Adore Beauty Group Limited
ABN 78 636 138 988

ASX ANNOUNCEMENT

14 November 2022

Annual General Meeting – Presentation and Addresses

Adore Beauty Group Limited (ASX: ABY) (**Adore Beauty**) attaches a copy of the presentation and addresses to be made at today's Adore Beauty Annual General Meeting.

This announcement was authorised for release to the ASX by the Adore Beauty Board.

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About Adore Beauty
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 12,000 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.

2022

ANNUAL GENERAL MEETING

14 November 2022

ADOREBEAUTY GROUP

BEAUTY DONE BETTER.

LOOKING TO THE FUTURE BY BUILDING ON OUR PAST

ADORE BEAUTY BOARD AND MANAGEMENT

MARINA GO
Chair
Non-Executive Director

KATE MORRIS
Executive Director

JAMES HEIGHT
Executive Director

SANDRA BIRKENSLEIGH
Non-Executive Director

LISA HENNESSY
Non-Executive Director

TENNEALLE O'SHANNESSY
Chief Executive Officer

STEPHANIE CARROLL
Chief Financial Officer

CHAIR’S ADDRESS

CEO REPORT

SUSTAINABLE REVENUE GROWTH

VALUABLE RETURNING CUSTOMERS GROWING STRONGLY

FY22 RESULTS

$200M
REVENUE
+11% ON PCP
+28% 2-YEAR CAGR

33.3%
GROSS PROFIT MARGIN
+0.3 PPTs ON PCP

$5.3M
EBITDA[1]
-30% ON PCP
+4% 2-YEAR CAGR

$29.8M
CASH[2]
+2.6% ON PCP

872K
ACTIVE CUSTOMERS[3]
+7% ON PCP
+22% 2-YEAR CAGR

+31%
RETURNING CUSTOMERS[4]
+115% ON FY20

MARKET LEADER IN GROWING $1.5B ONLINE BEAUTY & PERSONAL CARE MARKET

INVESTMENTS IN STRATEGIC PRIORITIES ARE DRIVING STRONG GROWTH IN VALUABLE RETURNING CUSTOMERS

CASH FLOW POSITIVE & STRONG CASH BALANCE

1. 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".
2. Balance as 30 June 2022 compared to 30 June 2021.
3. Active customers refer to customers who have ordered in the last 12 months; PCP is the 12-month period to 30 June 2021..
4. Returning customers are customers who have previously placed an order on the Adore Beauty website; +31% refers to growth on 12 month period to 30 June 2021.

STRATEGY DRIVING TOPLINE GROWTH

INITIATIVES TO SUPPORT GROWTH ACROSS ALL KEY CUSTOMER METRICS

ADOREBEAUTY GROUP

STRATEGIC PRIORITY

MOBILE APP	LOYALTY	OWNED MEDIA AND BRAND AWARENESS	INCREASE PRODUCT OFFERING	OWNED BRANDS

FY22 OUTCOMES DELIVERED

MOBILE APP
- Contributed 11.3% of revenue and scaling
- Delivering higher levels of engagement, AOV and conversion

LOYALTY
- Member sign-ups exceeding expectations, >95% of most valuable customer tier
- Loyalty members contribute 60% of revenue
- Hosted 16 loyalty virtual events

OWNED MEDIA AND BRAND AWARENESS
- Industry-leading organic website traffic share[1]
- ~4.3 million podcast downloads[2], launched five new podcasts, nominated for Australian Podcast Awards Best Branded Content Podcast

INCREASE PRODUCT OFFERING
- Onboarded 29 new brands
- Grew adjacent categories, Fragrance and Korean Beauty now account for 4.1% and 2.5% of total revenue respectively

OWNED BRANDS
- Launched first owned skincare brand, Viviology
- First month sales well exceeded internal expectations

1. Measured as at end of 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: Accuranker.
2. Downloads since launch to 30 June 2022. Source Omny podcast platform.

RECORD REVENUE FROM HIGHER-VALUE CUSTOMERS

MORE RETURNING CUSTOMERS DELIVERING HIGHER ANNUAL SPEND

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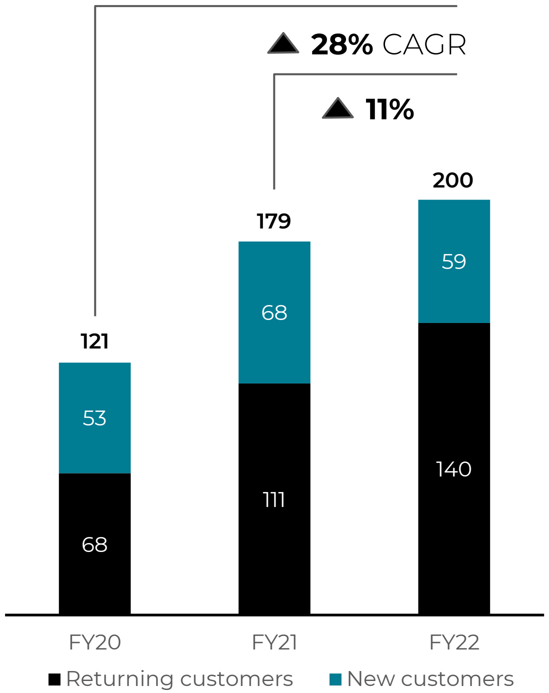
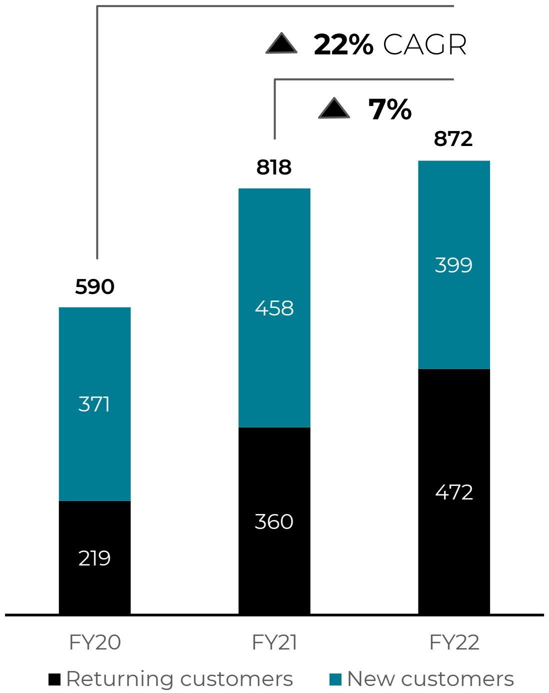
REVENUE ($A MILLION)



