

## **P R E S E N T A T I O N**

### **Operator**

Greetings. Welcome to the Waldencast Fourth Quarter and Fiscal Year 2024 Earnings Call.

At this time, all participants are in listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require Operator assistance during the conference, please press star, zero from your telephone keypad. As a reminder, this conference is being recorded.

At this time, it's now my pleasure to introduce Allison Malkin from Investor Relations. Thank you Allison, you may now begin.

### **Allison Malkin**

Thank you and welcome to the Waldencast plc fourth quarter and fiscal year 2024 earnings call. Here with me today are Michel Brousset, Founder and Chief Executive Officer, and Manuel Manfredi, Chief Financial Officer. For today's call, Michel will begin with an update on our business and vision and discuss the Company's performance within the context of the Beauty market. Manuel will follow with a review of the fourth quarter and full year performance and provide our fiscal 2025 outlook. Following this, Michel will share the strategic growth initiatives for our Milk Makeup and Obagi Medical brands. After the prepared remarks, the Operator will open the call to take questions.

I would like to remind you that management will make certain statements today which are forward-looking in nature, including statements regarding the outlook of Waldencast's business and other matters referenced in the Company's earnings release that was issued yesterday. 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 statements appears under the heading, Cautionary Note Regarding Forward-Looking Statements in the Company's earnings release and in the Company's filings that it 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.waldencast.com](http://ir.waldencast.com), and should be read in conjunction with the section entitled, Risk Factors in the Company's Annual Report for 2023 on Form 20-F filed with the Securities and Exchange Commission on April 30, 2024. 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 measures should not be considered in isolation or as a substitute for results prepared in accordance with GAAP. You will find additional information regarding the definition of these non-GAAP financial measures and a reconciliation of these non-GAAP to the most directly comparable GAAP measures in the Company's earnings release.

With that, let me now turn the call over to Michel Brousset.

### **Michel Brousset**

Thank you, Allison, and good morning, everyone. It is a pleasure to be here today and to share our Fiscal Year 2024 financial performance. This has been a year of transformation for our group – one where we have strengthened our capabilities and celebrated many successes across our brands.

Before we start, let's have a look at the health of the beauty market. In the context of an uneven consumer market, Beauty remains resilient and has shown consistent growth over the years with

expectations of this strength continuing in the future. In 2024, Prestige Beauty grew 7%. While this rate of growth has normalized post the effects of COVID, the increase in 2024 is still ahead of historical levels and supported by the same historical trend of premiumization. In the categories where we're present, Prestige Makeup grew 5% while Professional Skincare showed strong growth of 8%, well ahead of Prestige Skincare at 2%. Once again, the beauty consumer has shown incredible resilience despite external uncertainties, and our industry continues to thrive, launching brands and products that increasingly meet consumer needs and desires.

We are building a global best-in-class beauty and wellness platform that creates, acquires, accelerates and scales the next generation of high growth, highly profitable purpose-driven brands. Simply put, we are capitalizing on the increasing strength of our operating platform, the power of our brands, and our proven executional capabilities to deliver consistently strong growth at increasing rates of profitability. We expect this to continue to pay dividends as we further drive our operational efficiency and invest in selling and marketing drivers to sustain and accelerate our top line momentum.

Today, we have two of the most exciting brands that are substantially outperforming the market in the two biggest beauty categories, (Makeup Number One, and Skincare Number Two in U.S. Prestige beauty). Our brands participate in the most attractive sub-segments of these two categories, Prestige Makeup and Professional Science-Led Skincare. Their superpower is high consumer affinity and strong brand equity in their respective markets, amplified by a strong innovation capability and superior returns on business driver investments.

Milk Makeup is a cult-favorite Gen Z brand and benefits organically from an engaged community due to its cultural relevance and iconic products. It is a leading Clean Makeup brand with 2.8 million Instagram followers that is growing five times faster than the Market in the U.S. It is also quickly building a global following with leadership positions in several international markets, demonstrating its universal appeal and efficient expansion potential.

Obagi Medical continues its clear advantage as the number one U.S. Physician Recommended medical-grade Skincare brand for top ranked patients' needs (pigmentation, fine lines and wrinkles, and sagging skin), leading in the most attractive, fast-growing sub-segment of premium skincare. Obagi Medical consistently delivers breakthrough technology for transformative clinically proven results to answer the needs of physicians and patients alike. Both groups show high loyalty to the brand.

