



ODDITY 4Q 2024 Earnings Call Prepared Remarks

February 26, 2025

Maria Lycouris, ODDITY Investor Relations:

Thank you, operator. I'm joined by Oran Holtzman, ODDITY's Co-Founder and CEO, Niv Price, ODDITY's CTO, and Lindsay Drucker Mann, ODDITY's Global CFO.

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.

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 our call today.

2024 was another strong year for us, both for our financial achievements but even more importantly for the investments we've made to drive our business in the future.

As I tell my teams – our success today is because of the work we did 2 and 3 years ago. We are proud of it, but it is in the past. We must continue to work hard and invest today to ensure we keep winning every single year in the future.

It is for this reason that I am bullish about 2025 and beyond. Our business is very strong, and we are developing more engines of growth than ever before. Engines across ODDITY labs, new brands, and AI.



So let's start with our 2024 performance.

In 2024, we grew revenue +27% to \$647 million, and delivered adjusted EBITDA of \$150 million at a 23.3% margin, growing adjusted EBITDA 40% year over year. We generated \$134 million of free cash flow, converting over 130% of our net income into cash.

We again proved the power of online.

We beat our earnings guidance every single quarter since going public and continuously raised our outlook on sales and profitability. Every single quarter - 7 quarters in a row.

Both of our brands did great in 2024, each growing revenue double digits. IL MAKIAGE crossed the \$500 million revenue mark in 2024 and SpoiledChild recently crossed the \$150 million mark for its 3rd birthday anniversary this month.

We maintained strong and consistent momentum across the year, including our 4th quarter where we grew revenue by +27%.

This momentum continued into 2025 where we had a great start for the first quarter, growing across brands and product categories. And given the importance of our 1st quarter, it puts us in a good position to once again meet our annual targets for revenue growth of 20% and adjusted EBITDA margin of 20%, which we are committed to doing every year.

One of the most important focus metrics for us is Repeat sales. Repeat is the best indicator we have of customer happiness and satisfaction, and of our ability to sell new products into existing customers. And of course Repeat revenue is high margin for us and drives our strong profitability.

We are therefore pleased to have further strengthened our Repeat sales in 2024 and increased it as a percentage of our business from 2023. This was driven by our strong 12-month revenue repeat rate of over 100%, a level that we believe is best in class across DTC.

We are clearly an outlier versus other beauty companies that have reported weak demand and excess inventories.

I want to explain why we are outperforming today and why we believe we will continue to do so in the future.

First, we are deliberately focused on the most attractive growth areas of the market. These include the shift to online, and the increasing consumer demand for high performance products.



In our view, the move in recent quarters to online appears to be having a more meaningful impact than in the past. There's too much product in too many physical points of distribution, while online is growing at a strong pace off a large base.

The global beauty industry is one of the most attractive markets in the world in our view, huge in size and highly profitable, with so many areas to innovate and grow. I believe incumbents have underinvested in technology, and have been slow to adapt to a changing consumer. We can see how this is hurting their businesses today, and creates an opportunity for us as we continue to invest and strengthen our moat on these fronts.

The second reason for our outperformance is our direct-to-consumer model, which has so many advantages over wholesale brands. And in a tough industry backdrop those advantages really shine.

We have a direct dialogue with consumers without retail interference. We understand the performance of every product by platform, by ad, by geography, by funnel, every hour of the day. We double down on what is working and constantly optimize to make sure we never hit the wall.

Due to our DTC model, we have a very accurate read and strong planning. We have full control of our inventory, avoiding the excess inventory that wholesale brands are facing today – including all the discounting that comes along with it.

Turning now to physical product. One of our greatest strengths at ODDITY is our ability to develop high performing products, launch them into our user base, and create new hero franchises. From the very beginning, we built a culture at ODDITY that truly believes in product – product that solves her pain points and does it better than others. Product that she loves and wants to come back to. And this strength really shows in our numbers today:

- Starting with the original product portfolio we launched back in 2018, which continues to grow double digits. Based on industry data, we believe IL MAKIAGE has the #1 foundation, the #1 primer, and the #2 concealer in US prestige dollar sales.
- Our new product innovations are growing even faster. A good example is IL MAKIAGE SKIN, which we launched in 2022, and as of 2024 it represented around 30% of brand revenue. And it will continue to grow.
- SpoiledChild is another example, launched in 2022, and now makes up almost 25% of ODDITY revenue today and growing double digits.

