

REFINITIV

# DELTA REPORT

## 10-Q

ELF - E.L.F. BEAUTY, INC.

10-Q - DECEMBER 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1067

 CHANGES 255

 DELETIONS 447

 ADDITIONS 365



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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

The number of shares of the registrant's common stock, par value \$0.01 per share, outstanding as of October 26, 2023 February 1, 2024 was 55,199,220 55,506,934 shares.

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#### **CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS**

*This Quarterly Report on Form 10-Q (this "Quarterly Report") contains forward-looking statements within the meaning of the federal securities laws concerning our business, operations and financial performance and condition, as well as our plans, objectives and expectations for our business operations and financial performance and condition. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "aim," "anticipate," "assume," "believe," "contemplate," "continue," "could," "due," "estimate," "expect," "goal," "intend," "may," "objective," "plan," "predict," "potential," "positioned," "seek," "should," "target," "will," "would" and other similar expressions that are predictions of or indicate future events and future trends, or the negative of these terms or other comparable terminology. These forward-looking statements are based on management's current expectations, estimates, forecasts and projections about our business and the industry in which we operate and management's beliefs and assumptions and are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, our actual results and the timing of selected events may differ materially. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under "Risk factors" in Part II, Item 1A of this Quarterly Report and elsewhere in this Quarterly Report. Potential investors are urged to consider these factors carefully in evaluating the forward-looking statements. These forward-looking statements speak only as of the date of this Quarterly Report. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.*

#### **SUMMARY OF MATERIAL RISKS ASSOCIATED WITH OUR BUSINESS**

The principal risks and uncertainties affecting our business include the following:

- The beauty industry is highly competitive, and if we are unable to compete effectively our results will suffer.
- Our new product introductions may not be as successful as we anticipate.
- Any damage to our reputation or brands may materially and adversely affect our business, financial condition and results of operations.
- Our success depends, in part, on the quality, performance and safety of our products.
- We may not be able to successfully implement our growth strategy.
- Our growth and profitability are dependent on a number of factors, and our historical growth may not be indicative of our future growth.
- We may be unable to continue to grow our business effectively or efficiently, which would harm our business, financial condition and results of operations.
- Acquisitions or investments, such as our acquisition of Naturium LLC, could disrupt our business and harm our financial condition.
- A disruption in our operations, including a disruption in the supply chain for our products, could materially and adversely affect our business.
- We rely on a number of third-party suppliers, manufacturers, distributors and other vendors, and they may not continue to produce products or provide services that are consistent with our standards or applicable regulatory requirements, which could harm our brands, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services.
- Adverse economic conditions in the United States or any of the other countries in which we conduct significant business could negatively affect our business, financial condition and results of operations.

- We depend on a limited number of retailers for a large portion of our net sales, and the loss of one or more of these retailers, or business challenges at one or more of these retailers, could adversely affect our results of operations.
- We have significant operations in China, which exposes us to risks inherent in doing business in that country.
- We are subject to international business uncertainties.
- If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected.
- Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights and other proprietary rights of third parties.

The summary risk factors described above should be read together with the text of the full risk factors below in the section titled “Risk factors” and the other information set forth in this Quarterly Report, including our unaudited condensed consolidated financial statements and the related notes, as well as in other documents that we file with the U.S. Securities and Exchange Commission (the “SEC”). The risks summarized above or described in the section titled “Risk factors” are not the only risks that we face. Additional risks and uncertainties not precisely known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition, results of operations and future growth prospects.

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**e.l.f. Beauty, Inc.**

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial statements (unaudited)**

**e.l.f. Beauty, Inc. and subsidiaries**

**Condensed consolidated balance sheets**

**(unaudited)**

**(in thousands, except share and per share data)**

		September 30, 2023	March 31, 2023	September 30, 2022			
		December 31,			December 31, 2023	March 31, 2023	December 31, 2022
		2023					
Assets	Assets						
Current assets:	Current assets:						

Current assets:				
Current assets:				
Cash and cash equivalents				
Cash and cash equivalents	Cash and cash equivalents	\$167,763	\$120,778	\$ 85,317
Accounts receivable, net	Accounts receivable, net	86,683	67,928	53,912
Inventory, net	Inventory, net	147,228	81,323	81,288
Prepaid expenses and other current assets	Prepaid expenses and other current assets	33,772	33,296	26,881
Total current assets	Total current assets	435,446	303,325	247,398
Property and equipment, net	Property and equipment, net	7,624	7,874	8,934
Intangible assets, net	Intangible assets, net	73,986	78,041	82,101
Goodwill	Goodwill	171,620	171,620	171,620
Investments	Investments	1,155	2,875	2,875
Other assets	Other assets	57,105	31,866	29,213
Total assets	Total assets	<b>\$746,936</b>	<b>\$595,601</b>	<b>\$542,141</b>
Liabilities and stockholders' equity	Liabilities and stockholders' equity			
Liabilities and stockholders' equity				
Liabilities and stockholders' equity	Liabilities and stockholders' equity			
Current liabilities:	Current liabilities:			
Current liabilities:	Current liabilities:			
Current liabilities:	Current liabilities:			

Current portion of long-term debt and finance lease obligations	Current portion of long-term debt and finance lease obligations			
Current portion of long-term debt and finance lease obligations	Current portion of long-term debt and finance lease obligations			
Current portion of long-term debt and finance lease obligations	Current portion of long-term debt and finance lease obligations	\$ 5,228	\$ 5,575	\$ 5,801
Accounts payable	Accounts payable	63,736	31,427	19,279
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	83,407	70,974	46,868
Total current liabilities	Total current liabilities	152,371	107,976	71,948
Long-term debt and finance lease obligations	Long-term debt and finance lease obligations	57,735	60,881	88,284
Deferred tax liabilities	Deferred tax liabilities	4,901	3,742	10,635
Long-term operating lease obligations	Long-term operating lease obligations	14,559	11,201	13,440
Other long-term liabilities	Other long-term liabilities	942	784	874
Total liabilities	Total liabilities	230,508	184,584	185,181
Commitments and contingencies (Note 7)	Commitments and contingencies (Note 7)			
Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)			
Commitments and contingencies (Note 9)	Commitments and contingencies (Note 9)			

Commitments and  
contingencies (Note 9)

Stockholders' equity:	Stockholders' equity:		
Common stock, par value of \$0.01 per share; 250,000,000 shares authorized as of September 30, 2023, March 31, 2023 and September 30, 2022; 54,621,561, 53,770,482 and 52,896,411 shares issued and outstanding as of September 30, 2023, March 31, 2023 and September 30, 2022, respectively	545	535	525
Stockholders' equity:			
Stockholders' equity:			
Common stock, par value of \$0.01 per share; 250,000,000 shares authorized as of December 31, 2023, March 31, 2023 and December 31, 2022; 55,412,234, 53,770,482 and 53,165,462 shares issued and outstanding as of December 31, 2023, March 31, 2023 and December 31, 2022, respectively			
Common stock, par value of \$0.01 per share; 250,000,000 shares authorized as of December 31, 2023, March 31, 2023 and December 31, 2022; 55,412,234, 53,770,482 and 53,165,462 shares issued and outstanding as of December 31, 2023, March 31, 2023 and December 31, 2022, respectively			

Common stock, par value of \$0.01 per share; 250,000,000 shares authorized as of December 31, 2023, March 31, 2023 and December 31, 2022; 55,412,234, 53,770,482 and 53,165,462 shares issued and outstanding as of December 31, 2023, March 31, 2023 and December 31, 2022, respectively			
Additional paid-in capital	Additional paid-in capital	851,634	832,481
Accumulated other comprehensive loss			
Accumulated deficit	Accumulated deficit	(335,751)	(421,999)
Total stockholders' equity			
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	516,428	411,017
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	<u>\$746,936</u>	<u>\$595,601</u>
			<u><b>\$542,141</b></u>

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

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### e.l.f. Beauty, Inc. and subsidiaries

### Condensed consolidated statements of operations and comprehensive income (unaudited)

(in thousands, except share and per share data)

	Net sales	Three months ended		Six months ended		Three months ended		Nine months ended	
		September 30,		September 30,		December 31,		December 31,	
		2023	2022	2023	2022	2023	2022	2023	2022
Net sales	Net sales	\$ 215,507	\$ 122,349	\$ 431,846	\$ 244,950				
Cost of sales	Cost of sales	63,142	42,789	126,909	82,405				
Gross profit	Gross profit	152,365	79,560	304,937	162,545				

Selling, general and administrative expenses	Selling, general and administrative expenses	112,186	64,183	204,125	125,738
Operating income	Operating income	40,179	15,377	100,812	36,807
Other expense, net		(1,062)	(1,262)	(663)	(2,925)
Operating income					
Operating income					
Other income (expense), net					
Impairment of equity investment	Impairment of equity investment	—	—	(1,720)	—
Interest income (expense), net		623	(786)	964	(1,449)
Interest expense, net					
Loss on extinguishment of debt					
Income before provision for income taxes	Income before provision for income taxes	39,740	13,329	99,393	32,433
Income tax provision	Income tax provision	(6,469)	(1,619)	(13,145)	(6,254)
Net income	Net income	\$ 33,271	\$ 11,710	\$ 86,248	\$ 26,179
Comprehensive income		\$ 33,271	\$ 11,710	\$ 86,248	\$ 26,179
Net income per share:	Net income per share:				
Net income per share:					
Basic					
Basic					
Basic	Basic	\$ 0.61	\$ 0.22	\$ 1.59	\$ 0.50
Diluted	Diluted	\$ 0.58	\$ 0.21	\$ 1.50	\$ 0.48

Weighted average shares outstanding:	Weighted average shares outstanding:					
Basic	Basic	54,425,384	52,298,905	54,183,091	52,004,661	
Basic						
Basic						
Diluted	Diluted	57,438,152	55,037,514	57,308,342	54,437,752	

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

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**e.l.f. Beauty, Inc. and subsidiaries**

**Condensed consolidated statements of comprehensive income  
(unaudited)  
(in thousands)**

	Three months ended December 31,		Nine months ended December 31,					
	2023		2022					
	\$	26,888	\$	19,105	\$	113,136	\$	45,284
Net income								
Other comprehensive loss, net of tax								
Foreign currency translation adjustment		(58)		—		(58)		—
Other comprehensive loss, net of tax		(58)		—		(58)		—
Comprehensive income	\$	26,830	\$	19,105	\$	113,078	\$	45,284

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

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**e.l.f. Beauty, Inc. and subsidiaries**

**Condensed consolidated statements of stockholders' equity  
(unaudited)  
(in thousands, except share data)**

	Accumulated					
	Common stock		Additional	other	Total	
	Shares	Amount	paid-in	comprehensive	Accumulated	stockholders'
<b>Balance as of March 31, 2023</b>	53,571,577	\$ 535	\$ 832,481	\$ —	\$ (421,999)	\$ 411,017
Net income	—	—	—	—	52,977	52,977

Stock-based compensation	—	—	7,223	—	—	7,223
Exercise of stock options and vesting of restricted stock	754,953	8	477	—	—	485
<b>Balance as of June 30, 2023</b>	<b>54,326,530</b>	<b>\$ 543</b>	<b>\$ 840,181</b>	<b>\$ —</b>	<b>\$ (369,022)</b>	<b>\$ 471,702</b>
Net income	—	—	—	—	33,271	33,271
Stock-based compensation	—	—	11,190	—	—	11,190
Exercise of stock options and vesting of restricted stock	203,982	2	263	—	—	265
<b>Balance as of September 30, 2023</b>	<b>54,530,512</b>	<b>\$ 545</b>	<b>\$ 851,634</b>	<b>\$ —</b>	<b>\$ (335,751)</b>	<b>\$ 516,428</b>
Net income	—	—	—	—	26,888	26,888
Stock-based compensation	—	—	11,051	—	—	11,051
Exercise of stock options and vesting of restricted stock	213,014	2	2,141	—	—	2,143
Issuance of common stock as consideration for acquisition	577,659	6	57,766	—	—	57,772
Foreign currency translation adjustment	—	—	—	(58)	—	(58)
<b>Balance as of December 31, 2023</b>	<b>55,321,185</b>	<b>\$ 553</b>	<b>\$ 922,592</b>	<b>\$ (58)</b>	<b>\$ (308,863)</b>	<b>\$ 614,224</b>

	Common stock		Additional paid-in capital		Accumulated deficit	Total stockholders' equity
	Shares	Amount				
<b>Balance as of March 31, 2023</b>	<b>53,571,577</b>	<b>\$ 535</b>	<b>\$ 832,481</b>	<b>\$ (421,999)</b>	<b>\$ 411,017</b>	
Net income	—	—	—	—	52,977	52,977
Stock-based compensation	—	—	7,223	—	—	7,223
Exercise of stock options and vesting of restricted stock	754,953	8	477	—	—	485
<b>Balance as of June 30, 2023</b>	<b>54,326,530</b>	<b>\$ 543</b>	<b>\$ 840,181</b>	<b>\$ (369,022)</b>	<b>\$ 471,702</b>	
Net income	—	—	—	—	33,271	33,271
Stock-based compensation	—	—	11,190	—	—	11,190
Exercise of stock options and vesting of restricted stock	203,982	2	263	—	—	265
<b>Balance as of September 30, 2023</b>	<b>54,530,512</b>	<b>\$ 545</b>	<b>\$ 851,634</b>	<b>\$ (335,751)</b>	<b>\$ 516,428</b>	

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

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	Common stock		Additional paid-in capital		Accumulated deficit	Total stockholders' equity
	Shares	Amount				
<b>Balance as of March 31, 2022</b>	<b>51,524,307</b>	<b>\$ 515</b>	<b>\$ 795,443</b>	<b>\$ (483,529)</b>	<b>\$ 312,429</b>	

