

REFINITIV

DELTA REPORT

10-Q

BEAUTY HEALTH CO

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1002
CHANGES	98
DELETIONS	454
ADDITIONS	450

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **September 30, 2023** **March 31, 2024**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____.

Commission File Number: 001-39565

The Beauty Health Company
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

2165 Spring Street
Long Beach, CA 90806

(Address of principal executive offices, including zip code)

85-1908962

(I.R.S. Employer Identification No.)

(800) 603-4996

Registrant's telephone number, including area code

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	SKIN	The Nasdaq Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of **November 13, 2023** **May 6, 2024**, there were **131,266,839** **123,632,222** shares of Class A Common Stock, par value \$0.0001 per share issued and outstanding.

THE BEAUTY HEALTH COMPANY
FORM 10-Q FOR THE QUARTER ENDED **SEPTEMBER 30, 2023** **MARCH 31, 2024**
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PART I— FINANCIAL INFORMATION

Item 1. Financial Statements.

THE BEAUTY HEALTH COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for share amounts)
(Unaudited)

	September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
March 31, 2024					
ASSETS	ASSETS				
Current assets:	Current assets:				
Cash and cash equivalents	\$ 559,444	\$ 568,197			
Accounts receivable, net of allowances for estimated credit losses of \$4,752 and \$2,929 at September 30, 2023 and December 31, 2022, respectively	66,809	76,494			
Current assets:					
Current assets:					
Cash, cash equivalents, and restricted cash					

Cash, cash equivalents, and restricted cash						
Cash, cash equivalents, and restricted cash					\$ 444,634	\$ 523,025
Accounts receivable, net of allowances for estimated credit losses of \$7,228 and \$6,604 at March 31, 2024 and December 31, 2023, respectively				Accounts receivable, net of allowances for estimated credit losses of \$7,228 and \$6,604 at March 31, 2024 and December 31, 2023, respectively	47,666	54,697
Inventories	Inventories	74,878	109,656	Inventories	95,721	91,321
Income tax receivable	Income tax receivable	989	1,280	Income tax receivable	1,204	332
Prepaid expenses and other current assets	Prepaid expenses and other current assets	35,891	27,648	Prepaid expenses and other current assets	25,599	28,877
Total current assets	Total current assets	738,011	783,275	Total current assets	614,824	698,252
Property and equipment, net	Property and equipment, net	16,062	18,184	Property and equipment, net	12,048	14,226
Right-of-use assets, net	Right-of-use assets, net	13,343	15,637	Right-of-use assets, net	16,383	12,120
Intangible assets, net	Intangible assets, net	64,642	46,386	Intangible assets, net	58,405	62,123
Goodwill	Goodwill	124,679	124,593	Goodwill	125,365	125,818
Deferred income tax assets, net	Deferred income tax assets, net	798	815	Deferred income tax assets, net	1,932	531
Other assets	Other assets	15,539	14,193	Other assets	15,784	16,043
TOTAL ASSETS	TOTAL ASSETS	\$ 973,074	\$ 1,003,083	TOTAL ASSETS	\$ 844,741	\$ 929,113
LIABILITIES AND STOCKHOLDERS' EQUITY						
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:	Current liabilities:					
Current liabilities:						
Current liabilities:						
Accounts payable	Accounts payable					
Accounts payable	Accounts payable	\$ 35,883	\$ 28,467	\$ 37,312	\$ 44,768	
Accrued payroll-related expenses	Accrued payroll-related expenses	20,752	21,677	Accrued payroll-related expenses	15,456	22,028
Syndeo Program reserves	Syndeo Program reserves	32,052	—	Syndeo Program reserves	8,314	21,009
Lease liabilities, current	Lease liabilities, current	4,711	4,958	Lease liabilities, current	4,648	4,598

Income tax payable	Income tax payable	1,990	1,429	Income tax payable	3,443	2,759
Other accrued expenses	Other accrued expenses	30,491	15,183	Other accrued expenses	24,395	19,846
Total current liabilities	Total current liabilities	125,879	71,714	Total current liabilities	93,568	115,008
Lease liabilities, non-current	Lease liabilities, non-current	10,105	12,689	Lease liabilities, non-current	13,688	9,319
Deferred income tax liabilities, net	Deferred income tax liabilities, net	2,299	2,011	Deferred income tax liabilities, net	1,068	702
Warrant liabilities	Warrant liabilities	7,109	15,473	Warrant liabilities	5,019	3,555
Convertible senior notes, net	Convertible senior notes, net	737,315	734,143	Convertible senior notes, net	665,486	738,372
Other long-term liabilities	Other long-term liabilities	410	—	Other long-term liabilities	2,617	2,767
Total liabilities	Total liabilities	883,117	836,030	Total liabilities	781,446	869,723
Commitments (Note 10)	Commitments (Note 10)			Commitments (Note 10)		
Stockholders' equity						
Class A Common Stock, \$0.0001 par value; 320,000,000 shares authorized; 132,569,193 and 132,214,695 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively						
		14	14			
Stockholders' equity:						
Class A Common Stock, \$0.0001 par value; 320,000,000 shares authorized; 123,453,419 and 122,899,002 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively						
Class A Common Stock, \$0.0001 par value; 320,000,000 shares authorized; 123,453,419 and 122,899,002 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively						
Class A Common Stock, \$0.0001 par value; 320,000,000 shares authorized; 123,453,419 and 122,899,002 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively						
Additional paid-in capital	Additional paid-in capital	564,509	550,320			
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(5,102)	(4,530)			
Accumulated deficit	Accumulated deficit	(469,464)	(378,751)			

Total stockholders' equity	Total stockholders' equity	89,957	167,053
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$973,074	\$1,003,083
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY			

The accompanying notes are an integral part of these unaudited financial statements.

THE BEAUTY HEALTH COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in thousands, except for share and per share amounts)
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		2024			
		2024			
		2024			
Net sales					
Net sales					
Net sales	Net sales	\$ 97,413	\$ 88,792	\$ 301,170	\$ 267,743
Cost of sales	Cost of sales	109,966	27,429	191,743	85,455
Gross (loss) profit		(12,553)	61,363	109,427	182,288
Cost of sales					
Cost of sales					
Gross profit					
Gross profit					
Gross profit					
Operating expenses:					
Operating expenses:					
Selling and marketing	Selling and marketing	30,731	39,767	112,471	121,055
Selling and marketing					
Selling and marketing					
Research and development					
Research and development					
Research and development	Research and development	1,839	2,167	7,056	6,998
General and administrative	General and administrative	36,978	23,782	102,457	77,628
General and administrative					
General and administrative					
Total operating expenses					
Total operating expenses					
Total operating expenses	Total operating expenses	69,548	65,716	221,984	205,681

Loss from operations	Loss from operations	(82,101)	(4,353)	(112,557)	(23,393)
Interest expense, net		3,445	3,380	10,291	9,997
Loss from operations					
Loss from operations					
Interest expense					
Interest expense					
Interest expense					
Interest income	Interest income	(6,750)	(2,870)	(16,782)	(3,610)
Other (income) expense, net		(4,872)	361	(5,337)	380
Interest income					
Interest income					
Other income, net					
Other income, net					
Other income, net					
Change in fair value of warrant liabilities					
Change in fair value of warrant liabilities					
Change in fair value of warrant liabilities	Change in fair value of warrant liabilities	(5,855)	(4,284)	(8,364)	(71,521)
Foreign currency transaction loss (gain), net	Foreign currency transaction loss (gain), net	2,270	(38)	724	1,800
(Loss) income before provision for income taxes		(70,339)	(902)	(93,089)	39,561
Income tax expense (benefit)		3,479	(821)	(2,376)	1,870
Net (loss) income		\$ (73,818)	\$ (81)	\$ (90,713)	\$ 37,691
Comprehensive (loss) income, net of tax:					
Foreign currency transaction loss (gain), net					
Foreign currency transaction loss (gain), net					
Loss before provision for income taxes					
Loss before provision for income taxes					
Loss before provision for income taxes					
Income tax benefit					
Income tax benefit					
Income tax benefit					
Net loss					
Net loss					
Net loss					
Comprehensive loss, net of tax:					
Comprehensive loss, net of tax:					
Comprehensive loss, net of tax:					
Foreign currency translation adjustments	Foreign currency translation adjustments	(1,093)	(1,636)	(572)	(5,468)
Comprehensive (loss) income		\$ (74,911)	\$ (1,717)	\$ (91,285)	\$ 32,223
Net (loss) income per share					
Foreign currency translation adjustments					
Foreign currency translation adjustments					
Comprehensive loss					
Comprehensive loss					
Comprehensive loss					

Net loss per share							
Net loss per share							
Net loss per share							
Basic							
Basic							
Basic	Basic	\$	(0.56)	\$	0.00	\$	(0.68)
Diluted	Diluted	\$	(0.56)	\$	(0.03)	\$	(0.68)
Diluted							
Diluted							
Weighted average common shares outstanding							
Weighted average common shares outstanding							
Weighted average common shares outstanding	Weighted average common shares outstanding						
Basic	Basic	132,896,626		150,788,695		132,679,547	150,706,795
Basic							
Basic							
Diluted	Diluted	132,896,626		151,417,710		132,679,547	152,018,246
Diluted							
Diluted							

The accompanying notes are an integral part of these unaudited financial statements.

THE BEAUTY HEALTH COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(in thousands, except for share amounts)
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)		Accumulated Deficit	Total Stockholders' Equity (Deficit)	
	Shares	Amount						
BALANCE, December 31, 2021	150,598,047	\$ 16	\$ 722,250	\$ (1,257)	\$ (422,975)	\$	298,034	
Net income	—	—	—	—	31,455		31,455	
Issuance of Common Stock pursuant to equity compensation plan	5,184	—	—	—	—		—	
Share-based compensation	—	—	7,049	—	—		7,049	
Foreign currency translation adjustment	—	—	—	(145)	—		(145)	
BALANCE, March 31, 2022	150,603,231	\$ 16	\$ 729,299	\$ (1,402)	\$ (391,520)	\$	336,393	
Net income	—	—	—	—	6,317		6,317	
Issuance of Class A Common Stock in connection with acquisitions	28,733	—	500	—	—		500	
Issuance of Common Stock pursuant to equity compensation plan	252,536	—	—	—	—		—	
Share-based compensation	—	—	6,378	—	—		6,378	
Shares withheld for tax withholdings on vested stock awards	(29,475)	—	(495)	—	—		(495)	
Foreign currency translation adjustment	—	—	—	(3,687)	—		(3,687)	
BALANCE, June 30, 2022	150,855,025	\$ 16	\$ 735,682	\$ (5,089)	\$ (385,203)	\$	345,406	
Net loss	—	—	—	—	(81)		(81)	
Issuance of Common Stock pursuant to equity compensation plan	64,775	—	—	—	—		—	
Shares withheld for tax withholdings on vested stock awards	(26,451)	—	(370)	—	—		(370)	
Repurchase and retirement of Common Stock	(7,692,308)	(1)	(79,999)	—	—		(80,000)	
Purchase of equity forward contract in connection with accelerated share repurchase	—	—	(20,000)	—	—		(20,000)	

Share-based compensation	—	—	7,449	—	—	7,449
Foreign currency translation adjustment	—	—	—	(1,636)	—	(1,636)
BALANCE, September 30, 2022	143,201,041	\$ 15	\$ 642,762	\$ (6,725)	\$ (385,284)	\$ 250,768

		Common Stock		Accumulated other			Total				
		Shares	Amount	Paid-in Capital	Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity (Deficit)				
		Common Stock						Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity (Deficit)
		Common Stock									
		Common Stock									
Shares											
BALANCE, December 31, 2022											
BALANCE, December 31, 2022											
BALANCE, December 31, 2022	BALANCE, December 31, 2022	132,214,695	\$ 14	\$ 550,320	\$ (4,530)	\$ (378,751)	\$ 167,053				
Net loss	Net loss	—	—	—	—	(20,259)	(20,259)				
Issuance of Common Stock pursuant to equity compensation plan	Issuance of Common Stock pursuant to equity compensation plan	473,049	—	—	—	—	—				
Shares withheld for tax withholdings on vested stock awards	Shares withheld for tax withholdings on vested stock awards	(170,415)	—	(2,195)	—	—	(2,195)				
Issuance of Common Stock relating to employee stock purchase plan	Issuance of Common Stock relating to employee stock purchase plan	—	—	2,034	—	—	2,034				
Share-based compensation	Share-based compensation	—	—	3,577	—	—	3,577				
Common Stock relating to asset acquisition	Common Stock relating to asset acquisition	109,625	—	1,310	—	—	1,310				
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	888	—	888				
BALANCE, March 31, 2023	BALANCE, March 31, 2023	132,626,954	\$ 14	\$ 555,046	\$ (3,642)	\$ (399,010)	152,408				
Net income		—	—	—	—	3,364	3,364				
Issuance of Common Stock pursuant to equity compensation plan		254,742	—	—	—	—	—				
Shares withheld for tax withholdings on vested stock awards		(83,234)	—	(545)	—	—	(545)				

Issuance of Common Stock relating to employee stock purchase plan	82,955	—	698	—	—	698
Share-based compensation	—	—	8,524	—	—	8,524
Accelerated share repurchase payment	—	—	(2,240)	—	—	(2,240)
Foreign currency translation adjustment	—	—	—	(367)	—	(367)
BALANCE, June 30, 2023	132,881,417	\$ 14	\$ 561,483	\$ (4,009)	\$ (395,646)	\$ 161,842
BALANCE, December 31, 2023						
BALANCE, December 31, 2023						
BALANCE, December 31, 2023						
Net loss	Net loss	—	—	—	—	(73,818)
Issuance of Common Stock pursuant to equity compensation plan	Issuance of Common Stock pursuant to equity compensation plan	157,749	—	—	—	—
Shares withheld for tax withholdings on vested stock awards	Shares withheld for tax withholdings on vested stock awards	(50,731)	—	(331)	—	(331)
Repurchase and retirement of Common Stock		(419,242)		(4,828)		(4,828)
Share-based compensation	Share-based compensation	—	—	8,185	—	8,185
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	(1,093)	(1,093)
BALANCE, September 30, 2023		132,569,193	\$ 14	\$ 564,509	\$ (5,102)	\$ (469,464)
BALANCE, March 31, 2024						

The accompanying notes are an integral part of these unaudited financial statements.

THE BEAUTY HEALTH COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
	2024
	2024
	2024
Cash flows from operating activities:	
Cash flows from operating activities:	
Cash flows from operating activities:	
Net loss	
Net loss	

Net loss
Adjustments to reconcile net loss to net cash from operating activities
Adjustments to reconcile net loss to net cash from operating activities
Adjustments to reconcile net loss to net cash from operating activities
Share-based compensation
Share-based compensation
Share-based compensation
Amortization of intangible assets
Amortization of intangible assets
Amortization of intangible assets
Depreciation of property and equipment
Depreciation of property and equipment
Depreciation of property and equipment
Amortization of other assets
Amortization of other assets
Amortization of other assets
Amortization of debt issuance costs
Amortization of debt issuance costs
Amortization of debt issuance costs
Inventory write-down
Inventory write-down
Inventory write-down
Provision for estimated credit losses
Provision for estimated credit losses
Provision for estimated credit losses
Change in fair value of warrant liabilities
Change in fair value of warrant liabilities
Change in fair value of warrant liabilities
Gain on repurchase of convertible senior notes, net
Gain on repurchase of convertible senior notes, net
Gain on repurchase of convertible senior notes, net
Deferred income taxes
Deferred income taxes
Deferred income taxes
Other, net
Other, net
Other, net
Changes in operating assets and liabilities:
Changes in operating assets and liabilities:
Changes in operating assets and liabilities:
Accounts receivable
Accounts receivable
Accounts receivable
Inventories
Inventories
Inventories
Prepaid expenses, other current assets, and income tax receivable
Prepaid expenses, other current assets, and income tax receivable
Prepaid expenses, other current assets, and income tax receivable

Accounts payable, accrued expenses, and income tax payable
Accounts payable, accrued expenses, and income tax payable
Accounts payable, accrued expenses, and income tax payable
Other, net
Other, net
Other, net
Net cash used for operating activities
Net cash used for operating activities
Net cash used for operating activities
Cash flows from investing activities:
Cash flows from investing activities:
Cash flows from investing activities:
Cash paid for intangible assets
Cash paid for intangible assets
Cash paid for intangible assets
Cash paid for property and equipment
Cash paid for property and equipment
Cash paid for property and equipment
Cash paid for asset acquisitions
Cash paid for asset acquisitions
Cash paid for asset acquisitions
Net cash used for investing activities
Net cash used for investing activities
Net cash used for investing activities
Cash flows from financing activities:
Cash flows from financing activities:
Cash flows from financing activities:
Repurchase of convertible senior notes
Repurchase of convertible senior notes
Repurchase of convertible senior notes
Payment of tax withholdings on vested stock awards
Payment of tax withholdings on vested stock awards
Payment of tax withholdings on vested stock awards

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net (loss) income	\$ (90,713)	\$ 37,691
Adjustments to reconcile net (loss) income to net cash from operating activities		
Share-based compensation	20,286	20,876
Amortization of intangible assets	15,955	11,063
Depreciation of property and equipment	6,996	5,269
Amortization of other assets	1,751	525
Amortization of debt issuance costs	3,172	3,172
Syndeo inventory write-down	18,809	—
Inventory write-down	11,905	5,667
Provision for estimated credit losses	2,760	1,670
Change in fair value adjustment of warrant liabilities	(8,364)	(71,521)
Other, net	8,897	10,076
Changes in operating assets and liabilities:		
Accounts receivable	6,007	(40,630)

Inventories		3,426		(72,129)
Prepaid expenses, other current assets, and income tax receivable		(16,198)		(6,723)
Accounts payable, other accrued expenses, and income tax payable		50,118		2,012
Other, net		(7,887)		(8,225)
Net cash provided by (used for) operating activities		26,920		(101,207)
Cash flows from investing activities:				
Cash paid for intangible assets		(7,084)		(4,690)
Cash paid for property and equipment		(3,797)		(9,880)
Cash paid for asset acquisitions		(18,458)		(1,475)
Net cash used for investing activities		(29,339)		(16,045)
Cash flows from financing activities:				
Repurchases of Class A Common Shares		—		(80,000)
Payment of equity forward contract in connection with accelerated share repurchase		—		(20,000)
Payment of accelerated share repurchases		(2,240)		—
Payment of tax withholdings on vested stock awards		(2,388)		—
Payment of contingent consideration related to acquisitions		(1,819)		(2,763)
Other, net		356		—
Net cash used for financing activities	Net cash used for financing activities	(6,091)		(102,763)
Net decrease in cash and cash equivalents		(8,510)		(220,015)
Net cash used for financing activities				
Net cash used for financing activities				
Net change in cash, cash equivalents, and restricted cash				
Net change in cash, cash equivalents, and restricted cash				
Net change in cash, cash equivalents, and restricted cash				
Effect of foreign currency translation on cash	Effect of foreign currency translation on cash	(243)		2,337
Cash and cash equivalents, beginning of period		568,197		901,886
Cash and cash equivalents, end of period		\$ 559,444	\$	684,208
Effect of foreign currency translation on cash				
Effect of foreign currency translation on cash				
Cash, cash equivalents, and restricted cash beginning of period				
Cash, cash equivalents, and restricted cash beginning of period				
Cash, cash equivalents, and restricted cash beginning of period				
Cash, cash equivalents, and restricted cash end of period				
Cash, cash equivalents, and restricted cash end of period				
Cash, cash equivalents, and restricted cash end of period				

The accompanying notes are an integral part of these unaudited financial ~~statements.~~ **statements**

THE BEAUTY HEALTH COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1 — Description of Business

The Beauty Health Company (the "Company") is a global category-creating company focused on delivering skin health experiences that help consumers reinvent their relationship with their skin, bodies, and self-confidence. The Company and its subsidiaries design, develop, manufacture, market, and sell esthetic technologies and products. The Company's brands are pioneers: HydraFacial in hydradermabrasion; SkinStylus in microneedling; and Keravive in scalp health. Together, with its powerful global community of estheticians, partners, and consumers, the Company is personalizing skin health for all ages, genders, skin tones, and skin types.

