



CORRECTION: Waldencast plc, Announces Third Quarter Fiscal Year 2022 Financial Results

November 25, 2022

November 25, 2022 – New York, New York – Waldencast plc, (NASDAQ: WALD) (“Waldencast”), a global multi-brand beauty and wellness platform, today announced that it corrected a press release issued November 10, 2022 (the “Original Press Release”) to amend the preliminary 2022 third quarter net loss figure from \$16.8 million to \$14.0 million, including the related adjustments. The revision to Waldencast’s net loss figure corresponds to the change in fair value of warrants and has no cash impact. The corrected press release reads:

- Q3 2022 Net Sales of \$78.9 million
- Q3 2022 Gross margin of 62.4% and adjusted gross margin of 71.9%
- Q3 2022 Net loss of \$14.0 million
- Q3 2022 Adjusted EBITDA of \$15.3 million, or 19.4% of net sales
- Company reaffirms guidance

Waldencast plc, (NASDAQ: WALD) (“Waldencast”), a global multi-brand beauty and wellness platform, today announced results for the third quarter ended September 30, 2022.

Michel Brousset, Waldencast Founder and CEO, said: “We are pleased with our third quarter performance, which continued the positive momentum for our brands from the first half of the year, highlighted by increased sales and profitability. We are excited about our opportunities as we enter the final quarter of the year, and while cognizant of the broader macro-economic environment, the beauty category remains strong. In addition, our business and our brands continue to deliver strong growth and profitability, which is reflected in our reaffirmation of guidance. Our long-term ambition is to build a global best-in-class beauty and wellness multi-brand platform by scaling the next generation of high growth purpose driven brands. We look forward to delivering on this objective for the benefit of all Waldencast stakeholders.”

Results for the quarter ended September 30, 2022 ⁽¹⁾

Business Combination

On July 27, 2022 (the “Closing Date”), Waldencast consummated the business combination with Obagi Global Holdings Limited (“Obagi Skincare”) and Milk Makeup LLC (“Milk Makeup”). In accounting for the business combination, Waldencast was deemed to be the accounting acquirer, and Obagi Skincare was deemed to be the predecessor entity for purposes of financial reporting. Under the acquisition method of accounting, Waldencast’s assets and liabilities retained their carrying values and the assets and liabilities associated with Obagi Skincare and Milk Makeup were recorded at their fair values measured as of the acquisition date, which created a new basis of accounting.

Basis of Presentation

When reading our financial statements, you should note there is a clear division between the “predecessor” periods that include financials up to the Closing Date and “successor” periods that include all periods after the acquisition date. The predecessor and successor results shown are not comparable, as the successor period includes the consolidated financial statements of Waldencast, Obagi Skincare, and Milk Makeup, whereas the predecessor period includes only Obagi Skincare’s financial statements.

Condensed Consolidated Statements of Operations (UNAUDITED) ⁽¹⁾

U.S. Dollars (in thousands)	Successor (Waldencast)		Predecessor (Obagi)	
	2022		2022	2021
	Period from July 1 to September 30		Period from July 1 to July 27	Period from July 1 to September 30
Net revenue	\$	73,445	\$ 2,834	\$ 58,510
Cost of goods sold (2)		27,505	980	12,668
Gross profit		45,940		
Selling, general and administrative		38,667	6,921	35,099
Research and development		1,404	331	2,496
Depreciation and amortization		10,935	1,080	3,565
Total operating expenses		51,006	9,312	53,828
Operating (loss) income		(5,066)	(6,478)	4,682
Interest expense		2,321	953	3,058
Forgiveness of Paycheck Protection Loan		(13)	-	-
Other income, net		(3,529)	32	106
Total other expenses—net		(1,221)	985	3,164
Income (loss) before income taxes		(3,845)	(7,463)	1,518
Income tax expense		740	153	164
Net income (loss)	\$	(4,585)	\$ (7,616)	\$ 1,354
Net income attributable to non-controlling interests		257		
Net (loss) income attributable to shareholders		(4,842)		

⁽¹⁾ Waldencast is in the process of finalizing its business combination accounting and disposal of the former Obagi China Business (as defined below). All related estimates are subject to change.