Net income	—	—	—	14,469	14,469
Stock-based compensation	—	—	6,549	—	6,549
Exercise of stock options and vesting of restricted stock	558,336	2	—	—	2
<b>Balance as of June 30, 2022</b>	<b>52,082,643</b>	<b>\$ 517</b>	<b>\$ 801,992</b>	<b>\$ (469,060)</b>	<b>\$ 333,449</b>
Net income	—	—	—	11,710	11,710
Stock-based compensation	—	—	8,022	—	8,022
Exercise of stock options and vesting of restricted stock	471,966	8	3,771	—	3,779
<b>Balance as of September 30, 2022</b>	<b>52,554,609</b>	<b>\$ 525</b>	<b>\$ 813,785</b>	<b>\$ (457,350)</b>	<b>\$ 356,960</b>

#### e.l.f. Beauty, Inc. and subsidiaries

#### Condensed consolidated statements of stockholders' equity

(unaudited)

(in thousands, except share data)

	Common stock		Additional paid-in capital		Accumulated deficit	Total stockholders' equity
	Shares	Amount				
<b>Balance as of March 31, 2022</b>	<b>51,524,307</b>	<b>\$ 515</b>	<b>\$ 795,443</b>	<b>\$ (483,529)</b>	<b>\$ 312,429</b>	
Net income	—	—	—	—	14,469	14,469
Stock-based compensation	—	—	6,549	—	—	6,549
Exercise of stock options and vesting of restricted stock	558,336	2	—	—	—	2
<b>Balance as of June 30, 2022</b>	<b>52,082,643</b>	<b>\$ 517</b>	<b>\$ 801,992</b>	<b>\$ (469,060)</b>	<b>\$ 333,449</b>	
Net income	—	—	—	—	11,710	11,710
Stock-based compensation	—	—	8,022	—	—	8,022
Exercise of stock options and vesting of restricted stock	471,966	8	3,771	—	—	3,779
<b>Balance as of September 30, 2022</b>	<b>52,554,609</b>	<b>\$ 525</b>	<b>\$ 813,785</b>	<b>\$ (457,350)</b>	<b>\$ 356,960</b>	
Net income	—	—	—	—	19,105	19,105
Stock-based compensation	—	—	7,239	—	—	7,239
Exercise of stock options and vesting of restricted stock	269,051	3	1,997	—	—	2,000
<b>Balance as of December 31, 2022</b>	<b>52,823,660</b>	<b>\$ 528</b>	<b>\$ 823,021</b>	<b>\$ (438,245)</b>	<b>\$ 385,304</b>	

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

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**e.l.f. Beauty, Inc. and subsidiaries**  
**Condensed consolidated statements of cash flows**  
**(unaudited)**  
**(in thousands)**

	Six months ended September 30,		Nine months ended December 31,	
			2023	2022
	Cash flows from operating activities:	Cash flows from operating activities:	Cash flows from operating activities:	
Net income	Net income	\$ 86,248	\$26,179	
Adjustments to reconcile net income to net cash provided by operating activities:	Adjustments to reconcile net income to net cash provided by operating activities:			Adjustments to reconcile net income to net cash provided by operating activities:
Depreciation and amortization	Depreciation and amortization	12,311	11,075	
Stock-based compensation expense	Stock-based compensation expense	18,417	14,576	
Stock-based compensation expense				
Stock-based compensation expense				
Amortization of debt issuance costs and discount on debt	Amortization of debt issuance costs and discount on debt	149	181	
Deferred income taxes	Deferred income taxes	1,159	1,042	
Impairment of equity investment	Impairment of equity investment	1,720	—	
Acquisition- related seller expenses				

Loss on extinguishment of debt				
Other, net				
Other, net				
Other, net	Other, net	221	(24)	
Changes in operating assets and liabilities:	Changes in operating assets and liabilities:			Changes in operating assets and liabilities:
Accounts receivable	Accounts receivable	(18,812)	(8,301)	
Inventory	Inventory	(65,904)	3,210	
Prepaid expenses and other assets	Prepaid expenses and other assets	(27,090)	(9,555)	
Accounts payable and accrued expenses	Accounts payable and accrued expenses	45,112	6,798	
Other liabilities	Other liabilities	(2,261)	(2,135)	
Net cash provided by operating activities	Net cash provided by operating activities	51,270	43,046	
<b>Cash flows from investing activities:</b>	<b>Cash flows from investing activities:</b>			
<b>Cash flows from investing activities:</b>				
Acquisition, net of cash acquired				
Purchase of property and equipment	Purchase of property and equipment	(1,465)	(694)	

Net cash used in investing activities	Net cash used in investing activities	(1,465)	(694)
Net cash used in investing activities			
Net cash used in investing activities			
<b>Cash flows from financing activities:</b>			
<b>Cash flows from financing activities:</b>			
<b>Cash flows from financing activities:</b>			
Proceeds from revolving line of credit			
Proceeds from long-term debt			
Proceeds from long-term debt			
Proceeds from long-term debt			
Repayment of long-term debt	Repayment of long-term debt	(2,500)	(2,500)
Debt issuance costs paid	Debt issuance costs paid	(665)	—
Cash received from issuance of common stock			
Cash received from issuance of common stock			
Cash received from issuance of common stock	Cash received from issuance of common stock	750	2,503
Other, net	Other, net	(405)	(391)
Net cash used in financing activities		(2,820)	(388)
Net increase in cash and cash equivalents		46,985	41,964

Cash and cash equivalents -		
beginning of period	120,778	43,353
Cash and cash equivalents - end		
of period	<u>\$167,763</u>	<u>\$85,317</u>

Other, net	
Other, net	
Net cash	
provided by	
(used in)	
financing	
activities	
Effect of exchange rate changes	
on cash and cash equivalents	
Effect of exchange rate changes	
on cash and cash equivalents	
Effect of exchange rate changes	
on cash and cash equivalents	
Net (decrease) increase in cash,	
cash equivalents and restricted	
cash	
Net (decrease) increase in cash,	
cash equivalents and restricted	
cash	
Net (decrease) increase in cash,	
cash equivalents and restricted	
cash	
Cash, cash	
equivalents and	
restricted cash -	
beginning of	
period	
Cash, cash	
equivalents and	
restricted cash -	
end of period	

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

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### e.l.f. Beauty, Inc. and subsidiaries Notes to condensed consolidated financial statements (unaudited)

**Note 1—Nature of operations** e.l.f. Beauty, Inc., a Delaware corporation (“e.l.f. Beauty” and together with its subsidiaries, the “Company,” or “we” “Company”), is a multi-brand beauty company that offers inclusive, accessible, clean, vegan and cruelty-free cosmetics and skincare products. The Company’s mission is to make the best of beauty accessible to every eye, lip, face and skin concern.

The Company believes its ability to deliver cruelty-free, clean, vegan and premium-quality products at accessible prices with broad appeal differentiates it in the beauty industry. The Company believes the combination of its value proposition, innovation engine, ability to attract and engage consumers, and its world-class team’s ability to execute with speed, has positioned the Company well to navigate the competitive beauty market.

The Company’s family of brands includes e.l.f. Cosmetics, e.l.f. SKIN, Naturium, Well People and Keys Soulcare. The Company’s brands are available online and across leading beauty, mass-market and specialty retailers. The Company has strong relationships with its retail customers such as Target, Walmart, Ulta Beauty and other leading retailers that have enabled the Company to expand distribution both domestically and internationally.

## **Note 2—Summary of significant accounting policies**

### ***Basis of presentation***

The accompanying unaudited condensed consolidated financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and note disclosures normally included in the Company’s annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of the Company, these interim financial statements contain all adjustments, including normal recurring adjustments, necessary for a fair statement of its financial position as of **September 30, 2023** **December 31, 2023**, March 31, 2023 and **September 30, 2022** **December 31, 2022**, and its results of operations and stockholders’ equity for the three and **six** **nine** months ended **September 30, 2023** **December 31, 2023** and **September 30, 2022** **December 31, 2022** and its cash flows for the **six** **nine** months ended **September 30, 2023** **December 31, 2023** and **September 30, 2022** **December 31, 2022**. All intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2023 (the “Annual Report”). Operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

### ***Use of estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### ***Segment reporting***

Operating segments are components of an enterprise for which separate financial information is available that is evaluated by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Utilizing these criteria, the Company manages its business on the basis of one operating segment and one reportable segment. It is impracticable for the Company to provide revenue by product line.

## **Significant accounting policies**

### **Business combinations**

The purchase price of a business acquisition is allocated to the assets acquired and liabilities assumed based upon their estimated fair values at the business combination date. The excess of purchase price over the fair value of assets acquired and liabilities assumed is recorded as goodwill. Determining fair value of identifiable assets, particularly intangibles, and liabilities acquired also requires the Company to make estimates, which are based on all available information and in some cases assumptions with respect to the timing and amount of future revenues and expenses associated with an asset. Unanticipated events or circumstances may occur that could affect the accuracy of the Company's fair value estimates, and under different assumptions, the resulting valuations could be materially different.

Costs that are incurred to complete the business combination, such as legal and other professional fees, are not considered as a part of consideration transferred and are charged to selling, general and administrative expense as they are incurred.

The Company made no other material changes in the application of its significant accounting policies that were disclosed in Note 2, "Summary of significant accounting policies," to the audited consolidated financial statements as of and for the fiscal year ended March 31, 2023 included in the Annual Report.

### **Revenue recognition**

The Company distributes products both through national and international retailers, as well as direct-to-consumers through its e-commerce channel. The marketing and consumer engagement benefits that the direct-to-consumer channel provides are integral to the Company's brand and product development strategy and drive sales across channels. As such, the Company views its two primary distribution channels as components of one integrated business, as opposed to discrete revenue streams.

The Company sells a variety of beauty products but does not consider them to be meaningfully different revenue streams given similarities in the nature of the products, the target consumer and the innovation and distribution processes.

The following table provides disaggregated revenue from contracts with customers by geographical market, as the nature, amount, timing and uncertainty of revenue and cash flows can differ between domestic and international customers (in thousands).

Net sales by geographic region:	Net sales by geographic region:	Three months ended September 30,		Six months ended September 30,		Net sales by geographic region:	Three months ended December 31,		Nine months ended December 31,		
		2023	2022	2023	2022		2023	2022	2023	2022	
		United States	International	\$181,857	\$109,273	\$370,451	\$216,412	33,650	13,076	61,395	28,538
Total net sales	Total net sales	\$215,507	\$122,349	\$431,846	\$244,950						

As of September 30, 2023 December 31, 2023, other than accounts receivable, the Company had no material contract assets, contract liabilities or deferred contract costs recorded on its unaudited condensed consolidated balance sheet.

### **Recent accounting pronouncements**

No new accounting pronouncements issued but not yet adopted are expected to have a material impact on the Company's unaudited condensed consolidated financial statements.

### Note 3—Restricted cash

Restricted cash amounting to \$2.3 million as of December 31, 2023, included in prepaid expenses and other current assets on the accompanying unaudited condensed consolidated balance sheets, represents part of the purchase consideration held in escrow for the settlement of general representation and warranty provisions in connection with the Company's acquisition of Naturium LLC ("Naturium"). The Company determines current or non-current classification of restricted cash based on the expected duration of the restriction.

The reconciliation of cash, cash equivalents and restricted cash recorded in the condensed consolidated balance sheets to amounts reported in the condensed consolidated statements of cash flows are as follows (in thousands):

	Balance sheet classification	Nine months ended December 31,	
		2023	2022
Cash and cash equivalents	Cash and cash equivalents	\$ 72,705	\$ 87,021
Restricted cash held in escrow	Prepaid expenses and other current assets	2,250	—
Cash, cash equivalents and restricted cash - end of period		\$ 74,955	\$ 87,021

### Note 3—4—Investment in equity securities

On April 14, 2017, the Company invested \$2.9 million in a social media analytics company, which is included in investments on its unaudited condensed consolidated balance sheets. The Company has elected the measurement alternative for equity investments that do not have readily determinable fair values. The Company recorded an impairment charge of \$1.7 million on its investment as a separate line under other income (expense) on its investment, net during the three months ended June 30, 2023, as an identified event or change in circumstances resulted in an indicator for of impairment. The Company did not record an additional impairment charge on its investment during the three months ended September 30, 2023 December 31, 2023.

### Note 5—Acquisition

On October 4, 2023, the Company, through its wholly owned subsidiary, e.l.f. Cosmetics, Inc., completed its acquisition of Naturium (including the indirect acquisition of equity interests in Naturium through the purchase of a "tax blocker" holding company) (the "Acquisition"), which furthered the Company's mission to make the best of beauty accessible to every eye, lip, face and skin concern. Naturium is a skincare company that provides clinically effective products at an affordable price. The Company directly and indirectly acquired all rights, title and interest in and to the outstanding equity securities of Naturium for a purchase price of \$333.0 million. The following table summarizes the fair market value of the consideration transferred and how the Company calculates the goodwill resulting from the acquisition (in thousands):

Cash consideration	\$	275,266
Equity consideration (common stock issued) <sup>(1)</sup>		57,772
Total consideration transferred		333,038
Less: Net assets acquired		
Net assets acquired, excluding liability assumed for acquisition-related seller expenses	\$	175,042
Liability assumed for acquisition-related seller expenses <sup>(2)</sup>		(10,549)
Net assets acquired		(164,493)
Goodwill	\$	168,545

<sup>(1)</sup> The fair market value of the \$57.8 million common stock issued (equivalent to 577,659 shares of common stock) was determined on the basis of the opening market price of the Company's stock of \$100.01 per share on the acquisition date.

<sup>(2)</sup> In connection with the Acquisition, the Company paid Naturium's acquisition-related expenses of \$10.5 million recognized as an assumed liability at the acquisition date.

The Company incurred and expensed acquisition transaction costs of \$0.6 million and \$3.1 million during the three and nine months ended December 31, 2023, respectively, which are included as a component of selling, general and administrative expenses in the condensed consolidated statements of operations.