The strength of the Obagi brand which we acquired a bit over two years ago combined with our acceleration of innovation, our efficient investment in business drivers, and our go-to-market expertise have meaningfully propelled the brand's growth. We are very proud that Obagi Medical, the pioneer brand of the Physician Dispensed professional skincare industry is today the fastest growing brand among the Top-10 Professional Skincare brands in the U.S., and this is only the beginning as we believe Obagi Medical is perfectly positioned to answer globally the growing consumer need for high performance, effective skincare while also paving the way for expansion into new categories.

At Waldencast, we've built a powerful and repeatable formula for growth and profitability – what we call the Waldencast Flywheel Effect. It is a simple yet highly effective model, but executing it consistently requires deep industry expertise and strong capabilities. It all starts with them foundation: strong brands in high-growth, structurally attractive beauty sub-categories like Milk Makeup and Obagi. These are brands that don't just offer great products, they forge deep, authentic connections with our communities, often beyond just functional benefits. And by being part of Waldencast, they gain access to even greater opportunities for growth and value creation.

Once a brand joins our portfolio, our first priority is driving operational efficiency with a sharp focus on expanding gross margins, and we do this without compromising; in fact, we aim to enhance consumer perceived product quality and also accelerate innovation. We then reinvest these savings into sales and marketing business drivers which fuel further top line growth, further enhancing gross margin and

delivering operational leverage by diluting fixed costs to produce robust profit growth. As you will see in this presentation, we have delivered on these objectives in a big way.

This Waldencast flywheel effect is already paying dividends, even if we're very much at the beginning of our journey. In fiscal year 2024, we outpaced the top three best-in-class competitors and grew 3.5 times faster than the average of our peer group. Our adjusted gross margin stands 430 basis points above the industry average, giving us the ability to reinvest in high-ROI business drivers that fuel further growth. As a result, despite making significant investments in the group's capabilities, we achieved strong operational leverage, expanding our Adjusted EBITDA margin significantly to reach 14.7% in 2024.

Where are we today, and what comes next? Our platform today has two brands, Milk Makeup and Obagi Medical, which participate in a limited segment of the vast, vast, vast beauty space. We are aiming to build a multi-brand platform that will encompass over time all strategic categories, geographies, channels and price points. We're just getting started.

Let me now turn the presentation over to Manuel to review our financial results and outlook.

### **Manuel Manfredi**

Thank you, Michel. Good morning everyone. I'm pleased to share our fourth quarter and fiscal year 2024 results with you today. Our performance continues to reflect the successful execution of our strategy that provides a powerful framework to maximize the inherent strength of our brands, Milk Makeup and Obagi Medical. As we have demonstrated this year, our strategy continues to deliver ongoing revenue and profit growth and furthers our commitment to deliver value for our shareholders. Today, I will focus on our adjusted financial measures. You can find a reconciliation to U.S. GAAP financial measures in our press release issued yesterday and also in the appendix to this morning's presentation.

Now let's delve into the highlights of our fourth quarter performance. Net revenue reached \$72.1 million and represented a robust 29.4% increase in comparable growth, with balanced performance across our brands. Milk Makeup grew 31.9% in the quarter, reflecting channel expansion including initial shipments in support of our recent launch into 600 Ulta Beauty locations and on Ulta.com. Obagi Medical delivered 27.7% comparable net revenue growth fueled by accelerated performance in the U.S. Physician Dispensed and ecommerce channels, supported by improved in-stock positions resulting from our supply chain initiatives.

Adjusted Gross Profit rose 30.7% to \$52.6 million from \$40.3 million in the fourth quarter of 2023, and Adjusted Gross Profit Margin remained stable at 73%, with little change from 73.1% reported in prior year's fourth quarter. Adjusted EBITDA doubled to \$11.2 million from the fourth quarter of 2023 with Adjusted EBITDA margin expansion of 530 basis points year-over-year to reach 15.5%. This notable improvement reflects strong revenue momentum and improved operational leverage, which effectively offsets a strategic increased investment in marketing and international capabilities to support future sustainable growth.

Our outstanding fourth quarter results built on the strong momentum we saw throughout the year, leading to an exceptional fiscal year 2024 performance. To this end, let me dive into the highlights of the year. First, Net revenue reached \$273.9 million, a robust 27.5% increase in comparable growth. Next, Adjusted Gross Profit jumped to \$203.6 million, up 35.3% from 2023, and Adjusted Gross Profit Margin of 74.3%, a 530 basis point improvement year-on-year; and finally, Adjusted EBITDA delivered stellar growth, up 65.1% to \$40.3 million. This Adjusted EBITDA was driven by strong sales and improved gross margin which more than offset our increased investments in support of our growth. This brought Adjusted EBITDA margin to 14.7%, marking a 350 basis point increase from 11.2% in 2023. These results demonstrate the power of our strategy, our brands and our teams.

