ADOREBEAUTY GROUP

H1 FY24 Results Presentation

26 February 2024

Momentum builds with growth across key metrics

ADOREBEAUTY GROUP

H1 FY24 FINANCIAL SUMMARY

$100.7M
Revenue[1]
+7% on PCP

33.5%
Gross profit margin
+1.1 ppts on PCP

$2.4M
Reported EBITDA[2]
EBITDA margin 2.3%

804K
Active customers[3]
+0.5% on PCP

507K
Returning customers[4]
+5% on PCP

$32.3M
Cash[5]
+7% on PCP

Australia's leading pureplay online beauty retailer[6]

1. Marketing revenue and its associated costs were not reflected as revenue and cost of sales in comparative financial statements, but rather as an offset to advertising and marketing revenue. The impact is not material from a financial report perspective, but comparative financial information presented has been amended for comparability and to align with the revenue recognition policy for marketing revenue. This reclassification has no impact to net profit.
2. Reported EBITDA represents Earnings Before Interest, Tax, Depreciation and Amortisation.
3. Active customers refer to customers who have ordered in the last 12 months; PCP is the 12-month period to 31 Dec 2022.
4. Returning customers are customers who have placed an order in any period prior to CY23 and re-purchased in the period.
5. Balance as 31 Dec 2023 compared to 31 Dec 2022.
6. Adore Beauty is the leading pureplay online beauty retailer in Australia, based on management estimates.

Loyal returning customers represent 81% of all sales

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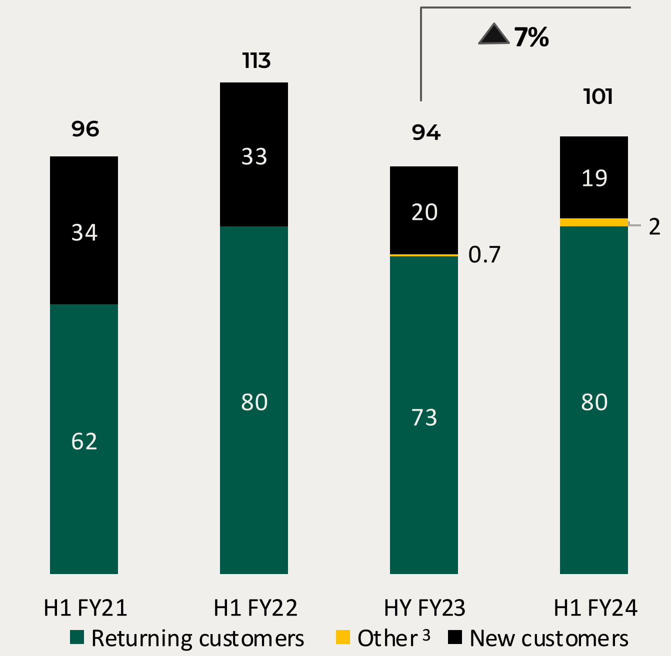
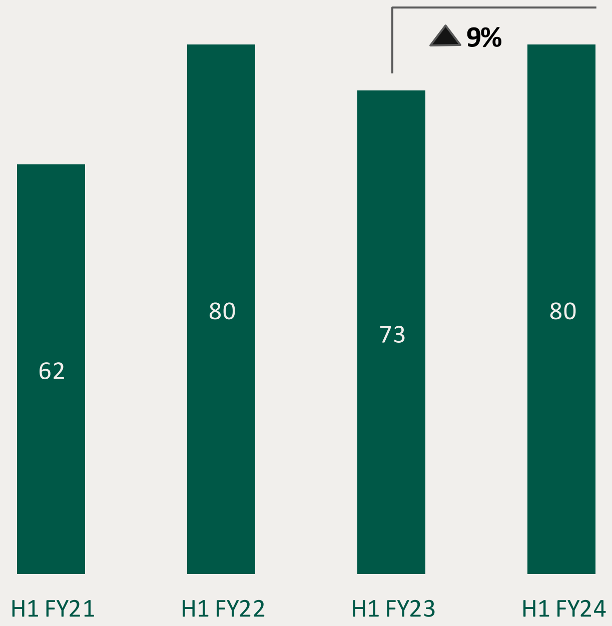
H1 FY24 REVENUE INSIGHTS

Revenue[1]
($A Million)



Returning customers[2] accounted for 81%[4] of all sales in H1 FY24, up from 64% in H1 FY21.

