

REFINITIV

DELTA REPORT

10-Q

BEAUTY HEALTH CO

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 679

█ CHANGES 183

█ DELETIONS 206

█ ADDITIONS 290

**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 **June 30, 2023** **September 30, 2023**

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)

85-1908962

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

**2165 Spring Street
Long Beach, CA 90806**

(800) 603-4996

(Address of principal executive offices, including zip code)

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 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 **August 4, 2023** **November 13, 2023**, there were **132,885,767** **131,266,839** 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 JUNE SEPTEMBER 30, 2023
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THE BEAUTY HEALTH COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except for share amounts)
(Unaudited)

ASSETS	ASSETS	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
Current assets:	Current assets:								
Cash and cash equivalents	Cash and cash equivalents	\$ 549,728		\$ 568,197		\$ 559,444		\$ 568,197	
Accounts receivable, net of allowances for estimated credit losses of \$4,021 and \$2,929 at June 30, 2023 and December 31, 2022, respectively		74,633		76,494					
Accounts receivable, net of allowances for estimated credit losses of \$4,752 and \$2,929 at September 30, 2023 and December 31, 2022, respectively						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
Inventories	Inventories	107,000		109,656		Inventories		74,878	109,656
Income tax receivable	Income tax receivable	5,642		1,280		Income tax receivable		989	1,280

Prepaid expenses and other current assets	Prepaid expenses and other current assets	30,939	27,648	Prepaid expenses and other current assets	35,891	27,648
Total current assets	Total current assets	767,942	783,275	Total current assets	738,011	783,275
Property and equipment, net	Property and equipment, net	17,958	18,184	Property and equipment, net	16,062	18,184
Right-of-use assets, net	Right-of-use assets, net	13,790	15,637	Right-of-use assets, net	13,343	15,637
Intangible assets, net	Intangible assets, net	65,569	46,386	Intangible assets, net	64,642	46,386
Goodwill	Goodwill	125,351	124,593	Goodwill	124,679	124,593
Deferred income tax assets, net	Deferred income tax assets, net	811	815	Deferred income tax assets, net	798	815
Other assets	Other assets	16,053	14,193	Other assets	15,539	14,193
TOTAL ASSETS	TOTAL ASSETS	\$ 1,007,474	\$ 1,003,083	TOTAL ASSETS	\$ 973,074	\$ 1,003,083
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY			LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:	Current liabilities:			Current liabilities:		
Accounts payable	Accounts payable	\$ 29,379	\$ 28,467	Accounts payable	\$ 35,883	\$ 28,467
Accrued payroll-related expenses	Accrued payroll-related expenses	26,154	21,677	Accrued payroll-related expenses	20,752	21,677
Other accrued expenses		19,145	15,183			
Syndeo Program reserves				Syndeo Program reserves	32,052	—
Lease liabilities, current	Lease liabilities, current	4,901	4,958	Lease liabilities, current	4,711	4,958
Income tax payable	Income tax payable	3,210	1,429	Income tax payable	1,990	1,429
Other accrued expenses				Other accrued expenses	30,491	15,183
Total current liabilities	Total current liabilities	82,789	71,714	Total current liabilities	125,879	71,714
Lease liabilities, non-current	Lease liabilities, non-current	10,628	12,689	Lease liabilities, non-current	10,105	12,689
Deferred income tax liabilities, net	Deferred income tax liabilities, net	2,015	2,011	Deferred income tax liabilities, net	2,299	2,011
Warrant liabilities	Warrant liabilities	12,964	15,473	Warrant liabilities	7,109	15,473
Convertible senior notes, net	Convertible senior notes, net	736,257	734,143	Convertible senior notes, net	737,315	734,143
Other long-term liabilities	Other long-term liabilities	979	—	Other long-term liabilities	410	—
Total liabilities	Total liabilities	845,632	836,030	Total liabilities	883,117	836,030
Commitments (Note 10)	Commitments (Note 10)			Commitments (Note 10)		
Stockholders' equity	Stockholders' equity			Stockholders' equity		
Class A Common Stock, \$0.0001 par value; 320,000,000 shares authorized; 132,881,417 and 132,214,695 shares issued and outstanding at June 30, 2023 and December 31, 2022, respectively		14	14			

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		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
Additional paid-in capital	Additional paid-in capital	561,483	550,320	
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(4,009)	(4,530)	
Accumulated deficit	Accumulated deficit	(395,646)	(378,751)	
Total stockholders' equity	Total stockholders' equity	161,842	167,053	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,007,474	\$ 1,003,083	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY
				\$ 973,074
				\$ 1,003,083

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)
(Uaudited)

		Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023		2022		2023		2022	
		Net sales	Net sales	Cost of sales	Cost of sales	Net sales	Cost of sales	Cost of sales	Net sales
Net sales	Net sales	\$ 117,479	\$ 103,536	\$ 203,757	\$ 178,951	\$ 97,413	\$ 88,792	\$ 301,170	\$ 267,743
Cost of sales	Cost of sales	49,603	33,496	81,777	58,026	109,966	27,429	191,743	85,455
Gross profit		67,876	70,040	121,980	120,925	Gross (loss) profit		109,427	182,288
Gross (loss) profit						Gross (loss) profit			
Operating expenses:	Operating expenses:					Operating expenses:			
Selling and marketing	Selling and marketing	43,041	44,881	81,740	81,288	Selling and marketing	30,731	39,767	112,471
Research and development	Research and development	2,881	2,601	5,217	4,831	Research and development	1,839	2,167	7,056
General and administrative	General and administrative	35,100	27,585	65,479	53,846	General and administrative	36,978	23,782	102,457
Total operating expenses	Total operating expenses	81,022	75,067	152,436	139,965	Total operating expenses	69,548	65,716	221,984
Loss from operations	Loss from operations	(13,146)	(5,027)	(30,456)	(19,040)	Loss from operations	(82,101)	(4,353)	(23,393)
Interest expense, net	Interest expense, net	3,429	3,217	6,846	6,617	Interest expense, net	3,445	3,380	10,291
Interest income	Interest income	(5,717)	(743)	(10,032)	(740)	Interest income	(6,750)	(2,870)	(16,782)
Other (income) expense, net	Other (income) expense, net	(47)	(915)	(465)	19	Other (income) expense, net	(4,872)	361	(5,337)

Change in fair value of warrant liabilities	Change in fair value of warrant liabilities	(11,585)	(15,185)	(2,509)	(67,237)	Change in fair value of warrant liabilities	(5,855)	(4,284)	(8,364)	(71,521)
Foreign currency transaction (gain) loss, net		(397)	2,206	(1,546)	1,838					
Foreign currency transaction loss (gain), net						Foreign currency transaction loss (gain), net	2,270	(38)	724	1,800
Income (loss) before provision for income taxes		1,171	6,393	(22,750)	40,463					
Income tax (benefit) expense		(2,193)	76	(5,855)	2,691					
Net income (loss)		<u>\$ 3,364</u>	<u>\$ 6,317</u>	<u>\$ (16,895)</u>	<u>\$ 37,772</u>					
Comprehensive income (loss), net of tax:										
(Loss) income before provision for income taxes						(Loss) income before provision for income taxes	(70,339)	(902)	(93,089)	39,561
Income tax expense (benefit)						Income tax expense (benefit)	3,479	(821)	(2,376)	1,870
Net (loss) income						Net (loss) income	<u>\$ (73,818)</u>	<u>\$ (81)</u>	<u>\$ (90,713)</u>	<u>\$ 37,691</u>
Comprehensive (loss) income, net of tax:						Comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	Foreign currency translation adjustments	(367)	(3,687)	521	(3,832)	Foreign currency translation adjustments	(1,093)	(1,636)	(572)	(5,468)
Comprehensive income (loss)		<u>\$ 2,997</u>	<u>\$ 2,630</u>	<u>\$ (16,374)</u>	<u>\$ 33,940</u>					
Net income (loss) per share										
Comprehensive (loss) income						Comprehensive (loss) income	<u>\$ (74,911)</u>	<u>\$ (1,717)</u>	<u>\$ (91,285)</u>	<u>\$ 32,223</u>
Net (loss) income per share						Net (loss) income per share				
Basic	Basic	\$ 0.03	\$ 0.04	\$ (0.13)	\$ 0.25	Basic	\$ (0.56)	\$ 0.00	\$ (0.68)	\$ 0.25
Diluted	Diluted	\$ 0.03	\$ (0.06)	\$ (0.13)	\$ (0.19)	Diluted	\$ (0.56)	\$ (0.03)	\$ (0.68)	\$ (0.22)
Weighted average common shares outstanding	Weighted average common shares outstanding					Weighted average common shares outstanding				
Basic	Basic	132,716,024	150,731,491	132,569,209	150,665,166	Basic	132,896,626	150,788,695	132,679,547	150,706,795
Diluted	Diluted	132,716,024	151,719,451	132,569,209	152,274,394	Diluted	132,896,626	151,417,710	132,679,547	152,018,246

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)
(Uaudited)

	BALANCE, December 31, 2021	Common Stock			Accumulated Other Comprehensive Income (Loss)		Total Stockholders' Equity (Deficit)	Common Stock		
		Additional Paid-in Capital		Additional Ac cumulat ed Capital	Accumulated Other Comprehensive Income (Loss)			Shares	Amount	Common Stock
		Shares	Amount					Shares	Amount	Common Stock
		150,598,047	\$ 16	\$ 722,250	\$ (1,257)	\$ (422,975)	298,034	BALANCE, December 31, 2021	150,598,047	\$ 16

