

ADORE BEAUTY GROUP LIMITED

APPENDIX 4D & FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

ACN: 636 138 988
ASX Code: ABY

Adore Beauty Group Limited
Appendix 4D
Half-yearly report

1. Company details

Name of entity:	Adore Beauty Group Limited
ABN:	78 636 138 988
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	17 % to	93,576
Profit from ordinary activities after tax attributable to the owners of Adore Beauty Group Limited	down	105 % to	(90)
Profit for the period attributable to the owners of Adore Beauty Group Limited	down	105 % to	(90)

Dividends

No dividends were paid during the period ended 31 December 2022.
No dividend has been declared since the end of the reporting period.

Comments

An overview of the operating results can be found in the 'Review of Operations' section within the Directors' Report of the attached Interim Financial Report.

3. Net tangible assets

	Reporting period cents	Previous period cents
Net tangible assets per ordinary security	<u>35 cents</u>	<u>35 cents</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Dividend reinvestment plan

The consolidated entity currently does not have a dividend reinvestment plan.

8. Signed



Marina Go
Chair
27th February 2023

Adore Beauty Group Limited

ABN 78 636 138 988

**Interim Financial Report
31 December 2022**

Adore Beauty Group Limited
Corporate directory
31 December 2022

Directors	Marina Go – Non-Executive Chair Kate Morris – Executive Director James Height – Executive Director Sandra Birkenleigh – Non-Executive Director Lisa Hennessy – Non-Executive Director
Company secretary	Stephanie Carroll Melissa Jones
Registered office	Level 1 421 High Street Northcote VIC 3070
Principal place of business	Level 1 421 High Street Northcote VIC 3070
Share register	Link Market Services Level 12 680 George Street Sydney NSW 2000 Phone: 1300 554 474
Auditor	Grant Thornton Audit Pty Ltd Collins Square, Tower 5 727 Collins Street Melbourne VIC 3008
Solicitors	Gilbert + Tobin Level 35 International Towers Sydney 200 Barangaroo Avenue Sydney NSW 2000
Stock exchange listing	Adore Beauty Group Limited shares are listed on the Australian Securities Exchange (ASX code: ABY)
Website	www.adorebeauty.com.au

Adore Beauty Group Limited
Directors' report
31 December 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Adore Beauty Group Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022.

Directors

The following persons were directors of Adore Beauty Group Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

Marina Go
Kate Morris
James Height
Sandra Birkenleigh
Lisa Hennessy

Principal activities

Adore Beauty generates its revenue through online sales of beauty and personal care products to Australian and New Zealand consumers. Adore Beauty's business model is based on three key elements which drive a powerful network effect attracting both new customers and new brands to the platform:

- **Product Offering:** Adore Beauty offers Australian and New Zealand consumers a broad and compelling range of beauty and personal care products across prestige, professional, niche and masstige brands, with approximately 270 brands and 12,000 products (including exclusives). Adore Beauty provides brands with access to a large, engaged customer base and a strong marketing platform;
- **Exceptional customer experience:** Adore Beauty seeks to provide customers with an outstanding online shopping experience through personalisation and fulfilment through a seamless transaction experience;
- **Content, Loyalty and Owned Media:** Adore Beauty combines media and e-commerce in an integrated platform providing engaging content and cost effectively driving traffic to owned channels. The loyalty program and the mobile app have driven returning customers, increased frequency and increasing size of spend with Adore Beauty over time.

Dividends

No dividends have been paid during the half-year or since the end of the half-year. No dividends were paid in the previous comparative period.

Review of operations

Revenue for the half-year was \$94 million which was a decrease of 17% over the prior comparative period when most of Australia was in lock-down. Revenue decline was driven by a 27% decrease in new customers on the prior comparative period. CY22 Active customers were 801k which was a decrease of 9% over the prior comparative period.

Adore Beauty's mobile app is scaling well, contributing 18% of revenue in H1FY23. The Company's loyalty program is also contributing to growth with members accounting for 63% of revenues in H1FY23 with continued strong member sign-ups.

Loss after tax was (\$90,000) (H1 FY22: \$1,967,000) down 105% on the previous corresponding period due to subdued revenue and cost inflation primarily in freight and marketing costs.

Adore Beauty drove positive cash flows, with an ending cash balance of \$30.1 million as at 31 December 2022, which was up \$5 million on prior period.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the half-year.

Adore Beauty Group Limited
Directors' report
31 December 2022

Matters subsequent to the end of the half-year

On 9 January 2023, the Group's new Chief Executive Officer, Tamalin Morton commenced at Adore Beauty.