The Acquisition has been accounted for as a business combination under the acquisition method and, accordingly, the total purchase price is allocated to the tangible and intangible assets acquired and the liabilities assumed based on their respective fair values on the acquisition date. The purchase price allocation, deferred tax calculations and residual goodwill are preliminary and pending finalization. Naturium's results of operations have been included in the Company's condensed consolidated financial statements from the date of acquisition.

The following table presents the preliminary purchase price allocation recorded in the Company's condensed consolidated balance sheet on the acquisition date (in thousands):

Cash	\$ 293
Accounts receivable	7,388
Inventory	16,282
Prepaid expenses and other current assets	1,899
Property and equipment	28
Goodwill <sup>(1)</sup>	168,545
Intangible assets	162,800
<b>Total assets acquired</b>	<b>357,235</b>
Accounts payable	(15,897)
Accrued expenses and other current liabilities	(6,077)
Net deferred tax liability	(2,223)
<b>Total liabilities assumed</b>	<b>(24,197)</b>
<b>Total purchase price</b>	<b>\$ 333,038</b>

<sup>(1)</sup> The goodwill represents the excess value over both tangible and intangible assets acquired and liabilities assumed. The goodwill recognized in this transaction is primarily attributable to the Company's expectation that Naturium can continue to expand distribution and deliver new skincare products. A substantial amount of the goodwill is expected to be deductible for tax purposes.

#### **Intangible assets**

	Fair Value	Estimated Useful Life	Fair Value Methodology
	(in thousands)	(in years)	
Customer relationships – retailers	\$ 20,000	10	Excess earnings method
Customer relationships – e-commerce	18,300	3	Excess earnings method and with and without method
Trademarks	124,500	15	Relief from Royalty method
<b>Total identified intangible assets</b>	<b>\$ 162,800</b>		

#### **Certain financial information (unaudited)**

The amounts of Naturium's net sales included in the Company's condensed consolidated financial statements from the date of acquisition and the net sales of the combined companies on an unaudited pro forma basis, had the acquisition date been April 1, 2022), are as follows (in thousands):

	Amount
Actual Naturium net sales from October 4, 2023 to December 31, 2023	\$ 22,458
Supplemental pro forma combined net sales for the three months ended December 31, 2023	271,579
Supplemental pro forma combined net sales for the nine months ended December 31, 2023	744,583
Supplemental pro forma combined net sales for the three months ended December 31, 2022	159,811
Supplemental pro forma combined net sales for the nine months ended December 31, 2022	425,423

The unaudited pro forma financial information shown in the table above are presented for informational purposes only and are not indicative of the results of operations that would have been achieved if the acquisition had taken place at April 1, 2022 (the beginning of comparable period presented).

The pro forma earnings of the combined companies are not presented as the effects of the Acquisition in earnings are not material in relation to the overall consolidated financial statements.

#### Note 4—6—Goodwill and intangible assets

Information regarding the Company's goodwill and intangible assets as of **September 30, 2023** **December 31, 2023** is as follows (in thousands):

		Gross Estimated useful life	carrying amount	Net Accumulated amortization	carrying amount	Estimated useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	Customer relationships								
— retailers	— retailers	10 years	\$ 77,600	\$ (69,660)	\$ 7,940				
Customer relationships	Customer relationships								
— e-commerce	— e-commerce	3 years	3,940	(3,940)	—				
Trademarks	Trademarks	10 years	3,500	(1,254)	2,246				
Total finite-lived intangibles	Total finite-lived intangibles								
Trademarks	Trademarks	Indefinite	63,800	—	63,800				
Goodwill	Goodwill		171,620	—	171,620				
Total goodwill and other intangibles	Total goodwill and other intangibles								
		\$320,460	\$ (74,854)	\$245,606					

Information regarding the Company's goodwill and intangible assets as of March 31, 2023 is as follows (in thousands):

	Estimated useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships – retailers	10 years	\$ 77,600	\$ (65,780)	\$ 11,820
Customer relationships – e-commerce	3 years	3,940	(3,940)	—
Trademarks	10 years	3,500	(1,079)	2,421
Total finite-lived intangibles		85,040	(70,799)	14,241

Trademarks	Indefinite	63,800	—	63,800
Goodwill		171,620	—	171,620
Total goodwill and other intangibles		\$ 320,460	\$ (70,799)	\$ 249,661

Information regarding the Company's goodwill and intangible assets as of **September 30, 2022** **December 31, 2022** is as follows (in thousands):

		Gross		Net carrying amount	Estimated useful life	Gross carrying amount	Accumulated amortization	Net carrying amount
		Estimated useful life	carrying amount					
Customer relationships	Customer relationships							
– retailers	– retailers	10 years	\$ 77,600	\$ (61,900)	\$ 15,700			
Customer relationships	Customer relationships							
– e-commerce	– e-commerce	3 years	3,940	(3,935)	5			
Trademarks	Trademarks	10 years	3,500	(904)	2,596			
Total finite-lived intangibles	Total finite-lived intangibles							
			85,040	(66,739)	18,301			
Trademarks	Trademarks	Indefinite	63,800	—	63,800			
Goodwill	Goodwill		171,620	—	171,620			
Total goodwill and other intangibles	Total goodwill and other intangibles							
			\$320,460	\$ (66,739)	\$253,721			

Amortization expenses on finite-lived intangible assets were \$6.1 million and \$2.0 million and \$4.1 million in both the three and six months ended **September 30, 2023** **December 31, 2023** and **September 30, 2022** **December 31, 2022**, respectively, and \$10.2 million and \$6.1 million in the nine months ended December 31, 2023 and December 31, 2022, respectively. Certain trademark assets have been classified as indefinite-lived intangible assets and accordingly, are not subject to amortization. There were no impairments of goodwill or intangible assets recorded in the three and **six** nine months ended **September 30, 2023** **December 31, 2023** and **September 30, 2022** **December 31, 2022**.

The estimated future amortization expense related to finite-lived intangible assets, assuming no impairment as of **September 30, 2023** **December 31, 2023** is as follows (in thousands):

Remainder of fiscal 2024			
Remainder of fiscal 2024			
Remainder of fiscal 2024	Remainder of fiscal 2024	\$	2,908

2025	2025	1,230
2026	2026	1,230
2027	2027	1,230
2028	2028	1,230
Thereafter	Thereafter	2,358
<b>Total</b>	<b>Total</b>	<b>\$ 10,186</b>

#### Note 5—7—Accrued expenses and other current liabilities

Accrued expenses and other current liabilities as of **September 30, 2023** **December 31, 2023**, March 31, 2023 and **September 30, 2022** **December 31, 2022** consisted of the following (in thousands):

		September 30, 2023	March 31, 2023	September 30, 2022	December 31, 2023	March 31, 2023	December 31, 2022
Accrued expenses	Accrued expenses	\$28,249	\$22,726	\$13,584			
Accrued inventory	Accrued inventory	19,247	1,330	12,195			
Accrued marketing	Accrued marketing	17,084	23,761	4,498			
Current portion of operating lease	Current portion of operating lease						
liabilities	liabilities	4,172	4,510	4,458			
Accrued compensation	Accrued compensation	8,199	13,098	7,216			
Taxes payable	Taxes payable	4,343	2,851	2,646			
Other current liabilities	Other current liabilities	2,113	2,698	2,271			
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	<u>\$83,407</u>	<u>\$70,974</u>	<u>\$46,868</u>			

#### Note 6—8—Debt

The Company's outstanding debt as of **September 30, 2023** **December 31, 2023**, March 31, 2023 and **September 30, 2022** **December 31, 2022** consisted of the following (in thousands):

	September 30, 2023	March 31, 2023	September 30, 2022	December 31, 2023	March 31, 2023	December 31, 2022
Revolving line of credit <sup>(1)</sup>						
Revolving line of credit <sup>(1)</sup>						
Revolving line of credit <sup>(1)</sup>						
Term loan <sup>(1)</sup>	Term loan <sup>(1)</sup>					
Finance lease obligations	Finance lease obligations					
Total debt <sup>(2)</sup>	Total debt <sup>(2)</sup>	63,978	66,883	94,780		
Less: debt issuance costs	Less: debt issuance costs					
Total debt, net of issuance costs	Total debt, net of issuance costs	62,963	66,456	94,085		
Less: current portion	Less: current portion					
Long-term portion of debt	Long-term portion of debt	\$57,735	\$60,881	\$88,284		

<sup>(1)</sup> See further discussion below. As of September 30, 2023 December 31, 2023, the Company was in compliance with all applicable financial covenants under the Amended Credit Agreement.

<sup>(2)</sup> The gross carrying amounts of the Company's long-term debt, before reduction of the debt issuance costs, and finance lease obligations approximate their fair values, based on Level 2 inputs (quoted prices for similar assets and liabilities in active markets or inputs that are observable), as the stated rates approximate market rates for loans with similar terms. The Company did not transfer any liabilities measured at fair value on a recurring basis to or from Level 2 for any of the periods presented.

### **Amended Credit Agreement**

On April 30, 2021, the Company amended and restated its prior credit agreement (such amended and restated credit agreement, as further amended, supplemented or modified from time to time, the "Amended Credit Agreement") and refinanced all loans under

the prior credit agreement. The Amended Credit Agreement has a five year term and consists of (i) a \$100 million revolving credit facility (the "Amended Revolving Credit Facility") and (ii) a \$100 million term loan facility (the "Amended Term Loan Facility").

All amounts under the Amended Revolving Credit Facility are available for draw until the maturity date on April 30, 2026. The Amended Revolving Credit Facility is collateralized by substantially all of **the Company's** assets and requires payment of an unused fee ranging from 0.10% to 0.30% (based on **the Company's** consolidated total net leverage ratio (as defined in the Amended Credit Agreement)) times the average daily amount of unutilized commitments under the Amended Revolving Credit Facility. The Amended Revolving Credit Facility also provides for sub-facilities in the form of a \$7 million letter of credit and a \$5 million swing line loan; however, all amounts drawn under the Amended Revolving Credit Facility cannot exceed \$100 million. The unused balance of the Amended Revolving Credit Facility as of **September 30, 2023** **December 31, 2023** was **\$100.0 million** **\$10.5 million**.

Prior to the **First** **Second** Amendment (as defined below), both the Amended Revolving Credit Facility and the Amended Term Loan Facility bore interest, at the borrowers' option, at either (i) a rate per annum equal to an adjusted LIBOR rate determined by reference to the cost of funds for the United States ("US") dollar deposits for the applicable interest period (subject to a minimum floor of 0%) plus an applicable margin ranging from 1.25% to 2.125% based on our consolidated total net leverage ratio or (ii) a floating base rate plus an applicable margin ranging from 0.25% to 1.125% based on our consolidated total net leverage ratio. On March 29, 2023, the Company amended the Amended Credit Agreement to transition the benchmark from LIBOR to an adjusted Secured Overnight Financing Rate ("SOFR") (which is equal to the applicable SOFR plus 0.10%) (such transaction, the "First Amendment"). In connection with the First Amendment, all outstanding LIBOR loans were converted to SOFR loans. The annual interest rate for SOFR borrowings will be equal to term SOFR plus 0.10%, subject to a floor of 0%, plus a margin ranging from 1.25% to 2.125%.

The interest rate as of December 31, 2023 for the Amended Revolving Credit Facility and the Amended Term Loan Facility was approximately 6.7%.

#### **Second Amended Credit Agreement**

On August 28, 2023, the Company entered into the Second Amendment to the Amended and Restated Credit Agreement (the "Second Amendment"). Pursuant to the Second Amendment, the Company may borrow incremental term loans in a principal amount equal to \$115.0 million under the Amended Credit Agreement (the "Incremental Term Loan"). The Incremental Term Loan will bear interest at a rate per annum equal to, at the Company's election, adjusted term SOFR or an alternate base rate as set forth in the Second Amendment, plus an interest rate margin, to be based on consolidated total net leverage ratio levels, ranging from, (i) in the case of SOFR loans, 1.50% to 2.375%; provided that if SOFR is less than 0.00%, such rate shall be deemed to be 0.00%, and (ii) in the case of alternate base rate loans, 0.50% to 1.375%; provided that if the alternate base rate is less than 1.00%, such rate shall be deemed to be 1.00%. The Incremental Term Loan amortizes at 5.00% per annum payable in equal quarterly installments of 1.25% per annum, commencing with the fiscal quarter ending on December 31, 2023. The Company used the Incremental Term Loan together with cash from its balance sheet and additional borrowings under its Amended Revolving Credit Facility to consummate the Acquisition (as defined in Note **125** hereto) and to pay related fees and expenses in connection with the Acquisition and Second Amendment.

The interest rate as of **September 30, 2023** **December 31, 2023** for the **Amended** **Incremental** Term Loan **Facility** was approximately **6.7%** **6.9%**.

The Amended Credit Agreement contains a number of covenants that, among other things and subject to certain exceptions, restrict the Company's ability to (subject to certain exceptions) pay dividends and distributions or repurchase capital stock, incur additional indebtedness, create liens on assets, engage in mergers or consolidations and sell or otherwise dispose of assets. The Amended Credit Agreement also includes reporting, financial and maintenance covenants that require the Company to, among other things, comply with certain consolidated total net leverage ratios and consolidated fixed charge coverage ratios.

## Note 7—9—Commitments and contingencies

### *Legal contingencies*

The Company is from time to time subject to, and is currently involved in legal proceedings, claims and litigation arising in the ordinary course of business. The Company is not currently a party to any matters that management expects will have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

## Note 10—Income taxes

The Company's quarterly tax provision is based upon an estimated annual effective tax rate as adjusted for any discrete items. The Company's provision for income taxes were \$3.5 million and \$4.3 million for the three months ended December 31, 2023 and December 31, 2022, respectively, and \$16.7 million and \$10.5 million for the nine months ended December 31, 2023 and December 31, 2022, respectively, with an effective tax rate of 11.6% and 18.3% for the three months ended December 31, 2023 and December 31, 2022, respectively, and an effective tax rate of 12.8% and 18.9% for the nine months ended December 31, 2023 and December 31, 2022, respectively. The effective tax rate differs from the U.S. statutory tax rate primarily due to discrete tax benefit related to stock-based compensation.

