

**Olaplex Holdings, Inc.**  
**First Quarter 2024 Earnings Conference Call**  
**May 2, 2024 9:00**

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**Presenters**

**Amanda Baldwin, Chief Executive Officer**  
**Eric Tiziani, Chief Financial Officer**  
**Patrick Flaherty, Vice President, Investor Relations**

**Q&A Participants**

**Jonna Kim - TD Cowen**  
**Andrea Teixeira - JP Morgan**  
**Lauren Lieberman - Barclays**  
**Korinne Wolfmeyer - Piper Sandler**  
**Javier Escalante - Evercore ISI**  
**Susan Anderson - Cannacord Genuity**

**Operator**

Greetings, and welcome to the Olaplex Holdings First Quarter 2024 Earnings Results Conference Call. At this time, all participants are in a listen-only mode. A brief question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please press star zero on your telephone keypad. As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Patrick Flaherty, Vice President, Investor Relations. Thank you. You may begin.

**Patrick Flaherty**

Thank you, and good morning. Joining me today are Amanda Baldwin, Chief Executive Officer; and Eric Tiziani, Chief Financial Officer. Before we start, I'd like to remind you that management will make certain statements today which are forward-looking, including statements about the outlook of Olaplex's 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 in, 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 in the filings the company makes with the Securities and Exchange Commission that are available at [www.sec.gov](http://www.sec.gov) and on the Investor Relations section of the company's website at [ir.olaplex.com](http://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](http://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 the 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, Patrick. Good morning, everyone, and thank you for joining us. Today, we reported first quarter financial results, representing a solid start to the year, while internally, we've been making good progress on the business transformation plan we outlined in February. As discussed on our last earnings call, we view 2024 as a year aimed at delivering stabilization in the business, while we continue to prioritize the strategies that are designed to build a stronger foundation and put us on a trajectory to generate consistent sales and profit growth.

While this journey will take some time, I am encouraged by the steps forward we are making and remain excited about the future of this business. We are intently focused on capitalizing on the power of the Olaplex brand with its unique qualities, its extraordinary technical foundation and the differentiated science which delivers superior products and performance, its innovative products that are sought after by a passionate global community of stylists and consumers, and its advantaged business model.

At the same time, we are also taking actions that are designed to build and maintain the long-term health of the business, even if they have a negative short-term impact. As mentioned last quarter, we are limiting new distribution this year to allow for a greater focus on our existing customers and current channel as well as rationalizing some accounts where we find evidence that the distributors were the source of diverted product.

Turning to the highlights for the first quarter, we reported net sales slightly above the high end of our guidance range, driven by earlier than expected timing of shipments in our Specialty Retail channel, and we reiterated our outlook for the year. Additionally, our brand health

metrics among prestige hair care consumers showed continued industry-leading strength, consistent with previous quarters.

According to our external brand tracker, Olaplex is ranked number one or number two for all of the top 18 most important premium hair care equities, which includes Best For My Hair, Makes Hair Healthier, Recommended by Stylists, and a brand I'm excited to talk about.

We continue to be a category leader at scale, as Olaplex had four of the top five best-selling SKUs in prestige hair in the first quarter of 2024, per Circana's retail tracking data of the U.S. hair market, and remained a top brand in key accounts across all three of our distribution channels. As it relates to our transformation, we are right on track with where we expected to be at this stage in our journey. Supported by a strong foundation, I feel confident about the future direction we are taking.

Throughout each conversation I have had over more than four months since joining the company, professional stylists and consumers, customers and partners, are highly engaged with our brand and our business. We are receiving very favorable feedback regarding the actions we are taking. I am optimistic that these conversations will culminate in future growth opportunities. All of this work is enabled by our passionate team that is committed to executing against our priority.

On our last earnings call, we introduced three key strategic priorities for 2024, which include maximizing the impact of our sales, marketing, and education investments to generate demand, strengthening our capabilities and culture to support the future, and developing a long-term roadmap and future vision for Olaplex. The first quarter included noteworthy accomplishments towards these goals, on pace with the execution that we expected.

Let me walk you through the progress we made on these initiatives. On our efforts to maximize the impact of our sales, marketing, and education investment to generate demand, our initial focus is providing seamless execution on implementing brand-building activities that drive awareness, conversion, and sell-through. Our goal is to sustain a more balanced, full-funnel marketing approach this year and remain focused on ROI and optimizing our spend for the best performing channels and assets.