Part of our product innovation machine is our direct connection with the consumer that lets us learn what she needs. Another is our strict development protocols that require any



product we launch to beat competitors in large scale consumer trials. If it isn't perfect, we won't launch it. Even if it means we don't launch new products.

What was recently added to our existing product-first strategy is ODDITY LABS. Our biotech lab in Boston that is a major investment for us. Over 60 scientists full time working on discovering and developing new molecules that have the potential to disrupt our old industry completely. As I said before, I believe that this will take time but can be a true game-changer for us.

I want to close with some thoughts on why we are bullish on 2025, and discuss some of the investments we are making for the future.

Starting with our core business where we have incredible strength in both IL MAKIAGE and SpoiledChild. Both had a great 2024 and are off to a strong start in Q125.

IL MAKIAGE is already one of the largest prestige beauty brands by revenue in the United States after only 6 years in the market, based on industry data. And it is on track to reaching \$1B of revenue by 2028.

- The color business continues to grow with great repeat
- SKIN is a massive opportunity. As I mentioned, it reached 30% of IL MAKIAGE brand sales in 2024 and will continue to get even larger. Remember that for most of our largest competitors, skin business is twice the size of color.
- International is another major opportunity that we have slow played throughout the years. We began slowly accelerating our growth outside the US in the first quarter of 2025, both by increasing scale in existing markets like the UK, Germany, and Australia, as well as larger scale testing in new markets. So far it looks good, and we continue to believe international will grow to big numbers.

SpoiledChild we are also building to be a \$1B brand. It has scaled at a healthy rate, passing the \$150mn LTM revenue mark and doing it with strong repeat rates and AOV. It shows how much unmet demand there is for the brand. We have begun testing international markets for SpoiledChild in 2025 with good indications and see big potential there.

Another reason that makes me bullish about our future is our new brands. With every brand, we push ourselves to get even better than in the past, to not only disrupt the market but to disrupt ourselves again and again.

Brand 3 is a telehealth platform for consumers that will start with medical grade skin and body issues like acne, eczema and hyperpigmentation and then will expand to other health domains.



Our offering includes a comprehensive and innovative product range and access to prescription and OTC treatments, enabling full personalization to user profiles, types and severities. Individual treatment plans can be updated and adjusted to minimize side-effects and increase efficacy. With Brand 3, we are building a user experience and product portfolio that we believe can change the game. We have built new capabilities for it, including specialized vision technology for assessment, and a mobile app with a treatment lifecycle coaching engine to encourage compliance with their treatment routine.

Brand 3 is on track to launch as scheduled in the second half of this year. We plan to soft launch in Q3 and then rollout official launch in Q4.

Brand 4 is also a big opportunity that we are very excited about, more details on that front to come.

Moving to ODDITY LABS where we are using Pharma grade technologies and AI based molecule discovery to develop high efficacy, science-backed products for our industry.

Our mission at ODDITY Labs is to bring real science to our industry at high scale for the first time, and turbocharge distribution through ODDITY's online platform.

We continue to grow our team, with new talent across the Bioengineering, Computation, Chemistry and Delivery teams. Our scientists are actively developing both short and long term innovations in Skin, Color, Hair and Body, with the singular goal of exceeding the efficacy of existing products in these spaces. To achieve this, we are working on multiple parallel R&D strategies across each of our programs to increase the chances of success.

In the short term, we are working on preparing to launch new molecules for Brand 3 and Brand 4. Separate teams are working on longer term developments, ensuring we focus on both delivering short term impact while investing in the future. These longer term developments include our next generation of molecules, delivery systems, new modalities, and new biological pathways to improve efficacy.

Beyond our internal R&D, we are doubling our power by partnering with leading platforms to accelerate target and hit discovery using cutting edge technologies, including:

- Creating an advanced human organ model to identify new targets and predict molecular efficacy.
- AI based platform that identifies new targets and generates predictions that modulate a given target based on genetic data and RNA sequencing.
- And Gen AI algorithms that develop new highly effective complexes composed of natural ingredients.



Biology is just one part of the equation - effective delivery is essential to translating scientific breakthroughs into real-world performance. We are investing in delivery systems, building internal capabilities, and partnering with third parties to optimize how different compounds reach their target.

