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<<Olivia Tong, Analyst, Raymond James>>

Hi. Thank you for joining us. Good morning, everyone. I'm Olivia Tong, Raymond James consumer goods analyst. And our next presenter is Olaplex. Olaplex went through a period of incredible growth, which is now investing behind more substantially this year. We look forward to hearing more from the company with President and CEO, JuE Wong; CFO, Eric Tiziani; and VP of Investor Relations, Patrick Flaherty. The company will run through a few prepared remarks, and then we'll come back for Q&A later, and we'll host a breakout after this session as well. Thank you for joining us.

<<JuE Wong, President and Chief Executive Officer>>

Thank you, Olivia, and thank you, everyone, for joining us today. What I want to just let you know is that there is disclosure statement in this deck that you will find on our IR site, so that I can get ahead with the presentation. What I want to really start off by letting everybody know is who is Olaplex. A lot of things swivel around the brand, but we are truly a patent-protected, proven and potent haircare technology system.

And why this is important is that our patent truly is a strong patent given that it is not just for marketing, we actually can prove that it repairs, strengthens and protects the disulfide bonds, which is the most abundant hair bonds in your hair. And this is why this technology, it is quite a mouthful. It's called bis-aminopropyl diglycol dimaleate and we call it bis-amino for short. And why this is important is it relinks broken disulfide bonds. And every day, whether we are sitting in front of a laptop, running our fingers through our hair or being exposed to the environment or any kind of chemical services, you are breaking your hair bonds.

And let me come back to this slide. This is why the way we kind of put together our product lined up is treatment, maintained and protect. In the treatment category, it really is the most concentrated version of helping your hair bonds repair, strengthened and protected. And in the maintain category, it is a daily use; your shampoo, your conditioner, your hair serums as well as your hair mask. And then in the protect category, we use our styling products to allow us to actually also have treatment benefits. So the lineup is very tight, but it offers you more than just bond building. We also placed, as you can see, in segments of shampoo, conditioner and styling products.

Let me take you to this slide. I always tell my team Olaplex not only has critical acclaim, we win a lot of awards in the industry, but we also have box office success as evidenced by our financial results in 2022 of \$704 million, with, at that time, 11 retail SKUs and 3 professional back bar SKUs, 68% over a three-year CAGR of growth and last year, in 2022, we saw a 60.9% adjusted EBITDA rate. What I want to draw your attention to very quickly is why we always say we have such a runway of opportunity. When you look at our business distribution, 56% is in the U.S.,

44% in international, but we are not in any material way in Asia Pacific, in the Middle East or in Latin America. Majority of our international business, as reported in our S-1, covers the UK and Western Europe.

When you look at our community based built programming, you will see that Olaplex has one of the strongest user generated content. For those of you who follow social media, you know that overproduced content do not resonate as well as user-generated content. And why that is important is it gives us a library of content that we can repost, repurpose and regrab. This is -- I'm not going to go through everything, but what I really want to highlight for you is look at all the equities that people associate Olaplex with. It – in terms of best for my hair, brand that I trust, I'm excited to talk about it. We are all in the top two equities.

What is also important is our differentiation in R&D. Most companies generally will outsource, sometimes their formulation, they work with different outsourced chemists. We have our own chemists and scientists in-house. We have a 15,000 square foot facility on the Pfizer campus, where we work with research institutes, research scientists to really formulate and innovate behind us. And as you can see, too, we have a very broad patent protection. Our patent currently has another 13 years remaining. And what is important to know is our patent does not only cover hair, it also has other beauty applications.

The other differentiating factor about us is our omnichannel, our synergistic omnichannel. Most brands when they go into a channel like this, but it is truly more multichannel and more about managing channel conflicts. In our case, each channel reinforces the other channel. Our professional gives us the credibility and authority. Our retail allows brand awareness because consumers sees us on the shelves of major retailers. And our direct-to-consumer allows our customers to buy wherever, whenever and however they want to with our own brand.com giving us consumer insights so that we can talk to them the way we want to and the way they want us to address them.

