

FY23 Results Presentation

23 August 2023

Revenue returns to growth; improved profitability in H2

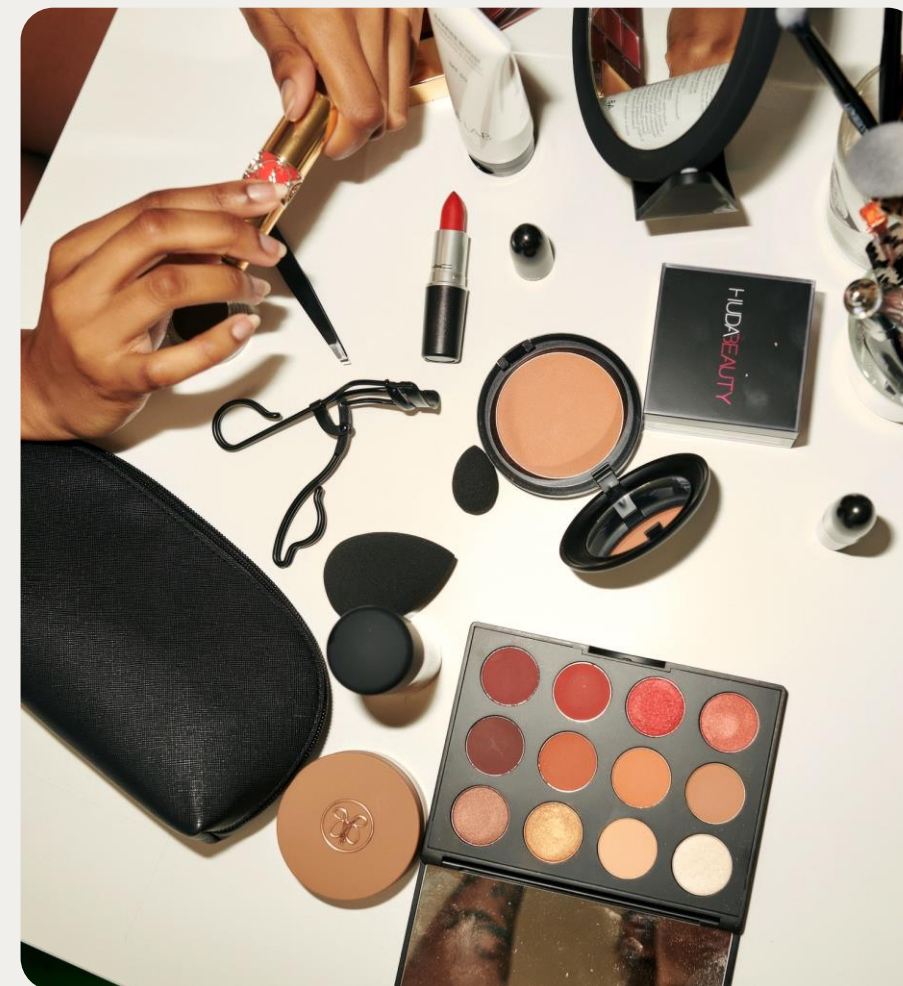
IMPROVED OPERATIONAL EFFICIENCY & COST MANAGEMENT

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

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

1. Other operating expenses represents "Employee costs" and "Other costs" as per slide 8

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



Customer loyalty proving resilient

FY23 FINANCIAL SUMMARY



\$180.6M

Revenue

-9.6% on PCP

+14% 3-year CAGR

32.8%

Gross profit margin

-0.5 pts on PCP

\$0.6M

Reported EBITDA¹

801K

Active customers²

-8% on PCP

+11% 3-year CAGR

490K

Returning customers³

+4% on PCP

+31% 3-year CAGR

\$27.8M

Cash⁴

-7.7% on PCP

Australia's leading pureplay online beauty retailer⁵

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

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

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

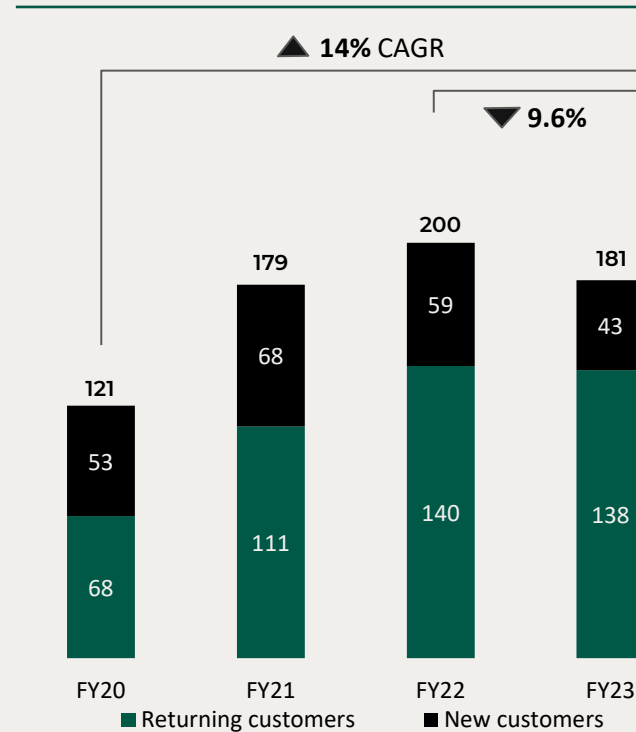
4. Balance as 30 Jun 2023 compared to 30 Jun 2022.

