

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

Operator

Good day and welcome to the Waldencast First Quarter 2025 Earnings Call.

All participants will be in listen-only mode. A question-and-answer session will follow the formal presentation. If you should require Operator assistance during the conference, please press the star key and then zero on your telephone keypad. Please note that this event is being recorded.

I will now hand it over to Allison Malkin, Partner, ICR. You may proceed.

Allison Malkin

Thank you and welcome to the Waldencast plc first quarter fiscal 2025 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. Manuel will follow with a review of the first quarter 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.

Before we start, 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 the Waldencast 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 Statement", in the company's earnings release and in the company's filings that it makes with the Securities and Exchange Commission, which are available at www.sec.gov and on the Investor Relations section of the company's website at ir.waldencast.com and should be read in conjunction with the section entitled Risk Factors in the company's Annual Report for 2024 on Form 20-F filed with the Securities and Exchange Commission on March 20, 2025. 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. I am pleased to speak to you today and share our first quarter performance and outlook for the year.

During the quarter, we made strong progress against our growth strategy, elevating our powerful brands, launching break-through innovation, expanding points of distribution, and increasing community engagement and love while investing in support for our future. As anticipated, Q1 presented some challenges as we had to anniversary strong growth and launches from a year ago, a decelerating beauty

market, and a fluid macro and retail environment. We are encouraged, however, by the end of quarter performance, which gives us confidence that our brands and businesses are poised to achieve our annual growth and profitability goals.

As we have discussed in previous calls, it is important to highlight that while we have a strong focus on quarterly, monthly and even daily performance, we manage our business against our annual targets in order to maximize value creation. We are building a unique and strong platform for growth and profitability that creates, acquires, accelerates and scales the next generation of beauty and wellness brands. Our strategies are working very well. We are strengthening our brands, driving industry-leading innovation, and expanding our brands' footprints so we can reach more and more consumers around the world.

However, we are only at the beginning of our journey and much remains for us to do. One key area of operational focus in the coming quarters is to continue to strengthen our supply chain. We have achieved or are close to achieving our cost efficiency objectives, but we need to now work more on improving the speed and flexibility of our supply chain to drive even greater reactivity, given increasing levels of demand for our brands and innovation.

Today, we have two powerful brands that have garnered critical mass while still having substantial runway for multi-year growth. With Milk Makeup and Obagi Medical, we have a solid foundation in prestige skin and color. We have a core business in the U.S. and a growing presence internationally. We are achieving strong growth in attractive channels in professional, specialty, retail and online, and expect this momentum to continue as we drive awareness of both brands beyond our core communities, continue to introduce more blockbuster innovations, and expand into other regions and categories. Our increasing success with both brands and the power of our unique pure-play beauty ecosystem in an industry that requires deep expertise gives us a distinctive competitive strength in attracting other brands and founders into our platform.

Let me now turn the call over to Manuel to go over our financial results in more detail.

Manuel Manfredi

Thank you Michel. It is a pleasure to be here today to discuss our first quarter performance and also the continued progress of our strategy. Let me begin with a review of our financial performance.

For the first quarter, we have reported net revenue of \$65.4 million, representing a decline of 4.1% from the first quarter of last year. Our adjusted gross profit margin remained strong at 76.4%, an increase of 10 basis points year-over-year. Our Adjusted EBITDA was \$4.4 million for a margin of 6.7%. This reflects our continuous focus on investment in sales drivers in support of our growth.

Now let's look at each brand's specific performance. Starting with Milk Makeup, we saw revenue decline 15.1%; however, we saw solid domestic performance despite a broader slowdown in the prestige beauty category with Milk Makeup ending the quarter on a strong note, fueled by the highly successful launch of Hydro Grip Gel Skin Tint. We sold out quickly due to demand greatly exceeding our forecasts. We are also very pleased with the brand's launch into Ulta Beauty, with sales beginning in late February. Both initiatives contributed to the brand's high single digit growth in U.S. retail sales.

This solid domestic performance was offset by the contraction of international sales, which faced a difficult comparison against last year's Q1 distribution expansion, as well as inventory adjustments by retail partners. Additionally, the international launch of our Skin Tint occurred later than in the U.S., resulting in minimal impact on our Q1 international performance. As I will share shortly, we anticipate our growth drivers to accelerate strongly going forward.