I will now turn it over to Eric to cover a couple of the financial slides, and then we'll come back and wrap up. Thank you.

<<Eric Tiziani, Chief Financial Officer>>

Thank you. Thanks, JuE. Thank you, JuE. Good to see everyone. Eric Tiziani, CFO of the business. So let me spend a few minutes on our fourth quarter and full year 2022 results before moving on to the 2023 financial guidance that we introduced on our earnings call last week. To start, in the fourth quarter, we delivered \$131 million of net sales. That was a minus 21% decline versus the fourth quarter in the prior year, adjusted EBITDA of just under \$68 million and adjusted EBITDA margin of 51.7%. And the fourth quarter, I would say, is and was within the guidance range that we had introduced for the fourth quarter last year.

That translated on a full year basis to \$704 million in net sales, \$429 million in adjusted EBITDA margin – and adjusted EBITDA margin just under 61%, and I think importantly, cash flow from operations of \$255 million, which was up 28% versus full year 2021. So this is a highly cash-generating business. On the whole, when we look back at 2022, 18% growth versus

full year 2021. It was a strong year on the whole, but we do recognize that we exited 2022 with weakening momentum in sales. And that's going to take me to the guidance that we introduced for 2023. To take a step back here, we did take a moment to reflect on the macroeconomic conditions, the changing market dynamics and specifically the most recent consumer demand trends that we've seen in the business.

We took a moment to reflect also on some lessons learned that we had from 2022 when it comes to investing into the business. And hence, we have introduced a guidance range for 2023 that we're characterizing as a reset year; a reset year in which we intend to invest into the business to inflect more positive momentum as we traverse through 2023 and exit the year with solid footing and building momentum towards growth in the fourth quarter of 2023 into 2024 and beyond. What that has translated to is a net sales guidance range of \$563 million to \$634 million. That is a minus 15% decline year-over-year at the midpoint of that guidance range. Yet still a very profitable business, adjusted net income in the range and adjusted EBITDA in the range that you can see here on the slide.

We also, because there are certain nuances on a quarterly basis, both in 2023 and in the prior year period, sought to give just additional details, particularly on net sales, which is what you see on the slide here, to better understand the underlying trend on a quarterly basis as we go through the year. In the first quarter, there are a few things to keep in mind. One is the continuation of inventory rebalancing impacts that we're seeing at certain professional and specialty retail customers. And we believe that's depressing year-over-year sales by approximately \$25 million in the first quarter. We're also lapping what was a \$10 million net sales pipeline shipment into Ulta of Q1 of 2022 as we had launched into Ulta specialty retail and their dotcom from January of last year.

In the second quarter, we have a couple of key prior year comparator milestones that we're lapping, the first of which was the introduction of our 1-liter shampoo conditioner size offering into the professional channel. There is a significant pipeline set of shipments in the second quarter of last year, \$22 million, as well as a pull forward for July 1, 2022 price increase that we took and also predominantly impacted the professional channel. So we want you to keep those two things in mind when you see the Q2 year-over-year sales comparison. We have also said that we expect to see sequential improvement as the year progresses here, so Q2 2023 absolute sales getting better versus Q1 2023.

And let me just try to – there you go. And then as we get into the back half of 2023, we no longer see all these comparative lapping issues. We believe we'll start to see the benefit of the new product introductions that we're coming out with in 2023, the distribution gains that we're enjoying and realizing in 2023 as well as, and importantly, the traction and the impact from the investments and initiatives that we're making starting from the beginning of this year. We do believe that it's going to take some time for those investments and actions to fully take hold and inflect that build of momentum that we're calling out in our full year guidance, again, coming back to growth in the fourth quarter entering into 2024.

So with that, I'm going to turn it back over to JuE to talk about the long-term strategic growth initiatives.