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

Value proposition driving repeat customer revenue

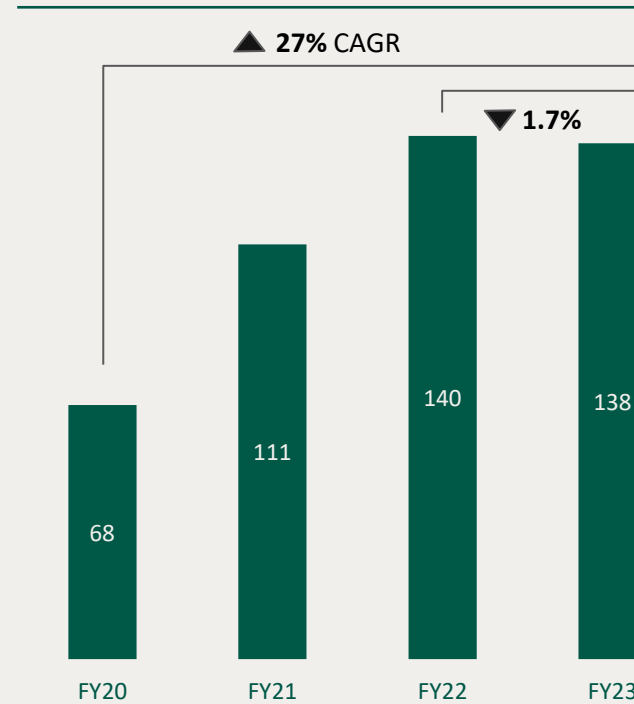
FY23 REVENUE INSIGHTS

Revenue (\$A Million)



Returning customers¹ are the primary revenue driver, accounting for 76% of total sales, up from 70% in FY22.

Returning customer revenue (\$A Million)



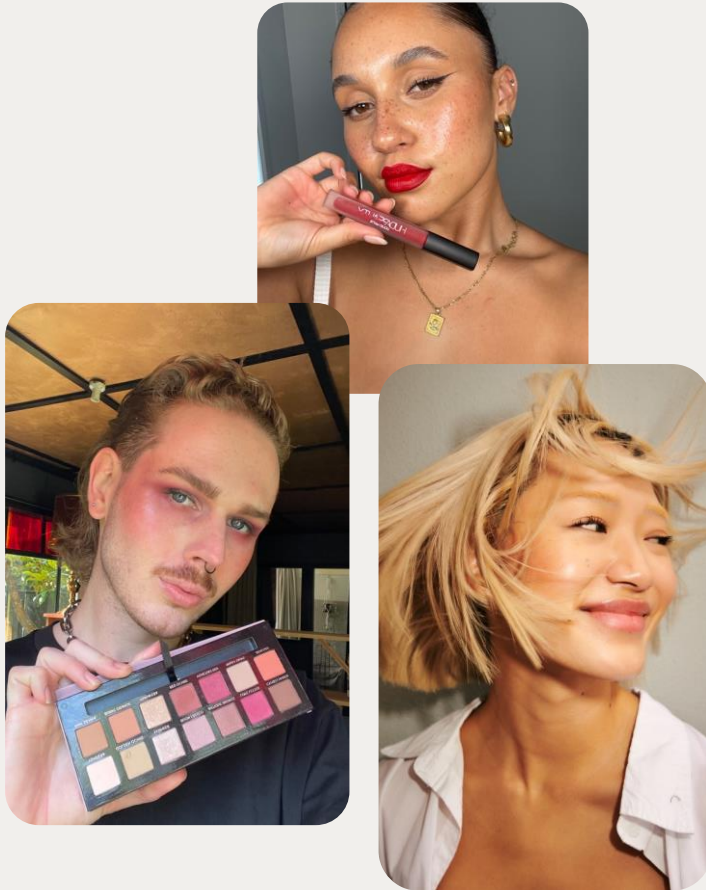
Consistent revenue contribution from returning customers in challenging environment, up 27% on a three-year CAGR.



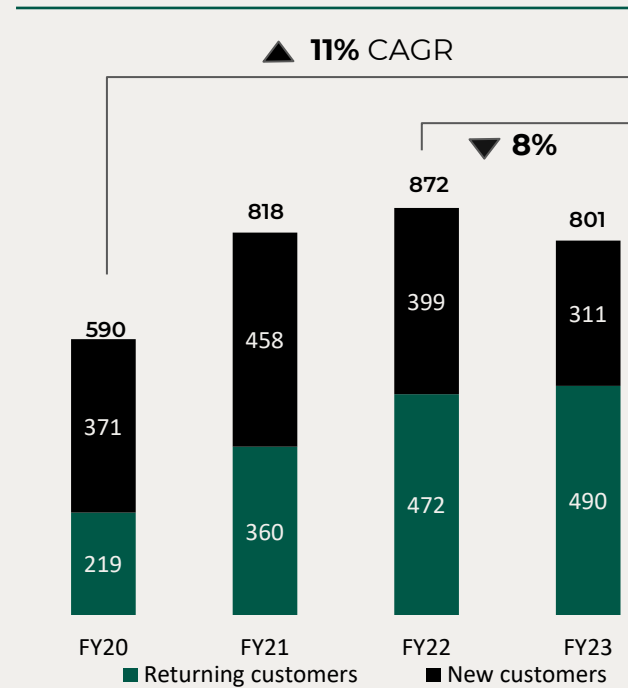
1. Returning customers are customers who have placed an order in any period prior to FY23 and re-purchased in the period

