ODDITY

ODDITY 4Q 2025 Earnings Call Prepared Remarks

February 25, 2026

Maria Lycouris, ODDITY Investor Relations:

Thank you, operator. I'm joined by Oran Holtzman, **ODDITY's** Co-Founder and CEO, and Lindsay Drucker Mann, **ODDITY's** Global CFO. Niv Price, **ODDITY's** CTO, will also be available for the question and answer session.

As a reminder, management's remarks on this call that do not concern past events are forward-looking statements. These may include predictions, expectations, or estimates, including statements made about **ODDITY's** business strategy, market opportunity, future financial performance, customer acquisition costs and potential long-term success. Forward-looking statements involve risks and uncertainties, and actual results could differ materially due to a variety of factors. These factors are described under forward-looking statements in our earnings press release issued earlier today and in our most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission on February 25, 2025. We do not undertake any obligation to update forward-looking statements which speak only as of today. Finally, during this call we will discuss certain non-GAAP financial measures, which we believe are useful, supplemental measures for understanding our business. Additional information about these non-GAAP financial measures, including their definitions, are included in our earnings press release, which we issued today.

I will now hand the call over to Oran.

Oran Holtzman, ODDITY Co-Founder and CEO:

Thanks everyone for joining our call today.

2025 was a strong year for **ODDITY**. We delivered record financial results, with revenue, adjusted EBITDA, and adjusted EPS all ahead of our plan. Revenue increased 25% to a record $810 million. We delivered record Adjusted EBITDA of $163 million, representing a 20.2% adjusted EBITDA margin.

Across the year we were able to once again raise our financial outlook every quarter on revenue and profit, and this is despite experiencing challenging user acquisition costs in H2 that drove an increase in advertising spend. Our strong and profitable repeat rates allowed us to once again deliver results ahead of our plan.

And we accomplished all of this while investing heavily in our future.

Notably this year we successfully launched our 3rd brand, **METHODIQ**, which expands our reach into the medical grade space where we see enormous potential.

In addition, we continued our ongoing investments in **ODDITY Labs**, in our tech infrastructure, as well as new products and new brands.

We believe that our powerful platform, brands, and technology, combined with our growth investments, create long runway for us to grow in a big, attractive, and profitable category, where we are well positioned to outrun our competition.

We finished the year with a strong balance sheet position, with $776 million in cash and cash equivalents.

Even as we work tirelessly to address what we believe is a near-term dislocation in our user acquisition costs, there is no change to our long-term vision, strategy or our commitment to growth.

First, the consumer migration online, where our brands maintain leading positions.

One of the best indicators of our business health is our very strong repeat sales. In 2025 approximately 70% of **ODDITY's** revenue came from repeat sales. Customer cohort repeat behavior remains very strong and continues to increase. 12-month net revenue repeat rates for our 2024 cohort of first purchasers increased from the 2023 cohort and remained over 100%.

We believe that these are outstanding repeat metrics compared with other direct-to-consumer companies and reflect the health of our brands, the quality of our products, and the high satisfaction from our customers.

Moving to our brands.

IL MAKIAGE grew revenue low double digits in 2025 to approximately $560 million.

IL MAKIAGE SKIN was a highlight as planned, and finished the year at approximately 40% of **IL MAKIAGE** brand revenue, expanding from around 30% of brand revenue in 2024. The rapid success of **IL MAKIAGE SKIN** since its launch in 2022 demonstrates the power of our platform, and our ability to leverage our user base and technology to quickly scale new products and categories.

International markets were also a key driver for **IL MAKIAGE**. **ODDITY** international revenue, the majority of which is from **IL MAKIAGE**, grew +42% for the year. International markets represent 17.5% of overall **ODDITY** net revenue for 2025, compared with many of our competitors that generate more than 65% of net sales from international markets.

SpoiledChild also had a strong year, increasing revenue double digits to approximately $250 million. This is an incredible accomplishment for an online-only brand that just launched 4 years ago, and once again shows the power of our platform and ability to scale. We remain excited about **SpoiledChild's** long-term potential, including new product expansion in beauty and wellness.

The launch of **METHODIQ**, our third brand, was a highlight accomplishment in 2025. **METHODIQ** is a medical telehealth platform that aims to deliver high-efficacy treatments at scale, starting in dermatology, addressing concerns like acne, hyperpigmentation and eczema.

It is off to a great start and we are very pleased to see its initial success. Our early focus on acne, hyperpigmentation and color products is showing good traction, and we believe these will be big categories for us. We are seeing good metrics and continuous improvements in our KPIs, even as our customer cohorts increase in size.

What we see in **METHODIQ's** app engagement reinforces our view that **METHODIQ** can uniquely deliver a high standard of care for a broad audience, and do it with great convenience. When we look at the app download rates, onboard completion, weekly check in rates, and care team engagement – we can see the demand, and we are bullish about how our app technology will drive user compliance, satisfaction, and success.

