

# ADOREBEAUTY

GROUP

Adore Beauty Group Limited  
ABN 78 636 138 988

## ASX ANNOUNCEMENT

23 November 2023

### 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](http://www.adorebeautygroup.com.au).

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

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# 2023 Annual General Meeting

23 November 2023

# Adore Beauty Board & Management



**Marina Go**  
Chair

Non-Executive Director



**Kate Morris**  
Non-Executive Director



**James Height**  
Non-Executive Director



**Sandra Birkenleigh**  
Non-Executive Director



**Lisa Hennessy**  
Non-Executive Director



**Tamalin Morton**  
Chief Executive Officer



**Stephanie Carroll**  
Chief Financial Officer



# Meeting Arrangements

# Asking questions & voting

## IN-PERSON AGM

- Only shareholders and proxyholders are able to ask questions
  - **Yellow card** – speak at the meeting and/or vote
  - **Blue card** – speak at the meeting only
  - **Red card** – not eligible to speak or vote at this meeting





# Chair's Address

# CEO Report

# Revenue returns to growth; improved profitability in H2

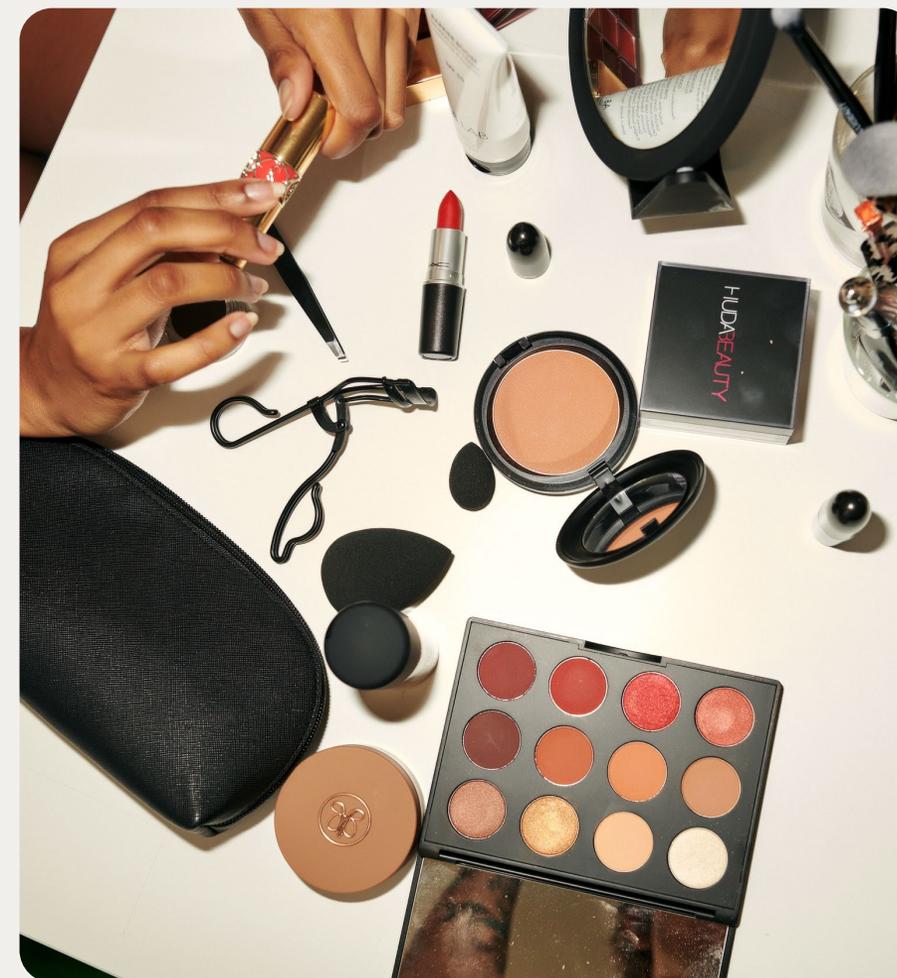
## IMPROVED OPERATIONAL EFFICIENCY & COST MANAGEMENT