Almost 500K returning customers & growing

FY23 CUSTOMER INSIGHTS

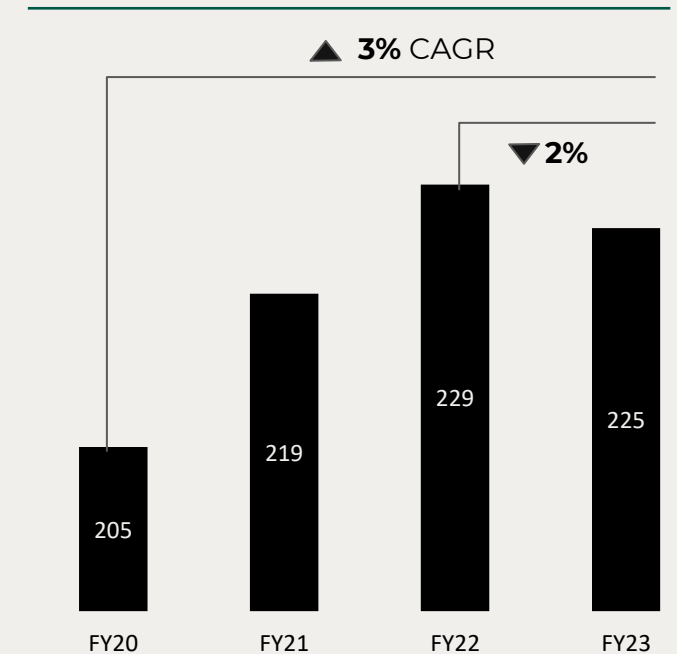


Active customers¹ (‘000)



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

Annual revenue per active customer² (\$)



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

1. Returning customers are customers who have placed an order in any period prior to FY23 and re-purchased in the period
2. Active customers refer to customers who have ordered in the last 12 months. New customers refer to customers who have ordered for the first time in FY23

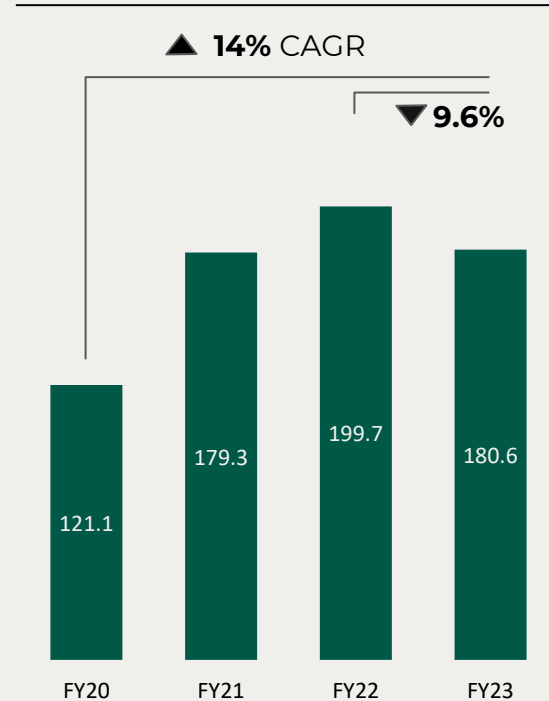


FY23 Financial Results

FY performance reflects challenging environment

OPERATIONAL ADJUSTMENTS DRIVING IMPROVED PERFORMANCE IN H2

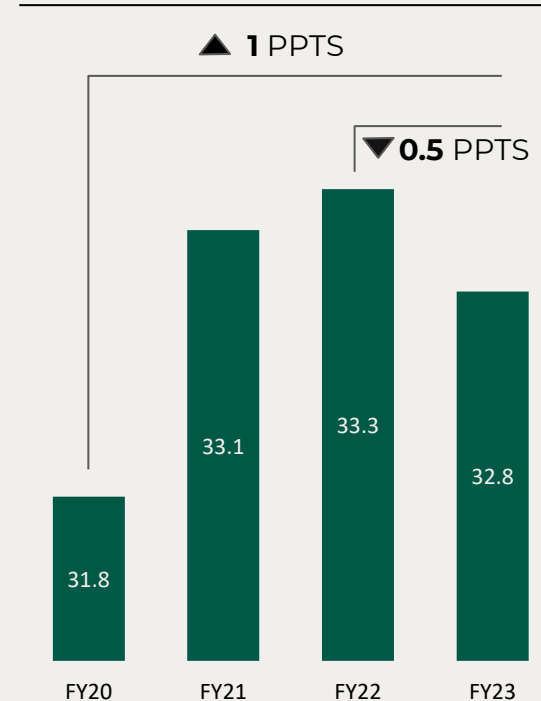
Revenue
(\$A Million)



