

Olaplex 4Q 2024 Earnings

MODERATOR: Greetings and welcome to Olaplex Holding Inc's fourth quarter 2024 earnings results conference call. At this time, all participants are on a list only mode. A question and answer session will follow the formal presentation.

If anyone requires operator assistance during the conference, please press star 0 on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Allison Malkin, investor relations. Thank you. You may begin.

ALLISON MALKIN: Thank you, and good morning, everyone. Joining me today are Amanda Baldwin, chief executive officer, and Katherine Dunleavy, chief operating officer and chief financial officer. Before we start, I would like to remind you that management will make certain statements today, which are forward looking, including statements about the outlook for Olaplex business and other matters referenced in the company's earnings release issued today.

Each forward looking statement is subject to risks and uncertainties that could cause actual results to differ materially from those projected or implied by such statements. Additional information regarding these factors appears under the heading cautionary note regarding forward looking statements in the company's earnings release and the filings the company makes with the Securities and Exchange Commission that are available at www.sec.gov and on the investor relations section of the company's website at ir.olaplex.com

The forward looking statements on this call speak only as of the original date of this call, and we undertake no obligation to update or revise any of these statements. Also, during this call, management will discuss certain non-GAAP financial measures, which management believes can be useful in evaluating the company's performance.

The presentation of non-GAAP financial measures should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. You will find additional information regarding these non-GAAP financial measures and a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures in the company's earnings release.

A live broadcast of this call is also available on the investor relations section of the company's website at ir.olaplex.com. Additionally, during this call, management will refer to certain data points, estimates, and forecasts that are based on industry publications or other publicly available information, as well as our internal sources.

The company has not independently verified the accuracy or completeness of the data contained in these industry publications and other publicly available information. Furthermore, this information involves assumptions and limitations, and you are cautioned not to give undue weight to these estimates. With that, I will now turn the call over to Amanda.

AMANDA BALDWIN: Thank you, Allison. Good morning, everyone, and thank you for joining us. For today's call, I will share with you our fourth quarter and fiscal 2024 results and discuss the progress we have made on our strategic priorities and transformation. Then Catherine will discuss our financial results and outlook.

Following this, I will introduce our bonds and beyond strategic vision. A year ago, on my first call after having joined Olaplex, I shared my excitement for leading this truly powerful business with an extraordinary technical foundation and differentiated science that delivers superior products that have garnered consumer and pro enthusiasm across the world.

At the same time, I acknowledge that we were at a pivotal moment, and that our transformational journey would take time as we focused on building a business and a brand for the long run. 2024 was a productive year in moving us towards that goal. We started to harness our innovation and marketing capabilities, as well as implemented important work streams to connect with our partners across the globe, strengthen our business processes, and attract talented executives to our team.

In addition, we worked behind the scenes to create a brand vision and strategy that we believe will capitalize on our unique strengths and position our company to deliver long term, sustainable, and profitable growth. Overall, our financial performance and executional learnings were indicative of a company in the midst of a transformation with 2024 net sales and adjusted EBITDA below 2023 levels.

We faced headwinds internationally as we focused on resetting the business for the future, and while we are confident in our overall marketing strategy, the investment has taken longer than expected to improve demand across our SKUs and channels. That being said, I remain focused on our future and am encouraged by our end of the year performance as we continue to make progress against our strategic goals and delivered a better than expected holiday season.

Let me briefly touch on our fourth quarter financials. For the fourth quarter, we reported net sales of \$100.7 million and adjusted EBITDA of \$17.5 million. For the year, net sales were \$422.7 million, representing a decline of 7.8% from 2023, and adjusted EBITDA was \$129.7 million, for an adjusted EBITDA margin of 30.7%

At the start of the year, we identified three transformation priorities. First, maximizing the impact of sales, marketing, and education investments to generate demand. Second, strengthening capabilities and culture to support our future. And third, developing the long term roadmap and future vision for Olaplex.

Let me share some highlights of our progress against these goals. Our first priority was maximizing the impact of sales, marketing, and education investments to drive demand. At the core of the Olaplex brand is an R&D engine that powers high impact innovation.

In 2024, we began to harness these capabilities by strengthening our product development function and our sales, marketing, and education efforts to elevate and differentiate our products. We focused on bringing new breakthrough products to market, deepening engagement with our pro and consumer community, and more clearly articulating why Olaplex stands apart from its peers.

As we began these efforts, we kept our focus narrow, targeting much of our marketing spend to drive demand for our new launches. This led to a strong performance for our third quarter launch of number 5L leave-in conditioner, which outperformed our expectations and remained a top five SKU within its subcategory at Sephora at year end.

In addition, during holiday, we did begin to see this marketing effort create a halo for our brand, leading to improving sales trends for Olaplex across channels and regions throughout the holiday season with [olaplex.com](https://www.olaplex.com) as a bright spot.

In addition, according to Circana data, Olaplex had the number one set in US prestige hair care during the 2024 holiday season. We have also focused on returning to our stylist roots and recreating meaningful connections with our pros. We amplified our support in multiple ways, listening to this community to hear what would best serve them while we continue to develop new products to address their client needs, such as our bond shape or curl rebuilding building treatment.

