



H1 FY23 RESULTS PRESENTATION

27 February 2023

ADOREBEAUTY
— GROUP —

H1 FY23 SUMMARY

RETURNING CUSTOMER GROWTH; CASH FLOW POSITIVE

ADOREBEAUTY
GROUP

\$93.6M

REVENUE

-17% ON PCP

+22% 3-YEAR CAGR

32.6%

GROSS PROFIT
MARGIN

-0.5 PPTs ON PCP

\$0.4M

EBITDA¹

ADJ EBITDA -\$0.5M

\$30.1M

CASH²

+20% ON PCP

801K

ACTIVE
CUSTOMERS³

-9% ON PCP

+23% 3-YEAR CAGR

481K

RETURNING
CUSTOMERS⁴

+10% ON PCP

+40% 3-YEAR CAGR

1. Historical proforma adjustments are detailed in the Appendix.

2. Balance as 31 Dec 2022 compared to 31 Dec 2021.

3. Active customers refer to customers who have ordered in the last 12 months; PCP is the 12-month period to 31 Dec 2021.

4. Returning customers are customers who have placed an order in any period prior to CY22 and re-purchased in the period; +10% refers to growth on 12 month period to 31 Dec 2022.



H1 FY23 OVERVIEW

CHALLENGES AND HIGHLIGHTS

CHALLENGES

- Post lockdown environment, cycling periods of significant growth with revenue up 80% on H1 FY20
- Normalised environment has seen consumers returning to bricks and mortar, impacting online retail sales¹
 - ABS non food online sales 16.3% (H1FY23) vs 20.1% PCP
 - Subdued online market growth forecast for CY23
- Inflationary cost pressures impacting freight, marketing, employment and other expenses

HIGHLIGHTS

- Despite headwinds, Adore Beauty delivered record four-day Cyber sales event in H1 FY23
- Brand awareness increased 4 ppts to 63% in target market²
- Cashflow positive

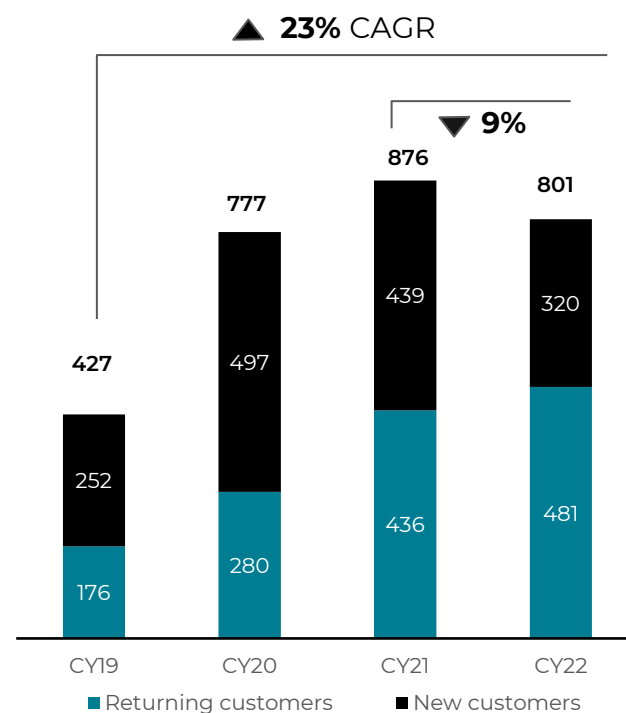
1. Australian Bureau of Statistics (December 2022), [Retail Trade, Australia](#), ABS Website
2. Pureprofile [results November 2022 compared to June 2022](#), Prompted Awareness AU female 25-44, Adore Beauty 63%. Sample taken by third-party brand tracker [Pureprofile](#), a randomised consumer research panel made up of minimum 2500 Australian females aged 18-64, providing representation of the Australian public.



H1 FY23 CUSTOMER INSIGHTS

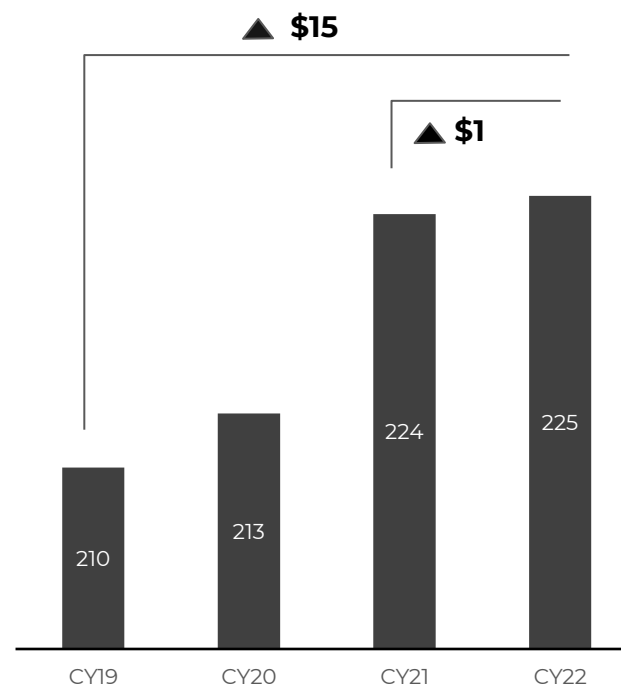
RECORD NUMBER OF RETURNING¹ CUSTOMERS

ACTIVE CUSTOMERS² ('000)



