MODERATOR: Greetings and welcome to the Olaplex Holdings, First Quarter 2025, Earnings Conference Call. At this time, all participants are in a listen only mode. A question and answer session will follow the formal presentation. If anyone should require operator assistance, please press star 0 on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce Allison Malkin, investor relations. Allison, please go ahead.

ALLISON MALKIN: Good morning, everyone. Welcome to our First Quarter Fiscal 2025 Earnings Call. Joining me today are Amanda Baldwin, Chief Executive Officer, and Catherine 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 the 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.scc.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 your caution not to give undue weight to these estimates.

For today's call, Amanda will start by providing highlights of our first quarter performance and discussing the progress we have made on our strategic areas of focus. Then Catherine will discuss our financial results and outlook. Following this, we will turn the call over to the operator to conduct the question and answer session. With that, I'll now turn the call over to Amanda.

AMANDA BALDWIN: Thank you, Allison. Good morning, everyone, and thank you for joining us today. We're pleased to share a solid start to the year with first quarter results that included net sales ahead of our expectations. We are encouraged by these early signs of progress, and also recognize that there remains more work ahead. We believe that our performance this quarter reflects the early response to our Bonds and Beyond strategy introduced at our year end call as the next chapter in our transformation.

As a reminder, our Bonds and Beyond vision for Olaplex begins with our original breakthrough science and professional channel heritage to position Olaplex as a foundational health and beauty company powered by breakthrough innovation that starts with and is inspired by the professional hairstylist. We believe that we participate in a category that is poised for continued growth, and that overall consumer trends indicate that hair, beauty, health, and wellness are converging.

As such, we believe our technology and original positioning allow us to focus on a uniquely important white space of highly efficacious haircare that is not just about "band aiding" and is more than extreme damage repair, but about actually improving the overall health of the hair. With this in mind, we developed a strategic vision that is based on three pillars. First, 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, honor and empower the pro as the start of the flywheel of our business. The pro is both a powerful distribution channel as well as a source of authenticity and authority to our end consumer, which if integrated and nurtured properly, can separate us from the competition. Third, while our products have always created fans based on their efficacy, we know we must move beyond our prior solely clinical positioning to generate the emotional connection that drives lasting brand relevance, resilience and love.

As I have noted from the beginning, transformation doesn't happen overnight. It requires consistent execution, the ability to adapt, and a long-term mindset. But we're confident that the foundational work underway today will drive more sustainable results over time, and that in the first quarter, we began to see early validation of our approach. We believe that first quarter provided indicators that we're moving in the right direction.

Before diving into our strategic progress, here's a summary of our first quarter results. Net sales of $97 million, down 1.9% year over year, with adjusted EBITDA of $25.7 million, a margin of 26.5%. We over-delivered sales compared to targets, which we believe reflects our retailer partners support of a refreshed brand positioning and marketing plan. This drove higher than expected shipments during the quarter.

In North America, where we focused our brand transformation efforts, we saw modest growth. International sales declined year over year, but came in ahead of expectations, with a more moderate decline compared to fourth quarter. We're taking a phased, disciplined approach to our international realignment that reflects both market potential and operational readiness, while we focus on our transformation efforts in North America.

Turning to performance by channel. Specialty retail led the way with shipments ahead of plan, which, as I noted, reflected our partner's support of our Bond and Beyond strategy. Professional also exceeded expectations, driven by improving execution across key distributors. The channel, however, declined versus prior year, driven by international performance.

Direct to consumer declined versus last year, as we shifted from a more promotional strategy to driving brand storytelling and loyalty through our new site and accelerated full funnel digital marketing efforts. We believe that there continues to be an opportunity to provide a unique and specialized approach on our branded website as we progress in our transformation.

Let's now turn to discuss our three 2025 strategic priorities outlined on our last call, generate brand demand, harness innovation, and execute with excellence. First, generate brand demand. At Olaplex, brand demand is about more than increasing awareness. It's about creating emotional connections, deepening consumer engagement, and reinforcing our brand and product relevance in a competitive and evolving market. We're doing so by staying grounded in our roots in professional haircare, while changing how we show up, visually, digitally, in store and across every touchpoint with our stylists and our customers.

The driving forces behind our brand evolution are to provide, first, a visual identity that is elevated, dynamic and relatable. During the quarter, we introduced refreshed brand visuals that aim to reflect who we are today, a brand rooted in science, guided by professionals, and built for foundational hair health. Our new aesthetic highlights our innovation, at the same time, adds color and warmth, and shows the special bond between the client and the stylist that has always been a part of our heritage.