⁽²⁾ The cost of goods sold in the predecessor periods excludes product-related amortization expense.

Adjusted EBITDA reconciliation ⁽¹⁾ for the period ended September 30, 2022 – Waldencast plc

U.S. Dollars (in thousands)	2022				2021	
	Period from July 28 to September 30 (Successor period)				Period from July 1 to July 27 (Predecessor period)	Three months ended September 30 (Predecessor period)
	Obagi	Milk	Waldencast Corp.	Waldencast	Obagi	Obagi
Net Income (Loss)	\$ 3,965	\$ (2,656)	\$ (5,894)	\$ (4,585)	\$ (7,616)	\$ 1,354
China carve-out	-	-	-	-	340	(1,063)
Adjusted For:						
Depreciation and amortization	8,991	2,987	-	11,978	1,080	3,565
Interest expense, net	-	-	2,321	2,321	945	3,058
Income tax expense	740	-	-	740	153	164
Stock-based compensation expense	2,048	254	850	3,152	-	-
Transaction costs	1,002	135	3,610	4,747	1,968	649
Inventory fair value adjustment	2,782	1,558	-	4,340	-	-
Warranty liability fair value adjustment	-	-	(2,805)	(2,805)	-	-
Impact of China related party sales	155	-	-	155	-	-
Foreign currency transaction loss (gain)	(287)	(415)	-	(702)	4	-
(Gain)/loss on disposal of assets	-	(3)	-	(3)	35	-
Restructuring costs	20	-	-	20	2	78
Adjusted EBITDA	\$ 19,416	\$ 1,860	\$ (1,918)	\$ 19,358	\$ (3,089)	\$ 7,805
Net Sales	\$ 57,576	\$ 15,869	\$ -	\$ 73,445	\$ 2,834	\$ 58,510
Adjusted EBITDA %	33.7%	11.7%	N/A	26.4%	-109.0%	13.3%

(1) Waldencast is in the process of finalizing its business combination accounting and disposal of the former Obagi China Business (as defined below). All related estimates are subject to change.

Third Quarter Highlights

As the predecessor and successor results are not comparable, the Company presented the comparative quarterly results that combine the predecessor and post-acquisition periods for Obagi Skincare and the pre and post-acquisition periods for Milk Makeup. Under U.S. Generally Accepted Accounting Principles ("GAAP"), the periods prior to and subsequent to the acquisition date should not be combined, and Milk Makeup's pre-acquisition period should not be included. Management believes these non-GAAP comparative quarterly results provide a perspective on the on-going performance of the combined companies' operations.

The Company also separately reports financial results on the basis of adjusted gross margin, adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures. Refer to "Reconciliation of Non-GAAP Financial Measures" below.

Obagi Skincare (1)

- Obagi Skincare recorded net sales of \$60.4 million, an increase of 3.2% from the same period in the prior year and an increase of 12.1% on a comparable basis
 - The increase of 12.1% on a comparable basis excludes sales related to the former Obagi China business, which was not acquired by Waldencast (the "Obagi China Business"). The distribution of Obagi Skincare's products in China has remained under ownership of Cedarwalk Skincare Limited, Obagi Skincare's former owners, who have entered into a licensing and distribution agreement with Waldencast.
 - Q3 2022 Net sales of \$60.4 million includes \$55.9 million of comparable sales and \$4.5 million of sales related to its former Obagi China Business
 - Q3 2021 Net sales of \$58.5 million includes \$49.9 million of comparable sales and \$8.6 million of sales related to its former Obagi China Business
- Obagi Skincare gross margin of 64.9% and adjusted gross margin of 75.0%, compared to gross margin of 76.3% and adjusted gross margin of 74.8% in the prior year
 - Q3 2022 adjusted gross margin excludes \$2.8 million related to the inventory fair value step-up and \$0.2 million related to its former Obagi China Business
 - Q3 2021 adjusted gross margin excludes \$7.3 million related to its former Obagi China Business
- Obagi Skincare's net loss of \$3.7 million, compared to net income of \$1.4 million in the prior year, reflects \$19.6 million of transaction costs and other non-cash items
- Obagi Skincare's adjusted EBITDA of \$16.3 million (27.0% of net sales), an increase of 109.2%, was primarily driven by robust comparable sales and strong operational leverage

