ADOREBEAUTY
GROUP

Adore Beauty Group Limited
ABN 78 636 138 988

ASX ANNOUNCEMENT

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ADORE BEAUTY GROUP DELIVERS RECORD REVENUE AS STRATEGIC INVESTMENTS POSITION THE GROUP FOR STRONG EARNINGS GROWTH

Adore Beauty Group Limited (**ASX: ABY**, **Adore Beauty** or **Group**) has released its results for the 12 months ending 30 June 2026 (**FY26**), delivering record Group revenue supported by its loyalty program, retail network, and IKOU brand.

Commenting on Adore Beauty's FY26 performance, CEO Sacha Laing said:
"FY26 was a significant year of investment and transformation for Adore Beauty. With the most capital-intensive period in the Company's 26-year history now largely behind us, we have delivered record Group revenue while putting in place the foundations for our next phase of growth. We more than doubled our retail footprint, completed major investments in our new National Distribution Centre, ERP and technology capabilities, and continued to grow new customers and higher-margin revenue streams. While this investment cycle and a challenging retail environment weighed on earnings in FY26, we enter FY27 with a stronger, more diversified business and clear line of sight to a material step-up in revenue and profitability."

Highlights:

- Record Group revenue of $207.3 million, up 4.3% over PCP, driven by $18.6 million contribution from stores, strong retail media growth, and owned brands
- Gross margin of 34.8%, down 52 basis points over the PCP due to H1 performance; H2 margin 18 bpts ahead of same period last year
- Underlying EBITDA of $3.8 million, being 1.8% of revenue, broadly in line with May-26 guidance
- 13 new retail stores opened across the Group (11 Adore Beauty, 2 IKOU) to finish FY26 with a national network of 20 stores; further 5 stores confirmed for CY2026
- Built and commissioned new semi-automated National Distribution Centre and completed rollout of new ERP across the business on budget and schedule; efficiency ramp-up from Q2 FY27
- Owned brands (including IKOU) deliver double-digit growth to account for 5.8% of total Group product revenue
- New customers up 14.4% over PCP while cycling 6.1% growth in prior period; best-in-class marketing efficiency with CAC spend down 37.4% over the year

- Omnichannel customer lifetime value 2.5x higher than single (online) channel; contributed 9.6% of total Group revenue in FY26 with material step up in H2 to 11.9%, up from 5.1% at H1
- Refinanced and increased working capital facility to $17 million with CBA to support this current phase of investment
- Reaffirmed FY27 Group revenue growth target of at least 10% and Group FY27 underlying EBITDA target of $9 - $13 million on a pre-AASB 16 basis

CEO Sacha Laing said:

"In a challenging market, Adore Beauty's omnichannel strategy has demonstrated the underlying potential of this business. We delivered record Group revenue and double-digit new customer growth whilst significantly reducing our marketing spend. Our integrated retail stores are enabling us to cost-effectively acquire new customers, improve share-of-wallet, and grow revenues. More than half our retail network is less than a year old with meaningful revenue contribution expected in FY27 as transaction conversion steps-up and the halo benefits of the omnichannel strategy are realised.

"Our omni customers are already the Group's most valuable cohort with a lifetime value 2.5 times higher than those who shop a single channel, increasing to 3.4 times higher for customers who make their first purchase in-store. Omni customers contributed 9.6% of total sales in FY26 with a material step-up over the second half, growing from 5.1% in H1 to 11.9% in H2 with strong upward momentum. We see significant opportunities to substantially increase this cohort as our store network matures.

"Importantly, the foundations to support our scaling omnichannel operations are now in place. Our large infrastructure projects have been delivered on budget and on schedule and we will see the full impact of these investments in FY27 and beyond. Our new national distribution centre has been operational for six weeks and is performing well. We're also benefitting from improved productivity and operational capability arising from new ERP and proprietary AI across the business.

"While the macro environment dampened the performance of our business in FY26, new growth levers have enabled us to weather the economic headwinds and set us up for material revenue and profit growth over the years ahead. Despite trading conditions remaining challenging, we have clear line of sight to our FY27 profitability target of $9 -$13 million. The significant step-up in profitability will be underpinned by revenue growth of at least 10%, almost $4 million in annualised cost savings, and increased contribution from higher-margin revenue streams including owned brands (IKOU), stores, and retail media."

Scaling omnichannel operations drive customer and revenue growth

FY26 was a transformational year for Adore Beauty with the Group opening 13 integrated retail stores (11 Adore Beauty and two IKOU), completed the transition to a new semi-automated National Distribution Centre, rolled out new Enterprise Resource Planning (ERP) software, and implemented AI across our internal and external channels.

These significant infrastructure investments diversify the Group's revenue and margin profile, cost-effectively introduce new customers, and materially enhance operational efficiencies.

The Group's omnichannel strategy is already supporting revenue growth with the national retail network of 20 stores contributing $18.6 million in FY26 with more than half the network being less than a year old. Store performance continues to improve as the network matures with store transaction conversion increasing from 13.1% in the first half of FY26 to 17.4% in the second half – a 429 basis point improvement. An additional five stores (four Adore Beauty, one IKOU) are planned to open in H1 FY27.