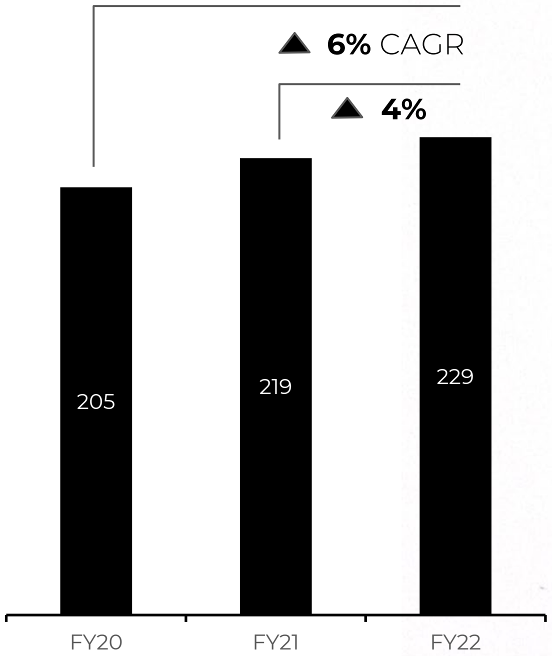
Returning customers are the largest contributor to growth, now accounting for 70% of all revenues (up from 62% in FY21 and 56% in FY20)

ACTIVE CUSTOMERS[1] ('000)



Higher proportion of returning customers, who spend more, more often. New customer growth remains above pre-COVID-19 levels as we move into more "normal" conditions

ANNUAL REVENUE PER ACTIVE CUSTOMER[1] ($A)



Higher annual revenue per active customer reflects importance of returning customers and strong Average Order Value (AOV) growth

1. Active customers refer to customers who have ordered in the last 12 months; PCP is the 12-month period to 30 June 2021.

TRACK RECORD OF DELIVERING LONG-TERM YOY GROWTH

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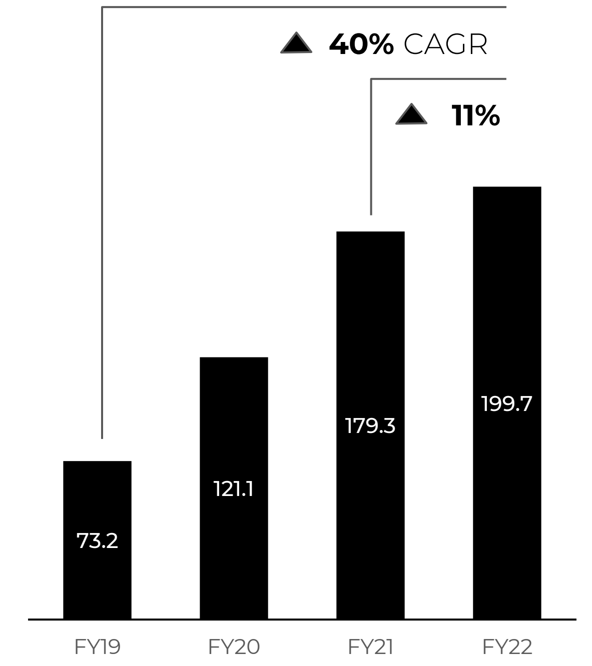
RECORD REVENUE AND GROSS PROFIT MARGIN

REVENUE ($A MILLION)

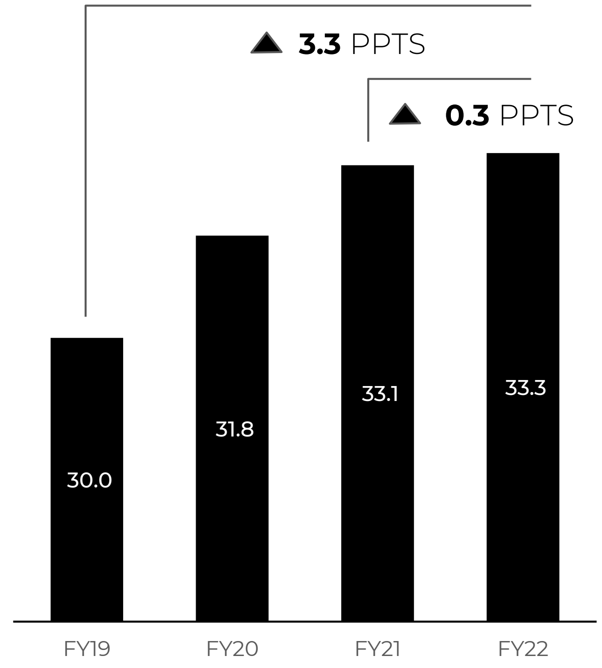


Strong revenue growth

Growth driven by returning customers

Key promotional events delivering record trading days, including in non-lockdown periods