Returning customer revenue
($A Million)



Strong growth in revenue contribution from returning customers despite challenging consumer landscape, as value proposition resonates.

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2. Returning customers are customers who have placed an order in any period prior to CY23 and re-purchased in the period.
3. 'Other revenue' represents marketing revenue comprised of retail media and advertising revenue contribution.
4. Returning customers % share of revenue is calculated using product sales revenue (excludes 'Other Revenue').

Record basket sizes & annual spend per customer

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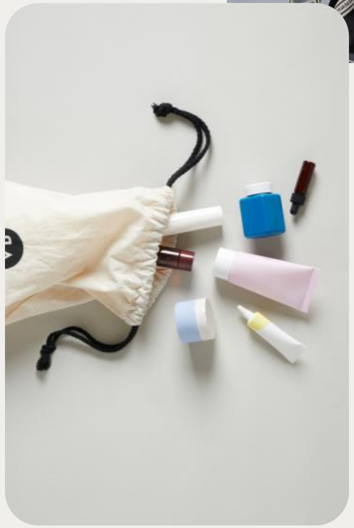
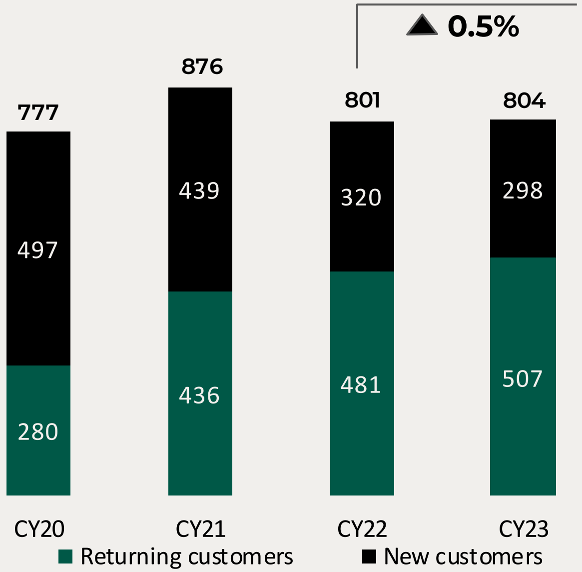
H1 FY24 CUSTOMER INSIGHTS



Active customers[1]

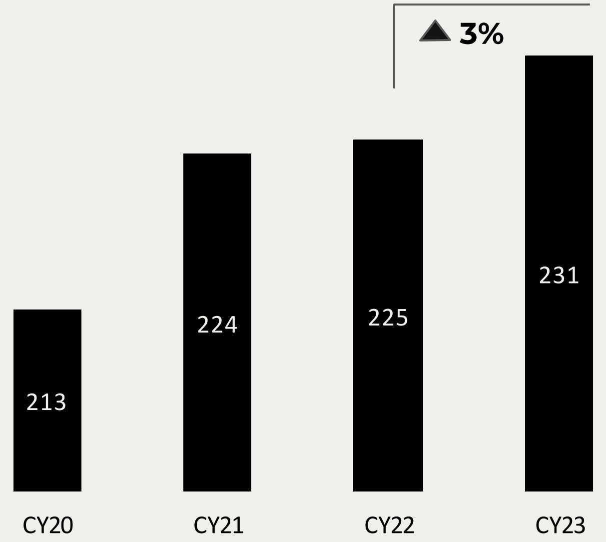
('000)



Continued returning customer growth, up 22% on a three-year CAGR. Strategic focus on targeting existing customer base during H1 FY24. Investing in brand awareness to support new customer growth.