## Note 8—11—Stock-based compensation

Stock based compensation expense is recognized on a straight-line basis over the requisite service period. Total stock-based compensation is shown in the table below (in thousands):

		Three months ended		Six months ended					
		September 30,	September 30,	September 30,	September 30,				
	Three	December	31,	Three months ended		December 31,	December 31,		
	months			December 31,					
	ended			December 31,					
Service-based	Service-based	2023	2022	2023	2022	2023	2022		
vesting options	vesting options	\$ 41	\$ 89	\$ 87	\$ 177				

Restricted stock and RSUs	Restricted stock and RSUs	11,176	7,945	18,330	14,399
Total stock compensation expense	Total stock compensation expense	\$11,217	\$8,034	\$18,417	\$14,576

As of **September 30, 2023** **December 31, 2023**, there was **\$0.2** **\$0.1** million and **\$92.0** million **\$88.3** million of total unrecognized stock-based compensation cost related to unvested service-based stock options and shares subject to RSAs and RSUs, respectively. The unrecognized stock-based compensation is expected to be recognized over the remaining weighted-average period of **1.3** **1.8** years for service-based stock options and **2.1** **2.0** years for shares subject to RSAs and RSUs, respectively.

#### Note 9—12—Repurchase of common stock

On May 8, 2019, the Company announced that its board of directors authorized a share repurchase program to acquire up to \$25.0 million of the Company's common stock (the "Share Repurchase Program"). Purchases under the Share Repurchase Program may be made from time to time, in such amounts as management deems appropriate, through a variety of methods, which may include open market purchases, privately negotiated transactions, block trades, accelerated share repurchase transactions, or by any combination of such methods. The timing and amount of any repurchases pursuant to the Share Repurchase Program will be determined based on market conditions, share price and other factors. The Share Repurchase Program does not have an expiration date, does not require the Company to repurchase any specific number of shares of its common stock, and may be modified, suspended or terminated at any time without notice. There is no guarantee that any additional shares will be purchased under the Share Repurchase Program and such shares are intended to be retired after purchase.

The covenants in the Amended Credit Agreement require the Company to be in compliance with certain leverage ratios to make repurchases under the Share Repurchase Program.

The Company did not repurchase any shares during the three and **six** **nine** months ended **September 30, 2023** **December 31, 2023**. A total of \$17.1 million remains available for future share repurchases under the Share Repurchase Program as of **September 30, 2023** **December 31, 2023**.

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#### Note 10—13—Net income per share

The Company computes basic net income per share using the weighted-average number of shares of common stock outstanding. Diluted net income per share amounts are calculated using the treasury stock method for equity-based compensation awards. The following is a reconciliation of the numerator and denominator in the basic and diluted net income per common share computations (in thousands, except share and per share data):

Three months ended		Six months ended	
September 30,		September 30,	
2023	2022	2023	2022

		Three months ended December 31,	Nine months ended December 31,
<b>Numerator:</b>			
<b>Numerator:</b>			
<b>Numerator:</b>	<b>Numerator:</b>		
Net income	Net income	\$ 33,271	\$ 11,710
		\$ 86,248	\$ 26,179
<b>Denominator:</b>			
Weighted-average common shares outstanding – basic		54,425,384	52,298,905
		54,183,091	52,004,661
Net income			
Net income			
<b>Denominator:</b>			
<b>Denominator:</b>			
<b>Denominator:</b>			
Weighted-average common shares outstanding – basic			
Weighted-average common shares outstanding – basic			
Weighted-average common shares outstanding – basic			
Dilutive common equivalent shares from equity awards	Dilutive common equivalent shares from equity awards	3,012,768	2,738,609
		3,125,251	2,433,091
Dilutive common equivalent shares from equity awards			
Dilutive common equivalent shares from equity awards			
Weighted-average common shares outstanding – diluted			

Weighted-average common shares outstanding – diluted	Weighted- average common shares	Weighted- average common shares	57,438,152	55,037,514	57,308,342	54,437,752
outstanding – diluted	outstanding – diluted					
<b>Net income per share:</b>	<b>Net income per share:</b>					
Basic	Basic	\$ 0.61	\$ 0.22	\$ 1.59	\$ 0.50	
Basic						
Basic						
Diluted						
Diluted	Diluted	\$ 0.58	\$ 0.21	\$ 1.50	\$ 0.48	
Weighted- average anti-dilutive shares from outstanding equity awards excluded from diluted earnings per share	Weighted- average anti-dilutive shares from outstanding equity awards excluded from diluted earnings per share	3,947	21,646	72,677	381,331	
Weighted-average anti- dilutive shares from outstanding equity awards excluded from diluted earnings per share						
Weighted-average anti- dilutive shares from outstanding equity awards excluded from diluted earnings per share						

## Note 11—14—Leases

The Company leases warehouses, distribution centers, office space and equipment. The majority of the Company's leases include one or more options to renew, with renewal terms that can extend the lease term for up to five years. The exercise of lease renewal options is at the Company's sole discretion and such renewal options are included in the lease term if they are reasonably certain to be exercised. Certain leases also include options to purchase the leased asset. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Most of the Company's equipment leases are finance leases of assets used to operate its distribution centers center in Ontario, California and Columbus, Ohio.

### California.

Significant judgment is required to determine whether commercial contracts contain a lease for purposes of ASC 842. The Company uses its incremental borrowing rate to determine the present value of lease payments.

#### Balance

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Supplemental balance sheet lines information related to accounting for leases as of **September 30, 2023** **December 31, 2023**, March 31, 2023 and **September 30, 2022** are **December 31, 2022** is as follows (in thousands):

		September Classification 30, 2023	March 31, 2023	September 30, 2022	Classification	December 31, 2023	March 31, 2023	December 31, 2022
Assets	Assets							
Operating lease assets								
Operating lease assets								
Operating lease assets	Operating lease assets	Other assets	\$17,269	\$14,071	\$16,156			
Finance lease assets (a)	Finance lease assets (a)	Other assets	35	245	455			
Total leased assets	Total leased assets		\$17,304	\$14,316	\$16,611			
Liabilities	Liabilities							
Current	Current							
Current								
Operating lease assets								
Operating lease assets								

		Accrued expenses and other current				
Operating	Operating	liabilities	\$ 4,172	\$ 4,510	\$ 4,458	
		Current portion of long-term debt and finance lease				
Finance	Finance	obligations	228	575	801	
Noncurrent	Noncurrent					
		Long-term operating lease				
Operating	Operating	obligations	14,559	11,201	13,440	
Operating						
Operating						
		Long-term debt and finance lease				
Finance	Finance	obligations	—	58	229	
Total lease liabilities	Total lease liabilities		\$18,959	\$16,344	\$18,928	

(a) Finance leases are recorded net of accumulated amortization of \$3.6 million \$1.5 million, \$3.4 million and \$3.2 million \$3.3 million as of September 30, 2023 December 31, 2023, March 31, 2023 and September 30, 2022 December 31, 2022, respectively.

For the three and six nine months ended September 30, 2023 December 31, 2023 and September 30, 2022 December 31, 2022, the components of operating and finance lease costs were as follows (in thousands):

	Three months				Six months ended							
	ended September 30,		September 30,		ended December 31,		September 30,		ended December 31,		December 31,	
	Classification	2023	2022	Classification	2023	2022	Classification	2023	2022	Classification	2023	2022

		Selling, general and administrative				
Operating lease cost	Operating lease cost	("SG&A") expenses	\$1,425	\$1,152	\$2,702	\$2,309
Finance lease cost	Finance lease cost					
	Finance lease cost					
	Finance lease cost					
	Amortization of leased assets					
	Amortization of leased assets					
Amortization of leased assets	Amortization of leased assets	SG&A expenses	105	105	210	210
Interest on lease liabilities	Interest on lease liabilities	Interest expense, net	3	8	7	18
Total lease cost	Total lease cost		\$1,533	\$1,265	\$2,919	\$2,537

As of **September 30, 2023** **December 31, 2023**, the aggregate future minimum lease payments under non-cancellable leases presented in accordance with ASC 842 are as follows (in thousands):

		Operating	Finance	Total
		leases	leases	
	Operating			
	leases			
Remainder of fiscal 2024	Remainder of fiscal 2024	\$ 2,479	\$ 173	\$ 2,652
2025	2025	4,404	57	4,461
2026	2026	3,999	—	3,999
2027	2027	2,343	—	2,343
2028	2028	1,748	—	1,748
Thereafter	Thereafter	6,728	—	6,728
Total lease payments	Total lease payments	21,701	230	21,931
Less: Interest	Less: Interest	2,970	2	2,972

Present value of lease liabilities	Present value of lease liabilities	\$ 18,731	\$ 228	\$18,959
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For leases commencing prior to January 1, 2019, minimum lease payments exclude payments to landlords for real estate taxes and common area maintenance. These payments can be either fixed or variable, depending on the lease.

As of **September 30, 2023** **December 31, 2023** and **September 30, 2022** **December 31, 2022**, the weighted-average remaining lease term (in years) and discount rate were as follows:

	September 30, 2023	September 30, 2022	December 31, 2023	December 31, 2022
Weighted-average remaining lease term	Weighted-average remaining lease term			
Operating leases	Operating leases	5.9 years	4.9 years	
Operating leases	Operating leases			
Finance leases	Finance leases	0.7 years	1.4 years	
Weighted-average discount rate	Weighted-average discount rate			
Operating leases	Operating leases	3.7 %	2.6 %	
Operating leases	Operating leases			
Finance leases	Finance leases	1.6 %	2.9 %	

Operating cash outflows from operating leases for the **six** **nine** months ended **September 30, 2023** **December 31, 2023** and **September 30, 2022** **December 31, 2022** were **\$2.5 million** **\$3.2 million** and **\$2.5 million** **\$3.6 million**, respectively.

## **Note 12— Subsequent Event**

### **Naturium Acquisition**

On August 28, 2023, the Company entered into a definitive agreement to acquire all of the sellers' rights, title and interest in and to the outstanding equity securities of Naturium LLC, a Delaware limited liability company ("Naturium"), and TCB-N Prelude Blocker Corp. ("Blocker") (the transaction contemplated thereby, the "Acquisition"). The Acquisition closed on October 4, 2023, for a purchase price of \$355 million payable in cash and shares of the Company's common stock. The Acquisition is expected to expand the Company's brand portfolio and provide additional skincare products. The Acquisition will be accounted for as a business combination using the acquisition method of accounting, which requires certain assets acquired and liabilities assumed to be recognized at fair value as of the acquisition date. As of the date of this filing, the Company is currently evaluating the preliminary allocation of the purchase price to the net assets acquired and liabilities assumed in the Acquisition.

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### **Item 2. Management's discussion and analysis of financial condition and results of operations.**

*Management's discussion and analysis of financial condition and results of operations ("MD&A") should be read together with the MD&A presented in the Annual Report on Form 10-K for the year ended March 31, 2023 (the "Annual Report") and the unaudited condensed consolidated financial statements and accompanying notes included in Part I, Item 1 of this Quarterly Report on Form 10-Q (this "Quarterly Report"), which include additional information about our accounting policies, practices and the transactions underlying our financial results.*

#### **Overview and Business Trends**

e.l.f. Beauty, Inc., a Delaware corporation ("e.l.f. Beauty" and together with its subsidiaries, the "Company," or "we"), is a multi-brand beauty company that offers inclusive, accessible, clean, vegan and cruelty-free cosmetics and skincare products. Our mission is to make the best of beauty accessible to every eye, lip, face and skin concern.

We believe our ability to deliver cruelty-free, clean, vegan and premium-quality products at accessible prices with broad appeal differentiates us in the beauty industry. We believe the combination of our value proposition, innovation engine, ability to attract and engage consumers, and our world-class team's ability to execute with speed has positioned us well to navigate the competitive beauty market.

Our family of brands includes e.l.f. Cosmetics, e.l.f. SKIN, Naturium, Well People and Keys Soulcare. Our brands are available online and across leading beauty, mass-market, and specialty retailers. We have strong relationships with our retail customers such as Target, Walmart, Ulta Beauty and other leading retailers that have enabled us to expand distribution both domestically and internationally.

#### **Our Acquisition of Naturium**

On October 4, 2023, we consummated our acquisition of Naturium LLC, a Delaware limited liability company ("Naturium"), and TCB-N Prelude Blocker Corp., a Delaware corporation ("Blocker"), pursuant to a Securities Purchase Agreement, dated August 28, 2023 (the "Purchase Agreement"), by and among the Company, e.l.f. Cosmetics, Inc., Naturium, Blocker and various sellers. Pursuant to the Purchase Agreement, we acquired all right, rights, title and interest in and to the outstanding equity securities of Naturium and Blocker for a purchase price of \$355 million payable \$333.0 million paid in cash and shares of our common stock (the "Acquisition"). See Note 5, "Acquisition," in our unaudited condensed consolidated financial statements for further details.

#### **Seasonality**

Our results of operations are subject to seasonal fluctuations, with net sales in the third and fourth fiscal quarters typically being higher than in the first and second fiscal quarters. The higher net sales in our third and fourth fiscal quarters are largely attributable to the increased levels of purchasing by retailers for the holiday season and customer shelf reset activities, respectively. Lower inventory builds from our retailers in preparation for the holiday season or shifts in customer shelf reset activity could have a disproportionate effect on our results of operations for the entire fiscal year. To support anticipated higher sales during the third and fourth fiscal quarters, we make investments in working capital to ensure inventory levels can support demand. Fluctuations throughout the year are also driven by the timing of product restocking or rearrangement by our major retail customers as well as expansion into new retail customers. Because a limited number of our retail customers account for a large percentage of our net sales, a change in the order pattern of one or more of our large retail customers could cause a significant fluctuation of our quarterly results or impact our liquidity.