At the core of this priority is returning to our solid roots and recreating meaningful connections with our Pros. Olaplex would not be the brand it is today without the trust and support of stylists, and we are committed to enabling and empowering their craft and helping them succeed and grow their businesses.

We have increased the frequency of our participation at industry trade shows and sales events sponsored by our distributors and have established a greater presence at these events. We're expanding coverage of our internal field sales and education teams to engage with salons directly and ensure our teams' close connection with the field teams of our partners.

We're developing new educational materials, curriculum, and content to provide stylists with the knowledge and expertise about our science and technology. And our consumer engagement has placed increased focus on engaging and partnering with influencers in the Pro stylist community. Deepening our relationship with this important group allows them to speak from an expert perspective about the benefits of Olaplex to their highly engaged Pro and consumer audiences.

One exciting marketing activation in the first quarter was our campaign highlighting our best-selling Olaplex No. 7 Bonding Oil. To celebrate Olaplex's No. 7's position as the number one prestige hair oil in 2023, according to Circana data, the campaign introduced a new activation and creator-led marketing strategy. By inserting the brand into culturally relevant moments in compelling ways, we drove the brand awareness and generated a combined total of more than 3 billion earned media impressions, demonstrating our relevance as a brand and future potential in our marketing effort.

Looking ahead, we intend to further evolve our marketing messages and aim to better articulate the strength of Olaplex science and our commitment to professional stylists. To that end, in the coming months we expect to launch a new campaign to enhance the positioning of our core SKUs and highlight the benefits of a complete Olaplex routine. We also plan to introduce activations that celebrate our Pro community as we celebrate our own 10-year anniversary as a brand.

Our second priority is to strengthen our capabilities and culture to support our future. This work is designed to improve the foundational infrastructure across our organization. This includes the ongoing implementation of our enhanced integrated business planning processes, created with the help of an external third-party expert to better improve forecasting and overall business performance management.

Additionally, we created an internal centralized workstream overseeing marketing investments across channels for more strategic spending and optimization. We also opened a small office space in New York City, which will allow teams from all functional areas across our organization to come together and collaborate in an in-person setting. We believe this will further strengthen our corporate culture and allow us to build upon the speed and agility with which Olaplex has been able to operate.

Importantly, we continue to forge ahead on our third priority of developing a long-term roadmap and future vision for Olaplex. This work is ongoing and includes a thorough assessment of our market opportunity, refining our brand identity, driving innovation, and leveraging our omnichannel business platform.

We recently undertook an in-depth brand perception study in bettering category consumer and customer insights that confirm the strong foundation for Olaplex and will act as a guide in the

evolution of our brand identity, messaging, and design. Encouragingly, there's a strong base of consumer and stylist passion for our brand and an enthusiasm for what we will do next, certainly a solid foundation that I believe we can build off of.

Additionally, we have formed a dedicated innovation team charged with accelerating our new product development. By leveraging existing executive leadership and bringing in new talent, we have created a more robust, integrated development function to lead the ongoing creation of our new product pipeline.

This team is also charged with developing enhanced commercialization strategies for new product launches in 2025 and beyond. And as a brand with a proven global track record, we also continue to identify and see significant opportunities to expand our business around the world. Our new Chief Revenue Officer and I have spent extensive time with our key domestic and global partners to better understand our business and their strategies.

We recently traveled to Europe to meet with our local team, international distributors, and customers to begin assessing the current structure and support needed for the future. I've also spoken in-depth with our partners in Asia to assess our opportunity in this region and begin to develop a roadmap for the future.

The feedback from these conversations were positive and insightful. I believe there is significant overlap in our goals and near-term opportunities to accelerate our partnerships. We believe we have an incredible opportunity to further develop our global brand as we focus on localized strategies that are designed to be appropriate for the unique customer and distribution channels across the world. With these components in mind, we continue with the work to establish a long-range strategic plan and financial framework for the future.

In summary, we are pleased with the progress made during the first quarter. With our performance to date and the initiatives underway, we believe we are well-positioned to achieve steady progress toward our goals for 2024.

Before I turn it over, I would like to take a moment to recognize Eric, who, as previously announced, is stepping down as CFO, effective May 3, to pursue another opportunity. On behalf of the entire team at Olaplex, I would like to thank Eric for the leadership he has provided across the organization for nearly three years. It's been a pleasure to work with him through my onboarding these last few months. I wish him all the best in the future.

