

Canaccord Genuity 45th Annual Growth Conference

QUESTION AND ANSWER SECTION

<Q – Susan Anderson – Canaccord Genuity LLC>: You joined Olaplex from Supergoop! back in December 2023. So, you've been there a couple of years now. Maybe, if you could talk about how the business has changed since you've been there. Where have you been focused on? What do you see going forward as opportunities within the business?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: Good morning, everyone. Thank you for having us, Susan. It's great to be here. I think it may make sense just to even take one step back and talk about why I joined the business. And I think it puts everything in perspective. First and foremost was that I really saw something special in the product and the science of Olaplex. I've been in the beauty industry for 20 plus years now and I know when you have something that really is different, that's really differentiated, that really works and how unique and where that is. The second thing is that Olaplex has real scale, which in the beauty industry is also something that is not to be taken for granted. There's a lot of new brands that come out. Olaplex's just turned 11. And to reach the scale that Olaplex has in the timeframe, it says something also very unique is happening.

And third is the space in which we play. And I've always been a big believer in whitespace and kind of what's coming next in our category. And prestige hair is also, I think in its very early innings. As you mentioned, I was at Supergoop! for 7.5 years, I joined that business when nobody talked about sunscreen in the prestige category. Saw the same sort of thing that this is going to be really interesting and how do I actually drive a category forward? And I would say sunscreen has changed dramatically since I joined that business in 2016.

And I saw some of the similar parallels to prestige hair where you have a category that people care a lot about but is very underpenetrated. About 20 percent of haircare products are bought in the prestige channel. You look at anything else makeup, skin care et cetera, it's more like 50%. And so that's a pretty big shift. But I think we are just seeing early innings of this

So, I got really excited about all these pieces of the puzzle. But there was a lot to change and I think I've been very upfront about how many elements of a transformation are that we're going through. And really, I think the business has changed dramatically in the last 18 months since I came onboard, and we're really kind of just taking a step-by-step approach and we can certainly go into every element of that.

But the first and foremost the thing that I really worked on in my first year in the business was, do I know where we're going and do I have the team that can get us there? And then you start chipping away at it one thing at a time. And that was really kind of what the focus was. So, I think we have a very clear plan now about what we're building, that we're really transforming this business to be a foundational health and beauty business that's gone from a pretty narrowly-defined damage repair, bond building business into something that's much broader than that, much more significant base. We've built an extraordinary leadership team and obviously one is always filling out other opportunities within that organization. We keep adding incredible talent, but I always think if you know where you're going and you have a great team, then you chip away at it. And that's really how my career has been built thus far.

<Q – Susan Anderson – Canaccord Genuity LLC>: Great. Maybe if you, I guess on that front, talk about innovation. You've rolled out several products this year. I think it's been a focus of yours. And looking forward, you want to continue that innovation pipeline. So maybe if you could talk about where you're at with your product set and then also where you see yourself going as we look forward in the whitespace opportunity that you have?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: Innovation is a great example of building off the foundation that Olaplex already had, right. We talked about extraordinary science, patented technology, the ability and an incredible R&D facility that, quite frankly, I think was being underutilized and the pace at which one needs to innovate in our industry is quite rapid, right. And you need to have newness to drive the attention of the consumer, to drive the attention of the pro. That doesn't mean that your core products aren't really, really important to you, but you need to have both. And what I found when I joined the organization is that we had amazing science, some incredible chemists. We didn't have an innovation engine. And really the distinction between those two is, how do I take the ideas and bring them to market, commercialize them in a way that's predictable to my retail partners, that my marketing team knows what's coming when that I have real innovation that's going to be meaningful to the consumer, meaningful to the pro.

And that is not an overnight process. But we started to see last fall, the beginnings of that engine and now we're really at a nice pace. So, in the first half of this year, we launched three products versus one a year ago. And I think we need to be at two to three meaningful launches a year, I think is a good, healthy pace for a business like ours. And that's where the strategy and the structure of how do I use the science really comes in.

<Q – Susan Anderson – Canaccord Genuity LLC>: Yeah.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: So, the first half is a great example of that. We launched into the scalp category. That's a very early, nascent category, but is profoundly important to the health of your hair. If you think about it in the most simplistic sense, my scalp is healthy, my hair is going to be healthy. So if I want great hair, I've got to have a healthy scalp. We did that in a two-pronged approach. We had both a consumer product as well as a pro product, so you'll see us also really balance the importance of that consumer business with the importance of driving more people into a stylist chair because that's really important to supporting them. So, that's a great example of finding something new and innovative that we could do differently. Our patented technology impacts the scalp.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay, great.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: And then also having a shampoo and conditioner, which is a large existing category.

