

# ADOREBEAUTY

GROUP

Adore Beauty Group Limited  
ABN 78 636 138 988

## ASX ANNOUNCEMENT

27 April 2021

### **Investor Presentation – April 2021**

Adore Beauty Group Limited (ASX: ABY) (**Adore Beauty**) attaches a presentation to be delivered at the Goldman Sachs Twelfth Annual Emerging Leaders Conference (27 April 2021).

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

For more information, please contact:

**Tennealle O’Shannessy**

**Stephanie Carroll**

Chief Executive Officer

Chief Financial Officer

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**Ends**

### **About Adore Beauty**

Launched in 2000 as Australia’s first beauty focused e-commerce website with a vision to help women feel more confident and fabulous 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 over 230 brands and 11,000 products.

Adore Beauty operates in Australia and New Zealand. For further information please visit [www.adorebeautygroup.com.au](http://www.adorebeautygroup.com.au).

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**ABN 78 636 138 988**

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# ADOREBEAUTY

GROUP

INVESTOR PRESENTATION | 2021



# PRESENTING TODAY



**KATE MORRIS**  
Executive Director

- Kate started Adore Beauty – Australia’s first beauty e-commerce site – from a garage in 2000
- Overseen the business achieve exponential growth over the past two decades



**TENNEALLE O’SHANNESSY**  
Chief Executive Officer

- Joined in 2020
- Over 20 years experience including nine years at SEEK and five years with A.T. Kearney
- Most recently MD of SEEK - Americas and NED of Online Education Services



**STEPHANIE CARROLL**  
Chief Financial Officer

- Joined in 2019
- Over 20 years in Finance with experience across a number of industries including fast moving consumer goods, retail banking and tertiary education
- Former Head of Finance at Coca-Cola Amatil

# DISRUPTING THE TRADITIONAL BEAUTY MODEL



## Vision

- Adore helps women to feel **confident and fabulous**, by delivering a more **empowering, engaging and personalised** beauty shopping experience
- We're a **destination for beauty consumers** even on the days they're not shopping



## Values

A positive approach  
Doing the right thing  
Always growing  
Working for each other



## Our aspiration

**Transform the beauty shopping experience**

Own the beauty category in AU and NZ, and be a global leader

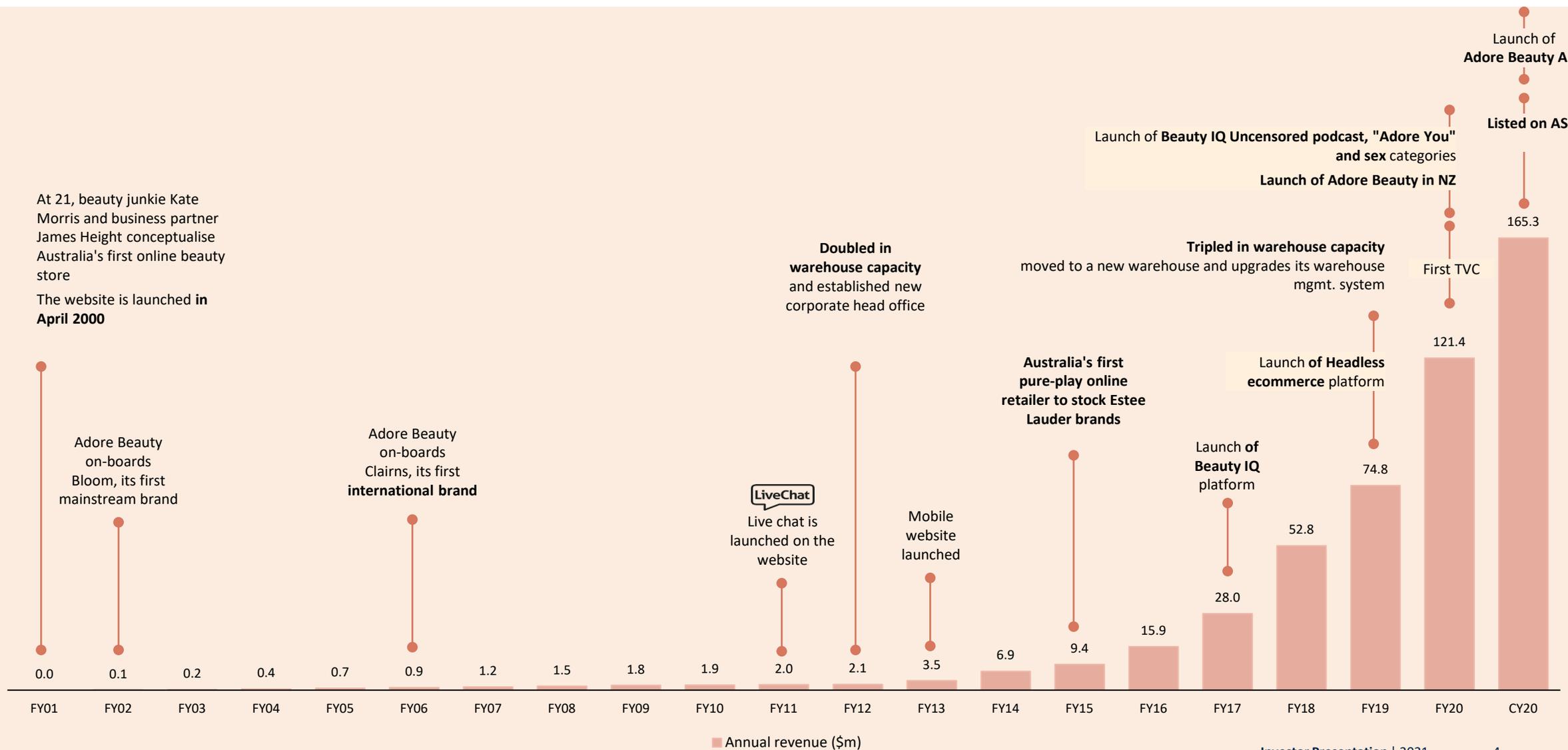


## Brand partnership

- **Deep strategic partnerships with brands**, leveraging data to provide customer insights
- **Unique in the beauty category** as a data-enriched integrated digital media, content, marketing and e-commerce platform
- Online channel is increasing in strategic importance
- **Brands are partnering with us to grow** through increased co-marketing support and exclusive products (including promotional support through brand funded sales events)

# THE EVOLUTION OF ADORE BEAUTY

At 21, beauty junkie Kate Morris and business partner James Height conceptualise Australia's first online beauty store  
The website is launched in **April 2000**



# WHO WE ARE



## Overview

- Australia's number one pureplay online beauty retailer<sup>1</sup>
- Founded in 2000, entered the New Zealand market in 2019 and listed on the ASX in October 2020
- Transformed the online beauty shopping experience and creating a destination for consumers
- Compelling offering of over 260 brands and 10,800+ products

## Premium Brand Portfolio

SKINCARE	aspect dermalogica®	SKINCEUTICALS® SK-II	ALPHAH The Ordinary.
HAIR	ghd good hair day	ELEVEN™ AUSTRALIA KEVIN.MURPHY	AVEDA KÉRASTASE PARIS
MAKE UP	MAC ESTÉE LAUDER	benefit SAN FRANCISCO	GIORGIO ARMANI MAKE UP FOR EVER
WELLNESS / FRAGRANCE	GIORGIO ARMANI 	Welle©™ YVES SAINT LAURENT	

1. Management estimates based on third party industry reports (2019, 2020), supplier data (2019), website traffic data (2020), and third party and internal customer data (2019, 2020).