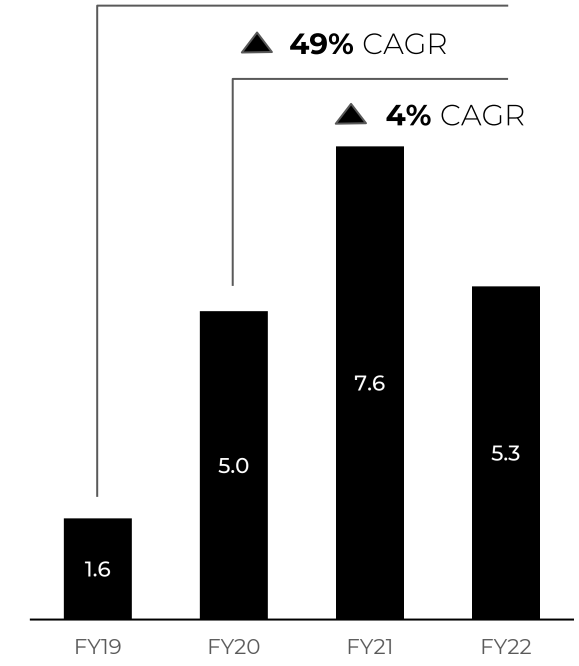
GROSS PROFIT MARGIN (%)



Improving gross profit margin

Improved supplier terms and increased brand co-funding

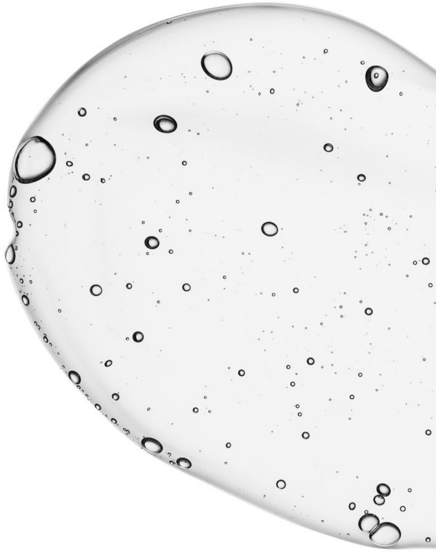
EBITDA ($A MILLION)



Re-investing in strategic priorities

EBITDA of $5.3 million

EBITDA margin of 2.7%, in line with guidance[1]



1. 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".

RETURNING CUSTOMERS CONTRIBUTE 70% OF REVENUE AND SHOP 3X A YEAR

CONTENT & OWNED CHANNELS COST-EFFECTIVELY RETAINING CUSTOMERS

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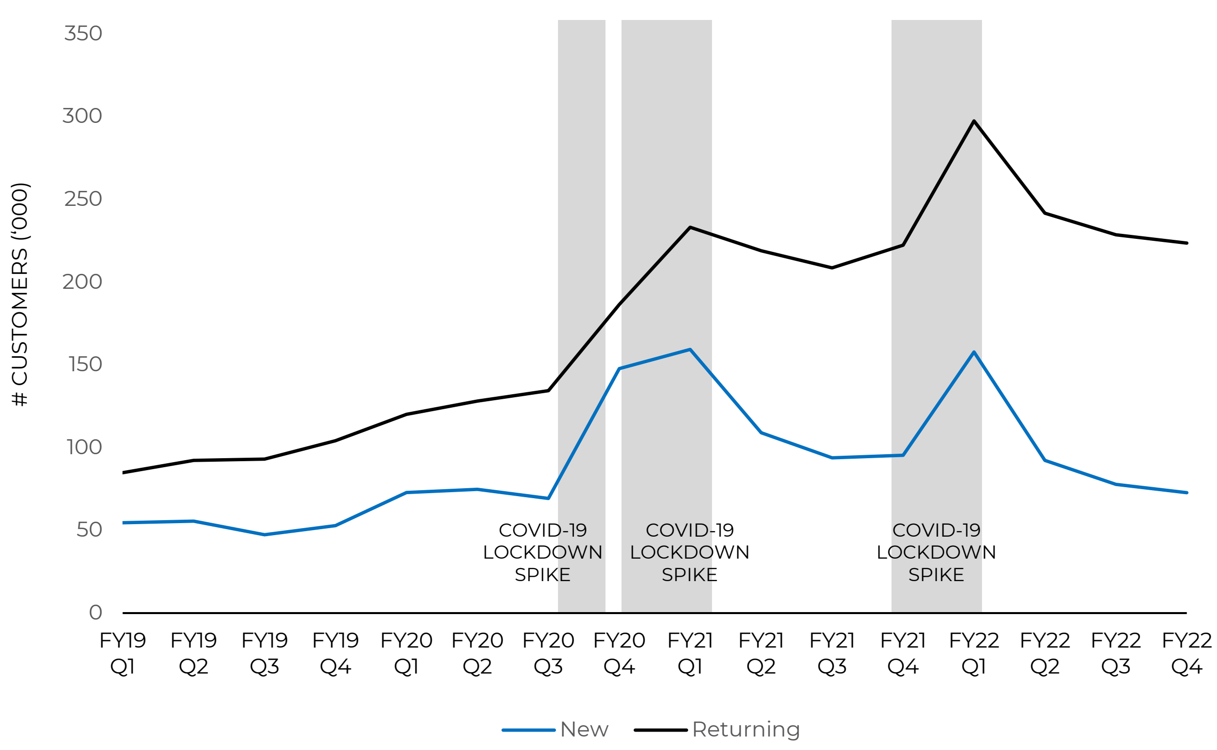
SUPERIOR LOYALTY METRICS OVER TIME[1]

70% of revenue from returning customers who shop **~3x** per year

- Normalised operating environment seeing return to more sustainable growth rates off elevated base
- 31% annual growth in returning customers (up 115% on FY20) reflects high retention of customers acquired during lockdowns
- Growth in returning customers offset decline in new customers, resulting in 2-year active customer growth of 48%
- FY22 aggregated retention[2] of 57.7%, down 3.3ppts on PCP due to cycling of significant volume of new customers acquired during COVID-19
- Retention rates subscription-like after just two years on platform
- Strategic initiatives such as Mobile App and Loyalty to reduce year-one churn and improve retention

NUMBER OF CUSTOMERS



1. Returning customer period of FY22; Average order frequency period of FY18-FY22.
2. Aggregated active customer retention rate = (Active Customers as at the end of the relevant year – Active Customers acquired during the relevant year) divided by Active Customers as at the commencement of the relevant year.

