on to SILK or ASC Group. This may lead to increased outgoings for SILK or ASC Group and have an adverse impact on its financial and operating performance.

COVID-19

There is continuing uncertainty as to the duration and further impact of the COVID-19 pandemic, including in relation to the timing and nature of government-imposed restrictions, the advice or guidance as to business operations and community movements and the depth and length of the impacts on domestic and global economic activity.

Given the high degree of uncertainty surrounding the extent and duration of the COVID-19 pandemic and its potentially lasting impacts on consumer attitudes, preferences and spending, it is not currently possible to assess the full impact of the COVID-19 pandemic on SILK's or ASC Group's business and prospects.

Prolonged restrictions on SILK's or ASC Group's operations or clients (as occurred nationally during the months of March to May 2020) or numerous short lockdowns across States, regions, cities and towns where SILK and/or ASC has clinics or other business operations may materially adversely impact SILK's or ASC Group's financial performance and profitability. The imposition of restrictions in the future, or reduction in demand for SILK's or ASC Group's services and products arising from the impacts of the COVID-19 pandemic, may materially adversely impact SILK's or ASC Group's financial performance and profitability. SILK or ASC Group may also be exposed to increased costs associated with requirements in relation to social distancing, cleaning and hygiene measures at clinics and SILK's and ASC Group's head offices.

Furthermore, in addition to restrictions directly impacting SILK, ASC Group or their clients, a number of aspects of SILK's or ASC Group's business may also be indirectly affected by government, regulatory or health authority actions in Australia or overseas, including disruption to SILK's or ASC Group's operations and in particular the availability of medical consumables used in SILK's or ASC Group's business or the availability of raw material inputs or packaging for SILK's or ASC Group's skincare products.

The indirect impact of the COVID-19 pandemic on the broader economy has affected and may further affect consumer discretionary spending generally.

Key risks (cont.)

Incorrect payments to employees

SILK and ASC Group operate in an industry where certain Australian awards apply. While SILK is comfortable that it has consistently sought to pay all of its employees in accordance with the relevant award and has implemented systems to support this objective, there are multiple precedents of Australian employers over recent years that demonstrate the scope for mistakes to happen. Furthermore, while these systems implemented by SILK allow it to closely monitor compliance by its head office and SILK's corporate and joint venture clinics, SILK has less oversight over the traditional franchisee clinics (including traditional franchisee clinics to be acquired pursuant to the Acquisition). ASC Group has a higher proportion of traditional franchisee clinics than SILK, which accentuates this risk.

SILK or ASC Group may incorrectly interpret certain award rates or allowances, misclassify certain employees as contractors or misclassify employees in relation to applicable pay and allowances (including misclassification as to casual or permanent employment status), any of which may result in incorrect payments to employees. Similar issues may be faced by traditional franchise clinics and, if SILK or ASC Group does not take reasonable steps to ensure compliance by franchisees, SILK or ASC Group may be liable for a franchisee's non-compliance. This may lead to regulatory penalties and the need to repay employees for any incorrect payments, which may adversely impact SILK's or ASC Group's financial performance, financial position and reputation.

Inconsistency of service and client experience between clinics

SILK's and ASC Group's network of clinics operate in different locations and have different ownership structures (corporate, joint venture and traditional franchise clinics).

Clients may have differing experiences of service and quality of care from clinic to clinic, which may impact SILK's or ASC Group's brand and reputation. Poor client experience at any one clinic may have adverse consequences for client loyalty and the potential for repeat business for the specific clinic, as well as consumer confidence in the broader network of SILK or ASC Group clinics, which may have a negative impact on SILK's or ASC Group's ability to maintain its market share, financial performance and future prospects.

Material contracts

SILK's and ASC Group's material contracts may contain unfavourable provisions, be terminated, lost or impaired or renewed on less favourable terms. In certain circumstances, SILK or ASC Group may be required to indemnify a counterparty for any loss, damage or claim suffered or incurred by that counterparty in connection with a breach of the relevant contract by SILK or ASC Group or one of their respective joint venture or traditional franchise clinics.

