

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

Operator

Greetings. Welcome to the Waldencast Second Quarter and First Half 2024 Earnings 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. Alison, you may begin.

Alison Malkin

Thank you, and welcome to the Waldencast plc second 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 second quarter and first half 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 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 until the Company's next earnings call.

I will now turn the call over to Michel Brousset.

Michel Brousset

Thank you, Alison, and good morning, everyone. I am pleased to speak to you today and share our strong second quarter performance that saw accelerated comparable growth of 25.7% versus a first quarter increase of 21%, and capped a very successful first half of the year.

Our performance demonstrates the power of our multi-brand platform and the progress we're making to achieve our vision for Waldencast. This vision is 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.

As you have heard me say before, we're a beautiful player because beauty is the most beautiful of industries, one that has shown impressively consistent growth, strong profitability and resilience. The U.S. market for prestige beauty remains strong, up 8% for the first half. This follows significant growth over the past two years as the category continues to normalize following unprecedented growth. For the first half, prestige skincare grew 7% and prestige make-up grew 5%. Circana notes that this growth reflects an accelerated bifurcation emerging in the beauty industry, highlighted by the continued growth in prestige relative to mass, and is indicative of the continued premiumization of the beauty category with consumers looking for higher levels of efficacy and performance.

Our growth has far exceeded the category as our brands, Milk Makeup and Obagi Medical, are only at the beginning of their ambition to be market-leading brands in their respective categories and are very well positioned to deliver consistent growth over time. We have two of the most exciting brands in the two biggest beauty categories: make-up number one, and skincare number two in the U.S. prestige beauty market. Our brands play in the fastest growing sub-segments of these two categories: prestige clean makeup and professional, science-led skincare.

Obagi Medical outperformed the U.S. prestige skincare market by a factor of 5x in the first half and continues its clear advantage as the number one physician-recommended medical grade skincare brand for top ranked patient needs, leading in the most attractive fast-growing sub-segment of premium skincare. With its breakthrough patented technology and transformative clinically proven results, it unlocks high loyalty from both consumers and physicians and 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 grew three times faster than the U.S. prestige makeup market in the first half. The brand, a cult favorite Gen-Z brand benefits organically from an engaged and diverse community due to its cultural relevance and iconic products. It is a leading clean makeup brand, the number two clean brand at Sephora U.S., and is quickly building a global following with leadership positions in several international markets. Milk Makeup has accomplished this through its relevant promise of cool, clean makeup that works.

We're just 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 of prestige skin and color with a core business in the U.S. and a growing presence in Europe and the Asia-Pac region. We are achieving strong growth in attractive channels and expect this momentum to continue as we drive awareness of both brands beyond 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 gives us a distinct competitive strength in attracting other brands and founders to our platform. Our platform built for scale and speed will only get better as we create and acquire more brands and scale them profitably and efficiently.

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

Manuel Manfredi

Thank you, Michel, and good morning, everyone. I am pleased to share our strong second quarter and first half results for 2024 with you today. These results highlight the continued success of our strategic initiatives and our commitment to delivering shareholder value.

Today, I'll 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 second quarter performance. We saw a robust 25.7% year-over-year comparable growth which exceeded the 21% growth we achieved in Q1, aligning with our prior guidance. We continue to see significant year-over-year expansion in our adjusted gross profit margin, and we maintained a double-digit Adjusted EBITDA margin, positioning us well to meet our annual profitability goals.

A key point to note is that, as we have indicated in the past, while we monitor our business daily, we plan it on an annual basis. This annual planning approach allows us to navigate quarterly fluctuations without compromising our strategic objectives. We are pleased to achieve these results despite the fact that in both brands we experienced out of stocks in some of our key products, particularly some of our key launches as strong consumer demand outstripped our expectations.

Specifically, for second quarter, net revenue was \$63.3 million, reflecting 25.7% comparable growth for Q2 2023. Obagi Medical and Milk Makeup achieved 30.9% and 20% growth respectively. Adjusted gross profit came in at \$47.5 million with an adjusted gross margin of 75.0%, a notable 650 basis point increase from Q2 2023. Adjusted EBITDA was \$6.3 million, up \$2.4 million from Q2 2023 as strong revenue growth and gross margin expansion more than offset important investments in support of our team, marketing and sales business drivers.

