



ODDITY 2Q 2025 Earnings Call Prepared Remarks

August 5, 2025

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 about ODDITY's business strategy, market opportunity, future financial performance, 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 yesterday 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 yesterday.

I will now hand the call over to Oran.

Oran Holtzman, ODDITY Co-Founder and CEO:

Thanks everyone for joining us today.

ODDITY's momentum in 2025 continues, with another strong result this quarter and great progress on our long-term growth initiatives.

Our financial performance year-to-date is another proof point of our success. For the first half of 2025 we grew revenue +26% to \$509mn, generated adjusted EBITDA of \$122mn, and free cash flow of \$99mn. This is more EBITDA and more free cash flow in the first half of the year than we delivered for the entire full year of 2023, the year of our IPO.

In Q2 we once again beat our financial targets on revenue, profit, and earnings per share, as we have every quarter for the 9 quarters since our IPO.



We have ambitions at ODDITY to become one of the biggest beauty companies in the world, and to lead this huge, profitable, and underserved market.

And we are moving at high speed towards this goal. In just 7 years since launching our first beauty brand in the US, ODDITY has transformed into a platform of soon to be 3 brands, spanning 4 categories, and 6-plus markets.

We've gone from pure makeup, to then skin and hair, and now offering medical grade prescription and OTC products with our upcoming launch of **Brand 3**.

And just as we unlocked beauty online, we are now turning our sights to health care, another huge market where the consumer is unhappy and the opportunity is massive. I will share more on our plans for **Brand 3** in a moment.

Every year we push our teams to innovate, to expand our capabilities, and grow the reach of our business. And you can see based on the results that we are doing a good job so far.

It starts with the fact that we operate in a healthy, attractive market: huge in size, where our technology can drive big improvements for consumers, and where the unit economics are strong.

And it continues with our deliberate focus on the most attractive and durable vectors of growth.

- First, the expansion of online, which we expect will grow to be the largest channel in our industry. The investments we made years ago in data and technology allow us to be a leading direct-to-consumer company in beauty today. And we continue to invest in technology to strengthen our future.
- Second, consumer demand for high efficacy products. On that front we are making big investments in pharma-grade technology at **ODDITY Labs** to discover breakthrough molecules and delivery systems.

Beyond the sheer magnitude of our growth this year is the quality of that growth. It comes alongside strong profitability and cash flow. And is fueled by each of our growth pillars. This includes:

- Double digit online growth in both **IL MAKIAGE** and **SpoiledChild**.
- Generating growth both in the US and International.
- And scaling our **SKIN** portfolio which remains on track to approach 40% of **IL MAKIAGE** revenue this year.



These drivers taken altogether allow us to sustain market share gains and outperform our competitors.

The excellent first half financial performance we delivered this year sets the stage for a strong finish to 2025. As we have discussed, the second half of the year is highly driven by our large backlog of repeat, where we have good visibility.

Therefore, as is customary for us at this time of the year, our teams have pivoted their focus into 2026, where we are once again preparing, testing, and iterating on our incremental growth drivers for another strong year.

While many of our teams work hard on 2026, the biggest focus for me and my sister are long-term initiatives that will allow us to continue compounding for the decades to come. These include investments in technology, new brands, and **ODDITY Labs**.

So let's dive deeper into our multi-year growth drivers.

The first is growing our existing brands.

IL MAKIAGE remains on track to reach \$1B of revenue in 2028.

- International continues to be a highlight for us as we put increased focus on scaling this big opportunity, even as we continue to grow in the US. International represented 15% of the ODDITY business in 2024, driven by **IL MAKIAGE**, but for our competitors it is closer to 70% of their business.
- In addition, we continue to win with **IL MAKIAGE SKIN**, which as I mentioned is expected to approach 40% of **IL MAKIAGE** revenue this year with more growth ahead.

SpoiledChild is also having a great year so far in 2025 with more runway ahead. The brand remains on track to cross \$200mn of revenue this year after launching only 3 years ago in 2022.

Our second key growth driver is new brand launches. And we are on schedule to launch **Brand 3** this year and **Brand 4** next year.

Brand 3 will mark our first entrance into the medical grade space, starting in dermatology, and giving our users access to OTC and prescription products.

This unlocks an entirely new market for ODDITY.

The third growth driver is ODDITY Labs, where we are working to create the world's highest efficacy products by bringing real science at high scale to our industry, and discover game changing molecules, ingredients, and delivery systems.