Termination of a key arrangement prior to the end of the contract term, or SILK's or ASC Group's inability to enforce its rights under a contract, could have adverse impacts on SILK's or ASC Group's business and operation costs and consequently, SILK's or ASC Group's financial performance.

Reliance on third party suppliers

SILK and ASC Group rely on third party suppliers for equipment, cosmetic injectables and medical consumables as well as third party contract manufacturers for SILK's and ASC Group's skincare products. A disruption to the operations of any of SILK's or ASC Group's third party suppliers or contract manufacturers could restrict, interrupt or otherwise adversely affect SILK's or ASC Group's operations. These may be for reasons including a shortage of ingredients or key medical consumables, a production outage or significant disputes (including with SILK or ASC Group), lack of availability of maintenance services, material damage or destruction of a supplier's facilities, a significant workplace safety incident or a compliance breach. While SILK seeks to hold sufficient quantities of finished product and diversify its suppliers for its key categories (particularly in relation to cosmetic injectables), there is a risk that SILK or ASC Group may fail to manage its inventory appropriately or achieve such diversity in its supply relationships at all times. There is no guarantee that SILK or ASC Group will be successful in securing an appropriate substitute for these third party suppliers and contract manufacturers at short notice. There is also a risk that SILK or ASC Group may not be able to retain its existing arrangements with its third party suppliers and contract manufacturers and any new arrangements may not be as favourable to SILK or ASC Group. This may have an adverse impact on SILK's or ASC Group's financial performance and future prospects.

SILK's scale and national procurement model places SILK in a favourable negotiating position and helps SILK to maintain relationships with its equipment and cosmetic injectable suppliers in particular, which provides SILK with opportunities to collaborate on potential improvements to technology and gain access to new technological advancements. If there is a breakdown in SILK's relationships with any of these suppliers, SILK would need to seek alternative relationships and is not assured that these alternative relationships will be as advantageous to SILK or enable SILK to maintain its competitive advantage.

Key risks (cont.)

SILK also relies on third party providers for various services including point of sale software, online training platforms, online accounting platforms and online marketing platforms. These information technology systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors or other unforeseen events. If SILK's information technology systems suffer severe damage, disruption or shutdown and these issues are not resolved in a timely manner, SILK's or ASC Group's operations may be materially and adversely affected. If SILK is unable to prevent security breaches, it may suffer financial and reputational damage or penalties because of the unauthorised disclosure of confidential information belonging to SILK or ASC Group or its clients.

In the ordinary course of its operations, SILK or ASC Group may continue to trade with third party suppliers beyond the original term of its written agreements with those suppliers. Such arrangements may be subject to ambiguity as to the precise terms of trade and may be terminated by the relevant supplier on short notice. A dispute between SILK or ASC Group and any of these suppliers or termination of such arrangements on short notice may disrupt SILK's or ASC Group's operations and have an adverse impact on SILK's or ASC Group's financial performance and future prospects.

Reliance on franchisees or joint venture parties

SILK and ASC Group operate clinics under different ownership structures (corporate, joint venture and traditional franchise clinics). SILK leverages its scale and enters into umbrella arrangements with counterparties (for example, supply and financing arrangements) under which SILK either expressly guarantees the obligations of entities operating joint venture or traditional franchise clinics or undertakes to ensure compliance by those entities with the terms of the relevant umbrella agreement, for example, where joint venture or traditional franchise clinics place orders with, and are invoiced by, the supplier directly in circumstances where only SILK has directly contracted with the supplier under the umbrella arrangement. Compliance by entities operating joint venture or traditional franchise clinics may be outside SILK's or ASC Group's direct control. Failure by any entity operating a joint venture or traditional franchise clinic to comply with the relevant terms under an umbrella agreement may expose SILK to claims, losses and disputes with the counterparties of the relevant umbrella agreement. This may adversely impact SILK's business operations and financial performance.