We also welcome Paul Kosturos, who will serve as our Interim CFO following Eric's departure. Paul is a financial executive with over 30 years of experience and who specializes in Interim CFO assignments. We are fortunate to have Paul on our team, and we expect a smooth transition as we search for a permanent successor.

And with that, I will now pass it over to Eric.

**Eric Tiziani**

Thank you, Amanda, and good morning, everyone. I'd like to begin by expressing my gratitude to the Board and to all of the employees of Olaplex for the opportunity to lead this tremendous organization as CFO. I continue to believe in the power and the long-term potential of the Olaplex brands, and the company is at an exciting juncture under Amanda's leadership and strategic direction. I have been working closely with Paul over the past few weeks to hand off my responsibilities, and with the strong team we have in place to support him, I am confident in a smooth transition.

Now, turning to our financial performance, we are encouraged by our results for the first quarter of 2024, which keep us on track for delivery within our full-year guidance range. Our aggregated sell-through trend at key accounts in Q1 was largely consistent with the seasonally trend that we experienced in the second half of 2023, marking a sign that demand for our products is stabilizing.

Net sales for the first quarter declined 13.1 percent year-over-year to \$98.9 million, which slightly exceeded the high end of our first quarter guidance range that we had previously disclosed, due to phasing of shipments in our Specialty Retail business. As a reminder, our Q1 net sales or sell-in decline versus last year was better than the Q1 sell-through decline versus last year at key accounts, as we benefited from a weaker prior-year net sales comparator due to certain customer inventory rebalancing in Q1 of 2023.

This was partially offset by a negative net sales impact in Q1 2024 related to our previously announced decision to rationalize our business with certain professional distributors that we believe are the source of diverted product in the marketplace. As we have previously discussed in recent earnings calls, we continue to believe that the month on hand inventory position at our major accounts on our core items remain in a healthy position and that there is not inventory building in our channels.

Turning to performance by channel, our Professional channel sales of \$38.7 million declined 19.9 percent versus a year ago, partly due to the aforementioned distributor rationalization, which primarily affects our Professional Business in Europe. Specialty Retail sales were down 1.2 percent, to \$34.4 million, and outperformed our expectations due to the earlier-than-expected sell-in of inventory in advance of our participation in key customer tent pole marketing events.

Specialty Retail also benefited from the weaker prior-year net sales comparator related to customer inventory rebalancing. The Direct-To-Consumer channel decreased 15.7 percent to \$25.7 million and was impacted by the timing and phasing of shipments, more than offsetting strong performance from olaplex.com, which grew year-over-year for the fourth consecutive quarter and we believe is seeing positive momentum from our increased marketing investments.

By geography, in the first quarter, the U.S. increased 2.5 percent year-over-year, primarily due to lapping customer inventory rebalancing from a year ago. Our international business declined 24.3 percent versus a year ago, due, in part, to a more difficult prior-year comparator and the impact of distributor rationalization, which we believe has resulted in a short-term negative impact on our volume, primarily in Europe.

Moving down the P&L, adjusted gross profit margin was 74.3 percent, up 170 basis points from 72.6 percent in the first quarter of 2023. Approximately 250 basis points of this favorability is related to lower warehouse and distribution costs, and 110 basis points is a result of lapping higher levels of inventory obsolescence reserves a year ago. This was partially offset by 110 basis points from higher promotional allowance and 80 basis points from inflation on product costs and unfavorable product mix.

Adjusted SG&A grew 13.2 percent to \$37.2 million from \$32.9 million in the first quarter of 2023. The \$4.3 million increase in adjusted SG&A from prior year is primarily the result of \$1.2 million in distribution and fulfillment costs and \$1 million in investment in sales and marketing, with the remainder a result of lapping the workforce expansion from a year ago. During the first quarter, we spent approximately \$12 million in non-payroll related marketing and advertising expenses.

Adjusted EBITDA declined 29.1 percent to \$35.5 million versus \$50 million in the first quarter of 2023. Adjusted EBITDA margin was 35.9 percent compared to 44 percent a year ago. Adjusted net income decreased to \$20.6 million, or \$0.03 per diluted share, from \$31.4 million, or \$0.05 per diluted share, in the first quarter of 2023.