Record number of returning customers, spending more on the platform and shopping an average of two and a half times per year

ANNUAL REVENUE PER ACTIVE CUSTOMER²



Higher proportion of returning customers delivering improvements in annual revenue per active customer and average order values

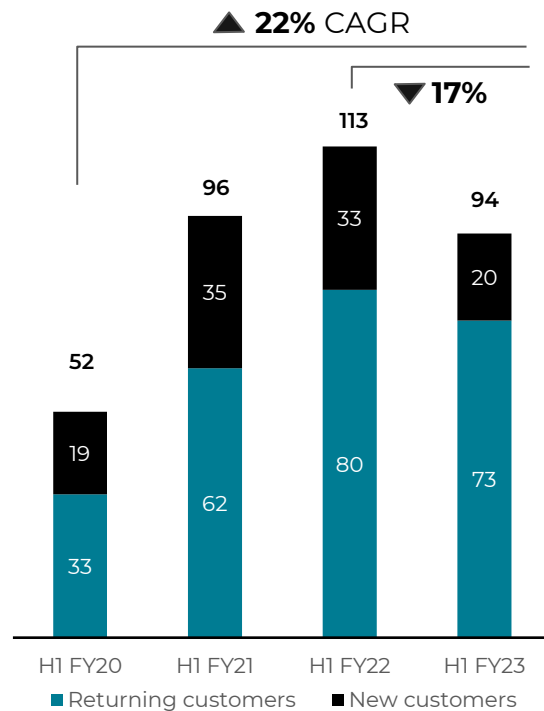
1. Returning customers are customers who have placed an order in any period prior to CY22 and re-purchased in the period
2. Active customers refer to customers who have ordered in the last 12 months; New customers refer to customers who have ordered for the first time in CY22



H1 FY23 REVENUE INSIGHTS

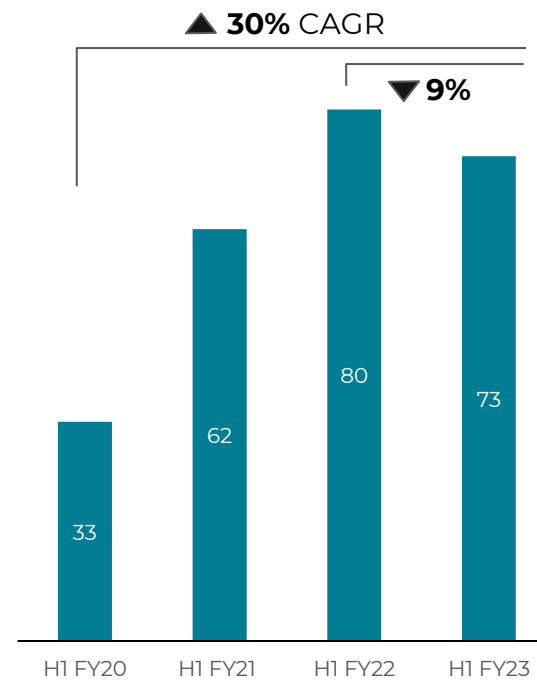
REVENUE FROM RETURNING¹ CUSTOMERS GROWING 30% ON A 3YR CAGR

REVENUE (\$A MILLION)



Returning customers contributed 78% of all revenue, up from 71% in H1 FY22 and 64% in H1 FY21

RETURNING CUSTOMER REVENUE (\$A MILLION)



