



ODDITY 1Q 2025 Earnings Call Prepared Remarks

April 30, 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 our call today.

Our Q125 results exceeded our expectations across all metrics and allow us to raise our full year outlook.

Once again, in Q125 we beat revenue and EBITDA like we did in every single quarter since going public – 8 quarters in a row.

Revenue grew 27% to \$268 million, with \$52 million of adjusted EBITDA, representing a 19.5% adjusted EBITDA margin and free cash flow of \$87 million.

Q1 is our biggest quarter of the year in terms of new user acquisition, an important quarter to set the stage for the rest of the year, and we proved we can deliver also in the current environment.



Exiting Q1, business momentum continued across April and gives us confidence in delivering a strong Q2.

The beauty industry is transforming – just like we said it would more than 5 years ago.

And ODDITY is a winner in this transformation. We have positioned our business to play and lead in the most important vectors of the industry's growth.

#1 is the consumer shift to online where we are already a dominant DTC platform.

And #2 is the shift towards high efficacy products where we are accelerating our capabilities at ODDITY LABS, while continuing to invest in all areas of product development.

I have no doubt that these 2 vectors are by far the most important drivers of the future of this industry.

Therefore, we continue to invest massively in technology, data driven user customization, and science backed products.

Our goal is to build one of the biggest beauty companies in the world, full stop.

We intend do it by delivering consumers the best products based on what they need, when they need it – while doing all of this at high scale. Thanks to the fact that beauty and health are major industries, there are so many areas for us to expand our business into, and we are planning to continue doing so with FULL POWER.

Our Q1 results were another step in achieving this goal.

We delivered outstanding financials, once again beating our guidance in revenue and profitability.

We hear other companies talking about consumer weakness and a difficult environment, but as you can see today, we continue to grow fast.

ODDITY will do approximately \$800 million in revenue in 2025, growing from around \$300 million in 2022 and around \$500 million in 2023, all of those years with very healthy profitability and cash generation.

The first quarter is the biggest revenue quarter for us in the year and was the highest base from 2024 to grow from. It's where we turn our user acquisition muscle on, adding new users to our platform.

We entered 2025 with a lot of strength, with preparation work from 2024 that gave us confidence in our ability to meet our goals.



This allowed us to deliver a massive acceleration to our business, and Q1 sales that were once again more than double the sales we delivered in Q4 – as planned. We have full control of our business and we proved it once again in Q1.

The advantages of our DTC model are on full display in the current environment. While brick and mortar brands navigate weak store performance against volatile demand, our business is benefiting from a powerful shift online, a highly agile and asset light model, with full visibility and inventory control.

Turning to our 2025 strategic priorities and outlook.

First, continuing to drive our existing brands.

Starting with IL MAKIAGE, which remains on track to meet our \$1B revenue goal by 2028.

IL MAKIAGE SKIN continues to be a standout success and is on track to approach 40% of brand revenue this year. SKIN is a huge growth driver with multiple attractive product categories with big TAMs, high AOVs, and great replenishment cycles for IL MAKIAGE to expand into.

As we discussed on our Q4 call, we decided back in 2024 to accelerate our international expansion in 2025.

We are putting more strategic focus on international, growing our business in existing markets, while continuing to conduct tests in newer markets. We are very pleased with the results from Q1, and plan to continue our international scaling.

We remain bullish about our international businesses, which show great unit economics. Just to put it in perspective – for our largest competitors, less than 30% of their business is in the US. For us the US is currently around 80%.

This ability to get scale internationally is a massive engine for ODDITY.

If in the past we said that this is a great option for us to grow, in Q1 we have started to prove it.

Products, new categories, new brands, new markets, new users vs. existing users – all of those muscles are as I call it – growth drivers on-demand. We optimize all of them to preserve our high profitability. At every moment we decide where it makes more sense to scale, which makes the business so strong and profitable. Enabling us to continue to deliver the scarce combination of scale, growth and profitability.

SpoiledChild, our second baby, continues its strong growth in its third year since launch. It remains in its early stages and we believe it has a huge runway in front of it. It is on track to



cross the \$200 million revenue mark this year, with very healthy margins. Again, for a 3 year old brand.

