

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

Operator

Greetings. Welcome to Waldencast's First Quarter 2024 Earnings Conference Call.

At this time all participants are in a 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 on your telephone keypad. Please note this conference is being recorded.

I will now turn the conference over to Alison Malkin of ICR. Thank you. You may begin.

Alison Malkin

Thank you and welcome to the Waldencast plc First 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 our performance within the context of the beauty market. Manuel will follow with a review of our fiscal year 2023 and first quarter performance, as well as our outlook for the remainder of 2024. Then, Michel will share our strategic growth initiatives for our Milk Makeup and Obagi Skincare 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 business and other matters referenced in the Company's earnings release issued today. 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 factors appears under the heading Cautionary Note Regarding Forward-Looking Statements in the Company's earnings release and in the Company's filing that it makes with the Securities and Exchange Commission, but are available at www.sec.gov and on the Investor Relations section of the Company's website at ir.waldencast.com. 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 until the Company's next earnings call.

I will now turn the call over to Michel Brousset.

Michel Brousset

Thank you, Allison, and good morning, everyone. I am pleased to speak to you all today and share strong first quarter 2024 results and resume our historical practice of holding earnings calls each quarter, having completed our historical annual filings for fiscal years 2022 and 2023.

I will start by anchoring us in our vision for Waldencast, which is to build over time 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.

We are a beauty and wellness pure player, an operating platform built for both speed and agility, reimagining the beauty company of the future as the home of the brands of tomorrow but connect with consumers' needs and their values.

We are a beauty pure player because beauty is the most beautiful of industries, one that has shown impressively consistent growth, profitability and resilience and because it's an expertise-led industry that we are expert in.

Prestige beauty closed 2023 at +14%, more than double mass beauty, momentum that continued, albeit with a moderating trend in Q1, with premium beauty growing +9% but still ahead of its historical growth of the market.

Whilst prestige skincare remains expanding in double-digit growth at +10% as consumers are increasingly looking for performance-led transformative products, makeup, previously the fastest growing category within beauty, registered a growth of +5% in Q1 as the category normalized after the post-COVID rebound. The rate of growth is expected to accelerate, driven by the rising popularity and sophistication of makeup among younger consumers.

In particular, we see Millennials and Gen Z purchasing makeup at significantly higher rates versus pre-pandemic levels, as socializing resumes as well as the acceleration of innovation in the market after a pandemic low and the continued growth of brands like Milk Makeup that are inclusive, high performance and align with their desire for clean, vegan and cruelty-free products. This trend is expanding to Generation Alpha, thanks to a TikTaktification of beauty by bringing consumers even earlier into a category.

While the market is a data point to inform our business plan, we believe that given our relatively small size in this very large beauty industry and the opportunities we have in terms of innovation, distribution and geographical expansion, our ability to grow is only limited by our own ability to execute well against our strategies and continue to develop the relevant, unique and seductive consumer propositions.

Waldencast has two of the most exciting brands in the two biggest beauty categories, makeup number one and skincare number two in U.S. prestige beauty. Importantly, these categories are not only big but also high growth, resilient and structurally attractive.

Furthermore, our brands play in the fastest growing subset out of these two categories – prestige clean makeup and professional science-led skincare. Obagi skincare is a crown jewel of the U.S. physician dispensed market. It is perceived as the number one physician recommended medical skincare brand on the top patients' needs, leading in the most attractive, fast growing subset of premium skincare. With its breakthrough patented technology and transformative clinical skin results, it unlocks high loyalty from both consumers and physicians and it is perfectly positioned to answer the growing consumer need for high performance, effective skincare while also paving the way for expansion into other categories.

Milk Makeup is a cult Gen Z brand with an incredible organic following through a diverse and inclusive community known for its cultural relevance and iconic products. It's a leading clean makeup brand, the number two clean brand at Sephora U.S. and one of the buzziest brands in the U.S., climbing from number

19 in 2022 to number 9 in Q1 2024 according to CreatorIQ. Milk Makeup has accomplished this by bringing our relevant promise of cool, clean makeup that works, to consumers.