Next, product storytelling that educates our community about our unique product benefits, emphasizing a more holistic view of foundational hair health. For example, our new website now serves as both a storytelling and a conversion platform. It guides consumers through product routines, offer science and usage education, and helps customers build personalized regimens.

Across retail, we introduced updated in-store merchandising designed to educate consumers and assist them in clearly navigating our product offerings. Across touchpoints, we're making our value proposition more clear, compelling, and shoppable. And for the professional channel, we enhanced our presence at trade shows with updated booth designs, signage and sampling to support education and trial, and are now moving towards best in class education materials. And finally, an emotional connection that allows us to drive lasting brand relevance, resilience and love.

Based on learnings from our research last year, we saw a clear opportunity to elevate our brand storytelling to support the science and efficacy of our products from an additional angle. This goes even further than our new visual identity, to capture what we call the unapologetic confidence, which comes with a truly great hair day, powered by innovation and the passion of our pros.

To this end, in April, we launched our brand platform Designed to Defy. As a guide for our future brand building efforts, this platform and its tagline "A Healthy Foundation for Endless Possibilities", captures our history and looks forward towards our future with a philosophy of innovation, creativity, and confidence. This effort launched via an advertising campaign and film featuring actress and Bridgerton star Nicola Coughlan, creative entrepreneur and media personality Jenna Lyons, and Olympian sprinter and hurdler Sydney McLaughlin-Levrone, along with their personal hairstylists, each of whom is an Olaplex Ambassador.

This platform is a longer term investment for which early indicators are encouraging. We drove nearly 1 billion press impressions on its launch, increased share of voice by 5 points, and increased our Google search volume, positive brand mentions and social engagement.

In the first quarter, we invested 18.1 million in non-payroll sales and marketing, an increase of 4.8 million over the same period last year. As our strategy continues to progress, we intend to further invest behind this platform and the three driving forces of our brand evolution. In summary, our renewed focus on authenticity, science backed innovation and emotional storytelling is beginning to show its impact, and we're excited about the momentum that we are working to build in our community across channels.

Moving to our second priority, harness innovation. Innovation is the heartbeat of Olaplex. It's about building a scalable, science backed engine to create new products that drive category leadership, reinforce our brand promise and deliver meaningful results for both professionals and consumers. Our approach centers on foundational hair health, starting at the scalp, and extending from root to tip. Based on an R&D model anchored in a deep understanding of hair biology, we believe we are well positioned to be a leader in this space.

Over the past year, we've made improvements in how we develop, evaluate, and scale new product concepts. We have built a cross-functional innovation team integrating science, product development, consumer insights, and professional feedback. We established clear innovation principles rooted in our brand DNA and our scientific capabilities, and we streamlined our cross-functional processes, enhancing the speed of decision-making and sharpness and execution in our go to market. We believe these improvements set the stage for a robust, forward-looking pipeline.

Our 2025 innovation journey began with the launch of our scalp longevity treatment in late February. This product is an intentional extension into scalp health, a critical foundation for long-term hair vitality and the fastest growing category in premium hair care and per Circana, growing at twice the rate of the overall prestige hair care category.

We designed this formula to provide superior results with an ultra light scalp serum that strengthens the scalp barrier via our original Bisamino technology and promotes healthy hair from the start. Later this year, we plan to expand this platform with a professional scalp service treatment designed to address the specific needs of the scalp during an in-salon visit, further developing our strategy to support the pro through new salon only services.

In addition, just last week, we launched number 4 and 5 fine, a wash care system tailored to the needs of fine hair. Our existing numbers 4 and 5 were the top selling prestige shampoo and conditioner in the US in 2024, according to Circana data. And we had heard feedback from our pros and our community that there was an opportunity to develop a second formula specifically designed for fine hair. These fine hair formulas address the top two concerns of these consumers, strength and volume, with a customized formulation that calibrates cleansing and conditioning ratios to deliver best in class results for those with this hair type.

Overall, we believe science led innovation is a sustainable growth lever that enables us to strengthen our authority, expand our portfolio and build deeper, more lasting connections with both consumers and professionals. With fewer than 30 SKUs in our current lineup, we see substantial white space for expansion. Looking ahead, we're focused on delivering two to three strategic product launches annually, each supported by strong consumer education, stylist engagement and omnichannel activation.