Returning customer revenue contribution significantly higher than pre-COVID

1. Returning customers are customers who have placed an order in any period prior to CY22 and re-purchased in the period





H1 FY23 FINANCIAL RESULTS

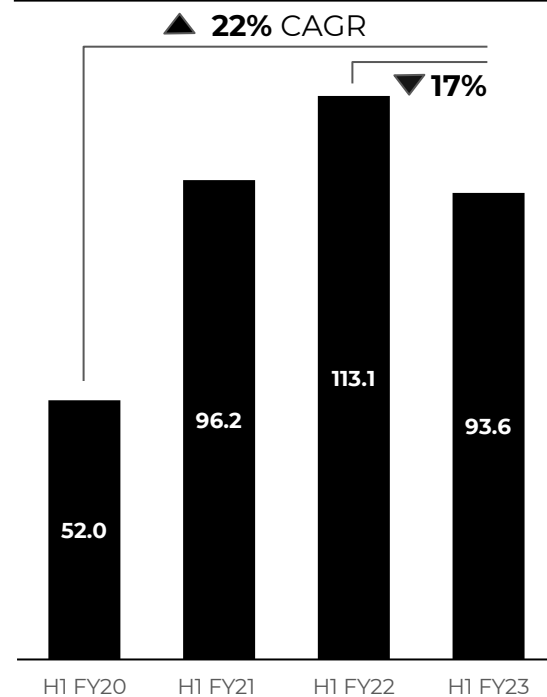


HY PERFORMANCE REFLECTS POST-LOCKDOWN PERIOD

ADOREBEAUTY
GROUP

LOWER OPERATING LEVERAGE & INFLATIONARY PRESSURES

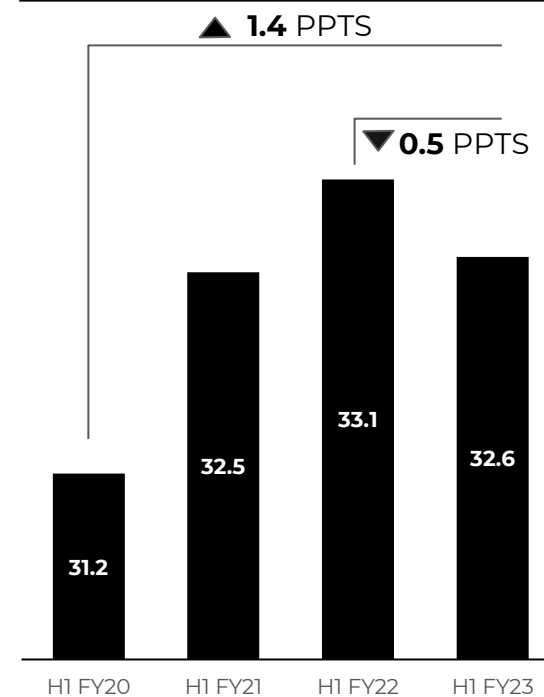
REVENUE (\$A MILLION)



Revenue

Subdued sales for the half, cycling significant growth in lockdown-impacted PCP. Growing returning customers.

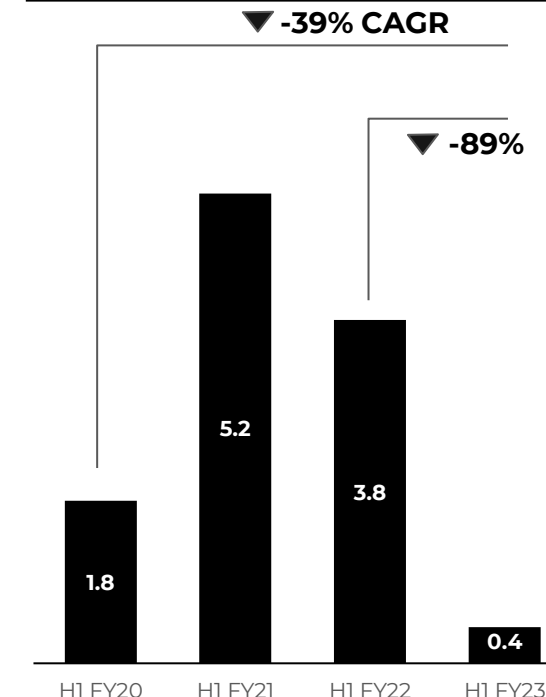
GROSS PROFIT MARGIN (%)



Inflationary pressures impacting margins

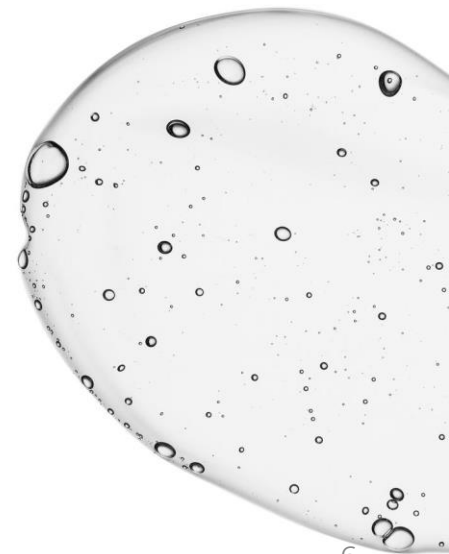
Increased costs across freight and promotional discounting

EBITDA¹ (\$A MILLION)



Lower operating leverage

Impact of subdued revenue. Reported EBITDA of \$406k and EBITDA margin of 0.4%, reflecting one-off benefit related to forfeiture of CEO options. Adjusted EBITDA of -\$493K and margin of -0.5%.



1. Historical proforma adjustments are detailed in the Appendix.

BUSINESS RESILIENCE & COST MANAGEMENT

H1 FY23 PROFIT & LOSS

A\$M	H1 FY20	H1 FY21	H1 FY22	H1 FY23
Revenue	52.0	96.2	113.1	93.6
Cost of Sales	(35.8)	(64.9)	(75.7)	(63.1)
Gross Profit	16.2	31.2	37.4	30.5
Gross Profit Margin	31.1%	32.5%	33.1%	32.6%
Employee Costs	(4.9)	(7.7)	(10.4)	(10.1)
Marketing and advertising costs	(5.7)	(11.9)	(15.9)	(14.0)
Other costs	(3.7)	(5.6)	(7.1)	(6.9)
Operating EBITDA	1.8	6.0	4.1	(0.5)
	3.5%	6.3%	3.6%	(0.5%)
Share Based Payments	0	(0.8)	(0.3)	0.9
Reported EBITDA ²	1.8	5.2	3.8	0.4
	3.5%	5.4%	3.3%	0.4%
Depreciation and amortisation	(0.6)	(0.7)	(0.9)	(1.0)
EBIT	1.3	4.5	2.9	(0.6)
Interest	(0.1)	(0.1)	(0.1)	(0.1)
Profit/(loss) before tax	1.2	4.4	2.8	(0.7)
Income tax expense	(0.4)	(1.3)	(0.8)	0.6
Profit/(loss) after tax (NPAT)	0.9	3.1	2.0	(0.1)