Annual revenue per active customer[2]

($)



Average order values up 4% on PCP to a record $113.9[2], delivering record annual revenue per active customer.

1. 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 H1 FY24.
2. Annual revenue per active customer and AOV are calculated using product sales revenue (excludes 'Other Revenue').

Growing brand awareness to drive new customer growth

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INVESTING FOR GROWTH

- Brand awareness in the 25-45 female demographic increased to 66%[1] in January 2024, up from 62% in August 2023
- Launched targeted above-the-line brand campaign focused on core audience in November and December 2023
- Brand awareness investment expected to support new customer acquisition in H2 FY24
- Working with specialist design agency AKQA to explore how the Adore Beauty brand could be brought to life in a physical store format
- Partnering with complementary brands/businesses

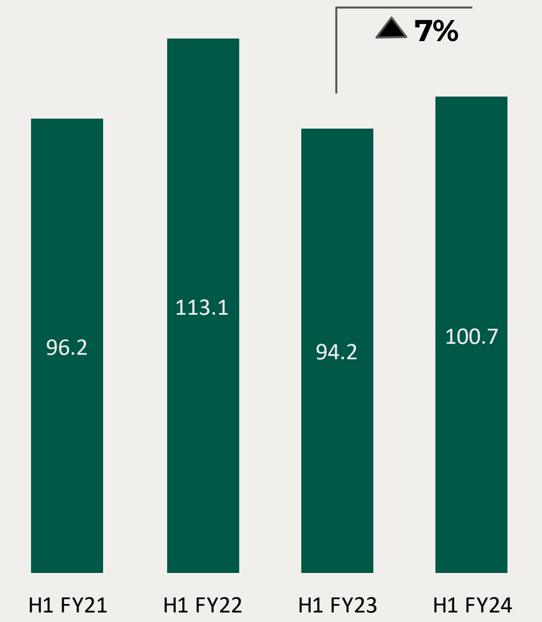
1. Pureprofile results January 2024, Prompted Awareness AU female 25-45, Adore Beauty 66%. Sample taken by third-party brand tracker. Pureprofile, a randomised consumer research panel made up of minimum 2500 Australian females aged 18-65, providing representation of the Australian public.

H1 FY24 Financial Results

Refined strategy & operational efficiency drive revenue, profitability

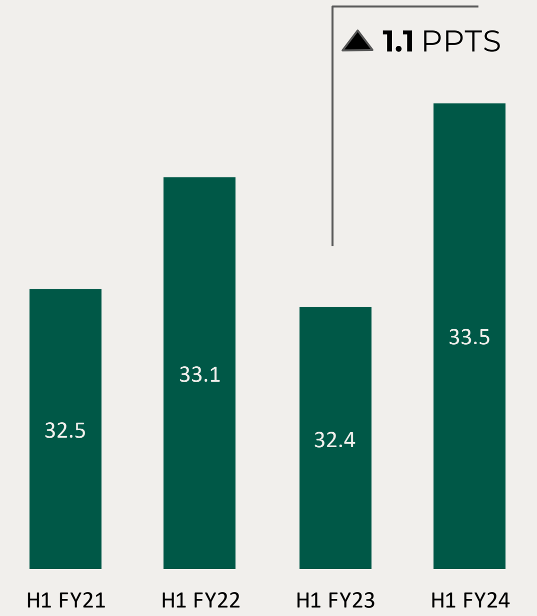
BENEFITTING FROM MARGIN & COST OPTIMISATION PROGRAMS

Revenue[1] ($A Million)