# ADORE BEAUTY IS AUSTRALIA'S #1 PUREPLAY ONLINE BEAUTY RETAILER WITH A SIGNIFICANT GROWTH OPPORTUNITY SUPPORTED BY STRUCTURAL TAILWINDS

**Market leader<sup>1</sup>**  
in a large,  
addressable market  
with significant  
growth opportunity

**Online destination of  
choice** for brand  
partners and loyal,  
sticky returning  
customers who  
increase in value each  
year

**Strong track record  
of financial  
performance**  
including **record half<sup>2</sup>**  
exceeding  
prospectus forecast

**Strategic initiatives**  
to drive sustainable  
growth



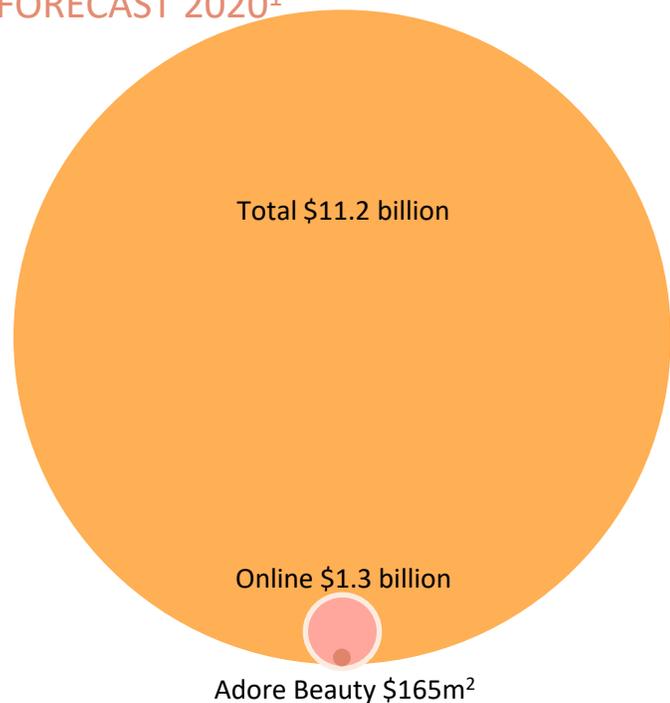
1. Adore beauty is the leading pureplay online beauty retailer, based on management estimates based on third party industry reports (2019, 2020), supplier data (2019), website traffic data (2020), and third party and internal customer data (2019, 2020).  
2. In respect of H1 FY21.

# LARGE AND GROWING ADDRESSABLE MARKET

ADORE BEAUTY HAS A STRONG TRACK RECORD OF GROWING FASTER THAN THE MARKET

## AUSTRALIAN BEAUTY AND PERSONAL CARE MARKET FORECAST 2020<sup>1</sup>

2020 Growth (%)



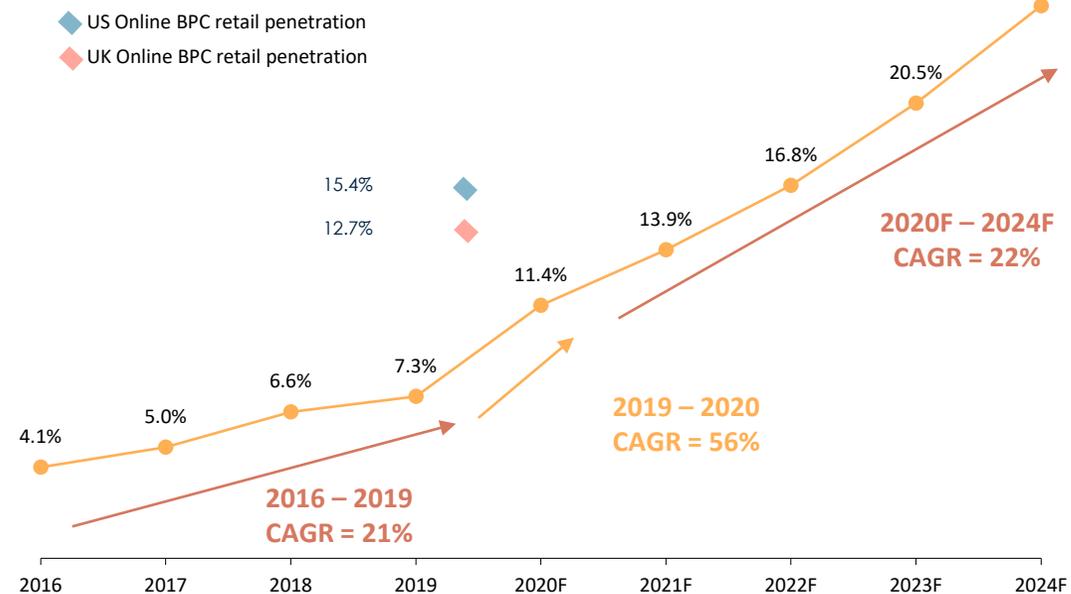
Total 4.0%

Online 61.0%

Adore Beauty 84.2%

## COVID-ACCELERATED ONLINE PENETRATION...

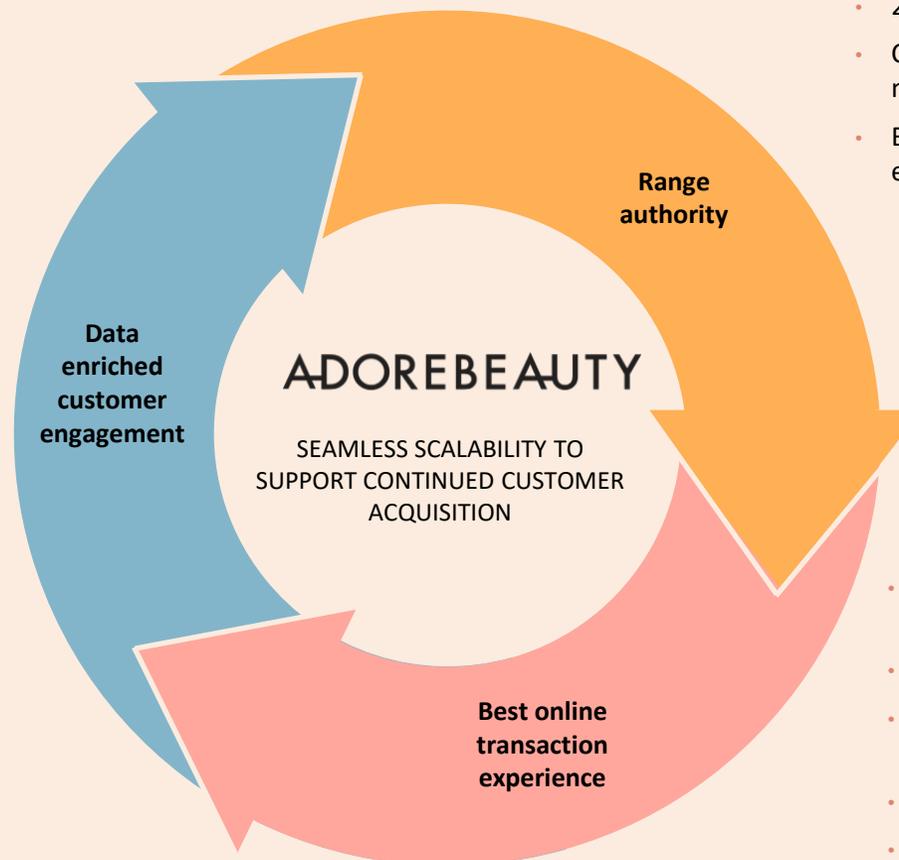
### Australian Online BPC Retail Penetration<sup>1</sup>



1. Frost & Sullivan - The Online Retail Market (Australia and New Zealand) – September 2020.  
2. Adore Beauty CY2020 Revenue.

# ADORE BEAUTY HAS A UNIQUE CUSTOMER VALUE PROPOSITION

- Integrated content, marketing and eCommerce retail platform
- Customer-led engagement (Beauty IQ, rich content etc.)
- Education to support decision-making
- Satisfied, loyal, repeat customers
- Increasing basket size and high repeat purchase



- 260+ brands and 10.8k+ products (incl. exclusives)
- Compelling range in Australia and New Zealand: premium, salon and niche
- Beauty destination: Able to provide brands with access to a large, engaged customer base and strong marketing platform

- Instant gratification through live expert chat, seamless experience and fast delivery
- AI led personalisation and recommendations
- Free delivery, free express (over \$50), 90 day returns
- Fast dispatch times and 99.9%<sup>1</sup> pick accuracy
- Value-adds, promotions, samples and benefits, free Tim Tam with every order

1. Based on proportion of returns for pick and pack errors (being 0.01% of orders).

# LARGE, HIGHLY ENGAGED CUSTOMER BASE

## POWERED BY A STRONG CONTENT AND SOCIAL PLATFORM

### CY20 TRAFFIC AND DATABASE HIGHLIGHTS

#### DIGITAL

46.6m website sessions<sup>1</sup>  
Launched Mobile App in  
November 2020



#### CONTENT

2.4 million Beauty IQ  
content impressions<sup>1</sup>  
1.4 million total downloads  
of  
BeautyIQ podcast<sup>2</sup>