Now, one of the strengths of our business is our ability to efficiently convert our Adjusted EBITDA into cash. This is largely due to our asset-light business model combined with a disciplined approach to operations. In 2024, we saw a robust Adjusted EBITDA to cash conversion ratio of 78.8%. This was achieved through effective working capital management and the fact that our business model requires relatively low capital expenditures. Let me illustrate this point. Our year-end inventory was down 4.7% versus prior year, and while accounts receivable grew 19.7%, that growth is well below our revenue increase. Now, it's important to note that currently a significant portion of our cash is being used to cover non-recurring expenses that are associated with the ongoing regulatory investigation that we have previously disclosed. We expect that once this matter concludes, we will see an increase in our cash generation which will allow us to further strengthen our financial position and improve our overall capital structure.

Now let's take a look at our financial position. At the end of 2024, our cash position was \$14.8 million and we had an additional \$30 million available on our revolving credit facility. Our Net Debt totaled \$154.2 million, and for an update on the share count, as of February 28, 2025, we had 122.7 million shares outstanding.

We are also excited to announce that we have secured a new \$205 million five-year credit facility. This facility replaces our current one and includes a \$175 million Term Loan and a \$30 million Revolving Credit Facility. We have secured this financing significantly in advance of the July 2026 expiration of our prior facility, and this proactive move provides us with greater financial flexibility and extends our debt maturity profile through 2030.

We are pleased with the performance of our brands and business, and we believe that our ongoing growth strategies coupled with further enhancements to our internal capabilities positions us well to maintain this positive momentum throughout 2025. With this in mind, we anticipate strong performance for the full year 2025, and we expect to deliver Net Revenue Growth in the mid-teens. Additionally, we expect Adjusted EBITDA Margin to further expand into the mid-to-high teens.

Now I would like to share some perspective for the quarterly phasing of revenue. For the first quarter, we expect our net revenue to be relatively flat due to the anniversary of the highly successful Milk Makeup "Jellies" launch from Q1 2024, as well as inventory adjustments in some of our retail partners. Following the first quarter, net revenue growth is expected to accelerate progressively driven by our strong innovation pipeline and the continued expansion of our distribution footprint in the U.S. and internationally, including the launch of Milk Makeup at Ulta Beauty in March 2025.

With this, let me now turn the call over to Michel to cover our brand performance and strategic growth drivers.

### **Michel Brousset**

Thank you Manuel. Let's now look at the performance by brand, starting with Milk Makeup. In the fourth quarter, Milk Makeup generated net revenue of \$29.9 million, an increase of 31.9% versus the fourth quarter of 2024. This growth reflected initial shipments to Ulta Beauty in support of the brand's spring 2025 launch. This compensated for a normalization of the market combined with retailer inventory adjustments resulting in lower growth in consumption than anticipated. Adjusted Gross Profit Margin of 64.9% increased 180 basis points from last year, driven by the positive impact of channel and product mix as well as margin accretive innovation. Adjusted EBITDA was \$4.8 million, representing growth of \$3.4 million from Adjusted EBITDA of \$1.4 million in Q4 2023, demonstrating the success of our Waldencast flywheel. Adjusted EBITDA margin expanded 1,000 basis points to 16.1% from 6.1% in the fourth quarter of 2023.

For the fiscal year, Milk Makeup generated net revenue of \$124.6 million, increasing 24% from 2023. Adjusted gross profit rose 27.4% to \$85 million, with gross profit margin expansion of 180 basis points to

68.2%. Adjusted EBITDA rose 58% to \$29.1 million from \$18.4 million in 2023, with Adjusted EBITDA margin expanding 500 basis points to 23.3% of net revenue from 18.3% in 2023.

Our vision for Milk Makeup is for the brand to be the number one beauty choice of the next generation. It is already a cult beauty brand among Gen Z, increasingly Millennials and haloing onto Gen Alpha, (although the brand doesn't really target Gen Alpha). In recognition that younger generations see themselves and their values represented in the brands they use, we unveiled a new brand mantra of "Live Your Look", which is a celebration of individuality and self-expression. It is not how consumers wear their makeup, it's what they do in it that matters.

Our growth strategy has consistently focused on three pillars: first, expand our brand and community reach by broadening brand awareness, strengthening our core loyal Gen Z audience, and welcoming new audiences where our brand mantra, beauty point of view and products resonate strongly as with Millennials and Gen X; second, continue to launch market-disrupting beauty innovation whilst expanding into bigger segments such as complexion; and lastly, broaden our footprint by expanding the brand's presence online and offline, both in the U.S. and internationally.