Returning customers support revenue

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

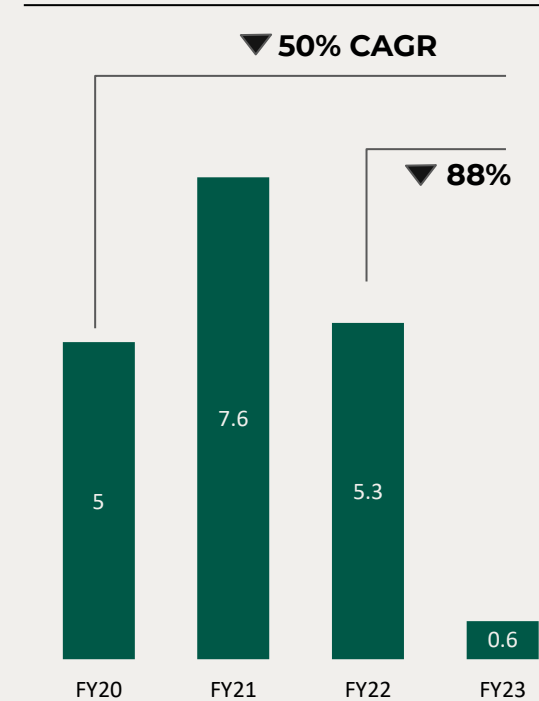
Gross profit margin
(%)



Cost inflation impacting margins

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

EBITDA¹
(\$A Million)



Re-investment & lower operating leverage

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

1. Historical proforma adjustments are detailed in the Appendix.



Optimising operations & managing costs

FY23 PROFIT & LOSS

A\$M	FY20	FY21	FY22	FY23
Revenue	121.1	179.3	199.7	180.6
Cost of sales	(82.6)	(120)	(133.1)	(121.3)
Gross profit	38.5	59.3	66.5	59.3
Gross profit margin	31.8%	33.1%	33.3%	32.8%
Employee costs	(11.1)	(17.0)	(19.3)	(19.1)
Marketing and advertising costs	(14)	(23.1)	(28.2)	(26.7)
Other costs ³	(8.6)	(11.0)	(13.0)	(13.3)
Operating EBITDA	5.0	8.2	6.0	0.1
	4.1%	4.6%	3.0%	0.1%
Share Based Payments	0	(0.6)	(0.7)	0.5
Reported EBITDA ²	5.0	7.6	5.3	0.6
	4.1%	4.2%	2.7%	0.4%
Depreciation and amortisation	(1.2)	(1.5)	(1.9)	(2.1)
EBIT	3.8	6.1	3.5	(1.5)
Interest	(0.1)	(0.1)	(0.2)	0.1
Profit/(loss) before tax	3.6	6.0	3.3	(1.5)
Income tax expense	(1.1)	(1.8)	(0.9)	0.9
Profit/(loss) after tax (NPAT)	2.5	4.2	2.4	(0.6)

76% of all revenue from returning customers

- Revenue declined 9.6% on the lockdown-impacted PCP; up 14% on a three-year CAGR
- Record trading periods for key sales events including Cyber, Click Frenzy and Afterpay
- Average Order Value (AOV) for all active customers increased 3% on the PCP to \$111.6¹, while Average Order Frequency (AOF) dropped to 2¹

Margins reflect cost inflation

- Gross profit margin declined 0.5 percentage points over PCP to 32.8%, reflecting higher levels of promotional discounting and inflation across key input lines
 - H2 gross profit margin improved 0.5ppts

Re-investment & lower operating leverage

- Subdued revenue impacting profitability
- Marketing as a % of sales increased 0.7 percentage points over PCP to 14.8%
 - H2 improved by 50 basis points on H1 FY23
- Reported EBITDA \$0.6m
- Phased investment in key growth initiatives
- Increased impact of cost optimisation program in FY24
 - H2 already achieved 50 basis point increase on H1 FY23

1. Average Order Value and Average Order Frequency refers to number of orders in the 12 months to 30 June 2023.

2. Proforma adjustments are detailed in the Appendix.

3. Other costs include IT expenses, bank and merchant fees, professional expenses.



Strong cash position

BALANCE SHEET

A\$M as at	30 Jun 22	30 Jun 23
Cash and cash equivalents	29.8	27.8
Inventory	17.5	21.1
Other current assets	4.3	6.5
Other assets (non-current)	7.6	7.0
Total assets	59.2	62.4
Trade and other payables	18.5	20.7
Other current liabilities	2.6	5.1
Other liabilities (non-current)	0.8	0.4
Total liabilities	21.9	26.2
Net assets	37.3	36.2

- Strong closing cash balance of \$27.8 million
- Debt-free
- Capital efficient business model
- Investment in higher-turnover inventory, reducing missed sales due to out of stocks
 - Seeing early positive impact on sales
- Flexibility to invest in long-term growth drivers and pursue M&A opportunities





Beauty done better

Strategy

Strategy to drive growth

FOCUS ON CUSTOMER, BRAND AWARENESS & OPERATIONAL OPTIMISATION

1. CUSTOMER CENTRICITY

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



2. FURTHER BUILDING THE BRAND

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

3. OPERATIONAL OPTIMISATION

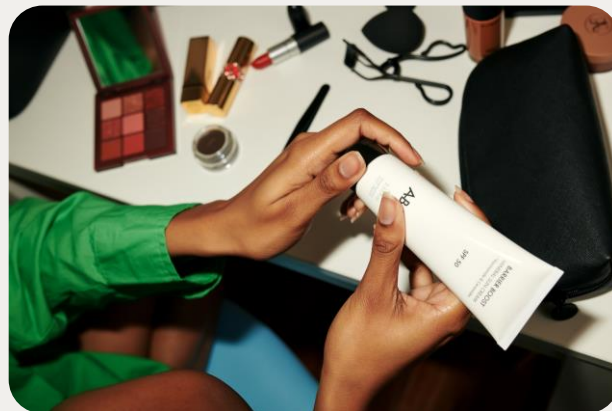
- Marketing efficiency & effectiveness
- Retail media
- Scaling owned channels
- Supplier terms
- AI