#### SOCIAL

~7.4M social media  
reach<sup>3</sup>



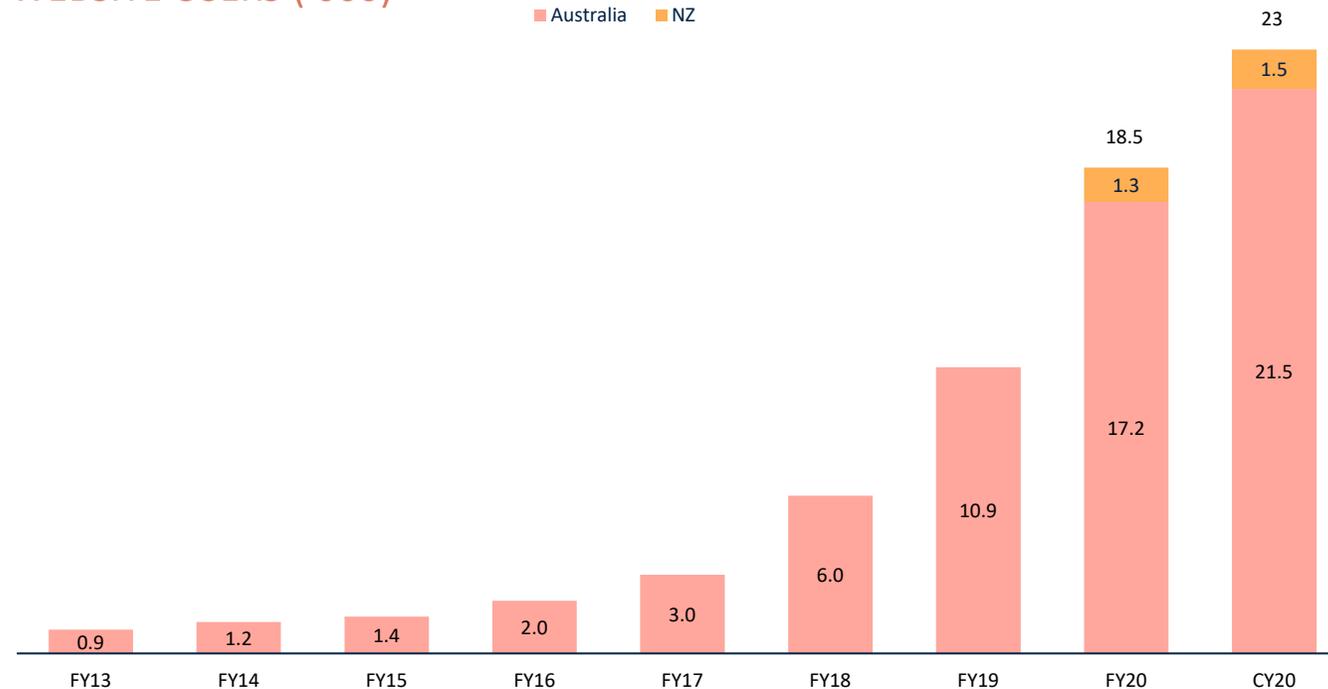
#### ACTIVE CUSTOMERS

777k Active  
customers<sup>4</sup>, including  
497k new customers in  
CY20



### WEBSITE USERS ('000)

■ Australia ■ NZ



1. Adore Beauty website, CY20.  
2. Podcast metrics as at 31 December 2020 from all streaming platforms.  
3. Social reach metric for CY20 across paid Facebook channel.  
4. Active customers refer to customers who have made an order in the last 12 months, measure for CY20.

# STRONG PERFORMANCE IN THE METRICS WE CARE MOST ABOUT

**#1**

PUREPLAY ONLINE BEAUTY RETAILER  
IN AUSTRALIA<sup>1</sup>



**260+**  
BRANDS<sup>2</sup>



**10.8k+**  
PRODUCTS<sup>2</sup>

**2 COUNTRIES**

CURRENTLY OPERATE IN AUSTRALIA AND  
NEW ZEALAND



**4.9/5**

GOOGLE RATING  
BASED ON 24,944  
REVIEWS<sup>3</sup>



**82/100**

NET PROMOTER  
SCORE<sup>4</sup>



**777k+**

ACTIVE  
CUSTOMERS<sup>5</sup>



**65.5%**

CUSTOMER  
RETENTION<sup>6</sup>



**46.6m+**

WEBSITE SESSIONS<sup>7</sup>



**1.2m**

ANNUAL ORDERS<sup>8</sup>



**1 day**

SAME DAY 4PM  
DISPATCH



**185**

EMPLOYEES<sup>9</sup>



**~100**

WAREHOUSE  
STAFF



**c.\$165.3m**

CY20A REVENUE



**58% p.a.**

REVENUE CAGR  
FY18-CY20



**4,000 sqm**

WAREHOUSE



**10,800+**

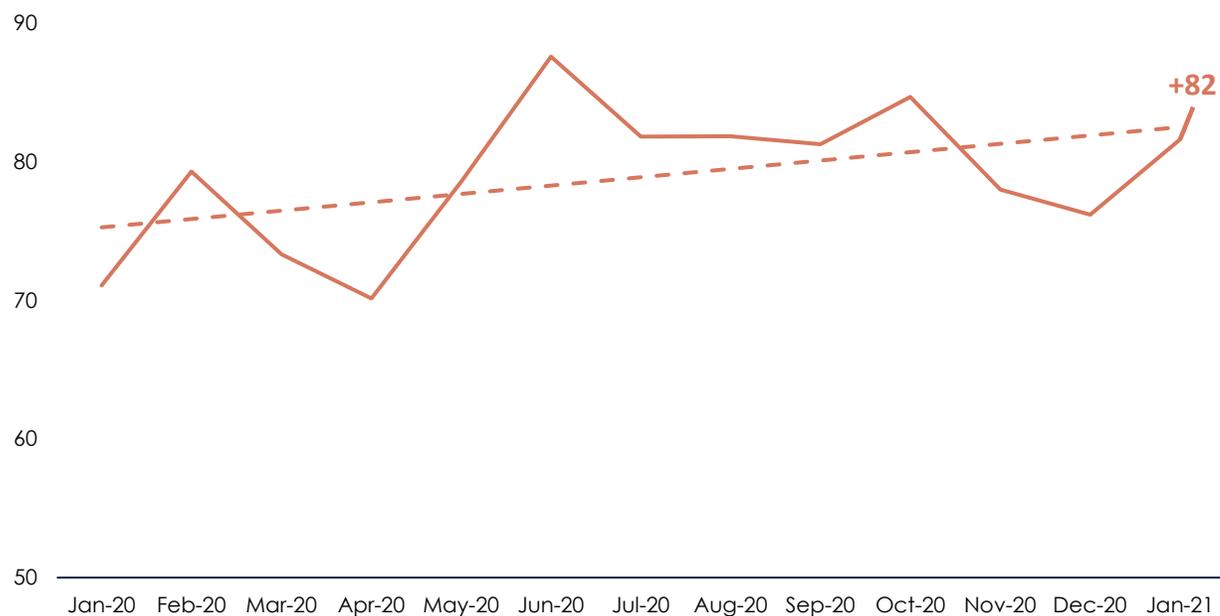
ORDERS PACKED  
IN ONE DAY<sup>10</sup>

1. Management estimates based on third party industry reports (2019, 2020), supplier data (2019), website traffic data (2020), and third party and internal customer data (2019, 2020).

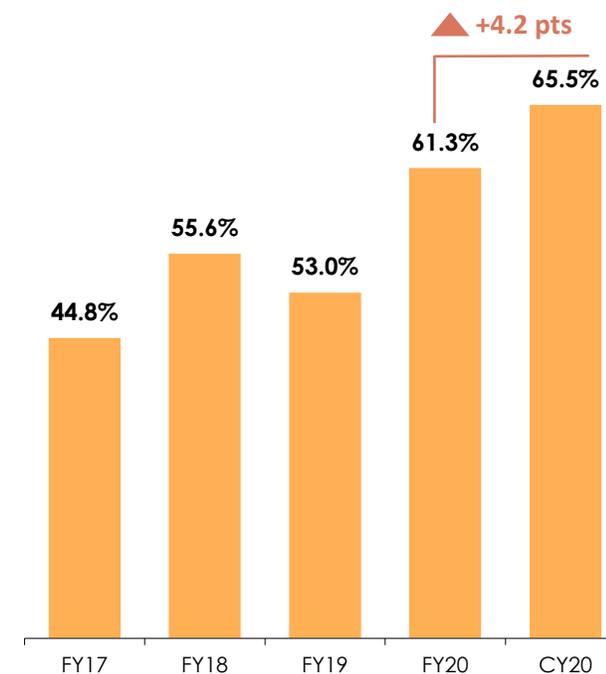
2. Adore Beauty website 3 As at 9/2/2021 sourced as per <https://www.google.com/shopping/customerreviews/merchantreviews?q=adorebeauty.com.au> 4. NPS as at 1 Jan 2021; NPS score is driven off an email sent to customers who have placed 2 orders i.e. not every customer is invited to participate in the NPS statistics 5. Active customers refer to customers who have made an order in the last 12 months 6. Aggregated active customer retention rate = (Active Customers as at the end of the relevant financial year – Active Customers acquired during the relevant financial year) divided by Active Customers as at the commencement of the relevant financial year 7. Adore Beauty website for CY20 8. Metric is based on CY20 9. As at Dec-20 includes employees and contractors 10. Cyber weekend day sale (November 2020).