Net income	Net income	—	—	—	—	31,455	31,455	Net income	—	—
Issuance of Common Stock pursuant to equity compensation plan	Issuance of Common Stock pursuant to equity compensation plan	5,184	—	—	—	—	—	Issuance of Common Stock pursuant to equity compensation plan	5,184	—
Share-based compensation	Share-based compensation	—	—	7,049	—	—	7,049	Share-based compensation	—	—
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	(145)	—	(145)	Foreign currency translation adjustment	—	—
BALANCE, March 31, 2022	BALANCE, March 31, 2022	<u>150,603,231</u>	<u>\$ 16</u>	<u>\$ 729,299</u>	<u>\$ (1,402)</u>	<u>\$ (391,520)</u>	<u>\$ 336,393</u>	BALANCE, March 31, 2022	<u>150,603,231</u>	<u>\$ 16</u>
Net income	Net income	—	—	—	—	6,317	6,317	Net income	—	—
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	—	—	—	—	—	—	—	—	—
Issuance of Class A Common Stock in connection with acquisitions	—	—	—	—	—	—	—	—	—	—
Issuance of Common Stock pursuant to equity compensation plan	—	—	—	—	—	—	—	—	—	—
Share-based compensation	Share-based compensation	—	—	6,378	—	—	6,378	Share-based compensation	—	—
Shares withheld for tax withholdings on vested stock awards	Shares withheld for tax withholdings on vested stock awards	(29,475)	—	(495)	—	—	(495)	Shares withheld for tax withholdings on vested stock awards	(29,475)	—
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	(3,687)	—	(3,687)	Foreign currency translation adjustment	—	—
BALANCE, June 30, 2022	BALANCE, June 30, 2022	<u>150,855,025</u>	<u>\$ 16</u>	<u>\$ 735,682</u>	<u>\$ (5,089)</u>	<u>\$ (385,203)</u>	<u>\$ 345,406</u>	BALANCE, June 30, 2022	<u>150,855,025</u>	<u>\$ 16</u>
Net loss	—	—	—	—	—	—	—	—	—	—
Issuance of Common Stock pursuant to equity compensation plan	—	—	—	—	—	—	—	—	—	—

Shares withheld
for tax
withholdings
on vested
stock awards
Repurchase and
retirement of
Common
Stock
Purchase of
equity
forward
contract in
connection
with
accelerated
share
repurchase
Share-based
compensation
Foreign
currency
translation
adjustment
BALANCE,
September 30,
2022

	Common Stock		Additional Paid-in Capital	Accumulated other Comprehensive Income (Loss)	Accumulated Deficit	Stockholders'Equity (Deficit)	Total Stockholders'Eq (Deficit)
	Shares	Additional Paid-in Capital					
BALANCE, December 31, 2022	BALANCE, December 31, 2022	Additional Paid-in Capital	132,214,695	\$14		\$550,320	\$ (4,530)
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,
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	888	—	—	
BALANCE, March 31, 2023	BALANCE, March 31, 2023	132,626,954	\$14	\$ 555,046	\$ (3,642)	\$ (399,010)	\$ 152,	
Net income	Net income	—	—	—	—	3,364	3,	
Issuance of Common Stock pursuant to equity compensation plan	Issuance of Common Stock pursuant to equity compensation plan	254,742	—	—	—	—	—	
Shares withheld for tax withholdings on vested stock awards	Shares withheld for tax withholdings on vested stock awards	(83,234)	—	(545)	—	—	—	(
Issuance of Common Stock relating to employee stock purchase plan	Issuance of Common Stock relating to employee stock purchase plan	82,955	—	698	—	—	—	
Share-based compensation	Share-based compensation	—	—	8,524	—	—	—	8,
Accelerated share repurchase payment	Accelerated share repurchase payment	—	—	(2,240)	—	—	—	(2,
Foreign currency translation adjustment	Foreign currency translation adjustment	—	—	—	(367)	—	—	(
BALANCE, June 30, 2023	BALANCE, June 30, 2023	132,881,417	\$14	\$ 561,483	\$ (4,009)	\$ (395,646)	\$ 161,	
Net loss								
Issuance of Common Stock pursuant to equity compensation plan								
Shares withheld for tax withholdings on vested stock awards								
Repurchase and retirement of Common Stock								

Share-based
compensation
Foreign
currency
translation
adjustment
BALANCE,
September 30,
2023

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)

	Six Months Ended June 30,		Nine Months Ended September 30,			
	2023	2022	2023	2022		
Cash flows from operating activities:	Cash flows from operating activities:		Cash flows from operating activities:			
Net (loss) income	Net (loss) income	\$ (16,895)	\$ 37,772	Net (loss) income	\$ (90,713)	\$ 37,691
Adjustments to reconcile net (loss) income to net cash from operating activities	Adjustments to reconcile net (loss) income to net cash from operating activities			Adjustments to reconcile net (loss) income to net cash from operating activities		
Share-based compensation	Share-based compensation	12,101	13,427	Share-based compensation	20,286	20,876
Amortization of intangible assets	Amortization of intangible assets	11,126	7,371	Amortization of intangible assets	15,955	11,063
Depreciation of property and equipment	Depreciation of property and equipment	4,483	3,268	Depreciation of property and equipment	6,996	5,269
Amortization of other assets	Amortization of other assets	1,107	280	Amortization of other assets	1,751	525
Amortization of debt issuance costs	Amortization of debt issuance costs	2,114	2,114	Amortization of debt issuance costs	3,172	3,172
Syndeo inventory write-down				Syndeo inventory write-down	18,809	—
Inventory write-down	Inventory write-down	4,365	2,028	Inventory write-down	11,905	5,667
Provision for estimated credit losses	Provision for estimated credit losses	1,380	435	Provision for estimated credit losses	2,760	1,670
Change in fair value adjustment of warrant liabilities	Change in fair value adjustment of warrant liabilities	(2,509)	(67,237)	Change in fair value adjustment of warrant liabilities	(8,364)	(71,521)
Other, net	Other, net	1,796	5,108	Other, net	8,897	10,076
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:		
Accounts receivable	Accounts receivable	(138)	(34,410)	Accounts receivable	6,007	(40,630)
Inventories	Inventories	(2,605)	(38,596)	Inventories	3,426	(72,129)

Prepaid expenses, other current assets, and income tax receivable	Prepaid expenses, other current assets, and income tax receivable	(12,188)	(5,209)	Prepaid expenses, other current assets, and income tax receivable	(16,198)	(6,723)
Accounts payable, accrued expenses, and income tax payable		9,239	8,449			
Accounts payable, other accrued expenses, and income tax payable				Accounts payable, other accrued expenses, and income tax payable	50,118	2,012
Other, net	Other, net	(4,420)	(4,606)	Other, net	(7,887)	(8,225)
Net cash provided by (used for) operating activities	Net cash provided by (used for) operating activities	8,956	(69,806)	Net cash provided by (used for) operating activities	26,920	(101,207)
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	(4,365)	(1,252)	Cash paid for intangible assets	(7,084)	(4,690)
Cash paid for property and equipment	Cash paid for property and equipment	(3,623)	(5,577)	Cash paid for property and equipment	(3,797)	(9,880)
Cash paid for asset acquisitions	Cash paid for asset acquisitions	(16,915)	(1,475)	Cash paid for asset acquisitions	(18,458)	(1,475)
Net cash used for investing activities	Net cash used for investing activities	(24,903)	(8,304)	Net cash used for investing activities	(29,339)	(16,045)
Cash flows from financing activities:	Cash flows from financing activities:			Cash flows from financing activities:		
Repurchases of Class A Common Shares				Repurchases of Class A Common Shares	—	(80,000)
Payment of equity forward contract in connection with accelerated share repurchase				Payment of equity forward contract in connection with accelerated share repurchase	—	(20,000)
Payment of accelerated share repurchases				Payment of accelerated share repurchases	(2,240)	
Payment of tax withholdings on vested stock awards	Payment of tax withholdings on vested stock awards	(2,083)	—	Payment of tax withholdings on vested stock awards	(2,388)	—
Payment of contingent consideration related to acquisitions	Payment of contingent consideration related to acquisitions	—	(2,763)	Payment of contingent consideration related to acquisitions	(1,819)	(2,763)

Payment of accelerated share repurchases		(2,240)	—		
Other, net	Other, net	582	—	Other, net	356
Net cash used for financing activities	Net cash used for financing activities	(3,741)	(2,763)	Net cash used for financing activities	(6,091)
Net decrease in cash and cash equivalents	Net decrease in cash and cash equivalents	(19,688)	(80,873)	Net decrease in cash and cash equivalents	(8,510)
Effect of foreign currency translation on cash	Effect of foreign currency translation on cash	1,219	(43)	Effect of foreign currency translation on cash	(243)
Cash and cash equivalents, beginning of period	Cash and cash equivalents, beginning of period	568,197	901,886	Cash and cash equivalents, beginning of period	568,197
Cash and cash equivalents, end of period	Cash and cash equivalents, end of period	\$ 549,728	\$ 820,970	Cash and cash equivalents, end of period	\$ 559,444
		<u>\$ 549,728</u>	<u>\$ 820,970</u>		<u>\$ 684,208</u>

The accompanying notes are an integral part of these unaudited financial 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 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 ~~a~~esthetic technologies and products. The Company's brands are pioneers: Hydrafacial in hydrafacial; SkinStylus in microneedling; and Keravive in scalp health. Together, with its powerful 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.

Subsequent to the issuance of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, during the six months 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 consolidated financial statements ~~on a prospective basis to~~

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 consolidated financial statements is presented in the accompanying unaudited consolidated financial statements and related disclosures. For further detail, refer to Note 15-16 - Revision for Immaterial Misstatements.

Certain prior period amounts have been reclassified to conform to the current period presentation.

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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 Delivery Systems ("Delivery Systems") 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 the purchase 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.

