

ADOREBEAUTY

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Adore Beauty Group Limited
ABN 78 636 138 988

ASX ANNOUNCEMENT

26 August 2024

Adore Beauty maintains growth trajectory – delivers higher sales and improved profitability

Adore Beauty Group Limited (**ASX: ABY**) (**Adore Beauty** or **Company**) has released its results for the 12 months ended 30 June 2024 (**FY24**).

FY24 Summary:

- Annual revenue¹ of \$195.7 million, up 7.4% on the prior corresponding period (PCP)
- Reported EBITDA of \$4.8 million, up 661% on PCP and margin of 2.5% - in line with guidance
- Record 519K returning customers², up 5.8% on PCP - accounting for 79% of product sales³
- Active customers⁴ 814k, increased 1.6% on PCP
- Delivering against three pillar strategy – growing customer centricity, brand awareness and operational optimisation
 - Customer retention⁵ now at record 64.7% for the financial year, benefitting from 8.6% growth in loyalty members on PCP. Mobile app adoption also increased 48.6% to now represent 28.4% sales, new subscription service launched
 - Brand awareness in core demographic improved to a record 71%, up from 62% for the same period last year⁶, following investment in brand and above the line marketing activity
 - Owned brand growth accelerated – AB LAB's first cosmetics range launched, and new distribution agreement with Advanced Cosmeceuticals commenced, to trial the Viviology brand in selected clinics in New South Wales
 - Retail media revenue more than doubled on PCP to \$4 million
 - Operational optimisation generated significant savings across the business, improving reported EBITDA 661% on PCP
- The Company is debt-free and generating positive cash with a balance of \$32.9 million on 30 June 2024, up 18.3% on the PCP.

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In FY25 year-to-date (YTD), we have continued our sales momentum and focus on delivering on our strategy:

- Revenue in the first seven weeks up 7.0% on PCP⁷
- Signed leases for two Adore Beauty retail concept stores, expected to open in the second half of FY25, to further build brand awareness
- Acquired Australian beauty and wellness brand, iKOU, to further grow private label offer and drive sales and margin expansion
- Launched our new chatbot, ABi, to further enhance responsiveness to customer queries.

Commenting on Adore Beauty's FY24 performance, CEO Tamalin Morton said, "Adore Beauty's loyal, returning customer base continues to underpin our revenue growth, contributing almost 80% of all product sales and driving improvements in basket sizes and annual spend per active customer.

"Delighting our customers remains our top priority. We're seeing the benefits of our customer-centric strategy, with retention improving 8.5 percentage points over the year to 64.7%. Investment in brand and above-the-line marketing is strongly driving awareness of Adore Beauty, achieving a record 71% in our target audience - up from 62% last year. We are also continuing to expand our product range - now with over 300 brands - to ensure we have a compelling beauty and wellness proposition for our customers.

"Alongside revenue growth, operational efficiency and operating leverage have improved profitability. Our marketing has been more effective – with expenditure down 3% on last year, whilst our sales, customer base and brand awareness have all grown. We've also developed the retail media arm of our business, which represented circa \$4 million in revenue in FY24. We've invested in a dedicated team to further build on our award-winning content⁸ and its commercialisation opportunities, which should account for a larger proportion of revenue over the coming years.

"Our expanding product offer, private label portfolio, and our first Adore Beauty store footprint, further diversify our revenue and margin profile and support our long-term profitability targets."

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Key strategic initiatives driving improved performance

Adore Beauty made significant in-roads on its three-pillar growth strategy in FY24.

Customer-centricity and delivering a compelling customer proposition remain a key focus. The Company continues to retain more of its customer base, with retention up 8.5 percentage points over the prior financial year to 64.7%, supported by initiatives to enhance engagement:

- The Adore Society loyalty program member base continues to increase - up 8.6% over the prior period
- 'Subscribe & Save' is contributing more than \$1 million in revenue since its soft launch at the end of October 2023. Now available on 42 brands, there is potential to develop the offer further, with more brands and functionality to be added in coming months.
- Adore Beauty's mobile app is now nearing its initial 30% sales target. App customers are high value, with larger average basket sizes and order frequency than web customers.

Brand awareness in the 25-45 female demographic reached a record 71% in August 2024, up from 62% for the same period last year. The Company expects to consolidate awareness in this and other demographics over FY25 with a new brand campaign and the opening of two Adore Beauty retail concept stores in major shopping centres in Melbourne, Victoria.

Adore Beauty strengthened the breadth of its brand and product offering during the year, onboarding 38 new brands. The new brands include Burberry, Bali Body, Therabody, Liberty Belle RX and Shark.

Higher margin owned brands are pivotal to improving long-term profitability. In FY24, the Company added 23 new products to its private label portfolio, now totalling 61 products across the AB LAB, Viviology and Adore Beauty brands.

- New products include Adore Beauty's first cosmetics range, launched in H2 FY24 under the AB LAB brand.
- The Company has also secured a trial distribution agreement for its Viviology range to be stocked in selected skin clinics in New South Wales, increasing awareness, sampling and sales.

Adore Beauty is leveraging its existing marketing assets to provide new revenue streams for the business and support its EBITDA margin expansion targets.

- The Company's owned marketing channels continue to build with content-driven impressions⁹ increasing 46% on the prior year.
- In addition to improving marketing efficiency, this growth has supported a significant step-up in retail trade media and brand-funded marketing, with revenue contribution more than doubling over the prior year to \$4 million.