<Q – Susan Anderson – Canaccord Genuity LLC>: Yeah. Okay, great. And then I know you've talked about in the past just being underpenetrated in the SKU count versus a lot of your competitors. It seems like a lot of new brands came into the space and just blasted out new products. So, I guess where do you see Olaplex in terms of penetration, in terms of the whitespace out there? How much opportunity I guess is left in here for you guys? And would you think about going into tangential categories?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: So, I am an innovator at heart. Being in the lab, being in a stylist chair, ideating about what's going to come next is always going to be a place that I'm going to gravitate towards. I think it's how you do it in a strategic way. And as I was mentioning, we believe that two to three meaningful launches a year is really a healthy pace. To put that in perspective, we have under 30 SKUs. And if you look at any of the competition, you see three or four shelves when you walk into either a salon or in a retailer where we have sort of large, large SKU counts, that can get very complicated to manage. And Olaplex was really built on what I'll call a hero SKU philosophy, where you have a tighter lineup but a very meaningful businesses, so we'll find the place in between as we think about the innovation going forward.

And again, that's not to take away from the SKUs that are really important to us. So as we build up a marketing engine, which is a whole other topic, we're really thinking about how we're both supporting the core as well as our innovation at the same time.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay, great. And then maybe turning our focus to marketing, marketing spend has been ramping lately over the past couple of years. Maybe if you could talk about where you're at with marketing spend, particularly as a percent of sales and where you think that could be longer term if you're at a level where you think it makes sense.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: So, when you think about what drives the beauty business, it's great product and a great brand. Anything that you see out there that's being successful has figured out how to combine those. So, we talked about innovation. The other half of that equation is, how do I have a marketing engine. What's fascinating about the Olaplex story is that is a very new muscle for this brand because the product was so incredibly powerful, it sold itself. That is not my personal experience in my career, it's always been as a marketer and how do I kind of tell a story. So as we got in there, the other thing that we were really focused on was how do we build out a marketing engine and a brand that supports it. And I think it was in one of my first calls I talked about. It's not just the money you spend, it's how you spend it on what image saying what to the consumer, saying what to the pro. And so, there's a real piece of work that was done. Again, it's a lot of the planning that went into last year was what's this brand and what am I saying and how am I communicating and we live in a very visual world. And so what something looks like is going to have a huge impact on how people respond to it.

So, we're building out what I call a three-pronged process to the marketing engine. The first was to build a brand, so we flipped every single image in this brand in little over 12 months, which is no small feat, that started to roll out in February. We're at a nice pace. We'll finish out the last few countries on the other side of the globe in the next few months. Then we've launched what's called a brand platform, which is really how do I connect? One of the things we heard from our consumer and pro research was, you have amazing science, you have amazing product, but I'm not sure I have any emotional connection. I think all of us know we have our favorite brands and there is something more than logic that's going on there.

And we have to find our space for that which we call design to defy. And then the third piece is like a constant content engine, which if you think about marketing today versus what it was before, I have to be able to produce content at a rapid pace up and down the funnel targeted to every consumer. That's the last leg of the journey and we're kind of mid-phase of that.

<Q – Susan Anderson – Canaccord Genuity LLC>: Yeah. Okay, great. Yeah. You guys definitely reinvented the site and the merchandising on the shelf, but so much better.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: Yes. Thank you for saying that. It looks totally different. I think that work was done to get us comfortable about how we showed up on shelf. Last year, I wasn't yet at the place where I felt like comfortable enough to drive to those end points, right. And so, we really before we started marketing in a more upper funnel way, we wanted to feel like the shelf that you showed up at the website that you went to convert on. Those websites are sometimes owned by us, sometimes owned by Sephora, Amazon, et cetera and that they were places that you could actually be proud to send your potential consumer.

<Q – Susan Anderson – Canaccord Genuity LLC>: Yeah. Okay, great. Maybe if we could turn to the pro channel, you mentioned creating new products not only at retail but also for the pros. Just talk about that channel, it's been a little bit difficult over the past couple of years. You're not the only ones it's kind of been the channel itself. But talk about how you think about that channel, how important it is to Olaplex and then also how you think about driving the sales there going forward?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: So, I think when I looked at the strategy for this business going forward, a lot of that was about going back and really understanding what led to such an explosive origin story for Olaplex. There's a science that we've talked about and the other thing was the pro. This business would not be where it is without the power of the pro. That was a nice molecule, but it was really once it got on the head of some very early stylists and colorists who were out in LA and they started using this product on Hollywood stars who were changing their hair

from blonde to black to red back to blonde again. Really the power of Olaplex was shown, and that's because it allows you to do transformation and enables the craft of hairdressing in a way that I think no other brand does.