Turning to our third strategic priority, execute with excellence. This priority is about developing operational rigor while building a future ready organization and team, disciplined, efficient, agile and aligned to support our strategy across markets, channels and customer touchpoints. As we continue to evolve as both a brand and a business, we remain focused on two core areas under this pillar. First, streamlining and modernizing our business processes, and second, executing a globally aligned go to market strategy. Let me provide an update on each.

First, improving business processes. Improving business processes requires a strong team. As noted on our last call, we now have a strong leadership team in place across marketing, innovation, sales, operations, and finance. In 2025, we're expanding key capabilities across the organization and an effort to fuel sustainable growth and scale execution. One such example is the addition of a new leader of our education department, a critical addition as we continue to enhance our training and education programs for both professional and retail partners.

As stated when I first joined the business, we have important work to do to more effectively deliver product knowledge, deepen brand advocacy, and empower our partners to succeed with Olaplex, which we are now in a better position to accelerate. As we transform our company, we've been implementing changes that evolve our core business processes to streamline operations, embed accountability, and enable faster data-driven decision-making and cross-functional effectiveness. These efforts are starting to pay off.

We've now delivered two consecutive quarters of financial outperformance, which we believe is the result of more efficient and thorough planning, inventory management, and demand forecasting. We're enhancing cross-functional coordination, fostering better alignment between innovation, marketing, supply chain and sales to drive a stronger go to market process.

And lastly, we are simplifying systems and implementing tools that give us earlier insight into data, which is improving execution across everything from digital marketing to financial reporting. While there is still significant work underway, improved process discipline is a key enabler, and we're pleased with our progress to date.

Our second focus under this strategic priority is about international execution. Over the past several months, we have been conducting a comprehensive evaluation of our international business and our partners within each region. The result is a more targeted and strategic go to market strategy, one that is intended to allow us to scale efficiently with the right partners while preserving local relevance.

Rather than build a one size fits all model, we're applying a tiered approach that balances direct investment with strong local partnerships. We believe this will better enable us to align resources where they will have the most impact, while still delivering a consistent brand experience worldwide.

In focus markets - which include some we managed first hand and others that are operated through a single distributor, we're making direct investments across marketing, education, and sales to drive long-term growth. In other regions, we intend to collaborate with trusted distribution partners to build the brand with tailored support, clear guidelines and consistent storytelling.

Our objective over time is to scale across geographies with a streamlined process and communication tools that provide better partnership, guidance and execution for all of our partners. We believe this approach will allow us to maintain global consistency, support high potential regions, and scale with intention, all without losing sight of the unique dynamics of each market. Overall, while we do recognize that it will take time to get to full capacity, we expect this effort to give us a sustainable international model that leverages our successes and learnings in North America to deliver long-term growth.

Across all of our strategic priorities, execution remains a critical enabler of our growth. We believe this improved execution will allow us to facilitate financial performance and create the operational stability and flexibility needed to deliver on our Bonds and Beyond strategy. We'll continue to report on our progress and believe we're now moving in the right direction.

In summary, first quarter marked a solid start to the year and reflected what we believe are early positive signs behind our renewed strategy. We're realistic about the challenges ahead, particularly in a dynamic macro environment, but confident in our long term vision, the strength of our brand, the resilience of the premium haircare category and the capabilities we are building. We're reaffirming our 2025 guidance, as Catherine will discuss in more detail, and remain focused on disciplined execution across our three 2025 strategic priorities. And with that, I'll turn it over to Catherine to walk through our financials.

CATHERINE DUNLEAVY: Thank you, Amanda, and good morning, everyone. Our first quarter financial results reflect what we believe is early traction in our transformation efforts as well as the ongoing complexity of operating through change. While we are encouraged by the signs of progress, we remain clear that we are still in the early stages of executing our strategy, and that much of the work to unlock long-term growth is still ahead of us.

That said, our net sales performance came in ahead of internal expectations, which we believe is a sign that the foundational actions we've taken across brand, innovation and operational execution are beginning to show up in our financials. First quarter net sales were $97 million, a 1.9% decline year over year, but ahead of where we expected to land.

Growth in specialty retail and better than expected results in a professional channel helped offset expected declines in our direct to consumer channel. Modest growth in North America, where we are further along in our transformation, helped offset continued softness in our international markets as we began to realign our global go to market strategy.