Historical Information

The Company (f.k.a. Vesper Healthcare Acquisition Corp.) was incorporated in the State of Delaware on July 8, 2020. On May 4, 2021, we consummated the previously announced business combination pursuant to that certain Agreement and Plan of Merger, dated December 8, 2020, by and among Vesper Healthcare Acquisition Corp. ("Vesper Healthcare"), Hydrate Merger Sub I, Inc. ("Merger Sub I"), Hydrate Merger Sub II, LLC ("Merger Sub II"), LCP Edge Intermediate, Inc., the indirect parent of HydraFacial LLC, f.k.a. Edge Systems LLC ("HydraFacial"), and LCP Edge Holdco, LLC ("LCP," or "Former Parent," and, in its capacity as the stockholders' representative, the "Stockholders' Representative") (the "Merger Agreement"), which provided for: (a) the merger of Merger Sub I with and into HydraFacial, with HydraFacial continuing as the surviving corporation (the "First Merger"), and (b) immediately following the First Merger and as part of the same overall transaction as the First Merger, the merger of HydraFacial with and into Merger Sub II, with Merger Sub II continuing as the surviving entity (the "Second Merger" and, together with the First Merger, the "Mergers" and, together with the other transactions contemplated by the Merger Agreement, the "Business Combination"). As a result of the First Merger, the Company owns 100% of the outstanding common stock of HydraFacial and each share of common stock and preferred stock of HydraFacial was cancelled and converted into the right to receive a portion of the consideration payable in connection with the Mergers. As a result of the Second Merger, the Company owns 100% of the outstanding interests in Merger Sub II. In connection with the closing of the Business Combination, the Company owns, directly or indirectly, 100% of the stock of HydraFacial and its subsidiaries and the stockholders of HydraFacial as of immediately prior to the effective time of the First Merger (the "HydraFacial Stockholders") hold a portion of the Company's Class A common stock, par value \$0.0001 per share (the "Class A Common Stock").

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States of America ("GAAP") for complete financial statements. These statements reflect all normal and recurring adjustments which, in the opinion of management, are necessary to present fairly the financial position, results of operations and cash flows of the Company for the interim periods presented.

These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in, or presented as exhibits to, the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023.

Subsequent to the issuance of the Company's Annual Quarterly Report on Form 10-K 10-Q for the fiscal year three months ended December 31, 2022 March 31, 2023, during the six months quarter ended June 30, 2023, the Company identified prior period misstatements related to the elimination of intercompany balances and right of return assets. Although the Company concluded that these misstatements were not material, either individually or in the aggregate, the Company elected to revise its previously issued unaudited consolidated financial statements to

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correct for these misstatements. These misstatements impacted the fiscal years 2020 to 2022 and the three months ended March 31, 2023.

The revision of the previously issued unaudited consolidated financial statements is presented in the accompanying unaudited consolidated financial statements and related disclosures. For further detail, refer to Note 16 — Revision for Immaterial Misstatements.

Certain prior period amounts have been reclassified to conform to the current period presentation, including previously reported inventories in the condensed consolidated statement of cash flows which was disclosed net of a \$5.7 million inventory write-down. We reclassified the inventory write-down in the prior period to conform to the current period presentation of inventory write-down as an adjustment to reconcile net income to net cash from operating activities. This reclassification had no effect on the previously reported net cash used for operating activities.

Note 2 — Revenue

The Company generates revenue primarily through manufacturing and selling HydraFacial its patented hydradermabrasion delivery systems ("Delivery Systems"). In conjunction with the sale of Delivery Systems, ("Delivery Systems") the Company also sells single-use tips, solutions, and serums used to provide a HydraFacial treatment that cleanses, extracts, and hydrates the skin and the related serums, solutions, tips, and consumables (collectively "Consumables"). Original Consumables are sold solely and exclusively by the Company (and from authorized retailers) and are available for purchase separately from the purchase of Delivery Systems. For both Delivery Systems and Consumables, revenue is recognized upon transfer of control to the customer. We use independent financing institutions to offer customers financing for customer, which generally takes place at the purchase point of our products on a non-recourse basis. Under certain limited arrangements, which are not material, the customer's receivable balance is with recourse whereby we are responsible for repaying the financing company should the customer default. shipment.

The Company manages its business on the basis of one operating segment and one reportable segment. As a result, the chief operating decision maker, who is the Chief Executive Officer, reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources and evaluating financial performance.

The Company's revenue disaggregated by major product line consists of the following for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(in thousands)					
(in thousands)					
(in thousands)	(in thousands)	2023	2022	2023	2022
Net Sales	Net Sales				
Net Sales					
Net Sales					
Delivery Systems					
Delivery Systems					
Delivery Systems	Delivery Systems	\$ 51,043	\$ 49,094	\$ 161,986	\$ 155,524
Consumables	Consumables	46,370	39,698	139,184	112,219
Consumables					
Consumables					
Total net sales	Total net sales	\$ 97,413	\$ 88,792	\$ 301,170	\$ 267,743
Total net sales					
Total net sales					

Net sales by geographic region were as follows for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended March 31,	
		Three Months Ended March 31,		Three Months Ended March 31,	
(in thousands)					
(in thousands)					
(in thousands)	(in thousands)	2023	2022	2023	2022
Americas	Americas	\$ 51,703	\$ 58,370	\$ 168,325	\$ 178,330
Americas					
Americas					
Asia-Pacific ("APAC")					
Asia-Pacific ("APAC")					
Asia-Pacific ("APAC")	Asia-Pacific ("APAC")	24,657	15,110	63,525	38,397
Europe, the Middle East and Africa ("EMEA")	Europe, the Middle East and Africa ("EMEA")	21,053	15,312	69,320	51,016
Europe, the Middle East and Africa ("EMEA")					
Europe, the Middle East and Africa ("EMEA")					
Total net sales	Total net sales	\$ 97,413	\$ 88,792	\$ 301,170	\$ 267,743
Total net sales					
Total net sales					

Delivery Systems net sales in the current and prior year were impacted regionally by the timing of the region's respective Syndeo launch. Prior year net sales of delivery Systems in the Americas include the impact of the prior year launch of Syndeo, while the international Syndeo launch was during the three months ended June 30, 2023.

Note 3 — Balance Sheet Components

Inventories consist of the following as of the periods indicated:

(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	(in thousands)	March 31, 2024	December 31, 2023
Raw materials	Raw materials	\$ 23,793	\$ 38,373			
Finished goods	Finished goods	51,085	71,283			
Finished goods	Finished goods					
Total inventories	Total inventories	\$ 74,878	\$ 109,656			

As a result of the Company's decision, with respect to Syndeo devices, to market and sell Syndeo 3.0 devices exclusively, the Company has designated all Syndeo 1.0 and 2.0 builds on-hand as obsolete, resulting in an inventory write-off of \$18.8 million during the three months ended September 30, 2023. Refer to Note 15 – Restructuring Charges for further detail. The Company also identified \$11.9 million in discontinued, excess, or obsolete inventory during the nine months ended September 30, 2023.

Accrued payroll-related expenses include consist of the following as of the periods indicated:

(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	(in thousands)	March 31, 2024	December 31, 2023
Accrued compensation and payroll taxes						
Accrued sales commissions	Accrued sales commissions	\$ 8,049	\$ 10,523			
Accrued compensation		6,973	4,154			
Accrued benefits	Accrued benefits	4,011	5,643			
Accrued payroll taxes		1,719	1,357			
Total accrued payroll-related expenses	Total accrued payroll-related expenses	\$ 20,752	\$ 21,677			

Other accrued expenses include consist of the following as of the periods indicated:

(in thousands)	(in thousands)	September 30, 2023	December 31, 2022	(in thousands)	March 31, 2024	December 31, 2023
Sales and VAT tax payables	Sales and VAT tax payables	\$ 7,196	\$ 4,904			
Share repurchase		4,828	—			
Accrued interest	Accrued interest	4,688	2,344			
Royalty liabilities	Royalty liabilities	4,186	2,348			

Note payable due seller		—	1,819
Other	Other	9,593	3,768
Total	Total	\$30,491	\$15,183
other	other		
accrued	accrued		
expenses	expenses		

As of March 31, 2024 and December 31, 2023, the Company has approximately \$12 million and \$15 million, respectively, of non-trade receivables from certain of its manufacturing vendors resulting from the sale of components to these vendors who manufacture or assemble final products for the Company, which is included in prepaid expenses and other current assets on the Consolidated Balance Sheets. The Company purchases components directly from suppliers and do not reflect the sale of these components to the manufacturing vendors in net sales.

As of March 31, 2024 and December 31, 2023, total warranty reserve was approximately \$7 million and \$6 million, respectively. As of March 31, 2024, approximately \$5 million was included in other accrued expenses and approximately \$2 million was included in other long-term liabilities on the Condensed Consolidated Balance Sheets. As of December 31, 2023, approximately \$4 million was included in other accrued expenses and approximately \$2 million was included in other long-term liabilities on the Consolidated Balance Sheets.

As of March 31, 2024, the Company has approximately \$2 million in restricted cash held as collateral for the Company's credit cards.

Note 4 — Fair Value Measurements

The following tables present information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, and indicate the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

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(in thousands)	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
Assets				
Cash, cash equivalents, and restricted cash:				
Money market funds	\$ 363,070	\$ —	\$ —	\$ 363,070
International treasuries	\$ —	\$ 3,740	\$ —	\$ 3,740
Liabilities				
Warrant liability — Private Placement Warrants	\$ —	\$ —	\$ 5,019	\$ 5,019

As of December 31, 2023		As of December 31, 2023			
(in thousands)	(in thousands)	Level 1	Level 2	Level 3	Total
Assets					
Cash, cash equivalents, and restricted cash:					
Cash, cash equivalents, and restricted cash:					

Cash, cash equivalents, and restricted cash:
Money market funds
Money market funds
Money market funds
International treasuries
Liabilities
Warrant liability — Private Placement Warrants
Warrant liability — Private Placement Warrants
Warrant liability — Private Placement Warrants

	As of September 30, 2023			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents:				
Money market funds	\$495,300	\$—	\$—	\$495,300
Liabilities				
Warrant liability — Private Placement Warrants	\$—	\$—	\$7,109	\$7,109

	As of December 31, 2022			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents:				
Money market funds	\$513,009	\$—	\$—	\$513,009
Liabilities				
Warrant liability — Private Placement Warrants	\$—	\$—	\$15,473	\$15,473

In October 2020, in connection with the consummation of Vesper Healthcare's initial public offering, the Company issued 9,333,333 warrants to purchase shares of the Company's Class A Common Stock at \$11.50 per share (the "Private Placement Warrants"), to BLS Investor Group LLC. As of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**, the Company had approximately 7 million Private Placement Warrants **outstanding**. As of September 30, 2023 and December 31, 2022, **outstanding for which** the fair value **of the Private Placement Warrants** was determined using a Monte Carlo simulation.

Note 5 **Property and Equipment, net**

Property and equipment consist of the following as of the periods indicated:

(in thousands)	(in thousands)	Useful life (years)	September 30, 2023	December 31, 2022	(in thousands)	Useful life (years)	March 31, 2024	December 31, 2023
Leasehold improvements								
Machinery and equipment								
Furniture and fixtures	Furniture and fixtures	2-7	\$ 6,405	\$ 5,364				
Computers and equipment	Computers and equipment	3-5	5,452	4,901				
Machinery and equipment		2-5	8,913	6,427				
Tooling								
Autos and trucks	Autos and trucks	5	234	161				
Tooling		5	715	638				
Leasehold improvements		Shorter of remaining lease term or estimated useful life	12,171	11,812				
Construction in progress								
Total property and equipment	Total property and equipment		33,890	29,303				
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization		(18,339)	(12,494)				
Construction in progress			511	1,375				
Property and equipment, net	Property and equipment, net		\$ 16,062	\$18,184	Property and equipment, net		\$ 12,048	\$ 14,226

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Note 6 **Goodwill and Intangible Assets, net**

Goodwill

The changes in the carrying value of goodwill for the three months ended March 31, 2024 is as follows (in thousands):

December 31, 2023	\$	125,818
Foreign currency translation impact		(453)
March 31, 2024	\$	125,365

Intangible Assets, Net

The gross carrying amount and accumulated amortization of the Company's intangible assets, net, as of September 30, 2023 March 31, 2024 were as follows:

(in thousands)	(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)	(in thousands)	Gross Carrying Value	Accumulated Amortization
Developed technology	Developed technology	\$ 91,629	\$ (61,694)	\$ 29,935	3-10	Developed technology	\$ 91,629	\$ (67,186)
Capitalized software	Capitalized software					Capitalized software	19,782	(4,899)
Customer relationships	Customer relationships	18,230	(10,147)	8,083	5-10	Customer relationships	18,620	(12,060)
Trademarks	Trademarks	11,510	(5,157)	6,353	15	Trademarks	11,568	(5,571)
Capitalized software	Capitalized software	16,532	(3,368)	13,164	3-5			
Non-compete agreement	Non-compete agreement	5,844	(1,182)	4,662	3	Non-compete agreement	5,863	(1,834)
Patents	Patents	2,929	(484)	2,445	3-19	Patents	3,068	(575)
Total intangible assets	Total intangible assets	\$ 146,674	\$ (82,032)	\$ 64,642				

The gross carrying amount and accumulated amortization of the Company's intangible assets, net, as of December 31, 2022 December 31, 2023 were as follows:

(in thousands)	(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)	(in thousands)	Gross Carrying Value	Accumulated Amortization
Developed technology	Developed technology	\$ 73,188	\$ (54,422)	\$ 18,766	3-8	Developed technology	\$ 91,629	\$ (67,186)
Capitalized software	Capitalized software					Capitalized software	18,423	
Customer relationships	Customer relationships	18,089	(7,602)	10,487	5-10	Customer relationships	18,809	(11,317)
Trademarks	Trademarks	10,907	(4,119)	6,788	15	Trademarks	11,521	(5,367)
Capitalized software	Capitalized software	9,620	(1,507)	8,113	3-5			
Non-compete agreement	Non-compete agreement	776	(395)	381	3	Non-compete agreement	5,878	(1,530)
Patents	Patents	2,226	(375)	1,851	3-19	Patents	3,132	(524)
Total intangible assets	Total intangible assets	\$ 114,806	\$ (68,420)	\$ 46,386				

The change in the carrying value Acquisition of goodwill for the nine months ended September 30, 2023 is as follows:

(in thousands)	
December 31, 2022	\$ 124,593
Foreign currency translation impact	86
September 30, 2023	\$ 124,679

In February 2023, Edge Systems Intermediate, LLC, an indirect, wholly-owned subsidiary of the Company, acquired all of the outstanding shares of Esthetic Medical, Inc. ("EMI") in exchange for (i) a cash payment of \$11.8 million and (ii) 109,625 shares of Class A Common Stock of the Company (\$1.3 million). In addition, Dr. Lawrence Groop (the "Seller") is entitled to receive up to an additional \$3.2 million in contingent consideration based upon the achievement of certain conditions defined in the purchase agreement, of which \$1.9 million was considered probable as of the acquisition date. Applicable tax guidance was used to apply the simultaneous equation method to incrementally assign \$4.6 million to the book value of the intangible asset in excess of the purchase price. The Company accounted for this transaction as an asset acquisition and allocated substantially all of the purchase price and the tax basis difference totaling \$19.9 million to intangible assets, primarily related to developed technology.

In addition, in March 2023, the Company acquired assets from Anacapa Aesthetics LLC and recognized approximately \$5 million of intangible assets, primarily related to non-compete agreements.

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Amended and Restated Credit Facility

The Credit Agreement contains various restrictive covenants subject to certain exceptions, including limitations on the the Company's abilityability to incur indebtedness and certain liens, make certain investments, become liable under contingent obligations in certain circumstances, make certain restricted payments, make certain dispositions within guidelines and limits, engage in certain affiliate transactions, alter its fundamental business or make certain fundamental changes, and requirements to maintain certain financial covenants, including maintaining a leverage ratio of no greater than 3.00 to 1.00 and maintaining a fixed charge coverage ratio of not less than 1.15 to 1.00. As of September 30, 2023March 31, 2024, the Company was in compliance with all restrictiverestricted and financial covenants of the Credit Agreement.

Convertible Senior Notes

On September 14, 2021, the Company issued an aggregate of **\$750.0 million** **\$750 million** in principal amount of its 1.25% Convertible Senior Notes due 2026 (the "Notes"). The Notes were issued pursuant to, and are governed by, an indenture dated as of September 14, 2021, between the Company and U.S. Bank National Association, as **trustee**, **trustee** (**"the Indenture"**). Pursuant to the purchase agreement between the Company and the initial purchasers of the Notes, the Company granted the initial purchasers an option to purchase, for settlement within a period of 13 days from, and including, the date the Notes were first issued, up to an additional **\$100.0 million** **\$100 million** principal amount of Notes. The Notes issued on September 14, 2021 include the **\$100.0 million** **\$100 million** principal amount of Notes issued pursuant to the full exercise by the initial purchasers of such option.

The following is a summary of the Company's Notes for the periods indicated:

	(in thousands)	September 30, 2023	December 31, 2022
(in thousands)			
(in thousands)			
1.25% Convertible Notes due 2026	1.25% Convertible Notes due 2026	\$750,000	\$750,000
Unamortized Issuance Costs		(12,685)	(15,857)
Net Carrying Value		\$737,315	\$734,143
Unamortized debt issuance costs			

Net carrying
value

In January 2024, the Company repurchased \$75.0 million principal amount of its Notes at a weighted-average price equal to 77% for \$57.8 million resulting in a net gain of \$16.1 million, which includes \$1.2 million of unamortized debt issuance costs related to the repurchase. The net gain is included in other income, net in the Condensed Consolidated Statements of Comprehensive Income (Loss).