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:

(in thousands)	(in thousands)	Three Months Ended June 30,				(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		
		2023		2022			2023		2023		
		Net Sales	Delivery Systems	Consumables	Total net sales		Net Sales	Delivery Systems	Consumables	Total net sales	
Net Sales	Net Sales	\$ 65,590	\$ 64,783	\$ 110,943	\$ 106,430	Net Sales	\$ 51,043	\$ 49,094	\$ 161,986	\$ 155,524	
Delivery Systems	Delivery Systems	\$ 51,889	\$ 38,753	\$ 92,814	\$ 72,521	Consumables	\$ 46,370	\$ 39,698	\$ 139,184	\$ 112,219	
Consumables	Consumables	\$ 117,479	\$ 103,536	\$ 203,757	\$ 178,951	Total net sales	\$ 97,413	\$ 88,792	\$ 301,170	\$ 267,743	

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

(in thousands)	(in thousands)	Three Months Ended June 30,				(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023		2022			2023		2023	
		Americas	Americas	\$ 63,644	\$ 75,354	\$ 116,622	\$ 119,960	Americas	\$ 51,703	\$ 58,370
Americas	Americas	\$ 25,248	Asia-Pacific ("APAC")	10,386	38,868	23,287	24,657	Asia-Pacific ("APAC")	15,110	63,525
Asia-Pacific ("APAC")	Asia-Pacific ("APAC")	28,587	Europe, the Middle East and Africa ("EMEA")	17,796	48,267	35,704	21,053	Europe, the Middle East and Africa ("EMEA")	15,312	38,397
Europe, the Middle East and Africa ("EMEA")	Europe, the Middle East and Africa ("EMEA")	\$ 117,479	Total net sales	\$ 103,536	\$ 203,757	\$ 178,951	\$ 97,413	Total net sales	\$ 88,792	69,320
Total net sales	Total net sales									51,016
										\$ 301,170
										\$ 267,743

Delivery Systems net sales in the current and prior year were impacted regionally by the timing of the region's respective Syndeо launch. The decrease in Prior year net sales of Delivery Systems in the Americas was as compared to include the impact of the prior year launch of Syndeо, while the international Syndeо 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)	June 30, 2023	December 31, 2022	(in thousands)	September 30, 2023	December 31, 2022
Raw materials	Raw materials	\$ 32,267	\$ 38,373	Raw materials	\$ 23,793	\$ 38,373
Finished goods	Finished goods	74,733	71,283	Finished goods	51,085	71,283
Total inventories	Total inventories	\$ 107,000	\$ 109,656	Total inventories	\$ 74,878	\$ 109,656

⁸As a result of the Company's decision, with respect to Syndeо devices, to market and sell Syndeо 3.0 devices exclusively, the Company has designated all Syndeо 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 the following as of the periods indicated:

(in thousands)	(in thousands)	June 30, 2023	December 31, 2022	(in thousands)	September 30, 2023	December 31, 2022
Accrued sales commissions				Accrued sales commissions	\$ 8,049	\$ 10,523
Accrued compensation	Accrued compensation	\$ 10,149	\$ 4,154	Accrued compensation	6,973	4,154
Accrued benefits				Accrued benefits	4,011	5,643
Accrued payroll taxes	Accrued payroll taxes	2,014	1,357	Accrued payroll taxes	1,719	1,357
Accrued benefits		5,089	5,643			
Accrued sales commissions		8,902	10,523			
Total accrued payroll-related expenses	Total accrued payroll-related expenses	\$ 26,154	\$ 21,677	Total accrued payroll-related expenses	\$ 20,752	\$ 21,677

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

(in thousands)	(in thousands)	June 30, 2023	December 31, 2022	(in thousands)	September 30, 2023	December 31, 2022
Sales and VAT tax payables	Sales and VAT tax payables	\$ 7,271	\$ 4,904	Sales and VAT tax payables	\$ 7,196	\$ 4,904
Share repurchase				Share repurchase	4,828	—
Accrued interest				Accrued interest	4,688	2,344
Royalty liabilities	Royalty liabilities	4,045	2,348	Royalty liabilities	4,186	2,348
Accrued interest		2,344	2,344			
Note payable due seller	Note payable due seller	—	1,819	Note payable due seller	—	1,819
Other	Other	5,485	3,768	Other	9,593	3,768

Total other accrued expenses	\$ 19,145	\$ 15,183	Total other accrued expenses	\$ 30,491	\$ 15,183
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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 **June 30, 2023** **September 30, 2023** and December 31, 2022, 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.

(in thousands)	As of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents:				
Money market funds	\$ 475,041	\$ —	\$ —	\$ 475,041
Liabilities				
Warrant liability — Private Placement Warrants	\$ —	\$ —	\$ 12,964	\$ 12,964

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(in thousands)	As of September 30, 2023			
	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

(in thousands)	As of December 31, 2022			
	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 **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company had approximately 7 million Private Placement Warrants outstanding. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, 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)	June 30, 2023	December 31, 2022	(in thousands)	Useful life (years)	September 30, 2023	December 31, 2022
Furniture and fixtures	Furniture and fixtures	2-7	\$ 6,221	\$ 5,364	Furniture and fixtures	2-7	\$ 6,405	\$ 5,364
Computers and equipment	Computers and equipment	3-5	5,455	4,901	Computers and equipment	3-5	5,452	4,901
Machinery and equipment	Machinery and equipment	2-5	8,651	6,427	Machinery and equipment	2-5	8,913	6,427
Autos and trucks	Autos and trucks	5	202	161	Autos and trucks	5	234	161
Tooling	Tooling	5	582	638	Tooling	5	715	638
Leasehold improvements	Leasehold improvements	Shorter of remaining lease term or estimated useful life			Leasehold improvements	Shorter of remaining lease term or estimated useful life		
			12,906	11,812			12,171	11,812
Total property and equipment	Total property and equipment		34,017	29,303	Total property and equipment		33,890	29,303
Less: accumulated depreciation and amortization	Less: accumulated depreciation and amortization		(16,862)	(12,494)	Less: accumulated depreciation and amortization		(18,339)	(12,494)
Construction in progress	Construction in progress		803	1,375	Construction in progress		511	1,375
Property and equipment, net	Property and equipment, net		\$ 17,958	\$ 18,184	Property and equipment, net		\$ 16,062	\$ 18,184

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Note 6 – Goodwill and Intangible Assets, net

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

(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)
Developed technology	\$ 92,616	\$ (61,280)	\$ 31,336	3-10
Customer relationships	18,585	(9,480)	9,105	5-10
Trademarks	11,446	(4,977)	6,469	15
Capitalized software	13,900	(2,678)	11,222	3-5
Non-compete agreement	5,864	(877)	4,987	3
Patents	2,898	(448)	2,450	3-19
Total intangible assets	\$ 145,309	\$ (79,740)	\$ 65,569	

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(in thousands)	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)

Developed technology	\$ 91,629	\$ (61,694)	\$ 29,935	3-10
Customer relationships	18,230	(10,147)	8,083	5-10
Trademarks	11,510	(5,157)	6,353	15
Capitalized software	16,532	(3,368)	13,164	3-5
Non-compete agreement	5,844	(1,182)	4,662	3
Patents	2,929	(484)	2,445	3-19
Total intangible assets	\$ 146,674	\$ (82,032)	\$ 64,642	

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

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

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

(in thousands)				
December 31, 2022			\$	124,593
Foreign currency translation impact				75886
June September 30, 2023			\$	125,351 124,679

In February 2023, 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 July 2023, EMI obtained clearance from the U.S. Food and Drug Administration that the SkinStylus SteriLock MicroSystem is cleared for use as a treatment to improve the appearance of facial acne scars in Fitzpatrick skin types I, II, and III in adults aged 22 years and older (the "Facial Indication Approval"). Obtaining the Facial Indication Approval triggered a \$1.3 million contingent payment made in July 2023 by the Company to the Seller, which was previously not considered probable to be payable by the Company to Seller, of payment.

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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Note 7 – Long-term Debt

Amended and Restated Credit Facility

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 "Administrative Agent"). The Credit Agreement provides for a \$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, subject to receipt of lender commitments and certain conditions precedent. As of **June** **September 30, 2023**, 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 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 June September 30, 2023, 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. 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.

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

(in thousands)	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	(in thousands)	2023	(in thousands)	31, 2022	(in thousands)	30, 2023	(in thousands)	31, 2022
1.25%	1.25%		1.25%		1.25%		1.25%	
Convertible Notes due 2026	Convertible Notes due 2026		Convertible Notes due 2026		Convertible Notes due 2026		Convertible Notes due 2026	
Unamortized Issuance Costs	Unamortized Issuance Costs		Unamortized Issuance Costs		Unamortized Issuance Costs		Unamortized Issuance Costs	
Net Carrying Value	Net Carrying Value	<u>\$736,257</u>	<u>\$734,143</u>	<u>\$737,315</u>	<u>\$734,143</u>			

As of June 30, 2023 September 30, 2023 and December 31, 2022, the estimated fair value of the Notes was approximately \$591.0 million \$585 million and \$567.0 \$567 million, respectively. The estimated fair value of the Notes was determined based on the actual bid price of the Notes on June 30, 2023 September 30, 2023 and December 31, 2022 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"). 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". 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.

Note 8 – Income Taxes

The tax provisions for the three and six nine months ended June 30, 2023 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 six nine months ended June 30, 2023 September 30, 2023 was \$5.9 \$2.4 million. Income tax expense for the six nine months ended June 30, 2022 September 30, 2022 was \$2.7 \$1.9 million.

Income tax expense for the three months ended September 30, 2023 was \$3.5 million. Income tax benefit for the three months ended June 30, 2023 September 30, 2022 was \$2.2 million. Income tax expense for the three months ended June 30, 2022 was \$0.1 million \$0.8 million.

The effective tax rate for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** is **(187.3)** **(4.9)%** and **25.7%** **2.6%**. The effective tax rate for the three and **six** **nine** months ended **June 30, 2022** **September 30, 2022** was **1.2%** **91.0%** and **6.7%** **4.7%**. 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 740, the accounting standard addressing the accounting for uncertainty in income taxes that 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 **\$1.0** **\$0.4** million and **\$0.2** **\$0.1** million for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and **June 30, 2022** **September 30, 2022**, 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.

Additionally, in **During July 2023**, the Company received approximately **\$5** **\$5.4** million for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act, **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

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 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)	(in thousands)	Three Months Ended June 30,		Six Months Ended June 30,		(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022		2023	2022	2023	2022
Stock options	Stock options	\$ 1,289	\$ 2,254	\$ 2,546	\$ 5,473	Stock options	\$ 2,055	\$ 2,731	\$ 4,601	\$ 8,204
Restricted stock units	Restricted stock units	5,758	2,951	9,174	5,466	Restricted stock units	5,269	3,155	14,443	8,621
Performance-based restricted stock units	Performance-based restricted stock units	1,384	1,078	190	2,279	Performance-based restricted stock units	757	1,496	947	3,775
Employee stock purchase plan	Employee stock purchase plan	93	95	191	209	Employee stock purchase plan	104	67	295	276
		\$ 8,524	\$ 6,378	\$ 12,101	\$ 13,427		\$ 8,185	\$ 7,449	\$ 20,286	\$ 20,876

Performance-based restricted stock unit expense includes reversal of expense related to the forfeiture of unvested awards during the three and nine months ended **March 31, 2023** **September 30, 2023**.