REVENUE DRIVEN BY MORE RETURNING CUSTOMERS

- Revenue declined 17% on PCP (a period of significant growth), 3-year CAGR of 22%
- Strong Cyber campaign, record four-day trading period
- Average Order Value (AOV) for all active customers increased 2% on the PCP to \$109.2¹, and Average Order Frequency (AOF) remains stable at 2.1¹

GROSS PROFIT MARGIN IMPACTED BY INFLATION

- Gross profit margin of 32.6%, down 0.5 percentage points on PCP, reflecting promotional discounting and higher freight costs
- Margin impacts offset by some rebates falling earlier this year

LOWER OPERATING LEVERAGE

- Impact of subdued revenue
- Marketing as a % of sales rose one percentage point over PCP to 15%
- Reported EBITDA \$0.4m reflecting impact of CEO forfeiture of shares and options on departure
- Adjusted EBITDA² of -\$0.5M due to lower operating leverage and cost inflation

1. Average Order Value and Average Order Frequency refers to number of orders in last 12 months of CY22.
2. Proforma adjustments are detailed in the Appendix.

GENERATING FREE CASH FLOW; STRONG CASH POSITION

BALANCE SHEET

A\$M as at	30 Jun 22	31 Dec 22
Cash and cash equivalents	29.8	30.1
Inventory	17.5	18.5
Other current assets	4.3	8.6
Other assets (non-current)	7.6	7.3
Total assets	59.2	64.5
Trade and other payables	18.5	24.9
Other current liabilities	2.6	2.7
Other liabilities (non-current)	0.8	0.5
Total liabilities	21.9	28.1
Net assets	37.3	36.3

- Capital efficient business model, generating free cash flow of \$0.3 million
- Strong closing cash balance of \$30.1 million and debt-free
- Disciplined management of inventory, down 15% on same period last year
 - H1 typically a higher inventory period due to supplier closures
- Flexibility to pursue growth opportunities





BEAUTY DONE BETTER

STRATEGY

STRATEGIC INITIATIVES UPDATE

H1 FY23 PROGRESS



LOYALTY



MOBILE APP



OWNED MEDIA AND BRAND AWARENESS



INCREASED PRODUCT OFFERING



OWNED BRANDS

H1 FY23 OUTCOMES DELIVERED

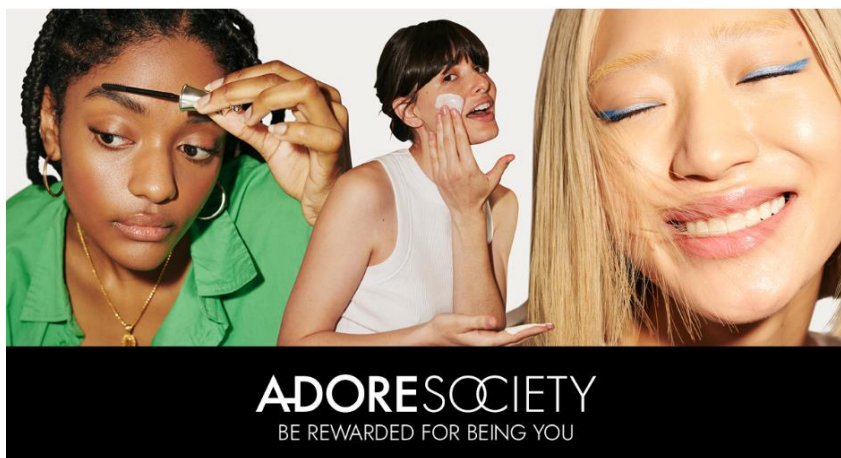
- | | | | | |
|--|---|---|---|---|
| <ul style="list-style-type: none">■ Loyalty members now account for 63% of all revenue■ Higher AOV and AOF from loyalty members translating to higher LTV¹ | <ul style="list-style-type: none">■ Contributed 18% of revenue in H1 FY23■ Delivering higher levels of AOV and conversion than website | <ul style="list-style-type: none">■ Brand awareness increased 4ppts to 63% in core demographic²■ Podcast downloads³ increase 22% to ~5.1 million | <ul style="list-style-type: none">■ Onboarded 13 new brands, including Dior and Huda Beauty■ Fragrance and Korean Beauty now account for 5.3% and 3.2% of total revenue respectively | <ul style="list-style-type: none">■ Launched sunscreen range under second owned brand, AB Lab |
|--|---|---|---|---|

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
2. November 2022 compared to June 2022
3. Downloads since launch to 31 Dec 2022. Source Omny podcast platform.

