

ADOREBEAUTY

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Adore Beauty Group Limited
ABN 78 636 138 988

ASX ANNOUNCEMENT

15 February 2022

Adore Beauty delivers record revenue, re-investing for growth

Adore Beauty Group Limited (**ASX: ABY**) (**Adore Beauty** or **Company**), Australia's number one pureplay online beauty retailer¹, has released its results for the six months ended 31 December 2021 (**H1 FY22**).

H1 FY22 Highlights:

- Record revenue, customer numbers and multiple record trading days achieved
- Revenue up 18% on PCP to \$113.1 million, 2-year CAGR of 47%
- Active customers increased 13% on PCP to 876k², 2-year CAGR of 43%
- Returning customer growth of 56% on PCP³, 2-year CAGR of 58%
- Gross profit margin of 33.1%, up 0.6 percentage points on PCP, underpinned by product margin expansion and brand funding
- EBITDA of \$3.8 million (2-year CAGR of 44%) and EBITDA margin of 3.3%, in line with guidance⁴ and reflecting re-investment
- Strong financial position with \$25.1 million cash as at 31 December and no debt

Commenting on the Company's H1 FY22 performance, Adore Beauty CEO Tennealle O'Shannessy said, "Adore Beauty has delivered another strong financial result with record revenue, active customers and multiple record trading days, one of which was achieved post-lockdown. Valuable returning customers were the key growth driver in H1 FY22, growing 56% on the prior period and delivering 71% of revenue. These loyal returning customers become more valuable the longer they are with us, increasing their basket size and order frequency every year they spend on our platform."

¹ Adore Beauty is the leading pureplay online beauty retailer in Australia, based on management estimates.

² Active customers refer to customers who have ordered in the last 12 months; comparison of CY21 to CY20.

³ Returning customers are customers who have previously placed an order on the Adore Beauty website; comparison of CY21 to CY20.

⁴ EBITDA margin in line with guidance provided in FY21 results media release on 30th August 2021 "Adore Beauty expects to maintain a 2-4% EBITDA margin in the short to medium term while reinvesting to drive above market growth".

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"The disciplined investment we have made in content engagement, brand building, and our growing organic channels, is showing strong early results. Our highly engaged customers have subscription-like retention rates, with 71% of revenue coming from returning customers who order on average three times per year. This reflects the underlying strength of the business, our exceptional customer experience, and the high frequency nature of premium beauty purchase."

"Our owned marketing channels are also positively impacting marketing costs, which are trending significantly below industry inflation. We continue to re-invest in our longer-term strategic priorities, including private label, mobile app, loyalty and adjacency expansion, which support future outperformance and increase our market share within an \$11 billion category benefitting from significant structural tailwinds."

H1 FY22 Operational Highlights:

- Annual revenue per active customer⁵ up 5% on PCP to \$224, driven by higher average order values and increasing proportion of returning customers
- Industry-leading customer satisfaction scores with a Google Review rating of 4.9/5⁶
- Executing strongly on longer-term strategic priorities:
 - Scaling native iOS and Android mobile app, driving higher levels of engagement, conversion and AOV; contributed 5.6% of revenue in Q1, increasing to 7.9% in Q2
 - Growing loyalty program with continued strong member sign-ups, including >95% of the top customer tier; nominated for Inside Retail's Loyalty Program of the Year
 - Expanding owned marketing channels and community is driving industry-leading organic website traffic share⁷ and 16.5% growth in content-driven impressions⁸
 - Strong growth in adjacent categories; Fragrance up 43% on PCP to 4.1% of total revenue, Korean Beauty grew 98% on PCP to 2.2% of total revenue
 - On track to launch first Private Label skincare brand in Q4

Commenting on the Company's operational highlights from H1, Adore Beauty CEO Tennealle O'Shannessy said, *"We are executing on the strategic priorities that accelerate our growth trajectory and increase the lifetime value of customers. We continue to scale our mobile app and loyalty program, which are resonating with customers and delivering higher order values and annual revenue per customer."*

⁵ Annual revenue per active customer in CY21.

⁶ Based on 29,012 reviews, as at 19/01/2022 sourced

<https://www.google.com/shopping/customerreviews/merchantreviews?q=adorebeauty.com.au>

⁷ As at end of H1 FY22. Analysis of share of Share of Voice (SOV) for shared keywords/terms compared with peer competitor set including department stores, omnichannel specialists and pureplay retailers. Source: Accrunker.

