

Company Name: Olaplex Holdings, Inc. (OLPX)

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<<Susan Anderson, Analyst, Canaccord Genuity>>

Thank you, everyone, for attending our conference today. I'm Susan Anderson, one of Canaccord's Consumer Analysts. And we're very pleased to have with us Olaplex and in particular Amanda Baldwin, CEO of Olaplex. Amanda, so you joined Olaplex back in December of 2023 from Supergoop. So you've been in the role about seven months now, I would say. Can you maybe talk about your observations of the business, what your priorities have been, and how you're progressing against those priorities?

<<Amanda Baldwin, Chief Executive Officer>>

Of course. Well, first of all, thank you so much for having us. It's great to be here on a beautiful Boston day. So, yes, I've been in the role for about seven months now, and I think everything that I hoped would be true is true. And that really comes down to the incredibly powerful foundation that this business has, first and foremost beginning with the power of its product, power of innovation. It's not a day goes by where I don't talk to someone who really is so profoundly impacted by what the product can do, whether that's a pro or a consumer and I think that really gets to the heart of what this business is all about is scientific innovation. So that, to me, is where the journey always starts.

The second thing is that sort of there's a lot of excitement for this product and interest in what we're going to do next. I feel like we have a really excited audience, which is something that is really, as a marketer and a brand builder, something that's very powerful to me. The third is really the power of scale, and that this business remains one of the top players in this industry. It has a lot of the four or five – four out of five of the top SKUs in the U.S. hair care market, according to Circana, that it is a powerful partner to all of the folks that are so important to our journey ahead of us, like that gives us a lot to work with. So all those things to me were really what inspired me to join this company seven months ago.

And my background is really as a brand builder and as a business builder. And I always look for things that have great fundamentals, but an incredible journey ahead of them where the story is not fully told yet. And that's really where we're beginning our transformation. And the three things that I've really been focused on over the first seven months were kind of what I walked in the door knowing needed to happen. And the first was really around the marketing, the sales, the education of the product, right, the science is there, innovation is there. But do we have a powerful engine that's telling that story? And the answer was not yet. Well, the beginning of it is happening certainly. I'm very proud of the progress that we've made so far in this business, but we really need an engine that helps us tell that story.

We have a new CMO, who started about a month ago, and she's off to the races, and a lot of really great talent, and again, a lot of interest from the pro and an interest from the consumer.

And the other aspect of that that marketing education was really reconnecting with our heritage of the pro. I really believe that one's future is somehow written in the origin story of a business. And in addition to the science and the innovation was really the power of the pro. And so I've spent a lot of time in a lot of hair salons, talking to a lot of people. It's kind of a super fun part of the job, and really reconnecting and understanding what it means to be a pro, what they need from us, and really just kind of getting their point of view. And I've been just incredibly blown away by this community, their passion for the product, their passion for their clients, and the impact that they have on the people around them. And it's certainly been incredibly inspiring.

The second thing that's really important is to build an infrastructure that supports the business of our scale and will support further growth. This is the story of the business that grew really, really fast and didn't have all the pieces of the puzzle that really support. And I've always believed that what the consumer does not see is as important as what they do. And so making sure that we have the right transformation priorities in place that are going to build the operational, the financial infrastructure, all the reporting, everything that we need to run a really powerful business.

And the last, but certainly not least, is what's the vision for the future? And that these things are – and sitting in my seat of really over the course of the last seven months has been toggling between how can I make today better, but how am I also building for the future? And we're excited that we're well on our way of having that point of view and bringing it when we're ready for everyone to hear it.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Great, that sounds exciting. Maybe if we can move on to product innovation, as you mentioned. So it's been a while, I think, before a new hairline or new hair product came out, you have had the Browbond earlier this year, which complement the Lashbond, but we have number ten rolling out, which focuses on curly hair. I guess maybe if you could talk about that, how big you think that could be? Is there anything you can compare that to? And then I think you have a couple more products rolling out later this year, which maybe you can't talk about, but just kind of talk about that innovation pipeline and how you see that?

<<Amanda Baldwin, Chief Executive Officer>>

So, like I said, your future is always written somewhere in the innovation and the story of the past. And so product and the power of product is always something that I'll come back to. And I could not be more excited and proud by the Bond Shaping launch. So, it's actually – it starts with an in salon treatment. So this is also something I've been talking a lot about the importance of the pro. There's nothing better and more rewarding than to say the first major launch of your time in a seat that I now have is focused on the pro. So, number ten is a take home product. It's a complement to a three step in salon service.

And so that I've actually spent a lot of time over the last couple of weeks. We debuted the product at CosmoProf in July, and it will actually be available in salons in September. Just watching sort of pros get trained, influencers experience it for the first time, consumers

experience, lots of people and lots of momentum around really making sure we're educating on this because it's a very unique process. This is Olaplex innovation at its best, right. This is a truly new brand, new technology, separate from where we've been in the past, which I think is also really interesting. So, two seconds on the science is really actually, if you have curly hair, which many, many people do, there is a huge consumer movement that I think is incredibly important about embracing your natural curl confidence as we talk about it.