- H2 FY23 revenue increased 0.5% on H2 FY22
- Growth driven by multiple record sales events in H2, including Afterpay and Click Frenzy Mayhem
- Focus on high quality brands at great value resonating with customers
- Early benefits of newly implemented cost and margin optimisation programs delivered improvements to key financial metrics in H2 FY23
- Improved marketing effectiveness in H2 FY23

Metric	H1 FY23	H2 FY23	Improvement
Revenue growth versus PCP	(17)%	0.5%	>>
Gross margin	32.6%	33.1%	0.5%
Marketing as a % of sales	(15.0)%	(14.5)%	0.5%
Other operating expenses <sup>1</sup> as a % of sales	(18.2)%	(17.8)%	0.4%
Operating EBITDA <sup>2</sup>	(0.6)%	0.7%	1.3%

1. Other operating expenses represents "Employee costs" and "Other costs". "Other costs" include IT expenses, bank and merchant fees, professional expenses.

2. Operating EBITDA represents Earnings Before Share Based Payments, Interest, Tax, Depreciation and Amortisation



# Customer loyalty proving resilient

## FY23 FINANCIAL SUMMARY



**\$180.6M**

Revenue

-9.6% on PCP

+14% 3-year CAGR

**32.8%**

Gross profit margin

-0.5 pts on PCP

**\$0.6M**

Reported EBITDA<sup>1</sup>

**801K**

Active customers<sup>2</sup>

-8% on PCP

+11% 3-year CAGR

**490K**

Returning customers<sup>3</sup>

+4% on PCP

+31% 3-year CAGR

**\$27.8M**

Cash<sup>4</sup>

-7.7% on PCP

**Australia's leading pureplay online beauty retailer<sup>5</sup>**

1. Reported EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation.

2. Active customers refer to customers who have ordered in the last 12 months; PCP is the 12-month period to 30 Jun 2022.

3. Returning customers are customers who have placed an order in any period prior to FY23 and re-purchased in the period; +4% refers to growth on 12-month period to 30 Jun 2022.

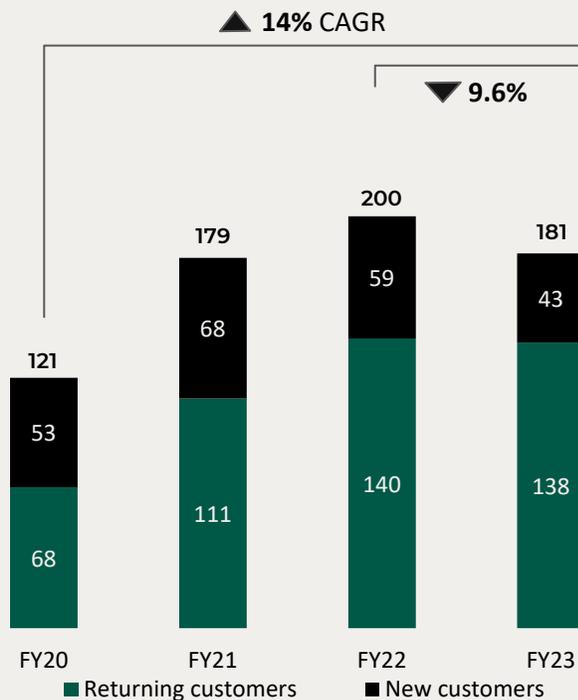
4. Balance as 30 Jun 2023 compared to 30 Jun 2022.