In FY26, Adore Beauty invested in infrastructure to underpin its scaling omnichannel operations and improve efficiency. During the year, the Group leased, built and commenced commissioning its new semi-automated 6,300sqm National Distribution Centre (NDC) in the Victorian suburb of Broadmeadows. The facility has been operational since mid-July 2026, with automated picking and replenishment forecast to deliver $2 million in annual labour savings and substantially increase dispatch speed capability. The Group also enhanced its operational planning and productivity with new ERP software rolled out across the business in June and in-house developed AI automating personalised product recommendations, customer queries, and operational analysis.

The Group's high-margin IKOU brand remains an important driver of revenue and profit growth. IKOU delivered double-digit revenue growth in FY26, benefitting from a brand refresh, infrastructure investment, and greater availability through third-party channels. A seventh store in Hobart is currently under construction, broadening the brand's footprint beyond NSW and Victoria. IKOU's strong performance over the year saw owned brands grow to contribute 5.8% of total Group product revenue in FY26, up 107 basis points over the prior period. Revenue contribution from owned brands is expected to materially increase over the year ahead, benefitting from the investments delivered during FY26 along with the launch of IKOU's first loyalty program in Q1 FY27 and a digital wholesale sales platform in Q2 FY27.

New customer acquisition increased 14.4% over the prior period to 418,600 with the Group already cycling 6.1% growth in the prior corresponding period. Stores are an efficient acquisition channel for the Group, cost-effectively adding more than 114,000 new customers in FY26. New customer growth was also supported by Adore Beauty's improved acquisition strategy focused on acquiring customers at the top of the sales funnel, out-of-home-brand campaigns, increased brand awareness, and loyalty initiatives. More efficient customer growth delivered a 37.4% annual decline in acquisition costs, now at $35.2 per customer. Strong new-customer acquisition more than offset the deliberate reduction in paid reacquisition of lower-value customer cohorts, resulting in the Group's active customer base growing to 858,800 - a 2.6% increase over the prior year.

Adore Beauty's loyalty program and mobile app continue to increase engagement, share-of-wallet, and marketing efficiency. The Group's 538,000 active 'Adore Rewards' loyalty members contributed 81% of sales in FY26, up from 70% in the prior year, while the Adore Beauty app accounted for 36% of online sales during the period - 21% higher than the PCP. In addition to loyalty, app and stores, Adore Beauty's subscription service and new brands are key to lifting average order values and frequency, creating higher-value customers and improving quality of revenue. The Group is also continuing to innovate its customer experience, partnering with Google to launch agentic retail in Australia. Customers can now seamlessly make purchases from Adore Beauty within search, including AI mode and the Gemini app.

Transitional year for earnings

FY26 was a transitional year for earnings as the Group accelerated its omnichannel strategy, more than doubling its retail footprint. Underlying EBITDA[1] of $3.8 million on a pre-AASB 16 basis reflects a higher fixed cost base arising from Adore Beauty's growing, albeit immature, store network combined with a challenging retail environment, particularly in Q4. Adore Beauty's retail channel delivered an underlying EBITDA loss of $1.1 million in FY26. Given more than half the network was less than a year old in FY26 and new stores are not expected to reach operational maturity for 18-24 months, the retail network is not expected to be a material impost on profitability in FY27. Disciplined cost management, strong retail media growth, and increased contribution from owned brands all supported margins under pressure from competitive intensity throughout the year. The Group's growing retail network, omni-customer contribution, and operational efficiency are expected to underpin profitability in FY27 and beyond.

Capital management

Adore Beauty has executed the most significant investment cycle in the Group's 26-year history supported by contributions from commercial partners and its increased $17 million working capital facility. The new National Distribution Centre has been largely funded by a CBA project-backed facility split over FY26/FY27. As at 30 June 2026, the Group had net debt of $9.3 million and total undrawn facilities of $14.4 million. Remaining growth and infrastructure capex is expected to be approximately $8 million in FY27, weighted to H1. Net debt is expected to peak in H1 FY27 and reduce during H2 as EBITDA and operating cash flow improves.

Outlook

Despite the challenging economic environment, Adore Beauty expects to deliver a material step-up in revenue and profitability in FY27, targeting revenue growth of at least 10% and Group underlying EBITDA between $9 -$13 million on a pre-AASB 16 basis. The expected improvement in FY27 underlying EBITDA is principally supported by approximately $4 million of annualised organisational and cost savings, maturation of the existing store network, growth in retail media and owned brands, and operating leverage from at least 10% revenue growth.

Adore Beauty has secured excellent locations for a further five stores across its two brands, bringing its national retail network to 25 stores before the end of the 2026 calendar year.

Investor and analyst briefing

A briefing for investors and analysts will be held this morning (24 August) at 10.30am AEST. Attendees will have the opportunity to ask questions at the end of the presentation.

Participants can register for the briefing via the following links:
Conference call: https://s1.c-conf.com/diamondpass/10055588-5i6y9q.html
Webcast: https://ccmediaframe.com/?id=1pSjAAdm

A recording of the call will be available shortly after the event on Adore Beauty's website:
https://www.adorebeautygroup.com.au/investor-centre/

This release has been authorised by the CEO of Adore Beauty Group.

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