We believe that focusing on our pro heritage is an essential part of our strategy. As we look forward to 2025 and beyond, we plan to continue to refine and amplify these efforts. We finished the year with four out of five of the best selling prestige hair care products in 2024, according to Circana data, and we consistently ranked as a top brand in key accounts across our three distribution channels.

In addition, we regained the number one position in earned media value in December among US hair care brands per creator IQ. Our second priority was strengthening our capabilities and culture to support our future. Building the right team has been a top priority for me since I joined Olaplex, and I'm very pleased to be able to say that we now have a highly experienced, talented executive leadership team in place.

During 2024, we were joined by Catherine Dunleavy, who is here with me today as our chief operating officer and chief financial officer. Katie Gorman, our chief marketing officer, and Michelle Brett, our chief revenue officer. In addition, this past year, we strengthened our extended senior team, building and expanded innovation and R&D capability, as well as making key hires in our international sales and digital marketing teams.

Overall, we are creating a culture that promotes executional excellence, collaboration, and data-driven decision making. We opened an office in New York City and another in London to provide our teams from across our organization with a space to come together in person. It's been incredibly rewarding and exciting to see our team united and working towards a common goal.

Our business leaders and team members are energized, committed, and passionate about the road ahead. I'd like to take a moment to share a bit more about what we've been doing to strengthen our innovation capabilities, as it is so core to what Olaplex is and will continue to be. We expanded the footprint of our laboratory, enabling our chief science and research officer and the R&D team to ideate and iterate more effectively and efficiently on new technologies.

In parallel, our newly appointed chief product and innovation officer spearheaded the building of a new product development process that is intended to maximize our R&D capabilities and fuel future innovation, leading to the introduction of a more successful and strategic product launch calendar. Innovation is just one area, where we are seeing more rigorous processes improve our business. We continue to enhance our go-to market process and evolve our integrated business planning, which you'll hear me speak more about as we move into 2025.

Our third priority for 2024 was developing the long term roadmap and future vision for Olaplex. Charting our future path required a deep understanding of what made Olaplex so revolutionary from day one, as well as its continued strength and advantages, and then developing our transformation strategy with those insights in mind.

It was also important to ensure that our future strategy is grounded in concrete research that targets the needs of each of the critical partners to our brand, and is aligned with where our industry stands today and is going forward. We undertook multiple different areas of research, including a brand perception study that has influenced the direction and evolution of our brand and business strategy.

Based on these insights, we believe there is considerable enthusiasm for Olaplex from consumers, pros, and our partners, who all share a strong interest in what Olaplex is today and the innovation we can bring to market in the future. Our pro and consumer insights work indicated that our brand is still very strong, with positive associations to build upon, particularly around equities, such as innovative, reparative, healthy and effective.

We also uncovered key opportunities to broaden our reach, upgrade our messaging, improve our education, and foster deeper emotional connections with our audiences. All of this is being incorporated into our future brand design and long term strategic plan.

Outside of North America, we focused on engaging with distributors and retailers to assess and realign our network to fewer, stronger partners who support our brand values. Upon joining Olaplex, I personally traveled to multiple countries across Europe and Asia, meeting with our local teams and international partners to hear how we can more closely collaborate as we work to establish the right structure for the future.

The feedback from these conversations was positive and highlighted that we have an opportunity to further develop our global brand by localizing to the unique customer and distribution channels across the world. As we have discussed, this is an ongoing process, and we believe we are making good progress.

Transformations of our scale, we did not expect our path to be linear. But we did have some setbacks. I am proud of how our team worked together to evaluate and implement needed changes to move us forward in a positive way. And now, I will turn the call over to Catherine to review our 2024 financial results.

**CATHERINE
DUNLEAVY:**

Thank you. Amanda. I am pleased to speak with you today and share additional insight into our fourth quarter and fiscal year results and provide our 2025 outlook. As Amanda noted, we made progress on our strategic priorities with our financial performance reflective of our stage of transformation, while ending the year with a strong balance sheet and generating positive cash flow.

In the fourth quarter, net sales of \$100.7 million declined 9.8% from the fourth quarter last year. As noted on our third quarter call, we highlighted three factors that we expected to impact our fourth quarter sales performance. First, we anticipated a weaker performance from our international business as we reset for the future.

Second, from a sales and marketing perspective, we had not yet experienced a lift from our brand marketing and felt it was prudent to assume this investment would take longer to increase demand. And third, we planned for increased promotional intensity across geographies as we prepared for a highly competitive holiday season.

I am pleased to say that we did not see headwinds develop to the levels included in our November outlook. In fact, while we continue to have work to do on our international strategy, our international results were better than expected. In addition, consumer demand in North America strengthened in Q4, underpinned by the marketing investments we made in the second half of the year.

And with improved global demand, our promotional activity did not increase to the levels incorporated into our outlook. Overall, we are encouraged to see this progress. Turning to performance by channel, specialty retail had an encouraging performance, with Q4 sales up 5.7% to \$28.8 million compared to the fourth quarter of 2023.