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

# Value proposition driving repeat customer revenue

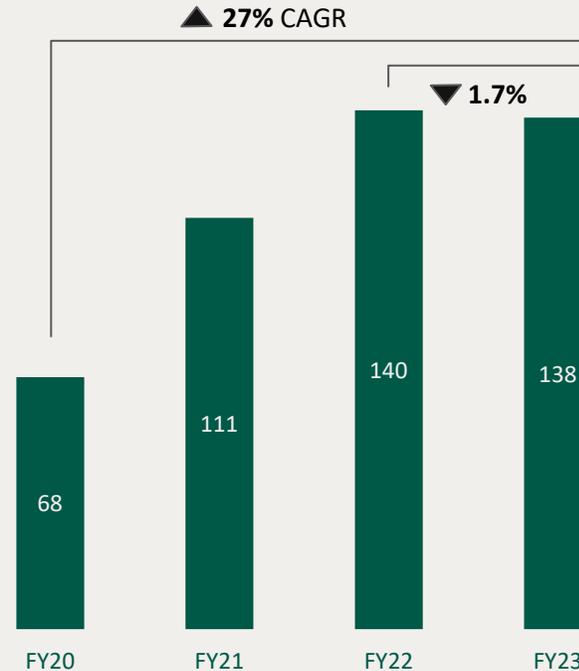
## FY23 REVENUE INSIGHTS

### Revenue (\$A Million)



Returning customers<sup>1</sup> are the primary revenue driver, accounting for 76% of total sales, up from 70% in FY22.

### Returning customer revenue (\$A Million)



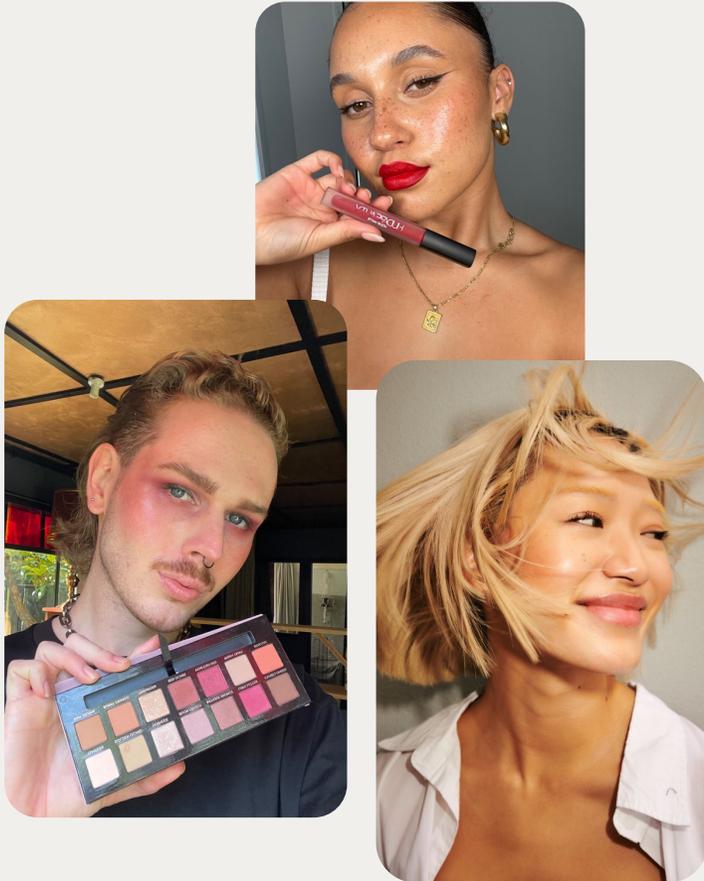
Consistent revenue contribution from returning customers in challenging environment, up 27% on a three-year CAGR.



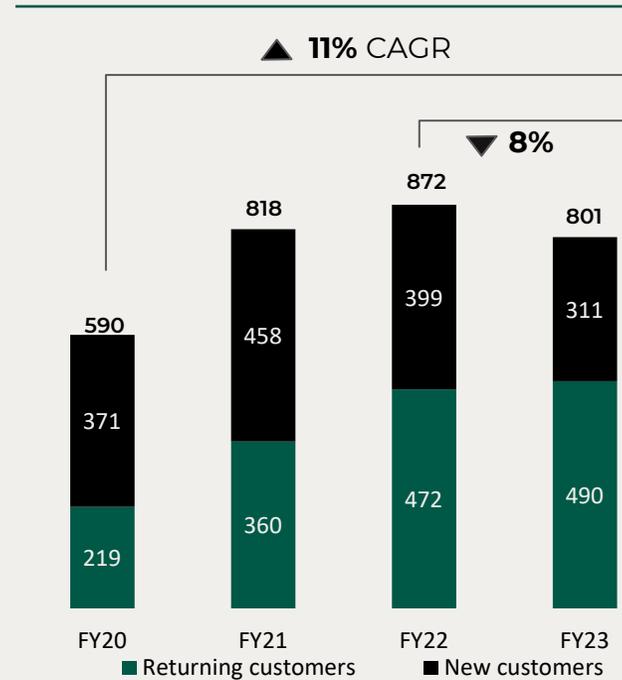
1. Returning customers are customers who have placed an order in any period prior to FY23 and re-purchased in the period