Additionally, in April 2024, the Company repurchased \$98.3 million principal amount of its Notes at a weighted-average price equal to 84% for \$82.4 million. In the month of May, through May 8, 2024, the Company repurchased \$19.0 million principal amount of its Notes at a weighted-average price equal to 84% for \$15.9 million.

As of September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, the estimated fair value of the Notes was approximately \$585 million, \$554 million and \$567 million, \$558 million, respectively. The estimated fair value of the Notes was determined based on the actual bid price of the Notes on September 30, 2023, March 31, 2024 and December 31, 2022, December 31, 2023, and are classified as Level 2 within the fair value hierarchy.

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Capped Call Transactions

On September 9, 2021, in connection with the pricing of the offering of Notes, the Company entered into privately negotiated capped call transactions (the "Base Capped Call Transactions") with Bank of Montreal, Credit Suisse Capital LLC, Deutsche Bank AG, London Branch, Goldman Sachs & Co. LLC, JPMorgan Chase Bank, National Association, Mizuho Markets Americas LLC and Wells Fargo Bank, National Association (collectively, the "Option Counterparties"). In addition, on September 10, 2021, in connection with the initial purchasers' exercise of their option to purchase additional Notes, the Company entered into additional capped call transactions (the "Additional Capped Call Transactions", "Transactions," and, together with the Base Capped Call Transactions, the "Capped Call Transactions"). with each of the Option Counterparties. The Capped Call Transactions cover, subject to customary anti-dilution adjustments, the aggregate number of shares of the Company's common stock that initially underlie the Notes, and are expected generally to reduce potential dilution to the Company's common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap, based on the cap price of the Capped Call Transactions. The cap price of the Capped Call Transactions is initially \$47.94, which represents a premium of 100% over the last reported sale price of the Company's common stock on September 9, 2021. The cost of the Capped Call Transactions was \$90.2 million.

The Capped Call Transactions are separate transactions, each between the Company and the applicable option counterparty, Option Counterparty, and are not part of the terms of the Notes and do not affect any holder's rights under the Notes or the Indenture. Holders of the Notes will not have any rights with respect to the Capped Call Transactions.

Note 8 — Income Taxes

The tax provisions for the three and nine months ended September 30, 2023 and 2022 were computed using the estimated effective tax rates projected for domestic and international taxable jurisdictions for the full year as adjusted for discrete items arising during each quarter.

Income tax benefit for the nine months ended September 30, 2023 was \$2.4 million. Income tax expense for the nine months ended September 30, 2022 was \$1.9 million.

Income tax expense for the three months ended September 30, 2023 was \$3.5 million. Income income tax benefit for the three months ended September 30, 2022, March 31, 2024 is \$0.7 million. The income tax benefit for the three months ended March 31, 2023 was \$0.8 million, \$3.7 million.

The effective tax rate for the three and nine months ended September 30, 2023, March 31, 2024 is (4.9)% and 2.6%, 49.3%. The effective tax rate for the three and nine months ended September 30, 2022, March 31, 2023 was 91.0% and 4.7%, 15.3%. The effective tax rate differs from the federal statutory rate of 21% due primarily to a full valuation allowance against the Company's U.S. deferred tax assets, foreign jurisdictions that are taxed at different rates, state taxes, and the impact of discrete items that may occur in any given year but which are not consistent from year to year.

The Company has established a valuation allowance in the U.S. and Singapore against a portion of its remaining deferred tax assets because it is more likely than not that certain deferred tax assets will not be realized. In determining whether deferred tax assets are realizable, the Company considers numerous factors including historical profitability, the amount of future taxable income and the existence of taxable temporary differences that can be used to realize deferred tax assets.

Additionally, the Company applies ASC Accounting Standards Codification 740 — Income Taxes, the accounting standard addressing the accounting for uncertainty in income taxes, that which prescribes rules for recognition, measurement and classification in the financial statements of tax positions taken or expected to be taken in a tax return. The Company has gross unrecognized tax benefits of \$0.4 million, \$0.3 million and \$0.1 million for the nine months ended September 30, 2023, \$1.1 million as of March 31, 2024 and September 30, 2022, December 31, 2023, respectively.

The Inflation Reduction Act, signed into law on August 16, 2022, provides tax incentives for certain industries and imposes a 15% minimum tax on the book income of certain large corporations and a 1% excise tax on stock buybacks. The Company may be subject to the new excise tax on certain stock buybacks that occur after December 31, 2022. The Company does not anticipate a material impact from the Inflation Reduction Act on its condensed consolidated financial statements.

During July 2023, the Company received \$5.4 million for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act, of which \$4.9 million was recorded in other (income) expense, net and \$0.5 million was recorded in interest income on the Company's condensed consolidated statements of comprehensive income (loss).

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Note 9 — Share-Based Payments Compensation

The Company has various stock compensation plans, which are more fully described in Part II, Item 8 "Financial Statements and Supplementary Data—Note 13 to the Consolidated Financial Statements—Equity-Based Compensation" in the Company's 2022 2023 Annual Report on Form 10-K. Under the Beauty Health Company 2021 Incentive Award Plan, the Company may grant stock options, stock appreciation rights, restricted stock, restricted stock units, dividend equivalents, other stock or cash-based awards to eligible service providers. Additionally, the Company maintains the Employee Stock Purchase Plan for employees located in the United States, whereby eligible employees can have up to 10% of their earnings withheld, subject to certain maximums, to be used to purchase shares of the Company's Class A Common Stock at certain purchase dates.

Share-based compensation expense which is primarily recorded within selling and marketing and general and administrative expenses, was as follows for the periods indicated:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock options	\$ 2,055	\$ 2,731	\$ 4,601	\$ 8,204
Restricted stock units	5,269	3,155	14,443	8,621
Performance-based restricted stock units	757	1,496	947	3,775
Employee stock purchase plan	104	67	295	276
	<u>\$ 8,185</u>	<u>\$ 7,449</u>	<u>\$ 20,286</u>	<u>\$ 20,876</u>

(in thousands)	Three Months Ended March 31,	
	2024	2023
Cost of sales	\$ (404)	\$ 293
Selling and marketing	2,424	1,804
Research and development	676	(2)
General and administrative	3,940	1,482
Total share-based compensation	<u>\$ 6,636</u>	<u>\$ 3,577</u>

Performance-based restricted stock unit expense includes reversal of expense related to the forfeiture of unvested awards during the three and nine months September 30, 2023.

As of September 30, 2023 March 31, 2024, total unrecognized compensation expense related to unvested share-based compensation totaled \$64.2 \$36.7 million and is expected to be recognized over a weighted-average period of 2.0 1.5 years.

Note 10 — Commitments and Contingencies

Ageless

On October 21, 2020, Hydrafacial filed a complaint (the "California Complaint") against Ageless Serums LLC ("Ageless") in the United States District Court for the Central District of California, Western Division, captioned Edge Systems LLC v. Ageless Serums LLC, Case No. 2:20-cv-09669-FMO-PVC (the "California Case"), for various claims, including contributory trademark infringement, false designation of origin, induced breach of contract, tortious interference with contractual relations, and unfair competition. In the California Complaint, Hydrafacial alleged that Ageless is selling its serums to Hydrafacial customers and intentionally encouraging those customers to market treatments performed by such customers as "Hydrafacial Treatments," in violation of the customers' license agreements with Hydrafacial and that Ageless is improperly marketing its products for use as part of the Hydrafacial treatment. Hydrafacial sought monetary damages and injunctive relief from Ageless in the California Case.

Additionally, on December 22, 2020, Hydrafacial filed a complaint (the "Texas Complaint") against Ageless in the United States District Court for the Southern District of Texas, Houston Division, captioned Edge Systems LLC v. Ageless Serums LLC, Case No. 4:20-cv 04335 (the "Texas Case"), alleging infringement of six of Hydrafacial's patents. Hydrafacial is seeking sought monetary damages and injunctive relief from Ageless in the Texas Case.

On November 30, 2020, Ageless answered the California Complaint and asserted counterclaims for violation of antitrust, California statutory and common law unfair competition, false advertising, defamation, and tortious interference with prospective and actual economic advantage. On July 12, 2021, Ageless answered the Texas Complaint and asserted similar counterclaims as those in the California Case. On May 5, 2022, Ageless filed a Chapter 11 bankruptcy petition in the United States Bankruptcy Court for the

Southern District of Texas, Houston Division (the "Houston Bankruptcy Court"), and the California Case and Texas Case were thus stayed under 11 U.S.C. Section 362(a)(1). On September 7, 2022, Hydrafacial filed a proof of claim, asserting general unsecured claim for damages arising from claims alleged in the California Case and Texas Case. On January 4, 2023, Hydrafacial filed an Objection to the Confirmation of Debtor's Subchapter V Plan of Reorganization and Brief in Support. On March 8, 2023, Hydrafacial and Ageless engaged in mediation to settle the claims alleged in the California Case and Texas Case. Ultimately, Hydrafacial and Ageless reached a tentative settlement agreement of all claims alleged in the California Case and Texas Case.

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On September 18, 2023, Ageless filed the Debtor's Third Amended Subchapter V Plan of Reorganization (the "Plan"). The Plan incorporated the material terms of the settlement that Hydrafacial and Ageless reached at the mediation. Under the Plan, Ageless ~~is~~ was required to pay to Hydrafacial ~~\$0.1 million~~ \$0.1 million on or before October 15, 2023 and tender thirteen (13) subsequent quarterly payments, each consisting of ~~\$0.1 million~~ \$0.1 million, for a total of \$1.4 million. Ageless also agreed to various sales and marketing conditions that restrict Ageless from selling to Hydrafacial's ~~customers~~ customers that use Hydrafacial's service mark to provide hydradermabrasion treatments. Ageless agreed to other covenants that are contained in Article VIII of the Plan. The Plan also includes mutual releases between Hydrafacial and Ageless. The Plan includes remedies for Hydrafacial's benefit in the event that Ageless defaults on any of its material obligations under the Plan.

The Houston Bankruptcy Court considered confirmation of the Plan at a hearing held on September 22, 2023, and Hydrafacial expressed its support of the Plan at the hearing. The Houston Bankruptcy Court entered the Findings of Fact, Conclusions of Law, and Order Confirming Debtor's Third Amended Plan of Reorganization on September 22, 2023. The Plan contains various conditions precedent to the effectiveness of the Plan that are contained in Article X of the Plan. The Plan ~~requires~~ required Hydrafacial to dismiss the California Case and the Texas Case within ten (10) days of the occurrence of the effective date of the Plan.

On October 13, 2023, Ageless tendered its initial payment of ~~\$0.1 million~~ \$0.1 million to Hydrafacial pursuant to the terms and conditions of the Plan. ~~On February 2, 2024, all claims, counterclaims, and defenses in the California Case and the Texas Case were dismissed with prejudice.~~

Cartessa

On December 14, 2020, Hydrafacial filed a complaint (the "Cartessa Complaint") against Cartessa Aesthetics, LLC ("Cartessa") in the United States District Court for the Eastern District of New York (the "New York Court"), captioned Edge Systems LLC v. Cartessa Aesthetics, LLC, Case No. 1:20-cv-6082, for patent infringement arising from Cartessa's sale of Cartessa's hydradermabrasion system that Hydrafacial alleged has infringed five of Hydrafacial's patents on its device. Hydrafacial narrowed its allegation in the Cartessa Complaint to assert infringement of just four of its patents. On September 15, 2022, the New York Court granted Hydrafacial's Motion for Summary Judgment of No Unclean Hands and denied Cartessa's Motion for Summary Judgment of non-infringement on three of the four patents-in-suit. On June 6, 2023, the New York Court granted Hydrafacial's Motion for Summary Judgment of No Invalidity of the fourth patent-in-suit and granted Cartessa's Motion for Summary Judgment of non-infringement of that same patent. As of the date of this report, Hydrafacial and Cartessa are awaiting the New York Court to set a trial date on Hydrafacial's remaining three patents-in-suit in the Cartessa Complaint.

Hydrafacial is seeking monetary damages and plans to vigorously pursue its claims against Cartessa. Hydrafacial also plans to appeal the New York Court's grant of Cartessa's Motion for Summary Judgment.

Securities Class Action

On November 16, 2023, a putative class action was filed in the United States District Court for the Central District of California against the Company, its then-current president and chief executive officer, Andrew Stanleick, its former chief financial officer, Liyuan Woo, and its current chief financial officer, Michael Monahan. The complaint, styled, Abduladhim A. Alghazwi, individually and on behalf of all others similarly situated, v. The Beauty Healthy Company, Andrew Stanleick, Liyuan Woo, and Michael Monahan, Case No. 2:23-cv-09733 (C.D. Ca.) (the "Securities Class Action"), asserts claims for violation of Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 10b-5 promulgated thereunder against all defendants (First Claim), and violation of Section 20(a) of the Exchange Act against the individual defendants (Second Claim). The complaint alleges that, between May 10, 2022 and November 13, 2023, defendants materially misled the investing public by publicly issuing false and/or misleading statements and/or omissions relating to Hydrafacial's business, operations, and prospects, specifically with respect to the performance of and demand for the Syndeo 1.0 and 2.0 devices. The relief sought in the complaint includes a request for compensatory damages suffered by the plaintiff and other members of the putative class for damages allegedly sustained as a result of the alleged securities violations.

On January 16, 2024, putative class members Jeff and Kevin Brown (the "Browns"), Priscilla and Martijn Dijkgraaf (the "Dijkgraafs"), and Joseph Jou filed three competing motions for appointment as lead plaintiff under the Private Securities Litigation Reform Act ("PSLRA"), 17 U.S.C. § 78u-4(a)(3). On January 31, 2024, Joseph Jou filed a notice of non-opposition to the Browns' and Dijkgraafs' motions for appointment as lead plaintiff. On May 2, 2024, the court granted the Dijkgraafs' motion for appointment as lead plaintiff and approved the Dijkgraafs' counsel, Hagens Berman, as lead counsel. On May 8, 2024, the parties met and conferred to discuss a proposed schedule for the filing of a consolidated, amended complaint and defendants' response(s) thereto. The Securities Class Action case is assigned to U.S. District Judge Sherilyn Peace Garnett.

The Company believes that the claims asserted in the Securities Class Action have no merit and intends to vigorously defend them. The Company is unable to reasonably estimate the possible loss or range of loss, if any, associated with these claims, and, accordingly, it has not accrued any liability associated with the Securities Class Action.

Derivative Action - Margie Elstein

On February 8, 2024, a derivative complaint was filed in the Delaware Court of Chancery against the Company's former president and chief executive officer, Andrew Stanleick; its former chief financial officer, Liyuan Woo, and current members of the Company's board of directors (the "Board of Directors"): Brenton Saunders, Marla Beck, Michael Capellas,

Julius Few, Desiree Gruber, Michelle Kerrick, Brian Miller, and Doug Schillinger, with the Company as the nominal defendant. The complaint, styled Margie Elstein, derivatively on behalf of The Beauty Health Company v. Brenton Saunders, Marla Beck, Michael Capellas, Julius Few, Desiree Gruber, Michelle C. Kerrick, Brian Miller, Doug Schillinger Andrew Stanleick, and Liyuan Woo, C.A. No. 2024-0114-LWW (Del. Ch.) (the "Elstein Derivative Action"), asserts a single claim for breach of fiduciary duty against the individual defendants based on the alleged disclosure of knowingly false information and/or the alleged failure to respond to red flags relating to Hydrafacial's business, operations, and prospects, specifically with respect to the performance of and demand for the Syndeo 1.0 and 2.0 devices. The plaintiff-stockholder further maintains that no demand was made upon the Company's Board of Directors prior to the initiation of the Elstein Derivative Action based on allegations that a majority of the Board of Directors was not disinterested or independent with respect to the fiduciary duty claim, such that demand should be excused as futile. The relief sought in the complaint includes a finding of demand futility, a finding that the individual defendants are liable for breaching their fiduciary duties (as current/former officers and directors), and an award of compensatory damages for harm suffered by the Company and its stockholders for harm allegedly sustained as a result of the alleged fiduciary duty violation. The Elstein Derivative Action has been assigned to Vice Chancellor Lori Will.

The Company believes that the claims asserted in the Elstein Derivative Action have no merit and intends to vigorously defend them. The Company is unable to reasonably estimate the possible loss or range of loss, if any, associated with these claims, and, accordingly, it has not accrued any liability associated with the Elstein Derivative Action.

Derivative Action - Richard Montague

On May 1, 2024, a derivative complaint was filed in the Delaware Court of Chancery against the Company's former president and chief executive officer, Andrew Stanleick; its former chief financial officer, Liyuan Woo, and current members of the Company's Board of Directors: Brent Saunders, Marla Beck, Michael Capellas, Julius Few, Desiree Gruber, Michelle Kerrick, Brian Miller, and Doug Schillinger, the Company as the nominal defendant. The complaint, styled Richard Montague, derivatively on behalf of The Beauty Health Company v. Andrew Stanleick, Liyuan Woo, Brent Saunders, Marla Beck, Michael Capellas, Julius Few, Desiree Gruber, Michelle C. Kerrick, Brian Miller, and Doug Schillinger, C.A. No. 2024-0463-LWW (Del. Ch.) (the "Montague Derivative Action"), asserts claims for (i) breach of fiduciary duty, (ii) gross mismanagement, (iii) waste of corporate assets, (iv) unjust enrichment, and (v) aiding and abetting against the individual defendants based on allegations that the individual defendants made materially false and/or misleading statements, as well as failing to disclose material adverse facts about the Company's business, operations, and prospects, specifically relating to the Syndeo 1.0 and 2.0 devices. The relief sought in the Montague Derivative Action includes (a) awarding damages for harm suffered by the Company allegedly sustained as a result of the individual defendants' alleged breach of fiduciary duties, gross mismanagement, waste of corporate assets, and unjust enrichment, (b) awarding damages for harm suffered by the Company allegedly sustained as a result of the Company's directors' alleged aiding and abetting of breaching their fiduciary duties, (c) directing the Company to reform and improve its corporate governance and internal procedures, to comply with its existing governance obligations and all applicable laws, and to protect its investors from a recurrence of the alleged damaging events, and (d) awarding the plaintiff-stockholder the costs and disbursements of the Montague Derivative Action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses.

The Company believes that the claims asserted in the Montague Derivative Action have no merit and intends to vigorously defend them. The Company is unable to reasonably estimate the possible loss or range of loss, if any, associated with these claims, and, accordingly, it has not accrued any liability associated with the Montague Derivative Action.