State of Beauty Report

CUSTOMER INSIGHTS & DATA INFORMING ADORE BEAUTY'S EVOLVING STRATEGY

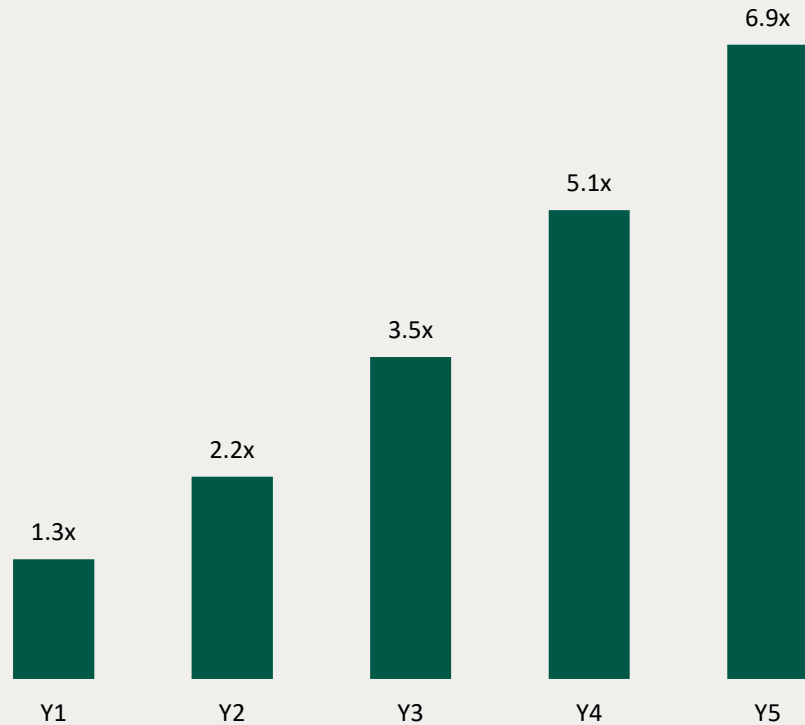
- Adore Beauty is launching a “State of Beauty 2023” report in September
 - Created in collaboration with SOON Future Studies, the report analyses the mindset and motivation of the Australian beauty consumer
- Combines survey data from more than 2,000 Adore Beauty community members with insights from industry leaders and innovators and global macro drivers of change
- The study outlines key themes, trends and profiles shaping Australian beauty
- The data insights align and support Adore Beauty's strategic position, brand offering, and commercial opportunities



Enhanced loyalty program

SUPPORTING RETENTION & LIFETIME VALUE

Average LTV/CAC¹ by financial year²



- Customer acquisition unit economics show average Year-1 LTV/CAC tracking at 1.3x before growing to 6.9x by Year-5
- New initiatives to engage loyalty members, returning customers and drive average order frequency
- Further investment in user experience to increase personalisation, targeting, and conversion



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 FY18 – FY23 period.

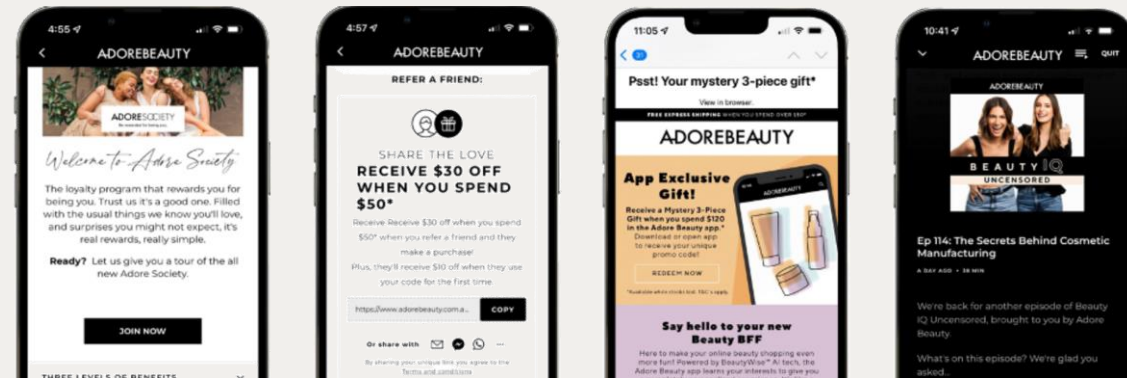
App revenue represents a quarter of all sales