# Almost 500K returning customers & growing

## FY23 CUSTOMER INSIGHTS

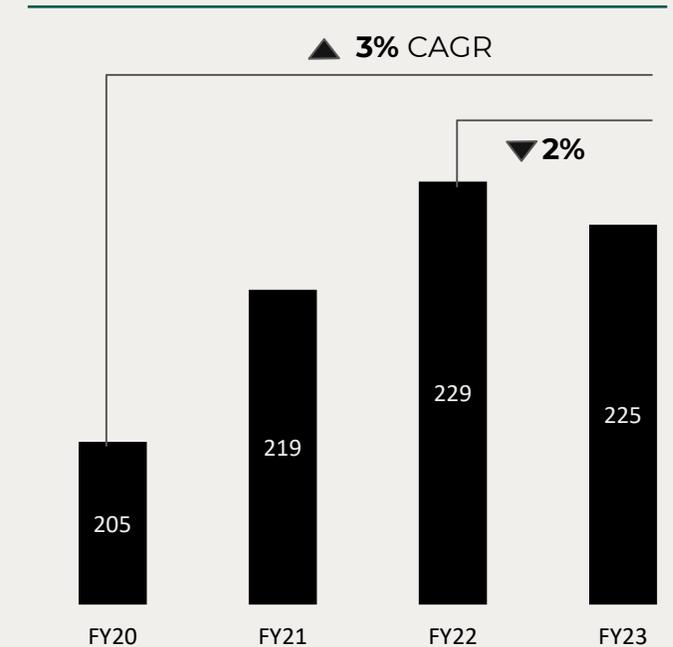


### Active customers<sup>1</sup> (‘000)



Returning customers have more than doubled since pre-COVID to a record 490k, representing 61% of all active customers.

### Annual revenue per active customer<sup>2</sup> (\$)



Annual revenue per active customer declined as average order frequency dropped to two per year, offset by record average orders values of \$111.60.

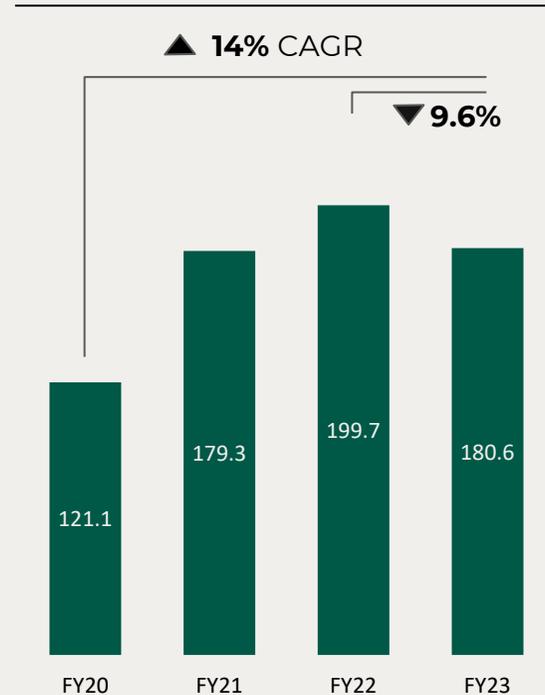
1. Returning customers are customers who have placed an order in any period prior to FY23 and re-purchased in the period

2. Active customers refer to customers who have ordered in the last 12 months. New customers refer to customers who have ordered for the first time in FY23