Our ambition and destination is to build over time a best-in-class multibrand portfolio. With Milk Makeup and Obagi we started in prestige skin and color with a core business in the U.S. across attractive growing channels, a growing international presence and the ambition to expand over time into further geographies, categories and channels through category expansion of our existing brands, but most importantly, acquisitions. And, we will do that through our laser focus on building scale and speed, leveraging our unique pure play beauty ecosystem, ensuring we diversify our portfolio across categories, channels, geography and price points to benefit from the resiliency of the category; focus on opportunities in targeted acquisitions for accelerated long-term growth, and a focus on sustained and disciplined growth and profitability. All this led by a world-class team of beauty operators across the Waldencast ecosystem.

With this, I will hand over to Manuel to lead us through our financial results.

Manuel Manfredi

Thank you, Michel. It is a pleasure to speak to you today on my first earnings call as CFO of Waldencast. As many of you are not familiar with me, let me start by sharing my background.

For the past 25 years I have led financial organizations in the beauty and consumer products industries, in Europe and North America, most recently as CFO of L'Oreal Spain and Portugal. Among other things, during my time at L'Oreal I played a key role in the acquisition and integration of a new cosmetics brand, executed numerous transformational projects across the organization, and helped unlock value and identify growth opportunities for the Company. I am now eager to leverage my expertise to help Waldencast to achieve its ambition, to be a best-in-class beauty and wellness multibrand platform.

It has been six weeks since I joined the Company and I am already impressed with the strength of our brand, the innovation and differentiation we provide, the highly talented and motivated teams we have in place and, importantly, the significant growth opportunities that lie ahead of us.

Now, turning to our review of our performance, while our U.S. GAAP revenue are outlined in the earnings release, my comments today will focus on comparable net revenue, which we believe is a relevant metric to follow as it reflects the operating sales of our business removing revenue related with former Obagi Skincare China business which was not acquired by Waldencast at the time of the business combination.

With that, let me share highlights of our fiscal 2023 performance, which were previously communicated, and then cover our first quarter 2024 results and outlook.

For fiscal 2023, comparable net revenue was \$212.5 million, an increase of 15.3%. Milk Makeup led our performance and exceeded the \$100 million revenue milestone, delivering net revenue growth of 38.6%. Obagi Skincare generated strong growth in the U.S. and internationally, excluding Southeast Asia, which was impacted by restructuring activities.

Adjusted gross profit was \$150.4 million with adjusted gross margin of 69%. Adjusted EBITDA totaled \$24.4 million, an increase of \$33.2 million from 2022, with 2023 EBITDA margin totaling 11.2%. This reflects strong revenue growth and expansion in adjusted gross margin, as well as increased investment in marketing and central costs to support our growth as a public company.

Net loss was \$106 million.

Turning to 2024, we are very pleased with our first quarter performance which included robust growth across our key performance metrics, including comparable net revenue, adjusted gross margin and

Adjusted EBITDA margin versus the first quarter of 2023. Each of these metrics delivered accelerated growth from fiscal year 2023.

To this end, for this first quarter comparable net revenue was \$67.9 million, increasing 21% from Q1 2023 with balanced growth across our brands. Obagi Skincare and Milk Makeup delivered comparable net revenue growth of 20.6% and 21.5%, respectively, from Q1 '23. Adjusted gross profit was \$52.1 million, increasing 32.9% from prior year first quarter, while adjusted gross margin of 76.3% expanded a strong 1100 basis points from Q1 2023. Both brands contributed to this increase in margin rate.

Adjusted EBITDA totaled \$11.4 million, increasing 12.9% from \$10.1 million in the 2023 first quarter as the strong revenue growth and gross margin expansion more than offset important investments in our team and in marketing outside the business drivers. As a result, we delivered a healthy Adjusted EBITDA margin of 16.6%.

Net loss was \$3.9 million, an improvement of \$9.3 million from a net loss of \$13.2 million in Q1 2023.

Turning to our outlook for the remainder of 2024, we are providing an annual outlook which we believe provides a greater level of insights into our business and while we focus on every aspect of our business daily, we plan the business annually.

With that said, we are very pleased with the performance of our brand and believe our strategy has poised us to deliver increasing rates of revenue growth as we move through the year, and Adjusted EBITDA margin expansion in fiscal 2024.