<<JuE Wong, President and Chief Executive Officer>>

Thank you, Eric. So what I want to take a minute or two is actually go over with you what our long-term strategic growth initiatives are. And this has always been really our core growth pillars ever since the company kind of went public, but even before that. So I want you to kind of take this into consideration as to how we guide ourselves, what we think when we build our plans together, even when we are looking at a reset year. First and foremost, what do we mean by igniting our global brand. So this is something that I want to kind of reference back to. When you heard from our earnings call a couple of -- last week rather, when we talk about spending more in marketing, in sales and marketing, it is really about being very deliberate. It is not just kind of looking at one funnel. We are looking at full funnel of investment.

And this is from both our digital and social engagement as well as out-of-home marketing as well as visual merchandising in-store. All of this will help amplify the brand as well as when we get into education, it will help us with the global messaging as well because in today's world, where digital moves as fast as it does, it is very difficult to have one message in one place, even though we can localize some of the message to make it more relevant. So for instance, in China, talking about skincare for hair care resonates very much. And in the sense here in the U.S., they really want to talk about damaged hair address. The other thing that we do very – that we are going to really amplify is our sampling program. We have a very good conversion rate from previous examples where we do a 30% to 40% conversion so by amplifying and increasing our samples really will help with what our first pillar of growth is igniting our global brand.

We talk about disrupting with innovation. And this is what we mean. We just recently launched our Olaplex 4D in an exclusive arrangement and that has already become the number one dry shampoo in that retailer. And this is something to be proud of, primarily, again, if you think about what happened in 2021 – sorry, 2022, we launched a very esoteric SKU called No. 9 Hand Nourishing Serum, but it showcase the science, the technology and the innovation behind that SKU and that SKU was subsequently validated by a trade data point that says that it was the number one beauty prestige hair launch in 2022, both in terms of revenue as well as units.

And we will continue to launch two to four products a year that are non-cannibalizing to our offering. As I've mentioned, you see we have a very tight retail count, and this is the reason why we are able to keep launching to add to a regimen without cannibalizing ourselves.

Our third pillar of growth is amplifying channel coverage. What do we mean by that? If you look at, again, I mentioned our pro, specialty and direct-to-consumer channels. All of this channel reinforces each other as I've mentioned. But what is important for us to note is when we increase people in store at retail as well as support in the pro channel and allowing more customer service support on direct-to-consumer, we again can communicate and address any kind of misinformation and educate our customers. The whole idea of this three channel, when it works synergistically together, really acts as the flywheel of our success.

And finally, when we talk about charting new geographies, what do we mean by that? You see that we have mentioned, again in our earnings call last week, we have talked about that we are

not material in certain key regions in the Middle East, in Latin America, in Asia Pacific. In the EMEA region, we can actually reestablish and redo – reuse, rather our playbook that we have in the U.S. and in Western Europe. And that is why we know that it can work, and it can be successful. So the whole idea is to really look at a distributor relationship as well as a go direct model.

In the case of Asia Pacific, we believe that the ability for us to use master distributors, where we can focus on our strength, which is content, messaging and the brand, and allowing the distributor on an omnichannel basis to really deliver for us what they do best, which is the distribution, the sales support, and eventually the amplification of expansion of our brand in the omnichannels will all just serve to really escalate and accelerate the growth of Olaplex.

I will now turn it back to Eric to wrap up.

<<Eric Tiziani, Chief Financial Officer>>

Thanks, JuE. And to support those strategic growth pillars, we recognize that we need the enablers in place to make them possible. And so you see that here we have a number of enablers starting with our people, a very strong culture, focused and dedicated to the stylists and our end consumer. And we're going to continue to evolve that strong culture with a focus on our DE&I initiatives.

The second enabler that we want to call out is our operations, where we're driving resilience and efficiencies into the future. Just an example of that is, we recently stood up an additional third-party contract manufacturer in Europe to produce most of our core SKUs to bring that production closer to the end consumer and ultimately save on transportation costs as well. We'll continue to do things like that and evolve our global supply chain network.