North America's sell through improved during the holiday, which led to richer replenishment activity as we closed the year. Based on feedback from our key accounts, we were top performing US haircare brand during Black Friday and Cyber Monday, with our holiday kits selling out ahead of expectations with this momentum continuing through year end.

Our Q4 DTC channel sales decreased 2.5% versus a year ago, with year over year growth at olaplex.com offset by strategic international rationalization. And finally, our professional channel sales declined 27.1% year over year, with the channel seeing a greater impact from our focus on partnering with fewer but stronger international distributors that are aligned with our brand values and softer selling across geographies.

Adjusted gross profit margin for the quarter was 68.6%, which compares to 70.6% in the fourth quarter of 2023. This reflected higher promotional activity versus the fourth quarter last year, although the level of intensity was lower than we had expected, giving us a better than planned performance.

Gross margin was also impacted by higher warehousing costs, partially offset by improved channel mix. Adjusted SG&A was \$50.3 million, up from \$44.5 million in last year's fourth quarter. This increase was mainly driven by investment in talent to support our transformation and long term strategic framework.

As Amanda mentioned, we added executive leadership and key hires across the organization. Of note, during the fourth quarter, we spent approximately \$17 million in non-payroll related advertising and marketing expenses. We delivered \$17.5 million of adjusted EBITDA for a margin of 17.4%, which was below last year's as our sales decreased as discussed, and we invested for the future. That said, adjusted EBITDA surpassed the expectations we provided in November.

Turning to our balance sheet. We continue to have a strong balance sheet at year end. We had lower working capital needs during 2024 compared to 2023 as we reduced inventory. This, along with improved operating discipline, resulted in year end cash and cash equivalents increasing \$120 million to \$586 million from \$466.4 million at the end of fiscal year 2023.

In total, inventory declined \$20.7 million to \$75.2 million from \$95.9 million at the end of fiscal 2023. As we begin fiscal 2025, we feel good about the composition of our inventory, and we will continue to remain disciplined with investment expected to be aligned with sales growth.

Finally, long term debt, net of the current portion of deferred fees, was \$643.7 million. As it relates to the year ahead, we began 2025 having marked strong progress on a groundwork and experiencing early signals that give us the confidence to enter the next stage of our transformation.

As Amanda will share momentarily, in 2025, we have a new brand vision and corresponding strategic priorities. These priorities are focused on generating demand for our brand, increasing our pipeline of innovation, and strengthening our capabilities to execute with excellence.

Given the scale of our global business, this will require continued investment in talent and marketing, which is incorporated into our 2025 outlook. We expect to achieve progress on our strategy throughout 2025, and believe our efforts will position the company to advance our transformation and generate long term, profitable growth.

Let me walk you through our 2025 outlook. We expect net sales to be between minus 3% to plus 2% versus 2024. In addition, while we plan our business annually and give guidance accordingly, I will note that we expect our first quarter sales performance to be below the range we expect for the full year as we anticipate demand growth through 2025 as our investments in and initiatives land in the market.

Adjusted gross margin is expected to remain strong in the range of 70.5% to 71.5% even as we introduce innovation that will not have fully scaled. Adjusted EBITDA margin is expected between 20% to 22% as we invest in marketing and talent to support our 2025 strategic priorities and to position Olaplex as the authority in foundational, hair health, and beauty.

We've chosen to invest aggressively behind our US business, which we believe leads our transformation to ensure that the brand work and new vision are visible to the pro and to the consumer. In addition, we've hired a talented team who will enable our growth over time. In short, we are investing today to build the capabilities that we believe are needed to grow the business for the future.

And when our work is further along, we will talk to you about our longer term EBITDA margin expectations. Before turning the call over to Amanda, I wanted to reflect on my first six months. I joined Olaplex because I admired how the company disrupted the haircare category and saw a significant opportunity to join this fast-paced company and help architect and implement the strategy that allowed Olaplex to achieve its true potential.

I remain confident in our vision and strategy and look forward to sharing our progress along the way. With that, I will turn the call back over to Amanda to introduce our strategic vision, bonds and beyond.

**AMANDA
BALDWIN:**

And now to the future. Our bonds and beyond vision for Olaplex begins with its original breakthrough innovation and powerful origins. I believe that a great strategy harnesses a business's unique heritage and capabilities, and puts them in context of where the broader industry and consumer trends are headed.

In 2014, Olaplex revolutionized the haircare category through the introduction of our patented bond building technology, bis-amino, and our number one bond multiplier and number two bond perfecter products. This new two-part salon treatment allowed pros around the world to repair disulfide bonds deep inside the hair that are broken during chemical services, such as coloring, perming, and straightening.

This new salon service changed the ability of colorists to pursue their craft, and it's the alchemy of science and the pro community that is our reason for being and the inspiration for our path forward. We are fortunate to participate in a category that is poised for continued growth.