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### Results of operations

The following table sets forth our consolidated statements of operations data in dollars and as a percentage of net sales for the periods presented:

(in thousands)	(in thousands)	Three months ended		Six months ended		(in thousands)	Three months ended		Nine months ended		
		September 30,		September 30,			December 31,		December 31,		
		2023	2022	2023	2022		2023	2022	31, 2023	31, 2022	
Net sales	Net sales	\$215,507	\$122,349	\$431,846	\$244,950						
Cost of sales	Cost of sales	63,142	42,789	126,909	82,405						
Gross profit	Gross profit	152,365	79,560	304,937	162,545						
Selling, general and administrative expenses	Selling, general and administrative expenses	112,186	64,183	204,125	125,738						
Operating income	Operating income	40,179	15,377	100,812	36,807						
Other expense, net		(1,062)	(1,262)	(663)	(2,925)						
	Operating income										
	Operating income										
Other income (expense), net											
Impairment of equity investment	Impairment of equity investment	—	—	(1,720)	—						

Interest income (expense), net	623	(786)	964	(1,449)
Interest expense, net				
Loss on extinguishment of debt				
Income before provision for income taxes	Income before provision for income taxes	39,740	13,329	99,393
Income tax provision	Income tax provision	(6,469)	(1,619)	(13,145)
Net income	Net income	\$ 33,271	\$ 11,710	\$ 86,248
Comprehensive income		\$ 33,271	\$ 11,710	\$ 86,248
				\$ 26,179

(percentage of net sales)	(percentage of net sales)	Three months ended		Six months ended		Three months ended December		Nine months ended	
		September 30,		September 30,		31,		December 31,	
		2023	2022	2023	2022	2023	2022	2023	2022
Net sales	Net sales	100 %	100 %	100 %	100 %	Net sales	100 %	100 %	100 %
Cost of sales	Cost of sales	29 %	35 %	29 %	34 %	Cost of sales	29 %	33 %	29 %
Gross margin	Gross margin	71 %	65 %	71 %	66 %	Gross margin	71 %	67 %	71 %
Selling, general and administrative expenses	Selling, general and administrative expenses	52 %	52 %	47 %	51 %	Selling, general and administrative expenses	59 %	51 %	52 %
Operating income	Operating income	19 %	13 %	23 %	15 %				
Other expense, net		— %	(1)%	— %	(1)%				
Operating income						12 %	16 %	19 %	15 %
Operating income									
Other income (expense), net						Other income (expense), net	1 %	— %	— %
Impairment of equity investment	Impairment of equity investment	— %	— %	— %	— %	Impairment of equity investment	— %	— %	(1)%

Interest income (expense), net	— %	(1)%	— %	(1)%							
Interest expense, net			Interest expense, net		(1) %	— %	— %	— %	— %	— %	— %
Income before provision for income taxes											
Income before provision for income taxes											
Income before provision for income taxes	Income before provision for income taxes	18 %	11 %	23 %	13 %	11	%	16	%	18	%
Income tax provision	Income tax provision	(3)%	(1)%	(3)%	(3)%	Income tax provision		(1) %	(3)%	(2) %	(3)%
Net income	Net income	15 %	10 %	20 %	11 %	Net income		10 %	13 %	16 %	12 %
Comprehensive income		15 %	10 %	20 %	11 %						

**Comparison of the three months ended September 30, 2023 December 31, 2023 to the three months ended September 30, 2022 December 31, 2022**

#### Net sales

Net sales increased \$93.2 million \$124.4 million, or 76% 85%, to \$215.5 million \$270.9 million for the three months ended September 30, 2023 December 31, 2023, from \$122.3 million \$146.5 million for the three months ended September 30, 2022 December 31, 2022. The increase was driven by strength across both our retailer and e-commerce channels. Net sales increased \$81.0 million \$86.8 million, or 74% 67%, in our retailer channels and \$12.2 million \$37.6 million, or 96% 216%, in our e-commerce channels. From a price and volume perspective, a higher volume of units sold drove \$69.0 million \$81.9 million of the increase in net sales and a higher average item price within retailer and e-commerce orders drove the remaining \$24.2 million \$42.5 million increase in net sales as compared to the three months ended September 30, 2022 December 31, 2022.

#### Gross profit

Gross profit increased \$72.8 million \$93.2 million, or 92% 94%, to \$152.4 million \$192.0 million for the three months ended September 30, 2023 December 31, 2023, compared to \$79.6 million \$98.7 million for the three months ended September 30, 2022 December 31, 2022. Higher average item price and mix accounted for approximately \$28.0 million unit volume drove \$55.2 million of the increase to gross profit, with the remaining \$44.8 million increase of \$38.0 million driven by volume, higher average item price and mix. Gross margin increased to 71% from 65% 67% when compared to the three months ended September 30, 2022 December 31, 2022. The increase in gross margin rate was primarily driven by lower inventory adjustments, favorable foreign exchange impacts, improved transportation costs, cost savings and mix improved transportation costs and favorable foreign exchange impacts, partially offset by costs associated with retailer activity and space expansion in the three months ended September 30, 2023 December 31, 2023.

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## Selling, general and administrative expenses

Selling, general and administrative ("SG&A") expenses were \$112.2 million \$160.1 million for the three months ended September 30, 2023 December 31, 2023, an increase of \$48.0 million \$84.7 million, or 75% 112%, from \$64.2 \$75.4 million for the three months ended September 30, 2022 December 31, 2022. SG&A expenses as a percentage of net sales were approximately 52% increased to 59% for both the three months ended September 30, 2023 and December 31, 2023 from 51% for the three months ended September 30, 2022 December 31, 2022. The \$48.0 million \$84.7 million increase was primarily related to an increase in marketing and digital spend of \$25.3 million \$44.0 million, increased compensation and benefits of \$7.4 million \$10.5 million, increased professional fees operations costs of \$4.1 million \$8.8 million, increased retail fixturing and visual merchandising costs of \$3.6 million \$7.4 million, increased depreciation and amortization of \$5.9 million and increased operations costs professional fees of \$3.0 million \$2.3 million.

## Other expenses, income, net

Other expenses, income, net totaled \$1.1 million \$2.6 million for the three months ended September 30, 2023 December 31, 2023, as compared to \$1.3 million \$0.7 million for the three months ended September 30, 2022 December 31, 2022. The year-over-year variance is primarily due to a decrease an increase in unrealized loss gain in the quarter.

quarter attributable to favorable foreign currency rate fluctuation.

## Interest income (expense), expense, net

Interest income, expense, net was \$0.6 million \$4.0 million for the three months ended September 30, 2023 December 31, 2023, as compared to interest expense, net of \$0.8 million \$0.5 million for the three months ended September 30, 2022 December 31, 2022. The change compared to last year was primarily due to increased additional borrowings for the three months ended December 31, 2023 as well as higher interest earned costs. See Note 8, "Debt," in our unaudited condensed consolidated financial statements for further details on our cash balances and a lower average loan balance, offsetting higher interest costs.

debt.

## Income tax provision

The provision for income taxes was \$6.5 million \$3.5 million, or an effective rate of 16.3% 11.6%, for the three months ended September 30, 2023 December 31, 2023, as compared to a provision of \$1.6 million \$4.3 million, or an effective rate of 12.1% 18.3%, for the three months ended September 30, 2022 December 31, 2022. The change in the provision for income taxes was primarily driven by an increase in income before taxes discrete tax benefits of \$26.4 \$3.7 million, primarily related to stock-based compensation, partially offset by an increase in discrete tax benefit income before taxes of \$3.5 million, primarily related to stock-based compensation. \$7.0 million.

## Comparison of the six nine months ended September 30, 2023 December 31, 2023 to the six nine months ended September 30, 2022 December 31, 2022

### Net sales

Net sales increased \$186.8 million \$311.3 million, or 76% 80%, to \$431.8 million \$702.8 million for the six nine months ended September 30, 2023 December 31, 2023, compared to \$245.0 million \$391.5 million for the six nine months ended September 30, 2022 December 31, 2022. The increase was driven primarily by strength in both our retailer and e-commerce channels. Net sales increased \$162.3 million \$249.2 million, or 74% 72%, in our retailer channels and \$24.5 million \$62.1 million, or 94% 142%, in our e-commerce channels. From a price and volume perspective, a higher volume of units sold drove \$138.2 million \$220.2 million of the increase in net sales and a higher average item price within retailer and e-commerce orders drove the remaining \$48.6 million \$91.1 million increase in net sales as compared to the six nine months ended September 30, 2022 December 31, 2022.

## Gross profit

Gross profit increased \$142.4 million \$235.6 million, or 88% 90%, to \$304.9 million \$496.9 million for the six nine months ended September 30, 2023 December 31, 2023, compared to \$162.5 \$261.3 million for the six nine months ended September 30, 2022 December 31, 2022. Higher unit volume drove \$91.8 million \$147.0 million of the increase in gross profit, with the remaining increase of \$50.6 million \$88.6 million driven by higher average item price and mix. Gross margin increased to 71% from 66% 67% when compared to the six nine months ended September 30, 2022 December 31, 2022. The increase in gross margin rate in the six nine months ended September 30, 2023 December 31, 2023 was primarily driven by favorable foreign exchange impacts, cost savings and mix, improved transportation costs, and lower inventory adjustments, favorable foreign exchange impacts and improved transportation costs, partially offset by costs associated with retailer activity and space expansion.

## Selling, general and administrative expenses

SG&A expenses were \$204.1 million \$364.2 million for the six nine months ended September 30, 2023 December 31, 2023, an increase of \$78.4 million \$163.1 million, or 62% 81%, from \$125.7 million \$201.2 million for the six nine months ended September 30, 2022 December 31, 2022. SG&A expenses as a percentage of net sales decreased increased to 47% 52% for the six nine months ended September 30, 2023 December 31, 2023 from 51% for the six nine months ended September 30, 2022 December 31, 2022. The \$78.4 million \$163.1 million increase was primarily related to an increase in marketing and digital spend of \$40.6 million \$84.6 million, increased compensation and benefits of \$11.8 million \$22.3 million, increased operations costs of \$8.8 million \$17.6 million, increased retail fixturing and visual merchandising costs of \$6.1 million \$13.5 million, increased depreciation and amortization of \$7.0 million and increased professional fees of \$4.1 million \$6.9 million.

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## Other expense, income (expense), net

Other expense, income, net totaled \$0.7 million \$1.9 million for the six nine months ended September 30, 2023 December 31, 2023, as compared to other expense, net of \$2.9 million \$2.2 million for the six nine months ended September 30, 2022 December 31, 2022. The year-over-year variance is primarily due to a decrease an increase in unrealized loss gain in the period period attributable to favorable foreign currency rate fluctuation.

## Impairment of equity investment

Impairment of equity investment was \$1.7 million for the six nine months ended September 30, 2023 December 31, 2023. See Note 3.4, "Investment in equity securities," in our unaudited condensed consolidated financial statements for further details.

## Interest income (expense), expense, net

Interest income, expense, net was \$1.0 million \$3.0 million for the six nine months ended September 30, 2023 December 31, 2023, as compared to interest expense, net of \$1.4 million \$1.9 million for the six nine months ended September 30, 2022 December 31, 2022. The year-over-year variance was primarily due to additional borrowings for the three months ended December 31, 2023 as well as higher interest costs, partially offset by increased interest earned on our cash balances and a lower average loan balance, offsetting higher interest costs.

balances. See Note 8, "Debt," in our unaudited condensed consolidated financial statements for further details on our debt.

## Income tax provision

The provision for income taxes was ~~\$13.1~~ \$16.7 million, or an effective rate of ~~13.2%~~ ~~12.8%~~, for the ~~six~~ nine months ended September 30, 2023 December 31, 2023, as compared to a provision of ~~\$6.3~~ million ~~\$10.5~~ million, or an effective rate of ~~19.3%~~ ~~18.9%~~, for the ~~six~~ nine months ended September 30, 2022 December 31, 2022. The change in the provision for income taxes was primarily driven by an increase in income before taxes of ~~\$67.0~~ ~~\$74.0~~ million, partially offset by an increase in discrete tax benefit ~~benefits~~ of ~~\$13.1~~ ~~\$16.9~~ million, primarily related to stock-based compensation.

## Financial condition, liquidity and capital resources

### Overview

As of September 30, 2023 December 31, 2023, we had ~~\$167.8~~ million ~~\$72.7~~ million of cash and cash equivalents. ~~equivalents~~ and \$2.3 million of restricted cash. In addition, as of September 30, 2023 December 31, 2023, we had borrowing capacity of ~~\$100.0~~ million ~~\$10.5~~ million under our Amended Revolving Credit Facility.

Our primary cash needs are for working capital, fixturing, retail product displays and digital investments. Cash needs typically vary depending on strategic initiatives selected for the fiscal year, including investments in infrastructure, digital capabilities and expansion within or to additional retailer store locations.

We expect to fund ongoing cash needs from existing cash and cash equivalents, cash generated from operations and, if necessary, draws on our Amended Revolving Credit Facility.

Our primary working capital requirements are for product and product-related costs, compensation and benefits, distribution costs, advertising and marketing. Fluctuations in working capital are primarily driven by the timing of when a retailer rearranges or restocks its products, expansion of space within our existing retailer base or to new retailers and the general seasonality of our business. As of September 30, 2023 December 31, 2023, we had working capital, excluding cash and cash equivalents and restricted cash, of ~~\$115.3~~ million ~~\$77.0~~ million, compared to \$74.6 million as of March 31, 2023. Working capital, excluding cash and cash equivalents, restricted cash and debt, was ~~\$120.5~~ million ~~\$177.4~~ million and \$80.1 million as of September 30, 2023 December 31, 2023 and March 31, 2023, respectively.