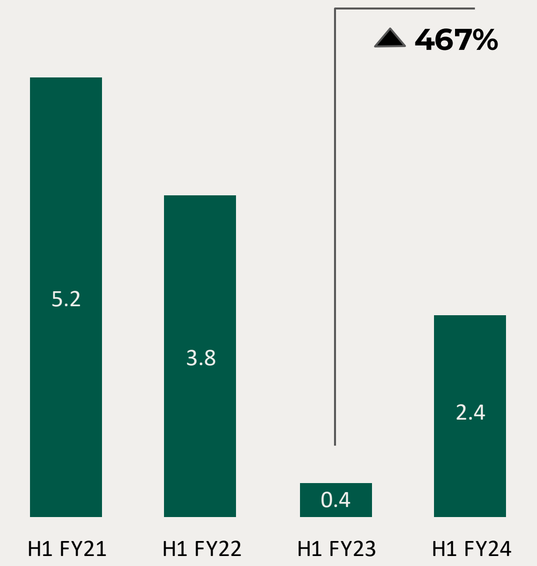
Solid revenue growth in challenging landscape
Driven by growing returning customer base with higher, more frequent average orders.

Gross profit margin (%)



Optimised product margin & freight
Gross margin benefitting from product margin and freight improvements, supported by broader cost optimisation initiatives.

EBITDA ($A Million)



Operational efficiency & operating leverage
Improved operational efficiency, revenue growth, and disciplined re-investment in margin expansion initiatives. Reported EBITDA margin of 2.3%, in line with expectations.

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Operating leverage & cost optimisation

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H1 FY24 PROFIT & LOSS

A$M	H1 FY23	H1 FY24	CHANGE
Revenue	94.2	100.7	▲ 6.8%
Cost of sales	(63.7)	(66.9)	▲ 5.1%
Gross profit	30.6	33.7	▲ 10.4%
Gross profit margin	32.4%	33.5%	▲ 1.1 ppts
Employee costs	(10.1)	(10.4)	▲ 2.8%
Marketing and advertising costs	(14.0)	(13.9)	▼ 1.2%
Other costs[3]	(6.9)	(6.8)	▼ 1.0%
Operating EBITDA	(0.5)	2.6	▲ 626.6%
	(0.5%)	*2.6%*	▲ *3.1 ppts*
Share Based Payments	0.9	(0.2)	▼ 127.1%
Reported EBITDA	0.4	2.4	▲ 466.6%
	0.4%	*2.3%*	▲ *1.9 ppts*
Depreciation and amortisation	(1.0)	(1.1)	▲ 8.3%
EBIT	(0.6)	1.2	▲ 299.1%
Interest	(0.1)	0.3	▲ 368.1%
Profit/(loss) before tax	(0.7)	1.5	▲ 308.7%
Income tax expense	0.6	(0.5)	▼ 179.9%
Profit/(loss) after tax (NPAT)	**(0.1)**	**1.0**	▲ **1324.2%**

Returning customers underpin resilience, revenue growth

- Revenue[1] increased 7% on the PCP with returning customers contributing 81% of all sales
- Average Order Value (AOV) for all active customers increased 4% on the PCP to $113.9[2], while Average Order Frequency (AOF) is relatively stable at 2[2]
- Multiple highly successful key promotional events including Black Friday and Cyber

Cost optimisation delivering gross margin improvements

- Gross profit margin improved 1.1 percentage point over PCP to 33.5% with product margin and freight being the main contributors
- Cost optimisation program

Operating leverage & disciplined re-investment

- Operating EBITDA of $2.6 million, an improvement of 627%, reflecting impact of operating leverage and cost management
- Operating EBITDA margin of 2.6%
- Marketing as a % of sales decreased to 13.8%, down 1.1 percentage points over PCP
- Invested in ATL brand awareness campaign
- Disciplined investment in key strategic initiatives to drive margin expansion

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2. Average Order Value and Average Order Frequency refers to number of orders in the 12 months to 31 December 2023. These metrics are calculated using product sales revenue.
3. Other costs include IT expenses, bank and merchant fees, professional expenses.

