

PRESENTATION

Operator

Greetings. Welcome to the Waldencast Third Quarter and First Nine Months 2024 Earnings Call.

At this time, all participants are in a listen-only mode. If anyone should require Operator assistance, please press star, zero on your telephone keypad. A question-and-answer session will follow the formal presentation. You may be placed in the question queue at any time by pressing star, one on your telephone keypad, and we ask that you please ask one question, one follow up, then return to the queue. As a reminder, this conference is being recorded.

It's now my pleasure to turn the call over to Allison Malkin with ICR. Allison, please go ahead.

Allison Malkin

Thank you, and welcome to the Waldencast plc Third Quarter Fiscal 2024 Earnings call. 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 third quarter and year-to-date performance and provide our fiscal 2024 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, including statements about the outlook of Waldencast's business and other matters referenced in the Company's earnings release 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 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 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.

A live broadcast of this call is also available on the Investor Relations section of the Company's website at ir.waldencast.com, which will remain available for 90 days.

I will now turn the call over to Michel Brousset.

Michel Brousset

Thank you, Allison, and good morning, everyone. It is a pleasure to speak with you today and share another quarter of strong performance.

On the top line, comparable net revenue growth of 34.6% accelerated from 21% in Q1 and 25.7% in Q2 as we anticipated. This reflects increased consumer demand for our Obagi Medical and Milk Makeup brands and improved stock availability. Amongst our target audiences, our brands are consistently delivering strong innovation and community engagement. As a result, we're seeing ongoing success as we expand our global distribution.

We saw in Q3 and throughout the year robust growth evidencing the power of our operating platform that enables us to deliver increasing rates of profitability as we grow our market-leading brands.

To this end, in the third quarter, Adjusted EBITDA rose 134% to 16.3% of net revenue and expanded 720 basis points from the prior year. We continue to make progress toward achieving our vision to build 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.

Our repeatable Waldencast operating virtuous circle of growth and profitability is continuing to pay dividends as we continue to strengthen our efficiencies to drive gross margin expansion and invest into selling and marketing drivers to sustain and grow our top line momentum.

I'm very pleased with our performance in the quarter and first nine months of the year. We believe we're just getting started in realizing our true potential. Let me share with you why.

First, we possess the operational scale of a multibrand platform that will only get better as we add more brands to the portfolio. This, paired with the infrastructure and beauty operational talent, to support accelerated growth and EBITDA margin expansion for our portfolio of market-leading brands.

Second, we have a proven track record identifying, managing and building global beauty brands at scale. This success and the many opportunities we see in front of us provide us with a visible path to continue to attract leading brands to our fold.

Third, we have taken a balanced approach of structuring our portfolio in attractive segments of the category that enable us to maximize growth and benefit from diversification. We operate in the two most structurally attractive segments of the skin care and makeup categories.

Fourth, we operate an asset-light and highly efficient capital structure, which gives us speed and agility and return on capital with the operating discipline of a much larger company.

Fifth, and equally important, is our management incentives are highly aligned to value creation for our shareholders and are focused on rewarding long-term value creation through operational and capital allocation excellence.

As you know, we possess two of the most exciting brands in the two biggest beauty categories. Our brands play in the most attractive subsegments of these two categories, Prestige Clean Makeup and Professional, Science-Led Skin Care. Milk Makeup is a cult favorite Gen-Z brand and benefits organically from an engaged and diverse community due to its cultural relevance and iconic products. It is a leading Clean Makeup brand, the #2 clean brand at Sephora U.S. with 2.7 million Instagram followers and is quickly building a global following with leadership positions in several international markets. Milk Makeup has accomplished its relevant promise of cool, clean makeup that works.

Obagi Medical continues its clear advantage as the number one U.S. Physician Recommended, medical grade skin care brand for top ranked patient needs, leading in the most attractive, fast-growing subsegment of premium skin care. Leveraging 39 R&D partners, Obagi Medical consistently delivers

breakthrough patented technology and transformative clinically proven results. This drives high loyalty from both consumers and physicians. We continue to believe Obagi Medical is perfectly positioned to answer the growing needs for high performance, effective skin care, while also paving the way for expansion into other categories.

Yet, we have set our sights on building a much larger business, not just organically but also through acquisitions and brand development. We believe we're the perfect partner for indie brands as we preserve their brand DNA and allow our acquired brands to operate with autonomy, thereby maintaining the entrepreneurial spirit of each brand. At the same time, our platform provides many benefits from the sharing of best practices to leveraging the collective expertise of the Waldencast ecosystem. Simply put, we provide the data, technology, talent, finance, legal and supply chain support that elevates profitability and accelerates growth.

Let me share a real-life example.