# DELIVERING STRONG GROWTH IN CUSTOMER AND REVENUE METRICS

## CUSTOMER SATISFACTION (NPS<sup>1</sup>)



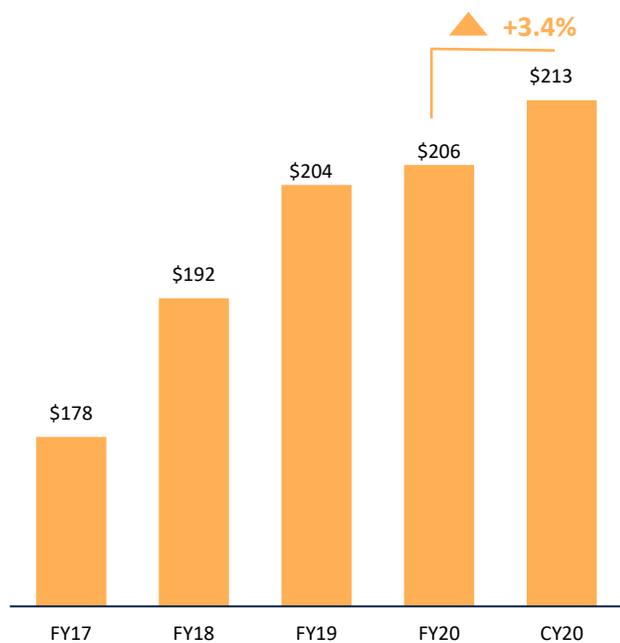
## RETENTION<sup>3</sup>



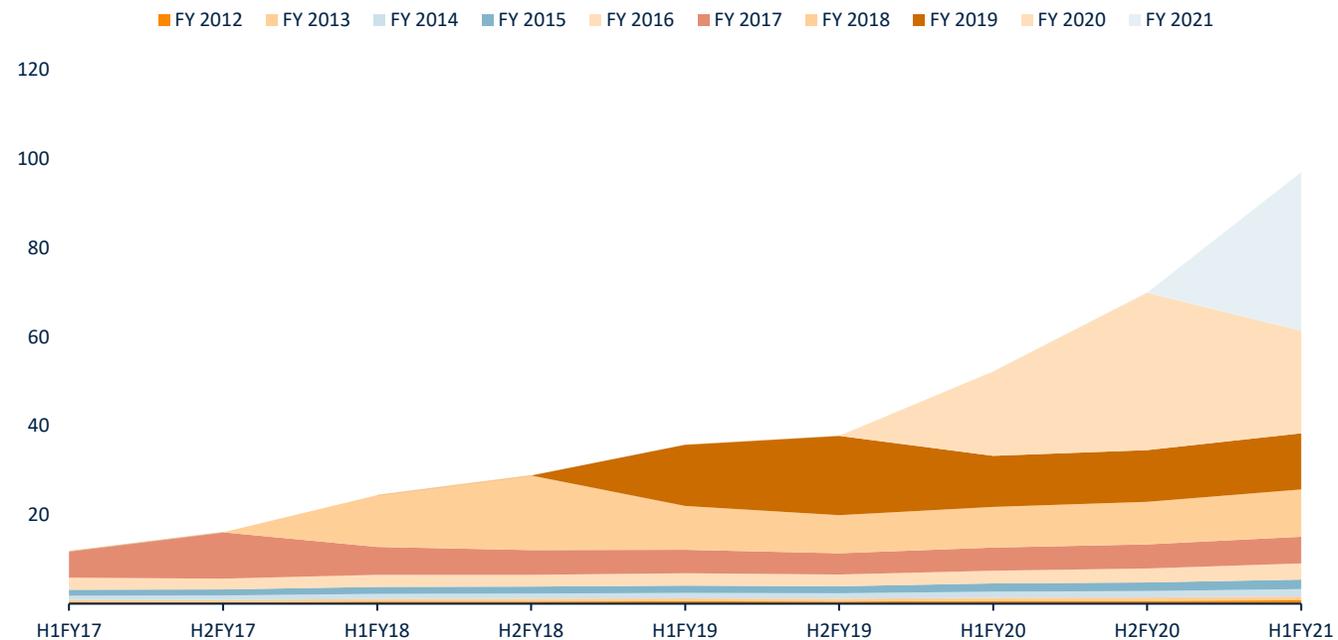
1. The Net Promoter Score is ascertained by sending an email to customers who have placed two orders or more with Adore Beauty (i.e. not every customer is invited to participate in the Net Promoter Score survey). These customers are asked 'how likely are you to recommend Adore Beauty to friends or family?', based on a scale of 0 to 10. Net promoter scores range from -100 to +100.  
 2. Active customers refer to customers who have made an order in the last 12 months.  
 3. Aggregated active customer retention rate = (Active Customers as at the end of the relevant financial year – Active Customers acquired during the relevant financial year) divided by Active Customers as at the commencement of the relevant financial year.

# UNDERPINNED BY INCREASING VALUE OF RETURNING CUSTOMER COHORTS OVER TIME

ANNUAL REVENUE PER ACTIVE CUSTOMER<sup>1</sup>



REVENUE CONTRIBUTION BY CUSTOMER COHORT (\$A MILLION)

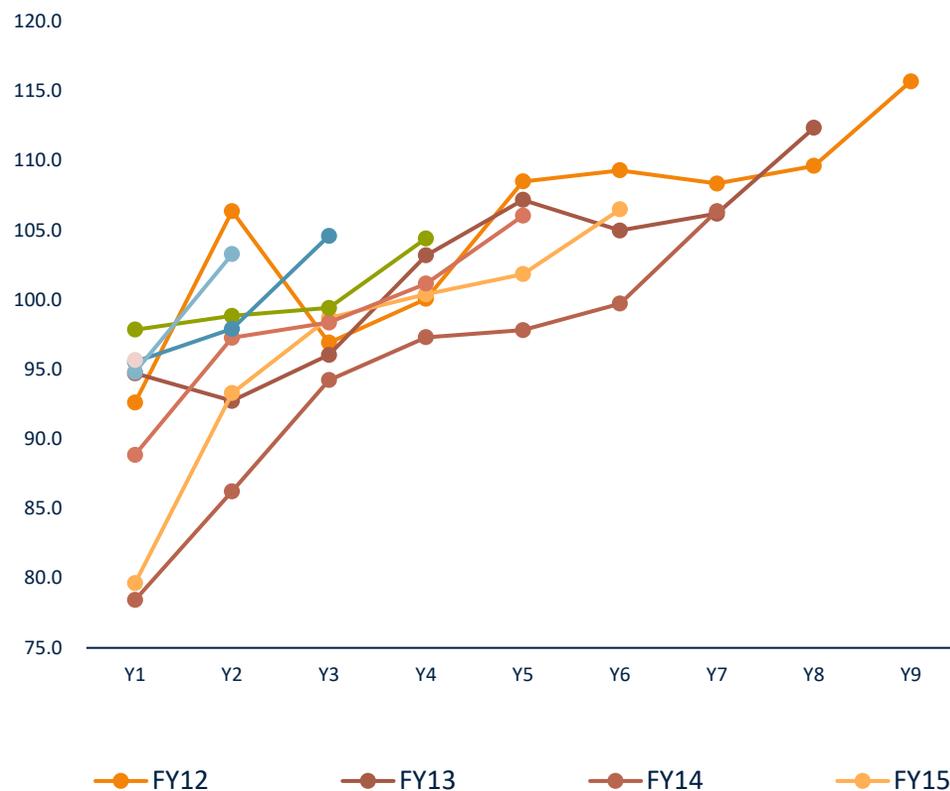


1. Active customers refer to customers who have made an order in the last 12 months. Revenue per active customer = Last 12 months divided by Active Customers.