# FY performance reflects challenging environment

## OPERATIONAL ADJUSTMENTS DRIVING IMPROVED PERFORMANCE IN H2

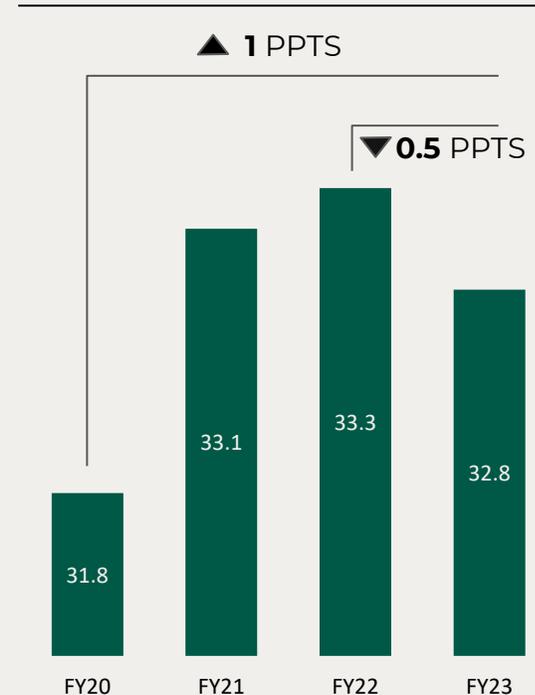
Revenue  
(\$A Million)



### Returning customers support revenue

Softer sales amidst challenging retail conditions. Encouragingly, returning customer base continues to grow, driving improvements in AOV.

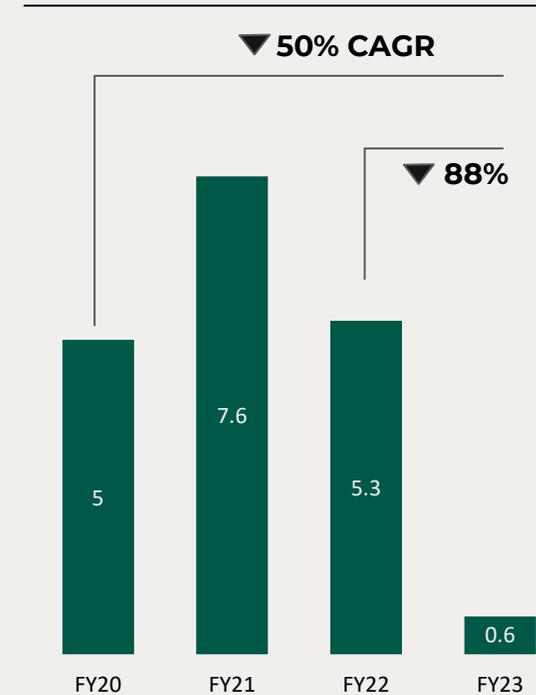
Gross profit margin  
(%)



### Cost inflation impacting margins

Higher freight costs and more frequent promotional discounting. Cost optimisation program in place.

EBITDA<sup>1</sup>  
(\$A Million)



### Re-investment & lower operating leverage

Impact of subdued revenue, higher cost of sales, and re-investment in the business. Key initiatives being implemented to drive growth and expand margins.

1. Historical proforma adjustments are detailed in the Appendix.



# Strategy to drive growth

FOCUS ON CUSTOMER, BRAND AWARENESS & OPERATIONAL OPTIMISATION

## 1. CUSTOMER CENTRICITY

- State of Beauty data insights
- Enhance loyalty program
- Optimise customer/user experience
- Beauty technology
- Accelerate mobile app adoption



## 2. FURTHER BUILDING THE BRAND

- Physical brand activations
- Retain focus on core customer category and expand in 41-50 female demographic
- Expand private label offering
- Range and adjacency expansion
- M&A

## 3. OPERATIONAL OPTIMISATION

- Marketing efficiency & effectiveness
- Retail media
- Scaling owned channels
- Supplier terms
- AI