ASC Group has a higher proportion of traditional franchisee clinics than SILK, which accentuates the risk of reliance on franchisees.

Departure of franchisees or joint venture parties

Despite restraint of trade obligations contained in SILK's or ASC Group's franchise documents and joint venture arrangements, franchisees of traditional franchise clinics or non-SILK or non-ASC Group parties of joint venture clinics may seek to leave SILK's or ASC Group's network of clinics and operate competing businesses or SILK's or ASC Group's restraint of trade terms may not be enforceable.

There is a risk that SILK or ASC Group may lose clients as a result of franchisees of traditional franchise clinics or non-SILK or non-ASC Group parties of joint venture clinics leaving the network which may have an adverse impact on SILK's or ASC Group's market share and financial performance.

Failure to implement business strategy successfully

There is a risk that SILK is unable to execute its business strategy of organic and acquisitive growth (growing its business in its existing clinics as well as opening and acquiring new clinics). For example, SILK or ASC Group may not be able to grow its existing clinics due to weaker than anticipated demand for SILK's or ASC Group's new treatments and products, adverse changes in the perception of SILK's or ASC Group's brand or changes in consumer preferences or spending habits.

SILK's or ASC Group's ability to open new clinics may be affected by a number of factors, including availability of suitable sites, reaching agreement with landlords in relation to lease terms, ability to find suitable personnel (such as accredited cosmetic injectable nurses) or clinic fit out cost overruns due to unexpected increases in the cost of items such as materials and labour. SILK's or ASC Group's ability to open new clinics on a particular timeframe may also be affected by such factors as the landlord failing to give vacant possession or specific licences or other authorisations required to be held by a clinic not being obtained in a timely manner. There is also a risk that new clinics opened by SILK or ASC Group may be unprofitable because the demand for SILK's or ASC Group's services and products may be less than anticipated.

Any delay in implementation of, failure to successfully implement or unintended consequences of implementing any or all of SILK's growth strategies may have an adverse effect on SILK's or ASC Group's future financial performance and growth prospects.

Key risks (cont.)

Insurance coverage

SILK currently has in place what it believes are adequate levels of insurance for property, public and product liability, directors' and officers' liability, medical malpractice and workers' compensation to protect SILK from potential losses and liabilities. However, there is a possibility that events may arise which are not adequately covered by SILK's or ASC Group's existing insurance policies and SILK cannot guarantee that SILK's or ASC Group's existing insurance will be available or offered in the future. An inability of SILK or ASC Group to maintain such cover in the future could limit the ability of SILK or ASC Group to conduct its business, which could have a negative impact on the financial results and prospects of SILK or ASC Group.

Litigation or other disputes

From time to time, SILK or ASC Group may be involved in litigation claims or other disputes relating to matters such as personal injury (for example, in relation to adverse reactions to treatments provided), privacy breaches, product liability, intellectual property, contractual, employee and workplace health and safety and other claims arising in the ordinary course of SILK's or ASC Group's business or otherwise.

Litigation may adversely impact upon the operational, reputational and financial performance of SILK or ASC Group, and may also negatively impact on SILK's share price. Should SILK or ASC Group pursue claims against a third party, such process may utilise significant management and financial resources, and a positive outcome for SILK or ASC Group cannot be guaranteed. Even if SILK or ASC Group is successful in obtaining a judgment against a third party, SILK or ASC Group may be unable to recover any monies from that party (for example, if the relevant third party has inadequate financial resources to cover any damages judgment awarded in favour of SILK or ASC Group).

Adverse litigation outcomes could negatively impact SILK's or ASC Group's business, financial condition and reputation.

Access to funding

There is a risk that SILK may not be able to raise debt finance or new equity in the future to continue to pursue its business strategy and grow its business. SILK's ability to raise additional funds on favourable terms or at all will be subject to, among other things, factors beyond the control of SILK and its directors, including cyclical factors affecting the economy and share markets generally.