As of **June 30, 2023** **September 30, 2023**, total unrecognized compensation expense related to unvested share-based compensation totaled **\$79.1** **\$64.2** million and is expected to be recognized over a weighted-average period of **2.2** **2.0** 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 complaint, California Complaint, Hydrafacial alleges 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 is seeking sought monetary damages and injunctive relief. 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 monetary damages and injunctive relief. relief from Ageless ultimately 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 both actions, 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 stayed, thus stayed under 11 U.S.C. Section 362(a)(1). On September 7, 2022, Hydrafacial filed a proof of claim, asserting a \$12.7 million 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, the parties Hydrafacial and Ageless engaged in mediation discussions in an attempt to settle the claims alleged in the California Case and Texas Case. During the mediation, the parties Ultimately, Hydrafacial and Ageless reached a tentative settlement agreement of all claims. However, the terms and conditions of the tentative settlement agreement are still being negotiated between the parties, and any such settlement must be approved by the Houston Bankruptcy Court.

Hydrafacial plans to continue a vigorous pursuit of its claims against Ageless alleged in the event the parties cannot consummate a definitive settlement agreement of all claims and/or the Houston Bankruptcy Court does not approve such definitive settlement agreement.

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 required to pay to Hydrafacial \$0.1 million on or before October 15, 2023 and tender thirteen (13) subsequent quarterly payments, each consisting of \$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. 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 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 to Hydrafacial pursuant to the terms and conditions of the Plan.

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 a delivery Cartessa's hydrafacial system that allegedly infringes Hydrafacial alleged has infringed five of Hydrafacial's patents on its device. Hydrafacial later narrowed its allegation in the Cartessa Complaint to assert infringement of just four of its patents. The 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 one of the patents-in-suit, fourth patent-in-suit and granted Cartessa's Motion for Summary Judgment of non-infringement of one of the patents-in-suit, and denied Cartessa's Motion for Summary Judgment of non-infringement on the three remaining patents-in-suit. As of the date of this report, the parties Hydrafacial and Cartessa are awaiting the New York Court to set a trial date on Hydrafacial's remaining three patents-in-suit, patents-in-suit in the Cartessa Complaint.

Hydrafacial is seeking money monetary damages and injunctive relief, 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.

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 (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") 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

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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 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.

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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 and corporate governance committee of the Company's board of directors.

Amended and Restated Management Services Agreement

Hydrafacial entered into a Management Services Agreement, dated December 1, 2016 with Linden Capital Partners III LP ("Linden Capital Partners III") and DW Management Services, L.L.C. ("DW Management Services") pursuant to which the parties receive quarterly monitoring fees of the greater of (a) \$125,000 and (b) 1.25% of Last Twelve Months EBITDA multiplied by the quotient of (x) the aggregate capital invested by the investors of DW Healthcare Partners IV (B), L.P. ("DWHP Investors") into LCP and/or its subsidiaries as of such date, divided by (y) the sum of (i) the aggregate capital invested by the DWHP Investors into LCP and/or its subsidiaries, plus (ii) the aggregate capital invested by Linden Capital Partners III into LCP and/or its subsidiaries as of the date of payment. In addition, the management services agreement provides for other fees in relation to services that may be provided in connection with equity and/or debt financing, acquisition of any other business, company, product line or enterprise, or divestiture of any division, business, and product or material assets. The fees vary between 1% and 2% of the related transaction amount. Linden Capital Partners III also received a transaction fee upon the consummation of the Business Combination.

In connection with the consummation of the Business Combination, on May 4, 2021, the Company, its subsidiary, Edge Systems LLC, and Linden Capital III LLC, the general partner of Linden Manager III LP (the "Linden Manager") entered into an Amended and Restated Management Services Agreement (the "Linden Management Services Agreement") pursuant to which the Linden Manager may continue to provide advisory services at the request of the Company related to mergers and acquisitions for one year following the Business Combination. As consideration for such services, the Company will pay a fee, equal to 1% of enterprise value of the target acquired, to the Linden Manager upon the consummation of any such transaction (the "1% Fee"). The Company has also agreed to reimburse Linden Manager for certain expenses in connection with such advisory services. However, pursuant to the Linden Management Services Agreement, the Company's obligation to pay the 1% Fee expired twelve months after the consummation of the Business Combination on May 4, 2022.

Hydrafacial recorded approximately \$0.2 million of charges related to management services fees for the six months ended June 30, 2022. There were no management fees during the six months ended June 30, 2023. In relation to the consummation of the Business Combination, \$21.0 million in transaction fees was paid to the Former Parent. These amounts are included in general and administrative expenses on the Company's condensed consolidated statements of comprehensive income (loss).

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Note 12 – 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 **June 30, 2023** **September 30, 2023** and December 31, 2022, there were **132,881,417** **132,569,193** and 132,214,695, 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 26, 2022** **September 12, 2023**, the Company's board of directors approved a common stock share repurchase program pursuant to which authorizing the Company may to repurchase up to **\$200.0** **\$100.0** million of its outstanding shares 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 accelerated a combination of the foregoing. Under this share repurchase programs, program, the Company repurchased approximately 0.8 million shares for \$4.8 million during the three months ended September 30, 2023, of which 0.4 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. During the three months ended June 30, 2023, the Company paid \$2.2 million as the final settlement 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.

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 **June 30, 2023** **September 30, 2023** and December 31, 2022, there were no shares of preferred stock issued or outstanding.

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Note 13 – Net (loss) income (loss) to Common Stockholders

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

(in thousands, except share and per share amounts)	Three Months Ended June 30, 2023				Six Months Ended June 30, 2023				Three Months Ended September 30, 2023				Nine Months Ended September 30, 2023			
	(in thousands, except share and per share amounts)	2023	2022	(in thousands, except share and per share amounts)	2023	2022	(in thousands, except share and per share amounts)	2023	2022	(in thousands, except share and per share amounts)	2023	2022	(in thousands, except share and per share amounts)	2023	2022	

Net income (loss) available to common stockholders - basic	\$ 3,364	\$ 6,317	\$ (16,895)	\$ 37,772	Net (loss) income available to common stockholders - basic	\$ (73,818)	\$ (81)	\$ (90,713)	\$ 37,691	
Net (loss) income available to common stockholders - basic					Net (loss) income available to common stockholders - basic					
Less: Income on Private Placement Warrants	Less: Income on Private Placement Warrants	—	(15,185)	—	(67,237)	Less: Income on Private Placement Warrants	—	(4,284)	—	(71,521)
Net income (loss) available to common stockholders - diluted	\$ 3,364	\$ (8,868)	\$ (16,895)	\$ (29,465)	Net loss available to common stockholders - diluted	\$ (73,818)	\$ (4,365)	\$ (90,713)	\$ (33,830)	
Weighted average common shares outstanding - basic	Weighted average common shares outstanding - basic	132,716,024	150,731,491	132,569,209	150,665,166	Weighted average common shares outstanding - basic	132,896,626	150,788,695	132,679,547	150,706,795
Effect of dilutive shares:	Effect of dilutive shares:					Effect of dilutive shares:				
Private Placement Warrants	Private Placement Warrants	—	987,960	—	1,609,228	Private Placement Warrants	—	629,015	—	1,311,451
Weighted average common shares outstanding - diluted	Weighted average common shares outstanding - diluted	132,716,024	151,719,451	132,569,209	152,274,394	Weighted average common shares outstanding - diluted	132,896,626	151,417,710	132,679,547	152,018,246
Basic net income (loss) per share	\$ 0.03	\$ 0.04		\$ (0.13)	\$ 0.25	Basic net (loss) income per share	\$ (0.56)	\$ 0.00		
Dilutive net income (loss) per share	\$ 0.03	\$ (0.06)		\$ (0.13)	\$ (0.19)	Dilutive net loss per share	\$ (0.56)	\$ (0.03)	\$ (0.68)	\$ 0.25
Basic net (loss) income per share						Basic net (loss) income per share				
Dilutive net loss per share						Dilutive net loss per share				

For the three and sixnine months ended June 30, 2023 September 30, 2023 and 2022, all outstanding shares related to share-based awards and convertible notes were excluded from the calculation of diluted net loss per common share because their effect would be antidilutive. For the three and sixnine months ended June 30, 2023 September 30, 2023, income and shares related to the Private Placement Warrants were excluded from the calculation of diluted net income (loss) loss per common share because their effect would be antidilutive.

Note 14 - New Accounting Pronouncements

Recent accounting pronouncements pending adoption not discussed in this Form 10-Q are either not applicable to the Company or are not expected to have a material impact on the Company.

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 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. 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 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-down in cost of sales of \$18.8 million during the three months ended September 30, 2023.

The following table summarizes the Syndeo Program charges and usage for the three months ended September 30, 2023:

Syndeo Program	
(in thousands)	
Program charges for the three months ended September 30, 2023	\$ 44,306
Program usage for the three months ended September 30, 2023	(12,254)
Reserves as of September 30, 2023	\$ 32,052

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 15 16 – Revision for Immaterial Misstatements

As disclosed in Note 1 – Description of Business, subsequent to the issuance of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2022, during the six months 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 of comprehensive income (loss), and condensed consolidated statements of cash flows and related disclosures in Note 3 – Balance Sheet Components and Note 13 – Net (Loss) Income Attributable to Common Stockholders are detailed in the tables below.

As of December 31, 2021 and June 30, 2022, accumulated deficit was understated by \$4.3 million and \$6.9 million, 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 million, and as such, previously reported stockholders' equity of \$147.7 million was revised to \$152.4 million. There were no other changes to the consolidated statements of stockholders' equity that have not otherwise been reflected in the condensed consolidated balance sheets and condensed consolidated statements of comprehensive income (loss) as detailed in the tables below.