So, it's part of our origin story to be pro first in our thinking. It's also the flywheel of our business. It's something that many players in the prestige haircare space would be envious of because it gives us a sense of authority. I spent actually a day yesterday I was in Chicago. I spent the whole day with our pro community.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: And they're an incredible source of inspiration. They tell the story of this brand to their clients, to each other in a way that no marketer could possibly do in the way that they can with the with the sense of authenticity. So, making sure that they're part of our business and part of really the flywheel that drives this business is incredibly important.

You're right that their industry does have pressure on it. There is no shying away from that. And that has to do with the patterns at which consumers are going into the salons, the styles of today and that coloring and how long our hair is, things like that, has changed the patterns in which people go to the salon, but they're still absolutely going, I don't think you can get your hair cut using AI. And so this is a business that I think is really meaningful and important and it's about investing in it in a smart way.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay, great. And how do you think about balancing the omni-channel strategy between retail, your own DTC site and then the pro channel as well. I guess do you think about them as kind of different segments with I mean, you talked about somewhat different products between the pro and the retail side, but maybe if you could just talk about the balance there?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: So, I think channel strategy in a business is a balance of how do you really focus on the things that drive your business strategically. But at the end of the day, the consumer also decides, right. So, I think we're seeing some pretty interesting and exciting shifts in kind of where the consumer is buying the product. Now, that's the end consumer, that's different than, again getting a service in a salon. So, we have to find the balance of both of those.

But I really believe that a great brand is going to live above any particular channel because those things do shift over time. And I've certainly seen in the last 20 years a lot of changes and I'm sure there'll be something [indiscernible] (00:23:02). So, how do we have great partnerships with our retailer partners, but also how do we continue to support the pro through that and then the DTC part of our engine is, gives you access and scale in a way that quite frankly, nothing else can. But we have relationships with the most important retail partners that one could want. It was really part of when I said Olaplex had scale to begin with.

We exist in 60 plus countries. We have the best relationships with all the places that one would want to be. So, how do we go deeper and have more meaningful partnerships is really what that's all about.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay, great. And then maybe moving on to the international business, you talked about the 60 plus countries that you're in right now. I know you're in the process of kind of resetting it after, maybe that was getting a little bit too – growth too fast I guess. Maybe talk about what the work that you were doing there, kind of the timeframe and what do you think is going to be different about the international business after the reset versus before?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: I think the international business is a great example. It's about half of our business, give or take, something that is extremely meaningful and important to us but needs to go through a transformation and how we actually run that business. So, what does that mean? Naturally again, if you go back to kind of what we were doing last year versus what we were doing this year, we were figuring out what that meant and now we're in the execution phase of going against it.

And what we've really learned is that not all markets are created equal, both in their size as well as the complexity of the distribution channels can be different and we need to systematize how we go to market. And we figured out that there are really three different buckets. There's buckets – there is large markets that we think we can have a more direct hands on approach. They often – we have direct relationships with a retail partner, several pro distributors and we can be marketing and educating directly. Those are going to be meaningful and important investments for us. Second is going to be in markets where we have a great omni-channel partner. There are some distributors that can touch both pro and retail all at the same time, we can work through them. And the third is what I would call lighter touch where you have a single partner or maybe multiple partners and you're on more of a semi self-serve model.

So, we actually put up a portal so they can access materials in that way. So, putting some systems behind it and also building a team, as we said before, how do we actually enable the organization to be a better partner to our distributor partners on the other side is a big part of the work.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay, great. And then maybe if you could talk about the landscape a little bit, it does seem like the prestige hair category has remained fairly healthy. I agree with you there's a lot of opportunity there. I think a lot of growth left. And then the competitive environment seems like a lot of players jumped in during COVID. Has that died down at all? Do you think that's ease? It seems like the promotional environment, a couple of years ago maybe ramped up, but has settled down now. So maybe if you could just talk about the landscape a little bit.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: I mean, beauty is very exciting, very dynamic category. I think that will never change. I hope it never changes. It certainly makes it a fun place to be and prestige haircare is no different. I think it is earlier in its penetration in terms of how much the consumer is purchasing in the prestige arena. But it's always been a place where you have a lot of new brands. That's kind of how the business works. That's where I think we have the power of scale and where that really comes in. But you – this is not a category where it's winner takes all and you get to rest on our laurels. And I think that that was one of the challenges that this brand really had, was that it did come in first. It created a lot of the norms of the category. It created the conversation around bond building, skinification of hair, really put prestige hair on the map in a big way and didn't necessarily move from that.