Infringement of third party intellectual property rights

SILK's commercial success depends at least in part on its ability to operate without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights and other proprietary rights of others (either inadvertently or otherwise). SILK cannot be certain that the conduct of its business, or ASC Group's business, does not and will not infringe, misappropriate or otherwise violate such rights.

Third parties may allege that SILK's or ASC Group's cosmetic treatments, products or activities infringe, misappropriate or otherwise violate their trademarks, patents, copyrights or other proprietary rights in an attempt to gain a competitive advantage. Defending against allegations and litigation could be expensive, take significant time and divert management's attention. SILK or ASC Group may also be required to pay substantial damages or be subject to court orders prohibiting SILK or ASC Group and their respective franchisees from engaging in certain activities. This could have a material adverse effect on SILK's or ASC Group's business, financial condition and results of operations.

SILK has a contractual right to acquire ownership of the formula for its Aesthetics RX products from the contract manufacturer. If the contract terminates prior to SILK exercising this right, SILK's right to acquire ownership of the formula will no longer be able to be exercised. This may restrict SILK's ability to continue selling the Aesthetics RX products (for example, if the owner of the formula ceases to manufacture and sell these products to SILK), which may, in turn, have an adverse effect on SILK's financial performance.

Compliance with environmental regulations

In connection with the provision of non-surgical aesthetic services, SILK's and ASC Group's clinics deal with biological and medical waste, needles, sharps and other hazardous or regulated materials, including radiation and regulated drugs. Disposal of these materials is required to comply with relevant regulations, including environmental regulations. In addition, SILK or ASC Group may be required to hold licences or other authorisations in connection with these activities.

Key risks (cont.)

Failure to comply with environmental and other regulations or hold the required licences or other authorisations relevant to the disposal of these materials may result in adverse publicity, regulatory penalties or other litigation, which may damage SILK's or ASC Group's brand and reputation. This may result in loss of clients and reduced demand for SILK's or ASC Group's services and products.

Exposure of revenues to seasonal cycles

Some of SILK's and ASC Group's revenues are seasonal in nature, driven by the time of year and SILK's or ASC Group's usual periods of discounting.

Generally, SILK generates more revenue in the first half of the financial year than second half of the financial year due to greater demand for SILK's non-surgical aesthetic treatments and products during the spring months. This is largely driven by SILK's usual promotional campaigns in the first half of the financial year (which, for example, generally leads to increased spend on Laser Hair Removal and Skin prepaid packages) and the tendency for cosmetic injectables to be delivered in the months of October to December in preparation for end of year functions and celebrations. This causes seasonal revenue variations. If SILK does not accurately assess projected seasonal demand for its (or ASC Group's) services or products, this may result in higher labour costs, lower margins and increased inventory, which may have an adverse impact on SILK's or ASC Group's financial performance.

Foreign currency risk

SILK derives its revenue in Australian dollars, and will also derive revenue in New Zealand dollars post-Acquisition. Post-Acquisition, SILK's financial performance will therefore also be affected by the value of the New Zealand dollar.

General risks relating to an investment in SILK

Equity investment risk

There are general risks associated with investments in equity capital such as SILK shares.

The price at which shares in SILK are quoted on ASX may increase or decrease due to a number of factors, many of which are outside of SILK's control and are not attributable to the underlying operations and activities specific to SILK. These factors may cause the shares in SILK to trade at prices below the price at which SILK shares are proposed to be issued under the Placement.

Some of the factors which may affect the price of the shares in SILK in addition to SILK's financial position or performance include fluctuations in the domestic and international market for listed stocks, investor sentiment, general economic conditions and outlook (including interest rates, inflation rates, exchange rates, commodity and oil prices), changes to government fiscal, monetary or regulatory policies, legislation or regulation, inclusion in or removal from market indices, the nature of the markets in which SILK operates, force majeure events, geo-political instability (including international hostilities and acts of terrorism), demand for and supply of SILK shares, operating results of SILK that may vary from expectations of securities analysts and investors, future issues of SILK shares and general operational and business risks.