Moving on to our balance sheet, inventory at the end of the first quarter was \$94.6 million, down \$1.3 million from \$95.9 million at the end of the fourth quarter of 2023 and down \$37.4 million from the first quarter of 2023. We have made good progress on reducing our levels of inventory, and while our inventory levels are healthy, we believe we have additional opportunity this year to continue lowering our inventory to target levels of months on hand.

Turning to cash flow, during the first quarter of 2024, we generated \$43.7 million in cash from operations. We anticipate that 2024 will be another year of healthy cash flow generation as we continue to drive an asset-light model, high profitability, and continuous improvement in our working capital position.

We ended the first quarter with \$507.5 million in cash and cash equivalents, up \$41.1 million from the end of 2023 and an increase of \$138.2 million from the first quarter of 2023. This cash has generated interest income at an annual rate above 5 percent. Long-term debt net of current portion in deferred fees was \$647.7 million.



Now, turning to our financial outlook. As disclosed in our earnings release issued this morning, we are reiterating our outlook for fiscal year 2024 and expect net sales in the range of \$435 million to \$463 million, adjusted EBITDA in the range of \$143 million to \$159 million, and adjusted net income in the range of \$87 million to \$100 million.

The assumptions in our plan for the year are consistent with the details we shared on our last earnings call. Our forecast incorporates reasonably expected volume drivers on a product and account-level basis. We continue to assume that the impact of our sales and marketing investments and our second-half initiatives build on the level of demand that we've seen in the past several quarters.

Let me remind you of three major volume drivers for 2024 that we shared on the last earnings call. First, we anticipate incremental sales contribution from new product launches this year but expect the contribution from new products in 2024 to be lower than in 2023, given the timing of key launches starting later this year.

Second, on the distribution front, we're taking actions that are focused on our long-term success but are expected to have a negative short-term impact. This includes the decision to constrain opening up new accounts in 2024 as we focus on current key customers and rationalize certain distributors and accounts that do not build brand equity, either due to off-strategy pricing or sub-distribution into unauthorized resellers.

And third, we expect a year-over-year net sales growth tailwind, particularly in the first half of the year, as we lap the effects of customer inventory rebalancing in 2023, which had the impact of depressing our 2023 net sales base. Specifically for the second quarter, we expect demand trends to remain largely stable to what we experienced in Q1, adjusted for the phasing and impact of certain activities with our customers.

As we move into the second half of the year, we anticipate momentum to build as our investments and initiatives land in the market, we benefit from the selling of holiday kits during the quarter in our Professional and Specialty Retail channels and the seasonal lift we've historically seen in the fourth quarter, particularly in our Direct-To-Consumer channel. And we expect positive impact from our new product launches, given the timing of those launches.

Moving down to P&L, for the full-year 2024, we assumed adjusted gross margin in the range of 72.5 percent to 73.1 percent, representing the expansion of 110 to 170 basis points. This is a result of lapping higher levels of inventory obsolescence from last year and the expectation of normalized promotional levels this year, as we lap promotions to move excess customer inventory last year.

In addition, we expect to benefit from our dedicated internal cost-savings program, which we expect will more than offset some inflationary pressures and product costs. Furthermore, we expect full-year 2024 adjusted SG&A expenses in the range of \$172 million to \$179 million, an



increase of \$19 million to \$26 million versus 2023. Roughly half of that increase versus last year is expected in organization costs, primarily from annualizing the cost of headcount additions made during 2023 and from the accrual for a normalized bonus payout in 2024.

The other half of the increase is expected in our sales and marketing expenses as we invest at levels we believe are required to return to long-term growth. Specifically, we continue to expect full-year, non-payroll related marketing and advertising expenses to be in the range of \$66 million to \$70 million, an increase from \$60.5 million in 2023.

Taken altogether, we anticipate continuing to achieve top-tier industry profitability with adjusted EBITDA margin in the range of 32.8 percent to 34.3 percent. We assume net interest expense will be approximately \$32 million to \$34 million and an adjusted effective rate of approximately 19.5 percent to 20.5 percent for the year.

In conclusion, we are pleased with the first quarter results and progress on the priorities we've set out for the year. Our efforts are driving stabilization in our sales trend, expansion in gross margin rate, and continued industry-leading profitability with strong cash flow generation.