# Long growth runway in resilient category

## AUSTRALIAN ONLINE SALES YEARS BEHIND UK & US MARKETS

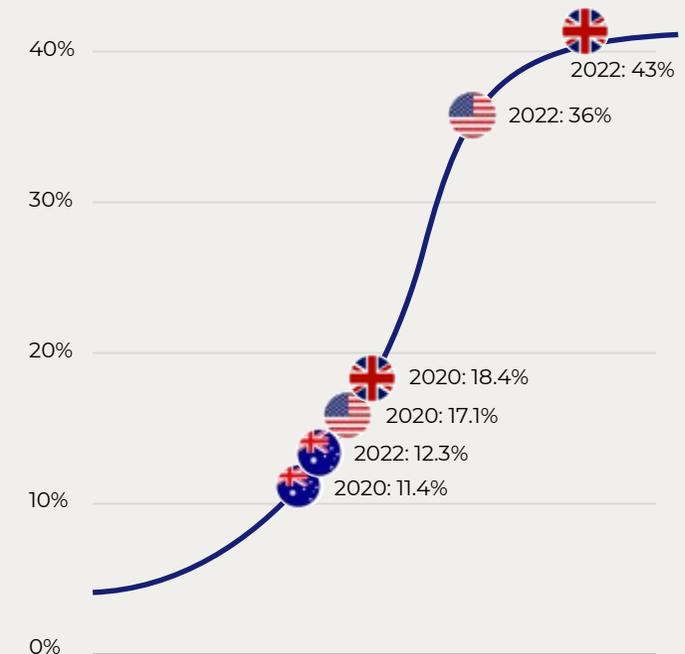
Large addressable market  
**Australian beauty & personal care (BPC) market 2022<sup>1</sup>**



- Online BPC sales accounted for \$1.6b in 2022, or 12.3% of total market
- Market forecast to grow to \$2.9b by calendar year 2027, representing 18.4% of total BPC category<sup>2</sup>
- Moderate online growth forecast in 2023 calendar year, before ramping up in 2024



Online sales in mature markets at 43%  
**Beauty & personal care online adoption curve<sup>1</sup>**



1. Frost & Sullivan – Online Retail in Australia – July 2023.

2. Source: Euromonitor International Beauty and Personal Care June 2023.

# Key margin expansion levers

## AREAS OF FOCUS

### Revenue growth



Increase scale



Improved brand awareness



Range expansion



Initiatives to target higher AOV and AOF



Continue to evaluate M&A

### Improve gross profit margin



Pricing and promotional review



Partner support



Attractive adjacency expansion



Owned brands with higher margins

### Reduce expenses



Cost optimisation program



Improved marketing effectiveness, growing owned media channels



Retail media

# Phased investment in growth strategy

## TRADING UPDATE

- Sales momentum continues; Q1 FY24 revenue of \$47.5 million up 4.7% on PCP<sup>1</sup>
- Active customers return to growth, up 1.5% on PCP to 803k
- Returning customers grow to a record 497k
- Executing on refined strategy with new launched subscription service; mobile app now representing more than 26% of all revenue; new partner brands added; and private label sales continue to grow
- Trading conditions remain challenging given higher cost of living pressures and subdued consumer sentiment
- Focus on margin and cost improvement delivering continued benefits
- On track to achieve EBITDA margin of 2-4% in FY24



1. Based on unaudited management accounts. Comparison period is 1 July – 30 September 2023 against PCP.  
2. Frost & Sullivan – Online Retail in Australia – July 2023.



# Questions

# Disclaimer

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# ADOREBEAUTY

AUSTRALIA'S ONLINE BEAUTY STORE

[WWW.ADOREBEAUTY.COM.AU](http://WWW.ADOREBEAUTY.COM.AU)

## **ABY CHAIR ADDRESS**

FY23 was a challenging year for both Adore Beauty and the broader retail sector as we cycled two consecutive years of significant customer and revenue growth, while navigating high levels of inflation and subdued consumer sentiment.

Against this backdrop, Adore Beauty demonstrated the underlying strength of the business with multiple record trading days, record returning customers, and record average order values. Annual revenue of \$180.6 million was underpinned by our almost 500,000 repeat customers, who contributed 76% of total sales for the year. Encouragingly, revenue returned to growth in the second half on a year-on-year basis with improved profitability, and this positive momentum has continued into FY24.

Skin and hair care remain Adore Beauty's largest categories with these products often used in daily routines and considered essential by our customers. Value and convenience remain top of mind given cost of living pressures, and we continue to meet our customers' evolving beauty needs and budgets with a wide brand offering. Adore Beauty's range encompasses masstige brands such as The Ordinary and La Roche Posay through to Dior, Yves Saint Laurent, and other well-known luxury brands. Our next-mile delivery remains best-in-class and our complementary product samples enable customers to try new brands.

