

ADOREBEAUTY

GROUP

Adore Beauty Group Limited
ABN 78 636 138 988

ASX ANNOUNCEMENT

12 November 2021

Annual General Meeting – Chair and CEO Addresses

Adore Beauty Group Limited (ASX: ABY) (**Adore Beauty** or **Company**) attaches the Chair and CEO Addresses to be given at Adore Beauty's Annual General Meeting today which will be held online (virtually).

This announcement was authorised by the Board of Directors.

For more information, please contact:

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Ends

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 approximately 260 brands and 10,800 products.

Adore Beauty operates in Australia and New Zealand. For further information please visit www.adorebeautygroup.com.au

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ADORE BEAUTY GROUP LIMITED
2021 Annual General Meeting
Chair and CEO Addresses
12 November 2021



Before I hand over to CEO Tennealle O'Shannessy to provide an update on the 2021 financial year, I would like to make a few comments as your Chair.

Before I begin, I would like to make a brief statement on recent changes to the Board and our ongoing commitment to good corporate governance.

Firstly, I would like to acknowledge the significant contribution of Justin Ryan, who retired from the Board last week.

A Director of Adore Beauty since 2019, Justin led the Board as Chair during a pivotal period of growth for the Company, including its successful IPO.

The Board has announced that it will commence the search for an additional independent non-executive director, which will support our transition to a majority independent Board.

We have identified the particular skill sets we believe will further strengthen the Board and I look forward to updating you on this process over the coming months.

Personally, I am honoured to be the Chair of Adore Beauty and look forward to leading the Board through its next growth phase and creating value for our shareholders over the long term.

Adore Beauty has had an exceptional first year as a listed company. We successfully listed on the ASX, outperformed all key customer metrics, and delivered record revenue and profitability. And we did so during unprecedented operating conditions.

As Australia's number one pure play online beauty retailer, Adore Beauty has transformed the online beauty shopping experience over the past two decades. Today, it is a destination for beauty discovery with an unparalleled product range encompassing approximately 260 brands and 10,800 products across skincare, haircare, makeup, wellness, and fragrance. Our integrated content, marketing and e-commerce platform is also a destination of choice for brands.

Adore Beauty has a large and growing addressable market, operating within Australia's \$11.2 billion beauty and personal care category. Australia is early in the online adoption curve with online sales currently representing 11.4% of the total market, at \$1.3 billion. While the market is growing at a CAGR of 3.8%, online growth is outpacing the broader category with a forecast CAGR of 26% between now and to 2024. Within this fast-growing segment, Adore has a 13% market share and a long history of growing faster than the market.

This growth is being supported by global macro trends, including the accelerated shift to digital and convenience channels and the impact of digitally native Millennials and Gen Z consumers entering the market. Globally, accelerated growth is also occurring in segments of the market where Adore is particularly strong, such as skincare - our largest category.

Adore Beauty has built a loyal and highly engaged customer base. Each year a customer remains on Adore's platform, they become more valuable, increasing both their order frequency and basket size. Key to this loyalty is a consistent, exceptional customer experience with fast, free delivery, same day 4pm dispatch, 90-day returns, and complimentary samples in every order.

This best-in-class customer experience delivered an active customer retention rate of 61 per cent in FY21 even with welcoming almost half a million new customers onto the platform over the year. In addition to increased revenue contribution from our existing customer base, new customers provide an opportunity to create more satisfied, loyal and repeat customers.

Over the past year, Adore has grown to be a household name with almost 60 per cent of Australian consumers recognising the brand. Increased brand awareness remains a key priority for the Company with a multi-channel marketing strategy designed to build trust, drive traffic and sales conversion, and increase awareness to a targeted 80 per cent.

Our trusted brand partners are integral to our success and growth, and in FY21 we continued to build out our range authority through onboarding new brands and extending brand exclusivity. As I mentioned earlier, Adore is unique in the beauty market. Our content strategy and growing customer community is a key differentiator, enabling us to become more than just another distribution channel. The Company's data-enriched integrated content and e-commerce platform supports product discovery and education at scale, so for brands we are also an effective marketing partner.

