



ASX Announcement
TOTAL FACE GROUP LIMITED
Ernst and Young Strategic Review Update

18th October 2017

Total Face Group Ltd (ASX:TFG) (“TFG” or “Company”) has received the results of the independent strategic review into its operations and capital structure as announced on 31 August 2017.

The review was undertaken by Ernst and Young Transaction Advisory Services (EYTAS) following the receipt of a number of informal and inconclusive approaches from private equity firms and other groups who had expressed interest in a range of commercial and restructuring options, which may ultimately result in the takeover of the Company or the recapitalization of TFG.

The TFG Board has carefully considered the recommendations of the review against what it considers to be in the best interests of TFG shareholders. The board has decided it is appropriate to commence a process in response to the recommendations outlined by EYTAS.

A summary of the EYTAS review’s findings are:

- highlighted the significant organic growth opportunities within the existing clinic footprint;
- validated the robustness of the Company’s operating model around the key inputs of cost of supplies, labour and infrastructure;
- confirmed the Company’s view that its trading results, both top line and bottom line, will continue to strengthen as treating clinical staff utilization increases;
- further confirmed that the Company has enough clinic infrastructure to accommodate the significant organic growth opportunities with very little need for further investment for organic growth; and
- validated the Company’s buy-build strategy.

However, the critical finding of the EYTAS review was its conclusion that the Company will not be able to execute fully on its 24-month acquisition plan without securing additional funding.

The Board considers that putting the Company's acquisition strategy on hold would undermine the Company's leadership position and put at risk its significant non-organic growth opportunities.

For this reason, the Board has formally engaged EYTAS to provide further strategic advice and implementation options with the aim of maximising value for the Company and its shareholders and enabling it to appropriately fund the Company's 24 month acquisition plan.

At this stage it is too early to provide further advice as to the potential structure, terms or outcomes. The Board notes that there is no certainty that this process will result in a definitive proposal or transaction for TFG nor whether any such proposal or transaction would be acceptable to or recommended by the Board.

TFG will continue to implement the identified operating initiatives to improve earnings, including the acquisition of Artisan Cosmetic Rejuvenation Clinic, the closure of underperforming sites and the restructure of key operational roles. The relocation of the Melbourne CBD clinic to a flagship site on Exhibition Street is now complete.

The Company will update the market on the process in due course.

END

TOTAL FACE GROUP LIMITED

PO Box 317, Collins Street West, Melbourne VIC 8007

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