Now a quick year in review with just a few highlights. In 2024, Milk Makeup delivered strong and consistent results across all key growth strategies. Milk Makeup has expanded its reach and community by reaching a record EMV ranking at number 6 in February 2024, reaching 1 million followers on TikTok in Q2, being called in 2024 one of the most powerful beauty brands by Women's Wear Daily in Q3, and closing the year in Q4 at number 14 EMV rank and 4.8 billion PR impressions, as well as garnering 28 global beauty awards- net-net, a huge amount of buzz and support for the brands.

Second, Milk Makeup innovation broke all records with the launch of the viral, sold-out Cooling Water Jelly Tint, which became the number two biggest beauty launch in the United States in 2024, and this coming from a relatively small brand in the category, and continuous extension into lip with Kush Lip Oils, mascaras with Kush High Roll, and new innovation in NPD to halo Core on primers with Pore Eclipse and Hydro Grip + Glow. Lastly, Milk Makeup successfully extended its footprint in 2024 internationally in Europe and Asia through its viral launch in Lyko in Scandinavia, Boots in the United Kingdom, and Sephora in India, among others.

Looking ahead into 2025, we're doubling down on our three proven growth strategies of innovation, expansion and distribution, and growing our brand awareness. An early peak into a couple of 2025 Q1 highlights. Let's start with innovation. First, our launch of next-generation skincare, clinically proven, clean, safe for all skin types, for anytime and anywhere, done of course the Milk Makeup way. On the back of our record-breaking launch of Cooling Water Jelly Tints in 2024, Milk Makeup introduced in February Jelly Skincare, the first Jelly Serum Stick, mess-free, "good-for-you" ingredients for the juiciest skin ever. It comes in two variants, Cooling Water Jelly Ice and Watermelon Jelly Glow, bringing hydration and glow in a unique and desirable format. It is perfect for recruiting new consumers, further building our strong hold on Gen Z and entering an incremental category of skincare.

In March, Milk Makeup launched their foray into the big complexion market, a skin tint like no other, skin tint that won't quit. Building on the insight that most existing skin tints or tinted moisturizers don't last, thereby causing dissatisfaction with consumers, Milk Makeup launched the first gel skin tint that is long wear for up to 12 hours. Housed in the brand's cult Hydro franchise, Hydro Grip Gel tint is perfectly positioned to win new consumers in a category that is big, has high loyalty and over-indexes to an incremental target audience of millennials. It is the first step in unlocking the complexion opportunity, the biggest Prestige Makeup category, with 47% of the face category and a staple in consumers' top three makeup products; it is a key category to win to build the brand to the next level. Milk Makeup Hydro Grip skin tint with its skincare benefits is well positioned to win in a category where 94% of consumers use makeup with skincare benefits. Now, it has only launched two weeks ago, but it's showing early signs of viral success with a 4.7 star rating on Sephora.com, 96% recommended and 34,000 "Loves" with a 3.8 million Earned Media Value and counting.

Another highlight for 2025 is of course the much-anticipated expansion of our U.S. distribution for the first time since we launched Milk Makeup in 2016. Starting March 2, 2025, Milk Makeup expanded into more than 600 Ulta doors, and online in the United States. This very important and strategic expansion was much awaited and requested by Ulta guests. We believe Ulta, the largest specialty beauty retailer in the U.S. with more than 1,400 stores, 500 Ulta Beauty at Target locations, and 44 million loyalty members is a perfect partner to allow us to reach a whole new set of consumers for the brand. This new retail partner is quite additive and complements our strong Sephora distribution.

Now from Milk Makeup, let's review our high-performance skincare brand, Obagi Medical. Obagi Medical continued its excellent performance, recording net revenue of \$42.2 million in Q4, representing comparable growth of 27.7% from Q4 2023. This growth was driven by the success of our expansion strategies focusing on introducing blockbuster innovation, accelerating growth in our physician dispensed channel, and expanding our consumer reach with high impact marketing. Adjusted gross profit totaled \$33.2 million with adjusted gross margin contracting 130 basis points to 78.7% from 80% in Q4 of last year. We planned this reduction in gross margin in the quarter in order to drive future operational efficiency as we continue to work on streamlining our product portfolio by discontinuing some products at lower margins. The strong sales growth combined with significant growth in adjusted gross profit dollars more than offset increased investment in business drivers, leading to Adjusted EBITDA of \$9.8 million, representing a 23.7% increase from Q4 2023. Adjusted EBITDA margin was 23.3% and compared to an Adjusted EBITDA margin of 24.5% in the fourth quarter of 2023.