This concludes our prepared remarks. We will now turn the call back over to the operator for questions. Operator?

#### **Operator**

Thank you. And we will now be conducting our question-and-answer session. If you would like to ask a question, please press star one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. Please limit yourselves to one question and one follow-up question and then re-queue to ask additional questions. You can press star two to 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.

One moment, please, while we pull for questions. Our first question comes from Jonna Kim with TD Cowen. Please state your question.

#### **Jonna Kim**

Hi. Thank you for taking my question. Just curious on Professional channel, what you've been seeing lately on the salons--health of the salons and their stylists and also overall beauty category, if you've seen anything noteworthy--and your slowdown in general. And then, just another question on gross margin. You've seen a nice expansion this quarter. Any reason why we shouldn't expect more expansion throughout the year? Thank you so much.

#### **Amanda Baldwin**

Good morning. Nice to hear your voice. So with respect to the broader consumer trends, both within Pro and Beauty more generally, I don't think we've seen any changes from what we talked about in the last call. So, there are, certainly, what I'll call distribution shifts that are

happening in terms of where the consumer is buying in terms of salons. But, we do believe in the future of our channel, in the future of the Pro.

As you could hear me talk about, there's certainly a lot of emphasis that we're placing on the importance of the Pro across our strategy. But, we will certainly see people buying products in different places as they think about their salon purchases. That's no different for us than anyone else. With respect to the consumer more broadly, again, we really believe in the future of the prestige hair category. We think there is a lot of momentum behind that, and we continue to believe that it's a great opportunity.

**Eric Tiziani**

And I'll take the gross margin question, Jonna. Hi. Good morning. Yes, we were pleased with the gross margin expansion versus prior year that we saw in Q1, and we've guided to similar expansion for the full year. If I just build on that, we expect to see similarly high gross margin in the second quarter and the fourth quarter. Just for seasonality reasons, it takes a little bit of a dip in Q3 related to the selling of our holiday kits.

And I would say that that gross margin outlook is well supported by the progress we've been making on our savings initiatives. We continue to have those wins here. And just in terms of the puts and takes, similar to Q1, we expect the gains versus prior year in warehousing cost savings and in lower levels of obsolescence reserves to continue throughout the year.

**Jonna Kim**

Thank you so much.

**Operator**

Our next question comes from Andrea Teixeira with JP Morgan. Please state your question.

**Andrea Teixeira**

Thank you, operator, and good morning to all. And thank you, Eric, for all the help and wish you the best of luck. I have one question for Amanda on consumption and a follow-up on international distributors. First, on consumption, Amanda. How are the trends as you exit the quarter, in particular in light of what we have heard from your peers, from one of your customers?

And second, on the international market commentary, I appreciate that you were reducing and streamlining, but international was a big decline. When should we expect you to lap that? And how far are we in the innings of reorganizing and rethinking about how to go to market internationally? Thank you.

**Amanda Baldwin**

Yeah, thanks for the questions, Andrea. I think what we can comment on at this point is really, as we think about international business, that we were lapping as part of our comps from last

year in terms of when we had the impact on the sales from the PR moment. But, what I would say, going forward, is that I spent a lot of time with those partners, and I think we believe there's a very strong future for us in the international markets and really building out the strategies and thinking through how we're going to really capture the demand in different ways across the globe.

And, okay, also on the trends exiting the quarter, I think that's not something that we comment on specifically.

**Operator**

Thank you. And our next question comes from Olivia Tong with Raymond James. Please state your question.

**Olivia Tong**

Thank you. And thank you, Eric, for all the help through the years. So, it's nice to see that it looks like sales to retailers have stabilized. Could you talk about if there was anything one-off? Or do you think you've reached a steady state on the Retail channel? And then also, as you limit the distribution and work towards controlling diversions, can you give us any color on where the diversion is coming from? I would imagine that Pro is the main culprit but would love to have some color there. Thank you.

**Eric Tiziani**

Hey, Olivia. Thank you. Thanks for those kind words as well--as well to Andrea. I'll start on your question around the distributor rationalization. What we said last quarter is that one of the steps we're taking this year is to attack the challenge of diverted product in the marketplace by rationalizing some of our distribution where we think the source of that diverted product is from.

And we do that--one of them is our track and trace technology that helps us find the source. By the way, I'll just also say that we're progressing well on that. We saw Q1 impacts similar to what we were expecting. And our outlook for the year in terms of the impacts of that continue to be consistent with last quarter.