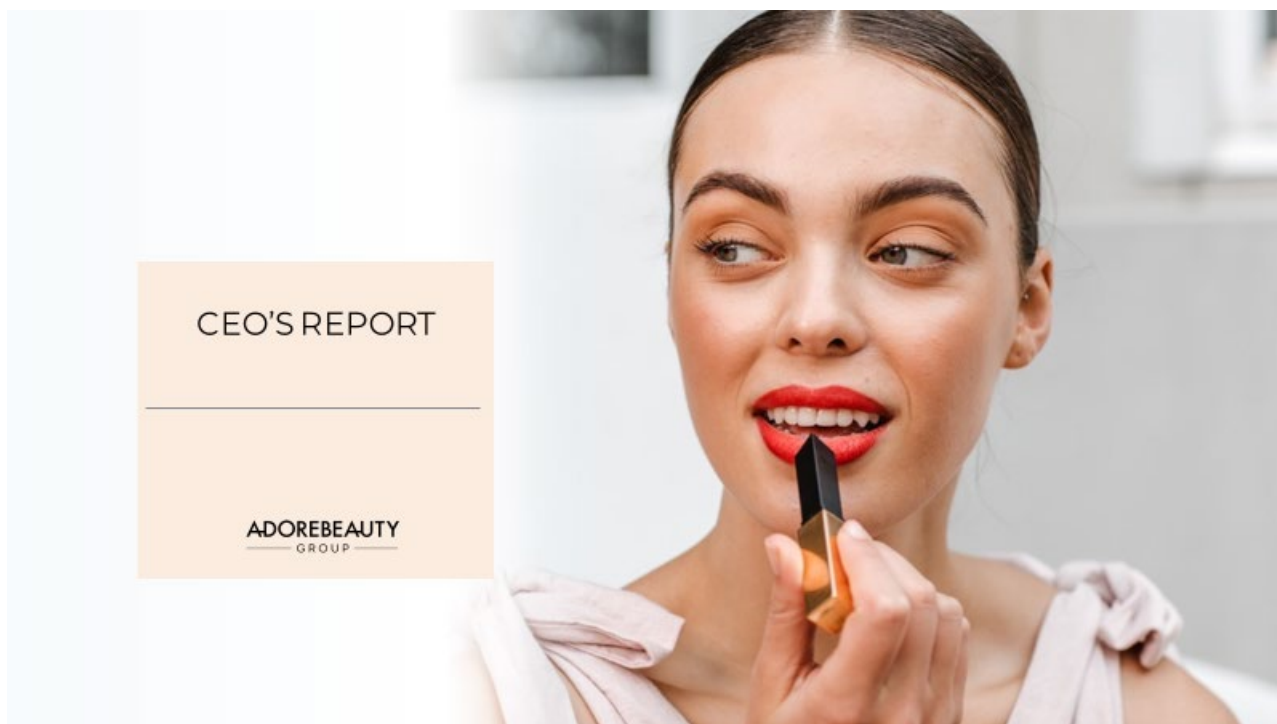
Adore remains focused on cementing its online market leadership with a clear growth strategy and strategic priorities that capitalise on our competitive advantages and lay the foundations for long-term, sustainable growth. Led by an experienced and well-regarded management team, Adore Beauty is well placed to significantly increase active customers, revenues and market share over the coming years.

On behalf of the Board, I would like to thank our employees, brand partners and courier partners for their tremendous efforts in what has been a challenging year. Our strong FY21 operational performance would not have been possible without their dedication and hard work.

Thank you to you, our valuable shareholders, for embarking on this journey with us, and for your patience over the past year. I, like the rest of Adore Beauty's Board and senior leadership team, do not believe the current share price reflects the business' performance or strong growth trajectory. We remain optimistic about our future, and completely committed to continuing to execute against our strategy.

Lastly, I would like to acknowledge my fellow Board members, our senior management team, and the whole Adore team for their hard work and dedication over the past year.

I'll now hand over to Tennealle.



Thanks, Marina

Good afternoon to our Australian investors, and hello to those joining us from around the globe.

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WHO WE ARE



Overview

- Australia's number one pureplay online beauty retailer¹
- Founded in 2000, entered the New Zealand market in 2019 and listed on the ASX in October 2020
- Transformed the online beauty shopping experience and creating a destination for consumers
- Compelling offering of approximately 260 brands and 10,800+ products

1. Based on Management estimates.

Premium Brand Portfolio

SKINCARE	aspect	SKINCEUTICALS [®]	ALPHA-H
	dermalogica [®]	SK-II	The Ordinary.
HAIR	ghd <small>good hair day</small>	ELEVEN [™] <small>AUSTRALIA</small>	AVEDA
		KEVIN.MURPHY	KÉRASTASE <small>PARIS</small>
MAKE UP	MAC	benefit	GIORGIO ARMANI
	ESTÉE LAUDER		MAKE UP FOR EVER
WELLNESS / FRAGRANCE	GIORGIO ARMANI	WelleC [®]	
			YVES SAINT LAURENT

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Before I take you through our FY21 achievements, a quick recap on who we are.

While Adore Beauty is new to the ASX, we have been disrupting the traditional beauty shopping experience for more than two decades. Today, Adore Beauty is Australia's number one pureplay online beauty retailer. We are the market leader in the fastest growing beauty segment with a significant competitive advantage built around three key elements:

Firstly, a unique brand portfolio which is rarely found in a single retailer, incorporating prestige department store brands, professional salon & clinic brands, niche brands and masstige.