By channel, specialty retail was a bright spot, growing 12% year over year to $38.6 million, fueled by a strong retailer response to our brand refresh and updated merchandising. Professional channel sales declined 10.9% to $34.5 million, largely driven by continued softness in international markets. However, we saw encouraging signs in North America, where we are further along in our transformation.

Direct to consumer sales declined 7.2% to $23.9 million, in line with our strategy to reduce promotional intensity. Adjusted gross margin for the quarter was 71.9% down 240 basis points from the prior year. This was anticipated and largely reflects our new innovation products introduced in late 2024 and early 2025 that have not yet reached full production scale or margin efficiency.

SG&A was $48.0 million, an increase of $7.6 million year over year. This increase is aligned with our strategic priorities and primarily reflects investment in brand marketing and the rollout of our new identity and building capability across the organization. We believe these investments are necessary to support our transformation, and we remain committed to managing spend with discipline and a clear focus on ROI.

Adjusted EBITDA was $25.7 million, representing a 26.5% margin. This compares to 35.9% a year ago. While lower year over year, our adjusted EBITDA margin remains healthy, particularly given the strategic investments we are making to position our business for sustainable long-term growth.

Turning to a review of the balance sheet. We continue to operate from a position of strength supported by an asset light business model. At quarter end, cash and cash equivalents were $580.9 million, up from $507.5 millior in Q1 of fiscal 2024. Inventory was $79.2 million, down $15.5 million from $94.6 million in Q1 of fiscal 2024, and an increase of $4 million from Q4 of 2024. We feel good about the composition and content of our inventory and continue to carefully manage stock levels in support of new product launches and refreshed merchandising.

In recognition of our strong cash position following quarter end, we utilized $300 million in cash to reduce outstanding debt, lowering our gross leverage ratio to around four times from around seven times, and unlocking an estimated $20 million in annual interest savings. This reinforces our commitment to capital discipline and balance sheet optimization.

Let me shift to the topic of tariffs. We are a North America focused organization. As we understand the situation today, we expect tariff to have a relatively modest impact. To put this in perspective, 95% of our finished goods sold in the US are manufactured in the US. We have European manufacturing capabilities, which currently produce about 5% of our US sold finished goods.

In the first quarter, the US represented 51% of our total net sales, with international sales representing 49% of net sales. The EU represents the largest portion of our international sales, with no country outside the US representing more than 10% of total net sales. In addition, we have limited direct tariff exposure in raw materials and components, with less than 1% of our product sourcing costs imported to the US from China.

Additionally, we source packaging getting into the US from Taiwan, Korea and the EU, all of which are less than 3% of our COGS. Although no tariffs have been announced on EU nor UK imports, I will note that the majority of EU product is produced in the US.

We have been proactively working to address potential impacts that may occur due to tariffs. These include sourcing adjustments. We are exploring alternative suppliers outside affected regions, with particular focus on domestic partners for certain components. Operational flexibility. We are working closely with our manufacturing partners to ensure they have adequate access to raw materials and to build contingency plans to limit our supply chain disruption.

And pricing levers. We are evaluating selective pricing adjustments where elasticity and brand positioning allow. While it's too early to quantify the exact impact of potential tariff change, given the details remain fluid. We are modeling a range of outcomes and will strive to mitigate the cost impacts through these levers.

We entered 2025 with a clear vision and a strategic plan. And our first quarter results reflect that we are executing with intention, investing with purpose, and building momentum. We remain focused on value creation and are confident in the steps we are taking to position Olaplex as a leader in foundational hair health.

As Amanda noted, we are maintaining our full year 2025 guidance, which reflects the confidence we have in our strategy and the early traction we're seeing across priorities. In addition, our guidance incorporates the current consumer spending environment and at this point assumes no material impact from tariffs given the situation remains fluid and we can't reasonably estimate the downstream effects on consumer behavior that may arise.

With this in mind, for fiscal year 2025, we continue to expect net sales in the range of minus 3% to plus 2% versus fiscal 2024, adjusted gross margin between 70.5% and 71.5%, and adjusted EBITDA margin of 20% to 22%. And while we plan our business annually and give guidance accordingly, we would like to provide a reminder that our marketing spend began ramping in the latter part of the first quarter, and we expect this to continue into the second quarter as we fully launch our Design to Defy campaign and support the launch of 4, 5 fine.