No assurances can be given that the New Shares will trade at or above the price at which SILK shares are proposed to be issued under the Placement. None of SILK, SILK's Board, the Lead Managers or any other person guarantees the market performance of the New Shares.

ASX listing

ASX imposes various listing obligations on SILK which must be complied with on an ongoing basis. Whilst SILK must comply with its listing obligations, there can be no assurance that the requirements necessary to maintain the listing of the New Shares will continue to be met or will remain unchanged.

Key risks (cont.)

Taxation changes may occur

Changes in taxation law (including goods and services taxes and stamp duties), taxation rates, allowances or changes in the way taxation laws are interpreted may impact the tax liabilities or future profitability of SILK or the tax treatment of an investment in SILK.

Tax authorities may review the tax treatment of transactions entered into by SILK or ASC Group. Any actual or alleged failure to comply with, or any change in the application or interpretation of, taxation laws applied in respect of such transactions, may increase SILK's or ASC Group's tax liabilities or expose it to legal, regulatory or other actions. In addition, an investment in the shares in SILK involves tax considerations which may differ for each investor. Each prospective investor is encouraged to seek professional tax advice in connection with any investment in SILK.

Australian Accounting Standards may change

Australian Accounting Standards are set by the Australian Accounting Standards Board (**AASB**) and are outside the control of SILK and SILK's Board. The AASB may introduce new or refined Australian Accounting Standards, or interpretations of existing Australian Accounting Standards may change, which may affect future measurement and recognition of key income statement and statement of financial position items. Changes to Australian Accounting Standards or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in SILK's consolidated financial statements.

External factors

Events may occur within or outside Australia that could impact upon the Australian economy, the financial performance and financial position of SILK or ASC Group and the price of SILK's shares. The events include but are not limited to changes in government legislation and policy, changes or disruptions to political, regulatory, legal or economic conditions or to the national or international financial markets, acts of terrorism, an outbreak of international hostilities, fires, floods, earthquakes, labour strikes, civil wars, natural disasters, outbreaks of disease (such as COVID-19) or other natural or man-made events or occurrences that can have an adverse effect on SILK's or ASC Group's business. SILK has only a limited ability to insure against some of these risks.

Expected future events may not occur

Certain statements in this presentation constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and achievements of SILK or ASC Group to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements. These risks are exacerbated by the impact of the COVID pandemic.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements. In addition, under no circumstances should a forward-looking statement be regarded as a representation or warranty by SILK or any other person referred to in this presentation that a particular outcome or future event is guaranteed.

Published by the Medical Board of Australia pursuant to section 39 of the Health Practitioner Regulation National Law (as in force in each state and territory).

Appendix 1: International Selling Restrictions

International selling restrictions

This document does not constitute an offer of new ordinary shares of SILK ("New Shares") in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

International selling restrictions (cont.)

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly

Appendix 2: Summary of Acquisition Agreement

Summary of acquisition agreement

Transaction overview

SILK has agreed to acquire 100% of ASC Group from Hair & Beauty Group Pty Ltd ("Seller") pursuant to the share sale agreement between the Seller, SILK's wholly-owned subsidiary, M3K Holdings Pty Ltd (as the buyer) ("Buyer") and certain entities associated with the Seller (including each shareholder of the Seller) (as guarantors of the Seller's obligations) ("Seller Guarantors") dated 18 June 2021 in respect of the Acquisition ("Acquisition Agreement").

Consideration

The upfront consideration is a cash payment of $47.0 million on completion of the Acquisition (subject to any adjustments on and/or after completion for any debt and debt-like items, any variance to the target working capital on a dollar for dollar basis and rent arrears owed by franchisees at completion that are not paid or put onto acceptable payment plans within 12 months from completion).