When we acquired Milk Makeup, it was a cult favorite but not reaching its full potential. With our platform, we implemented the processes that improved decision-making, created efficiencies and removed cost to drive profit growth while increasing high ROI marketing spend to accelerate top line growth and we expect this to continue. As a result, we have created an algorithm for long-term success as evidenced by the delivery of top tier comparable net revenue growth of 26.9% in the first nine months of 2024, and a best-in-class adjusted gross margin of 74.8%.

Our flywheel of growth and profitability is simple and repeatable, with our Waldencast talent and expertise and you can see it play out in both Milk Makeup and Obagi Medical. When we add a brand to our portfolio, we first laser focus on the expansion of gross margin by driving operational efficiency. We then reinvest these savings into sales and marketing business drivers, which drive top line growth, further enhancing gross margin and delivering operational leverage by diluting fixed costs to produce robust profit growth.

While we have scale, we're only at the beginning of our journey to building a best-in-class global, multi brand portfolio. Today, we possess two powerful brands that have garnered critical mass while still having substantial runway for 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 in Europe and in the Asia-Pacific region.

We're achieving strong growth in attractive channels, including Professional, Specialty Retail, and Online, and expect this momentum to continue as we drive awareness for both brands beyond their 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, an industry that requires deep and specific expertise, give us a distinct competitive strength in attracting other brands and founders into our platform.

Now I will turn the call over to Manuel to review our financials and outlook.

Manuel Manfredi

Thank you, Michel.

Good morning, everyone. I am pleased to share our third quarter and first nine months results for 2024 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 Milk Makeup and Obagi Medical brands. As shown

this year, our strategy continues to deliver ongoing revenue and profit growth, and furthering our commitment to delivering shareholder value.

Today I will focus on our adjusted financial measures. You can find a reconciliation to GAAP financial measures in our press release from yesterday and in the appendix of this morning's presentation.

Let's dive into the highlights of our third quarter performance.

Net revenue was \$70.2 million and represented a strong 30.46% increase in comparable growth. Obagi Medical and Milk Makeup achieved 45.5% and 23.5% growth, respectively, and both brands accelerated from Q2. Milk continues to grow strongly in Q3 2024, with increased global visibility boosted by new partnerships with four European retailers. We also expanded our product line, which has strengthened our presence, especially in North America.

In Obagi, our growth has been driven by the successful product launches on the Elastiderm family and continued acceleration across digital channels, further supported by the benefits of the shift in our Amazon distribution model at the end of 2023 to a direct operating model. Additionally, it is benefitting this quarter from improved inventory levels, an issue that limited our growth in Q2. That said, while the inventory levels are substantially improved, we are still not completely out of the woods, and expect out-of-stocks to still be a factor into Q1 next year.

Adjusted gross profit came in at \$51.4 million. We continued to see significant year-over-year expansion in our adjusted gross profit margin, which rose 400 basis points to 73.2% in Q3 2024. This reflects growth of higher margin channels of distribution and lower inventory obsolescence versus Q3 last year.

Adjusted EBITDA of \$11.4 million more than doubling with 134% increase from Q3 last year. Adjusted EBITDA margin expanded 720 basis points year-over-year, reaching 16.3%. This notable growth reflects strong revenue momentum and operational leverage, which more than offset the increased investment in marketing and international capabilities to support growth and future acquisitions.

Our outstanding third quarter results have built on the momentum from a strong first half, leading to a remarkable year-to-date performance. For the first nine months of 2024, our net revenue reached \$201.8 million, a solid 26.9% increase in comparable growth. Adjusted gross profit came in at \$150.9 million, up 37%, with an adjusted gross profit margin of 74.8%, a 720 basis points improvement compared to the first nine months of 2023. Adjusted EBITDA grew by 54.9% to \$29.1 million, driven by strong sales growth and improved gross margin, which more than offset our increases in marketing expenses. This brought our Adjusted EBITDA margin of 14.4% in the first nine months of 2024, marking a 290 basis point increase from 11.5% in the same period last year.

As we look ahead, our strong performance in the first nine months, the continued success of our growth strategy, and the continuous investment in our internal capabilities, positions us well to carry on this momentum into the final quarter of the year. With this in mind, for the full year 2024, we reaffirm our prior guidance, and we continue to expect comparable net revenue growth to accelerate beyond the 25.7% increase we saw in Q2, and Adjusted EBITDA margin to land in the mid teens range, a substantial growth from the 11.2% Adjusted EBITDA margin achieved in 2023.

Turning to our balance sheet and cash flow. We ended the first nine months of 2024 in a solid financial position with no near-term debt maturities. Our business continues to have a strong Adjusted EBITDA to cash conversion driven by efficient working capital management and limited CapEx spend thanks to our asset-light business model. Currently, a significant portion of this cash is allocated to cover non-recurring costs associated with the ongoing regulatory investigation. Once this matter concludes, we expect the cash generated by the business will help us to be in an even stronger financial position by improving our capital structure.