It is still early to know what will work, as we are doing it for the first time, but I can assure you, we push hard 24/7 on multiple areas to increase the chances of success.

As I already said in our previous calls, we don't need Oddity LABS to meet our financial targets but what we are building in LABS is total disruption. If we do it right, ODDITY Labs will change our company and our industry forever, I fully believe it.

Finally, a few words on our investment in tech before I hand over to our CTO, Niv Price. Our big and early investments in tech are paying huge dividends for us today, allowing us to be ahead of our competitors in winning online.

This is why we continue to double down on our investments in tech talent and capabilities. This year, with the acquisition of Fionic's IP, we brought in-house an elite AI research team with experience in Israeli intelligence units. This team will focus on solving ODDITY's high impact missions, enhance our current models, and help us preserve our lead.

I will now hand it over to Niv to talk through what we are building in tech in more detail.

Niv Price, ODDITY CTO:

Thanks Oran.

Indeed, we believe the ODDITY platform today is the most advanced AI-based commercial engine in our industry, and we continue to push our capabilities to new heights.

Our technology moat allows us to deliver a better experience to customers than what is possible in a store. In order to do that, we need great data and the ability to hyper-personalize the user experience. These are problems that machine models are especially well suited for and why we have from an early stage focused on building these capabilities.

Let's start with product matching – the ability to understand each user and deliver them the perfect product match based on her needs. The vast majority of our first purchase revenue comes through one of our AI-based matching algorithms.

We are continuously improving these models in order to reduce returns and increase satisfaction and repeat. As one example, our latest version of IL MAKIAGE's POWERMATCH, which we recently released, is our best performing shade matching model



ever. It's a multi-model architecture, training on both images and text. And it reduced returns of our best selling shades by more than 10%.

Turning to our user journey and how we personalize every experience to the individual in order to maximize conversion and LTV. I like to think of these models as a virtual personalized store that is being built around our users as they walk through, based on the information we gather about them.

One example is a new model we introduced recently for SpoiledChild targeting post purchase upsells. Instead of offering a random product after purchase, or one pre-chosen by a human, we use machine models to make the decision. This drove a 30%+ improvement in upsell conversion and 15%+ improvement in upsell AOV.

For Brand 3 we are taking product matching and hyperpersonalization to a new level with a full suite of AI models. These include:

- Severity assessment for different skin conditions, as well as lesion classification.
- And Predictive view, where we combine generative AI models with our unique data and algorithms in order to predict and show users at day 1 how they should expect to look like across their treatment journey, all the way to clarity.

These capabilities are critical to aligning expectations with our users, increasing their satisfaction and compliance and reducing churn.

Working closely with top dermatologists, we were able to show that our acne models have reached this year a level of accuracy that matches or beats that of a single dermatologist.

Breakthrough foundation models from openAI, meta, google and others have been a huge win for us. We can take these models, combine them with our unique data and algorithms, and build new tools faster and way more efficiently than what was possible before.

I will give you an example in the acne domain. We start with a foundation model that knows how to identify circles, colors and texture. We then teach the foundation model – if you see a circular red bump – that's a lesion – and teaching it means showing it many ground truth examples using our proprietary data of more than 10M unique images from our users, which we believe is one of the largest data sets of this nature in the world.

Then we do another final step of additional training with our data - and boom – you have a domain expert.

This approach has two important advantages:



- One- speed - since the starting point was that of a foundation model that knows the world quite well – turning it into an expert is faster than if you had to teach it from scratch.
- Two – quality - the results are usually better than if you started from scratch.

But - the precondition for this is - you must have the data! So for us, having the unique, proprietary data - we can now move much faster, save on costs and get more accurate results.

Turning to the platform, it's important to emphasize, especially as we are rolling out more and more brands- we are building ODDITY's technology with a modular and extensible design which makes it usable across all brands, and makes it plug and play for all new launches.

This allows us to be super-efficient, in terms of time, resources, and capital.

These modular ODDITY Core Libraries span across every aspect of our platform. From user-facing interactions like our funnels and checkout, to video on demand with kenzaa.

To our computer vision diagnostics and tracking core capabilities. Product recommendations. Tons and tons of applications which would be expensive to build separately, but on our platform we leverage these core libraries to drive speed, results and efficiency for each brand.

With that I will turn it over to our Global CFO, Lindsay.