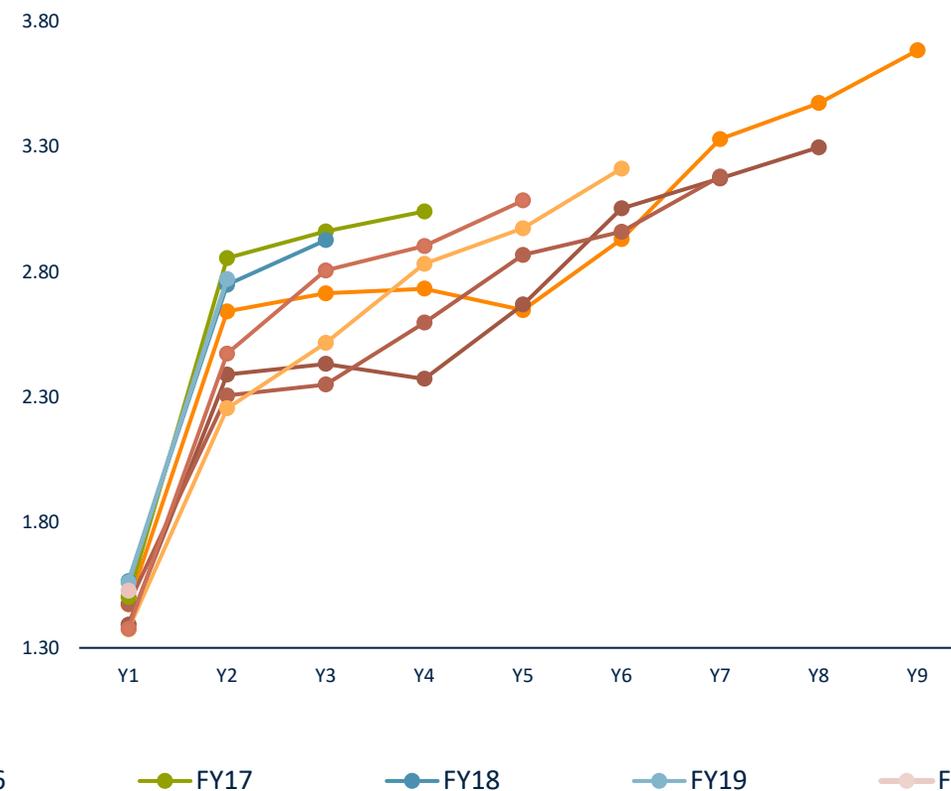
# RETURNING CUSTOMERS INCREASE IN VALUE

EACH YEAR THEY ARE WITH THE PLATFORM

AVERAGE ORDER VALUE<sup>1</sup> BY CUSTOMER COHORT (\$A)



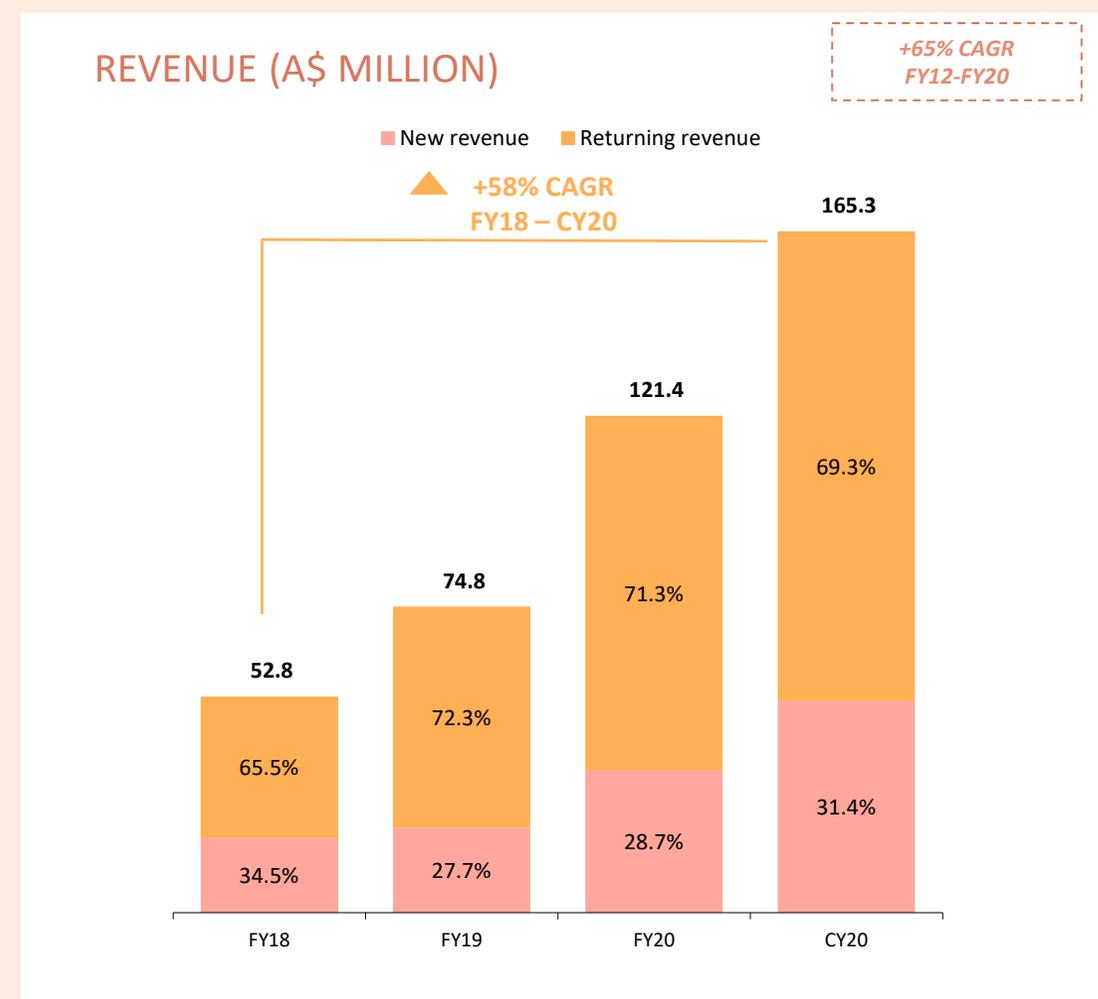
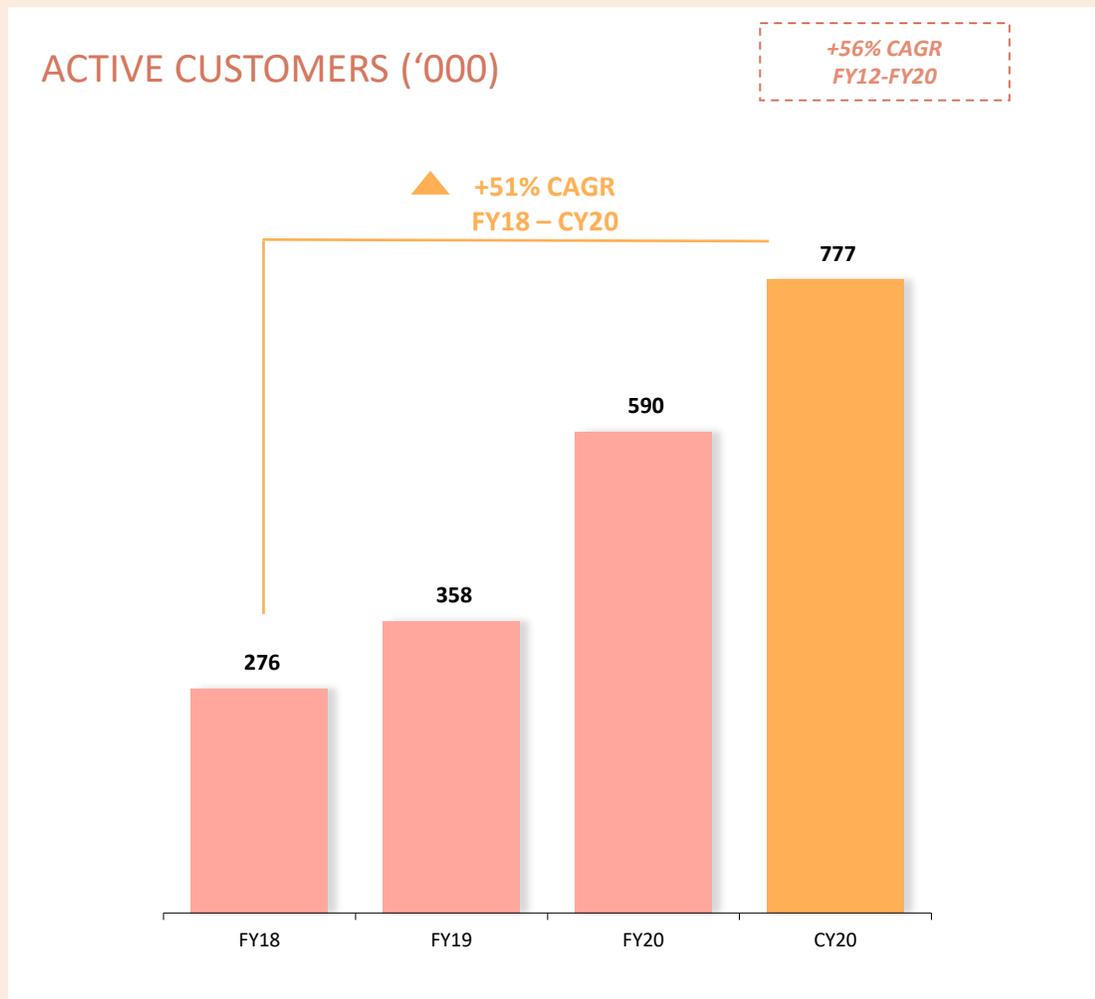
AVERAGE ORDER FREQUENCY<sup>1</sup> BY CUSTOMER COHORT