Securities and Exchange Commission (the "SEC") Subpoena

The Division of Enforcement of the SEC has issued a subpoena in connection with a formal order of investigation of the Company seeking documents and information from us. The Company is in the process of responding to the subpoena and intends to fully cooperate with the SEC investigation. We cannot predict the duration, scope, or outcome of this matter at this time.

Note 11 — Related-Party Transactions

Registration Rights Agreement

In connection with the consummation of the Business Combination, on May 4, 2021, the Company entered into that certain Amended and Restated Registration Rights Agreement (the "Registration Rights Agreement") with BLS Investor Group LLC (the "Sponsor") and the Hydrafacial stockholders.

Pursuant to the terms of the Registration Rights Agreement, (i) any outstanding shares of Class A Common Stock or any other equity securities (including the Private Placement Warrants and including shares of Class A Common Stock issued or issuable upon the exercise of any other equity security) of the Company held by the Sponsor or the Hydrafacial stockholders (together, the "Restricted Stockholders") as of the date of the Registration Rights Agreement or thereafter acquired by a Restricted Stockholder (including the shares of Class A Common Stock issued upon conversion of the 11,500,000 shares of Class B Common Stock common stock (the "Founder Shares") that were owned by the Sponsor and converted into shares of Class A Common Stock in connection with the Business Combination and upon exercise of any Private Placement Warrants) and shares of Class A Common Stock issued as earn-out shares to the Hydrafacial stockholders and (ii) any other equity security of the Company issued or issuable with respect to any such share of common stock by way of a stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise will be entitled to registration rights.

The Registration Rights Agreement provides that the Company will, within 60 days after the consummation of the Business Combination, file with the Securities and Exchange Commission (the "SEC") SEC a shelf registration statement registering the resale of the shares of common stock held by the Restricted Stockholders and will use its reasonable best efforts to have

such registration statement declared effective as soon as practicable after the filing thereof, but in no event later than 60 days following the filing deadline. The Company filed such registration statement on July 19, 2021 and it was declared effective by the SEC on July 26, 2021. The Hydrafacial stockholders are entitled to make up to an aggregate of two demands for registration, excluding short form demands, that the Company register shares of common stock held by these parties. In addition, the Restricted Stockholders have certain "piggy-back" registration rights. The Company will bear the expenses incurred in connection with the filing of any registration statements filed pursuant to the terms of the Registration Rights Agreement. The Company and the Restricted Stockholders agree in the Registration Rights Agreement to provide customary indemnification in connection with any offerings of common stock effected pursuant to the terms of the Registration Rights Agreement.

Pursuant to the Registration Rights Agreement, the Sponsor agreed to restrictions on the transfer of its securities issued to it in the Company's initial public offering, which (i) in the case of the Founder Shares is one year after the completion of the Business Combination unless (A) the closing price of the common stock equals or exceeds \$12.00 per share for 20 days out of any 30-trading-day period commencing at least 150 days following the closing of the Business Combination or (B) the Company completes a liquidation, merger, capital stock exchange, reorganization or other similar transaction that results in all of the Company's stockholders having the right to exchange their shares of common stock for cash, securities or other property, and (ii) in the case of the Private Placement Warrants and the respective Class A Common Stock underlying the Private Placement Warrants is 30 days after the completion of the Business Combination. The Sponsor and its permitted transferees will also be required, subject to the terms and conditions in the Registration Rights Agreement, not to transfer their Private Placement Warrants (as defined in the Registration Rights Agreement) or shares of common stock issuable upon the exercise thereof for 30 days following the closing.

Investor Rights Agreement

In connection with the consummation of the Business Combination, on May 4, 2021, the Company and LCP Edge Holdco, LLC ("LCP") entered into that certain Investor Rights Agreement (the "Investor Rights Agreement"). Pursuant to the Investor Rights Agreement, LCP has the right to designate a number of directors for appointment or election to the Company's board of directors as follows: (i) one director for so long as LCP holds at least 10% of the outstanding Class A Common Stock, (ii) two directors for so long as LCP holds at least 15% of the outstanding Class A Common Stock, and (iii) three directors for so long as LCP holds at least 40% of the outstanding Class A Common Stock. Pursuant to the Investor Rights Agreement, for so long as LCP holds at least 10% of the outstanding Class A Common Stock, LCP will be entitled to have at least one of its designees represented on the compensation committee and nominating committee and corporate governance committee of the Company's board of directors.

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Note 12 – Stockholders' – Stockholders' Equity

Common Stock

The Company is authorized to issue 320,000,000 shares of Class A Common Stock, par value of \$0.0001 per share. Holders of Class A Common Stock are entitled to one vote for each share. As of September 30, 2023, March 31, 2024 and December 31, 2022, there were 132,569,193, 123,453,419 and 132,214,695, 122,899,002, respectively, of Class A Common Stock issued and outstanding. The Company has not declared or paid any dividends with respect to its Class A Common Stock.

Common Stock Repurchases

On September 12, 2023, the Company's board of directors approved a share repurchase program authorizing the Company to repurchase up to \$100.0 million of the Company's Class A Common Stock. Under the share repurchase program, repurchases can be made from time to time using a variety of methods, which may include open market purchases, privately negotiated transactions, transactions structured through investment banking institutions, or a combination of the foregoing. Under this share repurchase program, for the year ended December 31, 2023, the Company repurchased approximately 0.8 million and retired 10.4 million shares for \$4.8 million during the three months ended September 30, 2023, of which 0.4 \$30.2 million shares were received and retired, and all of which were recorded in other accrued expenses as of September 30, 2023.

On September 26, 2022, the Company's board of directors approved a share repurchase program authorizing the Company to repurchase up to \$200.0 million of the Company's Class A Common Stock. The Company entered into two accelerated share repurchase agreements on September 27, 2022 and November 9, 2022, respectively, with a financial institution to repurchase a total of \$200.0 million of Class A Common Stock. Under the September 27, 2022 accelerated share repurchase agreement, the Company repurchased approximately 9.3 million shares for \$100.0 million. Under the November 9, 2022 accelerated share repurchase agreement, the Company made a payment of \$100.0 million and received initial deliveries of approximately 9.5 million shares, which represented 80% of the payment amount divided by the Company's closing stock price on that date, excluding taxes. During the three months ended June 30, 2023, the Company paid \$2.2 million as the final settlement did not repurchase any shares of the November 9, 2022 accelerated share repurchase agreement, which was based upon the average daily volume weighted average price of the Company's Class A Common Stock during the repurchase period, less an agreed upon discount, its common stock.

Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. As of September 30, 2023, March 31, 2024 and December 31, 2022, there were no shares of preferred stock issued or outstanding.

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Note 13 — Net (loss) income Loss Attributable to Common Stockholders

The following table sets forth the calculation of both basic and diluted net loss per share as follows for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		Three Months Ended March 31,			
		Three Months Ended March 31,			
		Three Months Ended March 31,			
(in thousands, except share and per share amounts)	(in thousands, except share and per share amounts)	2023	2022	2023	2022
Net (loss) income available to common stockholders - basic		\$ (73,818)	\$ (81)	\$ (90,713)	\$ 37,691
Less: Income on Private Placement Warrants		—	(4,284)	—	(71,521)
(in thousands, except share and per share amounts)					
(in thousands, except share and per share amounts)					
Net loss available to common stockholders - basic					
Net loss available to common stockholders - basic					
Net loss available to common stockholders - basic					
Adjustments related to Convertible Notes ⁽¹⁾					
Adjustments related to Convertible Notes ⁽¹⁾					
Adjustments related to Convertible Notes ⁽¹⁾					
Net loss available to common stockholders - diluted					
Net loss available to common stockholders - diluted					
Net loss available to common stockholders - diluted					
Net loss available to common stockholders - diluted					
Weighted average common shares outstanding - basic	Weighted average common shares outstanding - basic	132,896,626	150,788,695	132,679,547	150,706,795
Weighted average common shares outstanding - basic					
Effect of dilutive shares:	Effect of dilutive shares:				
Private Placement Warrants		—	629,015	—	1,311,451
Effect of dilutive shares:					
Convertible Notes					
Convertible Notes					
Convertible Notes					

Weighted average common shares outstanding - diluted								
Weighted average common shares outstanding - diluted								
Weighted average common shares outstanding - diluted	Weighted average common shares outstanding - diluted	132,896,626	151,417,710	132,679,547	152,018,246			
Basic net (loss) income per share	\$	(0.56)	\$	0.00	\$	(0.68)	\$	0.25
Dilutive net loss per share	\$	(0.56)	\$	(0.03)	\$	(0.68)	\$	(0.22)
Basic net loss per share:								
Basic net loss per share:								
Basic net loss per share:								
Diluted net loss per share:								
Diluted net loss per share:								
Diluted net loss per share:								

For the three and nine months ended September 30, 2023 and 2022, all outstanding shares March 31, 2024, the adjustments related to share-based awards Convertible Notes include the net gain on repurchase offset by interest expense and convertible notes were amortization of debt issuance costs related to our Notes (net of taxes).

The following shares have been excluded from the calculation of the weighted average diluted net loss per common share because their shares outstanding as the effect would be antidilutive. have been anti-dilutive:

	Three Months Ended March 31,	
	2024	2023
Convertible Notes	—	23,614,425
Restricted Stock Units	4,133,118	3,855,757
Stock Options	3,671,120	4,852,995
Performance-based Restricted Stock Units	1,179,487	1,997,512

For the three months ended March 31, 2024 and nine months ended September 30, 2023, 2023, income and shares related to the Private Placement Warrants were excluded from the calculation of diluted net loss per common share because their effect would be antidilutive.

Note 14 — New Accounting Pronouncements

Recent accounting pronouncements pending In November 2023, the Financial Standards Accounting Board ("FASB") issued Accounting Standards Update 2023-07 "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures" which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for annual periods beginning January 1, 2024, and for interim periods beginning January 1, 2025, with early adoption not discussed in this Form 10-Q are either not applicable permitted. The Company is currently evaluating the potential effect that the updated standard will have on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual periods beginning January 1, 2025, with early adoption permitted. The Company or are not expected to is currently evaluating the potential effect that the updated standard will have a material impact on the Company, its financial statement disclosures.

Note 15 — Restructuring Charges

— Syndeo Program

The Company launched Syndeo in March 2022, the first new Hydrafacial delivery system model in five years. Subsequent to launch, many customers with Syndeo 1.0 and Syndeo 2.0 builds began to experience frequent treatment interruptions and unacceptable device conditions. In addition to issues such as distracting noise and difficult bottle insertion, a significant issue was low flow and clogs in the system, due to recommended maintenance requiring overly rigorous levels to prevent serum build-up inside the system's fluidics manifold. Throughout 2022 and the first half of 2023, the Company made several enhancements to each version of the Syndeo in an effort to address and remediate these issues, but despite these efforts, performance interruptions that negatively impacted customer productivity and satisfaction continued to persist.

In July 2023 the Company developed Syndeo 3.0 and has noted a significant improvement in user experience and a substantial decline in initial return rates, primarily due to hardware and software enhancements that automate and force effective rinse cycles and manifold cleaning with an air blast procedure that reduce build-up and clogging as well as improvements in the connector to the handpiece to facilitate user cleaning. During the third quarter of 2023, the Company announced its Syndeo Enhancement Program to upgrade devices to Syndeo 3.0 build standards via field service.

To stand behind its commitment to its customers and protect the Company's brand reputation, during October 2023, the Company's management decided that, with respect to Syndeo devices, the Company will only market and sell Syndeo 3.0 devices. The Company will provide, at no cost to the customer, the option of (i) a technician upgrade to their Syndeo 1.0 or 2.0 devices to 3.0 standards in the field; or (ii) a replacement Syndeo 3.0 device for their existing device. device (the "Syndeo Program"). Additionally, the Company will extend the customer's warranty by one year for each system from the date it was either brought to the 3.0 standards or the customer received a Syndeo 3.0 device. The Company anticipates that the vast majority of its customers will elect to request a replacement Syndeo 3.0 device.

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With respect to Syndeo devices, as a result As of the decision to market and sell Syndeo 3.0 devices exclusively, December 31, 2023, the Company has designated all accrued costs of \$21.0 million, primarily for the estimated cost to remediate, upgrade or exchange the remaining Syndeo 1.0 and 2.0 builds on-hand as obsolete, resulting in an inventory write-down in cost of sales of \$18.8 million during the three months ended September 30, 2023. builds.

The following table summarizes the Syndeo Program charges and usage for the three months ended September 30, 2023 March 31, 2024 (in thousands):

	Syndeo Program (in thousands)
Program charges for the three months ended September 30, 2023 liability as of December 31, 2023	\$ 44,306 21,009
Usage	Program usage for the three months ended September 30, 2023 (12,695) (12,254)
Reserves Program liability as of September 30, 2023 March 31, 2024	\$ 32,052 8,314

Syndeo inventory write-down and program charges were recognized in cost of sales for the three months ended September 30, 2023.

Business Transformation Program

On September 12, 2023, the Company announced a business transformation restructuring program to drive profitable growth by reducing operating costs and streamlining operations. The business transformation plan is expected to be completed in two phases, with the first phase ("Phase 1") expected to be substantially completed by March 31, 2024.

The Company expects to incur expenses associated with Phase 1 of the transformation program, primarily resulting from planned reductions in workforce and consulting fees. We anticipate the total restructuring costs for Phase 1 of the transformation program to be in the range of \$9 million to \$11 million. The Company has recognized restructuring charges of \$0.6 million primarily related to consulting and other miscellaneous expenses for the three months ended September 30, 2023.

In the second phase ("Phase 2"), the Company expects cost savings to be primarily driven by optimizing manufacturing operations. As of the date of the issuance of these financial statements, Phase 2 of the restructuring program is not finalized and we are unable to forecast the magnitude of the total estimated amount for each major type of cost.

Note 16 — Revision for Immaterial Misstatements

As disclosed in Note 1 – Description of Business, subsequent to the issuance of the Company's Annual Quarterly Report on Form 10-K 10-Q for the fiscal year three months ended December 31, 2022 March 31, 2023, during the six months quarter ended June 30, 2023, the Company identified misstatements related to the elimination of intercompany balances and right of return assets. Although the Company concluded that these misstatements were not material, either individually or in the aggregate, the Company elected to revise its previously issued consolidated financial statements to correct for these misstatements. The revision to the accompanying unaudited condensed consolidated balance sheets, condensed consolidated statements Condensed Consolidated Statements of comprehensive income (loss), Comprehensive Income (Loss) and condensed consolidated statements Condensed Consolidated Statements of cash flows Cash Flows and related disclosures in Note 3 – Balance Sheet Components and Note 13 – Net (Loss) Income Loss Attributable to Common Stockholders are detailed in the tables below.

As of December 31, 2021 December 31, 2022 and June 30, 2022 March 31, 2023, accumulated deficit was understated by \$4.3 million overstated \$2.8 million and \$6.9 million, \$4.7 million, respectively, and as such, previously reported stockholders' equity of \$302.3 million and \$352.3 million was revised to \$298.0 million and \$345.4 million, respectively. For the fiscal year ended December 31, 2022, net income was overstated \$0.2 million. As of March 31, 2023, accumulated deficit was overstated \$4.7 \$164.3 million and as such, previously reported stockholders' equity of \$147.7 million was revised to \$167.1 million and \$152.4 million, million, respectively. There were no other changes to the consolidated statements unaudited Condensed Consolidated Statements of stockholders' equity Stockholders' Equity (Deficit) that have not otherwise been reflected in the condensed consolidated balance sheets and condensed consolidated statements unaudited Condensed Consolidated Statements of comprehensive income (loss) Comprehensive Income (Loss) as detailed in the tables below.

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Condensed Consolidated Balance Sheet (in thousands)	As of December 31, 2022		
	As Previously Reported	Adjustment	As Revised
Inventories	\$ 116,430	\$ (6,774)	\$ 109,656
Prepaid expenses and other current assets	\$ 26,698	\$ 950	\$ 27,648
Total current assets	\$ 789,099	\$ (5,824)	\$ 783,275
TOTAL ASSETS	\$ 1,008,907	\$ (5,824)	\$ 1,003,083
Accounts payable	\$ 30,335	\$ (1,868)	\$ 28,467
Income tax payable	\$ 962	\$ 467	\$ 1,429
Total current liabilities	\$ 73,115	\$ (1,401)	\$ 71,714
TOTAL LIABILITIES	\$ 837,431	\$ (1,401)	\$ 836,030
Accumulated deficit	\$ (374,328)	\$ (4,423)	\$ (378,751)
Total stockholders' equity	\$ 171,476	\$ (4,423)	\$ 167,053
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,008,907	\$ (5,824)	\$ 1,003,083

Condensed Consolidated Statement of Comprehensive Income (Loss) (in thousands, except per share amounts)	Three Months Ended March 31, 2023		
	As Previously Reported	Adjustment	As Revised
Foreign currency transaction loss (gain), net	\$ 877	\$ (2,026)	\$ (1,149)
Loss before provision for income taxes	\$ (25,947)	\$ 2,026	\$ (23,921)
Net loss	\$ (22,285)	\$ 2,026	\$ (20,259)
Comprehensive loss	\$ (21,397)	\$ 2,026	\$ (19,371)
Net loss per share - Basic	\$ (0.17)	\$ 0.02	\$ (0.15)
Net loss per share - Diluted	\$ (0.17)	\$ 0.02	\$ (0.15)

Condensed Consolidated Statement of Cash Flows (in thousands)	Three Months Ended March 31, 2023		
	As Previously Reported	Adjustment	As Revised
Net loss	\$ (22,285)	\$ 2,026	\$ (20,259)
Adjustments to reconcile net loss to net cash from operating activities:			
Other, net	\$ 1,511	\$ (2,026)	\$ (515)
Change in operating assets and liabilities:			
Inventories	\$ (15,771)	\$ 1,866	\$ (13,905)
Prepaid expenses, other current assets, and income tax receivable	\$ (203)	\$ (1,122)	\$ (1,325)
Accounts payable, accrued expenses, and income tax payable	\$ (3,085)	\$ (744)	\$ (3,829)

Condensed Consolidated Statement of Comprehensive Income (Loss) (in thousands)	Three Months Ended September 30, 2022		
	As Previously Reported	Adjustment	As Revised
Cost of sales	\$ 27,217	\$ 212	\$ 27,429
Gross profit	\$ 61,575	\$ (212)	\$ 61,363
Loss from operations	\$ (4,141)	\$ (212)	\$ (4,353)
Loss before provision for income taxes	\$ (690)	\$ (212)	\$ (902)
Net income (loss)	\$ 131	\$ (212)	\$ (81)
Comprehensive loss	\$ (1,505)	\$ (212)	\$ (1,717)

Condensed Consolidated Statement of Comprehensive Income (Loss) (in thousands, except per share amounts)	Nine Months Ended September 30, 2022		
	As Previously Reported	Adjustment	As Revised
Cost of sales	\$ 82,577	\$ 2,878	\$ 85,455
Gross profit	\$ 185,166	\$ (2,878)	\$ 182,288

Loss from operations	\$	(20,515)	\$	(2,878)	\$	(23,393)
Income before provision for income taxes	\$	42,439	\$	(2,878)	\$	39,561
Net income	\$	40,569	\$	(2,878)	\$	37,691
Comprehensive income	\$	35,101	\$	(2,878)	\$	32,223
Net income per share - Basic	\$	0.27	\$	(0.02)	\$	0.25
Net loss per share - Diluted	\$	(0.20)	\$	(0.02)	\$	(0.22)

Condensed Consolidated Statement of Cash Flows (in thousands)	Nine Months Ended September 30, 2022		
	As Previously Reported	Adjustment	As Revised
Net income	\$ 40,569	\$ (2,878)	\$ 37,691
Changes in operating assets and liabilities:			
Inventories	\$ (75,007)	\$ 2,878	\$ (72,129)

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2023 March 31, 2024 ("the Quarterly Report on Form 10-Q") contains "forward looking statements" within the meaning of the "safe harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. When used in this Quarterly Report on Form 10-Q, the words "estimates," "projected," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "may," "will," "should," "future," "propose" and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements.