In total, for fiscal 2024 we expect comparable net revenue growth to accelerate from the 21% achieved in the first quarter with a strong contribution from both of our Obagi Skincare and Milk Makeup brands.

Breaking this down further, Obagi we expect growth to be driven by the continued development of our U.S. physician-dispensed market as we strengthen our dermatological credentials, a strong innovation plan and a continued expansion to our ecommerce and international presence.

At Milk Makeup, growth is expected to be driven by the introduction of compelling, relevant innovation and brand collaborations, and expansion in brand awareness.

From a gross margin perspective, we expect fiscal year 2024 to be again another positive story as we focus adjusted gross margin to expand for both Obagi and Milk versus the rates achieved in 2023. Keep in mind that while we expect this full year growth margin expansion on Obagi versus prior year, Q1 2024 saw particularly strong gross margin expansion due to one-off effects in the Q1 2023 base positively impacting the quarter.

We expect selling and marketing business drivers to increase while achieving operational leverage at the brand level by diluting fixed costs despite increased investment in our teams to support their growth.

At the central costs level, we invested to support our growth as a public company, but have not captured yet the future savings we expect at the brand level through the development of our central structure. The combination of a strong comparable net revenue growth along with gross margin expansion is expected to more than offset the G&A and central costs to deliver a mid-teens Adjusted EBITDA margin for the year, nicely ahead of the 11.2% Adjusted EBITDA margin achieved in fiscal 2023.

Turning to our balance sheet and cash flow, we ended fiscal 2023 year with a solid balance sheet with no near-term maturities and ample liquidity to fund our asset-light business model. As of December 31, 2023, net debt totaled \$141.8 million and cash and cash equivalents were \$21.1 million.

At the end of first quarter 2024, net debt totaled \$150.5 million and cash and cash equivalents were \$26.8 million.

We had positive cash flow from operations that was offset by non-recurring expenses related to the accounting restatement and SEC investigation.

Outstanding share count was little changed at 122.1 million shares at the end of year end 2023, and 122.2 million as of April 15, 2024.

With that, I will turn the call back over to Michel.

Michel Brousset

Thank you, Manuel.

Let's take a look at our results and our plans by brand. Let's start with Milk Makeup.

Milk Makeup completed an excellent year of growth in fiscal 2023. As we noted, we expect to build up on this success in 2024. Net sales were \$100.5 million, increasing 38.6% from 2022, while adjusted gross profit was \$66.7 million or 66.4% of net revenue, and Adjusted EBITDA of \$18.4 million or 18.3% of net revenue.

For the first quarter, Milk generated net revenue of \$34.5 million, an increase of 21.5% from the first quarter of fiscal 2023. Milk's excellent quarter was led by growth of North America and through strong ecommerce growth with continued traction from our international expansion. Adjusted gross margin grew an impressive 540 basis points to 71.3% of net revenue as we benefited from our efforts to lower costs and increase efficiencies in sourcing and distribution, and better management of our inventory, driving to lower obsolete inventories. Adjusted EBITDA rose 12.4% to \$10 million with Adjusted EBITDA margin of 20.1% as the strong revenue and gross margin expansion was mitigated by increased investment to drive sales.

Now, Milk Makeup's ambition is to be the number one global beauty brand of the next generation. A brand that has been built in its DNA to be that brand, uniquely connecting with their needs, values and passion points.

Milk Makeup, beyond a brand is a movement. It is rooted in its community, inspired by the energy, vibrancy, and diversity of New York City and powered by high performance, clean products.

Milk Makeup is anchored in three core pillars: brand, community and product. On brand, our priority is to double down on our DNA what makes our brand unique, desirable and relevant and accelerate their awareness, both broadening our brand love and beauty credentials.

Community, is, remains and will always be at the heart of what we do. We will nurture our deep connection with our core audience as well as welcome new groups.

Last but not least on product, we will keep nurturing category-leading heroes, innovation-leading launches and always delighting our consumers with high performance, clean utility.

Our mission is to help our community live their look, an invitation for self-expression and living their truth. Our model begins and ends with community. We spark their inspiration and creativity with products they will love. We partner with them and amplify their voices, and they do the rest. Share the love and passion for the brand and products, further building and expanding our wider community.