Building on our strong second quarter, our first half 2024 has been excellent. For the first half of 2024, net revenue was \$131.6 million, marking a 23.1% increase from the first half of 2023. Adjusted gross profit increased by 36.4% to \$99.5 million, with adjusted gross margin expanding significantly by 890 basis points to 75.6%. Adjusted EBITDA rose by 27.2% to \$17.7 million, reflecting strong sales growth and improved gross margins which more than offset our investment spending. These led to an Adjusted EBITDA margin of 13.4% for the first half, up from 12.7% in the same period last year.

Now looking ahead, our strong first half performance, the ongoing success of our growth strategy and the operational efficiency that we have implemented positions us well to maintain our positive momentum throughout the year and beyond. For the full year 2024, we expect comparable revenue growth will continue to accelerate beyond the 25.7% increase we saw in Q2, raising our guidance communicated in Q1. Adjusted EBITDA margin is expected to land in the mid-teens, aligned with our prior guidance and substantially higher than the 11.2% achieved in 2023. This improvement comes even as we continue to invest in our sales and marketing growth drivers. We expect second half Adjusted EBITDA to exceed first half results both in absolute terms and as a percentage of revenue.

Turning now to our balance sheet and cash flow, we ended the first half of 2024 with a solid financial position with no near-term maturities and ample liquidity to fund our asset-light business model. As of June 30, 2024, cash and cash equivalents were \$19.7 million. We also have \$13 million available on our revolving credit facility, and net debt totaled \$155 million. We achieved positive operating cash flow excluding non-recurring costs associated with legal and advisory fees.

As of August 15, 2024, shares outstanding were 122.7 million compared to 122.2 million as of April 15, 2024.

Now I will turn the call over to Michel.

Michel Brousset

Thank you, Manuel. Now, let's look at the performance by brand, starting with Milk Makeup.

As Manuel shared with you, in the second quarter Milk Makeup generated a net revenue of \$28.7 million, an increase of 20% versus a year ago. Growth was driven by the increased buzz and awareness of the brand, the success of our innovation, and the continued strength in international markets. Unprecedented demand, and in particular the fantastic success of our Cooling Water Jelly tint launch led to some out-of-stocks, which dampened the growth potential in the early part of the quarter. That said, revenue accelerated towards the end of the quarter across geographies as we increased inventory levels to support the higher level of demand.

Adjusted gross profit margin of 69.7% grew an impressive 360 basis points versus Q2 last year as we continued to deploy our operational efficiency playbook and benefited from increased efficiencies in sources and distribution, as well as better management of our inventory. Adjusted EBITDA rose 48% to \$5.7 million while Adjusted EBITDA margin of 19.8% expanded 370 basis points from the second quarter of 2023, as strong revenue and gross margin expansion was mitigated by increased sales and marketing investment in support of key launches that will set us up for acceleration in the second half.

Now for the first half, Milk Makeup generated net revenue of \$63.2 million, increasing 20.8% from the first half of 2023. Adjusted gross profit rose 29.2% to \$44.6 million, with gross profit margin expansion of 460 basis points to 70.6%, and Adjusted EBITDA rose 23.4% to \$15.7 million from \$12.7 million in the first half of 2023, with Adjusted EBITDA margin expanding to 24.9% of net revenue.

Milk Makeup is quickly becoming a true global powerhouse with consumers around the world embracing what we stand for and our consistent ability to deliver sought-after innovation. The brand saw impressive growth across geographies during the first half of the year with revenue up 15.5% in North America and 33.3% internationally.

Our vision for Milk Makeup is to be the number one choice of the next generation, uniquely connecting with their needs, values and aspirations. Our mission is to create a space in beauty for all, always fearless in innovation, agility and self-expression. Our path is clear, guided by our vision and anchored by our mission to create beauty for all: number one, Build a brand that is highly relevant to our audience today and tomorrow; two, nurture a global community of highly engaged consumers and partners; three, delight with products that are famously unique and tangibly better, Milk products are like no one else's; four, expand our presence through distribution that's always brand-building and community connecting; five, continue to fuel the brand to deliver strong profitable growth; and lastly live our culture of creativity inside and out.

Our north star is our community of creators, listening to them, seeing them, understanding them, driving their creativity and self expression, helping them live their look. We are the tools, and they are the artists. We inspire, we never prescribe. Our connection to our community and celebration of their self expression led Milk Makeup to double its earned media value year-on-year and climb +7 ranks versus January 2023, a true measure of its growing desirability and awareness and an important predictor of the brand's future growth, awareness driven by outstanding social results across the two main metrics, larger community and higher engagement.