In summary, we have made a lot of progress in just a year's time, and we believe we are well positioned to achieve our 2025 expectations. Olaplex remains a powerful brand backed by science and is loved for its ability to promote hair and scalp health. With a large global consumer base and professional community, and strong support from our partners around the world, we are positioned to deliver on our Bonds and Beyond strategy and achieve our ambition to establish Olaplex as a foundational health and beauty company. That concludes our prepared remarks. Operator, we're now ready to take questions.

MODERATOR: Thank you. We'll now be conducting a question and answer session. If you would like to ask a question, please press star 1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star 2 remove your question from the queue.

For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. In the interest of time, we ask that participants limit themselves to one question and one follow-up. One moment, please, while we poll for questions. Our first question is from Jonna Kim with TD Cowen.

JONNA KIM: Thank you for taking my question. I would love additional color. Just based on your data in the DTC channel, are you seeing any increase in the new customer acquisition front? And what are you seeing in terms of the retention and just engagement from the existing consumers?

And then just one other question. Has your outlook for the remainder of the year changed at all, just given the current macro trends? How would you think about the remainder of the year now versus your outlook when you gave in the last quarter? Thank you so much.

AMANDA BALDWIN: I'll start with those. Good to hear your voice. And good morning. So first and foremost, I think as we give a little bit of perspective about the DTC channel, and what we saw in that happen in the first quarter, it was a very deliberate change to our strategy, and as we thought about our assortment and how we're using promotional activity in that channel.

And as we thought about the transformation overall in our business, we felt like we could do the things that we've really talked about from the very beginning, which is to use promotions during key moments, key tentpole moments, and to use them surgically. And so that's really what you see in that direct to consumer business. That's the strategy that we really believe is the right thing for us going forward as we think about that channel in particular, and the broader ecosystem.

So that's really how I would position our thinking, what we've seen in those results. And now that we really have a brand new site, which is a very important thing that we needed, our digital media efforts are up and running. We're very optimistic about the role that channel plays in our go forward strategy.

With respect to our broader take on the macro environment right now, which is I think what you're alluding to, I'd say a few things. First and foremost, the beauty is a resilient category. This is a category that time and again has proven that it can withstand a lot of change in the consumer macro environment. We need to keep our eyes on it, obviously, but we remain optimistic about what the category as a whole is.

I would also say that prestige hair care, as we've talked about in terms of our broader strategy and why we believe so strongly in Olaplex position going forward, is at an early stage of its growth. So there is some good momentum that we want to take advantage of as the consumer shifts in that category.

The third thing I would say is that we're in the middle of a transformation, and we're really focused on our long-term goals. We have the flexibility to do that. We now have the vision to be able to do that. And so that's why we are reiterating our guidance today. And the things that I'll let Catherine allude to and speak about are where we would see being within that range, but we really, again, remain focused on executing, focused on making sure that our brand is out there in the healthiest way, and that we're really representing our products for the incredible strength that they have.

CATHERINE DUNLEAVY: Yeah, just add a couple of things. First, on the dotcom part. As Amanda discussed, this was a deliberate strategy and the results were expected. And then as we are thinking about our guidance for the whole year, we are encouraged by our first quarter results and the early signs of progress that we believe they represent.

And as we think about the rest of the year, our ability to hit the top in the range is directly tied to the speed with which we execute on the three priorities, generate brand demand, harness innovation, and execute with excellence. We feel confident in the new brand positioning and expect it, along with innovation that Amanda talked about to drive the-- to drive demand. And we've made a lot of progress on our metrics, as I talked about in the past. We're monitoring closely and reacting to what's working. And so we're confident in the range for the rest of the year.

JONNA KIM: All right. Thank you so much.

MODERATOR: Our next question is from Ashley Helgans with Jefferies.

SYDNEY: Hi. This is Sydney on for Ashley. Thank you for taking our question. Can you talk about what you're seeing from marketing initiatives in terms of KPIs? And then how do you see these marketing efforts translating differently, maybe between the US or internationally or between the pro versus retail channels? Thank you.

AMANDA BALDWIN: Great question. Good morning, Sydney. So with respect to making sure that we all understand where we are in that marketing journey. When we were on our last call, it was right after we had relaunched the brand and we had updated our visual identity. We had just relaunched the website here and across the globe. And we were in the midst of what the global rollout of the brand upgrade.