1. Calculated based on average values of existing cohorts in each retention year, Y1 refers to first year the cohort was acquired. Cohort vintages based on FY12-FY20 acquired cohorts. Average Order Value excludes any accounting adjustments

# PROVEN TRACK RECORD OF FINANCIAL PERFORMANCE

UNDERPINNED BY STRONG CUSTOMER ACQUISITION AND RETENTION



# FINANCIALS

## RECORD RESULTS IN 1H FY21 AHEAD OF PROSPECTUS FORECAST

### INCOME STATEMENT

A\$M	1HFY20	1HFY21F
Revenue	52.0	96.2
Cost of Sales	(35.8)	(64.9)
<b>Gross Profit</b>	<b>16.2</b>	<b>31.2</b>
<i>Gross Profit Margin</i>	<i>31.1%</i>	<i>32.5%</i>
<b>EBITDA</b>	<b>1.8</b>	<b>5.2</b>
<i>EBITDA Margin</i>	<i>3.5%</i>	<i>5.4%</i>

### BALANCE SHEET

A\$M as at	30 June 2020	31 December 2020
Cash and cash equivalents	16.6	25.9
Inventory	14.7	15.5
<b>Total assets</b>	<b>39.6</b>	<b>54.2</b>
<b>Total liabilities</b>	<b>24.2</b>	<b>21.4</b>
<b>Net assets</b>	<b>15.3</b>	<b>32.7</b>

#### Delivered revenue, gross profit margin and EBITDA ahead of prospectus forecast

- Revenue of \$96.2m, 8% ahead of prospectus forecast of \$89M<sup>1</sup>, up 85% on PCP
- Average order value (AOV) was above PCP at \$101.26 and Average Order Frequency (AOF) was in line with PCP at 2.1
- Gross profit margin of 32.5%, ahead of prospectus forecast of 31.9%, up 1.4 percentage points on PCP, driven by improved supplier terms and brand funding

#### Operating costs favourable to prospectus forecast despite investment in brand awareness

- Operating costs as a % of Revenue were in line with PCP
- Marketing as a % of sales 12.4%, favourable to prospectus forecast of 12.8% even with investment in brand awareness
- Operating leverage driven by tight management of fixed costs, even with investment in strategic priorities (Mobile app, Private label, Tech and data and Brand awareness)

#### Record profitability driven by margin expansion

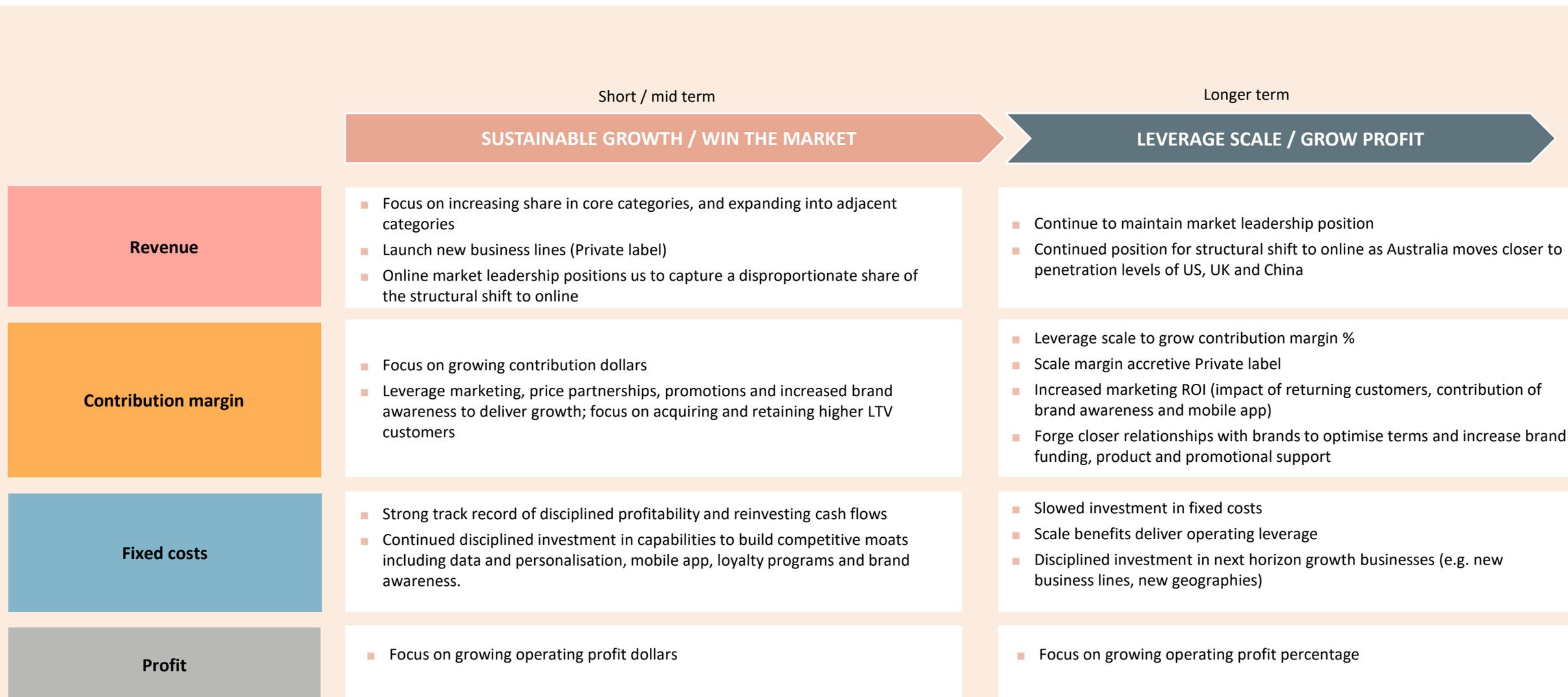
- EBITDA<sup>2</sup> of \$5.2m, 58% ahead of prospectus forecast of \$3.3m, up 188% on PCP; increased EBITDA margin from 3.5% in PCP to 5.4%, ahead of prospectus forecast of 3.7%

#### Strong balance sheet with no debt and a highly capital efficient business model with positive cash flow

- Provides a solid, scalable platform to continue growing the business and flexibility to pursue identified strategic growth initiatives

1. Also exceeded trading update revenue forecast of \$95.2M, update issued 1 December 2020.  
2. Proforma adjustments are detailed in the appendix. Trading update issued 1 December 2020 noted anticipated positive impact on EBITDA for H1 FY21F.