LIFETIME VALUE GROWS TO 8X ACQUISITION COST

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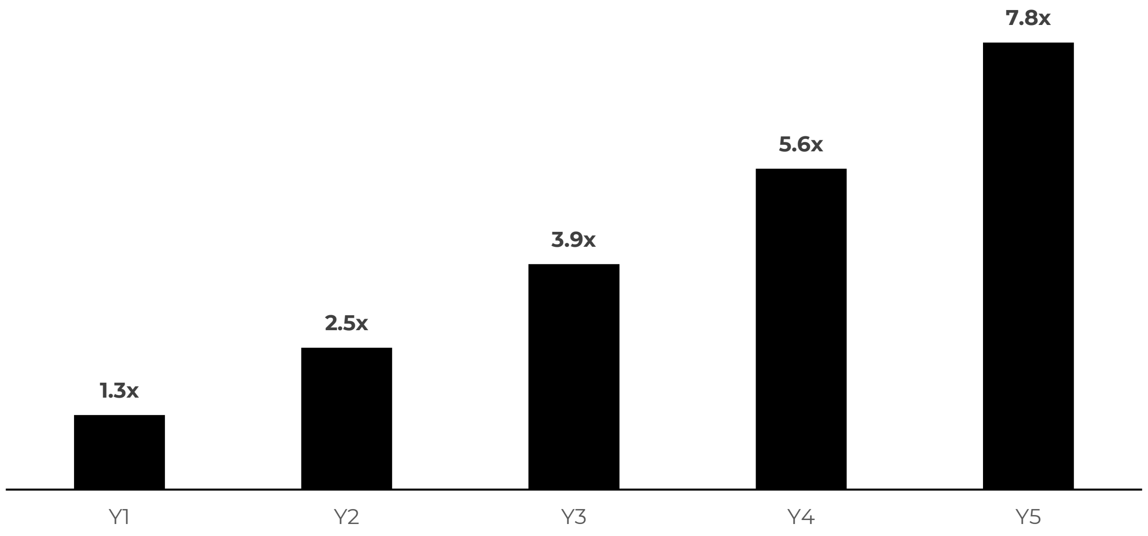
PERSONALISATION, LOYALTY & EXPERIENCE SUPPORTING LTV GROWTH

AVERAGE LTV/CAC BY YEAR[2]



- Strong unit economics
  - FY22 LTV/CAC[1] was 0.7x, meaning investment in customer acquisition is recovered in just over one year
  - Year-1 average LTV/CAC is tracking at 1.3x[2]
  - By year-5, LTV is almost 8x acquisition cost
- Marketing cost inflation offset by 70% of orders coming from repeat customers and annual revenue per active customer increasing by 4%
- Increased brand co-funding cost-effectively scaling marketing, supporting acquisition
- Investments in content, mobile app, brand awareness and loyalty program improving customer engagement, retention and LTV

1. LTV/ CAC ratio measures effectiveness of marketing and advertising. LTV (Lifetime Value) is calculated as the cumulative contribution margin (where contribution margin is gross profit margin less bank and merchant fees) generated from the relevant customer cohort, net of customer churn for that cohort . CAC (Customer Acquisition Cost) represents the total advertising expense (this is a fully loaded advertising cost, including cost related to acquiring new and retargeting returning customers, and also includes brand awareness above the line (ATL) spend) over a period of time per new customer acquired during that period).
2. Calculated over FY18 – FY22 period.

SUSTAINABLE AND ETHICAL OPERATIONS

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AN INCLUSIVE EMPLOYER WITH DIVERSE REPRESENTATION ACROSS CONTENT

DIVERSITY AND INCLUSION

- Recognised as an Inclusive Employer by the Diversity Council of Australia
- Founding partner of Encoreship, a program to support women returning to work
- Industry-leading representation of women in leadership
- Global Shades

REDUCING PACKAGING

- New smaller box size, reducing cardboard and plastic tape usage
- Partnering with brands to reduce/ eliminate non-recyclable packaging
- 100% of packaging and void fill is recycled and recyclable

SUSTAINABLE, ETHICAL OPERATIONS

- Re-signed >230 brand contracts with updated Modern Slavery clauses
- Installed onsite cardboard compactor, recycling >75 tonnes of cardboard
- Recycling soft plastic into reusable products
- Green power used at Customer Fulfilment Centre and HQ

LONG-TERM STRATEGY
TO DRIVE EARNINGS ACCRETION

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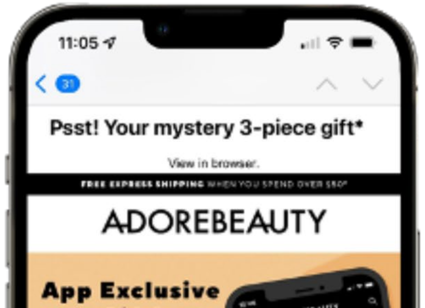
1 GROW PRODUCT OFFERING

- Increase core skincare, haircare, makeup product offering
- Expand adjacencies – sex, fragrance, men's, wellness
- New addressable markets

2 PERSONALISATION & MOBILE APP

- Scale mobile app
- Increase data-driven personalisation
- Improve user experience, site speed and conversion



3 CONTENT, LOYALTY & OWNED MEDIA

- Expand content & owned media channels
- Increase brand co-funding
- Expand loyalty programs
- Grow brand awareness

4 OWNED BRANDS & INTERNATIONAL

- Launch, acquire & scale owned brands
  - International expansion and new distribution channels
  - Margin expansion
- Increase footprint in NZ; New geographic regions

STRATEGY TO DRIVE LONG-TERM MARGIN EXPANSION

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SCALE OWNED BRANDS, OWNED MEDIA CHANNELS TO DRIVE IMPROVEMENTS

REVENUE GROWTH

- Increased scale, new products
- Acquiring and retaining customers with higher lifetime value
- Expansion into new markets and geographies
- M&A