What's happened since then is an additional program that we talked about today, which is really what I would characterize as our upper funnel brand positioning and work that we needed to do to really drive the emotional connection that we've been speaking about from the beginning, that was really missing in our brand. And that's the design to defy a platform. And I would characterize that again as an upper funnel, longer term investment. That began in April. So we're still in early stages of that.

As I talked about earlier this morning, we've seen some really nice KPIs out of the gate in terms of the impressions, the Google search, the social engagement around that campaign. But as I'm sure you know, upper funnel brand building marketing is not an overnight thing. And we're in the midst of a transformation that we do expect to take time. But again, early signs, we're optimistic about what we've seen thus far.

With respect to international, that's a business that as we've articulated, we're in a realignment phase. So there are certain areas where we'll actually have the new visual identity in the next few months roll out across the globe. The marketing engine will take our time as we really realign those markets, that we have the right infrastructure, that we have the right partners to really engage in what I would characterize as a more aggressive marketing efforts, but that is a work in progress.

I'm pleased with the pace that we're moving at there. I think we have clarity around what the right partners are. We've spent a lot of time making sure that we have the right abilities internally to be able to execute on that, so that whatever we're coming up with here in our domestic market, we're able to translate effectively across the globe.

And that has to do with really making sure we have the right hand-off points, the right communication, the right partner at the other end, things that are-- what I would call the wiring from our US-based business into our international business. So as we've spoken about that, that is something that's coming up to full capacity. We haven't put a timeline on that, but I think we're moving at a good pace. And we know what the end game looks like there.

SYDNEY: That's helpful. Thanks.

MODERATOR: Our next question is from Susan Anderson with Canaccord Genuity.

SUSAN ANDERSON: Hi. Good morning. Thanks for taking my question. Nice job on the quarter. I guess I wanted to ask about the spec retail channel. I definitely saw some better growth than we were expecting. I was curious, was there a lot of restocking there? How did your selling perform versus the sell outs? And then also, how are you feeling about inventory at retail? We have heard some destocking from other players out there. Just curious what you're seeing. Thanks

AMANDA BALDWIN: Yeah, great question as well. Good morning, Susan. So I would say our inventory is in a healthy position in our retail partners. That's important to say right out of the gate.

What you've seen in that upside in specialty retail is really related to we spent a lot of time-- and I believe I was talking about this probably even in my first call last year, about how important it was to spend time with our retailer partners, to really make sure that they understood that our future vision, that they understood what we were doing in our innovation pipeline, that we had the right team in place to be able to execute properly with them. And we've made a lot of progress on that.

So that's really what you're seeing in those numbers, is their belief and their enthusiasm for what the road ahead looks like in Olaplex. So that-- and as we said before, we're really in the early phase of that. So there's a lot to come as we've just launched 4/5 fine. That's a very large initiative for us, as we look to the rest of the year.

SUSAN ANDERSON: OK, great. Thanks. And then maybe if I could just ask about the new brand refresh. Curious how it's been received by consumers. I guess both in store, we've noticed definitely a lot more pop in the brand, but then also online. And if you're seeing any better conversion as resell or social media buzz. Thanks.

AMANDA BALDWIN: Yeah. It's been-- we're very pleased with how it's been received, both by consumers as well as by professional community. And the best way I can articulate it is that the response has been, this is Olaplex that I've always thought it could be. And because it was very important to us to make sure that we were harnessing our original brand story, that we were harnessing the place that we came from, the born in the lab brought to the chair, I think we're really bringing that to life.

Again, that's a starting point. It's not the ending point. And right now, we're in a place where we can-- I feel confident that we can really turn on a marketing engine much more effectively than we could before, because it's not just about how the money that you spend, it's also about how you're spending it, the visuals that you're using. We operate in a very visually driven category. And now we have the right toolkit to be able to go and really invest behind our marketing going forward. So this was to put us in the game, so to speak, and we're excited to be there.

CATHERINE DUNLEAVY: Yeah. And I would just add to your comment or question on sell through, is that Q1 2025 sell through improved compared to Q1 2024. And we expect to deliver continued improvement in that sell through trend as we go throughout the year, particularly as our marketing, that Amanda just described, ramps in the second quarter and beyond.

SUSAN ANDERSON: OK, great. Thanks so much. Good luck the rest of the year.

AMANDA BALDWIN: Thank you.

CATHERINE DUNLEAVY: Thanks.

MODERATOR: Our next question is from Kate Grafstein with Barclays.

