

# ADOREBEAUTY

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Adore Beauty Group Limited  
ABN 78 636 138 988

## ASX ANNOUNCEMENT

26 February 2024

### **Adore Beauty builds momentum with growth across key metrics, underpinned by refined strategy & operational efficiency**

Adore Beauty Group Limited (**ASX: ABY**) (**Adore Beauty** or **Company**), Australia's number one pureplay online beauty retailer<sup>1</sup>, has released its results for the six months ended 31 December 2023 (**H1 FY24**).

#### **H1 FY24 Summary:**

- Revenue<sup>2</sup> of \$100.7 million, up 7% on the prior corresponding period (PCP), supported by record average order values and annual spend per customer
- Trading momentum continued in the first six weeks of H2 with revenue up 8.1% on PCP<sup>3</sup>
- Reported EBITDA of \$2.4 million and margin of 2.3%, in line with guidance and reflecting revenue growth, cost optimisation, and re-investment in margin expansion initiatives
- Record 507K returning customers<sup>4</sup>, up 5% on PCP and up 22% on a three-year CAGR; representing 81% of product sales
- Active customers<sup>5</sup> increased 0.5% on PCP to 804k
- Strong cash balance of \$32.3 million available to support strategic initiatives, and no debt
- Progressing refined strategy
  - Brand awareness<sup>6</sup> increasing four percentage points to 66% in January 2024
  - Mobile app contribution growing to 26.3% of H1 FY24 product sales<sup>7</sup>
  - Launched subscription service to improve customer experience and frequency
  - Exploring opportunity to increase brand awareness in a physical store format
  - Actively pursuing M&A

Commenting on Adore Beauty's H1 FY24 performance, CEO Tamalin Morton said, "Adore Beauty has had a solid start to FY24, delivering growth across key metrics as we continue to build momentum in a challenging retail environment. Our performance reflects the impact of our

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strategic initiatives, improved operational efficiency, and our compelling customer value proposition. Encouragingly, we've seen our positive sales trajectory continue into the second half with revenue up 8.1% on the same period last year.

"Revenue in the first half was driven by our 507k loyal, returning customers who represented 81% of all sales, and supported record average basket sizes and annual revenue per customer. Importantly, we continue to retain more of this valuable customer base, with retention increasing 8.4 percentage points over the prior year, to 63.3% during the period.

"Revenue growth, enhanced operational efficiency, and disciplined re-investment in margin expansion initiatives improved profitability. We remain on track to achieve our 2-4% margin target for FY24. Efficiency has improved across the business through a number of initiatives that we have implemented, including marketing optimisation and operational enhancements.

"We have reduced our marketing cost as a percentage of sales, even as we have re-invested in an above-the-line brand campaign to support brand awareness. Brand awareness has increased in both our core and broader target demographics. We are also working with a specialist design agency, AKQA, to explore how the Adore Beauty brand can be brought to life in a physical format.

"Adore Beauty's refined strategy will drive future growth, as the category benefits from the long-term shift to e-commerce. Our strategic initiatives continue to mature, and we remain focused on being at the forefront of the evolving customer and competitive landscape. Our brand and product portfolio continues to expand, focused on growing our range including trending, luxury, and owned brand offerings. We have also enhanced our proposition with a new subscription service and are leveraging technology to drive app adoption."

## Key strategic initiatives

Adore Beauty is executing against its refined growth strategy, progressing initiatives under the pillars of customer centricity, building the brand, and operational optimisation. These initiatives are designed to support long-term customer and revenue growth, drive average order values and frequency, and increase margins.

The mobile app remains Adore Beauty's most effective owned marketing channel, now contributing 26.3% of product sales in H1 FY24, up 8.1 percentage points on the PCP. Average app order values and frequency continue to outperform web. Initiatives including app-only promotions, gift with purchase, and content integration, are all designed to increase app adoption.

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Adore Beauty continues to enhance its value proposition to support customer retention, average order frequency, and lifetime value. The Company's new Subscribe & Save offering for frequently used products is now across 30 brands, with automated 6–12-week replenishment at the best price available on site. The subscription service is designed to further improve convenience, remove friction from the sales process, and support average order frequency. Customer retention continues to improve, up 8.4 percentage points over the PCP to 63.3%<sup>8</sup>, while average customer lifetime value grows to more than six times the acquisition cost by year five.

New brands and products are a key driver of retention and new customer acquisition. Adore Beauty continues to refine its brand offering, adding 15 new brands during the half, including Prada, Valentino, Ole Henriksen and Viktor & Rolf. The Company's extensive brand portfolio now spans more than 270 brands and 13,000 products. While skin and haircare remain the largest categories, fragrance and make-up experienced the strongest annual growth.