	As of December 31, 2022		
	As Previously Reported	Adjustment	As Revised
Condensed Consolidated Balance Sheet (in thousands)			
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
Cost of sales payable	\$ 30,882	\$ (1,868)	\$ 28,406
Gross profit payable	\$ 71,062	\$ (1,664)	\$ 70,428
Total current liabilities	\$ 73,415	\$ (1,604)	\$ 75,014
TOTAL LIABILITIES	\$ 838,007	\$ (1,604)	\$ 836,898
Accumulated deficit	\$ (374,328)	\$ (4,623)	\$ (378,951)
Total stockholders' equity	\$ 174,274	\$ (4,623)	\$ 162,650
NET ACCUMULATED DEFICIT AND STOCKHOLDERS' EQUITY	\$ 1,008,903	\$ (5,824)	\$ 1,003,083
Net loss per share - Diluted	\$ (0.05)	\$ (0.01)	\$ (0.06)

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	Six Months Ended June 30, 2022		
	As Previously Reported	Adjustment	As Revised
Condensed Consolidated Statement of Comprehensive Income (Loss) (in thousands, except per share amounts)			
Cost of sales	\$ 55,360	\$ 2,666	\$ 58,026
Gross profit	\$ 123,591	\$ (2,666)	\$ 120,925
Loss from operations	\$ (16,374)	\$ (2,666)	\$ (19,040)
Income before provision for income taxes	\$ 43,129	\$ (2,666)	\$ 40,463
Net income	\$ 40,438	\$ (2,666)	\$ 37,772
Comprehensive income	\$ 36,606	\$ (2,666)	\$ 33,940
Net income per share - Basic	\$ 0.27	\$ (0.02)	\$ 0.25
Net loss per share - Diluted	\$ (0.18)	\$ (0.01)	\$ (0.19)

	As of December 31, 2022		
	As Previously Reported	Adjustment	As Revised
Condensed Consolidated Balance Sheet (in thousands)			
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 Cash Flows (in thousands)	Six Months Ended June 30, 2022		
	As Previously Reported	Adjustment	As Revised
	\$ 40,438	\$ (2,666)	\$ 37,772
Net income			
Changes in operating assets and liabilities:			
Inventories	\$ (41,262)	\$ 2,666	\$ (38,596)

Condensed Consolidated Statement of Comprehensive Income (Loss) (in thousands)	Three Months Ended September 30, 2022		
	As Previously Reported	Adjustment	As Revised
	\$ 27,217	\$ 212	\$ 27,429
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
	\$ 82,577	\$ 2,878	\$ 85,455
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
	\$ 40,569	\$ (2,878)	\$ 37,691
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 June 30, 2023 September 30, 2023 ("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 filed with the SEC Securities and Exchange Commission (the "SEC") on March 1, 2023 (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; business combination 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; the possibility that the Company may be adversely affected by other economic, business, and/or competitive factors; and the impact of the continuing COVID-19 pandemic or any future pandemics, epidemics or infectious disease outbreaks on our business. 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.

Unless the context otherwise requires, references to the "Company", "Hydrafacial", "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 aesthetic technologies and products. The Company's brands are pioneers: Hydrafacial in hydradermabrasion; SkinStylus in microneedling; and Keravive in scalp health. Together, with its powerful community of estheticians, partners and consumers, the Company is personalizing skin health for all ages, genders, skin tones, and skin types.

2022

Business and Macroeconomic Conditions

During the three and nine months ended June 30, 2023 September 30, 2023, we continued to execute against our plan to expand our footprint by selling and placing Hydrafacial Delivery Systems ("Delivery Systems") worldwide, drive 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 macroeconomic factors during the three and nine months ended June 30, 2023 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 inflationary pressures, inflation, recession, changes in foreign currency exchange rates, and higher interest rates; rates, and other changes in economic conditions; and
- Exposure issues related to infectious disease, epidemics, older models of Syndeо Delivery Systems and pandemics on our business operations in geographic locations impacted by the outbreak, actions to remediate such as China, which reopened from sporadic and/or zero-tolerance COVID-19 policies that previously led to prolonged store closures and travel restrictions within certain markets and regions in the country during the first quarter of 2023 issues

We may be able to offset cost pressures through increases in 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 reductions in 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.

Macroeconomic 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, and 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.

Syndeо Program

The Company launched Syndeо in March 2022, the first new Hydrafacial delivery system model in five years. Subsequent to launch, many customers with Syndeо 1.0 and Syndeо 2.0 builds began to experience frequent treatment interruptions and unacceptable device conditions. In addition to issues such as distractible 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 Syndeо 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 Syndeо 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 Syndeо Enhancement Program to upgrade devices to Syndeо 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 Syndeо devices, the Company will only market and sell Syndeо 3.0 devices. The Company will provide, at no cost to the customer, the option of (i) a technician upgrade to their Syndeо 1.0 or 2.0 devices to 3.0 standards in the field; or (ii) a replacement Syndeо 3.0 device for their existing device (the "Syndeо 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 Syndeо 3.0 device. The Company anticipates that the vast majority of its customers will elect to request a replacement Syndeо 3.0 device.

As a result of the decision to market and sell Syndeо 3.0 devices exclusively, the Company has designated all Syndeо 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 Syndeо 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 Syndeо 1.0 and 2.0 builds, which is expected to be completed during the first half of 2024. Any returning devices with a Syndeо 1.0 or 2.0 device build are expected to be responsibly destroyed.

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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 June 30, 2023 September 30, 2023 to Three Months Ended June 30, 2022 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 three months ended June 30, 2023 September 30, 2023 and June 30, 2022 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 15 to the condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

(in millions)	(in millions)	Three Months Ended June 30,				(in millions)	Three Months Ended September 30,			
		2023	% of Net Sales	2022	% of Net Sales		2023	% of Net Sales	2022	% of Net Sales
Net sales	Net sales	\$ 117.5	100.0 %	\$ 103.5	100.0 %	Net sales	\$ 97.4	100.0 %	\$ 88.8	100.0 %

Cost of sales	Cost of sales	49.6	42.2	33.5	32.4	Cost of sales	110.0	112.9	27.4	30.9
Gross profit		67.9	57.8	70.0	67.6	Gross (loss) profit	(12.6)	(12.9)	61.4	69.1
Gross (loss) profit										
Operating expenses:	Operating expenses:					Operating expenses:				
Selling and marketing	Selling and marketing	43.0	36.6	44.9	43.3	Selling and marketing	30.7	31.5	39.8	44.8
Research and development	Research and development	2.9	2.5	2.6	2.5	Research and development	1.8	1.9	2.2	2.4
General and administrative	General and administrative	35.1	29.9	27.6	26.6	General and administrative	37.0	38.0	23.8	26.8
Total operating expenses	Total operating expenses	81.0	69.0	75.1	72.5	Total operating expenses	69.5	71.4	65.7	74.0
Loss from operations	Loss from operations	(13.1)	(11.2)	(5.0)	(4.9)	Loss from operations	(82.1)	(84.3)	(4.4)	(4.9)
Interest expense, net	Interest expense, net	3.4	2.9	3.2	3.1	Interest expense, net	3.4	3.5	3.4	3.8
Interest income	Interest income	(5.7)	(4.9)	(0.7)	(0.7)	Interest income	(6.8)	(6.9)	(2.9)	(3.2)
Other income, net		—	—	(0.9)	(0.9)					
Other (income) expense, net						Other (income) expense, net	(4.9)	(5.0)	0.4	0.4
Change in fair value of warrant liabilities	Change in fair value of warrant liabilities	(11.6)	(9.9)	(15.2)	(14.7)	Change in fair value of warrant liabilities	(5.9)	(6.0)	(4.3)	(4.8)
Foreign currency transaction (gain) loss, net		(0.4)	(0.3)	2.2	2.1					
Income before provision for income tax		1.2	1.0	6.4	6.2					
Income tax (benefit) expense		(2.2)	(1.9)	0.1	0.1					
Net income	\$ 3.4	2.9 %	\$ 6.3	6.1 %						
Foreign currency transaction loss (gain), net						Foreign currency transaction loss (gain), net	2.3	2.3	—	—
Loss before provision for income taxes						Loss before provision for income taxes	(70.3)	(72.2)	(0.9)	(1.0)
Income tax expense (benefit)						Income tax expense (benefit)	3.5	3.6	(0.8)	(0.9)
Net loss	\$ (73.8)	(75.8) %	\$ (0.1)	(0.1) %		Net loss	\$ (73.8)	(75.8) %	\$ (0.1)	(0.1) %

Net Sales

(in millions)	(in millions)	Three Months Ended June 30,				(in millions)	Three Months Ended September 30,					
		2023		2022			2023		2022		Amount	
		Net sales	Delivery Systems	Net sales	Delivery Systems		Net sales	Delivery Systems	Net sales	Delivery Systems		
Net sales	Net sales	\$ 65.6	\$ 64.8	\$ 0.8	1.2 %	Net sales	\$ 51.0	\$ 49.1	\$ 1.9	4.1 %		
Delivery Systems	Delivery Systems	51.9	38.8	13.1	33.9 %	Delivery Systems	46.4	39.7	6.7	16.9 %		
Consumables	Consumables	\$ 117.5	\$ 103.5	\$ 13.9	13.5 %	Consumables	\$ 97.4	\$ 88.8	\$ 8.6	9.4 %		
Total net sales	Total net sales					Total net sales						

Total net sales for the three months ended June 30, 2023 September 30, 2023 increased \$13.9 million \$8.6 million, or 13% 9.7%, compared to the three months ended June 30, 2022 September 30, 2022. Total net sales for the three months ended June 30, 2023 September 30, 2023 increased primarily due to strength in Consumable sales in the Americas, Americas and Europe, the Middle East, and Africa ("EMEA"). Total net sales of Delivery Systems for the three months ended June 30, 2023 September 30, 2023 increased in EMEA Asia-Pacific ("APAC") and APAC, EMEA, which was offset by decreases in the United States, Americas, which was impacted by provider experience challenges with Syndeо creating lower than expected demand. The decrease in prior year net sales of Delivery Systems in the Americas was as compared to included the prior year impact of the launch of Hydrafacial's Delivery System Syndeо ("Syndeо"), 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 three months ended June 30, 2023 September 30, 2023.