Our Milk Makeup team is not only among the best of the industry, but very embedded into the culture of consumers today. They are our special power: highly committed to our brand values, super passionate

about our vision, and very reflective of the diversity of our community. This passion is contagious, and we have just in Q1 almost 20,000 qualified job applications for our brand's positions.

In terms of our innovation, relevant, unique, seductive innovation is the proven engine behind our success. Our market-leading innovation brings the DNA of our brand to our communities through clean beauty products that work. Breakthrough products that deliver on performance and allow self-expression while being good for you, clean, vegan and cruelty-free, values that highly connect with our community.

Our product strategy has three pillars. Over the years we built strong cult icons in Prime and Set and our award winning multi-stick franchises. We will continue fueling this strong hold through core activations and product extensions such as the recently launched and super exciting Pore Eclipse Matte Blur, a complementary addition to our Pore Eclipse Prime and Set franchise.

Our second priority is also to surprise and delight our community across these segments, eye, lip and complexion, and the highlight has been the viral Odyssey Lip Gloss launched in the back of 2023 which continues to build momentum this year.

And most importantly, we want to remain the most exciting and innovative makeup brand for the new generation. Just in Q1 2024 we turbocharged our innovation and launched three category-leading products. First, our Cloud Foaming Primer, an industry first texture for primers with a striking glow finish. Kush Lip Oils building on our successful Kush franchise for a sheer, non-sticky hydrating lip oil that deliciously delivers an intense hit of hydration and shine. And last but not least, our viral Cooling Water Jelly Tint, a long-lasting lip and cheek stain with a super-unique hydrating bouncy jelly texture for a buildable burst of color. I personally have not seen many launches like this one in my career.

The strength of this innovation and the power of our brand and community propelled Milk Makeup to become the #9 EMV brand makeup brand in the U.S. in Q1 2024, peaking at #6 in February, with 1.2 billion impressions, 58 million views and further growing our community by 372,000 followers and counting.

And not only a huge buzz with our community and our social but also solidifying our credibility and our authority with already 11 top beauty awards year-to-date, and the year is only at the beginning.

Now, this community launch is not limited to the United States but expands globally, starting with our launch in Scandinavia with Lyko, where consumers and parents queued for hours in anticipation for the much-awaited Milk Makeup launch at the retailer. We are now the number three makeup brand in the entire store, and #1 and #2 omni makeup brand in Norway and Finland, respectively. And by the way, all of us at Waldencast and Milk want to specially thank Roy who drove eight hours so that his daughter Jessica could be able to be there for the launch of Milk at Lyko. This is just an example of that community love and passion for the brand.

Now, the brand-loving frenzy has also reached the UK with the launch of Milk Makeup at Boots in Q1, and this comes on top of our successful performance at Sephora UK and Space NK.

And further confirming its global appeal, the brand frenzy expands to Latin America with Milk Makeup becoming the number one makeup brand in Mexico, Colombia and Chile at our retail partner Blush Bar, and making it to a top position at #5 and #3 overall beauty brand respectively at that retailer.

As we close a great Q1, we are looking forward to even more exciting innovations with the recently launched Pore Eclipse Matte Blur, as well as much anticipated new mascara launch in our Kush cult franchise, with Kush High Roller Mascara and brow gels.

Now, from clean, cool makeup that works, let's move to the world of science-led transformative skincare.

As discussed earlier, Obagi finished fiscal 2023 with \$112 million in comparable net revenue, increasing slightly, up 0.2% from fiscal year 2022. Revenues reflected growth in the U.S. and internationally outside of Southeast Asia where, with a new direct go-to-market model, we did not capture revenue related to the former Southeast Asia distributor. With our new market model in place we have begun to rebuild our presence in Southeast Asia with the region expected to contribute strongly to Obagi's growth in the future.

Adjusted gross profit totaled \$83.7 million with a gross margin rate of 71.2%, and Adjusted EBITDA of \$20.8 million led to a healthy margin of 17.7% despite the restructuring costs of our Southeast Asia business.

For the first quarter, Obagi resumed strong revenue growth, recording \$33.4 million in comparable net revenue, an increase of 20.6% from Q1 2023. Revenue was driven by the strength of our innovation, robust growth across key channel into U.S. physician-dispensed and ecommerce channels further supported by the expansion of our international distributors.