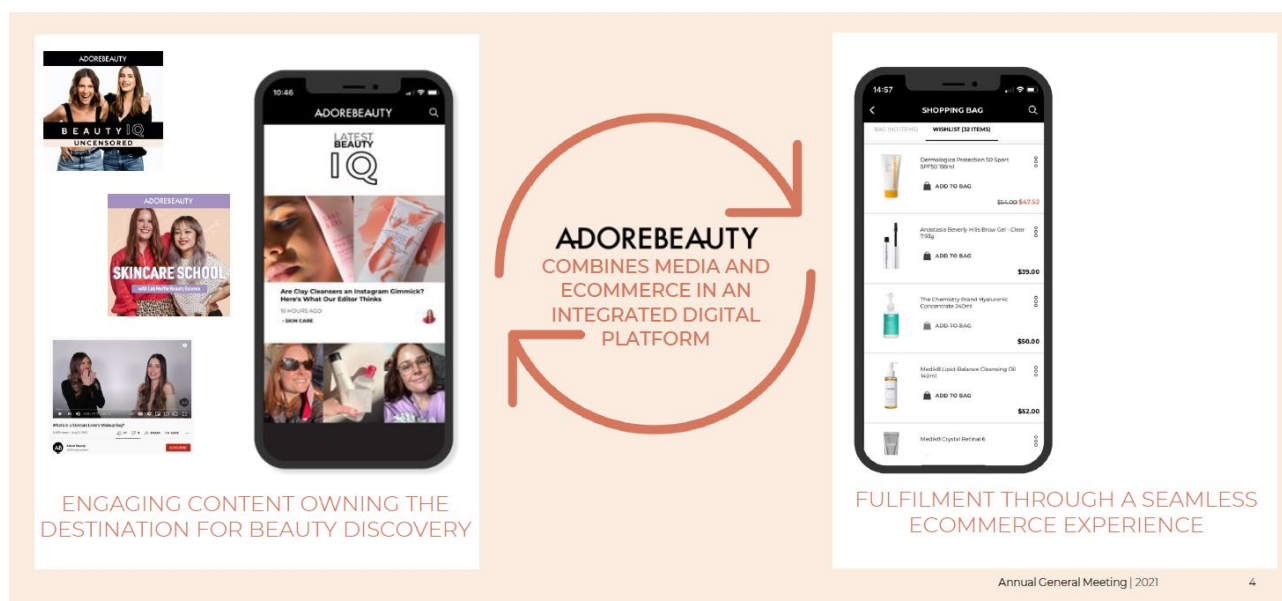
Second, a best in class online-first customer experience that creates loyal, returning customers.

And finally, a data-driven personalisation and content engagement strategy that educates and entertains our customers, making us the destination of choice for beauty discovery and shopping.

INTEGRATED MEDIA & ECOMMERCE PLATFORM

CONTENT, RANGE & EXCEPTIONAL CUSTOMER EXPERIENCE A SIGNIFICANT COMPETITIVE MOAT

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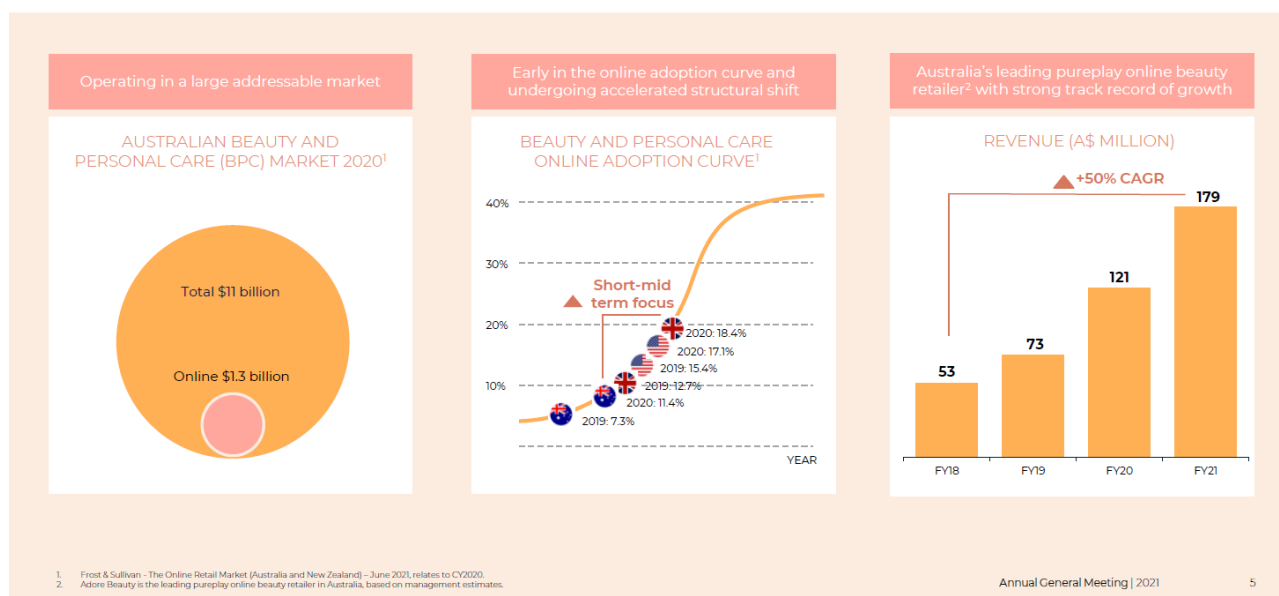
Our focus on content means Adore is much more than just an online store.