IMPROVE GROSS PROFIT MARGIN

- Owned brands with higher margins
- Improved supplier terms
- Attractive adjacency expansion

REDUCE MARKETING EXPENSE

- Growing owned media channels: app, loyalty, media platform
- Increased revenue contribution from returning customers
- Increased brand-funding
- Improved brand awareness, supporting customer acquisition
- Reduce reliance on paid marketing channels

TARGETING MARGIN EXPANSION OVER THE LONG TERM

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A CLEAR PATH TO MARGIN EXPANSION

TARGETS DRIVING MARGIN EXPANSION[1]

FY22

- Investment in development of owned brands
- Mobile app contributed 11.3% of revenue

EBITDA 2.7%

Growing EBITDA

FY27 TARGET

- Owned brands to contribute 10% of revenue at gross margin target of 80%+
- Mobile app to contribute up to 30% of revenue
- Increased brand funding contribution
- Strategic initiatives to drive top line growth
- Operating leverage benefits
- M&A

EBITDA 8%-10%

Growing EBITDA

LONG TERM TARGET

- Owned brands to contribute 15%+ of revenue
- New geographic regions
- M&A

EBITDA 10%+

1. Management targets, not a forecast. Based on management estimates and subject to the execution of the strategic initiatives in this presentation.

STRUCTURAL TAILWINDS TO DRIVE FUTURE GROWTH

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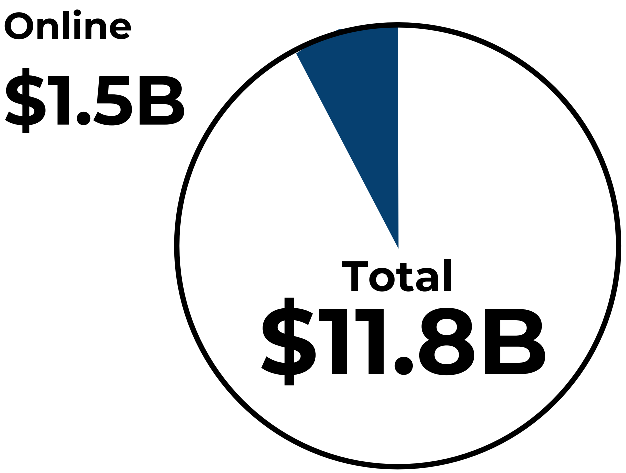
MARKET LEADER IN A GROWING & RESILIENT SEGMENT

LARGE ADDRESSABLE MARKET

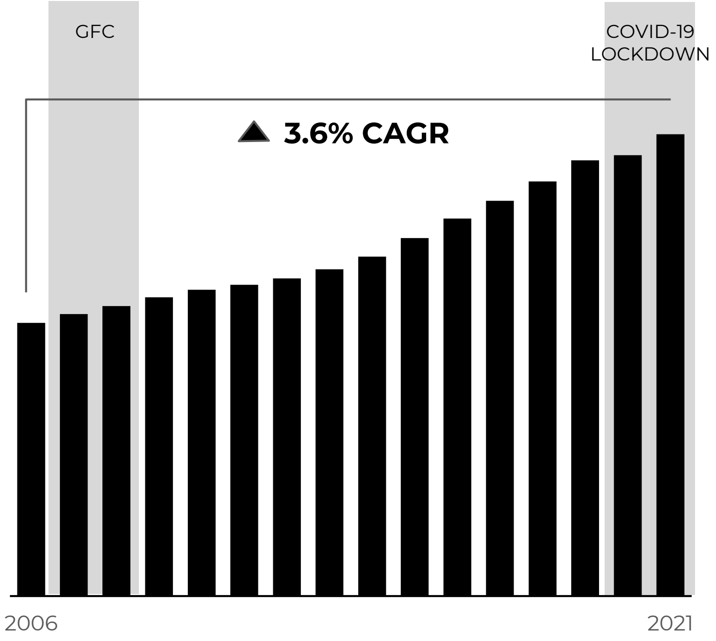
AUSTRALIAN BEAUTY AND PERSONAL CARE (BPC) MARKET 2021[1]



Online BPC sales account for $1.5b, or 12.7% of total market
Forecast to increase to $3.5b by 2026, representing 23.6% of total BPC market[2]

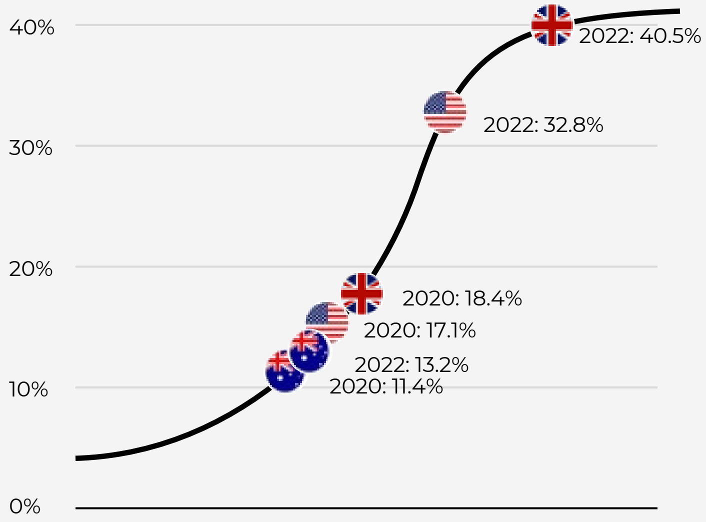
A RESILIENT CATEGORY

BEAUTY AND PERSONAL CARE MARKET GROWTH (2006-2021)[3]



ONLINE ADOPTION SIGNIFICANTLY BEHIND MORE MATURE MARKETS

BEAUTY AND PERSONAL CARE ONLINE ADOPTION CURVE[1]



1. Frost & Sullivan – The Online Retail Market (Australia and New Zealand) – July 2022.
2. Noting that according to F&S forecast, growth is expected to be lower in CY22 and CY23, at 7.4% and 13.1% respectively, coming off accelerated growth of CY20 and CY21.
3. Source: Euromonitor International Beauty and Personal Care May 2022.