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

(in millions)	(in millions)	Three Months Ended June 30,		Change		(in millions)	Three Months Ended September 30,		Change	
		2023	2022	Amount	%		2023	2022	Amount	%
Cost of sales	Cost of sales	\$ 49.6	\$ 33.5	\$ 16.1	48.1 %	Cost of sales	\$ 110.0	\$ 27.4	\$ 82.5	300.9 %
Gross profit	Gross profit	\$ 67.9	\$ 70.0	\$ (2.2)	(3.1) %	Gross profit	\$ (12.6)	\$ 61.4	\$ (73.9)	(120.5) %
Gross margin	Gross margin	57.8 %	67.6 %			Gross margin	(12.9) %	69.1 %		

Cost of sales for the three months ended September 30, 2023 increased \$16.1 million \$82.5 million, or 300.9% compared to the three months ended September 30, 2022, primarily driven by higher product costs inventory write-downs and developed technology amortization expense. Gross margin declined from 67.6% charges of \$63.1 million associated with the Syndeo Program, \$7.5 million in charges for discontinued, excess, or obsolete inventory identified during the three months ended June 30, 2022 to 57.8% September 30, 2023, higher product costs, and lower average selling price of Delivery Systems. Gross margin declined from 69.1% during the three months ended June 30, 2023 September 30, 2022 to (12.9)% during the three months ended September 30, 2023, primarily due to charges related to the Syndeo Program, higher charges related to other discontinued, excess, and obsolete products costs, higher product costs, unfavorable changes in product mix, and higher amortization expense lower average selling price of Delivery Systems.

Operating Expenses**Selling and Marketing**

(in millions)	(in millions)	Three Months Ended June 30,		Change		(in millions)	Three Months Ended September 30,			
		2023	2022	Amount	%		2023	2022	Amount	%
Selling and marketing	Selling and marketing	\$ 43.0	\$ 44.9	\$ (1.8)	(4.1) %	Selling and marketing	\$ 30.7	\$ 39.8		
As a percentage of net sales	As a percentage of net sales	36.6 %	43.3 %			As a percentage of net sales	31.5 %	44.8		

Selling and marketing expense for the three months ended June 30, 2023 September 30, 2023 decreased \$1.8 million \$9.0 million, or 4.1% 22.7%, compared to the three months ended June 30, 2022 September 30, 2022. The decrease was primarily driven by lower marketing and advertising expense, sales commission expense, and personnel related compensation, including lower share-based compensation expense, partially offset by higher depreciation expense attributable to our global experience centers.

a reversal of cash incentive accruals in the prior year.

Research and Development

(in millions)	(in millions)	Three Months Ended June 30,		Change		(in millions)	Three Months Ended September 30,			
		2023	2022	Amount	%		2023	2022	Amount	%
Research and development	Research and development	\$ 2.9	\$ 2.6	\$ 0.3	10.8 %	Research and development	\$ 1.8	\$ 2.2		
As a percentage of net sales	As a percentage of net sales	2.5 %	2.5 %			As a percentage of net sales	1.9 %	2.4		

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

General and Administrative

(in millions)	(in millions)	Three Months Ended June 30,				Change		(in millions)	Three Months Ended September 30			
		2023	2022	Amount	%				2023	2022		
General and administrative	General and administrative	\$ 35.1	\$ 27.6	\$ 7.5	27.2%			General and administrative	\$ 37.0	\$ 23.8		
As a percentage of net sales	As a percentage of net sales	29.9%	26.6%					As a percentage of net sales	38.0%	26.8%		

General and administrative expense for the three months ended **June 30, 2023** **September 30, 2023** increased **\$7.5 million** **\$13.2 million**, or **27.2%** **55.5%**, compared to the three months ended **June 30, 2022** **September 30, 2022**. The increase was primarily driven by higher personnel related compensation, including higher severance, and share-based compensation expense, higher software expense, and higher severance and restructuring expense, partially offset by lower recruiting related expenses, the reversal of cash incentive accruals in the prior year.

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

(in millions)	Three Months Ended June 30,				Change	
	2023	2022	Amount	%		
Interest income	\$ (5.7)	\$ (0.7)	\$ (5.0)			N/M
Change in fair value of warrant liabilities	\$ (11.6)	\$ (15.2)	\$ 3.6			N/M
N/M - Not meaningful						

(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 **June 30, 2023** **September 30, 2023** increased **\$5.0 million** **\$3.9 million** compared to the three months ended **June 30, 2022** **September 30, 2022** due to higher interest earned on our investment in money market funds, 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 **June 30, 2023** **September 30, 2023**, the Company recognized income of **\$11.6 million** **\$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 **\$15.2 million** **\$4.3 million** during the three months ended **June 30, 2022** **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 Six Nine Months Ended June 30, 2023 September 30, 2023 to Six Nine Months Ended June 30, 2022 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 **six** **nine** months ended **June 30, 2023** **September 30, 2023** and **June 30, 2022** **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 **15** **16** to the condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

Six Months Ended June 30,	Nine Months Ended September 30,
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(in millions)	(in millions)	2023	% of Net Sales	2022	% of Net Sales	(in millions)	2023	% of Net Sales	2022	% of Net Sales
Net sales	Net sales	\$ 203.8	100.0 %	\$ 179.0	100.0 %	Net sales	\$ 301.2	100.0 %	\$ 267.7	100.0 %
Cost of sales	Cost of sales	81.8	40.1	58.0	32.4	Cost of sales	191.7	63.7	85.5	31.9
Gross profit	Gross profit	122.0	59.9	120.9	67.6	Gross profit	109.4	36.3	182.3	68.1
Operating expenses:	Operating expenses:					Operating expenses:				
Selling and marketing	Selling and marketing	81.7	40.1	81.3	45.4	Selling and marketing	112.5	37.3	121.1	45.2
Research and development	Research and development	5.2	2.6	4.8	2.7	Research and development	7.1	2.3	7.0	2.6
General and administrative	General and administrative	65.5	32.1	53.8	30.1	General and administrative	102.5	34.0	77.6	29.0
Total operating expenses	Total operating expenses	152.4	74.8	140.0	78.2	Total operating expenses	222.0	73.7	205.7	76.8
Loss from operations	Loss from operations	(30.5)	(14.9)	(19.0)	(10.6)	Loss from operations	(112.6)	(37.4)	(23.4)	(8.7)
Interest expense, net	Interest expense, net	6.8	3.4	6.6	3.7	Interest expense, net	10.3	3.4	10.0	3.7
Interest income	Interest income	(10.0)	(4.9)	(0.7)	(0.4)	Interest income	(16.8)	(5.6)	(3.6)	(1.3)
Other (income) expense, net	Other (income) expense, net	(0.5)	(0.2)	—	—	Other (income) expense, net	(5.3)	(1.8)	0.4	0.1
Change in fair value of warrant liabilities	Change in fair value of warrant liabilities	(2.5)	(1.2)	(67.2)	(37.6)	Change in fair value of warrant liabilities	(8.4)	(2.8)	(71.5)	(26.7)
Foreign currency transaction (gain) loss, net		(1.5)	(0.8)	1.8	1.0					
(Loss) income before provision for income tax		(22.8)	(11.2)	40.5	22.6					
Foreign currency transaction loss, net						Foreign currency transaction loss, net	0.7	0.2	1.8	0.7
Loss (income) before provision for income taxes						Loss (income) before provision for income taxes	(93.1)	(30.9)	39.6	14.8
Income tax (benefit) expense	Income tax (benefit) expense	(5.9)	(2.9)	2.7	1.5	Income tax (benefit) expense	(2.4)	(0.8)	1.9	0.7
Net (loss) income	Net (loss) income	\$ (16.9)	(8.3) %	\$ 37.8	21.1 %	Net (loss) income	\$ (90.7)	(30.1) %	\$ 37.7	14.1 %
					2427					

Net Sales

(in millions)	(in millions)	Six Months Ended June 30,		Change		(in millions)	Nine Months Ended September 30,		Change
		2023	2022	Amount	%		2023	2022	
Net sales	Net sales					Net sales			
Delivery Systems	Delivery Systems	\$ 110.9	\$ 106.4	\$ 4.5	4.2 %	Delivery Systems	\$ 162.0	\$ 155.5	\$ 6.5
Consumables	Consumables	92.8	72.5	20.3	28.0 %	Consumables	139.2	112.2	27.0
Total net sales	Total net sales	\$ 203.8	\$ 179.0	\$ 24.8	13.9 %	Total net sales	\$ 301.2	\$ 267.7	\$ 33.4

Total net sales for the six nine months ended June 30, 2023 September 30, 2023 increased \$24.8 million \$33.4 million, or 14% 12.5%, compared to the six nine months ended June 30, 2022 September 30, 2022. Total net sales for the six nine months ended June 30, 2023 September 30, 2023 increased primarily due to strength in Consumable sales in the

Americas and EMEA. Total net sales of Delivery Systems for the six month/nine months ended June 30, 2023 September 30, 2023 increased in EMEA APAC and APAC EMEA, which was offset by decreases in the United States. Americas, which was impacted by provider experience challenges with Syndeо creating lower than expected demand. The decrease in prior year net sales of Delivery Systems in the Americas was as compared to included the prior year impact of the launch of Hydrafacial's Delivery System Syndeо ("Syndeо"), 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 six nine months ended June 30, 2023 September 30, 2023.

Cost of Sales, Gross Profit, and Gross Margin

(in millions)	(in millions)	Six Months Ended June 30,				Change		(in millions)	Nine Months Ended September 30,				Change	
		2023	2022	Amount	%				2023	2022	Amount	%		
Cost of sales	Cost of sales	\$ 81.8	\$ 58.0	\$ 23.8	40.9 %	Cost of sales	\$ 191.7	\$ 85.5	\$ 106.3	124.4 %				
Gross profit	Gross profit	\$ 122.0	\$ 120.9	\$ 1.1	0.9 %	Gross profit	\$ 109.4	\$ 182.3	\$ (72.9)	(40.0) %				
Gross margin	Gross margin	59.9 %	67.6 %			Gross margin	36.3 %	68.1 %						

Cost of sales for the nine months ended September 30, 2023 increased \$23.8 million \$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 Syndeо 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 and developed technology amortization expense, and charges related to discontinued and obsolete products costs. Gross margin declined from 67.6% 68.1% during the six nine months ended June 30, 2022 September 30, 2022 to 59.9% 36.3% during the six nine months ended June 30, 2023 September 30, 2023, primarily due to reserves and charges associated with the Syndeо Program, higher product costs, unfavorable changes in product mix, higher amortization expense, and charges related to other discontinued, excess, and obsolete products costs, and higher product costs.

