

ADOREBEAUTY

GROUP

Adore Beauty Group Limited
ABN 78 636 138 988

ASX ANNOUNCEMENT

28 June 2024

Adore Beauty to acquire Australian beauty & wellness brand iKOU

Adore Beauty Group Limited (**ASX: ABY**) (**Adore Beauty** or **Company**), Australia's number one pureplay online beauty retailer¹, has entered into a binding agreement to acquire 100% of Australian beauty and wellness brand, iKOU Holdings Pty Ltd (**iKOU**) for \$25 million in an all-cash deal. The transaction is being funded by Adore Beauty's strong balance sheet of \$32.3 million², with \$20 million being paid at completion and the balance due 18 months later.

iKOU is a premium Australian brand with established retail and wholesale operations. Founded in the Blue Mountains, iKOU's extensive product range comprises more than 300 SKUs across organic skincare, bath and body, home fragrance, herbal tea and spa lifestyle accessories. The brand caters to the clean beauty trend with organic, Australian made, and cruelty-free products spanning beauty and wellness categories.

iKOU's range is available through its three retail boutiques in the Blue Mountains, Sydney, and Byron Bay, a direct-to-consumer website, and via wholesale distribution agreements with retail stockists and luxury spas.

Established 17 years ago by founders Naomi and Paul Whitfeld, iKOU is an ideal strategic fit for Adore Beauty and supports the company's long-term growth and margin targets. The business is profitable and debt-free and is forecast to generate revenue of \$8.1 million and EBITDA of \$2.0 million³ in FY24. The acquisition will be earnings per share (EPS) accretive from year one.

Commenting on the acquisition, Adore Beauty CEO Tamalin Morton said, "*iKOU complements and strengthens our existing business, delivering revenue growth and margin expansion, as well as supporting private label and physical store initiatives. The brand's extensive product range accelerates private label share of revenue, improves our margin profile, and provides our first store footprint across three premium locations.*"

¹ Adore Beauty is the leading pureplay online beauty retailer in Australia, based on management estimates.

² As at 31 December 2023.

³ Based on unaudited management forecasts, excluding transaction costs incurred by iKOU.

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"Renowned for its high-quality products, iKOU has a loyal, repeat customer base. The business has strong foundations, and we see additional opportunities to grow the brand, replicating its NSW success in other Australian states through the Adore Beauty platform."

Subject to satisfaction of certain conditions precedent, Adore Beauty expects to complete its acquisition of iKOU on 31 July 2024.

--Ends--

APPENDIX

Transaction summary

Acquisition of iKOU	<ul style="list-style-type: none">Adore Beauty has signed a binding agreement to acquire iKOU, an Australian beauty and wellness brand
Deal structure	<ul style="list-style-type: none">Upfront consideration of \$20 million plus an additional \$5 million to be paid 18 months post completionAn all-cash deal, on a debt-free and cash-free basis with a normal level of working capital
Funding	<ul style="list-style-type: none">Total cash payment of \$25 million to be paid via Adore Beauty's balance sheet
Financial metrics	<ul style="list-style-type: none">iKOU forecast to generate revenue of \$8.1 million and EBITDA of \$2.0 million in FY24³Profitable and debt-freeTransaction expected to be EPS accretive in FY25
Completion	<ul style="list-style-type: none">Subject to satisfaction of certain conditions precedent, the acquisition is expected to complete on 31 July 2024

This announcement was authorised by the Board of Directors.

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About Adore Beauty

Launched in 2000 as Australia's first beauty focused e-commerce website with a vision to help customers feel more confident every day by delivering an empowering and engaging beauty shopping experience personalised to their needs. Adore Beauty has evolved to an integrated content, marketing and e-commerce retail platform that partners with a broad and diverse portfolio of more than 270 brands and over 13,000 products.

About iKOU

Founded in the Blue Mountains in 2007 by Naomi and Paul Whitfeld, iKOU has grown to more than 300 SKUs across skincare, bath and body, home fragrance, herbal tea and spa lifestyle accessories. The brand seeks to bring the spa holiday feel into everyday life with a focus on organic, Australian-made and cruelty-free products. iKOU is available from its three boutiques in NSW, a direct-to-consumer website, and through wholesale distribution agreements with retail stockists and luxury spas. For more information, visit ikou.com.au

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