CREATING HIGHER-VALUE CUSTOMERS WITH IMPROVED CONVERSION, AOV & LTV

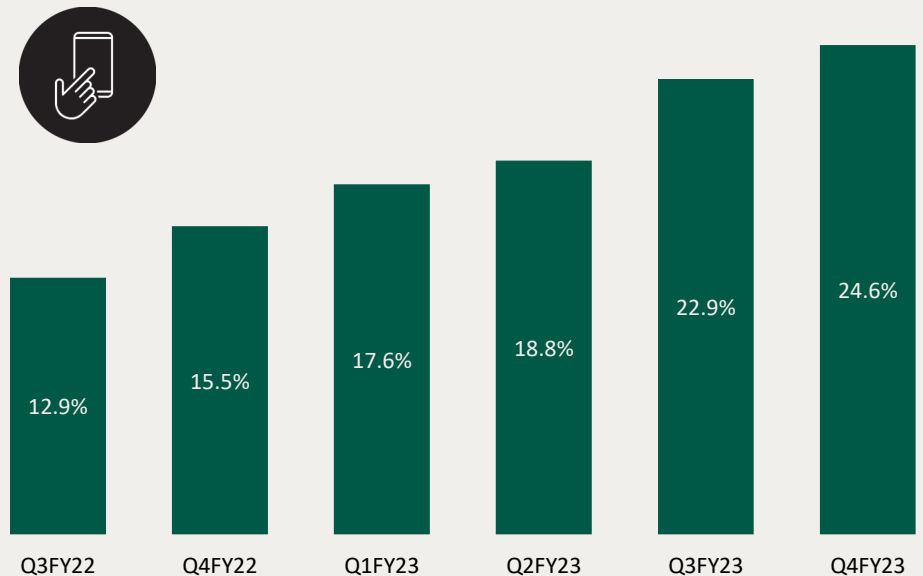
- Contributed 25% of revenue in Q4 FY23, nearing 30% target
- App AOV and AOF remain significantly higher than web, at 14% and 34% respectively
- Content-driven app is an effective owned marketing channel to attract, engage and retain customers
- Investing in beauty technology to support product selection
- Leveraging data and AI to increase personalisation and improve retention, AOV and LTV

334k
APP downloads

4.8/5
APP rating¹



Mobile app sales share of revenue

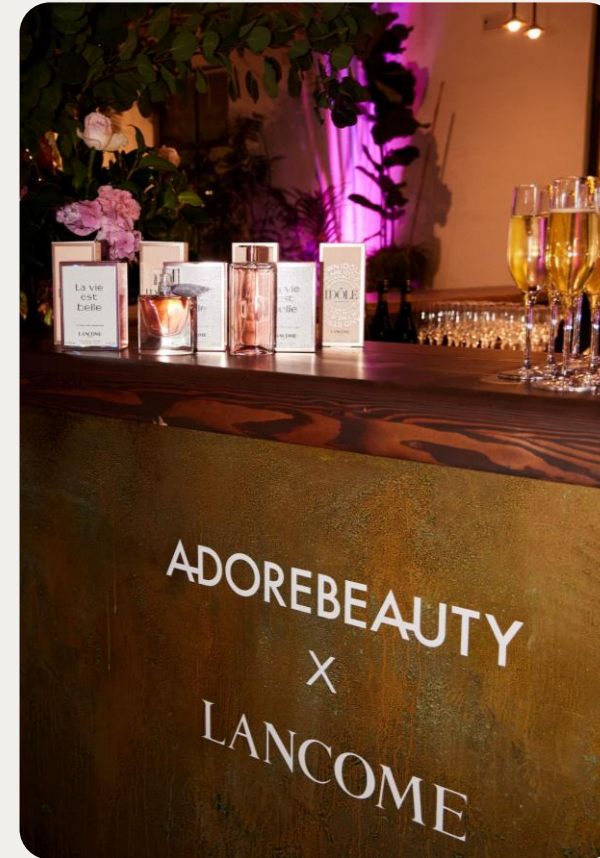


1. iOS app store rating, sourced 14 July 2023, rating based on 12.6k reviews.

Real-life activations to build brand, audience

TAKING ADORE BEAUTY FROM SCREEN TO “REAL LIFE”

- Brand awareness in the 25-45 female demographic increased from 59% in June 2022 to 62% as at August 2023, up 7% in 45-65 segment over same period¹
- Growing strong LTV customer segments; focus on the 41-50 female demographic
- Physical brand activations
 - Successful AB LAB activation in H2 FY23
 - AB LAB bus taking Adore Beauty to customers
 - In-person events, product application workshops and live podcasts
 - Member shopping nights and brand-sponsored masterclasses
- In-person experiences to drive brand awareness, customer loyalty and online sales
- Disciplined ATL advertising focused on core audience
- Partnerships with complementary brands/businesses



1. Pureprofile results August 2023, Prompted Awareness AU female 25-44, Adore Beauty 62%. 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.

Scaling owned brands faster

UPDATED STRATEGY TO INCLUDE WHITE-LABEL & OWN FORMULATIONS



- Adore now has three private label brands; 'Adore Beauty', 'AB LAB' and 'Viviology'
 - Private label SKU count more than tripled over FY23 – 38 SKUs as at 30 June 2023
 - Private label delivered a gross margin substantially higher than third party brands
 - Positive customer feedback on private label portfolio
- Range expansion
 - New SKUs in 2024 across all three brands
- Exploring potential launch of fourth brand in another key category
- M&A opportunities under review to scale owned brands' revenue and margin contribution

Expanding product range & adjacencies

20 NEW BRANDS ADDED OVER THE YEAR

- Onboarded 20 new brands, including Dior and Huda Beauty
 - Focus on growing mass and luxury offerings
 - New brands accounted for 2.6% of total FY23 revenue
- Expanding into complementary adjacent product categories
 - Added pre and post-natal products from KIN fertility
 - Love Luna period underwear launched in H2 FY23
 - Growing cosmetics and pharmacy ranges to address target audience concerns such as menopause and hair thinning
- Fragrance category continues to experience strong annual growth, skincare and haircare remain the largest categories