These forward-looking statements are not guarantees of future performance, conditions or results, and involve a number of known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the Company's control, that could cause actual results or outcomes to differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section titled Risk Factors of this filing and our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 filed with the Securities and Exchange Commission (the "SEC") on March 1, 2023 March 12, 2024 (the "Annual Report on Form 10-K").

Important factors, among others, that may affect actual results or outcomes include the inability to recognize the anticipated benefits of the business combination consummated consummated on May 4, 2021 pursuant to a certain Agreement and Plan of Merger entered into by and among the Company and other parties (the "Business Combination"); costs related to the Business Combination; the Company's availability of cash for debt service and exposure to risk of default under debt obligations; the Company's ability to manage growth; the Company's ability to execute its business plan; potential litigation involving the Company; changes in applicable laws or regulations; and the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; and the impact of a pandemic or any future pandemics, epidemics or infectious disease outbreaks on our business. factors. The Company does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and also with our audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the SEC on March 1, 2023. 10-K.

Unless the context otherwise requires, references to the "Company", "Hydrfacial", "we", "us", and "our" in this section are intended to mean the business and operations of The Beauty Health Company and its consolidated subsidiaries.

Company Overview

The Beauty Health Company is a global category-creating company delivering skin health experiences that help consumers reinvent their relationship with their skin, bodies and self-confidence. The Company and its subsidiaries design, develop, manufacture, market, and sell esthetic technologies and products. The Company's brands are pioneers: Hydrfacial in hydradermabrasion; SkinStylus in microneedling; and Keravive in scalp health. Together, with its powerful global community of estheticians, partners and consumers, the Company is personalizing skin health for all ages, genders, skin tones, and skin types.

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Business and Macroeconomic Conditions

During the three and nine months ended September 30, 2023 and March 31, 2024, we continued to execute against our plan to expand our footprint by selling and placing HydrFacial Delivery Systems our patented hydradermabrasion delivery systems ("Delivery Systems") worldwide, drive Consumables, consumables, which consist of single-use tips, solutions, serums and other consumables used to provide a hydrFacial treatment that cleanses, extracts, and hydrates the skin (collectively "Consumables"), invest in our community of providers, partners, and consumers, drive brand awareness, and optimize our global infrastructure. "Consumables" include serums, solutions, tips, and other consumables. Although we believe we can be successful in our current operating environment, various factors during the three and nine months ended September 30, 2023 may impact our business in unpredictable ways such as:

- Disruptions in transportation and other supply chain related constraints, such as labor strife in the transportation industry;
- Global economic conditions, including inflation, recession, changes in foreign currency exchange rates, higher interest rates, and other changes in economic conditions; and
- Issues Ongoing issues related to new and older models of HydrFacial's current generation Delivery System, Syndeo Delivery Systems ("Syndeo"), and our actions to remediate such issues ongoing issues. The Company has continued to execute replacements under the Syndeo Program and continues to address customer cases under warranty. The Company has accrued approximately \$8 million as part of its Syndeo Program and approximately \$7 million for its warranty reserve as of March 31, 2024 based on the Company's estimated cost to replace older Syndeo models and address incidences for delivery systems under warranty.

We may be able to offset cost pressures through increasing the selling prices of some of our products, increasing value engineering efforts to optimize product costs, increasing the diversification of our suppliers and supplier contracts, increasing natural foreign currency hedging, as applicable, and reducing discretionary spending. However, our pricing actions could have an adverse impact on demand, and may in turn, cause our providers to halt or decrease Delivery Systems and/or Consumables spending, and our actions may not be sufficient to cover unexpected increased costs that we may experience.

Business and macroeconomic factors may also negatively impact, in the short-term or long-term, the global economy, the beauty health industry, our providers and their budgets with us, our business, the Company's brand reputation, financial condition, and results of operations. We remain attentive to these business and macroeconomic conditions that may materially impact our business, and we continue to explore and implement reporting and quality management systems and risk mitigation strategies in the face of these unfolding conditions to remain agile in adopting to changing circumstances.

Syndeo Program

The Company launched Syndeo in March 2022, the first new HydrFacial delivery system model in five years. Subsequent to launch, many customers with Syndeo 1.0 and Syndeo 2.0 builds began to experience frequent treatment interruptions and unacceptable device conditions. In addition to issues such as distractive noise and difficult bottle insertion, a significant issue was low flow and clogs in the system, due to recommended maintenance requiring overly rigorous levels to prevent serum build-up inside the system's fluidics manifold. Throughout 2022 and the first half of 2023, the Company made several enhancements to each version of the Syndeo in an effort to address and remediate these issues, but despite these efforts, performance interruptions that negatively impacted customer productivity and satisfaction continued to persist.

In July 2023 the Company developed Syndeo 3.0 and has noted a significant improvement in user experience and a substantial decline in initial return rates, primarily due to hardware and software enhancements that automate and force effective rinse cycles and manifold cleaning with an air blast procedure that reduce build-up and clogging as well as improvements in the connector to the handpiece to facilitate user cleaning. During the third quarter of 2023, the Company announced its Syndeo Enhancement Program to upgrade devices to Syndeo 3.0 build standards via field service.

To stand behind its commitment to its customers and protect the Company's brand reputation, during October 2023, the Company's management decided that, with respect to Syndeo devices, the Company will only market and sell Syndeo 3.0 devices. The Company will provide, at no cost to the customer, the option of (i) a technician upgrade to their Syndeo 1.0 or 2.0 devices to 3.0 standards in the field; or (ii) a replacement Syndeo 3.0 device for their existing device (the "Syndeo Program"). Additionally, the Company will extend the customer's warranty by one year for each system from the date it was either brought to the 3.0 standards or the customer received a Syndeo 3.0 device. The Company anticipates that the vast majority of its customers will elect to request a replacement Syndeo 3.0 device.

As a result of the decision to market and sell Syndeo 3.0 devices exclusively, the Company has designated all Syndeo 1.0 and 2.0 builds on-hand as obsolete, resulting in an inventory write-off of \$18.8 million during the three months ended September 30, 2023. The Company incurred costs of \$12.3 million during the three months ended September 30, 2023, associated with the cost to upgrade or replace Syndeo 1.0 or 2.0 devices during the quarter. As of September 30, 2023, the Company accrued additional costs of \$32.1 million, primarily for the estimated cost to remediate, upgrade or exchange the remaining Syndeo 1.0 and 2.0 builds, which is expected to be completed during the first half of 2024. Any returning devices with a Syndeo 1.0 or 2.0 device build are expected to be responsibly destroyed.

Business Transformation Program

On September 12, 2023, the Company announced a business transformation restructuring program to drive profitable growth by reducing operating costs and streamlining operations. The business transformation plan is expected to be completed in two phases, with the first phase ("Phase 1") expected to be substantially completed by March 31, 2024.

The Company expects to incur expenses associated with Phase 1 of the transformation program, primarily resulting from planned reductions in workforce and consulting fees. We anticipate the total restructuring costs for Phase 1 of the transformation program to be in the range of \$9 million to \$11 million. The Company has recognized restructuring

charges of \$0.6 million primarily related to consulting and other miscellaneous expenses for the three months ended September 30, 2023.

In the second phase ("Phase 2"), the Company expects cost savings to be primarily driven by optimizing manufacturing operations. As of the date of the issuance of these financial statements, Phase 2 of the restructuring program is not finalized and we are unable to forecast the magnitude of the total estimated amount for each major type of cost.

Phase 1 of the transformation program is expected to realize annualized cost savings of over \$20 million exiting the three months ended March 31, 2024, with Phase 2 expected to realize over \$15 million in annualized cost savings exiting the three months ended June 30, 2024.

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Comparison of Three Months Ended September 30, 2023 March 31, 2024 to Three Months Ended September 30, 2022 March 31, 2023

The following tables set forth our consolidated results of operations in dollars and as a percentage of net sales for the periods presented. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future. The results of operations data for the three months ended September 30, 2023 March 31, 2024 and September 30, 2022 March 31, 2023 have been derived from the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Amounts and percentages may not foot due to rounding.

The following discussion has been amended to reflect the Company's revision of previously issued consolidated financial statements to correct for prior period misstatements, which the Company concluded were immaterial to the previously issued consolidated financial statements, and did not, either individually or in the aggregate, result in a material misstatement of its previously issued consolidated financial statements. Further information regarding the revision is included in Part I, Item 1 Note 16 to the condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

(in millions)	Three Months Ended March 31,			
	2024	% of Net Sales	2023	% of Net Sales
Net sales	\$ 81.4	100.0 %	\$ 86.3	100.0 %
Cost of sales	33.0	40.6	32.2	37.3
Gross profit	48.4	59.4	54.1	62.7
Operating expenses				
Selling and marketing	33.7	41.4	38.7	44.9
Research and development	2.8	3.4	2.3	2.7
General and administrative	28.9	35.5	30.4	35.2
Total operating expenses	65.4	80.3	71.4	82.8
Loss from operations	(17.0)	(20.9)	(17.3)	(20.1)
Interest expense	3.0	3.7	3.4	4.0
Interest income	(5.4)	(6.6)	(4.3)	(5.0)
Other income, net	(16.1)	(19.8)	(0.4)	(0.5)
Change in fair value of warrant liabilities	1.5	1.8	9.1	10.5
Foreign currency transaction loss (gain), net	1.3	1.6	(1.1)	(1.3)
Loss before provision for income tax	(1.3)	(1.6)	(23.9)	(27.7)
Income tax benefit	(0.7)	(0.8)	(3.7)	(4.2)
Net loss	\$ (0.7)	(0.8)%	\$ (20.3)	(23.5)%

(in millions)	Three Months Ended September 30,			
	2023	% of Net Sales	2022	% of Net Sales
Net sales	\$ 97.4	100.0 %	\$ 88.8	100.0 %
Cost of sales	110.0	112.9	27.4	30.9
Gross (loss) profit	(12.6)	(12.9)	61.4	69.1
Operating expenses:				
Selling and marketing	30.7	31.5	39.8	44.8
Research and development	1.8	1.9	2.2	2.4
General and administrative	37.0	38.0	23.8	26.8
Total operating expenses	69.5	71.4	65.7	74.0
Loss from operations	(82.1)	(84.3)	(4.4)	(4.9)
Interest expense, net	3.4	3.5	3.4	3.8

Interest income	(6.8)	(6.9)	(2.9)	(3.2)
Other (income) expense, net	(4.9)	(5.0)	0.4	0.4
Change in fair value of warrant liabilities	(5.9)	(6.0)	(4.3)	(4.8)
Foreign currency transaction loss (gain), net	2.3	2.3	—	—
Loss before provision for income taxes	(70.3)	(72.2)	(0.9)	(1.0)
Income tax expense (benefit)	3.5	3.6	(0.8)	(0.9)
Net loss	<u>\$ (73.8)</u>	<u>(75.8)%</u>	<u>\$ (0.1)</u>	<u>(0.1)%</u>

Net Sales										
Three Months Ended September 30,						Change				
Three Months Ended March 31,						Three Months Ended March 31,				
(in millions)	(in millions)	2023	2022	Amount	%	(in millions)	2024	2023		Amount
Net sales	Net sales									
Delivery Systems	Delivery Systems	\$ 51.0	\$ 49.1	\$ 1.9	4.0 %					
Delivery Systems	Delivery Systems						\$ 35.8	\$ 45.4		\$ (9.6)
Consumables	Consumables	46.4	39.7	6.7	16.8 %					
Total net sales	Total net sales	\$ 97.4	\$ 88.8	\$ 8.6	9.7 %	Total net sales	\$ 81.4	\$ 86.3		\$ (4.9)
Percentage of net sales										
Percentage of net sales										
Percentage of net sales										
Delivery Systems										
Delivery Systems										
Delivery Systems										
Consumables										
Consumables										
Consumables										
Total										
Total										
Total										

Total net sales for the three months ended September 30, 2023 increased \$8.6 million March 31, 2024 decreased\$4.9 million, or 9.7%5.7%, compared to the three months ended September 30, 2022 March 31, 2023. Total Delivery System net sales for the three months ended September 30, 2023 increased primarily due March 31, 2024 decreased\$9.6 million, or 21.1%, compared to strength in Consumable sales in the Americas and Europe, the Middle East, and Africa (“EMEA”). Total three months ended March 31, 2023, with decreases across all regions. Delivery Systems net sales of Delivery Systems were impacted as the Company works to strengthen customer confidence in Syndeo.

Consumables net sales for the three months ended September 30, 2023 March 31, 2024 increased in Asia-Pacific (“APAC”) and EMEA, which was offset by decreases in\$4.7 million, or 11.5%, compared to the Americas, which was impacted by provider experience challenges with Syndeo creating lower than expected demand. The prior year net sales of Delivery Systems in the Americas included the impact of the launch of Hydrafacial’s Delivery System Syndeo (“Syndeo”), which included trade-up net sales. three months ended March 31, 2023. The increase in Consumables net sales was primarily attributable to increased placements of Delivery Systems delivery systems and the adjoining consumption of Consumables consumables during the three months ended September 30, 2023 March 31, 2024.

Cost of Sales, Gross (Loss) Profit, and Gross Margin

Three Months Ended March 31,				Three Months Ended March 31,		Change
(in millions)				(in millions)		
	2024	2023		Amount		%
Cost of sales	\$ 33.0	\$ 32.2	\$	0.9		2.7%
Gross profit	\$ 48.4	\$ 54.1	\$	(5.7)		(10.6)%
Gross margin						

Three Months Ended September 30,				Change	
(in millions)	2023	2022		Amount	%
Cost of sales	\$ 110.0	\$ 27.4		\$ 82.5	300.9 %
Gross (loss) profit	\$ (12.6)	\$ 61.4		(120.5)	%
Gross margin	(12.9) %	69.1 %		(73.9)	%

Cost of sales for the three months ended **September 30, 2023** **March 31, 2024** increased **\$82.5 million**, or **300.9%** compared to the three months ended **September 30, 2022**, primarily driven by inventory write-downs and charges of \$63.1 million associated with the Syndeo Program, \$7.5 million in **\$0.9 million**, which was impacted by higher indirect product costs and inventory related charges for discontinued, excess, or obsolete inventory identified. Gross profit decreased from **\$54.1 million** during the three months ended **September 30, 2023**, higher product costs, and lower average selling price of Delivery Systems **March 31, 2023 to** . Gross margin declined from **69.1%** **\$48.4 million** during the three months ended **September 30, 2022** to **(12.9)%** during the three months ended **September 30, 2023** **March 31, 2024**, primarily due to charges related to the Syndeo Program, which was impacted by higher charges related to other discontinued, excess, and obsolete products costs, higher indirect product costs and lower average selling price of Delivery Systems, inventory related charges.

Operating Expenses

Selling and Marketing

Three Months Ended September 30,				Change	
Three Months Ended March 31,					
(in millions)	(in millions)	2023	2022	Amount	%
Selling and marketing	Selling and marketing	\$ 30.7	\$ 39.8	\$ (9.0)	(22.7) %
As a percentage of net sales	As a percentage of net sales	31.5 %	44.8 %		

Selling and marketing expense for the three months ended **September 30, 2023** **March 31, 2024** decreased **\$9.0 million** **\$5.0 million**, or **22.7%** **13.0%**, compared to the three months ended **September 30, 2022** **March 31, 2023**. The decrease was primarily driven by lower marketing and advertising expense, personnel-related expenses, including sales commission expense and personnel related compensation, including lower share-based compensation expense, partially offset by a reversal of cash incentive accruals in the prior year, marketing spend.

Research and Development

Three Months Ended September 30,				Change	
Three Months Ended March 31,					
(in millions)	(in millions)	2023	2022	Amount	%
Research and development	Research and development	\$ 1.8	\$ 2.2	\$ (0.3)	(15.1) %

As a percentage of net sales	As a percentage of net sales	1.9	%	2.4	%
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Research and development expense for the three months ended September 30, 2023 remained relatively flat as March 31, 2024 increased \$0.5 million, or 20.2%, compared to the three months ended September 30, 2022 March 31, 2023. The increase is primarily driven by higher share-based compensation expense.

General and Administrative

Three Months Ended September 30,						Change			
Three Months Ended March 31,									
(in millions)	(in millions)	2023	2022	Amount	%	(in millions)	2024	2023	
General and administrative	General and administrative	\$ 37.0	\$ 23.8	\$ 13.2	55.5	%	General and administrative	\$ 28.9	\$ 3
As a percentage of net sales	As a percentage of net sales	38.0	%	26.8	%				

General and administrative expense for the three months ended September 30, 2023 increased \$13.2 million March 31, 2024 decreased \$1.5 million, or 55.5% 5.0%, compared to the three months ended September 30, 2022 March 31, 2023. The increase was decrease is primarily driven by higher personnel related compensation, including severance, and share-based compensation expense, higher software expense, and the reversal of cash incentive accruals in the prior year.

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Interest Income, Change in Fair Value of Warrant Liabilities, Other (Income) Expense, Net

(in millions)	Three Months Ended September 30,		Change	
	2023	2022	Amount	%
Interest income	\$ (6.8)	\$ (2.9)	\$ (3.9)	N/M
Change in fair value of warrant liabilities	\$ (5.9)	\$ (4.3)	\$ (1.6)	N/M
Other (income) expense, net	\$ (4.9)	\$ 0.4	\$ (5.3)	N/M

N/M - Not meaningful

Interest income for the three months ended September 30, 2023 increased \$3.9 million compared to the three months ended September 30, 2022 due to higher interest earned on our investment in money market funds and \$0.5 million received for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act.