Our teams have been focused on optimization of unit economics while we drive scale. We continued our brand investments in Q1 with the second drop of SpoiledChild's collaboration with fashion designer Jeremy Scott.

Second is our new brand launches. We are very bullish on the opportunity for both Brands 3 and 4. In addition to growth, building new brands allows us to maintain a startup DNA which is extremely crucial in my view.

Brand 3 is on schedule to soft launch in Q3 with a formal launch in Q4.

As with every muscle we build, I want to believe we are getting better with time. And for Brand 3 I can tell you that based on the level of complexity, both technology and product offering, our preparation and our testing, I am more excited than ever before to see it live and we will do whatever it takes to win in Brand 3's categories.

As a reminder, Brand 3 is a telehealth platform, starting with medical grade skin and body issues, that will expand into new medical domains over time.

Almost a third of the global population experiences skin conditions and diseases, including acne, eczema, rosacea and others. Additionally, many individuals report that their skin conditions significantly affect their emotional wellbeing which made this mission even more important to ODDITY as a company.

We see it also in our user base - skin and body concerns are a broad pain point for our users, around half of them are suffering from at least one of these issues.

Similar to IL MAKIAGE and SpoiledChild, Brand 3 is fully DTC.

Our product offering is very compelling in our view, and includes access to prescription and OTC treatments, enabling full personalization to user profiles, types and severities.

Computer vision is a key component of Brand 3. Our Israeli R&D teams are working on developing it for the past 3-4 years with very large investment.

One example is our acne grading algorithms, trained with dermatologists input, that delivers 94% agreement with expert dermatologists tagging in internal validation studies.

Another is our acne lesion localization and classification models that allows us to identify, map, measure, and classify lesions with 93% recall, meaning the model correctly identifies 93% of true acne lesions.



We've also developed a hyperpigmentation detection model that segments and classifies discoloration with 84% matching accuracy based on dermatologist-labeled data.

We've introduced a predictive view algorithm, trained on users data and powered by generative AI, to visualize expected skin improvements—boosting motivation and trust through personalization progress previews.

Our vision tools are crucial to win in this category, it allows us to assess user progress on a high frequency basis, supporting their progress when used combined with a professional medical evaluation.

We believe that we have the ability to change this category with our new offering.

As for telehealth infrastructure, the infrastructure we are building to support prescription and compounding for Brand 3 today is a jumping off point for us to expand into additional medical domains beyond Skin and Body post launch.

Brand 4 continues to be on track for 2026, a big opportunity for us, with more updates to come.

Third is ODDITY LABS, where we continue to increase our investment, growing our teams, expanding our internal R&D, as well as outside partnerships to accelerate discovery at high scale.

Our mission at LABS is to drive massive innovation by bringing real science at high scale to our industry, and turbocharging distribution through ODDITY's online platform. Our scientists and teams are actively developing both short and long-term innovations in Skin, Color, Hair, and Body, to beat the efficacy of existing products in those spaces.

We are developing proprietary molecules for both Brands 3 and 4 in the short term, while also working on longer-term developments with huge market potential.

As we said before, LABS takes time, and we don't need it to meet our financial targets. But if we do it right, it is a complete game changer for us that can take the company to a different level and almost unlimited size. I believe we are in a race for high efficacy science backed products and we do all we can to win this race.

Lastly is our tech capabilities, where we continue to invest in order to deliver the best experience for our customers online and to enable profitability at high scale.

We are deploying both dollars and focus on developing new tech products and improving existing ones to drive meaningful improvements in our business. We have a very focused roadmap and we work at a high pace to meet our goals.



Before I hand it over to Lindsay I want to close with some thoughts about the current environment.

We see this moment as a massive opportunity for ODDITY. Our DNA and business model allow us to play full offense in times like today – and this is exactly what we do.

We operate in a huge and attractive global TAM, which has proven time and time again to be resilient in economic downturns.

The structural changes in the industry, including the growth of online, are only strengthening ODDITY.

And as you can see in our Q1 results and our Q2 outlook, our business performance remains very strong.

From where we stand today, our advantage can only grow in times like this. Moments like these are when category leaders are built, and this is our intention.

With that I will turn it over to Lindsay.