Operating Expenses

Selling and Marketing

(in millions)	(in millions)	Six Months Ended June 30,				Change		(in millions)	Nine Months Ended September 30,					
		2023	2022	Amount	%	2023	2022		2023	2022	Amount	%		
Selling and marketing	Selling and marketing	\$ 81.7	\$ 81.3	\$ 0.5	0.6 %	Selling and marketing	\$ 112.5	\$ 121.1						
As a percentage of net sales	As a percentage of net sales	40.1 %	45.4 %			As a percentage of net sales	37.3 %	45.2 %						

Selling and marketing expense for the six nine months ended June 30, 2023 remained relatively flat as September 30, 2023 decreased \$8.6 million, or 7.1%, compared to the six nine months ended June 30, 2022 September 30, 2022. Increases in The decrease was primarily driven by lower sales commission expense and marketing and advertising expense, partially offset by higher personnel related compensation and depreciation expense attributable to our global experience centers were substantially which includes higher annual cash incentives, partially offset by lower commission and marketing related expenses share-based compensation expense.

Research and Development

(in millions)	(in millions)	Six Months Ended June 30,				Change		(in millions)	Nine Months Ended September 30,					
		2023	2022	Amount	%	2023	2022		2023	2022	Amount	%		
Research and development	Research and development	\$ 5.2	\$ 4.8	\$ 0.4	8.0 %	Research and development	\$ 7.1	\$ 7.0						
As a percentage of net sales	As a percentage of net sales	2.6 %	2.7 %			As a percentage of net sales	2.3 %	2.6 %						

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

General and Administrative

(in millions)	(in millions)	Six Months Ended June 30,				Change		Nine Months Ended September			
		2023		2022		Amount	%	2023		2022	
		General and administrative	General and administrative	\$ 65.5	\$ 53.8	\$ 11.6	21.6 %	General and administrative	\$ 102.5	\$ 77.1	\$ 25.4
As a percentage of net sales	As a percentage of net sales	32.1 %	30.1 %					As a percentage of net sales	34.0 %	29.8 %	25.4 %

General and administrative expense for the six nine months ended June 30, 2023 September 30, 2023 increased \$11.6 million \$24.8 million, or 21.6% 32.0%, compared to the six nine months ended June 30, 2022 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.

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

(in millions)	(in millions)	Six Months Ended June 30,				Change		Nine Months Ended September 30,				Change	
		2023		2022		Amount	%	2023		2022		Amount	%
		Interest income	Interest income	\$ (10.0)	\$ (0.7)	\$ (9.3)	N/M	Interest income	\$ (16.8)	\$ (3.6)	\$ (13.2)	N/M	
Change in fair value of warrant liabilities	Change in fair value of warrant liabilities	\$ (2.5)	\$ (67.2)	\$ 64.7	N/M	Change in fair value of warrant liabilities	\$ (8.4)	\$ (71.5)	\$ 63.2	N/M			
Other (income) expense, net						Other (income) expense, net	\$ (5.3)	\$ 0.4	\$ (5.7)	N/M			
N/M - Not meaningful	N/M - Not meaningful					N/M - Not meaningful							

Interest income for the six nine months ended June 30, 2023 September 30, 2023 increased \$9.3 \$13.2 million compared to the six nine months ended June 30, 2022 September 30, 2022 primarily due to higher interest earned on our investment in money market funds funds and \$0.5 million received for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act.

During the six nine months ended June 30, 2023 September 30, 2023, the Company recognized income of \$2.5 million \$8.4 million related to the change in the fair value of the warrant liabilities, a decrease of \$63.2 million, as compared to income of \$67.2 \$71.5 million for the six nine months ended June 30, 2022 September 30, 2022, driven by the fluctuation of the Company's stock price.

During the nine months ended September 30, 2023, the Company recognized other income of \$5.3 million primarily related to payments received for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act.

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 Notes (as defined below), and (iv) net proceeds received from the exercise of Public public and Private Placement Warrants, private placement warrants. As of June 30, 2023 September 30, 2023, we had cash and cash equivalents of \$549.7 \$559.4 million. A revolving credit facility of \$50.0 million is also available as a source of capital. As of June 30, 2023 September 30, 2023, 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 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 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.

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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

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 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, subject to receipt of lender commitments and certain conditions precedent. As of **June 30, 2023** **September 30, 2023**, 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 **June 30, 2023** **September 30, 2023**, 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.

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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"). 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"). 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 (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, the extent we continue to which the uncertainty around the timing, speed and recovery from the adverse impacts of the COVID-19 pandemic impacts our business going forward will depend on numerous factors we cannot reliably predict, including further governmental actions in the countries in which we operate, face macro economic challenges such as whether China enacts another sporadic and/or zero-tolerance COVID-19 policy, and the other macro challenges we are facing, including 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.

During Syndeо Program Costs

The Company has accrued \$32.1 million as of September 30, 2023 for the third quarter of 2023, estimated cost for its remediation plan to upgrade or exchange customer Syndeо devices to meet the Company launched a voluntary initiative to replacing certain componentry in previously manufactured Syndeо delivery systems to increase resistance to inadvertent clogging when recommended maintenance is not performed. This initiative 3.0 device standard which is expected to result be substantially complete by June 30, 2024.

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. Total restructuring costs for Phase 1 of the transformation program are expected to be in approximately \$5 million in expense 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 the Company's Class A Common Stock. The Company expects to repurchase \$50.0 million of the Company's Class A Common Stock by the end of the first quarter of 2024, inclusive of the amounts repurchased during the third quarter, three months ended September 30, 2023.

Additionally, in July 2023, the Company received approximately \$5 million for the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act.

Operating Activities

Net cash provided by operating activities for the six nine months ended June 30, 2023 September 30, 2023 was \$9.0 \$26.9 million, compared to net cash used for operating activities of \$69.8 \$101.2 million for the six nine months ended June 30, 2022 September 30, 2022. The change in cash was primarily related to lower working capital usage, primarily driven by high inventory build in the prior year, and the net impact of current year net income loss and other non-cash adjustments. The net loss, non-cash adjustments, and change in inventories and other accrued expenses include the impact of the Syndeо Program charges. The prior year net income and non-cash adjustments include the impact of a \$71.5 million gain resulting from the change in fair value of the Company's warrants. Amounts may not sum due to rounding.

		Six Months Ended June 30,		Nine Months Ended September 30,	
(Dollars in millions)	(Dollars in millions)	2023	2022	(Dollars in millions)	2023
			28		2022

Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	\$ 568.2	\$ 901.9	Cash and cash equivalents at beginning of period	\$ 568.2	\$ 901.9
Investing Activities	Operating activities:			Operating activities:		
Net cash provided for investing activities for the six nine months ended June 30, 2023 September 30, 2023 was \$24.9 \$29.3 million, compared to \$20.7 \$8.3 \$16.0 million for the six nine months ended June 30, 2022 September 30, 2022 . The increase in cash used for investing activities was primarily related to the cash payment associated with the asset acquisitions of Esthetic Medical Inc. and Anacapa Aesthetics LLC for \$16.9 million \$18.5 million.			Non-cash adjustments			
Changes in working capital	Changes in working capital	(10.1)	(74.4)	Changes in working capital	35.5	(125.7)
Net cash provided for financing activities for the six nine months ended June 30, 2023 September 30, 2023 was \$3.7 \$6.1 million, compared to \$2.8 \$102.8 million for the six nine months ended June 30, 2022 September 30, 2022 . The increase in cash used for financing activities was primarily related to payments in 2023 associated with tax withholdings on vested share-based payment awards and the final settlement of the accelerated share repurchase, stock repurchase of \$100.0 million in the prior year.				activities	26.9	(101.2)
Net cash used for investing activities	Net cash used for investing activities	9.0	(69.8)	Net cash used for investing activities	(29.3)	(16.0)
Net cash used for financing activities	Net cash used for financing activities	(24.9)	(32)	Net cash used for financing activities	(6.1)	(102.8)
Net cash used for financing activities	Net cash used for financing activities	(3.7)	(2.8)	Net decrease in cash and cash equivalents	(8.5)	(220.0)
Net decrease in cash and cash equivalents	Net decrease in cash and cash equivalents	(19.7)	(80.9)	Effect of foreign currency translation	(0.2)	2.3
Critical Accounting Policies and Estimates	Effect of foreign currency translation: 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, revenue, 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.			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				Effect of foreign currency translation		

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 Syndeо devices to meet the Syndeо 3.0 device standard. The cost of the remediation program has 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 change other changes to our critical accounting policies as included in our Annual Report on Form 10-K.

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.

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.

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Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of the Company's management, the Company's principal executive officer and principal financial officer have concluded that the Company's 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 **June 30, 2023** **September 30, 2023**, to provide reasonable assurance 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 the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

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 our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well-designed 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 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 the effectiveness of controls to future periods 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.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the three months ended **June 30, 2023** **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, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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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 included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Item 1A. Risk 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 risks and uncertainties, 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 have been no material updates or changes 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.

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.

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

Unregistered Sales of Equity Securities

During the three months ended ~~June~~ September 30, 2023, 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 Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan or Program (1)	Maximum Approximate Dollar 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
	<u>419,242</u>	<u>\$ 5.66</u>	<u>419,242</u>	<u>\$ 97,625,260</u>

⁽¹⁾ 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 ~~June 30, 2023~~ September 30, 2023, no purchases the Company repurchased approximately 0.8 million shares for \$4.8 million, 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 10b-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 equity securities were made by the Company or any affiliated purchasers. management.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

Subsequent to Rule 10b5-1 Trading Plans

During the issuance three months ended September 30, 2023, no director or officer of the Company's Annual 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 10-K for 8-K under Item 2.06 Material Impairments.

To the fiscal year ended December 31, 2022, during extent required by Item 2.06 on a Current Report on Form 8-K, information regarding the six months ended June 30, 2023, the Company identified prior period misstatements related Syndeo Program as set forth in (i) Part I, Item 1. Financial Information (Note 15 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, 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 a prospective basis to correct for these misstatements as follows: Form 10-Q is incorporated by reference herein.