As of February 2025, Euromonitor International forecasts premium hair care to grow at a CAGR of 6% to 7% from 2024 to 2028. In fact, premium hair care represents only 20% of the overall hair care market in 2024, according to Euromonitor.

In contrast, premium is estimated to represent, on average, approximately 47% of the market across color cosmetics, fragrance, and skincare. We believe haircare is in the early innings of premiumization, and that Olaplex is well placed to benefit from this potential.

In addition to macro momentum and prestige hair, beauty, health, and wellness are converging, and consumers around the world care now more than ever about what they put in, on, and around their bodies. We believe our technology and original positioning allow us to focus on a uniquely important white space of highly efficacious hair care that is not just about band-aids or extreme damage repair, but about actually improving the health of the hair.

Thus, our strategic vision is based on three pillars. First is to move beyond damage repair and the bond building category we created to grow our addressable market and position Olaplex as a solution for everyday foundational hair health. Second, honoring and empowering the pro as the start of the flywheel of this business, the pro is both a powerful distribution channel, as well as the muse for all that we build in our brand.

Without them, our formulas are incredible science. It is in the chair that they truly come to life. Third, while our products have always created fans based on their efficacy, we must find opportunities for our brand to generate the emotional connection that drives lasting brand relevance, resilience, and love.

Across the globe, the feeling of a great hair day is universal, and the unapologetic confidence that comes with it is a powerful human truth that we have the unique ability to tap into. Combining innovation with brand storytelling will be critical to getting back to growth.

In conclusion, our vision is to create a foundational health and beauty company powered by breakthrough innovation that starts with and is inspired by the professional hairstylist. That is what we believe we are uniquely positioned to do, and that is the future of Olaplex.

In 2025, we have three priorities, which we believe will position us to achieve our financial goals and advance our vision as a foundational health and beauty company. First, generate brand demand. We will elevate our visual identity while executing a 360-degree marketing plan that drives demand and honors and services the professional.

Second, harness innovation. We will build a future pipeline of innovation that is grounded in foundational hair health and leverages our strengthened product development processes to continue to introduce breakthrough science while expanding our product portfolio, thus reaffirming Olaplex as a revolutionary healthy hair authority from root to tip.

Third, execute with excellence. Our organization will shift from planning for the future to the ongoing processes, data, and rhythms of implementation. We'll focus on continuing to evolve and refine our operational and strategic processes, realigning our international partnerships, and driving efficiencies across the organization to provide the fuel and support of our growth.

Turning to our first priority in more detail. Generate brand demand. Last week, we began an exciting journey to surround the powerful Olaplex products with a new visual identity and brand marketing strategy that is intended to showcase our unique brand DNA and build longevity for the future.

Our new visuals are elevated, dynamic and relatable, showing texture and warmth, as well as the special bond between the client and the stylist that has always been a part of our history. We aim to show science in a technology forward and approachable way, while we show emotion and passion for a category that is deep in feeling and moves beyond the colorless and clinical look of the past.

This visual identity was launched in the US on February 25 and is clearly showcased in our new social presence and website. Our in-store visual merchandising and our 360 media campaigns, and will continue to roll out globally over the coming months. A key element of this update is the way we communicate visually and verbally, the unique benefits of Olaplex.

Clear, compelling messaging across all digital and physical touchpoints makes it easier for consumers and pros to understand why and how to build their Olaplex routine. In addition, our visuals will showcase the pro and their clients with a renewed focus on communicating our salon services. In 2025, we will begin to execute our updated pro first strategy.

We plan to improve education, drive engagement among the community with an elevated presence, and lead with our ambassadors and pro collective. In addition, we plan to strengthen our customer management and field sales execution to provide us with a sustainable platform for success in the pro channel.

To bring the brand updates to life, we are taking a 360-degree full funnel marketing approach that moves us into the brand demand creation phase of our transformation, leveraging a creator-led point of view and product messaging that reframes the conversation from damage repair to healthy hair from root to tip.

This began last week with campaigns that launched across digital channels and will continue throughout the year. In addition to our consumer focused efforts, everything we do will have a pro angle from our digital presence to our physical events to how we communicate about our technology. We have developed multiple touch points for measurement that are intended to evaluate the impact of these efforts and allow us to adjust as needed.

We believe we will need to invest strongly behind our new brand identity, and will continue to expand this effort to international markets and modify our spend over time. Our second priority is to harness innovation. We have over 10 years of experience developing products that target the disulfide bond, most important to foundational hair health.

By reforming and replenishing bonds from cortex to cuticle through molecular level science, we believe we can continue to innovate beyond damage repair and leverage our R&D capabilities to unlock key signs of healthy hair, strengthen elasticity, shine and sheen, smoothness and frizz control, softness and moisturization, and shape retention and integrity.

We chose scalp as the first innovation in 2025, as it perfectly aligned with our mission of foundational hair health. Quite simply, healthy hair starts at the scalp. Our R&D led us to an advanced understanding of the science of a healthy scalp and how to treat it through a holistic approach that not only addresses accelerated scalp aging, but also balances the scalp microbiome and strengthens the scalp barrier by relinking the disulfide bonds in the surface of the scalp.