Adjusted gross profit margin of 69.5% represented a sequential increase of 460 basis points from Q4 but a 180-point decrease from Q1 last year, reflecting added set-up costs from our launch into Ulta Beauty.

Adjusted EBITDA totaled \$4.4 million and the brand maintained a healthy Adjusted EBITDA margin of 14.9% of net revenue.

Moving to Obagi Medical, we achieved net revenue of \$36.2 million, increasing 7.1% from the first quarter of 2024. This growth was tempered by out-of-stock issues in key SKUs. We are actively advancing our supply chain transformation, including consolidation of our third-party logistics providers and the optimization of the distribution center network. These strategic changes are designed to enhance operational efficiency and support long-term, scalable growth.

Adjusted gross profit margin remained strong, increasing 60 basis points to 82%, and Adjusted EBITDA totaled \$5.9 million or 16.3% of net revenue, reflecting increased marketing investment and higher supply chain costs in support of our future growth.

Now let me turn to a review of our revenue drivers for the quarter. The quarter saw us build significant positive momentum across both brands that we believe positions us for accelerated growth going forward. Starting with Milk Makeup, innovation continued to be a major driver. The launch of Hydro Grip Gel Skin Tint was another standout success for the brand and in the more strategic complexion category than last year's Cooling Water Jelly Tint success. One that has high levels of repeat and loyalty and helps us drive our "trust" metrics on the brand.

Digitally, both Milk Makeup and Obagi Medical saw continued growth driven by our successful consumer acquisition and retention efforts. We were especially pleased with Obagi's performance, which reflects the increasing desire for the brand as we have now fully lapped the transition to a first party model with our primary ecommerce distributor. Milk Makeup also entered Ulta Beauty, representing a major new U.S. distribution for the brand. The launch saw high consumer demand with strong initial sell-out and contributed to the delivery of the high single-digit growth in U.S. retail sales in the quarter. We are very pleased with the strong partnership with the Ulta Beauty team.

Now despite these wins, there were three main headwinds that impacted our results, and we're actively addressing each one.

First, profitability. At Obagi Medical, our ongoing restructuring led to some supply chain disruptions causing lower fulfillment rates and out-of-stocks on certain key products. We've accelerated our supply chain transformation to fix this – consolidating third-party logistics partners, redesigning our network, and boosting our operational capabilities to drive better fulfillment, greater reliability, and long-term growth. Milk Makeup also experienced stockouts, with demand for Hydro Grip Gel Skin Tint far outpacing expectations. We expect to be in a stronger inventory position by the end of Q2.

Second, Milk Makeup's international performance faced a tough comparison to Q1 of last year, when the brand launched in several international markets. In addition, the international launch of Skin Tint occurred later than in the U.S., and therefore did not contribute meaningfully to Q1 results.

Third, as expected, we saw some adjustments in inventory levels at certain retail partners compared to Q1 last year.

Overall, when we look at the fundamentals of our brands, we remain optimistic about the road ahead and expect our net revenue growth to accelerate moving forward. Our confidence is grounded in several key growth drivers.

First: Continue to benefit from the introduction of breakthrough innovation, fueled by a robust pipeline of category-defining products that includes both strengthening our core offerings and expanding into new categories.

Second: The expansion of our digital channels. Here we are seeing strong momentum supported by continued progress in acquiring and retaining high value consumers that are incremental to our brands.

Third: The continued growth in our retail footprint. Milk Makeup's launch at Ulta Beauty is off to a strong start which is allowing us to reach incremental consumers to the brand.

And finally, we expect to significantly improve product availability by the end of the second quarter. While these growth drivers give us confidence, we remain mindful of the broader macroeconomic environment. We are expecting some pressure from softer consumer sentiment and spending, particularly if tariffs and other factors continue to impact the broader macroeconomic environment.