# WE ARE PURSUING A BALANCED GROWTH STRATEGY, WITH OPERATING LEVERAGE TO COME OVER TIME WITH SCALE BENEFITS



# STRONG PROGRESS ON OUR LONG-TERM GROWTH STRATEGY

We are executing on a clear strategy based on sustainably growing market share from a position of strength through driving brand awareness, new customer acquisition and returning customer retention

## KEY INITIATIVE

## PROGRESS SINCE IPO

### EXISTING BUSINESS



#### Grow brand awareness

Aim to reach the millions that haven't yet heard of us and build trust and connection to drive traffic and conversion; increase brand awareness to +80%

▶ Expanded national ATL campaign, increased brand awareness by 33% to 52%



#### Leverage data

Grow conversion, engagement and LTV through increased leveraging Adore Beauty's deep customer data set

▶ Built out data capability, launched delivery tracking capabilities



#### Launch app

Build content-first mobile app to expand use of machine learning to combine technology and personalisation through data

▶ Adore Beauty Mobile App soft launched in Nov 2020, on track for hard launch H2 FY21



#### Loyalty

Create the most rewarding loyalty program in ANZ by enriching the customer experience

▶ Launched loyalty program in H2 FY21

### NEW BUSINESS



#### Adjacencies

Target related verticals that we believe our customers will respond to, and that stay true to our brand voice

▶ Launched 33 new brands, including building out 10 brands in Fragrance category



#### Private label

Leverage customer knowledge, data and experience to tailor brands and products for identified gaps in the target market and increase financial margins

▶ Pilot test in Dec 2020 of Adore Beauty branded accessories, on track to launch first Private Label products H1 FY22

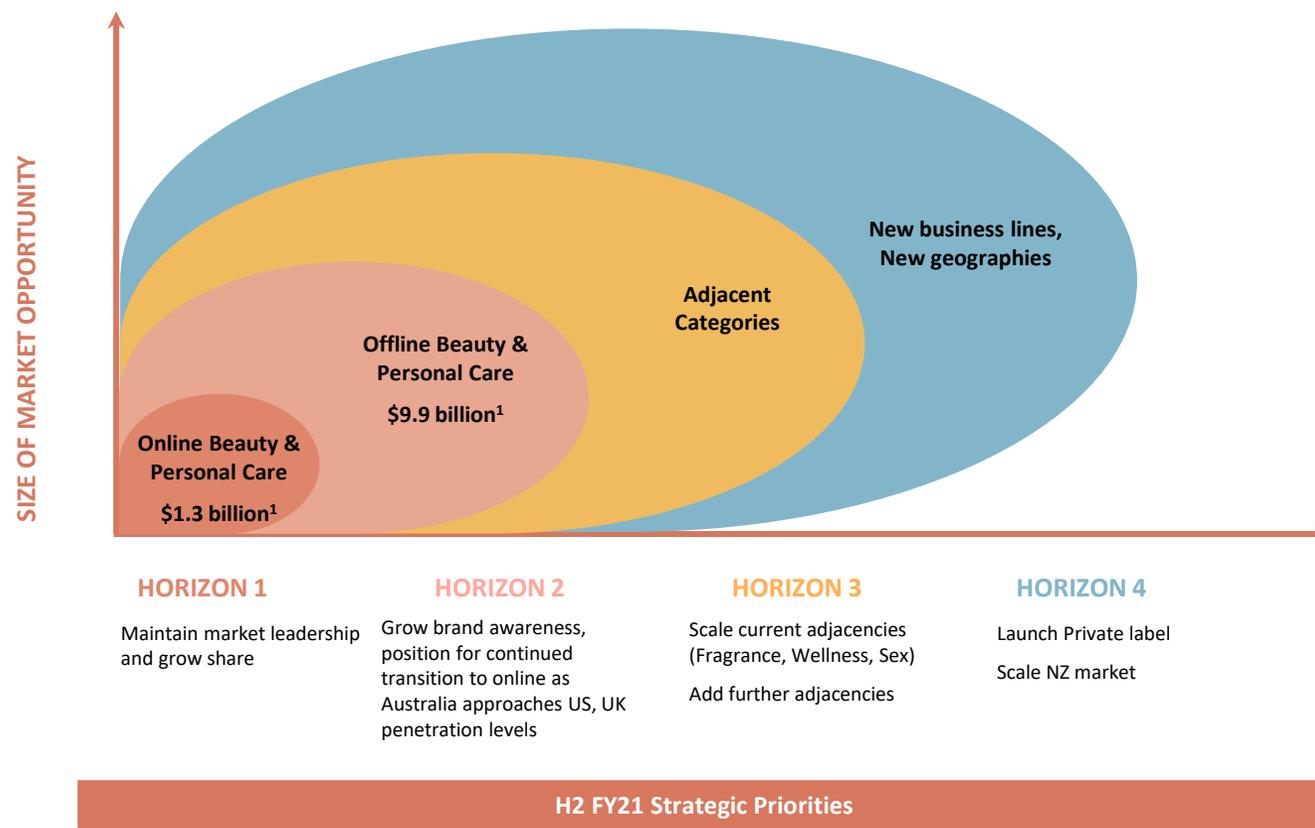
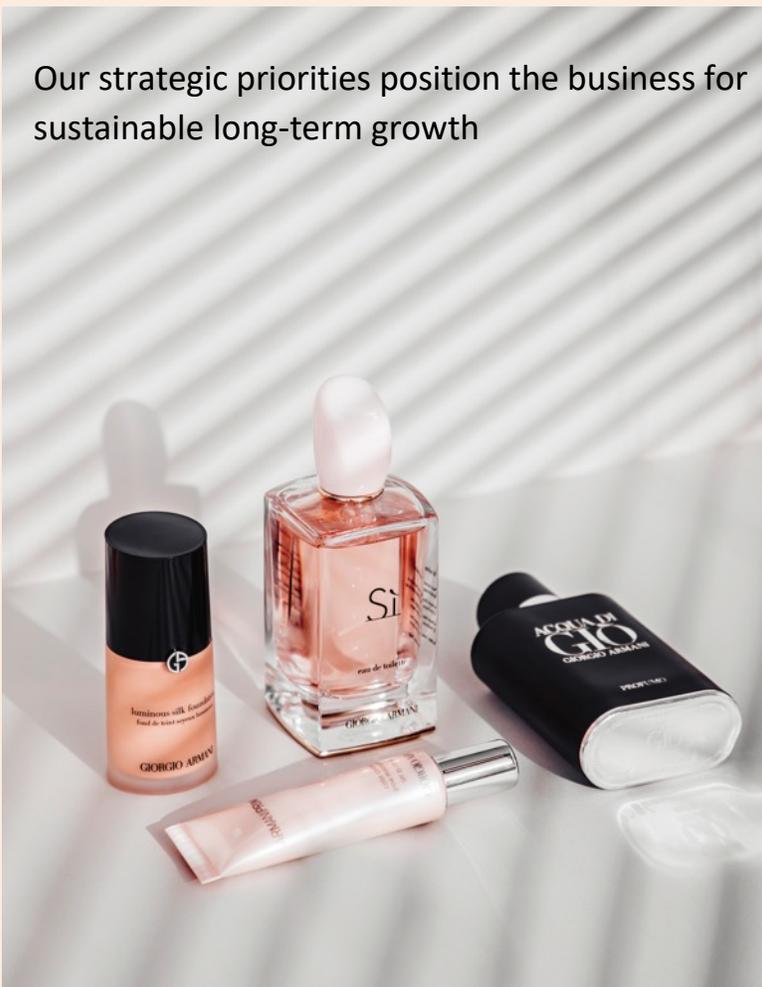
## FY21 STRATEGIC INITIATIVES – LAUNCHED LOYALTY PROGRAM

- Launched 'Adore Society', our new loyalty program, in March 2021 with a goal to increase loyalty and lifetime value.
- Three-tiered, holistic structure including usual perks such as birthday gifts, priority access to new product launches, as well as competitions, promotions and invitations to money can't buy experiences such as launch events and masterclasses.
- In addition, members will be rewarded with personalised delights selected just for them based on their purchase history, favourite products and beauty needs, underpinned by data.
- The launch of Adore Society is the first phase, with additional features and benefits to be rolled out to members throughout 2021.
- There has been very strong uptake of the program, with almost 50 thousand signups including over 50% of top tier members.