Our new followers grew by 538,000 in the front half of 2024, which is an impressive 254% acceleration year-on-year, whilst video views almost doubled at 95% up to 89 million views, with engagement jumping

by 286%. This community social bus is amplified by strong editorial coverage with 5.4 billion press coverage impressions in the front half of 2024, of which 1.4 billion is new products alone, growing 60% year-on-year, featuring in particular our viral Cooling Water Jelly tint and other launches in all major publications, an illustration of the power of products that are famously unique, highly desirable, and performance that delivers on consumer needs.

The secret sauce of our product innovation is a single-minded focus on products that deliver our simple yet powerful consumer proposition of clean, cool beauty that works. We deliver never before seen innovation in formats that delivers strongly on the performance benefit and stays true to our brand and community values, always vegan, clean and cruelty free. Our products look and feel like no one else's and are highly recognized in a category that at times is a sea of sameness.

Over the years, we have built strong cult icons and award-winning franchises in Prime and Set and Sticks and we will continue fueling those as strongholds. While we're talking about our winning, our community was set alight to see 11 Olympic medal winner and the greatest gymnast of all time, Simone Biles, using our best-selling Hydro Grip primer as the first step on her Get Ready with Me routine ahead of her impressive performance at the Paris Olympics last month. The greatest of all-time gymnasts wearing the greatest of all time primer.

In addition to our strong holding in our core categories, no pun intended, we're also delighting our community by expanding into new high replenishment segments, such as eye with the launch of KUSH High Roll mascara and brow tints, as well as in lip with the latest shade extension of our Odyssey lip gloss franchise. Moreover, we are still at the very beginning of our various many times sold out, one sold every 30 seconds, multi award-winning Cooling Water Jelly tint driving record bus, record community building, and record sales. More exciting things to come in this franchise in the second half.

Now, this franchise has been showered in editorial awards, which strongly contributed to the 22 awards the brand has won year-to-date, and we are still counting. It was also particularly exciting to all of us at Waldencast to have Milk Makeup named by WWD as one of the most powerful beauty brands fueling the industry growth.

Our most recent market expansions continue to confirm the global appeal and desirability of our Milk Makeup brand. The quality of our products and our brand values resonate universally. Our launches in the U.K., Scandinavia and Latin America are performing ahead of our expectations, as evidenced by the compelling stats you see on the screen.

Now, from the world of Milk Makeup, let's go to the world of high-performance skincare with Obagi Medical. Obagi Medical delivered another outstanding quarter of growth with revenue of \$34.6 million, representing comparable growth of 30.9% from the prior year. This strong growth was driven by the progress made on our strategic priorities that focus on increasing digital channel sales, building our international business, and accelerating our innovation with the introduction of highly effective blockbuster products. Similar to Milk Makeup, some of this growth dampened by out-of-stocks on key products as the strong demand outstripped supply, which particularly impacted our U.S. physician dispense channel. Inventory levels on key out-of-stock items are now substantially improved, and we expect acceleration in Q3.

Adjusted gross profit totaled \$27.4 million with adjusted gross margin expanding 850 basis points to 79.3% from 70.8% in the second quarter of fiscal 2023, and 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 \$6.5 million, a 55.4% increase versus Q2 2023. Adjusted EBITDA margin expanded 230 basis points to 18.6% from 16.3% in the second quarter of Q2 2023.

Now looking at the first half, Obagi Medical delivered net revenue of \$68.4 million, representing comparable growth of 25.4% from the first half of 2023. Adjusted gross profit rose to \$54.9 million or

80.3% of net revenue versus \$38.5 million or 67.4% of net revenue in the first half of 2023. This growth led to Adjusted EBITDA of \$13.2 million, a 37.1% increase from the first half of fiscal 2023 with Adjusted EBITDA margin expanding to 19.3% from 16.9% in the fiscal 2023 first half.

Across geographies, Obagi Medical saw balanced growth with a 37.6% increase in North America and a 35.2% increase internationally in the first half of 2024 compared to the prior year first half. In the U.S., we saw outsized growth from our digital channels and a strong performance from our innovation. Internationally, we're very pleased to continue to establish Obagi Medical's presence in Southeast Asia and expect to build on this momentum this year.

Our vision for Obagi Medical is to be the number one physician-dispensed dermatological brand in the world, providing targeted solutions to professionals and consumers that deliver transformative visible results. We are proud to be the leading U.S. physician-recommended brand for the top three skin concerns for physicians and patients: hyper pigmentation, fine lines and wrinkles, and sagging skin loss of elasticity. These conditions account for roughly two-thirds of the physician-dispensed category.