Cash flow positive, strong cash position

BALANCE SHEET

A$M as at	30 Jun 23	31 Dec 23
Cash and cash equivalents	27.8	32.3
Inventory	21.1	22.9
Other current assets	6.5	8.1
Other assets (non-current)	7.0	8.5
Total assets	62.4	71.8
Trade and other payables	20.7	26.3
Other current liabilities	5.1	5.7
Other liabilities (non-current)	0.4	1.7
Total liabilities	26.2	33.7
Net assets	36.2	38.1

- Healthy closing cash balance of $32.3 million, up 16% on the previous half-year and up 7% on the PCP, available to support strategic initiatives
- Debt-free
- Capital efficient business model
- Strategic investment in higher-turnover inventory, improving sales due to enhanced availability
- Flexibility to invest in long-term growth drivers and pursue targeted M&A opportunities

Strategy

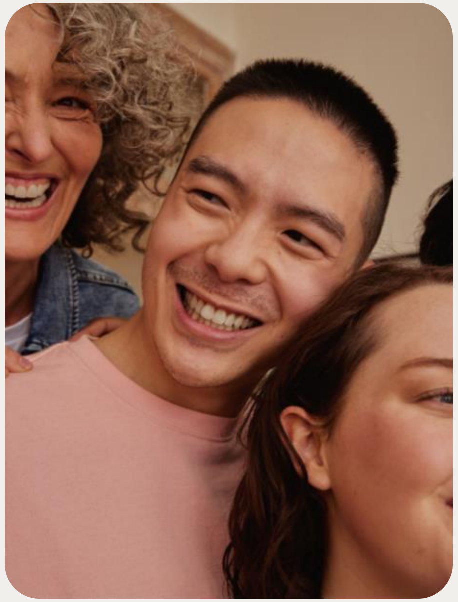
Beauty Done Better

Customer focus, brand awareness & operational efficiency

THREE PILLAR STRATEGY TO DRIVE LONG-TERM GROWTH

1. CUSTOMER CENTRICITY

- 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 and effectiveness
- Retail media
- Scaling owned channels
- Supplier terms
- AI

Updating loyalty proposition to improve experience, frequency

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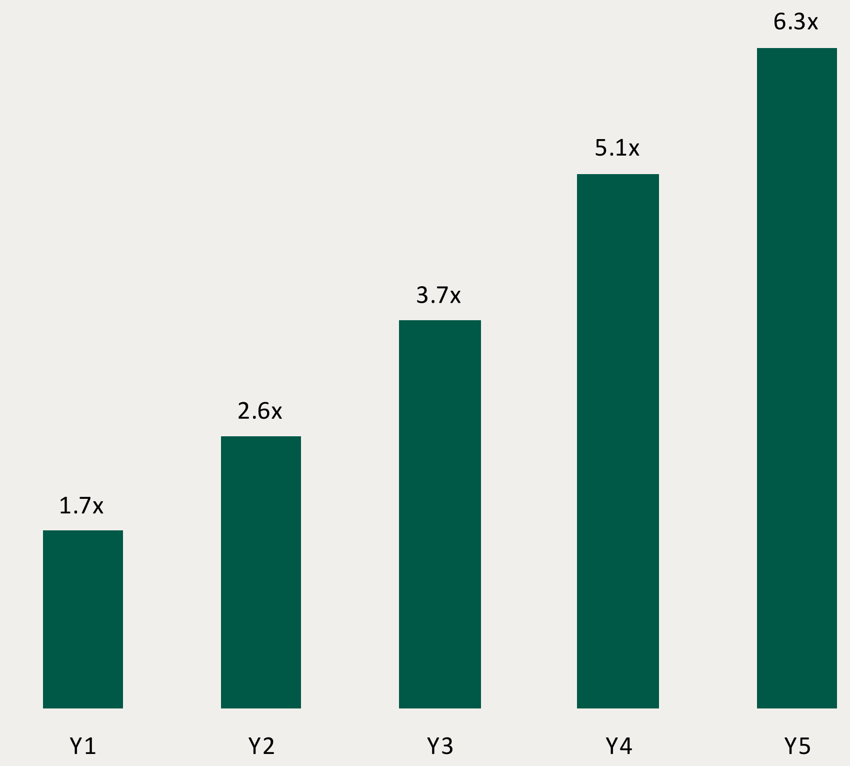
SUPPORTING CUSTOMER RETENTION & LIFETIME VALUE