# SETTING UP THE BUSINESS FOR FUTURE GROWTH

Our strategic priorities position the business for sustainable long-term growth



1. 2020 forecast market size, Frost & Sullivan - The Online Retail Market (Australia and New Zealand) – September 2020

# ADORE BEAUTY IS AUSTRALIA'S #1 PUREPLAY ONLINE BEAUTY RETAILER WITH A SIGNIFICANT GROWTH OPPORTUNITY SUPPORTED BY STRUCTURAL TAILWINDS

**Market leader<sup>1</sup>**  
in a large, addressable market  
with significant growth  
opportunity

- Adore Beauty's online market leadership<sup>1</sup> positions us to capture market share in a large and growing market benefitting from structural tailwinds

**Online destination** of choice  
for brand partners and loyal,  
sticky customers

- Strong and increasing retention, strong contribution of returning customers
- Returning customers increasing in value each year they are on the platform, with increasing AOV and AOF
- Delivering consistently strong customer satisfaction levels
- Increasing co-marketing support, access to exclusive products and promotions with brand partners

**Strong track record of financial  
performance** including **record  
half** exceeding prospectus  
forecast

- Strong track record of financial performance and taking market share
- Revenue ahead of prospectus forecast and pcp
- H1 Multiple record trading days including Afterpay Day (Aug) and Cyber Weekend (Nov), promotions were 100% brand funded
- Increasing Active customers
- EBITDA ahead of prospectus forecast and pcp

**Strategic initiatives**  
to drive sustainable growth

- Clear strategy to sustainably growing market share through driving brand awareness, new customer acquisition and returning customer retention.
- H1 strong progress on strategic priorities: Increased brand awareness; Launched Mobile App (Nov 2020), Loyalty program (March 2021); Piloted Private Label branded accessories offering (Dec 2020) and Onboarded 33 new brands including scaling fragrance

# QUESTIONS

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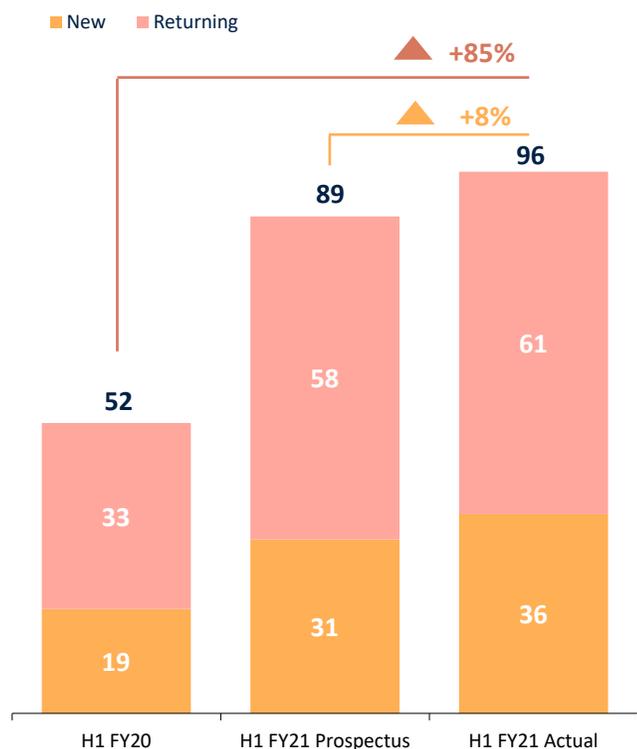
# APPENDICES



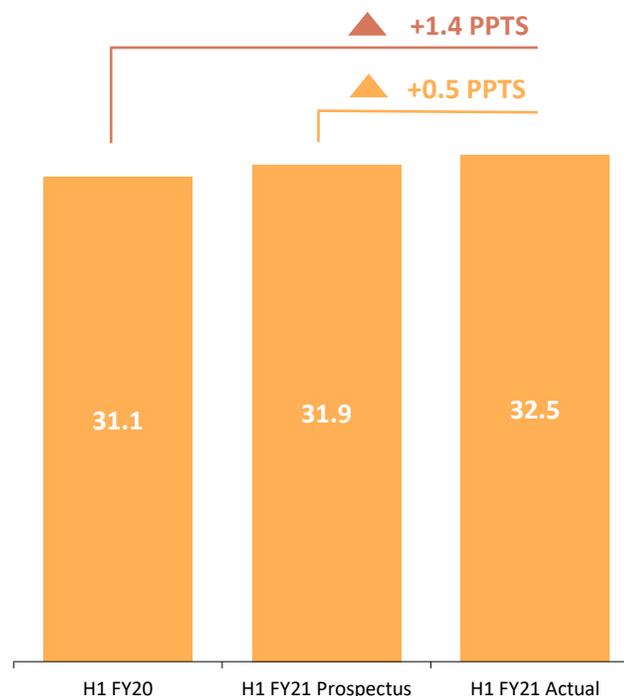
# H1 DELIVERED STRONG PERFORMANCE

IN ALL FINANCIAL METRICS, EXCEEDING PROSPECTUS FORECAST

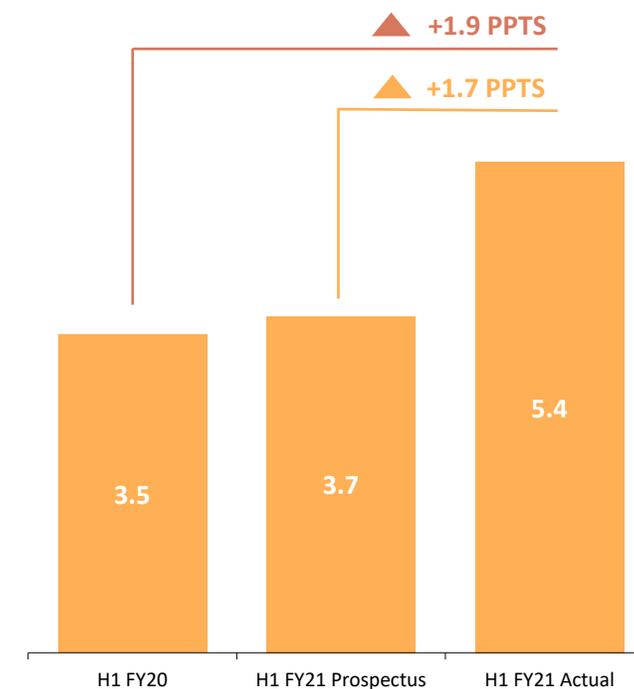
## REVENUE<sup>1</sup> (\$A MILLION)



## GROSS PROFIT MARGIN (%)



## EBITDA MARGIN<sup>2</sup> (%)



1. Also exceeded trading update revenue forecast of \$95.2M, update issued 1 December 2020.  
 2. Proforma adjustments are detailed in the appendix. Trading update issued 1 December 2020 noted anticipated positive impact on EBITDA for H1 FY21F.

# STRONG TRACK RECORD OF GROWTH IN ALL KEY PERFORMANCE INDICATORS

	Pro forma historical				
	FY18	FY19	CY19	FY20	CY20 (Actual)
# new customers ('000)	189	212	251	371	497
# retained customers ('000)	87	146	176	219	280
# total active customers ('000) <sup>1</sup>	276	358	427	590	777
Active customer retention <sup>2</sup>	55.6%	53.0%	54.2%	61.3%	65.5%
Average annual order frequency	2.0	2.1	2.1	2.1	2.1
Average order value (\$A)	97.4	97.5	100.1	100.5	101.26
Revenue growth on PCP	n/a	38.6%	40.1%	65.5%	84.2%
Gross margin	30.2%	30.0%	30.7%	31.8%	32.5%

1. Active customers refer to customers who have made an order in the last 12 months.

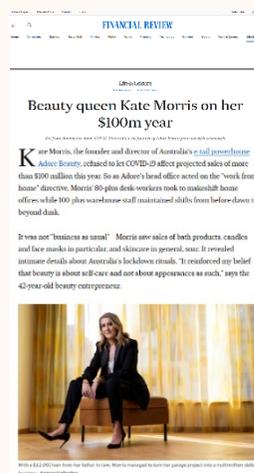
2. Aggregated active customer retention rate = (Active Customers as at the end of the relevant financial year – Active Customers acquired during the relevant financial year) divided by Active Customers as at the commencement of the relevant financial year.



# ADORE BEAUTY IS AN AWARD WINNING, INDUSTRY LEADING ONLINE RETAILER

## SELECT ACCOLADES

<p><b>2018</b></p>  <p>PowerRetail All Stars Top 100Online Retailers and Top Customer Rated Online Store in Australia</p>	<p><b>2013-2019</b></p>   <p>Deloitte Tech Fast 50 and Asia Pacific Tech Fast 500</p>	<p><b>2013-2019</b></p>  <p>Veuve Clicquot Business Woman Award Finalist Kate Morris</p>	<p><b>2019</b></p>  <p>InStyle 'Women of Style' awards Kate Morris</p>	<p><b>2019</b></p>  <p>Top 50 people in eCommerce Kate Morris #2</p>	<p><b>2019</b></p>  <p>Top Email Marketing</p>	<p><b>2020</b></p>  <p>Top 50 people in eCommerce Kate Morris #9 Dan Ferguson #20</p>	<p><b>2020</b></p>  <p>Top Innovator Top Customer Experience Top User Experience All Star Legend Award (Kate)</p>
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## IN RECENT YEARS



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A number of figures, amounts, percentages, estimates and calculations of value in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

All dollar values are in Australian dollars (A\$), unless otherwise stated.

The operating and historical financial information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on the Group's future performance or condition. You should note that past performance of the Group cannot be relied upon as an indicator of (and provides no guidance as to) future Group performance.

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