Adore Beauty has a large and growing addressable market, operating within the online segment of Australia's \$12.8 billion beauty and personal care market. Online sales are expected to account for around 18.5% of the total Australian market by calendar year 2027 - a \$2.9 billion opportunity. Longer-term, this has the potential to significantly increase with the online segment already representing 43% and 36% of total beauty and personal care sales in the UK and US respectively.

During the year, Adore Beauty re-invested in strategic initiatives that drive improvements in key metrics and support future revenue and margin growth. Initiatives include the mobile app, loyalty program, new partner brands, private label portfolio, and owned content and marketing channels.

We are well-funded to execute on our growth plans with a cash balance of almost \$28 million, and no debt. The Company remained profitable in FY23, and we are targeting a 2-4% EBITDA margin in FY24.

During the year, the Board appointed highly credentialled retail executive Tamalin Morton as CEO. Tamalin brings more than 20 years' retail experience to Adore Beauty, gained in leadership roles at Best Friends Pets, Australian Pharmaceutical Industries' Priceline, Kathmandu, and Spotlight Retail Group. We're already benefitting from Tamalin's retail expertise with a refined strategy driving improvements in key operational metrics in the second half of FY23.

With a highly regarded management team in place, co-founders Kate Morris and James Height decided it was the right time to implement long-term succession plans, stepping down from their part-time executive roles at the end of FY23. We continue to retain Kate and James' business and sector expertise as Non-Executive Directors.

Adore Beauty's resilience in a challenging operating environment reflects the hard work and dedication of our entire team. I'd like to take this opportunity to acknowledge my fellow Directors, our management, and the wider Adore Beauty team for their efforts over the past year.

Finally, I'd like to thank our shareholders for your continued support. The share price is not reflective of the Company's performance since its listing in 2020, the strength of our returning customer base, or our large market opportunity. We have an exciting year ahead as we execute on our refined strategy, increasing shareholder value as we continue to grow customers, revenues, and margins.

I'll now hand over to Tamalin for an operational update.

## **2023 AGM CEO SCRIPT**

### **Tamalin:**

Thank you, Marina.

Good morning, everyone. For those who haven't met me, I'm Tamalin Morton, the CEO of Adore Beauty Group.

### **Slide 7: Revenue returns to growth; improved profitability in H2**

As Marina mentioned, FY23 was a challenging year for retailers with multiple interest rate increases, high levels of inflation, and subdued consumer sentiment.

Since joining Adore Beauty in January, my focus has been on returning the business to growth and improving the bottom line. In the second half of FY23, Adore Beauty achieved revenue growth of 0.5% over the prior corresponding period and improved profitability. Growth was driven by multiple record promotional events, which were well-supported by our brand partners, and a compelling customer value proposition that continues to resonate.

Early benefits of newly implemented cost and margin optimisation programs delivered improvements in the second half to gross margin, profitability, and other key financial metrics.

### **Slide 8: Customer loyalty proving resilient**

On a full year basis, revenue of \$180.6m was down 9.6% on the lockdown-impacted prior corresponding period. Revenue remains significantly higher than pre-COVID, up 14% on a three-year compound annual growth rate.

Active customers of 801,000 declined over the PCP, following consecutive years of significant new customer growth during COVID lockdowns. Importantly, our customer base has grown at an annual rate of 11% over the past three years.

We continue to retain more of these customers with our returning customer base increasing 4% over the prior period to 490,000, which is up 31% on a three-year CAGR basis.

Gross profit margin of 32.8% was down 0.5 percentage points on the PCP, however improved in the second half.

Reported EBITDA of \$0.6 million reflects re-investment in the business, lower operating leverage, and cost inflation in key input lines.

Adore Beauty has a strong balance sheet of almost \$28 million in cash and no debt.

### **Slide 9: Value proposition driving repeat customer revenue**

Revenue in FY23 was underpinned by our valuable returning customers, who contributed 76% of all revenue, up from 70% in FY22.

The graph on the right shows that despite the challenging environment, revenue contributions from returning customers remained relatively stable, and over a 3-year period grew at 27%.