We use our expanding media network of podcasts, videos and blog posts to educate, engage and entertain our customers. This has enabled us to move past just offering convenient replenishment - we can also introduce our customers to the "product they didn't know they needed". Our Beauty IQ Uncensored podcast has grown 273% to ~3 million downloads. This year we launched three new podcasts, and have 3 of the top 10 podcasts in the Australian fashion and beauty category.

For consumers, it means we are the destination for beauty discovery and fulfilment. And for brands, we have become a trusted marketing partner, as well as a fast-growing distribution channel.

We have invested heavily in content for more than five years which has created a significant first-mover advantage that is very difficult to replicate. This investment in our owned content channels also reduces our reliance on competitive paid marketing channels, effectively offsetting marketing spend over the long term.

MARKET LEADERSHIP IN ONLINE BEAUTY OPERATING IN A LARGE AND GROWING MARKET

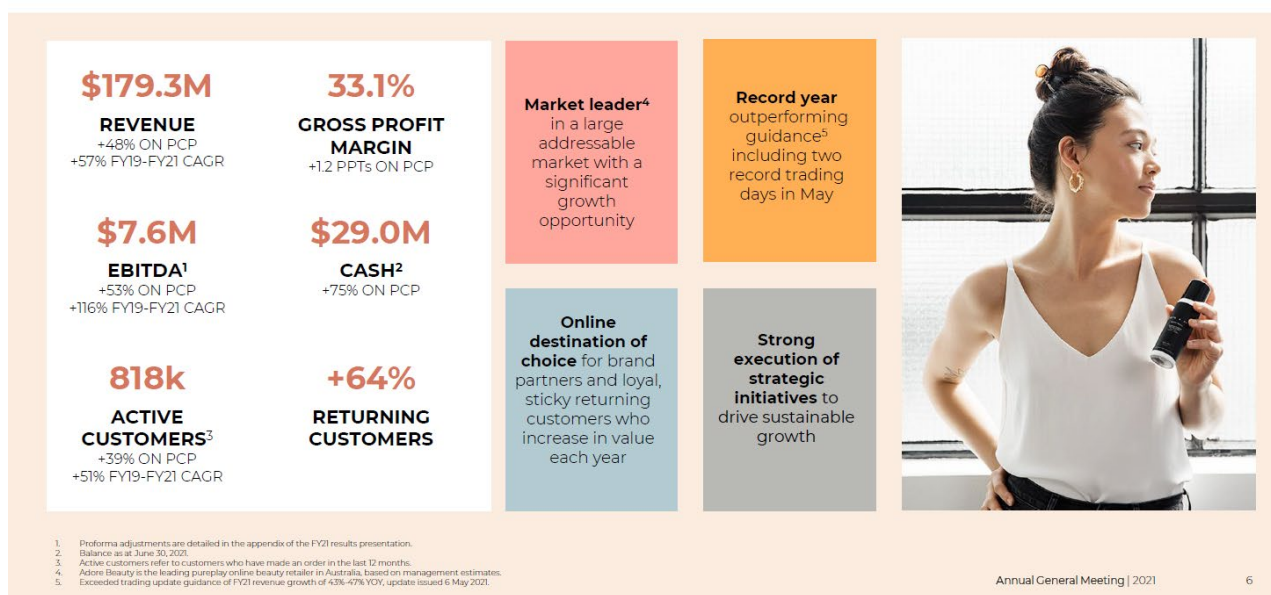


Beauty and personal care is an \$11 billion market in Australia alone. We operate in the fastest growing segment within that market, with online continuing to benefit from structural tailwinds.

As you can see, Australia is still early in the online adoption curve. So, while COVID has accelerated the shift from physical stores to online, we are still many years behind more mature markets such as the US and the UK.

Lastly, we have a strong track record of growing faster than the market with a 3-year CAGR of 50%. We are profitable, capital light and have a debt-free balance sheet - meaning we are well positioned to take a disproportionate share of this shift to online.

RECORD FY21 FULL YEAR RESULTS OUTPERFORMING GUIDANCE



In our first full-year as a listed company, we delivered record revenue, profit, and customer numbers – outperforming both our half year Prospectus forecasts and guidance.

Revenue increased 48% over the prior year to \$179.3 million, driven by a 39% increase in active customers to 818 thousand. Our FY21 performance was boosted by multiple record trading days throughout the year, including two in May while we were not in lockdown. Pleasingly, retention continues to perform strongly, and we saw returning customer numbers increase 64%.

Gross profit margin improved 1.2 percentage points to 33.1%, underpinned by product margin expansion.






These record topline results demonstrate early signs of the operating leverage this business can achieve, and we also delivered record profitability, with EBITDA increasing 53% to \$7.6 million.

We are well funded for growth with \$29 million cash as at 30 June, 2021 with no debt.