Lindsay Drucker Mann, ODDITY Global CFO:

Thanks Oran

Turning to our Q1 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 result for our most important quarter of the year. Recall that in Q1 we set the tone for the full year by ramping up our acquisition spend, which leads to a high visibility backlog of repeat that drives our full year financial results.

We came into Q1 this year off a large base from our strong performance in 2024, and delivered an outstanding result on top of it.

Net revenue grew 27% to \$268 million, exceeding the high end of our guidance for 24% growth to \$262 million. The strength was driven by both IL MAKIAGE and SpoiledChild.

Net revenue growth was driven primarily by increased orders, while average order value increased 4% year over year.

Average order value was driven in part by a mix into higher priced products like SKIN. It was offset in part by faster growth in international markets which today tend to be lower AOV due to their earlier development stage.



We continue to expect order growth will be the primary driver of our revenue growth going forward.

Our Q1 results stand in contrast to concerns we hear about softness in other beauty businesses including both retailers and wholesalers. This is directly related to our unique model, our exposure to online which is the most attractive growth channel for the beauty category today, and our very high repeat rates as our customers continue to come back with high satisfaction to our products and brands.

Repeat revenue is the largest part of our business, exceeding 60% of total revenue in 2024, and increasing as a percent of our business again so far in 2025.

Moving down the P&L, gross margin of 74.9% expanded 116 bps year over year and exceeded our guidance for 72%. The upside was driven in part by cost efficiencies and product mix.

We delivered adjusted EBITDA of \$52 million and adjusted EBITDA margin of 19.5%, above the high end of our guidance for \$50 million.

We continue to ramp up our planned investments in future growth initiatives, including Brand 3 which is planned for soft launch in Q3 and full launch in Q4; Brand 4 which is planned for launch next year; and ODDITY LABS.

We delivered adjusted diluted earnings per share of \$0.69 compared to our guidance of between \$0.61 and \$0.63.

In Q1 we once again delivered excellent free cash flow of \$87 million. Our free cash generation and cash conversion is a clear reflection of the strength and quality of our business model.

This strong cash generation allowed us to exit the quarter with \$257 million of cash, equivalents, and investments on our balance sheet and zero debt. Between the cash on our balance sheet and our new, undrawn \$200 million credit line that we closed in January, we have ample liquidity to operate our business and deploy opportunistically.

We expect the current volatile market backdrop will create new opportunities for us to put our strong balance sheet to work and we are actively looking for those. This could take the shape of brand and business acquisitions that plug into our platform, or acquisitions of technology and teams that advance our capabilities. Even with our enthusiasm for these opportunities, we are extremely disciplined about what we would pursue and our internal hurdle rates are high.

Turning to our outlook for 2025.



Q2 is off to an excellent start with good momentum through the end of April.

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

We now expect full year revenue growth will be between 22 and 23%, or between \$790 and 798 million.

We are raising our gross margin outlook to 71% for the full year from 70% prior, and this incorporates our latest view on tariff and supply chain impacts.

We also are raising our adjusted EBITDA outlook to \$157 to \$161 million and our adjusted EPS outlook to \$1.99 to \$2.04 which assumes a 20% tax rate and no share buybacks.

As we have discussed before, our EBITDA outlook includes significant increased investments in future growth initiatives including our new brands and ODDITY LABS, but with no revenue contribution benefit from these efforts.

Finally, let me take a moment on tariffs. The ultimate tariff and trade policies are very much in flux and our teams are working aggressively to mitigate the impact on our P&L. Relative to other consumer companies we are very well positioned. We have an attractive gross margin structure, limited exposure to China directly, a robust and flexible supply chain, and great relationships with our global suppliers.

We expect to incur between 50 and 100 bps of tariff and related costs on our gross margin in 2025, some of which will be offset by internal efficiencies and other mitigation efforts. Based on the information we have today, we expect these headwinds will be manageable, allowing us to increase both our gross margin and adjusted EBITDA dollar outlook for the full year.

It is too soon to give specific guidance on 2026 but our current expectation is for the impact of tariff and trade policies to be similarly manageable and we have no concerns today about achieving our long-term algorithm of 20% revenue growth at a 20% adjusted EBITDA margin.

With that I will hand the call back for questions.