The third enabler is data and analytics. We're enhancing our foundational technology capabilities, putting new tools in place, and building out the capacity to support future growth. Next, in finance, we want to enhance our financial flexibility. That includes the various capital allocation levers at our disposal to create value for our shareholders in the future, as well as maintaining strong cost discipline and managing our cost. You see, we have top tier profitability in the industry, and we believe we can maintain that top tier profitability as we focus on strong discipline in our cost base.

And of course our ESG agenda and initiatives are incredibly important as an enabler to driving our business forward as well. We lead with diversity. We have a female-led organization, a female-led Board. And I can tell you firsthand, I believe that having an organization and a Board that looks like the consumer base and client base that we're serving is helping us to make better decisions every day. We want to support our communities. The salon community that we serve is largely small businesses, independent stylists, and we take the value creation that we can create, the economic value creation that we can create for that community very seriously.

And lastly, we want to limit our environmental footprints. You see that through the cruelty-free, non-toxic formulas and products that we put out. We make extra efforts to limit the use of

secondary packaging. And I'll say here that we are just now completing a double materiality assessment that's going to further inform the goals that we will be putting in place from an ESG perspective. So that's our strategic plan. Those are the growth initiatives. We wanted to just end the presentation today by returning to what we believe are the just core competitive advantages that underpin and create the foundation for that strategic plan moving forward.

And we believe these – this business model and these competitive advantages offer us an ability to have structurally advantaged profitability and margins into the future. You see the advantages listed out on the left here. The first one is very simple. We have products that really work. Our products perform we believe the best in the market. That's at the heart of it all. We have consumers captive to a growing regimen and assortment of our offerings. And all of that is strongly protected by our patent portfolio.

Second, we have a powerful innovation platform. You saw from JuE just the launch of our most recent product, our dry shampoo is already the number one dry shampoo in the retailers that we've launched. We're proving this year after year, again with our patented technology as the common thread through these offerings. And we continue to launch into what we consider white space segments in the category. Dry shampoo was a white space segment for us, so we believe highly incremental.

The third, our one of a kind engaged community, you saw that from the marketing model that JuE described led by the stylists who we still believe is the most important voice in terms of making a purchase decision in this category. And this is a community that we've built and cultivated over many years. And this is something that we don't believe competitors can wake up tomorrow and simply replicate.

The fourth, our channel harmony. We've talked about our business in the professional, in the specialty retail and direct-to-consumer channels, all playing a strategic role within the business. And this is symbiotic and we believe value creating for all of our partners. And last but not least, we have a focus and disciplined organization. We talked about the culture, which is obsessed with the Olaplex consumer and the stylists community. We're focused on prioritization and we're an asset like agile business model that generates as I showed earlier, very strong cash flow in the business. So we believe these competitive advantages act as the foundation that will allow for that strategic plan to fully take hold.

With that, thank you for listening to our presentation. I'm going to turn it over to Olivia, I think for a few questions.

Q&A

<Q – Olivia Tong>: Thank you. Thank you both for coming. My first question is around fiscal 2023 and the outlook, just to get that one out of the way, because obviously, you went through a period of incredible growth. But in the short term, you characterized 2023 as a reset year. So you were very clear that it's not a rebase year on the earnings call. So can you talk a little bit about the actions you're taking? What makes fiscal 2023 an anomaly? And what would make you decide whether at least a spending plans you have for this year should be the new base? Thanks.

<A – Eric Tiziani>: Yeah. Is this on?

<Q – Olivia Tong>: Yes.

<A – Eric Tiziani>: Okay. Can you hear me? So I would just say there are a few factors impacting our margin at least in 2023, that we believe turn back into tailwinds as we exit 2024. The first is just leverage. So incredibly important that we return the business to healthy consistent growth. And when we do that, we will obviously expect to see leverage benefits from sales increasing.