Olaplex's original patent was not only for the hair, but also covers the scalp, allowing us once again to take a unique approach to address a crucial element of overall hair health. Launched just last week, number 0.5 scalp longevity treatment will be joined later this year with an additional specialized pro service, both clinically proven to establish the foundation for long-term scalp and hair health.

Combined with our bestselling number three hair perfecter, this innovation is emblematic of Olaplex's new vision and its efforts to deliver lasting hair health from root to tip. And leverage innovation, as well as reinvigorate our hero SKUs, which will be important to driving overall brand demand.

Our third priority, execute with excellence. In 2025, our organization will shift from significant behind the scenes work to plan for the future, to daily implementation and executional rigor. To this end, we have built upon our product innovation process to develop a global go to market engine, integrated business planning process, and a new strategic planning procedure, each of which is integral to enhancing the efficiency and effectiveness of our internal workflows.

In addition, we're mining for productivity to provide the fuel and support of our growth and develop automated performance metrics to make faster, more informed decisions. International distributors are an important part of our business and an area of significant opportunity.

In 2024, we began rationalizing and transforming our partnerships to have fewer but stronger distributors. While we continue this work in 2025, we're also focused on enhancing our ongoing partnerships and introducing and executing localized strategies. This work is expected to enable our broader strategic vision as we work more in sync with our partners and incorporate the specific dynamics of each market.

We believe that our brand remains desirable on a global basis. And with the right partners who are well versed in their local markets, we believe we can drive brand growth. These three strategic priorities represent the next stage of our transformation and will drive our financial performance this year. And importantly, continue to elevate our platform as we position our company for sustained, long term, profitable growth.

We look forward to sharing our progress towards our priorities as we move throughout the year. We've accomplished much in my first year as CEO. We're a different company today with a clearer vision and improved innovation engine, a new articulation of our brand, and a talented organization directing and executing the strategy that is expected to maximize our competitive strength.

What I shared with you today is the first step in our longer term vision. Overall, we believe this is the beginning of a bright and exciting future as we position Olaplex for its next chapter as a foundational health and beauty company. I want to thank our team for their exceptional work and commitment that got us to this critical moment. I'm honored to be leading this organization for the journey that lies ahead.

ALLISON "Operator, we're now ready to take questions.

MALKIN:

MODERATOR: Thank you. The floor is now open for questions. If you would like to ask a question, please press star 1 on your telephone keypad at this time. A confirmation tone will indicate your line is in the question queue.

You may press star 2 if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. We do ask that you please limit yourself to one question and one follow up. Again, that's star 1 to ask, register a question at this time.

Today's first question is coming from Susan Anderson of Canaccord Genuity. Please go ahead.

SUSAN ANDERSON: Hi, good morning. Nice job on the quarter. Nice to see the stabilization of the sales. I guess maybe just to touch on the professional channel.

It sounds like you guys are still very committed there. It does seem like competition has maybe been increasing there with other brands really trying to get a foothold into there. So I guess I'm curious just how you're thinking about that and how much of the decline is really due to the back bar versus the front of the store? And then I guess, what else do you think you guys need to do to stabilize that channel? Thanks.

**AMANDA
BALDWIN:**

Hi, Susan. It's Amanda. Thanks for joining us this morning. A couple of thoughts on that. And yes, you definitely did hear loudly and clearly. And we have been talking about this for really since I joined about the importance of the pro channel.

I think there's a couple of elements to that. First of all is why is it important? Beyond being a part of our history, we believe that it remains a significant channel, as well as a really important marketing vehicle when you think about there's some really impressive statistics out there that 2/3 of consumers look at the pro as someone that can give them advice about styling products and about hair care products.

So we think of it as both a revenue generating channel, but also part of our marketing engine, and that's why we're really focused on it. The second thing I would say in terms of this, how do you get after it in the right way?

I think it makes sense to draw the distinction between what's happening in back bar and front of store, front of salon. We started as a services business. That's really important to us.

I think I also spoke about how the scalp retail product will have a service component. We think that that's a really important way to continue to drive consumers into the salon. That's an important part of actually continuing to grow that channel.

I think in terms of how we'll approach competing effectively, it really is across a lot of different touch points and similar to how we think about our entire strategy, which begins with product, do we have the right products that really enable the pro to do what they do as well as possible? That was certainly the motivation behind introducing something like our bond shaper treatment back in September.

Do they have the right support, the right education, the right materials, the right and ability to talk about the product? And then the third piece of this, which has been a really interesting and fun part of something that we've been working across, is that it's about building community and being in the right places, supporting them in the right way.

I had a really great experience of being in a room with a lot of pros teaching each other, and that was certainly something that was incredibly inspiring for me. So are we creating those environments successfully? So I think there's some very specific things that relate to product, some very tactical things that relate to how we educate, how we support.

And then there are things that are the emotional aspects. I think I've spoken about that a lot with respect to this brand that in addition to its incredibly efficacious science, hair is an emotional category across pros and across consumers, and we really need to also lean into that.