### **Slide 10: Almost 500k returning customers & growing**

Adore Beauty's resilience over the past year has been supported by the strength of our returning customer base. We now have almost 500,000 loyal, returning customers – representing just over 60% of all active customers.

Our returning customer base has more than doubled since FY20, with these customers spending more on the platform than new customers.

Annual revenue per active customer declined as average order frequencies dropped from 2.1 to 2 times per year. Encouragingly, this was offset by record average order values of \$111.60.

### **Slide 11: FY performance reflects challenging environment**

Adore Beauty's full year result reflects the challenging high-inflation landscape over the past year. The first two graphs from the left show both Adore Beauty's revenue and gross margin performance remain significantly higher than pre-COVID levels, and we are now growing off this elevated base.

And as I mentioned earlier, we saw the early impacts of newly implemented cost and margin initiatives in the second half of FY23 with improvements to gross profit margin and profitability despite challenging operating conditions.

### **Slide 12: Strategy to drive growth**

Turning now to our growth strategy.

Adore Beauty embodies its ethos of Beauty Done Better. We provide our customers with an authentic and relatable shopping experience that focuses on high-quality products, a wide range, value, and convenience across beauty and wellness.

We are executing on a clear, refined strategy focused on three key pillars – customer centricity, further building our brand, and operational optimisation. These pillars support sustainable long-term growth, and we are already progressing initiatives under all three headings. I'll provide more detail on these shortly.

### **Slide 13: Long growth runway in resilient category**

Adore Beauty has a long growth runway, operating within the nation's \$12.8 billion beauty and personal care market. According to Euromonitor forecast data, the Australian online segment is expected to be a \$2.9 billion market by 2027 - representing 18.4% of the total beauty and personal care category. While subdued online market growth is forecast for calendar year 2023, it is expected to ramp up in 2024.

As Marina mentioned, online sales in Australia are still years behind more mature markets such as the UK and the USA, where e-commerce represents 43% and 36% of total sales respectively. Structurally, there is no reason why Australia's online market cannot reach these levels over the long term.

### **Slide 14: Key margin expansion levers**

The key drivers of profitability are revenue growth, improved gross profit margin, and reduced expenses.

Scale, improved brand awareness and initiatives to increase average order values and frequency will support topline revenue growth and deliver operating leverage. Longer-term, we will continue to evaluate opportunities to drive further revenue growth through M&A.

Gross margin improvements will come from further pricing and promotional review, partner support, adjacency expansion and owned brands with higher margins.

And finally, our cost optimisation program will reduce expenses, while our growing owned media channels and retail media will enhance our marketing efficiency.

### **Slide 15: Phased investment in growth strategies**

Turning now to our Q1 FY24 performance.

Despite trading conditions remaining challenging, Adore Beauty has had a solid start to FY24 with both Q1 revenue and active customers increasing over the same period last year. Revenue increased 4.7% over the PCP to \$47.5 million while active customers were up 1.5% over the same period last year to 803,000. Encouragingly, our returning customer base is also growing, and we now have a record 497,000 returning customers.

In Q1, we continued to execute on our strategic initiatives, launching a new subscription service across 18 popular brands. Our 'Subscribe and Save' service further reduces friction for customers, enabling them to receive their frequently used products at the right time and best price. The initiative is designed to support average order frequency, customer loyalty and retention.

Mobile app continues to account for a larger proportion of revenue, representing more than 26% of all revenue in Q1. We're also continuing to enhance our brand and product offering, onboarding Nyx, Davines, Ralph Lauren and a number of other popular fragrance brands during the period. We're also seeing continued sales growth across our owned brands Viviology, AB Lab and Adore Beauty.

Our continued focus on margin and cost optimisations are delivering ongoing benefits, and are supporting our profitability targets. We remain on track to achieve an EBITDA margin of 2-4% in FY24.

**Slide 16: Questions**

I'd like to take this opportunity to acknowledge the very talented Adore Beauty team for their hard work, passion, and drive over the past year. The team embodies our 'beauty done better' ethos, and we look forward to delivering value for our customers, partners, and shareholders throughout the remainder of FY24.

Thank you for your time today. I will now hand back to Marina to proceed with the formal part of the meeting.