FY23 UPDATE & OUTLOOK

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- Q1 revenue of $45.4 million, down 29% on the prior corresponding period (PCP) when most of Australia was in lockdown; revenue is up on the two most recent quarters[1]
  - Strong growth in returning customers, up 14% on PCP , and up 85% on a 2-year basis
  - Active customers of 791k, down 9% on PCP , and up 12% on a 2-year basis, reflecting year-one churn and normalised new customer growth
  - Expecting a return to double-digit revenue growth in H2 as it finishes cycling COVID lockdown growth
- Company reaffirms that it expects to remain profitable on a full-year basis in FY23, and expects to return to a 2-4% EBITDA margin range for the full year in FY24
- Adore Beauty is stepping up investment in strategic initiatives that drive margin expansion
  - Targeting 8-10% EBITDA margin by FY27 with the mobile app and owned brands contributing ~30% and 10% of revenue respectively[2]
  - Longer-term, targeting EBITDA margin of 10%+ as owned brands contribution increases to 15%+ and new geographies unlock revenue opportunities[2]
- Strong balance sheet provides flexibility to execute growth strategy, pursue opportunities

1. Revenue based on unaudited management accounts.. Q1 FY22 revenue grew 25%, H1 FY22 revenue up 18%..
2. Management targets, not a forecast. Based on management estimates and subject to the execution of the strategic initiatives in this presentation.

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GROWING PORTFOLIO OF OWNED BRANDS

AB LABS IS ADORE'S FIRST MASTHEAD BRAND

- Initial range features two skincare-led sunscreens
  - Formulated with cosmeceuticals
  - Designed for different skin types and concerns
- Developed in response to engagement with loyalty members
  - 80% said they would wear SPF everyday if it incorporated cosmeceuticals
- Third SKU launching in early 2023
- First owned brand, Viviology, continues to outperform internal expectations


POPSUGAR.

Adore Beauty Surveyed Its Shoppers About SPF Use and The Results Were *Very* Surprising

RUBY FENELEY

3 weeks ago

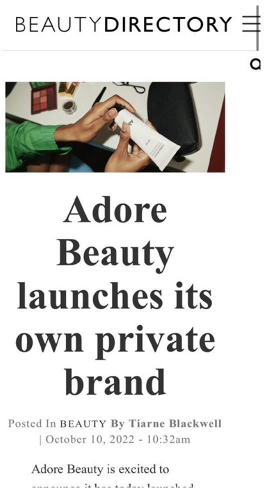

PROFESSIONAL PROFESSIONAL |

HEALTH & BEAUTY

How Adore aims to fill "gaps in the market" with new house brand AB Lab

Dean Blake

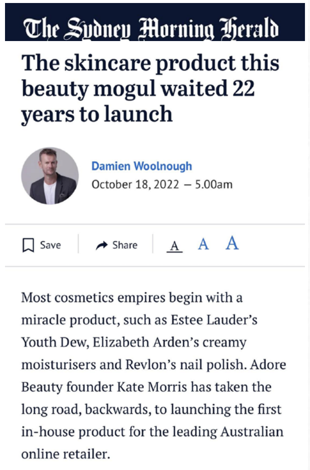
October 9, 2022 | 3 mins read


BEAUTYDIRECTORY

Adore Beauty launches its own private brand

Posted In BEAUTY By Tiarne Blackwell | October 10, 2022 - 10:32am

Adore Beauty is excited to


The Sydney Morning Herald

The skincare product this beauty mogul waited 22 years to launch

Damien Woolnough

October 18, 2022 — 5.00am

Save Share A A A

Most cosmetics empires begin with a miracle product, such as Estee Lauder's Youth Dew, Elizabeth Arden's creamy moisturisers and Revlon's nail polish. Adore Beauty founder Kate Morris has taken the long road, backwards, to launching the first in-house product for the leading Australian online retailer.

DISCLAIMER

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A number of figures, amounts, percentages, estimates and calculations of value 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.

All dollar values are in Australian dollars (A$), unless otherwise stated.

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ADOREBEAUTY

AUSTRALIA'S ONLINE BEAUTY STORE

WWW.ADOREBEAUTY.COM.AU

CHAIR'S ADDRESS

Before I hand over to CEO Tennealle O'Shannessy to provide an update on the 2022 financial year, I would like to make a few comments as your Chair.

For more than 20 years, Adore Beauty has been disrupting the traditional beauty shopping experience. The Company has grown to become Australia's leading pure play online beauty retailer and a destination for beauty discovery, introducing loyal customers to new brands and products 'they didn't know they needed'.

In FY22, Adore Beauty continued to capitalise on its first mover advantage to increase customers and revenue within Australia's growing $11.8 billion beauty and personal care market. Within this broader category, Adore Beauty is the leader of the fastest growing segment - the $1.5 billion online market. Online currently represents 12.7% of the total category but is forecast to grow four times faster than the broader market over the next four years to account for almost 24% of all sales in 2026.

Despite strong historical and forecast growth, Australia is still many years behind more mature markets such as the UK and US, where online already represents 40.5% and almost 33% of sales respectively. We know from these markets that the online leader takes the lion's share of growth as ecommerce penetration increases, highlighting the long-term opportunity for us as the nation's incumbent.

While classed as discretionary retail, shopping for premium beauty is different. Adore Beauty indexes highly in skincare and haircare - products our customers use daily, consider essential and frequently re-purchase. Our products are small, everyday luxury items that consumers purchase irrespective of economic conditions.

Our returning customer behaviour reflects the nature of premium beauty, with our loyal and highly engaged returning customers contributing 70% of all revenues in FY22. On average our returning customers order from us three times a year, increasing their basket size and order frequency each year they remain on the platform.