KATE GRAFSTEIN: Hi. Thanks. So you talked about the plan to reduce promotional intensity in the DTC channel. Is this also the plan across the other channels as well? And then if you can also talk about the promotional environment in general, what you're seeing in both the US and in international? Thank you.

AMANDA BALDWIN: So it's always been our intention to-- promotionality and leveraging promotions is certainly a part of a toolkit to building a brand in the beauty space. We believe that we want to use those during tentpole moments that are critical for our retail partners. We've done that again last year. We'll continue to do that going forward. And then we want to have the same sort of approach on our DTC channel.

That's really about one of those critical moments, how am I using it surgically. It is an important tool. And so it's really about just being more strategic and how we're using it at the right time versus having something that's more every day. So that's really been the shift that we saw in the DTC.

And that was kind of in the master plan of as we think about what we're doing as a business and what we're doing as a brand is that we're really building a brand and building a marketing engine, while you're also making sure that you're using promotions in a strategic way. So getting both of those working at the same time.

Coherently across omnichannel, we have an incredible new chief revenue officer, Michelle Brett, who joined us in December. And she's really helping us a lot to think about how we're using different channels and how we're really thinking about things omnichannel and each piece of the puzzle working to support the other. So that's really something that we're excited to see come to fruition at this point.

CATHERINE DUNLEAVY: And as we think about the full year guidance, we've left room within our range to do-- just as Amanda just said, we are going to use the lever as a leadership team reacting to those metrics that I talked about earlier to increase or pull back on promotionality, depending on what we see in the market.

MODERATOR: Our next question is from Dana Telsey with Telsey Advisory Group.

DANA TELSEY: Hi, good morning. It was funny. Around a month ago, I was walking in Soho on a Saturday, very early Saturday morning, and I saw a line outside where you were having an event or an activation. And so I see what's happening with your marketing.

As you think of marketing spend dollars, Amanda, how are you thinking of cadence throughout the year? How are you thinking of what marketing should be over the long-term, given what you're building now with the more new effective category launches too?

And then, Catherine, when you think about the margins, the puts and takes of the drivers, whether expense dollars or how you're thinking of the buckets of gross margin as we move forward, especially in an environment that's certainly more fragile. And lastly, just on inventory, how you're planning inventory go forward? Thank you.

AMANDA BALDWIN: Thanks, Dana. For those who are not in a Soho of one Saturday, that I think Dana is referring to our bond house, which was really our first large consumer engagement effort. We had had something called the leave in, if you call back in September of last year, which was focused on our leave in conditioner, and that was very successful. Also, it had its own line around the block.

And then we did something called the bond house, which was supporting the launch of our Design to Defy campaign. It was a three-day event that started with something for influencers, our pro community, and then was open to the public all weekend, in which people could really experience the full range of what the new brand looks like, from a foundational hair health wall.

To really explain the science, you could get a scalp scan and understand the state of your own hair, and have a hair touch up from our pro community. And of course, the photo moment, because it's not a IRL activation without a photo moment. So that was, I think, definitely something that's an example of how we're thinking about the creation of what we call rolling thunder in terms of the conversation about Olaplex.

And that-- as I talked about this morning, that it's more than awareness, but it's about creating brand love, brand engagement, the right energy and the right room. Those are certainly physical places where you can see it. And then that needs to translate across our digital channels, which is really where we spend the majority of our media money and how do we really take that story and expand it across those who maybe aren't in a Soho store.

So that's a great perspective on how we're thinking about marketing. We certainly have-- now, as I mentioned, that we have our brand in the right place, we can start to do things like that. And you'll continue to see that from us.

CATHERINE DUNLEAVY: Then on your EBITDA questions, I think what's most important for us and for you to know is that we are very focused in 2025 on executing our strategy, generating brand demand, harness innovation and execute with excellence. And we have a strong balance sheet. And this is going to allow us to invest straight through into turbulence for whatever reason that may be caused.

This actually might be a competitive advantage for us, because we're not going to have to pull back when others might. Of course, we'll always be watching what's happening, and we'll make smart investments driven by ROI. But our plan is to stay on strategy.

And in regards to inventory, we carefully manage our inventory. As I mentioned, in the past, we've gotten even better with our processes and our metrics to allow us to have inventory in the right place. Given what's happening in the world, we're looking at maybe building inventory in the right places to make sure that we manage through the tariff situation. And again, our balance sheet allows us to do that. And we'll be back to you with what we've done as we go through the year.