It is in the Professional channel. That's where the arbitrage opportunity exists. It's not unique to Olaplex at all. This is a challenge that all omnichannel professional hair care brands deal with. And--but what we've noted is that we've seen it particularly in our EMEA and European distributor base as the source of that diversion. That's one of the reasons that we've cited for the weaker trend in international sales in the first quarter.

By the way, we continue to feel good about other parts of our international business not impacted by those challenges. We continue to see bright spots in areas like Latin America, Japan, and Southeast Asia where we've expanded distribution in recent years.

And, look, I'll take, Olivia, your other question as well on Specialty Retail, any one-offs. I think it's good to come back to the point here that we've seen sell-in and sell-out now go in unison, right? We're past the customer inventory rebalancing issues that we had to bear through, particularly in the first half of last year.

And so, we're not really seeing one-offs in the Specialty Retail channel. We were pleased to report an improved trend in Specialty Retail in the first quarter. And with all of the investments, actions that were put in place, that's a trend that we expect to continue to improve as we progress through the year.

**Amanda Baldwin**

Hi, Olivia, just building on that as well, I think also in place is that we have a new Chief Revenue Officer who spent a lot of time with these partners, both domestically as well as internationally and really understanding where their priorities are, what we can contribute to their business. I think we've had a lot of very positive conversations. And I believe very strongly in the power of those relationships. And you'll start to certainly see things as we progress together, better implementing on the conversations that have been happening--and have been really positive. We're excited about the future there.

**Olivia Tong**

Got it. Just on Q2, expectations are for sales to effectively stabilize in the June quarter. Do you think you're on track for that? When does some of this regimen building marketing that you talked about hit the market? And how long does it take for you to--how long do you think it will take you to work through the diversions? Just trying to get a better sense of your thought process as the year progresses.

**Amanda Baldwin**

Yeah. I think we expect that all three channels will continue to stabilize and strengthen as the year progresses. As you note, it does take time to get everything lined up. And certainly, we've taken the time in the first quarter to make sure that we're having the right conversations, that we're--we spoke a lot in our first call about marketing, sales, and education being key focuses for us this year.

I've certainly spent a lot of time. We've put together a lot of additional initiatives to make sure that we're thinking through what we're launching, when we're launching it, how we're speaking to it. We're getting there. I think we'll start to be able to see things. I talked a little bit about the campaigns that are coming up in Q2, towards the end of Q2. That's really as quickly as we felt we could do this and do this well--and then accelerating through the end of the year.

And we also have our launches coming up in the back half that we're very excited about. So, we're just almost getting to a place where we really can make an impact on what we believe the future can be for this brand, but I certainly would say that it would be the beginning and not the end of that story.

**Eric Tiziani**

And just one build, Olivia, on your distributor rationalization question again. The actions we've taken this year we expect to have an impact throughout the year. And that's what we built into our guidance--and still consistent with the build that we expect in net sales as we progress through the year.

**Olivia Tong**

Thank you very much.

**Operator**

Our next question comes from Lauren Lieberman with Barclays. Please state your question.

**Lauren Lieberman**

Great. Thanks. Good morning. So, you spoke about improving trends sequentially in market, but I was just curious if you could share a little bit more detail on Retail sales. Are sales up yet in Specialty? I know you talked about olaplex.com. I guess I was curious what the other DTC channels--kind of retail trends that you're seeing, and if things are still down.

And I know we're early in the--we're factfinding and planning, not in full turnaround mode yet, but given all the brand health metrics that you cited, if you're not growing yet, why do you think that is? What is--who is growing? Or you don't have to give me names. But, why isn't Olaplex growing yet at Retail? Thanks.

**Eric Tiziani**

Lauren, I'll start. Hi, Lauren. What we said is that the sell-through trend, including the sell-through trend in Specialty Retail that we experienced in the first quarter, in absolute dollars is consistent with the sell-through trend that we saw in the back half of last year, of course adjusted for some seasonality.

We're not commenting on that number specifically--or we're growing in certain accounts or not, but what I will note is that we've noted what we're lapping from the prior year and lapping the media moment we had in the beginning of last year and really only reached this point where we started to talk stabilizing the trend in Q3 or the back half of last year. So (inaudible) comping until we get to lap that point is a factor. And again, that is all built into the way we put together the guidance for the year.