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iKOU acquisition – FY25

Adore Beauty acquired premium Australian beauty and wellness brand, iKOU, on 31 July 2024. The acquisition includes established retail, online and wholesale operations, and scales Adore Beauty's private label portfolio by over 300 products. These products are primarily in high-margin categories which are well aligned with Adore Beauty's core offer - premium skincare, body care, home fragrance and gifting. The Company is targeting \$10 million in revenue in the first year of ownership and to more than double iKOU's revenue by the end of FY27.

iKOU is a strong strategic fit for Adore Beauty - addressing the Company's key acquisition criteria, including private label expansion and attractive gross profit margins of 73%, supporting stated long-term revenue and margin expansion targets. Importantly, both businesses have a similar customer demographic, providing significant opportunities. iKOU sales were previously constrained due to founder health issues, resulting in lower levels of growth and the business currently being New South Wales centric.

Adore Beauty's platform and audience reach provide the opportunity to materially increase iKOU's online sales and brand awareness rapidly and at minimal cost. iKOU was not previously available on the Adore Beauty platform. The Company will also build the brand through its significant customer database across both Australia and New Zealand, as well as leveraging Adore Beauty's social media, podcast, and marketing expertise. Adore Beauty has identified further opportunities to propel the growth of the iKOU brand, including through an expanded retail presence, wholesale, internationally, and range expansion.

The acquisition also provides growth opportunities for Adore Beauty, including the ability to leverage iKOU's wholesale and retail networks and product development capabilities to assist in the achievement of Adore Beauty's longer-term strategic objectives.

Trading Update & Outlook

Adore Beauty has had a positive start to FY25, with revenue in the first seven weeks of FY25 increasing 7.0% on the PCP⁷. Whilst trading has been resilient, conditions are expected to remain challenging over the year ahead, Adore Beauty's clear growth strategy ensures it is well positioned to increase revenue, active customers, market share and profitability.

The Company is targeting an EBITDA margin of 4-5% in FY25. New CEO, Sacha Laing, who joins the business from 1 October, is looking forward to building on Adore Beauty's strengthened foundations. "I'm delighted to be joining Adore Beauty at this exciting time, as the Company embarks on its next chapter of growth".

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Investor conference call details

An investor conference call will be held this morning (26 August) at 10:30am AEST. Attendees will have the opportunity to ask questions at the end of the presentation.

Teleconference: Participants can register for the conference at:

<https://s1.c-conf.com/diamondpass/10040714-8dve34.html> or alternatively dial 1800 809 971 (Australia toll free) and provide the conference ID **10040714** to the operator.

Webcast link: <https://ccmediaframe.com/?id=K5CK1esW>

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This announcement was authorised by the Board of Directors.

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Appendix

A\$M	FY24	FY23	Change
Revenue	195.7	182.2	7.4%
Gross Profit (%)	33.4	32.6	0.8ppts
Reported EBITDA	4.8	0.6	661%
EBITDA Margin	2.5%	0.4%	2.1ppts

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 over 300 brands and 13,000 products.

Forward Looking Statements

Certain statements made in this release are forward-looking statements. These forward-looking statements are not historical facts but rather are based on Adore Beauty's current expectations, estimates and projections about the industry in which Adore Beauty operates, and beliefs and assumptions. Forward looking statements can generally be identified by the use of forward looking words such as 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'will', 'could', 'may', 'target', 'plan' and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on future earnings, distributions or financial position or performance are also forward-looking statements. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors, some of which are beyond the control of Adore Beauty, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward -looking statements. Adore Beauty cautions shareholders and prospective shareholders not to place undue reliance on these forward-looking statements, which reflect the view of Adore Beauty only as of the date of this release. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

The forward-looking statements made in this release relate only to events as of the date on which the statements are made. Adore Beauty has no obligation to release publicly any revisions or updates to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this release except as required by law or by any appropriate regulatory authority.

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¹ Marketing revenue and its associated costs were not reflected as revenue and cost of sales in comparative financial statements, but rather as an offset to advertising and marketing expenses. The impact is not material from a financial report perspective, but comparative financial information presented has been amended for comparability and to align with the revenue recognition policy for marketing revenue. This reclassification has no impact to net profit.

² Returning customers are customers who have placed an order in any period prior to FY24 and re-purchased in the period; comparison of FY24 to FY23.

³ Product sales revenue excludes 'Other Revenue'. 'Other Revenue' represents marketing revenue comprised of retail media and advertising revenue contribution.

⁴ Active customers refer to customers who have ordered in the last 12 months, PCP is the prior 12-month period.

⁵ Aggregate active customer retention rate = (Active customers as at the end of the relevant financial year – Active Customers acquired during the relevant financial year), divided by Active Customers as at the commencement of the relevant financial year.

⁶ Brand awareness - Pureprofile results August 2024, Prompted Awareness AU female 25-44. Sample taken by third-party brand tracker Pureprofile - a randomised consumer research panel made up of minimum 2500 Australian females aged 18-65, providing representation of the Australian public.

⁷ Total revenue based on unaudited management accounts. Comparison of 1 Jul – 18 Aug 2024 against PCP.

⁸ In FY24 Adore Beauty's Beauty IQ Uncensored Podcast won the Best Branded Podcast in the Australian Podcast Awards.

⁹ Content-driven impressions measures total consumption of podcast episodes, social content views (Instagram, Facebook, YouTube and Tiktok) including videos, posts, articles, tutorials and educational longer form videos.

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