U.S. Dollars (in thousands)	2022				2021		% Change
	Period from July 28 to September 30 (Post-acquisition period)	Period from July 1 to July 27 (Predecessor period)	Three months ended September 30 (Predecessor + Post-acquisition period)	Three months ended September 30 (Predecessor period)			
Net Sales	\$ 57,576	\$ 2,834	\$ 60,410	\$ 58,510		3.2%	
Gross Margin	\$ 37,735 65.5%	\$ 1,499 52.9%	\$ 39,234 64.9%	\$ 44,621 76.3%		-12.1%	
Adjusted Gross Margin	\$ 40,362 76.0%	\$ 1,578 56.0%	\$ 41,940 75.0%	\$ 37,329 74.8%		12.4%	
Net Income (Loss)	\$ 3,965	\$ (7,616)	\$ (3,651)	\$ 1,354		-369.6%	
Adjusted EBITDA	\$ 19,416 33.7%	\$ (3,089) -109.0%	\$ 16,327 27.0%	\$ 7,805 13.3%		109.2%	

(1) Waldencast is in the process of finalizing its business combination accounting and disposal of the former Obagi China Business. All related estimates are subject to change.

Milk Makeup (1)

- Milk Makeup recorded net sales of \$18.5 million, an increase of 41.7% from the same period in the prior year
- Milk Makeup's gross margin of 54.0% and adjusted gross margin of 62.5%, compared to gross margin and adjusted gross margin of 53.2% in the prior year
 - Q3 2022 Adjusted gross margin excludes \$1.6 million related to the inventory fair value step-up
- Milk Makeup's net loss of \$4.4 million, compared to net loss of \$1.8 million in the prior year, reflecting \$5.4 million of transaction costs and other non-cash items
- Milk Makeup's adjusted EBITDA of \$0.9 million (5.0% of net sales) compared to \$(1.0) million in the prior year, was primarily driven by strong sales growth, expansion in gross margin and operational leverage

U.S. Dollars (In thousands)	2022				2021		% Change
	Period from July 28 to September 30 (Post-acquisition period)	Period from July 1 to July 27 (Pre-acquisition period)	Three months ended September 30 (Pre-acquisition + Post-acquisition period)		Three months ended September 30 (Pre-acquisition period)		
Net Sales	\$ 15,869	\$ 2,670	\$ 18,539		\$ 13,083		41.7%
Gross Margin	\$ 8,205 51.7%	\$ 1,815 68.0%	\$ 10,020 54.0%		\$ 6,957 53.2%		44.0%
Adjusted Gross Margin	\$ 9,763 61.5%	\$ 1,815 68.0%	\$ 11,578 62.5%		\$ 6,957 53.2%		66.4%
Net Loss	\$ (2,656)	\$ (1,764)	\$ (4,420)		\$ (1,836)		140.7%
Adjusted EBITDA	\$ 1,860 11.7%	\$ (930) -34.8%	\$ 930 5.0%		\$ (1,028) -7.9%		NM

(1) Waldencast is in the process of finalizing its business combination accounting. All related estimates are subject to change.

Waldencast Group central expenses – Period from July 28, 2022 to September 30, 2022 (Post-acquisition period)

- These central expenses result in a net loss of \$5.9 million and consists of \$3.6 million of transaction costs, \$2.3 million of interest expense, \$1.9 million of ongoing central overhead, offset by \$(1.9) million of non-cash items.
- These central expenses result in an adjusted EBITDA of \$(1.9) million, reflecting ongoing central overhead.