When it comes to tariffs, the majority of the impact for us falls within our cost of goods and we believe it is quite manageable. The good news is that over two-thirds of our cost of goods originate right here in the U.S. Thanks to the proactive work of our teams over past years, our exposure to China is now quite limited—representing only about 10% of our total cost of goods. Mainly in packaging components. Taking this into account, and assuming the current tariffs remain in place for the whole of 2025, including the latest news on China tariffs, we expect a low-single-digit percentage increase in cost of goods sold for fiscal 2025—and that's already reflected in our guidance. That said, we're actively working to mitigate the impact of tariffs through three key actions:

First, we're optimizing our supply chain flows to further reduce our exposure to China.

Second, we're preparing to implement selective pricing actions, likely in the low-single-digit range, where needed.

And third, we're deepening our collaboration with supplier partners to unlock additional efficiencies.

Now let's take a look at our balance sheet position. At the end of the first quarter, our cash position was \$10.8 million and we had an additional \$22.5 million available on our new revolving credit facility. Our net debt totaled \$172.1 million compared to \$154.2 million at the end of 2024, the increase coming primarily from the costs related to the refinancing of our debt that extended our maturity profile to March 2030. Cash consumption in Q1 reflects a lower Adjusted EBITDA and an increase in inventory levels in both brands to support expected sales loss in future quarters.

Looking ahead to the full year, we expect strong positive Adjusted EBITDA to cash conversion supported by disciplined working capital management and low capital expenditures. In addition, we are very pleased to report a substantial reduction in our non-recurring legal costs. Based on our current forecast, we expect these costs to continue declining versus prior year. We had little changed in our share count and, as of April 30, 2025, we had 123 million shares outstanding.

Now turning to our outlook. While we remain mindful of the broader macroeconomic environment and assuming no further material changes to current tariffs, we continue to believe that the successful execution of our growth strategy along with ongoing enhancement to our internal capabilities, positions us well to deliver on our full year guidance. We are targeting net revenue growth in the mid-teens and an Adjusted EBITDA margin in the mid to high teens.

The key drivers behind this expectation, as mentioned earlier, include: the expansion of Milk Makeup across both brick and mortar and ecommerce channels in the U.S., the improvement in fulfillment rates at Obagi Medical as we complete our operational initiatives, and the continued roll-out of blockbuster innovation on both brands along with growing returns from our marketing investments which are driving brand awareness, trial, and long-term loyalty.

With that, now I will turn the call back over to Michel to take you through our brand accomplishments in more detail.

Michel Brousset

Thank you, Manuel. Now let's look at our performance by brand, starting with Milk Makeup. Our vision for Milk Makeup is to be the number one next generation beauty brand. It is already a cult beauty brand among Gen Z, increasingly Millennials, and haloing on Gen Alpha. In recognition that the next generation see themselves and their values represented in the brands they use, our brand mantra to "Live Your Look" is a celebration of individuality and self expression. It is not how consumers wear their makeup, it is what they do in it that matters.

We have maintained a disciplined focus on three growth pillars: first, continue to launch market-disrupting beauty innovation while expanding into high replenishment categories, such as complexion; second, expand our brand and community reach by broadening awareness through strategic brand partnerships, strengthening our core loyal Gen Z audience and welcoming new audiences where our brand mantra, beauty point of view and products resonate strongly, such as millennials and Gen X; and third, broaden our footprint by expanding the brand's presence online and offline, both in the U.S. and internationally.

In March, Milk Makeup made its bold entrance into a large and highly competitive complexion category with the launch of Hydro Grip Gel skin tint. 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 longwear for up to 12 hours. Rooted in the brand's cult favorite Hydro franchise, the product is strategically positioned to attract new consumers in a category known for strong loyalty and high repurchase rates, particularly among millennials, a key incremental audience for the brand.

This marks the first step in unlocking the complexion opportunity, the largest category in prestige makeup, representing 47% of the face segment and a staple in consumers' makeup. It is a critical category to win and position the brand to the next level. Resonating strongly with our community and beauty enthusiasts, it has become a viral success story, generating already \$18 million in earned media value and over 245 million impressions since its launch in March, resulting in a sold-out launch shortly after release with an average one unit sold per minute in Q1, and has already been recognized with the 2025 Cosmopolitan Holy Grail Beauty Award winner for the Best Skin Tint category and 2025 Well+Good Beauty Award for the Best Tinted Moisturizer.