DELIVERED ON KEY FY21 STRATEGIC PRIORITIES

OUTCOMES DRIVING IMPROVEMENTS ACROSS KEY METRICS

STRATEGIC PRIORITY	FY21 OUTCOMES DELIVERED
 Grow brand awareness and owned marketing channels Aim to reach the millions that haven't yet heard of us; increase brand awareness to 80%+, and build sustainable marketing platform	<ul style="list-style-type: none"> ✓ Grew brand awareness from 39% to 58%¹ ✓ Grew owned marketing channels, podcast downloads up 273% to 2.7m, launched Skincare School and Mr BeautyIQ podcasts²
 Launch app Build content-first mobile app to expand use of machine learning to combine technology and personalisation through data	<ul style="list-style-type: none"> ✓ Launched Mobile App H1 FY21 ✓ Driving higher levels of engagement, conversion and AOV ✓ Delivered ~\$1m in revenue in July 2021
 Loyalty Create the most rewarding loyalty program in ANZ by enriching the customer experience	<ul style="list-style-type: none"> ✓ Launched Loyalty Program in H2 FY21, continued strong member signups including >95% of most valuable customer tier
 Range authority and Related adjacencies Grow core product range and target related verticals that we believe our customers will respond to, and that stay true to our brand voice	<ul style="list-style-type: none"> ✓ Onboarded 51 new brands ✓ Built out Korean Beauty category, onboarded 7 new brands ✓ Piloted Mens adjacent category
 Private label Leverage customer knowledge, data and experience to tailor brands and products for identified gaps in the target market and increase financial margins	<ul style="list-style-type: none"> ✓ Piloted Adore Beauty branded accessories ✓ Tested curated third-party brand and Adore Beauty branded 'Best in Class' pack supported by launch of Skincare School podcast, sold out in 10 days ✓ On track to launch first Private Label products in FY22 Q2/Q3

1. Brand Awareness Panel Survey run with partner agency Pureprofile to 1500 randomly selected national participants 18-55

2. Source: Omny podcast platform.

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Our strategic priorities were key to this record financial performance.

In FY21, we delivered strong progress on our five strategic priorities, which are driving improvements across all key customer metrics and lay the foundations for future growth. We are ahead of our game plan.

Adore is executing on a clear growth strategy built around brand awareness, new customer acquisition and returning customer retention.

As market leader, we are investing in capabilities that build strategic moats around the business and reinforce our defensive ecosystem. These include data and personalisation, mobile app and loyalty programs, our own private label and brand awareness.

In FY21, we invested in our first ever national TV campaign and grew our owned marketing channels to increase brand awareness to 58%. Brand awareness supports new customer discovery and acquisition, as well as customer retention. We know from experience that when customers try Adore Beauty, they love us, so reaching the millions of consumers who aren't aware of us provides us with a significant growth opportunity.

Our newly launched mobile app and loyalty program are key to improving customer retention and the lifetime value of our customers, as well as creating additional owned marketing channels. Both initiatives are resonating well with our customers. Our app is driving higher levels of engagement, conversion and average order values and is scaling well, contributing ~\$1M in revenue in July 2021. And more than 95% of our most valuable customer tier have signed up to our loyalty program.

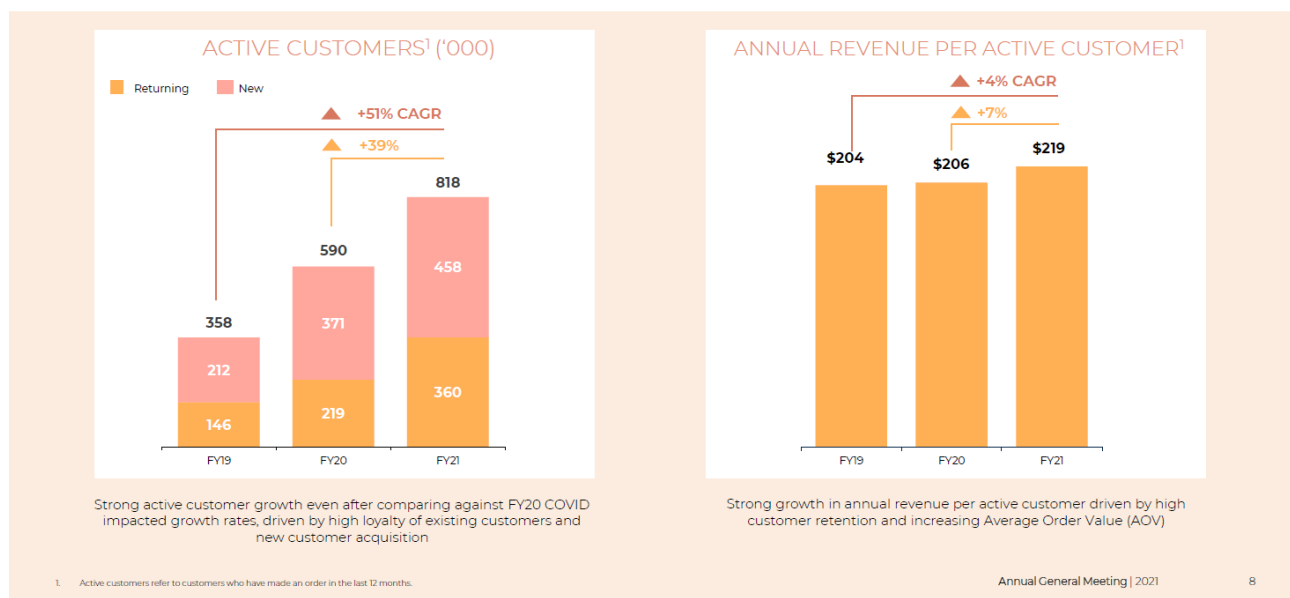
We continued to expand our range authority, onboarding 51 new brands, seven of which are in the popular Korean Beauty category. We also piloted the Mens adjacent category. This expansion will support new customer acquisition and growth in annual spend.