Fiscal 2022 Outlook

Waldencast reaffirms its previously issued outlook for Fiscal 2022 provided on November 15, 2021.

- Net Sales of \$256.3 million
- Gross profit of \$189.8 million
- Adjusted EBITDA of \$49.6 million

In addition, as of September 30, 2022, there were 114.1 million fully diluted shares outstanding. Waldencast has reserved 3.9 million shares for future issuances of employee incentive awards.

Conference Call and Webcast Information

Investors and analysts interested in participating in the conference call are invited to dial (646) 307-1963 or (800) 715-9871 for a toll-free number (conference ID: 6198725). The conference call will be webcast live and can be accessed at <https://ir.waldencast.com/>. A replay of the webcast will remain available on the website for 90 days.

Waldencast will host a conference call to discuss the third quarter results ended September 30, 2022, today, November 10, 2022, at **8:30 AM ET**. Those interested in participating in the conference call are invited to dial (646) 307-1963 (conference ID: 6198725). International callers may dial (800) 715-9871. The live webcast of the conference call will be available online at <https://ir.waldencast.com/>. A replay of the webcast will remain available on the website for 90 days.

About Waldencast

Founded by Michel Brousset and Hind Sebti, Waldencast's ambition is to build a global best-in-class beauty and wellness operating platform by developing, acquiring, accelerating, and scaling conscious, high-growth purpose-driven brands. Waldencast's vision is fundamentally underpinned by its brand-led business model that ensures proximity to its customers, business agility, and market responsiveness, while maintaining each brand's distinct DNA. The first step in realizing its vision was the business combination with Obagi Skincare and Milk Makeup. As part of the Waldencast platform, its brands will benefit from the operational scale of a multi-brand platform; the expertise in managing global beauty brands at scale; a balanced portfolio to mitigate category fluctuations; asset light efficiency; and the market responsiveness and speed of entrepreneurial indie brands. For more information please visit: <https://ir.waldencast.com/>.

Obagi Skincare is an industry-leading, advanced skin care line rooted in research and skin biology, refined with a legacy of 30 years' experience. First known as leaders in the treatment of hyperpigmentation with the Obagi Nu-Derm® System, Obagi® products are designed to diminish the appearance of premature aging, photodamage, skin discoloration, acne, and sun damage. More information about Obagi Skincare is available on the brand's website, Facebook, Twitter and Instagram pages.

Founded in 2016, Milk Makeup quickly became a cult-favorite among the beauty community for its values of self-expression and inclusion, captured by its signature Live Your Look, its innovative formulas and clean ingredients. The brand creates vegan, cruelty-free, clean formulas from its Milk Makeup HQ in Downtown NYC. Currently, Milk Makeup offers over 300 products through its US website www.MilkMakeup.com, and its retail partners including Sephora in North America, Europe, the Middle East and Australia and Cult Beauty and Selfridges in the UK.

Cautionary Statement Regarding Forward-Looking Statements

Statements in this release that are not historical, are forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements include, but are not limited to, statements regarding Waldencast's outlook and guidance for Fiscal 2022; and any assumptions underlying any of the foregoing. Words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "predict," "project," "should," and "will" and variations of such words and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of Waldencast, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. Important factors, among others, that may affect actual results or outcomes include, but are not limited to: (i) the inability to recognize the anticipated benefits of the transactions with Obagi Skincare and Milk Makeup; (ii) changes in general economic conditions, including as a result of the COVID-19 pandemic, (iii) the ability to continue to meet Nasdaq's listing standards; (iv) volatility of Waldencast's securities due to a variety of factors, including Waldencast's inability to implement its business plans or meet or exceed its financial projections and changes; (v) the ability to implement business plans, forecasts, and other expectations, and identify and realize additional opportunities; and (vi) the ability of Waldencast to implement its strategic initiatives and continue to innovate Obagi Skincare's and Milk Makeup's existing products and anticipate and respond to market trends and changes in consumer preferences.