During the three months ended September 30, 2023, the Company recognized income of \$5.9 million related to the change in the fair value of the warrant liabilities, an increase of \$1.6 million, as compared to income of \$4.3 million during the three months ended September 30, 2022, driven by the fluctuation of the Company's stock price.

During the three months ended September 30, 2023, the Company recognized other income of \$4.9 million primarily related to payments received for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act.

Comparison of Nine Months Ended September 30, 2023 to Nine Months Ended September 30, 2022

The following tables set forth our consolidated results of operations in dollars and as a percentage of net sales for the periods presented. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future. The results of operations data for the nine months ended September 30, 2023 and September 30, 2022 have been derived from the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Amounts and percentages may not foot due to rounding.

The following discussion has been amended to reflect the Company's revision of previously issued consolidated financial statements to correct for prior period misstatements, which the Company concluded were immaterial to the previously issued consolidated financial statements, and did not, either individually or in the aggregate, result in a material misstatement of its previously issued consolidated financial statements. Further information regarding the revision is included in Part I, Item 1 Note 16 to the condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

Nine Months Ended September 30,

(in millions)	2023	% of Net Sales	2022	% of Net Sales
Net sales	\$ 301.2	100.0 %	\$ 267.7	100.0 %
Cost of sales	191.7	63.7	85.5	31.9
Gross profit	109.4	36.3	182.3	68.1
Operating expenses:				
Selling and marketing	112.5	37.3	121.1	45.2
Research and development	7.1	2.3	7.0	2.6
General and administrative	102.5	34.0	77.6	29.0
Total operating expenses	222.0	73.7	205.7	76.8
Loss from operations	(112.6)	(37.4)	(23.4)	(8.7)
Interest expense, net	10.3	3.4	10.0	3.7
Interest income	(16.8)	(5.6)	(3.6)	(1.3)
Other (income) expense, net	(5.3)	(1.8)	0.4	0.1
Change in fair value of warrant liabilities	(8.4)	(2.8)	(71.5)	(26.7)
Foreign currency transaction loss, net	0.7	0.2	1.8	0.7
Loss (income) before provision for income taxes	(93.1)	(30.9)	39.6	14.8
Income tax (benefit) expense	(2.4)	(0.8)	1.9	0.7
Net (loss) income	\$ (90.7)	(30.1)%	\$ 37.7	14.1 %

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Net Sales

(in millions)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Net sales				
Delivery Systems	\$ 162.0	\$ 155.5	\$ 6.5	4.2 %
Consumables	139.2	112.2	27.0	24.0 %
Total net sales	\$ 301.2	\$ 267.7	\$ 33.4	12.5 %

Total net sales for the nine months ended September 30, 2023 increased \$33.4 million, or 12.5%, compared to the nine months ended September 30, 2022. Total net sales for the nine months ended September 30, 2023 increased primarily due to strength in Consumable sales in the Americas and EMEA. Total net sales of Delivery Systems for the nine months ended September 30, 2023 increased in APAC and EMEA, which was offset by decreases in the Americas, which was impacted by provider experience challenges with Syndeo creating lower than expected demand. The prior year net sales of Delivery Systems in the Americas included the impact of the launch of Hydracial's Delivery System Syndeo ("Syndeo"), which included trade-up net sales. The increase in Consumables net sales was primarily attributable to increased placements of Delivery Systems and the adjoining consumption of Consumables during the nine months ended September 30, 2023.

Cost of Sales, Gross Profit, and Gross Margin

(in millions)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Cost of sales	\$ 191.7	\$ 85.5	\$ 106.3	124.4 %
Gross profit	\$ 109.4	\$ 182.3	\$ (72.9)	(40.0)%
Gross margin	36.3 %	68.1 %		

Cost of sales for the nine months ended September 30, 2023 increased \$106.3 million, or 124.4%, compared to the nine months ended September 30, 2022, primarily driven by \$63.1 million of inventory write-downs and charges associated with the Syndeo Program, \$11.9 million in charges for discontinued, excess, or obsolete inventory identified during the nine months ended September 30, 2023, and higher product costs. Gross margin declined from 68.1% during the nine months ended September 30, 2022 to 36.3% during the nine months ended September 30, 2023, primarily due to reserves and charges associated with the Syndeo Program, higher charges related to other discontinued, excess, and obsolete products costs, and higher product costs.

Operating Expenses

Selling and Marketing

(in millions)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Selling and marketing	\$ 112.5	\$ 121.1	\$ (8.6)	(7.1)%
As a percentage of net sales	37.3 %	45.2 %		

Selling and marketing expense for the nine months ended September 30, 2023 decreased \$8.6 million, or 7.1%, compared to the nine months ended September 30, 2022. The decrease was primarily driven by lower sales commission expense and marketing and advertising expense, partially offset by higher personnel related compensation expense which includes higher annual cash incentives, partially offset by lower share-based compensation expense.

Research and Development

(in millions)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Research and development	\$ 7.1	\$ 7.0	\$ 0.1	0.8 %
As a percentage of net sales	2.3 %	2.6 %		

Research and development expense for the nine months ended September 30, 2023 remained relatively flat as compared to the nine months ended September 30, 2022.

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General and Administrative

(in millions)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
General and administrative	\$ 102.5	\$ 77.6	\$ 24.8	32.0 %
As a percentage of net sales	34.0 %	29.0 %		

General and administrative expense for the nine months ended September 30, 2023 increased \$24.8 million, or 32.0%, compared to the nine months ended September 30, 2022. The increase was primarily driven by higher personnel related compensation including higher annual cash incentives, severance, and share-based compensation expense, and higher professional fees and software expenses, partially offset by lower recruiting related expenses, higher share-based compensation expense.

Interest Income, Change in Fair Value of Warrant Liabilities, and Other (Income) Expense, Income, Net

(in millions)	Nine Months Ended September 30,		Change	
	2023	2022	Amount	%
Interest income	\$ (16.8)	\$ (3.6)	\$ (13.2)	N/M
Change in fair value of warrant liabilities	\$ (8.4)	\$ (71.5)	\$ 63.2	N/M
Other (income) expense, net	\$ (5.3)	\$ 0.4	\$ (5.7)	N/M

N/M - Not meaningful

(in millions)	Three Months Ended March 31,		Change	
	2024	2023	Amount	%
Interest income	\$ (5.4)	\$ (4.3)	\$ (1.0)	24.1 %
Change in fair value of warrant liabilities	\$ 1.5	\$ 9.1	\$ (7.6)	(83.9)%
Other income, net	\$ (16.1)	\$ (0.4)	\$ (15.7)	N/M

N/M - Not meaningful

Interest income for the ~~nineteen~~ months ended September 30, 2023 increased \$13.2 million March 31, 2024 increased \$1.0 million compared to the ~~nineteen~~ months ended September 30, 2022 March 31, 2023 primarily due to higher interest earned on our investment in money market funds and \$0.5 million received for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act funds.

During the **ninethree** months ended **September 30, 2023****March 31, 2024**, the Company recognized income of **\$8.4 million****\$1.5 million** related to the change in the fair value of the warrant liabilities, a decrease of **\$63.2 million****\$7.6 million**, as compared to income of **\$71.5 million****\$9.1 million** for the **ninethree** months ended **September 30, 2022****March 31, 2023**, driven **primarily** by the fluctuation of the Company's stock price.

During the **ninethree** months ended **September 30, 2023****March 31, 2024**, the Company recognized **other income of \$5.3 million primarily****\$16.1 million net gain** related to **payments received for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act.** **repurchase of its Notes.**

Liquidity and Capital Resources

Our primary sources of capital have been **funded by** (i) cash flow from operating activities, (ii) net proceeds received from the consummation of the Business Combination, (iii) net proceeds received from the **1.25% Convertible Senior Notes (as defined below) due 2026 (the "Notes")**, and (iv) net proceeds received from the exercise of public and private placement warrants. As of **September 30, 2023****March 31, 2024**, we had cash, **and** cash equivalents, **and restricted cash of \$559.4 million.** **approximately \$444.6 million.** A revolving credit facility of **\$50.0****\$50** million is also available **to us** as a source of capital. As of **September 30, 2023****March 31, 2024**, the revolving credit facility remains undrawn and there is no outstanding balance thereunder.

Our operating cash flows result primarily from cash received from sales of Delivery Systems and Consumables, offset primarily by cash payments made for products and services, employee compensation, payment processing and related transaction costs, operating leases, marketing expenses, and interest payments on our long-term obligations. Cash received from our customers and other activities generally corresponds to our net sales.

Our sources of liquidity and cash flows are used to fund ongoing operations, research and development projects for new products, services, and technologies, and provide ongoing support services for our providers and customers, including liabilities associated with the Syndeo **Program.** **Over the next year, we anticipate that we will use our liquidity and cash flows from our operations to fund our growth. In addition, as** **Program.** As part of our business strategy, we occasionally evaluate potential acquisitions of businesses and products and technologies. Accordingly, a portion of our available cash may be used at any time for the acquisition of complementary products, services, or businesses. Such potential transactions may require substantial capital resources, which may require us to seek additional debt or equity financing. We cannot assure you that we will be able to successfully identify suitable acquisition candidates, complete acquisitions, integrate acquired businesses into our current operations, or expand into new markets. Furthermore, we cannot provide assurances that additional financing will be available to us in any required time frame and on commercially reasonable terms, if at all.

Based on our sources of capital, **(including the cash consideration received from the consummation of the Business Combination and the cash received from the issuance of the Notes)**, management believes that we have sufficient liquidity to

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satisfy our anticipated working capital requirements **which includes effectuating the Syndeo Program,** for our ongoing operations and obligations for at least the next **twelve** **12** months. However, we will continue to evaluate our capital expenditure needs based upon factors including but not limited to our rate of revenue growth, potential acquisitions, the timing and amount of spending on research and development, growth in sales and marketing activities, the timing of new product launches, timing and investments needed for international expansion, the continuing market acceptance of the Company's products and services, expansion, and overall economic conditions.

The Company may also evaluate opportunities to repurchase and retire debt; the Company repurchased its Notes in both the first and second quarter of 2024.

If cash generated from operations is insufficient to satisfy our capital requirements, we may have to sell additional equity or debt securities or obtain expanded credit facilities to fund our operating expenses. The sale of additional equity would result in additional dilution to our stockholders. Also, the incurrence of additional debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. In the event such additional capital is needed in the future, there can be no assurance that such capital will be available to us, or, if available, that it will be in amounts and on terms acceptable to us. If we cannot raise additional funds when we need or want them, our operations and prospects could be negatively affected. However, if cash flows from operations become insufficient to continue operations at the current level, and if no additional capital were obtained, then management would restructure the Company in a way to preserve our business while maintaining expenses within operating cash flows.

Amended and Restated Credit Facility Agreement

On November 14, 2022, the Company, as successor by assumption to Hydrafacial (formerly known as Edge Systems LLC), a California limited liability company, entered into an Amended and Restated Credit Agreement (as it may be further amended, restated, supplemented or modified from time to time, the "Credit Agreement") with JPMorgan Chase Bank, N.A. The Credit Agreement provides for a **\$50.0 million****\$50.0 million** revolving credit facility with a maturity date of November 14, 2027. In addition, the Company has the ability from time to time to increase the revolving commitments or enter into one or more tranches of term loans up to an additional aggregate amount not to exceed **\$50.0 million**, **\$50.0 million**, subject to receipt of lender commitments and certain conditions precedent. As of **September 30, 2023****March 31, 2024**, the Credit Agreement remains undrawn and there is no outstanding balance under the revolving credit facility.

The Credit Agreement contains various restrictive covenants subject to certain exceptions, including limitations on the Company's ability to incur indebtedness and certain liens, make certain investments, become liable under contingent obligations in certain circumstances, make certain restricted payments, make certain dispositions within guidelines and limits, engage in certain affiliate transactions, alter its fundamental business or make certain fundamental changes, and requirements to maintain financial covenants, including maintaining a leverage ratio of no greater than 3.00 to 1.00 and maintaining a fixed charge coverage ratio of not less than 1.15 to 1.00. As of **September 30, 2023****March 31, 2024**, the Company was in compliance with all restrictive and financial covenants of the Credit Agreement.

Convertible Senior Notes

On September 14, 2021, the Company issued an aggregate of \$750.0 million in principal amount of its 1.25% Convertible Senior Notes due 2026 (the "Notes"). The Notes were issued pursuant to, and are governed by, an indenture dated as of September 14, 2021, between the Company and U.S. Bank National Association, as trustee (the "Indenture"). Pursuant to the purchase agreement between the Company and the initial purchasers of the Notes, the Company granted the initial purchasers an option to purchase, for settlement within a period of 13 days from, and including, the date the Notes were first issued, up to an additional \$100.0 million principal amount of Notes. The Notes issued on September 14, 2021 include the \$100.0 million principal amount of Notes issued pursuant to the full exercise by the initial purchasers of such option.

In January 2024, the Company repurchased \$75.0 million principal amount of its Notes at a weighted-average price equal to 77% for \$57.8 million.

Additionally, in April 2024, the Company repurchased \$98.3 million principal amount of its Notes at a weighted-average price equal to 84% for \$82.4 million. In the month of May, through May 8, 2024, the Company repurchased \$19.0 million principal amount of its Notes at a weighted-average price equal to 84% for \$15.9 million.

Capped Call Transactions

On September 9, 2021, in connection with the pricing of the offering of Notes, the Company entered into privately negotiated capped call transactions (the "Base Capped Call Transactions") with the Bank of Montreal, Credit Suisse Capital LLC, Deutsche Bank AG, London Branch, Goldman Sachs & Co. LLC, JPMorgan Chase Bank, National Association, Mizuho Markets Americas LLC and Wells Fargo Bank, National Association (collectively, the "Option Counterparties"). In addition, on September 10, 2021, in connection with the initial purchasers' exercise of their option to purchase additional Notes, the Company entered into additional capped call transactions (the "Additional Capped Call Transactions", and together with the Base Capped Call Transactions, the "Capped Call Transactions") with each of the Option Counterparties. The Capped Call Transactions cover, subject to customary anti-dilution adjustments, the aggregate number of shares of the Company's common stock that initially underlie the Notes, and are expected generally to reduce potential dilution to the Company's common stock upon any conversion of Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap, based on the cap price of the Capped Call Transactions. The cap price of the Capped Call Transactions is initially \$47.94, which represents a premium of 100% over the last reported sale price of the Company's common stock on September 9, 2021. The cost of the Capped Call Transactions was \$90.2 million.

The Capped Call Transactions are separate transactions, each between the Company and the applicable option counterparty, and are not part of the terms of the Notes and do not affect any holder's rights under the Notes or the Indenture. Holders of the Notes will not have any rights with respect to the Capped Call Transactions.

Known Trends or Uncertainties

The majority of our customers are in the medical industry (dermatologists and plastic surgeons), esthetician, and beauty retail industry. Although we have not seen any significant reduction in revenues to date due to consolidations, we have seen some consolidation in our industry during economic downturns. These consolidations have not had a negative effect on our total sales; however, should consolidations and downsizing in the industry continue to occur, those events could adversely impact our revenues and earnings going forward.

In addition, we continue to face macro economic challenges such as the possibility of recession or financial market instability, and the impact of any governmental actions on the economy. These factors may adversely impact consumer, business, and government spending as well as customers' ability to pay for our products and services on an ongoing basis.

As a result, if economic and social conditions or the degree of uncertainty or volatility worsen, or the adverse conditions previously described are further prolonged, our growth rate could be affected by consolidation and downsizing in the medical, esthetician, and beauty retail industry. We are continuing to monitor these and other risks that may affect our business so that we can respond appropriately.

Syndeo Program Costs

The Company has accrued \$8.3 million as of September 30, 2023, for the estimated cost for its remediation plan to upgrade or exchange customer Syndeo devices to meet the Syndeo 3.0 device standard which is expected to be substantially complete by June 30, 2024, related to initial replacement devices.

Business Transformation Discontinuation of Trade-up Program in 2024

On September 12, 2023, the Company has historically accepted Delivery Systems in trade-up transactions with the intent to refurbish and resell such Delivery Systems received from the customer. During the year ended December 31, 2023, the Company announced a business transformation restructuring program to drive profitable growth by reducing operating costs and streamlining operations. Total restructuring costs for Phase 1 of the transformation program are expected to be in the range of \$9 million to \$11 million. As of the date of the issuance of these financial statements, Phase 2 of the restructuring program is not finalized and we are unable to forecast the magnitude of the total estimated amount for each major type of cost.

Stock Repurchase Program

On September 12, 2023, the Company's board of directors approved a share repurchase program authorizing the Company to repurchase up to \$100.0 million of revenue based on the Company's Class A Common Stock, estimated fair value of such Delivery Systems. The Company expects to repurchase \$50.0 million of revenue based on the Company's Class A Common Stock, estimated fair value of such Delivery Systems.

million of the Company's Class A Common Stock by the end of the first quarter of 2024, inclusive of the amounts repurchased revenue recognized for such Delivery Systems during the three months ended September 30, 2023.

31 March 31, 2023 was immaterial. While the Company still expects to resell Delivery Systems previously received in trade-up transactions, starting in 2024, the Company will discontinue the use of trade-up transactions and the ensuing revenue recognition for noncash consideration.

Operating Activities				
Net cash provided by used for operating activities for the nine three months ended September 30, 2023 March 31, 2024 was \$26.9 million, \$16.9 million, as compared to net cash used for operating activities of \$101.2 million \$13.0 million for the nine three months ended September 30, 2022 March 31, 2023. The change in cash used for operating activities was primarily related to lower working capital usage, and the net impact of current year net loss and other non-cash adjustments. The adjustments, which include a net loss, non-cash adjustments, and change in inventories and other accrued expenses include gain of \$16.1 million related to the impact repurchase of the Syndeo Program charges. our Notes. The following table summarizes the activities from our Statements of cash flows. Amounts may not sum due to rounding. The prior year net income loss and non-cash adjustments include the impact of a \$71.5 million gain \$9.1 million loss resulting from the change in fair value of the Company's warrants.				
		Nine Months Ended September 30,		Three Months Ended March 31,
Investing Activities		2023	2022	2024
(Dollars in millions)		(Dollars in millions)	(Dollars in millions)	(Dollars in millions)
Net cash used for investing activities for the nine three months ended September 30, 2023 March 31, 2024 was \$29.3 \$1.8 million, as compared to \$16.0 million \$21.7 million for the nine three months ended September 30, 2022 March 31, 2023. The increase change in cash used for investing activities was primarily related to the cash payment associated with the prior year's asset acquisitions of Esthetic Medical Inc. and Anacapa Aesthetics LLC for \$18.5 million \$16.9 million.		\$568.2	\$901.9	
Financing Activities				
Net cash used for financing activities for the nine three months ended September 30, 2023 March 31, 2024 was \$6.1 million, \$58.6 million, as compared to \$102.8 million \$2.2 million for the nine three months ended September 30, 2022 March 31, 2023. The change in cash used for financing activities was primarily related to the accelerated stock repurchase of \$100.0 million in the prior year. \$75.0 million principal amount of our Notes at a weighted-average price equal to 77% for \$57.8 million.				
Operating activities:				
Net (loss) income		(90.7)	37.7	
Net loss				

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. In preparing the consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, stockholders' equity/deficit, revenues, expenses, and related disclosures. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because of the uncertainty inherent in these matters, actual results may differ from these estimates and could differ based upon other assumptions or conditions.