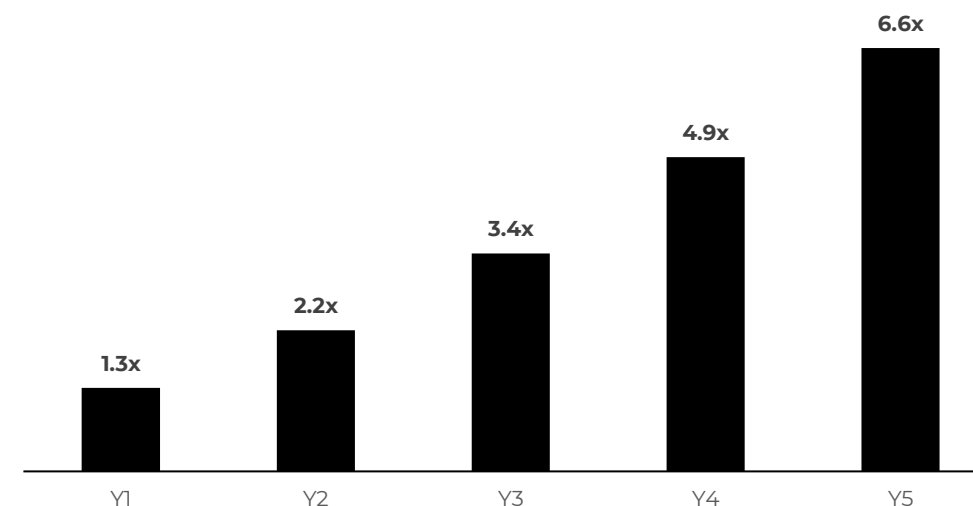
LOYALTY TO DRIVE RETENTION & LTV

ADORE SOCIETY MEMBERS CONTRIBUTED 63% OF REVENUE

- Higher AOV and LTV for loyalty members
- Building a community of engaged customers
- 10% growth in returning customers offsetting competitive paid marketing channels
- Unit economics remain strong with average Year-1 LTV/CAC tracking at 1.3x before growing to 6.6x by Year-5



AVERAGE LTV/CAC¹ BY CALENDAR YEAR²



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 – CY22 period.



APP REVENUE DOUBLES TO 18% SHARE OF REVENUE

DELIVERING HIGHER LEVELS OF CONVERSION & AOV AT SCALE

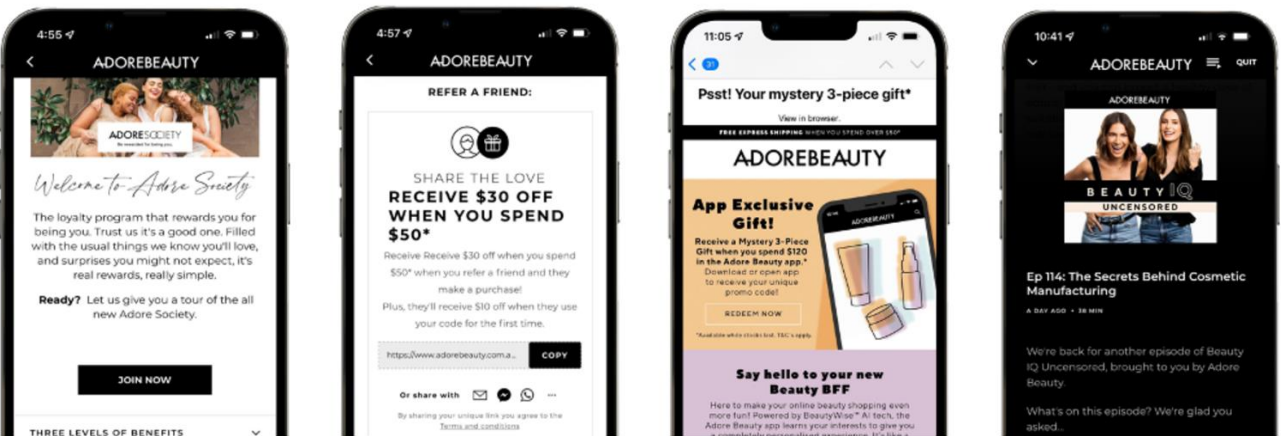
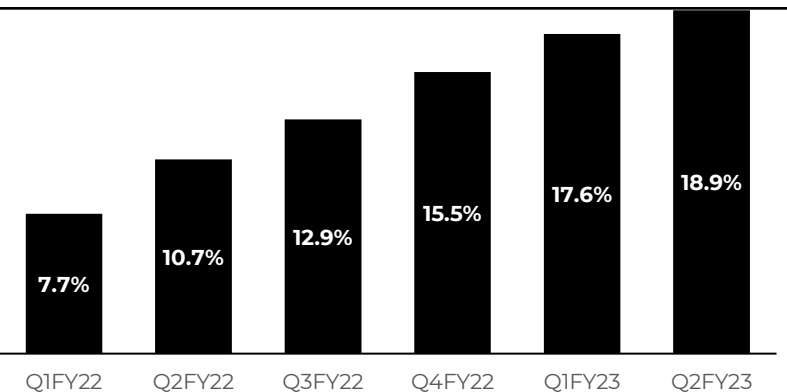
- Contributed 18% of revenue in H1 FY23
- App AOV and AOF is 16% and 24% respectively higher than the website
- Content-driven app is an effective owned marketing channel to attract, engage and retain customers
- Leveraging data to increase personalisation and improve retention, loyalty and LTV

258k
APP DOWNLOADS

4.8/5
APP RATING¹



MOBILE APP SALES SHARE OF REVENUE



1. iOS app store rating, sourced 18 January 2023, rating based on 9.8k reviews.