**SUSAN
ANDERSON:**

OK, great. That's really helpful. If I could just add one more on the international business. I'm curious just it may be a bit early, but any thoughts on how many distributors you think you'll end up with versus where you are at?

I guess, how should we think about the sales there in 2025? Should we expect more rationalization, I guess, throughout the year or in the back half? Does that start to, I guess, kind of stabilize things?

**AMANDA
BALDWIN:**

I think we're not giving specific numbers around that at this time. As we spoke about on the last call, this is a very methodical country by country process. We have a very specific work plan around how we're thinking about each one of the geographies that we play in, what the potential for it, who's the right partner.

We have a lot of really great partners. So I think I really want to make sure that everybody walks away from this conversation about international understanding, that we remain very optimistic about international, that it's a huge opportunity for us. One of the things that I think is unique and attracted me to this brand in the first place is that it is so successful around the world what its services are.

The brand resonates. Those are amazing things that shouldn't be taken for granted. This is really an operational and tactical aspect of how do we get at that growth. So we're equally focused on, not just who do we not want to be in business, but I would say I'm more focused on who do we want to be in business with and how are we better partners.

And that's an important part of this workstream as well. We talked about, I think it was back in the third quarter call that in order to really roll out our effective international marketing engine, and even as we think about this new brand visual identity and the efforts that we're putting around that, we need to be great partners with fewer distributors in order to effectively execute that.

So there's really two sides to this. And I feel really good about the progress that we're making along that. But with everything that we're doing in this organization, as we go through a transformation, we have a huge emphasis on moving quickly, but also making the right long term decisions. And we're always toggling back and forth between those. But we'll keep chipping away at this. And I feel good about the progress we've made thus far.

**CATHERINE
DUNLEAVY:**

Yeah. And I'll just add that we think we love the long term. We do have significant room for growth internationally. It will take time, as Amanda just said, for us to execute the strategy. For 2025, we do expect North America to lead our performance and be moderated a bit by our transformation still going on in the international business.

**SUSAN
ANDERSON:**

OK, great. Thanks so much you guys. Good luck for 2025.

**AMANDA
BALDWIN:**

Thank you.

MODERATOR:

Thank you. The next question is coming from Olivia Tong of Raymond James. Please go ahead.

OLIVIA TANG:

Great. Thank you. Good morning. Your fiscal '25 outlook implies a return to positive sales at some point in the year. So what's your view on what needs to happen in order to get there?

And do you think you have the products already in market, or is there more to come? And then what's your view on the growth rate in your categories in the state of competition, not only for fiscal '25 but beyond? Thank you.

**AMANDA
BALDWIN:**

I can speak to those macro, and then Catherine can talk a little bit about what we expect over the course of the year. I think from a big picture, I feel that we're in a really good position to be able to compete effectively in our category going forward.

And there were a couple of elements to that and really getting our business back to growth. The first is product and product innovation. That's why we spent a lot of time last year really focusing on our innovation engine, and not just our R&D capabilities, but our ability to bring product to market in the right way was point number one.

So that journey started with scalp last week, and really making sure that we have a big innovations coming in the pipeline is critical to our future. The second is the brand work that we did. And that was a year long process, I would say very fast in terms of making sure that we're getting to this quickly.

And that has to do with our ability to market effectively. So I've been speaking a lot since the beginning about it's not just the dollars that we spend on marketing, but it's how we spend them, the visual that we're using, our marketing team that's able to target media effectively.

There's a lot of work that needed to happen last year to put us in the position to be able to actually tell our story effectively. So what is that story? How does it look? How do we spend money against telling that story? Again, that's an engine that just started last week.

We now have the leadership and the team to be able to go after that aggressively. So we think that those are really-- I believe that in any business, you need to have both innovation and product, a strong core and strong marketing happening all at once. And this is the year that will really begin that journey.

So that's something that I would say that we're looking towards in terms what's going to drive our growth. But execution wise behind this, that's why that is number three. And I would say that Catherine and I are laser-focused on making sure that we're really getting into the rhythms of implementation, that we have the right data at our fingertips, that we're able to evaluate the decisions that we're making on a daily basis about where we're placing the spend, and adjusting, and learning as we go forward. So all three of those really are critical. And I'll let Catherine talk a little bit about the cadence through the year.

**CATHERINE
DUNLEAVY:**

Yeah, I mean, I think that's well said, Amanda. I mean, we definitely are focused on our three priorities. First, generating brand demand, second, harnessing innovation, and third, executing with excellence. And really, the ability to hit the high end of the range is tied to the speed at which we make progress against those three things.

We feel confident in our new brand positioning, and we expect it in our innovation to drive demand. As Amanda just mentioned, we have spent the last six months putting in place very detailed strategic plans and metrics that we'll use to monitor our progress, and we'll use those detailed measurement systems to react quickly to what's working and adjust our investments. So we're confident in the range and our ability to deliver within it.

And we're ready for the next question.

MODERATOR:

Certainly. The next question is coming from Jonah Kim of TD Cowen. Please go ahead.