Key to our customer engagement is our authentic content across podcasts, blogs, TikTok and YouTube, supporting product discovery and education. For our brands, our content strategy enables us to become an effective marketing partner, not just another distribution channel.

In FY22, Adore Beauty continued to build out its owned content and marketing channels, and laid the foundations of its five-pillar growth strategy to ensure we remain ahead of competitors on all fronts. We scaled our mobile app and loyalty program, refined our unmatched product offering, and successfully launched our first owned brand. Viviology is our first skincare range and is key to diversifying our revenue and margin profile, and unlocking additional growth opportunities such as international distribution and direct to consumer business models. We successfully launched our second owned brand, AB Labs, last month and have an exciting pipeline of new products in development.

Very importantly, Adore Beauty has a strong balance sheet in place, with cash of almost $30 million and no debt. In addition, the Company was cash flow positive in FY22, and expects to remain profitable in FY23.

During the year, we appointed Lisa Hennessy as an Independent Non-Executive Director, completing our transition to a majority independent Board. The Company is already benefitting from Lisa's extensive growth strategy and M&A expertise.

I would like to take this opportunity to acknowledge my fellow Board members, our management team, and the entire Adore team for their hard work over the past year. Our achievements during a year of unpredictable operating conditions is a testament to your passion and commitment.

Adore Beauty has significant bench strength across the business, led by a highly experienced and well-regarded management team, and benefitting from the vision and experience of co-founders Kate Morris and James Height, who remain active in the business as Executive Directors.

While we are disappointed to be losing CEO Tennealle O'Shannessy in a couple of months, the calibre of our shortlisted candidates reassures the Board and I of our ability to attract a high-quality, experienced CEO.

Tennealle's contribution to Adore Beauty over the past two years has been significant. Her leadership has seen us successfully IPO and navigate volatile trading conditions to deliver or exceed all our Prospectus forecasts.

It is a great compliment to our business that Tennealle's experience and leadership of Adore Beauty is valued by an ASX 100 company that she will soon join as CEO. We wish her well in next endeavours.

Finally, thank you to our shareholders for your continued support. The Board and I strongly believe the share price does not reflect the business' performance or market opportunity. While FY23 will represent some lumpiness as we cycle two consecutive periods of major growth through lockdown periods, we remain as confident as ever in our long-term strategy within the market's fastest growing channel.

I'll now hand over to Tennealle.

CEO'S PRESENTATION

Thanks Marina.

Good morning to our Australian investors, and hello to those joining us from around the world.

For those of you who don't know me, I'm Tennealle O'Shannessy, CEO of Adore Beauty Group.

In FY22, Adore Beauty delivered another solid financial result with record revenue, multiple record trading days, and strong growth across key customer metrics.

Revenue increased 11% over the prior year to $200 million, driven by growing returning customers and multiple record trading days. Active customers increased on a year-on-year basis, up 7% over the prior year to 872 thousand. Importantly, our active customer base now includes 31% more returning customers.

Gross profit margin improved 0.3 percentage points to 33.3%, underpinned by product margin expansion and increased brand co-funding.

We delivered EBITDA of $5.3 million and EBITDA margin of 2.7% is in line with guidance, reflecting our continued investment in strategic initiatives to drive sustainable, long-term growth within a large $11.8 billion market.

We are a cashflow positive business, and remain well funded to execute on our growth initiatives with a strong balance sheet of almost $30 million cash as at 30 June, 2022 and no debt.

The key pillars of our growth strategy are already contributing to topline revenue and driving improvements across key customer metrics. Our strategy enables us to grow revenue by attracting and retaining loyal, high-value customers while expanding margins.

Our mobile app and loyalty program, which support customer retention and lifetime value, are scaling well, contributing 11.3% and 60% of total revenue respectively in FY22.

Over the past year, we grew our owned marketing channels and community, with our content delivering industry-leading organic website traffic share.

We onboarded 29 new brands in FY22 and continue to see strong growth in our adjacent product categories. Fragrance now accounts for 4.1% of total revenue while Korean Beauty represents 2.5%.

And finally, we launched our first owned skincare brand, Viviology, with sales surpassing internal expectations. In October, we launched our second owned brand, AB Labs.

Our FY22 performance was underpinned by strong growth in returning customers. In FY22, our 472K returning customers accounted for 70% of all revenues, up from 62% in FY21 and 56% in FY20.

These highly engaged, loyal customers become more valuable each year they remain with us, increasing both their basket size and order frequency in subsequent years. Our changing active customer base now has a higher proportion of returning customers, which is delivering improvements in key customer metrics. Annual revenue per active customer increased $10 over the year to $229, supported by strong growth in average order values.

Active customers increased 7% over the year to 872 thousand, up 48% on FY20. While active customers declined slightly on the half-year, this reflects the washing through of the significant volumes of new customers acquired during COVID periods.

As you can see across these three graphs, Adore Beauty has consistently delivered strong year-on-year growth, which is continuing to underpin key profit and loss lines. To recap:

- Revenue of $200 million was an 11% increase on the prior year, and up 65% over a two-year period.

- Gross profit margin increased to 33.3%, up 0.3 percentage points on the prior year and 1.5 points higher than FY20.

- EBITDA of $5.3 million and EBITDA margin of 2.7% was in line with guidance, reflecting re-investment in our strategic initiatives to drive long-term growth.

Our valuable returning customers are key to this consistent growth, providing a high level of revenue sustainability. In FY22, returning customers grew 31% in FY22, and are up an impressive 115% on a 2-year basis. This more than offset the 12.7% decline in new customers, resulting in 2-year active customer growth of 48%.

COVID lockdowns spiked our new customer growth and returning customer spend. As operating conditions return to ‘normal’, we’re seeing more sustainable new-and-returning-customer growth.

Despite navigating higher acquisition costs, our unit economics remain strong. For the FY18 to FY22 cohorts, the average customer acquisition cost is recovered in under a year while the lifetime value continues to grow over time. By year-5, customer lifetime value is almost eight times the acquisition cost.