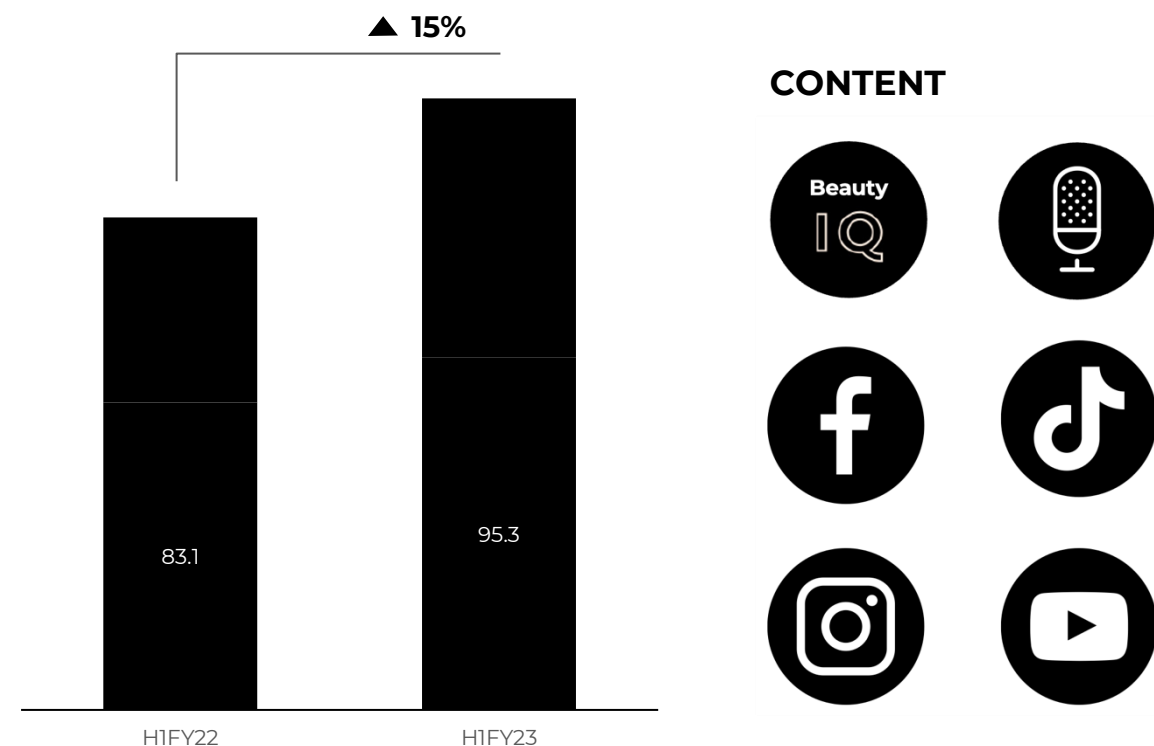


CONTENT SUPPORTING ORGANIC TRAFFIC SHARE

COST-EFFECTIVELY DRIVING TRAFFIC TO ORGANIC, OWNED CHANNELS

- Content is cost effectively driving traffic
 - 15% growth in content-driven impressions¹
 - Podcast downloads grew to ~5.1m² across eight podcasts
 - Supports brand funding
- Changing active customer mix, higher proportion of returning customers more cost-effective to re-target

CONTENT DRIVEN IMPRESSIONS¹ (MILLION)



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 2022. Source Omny podcast platform.



INCREASED PRODUCT OFFERING

13 NEW BRANDS LAUNCHED

ADOREBEAUTY
— GROUP —

HUDA BEAUTY

STRAAND™



TAN-LUXE

/kit·sch/

WISHFUL

PETER THOMAS ROTH
CLINICAL SKIN CARE



StriVectin®

RECREATION
BONDI BEACH

NINE YARDS™

FIRST AID BEAUTY

Feel FAB in Your Skin





BUILDING OWNED BRAND PORTFOLIO

LAUNCHED AB LAB BRAND, SALES OF VIVIOLOGY CONTINUE TO GROW

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- Launched in October, AB Lab has now launched
 - Two initial sunscreen SKUs priced from \$39.95
 - Third SKU to launch in early H2 FY23
 - Additional categories to launch in 2023
- ABY's first owned brand, Viviology, continues to receive positive customer feedback
 - Expanding wholesale distribution via salon/professional channel
- New Adore Beauty branded accessories continuing to sell well



This cleanser feels so luxurious. It really delivers on gentle cleansing claim. The skin is left glowing and not stripped of its moisture. Yet cleanses effectively. Great price for a cleanser which feels so high end.