As of September 30, 2024, we have cash and cash equivalents of \$17.6 million, and we also have \$30 million available on our revolving credit facility. Our net debt totaled \$154 million, and as of November 15, 2024, shares outstanding were 122.9 million.

Now I will turn the call over to Michel.

Michel Brousset

Thank you, Manuel.

Let's now look at performance by brand, starting with Milk Makeup.

In the third quarter, Milk Makeup generated net revenue of \$31.5 million, an increase of 23.5% versus a year ago. Momentum for Milk Makeup grew in the quarter driven by the increased awareness and buzz associated with the brand, the delivery of sought-after innovation and our international expansion. Specifically, this quarter, we built on the success of the Cooling Water Jelly Tints with the introduction of two additional shades, and versus second quarter, stock levels for jellies have improved, allowing the brand to better meet what has been unprecedented demand. We also launched Hydro Grip + Glow and Kush Higher Roller brow and mascara, which further strengthened our award-winning franchise in primers and growing cult icons with our new product offerings.

Adjusted gross profit margin of 66.6% declined 340 basis points from last year, driven by a shift in mix with increased lower margin holiday kits shipping in Q3 this year versus last year, and a shift in timing of off-price sales to third quarter this year from Q2 last year. In addition, Q3 2023, adjusted gross profit margin had a favorable inventory provision which aided the rate. As you will see in the next slide, Milk Makeup's gross margin continues to improve.

Adjusted EBITDA nearly doubled to \$8.5 million, while Adjusted EBITDA margin of 27.1% expanded 1,040 basis points from the third quarter of 2023, as strong revenue and growth increased gross margin dollars offset increased sales and marketing investments in support of growth.

For the first nine months, Milk Makeup generated net revenue of \$94.7 million, increasing 21.7% from the first nine months of 2023. Adjusted gross profit rose 25.2% to \$65.6 million, with gross profit margin expansion of 190 basis points to 69.2%. Adjusted EBITDA rose 42.5% to \$24.2 million from \$17 million in the first nine months of 2023, with Adjusted EBITDA margin expanding 370 basis points to 25.6% of net revenue, versus the first nine months of 2023.

Milk Makeup saw balanced growth across geographies, reflecting the increased relevance of the brand across the world. Indeed, globally, more and more consumers are embracing Milk Makeup and what the brand stands for as we deliver on our promise to introduce cool, clean makeup that works. The brand generated outstanding growth across geographies in the first nine months of the year, with revenue up 22.3% in North America, and 20.4% internationally.

Milk Makeup's vision is to be the number one beauty choice of the next generation, Gen-Z and increasingly Gen Alpha, and we have a clear, proven and sustainable growth strategy to get us there. A strategy anchored in four clear pillars: expanding our already cult community by continuing to engage with the existing one as well as welcoming new groups and delighting both through our expertise, innovation and values-based approach to makeup. Innovation and to keep pushing the boundaries of what clean, cool beauty looks like by continuing to build iconic products, such as our Prime and Set and Sticks, etc., as well as continuing to be the most innovative and exciting makeup brand with additions such as jelly tints, lip oils, and other exciting products. Broadening our footprint of both existing categories, (makeup and skin care), as well as geographies by entering new regions and spaces where we know there is strong demand by the community. Lastly, leverage the Waldencast platform to double-down on our unique brand DNA and accelerate awareness, love and beauty credentials for the brand.

First, let's look at how are we expanding our community.

Milk Makeup was built organically through a very strong community relevance and engagement that keeps growing with 7.7 billion press coverage impressions year-to-date, fueled by intrinsic love for the brand and by excitement behind NBP at 1.7 billion, which is 22% of year-to-date impressions.

Similarly, when looking at earned media value, Milk Makeup is ranking year-to-date as the number 14 brand in the United States, with a very strong plus 83% growth year-over-year, as well as number 19 makeup brand globally, growing at 90%, highlighting also the strong desirability of the brand outside of the U.S., which is also a driver of our international expansion.

The community is anchored on iconic products, clean, cool beauty that works, making breakthrough innovation that is utilitarian, good for you, always vegan, clean and cruelty free. An iconic range with our cult and award-winning Core of Prime and Set and Sticks, as well as expansion into new categories, like the sold-out Jelly Tint launched in early 2024.

In Q3, we launched Hydro Grip Glow, a unique makeup hybrid that locks in luminosity for 12 hours. That builds on our iconic Hydro franchise, as well as play into the Glow boom whilst offering a benefit of long-lastingness. We also expanded our core jelly range, originally launched in four strong payout colors, with two softer tints that appeal to an incremental consumer need and target.

Lastly, as we have shown earlier, the demand for Milk Makeup internationally is very strong, and one of our latest expansions in early Q4 was India, where the brand was launched with a big bang in Sephora with phenomenal support from the community.