The earn-out consideration of up to $5.0 million is payable in ordinary shares in SILK and will be determined as follows:

- $4.0 million in scrip consideration ("Australian Earn-out Amount") will be payable if at least 3 identified new clinics are opened in Australia as at 31 July 2021, subject to a pro-rata reduction to the extent that 2 or fewer identified new clinics are opened in Australia as at 31 July 2021 and the Australian Earn-out Amount shall be $Nil if no identified new clinics are opened in Australia as at 31 July 2021; and

- $1.0 million in scrip consideration ("NZ Earn-out Amount") will be payable if at least 3 identified new clinics are opened in New Zealand as at 31 December 2021, subject to a pro-rata reduction to the extent that 2 or fewer identified new clinics are opened in New Zealand as at 31 December 2021 and the NZ Earn-out Amount shall be $Nil if no identified new clinics are opened in New Zealand as at 31 December 2021.

No conditions precedent to completion of the Acquisition

Completion of the Acquisition is not subject to any specific conditions. The Seller is required to use reasonable endeavours to obtain the consent of landlords in respect of properties occupied by the target group but a failure to obtain any consent will not hold up completion of the proposed Acquisition, which is targeted to complete on 31 August 2021 but will be expected to be completed by 30 September 2021.

The Acquisition is not subject to FIRB approval and does not require approval from the Overseas Investment Office of New Zealandand. The ACCC has confirmed it does not intend to conduct a public review of the proposed Acquisition.

Representations and warranties

SILK, the Seller and the Seller Guarantors each make representations, warranties and covenants that are customary for a transaction of this nature, with the Seller and Seller Guarantors also giving certain indemnities in favour of SILK and the target group, including a tax indemnity.

Certain of the warranties and the tax indemnity given by the Seller and the Seller Guarantors are supported by a warranty and indemnity insurance policy on market standard terms, with a policy limit of A$23.5m.

In certain circumstances the obligation of the Seller under the Acquisition Agreement will be released. The obligations of the Seller Guarantors remain for a period of 6 years following completion of the Acquisition Agreement.

Appendix 3: Summary of Underwriting Agreement

Underwriting agreement

SILK has entered into a lead management and underwriting agreement with Wilsons Corporate Finance Limited and Ord Minnett Limited (together, the “Underwriters”) in respect of the Placement (“Underwriting Agreement”) pursuant to which the Underwriters agree to manage and underwrite the Placement on the terms and conditions set out in the Underwriting Agreement.

For details of the fees payable to the Underwriters, see the Appendix 3B released to the ASX on 18 June 2021.

The Underwriting Agreement contains representations and warranties in favour of the Underwriters.

The Underwriters’ obligations under the Underwriting Agreement (including to underwrite the Placement) are subject to the following conditions precedent:

- SILK providing the Underwriters with executed copies of the Acquisition Agreement and the binding debt commitment letter for the Acquisition debt;
- SILK applies to ASX, and is granted, a one day trading halt in accordance with the timetable set out in the Underwriting Agreement;
- SILK delivers a completed and signed due diligence questionnaire to the Underwriters in a form and substance satisfactory to the Underwriters;
- SILK lodges this presentation and the associated ASX announcement in connection with the Acquisition and the Placement (disclosing the Placement, the purpose of the Placement and any other inside information or excluded information (in a form and substance reasonably acceptable to the Underwriters)) with ASX on the date of the trading halt;
- the Acquisition Agreement and the binding debt commitment letter for the Acquisition debt remaining valid and binding, and not having been terminated, rescinded, avoided or repudiated, or varied in any materially adverse respect;
- the Underwriters having received the relevant settlement day certificate when required; and
- ASX not indicating to SILK or the Underwriters that it will not grant permission for the official quotation of the New Shares issued under the Placement, or that it will grant official quotation of the New Shares issued under the Placement subject to terms or conditions which would, in the reasonable opinion of the Underwriters, have a material adverse effect on the Placement.