DANA TELSEY: Thank you.

MODERATOR: Our next question is from Shovana Chowdhury with JP Morgan.

SHOVANA CHOWDHURY: Hi, thanks for taking our question. You commented that your sell through has been improving year over year, and the inventory at trade is healthy. However, underlying global beauty category consumption has been decelerating. And that's also embedded in your guidance.

But can you specifically speak to the latest underlying prestige haircare category consumption trends, both here in the US and what you're seeing in the international markets? And have your consumption rates exiting the quarter held up in the several weeks in Q2, thus far? Thank you.

AMANDA BALDWIN: Thanks for the question. Really, what I would go back to is where we are in our overall transformation, we're really thinking about the long-term. And that we really are focused on what the overall potential is in prestige hair, which continues to be a growing category, and really, how can we participate in that. And for us in the midst of a transformation, I think it's really critical to stay focused on the long-term game.

And as Catherine alluded to, we'll make sure that we maintain our flexibility, that we're being smart about our investments at this time and that we continue to focus on the road ahead. And we'll certainly keep focused and keep everyone updated as we see what unfolds within the consumer macro environment, which obviously is dynamic and we need to keep our eyes on it.

SHOVANA CHOWDHURY: May I tack on another question if OK? So you provided a lot of good details around tariffs and everything. And you're expecting like-- but can you give us a sense of the magnitude of any incremental growth tariff headwinds just so that we can get an understanding of what it looks like, I mean, understand it's relatively smaller than most others out there?

CATHERINE DUNLEAVY: I'm sorry. I'm not quite picking up that. They're a little bit hard to hear. Do you mind repeating the question?

SHOVANA CHOWDHURY: Sure. I was just saying that you provided a lot of details, but then if you can give us a sense of the magnitude of the gross tariff number headwind, actually, that you may be seeing that needs to be mitigated just to get a sense of what it's like.

CATHERINE DUNLEAVY: Oh, right. OK, thank you. Thank you for repeating it. Yeah, we're a North America focused business. And as such, we expect any impact to be relatively small. We're not providing an exact number, but it's not something that is going to change our strategy or cause us to do anything that we haven't already discussed.

MODERATOR: Our next question is from Korinne Wolfmeyer with Piper Sandler.

KORINNE WOLFMEYER: Hey, good morning, team. Thank you for taking the question. I'd like to touch a little bit more on the marketing spend cadence for the remainder of the year. So it sounds like there was a bit of a pickup toward the end of the quarter heading into Q2. How should we be thinking about the cadence of the spend then over the next several quarters? And should we anticipate any additional pickups as we get through the back half of the year? Thank you.

CATHERINE DUNLEAVY: Oh, sure. I'll take that one. So the marketing spend as Amanda just mentioned, really started in the back half of the first quarter. We expect that spend to pick up in the second quarter. And then through the rest of the year, I'll just reiterate what we are expecting for our guidance range. That's about what I can tell you, because we don't provide specific quarterly guidance, but we did want to share that the second quarter will be a full quarter of impact compared to the first.

KORINNE WOLFMEYER: OK, thank you. And then if I could just ask quickly on cash plans. So you sound pretty confident in your current cash position. Obviously, it sets you up well with the current tariff situation and inventory planning and you have paid down some debt. But any additional plans, regarding the cash usage that we could be thinking about in terms of driving greater shareholder returns? Thank you.

CATHERINE DUNLEAVY: Yeah, thanks for the question. We were pleased to be able to pay down $300 million of debt in the-- right after the first quarter. And we thought that was a really good use of funds for the shareholders. It saves $20 million or maybe even a little bit more, depending on rates in the future of cash payments that we don't have to make to the bank. And so we're pleased with that.

And just reiterating our guidance. We don't provide specific cash forecasting, but we're reiterating our guidance. And we paid down the debt. And we feel pretty comfortable about the health of the business.

KORINNE WOLFMEYER: Great. Thank you.

MODERATOR: Thank you. There are no further questions at this time. I would like to hand the floor back over to Amanda Baldwin for any closing comments.

AMANDA BALDWIN: Thank you, everyone, for joining us this morning. We really appreciate your interest in Olaplex. And we hope for-- look forward to seeing many of you at any upcoming conferences and when we report our second quarter results later this year. Have a great day.

MODERATOR: This concludes today's conference. You may disconnect your lines at this time. Thank you for your participation.