These and other risks, assumptions and uncertainties are more fully described in the Risk Factors section of our Registration Statement on Form F-1 (File No. 333-267053), originally filed with the Securities and Exchange Commission (the "SEC") on August 24, 2022 and as thereafter amended, and in our other documents that we file or furnish with the SEC, which you are encouraged to read. To the extent that COVID-19 adversely affects our business and financial results, it may also have the effect of heightening many of such risk factors.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those indicated or anticipated by such forward-looking statements. Accordingly, you are cautioned not to rely on these forward-looking statements, which speak only as of the date they are made. The degree to which COVID-19 may adversely affect Waldencast's results and operations, including its ability to achieve its outlook and guidance for Fiscal 2022, will depend on numerous evolving factors and future developments, which are highly uncertain, including, but not limited to, federal, state and local governmental policies and initiatives designed to reduce the transmission of COVID-19 and emerging new variants and how quickly and to what extent normal economic and operating conditions can resume. As a result, the impact on Waldencast's financial and operating results cannot be reasonably estimated with specificity at this time, but the impact could be material. Waldencast expressly disclaims any current intention, and assumes no duty, to update publicly any forward-looking statement after the distribution of this release, whether as a result of new information, future events, changes in assumptions or otherwise. Waldencast gives no assurance that the combined company will achieve its expectations.

Reconciliation of Non-GAAP Financial Measures

The financial information and data contained in this release have not been audited in accordance with the standards of the Public Company Accounting Oversight Board and does not conform to Regulation S-X.

Waldencast separately reports financial results on the basis of adjusted gross margin, adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures. See the attached tables for a reconciliation of adjusted gross margin, adjusted EBITDA and adjusted EBITDA margin to net sales and net income (loss), which are the most directly comparable GAAP financial measures.

For Obagi Skincare, adjusted gross margin excludes the sales related to the China distributor under a transition services agreement, the impact of Obagi Skincare's related party sales to the China distributor, and the impact of the inventory fair value step-up as a result of the business combination accounting. For Milk Makeup, adjusted gross margin excludes the impact of the inventory fair value step-up as a result of the business combination accounting.

Adjusted EBITDA is defined as net income (loss) excluding the impact of income tax benefit, interest expense, net, depreciation and amortization and the transaction costs, non-cash items, and certain non-recurring income and expense that do not occur regularly as part of the normal activities of Obagi Skincare and Milk Makeup.

Adjusted EBITDA margin is defined as adjusted EBITDA divided by net sales.

Waldencast believes the non-GAAP measures of adjusted gross margin, adjusted EBITDA and adjusted EBITDA margin provide useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. Waldencast believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in comparing its financial measures with other similar companies, many of which present similar non-GAAP financial measures to investors. These non-GAAP measures also provide perspective on how Waldencast's management evaluates and monitors the performance of the business and provides a view on how the on-going operating company performs. These non-GAAP financial measures are subject to inherent limitations as they reflect the exercise of judgments by management about which expense and income are excluded or included in determining these non-GAAP financial measures.

Comparable net sales for Obagi Skincare in predecessor periods excludes sales related to its former Obagi China business.

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Appendix

Adjusted gross margin reconciliation ⁽¹⁾ for the period ended September 30, 2022 and 2021 – Obagi Skincare

U.S. Dollars (in thousands)	2022		2021	
	Period from July 28 to September 30 (Post-acquisition period)	Period from July 1 to July 27 (Predecessor period)	Three months ended September 30 (Predecessor period)	
Net Sales	\$ 57,576	\$ 2,834	\$ 58,510	
Recurring sales	53,118	2,816	49,902	
Obagi China Business carveout	-	18	8,608	
Chinese related party sales	4,458	-	-	
Cost of goods sold (2)	19,841	980	12,668	
Amortization expense (2)	-	355	1,221	
Gross Margin	\$ 37,735	\$ 1,499	\$ 44,621	
Gross Margin %	65.5%	52.9%	76.3%	
Gross Margin Adjustments:				
Inventory fair value adjustment	(2,782)	-	-	
Obagi China Business carveout	-	(79)	7,292	
Chinese related party sales	155	-	-	
Adjusted Gross Margin	\$ 40,362	\$ 1,578	\$ 37,329	
Adjusted Gross Margin % (% of Recurring sales)	76.0%	56.0%	74.8%	

⁽¹⁾ Waldencast is in the process of finalizing its business combination accounting and disposal of the former Obagi China Business. All related estimates are subject to change.