The Underwriters may terminate the Underwriting Agreement in certain circumstances including:

- if the conditions precedent above are not satisfied;
- ASX advises that unconditional approval to the official quotation on ASX of all New Shares issued under the Placement will not be granted, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- SILK is unable to issue the New Shares under the Placement or withdraws the Placement;
- any circumstance arises that results in SILK either repaying the money received from applicants or offering applicants an opportunity to withdraw their application for New Shares under the Placement;
- the Acquisition Agreement is terminated, rescinded, avoided or repudiated, or varied in any material respect in a way that is adverse to SILK and its related bodies corporate without the written consent of the Underwriters;
- the Acquisition Agreement becomes incapable of completing in accordance with its terms;
- the binding debt commitment letter is terminated, rescinded, avoided or repudiated, or varied in any material respect in a way that is adverse to SILK and its related bodies corporate without the written consent of the Underwriters (other than being replaced by full form facility documentation;
- a condition to completion of the binding debt commitment letter becomes incapable of satisfaction by the time required for its satisfaction;
- SILK alters its capital structure (other than as contemplated in the Underwriting Agreement) or constitution without the Underwriters’ prior consent;

Underwriting agreement (cont.)

- a change to the chairman, managing director or CFO of SILK occurs without the Underwriters' prior consent;
- the timetable is delayed for more than one Business Day (other than as a result of events solely within the control of the Underwriters or with the prior approval of the Underwriters);
- SILK or a material subsidiary of SILK becomes insolvent (or there is an act or omission which is likely to result in any such entity becoming insolvent);
- the cleansing notice issued in connection with the Placement is or becomes defective or any amendment, update or correcting notice is required under the *Corporations Act 2001* (Cth) ("Corporations Act") to be issued;
- ASIC makes a determination under the Corporations Act in relation to SILK;
- the ASX/S&P 300 Index closes on a trading day prior to settlement day at least 10% below its level at market close on the date of the Underwriting Agreement;
- SILK does not provide the relevant settlement day certificate to the Underwriters when required, or if provided when required, that certificate is untrue, incorrect or misleading or deceptive in any material respect;
- there is an event or occurrence, including any statute, order, rule, regulation, directive or request (compliance with which is in accordance with the general practice of persons to whom the request is addressed) of any governmental agency which makes it illegal for the Underwriters to satisfy an obligation under the Underwriting Agreement, or to market or promote or settle the Placement;
- SILK or any of its directors or officers engage in any fraudulent conduct or activity whether or not in connection with the Placement;
- ASIC issues, or threatens to issue, proceedings or commences any inquiry or investigation in relation to the Placement and any such inquiry or investigation (or intention) has not been withdrawn before the settlement day;
- SILK ceases to be admitted to the official list of ASX or SILK's shares are suspended from quotation or cease to be quoted on ASX (other than a voluntary suspension requested by SILK and consent to by the Underwriters to facilitate the Placement or a trading halt referred to in the Underwriting Agreement); and
- ASX makes any official statement or indicates to SILK or an Underwriter that quotation of all of the New Shares issued under the Placement will not be granted or such approval has not been given prior to the last date for allotment under the Underwriting Agreement.

In addition, the Underwriters may also terminate the Underwriting Agreement if an event below occurs and the Underwriters have reasonable grounds to believe and do believe that the event has had, or is likely to have, a materially adverse effect on the success, settlement, outcome or marketing of the Placement, the ability of the Underwriters to market, promote or settle the Placement, or the willingness of investors to subscribe for shares under the Placement, or will or is reasonably likely to, give rise to a liability of an Underwriter or could give rise to an Underwriter contravening, or being considered to be in contravention of any applicable law:

- SILK is in breach of the Underwriting Agreement, or any representation or warranty made or given by SILK in the Underwriting Agreement is not true or correct when made or taken to be made;
- SILK is in breach of the Corporations Act, the ASX Listing Rules, its constitution or other applicable laws, or has failed to comply with its continuous disclosure obligations or its constitution;
- a party to the Acquisition Agreement is or becomes in material default of any of the terms and conditions of the Acquisition Agreement;
- a party to the binding debt commitment letter is or becomes in material default of any of the terms and conditions of the binding debt commitment letter;
- a change to any member of the board of directors of SILK (other than the chairman or managing director of SILK) occurs without the Underwriters' prior consent;

Underwriting agreement (cont.)