We believe that our operating cash flow, existing cash and cash equivalents and available financing under the Amended Revolving Credit Facility will be adequate to meet our planned operating, investing and financing needs for the next twelve months. The unused balance of the Amended Revolving Credit Facility as of December 31, 2023 was \$10.5 million. If necessary, we can borrow funds under our Amended Revolving Credit Facility to finance our liquidity requirements, subject to customary borrowing conditions. To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, additional equity financings or a combination of these potential sources of funds; however, such financing may not be available on favorable terms, or at all. Our ability to meet our operating, investing and financing needs depends to a significant extent on our future financial performance, which will be subject in part to general economic, competitive, financial, regulatory and other factors that are beyond our control, including those described elsewhere in Part II, Item 1A "Risk factors." In addition to these general economic and industry factors, the principal factors in determining whether our cash flows will be sufficient to meet our liquidity requirements will be based on our ability to provide innovative products to our customers, manage production and our supply chain.

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### Cash flows

Six months ended September 30,	Nine months ended December 31,
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(in thousands)	(in thousands)	2023	2022	(in thousands)	2023	2022
Net cash provided by (used in):	Net cash provided by (used in):			Net cash provided by (used in):		
Operating activities	Operating activities	\$51,270	\$43,046			
Investing activities	Investing activities	(1,465)	(694)			
Financing activities	Financing activities	(2,820)	(388)			
Net increase in cash:		\$46,985	\$41,964			

*Cash provided by operating activities*

For the **six** **nine** months ended **September 30, 2023** **December 31, 2023**, net cash provided by operating activities was **\$51.3 million** **\$34.1 million**. This included net income as adjusted for depreciation, amortization and other non-cash items of **\$120.2 million** **\$167.2 million**, and payment of acquisition-related seller expenses of **\$10.5 million** in connection with the Acquisition, partially offset by an increase in operating assets and liabilities as shown on the statement of cash flows of **\$68.9 million** **\$122.5 million**. The increase in operating assets and liabilities was primarily driven by a **\$65.9 million** **\$106.9 million** increase in inventory. The increase was reflective of building inventory to support net sales growth, as well as **\$36.9 million** **\$8.7 million** related to Naturium inventory, and **\$27.7 million** related to a change in certain vendor arrangements where we now take ownership of inventory at shipment from China versus when it enters our U.S. distribution center. Additional changes to assets and liabilities include a **\$27.1 million** **\$50.7 million** increase in prepaid expense and other assets, **an \$18.8 million** **a \$45.9 million** increase in accounts receivable and a **\$2.3 million** **\$3.8 million** decrease related to other liabilities, partially offset by a **\$45.1 million** **an \$84.7 million** increase in accounts payable and accrued expenses.

For the **six** **nine** months ended **September 30, 2022** **December 31, 2022**, net cash provided by operating activities was **\$43.0 million** **\$69.0 million**. This included net income as adjusted for depreciation, amortization and other non-cash items of **\$53.0 million** **\$82.2 million** and an increase in operating assets and liabilities as shown on the statement of cash flows of **\$10.0 million** **\$13.2 million**.

The increase in operating assets and liabilities was primarily driven by a **\$15.2 million** increase of prepaid expense and other assets, a **\$20.6 million** increase in accounts receivable and a **\$3.3 million** decrease related to other liabilities. This was partially offset by a **\$22.6 million** increase in accounts payable and accrued expenses and a **\$3.2 million** decrease in inventory.

*Cash used in investing activities*

For the **six** **nine** months ended **September 30, 2023** **December 31, 2023**, net cash used in investing activities was **\$1.5 million** **\$281.0 million**. The change was primarily driven by an increase in **This includes \$275.0 million paid for the Acquisition, and capital expenditures related to machinery, fixturing, equipment and software during of \$6.0 million**.

For the **six** **nine** months ended **September 30, 2023** **December 31, 2022**, as compared to net cash used in investing activities was **\$1.6 million** consisting of **\$0.7 million** during the six months ended **September 30, 2022**.

**capital expenditures related to fixturing, equipment and software.**

*Cash used in provided by (used in) financing activities*

For the six nine months ended September 30, 2023 December 31, 2023, net cash provided by financing activities was \$201.1 million and was primarily driven by proceeds from the Amended Term Loan Facility of \$115.0 million and Revolving Credit Facility of \$89.5 million and cash received from the exercise of stock options of \$2.9 million. This was partially offset by repayment on the Amended Term Loan Facility of \$5.2 million and payment of debt issuance costs of \$0.7 million associated with the Second Amendment.

For the nine months ended December 31, 2022, net cash used in financing activities was \$2.8 million \$23.7 million and was primarily driven by repayment on the Amended Term Loan Facility of \$2.5 million and a payment on debt issuance costs of \$0.7 million associated with the Second Amendment, \$28.8 million, partially offset by cash received from the exercise of stock options.

For the six months ended September 30, 2022, net cash used in financing activities was \$0.4 million and was primarily driven by repayment options of the Amended Term Loan Facility, partially offset by cash received from the exercise of stock options, \$5.7 million.

## Description of indebtedness

### ***Amended Credit Agreement***

On April 30, 2021, we entered into the Amended Credit Agreement and refinanced all loans under the prior credit agreement. The Amended Credit Agreement has a five year term and consists of the Amended Revolving Credit Facility and the Amended Term Loan Facility.

All amounts under the Amended Revolving Credit Facility are available for draw until the maturity date on April 30, 2026. The Amended Revolving Credit Facility is collateralized by substantially all of our assets and requires payment of an unused fee ranging from 0.10% to 0.30% (based on our consolidated total net leverage ratio (as defined in the Amended Credit Agreement)) times the average daily amount of unutilized commitments under the Amended Revolving Credit Facility. The Amended Revolving Credit Facility also provides for sub-facilities in the form of a \$7 million letter of credit and a \$5 million

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swing line loan; however, all amounts drawn under the Amended Revolving Credit Facility cannot exceed \$100 million. The unused balance of the Amended Revolving Credit Facility as of September 30, 2023 December 31, 2023 was \$100.0 million \$10.5 million.

Prior to the First Second Amendment (as defined below), both the Amended Revolving Credit Facility and the Amended Term Loan Facility bear interest, at borrowers' option, at either (i) a rate per annum equal to an adjusted LIBOR rate determined by reference to the cost of funds for the US dollar deposits for the applicable interest period (subject to a minimum floor of 0%) plus an applicable margin ranging from 1.25% to 2.125% based on our consolidated total net leverage ratio or (ii) a floating base rate plus an applicable margin ranging from 0.25% to 1.125% based on our consolidated total net leverage ratio. On March 29, 2023, we amended the Amended Credit Agreement to transition the benchmark from LIBOR to an adjusted Secured Overnight Financing Rate ("SOFR") (which is equal to the applicable SOFR plus 0.10%) (such transaction, the "First Amendment"). In connection with the First Amendment, all outstanding LIBOR loans were converted to SOFR loans. The annual interest rate for SOFR borrowings will be equal to term SOFR, subject to a floor of 0%, plus a margin ranging from 1.25% to 2.125%.

The interest rate as of December 31, 2023 for the Amended Revolving Credit Facility and the Amended Term Loan Facility was approximately 6.7%.

### **Second Amended Credit Agreement**

On August 28, 2023, we entered into the Second Amendment to the Amended Credit Agreement (the "Second Amendment"). Pursuant to the Second Amendment, we may borrow incremental term loans in a principal amount equal to \$115.0 million under the Amended Credit Agreement (the "Incremental Term Loan"). The Incremental Term Loan will bear interest at a rate per annum equal to, at our election, adjusted term SOFR or an alternate base rate as set forth in the Second Amendment, plus an interest rate margin, to be based on consolidated total net leverage ratio levels, ranging from, (i) in the case of SOFR loans, 1.50% to 2.375%; provided that if SOFR is less than 0.00%, such rate shall be deemed to be 0.00%, and (ii) in the case of alternate base rate loans, 0.50% to 1.375%; provided that if the alternate base rate is less than 1.00%, such rate shall be deemed to be 1.00%. The Incremental Term Loan amortizes at 5.00% per annum payable in equal quarterly installments of 1.25% per annum, commencing with the fiscal quarter ending on December 31, 2023. We used the Incremental Term Loan together with cash from our balance sheet and additional borrowings under our Amended Revolving Credit Facility to consummate the **Naturium acquisition** Acquisition and to pay related fees and expenses in connection with the **Naturium acquisition** Acquisition and Second Amendment.

The interest rate as of **September 30, 2023** December 31, 2023 for the **Amended Incremental Term Loan** Facility was approximately **6.7%** 6.9%.

The Amended Credit Agreement contains a number of covenants that, among other things and subject to certain exceptions, restrict our ability to (subject to certain exceptions) pay dividends and distributions or repurchase our capital stock, incur additional indebtedness, create liens on assets, engage in mergers or consolidations and sell or otherwise dispose of assets. The Amended Credit Agreement also includes reporting, financial and maintenance covenants that require us to, among other things, comply with certain consolidated total net leverage ratios and consolidated fixed charge coverage ratios. As of **September 30, 2023** December 31, 2023, we were in compliance with all financial covenants under the Amended Credit Agreement.

### **Contractual obligations and commitments**

There have been no material changes to our contractual obligations and commitments as included in the Annual Report.

### **Off-balance sheet arrangements**

We are not party to any off-balance sheet arrangements.

### **Critical accounting policies and estimates**

The MD&A is based upon our unaudited condensed consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these unaudited condensed consolidated financial statements required the use of estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses. Management bases estimates on historical experience and other assumptions it believes to be reasonable under the circumstances and evaluates these estimates on an on-going basis. Actual results may differ from these estimates. There have been no significant changes to the critical accounting policies and estimates included in the Annual Report.

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## **Recent accounting pronouncements**

Recent accounting pronouncements are disclosed in Note 2 to our unaudited condensed consolidated financial statements.

### **Item 3. Quantitative and qualitative disclosures about market risk.**

There have been no material changes to our primary risk exposures or management of market risks from those disclosed in the Annual Report.

### **Item 4. Controls and procedures.**

#### **Evaluation of disclosure controls and procedures over financial reporting**

As of **September 30, 2023** **December 31, 2023**, our management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of **September 30, 2023** **December 31, 2023**, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to the officers who certify our financial reports and to the members of the Company's senior management and board of directors as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in internal control over financial reporting**

We have assessed the impact on changes to our internal controls over financial reporting and **conclude** **concluded** that there have been no changes to our internal control over financial reporting that occurred during the quarter ended **September 30, 2023** **December 31, 2023** 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.**

We are from time to time subject to, and are presently involved in, legal proceedings, claims and litigation arising in the ordinary course of business. We are not currently a party to any matters that management expects will have a material adverse effect on our consolidated financial position, results of operations or cash flows.

### **Item 1A. Risk factors.**

Certain risks may have a material and/or adverse effect on our business, financial condition and results of operations. These risks include those described below and may include additional risks and uncertainties not presently known to us or that we currently deem immaterial. These risks should be read in conjunction with the other information in this Quarterly Report, including our

unaudited condensed consolidated financial statements and related notes thereto and "Management's discussion and analysis of financial condition and results of operations" in Part I, Item 2 of this Quarterly Report.

## **Risk factors related to the beauty industry**

### ***The beauty industry is highly competitive, and if we are unable to compete effectively our results will suffer.***

We face vigorous competition from companies throughout the world, including large multinational consumer products companies that have many beauty brands under ownership and independent beauty and skincare brands, including those that may target the latest trends or specific distribution channels. Competition in the beauty industry is based on the introduction of new products, pricing of products, quality of products and packaging, brand awareness, perceived value and quality, innovation, in-store presence and visibility, promotional activities, advertising, editorials, e-commerce and mobile-commerce initiatives and other activities. We must compete with a high volume of new product introductions and existing products by diverse companies across several different distribution channels.

Many multinational consumer companies have greater financial, technical or marketing resources, longer operating histories, greater brand recognition or larger customer bases than we do and may be able to respond more effectively to changing business and economic conditions than we can. Many of these competitors' products are sold in a wider selection or greater number of retail stores and possess a larger presence in these stores, typically having significantly more inline shelf space than we do. Given the finite space allocated to beauty products by retail stores, our ability to grow the number of retail stores in which our products are sold and expand our space allocation once in these retail stores may require the removal or reduction of the shelf space of these competitors. We may be unsuccessful in our growth strategy in the event retailers do not reallocate shelf space from our competitors to us. Increasing shelf space allocated to our products may be especially challenging in instances when a retailer has its own brand. In addition, our competitors may attempt to gain market share by offering products at prices at or below the prices at which our products are typically offered, including through the use of large percentage discounts and "buy one and get one free" offers. Competitive pricing may require us to reduce our prices, which would decrease our profitability or result in lost sales. Our competitors, many of whom have greater resources than we do, may be better able to withstand these price reductions and lost sales.

It is difficult for us to predict the timing and scale of our competitors' activities in these areas or whether new competitors will emerge in the beauty industry. In recent years, numerous online, "indie," celebrity and influencer-backed beauty companies have emerged and garnered significant followings. In addition, further technological breakthroughs, including new and enhanced technologies which increase competition in the online retail market, new product offerings by competitors and the strength and success of our competitors' marketing programs may impede our growth and the implementation of our business strategy.

Our ability to compete also depends on the continued strength of our brands and products, the success of our marketing, innovation and execution strategies, the continued diversity of our product offerings, the successful management of new product introductions and innovations, strong operational execution, including in order fulfillment, our ability to adapt to changes in technology, including the successful utilization of data analytics, artificial intelligence and machine learning, and our success in entering new markets and expanding our business in existing geographies. If we are unable to continue to compete effectively, it could have a material adverse effect on our business, financial condition and results of operations.