Average LTV/CAC[1] by calendar year[2]



- Retention[3] continues to improve, now at 63.3%, up 8.4 ppts on PCP
- Launched subscription service to further reduce friction for customers
- Subscribe & Save now available across 30 brands, including SkinCeuticals, asap, Ultra Violette, Giorgio Armani and Sand&Sky, offering automated 6–12-week replenishment of frequently used products at the best price
- Customer acquisition unit economics show average Year-1 LTV/CAC tracking at 1.7x before growing to 6.3x by Year-5

1. 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. LTV/CAC calculated over CY18 – CY23 period.
3. Aggregate 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.

App customers have larger baskets; shop more often

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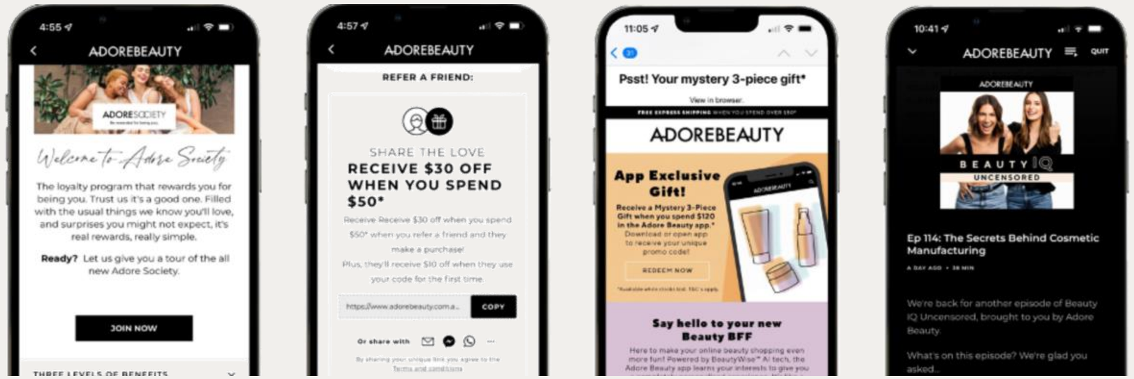
MORE THAN 26% OF SALES NOW COMING VIA MOBILE APP

- App represented 26.3% of sales[2] in H1 FY24, up 8.1 ppts on PCP
- Effective owned marketing channel creating higher-value customers
- App AOV and AOF significantly outperforming web
- Integrated content improving engagement, conversion and customer retention
- Initiatives underway to enhance app adoption