Moving onto the second focus area of our long-term growth strategy: the consumer adoption of high performance products that better address their pain points. Our product development pipelines for all 3 brands are focused on bringing to market top performers that we believe beat the competition on efficacy.

ODDITY Labs continues to push the frontier of ingredient innovation in beauty and wellness. Over the past 18 months we have made major strides in our capabilities and infrastructure to improve our work, with a goal of shrinking our timelines and improving the probability of success in identifying game changing molecules.

Our efforts in process and infrastructure have driven significant improvements in our productivity, increasing the number of targets we can tackle and allowing us to push projects along faster with greater accuracy.

One highlight area is our work in translational biology, which expands on our strong in silico and in vitro foundations. This work helps us get stronger reads on the most relevant biomarkers for our products, increases our predictive power of success, and does it in a way that is scalable, representative, and with rigorous science.

Another highlight is our ability to identify biological targets that can influence a desired effect. We are focused on pain points with large commercial opportunities, including acne, hyperpigmentation, and aging. And our target lists include pathways like reducing melanin production and boosting collagen and elastin. We are leveraging AI agents to map targets and structures, and also applying our work in translational biology to identify novel targets.

We recently expanded our capabilities into peptides to add to our small molecule foundations, and are working on peptide solutions in areas like acne and aging. This expansion into peptides gives us flexibility to identify the right modality to address an individual biological target.

At the same time, we are working in parallel to improve topical delivery of different actives to ensure they reach the relevant areas in the skin and maximize the biological effect.

We expect to have 8 products in market in 2026 made with **ODDITY Labs** molecules. The innovation for **METHODIQ** is especially exciting – including molecules that cover key categories including acne, eczema and hyperpigmentation. And more to come in the future that we are bullish about.

Turning to our acquisition costs.

We experienced an unprecedented dislocation in our account with our largest advertising partner, which we believe is due to recent changes in their algorithms that likely diverted us to less desirable auctions and traffic at abnormally high costs.

These changes resulted in significant abnormal increases in our new user acquisition costs for **ODDITY** that are not correlated with the market or our historical experience.

We have never seen anything close to those acquisition costs, not in **ODDITY** and also not in other beauty advertisers.

This elevated acquisition cost is severely hurting our ability to acquire new users efficiently at high scale, as we normally do in the first half of each year and have done consistently for the past 8 years very successfully.

Both **IL MAKIAGE** and **SpoiledChild** appear to be impacted by these algorithm changes, although the impact on **IL MAKIAGE** was more severe, probably due to its higher scale.

After identifying the root cause in late January, we quickly moved to implement strong remediation actions, primarily around the model infrastructure, that we hope will get us back to the right auctions and ultimately drive improvement in our new user acquisition, with significant progress in Q2 and normalization in Q3 or Q4.

These types of algorithm updates are not new and have been ongoing through the years, and we have historically adapted to them. In this case, it was harder than before to identify how these updates were impacting our business- and therefore it was harder to identify the root cause.

We believe we got hit by the algorithm change due to our user acquisition strategy that includes a Try Before You Buy (TBYB) offering, which is rare in beauty and therefore may be an edge case within the new algorithm changes.

We believe the algorithm update impacts how this platform interprets and weights the signals associated with Try Before You Buy model, primarily due to its inherent higher return rates, and diverted us to lower quality auctions at abnormally high costs, disconnected from the market.

For more context about the model, Try Before You Buy is designed for the benefit of the consumer by reducing their risk of trying our products online. It is a pro consumer model that allows us to replicate online the experience of a physical store like Sephora, where consumers can try products in real life and materially reduce their risk of purchase.

This model is rare in beauty due to its complex execution. We believe it is an edge case and a non-obvious interaction within the platform's new auction dynamics.

After assessing the driver that we believe is hitting us, we quickly moved to fix it. Our remediation actions are designed to reduce the Try Before You Buy down-weighting while preserving the ability for new customers to purchase products on a trial basis with minimal risk.

Important to note – Try Before You Buy isn't a dependency for us. We offer it as a better alternative for consumers, but our agile model allows us to re-balance towards a standard Buy offering if we see it is needed.

Unfortunately, because we only recently identified the root cause and despite working tirelessly to fix it, we have not had much time to take action, and it takes time to recover. Therefore, we expect a negative impact on our 2026 financial results with the most significant impact expected in H1.

But I want to be very clear. Despite the dislocation in our new user acquisition we are currently facing, we are not changing our model, our strategy, or our long-term focus on growth. The main objective of the company right now is correcting this issue, and being in a position to immediately pivot back to growth.

I want to close with some perspective on this moment in time. Over the past 8 years we grew from $25 million of revenue to $800 million of revenue, despite multiple changes on the ad tech side, a prominent one was iOS 14.