HUDA BEAUTY

PETER THOMAS ROTH®
CLINICAL SKIN CARE



RECREATION
BONDI BEACH

StriVectin®

NINE YARDS™

STRAAND™



WISHFUL

/kit·sch/

FIRST AID BEAUTY

Feel FAB in Your Skin

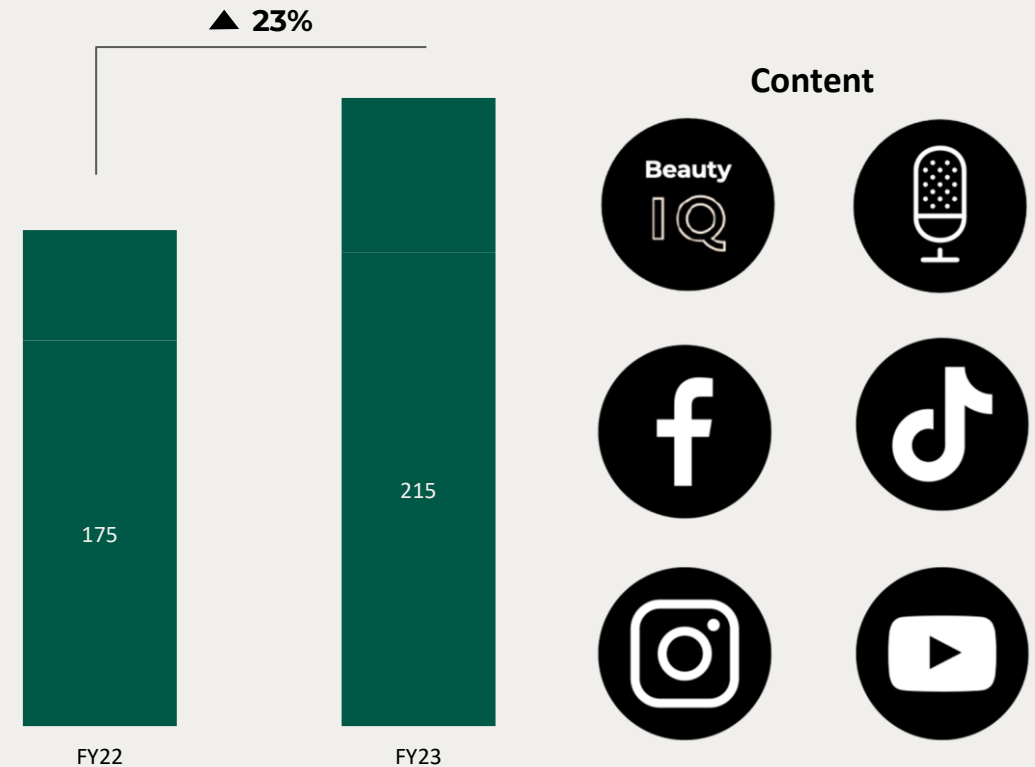
ALFAPARF
MILANO
PROFESSIONAL

Content, marketing & data

COST-EFFECTIVELY SUPPORTING ORGANIC, OWNED CHANNELS

- Content marketing cost-effectively supports organic traffic
 - 23% growth in content-driven impressions¹
 - Podcast downloads grew to ~6.2m² across nine podcasts
 - Supports retail media
- Recognised for UX at key consumer and industry awards
 - Awarded Best-rated Make-up Retailer by Finder and Power Retail's Top User Experience
- High proportion of returning customers and growing app adoption improve re-targeting cost-effectiveness
- Optimising marketing effectiveness with more holistic approach across owned, earned and paid channels
- Commercialising marketing assets and opportunities

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 30 June 2023. Source Omny podcast platform.