And finally, we tested an Adore Beauty branded private label accessories offering and are on track to launch our first private label brand. I will share more detail on our FY22 focus areas later in the presentation.

SUSTAINED GROWTH ACROSS ALL CUSTOMER METRICS

GROWING ACTIVE CUSTOMER BASE WHILE EXPANDING SHARE OF WALLET

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Over the past year, we have leveraged favourable market conditions to cost-effectively increase our active customers to 818 thousand. Almost half a million of these customers were welcomed onto the platform in FY21. Alongside strong new customer growth, we continued to see high loyalty and retention rates from our existing customer base.

Our customers are incredibly loyal and become more valuable each year they remain with the platform, increasing both their basket size and order frequency in subsequent years to create subscription-like rates of retention.

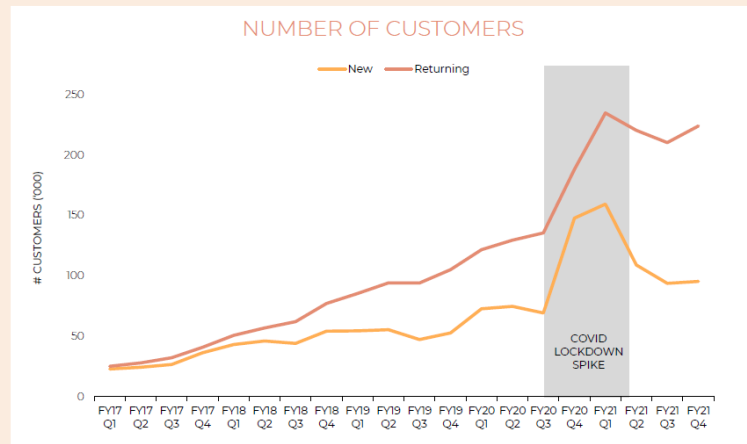
We continue to expand our share of customer wallet, with annual revenue per active customer increasing \$13 over the year to \$219. This increase reflects higher average orders by our returning customers.

RETENTION CONTINUES TO PERFORM STRONGLY

LOYALTY-DRIVEN BUSINESS MODEL DELIVERING EXCEPTIONAL CUSTOMER RETENTION

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- The COVID lockdowns drove a spike in new customer acquisition and returning customer repurchase
- Post lockdown, underlying growth in new and returning customer cohorts continues
- In FY21 returning customers accounted for 62% of revenue
- Returning customer growth of 64% on PCP outpaced growth of new customers of 23%
- FY21 aggregated retention¹ of 61.0% was +8.1ppts up on FY19; slight decline of 0.2ppts on PCP reflects larger proportion of new customers acquired during COVID
- Strategic initiatives including the scaling of Mobile App and Loyalty Program will continue to improve retention and lifetime value



1. Aggregated active customer retention rate = (Active Customers as at the end of the relevant financial year - Active Customers acquired during the relevant financial year) divided by Active Customers as at the commencement of the relevant financial year.

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Customer retention is a key metric for us, and we have been increasing the volume and value of our returning customer base over many years.

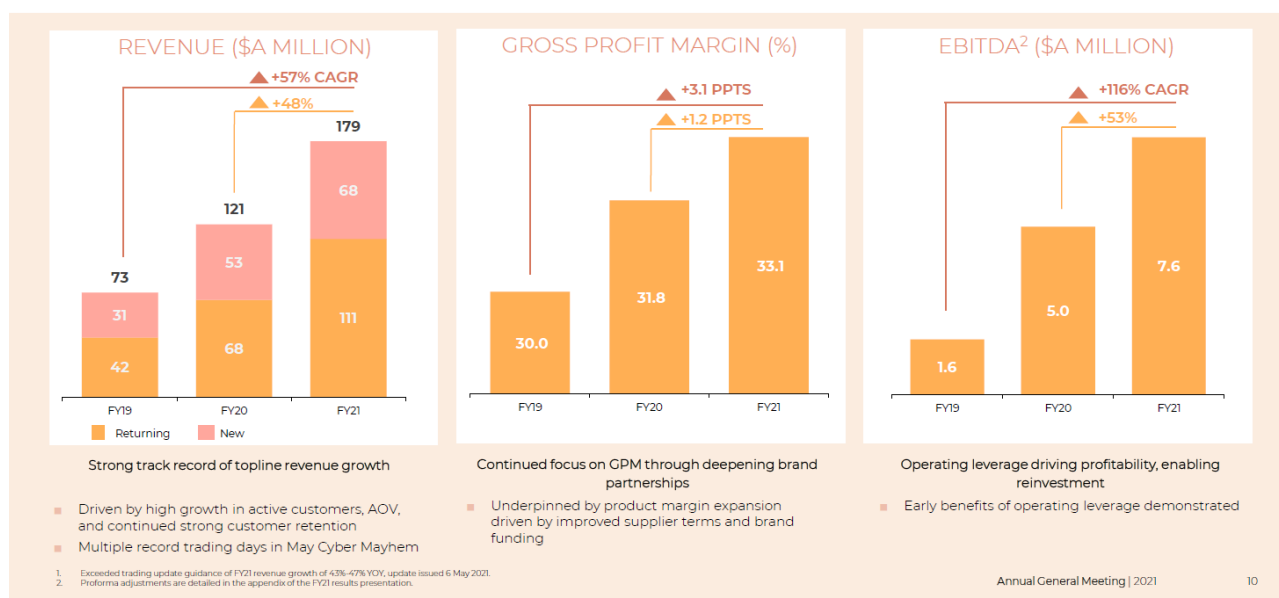
COVID lockdowns saw a larger volume of consumers shopping online, which resulted in a significant boost to both our new customer growth and returning customer spend. Encouragingly, post lockdown, underlying growth in returning customer cohorts continued off this higher base.