No other matters or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Marina Go
Chair

27th February 2023
Melbourne

Grant Thornton Audit Pty Ltd

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Auditor's Independence Declaration

To the Directors of Adore Beauty Group Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Adore Beauty Group Limited for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b no contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance
Melbourne, 27 February 2023

Adore Beauty Group Limited
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31 December 2022

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General information

The financial statements cover Adore Beauty Group Limited as a consolidated entity consisting of Adore Beauty Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Adore Beauty Group Limited's functional and presentation currency.

Adore Beauty Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office & principal place of business

Level 1
421 High Street
Northcote VIC 3070

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27th February 2023. The directors have the power to amend and reissue the financial statements.

Adore Beauty Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

	Note	Consolidated H1 FY23 \$'000	H1 FY22 \$'000
Revenue	3	93,576	113,103
Cost of sales		<u>(63,078)</u>	<u>(75,707)</u>
Gross profit		30,498	37,396
Other income	4	47	20
Expenses:			
Advertising and marketing expense		(14,038)	(15,889)
Employee benefits expense	5	(9,219)	(10,700)
Depreciation and amortisation expense		(1,035)	(892)
Finance costs		(100)	(103)
Other operating expenses		<u>(6,882)</u>	<u>(7,056)</u>
Profit/(loss) before income tax expense		(729)	2,776
Income tax benefit/(expense)		<u>639</u>	<u>(809)</u>
Profit/(loss) after income tax expense for the period		(90)	1,967
Other comprehensive income			
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period		<u><u>(90)</u></u>	<u><u>1,967</u></u>
		Cents	Cents
Earnings per share			
Basic earnings per share	9	(0.10) cents	2.1 cents
Diluted earnings per share	9	(0.10) cents	2.1 cents

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Adore Beauty Group Limited
Consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated 31/12/22 \$'000	30/06/22 \$'000
Assets			
Current assets			
Cash and cash equivalents		30,062	29,766
Trade and other receivables		2,120	1,049
Current tax receivable		3,602	2,253
Inventories		18,512	17,491
Other current assets		2,864	1,042
Total current assets		<u>57,160</u>	<u>51,601</u>
Non-current assets			
Property, plant and equipment		736	763
Right-of-use assets		743	992
Intangibles		3,595	3,242
Deferred tax asset		2,218	2,630
Total non-current assets		<u>7,292</u>	<u>7,627</u>
Total assets		<u>64,452</u>	<u>59,228</u>
Liabilities			
Current liabilities			
Trade and other payables		23,176	18,482
Contract liability		2,760	1,034
Lease liabilities		553	548
Employee benefits		1,087	1,061
Total current liabilities		<u>27,576</u>	<u>21,125</u>
Non-current liabilities			
Lease liabilities		351	624
Employee benefits		197	161
Total non-current liabilities		<u>548</u>	<u>785</u>
Total liabilities		<u>28,124</u>	<u>21,910</u>
Net assets		<u>36,328</u>	<u>37,318</u>
Equity			
Issued capital		102,076	102,076
Reserves		(67,349)	(66,449)
Accumulated profit		1,601	1,691
Total equity		<u>36,328</u>	<u>37,318</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Adore Beauty Group Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2022

Note	Issued capital \$'000	Foreign currency translation reserve \$'000	Corporate re-organisation reserve \$'000	Share based payments reserve \$'000	Retained profits/ (Accumulated losses) \$,000	Total equity \$'000
Balance at 1 July 2021	102,076	(5)	(68,104)	978	(686)	34,259
Transactions with owners						
Share-based payments	5	-	-	341	-	341
Total transactions with owners	-	-	-	341	-	341
Comprehensive income						
Profit for the period	-	-	-	-	1,967	1,967
Total comprehensive income	-	-	-	-	1,967	1,967
Balance at 31 December 2021	102,076	(5)	(68,104)	1,319	1,281	36,567
Balance at 1 July 2022	102,076	(5)	(68,104)	1,660	1,691	37,318
Transactions with owners						
Share-based payments	5	-	-	(900)	-	(900)
Total transactions with owners	-	-	-	(900)	-	(900)
Comprehensive income						
Loss for the period	-	-	-	-	(90)	(90)
Total comprehensive income/(loss)	-	-	-	-	(90)	(90)
Balance at 31 December 2022	102,076	(5)	(68,104)	760	1,601	36,328

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Adore Beauty Group Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2022