Now from the world of Milk Makeup, let's go to the world of high-performance skin care with Obagi Medical.

Obagi Medical continued its excellent performance, recording net revenue of \$38.7 million in Q3, representing comparable growth of 45.5% from the prior year third quarter. This growth was driven by the success of our growth strategies focused on introducing blockbuster innovation, increasing our global distribution, and accelerating our e-commerce channel penetration. We are pleased to accomplish each of these objectives in the quarter.

To this end, the quarter saw us launch two innovations, which we had previously announced on our last call, the power duo Elastiderm Lift Up & Sculpt Facial Moisturizer and Advanced Filler Concentrate, which helped to elevate growth across the entire Elastiderm franchise. We grew revenue across geographies and across channels and we saw particular strength in e-commerce, driven by our direct-to-consumer website and Amazon, aided by the tailwind of a new direct model with that digital partner. Additionally, with better in stock positions, we were pleased to see our physician dispense channel return to growth in the quarter due to better in-stock levels of key products. We expect continuing supply chain improvements to further support expansion domestically and internationally in Q4 2024.

Adjusted gross profit totaled \$30.4 million, with adjusted gross margin expanding 1,010 basis points to 78.6% from 68.5% in the third quarter of fiscal 2023. Strong sales growth, combined with significant expansion in adjusted gross margin, more than offset the increased investment in business drivers, leading to Adjusted EBITDA of \$7.5 million, 129.7% increase versus Q3 2023. Adjusted EBITDA margin expanded 770 basis points to 19.3% from 11.6% in the third quarter of 2023.

Now, looking at the first nine months of the year, Obagi Medical delivered net revenue of \$107.1 million, representing comparable growth of 32% from the first nine months of 2023. Adjusted gross profit rose to \$85.3 million, or 79.7% of net revenue, versus \$57.8 million, or 67.8% of net revenue in the first nine months of 2023. This growth led to Adjusted EBITDA of \$20.7 million, a 60.5% increase from the first nine

months of fiscal 2023, with Adjusted EBITDA margin expanding to 19.3% from 15.1% in the first nine months of 2023.

Across geographies, Obagi Medical saw balanced growth with a 42.1% increase in North America, and 32.8% increase internationally in the first nine months of 2024, compared to the prior year's first nine months. In the U.S., we saw outsized growth from our digital channels and a strong performance from our innovation. Internationally, our growth remains strong, and we continue to gradually reestablish Obagi Medical's presence in Southeast Asia.

Since the acquisition of Obagi Medical, our vision for the brand was very clear, to become the number one physician dispensed dermatological brand in the world. The growth is centered on three strategic pillars. First, double-down on our brand DNA anchored on our professional credentials. Second, accelerate cutting edge science backed innovation that serves our physicians and their patients. Lastly, grow brand awareness and footprint and drive a point of market entry into our professional channel.

Anchoring on our brand DNA starts with medical grade innovation, backed with best-in-class clinical proofs, and this is the role that our latest launch Elastiderm was targeted at. Our Elastiderm Lift and Sculpt Facial Moisturizer showed transformative results after three weeks and six weeks on all key benefits, such as improving elasticity, fine lines, crepiness and skin smoothness on independent clinical testing, culminating at six weeks with results showing 100% visible improvement to fine lines, 94% improvement to smoothness, 88% improvement to elasticity and an 81% improvement in crepiness.

On the Elastiderm Advanced Filler Concentrate, the before and after, very visibly and visually depict the transformative results of this product. Both innovations were launched with a best-in-class education toolkit that armed professionals with the science behind the innovation and the clinical results. These results were shown directly to consumers, and this is how some of our consumer advertising looks. It's no surprise that with this execution we saw NPD deliver versus expectations and contribute to grow the overall Elastiderm franchise by 189%, of which existing products accounted for 24% growth.

Qualitatively, our physician partners were delighted that brought new news to the Elastiderm franchise whilst also answering through two incremental products the unmet needs of their patients. Whilst also building awareness directly with consumers with a year-to-date growth of 165% to attract them into the professional channel and accelerate the flywheel of their best skin with Obagi and our physician community. This awareness is built directly with consumers through social but also editorial credentialing with 544 million impressions in Q3 just in the U.S., an acceleration that we see also internationally with 178 million impressions through our top markets, such as the U.K.

To conclude, we're very pleased to share our strong performance across both brands, reflecting the increased desirability, relevance and awareness of our Obagi Medical and Milk Makeup brands. Waldencast is poised for long-term profitable growth through the operational scale of our multibrand platform, with only two brands, but more to come in the future, expertise in managing global brands at scale with big growth opportunities in both geographic and category expansion, based on our balanced portfolio anchored in structurally attractive segments of the category and backed by an asset-light, agile and efficient structure that unlocks speed at scale, and management incentives aligned to long-term value creation.