Adjusted gross profit totaled \$27.5 million with adjusted gross margin expanding to 81.4% from 64.8% in the first quarter of fiscal 2023. And strong sales growth combined with significant expansion in adjusted gross margin more than offset increased investment leading to Adjusted EBITDA of \$6.7 million. The Adjusted EBITDA margin expanded 260 basis points to 20% from 17.4% the first quarter of 2023.

When we double-click by region, we see the growth of Obagi was driven both domestically and internationally, respectively at 43.5% and +22.0%. This international growth figure excludes Southeast Asia where we are still in the ramp-up period of our newly restructured Southeast Asia business which is not yet at the level of sales we achieved under the prior distributor model.

For Obagi, our vision is to be over time the #1 physician-dispensed dermatological brand in the world, providing targeted solutions to professionals and consumers to deliver transformative visible results. Today, we're the #1 U.S. physician-recommended brand in the U.S. in top key skin concerns: pigmentation, fine lines and wrinkles, as well as sagging skin, which represents two-thirds of skincare sales in the channel.

To become the number one physician-dispensed dermatological brand in the world we have three core strategies.

1. Strengthen our dermatological skincare brand and physician-dispensed DNA;
2. Accelerate cutting edge, science-backed innovation that delivers transformative results; and
3. Grow brand awareness and footprint to reach more consumers domestically and internationally.

Our key focus on Obagi, since we acquired the brand, has been to build on the very rich and deep heritage in physician-dispensed; we are modernizing the brand to bring a more effective, compelling and relevant proposition to professionals and patients. So, we are introducing a new brand visual ID that showcases the brand's credentials and results. A new visual identity that lists across multiple professional and consumer touchpoints, that showcases our science credentials, clinical results, ingredients, as well, of course, transformative results.

And it culminates in the much-anticipated packaging redesign, which we built with clear objectives. Firstly, to build our relevant and cohesive brand proposition that is reflective of our dermatological credentials, as well as improve its navigation to have professional recommendation and practice display. The design has been tested with both professionals and consumers and has received overwhelmingly strong positive feedback, and the results speak for themselves. Our packaging testing showed that the panel found the brand much more appealing, 89% versus 77%; more distinctive, 73% versus 61%; and much more recognized, 68% from 38%. And most importantly, a purchase intent that goes from 70% to 83%.

As we refresh the brand to make it more relevant, distinctive and appealing, hence, strengthening our medical credentials to existing and new audiences, we have also further deepened our dermatological roots by partnering with Dr. Suzan Obagi as Obagi's first Chief Medical Director. Dr. Obagi's credentials speak

for themselves as she's a world-renowned dermatologist and cosmetic surgeon and will play a pivotal role in shaping our innovation, research and educational projects.

Physicians are the heart of our brand and Dr. Obagi, as well as all our physician partners bring unique insights into our product development cycle that sees research, innovation, clinicals and education to make sure we design products and protocols that overdeliver on the patient needs.

This innovation strategy has led to industry recognized innovation, the latest one being the Obagi Daily Hydro-Drops Rejuvenating Eye Cream that sold out in 72 hours across channels.

And we have more cutting edge, science-led innovation coming in the second half – new formats, new technologies, and all with the same medical grade efficacy and transformative results. Innovation that is also key to drive consumer awareness inside and outside of the physician channel, and expand our audience reach. And a focus on recruiting many incremental consumers, younger consumers who are currently not aware of Obagi and they are not yet in our heartland physician channel which on average has an age of 42+ years, to introduce Obagi in the physician-dispensed ecosystem to further grow the category and fuel our brand growth flywheel.

In conclusion, we are more excited than ever about our business and our growth prospects. We have two powerful, high growth, compelling brands perfectly positioned in the most attractive segments of the category in the beauty business. The most beautiful businesses. We have a team of world-class operators and beauty experts that are passionate about delighting our consumers. We have very engaged communities that inspire us and feed our innovation.

Overall, we are very confident in our near- and long-term business prospects, having strengthened our business platform, improved our business processes, and delivered successfully against our visible growth strategy. We continue to expect our efforts to lead to long-term value creation for Waldencast stakeholders and over time build a global, best-in-class beauty and wellness multibrand platform.