	Note	Consolidated H1 FY23 \$'000	H1 FY22 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		101,862	124,750
Payments to suppliers and employees (inclusive of GST)		(99,835)	(125,686)
		<u>2,027</u>	<u>(936)</u>
Interest received		47	20
Interest and other costs of finance		(74)	(67)
Income taxes paid		(299)	(1,657)
Net cash from/(used in) operating activities		<u>1,701</u>	<u>(2,640)</u>
Cash flows from investing activities			
Payments for intangible assets		(1,039)	(881)
Payments for property, plant and equipment		(79)	(64)
Net cash used in investing activities		<u>(1,118)</u>	<u>(945)</u>
Cash flows from financing activities			
Repayment of lease liabilities		(261)	(308)
Payments of finance charges on lease liabilities		(26)	(36)
Net cash used in financing activities		<u>(287)</u>	<u>(344)</u>
Net increase/(decrease) in cash and cash equivalents		296	(3,929)
Cash and cash equivalents at the beginning of the half-year		<u>29,766</u>	<u>29,002</u>
Cash and cash equivalents at the end of the half-year		<u><u>30,062</u></u>	<u><u>25,073</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

Basis of preparation

These general-purpose financial statements for the half-year reporting period ended 31 December 2022 have been prepared in accordance with the requirements of AASB 134 Interim Financial Report and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard 34 Interim Financial Report.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Revenue recognition

Sale of goods

The Group's contracts with customers generally include one performance obligation. Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Cash payment is generally received at the point of sale.

Gift vouchers are considered a prepayment for goods to be delivered in the future. The entity has an obligation to transfer the goods in the future – creating a performance obligation. The entity recognises a current gift voucher liability for the amount of the prepayment and recognises revenue when the customer redeems the gift voucher and the entity fulfils the performance obligation related to the transaction or likelihood of the gift voucher being redeemed by the customer is deemed remote.

A right of return is held by customers. When a contract with a customer provides a right to return the good within a specified period, a provision for the amount of revenue related to the expected returns is recognised in the consolidated statement of financial position and an asset for the right to recover products from customers on settling the refund liability.

Commission revenue

Commission revenue is recognised as fees and commissions, even though gross cash flows go through Adore Beauty, as the entity has determined it is an agent for each specified good promised to the customer. Adore Beauty does not control the specified goods before the products are transferred to customers and does not bear the risk of owning the inventory in terms of insuring them. Adore Beauty's performance obligation is the transfer of the specified products to the customer at a recommended retail price set by the principal party. Revenue is recognised at the point in time when Adore Beauty customers obtain control of the promised asset and Adore Beauty has satisfied its performance obligations.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity operates in one segment being the sale of beauty and personal care products through its online platform. Sales are predominantly through the Australian geographical region, with New Zealand sales being immaterial. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and therefore not duplicated. The information reported to the CODM is on at least a monthly basis.

Major customers

During the current and previous financial half-year, no individual customer contributed more than 10 per cent of the consolidated entity's revenue.

Note 3. Revenue

Revenue from contracts with customers

	Consolidated H1 FY23 \$'000	H1 FY22 \$'000
Sale of goods – point in time	93,348	113,101
Commission revenue – point in time	228	2
Total revenue	<u>93,576</u>	<u>113,103</u>

Note 4. Other income

	Consolidated H1 FY23 \$'000	H1 FY22 \$'000
Interest income	47	20
Total other income	<u>47</u>	<u>20</u>

Note 5. Employee benefits expense

	Consolidated H1 FY23 \$'000	H1 FY22 \$'000
Salaries, wages and contractor payments	8,943	9,150
Share-based payments expense	(900)	341
Defined contribution superannuation expense	656	675
Annual and long service leave	61	217
Other employee benefits expenses	459	317
Total employee benefits expenses	<u>9,219</u>	<u>10,700</u>

Note 6. Equity - dividends

No dividend has been declared during or since the end of the half-year. Dividends of \$nil were paid during the comparative period.

Note 7. Contingent liabilities

The consolidated entity has no contingent liabilities as at 31 December 2022 (2021: \$nil).

Note 8. Events after the reporting period

On 9 January 2023, the Group's new Chief Executive Officer, Tamalin Morton commenced at Adore Beauty.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 9. Earnings per share

	Consolidated	
	H1 FY23	H1 FY22
	\$'000	\$'000
(Loss)/profit after income tax attributable to the owners of Adore Beauty Group Limited	<u>(90)</u>	<u>1,967</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	94,124,497	94,124,497
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	50,000	605,000
Performance rights	<u>150,914</u>	<u>-</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>94,325,411</u>	<u>94,729,497</u>

Adore Beauty Group Limited
Directors' declaration
31 December 2022

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standard AASB 134 Interim Financial Reporting, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Marina Go
Chair

27th February 2023

Grant Thornton Audit Pty Ltd

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Independent Auditor's Review Report

To the Members of Adore Beauty Group Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Adore Beauty Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the Directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Adore Beauty Group Limited does not comply with the *Corporations Act 2001* including:

- a giving a true and fair view of Adore Beauty Group Limited's financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting and the Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



Grant Thornton Audit Pty Ltd
Chartered Accountants



C S Gangemi
Partner – Audit & Assurance

Melbourne, 27 February 2023