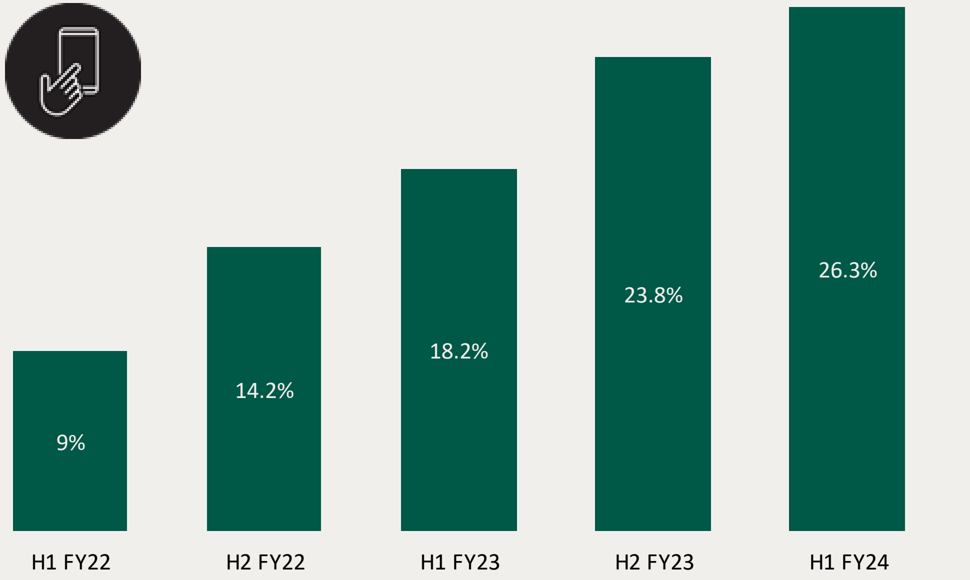
415k

APP downloads

4.8/5

APP rating[1]

Mobile app sales share of revenue



1. iOS app store rating, sourced 24 January 2024, rating based on 16k reviews.
2. Product sales revenue excludes 'Other Revenue'.

Building out owned brand product & category offering

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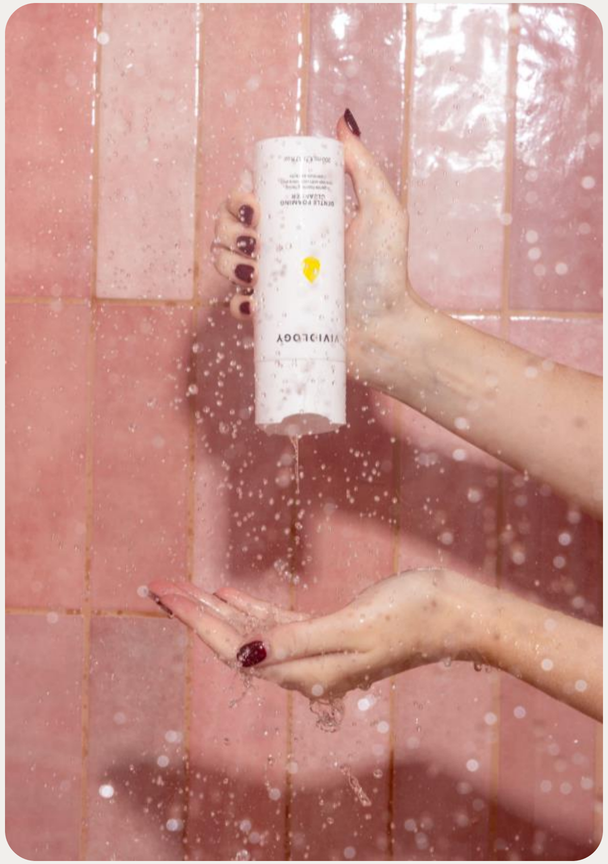
NEW PRODUCTS SCHEDULED TO LAUNCH IN H2



- Adore has three private label brands; 'Adore Beauty', 'AB LAB' and 'Viviology'
  - 41 SKUs across the three brands, up from 11 SKUs the same period last year
  - Sales of owned brand products continue to grow
  - Substantially higher gross margin than third party brands
  - Continued positive customer feedback on private label products
- Range expansion
  - New product launches for all three owned brands planned for H2
  - Expanding into a new category
- Reviewing M&A opportunities to scale owned brands' revenue and margin contribution

Enhanced brand portfolio & growing adjacencies

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15 NEW BRANDS ONBOARDED DURING H1 FY24

- 15 new brands added during the half and a further three brands onboarded in January
- Building brand portfolio
  - Five new luxury brands onboarded including Valentino, Prada and Mugler
  - Other brands launched include Dr LeWinn's and NYX to ensure complete customer proposition
- Adjacent product categories continue to grow with fragrance and make-up experiencing the strongest annual growth
- Skincare and haircare remain the largest categories