We have navigated algorithmic adjustments by our ad partners in the past, and we believe we will be able to also address the current dislocation. Most importantly we believe we understand the problem, and in a world of complex online auctions, understanding the problem is always the hardest part.

We don’t see this as a structural issue or a secular disruption as you’re seeing in other sectors, or a negative macro trend for our category. It is a technical issue, and from here we believe it is a matter of time and execution to deliver the strong outcomes we have constantly delivered over the past 8 years.

And as I said, we believe we have a strong plan in place, and I hope to see normalization in H2.

With that I will turn it over to Lindsay.

Lindsay Drucker Mann, ODDITY Global CFO:

Thanks Oran

Lets turn to our Q4 results which I will refer to on an adjusted basis. You can find the full reconciliation to GAAP in our press release.

ODDITY delivered an outstanding quarter to cap off a record breaking year.

We grew net revenue by +24% in the quarter to $153 million. Growth was driven primarily by an increase in orders, while average order value declined slightly year-over-year.

The 24% revenue growth we delivered this quarter exceeded our guidance for growth of 21 to 23%.

Gross margin of 70.5% compressed 220 bps year-over-year and exceeded our guidance for gross margin of 69%. The delta versus our outlook was driven in part by product mix.

We delivered adjusted EBITDA of $13 million in the quarter and adjusted EBITDA margin of 8.2%, above our guidance for adjusted EBITDA of $10 to 12 million.

Adjusted EBITDA margin compressed by 410 bps year-over-year due to planned investments for future growth, including the **METHODIQ** brand launch, **ODDITY LABS**, and Brand 4; as well as higher media costs.

We delivered adjusted diluted earnings per share of $0.20 compared to our guidance of between $0.11 and 0.13. Our adjusted EBITDA and EPS excludes approximately $8 million of share based compensation.

Turning to some highlights for the full year 2025.

We grew net revenue by +25% to $810 million with double digit growth from both **IL MAKIAGE** and **SpoiledChild**. This 25% growth is ahead of our long-term algorithm target for 20% sustained topline growth.

Net revenue growth was driven primarily by an increase in orders, while average order value increased slightly year-over-year.

Gross margin of 72.7% expanded 30 bps year-over-year driven by cost efficiencies.

We delivered Adjusted EBITDA of $163 million. Adjusted EBITDA margin of 20.2% is consistent with our 20% long-term earnings algorithm target. And that's despite our planned investments in future growth including the **METHODIQ** brand launch and **ODDITY Labs**, and despite increased advertising costs. Advertising costs increased approximately +50% year over year, reflecting growth investments in international markets and **METHODIQ**, as well as higher acquisition costs for **IL MAKIAGE** and **SpoiledChild**.

We delivered adjusted diluted EPS of $2.21.

We exited the year in a strong liquidity position, including $776 million of cash, cash equivalents, and investments on our balance sheet. The build up in reserves in 2025 was driven by our successful exchangeable note offering and free cash generation of $84 million for the year.

Free cash flow in the fourth quarter was negatively impacted by approximately $19 million of increased inventory due in part to new inventory investments in **METHODIQ**, on top of our seasonal inventory build ahead of the Q1 selling period.

We amended our credit facilities in January 2026 to expand our borrowing capacity to $350 million. These facilities remain undrawn.

As for potential uses of cash, we believe repurchasing our stock is attractive at recent share prices and intend to opportunistically return cash to shareholders through buybacks. There is $103 million remaining on our previously announced repurchase authorization.

As Oran discussed, we experienced a significant increase in our new user acquisition spend Q1-to-date. The timing of normalization is uncertain, although we are working hard to have this behind us.

Our remediation actions have started, but are still in the early stages, so we are not going to make any predictions on their success.

Due to the uncertain timing of recovery, we are not issuing FY 2026 guidance at this time, but will provide updates to our progress and outlook as we get more visibility.

A few things to keep in mind for your models:

- We expect Q1 sales will decline approximately 30% due to reduced acquisition revenue.
- We are still spending acquisition dollars today despite much higher CPA, and this is so that we can continue feeding the algorithms the signals needed to reset and normalize.
- At current CPAs, we are not profitable at first order, and that has a material negative impact on our near-term EBITDA. We are, however, still profitable on a 12-month direct contribution margin basis because of the strong repeat we generate from acquisition sales.
- Based on the expected timing of CPA normalization, Q2 sales are also likely to decline, but it is too soon to determine the magnitude.
- Q1 and Q2 are historically our largest periods of user acquisition, and from that acquisition we typically generate significant repeat revenue over the balance of the year. The reduced user acquisition activity today will therefore result in lower repeat sales later in the year even if acquisition costs normalize.
- We are managing costs through this period to offset EBITDA pressure, but continue to carve out investments in growth initiatives like **ODDITY Labs**, new brands, product development, and our tech infrastructure; and we believe this is the right strategy to set us up for sustained growth if CPA normalizes.

With that I will hand it back to the operator for questions.