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***Our new product introductions may not be as successful as we anticipate.***

The beauty industry is driven in part by fashion and beauty trends, which may shift quickly. Our continued success depends on our ability to anticipate, gauge and react in a timely and cost-effective manner to changes in consumer preferences for beauty products, consumer attitudes toward our industry and brands and where and how consumers shop for those products. We must continually work to develop, produce and market new products, maintain and enhance the recognition of our brands, maintain a favorable mix of products and develop our approach as to how and where we market and sell our products.

We have a process for the development, evaluation and validation of our new product concepts. Nonetheless, each new product launch involves risks, as well as the possibility of unexpected consequences. For example, the acceptance of new product launches and sales to our retail customers may not be as high as we anticipate due to lack of acceptance of the products themselves or their price or limited effectiveness of our marketing strategies. In addition, our ability to launch new products may be limited by delays or difficulties affecting the ability of our suppliers or manufacturers to timely manufacture, distribute and ship new products or displays for new products. Sales of new products may be affected by inventory management by our retail customers, and we may experience product shortages or limitations in retail display space by our retail customers. We may also experience a decrease in sales of certain existing products as a result of newly-launched products, the impact of which could be exacerbated by shelf space limitations or any shelf space loss. Any of these occurrences could delay or impede our ability to achieve our sales objectives, which could have a material adverse effect on our business, financial condition and results of operations.

As part of our ongoing business strategy, we expect that we will need to continue to introduce new products in the color cosmetics and skincare categories, while also expanding our product launches into adjacent categories in which we may have little to no operating experience. The success of product launches in adjacent product categories could be hampered by our relative inexperience operating in such categories, the strength of our competitors or any of the other risks referred to above. Furthermore, any expansion into new product categories may prove to be an operational and financial constraint which inhibits our ability to successfully accomplish such expansion. Our inability to introduce successful products in our traditional categories or in adjacent categories could limit our future growth and have a material adverse effect on our business, financial condition and results of operations.

***Any damage to our reputation or brands may materially and adversely affect our business, financial condition and results of operations.***

We believe that developing and maintaining our brands is critical and that our financial success is directly dependent on consumer perception of our brands. Furthermore, the importance of brand recognition may become even greater as competitors offer more products similar to ours.

We have relatively low brand awareness among consumers when compared to legacy beauty brands, and maintaining and enhancing the recognition and reputation of our brands is critical to our business and future growth. Many factors, some of which are beyond our control, are important to maintaining our reputation and brands. These factors include our ability to comply with ethical, social, product, labor and environmental standards. Any actual or perceived failure in compliance with such standards could damage our reputation and brands.

The growth of our brands depends largely on our ability to provide a high-quality consumer experience, which in turn depends on our ability to bring innovative products to the market at competitive prices that respond to consumer demands and preferences. Additional factors affecting our consumer experience include our ability to provide appealing store sets in retail stores, the maintenance and stocking of those sets by our retail customers, the overall shopping experience provided by our retail customers, a reliable and user-friendly website interface and mobile applications for our consumers to browse and purchase products on our e-commerce websites and mobile applications. If we are unable to preserve our reputation, enhance our brand recognition or increase positive awareness of our products and in-store and Internet platforms, it may be difficult for us to maintain and grow our consumer base, and our business, financial condition and results of operations may be materially and adversely affected.

The success of our brands may also suffer if our marketing plans or product initiatives do not have the desired impact on our brands' image or our ability to attract consumers. Further, our brand value could diminish significantly due to a number of factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products, our failure to maintain the quality of our products, product contamination, the failure of our products to deliver consistently positive consumer experiences, or the **our** products becoming unavailable to consumers.

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### ***Our success depends, in part, on the quality, performance and safety of our products.***

Any loss of confidence on the part of consumers in the ingredients used in our products, whether related to product contamination or product safety or quality failures, actual or perceived, or inclusion of prohibited ingredients, could tarnish the image of our brands and could cause consumers to choose other products. Allegations of contamination or other adverse effects on product safety or suitability for use by a particular consumer, even if untrue, may require us to expend significant time and resources responding to such allegations and could, from time to time, result in a recall of a product from any or all of the markets in which the affected product was distributed. Any such issues or recalls could negatively affect our profitability and image of our brands.

If our products are found to be, or perceived to be, defective or unsafe, or if they otherwise fail to meet our consumers' expectations, our relationships with consumers could suffer, the appeal of our brands could be diminished, we may need to recall some of our products and/or become subject to regulatory action, and we could lose sales or market share or become subject to boycotts or liability claims. In addition, safety or other defects in our competitors' products could reduce consumer demand for our own products if consumers view them to be similar. Any of these outcomes could result in a material adverse effect on our business, financial condition and results of operations.

### **Risk factors related to our growth and profitability**

#### ***We may not be able to successfully implement our growth strategy.***

Our future growth, profitability and cash flows depend upon our ability to successfully implement our business strategy, which, in turn, is dependent upon a number of key initiatives, including our ability to:

- build demand in our brands;
- invest in digital capabilities;
- lead innovation by providing prestige quality products at an extraordinary value;
- drive productivity and space expansion with our retailers;
- deliver profitable growth; and
- pursue strategic extensions that can leverage our strengths and bring new capabilities.

There can be no assurance that we can successfully achieve any or all of the above initiatives in the manner or time period that we expect. Further, achieving these objectives will require investments which may result in short-term cost increases with net sales materializing on a longer-term horizon and, therefore, may be dilutive to our earnings. We cannot provide any assurance that we will realize, in full or in part, the anticipated benefits we expect our strategy will achieve. The failure to realize those benefits could have a material adverse effect on our business, financial condition and results of operations.

***Our growth and profitability are dependent on a number of factors, and our historical growth may not be indicative of our future growth.***

Our historical growth ~~should~~ may not be considered as ~~indicative of our future performance. We~~ performance as we may not be successful in executing our growth strategy, and, even if we achieve our strategic imperatives, we may not be able to sustain profitability. In future periods, our revenue could decline or grow more slowly than we expect. We also may incur significant losses in the future for a number of reasons, including the following risks and the other risks described in this report, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors:

- we may lose one or more significant retail customers, or sales of our products through these retail customers may decrease;
- the ability of our third-party suppliers and manufacturers to produce our products and of our distributors to distribute our products could be disrupted;
- because substantially all of our products are sourced and manufactured in China, our operations are susceptible to risks inherent in doing business there;

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- our products may be the subject of regulatory actions, including, but not limited to, actions by the US Food and Drug Administration (the “FDA”), the Federal Trade Commission (the “FTC”) and the Consumer Product Safety Commission (the “CPSC”) in the United States and comparable foreign authorities outside the United States;
- we may be unable to introduce new products that appeal to consumers or otherwise successfully compete with our competitors in the beauty industry;
- we may be unsuccessful in enhancing the recognition and reputation of our brands, and our brands may be damaged as a result of, among other reasons, our failure, or alleged failure, to comply with applicable ethical, social, product, labor or environmental standards;
- we may experience service interruptions, data corruption, cyber-based attacks or network security breaches which result in the disruption of our operating systems or the loss of confidential information of our consumers;
- we may be unable to retain key members of our senior management team or attract and retain other qualified personnel; and
- we may be affected by **any** adverse economic conditions in the United States or internationally.

***We may be unable to continue to grow our business effectively or efficiently, which would harm our business, financial condition and results of operations.***

Since our formation, we have experienced significant growth in our business, customer base, employee headcount and operations, and we expect to continue to grow our business. Growing our business has placed, and we expect that it will continue to place, a strain on our management team, personnel, financial and information systems, supply chain and distribution capacity and other resources. To manage our growth effectively, we must continue to enhance our operational, financial and management systems, including our warehouse management and inventory control; maintain and improve our internal controls and disclosure controls and procedures; maintain and improve our information technology systems and procedures; and expand, train and manage our employee base while maintaining close coordination among our executive, accounting, finance, legal, human resources, marketing, regulatory, sales and operations functions.

We may not be able to continue to effectively manage this our expansion in any one or more of these areas, and any failure to do so could significantly harm our business, financial condition and results of operations. Growing our business may make it difficult for us to adequately predict the expenditures we will need to make in the future. If we do not make the necessary overhead expenditures to accommodate our future growth, we may not be successful in executing our growth strategy, and our results of operations would suffer.

***Acquisitions or investments, such as our acquisition of Naturium, could disrupt our business and harm our financial condition.***

We frequently review acquisition and strategic investment opportunities that would expand our current product offerings, our distribution channels, increase the size and geographic scope of our operations or otherwise offer growth and operating efficiency opportunities. There can be no assurance that we will be able to identify suitable candidates or consummate these transactions on favorable terms. The process of integrating an acquired business, product or technology can create unforeseen operating difficulties, expenditures and other challenges such as:

- potentially increased regulatory and compliance requirements;
- implementation or remediation of controls, procedures and policies at the acquired business;
- diversion of management time and focus from operation of our then-existing business to acquisition integration challenges;
- coordination of product, sales, marketing and program and systems management functions;
- transition of the users and customers of the acquired business, product, or technology onto our system;
- retention of employees from the acquired business;

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- integration of employees from the acquired business into our organization;
- integration of the acquired business' accounting, information management, human resources and other administrative systems and operations into our systems and operations;
- liability for activities of the acquired business, product or technology prior to the acquisition, including violations of law, commercial disputes and tax and other known and unknown liabilities; and
- litigation or other claims in connection with the acquired business, product or technology, including claims brought by terminated employees, customers, former stockholders or other third parties.

If we are unable to address these difficulties and challenges or other problems encountered in connection with any acquisition or investment, we might not realize the anticipated benefits of that acquisition or investment, and we might incur unanticipated liabilities or otherwise suffer harm to our business generally. For example, if the integration of Naturium's business with our business is more difficult, costly or time-consuming than expected, we may not fully realize the expected benefits of our acquisition

of Naturium, which may adversely affect our business, financial condition and results of operations. See also "Risk factors related to our acquisition of Naturium."

To the extent that we pay the consideration for any acquisitions or investments in cash, it reduces the amount of cash available to us for other purposes. Acquisitions or investments can also result in dilutive issuances of our equity securities or the incurrence of debt, contingent liabilities, amortization expenses, increased interest expenses or impairment charges against goodwill on our consolidated balance sheet, any of which could have a material adverse effect on our business, financial condition and results of operations. For example, in connection with our acquisition of Naturium, we paid total consideration of approximately **\$355 million** **\$333 million** using an incremental term loan under the Company's existing credit facility, borrowings on the Company's existing revolving facility, cash on the balance sheet and approximately **\$72 million** **\$58 million** of Company stock.

#### **Risk factors related to our acquisition of Naturium**

##### ***We have made certain assumptions relating to our acquisition of Naturium that may prove to be materially inaccurate.***

We have made certain assumptions relating to our acquisition of Naturium that may prove to be inaccurate, including as the result of the failure to realize the expected benefits of the acquisition, failure to realize expected revenue growth rates and higher than expected operating, transaction and integration costs, as well as general economic and business conditions that adversely affect the Company. If the assumptions are incorrect, our business, financial condition and results of operations may be materially adversely affected.

##### ***Naturium may have liabilities that are not known to us.***

Naturium may have liabilities that we failed, or were unable, to discover in the course of performing our due diligence investigations in connection with our acquisition of Naturium. We may learn additional information about Naturium that materially and adversely affect us and Naturium, such as unknown or contingent liabilities and liabilities related to compliance with applicable laws. Moreover, Naturium may be subject to audits, reviews, inquiries, investigations and claims of non-compliance and litigation by federal and state regulatory agencies which could result in liabilities or other sanctions. Any such liabilities or sanctions, individually or in the aggregate, could have an adverse effect on our business, financial condition and results of operations.

#### **Risk factors related to our business operations and macroeconomic conditions**

##### ***A disruption in our operations, including a disruption in the supply chains for our products, could materially and adversely affect our business.***

As a company engaged in distribution on a global scale, our operations, including those of our third-party manufacturers, suppliers, brokers and delivery service providers, are subject to the risks inherent in such activities, including industrial accidents, environmental events, strikes and other labor disputes, disruptions or delays in shipments, disruptions in information systems, product quality control, safety, licensing requirements and other regulatory issues, as well as natural disasters, pandemics (such as the coronavirus pandemic), border disputes, international conflict (such as the Israel-Hamas war

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or the ongoing military conflict in Ukraine), acts of terrorism and other external factors over which we and our third-party manufacturers, suppliers, brokers and delivery service providers have no control. The loss of, or damage to, the manufacturing facilities or distribution centers of our third-party manufacturers, suppliers, brokers and delivery service providers could materially and adversely affect our business, financial condition and results of operations.

We depend heavily on ocean container delivery, as well as fast boats, rail and air freight, to receive shipments of our products from our third-party manufacturers located in China and contracted third-party delivery service providers to deliver our products to our distribution facilities and logistics providers, and from there to our retail customers. Further, we rely on postal and parcel carriers for the delivery of products sold directly to consumers through our e-commerce websites and mobile applications. Interruptions, to or failures in, these delivery services could prevent the timely or successful delivery of our products. These interruptions or failures may be due to unforeseen events that are beyond our control or the control of our third-party delivery service providers, such as port congestion, container shortages, inclement weather, natural disasters, international conflict, labor unrest or other transportation disruptions. In addition, port congestion, container shortages, inclement weather, natural disasters, international conflict, labor unrest or other transportation disruptions may increase the costs to supply or transport our products or the components of our products. If our products are not delivered on time or are delivered in a damaged state, retail customers and consumers may refuse to accept our products and have less confidence in our services. In addition, a vessel and container shortage globally could delay future inventory receipts and, in turn, could delay deliveries to our retailer customers and availability of products in our direct-to-consumer e-commerce channel. Such potential delays, additional transportation expenses and shipping disruptions could negatively impact our results of operations through higher inventory costs and reduced sales. Furthermore, the delivery personnel of contracted third-party delivery service providers act on our behalf and interact with our consumers personally. Any failure to provide high-quality delivery services to our consumers may negatively affect the shopping experience of our consumers, damage our reputation and cause us to lose consumers.