VALENTINO

PRADA

VIKTOR&ROLF

MUGLER

RALPH LAUREN FRAGRANCES

KAHLIA SKIN

OLEHENRIKSEN

DR.LEWINN'S

davines

NYX PROFESSIONAL MAKEUP

georgiemane

BEAUTI·FLTR

Cetaphil

pure ORGANIC CERTIFIED COMPLEX

manicare

Operational optimisation

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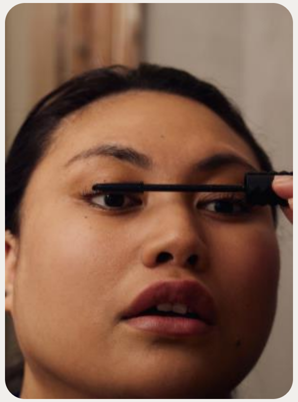
MARKETING IMPROVEMENTS, COST SAVINGS & EFFICIENCY GAINS

- Marketing optimisation and cost savings deliver improved operational efficiency
- Benefitting from margin and cost optimisation program, including changes to customer fulfilment centre shift structure and renegotiated supplier and freight terms
- Expanding AI opportunities to improve efficiency
  - Implemented AWS Bedrock API to improve operational efficiency and enhance customer experience
  - Leveraging generative AI to summarise thousands of customer reviews for more than 13,000 products
- Other efficiency and profit driving initiatives



Commercialising owned marketing assets

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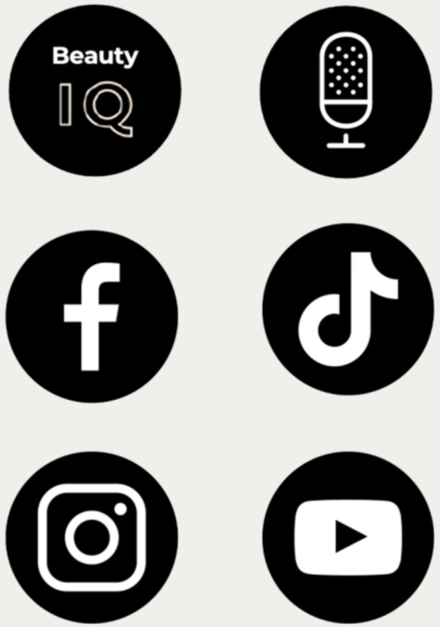
CONTENT COST-EFFECTIVELY SUPPORTING ORGANIC TRAFFIC & CHANNELS

- Content-driven impressions continue to grow, up 35% on the same period last year[1], cost-effectively supporting owned channels
- Podcast downloads grew to ~6.7m[2] across nine podcasts with Beauty IQ Uncensored awarded Best Branded Podcast at the Australian Podcast Awards
- Returning customers and growing app adoption improve marketing cost-effectiveness
- Disciplined marketing strategy focused on profitable new customer acquisition and optimising marketing effectiveness across owned, earned and paid channels
- Retail trade media and brand advertising growing

Content driven impressions[1] (million)

Content



1. 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.
2. Downloads since launch to 31 December 2023. Source Omny podcast platform.

Outlook


SOUTHERN BLOOM
BRUNY ISLAND, TASMANIA
GOLDFIELD & BANKS
AUSTRALIA
BOHEMIAN LIME
BYRON BAY NEW SOUTH WALES
GOLDFIELD & BANKS
AUSTRALIA

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 targeted 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

Executing on clear growth strategy

OUTLOOK

- Sales momentum continues into H2 FY24 with year-to-date[1] revenue up 8.1% on PCP
- On track to achieve EBITDA margin of 2-4% in FY24
- Challenging trading conditions expected to continue given cost of living pressures and subdued consumer sentiment
- Leveraging strong cash position to invest in short, mid and long-term strategic initiatives
- Long growth runway within Australia's $12.8 billion beauty & personal care market with online growth expected to gain pace in calendar year 2024[2]
- Continued focus on margin and cost improvement in FY24

1. Based on unaudited management accounts. Comparison period is 1 Jan – 12 Feb 2024 against PCP.
2. Frost & Sullivan – Online Retail in Australia – July 2023.

Questions

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