⁽²⁾ The cost of goods sold in the predecessor periods excludes product-related amortization expense. Product-related amortization expense is included as an adjustment to calculate the gross margin per U.S. GAAP and to be comparable to the successor period.

Adjusted gross margin reconciliation ⁽¹⁾ for the period ended September 30, 2022 and 2021 – Milk Makeup

U.S. Dollars (in thousands)	2022		2021	
	Period from July 28 to September 30 (Post-acquisition period)	Period from July 1 to July 27 (Pre-acquisition period)	Three months ended September 30 (Pre-acquisition period)	
Net Sales	\$ 15,869	\$ 2,670	\$ 13,083	
Cost of goods sold	7,664	855	6,126	
Gross Margin	\$ 8,205	\$ 1,815	\$ 6,957	
Gross Margin %	51.7%	68.0%	53.2%	
Gross Margin Adjustments:				
Inventory fair value adjustment	(1,558)	-	-	
Adjusted Gross Margin	\$ 9,763	\$ 1,815	\$ 6,957	
Adjusted Gross Margin %	61.5%	68.0%	53.2%	

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Adjusted EBITDA reconciliation ⁽¹⁾ for the period ended September 30, 2022 – Obagi Skincare

U.S. Dollars (in thousands)	2022		2021	
	Period from July 28 to September 30 (Post-acquisition period)	Period from July 1 to July 27 (Predecessor period)	Three months ended September 30 (Predecessor period)	
Net Income (Loss)	\$ 3,965	\$ (7,616)	\$ 1,354	
China carve-out	-	340	(1,063)	
Adjusted For:				
Depreciation and amortization	8,991	1,080	3,565	
Interest expense, net	-	945	3,058	
Income tax expense	740	153	164	
Stock-based compensation expense	2,048	-	-	
Transaction costs	1,002	1,968	649	
Inventory fair value adjustment	2,782	-	-	
Impact of China related party sales	155	-	-	
Foreign currency transaction	(287)	4	-	
Disposal of assets	-	35	-	
Restructuring costs	20	2	78	
Adjusted EBITDA	\$ 19,416	\$ (3,089)	\$ 7,805	
Net Sales	\$ 57,576	\$ 2,834	\$ 58,510	
Adjusted EBITDA %	33.7%	-109.0%	13.3%	

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Adjusted EBITDA reconciliation ⁽¹⁾ for the period ended September 30, 2022 – Milk Makeup

U.S. Dollars (in thousands)	2022		2021	
	Period from July 28 to September 30 (Post-acquisition period)	Period from July 1 to July 27 (Pre-acquisition period)	Three months ended September 30 (Pre-acquisition period)	
Net Loss	\$ (2,656)	\$ (1,764)	\$ (1,836)	
Adjusted For:				
Depreciation and amortization	2,987	272	523	
Interest expense, net	-	1	26	
Stock-based compensation expense	254	-	125	
Transaction costs	135	340	-	
Inventory fair value adjustment	1,558	-	-	
Foreign currency transaction	(415)	221	16	
Disposal of assets	(3)	-	118	
Adjusted EBITDA	\$ 1,860	\$ (930)	\$ (1,028)	
Net Sales	\$ 15,869	\$ 2,670	\$ 13,083	
Adjusted EBITDA %	11.7%	-34.8%	-7.9%	

(1) Waldencast is in the process of finalizing its business combination accounting. All related estimates are subject to change.