**Amanda Baldwin**

And just to build on that, Lauren, in terms of as we look forward, I think that growth is about new products and new marketing. And those are the things that we've been continuing to talk about and continuing to focus on as a team, and certainly I spoke a little bit about how we're thinking about that in the short line as well as over time for our long-range plan. And both of

things are in progress. I'm very pleased with the pace at which we're moving. But, as you noted as well, it does take time, and we're three months into the year.

**Lauren Lieberman**

Okay. All right. Thanks so much.

**Operator**

Our next question comes from Korinne Wolfmeyer with Piper Sandler. Please state your question.

**Korinne Wolfmeyer**

Hey, good morning, team. Thanks for the question. And, Eric, best of luck on your next endeavors. First, I'd like to ask a little bit on if you could quantify that kind of like pull forward of sales in the Specialty Retail channel and how much that may have pulled out of Q2. And then, on the marketing spend, if I did the math, I mean, you're churning at about, I think 15 percent of sales spent on marketing this year.

That is significantly lower than what we still see with a lot of other beauty peers. So, what gives you confidence that that's kind of like the right rate for Olaplex? And then, as we think over the longer term, is that a proper, sustainable rate, going forward? Thank you.

**Eric Tiziani**

Hi, Korinne. Thank you very much. I'm going to take the first question and then pass it over to Amanda. Let me just--we're not disclosing the number on that, but we just wanted to note some of the additional color that Q1 Specialty Retail was helped by some of those phase in shipments. But, we're not giving a quantification on that.

Amanda, on marketing.

**Amanda Baldwin**

On the marketing, yeah. So, I think again, we took our time in the first quarter to make sure that we were focused on the planning for the rest of the year, so I think we definitely anticipate that throughout the rest of the year, we'll continue to invest more heavily behind the brand. And, as we noted before in terms of we are very much on track for our long-range planning process, an important part of that is assessing the marketing level that is appropriate. We feel like we are at the right level for this year.

But, as we've noted before, that's certainly one of the bigger things that we'll think through to ensure that we have the right amount of investment behind this brand. And again, I would say its dollars, but it's also where, when, and how. So, it's about not just the money but what we're spending on the focus from the marketing point of view, the aesthetics of the brand and a lot of other things that go into that that I think are also equally important.

**Korinne Wolfmeyer**

Very helpful. Thank you.

**Operator**

Thank you. And our next question comes from Javier Escalante with Evercore ISI. Please state your question. Javier Escalante, your line is open. Maybe you have yourself muted.

**Javier Escalante**

Yes, I was muted. Eric, a pleasure working with you, and best of luck. Enjoy your new endeavors. I guess my question is with Amanda. Hello. I wonder whether you can elaborate more on the findings of these brand assessments that you mentioned, whether you (inaudible) for how differentiated the Olaplex brand is versus your key competitors, be it L'Oreal Redken, Unilever's K18, and coming back to--and I understand that you already touched upon the marketing spending, but is 15 percent the right level, given the size of the budget of these two competitors? And I have a follow-up.

**Amanda Baldwin**

Absolutely. So, I think that what I heard was to go into more detail on the brand perception study. So, what that really was, was immediately upon joining the business, I felt that it was important to get grounded in where both the consumer as well as the Pro are in terms of what their understanding of what the brand is. And to your point, really, what's our point of difference? And where do we want to think about building the brand, going forward?

What was exciting about that was that it was very confirmatory of all the things that we spoke about on the first call in terms of the foundation that we're building off of. This is a product that really works. This is science that people have a lot of confidence in. We have a tremendous heritage in the Pro that we really have been there to help them and really enhance their craft versus the 10-year anniversary that we're coming up on.

Where we really believe that the opportunity lies is, again, around the things that we have talked about as key initiatives for us, about better marketing the brand, better explaining the differentiation of that science, making sure that we're getting credit for a true product that delivers, and beyond that, also building a brand, which is something that we've also spoken about, that there is the science and the underlying product quality.

And then, how do you really create an emotional connection with both the Pro as well as the consumer? And one of our first things--and again, we spoke a little bit about this today, was really reconnecting with a Pro on a personal, on an emotional level. There is a lot more to come in that as we really focus on that community.