Even with new customer growth of 23% over the period, aggregated customer retention remained high at 61%.

While both new and returning customer cohorts continue to grow, returning customers are incredibly valuable for our business, accounting for 62% of FY21 revenue. Pleasingly, our returning customer cohorts grew 64% in FY21.

As I mentioned earlier, we have multiple strategic initiatives in place to improve retention and the lifetime value of customers. These initiatives include our continued investment in content as well as our new mobile app and loyalty program.

RECORD FINANCIAL PERFORMANCE OUTPERFORMING GUIDANCE¹



As I mentioned earlier, FY21 was headlined by record revenue and profitability.

While both calendar year 20 and FY21 were atypical trading periods, Adore Beauty has been consistently delivering long-term year-on-year growth for a number of years. Our underlying revenue performance over a two-year period has been growing at a compound annual growth rate of 57%.

This strong revenue growth is continuing to underpin key profit and loss lines. In FY21, we also improved our unit economics with gross profit margin up 1.2pts over the prior year, primarily due to optimised supplier terms, brand funded promotions, and a change in freight carrier. Importantly, this freight carrier change enabled us to enhance our customer experience, extending same day dispatch cut off to 4pm – the industry's latest – and adding real time delivery tracking.

Growing scale and operating leverage delivered record profitability with an EBITDA result of \$7.6 million. The EBITDA ramp-up has been significantly accelerated due to record revenue growth, with most of the uplift dropping directly to EBITDA.

SUSTAINABILITY & DIVERSITY

A KEY PRIORITY FOR ADORE BEAUTY AND OUR BRAND PARTNERS



DIVERSITY AND INCLUSION



- Woman co-founder, woman CEO
- Majority women on board and executive team
- 82% of manager roles held by women

PACKAGING



- 100% of packaging and void fill is recycled and recyclable
- Replacing bubble wrap with 100% recyclable void fill
- Fabric and compostable bags for gift with purchase

SUSTAINABLE OPERATIONS



- 100% green power at customer fulfilment centre
- Volumetric box-sizing technology reducing cardboard usage
- Larger sizes for popular products

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Moving now to sustainability and diversity.

As a business, we're committed to reducing our environmental impact and future-proofing our supply chain. 100% of our packaging and void fill is recycled and recyclable, we're eliminating plastic bubble wrap, while optimised packaging sizing has enabled us to reduce our cardboard usage.

We offer our most popular products in jumbo sizes to reduce packaging and frequent re-ordering, and our CFC uses 100% green power. We're also working with our brand partners to eliminate unnecessary product plastic wrapping.

On diversity and inclusion, Adore Beauty leads the way in representation for women in leadership. When the Company listed on the ASX in October 2020, we did so proudly with a woman co-founder, woman CEO, majority women Board, majority women Executive Leadership Team, and 82% women managers.

We are early on this journey, and our ongoing progress in this domain spans more than just gender, our content is created for and featuring BIPOC, the LGBTQIA+ community, catering for all ages and those with medical disabilities.

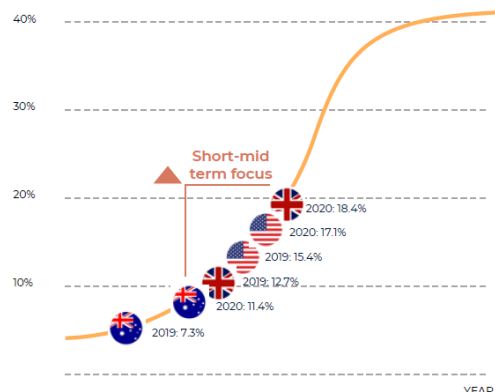
BEAUTY & PERSONAL CARE IS AN \$11 BILLION MARKET

EARLY IN THE ONLINE ADOPTION CURVE, UNDERGOING ACCELERATED STRUCTURAL SHIFT

STRONG TAILWINDS FOR FUTURE GROWTH

- Beauty and personal care (BPC) market in Australia is \$11.2b, with forecast CAGR of +3.8% to 2024¹
- Online BPC sales account for 11.4%, and is forecast to grow at a +26% CAGR to 2024¹
- Adore's market share of 13% of online BPC sales represents significant upside
- Structural shift to online is underway
 - COVID-19 is accelerating this shift – new consumer habits formed during lockdown
 - Entrance of digital-native Millennials and Gen Z into market
 - Australian online sales still significantly under-penetrated compared to US and UK

BEAUTY AND PERSONAL CARE ONLINE ADOPTION CURVE¹



1. Frost & Sullivan - The Online Retail Market (Australia and New Zealand) - June 2021.

Beauty is a very resilient category even in a global pandemic.