We continue to make progress building the team, the processes, and the partnerships to achieve our goals.

We have some proprietary molecules in development for **Brands 3 and 4** for near-term roll out, while we are developing molecules and delivery systems for the long term with big potential.

Turning now to more details on Brand 3, where we remain on track for our formal launch in Q4 of this year.

Just as we used technology and a direct-to-consumer model to transform beauty, we are turning our sights with **Brand 3** on health care.

Our goal is to help users in solving their medical problems with minimum hassle and treatment iterations. Diagnosis, treatment matching and tracking – all online without going to doctor office and pharmacy.

We are starting with dermatology and planning new expansion categories for the future.

Dermatology is an attractive starting point for us:

- First, it's large with huge reach. Around 50mn Americans are impacted by acne. Around 30mn from eczema. These consumers who are unhappy and underserved with attractive potential LTVs. And many of these consumers are already in our user base which makes it a natural place for us to start. Around 50% of our 60 million-plus users report suffering from skin issues like acne, eczema, and dark spots.
- And second, dermatology is an area with market failure that we believe our technology can fix. Our data shows that consumers are unhappy with current solutions. Drug stores offer generalized, low efficacy products that don't solve their issues. Dermatologists are a tough-to-access, high friction experience. It costs \$300 for a dermatologist visit, before even paying for the treatment itself. And the entire process is inconvenient – going to the dermatologist takes 2 hours of a person's time on average. Over 2/3rds of US counties don't have a practicing dermatologist at all.

Online is a huge opportunity, yet no one has done it the right way, in our view. So we are taking on the category with an online model and an entirely new playbook.

When determining our strategy we always start from the first principles on how to win a category rather than copying others. Our direct relationship with consumers gives us better understanding into the problems they face and an edge in finding solutions.

As one example, we are investing in personalization to make it a big differentiator between us and our competitors.



I will walk you through how it comes together in the acne category.

- **It starts with the product offering itself.** Each consumer has unique problems and preferences. Some have mild acne. Others struggle with inflammatory papules and pustules, deep cystic acne, hormonal breakouts, or persistent truncal acne on the chest and back. Many of our competitors get this wrong and offer most customers the same treatment. By contrast we have 20+ user cohorts with unique treatment recommendations. These personalized offerings show a 50% improvement in the amount of satisfied testers compared to tretinoin alone based on internal work we've done.
- **Next is our online experience,** where we pair advanced computer-vision technology with doctor-developed protocols to deliver highly efficacious, tailored treatments.
- **And finally in coaching to ensure high compliance,** through our mobile progress tracking app where users stay consistently supported and on track with personalized guidance, photo-based progress monitoring, and dynamic treatment adjustments tailored to their evolving needs

Overall we are introducing innovation and access that we believe dermatology hasn't seen in decades. It is a huge benefit to consumers, and we believe it will transform the category.

We will have more to report on **Brand 3** after we are officially launched later this year.

Before handing over to Lindsay I want to take a moment to reflect on our 2 year anniversary as a public company.

We are proud of the long-term partnerships we have made with investors since our IPO. They are built on the trust that comes with consistently executing on our plans, no matter the market backdrop. As the founder, CEO and the largest shareholder of the company, the single most important thing to me is delivering on our promises to our shareholders.

With that I will turn it over to Lindsay.

Lindsay Drucker Mann, ODDITY Global CFO:

Thanks Oran

Let's turn to our second quarter results which I will refer to on an adjusted basis. You can find the full reconciliation to GAAP in our press release.

Q2 was another strong quarter for us, capping off a great first half of the year, which is our most critical moment for user acquisition. These results set us up for another record-breaking year in 2025.



We grew net revenue by +25% in the second quarter to \$241 million, this exceeded our guidance for revenue growth between 22% and 24%. The strength was driven by double digit online growth at both **IL MAKIAGE** and **SpoiledChild**.

Net revenue growth was driven by an increase in orders, while average order value was down around -1%.

Average order value was impacted by mix, including faster growth in international markets and an increase in the mix of repeat sales, both of which carry lower AOV.

A bit more color on International.

As Oran mentioned, our sales outside the United States represented around 15% of ODDITY's 2024 net revenue. This is driven by **IL MAKIAGE** where we have operations in the UK, Germany, Canada, Australia, and Israel. We also conduct tests in prospective new countries, and the revenue from these test markets flows through our P&L.

On our Q424 call we discussed our plans to increase focus on **IL MAKIAGE** International. This has meant greater prioritization from our teams as well as increased acquisition spend.