**UNIDENTIFIED
AUDIENCE
MEMBER:**

Hi there. Thank you. This is Katie on for Jonah. One question I'd like to ask is skills around the marketing investments. And why do you think that they could be taking longer than expected to lead to that higher interest and customer acquisition?

And what's embedded within your plan for this year versus last year as you evolve your marketing strategy? And as a follow up, what is the right level of marketing as a percentage of sales to support growth? Thank you.

**AMANDA
BALDWIN:**

I think brand building takes time, and that any marketing engine that's really designed to build a long term brand does not happen overnight. And as an organization, we certainly are moving more into this demand creation phase.

And by that, what I really mean is thinking about a balanced marketing funnel and a 360-degree approach, that performance marketing, you can measure by the minute, right? And you have an impact. There is a ceiling on how far that will take you, both in terms of the scale of your business, as well as the longevity of your business.

And I think we're focused on really improving both of those. So the reason that we've given ourselves time, the reason that we've provided the guidance as we have, is that we think we need to be aggressive in how we're investing behind, particularly our US business, and that those results will take time.

We feel very confident in the reception to brand identity and what it enables us to do. Again, we have a team that's just been put in place under the leadership of Katy Bowman, who is that team is extremely strong. And we now have the right partners and the right strategy in order to enable us to market effectively.

But we didn't think that it's prudent to expect that happens overnight. This will be a build over time. And it certainly is something where you get better and better at it. And my background is in product innovation and marketing, 20 years of this, and have watched what it really takes to build a brand and what the reasonable expectations are for performance over time.

**CATHERINE
DUNLEAVY:**

I'll just add that we are-- all right. Then I won't add anything. You're happy?

**UNIDENTIFIED
AUDIENCE
MEMBER:**

Oh, no. No. No, please go ahead.

**CATHERINE
DUNLEAVY:**

Oh, OK. Well, I'll just add that we're focused on 2025 right now. Because we're in the early stages of that new strategy that Amanda just shared. And we've really set ourselves up to be able to invest aggressively this year to reignite the brand.

And we expect that to gain leverage over time, but we need this year's learnings to help optimize our spend. So we're investing today to build the capabilities that we believe are needed to grow the business for the future. And again, as we've said before, we'll be back to you once we learn more to talk about the longer term marketing percentage and EBITDA margins.

**UNIDENTIFIED
AUDIENCE
MEMBER:**

Thank you so much for that. I really appreciate it.

MODERATOR:

Thank you. The next question is coming from Ashley Hawkins of Jefferies. Please, go ahead.

**ASHLEY
HAWKINS:**

Hi. Thanks for taking our questions. We can talk about trends in the professional channel. Are we still seeing consumers extend length between appointments?

And then what we should expect in terms of stabilization in 2025? And then if I could just squeeze in one more. When you talk about the region specific approach to international markets, are you talking more of like a marketing approach or different assortments by region? Thanks.

**AMANDA
BALDWIN:**

Yeah. So first, with respect to the pro channel, what we're seeing in the data is that there's certainly, I would say, over the past several years, I've put an emphasis on post COVID that visits have been extended, the time period between visits has been extended.

There's nothing in the data that we're seeing that suggests that they have extended further or that we expect it to go-- that this is a trend that kind of keeps on going. I think it was more of what I'll call a reset that's driven by how frequently people-- how often women are coloring their hair, as well as the average length of women's hair.

So those two things certainly have changed, which is why when we were talking earlier about the pro channel, giving other reasons to be in for services is something that's really important and something that, as I've said, a lot of conversations, as we've done our own research around the pro community to really understand how can we support them, that idea of what else drives me into the salon is a critical part.

So that's really how I would think about. That is what we're seeing right now is relative stabilization in those trends. But they certainly are down from where they were pre-COVID. The second part of your question about international, I think that a great brand has to have global consistency, right?

There's no doubt. And I've had the privilege of working at several of them, that there is a brand that stands across the entire globe. That's something that, as we think about our strategy, is essential. The second piece of that is how do you localize that to really think about-- and every country has slight nuances of how the pro channel works, how the retail channel works, the DTC channel.

So it's about your channel mix, how you're approaching the channels, how you make communicate specific things that we've really learned about how consumers think about their hair on a global basis. The benefits that someone is looking for in China are different than what they're looking for in France, just even the words that they use.

So there's-- and that's why actually having a distributor partner is so incredibly powerful. Because they really understand the nuances of their market. So it's about blending those things together.

And that's why a lot of this international work has to do with partnership on both sides, and making sure that we're set up, and we have the right infrastructure called out in the last call that we hired an SVP of international, we're setting up a marketing organization. Those are the things, when Catherine talks about investing in talent, that's why that's so critical. And we have to do that now even ahead of getting those markets moving back in the right direction.

JONAH COWEN: Great. Thanks so much.

**AMANDA
BALDWIN:**

Thank you.

MODERATOR: Thank you. The next question is coming from Lauren Lieberman of Barclays. Please go ahead.