Range expansion of Adore Beauty's owned brands - AB Lab, Adore Beauty and Viviology – continues to progress, with new product launches planned for all three brands in the second half. The Company is also exploring initiatives to increase awareness of its owned brand portfolio, expansion into additional product categories, as well as evaluating M&A opportunities.

In November and December, Adore Beauty invested in a successful above-the-line brand campaign to drive brand awareness. Brand awareness in the 25-45 female demographic increased to 66% in January 2024, up from 62% in August 2023.

Adore Beauty's authentic content continues to drive organic traffic to the Company's owned marketing channels. Content-driven impressions<sup>9</sup> increased 35% on the PCP and are supporting growth in retail media and brand-funded marketing. This core capability has been recognised with Adore Beauty's Beauty IQ Uncensored being awarded Best Branded Podcast at the Australian Podcast Awards.

### **Strong cash position**

Adore Beauty is debt-free, cash flow positive and capital efficient, with a strong cash balance of \$32.3 million as at 31 December 2023, up 16% on the previous half and up 7% on PCP. The Company's strategic investment in inventory of higher turnover products continues to have a positive impact, improving sales due to enhanced availability.

### **Trading Update & Outlook**

Adore Beauty's positive momentum in FY24 has continued into H2 with revenue up 8.1% on PCP<sup>10</sup>. Adore Beauty remains on track to achieve an EBITDA margin of 2-4% in FY24. Retail trading

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conditions are expected to remain challenging for most of 2024, given higher cost of living pressures and subdued consumer sentiment.

The Company's strong balance sheet is facilitating disciplined re-investment in key strategic initiatives designed to deliver revenue and customer growth, operating leverage, and EBITDA margin expansion. Cost and margin optimisation programs are also supporting increased profitability.

## Investor conference call details

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

**Teleconference:** Participants can register for the conference at: <https://sl.c-conf.com/diamondpass/10036201-2f0eaj.html> or alternatively dial 1800 809 971 (Australia toll free) and provide the conference ID **10036201** to the operator.

**Webcast link:** <https://ccmediaframe.com/?id=PniqzPi5>

--Ends--

**This announcement was authorised by the Board of Directors.**

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## Appendix

A\$M	H1 FY24	H1 FY23	H1 FY24 vs H1 FY23 Mvmt
Revenue	100.7	94.2	7%
Gross Profit (%)	33.5	32.4	1.1ppts

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Reported EBITDA	2.4	0.4	467%
EBITDA Margin	2.3%	0.4%	1.9ppts

## About Adore Beauty

Launched in 2000 as Australia's first beauty focused e-commerce website with a vision to help customers feel more confident every day by delivering an empowering and engaging beauty shopping experience personalised to their needs. Adore Beauty has evolved to an integrated content, marketing and e-commerce retail platform that partners with a broad and diverse portfolio of more than 270 brands and over 13,000 products.

## Forward Looking Statements

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

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

<sup>1</sup> Adore Beauty is the leading pureplay online beauty retailer in Australia, based on management estimates.

<sup>2</sup> Marketing revenue and its associated costs were not reflected as revenue and cost of sales in comparative financial statements, but rather as an offset to advertising and marketing revenue. The impact is not material from a financial report perspective, but comparative financial information presented has been amended for comparability and to align with the revenue recognition policy for marketing revenue. This reclassification has no impact to net profit.

<sup>3</sup> Revenue based on unaudited management accounts. Trading for the first 6 weeks Comparison of 1 Jan – 12 Feb 2024 against PCP.

<sup>4</sup> Returning customers are customers who have placed an order in any period prior to CY23 and re-purchased in the period; comparison of CY23 to CY22.

<sup>5</sup> Active customers refer to customers who have ordered in the last 12 months, PCP is the prior 12-month period.

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<sup>6</sup> Pureprofile results January 2024, Prompted Awareness AU female 25-45, Adore Beauty 66%. Sample taken by third-party brand tracker Pureprofile, a randomised consumer research panel made up of minimum 2500 Australian females aged 18-65, providing representation of the Australian public.

<sup>7</sup> Product sales revenue excludes 'Other Revenue'. 'Other Revenue' represents marketing revenue comprised of retail media and advertising revenue contribution.

<sup>8</sup> Aggregate active customer retention rate = (Active customers as at the end of the relevant year – Active Customers acquired during the relevant year) divided by Active Customers as at the commencement of the relevant year.

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

<sup>10</sup> Revenue based on unaudited management accounts. Comparison of 1 January – 12 February 2024 against PCP.

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