Our disciplined investments in content, mobile app, loyalty and brand awareness are supporting customer retention and LTV growth, which has reduced the impact of rising marketing costs. In FY22, marketing cost inflation was offset by 70% of orders coming from repeat customers, and 4% growth in annual customer spend.

Increased brand co-funding is also cost-effectively scaling our marketing activities.

Adore Beauty is proudly a values-led business.

In FY22, we re-signed more than 230 brand contracts with updated modern slavery clauses, and further reduced the environmental impact of our operations. New smaller box sizes have significantly reduced our cardboard usage, and we're working with our brand partners to reduce and eliminate non-recyclable packaging from our supply chain.

We're recognised as an Inclusive Employer by the Diversity Council of Australia. And importantly, our content features diverse representation across imagery and paid content creators.

As I mentioned earlier, Adore Beauty is executing on a clear growth strategy.

We are phasing our investment across these four strategic pillars over the coming years, prioritising initiatives that accelerate revenue and margin growth. This slide sets out our current, medium and long-term growth levers.

We will continue to grow Adore Beauty's unmatched product offering, increasing share in our core categories and expand and scale into new adjacent product categories.

We are scaling our mobile app, which delivers higher conversion rates and order values. Increased data-driven personalisation will continue to enhance our online transaction experience, growing average order value and frequency.

Adore Beauty is also investing in the competitive moat that is our content-led owned media channels to increase brand awareness, acquire new customers and retain our high-value returning customers.

And finally, we are scaling our first two owned brands while developing, launching and seeking to acquire additional owned brands. Our owned brands will significantly expand margins over time and provide international direct-to-consumer opportunities.

Alongside our disciplined re-investment, we're focused on increasing long-term profitability.

Scale, revenue growth, improving profitability and increasing marketing ROI are key to margin expansion.

Topline revenue growth will be driven by increased scale through new products, and retention of higher value returning customers.

Scaling margin accretive owned brands combined with improved supplier terms and changing product mix will support gross profit margin improvements.

And we're reducing marketing costs through growing our owned media channels, increasing revenue contribution from our valuable returning customers, and growing brand awareness and brand co-funding.

Moving now to what we expect margins to look like over the mid and longer-term.

In FY22, we delivered an EBITDA margin of 2.7% in line with guidance, reflecting our re-investment in strategic initiatives.

While we expect short-term challenges in FY23, we are continuing to selectively and sustainably re-invest in priority strategic initiatives to accelerate margin expansion.

We are targeting an EBITDA margin of 8-10% in FY27. Our scaling owned brands and mobile app will be key, targeting a contribution of 10% and 30% of revenue respectively. Strategic initiatives will continue to drive topline growth, and scale will increase operating leverage.

Beyond FY27, Adore Beauty is targeting an EBITDA margin of 10%+ as owned brand contribution increases to 15%+ and new geographies unlock additional revenue opportunities.

The board and management are incredibly focused on expanding margins, and we are very confident that we have the right foundations in place to drive these outcomes.

As Marina mentioned, beauty is a very resilient and attractive category – one where consumers engage multiple times a year to repurchase products they use daily and consider essential. The graph in the middle shows this resilience, with the category demonstrating a strong track record of long-term growth through the macro-economic cycle.

Adore Beauty is the market leader of the $1.5 billion online segment, which is expected to account for 23.6% or $3.5 billion of the total market by 2026. Given the accelerated online adoption of the past two years, this market growth is not expected to be linear, with subdued online market growth forecast in calendar years 22 and 23.

Online sales in Australia are still years behind more markets such as the UK and the USA. There is no structural reason why Australia can't reach the online penetration levels of these regions, supported by new digitally native Millennials and Gen Z consumers entering the market.

Adore Beauty is cycling a period of significant growth in H1 FY22, where most of Australia was in lockdown. This means year-on-year growth comparisons will be volatile during the first half of FY23.

Q1 FY23 reflected this volatility, with revenue down 29% on PCP but up on the two most recent quarters. Returning customers continue to grow, up 14% on PCP and up 85% on a two-year basis. Active customers of 791 thousand are down 9% on PCP, but remain up 12% on a two-year basis.

We expect a return to double-digit revenue growth in H2 as we finish cycling COVID lockdown growth. Adore Beauty expects to remain profitable on a full-year basis in FY23, and return to a 2-4% EBITDA margin range for the full year in FY24.

Adore Beauty is stepping up our investment in key strategic initiatives that drive margin expansion, including doubling our investment in owned brands to support scaling future revenue and margin expansion.

Strategic initiatives, including owned brands and marketing channels, and scale benefits, are expected to increase operating leverage and deliver EBITDA margin expansion.

We are targeting an EBITDA margin of 8-10% by FY27 and longer-term, Adore Beauty is targeting an EBITDA margin of 10%+.

Our strong balance sheet of almost $30 million and no debt provides flexibility for us to execute on our growth strategy and pursue opportunities.

In October, we successfully launched two skincare-led sunscreens under our new owned brand, AB Labs. A third sunscreen is due to launch early next calendar year with each of these products designed for different skin types and concerns.

AB Labs is a community-driven brand that leverages our 22 years of beauty expertise, and was developed through engagement with our loyalty members. More than a third of the members surveyed said they still don't wear sunscreen daily, but 80% would if the SPF incorporated an active ingredient.

This community engagement will continue to drive new product and category launches under the AB Labs brand.

In addition to AB Labs, we're scaling our Viviology brand, which continues to resonate well with our customers.

Thank you for your time today.

I would like to thank the Adore Beauty team for their passion and dedication over the past year. The team has done an amazing job executing against our roadmap while navigating changing operating conditions.

It has been a privilege to lead Adore Beauty and I would like to thank the Board and our shareholders for your support. I remain confident in the business' growth strategy and outlook and look forward to seeing its continued success over the coming years.

I will now hand back to Marina to proceed with the formal part of the meeting.