LAUREN Great. Thanks. Good morning. I was just curious if you could talk a little bit about your pricing strategy.

LIEBERMAN: Historically, everything was line price, and you're moving away from that now.

So I just wanted to know if you could discuss a more fulsome thought process on pricing going forward. And any kind of early adjustment or reaction you're getting from customers, both retail and professional, on that front? Thanks.

**AMANDA
BALDWIN:** Yeah, I think that's a great question. And as we've thought about the strategy in this business, everything has certainly been something that we've done thoughtfully and based on a lot of research, where we feel that we have opportunity and pricing is really related to the competitive set and where we fit within that, as well as how do we ensure that we're maintaining the appropriate gross margins as we innovate. Our products are jam packed with the best possible technology, and so we need to balance both of those things.

**LAUREN
LIEBERMAN:** So is pricing being reset, like is the-- are you going to go across the line and reset pricing? Because again, historically, it was like it was a one price point no matter the product. And that's been shifting. So I just didn't know if there was a reset period or is there like a price pack architecture, we could change the size of the bottles? I'm just curious on how this gets implemented. It was less about price increases going forward and more about the absolute setting of pricing and appearance on the shelf.

**AMANDA
BALDWIN:** I think what you see in the market today is what we intend to do at this time.

**LAUREN
LIEBERMAN:** OK. All right. Thank you.

MODERATOR: Thank you. The next question is coming from Dana Telsey of Telsey Advisory Group. Please go ahead.

DANA TELSEY: Hi, good morning, Amanda. As you think about product launches for 2025 and the importance of the scalp, which we're beginning to see everywhere, how do you think a product launches, timing, how many? And as you think about the product assortment, both globally and here in the US, any differences we should be seeing in packaging, size range?

And just lastly, on the adjusted EBITDA margin guide for 2025, what would make that come in better than expected? And are there any building blocks for adjusted EBITDA as we move forward into '26 that would trend with a tailwind or a headwind? Thank you.

**AMANDA
BALDWIN:** Good morning, Dana. Good to hear from you. So I'll take the product piece, and then I'll let Catherine take the EBITDA piece. With respect to products, without giving away our future calendar, really, what we're thinking about is getting into a structured approach around the timing of what we launch, the framework in which we're looking at innovation.

One of the big things that we have talked about that we talked about today, and I'll continue to talk about, is, how do you balance the process with the creativity? And necessary, and that's something that, again, Catherine and I are very passionate about. So you will continue to see innovation from us.

We've talked about two to three product launches a year. I think there's always a balance of a couple of things that are happening in the decisions that we make. One is, are we do we really believe that the science is there to drive differentiation? That will always be really critical to us?

Do we feel that we have the marketing impact to be able to get something off the ground in the right way? And also, are we balancing our core? One of the things that we talked about over time is that in order to really drive growth in this business? Yes, innovation is critical.

But the reason that we talked about number 3, being paired with the scalp is that really is the best thing for the consumer, which is always where we're going to start, but also in order to make sure that we're harnessing our core and building our core through this transformation is going to be really critical. We have 21 SKUs. We have a lot of opportunity to continue to grow and to continue to innovate.

But we're always going to do it because we believe that we have something different, and because we believe it's the right time for that product to come to market. And scalp is a great example of looking at our science, looking to your point about where the industry is going, and really feeling that we can do something different, but also do something that made sense for Olaplex. And those two things have to happen at the same time.

CATHERINE DUNLEAVY: Yeah, I'll just build on to the innovation point, and then I'll switch to the EBITDA point. I mean, last year, in innovation perspective, we really turned on the innovation engine with several key launches that are still building this year.

We have the pro broad spectrum treatment, pearl gel, the number five leave-in conditioner. And in 2025, we have additional innovations planned, starting with the scalp that Amanda just discussed. And innovation is a larger percentage of our unit sales in 2025.

But all three of our priorities that we've outlined today are important to us achieving our goals. And that leads me into your second question, which is the high and low end of the range. And so just to articulate those three goals, generate brand demand, harness innovation, and execute with excellence.

The ability to hit the high end of the range is tied to the speed at which we make progress against each of those. So we feel confident that our brand positioning and expect it to drive that demand. How quickly we'll hit the high end, if it goes quick, more quickly, and we'll hit the lower end if it goes a little more slowly.

We expect to monitor the progress using our detailed measurement system, and we're going to quickly react to what's working. I say that over and over again because I'm really proud of the time that we've taken to put in place these metrics. Measures of success, as we call them, that will allow us to really reason, react very quickly.

DANA TELSEY: Thank you.

MODERATOR: Ladies and gentlemen, unfortunately, we have run out of time for today. I would now like to turn the floor back over to Ms. Baldwin for any closing comments.

AMANDA BALDWIN: Thank you. I just wanted to thank everyone for joining us. It's a very exciting time at Olaplex, and we appreciate everybody's interest. And we wish you a great day.

MODERATOR: Ladies and gentlemen, this concludes today's event. You may disconnect your lines at this time or log off the webcast, and enjoy the rest of your day.