Now broadening our brand and community, I am excited to announce that Milk Makeup has partnered with the iconic Nike brand. The first step in our partnership is the Nike After Dark Tour in Los Angeles bringing sport and self-expression together. The makeup partnership kicked off at Milk Studios in March and continues through race weekend in June, and there is much more to come. Also, our strong March launch in Ulta Beauty's top 600 productivity doors represents a compelling potential opportunity for future expansion, as Ulta's broader footprint includes over 1,400 stores nationwide and 500+ Ulta Beauty at Target locations, reaching incremental consumers that we have not previously captured. We are very excited about the early results and we're already achieving top rankings in the Prime and Set, Blush, and Skin Tint categories.

Now moving to the world of high-performance skin care with Obagi Medical. Our vision for Obagi Medical is to be the number one physician-dispensed dermatological brand in the world. Today, we are the leading U.S. physician-recommended brand for the top three skin concerns: pigmentation, fine lines and wrinkles, and sagging skin or loss of elasticity, which together account for two-thirds of in-office skin care sales. We are now very proud to be the fastest growing top 10 professional skin care brand in 2024 by a very long margin, showing the potential and ability to still grow domestically as we expand internationally.

We have maintained a disciplined focus on three strategic growth pillars: first, drive cutting edge, science-backed innovation that delivers transformative results supported by market-leading clinical data; second, double down on our dermatological brand DNA, re-anchoring in our medical heritage through a modern lens with impactful clinical testing, acceleration of open development, and deeper physician partnerships;

and lastly, growing brand awareness and expanding our footprint by increasing consumer recognition of Obagi Medical both domestically and internationally, fueling our physician-centered ecosystem.

Our two blockbuster innovations, ELASTIderm Lift Up & Sculpt Facial Moisturizer and ELASTIderm Advanced Filler concentrate, compete in one of the top skin care segments within the physician channel, delivering visible, clinically proven results. Both have earned significant editorial recognition with Lift Up & Sculpt facial moisturizer awarded Best Moisturizer for Fine Lines by New Beauty in 2025. In Q1, we also expanded the Suzan Obagi MD collection with two new products, including the Super Antioxidant Serum and the Moisture Restore Hydration Replenishing Cream. These clinically backed innovations are inspired by in-office patient needs identified by Dr Susan Obagi and designed to be incremental and complementary to the existing portfolio.

Looking ahead to Q2, we just launched the Retinol and PHA Refining Night Cream, a super exciting advanced dual action formula clinically proven to deliver smoother, more even looking skin in just four weeks. Designed for consumers with lower retinol tolerance, this high performance yet gentle product offers an effective alternative. As an incremental addition to a nighttime routine, it attracts a new consumer while expanding usage within our existing base.

We showcased our dermatological brand DNA in two major physician center conferences, the American Academy of Dermatology Annual Meeting in the U.S. and the IMCAS World Congress in Paris. Today these events welcomed over 38,000 professional attendees, further strengthening our presence and leadership in the global medical aesthetics space as we continue to see convergence of health, beauty and aesthetics worldwide.

Driving our dermatological brand DNA is growing all of our channels, including the digital world of obagi.com. This strategy has driven a 30% increase in homepage conversion following the implementation of updated brightening elements whilst also broadening awareness directly with consumers, with a Q1 year-over-year earned media value growth of 61% building a flywheel to drive consumers to practices.

To conclude, we're very pleased to share another quarter of strong progress towards our ambition. With a strong desirability for our brands globally and initiatives in place to accelerate our growth, we are confident in our ability to deliver our 2025 outlook and continue to drive sustained profitable growth well into the future. Let me share why. First, we began with the operational scale to manage a multi-brand platform with only two brands today and more to come into the future. Second, we possess a highly talented team with an expertise in managing global beauty brands at scale with significant growth opportunities in both geographic and category expansion. In addition, our portfolio is balanced in structurally attractive segments of the beauty category, and all of this is supported by an asset-light, agile and efficient structure that unlocks speed at scale, and finally, management incentives that are strongly aligned to drive long term value creation.