Have been using this for about a month now and I love it. Great milky thin consistency that goes on smooth and easy and doesn't clog your pores





OUTLOOK



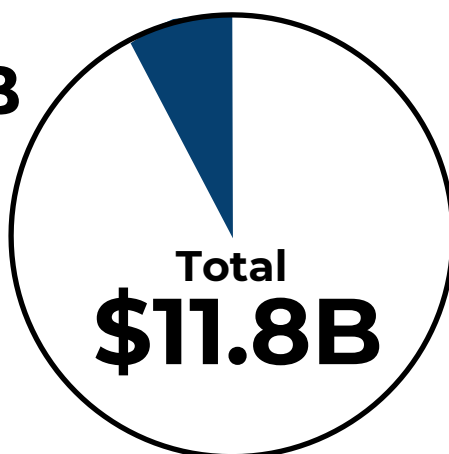
ONLINE MARKET LEADER IN RESILIENT CATEGORY

LONG-TERM STRUCTURAL SHIFT TO ECOMMERCE

LARGE ADDRESSABLE MARKET

AUSTRALIAN BEAUTY AND PERSONAL CARE (BPC) MARKET 2021¹

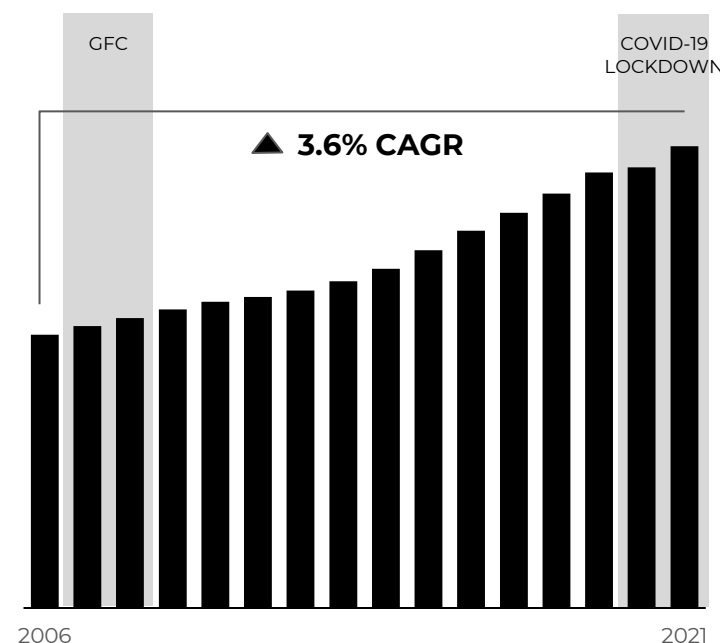
Online
\$1.5B



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 market²

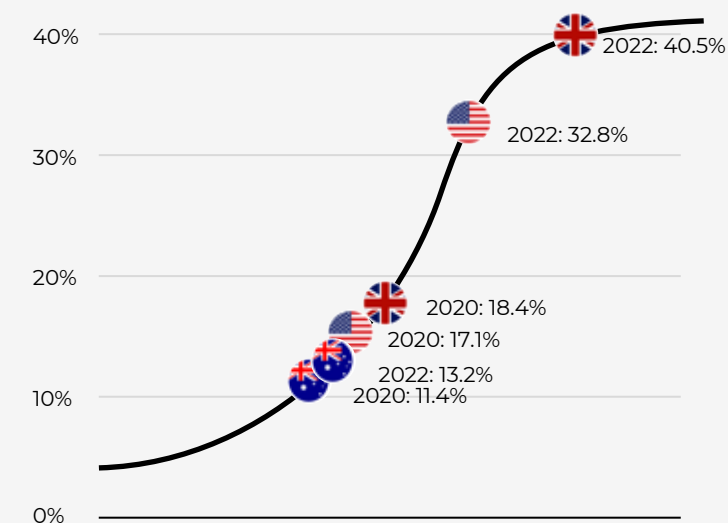
A RESILIENT CATEGORY

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



ONLINE CATEGORY SALES IN MATURE MARKETS AT 41%

BEAUTY AND PERSONAL CARE ONLINE ADOPTION CURVE¹



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.

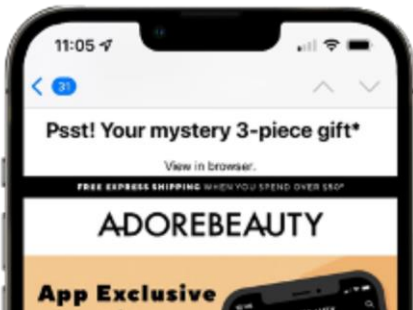
3. Source: Euromonitor International Beauty and Personal Care May 2022.

LOOKING AHEAD

INITIATIVES TO DRIVE EARNINGS ACCRETION

1 LOYALTY, MOBILE APP & PERSONALISATION

- Scale mobile app
- Expand loyalty programs
- Improve user experience, site speed and conversion
- Data and personalisation



2 CONTENT & OWNED MEDIA

- Grow brand awareness
- Expand content and owned media channels
- Increase brand co-funding



3 GROW PRODUCT OFFERING

- Increase core skincare, haircare, makeup product offering
- Expand adjacencies – wellness, sex, pregnancy, fragrance, and men's

4 OWNED BRANDS & INTERNATIONAL

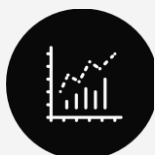
- Scale owned brands
 - Margin expansion
- Continue to build in NZ