The strategic rationale for our increased focus is straight forward. International is a meaningful revenue opportunity for us with great unit economics, and a key driver in building **IL MAKIAGE** into a \$1B revenue brand:

- The demand drivers for beauty online are similar overseas to what we see in the US market today.
- Our technology platform works well in these countries. In fact, for markets like the UK and Australia where we are already operating, we believe **IL MAKIAGE** is already the #1 or #2 largest online beauty brand.
- And we can see from incumbents that there is huge potential for us, as Oran mentioned they generate around 70% of revenue internationally versus our 15%.

Results from our international push have been very strong, both in existing markets and prospective markets like France. More from us in International to come.

Back in the US, **IL MAKIAGE** remains strong, continues to grow, and we expect more growth in the future.

Moving down the P&L, gross margin of 72.3% expanded 10 bps year over year and exceeded our guidance of 70.5%. The delta versus our outlook was driven in part by better mix. We did see some initial flow through of tariffs this quarter which, as expected, were small. Based on the information we have today, we continue to expect that tariffs will be less than



a 100 bps headwind to our gross margin this year, and will be a similarly manageable headwind in 2026.

We delivered adjusted EBITDA of \$70 million in the quarter, above our guidance of \$65-68 million. Adjusted EBITDA margin of 28.8% compressed by around 350 bps driven by planned growth investments.

We remain focused on reinvesting in our business to support our long-term growth initiatives, including **Brand 3**, **Brand 4**, **ODDITY Labs**, and our technology innovation.

We delivered adjusted diluted earnings per share of \$0.92 compared to our guidance of between \$0.85 and \$0.89. Our adjusted EBITDA and EPS excludes approximately \$10 million of share-based compensation.

We continue to deliver very strong free cash flow and free cash conversion, a clear reflection of the strength and quality of our business model. We generated \$99 million of free cash flow in the first 6 months of 2025, converting more than 80% of our adjusted EBITDA into free cash.

During the quarter we issued our first ever convert as an exchangeable note through a US subsidiary. The transaction was upsized on strong demand to \$600 million inclusive of the green shoe. The note is zero coupon with a 5-year maturity, and we purchased a capped call at a cost of 10.5% of the offering size that limits dilution until the stock price approximately doubles.

This offering allowed us to significantly increase our cash position, and we finished the quarter with \$815 million of cash, cash equivalents, and investments on our balance sheet, with an additional \$200 million available on our undrawn credit facilities.

Our capital allocation strategy continues to be patient and opportunistic. As a reminder, our capital priorities are (1) reinvesting in the business, (2) M&A and (3) opportunistic buybacks. On that front, we have \$103 million remaining on our buyback authorization with no share repurchases year to date.

Turning to our outlook for 2025.

With our strong first half behind us and the high visibility we have to our backlog of repeat sales for the rest of 2025, we are on track for another outstanding year. Better than our long-term algorithm of 20% revenue growth with a 20% adjusted EBITDA margin.

We now expect full year 2025 net revenue will be between \$799 and \$804 million, representing around +23% to +24% year over year growth.



We expect gross margin will be 71% which includes the full impact of tariffs expected in 2025 based on the information we have today.

Adjusted EBITDA is expected to be between \$160 and \$162 million.

And we expect adjusted diluted EPS of between \$2.06 and \$2.09, assuming no share buybacks in 2025.

For **Brand 3**, we are focused on a successful launch and are on track to hit our Q4 official timing. As a reminder, there is no revenue contribution from **Brand 3** baked into our 2025 outlook, and we are not reliant on the brand to achieve our revenue objectives this year, or next year for that matter.

Turning to 2026, it is too early to issue formal guidance at this stage, but based on what we know today we expect 2026 financial performance will be in-line with our long-term earnings algorithm of 20% revenue growth with a 20% adjusted EBITDA margin.

A note for your models, we plan to front load our investments in the first half of 2026 which could equate to a 700 bps drag on 1H EBITDA margin next year, with most of the impact weighted to 1Q. This planned spending should be offset by a margin benefit from lower relative spending in the second half of the year. All of this results in neutral impact to adjusted EBITDA margin in 2026, which, again, is expected to land at 20%, consistent with our long-term algorithm.

Turning to the third quarter outlook.

We are off to a good start with momentum following through from the second quarter.

We expect year over year net revenue growth in the quarter to be between 21% and 23%. You can find more details on our Q3 outlook in our press release.

With that I will turn the call back to the operator for questions.