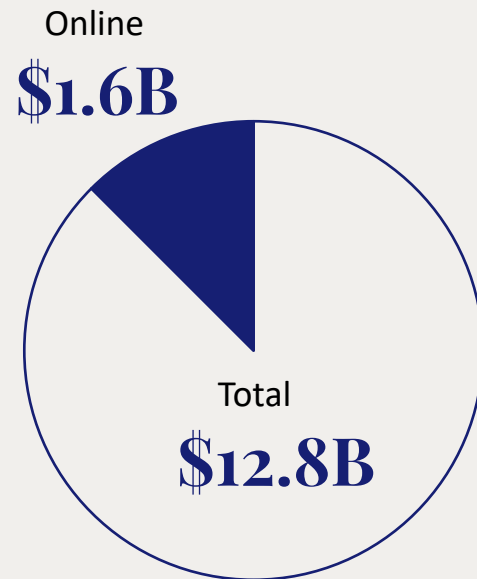


Outlook

Long growth runway in resilient category

AUSTRALIAN ONLINE SALES YEARS BEHIND UK & US MARKETS

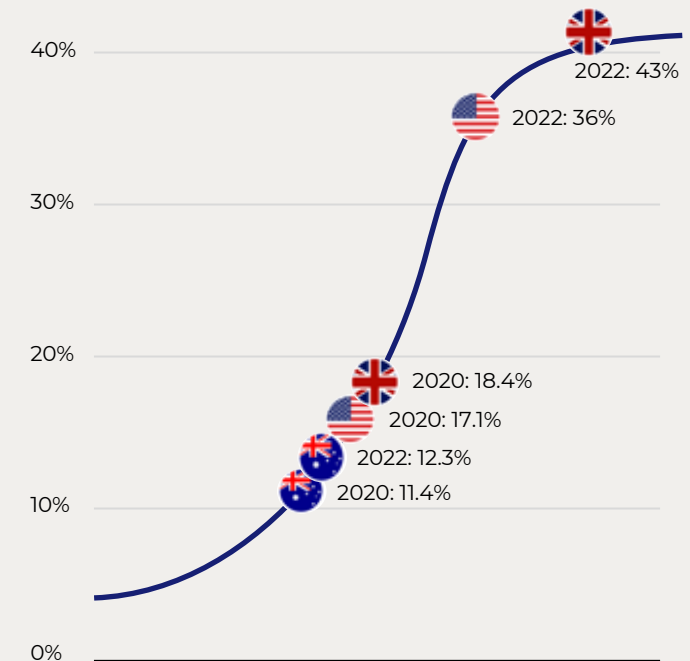
Large addressable market
Australian beauty & personal care (BPC) market 2022¹



- Online BPC sales accounted for \$1.6b in 2022, or 12.3% of total market
- Market forecast to grow to \$2.9b by calendar year 2027, representing 18.4% of total BPC category²
- Moderate online growth forecast in 2023 calendar year, before ramping up in 2024



Online sales in mature markets at 43%
Beauty & personal care online adoption curve¹



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

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

Key margin expansion levers

AREAS OF FOCUS

Revenue growth



Increase scale



Improved brand awareness



Range expansion



Initiatives to target higher AOV and AOF



Continue to evaluate M&A

Improve gross profit margin



Pricing and promotional review



Partner support



Attractive adjacency expansion



Owned brands with higher margins

Reduce expenses



Cost optimisation program



Improved marketing effectiveness, growing owned media channels



Retail media

Phased investment in growth strategy

OUTLOOK

- Sales momentum continues; FY24 year-to-date¹ revenue up 5.9% on PCP
- Trading conditions expected to remain challenging given higher cost of living pressures and subdued consumer sentiment
- Leveraging healthy balance sheet to phase investment in key short, mid and long-term strategic initiatives
- Online BPC sales growth expected to gain pace in calendar year 2024²
- Continued focus on margin and cost improvement in FY24
- Aiming for EBITDA margin of 2-4% in FY24



1. Based on unaudited management accounts. Comparison period is 1 July – 15 August 2023 against PCP.

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



Questions



Appendix

Proforma adjustments to statutory income statement

A\$M	Statutory Actual				Pro-forma Actual			
	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Revenue	121.1	179.3	199.7	180.6	121.1	179.3	199.7	180.6
Cost of sales	(82.6)	(120)	(133.1)	(121.3)	(82.6)	(120)	(133.1)	(121.3)
Gross Profit	38.5	59.3	66.5	59.3	38.5	59.3	66.5	59.3
<i>Gross Profit Margin</i>	31.8%	33.1%	33.3%	32.8%	31.8%	33.1%	33.3%	32.8%
Employee costs	(11.4)	(17.0)	(19.3)	(19.1)	(11.1)	(17.0)	(19.3)	(19.1)
Marketing and advertising costs	(14.0)	(23.1)	(28.2)	(26.7)	(14.0)	(23.1)	(28.2)	(26.7)
Other costs	(10.9)	(16.3)	(13.0)	(13.3)	(8.6)	(11.0)	(13)	(13.3)
Operating EBITDA	2.2	2.9	6.0	0.1	5.0	8.2	6.0	0.1
<i>EBITDA Margin</i>	1.8%	1.6%	3.0%	0.1%	4.1%	4.6%	3.0%	0.1%
Share Based Payments	0	(1.3)	(0.7)	0.5	0	(0.6)	(0.7)	0.5
Reported EBITDA	2.2	1.6	5.3	0.6	5.0	7.6	5.3	0.6
<i>EBITDA Margin</i>	1.8%	0.9%	2.7%	0.4%	4.1%	4.2%	2.7%	0.4%
Depreciation and amortisation	(1.2)	(1.5)	(1.9)	(2.1)	(1.2)	(1.5)	(1.9)	(2.1)
EBIT	1.0	0.1	3.5	(1.5)	3.8	6.1	3.5	(1.5)
Interest	(0.1)	(0.1)	(0.2)	0.1	(0.1)	(0.1)	(0.2)	0.1
Profit/(loss) before tax	0.9	0.0	3.3	(1.5)	3.6	6.0	3.3	(1.5)
Income tax expense ¹	(2.1)	0.8	(0.9)	0.9	(1.1)	(1.8)	(0.9)	0.9
Profit/(loss) after tax (NPAT)	(1.2)	0.8	2.4	(0.6)	2.5	4.2	2.4	(0.6)

A\$M	FY20	FY21	FY22	FY23
Statutory NPAT	-1.2	0.8	2.4	(0.6)
IPO and listing costs ²	0.0	5.3		
One-off transaction costs ²	3.7	0.7		
Capitalised development cost ³	0.3			
Public company costs ⁴	(1.3)			
Total pro-forma adjustments	2.7	6.0		
Pro-forma tax effective rate applied to pro-forma PBT	1.0	(2.6)		
Pro-forma NPAT	2.5	4.2	2.4	(0.6)

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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