⁸ Content-driven impressions measures total consumption of podcast episodes, social content views (Instagram, Facebook, YouTube and Tiktok) including videos, posts, articles, tutorials and educational longer form videos.

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"We are rapidly expanding our owned marketing channels to capitalise and fortify our first-mover advantage, driven by content, range and a best-in-class customer experience. Our diversified content strategy has created a highly engaged and loyal community, with new podcasts appealing to a broader range of consumers. Our content-first approach is helping establish us as the destination for discovery, introducing customers to products 'they didn't know they needed' as a trusted and authentic source of beauty information. Importantly, our owned marketing channels enable us to cost-effectively engage, retain and grow the lifetime value of our customers, reducing our reliance on competitive paid channels."

Strong balance sheet and capital efficient

Adore Beauty is well-positioned for future growth with a cash balance of \$25.1 million as at 31 December 2021, and no debt. In line with normal Q2 seasonal requirements and promotional activity, the Company invested in additional inventory, which also provides protection against potential supply chain disruptions. Importantly, prudent stock management has ensured inventory turnover is in line with PCP. Adore is capital efficient and has a healthy balance sheet, providing the flexibility to pursue its strategic initiatives to accelerate future growth.

Trading Update & Outlook

Adore Beauty continues to benefit from the structural shift to online, which combined with new customer growth, high levels of retention, and growing brand awareness, strongly positions the Company for future growth.

The overall positive trading momentum seen in the first half has continued into the second half (H2), with revenue growth over the first six weeks of H2 increasing 14% on PCP⁹. However, the Company notes that there is ongoing uncertainty given the current COVID situation.

Adore is executing a clear and robust growth strategy to cement its online market leadership position, and it is well positioned to capture market share in a large and growing market benefitting from structural tailwinds.

Adore reaffirms its target to achieve an EBITDA margin of 2-4% in the short to medium term while reinvesting to drive above market growth. In the longer term, as the business grows, scale benefits are expected to increase operating leverage and deliver further EBITDA margin expansion.

⁹ Revenue based on unaudited management accounts. Comparison of 1 January 2022 – 11 February 2022 against PCP.

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Investor conference call details

An investor conference call will be held this morning at 10:30am AEDT. Attendees will have the opportunity to ask questions at the end of the presentation.

Teleconference: Participants can register for the conference at: <https://sl.c-conf.com/diamondpass/10019122-sdm3222.html>, or alternatively dial 1800 455 963 (Australia toll free) or +61 2 9007 8048, and provide the conference ID **10019122** to the operator.

Webcast link: <https://ccmediaframe.com/?id=Z9hbeo6P>

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This announcement was authorised by the Board of Directors.

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Appendix

A\$M	H1 FY20	H1 FY21	H1 FY22	H1 FY22 vs H1 FY20 Mvmt	H1 FY20 – H1 FY22 CAGR	H1 FY22 vs H1 FY21 Mvmt
Revenue	52.0	96.2	113.1	117%	47%	18%
Gross Profit	16.2	31.2	37.4	131%	52%	20%
EBITDA ¹⁰	1.8	5.2	3.8	108%	44%	-27%
EBITDA Margin ¹¹	3.5%	5.4%	3.3%	-0.2ppts	N/A	-2.1ppts

About Adore Beauty

¹⁰ Historical EBITDA comparisons include proforma adjustments.

¹¹ EBITDA margin in line with guidance provided in FY21 results media release on 30th August 2021 "Adore Beauty expects to maintain a 2-4% EBITDA margin in the short to medium term while reinvesting to drive above market growth".

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Launched in 2000 as Australia's first beauty focused e-commerce website with a vision to help customers feel more confident and fabulous every day by delivering an empowering and engaging beauty shopping experience personalised to their needs. Adore Beauty has evolved to an integrated content, marketing and e-commerce retail platform that partners with a broad and diverse portfolio of more than 270 brands and 11,700 products. Adore Beauty operates in Australia and New Zealand. For further information please visit www.adorebeautygroup.com.au

Forward Looking Statements

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Adore Beauty's current expectations, estimates and projections about the industry in which Adore Beauty operates, and beliefs and assumptions. Forward looking statements can generally be identified by the use of forward looking words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'will', 'could', 'may', 'target', 'plan' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Adore Beauty, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward -looking statements. Adore Beauty cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Adore Beauty only as of the date of this release. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Adore Beauty has no obligation to release publicly any revisions or updates to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

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