Our growth strategy follows three pillars: first, strengthen our professional dermatological skincare brand DNA; second, accelerate cutting edge science-backed innovation that delivers transformative results; and third, grow brand awareness and footprint to reach more consumers domestically and internationally. When we acquired the brand, one of our clearly stated growth opportunities was to modernize the brand and usher it into a new era of dermatological skincare that will delight both our physicians and our consumers. I am pleased with the progress we have made and excited to share with you a small slice of what we are rolling onto the market.

Our Obagi Medical brand positioning is anchored in four core pillars that are also the four cornerstones of our iconic Obagi Medical square. First, science is the answer. At Obagi Medical, science has always been the foundation of our brands. Our science and clinical results have been trusted by physicians for more than 35 years, but science is never settled and neither are we, always pushing to innovate, test and research beyond our best to discover better ways to transform our skin. Second, higher standards are our standards. We know our products are transformative because we hold ourselves to a higher standard, where clinically proven is just the starting point. We go beyond clinical with our rigorous testing and data-backed results to prove the transformative power of each and every one of our products. Three, we are diverse by design. An important Waldencast value, we've pioneered clinical testing against the entire Fitzpatrick skin spectrum and continue to develop products systematically tested on every skin tone and type. Fourth, trust is always on trend. Simply put, our products just work, and that's why generations of consumers and physicians around the world have trusted us with their skin and their reputation for 35 years.

That is how we deliver clinically proven, science-backed visible transformative results on all skin tones. Thanks to our cutting-edge science and medical grade ingredients, developing partnerships with 39 research and development partners and leveraging Waldencast's open development ecosystem, with a leading clinical testing program having conducted 329 studies, 100 products tested and up to 10 different tests performed for innovation. Many of you have spoken to us over the years about the various elements of the brand mix that were in need of a refresh, and we're happy to present to you beyond a refresh, a leapfrog that we believe strengthens Obagi Medical's leadership position.

The strength of our Obagi Medical position is brought to life with our iconic logo and square adapted to all touch points to communicate science, performance, and how we stand as uniquely Obagi, be it in our typography, photography, or product and packaging, bringing our new brand universe way in an immersive way in and out of a physician office for an elevated experience that reflects the authority and performance we are known for. An identity anchored in our medical blue as we increase more consumer media touch points in and out of the physician's office to make us uniquely memorable, relevant and compelling, a new elevated style that spotlights the heart of our brand, science and performance while

educating our community on the potency and superiority of our range and make it more accessible to professionals and consumers alike.

One of the first innovations that has fully benefiting from the new brand positioning and imagery is our new launches in our strategic ELASTIderm franchise, launching one of our greatest innovations so far, bringing medical-grade lifting to new heights. We will be extending our best-selling ELASTIderm franchise with the launch of ELASTIderm Lift Up and Sculpt facial moisturizer, clinically proven to visibly lift and sculpt facial contours in only six weeks, and it's partner, ELASTIderm Advanced Filler Concentrate, clinically proven to visibly reduce the appearance of fine lines with a single application, two blockbuster innovations playing in one of the top skincare segments of the physician channel, delivering visible, clinically proven results.

The new ELASTIderm Lift Up and Sculpt moisturizer expands our portfolio in the heartland of anti-aging and day crème category, a format where we're currently under-indexed, comes supercharged with a clinical dossier showing product efficacy in as little as three weeks of use, and visible transformation between before and after, the perfect launch pack to communicate our medical authority in and out of the practitioner's office. New ELASTIderm Advanced filler Concentrate is a non-injectable instant fine line filler with impressive clinical results after a single application and further improvement after eight weeks, showing a 19% reduction in the appearance of fine lines and forehead lines.

Lastly, we will continue the momentum by raising brand awareness with Obagi Medical. We are excited because we're just at the beginning. Obagi Medical is today the number three fastest growing earned media value beauty brand. We expect further acceleration as we invest in growth drivers and deploy the new branding, packaging, and of course medical grade innovation.

As you can see, 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 beauty business. We are now focused on stepping up our investment in our brands, and the development of our communities. This combination of strong community engagement and seductive, high performance products is driving increased global demand for our brands, which coupled with the power of our Waldencast platform and talented teams has us well positioned to drive long term profitable growth.

I'm always thankful for the continued support of our consumers, investors, partners and employees, and everyone who shares our dream of building a global best-in-class beauty and wellness operating platform. Overall, we continue to expect our efforts to lead to long term value creation for all Waldencast stakeholders.