Over the past year, we've benefitted from what used to be known as the lipstick effect - although today it's more like the skincare effect. Consumers engage with the category multiple times a year to repurchase what they consider essential products, particularly in skincare where we index very highly.

As I mentioned earlier, we operate within a large \$11 billion market that is growing at a CAGR of 3.8%.


While online sales currently account for 11.4% of the total market, it is growing much faster with a forecast CAGR of 26% between now and 2024. Within this market, Adore Beauty has a 13% market share, and is well-placed to increase this as online penetration in Australia approaches the UK, the US and China.

We are also benefiting from structural tailwinds, including the accelerated shift to digital channels and the impact of new digitally native Millennial and Gen Z consumers entering the market. These consumers are continuing to increase their purchases.

And globally, we're seeing accelerated growth in segments of the market where Adore is particularly strong, including skincare, which is our biggest category.

FY22 IS FOCUSED ON GROWING MARKET SHARE AND CEMENTING ONLINE MARKET LEADERSHIP

STRATEGIC PRIORITY	FY22 FOCUS AREAS
1 RANGE AUTHORITY	<ul style="list-style-type: none"> Build compelling product range and deepen brand partnerships Launch and scale private label
2 BEST ONLINE TRANSACTION EXPERIENCE	<ul style="list-style-type: none"> Improve user experience and site conversion Expand data driven personalisation
3 CONTENT LED CUSTOMER ENGAGEMENT	<ul style="list-style-type: none"> Scale and embed Mobile App and Loyalty program Grow brand awareness and owned marketing channels



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In FY22 we are focused on increasing our market share and cementing our online market leadership.

Our growth strategy is focused on three key pillars: building out our range authority, providing an exceptional online transaction experience, and content-led customer engagement.

The year ahead will see us:

Build out our range authority and launch our first private label brands in Skincare.

Continue to improve our online transaction experience, using data driven personalisation to deliver a highly engaging and relevant experience.

And continue to invest in content led customer engagement and our owned marketing channels. We will scale our Mobile App and Loyalty program to grow retention and lifetime value, and we will continue to grow our brand awareness.

FY22 OUTLOOK

- Adore Beauty continues to benefit from the structural shift to online and ongoing retention of new customers added during COVID.
- FY22 has started strongly with Q1 revenue up 25% on PCP to \$63.8m¹
 - Active customers up 24% on PCP to 874k²
 - Strong customer retention with returning customer growth of 63% on PCP³
- Adore Beauty is executing a clear and robust growth strategy to cement its online market leadership position, and it is well positioned to capture market share in a large and growing market benefiting from structural tailwinds.
- Adore Beauty expects to maintain a 2-4% EBITDA margin in the short to medium term while reinvesting to drive above market growth. Longer term, scale benefits are expected to increase operating leverage and deliver further EBITDA margin expansion.



1. Prior corresponding period refers to Q1 FY21. Revenue based on unaudited management accounts.
 2. Active customers refer to customers who have ordered in the last 12 months to 30 September 2021. Prior corresponding period comparison of the 12 month period to 30 September 2021 to the 12 month period to 30 September 2020.
 3. Returning customers are customers who have previously placed an order on the Adore Beauty website. Prior corresponding period is the 12 month period to 30 September 2020.

We've had a strong start to 2022 financial year with Q1 delivering strong growth in revenue, active customers and returning customer spend.

Q1 revenue was up 25% on PCP to \$63.8m.

Active customers increased 24% over the same period last year to 874 thousand.

And our valuable returning customers growing at 63% on PCP.

COVID lockdowns in multiple Australian states during the period elevated new customer growth and returning customer spend. As these restrictions ease, we are monitoring trading conditions closely. However, given ongoing uncertainty, we do not consider it appropriate to provide guidance at this time.

Adore has a strong track record of delivering growth over more than two decades and continues to build on the momentum in the business. We are executing a clear and robust growth strategy to capture market share in a large and growing market benefitting from structural tailwinds.

Adore expects to maintain a 2-4% EBITDA margin in the short to medium term while reinvesting to drive above market growth. Longer term, as the business grows, we expect scale benefits to increase operating leverage and deliver further EBITDA margin expansion.

Thank you for your time today.

I'd also like to take this opportunity to thank the Adore Beauty team for their passion, customer focus, dedication and resilience as we have navigated these uncertain times. The team has done an amazing job on executing a roadmap while dealing with a significant increase in customers and orders.

I will now hand back to Marina to proceed with the formal part of the meeting.