Syndeo Program Reserves

The Company has accrued \$32.1 million as of September 30, 2023 for the estimated cost for its remediation plan to upgrade or exchange customer Syndeo devices to meet the Syndeo 3.0 device standard. The cost of the remediation program has There have been recognized in cost of sales, and is based on the Company's estimates of the cost to upgrade or exchange customer devices. The accrued cost includes significant judgments regarding customer response rates, the assumed method of remediation, and the cost of remediation, which include considerations such as the material and labor costs of upgrades and the manufacturing and logistics costs for replacement devices. An assumed 10% decrease in the number of customers electing to receive a replacement machine and instead receiving field service would result in a \$3.7 million decrease in the Company's estimate. An assumed 10% change in the cost of remediation (i.e., field service and machine replacement costs) would result in a \$3.1 million change in the Company's estimate. Based on the information available to the Company, the accrual is expected to be adequate. Significant changes may be required in future periods based on changes in facts and circumstances or changes in actions the Company may commit to.

There has been no other changes to our critical accounting policies as included in since our Annual Report on Form 10-K, 10-K for the fiscal year ended December 31, 2023.

Recent Accounting Pronouncements

See Part I, Item 1 "Financial Statements—Note 14 to the Consolidated Financial Statements—New Accounting Pronouncements" of this Quarterly Report on Form 10-Q. Net decrease in cash (8.5) (220.0)

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Market risks relating to our operations result primarily from changes in interest rates, foreign currency, and inflation risk. There were no material changes to our market risks disclosed in our Annual Report on Form 10-K, 10-K for the fiscal year ended December 31, 2023.

Net change
in cash,
cash
equivalents,
and
restricted

Item 4. Controls and Procedures.

Effect of Effect of (0.2) 2.3
foreign foreign

Evaluation of Disclosure Controls and Procedures

Based on The Company conducted an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and principal financial officer, have concluded that of the Company's effectiveness of the design and operation of its disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act") were effective as of September 30, 2023, to the end of the period covered by this Quarterly Report on Form 10-Q. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms and (ii) accumulated and communicated to evaluation, the Company's management, including its principal executive officer and principal financial officer have concluded that, as appropriate to allow timely decisions regarding required disclosure.

Cash and cash
transitions \$550.4 \$684.2

Inherent Limitations over Internal Controls

The Company's management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or a result of the material weakness in our internal control over financial reporting related to the Company's inventory process as described in Part II, Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2023, the Company's disclosure controls and procedures were not effective as of March 31, 2024.

Remediation Plan for Material Weakness

The Company, with oversight from its Audit Committee, is in the process of implementing measures designed to ensure that control deficiencies contributing to the material weakness are remediated, such that these controls are designed, implemented, and operating effectively. The remediation plan includes, but is not limited to, the following:

- hiring additional personnel, both internal and external, with the necessary experience and skill to manage supply chain and inventory operations; and
- enhancing controls, including the implementation of manual or automated processes over the physical existence of inventory, identification of excess and obsolete inventory, and authorization of inventory pricing and purchase arrangements.

Although the Company believes that these actions will prevent or detect all errors remediate the material weakness, additional time is required to test such actions and all fraud. A control system, no matter how well-designed to complete the design, implementation, and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control system must reflect the fact that there are resource constraints, and the benefits of review its controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of demonstrate the effectiveness of the Company's remediation efforts. The material weakness cannot be considered remediated until the applicable remedial controls to future periods operate for a sufficient period of time and management has concluded, through testing, that these controls are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures, operating effectively.

Changes in Internal Control over Over Financial Reporting

There Other than the remediation plan discussed above, there have been no changes in our internal control over financial reporting (as such term is defined in the Exchange Act) that occurred during the three months ended September 30, 2023, which were identified in connection with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II— OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of our material pending legal proceedings, see Note 10, Commitments and Contingencies, to our condensed consolidated financial statements statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q. 10-Q.

Item 1A. Risk Factors Factors.

Please carefully consider the information set forth in this Quarterly Report on Form 10-Q and the risk factors discussed in Part I, "Item 1A. Risk Factors" in the Annual Report on Form 10-K, which could materially affect our business, financial condition, or future results. The risks described in our Annual Report on Form 10-K, as well as other additional risks and uncertainties not presently known to us or that we currently deem immaterial, could materially and adversely affect our business, results of operations, and financial condition, which in turn could materially and adversely affect the trading price of shares of our Class A Common Stock. There As of the date of this Quarterly Report on Form 10-Q, there have been no material updates or changes with respect to the risk factors previously disclosed in our Annual Report on Form 10-K except as described below; provided, however, additional risks not currently known or currently material to us may also harm our business, 10-K.

We maintain our cash at financial institutions, often in balances that exceed federally insured limits

Our cash is held in accounts at U.S. banking institutions that we believe are of high quality. Cash held in deposit accounts may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. If such banking institutions fail, we could lose all or a portion of those amounts held in excess of such insurance limitations. While the FDIC took control of two such banking institutions, Silicon Valley Bank ("SVB") on March 10, 2023 and Signature Bank ("Signature") on March 12, 2023, we did not have any accounts with SVB or Signature, and therefore, did not experience any direct risk of loss. Any material loss, individually or in the aggregate, from a similarly failed banking relationship above FDIC insurance limits that we may experience in the future could have an adverse effect on our ability to pay our operational expenses or make other payments and may require us to move our accounts to other banks, which could cause a temporary delay in making payments to our vendors and employees and cause other operational inconveniences.

We are subject to risks associated with product failure and/or technological flaws.

Our products may contain undetected errors or result in failures when first introduced or when new versions are released. Despite product testing efforts and testing by current and potential customers, it is possible that errors will be found in a new product or enhancement after commercial shipments have commenced. The occurrence of product defects and/or technological flaws could result in negative publicity, delays in product introduction, and the diversion of resources to remedy defects and loss of or delay in industry acceptance and adoption or claims by customers against us and could cause us to incur additional costs, any one of which could adversely affect our business. Furthermore, the failure of our products to perform as promised could result in increased costs, lower margins, liquidated damage payment obligations, and harm to our reputation and brand.

Our business is dependent on the commercial success of selling our Delivery Systems, particularly Syndeo 3.0 devices. If we are unable to continue to successfully commercialize Syndeo 3.0, our results or operations and financial condition will be materially harmed.

Our business and our ability to generate revenue largely depends on our ability to successfully commercialize and sell our Delivery Systems, particularly Syndeo 3.0 devices. Our ability to generate revenue depends on our ability to manufacture and sell high quality, reliable Delivery Systems and execute on our commercialization plans, and the size of the market for, and the level of market acceptance of, our Delivery Systems, particularly the Syndeo 3.0. If our Delivery Systems are not accepted and adopted by our customers, if our customers continue to experience similar performance interruptions in our Syndeo 3.0 devices as in previous models, or if we experience an RMA rate for Syndeo 3.0 devices significantly above historical averages, our revenue and results of operations will be materially and adversely affected.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Unregistered Sales of Equity Securities

During the three months ended September 30, 2023 March 31, 2024, the Company did not issue any shares of its Class A Common Stock or other equity securities that were not registered under the Securities Act of 1933, as amended.

Purchase of Equity Securities by Issuer and Affiliated Purchasers

The following table presents information related to our purchases of the Company's Class A Common Stock during the quarter ended September 30, 2023:

Period	Total Number of Shares		Average Price Paid per Share	Total Number of Shares	Maximum Approximate Dollar
	Repurchased			Purchased as Part of a Publicly Announced Plan or Program ⁽¹⁾	Value of Shares that May Yet Be Purchased Under Publicly Announced Plan or Program ⁽¹⁾
July 1, 2023 through July 31, 2023	—		N/A	N/A	N/A
August 1, 2023 through August 31, 2023	—		N/A	N/A	N/A
September 1, 2023 through September 30, 2023	419,242	\$	5.66	419,242	\$ 97,625,260
	419,242	\$	5.66	419,242	\$ 97,625,260

On September 12, 2023, the Company's board of directors approved a share repurchase program authorizing the Company to repurchase up to \$100.0 million of the Company's Class A Common Stock. The remaining dollar value of shares that may be repurchased under the program shown in the table above reflects 0.4 million shares that were received and retired as of September 30, 2023. The remaining 0.4 million shares that were repurchased during the three months ended September 30, 2023 were received and retired in October 2023, and as such, is not reflected in the remaining dollar value of shares that may be repurchased under the program shown in the table above.

During the three months ended September 30, 2023 March 31, 2024, the Company repurchased approximately 0.8 million shares for \$4.8 million, and its affiliated purchasers did not make any purchases of which 0.4 million shares were received and retired as of September 30, 2023, and all of which were recorded in other accrued expenses as of September 30, 2023. The share repurchase program does not obligate the Company to repurchase any specific number of shares, and may be suspended or discontinued at any time. Under the share repurchase plan, shares may be repurchased through a variety of methods including, but not limited to, open market transactions, privately negotiated transactions, transactions structured through investment banking institutions, or otherwise in compliance with Rule 10b5-1, and, to the extent applicable, Rule 10b-18 under the Exchange Act. However, subject to applicable rules and regulations, the extent to which the Company repurchases shares, and the timing of such repurchases, will depend upon a variety of factors as determined by the Company's management, equity securities.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

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Item 5. Other Information.

Rule 10b5-1 Trading Plans

During the three months ended September 30, 2023 March 31, 2024, no director or officer of the Company adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Syndeo Program

The information included in this Part II, Item 5 is provided in lieu of filing such information on a Current Report on Form 8-K under Item 2.06 Material Impairments.

To the extent required by Item 2.06 on a Current Report on Form 8-K, information regarding the Syndeo Program as set forth in (i) Part I, Item 1. Financial Information (Note 15 to the unaudited, condensed consolidated financial statements (Restructuring Charges)), under the heading, "Syndeo Program", and (ii) Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, under the heading, "Syndeo Program", in this Quarterly Report on Form 10-Q is incorporated by reference herein.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

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EXHIBIT INDEX						
No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	Agreement and Plan of Merger, dated as of December 8, 2020, by and among Vesper Healthcare Acquisition Corp., Hydrate Merger Sub I, Inc., Hydrate Merger Sub II, LLC, LCP Edge Intermediate, Inc. and LCP Edge Holdco, LLC, in its capacity as the Stockholders' Representative	8-K	001-39565	2.1	December 9, 2020	
3.1	Second Amended and Restated Certificate of Incorporation of The Beauty Health Company	8-K	001-39565	3.1	May 10, 2021	
3.2	Amended and Restated Bylaws of The Beauty Health Company	8-K	001-39565	3.2	May 10, 2021	
4.1	Indenture, dated as of September 14, 2021, between The Beauty Health Company and U.S. Bank National Association, as trustee	8-K	001-39565	4.1	September 14, 2021	
4.2	Form of certificate representing the 1.25% Convertible Senior Notes due 2026 (included as Exhibit A to Exhibit 4.1)	8-K	001-39565	4.2	September 14, 2021	
4.3	Warrant Agreement, dated September 29, 2020, between the Company and Continental Stock Transfer & Trust Company, as warrant agent	8-K	001-39565	4.1	October 5, 2020	
4.4	Description of Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	10-K	001-39565	4.4	March 1, 2022	

<u>10.1†</u>	<u>Employment Agreement, dated April 8, 2024, by and among The Beauty Health Company, HydraFacial LLC, and Marla Beck</u>	8-K	001-39565	10.1	April 8, 2024	
<u>10.2#</u>	<u>The Beauty Health Company Amended and Restated Executive Severance Plan</u>	8-K	001-39565	10.2	April 8, 2024	
<u>10.3</u>	<u>Purchase Agreement, dated December 15, 2023, by and between The Beauty Health Company and Goldman Sachs & Co. LLC</u>					X
<u>10.4</u>	<u>Purchase Agreement, dated April 1, 2024, by and between The Beauty Health Company and Goldman Sachs & Co. LLC</u>					X
<u>10.5</u>	<u>Separation, Transition and General Release Agreement, dated April 29, 2024, by and between HydraFacial LLC and Brad Hauser</u>	8-K/A	001-39565	10.1	May 2, 2024	
<u>31.1</u>	<u>Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					X
<u>31.2</u>	<u>Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					X

EXHIBIT INDEX						
No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
<u>2.1</u>	<u>Agreement and Plan of Merger, dated as of December 8, 2020, by and among Vesper Healthcare Acquisition Corp., Hydrate Merger Sub I, Inc., Hydrate Merger Sub II, LLC, LCP Edge Intermediate, Inc. and LCP Edge Holdco, LLC, in its capacity as the Stockholders' Representative</u>	8-K	001-39565	2.1	December 9, 2020	
<u>3.1</u>	<u>Second Amended and Restated Certificate of Incorporation of The Beauty Health Company</u>	8-K	001-39565	3.1	May 10, 2021	
<u>3.2</u>	<u>Amended and Restated Bylaws of The Beauty Health Company</u>	8-K	001-39565	3.2	May 10, 2021	
<u>10.1</u>	<u>Employment Agreement, dated August 10, 2023, by and among The Beauty Health Company, HydraFacial LLC, and Michael Monahan</u>	8-K	001-39565	10.1	August 9, 2023	
<u>10.2†</u>	<u>Separation Agreement, dated August 10, 2023, by and between The Beauty Health Company and Liyuan Woo</u>	8-K	001-39565	10.2	August 9, 2023	
<u>31.1</u>	<u>Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					X
<u>31.2</u>	<u>Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>					X
<u>32.1*</u>	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					X
<u>32.2*</u>	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>					X
101.INS**	Inline XBRL Instance Document					X
101.SCH**	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB**	Inline XBRL Taxonomy Extension Labels Linkbase Document					X
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)					

EXHIBIT INDEX

No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS**	Inline XBRL Instance Document					X
101.SCH**	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF**	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB**	Inline XBRL Taxonomy Extension Labels Linkbase Document					X
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104**	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)					

* These certifications are being furnished solely to accompany this **quarterly** **annual** report pursuant to 18 U.S.C. Section 1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934 and are not to be incorporated by reference into any filing of the registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

** The XBRL related information in Exhibit 101 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section and shall not be incorporated by reference into any filing or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing or document.

† Confidential portions of this exhibit were redacted pursuant to Item 601(b)(10) of Regulation S-K, and the Company agrees to furnish to the SEC a copy of any omitted schedule and/or exhibit upon request.

Management contract or compensatory plan or arrangement.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE BEAUTY HEALTH COMPANY

Date: **November 14, 2023** May 9, 2024

By: /s/ **Andrew Stanleick** **Marla Beck**

Name: **Andrew Stanleick** **Marla Beck**

Title: Chief Executive Officer

(Principal Executive Officer)

Date: **November 14, 2023** May 9, 2024

By: /s/ Michael Monahan

Name: Michael Monahan

Title: Chief Financial Officer

(Principal Accounting Officer and Financial Officer)

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WDC - 71532/300 - #1291878 v5 PURCHASE AGREEMENT Purchase Agreement, dated December 15, 2023 (the "Purchase Agreement"), between The Beauty Health Company (the "Purchaser") and Goldman Sachs & Co. LLC (the "Dealer"). WHEREAS, Purchaser desires that Dealer purchase as principal up to \$75 million principal amount of the Purchaser's 1.25% Convertible Senior Notes due 2026, (the "Bonds") for resale to the Purchaser; and WHEREAS, the parties intend that the purchases of Bonds made pursuant to this Purchase Agreement shall comply with the requirements of Rule 10b5-1(c)(1)(i) under the Securities Exchange Act of 1934 ("Exchange Act"), and that this Purchase Agreement shall be interpreted to comply with the requirements of that rule. NOW THEREFORE, the Purchaser and Dealer hereby agree as follows: 1. Dealer shall effect one or more purchases (each a "Purchase") of Bonds as set forth in Annex A, and the Purchaser shall, upon each such Purchase, effect a purchase (each, a "Purchaser's Purchase") from Dealer of the Bonds that are the subject of such Purchase at the same price at which Dealer purchased such Bonds plus 0.25% (the "Spread"). Dealer's sole compensation for services rendered under this Purchase Agreement shall be the Spread on each such purchase by the Purchaser. 2. This Purchase Agreement shall become effective on

December 18, 2023 and shall terminate on the earliest of: (i) the date an aggregate principal amount of \$75 million Bonds have been purchased pursuant to this Purchase Agreement; (ii) the date that any person publicly announces a tender or exchange offer with respect to the Bonds; (iii) the date of public announcement of a merger, acquisition, reorganization, recapitalization or comparable transaction



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2 affecting the securities of the Purchaser as a result of which the Bonds are to be exchanged or converted into other securities or property; (iv) the date on which Dealer receives notice of the intended or actual commencement of any proceedings in respect of or triggered by Purchaser's bankruptcy, insolvency or similar proceeding; (v) the date on which any event of termination described herein shall occur; (vi) promptly after the receipt of written notice of termination signed by a senior officer of Purchaser and confirmed by telephone, it being understood that any such termination shall not cause Purchases previously effected pursuant to this Purchase Agreement (or any corresponding purchases by the Purchaser) to fail to be entitled to the benefits of Rule 10b5-1(c). Any such termination notice shall not indicate the reasons for the termination or contain any material non-public information; or (vii) March 31, 2024, the date in which the Repurchase Period ends. 3. Dealer may make purchases pursuant to this Purchase Agreement in the open market or through privately negotiated transactions. Purchaser agrees not to attempt to influence when or whether purchases are made by Dealer. 4. Purchaser represents, warrants and covenants that: (i) the Board of Directors of Purchaser has authorized the repurchase of the Bonds in compliance with Rule 10b5-1; (ii) As of the date hereof, Purchaser is not aware of material nonpublic information concerning Purchaser and is entering into this Purchase Agreement in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1; and will act in good faith with respect to this Purchase Agreement. (iii) Purchaser will not, during the period this Purchase Agreement is in effect, enter into any comparable agreement with any other dealer if the period of such comparable agreement shall overlap with the period of this Purchase Agreement.