	Year Ended December 31, 2021		
	As Previously Reported	Adjustment	As Revised
Consolidated Statement of Comprehensive Income (Loss) (in thousands, except per share amounts)			
Cost of sales	\$ 78,259	\$ 3,289	\$ 81,548
Gross profit	\$ 181,827	\$ (3,289)	\$ 178,538
Loss from operations	\$ (36,639)	\$ (3,289)	\$ (39,928)
Loss before provision for income taxes	\$ (377,350)	\$ (3,289)	\$ (380,639)
Income tax benefit	\$ (2,242)	\$ 367	\$ (1,875)
Net loss	\$ (375,108)	\$ (3,656)	\$ (378,764)
Comprehensive loss	\$ (376,607)	\$ (3,656)	\$ (380,263)
Net loss per share - Basic	\$ (3.67)	\$ (0.04)	\$ (3.71)
Net loss per share - Diluted	\$ (3.67)	\$ (0.04)	\$ (3.71)

	Year Ended December 31, 2021		
	As Previously Reported	Adjustment	As Revised
Consolidated Statement of Cash Flows (in thousands)			
Net loss	\$ (375,108)	\$ (3,656)	\$ (378,764)
Change in operating assets and liabilities:			
Inventories	\$ (9,443)	\$ 3,289	\$ (6,154)
Prepaid expenses and other current assets	\$ (5,434)	\$ 367	\$ (5,067)

	As of September 30, 2022		
	As Previously Reported	Adjustment	As Revised
Condensed Consolidated Balance Sheet (in thousands)			
Inventories	\$ 101,706	\$ (6,774)	\$ 94,932
Prepaid expenses and other current assets	\$ 21,830	\$ (367)	\$ 21,463
Total current assets	\$ 892,432	\$ (7,141)	\$ 885,291
TOTAL ASSETS	\$ 1,104,795	\$ (7,141)	\$ 1,097,654
Accumulated deficit	\$ (378,143)	\$ (7,141)	\$ (385,284)
Total stockholders' equity	\$ 257,909	\$ (7,141)	\$ 250,768
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,104,795	\$ (7,141)	\$ 1,097,654

	Three Months Ended September 30, 2022		
	As Previously Reported	Adjustment	As Revised
Condensed Consolidated Statement of Comprehensive Income (Loss) (in thousands)			
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)
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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
Change in operating assets and liabilities:			
Inventories	\$ (69,340)	\$ 2,878	\$ (66,462)

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

Consolidated Statement of Comprehensive Income (Loss) (in thousands)	Year Ended December 31, 2022		
	As Previously Reported	Adjustment	As Revised
Cost of sales	\$ 115,536	\$ 1,561	\$ 117,097
Gross profit	\$ 250,340	\$ (1,561)	\$ 248,779
Loss from operations	\$ (24,280)	\$ (1,561)	\$ (25,841)
Foreign currency transaction loss, net	\$ 3,164	\$ (1,868)	\$ 1,296
Income before provision for income taxes	\$ 45,032	\$ 307	\$ 45,339
Income tax expense	\$ 648	\$ 467	\$ 1,115
Net income	\$ 44,384	\$ (160)	\$ 44,224
Comprehensive income	\$ 41,111	\$ (160)	\$ 40,951

Consolidated Statement of Cash Flows (in thousands)	Year Ended December 31, 2022		
	As Previously Reported	Adjustment	As Revised
	\$	\$	\$
Net income	\$ 44,384	\$ (160)	\$ 44,224
Change in operating assets and liabilities:			
Prepaid expenses and other current assets	\$ (16,401)	\$ (1,317)	\$ (17,718)
Inventories	\$ (82,097)	\$ 2,878	\$ (79,219)
Accounts payable	\$ 1,606	\$ (1,868)	\$ (262)
Income taxes payable	\$ 198	\$ 467	\$ 665

Condensed Consolidated Balance Sheet (in thousands)	As of March 31, 2023		
	As Previously Reported	Adjustment	As Revised
	\$	\$	\$
Inventories	\$ 122,081	\$ (1,866)	\$ 120,215
Prepaid expenses and other current assets	\$ 21,749	\$ 2,439	\$ 24,188
Total current assets	\$ 748,532	\$ 573	\$ 749,105
TOTAL ASSETS	\$ 994,953	\$ 573	\$ 995,526
Accounts payable	\$ 34,330	\$ (4,638)	\$ 29,692
Income tax payable	\$ 1,219	\$ 467	\$ 1,686
Total current liabilities	\$ 72,330	\$ (4,171)	\$ 68,159
TOTAL LIABILITIES	\$ 847,289	\$ (4,171)	\$ 843,118
Accumulated deficit	\$ (403,754)	\$ 4,744	\$ (399,010)
Total stockholders' equity	\$ 147,664	\$ 4,744	\$ 152,408
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 994,953	\$ 573	\$ 995,526

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
Net loss per share - Diluted		(0.17)	0.02

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:			
Prepaid expenses, other current assets, and income tax receivable	\$ (203)	\$ (1,122)	\$ (1,325)
Inventories	\$ (15,771)	\$ 1,866	\$ (13,905)
Accounts payable, accrued expenses, and income tax payable	\$ (3,085)	\$ (744)	\$ (3,829)

Item 6. Exhibits

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

EXHIBIT INDEX							
No.	Description of Exhibit	Form	File No.	Exhibit	Filing Date	Filed Herewith	
<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</u>							
2.1	<u>the Stockholders' Representative</u>	EXHIBIT INDEX	001-39565	2.1	December 9, 2020		
No.	<u>Second Amended and Restated Certificate of Incorporation of</u>	Form	File No.	Exhibit	Filing Date	Filed Herewith	
3.1	<u>The Beauty Health Company Agreement and Plan of Merger, dated as of December 8, 2020,</u>	8-K	001-39565	3.1	May 10, 2021		
3.2	<u>Amended and Restated Bylaws of The Beauty Health Company.</u>	8-K	001-39565	3.2	May 10, 2021		
10.1	<u>Merger Sub I, Inc. and Hydrate Merger Sub II, LLC, in its capacity as</u>	8-K	001-39565	10.1	April 14, 2023		
21.2	<u>the Stockholders' Representative</u>	8-K	001-39565	21.1	December 9, 2020	April 14, 2023	
	<u>Promissory Note Letter with Brian Hauser, dated April 7, 2023</u>						
	<u>Second Amended and Restated Certificate of Incorporation of</u>						
3.1	<u>the Beauty Health Company, 13a-14(a), as adopted Pursuant to</u>	8-K	001-39565	3.1	May 10, 2021		
3.21	<u>Amended and Restated Bylaws of The Beauty Health Company.</u>	8-K	001-39565	3.2	May 10, 2021	X	
	<u>Employment Agreement dated August 10, 2023, by and among</u>						
	<u>The Beauty Health Company, Hydrate Facility US and Michaelon</u>						
30.1	<u>Modifications Sarbanes-Oxley Act of 2002</u>	8-K	001-39565	10.1	August 9, 2023	X	
	<u>Separation Agreement dated August 10, 2023, by and between</u>						
10.2†	<u>The Beauty Health Company and Michaelon</u>	8-K	001-39565	10.2	August 9, 2023		
32.1*	<u>Sarbanes-Oxley Act of 2002 Executive Officer Pursuant to</u>					X	
	<u>Securities Exchange Act Rules 141 and 142, as Adopted Pursuant to</u>						
31.1	<u>Section 1080 of the Sarbanes-Oxley Act of 2002, 906 of the</u>					X	
32.2*	<u>Sarbanes-Oxley Act of 2002 Financial Officer Pursuant to Securities</u>					X	
101.INS**	<u>Extension XBRL Instance Document adopted Pursuant to Section</u>					X	
101.SCH**	<u>302 of the Sarbanes-Oxley Act of 2002</u>					X	
	<u>Inline XBRL Taxonomy Extension Schema Document</u>						
101.CAL**	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the</u>					X	
32.1*	<u>Sarbanes-Oxley Act of 2002</u>					X	
101.DEF**	<u>Document of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the</u>					X	
101.LAB**	<u>Inline XBRL Taxonomy Extension Labels Linkbase Document</u>					X	
32.2*	<u>Sarbanes-Oxley Act of 2002</u>					X	
101.PRE**	<u>Sarbanes-Oxley Act of 2002</u>					X	
	<u>Extension XBRL Instance Document</u>						
101.SCH**	<u>Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)</u>					X	
104**	<u>Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)</u>						
101.CAL**	Document		37			X	
	<u>Inline XBRL Taxonomy Extension Definition Linkbase</u>						
101.DEF**	Document					X	
101.LAB**	Inline XBRL Taxonomy Extension Labels Linkbase Document					X	
101.PRE**	Document						
	<u>Inline XBRL Taxonomy Extension Presentation Linkbase</u>						
104**	<u>Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101 attachments)</u>					X	

* These certifications are being furnished solely to accompany this quarterly 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.

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: August 9, November 14, 2023

By: /s/ Andrew Stanleick

Name: Andrew Stanleick

Title: Chief Executive Officer

(Principal Executive Officer)

Date: August 9, November 14, 2023

By: /s/ Liyuan Woo Michael Monahan

Name: Liyuan Woo Michael Monahan

Title: Chief Financial Officer

(Principal Accounting Officer and Financial Officer)

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, 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

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: August 9, November 14, 2023

/s/ Andrew Stanleick

Andrew Stanleick
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, Liyuan Woo, 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
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: **August 9, November 14, 2023**

/s/ **Liyuan Woo Michael Monahan**

Liyuan Woo 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 **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission (the "Report"), I, Andrew Stanleick, President and 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: **August 9, November 14, 2023**

/s/ **Andrew Stanleick**

Andrew Stanleick
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 **June 30, 2023** **September 30, 2023**, as filed with the Securities and Exchange Commission (the "Report"), I, **Liyuan Woo, 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: **August 9, November 14, 2023**

/s/ **Liyuan Woo Michael Monahan**

Liyuan Woo Michael Monahan
Chief Financial Officer
(Principal Accounting and Financial Officer)

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