KEY MARGIN EXPANSION PILLARS

AREAS OF FOCUS

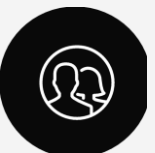
REVENUE GROWTH



Increase scale



New products



Initiatives to target higher
AOV and AOF



Continue to evaluate M&A

IMPROVE GROSS PROFIT MARGIN



Pricing and promotional
review



Partner support

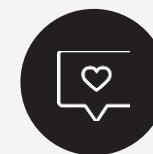


Attractive adjacency
expansion

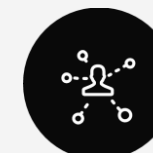


Owned brands with
higher margins

REDUCE EXPENSES



Cost optimisation program
launching



Reduce marketing expenses
by growing owned media
channels: app, loyalty,
media platform



Brand-funding support

OUTLOOK

STRONG FOCUS ON COSTS & PHASED INVESTMENT

- Trading conditions remain challenging with high levels of inflation, subdued consumer sentiment and current shift to bricks and mortar
- Growth comparisons for the first seven weeks are volatile with the PCP impacted by mandated isolation for Omicron, limited travel opportunities and additional promotional activity
 - Revenue in the first seven weeks reflects this volatility, with revenue down 7.8% on PCP but pleasingly February sales are up 3.7%
- 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
- Key initiatives under development, with only partial impact in H2 and full impact in FY24
 - Margin improvement plan
 - Cost optimisation program
 - Marketing efficiency / effectiveness review
 - Review of strategic initiatives for further opportunities
- On track to remain profitable (EBITDA) for the full year
- Focused on returning to 2-4% EBITDA margin in FY24





QUESTIONS



APPENDIX



PROFORMA ADJUSTMENTS TO STATUTORY INCOME STATEMENT

Statutory Actual					Pro-forma Actual				A\$M				
A\$M	H1 FY20	H1 FY21	H1 FY22	H1 FY23	H1 FY20	H1 FY21	H1 FY22	H1 FY23		H1 FY20	H1 FY21	H1 FY22	H1 FY23
Revenue	52.0	96.2	113.1	93.6	52.0	96.2	113.1	93.6	Statutory NPAT	-3.2	2.5	2.0	(0.1)
Cost of sales	(35.8)	(64.9)	(75.7)	(63.1)	(35.8)	(64.9)	(75.7)	(63.1)	IPO and listing costs ²	0.0	5.3		
Gross Profit	16.2	31.2	37.4	30.5	16.2	31.2	37.4	30.5	One-off transaction costs ²	3.7	0.7		
Gross Profit Margin	31.1%	32.5%	33.1%	32.6%	31.1%	32.5%	33.1%	32.6%	Capitalised development cost ³	0.2			
Employee costs	(5.1)	(8.4)	(10.4)	(10.1)	(4.9)	(7.7)	(10.4)	(10.1)	Public company costs ⁴	(0.6)			
Marketing and advertising costs	(5.7)	(11.9)	(15.9)	(14.0)	(5.7)	(11.9)	(15.9)	(14.0)	Total pro-forma adjustments	3.3	6.0		(0.0)
Other costs	(6.7)	(10.9)	(7.1)	(6.9)	(3.7)	(5.6)	(7.1)	(6.9)	Pro-forma tax effective rate applied to pro-forma PBT	0.8	(5.4)		(0.0)
Operating EBITDA	(1.4)	0.0	4.1	(0.5)	1.8	6.0	4.1	(0.5)	Pro-forma NPAT	0.9	3.1	2.0	(0.1)
EBITDA Margin	(2.6%)	(0.0%)	3.6%	(0.5%)	3.5%	6.3%	3.6%	(0.5%)					
Share Based Payments	0	(0.8)	(0.3)	0.9	0	(0.8)	(0.3)	0.9					
Reported EBITDA	(1.4)	(0.8)	3.8	0.4	1.8	5.2	3.8	0.4					
EBITDA Margin	(2.6%)	(0.8%)	3.3%	0.4%	3.5%	5.4%	3.3%	0.4%					
Depreciation and amortisation	(0.6)	(0.7)	(0.9)	(1.0)	(0.6)	(0.7)	(0.9)	(1.0)					
EBIT	(1.9)	(1.5)	2.9	(0.6)	1.3	4.5	2.9	(0.6)					
Interest	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)					
Profit/(loss) before tax	(2.0)	(1.6)	2.8	(0.7)	1.2	4.4	2.8	(0.7)					
Income tax expense ¹	(1.2)	4.1	(0.8)	0.6	(0.4)	(1.3)	(0.8)	0.6					
Profit/(loss) after tax (NPAT)	(3.2)	2.5	2.0	(0.1)	0.9	3.1	2.0	(0.1)					

1. This adjustment represents the impact of tax adjustments raised in respect of the historical accounting pro forma adjustments.
2. This adjustment reflects the removal of specific historical one-off transaction costs and IPO costs.
3. This adjustment reflects the impact of the capitalisation of IT development costs in respect of specifically identified employees in historical periods to align with treatment from FY21 onwards.
4. This adjustment reflects the incremental costs associated with being a publicly listed company assuming these costs were incurred over the historical periods.

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ADOREBEAUTY

AUSTRALIA'S ONLINE BEAUTY STORE

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