This is technology that really allows you to do that. So it's an in-salon service that actually repairs the bonds of your curly hair, which are very different than if you have straight hair. If you think about how a curl actually comes out of the scalp, that's quite different, and it's actually more delicate. So that's another thing if you think about the shape. So it needs even more TLC. And one of the things that we've heard from consumers is I want my curls to look the best. And the interesting thing about the pro is that it can be a little bit intimidating if you're not an expert in curls. So there's a huge range of sort of curl confidence, not just within the consumer, but also within the pro, and knowing how to actually handle and treat and make curls with their best.

So I've just had – it's really something that is the reason that I get up in the morning is to watch the impact that hair has on the pro and our confidence in servicing the client and then how the client literally walks out the door and I've been watching a lot of this. So very excited about what this can be in the beginning and certainly an important statement for us of what we want to be all about.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Great. And then maybe I guess we could just move on to the professional channel. You talked about how important it is to the Olaplex brand. Maybe if you could talk about how you're thinking about that channel in terms of partnering with them, which you've talked about, but then also the front of the store sales and how those have proceeded and maybe the competition that they're seeing there as well.

<<Amanda Baldwin, Chief Executive Officer>>

Yes, I think that the pro, we would not be where we are without the pro, right. So it's got to be at the centerpiece of our strategy, both in terms of where we can sell product, where we have a service, but also the inspiration for everything that we do, whether it's of products we sold there. And I certainly believe in a pro first mentality, but also a multi-channel approach. So it's really finding that right balance. And so, the things that we've really heard from them is the importance of showing up, importance of being in the right – being in the salon, being at the big events, being great educators, helping them do their jobs more effectively. And it also comes from products. So again, going back to Bond Shaper, making sure that we're giving them reasons and how to build a healthy business, right.

They're craftsmen, they're chemists, they're artists, and they're entrepreneurs all rolled into one, which is sort of an incredible combination. And so making sure there are certain macro trends around how frequently salon visits are occurring, as well as the sort of what's happening at the front of stores, there's more choices of where I buy products, not just for Olaplex, but for the

industry in general. So how do we help them be successful within that environment? I think it's an important part of how we're thinking about it.

<<Susan Anderson, Analyst, Canaccord Genuity>>

Okay, great. And then maybe if you could talk about the other two channels as well, your DTC channel and then also the specialty retail channel and how you see those growing over time, do you see one channel potentially growing faster than the other?

<<Amanda Baldwin, Chief Executive Officer>>

Yes. So I've been in the beauty industry for about 20 years now, and I've watched the evolution of the channel strategy of a business change dramatically. And I think what it's always been led by is, where is the consumer? And so I always think about, okay, but what is – even my own behavior and how is the consumer evolving? And in order to be successful and if you look at the history of brands in this industry, the ones that sustain over time are the ones that sort of understand where the consumer is shopping next and are happy to be there. And I think we've seen a huge evolution, right, from department stores, to the specialty retailers coming on the scene and now Amazon is a big player, DTC.

Right. Really, I've always sort of felt like we need to build a brand and a business that lives above any specific channel, but also supports the ones where the consumer is. And so I think that really does require, in today's world, a very multi-channel approach. But that doesn't mean it's one size fits all, right?

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Yes.

<<Amanda Baldwin, Chief Executive Officer>>

So what makes the most sense for the pro and how we really help support their businesses is going to be very different than why someone might come and shop on our own DTC channel, is going to be different than why they'd go to Sephora; is different than they go to Ulta. And so a lot of the work that we're doing about the long-term planning of the business is how do you effectively balance all those and create product marketing and distribution strategies that support each of them? And that kind of dynamic replicates itself across the world, maybe with different name plates but similar dynamics.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. And then maybe if we can move on to just the geographic penetration, so the international business, maybe talk about how big that is now, what are the opportunities there? What geographies do you see potential to expand into?

<<Amanda Baldwin, Chief Executive Officer>>

Yes, one of the things that, again – the list of things that excited me about this business was its geographic scope, because I think to have a product that resonates in 100 countries is something pretty powerful. And one of my favorite things is getting a picture of some corner of the world where you couldn't imagine that you would have Olaplex, and there it is. And that says, again, something about what the product does. Right?

<<Susan Anderson, Analyst, Canaccord Genuity>>

Yes.

<<Amanda Baldwin, Chief Executive Officer>>

So there is salons around the world where the pros are saying, I can't do my job without Olaplex. And that was really some of the thing that really was pretty, incredible about the early stage of this business was the amount of pull there was for the product around the world. And that is truly a testament to its efficacy. Where I see the business opportunity for us going forward is going deeper and really building out the brand in those geographic locations.