- any licence, lease, permit, concession or authorisation of SILK or its controlled entities is, or is likely to be, invalid, revoked or unenforceable, or is breached or not complied with in a material respect;
- any adverse change or effect occurs, or an event occurs which is likely to give rise to an adverse change of effect, in the condition (financial or otherwise), assets, earnings, business, affairs, liabilities, financial position or performance, results of operations, profits, losses or prospects of SILK from that existing at the date of the Underwriting Agreement;
- legal proceedings against SILK or any other member of SILK's group is commenced or any regulatory body commences any enquiry or public action against SILK or any other member of SILK's group;
- any statement relating to future matters in the offer documents given to ASX in connection with the Placement (including this presentation and the associated ASX announcement in connection with the Acquisition and the Placement) is or becomes incapable of being met or, in the reasonable opinion of either Underwriter, unlikely to be met in the projected timeframe;
- any offer document given to ASX in connection with the Placement (including this presentation and the associated ASX announcement in connection with the Acquisition and the Placement) includes a statement or fact that is misleading or deceptive or omits to state a fact necessary in order to make the statements, in light of the circumstances under which they were made, not misleading or deceptive;
- a new circumstance arises which is a matter adverse to investors in New Shares under the Placement and which would have been required by the Corporations Act to be included in the offer documents given to ASX in connection with the Placement (including this presentation and the associated ASX announcement in connection with the Acquisition and the Placement) had the new circumstance arisen before those offer documents were given to ASX;
- any regulatory body commences, or announces an intention to commence, any public action against an office of SILK in his or her capacity as an officer of SILK, or an officer of SILK is charged with an indicatable offence or is disqualified from managing a corporation under the Corporations Act;
- there is an outbreak or a major escalation of hostilities (whether war is declared or not) involving any one or more of Australia, New Zealand, the United States of America, Japan, the United Kingdom, the People's Republic of China and the Hong Kong Special Administrative Region, or a significant terrorist attack is perpetrated on any of those countries or any diplomatic, military, commercial or political establishment of any of these countries;
- there is introduced or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State of Australia, a new law, or the Reserve Bank of Australia, or any Commonwealth or State authority, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement), that prohibits or regulates, or is likely to prohibit or regulate, the Placement, capital issues or stock markets; or
- any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, New Zealand, the United States of America, Japan, the United Kingdom, the People's Republic of China and the Hong Kong Special Administrative Region is declared by the relevant central banking authority in any of those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX, the London Stock Exchange, the New York Stock Exchange, the Hong Kong Stock Exchange or the Tokyo Stock Exchange is suspended or limited in a material respect for more than one day on which that exchange is open for trading; or
  - any adverse change or disruption to the political conditions or financial markets of Australia, New Zealand, the United States of America, Japan, the United Kingdom, the People's Republic of China and the Hong Kong Special Administrative Region, or the international financial markets or any change involving a prospective adverse change in the political, economic or financial conditions of Australia, New Zealand, the United States of America, Japan, the United Kingdom, the People's Republic of China and the Hong Kong Special Administrative Region existing as at the date of the Underwriting Agreement.

If the Underwriters elect to terminate their obligations under the Underwriting Agreement, the Underwriters will be immediately discharged of their obligations under the Underwriting Agreement.

For further information please contact:

Investors

Heidi Lord
Investors Relations

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

Media

Alex Beashel
Corporate Communications

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

Corporate

Martin Perelman
Chief Executive Officer

D +61 08 7225 6489

SILK

LASER CLINICS

silklaser.com.au