So, I would say my biggest takeaway from that research is that there is, really, that incredibly strong foundation and that the brand health is quite strong. That doesn't mean that there is



not work to do and not a lot of opportunity to better harness that, but working from the fundamental point of view is quite strong.

With respect to--again, the question with respect to marketing and what's the appropriate dollar amount to do that--again, we feel like we have the right amount for this year, and we'll continue to build on that. I also spoke a little bit about an internal media hub that we've set up that is really going to allow us to look at the dollars that we're spending, where we're spending them, making sure that we're putting them in the right place, and then using those results to inform our long-range plan, so certainly a lot more to come on that. But at this point, we think we've got the right amount for this year.

**Javier Escalante**

And just a follow-up--this is very helpful. And just a follow-up to Lauren's questions, at some point in time, the declines were attributed to some sort of misinformation in social media, and your assessment suggests that that misinformation actually wasn't the factor.

So, if it is not misinformation, and if it's not the brand perception in the consumer side, what in the business model didn't work, do you feel? Is it that you were asking too much to the stylists in terms of pushing and defending the brand? What exactly, then, because it's not misinformation? The brand equity is okay. So, what happened then?

**Amanda Baldwin**

Yeah. I would say that certainly the misinformation impacted the business at a moment in time. I think that we believe that that is not the core issue at this juncture, but it certainly had an impact. What I would say in terms of the difference between what is underlying brand health versus brand salience and sort of cultural relevance is the distinction that I would draw there. So again, the foundation is very strong.

This is a product that many, many people are very loyal to and have great results from. In order to continue to grow and be top of mind within this industry, it's very important to be out there speaking about your brand, launching new products, being in the right cultural moments. I spoke a little bit about something that we did do in first quarter, which was certainly something we're very excited about, was being a part of the award season and red carpet and things like that that put you at top of mind as a consumer.

I think that our category is competitive. Beauty is competitive. So, you can have really strong underlying brand health. That doesn't mean you can be quiet with the consumer. And I think that's really the distinction that we're speaking about and what we're very focused on in the marketing organization right now.

**Javier Escalante**

Thank you very much, very helpful.

**Amanda Baldwin**

Um-hmm.

**Operator**

Thank you. And our final question today comes from Susan Anderson with Cannacord Genuity. Please state your question.

**Susan Anderson**

Hi. Good morning. Thanks for taking my questions. You talked a bit about some new product launches coming out this year to help drive sales. Just wondering if you could give some color on kind of what these products will be or what category they'll be in? And then also, when we think about the rollout, should we expect a full retail door launch or certain retailers? I guess, just trying to get an idea of the magnitude there. Thanks.

**Amanda Baldwin**

All fair questions, but unfortunately, I won't be able to give detail on that for competitive reasons. But, what I would say is that there are multiple products coming that we believe are certainly at the level of innovation that I believe this brand has the capability of delivering, and will continue to deliver, going forward. So, probably that's all I can say at this point, but innovation is certainly the lifeblood of this brand.

**Susan Anderson**

Okay, great. And then, maybe just one more on the Professional channel, which, it seems like continues to be challenged. And a lot of your peers are saying the same, I guess. Maybe if you could just talk about--is it the competition in that channel? Is it still just lackluster consumer spending? And, I guess, is it still coming from both the front of the store and the back bar? And then just any thoughts, going forward, on kind of how to compete in that channel and get it back to growth.

**Amanda Baldwin**

I think the macro consumer trends around salon is twofold. I would say one is that there certainly are more time between visits that are happening within the salon channel, and secondly is that there are more places to purchase product at some of the salons. So, I think those things are--again, they are macro trends that are unique to us.

Again, I don't think that that means that the Pro is not incredibly important to us, and actually supporting them as they have been part of this brand since the very beginning is something that remains incredibly important to us. But, thinking about that macro context and what the appropriate strategy within that is something that is certainly how we're focused on that channel.

**Susan Anderson**

Great. Thanks so much. Good luck the rest of the year.

**Amanda Baldwin**

Thank you.

**Operator**

Thank you. I'll now hand the floor back over to Amanda Baldwin for closing comments.

**Amanda Baldwin**

Thank you, everyone, for joining us today, and appreciate all the questions. We really very much appreciate your interest in Olaplex. And if you have anything additional, I hope you will reach out, and we look forward to speaking with everyone soon.

**Operator**

This concludes today's call. All parties may disconnect. Have a good day.