Now looking at the fiscal year, Obagi Medical delivered net revenue of \$149.3 million, representing comparable growth of 30.7% from fiscal 2023. Adjusted gross profit rose to \$118.6 million to 79.4% of revenue versus \$83.7 million or 71.2% of net revenue in fiscal 2023. This growth led to Adjusted EBITDA of \$30.5 million, a 46.4% increase from fiscal 2023 with Adjusted EBITDA margin expanding to 20.4% from 17.7% in 2023.

Obagi Medical's vision is to be the number one physician dispensed dermatological brand in the world. We are today already the leading U.S. physician recommended brand for the top three skin concerns, representing two-thirds of in-office skincare sales, namely pigmentation, fine lines and wrinkles, and sagging skin / loss of elasticity. That is a reason to believe on this global vision of number one in the world. In the U.S., Obagi, as we mentioned earlier, was the fastest growing top 10 professional skincare brand in 2024, showing the potential and ability to still grow domestically as we expand internationally.

Our growth strategy has consistently focused on three pillars: double down on Dermatological brand DNA, starting with a brand refresh from packaging to campaigns with a look and feel that reinvents our medical heritage with a modern twist that harmonizes the brand execution and resonates even more strongly with physicians and consumers alike; keep driving cutting edge science-backed innovation, the reason for Obagi Medical to deliver unmatched targeted transformative solutions, with a robust pipeline of global products with market-leading clinical data to support; and grow awareness and footprint, making more consumers aware of Obagi Medical domestically and internationally to fuel our physician-centered ecosystem.

In 2024, Obagi Medical delivered strong and consistent results across all key brand strategies. Just a few highlights: Obagi Medical doubled down on its dermatological brand DNA by signing Dr. Suzan Obagi as the brand's medical director, putting physician needs at the heart of our innovation and education, as well as affirming our thought leadership in leading trade shows such as IMCAS in Paris and AAD in the U.S. Over the second half, our revamped Brand Identity started cascading into the world through our packaging upgrade, owning and celebrating the power of our brand and franchises in a more relevant look, as well as our new visual identity.

Obagi Medical accelerated innovation with a range of successful launches aimed at both consumers and the professional skincare medical community. Most notably, Daily Hydro-Drop Eyes, which became the

number one direct-to-physician sales in volume in Q2 2024, and the blockbuster Elastiderm Lift Up & Sculpt facial moisturizer and Elastiderm Advanced Filler Concentrate, which led Q4, being the biggest Elastiderm franchise quarter ever. As for brand awareness, Obagi Medical in Q1 2024 became the number three fastest growing EMV total beauty brand and closed 2024 as the fastest growing brand in EMV versus its competitive set at plus-85%, whilst gathering an organic cult social following from professional and skin influencers in the U.S. and globally with more than 50 worldwide publications and editors' love.

In 2025, Obagi Medical is taking its new brand identity and visibility further. Visuals that celebrate the transformative skincare results of the brand in an ownable and dermatologically centered execution across multiple touch points in office and outside the office and realized online, driving awareness with consumers education, guiding into the brand and into practitioners' offices.

Obagi Medical expanded the Suzan Obagi MD collection with groundbreaking new products, including the Super Antioxidant Serum and the Moisture Restore hydration Replenishing Cream. Two clinically backed innovations inspired by in-office patient needs identified by Dr. Suzan Obagi, and designed to be incremental and complementary to the existing portfolio. Moisture Restore provides medical grade, multi-layer moisture through a unique combination of hydrators that deliver multi-layer hydration and replenishment to boost the skin barrier, while Super Antioxidant Serum delivers medical-grade defense against oxidative stress thanks to a potent antioxidant complex that works even on sensitive skin and is a perfect alternative for those who do not tolerate well Vitamin C. Both have launched in February and early results are promising, and we will have more to share on the next call.

To conclude, we're very pleased to share our strong performance across both brands, reflecting increasing desirability, relevance and awareness of our Obagi Medical and Milk Makeup brands. 2024 was a transformative year that saw us deliver Revenue growth that was 3.5 times better than the average of our peer group and Adjusted Gross Margin that is 430 basis points better than the average of our peers. Milk Makeup grew five times the overall beauty market rate and Obagi Medical was the fastest growing of the top 10 professional skincare brands in the U.S. Importantly, we're just getting started, and we believe our company is poised for long term profitable growth through the growth engine we have built with our Waldencast Flywheel. This magical combination of highly expert and motivated talent with a highly efficient growth and profitability engine will only get stronger as we add new brands to the group.