Lindsay Drucker Mann, ODDITY Global CFO:

Thanks Niv.

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 another record breaking quarter to cap off a record breaking year.

We grew net revenue by +27% in the quarter to \$97 million. The strength was driven by both IL MAKIAGE and SpoiledChild across a range of product categories.

Net revenue growth was driven primarily by an increase in orders, while average order value increased +12% year over year.

Average order value growth continues to be driven by mix, in particular the increased proportion of IL MAKIAGE SKIN as well as higher items per order.

The 27% revenue growth we delivered this quarter beat our 22-24% guidance.



This upside stands in contrast to the concerns we hear from investors about weakening sales trends in other beauty businesses, including both wholesalers and retailers.

As Oran said – our results are a testament to the strength and resilience of our direct-to-consumer model, and how we’ve positioned our business to win in the most important vectors of industry growth.

Moving down the P&L, gross margin of 72.7% expanded 330 bps year over year and exceeded our guidance of 68%. The delta versus our outlook was driven in part by product mix.

We delivered adjusted EBITDA of \$15 million in the quarter and adjusted EBITDA margin of 12.3%, above our guidance in absolute dollars and in margin percentage terms.

Adjusted EBITDA margin compressed by 453 bps as we incurred planned incremental expenses in the quarter to drive future growth initiatives, including Brand 3, Brand 4, and ODDITY LABS.

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.

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 \$134 million of free cash flow in 2024, an increase from the \$85 million we generated in 2023.

In fact, our free-cash as a percentage of revenue was 21% in 2024 and 17% in 2023, leading among other beauty companies based on reported results.

We believe the strength in our cash flow is just one more indicator of our model’s advantages relative to our competitors.

We continue to put that cash to work and create value for our shareholders. During the full year 2024 we repurchased 3.6 mn shares of our stock for approximately \$147 mn. This includes 2.4 million shares repurchased in the 4th quarter via directed buyback of a portion of Catterton’s shares for approximately \$100 mn.

We have \$103 million remaining on our buyback authorization. We will stay opportunistic on share buybacks going forward based on our strong cash flows, ample cash reserves, and attractive share price.

We exited the year with \$169 million of cash, equivalents, and investments on our balance sheet and zero debt.



Turning to our outlook for 2025.

Q1 is off to a strong start with good momentum in January and February.

The size of the quarter, combined with the high predictability of cohort repeat, gives us good visibility to meet our long-term algorithm of 20% revenue growth and 20% adjusted EBITDA margins.

Some specific drivers impacting our full year P&L include:

- During 2025 we plan to incur incremental expenses associated with growth investments in Brands 3, 4, and ODDITY LABS. This is principally to cover costs associated with people, tech infrastructure, and product development.
- Even with these investments we are firmly committed to delivering a 20% adjusted EBITDA margin for the full year and beyond.
- Brand 3 launch – As Oran said we are on track for this year and continue to expect no material revenue contribution in 2025.
- Brand 4 – will be ready for launch this year but we have decided to move it to early 26 to give more focus to Brand 3. More leadership focus and more capital allocation for 1 brand vs. splitting it in same year for 2 brands. This has no material impact on our 2025 outlook as we are still incurring significant prelaunch expenses and have not contemplated any revenue contributions for Brand 4 in the year.

Gross margin for the year is expected to be around 70% as our product mix normalizes, which we discussed in our last earnings call as well. We will also incur higher cost of goods expenses this year for Brand 3, which will operate at a lower gross margin at launch than the company average.

As we said before, we continue to see minimal impact on our business from changes in tariff policy. Sticking with the topic of policy uncertainty, let me address TikTok. TikTok is one of many platforms that we use for acquisition and we have no over reliance on it. The expected impact to our business if TikTok ceases doing business in the US is not material.

Moving down the P&L, we expect adjusted EBITDA margin of 20%, in line with our long-term algorithm. We continue to plan to re-invest any EBITDA upside back into the business. Adjusted EPS of \$1.94 to 1.98 assumes a blended tax rate of 20% and does not incorporate the potential benefit from additional share buybacks.

Turning to the first quarter outlook.

We are off to an excellent start, and are pleased with the composition of our growth across both brands and categories, as well as our cohort repeat rates.



We expect year over year net revenue growth in the quarter to be between 22 and 24%. You can find more details on our Q1 outlook in our press release.

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