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3. (iv) Purchases and Purchaser's Purchases of Bonds pursuant to this Purchase Agreement are not prohibited or restricted by any legal, regulatory or contractual restriction or undertaking binding on the Purchaser; and (vi) Purchaser shall immediately notify Dealer if any of the statements contained in paragraphs 4(ii) or 4(iii) above become inaccurate prior to the termination of this Purchase Agreement. 5. Dealer shall provide Purchaser with written confirmation of Purchaser's Purchases on a daily basis (showing the date of the transactions, the number of Bonds purchased, the price paid, the Spread for the purchases, and settlement dates), as well as other market data or account reports that Purchaser may reasonably request. Unless otherwise directed by Purchaser, such confirmation shall be delivered to Michael Monahan, Chief Financial Officer and Eduardo Rodriguez, Senior Director of M&A and Investor Relations. 6. Purchaser understands that Dealer may not be able to effect a Purchase due to a market disruption or a legal or regulatory restriction or a restriction under the terms of any contract applicable to Dealer (including any restriction, whether pursuant to a contract, internal policy or otherwise, applicable to Dealer when it is involved in a distribution of Bonds on behalf of Purchaser or another party) (a "Blackout"). Purchaser also understands that even in the absence of a Blackout, Dealer may be unable to effect Purchases consistent with ordinary principles of best execution due to insufficient volume of trading, failure of the Bonds to reach and sustain a limit order price, or other market factors in effect on the date of a Purchase set forth in Annex A ("Unfilled Purchases"). 7. Notwithstanding anything in this Agreement, during the term of its engagement hereunder Dealer may purchase Bonds from and sell Bonds to other parties for its own account or the account of others, at such prices and in such quantities as Dealer and such other parties may from time to time agree. For the avoidance of doubt, Dealer may, as part of its market making and risk management activities during the term of its engagement hereunder, purchase or sell Bonds for the benefit of, or in transactions with, parties other than Purchaser, whether or not



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4 such Bonds could otherwise have been purchased for the benefit of and/or sold to Purchaser in accordance with the instructions set forth on Annex A. For additional information, please refer to the Order Handling section of Goldman Sachs' Terms of Dealing, as amended from time to time, available at <https://www.goldmansachs.com/disclosures/gs-terms-of-dealing.pdf>. 8. Dealer agrees that if Purchaser enters into a transaction that results, in Purchaser's good faith determination, in the imposition of trading restrictions on the Purchaser (each, a "Purchaser Restriction"), and if Purchaser shall provide Dealer prior notice, then Dealer will cease effecting Purchases under this Purchase Agreement until notified by Purchaser that such restrictions have terminated. All required notifications to Dealer under this paragraph 8 shall be made in writing (signed by Purchaser) and confirmed by telephone as follows: (Attn: Corporate Repurchase Desk, c/o, David Gross; tel: (312)-655-5873; email: David.Gross@gs.com). Dealer shall resume effecting Purchases in accordance with this Purchase Agreement as soon as practicable after the cessation or termination of a Blackout or Purchaser Restriction. Any Unfilled Purchase, and any Purchases that would have been executed in accordance with the terms of Annex A but are not executed due to the existence of a Blackout or Purchaser Restriction, shall be deemed to be cancelled and shall not be effected pursuant to this Purchase Agreement. 9. Purchaser agrees that it shall not, directly or indirectly, communicate any information or ask any questions relating either to Purchaser or the Bonds (or any trading activity in the Bonds, whether for, with or on behalf of Purchaser or any other party) to any employee of Dealer or its affiliates who is involved, directly or indirectly, in executing this Purchase Agreement at any time while this Purchase Agreement is in effect. Purchaser shall be solely responsible for complying with all reporting or filing requirements, or with any laws not mentioned herein, that may apply to Purchases under this Purchase Agreement. 10. Purchaser agrees that, in the absence of bad faith, Dealer and its affiliates and their directors, officers, employees and agents (collectively, "Dealer Persons") shall not have any liability whatsoever to the Purchaser for any action taken or omitted to be taken in connection with this Purchase Agreement, the making of any Purchase or any Purchaser's Purchase. Purchaser further agrees to hold each Dealer Person free and harmless from any and all losses.



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5 damages, liabilities or expenses (including reasonable attorneys' fees and costs) incurred or sustained by such Dealer Person in connection with or arising out of any suit, action or proceeding relating to this Purchase Agreement (each an "Action") and to reimburse each Dealer Person for such Dealer Person's expenses, as they are incurred, in connection with any Action, unless such loss, damage, liability or expense is determined in a non-appealable order of a court of competent jurisdiction to be solely the result of such Dealer Person's bad faith. This paragraph 10 shall survive termination of this Purchase Agreement. 11. This Purchase Agreement is not assignable or transferable, and constitutes the entire agreement between the parties, superseding any prior written or oral agreements or understandings with regard to this Purchase Agreement. This Purchase Agreement may be executed in one or more counterparts, each of which when so executed and delivered shall constitute a single, binding instrument. 12. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of law principles that would result in the application of any law other than the law of the State of New York and may be modified or amended only by a writing signed by the parties hereto and provided that any such modification or amendment shall only be permitted at a time when the Purchaser is not aware of material nonpublic information concerning the Purchaser or its securities. In the event of a modification or amendment to this Purchase Agreement, no purchases shall be effected during the ten business days immediately following such modification or amendment (other than Purchases already provided for in this Purchase Agreement prior to modification or amendment).



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IN WITNESS WHEREOF, the undersigned have executed and delivered this Purchase Agreement as of the date first written above.

THE BEAUTY HEALTH COMPANY Name: Title: GOLDMAN SACHS & CO. LLC Name: Title: Michael Monahan CFO Mike Voris Managing Director /s/ Michael Monahan /s/ Mike Voris

IN WITNESS WHEREOF, the undersigned have executed and delivered this Purchase Agreement as of the date first written above.

THE BEAUTY HEALTH COMPANY Name: Title: GOLDMAN SACHS & CO. LLC Name: Title: Michael Monahan CFO Mike Voris Managing Director /s/ Michael Monahan /s/ Mike Voris



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SAMPLE ANNEX A Dealer shall effect Purchases of up to an aggregate principal amount of \$75 million of Bonds under this Purchase Agreement, in accordance with the following instructions: Repurchase Periods Dealer shall effect Purchases during the period from December 15, 2024 through March 31, 2024 (inclusive) (the "Repurchase Period"), Bonds to be Purchased during Repurchase Periods Unless a particular sequence is specified below, Bonds will be purchased in any order up to the principal amount per CUSIP listed below.CUSIP Principal Amount of Bonds Price 88331LAA6 Daily Limit = as of any date, \$75,000,000 – Prior Purchases Up but not greater than 78.0% of par plus accrued and unpaid interest 88331LAA6 Daily Limit = as of any date, (\$75,000,000 – Prior Purchases) / trading days remaining in Repurchase Period Above 78.0% but not greater than 79.95% of par plus accrued and unpaid interest



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WDC - 71532/300 - #1291878 v5 PURCHASE AGREEMENT Purchase Agreement, dated April 1, 2024 (the "Purchase Agreement"), between The Beauty Health Company (the "Purchaser") and Goldman Sachs & Co. LLC (the "Dealer"). WHEREAS, Purchaser desires that Dealer effect purchases of the Purchaser's 1.25% Convertible Senior Notes due 2026, (the "Bonds") for in total, but not exceeding, \$100 million for resale to the Purchaser; and WHEREAS, the parties intend that the purchases of Bonds made pursuant to this Purchase Agreement shall comply with the requirements of Rule 10b5-1(c)(1)(i) under the Securities Exchange Act of 1934 ("Exchange Act"), and that this Purchase Agreement shall be interpreted to comply with the requirements of that rule. NOW THEREFORE, the Purchaser and Dealer hereby agree as follows: 1. Dealer shall effect one or more purchases (each a "Purchase") of Bonds as set forth on Annex A, and the Purchaser shall, upon each such Purchase, effect a purchase (each, a "Purchaser's Purchase") from Dealer of the Bonds that are the subject of such Purchase at the same price at which Dealer purchased such Bonds plus 0.25% (the "Spread"). Dealer's sole compensation for services rendered under this Purchase Agreement shall be the Spread on each such purchase by the Purchaser. 2. This Purchase Agreement shall become effective on April 9, 2024 and shall terminate on the earliest of: (i) the date an aggregate purchase amount of \$100 million has been purchased pursuant to this Purchase Agreement; (ii) the date that any person publicly announces a tender or exchange offer with respect to the Bonds; (iii) the date of public announcement of a merger, acquisition, reorganization, recapitalization or comparable transaction affecting the securities of the Purchaser as a result of which the Bonds are to be exchanged or converted into



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2. other securities or property; (v) the date on which Dealer receives notice of the intended or actual commencement of any proceedings in respect of or triggered by Purchaser's bankruptcy, insolvency or similar proceeding; (vi) the date on which any event of termination described herein shall occur; (vii) promptly after the receipt of written notice of termination signed by a senior officer of Purchaser and confirmed by telephone, it being understood that any such termination shall not cause Purchases previously effected pursuant to this Purchase Agreement (or any corresponding purchases by the Purchaser) to fail to be entitled to the benefits of Rule 10b5-1(c). Any such termination notice shall not indicate the reasons for the termination or contain any material non-public information; or (viii) September 1, 2024, the date in which the Repurchase Period ends. 3. Dealer may make purchases pursuant to this Purchase Agreement in the open market or through privately negotiated transactions. Purchaser agrees not to attempt to influence when or whether purchases are made by Dealer. 4. Purchaser represents, warrants and covenants that: (i) the Board of Directors of Purchaser has authorized the repurchase of the Bonds in compliance with Rule 10b5-1; (ii) As of the date hereof, Purchaser is not aware of material nonpublic information concerning Purchaser and is entering into this Purchase Agreement in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1; and will act in good faith with respect to this Purchase Agreement. (iii) Purchaser will not, during the period this Purchase Agreement is in effect, enter into any comparable agreement with any other dealer if the period of such comparable agreement shall overlap with the period of this Purchase Agreement. (iv) Purchases and Purchaser's Purchases of Bonds pursuant to this Purchase Agreement are not prohibited or restricted by any legal, regulatory or contractual restriction or undertaking binding on the Purchaser; and



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3. (vi) Purchaser shall immediately notify Dealer if any of the statements contained in paragraphs 4(iii) or 4(iv) above become inaccurate prior to the termination of this Purchase Agreement. 5. Dealer shall provide Purchaser with written confirmation of Purchaser's Purchases on a daily basis (showing the date of the transactions, the number of Bonds purchased, the price paid, the Spread for the purchases, and settlement dates), as well as other market data or account reports that Purchaser may reasonably request. Unless otherwise directed by Purchaser, such confirmation shall be delivered to Michael Monahan, Chief Financial Officer and Yun Choe, Treasurer. 6. Purchaser understands that Dealer may not be able to effect a Purchase due to a market disruption or a legal or regulatory restriction or a restriction under the terms of any contract applicable to Dealer (including any restriction, whether pursuant to a contract, internal policy or otherwise, applicable to Dealer when it is involved in a distribution of Bonds on behalf of Purchaser or another party) (a "Blackout"). Purchaser also understands that even in the absence of a Blackout, Dealer may be unable to effect Purchases consistent with ordinary principles of best execution due to insufficient volume of trading, failure of the Bonds to reach and sustain a limit order price, or other market factors in effect on the date of a Purchase set forth in Annex A ("Unfilled Purchases"). 7. Notwithstanding anything in this Agreement, during the term of its engagement hereunder Dealer may purchase Bonds from and sell Bonds to other parties for its own account or the account of others, at such prices and in such quantities as Dealer and such other parties may from time to time agree. For the avoidance of doubt, Dealer may, as part of its market making and risk management activities during the term of its engagement hereunder, purchase or sell Bonds for the benefit of, or in transactions with, parties other than Purchaser, whether or not such Bonds could otherwise have been purchased for the benefit of and/or sold to Purchaser in accordance with the instructions set forth on Annex A. For additional information, please refer to



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4 the Order Handling section of Goldman Sachs' Terms of Dealing, as amended from time to time, available at <https://www.goldmansachs.com/disclosures/gs-terms-of-dealing.pdf>. 8. Dealer agrees that if Purchaser enters into a transaction that results, in Purchaser's good faith determination, in the imposition of trading restrictions on the Purchaser (each, a "Purchaser Restriction"), and if Purchaser shall provide Dealer prior notice, then Dealer will cease effecting Purchases under this Purchase Agreement until notified by Purchaser that such restrictions have terminated. All required notifications to Dealer under this paragraph 8 shall be made in writing (signed by Purchaser) and confirmed by telephone as follows: (Attn: Corporate Repurchase Desk, c/o: David Gross; tel: (312) 655-5873; email: David.Gross@gs.com). Dealer shall resume effecting Purchases in accordance with this Purchase Agreement as soon as practicable after the cessation or termination of a Blackout or Purchaser Restriction. Any Unfilled Purchase, and any Purchases that would have been executed in accordance with the terms of Annex A but are not executed due to the existence of a Blackout or Purchaser Restriction, shall be deemed to be cancelled and shall not be effected pursuant to this Purchase Agreement. 9. Purchaser agrees that it shall not, directly or indirectly, communicate any information or ask any questions relating either to Purchaser or the Bonds (or any trading activity in the Bonds, whether for, with or on behalf of Purchaser or any other party) to any employee of Dealer or its affiliates who is involved, directly or indirectly, in executing this Purchase Agreement at any time while this Purchase Agreement is in effect. Purchaser shall be solely responsible for complying with all reporting or filing requirements, or with any laws not mentioned herein, that may apply to Purchases under this Purchase Agreement. 10. Purchaser agrees that, in the absence of bad faith, Dealer and its affiliates and their directors, officers, employees and agents (collectively, "Dealer Persons") shall not have any liability whatsoever to the Purchaser for any action taken or omitted to be taken in connection with this Purchase Agreement, the making of any Purchase or any Purchaser's Purchase. Purchaser further agrees to hold each Dealer Person free and harmless from any and all losses, damages, liabilities or expenses (including reasonable attorneys' fees and costs) incurred or sustained by such Dealer Person in connection with or arising out of any suit, action or proceeding

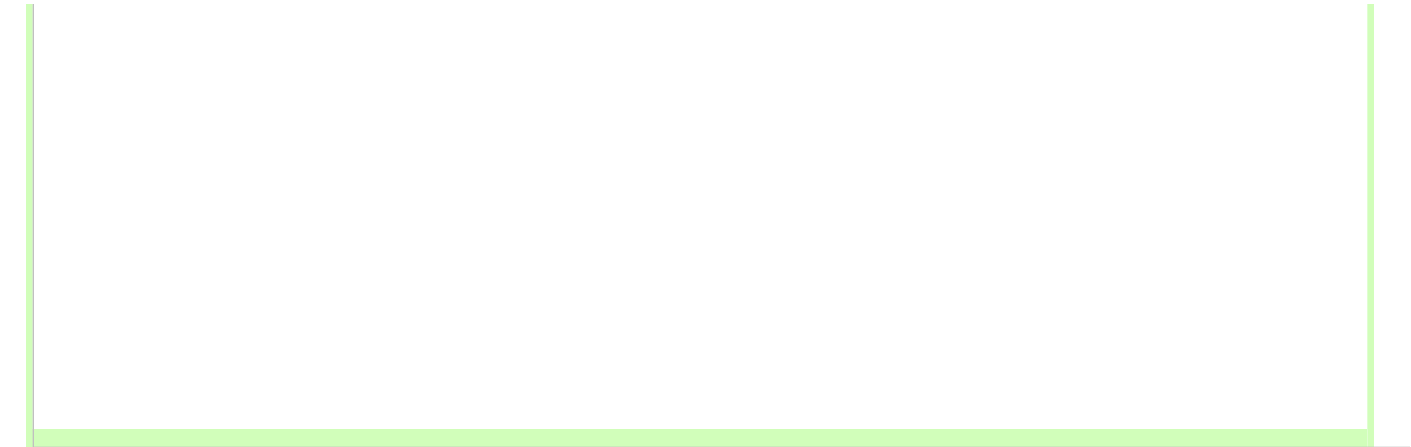


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5 relating to this Purchase Agreement (each an "Action") and to reimburse each Dealer Person for such Dealer Person's expenses, as they are incurred, in connection with any Action, unless such loss, damage, liability or expense is determined in a non-appealable order of a court of competent jurisdiction to be solely the result of such Dealer Person's bad faith. This paragraph 10 shall survive termination of this Purchase Agreement. 11. This Purchase Agreement is not assignable or transferable, and constitutes the entire agreement between the parties, superseding any prior written or oral agreements or understandings with regard to this Purchase Agreement. This Purchase Agreement may be executed in one or more counterparts, each of which when so executed and delivered shall constitute a single, binding instrument. 12. This Purchase Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to conflict of law principles that would result in the application of any law other than the law of the State of New York and may be modified or amended only by a writing signed by the parties hereto and provided that any such modification or amendment shall only be permitted at a time when the Purchaser is not aware of material nonpublic information concerning the Purchaser or its securities. In the event of a modification or amendment to this Purchase Agreement, no purchases shall be effected during the ten business days immediately following such modification or amendment (other than Purchases already provided for in this Purchase Agreement prior to modification or amendment).



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6 IN WITNESS WHEREOF, the undersigned have executed and delivered this Purchase Agreement as of the date first written above. THE BEAUTY HEALTH COMPANY Name: Title: GOLDMAN SACHS & CO. LLC Name: Title: Michael Voris Managing Director Michael Monahan CFO /s/ Michael Monahan /s/ Michael Voris



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B ANNEX A Dealer shall effect Purchases of up to an aggregate total purchase amount of \$100 million under this Purchase Agreement, in accordance with the following instructions: Repurchase Periods Dealer shall effect Purchases during the period from April 9, 2024 through September 1, 2024 (inclusive) (the "Repurchase Period"). Unless a particular sequence is specified below, Bonds will be purchased in any order up to the principal amount per CUSIP listed below.CUSIP Total Purchases Price 883311AA6 Daily Limit = as of any date, \$100,000,000 – Prior Purchases Up but not greater than 88.0% of par plus accrued and unpaid interest

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, **Andrew Stanleick**, **Marla Beck**, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Beauty Health Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial **reporting; and reporting.**

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **November 14, 2023** May 9, 2024

/s/ **Andrew Stanleick** **Marla Beck**

Andrew Stanleick **Marla Beck**

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Monahan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Beauty Health Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial **reporting; and reporting.**
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 14, 2023 May 9, 2024

/s/ Michael Monahan

Michael Monahan

Chief Financial Officer

(Principal Accounting and Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO SECTION 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Beauty Health Company (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Andrew Stanleick, President and Marla Beck, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 9, 2024

/s/ Andrew Stanleick Marla Beck

Andrew Stanleick Marla Beck

President and Chief Executive Officer

(Principal Executive Officer)

EXHIBIT 32.2

CERTIFICATION PURSUANT TO SECTION 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of The Beauty Health Company (the "Company") on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Michael Monahan, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 14, 2023 May 9, 2024

/s/ Michael Monahan

Michael Monahan

Chief Financial Officer

(Principal Accounting and Financial Officer)

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