And the second one I want to point out is gross margin. So, we have certain challenges in gross margin that we've guided to in 2023. One is related to that leverage on our fixed cost specifically in warehousing. And the second is just dealing with the remnants of the cost inflation that we experienced in 2022 that's in our inventory base. We need to sell through that inventory and get to enjoying the benefits of the lower cost base that's impacting current production. That's going to take some time to flow through the P&L. And so the reason I give those two factors is we expect gross margins improving and recovering to be a tailwind to profit growth, as well as that leverage benefit. And that will allow us to continue to redeploy and invest into our marketing to make sure that growth is sustained and consistent.

<Q – Olivia Tong>: Maybe we can – maybe I can ask a question about the last slide – on your last slide about competitive advantages and sustaining top tier margins in the long term. Could you just elaborate on that in terms of what you think of as top tier margins?

<A – Eric Tiziani>: So Olivia, I'd say we've been very focused on introducing the 2023 guidance that we provided last week and delivering and executing against that plan. We understand it's important to get out here and talk about a medium-term framework. We just don't think it's the appropriate time to do that. We want to traverse through the reset year and at the appropriate time when we're ready, we'll talk about a medium-term framework. Now that said, that's why we went through the competitive advantages. We believe they give us structural advantages that allow us to enjoy the margins that we have even in 2023, which are industry top tier and leading.

<Q – Olivia Tong>: Got it. If anyone has any questions, please feel free to raise your hand. I'm going to ask one more, in the meantime is around promotion and competition and your view on. The right balance of building trial with building and brand awareness, but also long-term brand equity and why your sampling plan this year is the right amount going from 6 million to 10 million?

<A – JuE Wong>: Thanks Olivia for that question. Yes. When we look at the reset year, we realized that we did a lot of things that were really foundational built and we really needed to increase investment, especially in sales and marketing that dovetails into education, PR and eventually really honing in our stylists community. And that's why sampling is so important because we actually have historical data to show that with any retailers at any beauty supply locations that we are with pro, that our sample conversion is anywhere between 30% to 40%.

With that kind of strength, we know that if I can get a sample into the hands of a consumer, that conversion is there. And it is a very sticky product because like for a lot of women in the audience, I'm sure you can appreciate that when you find something that works, come hell or high water, you are getting it.

<Q – Olivia Tong>: Got it. I saw a question.

<Q>: This inventory reset you're talking about, has this been your chart back? You have to discount the product that you bought it back. And yes, related question is how long have you been in Ulta? How long have you been in Sephora? Need to do channel, they took a lot of inventory not getting [Question Inaudible].

<Q – Olivia Tong>: Maybe just repeat the question. The question was around Ulta, Sephora, and then also inventory.

<A – Eric Tiziani>: Yeah, so I'll take that. I'll take the second part of your question first. We've been in Sephora since 2018 and we entered into Ulta professional. There's salons in late 2021, and we entered into Ulta Specialty Retail and their dotcom in January of 2022. We've enjoyed incredible relationships with both of those customers. We are obviously a market leader and highly, highly productive. We have a limited assortment driving, a tremendous amount of sales. So, it's very good for the relationship with our key partners. When it comes to inventory rebalancing, let me just call out two factors that have impacted the business in the past. Well, in Q4 in the back half of last year and into Q1 of 2023, the first is with many of our professional and retail partners. There was a period of time through the last two years where the global supply chain was more challenged that customers decided to hold higher levels of inventory than they had, let's say previously.

And as the macro started to weaken and as the supply chain environment started to stabilize, what we've seen is, a return to – a desire to return to normal levels of inventory. And that could mean if someone was holding four months on hand for the last two years, they've decided to take it down to three months on hands today. The other factor is that admittedly in the third quarter of last year, our joint business plans with several of these accounts had planned for higher growth. They had bought in inventory against that higher expectation. And as our own growth moderated as the macro moderated, it just takes several quarters to work that down dependent on the customer.

<<Olivia Tong, Analyst, Raymond James>>

With that, we are at time. Thank you, JuE. Thank you, Eric. Please join us in thanking them and also please join us in the breakout after this.

<<Eric Tiziani, Chief Financial Officer>>

Thank you.