Now, obviously, you can't do 100 countries all at once. So a lot of the strategy is about making sure we're going deeper and picking the places where we really want to focus and taking it one step at a time.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. And then maybe just looking at the prestige hair care category in general, it seems – it's obviously been a nice category for growth, and we've seen a lot of new players kind of jump into it for that reason, I guess. So maybe if you could just talk about the competitive landscape and how you see that evolving? And how that's kind of impacted Olaplex and how you're thinking about the business?

<<Amanda Baldwin, Chief Executive Officer>>

I'm excited about the future of the prestige hair care industry. I think that we are at the beginning of what this category can be. Again, I always look for fundamentals and kind of really understanding the consumer, where is the consumer going, and how can I make my career part of that? And really, I think what's happening in the hair care industry is, if you think about it, the power of hair is pretty fundamental. Right.

And yet the prestige hair care industry is the smallest within the prestige beauty industry overall.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Yes.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Those two facts to me are where the opportunity lies, right. And how do you get at that opportunity? You create an incredible product and an incredible brand. And the product has to come first. You have to do something that says it's worth paying \$30 for shampoo and \$30 for conditioner. Like, that's not a small amount. But if I can deliver something that has me feeling great about my hair, that's a really powerful proposition. So that's really where I think is most exciting, is that we are in the very early stages of this. I really give Olaplex credit for jump starting my interest in this and putting it on people's radars for really saying, okay, there is the power of technology that can exist in hair in the same way it has existed in some other prestige categories and I think really driven their innovation.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. And then maybe moving on to marketing, you've definitely increased marketing spend quite a bit over the last couple of years. I believe it's about mid-teens percent of sales now. Do you think that's the right level, or is there more room to kind of go up there as you look to grow the brand more?

<<Amanda Baldwin, Chief Executive Officer>>

Yes, so I think we're certainly in a marketing evolution and journey in this business. And it has gone from something – it is a new muscle for the organization.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Yes.

<<Amanda Baldwin, Chief Executive Officer>>

And I think it's not just about the money that you spend, but it's how you spend it and how being the quality of the creative, of knowing where to place the right asset at the right time, that crater-led approach I've spoken about before. And so what you're doing. So I'm putting as much emphasis on the what as to how much. More to come on the how much, I think we're well on our way of a long range plan that helps us understand, like, really what's appropriate and more to come on that. But I would say it's important to acknowledge the dollars, but it's also where they're going to go.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. And then I guess along those lines as well, Olaplex has enjoyed very nice operating margins. I guess, is there a level where you think is kind of where the future should be in terms of where those margins will be?

<<Amanda Baldwin, Chief Executive Officer>>

Yes, definitely a work in progress. Again, we've talked about on our call that in early 2025, we'll make sure that we come to the table with a perspective about that over time, because I think it's a fair question that I've certainly been asked in the last few months. We want to make sure we give ourselves the time and the rigor to come with a point of view.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Great. And then maybe just thinking about kind of the future product categories for Olaplex, obviously, you guys compete in prestige hair, but do you think there's opportunity down the road to maybe move into tangential categories such as skin care or other areas of beauty?

<<Amanda Baldwin, Chief Executive Officer>>

We'll see.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. Sounds good. And then I guess maybe just one final question that we're asking all of our guests, it doesn't seem like we've seen any weakness in prestige beauty, it's still growing very strong. It seems like we're seeing trade up, and prestige hair is still seeing some nice growth. But do you feel like there's been any consumer slowdown and how do you feel the health of the consumer is today versus where they were last year? And then I guess looking out into the back half and into next year, do you think the consumer will be pulling back on spending at all? And I guess particularly for a prestige hair and prestige beauty?

<<Amanda Baldwin, Chief Executive Officer>>

Yes, it's certainly a question that I've been asking myself well, before I joined Olaplex. The last couple of years, I think, we've all been saying, what's the consumer going to do? What's the consumer going to do? And they keep on going. So what I'm seeing in our business today is that the consumer remains healthy, that the prestige hair care category remains an incredibly significant opportunity, and that what we see in our own consumer research is a continued interest in spending and prestige hair.

And quite frankly, my focus on our business right now is very internally driven, right. It's really, like, for where we are in our own trajectory as an organization is we've got to really focus on our own execution, and that's really where I want our teams to head.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. And I guess maybe if I could just throw in one just on the balance sheet and capital allocation, and how you're thinking about deploying investment over time and as we look out over the next few years.

<<Amanda Baldwin, Chief Executive Officer>>

Yes, very much part of the long range plan process, right, is to really make sure that we're taking advantage of the cash that we're generating in the right way.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

And investing – I guess, it's the top priority investing into the business at this point?

<<Amanda Baldwin, Chief Executive Officer>>

Yes, exactly. Like, for the first six, seven months was just make sure that we're executing and as we develop a long range plan that will certainly be part of the planning.

<<Susan Anderson, Analyst, Canaccord Genuity Group Inc.>>

Okay, great. Thanks, Amanda, for joining us, and Olaplex and everyone in the audience.