

# ADOREBEAUTY

GROUP

Adore Beauty Group Limited  
ABN 78 636 138 988

## ASX ANNOUNCEMENT

27 February 2023

### **Adore Beauty's growing returning customers underpin performance, positive cash flow**

Adore Beauty Group Limited (**ASX: ABY**) (**Adore Beauty** or **Company**), Australia's number one pureplay online beauty retailer<sup>1</sup>, has released its results for the six months ended 31 December 2022 (**H1 FY23**).

#### **H1 FY23 Summary:**

- Revenue of \$93.6 million, down 17% on the prior corresponding period (PCP) when most of Australia was in lockdown; three-year CAGR of 22%
- Active customers<sup>2</sup> of 801k, down 9% on PCP; three-year CAGR of 23%
- Returning customers<sup>3</sup> grew 10% on PCP to 481k, three-year CAGR of 40%; contributing 78% of all revenues
- Loyalty program and mobile app continuing to scale, accounting for 63% and 18% of total revenue respectively; growing owned brand portfolio
- Reported EBITDA of \$406k and EBITDA margin of 0.4%, reflecting lower operating leverage, inflationary pressures, and phased investments in key initiatives
- Cash balance up \$296k to \$30.1 million; strong balance sheet with no debt

Commenting on Adore Beauty's H1 FY23 performance, new CEO Tamalin Morton, who joined the business in January, said, "*Adore Beauty continues to navigate the post-lockdown environment and is cycling periods of significant growth. Year-on-year revenue comparisons remain volatile given the vastly different trading conditions in the prior period, when many of our customers were experiencing lockdown.*"

---

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

<sup>2</sup> Active customers refer to customers who have ordered in the last 12 months, pcp is the prior 12 month period.

<sup>3</sup> Returning customers are customers who have placed an order in any period prior to CY22 and re-purchased in the period; comparison of CY22 to CY21.

# ADOREBEAUTY

GROUP

*“Encouragingly, we now have a record number of returning customers, who are contributing 78% of all revenue with larger basket sizes and more frequent orders than new customers.<sup>4</sup> And we’re starting to see the early benefits of our strategic initiatives, which are designed to drive improvements in key customer metrics and support sustainable long-term growth.*

*“While many of our customers consider beauty products part of their daily routine, revenue and margins in H1FY23 were impacted by increased promotional activity and inflationary cost pressures. In my first seven weeks in the role, we have commenced work on additional cost management and margin optimisation programs with new initiatives to be implemented later in H2. We expect to see the full impact of these in FY24.*

*“Despite challenging trading conditions, we remain optimistic about Adore Beauty’s growth opportunities. Our loyal returning customers, growing brand awareness, and scaling strategic initiatives ensure we are well placed to take advantage of the long-term structural shift to ecommerce. We also see additional strategic opportunities for the business.”*

## **Strategic initiatives**

Adore Beauty’s strategic initiatives are gaining momentum, and the Company continues to focus on providing an extensive range of high-quality products, combined with value and convenience.

Downloaded by 258k customers, Adore Beauty’s mobile app continues to deliver higher levels of conversion, and average order values, contributing 18% of all revenue in H1 FY23, up from 9% for the same period last year.

The Company’s loyalty program, Adore Society, now accounts for 63% of sales with these customers more cost-effective to retain and re-target.

During the half-year, Adore Beauty onboarded 13 new brands including Dior and Huda Beauty, further highlighting the desire for luxury brands to be part of the Company’s ecosystem.

In October 2022, Adore Beauty expanded its owned brand portfolio, launching two sunscreen skus under its new ‘AB Lab’ brand. Both Viviology, Adore Beauty’s first owned brand, and AB Lab are receiving positive customer feedback. New brands and products support customer retention and acquisition.

---

<sup>4</sup> New customers refer to customers who have ordered for the first time in CY22

# ADOREBEAUTY

GROUP

Brand awareness increased four percentage points to 63%<sup>5</sup>, with strong growth outside the Company's core 25–45-year demographic. Growth in content-driven impressions<sup>6</sup>, up 15% on the PCP, is delivering organic website traffic to Adore Beauty's owned marketing channels.

## **Strong balance sheet & cash flow positive**

Adore Beauty is capital efficient, generating free cash flow, and has a strong cash balance of \$30.1 million as at 31 December 2022, and no debt. Disciplined stock management saw inventory levels decline 15% on PCP.

## **Trading Update & Outlook**

Trading conditions remain challenging with high levels of inflation and subdued consumer sentiment. January growth comparisons are volatile as the PCP was impacted by mandated isolation for Omicron, limited travel opportunities, and additional promotional activity.

Trading in the first seven weeks reflects this volatility with revenue down 7.8% on PCP<sup>7</sup>, however sales through February have shown improvement and are up 3.7% on PCP. Given the tougher than expected trading conditions, we no longer expect to see double digit revenue growth in H2 FY23. H2 FY23 is likely to be flat on PCP, as the Company focuses on margins and remaining profitable.

Adore Beauty is implementing cost and margin optimisation programs, to position the Company to return to an EBITDA margin of 2-4% in FY24.

Strategic initiatives and scale benefits are expected to increase operating leverage and deliver EBITDA margin expansion over time.

## **Investor conference call details**

An investor conference call will be held this morning (27 February) at 10:30am AEDT. Attendees will have the opportunity to ask questions at the end of the presentation.

---

<sup>5</sup> Pureprofile results November 2022 compared to June 2022, Prompted Awareness AU female 25-44, Adore Beauty 63%. Sample taken by third-party brand tracker Pureprofile, a randomised consumer research panel made up of minimum 2500 Australian females aged 18-64, providing representation of the Australian public.

<sup>6</sup> 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.

<sup>7</sup> Revenue based on unaudited management accounts. Comparison of 1 Jan – 19 February 2023 against PCP.

# ADOREBEAUTY

GROUP

**Teleconference:** Participants can register for the conference at: <https://sl.c-conf.com/diamondpass/10028223-ums1kc.html> or alternatively dial 1800 590 693 (Australia toll free) or +61 3 8317 0929, and provide the conference ID **10028223** to the operator.

**Webcast link:** <https://ccmediaframe.com/?id=L00VyJXJ>

--Ends--

**This announcement was authorised by the Board of Directors.**

For more information, please contact:

**Tamalin Morton/ Stephanie Carroll**

CEO/CFO

[investor.relations@adorebeauty.com.au](mailto:investor.relations@adorebeauty.com.au)

**Tristan Everett**

Media

[Tristan.everett@atomicgroup.com.au](mailto:Tristan.everett@atomicgroup.com.au)

## Appendix

A\$M	H1 FY23	H1 FY22	H1 FY21	H1 FY20	H1 FY23 vs H1 FY22 Mvmt	H1 FY20 – H1 FY23 CAGR
<b>Revenue</b>	93.6	113.1	96.2	52.0	(17%)	22%
<b>Gross Profit</b>	30.5	37.4	31.2	16.2	(18%)	23%
<b>Reported EBITDA<sup>8</sup></b>	0.4	3.8	5.2	1.8	(89%)	(40%)
<b>Reported EBITDA Margin</b>	0.4%	3.3%	5.4%	3.5%	(3)ppts	

## About Adore Beauty

<sup>8</sup> Reported EBITDA comparisons include proforma adjustments.

# ADOREBEAUTY

GROUP

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 over 12,000 products.

## **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

**Adore Beauty Group Limited**  
**ABN 78 636 138 988**

Level 1, 421 High Street, NORTHCOTE, VIC, 3070, AUSTRALIA  
e: investor.relations@adorebeauty.com.au | w: www.adorebeautygroup.com.au