And now, we have to kind of really say okay, well, how are we innovating? Why is the brand important? We are doing things so that we can be competitive in a very meaningful category. And so, in my way of thinking that competition is part of what makes you better. And so, it's really something that we need to know what we do and why we do it differently, but always be aware of what's going on around us.

<Q – Susan Anderson – Canaccord Genuity LLC>: Yeah. Okay, great. And then maybe if we could just talk about the consumer a little bit, how are you seeing the health of the consumer versus last year? Do you think anything's changed in their willingness to purchase? And it does seem like beauty's always been a little bit more defensive and they are willing to spend on beauty. We have seen some slowdown in prestige beauty, but still pretty strong relative to some other categories out there, so maybe you could talk about that.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: I think among these many strengths, dynamism is one and sort of the allure of the category never seems to end. And I think that's great.

I think it says a lot about how and why we purchase what we do. And I think that beauty is always something that little moment of self-care and people may choose different ways to embrace that, but that moment and that seems to have extraordinary resilience. I don't see that ever stopping. Being good at playing during those moments again, I think it's really important. How are you driving value, I think it's a great moment to be an efficacy-driven product because if I have great results, that's going to be one of the most powerful – I think the most powerful loyalty program you can ever have as an extraordinary product. So, I think we're really well-positioned to make sure that we can take advantage of the continued growth in the category.

<Q – Susan Anderson – Canaccord Genuity LLC>: Yeah. Okay, great. And then I guess I have to bring up tariffs because it's such a hot topic, even though you guys are not necessarily that exposed. Maybe if you could just talk about your exposure there at all.

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: Yeah. For today, it is minimal. And we make about 95% of our product domestically, so we have some small things that are coming from other places. But fortunately it is not top of our list in terms of things to deal with. But that doesn't mean, look, it's our job to always be thinking about what could change and have plans. And we certainly have talked through all those things should something come our way. But for now, we can be focused on the base business.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay. And are you guys exposed in the componentry at all?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: No. I mean a few things here and there, really not a meaningful impact.

<Q – Susan Anderson – Canaccord Genuity LLC>: Okay, great. And then maybe if we could just move on to the margins. You guys have very nice EBITDA margins even with the increased marketing spend. So, maybe if you could talk about those and where you see those longer term?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: Yeah. So, I think we're learning every day. And one of the things that Catherine, our CFO, COO and I've talked about is like, we will continue to communicate as we go through our transformation, but we're not going to put things out there that we can't live up to, right and not be, have absolute clarity around, so we haven't put any long term numbers out there at this stage. But I do think what's important to recognize is that, we are building a business for the long term. We have invested heavily not just in what's going to drive the business today, but we certainly have not been shy about making hard decisions that maybe – make it harder for us today, but are going to pay dividends in the future and that's always going to be our philosophy about things. I do think it's important, as we're saying to be able to market and innovate in this category in order to be successful. And I think we feel like we have the flexibility to do that. I think that's been the great part about running a transformation in a business like this is that it continues to be a very healthy business. We have a lot of cash on the balance sheet. We have the flexibility to make the right long-term choices.

<Q – Susan Anderson – Canaccord Genuity LLC>: Yeah. Okay, great. And maybe just to wrap up, if you could talk about where you see the business going longer term, you've already made a lot of changes. It does look like we're seeing an inflection in the sales. What areas do you think you want to touch on as we look forward as well?

<A – Amanda Baldwin – Olaplex Holdings, Inc.>: I think we're now in this position where we have set a long-term strategy. We know what we're building. The three things that we put out there as the strategic initiatives this year of generating brand demand, harnessing innovation, executing with excellence, those we need to keep focused on. I mean I really think that now we have our clear path ahead of us and it's going to be about getting and I watch this in the team every single day that we get better at each one of those things. And so really staying focused on that is what I see in the near term.

Susan Anderson, Analyst, Canaccord Genuity LLC

Okay, great. Thank you so much for joining us.

Amanda G. Baldwin, Chief Executive Officer & Director, Olaplex Holdings, Inc.

Thank you.