Our ability to meet the needs of our consumers and retail customers depends on the proper operation of our distribution facilities, where most of our inventory that is not in transit is housed. Although we currently insure our inventory, our insurance coverage may not be sufficient to cover the full extent of any loss or damage to our inventory or distribution facilities, and any loss, damage or disruption of the facilities, or loss or damage of the inventory stored there, could materially and adversely affect our business, financial condition and results of operations.

### ***Our success depends, in part, on our retention of key members of our senior management team and ability to attract and retain qualified personnel.***

Our success depends, in part, on our ability to attract and retain key employees, including our executive officers, senior management team and operations, finance, sales and marketing personnel. The labor markets in the United States and China, where most of our employees are located, are hyper competitive, and attracting and retaining top talent requires significant organizational costs and attention. We are a relatively small company that relies on a few key employees, any one of whom would be difficult to replace, and because we are a small company, we believe that the loss of key employees may be more disruptive to us than it would be to a larger company. Our success also depends, in part, on our continuing ability to identify, hire, train and retain other highly qualified personnel. In addition, we may be unable to effectively plan for the succession of senior management, including our Chief Executive Officer. The loss of key personnel or the failure to attract and retain qualified personnel may have a material adverse effect on our business, financial condition and results of operations.

**We rely on a number of third-party suppliers, manufacturers, distributors and other vendors, and they may not continue to produce products or provide services that are consistent with our standards or applicable regulatory requirements, which could harm our brands, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services.**

We use multiple third-party suppliers and manufacturers, primarily based in China, to source and manufacture substantially all of our products. We engage our third-party suppliers and manufacturers on a purchase order basis and are not party to long-term contracts with any of them. The ability of these third parties to supply and manufacture our products may be affected by competing orders placed by other persons and the demands of those persons. Further, we are subject to risks associated with disruptions or delays in shipments whether due to port congestion, container shortages, labor disputes, product regulations and/or inspections or other factors, natural disasters or health pandemics, or other transportation disruptions. If we experience significant increases in demand or need to replace a significant number of existing suppliers or manufacturers, there can be no assurance that additional supply and manufacturing capacity will be available when required on terms that are acceptable to us, or at all, or that any supplier or manufacturer will allocate sufficient capacity to us in order to meet our requirements.

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In addition, quality control problems, such as the use of ingredients and delivery of products that do not meet our quality control standards and specifications or comply with applicable laws or regulations could harm our business. These quality control problems could result in regulatory action, such as restrictions on importation, products of inferior quality or product stock outages or shortages, harming our sales and creating inventory write-downs for unusable products.

We have also outsourced significant portions of our distribution process, as well as certain technology-related functions, to third-party service providers. Specifically, we rely on third-party distributors to sell our products in a number of foreign countries, our warehouses and distribution facilities are managed and staffed by third-party service providers, we are dependent on a single third-party vendor for credit card processing, and we utilize a third-party hosting and networking provider to host our e-commerce websites and mobile applications. The failure of one or more of these entities to provide the expected services on a timely basis, or at all, or at the prices we expect, or the costs and disruption incurred in changing these outsourced functions to being performed under our management and direct control or that of a third-party, may have a material adverse effect on our business, financial condition and results of operations. We are not party to long-term contracts with some of our distributors, and upon expiration of these existing agreements, we may not be able to renegotiate the terms on a commercially reasonable basis, or at all.

Further, our third-party manufacturers, suppliers and distributors may:

- have economic or business interests or goals that are inconsistent with ours;
- take actions contrary to our instructions, requests, policies or objectives;
- be unable or unwilling to fulfill their obligations under relevant purchase orders, including obligations to meet our production deadlines, quality standards, pricing guidelines and product specifications, or to comply with applicable regulations, including

those regarding the safety and quality of products and ingredients and good manufacturing practices;

- have financial difficulties;
- encounter raw material or labor shortages;
- encounter increases in raw material or labor costs which may affect our procurement costs;
- disclose our confidential information or intellectual property to competitors or third parties;
- engage in activities or employment practices that may harm our reputation; and
- work with, be acquired by, or come under control of, our competitors.

The occurrence of any of these events, alone or together, could have a material adverse effect on our business, financial condition and results of operations. In addition, such problems may require us to find new third-party suppliers, manufacturers or distributors, and there can be no assurance that we would be successful in finding third-party suppliers, manufacturers or distributors meeting our standards of innovation and quality.

The management and oversight of the engagement and activities of our third-party suppliers, manufacturers and distributors requires substantial time, effort and expense of our employees, and we may be unable to successfully manage and oversee the activities of our third-party manufacturers, suppliers and distributors. If we experience any supply chain disruptions caused by our manufacturing process or by our inability to locate suitable third-party manufacturers or suppliers, or if our manufacturers or raw material suppliers experience problems with product quality or disruptions or delays in the manufacturing process or delivery of the finished products or the raw materials or components used to make such products, our business, financial condition and results of operations could be materially and adversely affected.

***If we fail to manage our inventory effectively, our results of operations, financial condition and liquidity may be materially and adversely affected.***

Our business requires us to manage a large volume of inventory effectively. We depend on our forecasts to estimate demand for and popularity of various products to make purchasing decisions and to manage our inventory of stock-keeping units. Demand for products, however, can change significantly between the time inventory or components are ordered and the date of sale. Demand may be affected by seasonality, new product launches, rapid changes in product cycles and pricing, product

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defects, promotions, changes in consumer spending patterns, changes in consumer tastes with respect to our products and other factors, and our consumers may not purchase products in the quantities that we expect. It may be difficult to accurately forecast demand and determine appropriate levels of product or components. We generally do not have the right to return unsold products to our suppliers.

If we fail to manage our inventory effectively or negotiate favorable credit terms with third-party suppliers, we may be subject to a heightened risk of inventory obsolescence, a decline in inventory values, and significant inventory write-downs or write-offs. In addition, if we are required to lower sale prices in order to reduce inventory level or to pay higher prices to our suppliers, our profit margins might be negatively affected. Any of the above may materially and adversely affect our business, financial condition and results of operations. See also "*Risk factors related to our retail customers, consumers and the seasonality of our business—Our quarterly results of operations fluctuate due to seasonality, order patterns from key retail customers and other factors, and we may not have sufficient liquidity to meet our seasonal working capital requirements.*"

***Public health crises could adversely affect our business, financial condition and results of operations.***

The COVID-19 pandemic and government and private sector responsive measures taken to contain or mitigate the effects of the pandemic, as well as related changes in consumer shopping behaviors, adversely affected our business, financial condition and results of operations. The emergence of another pandemic, epidemic or infectious disease outbreak could have a similar effect. The potential impacts of such public health crises include, but are not limited to:

- the possibility of closures, reduced operating hours and/or decreased retail traffic for our retail customers, resulting in a decrease in sales of our products;
- disruption to our distribution centers and our third-party suppliers and manufacturers, including the effects of facility closures as a result of disease outbreaks or other illnesses, or measures taken by federal, state or local governments to reduce its spread, reductions in operations hours, labor shortages and real-time changes in operating procedures, including for additional cleaning and disinfection procedures; and
- significant disruption of global financial markets, which could have a negative impact on our ability to access capital in the future.

The COVID-19 pandemic contributed significantly to global supply chain constraints, with restrictions and limitations on related activities causing disruption and delay. These disruptions and delays strained domestic and international supply chains, resulting in port congestion, transportation delays as well as labor and container shortages, and affected the flow or availability of certain products.

The emergence of another pandemic, epidemic or infectious disease outbreak, and any required or voluntary actions to help limit the spread of illness, could impact our ability to carry out our business and may materially adversely impact global economic conditions, our business, financial condition and results of operations. There is a risk that our suppliers and distribution centers may become less productive or encounter disruptions as a result of the emergence and spread of another disease, and/or these facilities

may no longer be allowed to operate based on directives from public health officials or government authorities in the United States, China or other jurisdictions. Such events could materially increase our costs, negatively impact our sales and damage our results of operations and liquidity, possibly to a significant degree.

The full extent of the impact of a pandemic, such as the COVID-19 pandemic, or another pandemic, an epidemic or an infectious disease outbreak on our business, financial condition and results of operations will depend on future developments that are highly uncertain and unpredictable, including the timing, acceptance and efficacy of vaccinations and possible achievement of herd immunity in various locations, the occurrence of virus mutations and variants, infection rates increasing or returning in various geographic areas, actions by government authorities to contain outbreaks or treat their impact, and any related impact on capital and financial markets and consumer behavior, including the impacts of any recession or inflationary pressures, all of which may vary across regions.

***Adverse economic conditions in the United States or any of the other countries in which we conduct significant business could negatively affect our business, financial condition and results of operations.***

Many of our products may be considered discretionary items for consumers. Consumer spending on beauty products is influenced by general economic conditions and the availability of discretionary income. Adverse economic conditions in the United States, Canada, the United Kingdom (the "UK"), China or any of the other countries in which we conduct significant business, such as the current inflationary economic environment, rising interest rates, financial distress caused by recent or

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potential bank failures and the associated banking crisis, an economic recession, depression or downturn, a tightening of the credit markets, high energy prices or higher unemployment levels, may lead to decreased consumer spending, reduced credit availability and a decline in consumer confidence and demand, each of which poses a risk to our business. As global economic conditions continue to be volatile and economic uncertainty remains, trends in consumer discretionary spending also remain unpredictable and subject to reductions due to credit constraints and uncertainties about the future.

A decrease in consumer spending or in retailer and consumer confidence and demand for our products could have a significant negative impact on our net sales and profitability, including our operating margins and return on invested capital. These economic conditions could cause some of our retail customers or suppliers to experience cash flow or credit problems and impair their financial condition, which could disrupt our business and adversely affect product orders, payment patterns and default rates and increase our bad debt expense.

***Volatility in the financial markets could have a material adverse effect on our business, financial condition and results of operations.***

While we currently generate cash flows from our ongoing operations and have had access to credit markets through our various financing activities, credit markets may experience significant disruptions. Deterioration in global financial markets, rising interest rates and concerns over potential recessions could make future financing difficult or more expensive. If any financial institution party to our credit facilities or other financing arrangements were to declare bankruptcy or become insolvent, they may be unable to

perform under their agreements with us. This could leave us with reduced borrowing capacity, which could have a material adverse effect on our business, financial condition and results of operations.

We regularly maintain cash balances at third-party financial institutions in excess of the Federal Deposit Insurance Corporation (the "FDIC") insurance limit. In 2023, the FDIC took control and was appointed receiver of Silicon Valley Bank ("SVB"), Signature Bank and First Republic Bank, after each bank was unable to continue its operations. Although the Company did not have any cash or cash equivalent balances on deposit with SVB, Signature Bank or First Republic Bank and, therefore, did not experience any direct risk of loss, we are unable to predict the extent or nature of the impacts of the failures of these banks and related circumstances at this time. Similarly, we cannot predict the impact that the high market volatility and instability of the banking sector more broadly could have on economic activity and our business in particular. The failure of other banks and financial institutions and measures taken, or not taken, by governments, businesses and other organizations in response to these events could adversely impact our business, financial condition and results of operations.

If the financial institutions with which we do business enter receivership or become insolvent in the future, there is no guarantee that the Department of the Treasury, the Federal Reserve and the FDIC will intercede to provide us and other depositors with access to balances in excess of the \$250,000 FDIC insurance limit or that we would be able to: (i) access our existing cash, cash equivalents and investments; (ii) maintain any required letters of credit or other credit support arrangements; or (iii) adequately fund our business for a prolonged period of time or at all. Any of such events could have a material adverse effect on our current or projected business operations and results of operations and financial condition. In addition, if any parties with which we conduct business are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties' ability to continue to fund their business and perform their obligations to us could be adversely affected, which, in turn, could have a material adverse effect on our business, financial condition and results of operations.

#### **Risk factors related to our financial condition**

##### ***Our indebtedness may have a material adverse effect on our business, financial condition and results of operations.***

As of **September 30, 2023** **December 31, 2023**, we had a total of **\$64.0 million** **\$265.7 million** of indebtedness, consisting of amounts outstanding under our credit facilities and finance lease obligations, and a total availability of **\$100.0 million** **\$10.5 million** under our Amended Revolving Credit Facility. Our primary cash needs are for working capital, fixturing, retail product displays and digital investments. Cash needs typically vary depending on strategic initiatives selected for the fiscal year, including investments in infrastructure, digital capabilities expansion within or to additional retailer store locations, and acquisitions. On August 28, 2023, we entered into the Second Amendment to the Amended and Restated Credit Agreement, pursuant to which we borrowed an incremental term loan in a principal amount equal to \$115.0 million (the "Incremental Term Loan"), together with available cash from our balance sheet and additional borrowings under our Amended Revolving Credit Facility, to consummate and pay related fees and expenses in connection with our acquisition of Naturium.

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Our indebtedness could have significant consequences, including:

- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of funding growth, working capital, capital expenditures, investments or other cash requirements;

- reducing our flexibility to adjust to changing business conditions or obtain additional financing;
- exposing us to the risk of increased interest rates as our borrowings are at variable rates;
- making it more difficult for us to make payments on our indebtedness;
- subjecting us to restrictive covenants that may limit our flexibility in operating our business, including our ability to take certain actions with respect to indebtedness, liens, sales of assets, consolidations and mergers, affiliate transactions, dividends and other distributions and changes of control;
- subjecting us to maintenance covenants which require us to maintain specific financial ratios; and
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements and general corporate or other purposes.

***If our cash from operations is not sufficient to meet our current or future operating needs, expenditures and debt service obligations, our business, financial condition and results of operations may be materially and adversely affected.***

We may require additional cash resources due to changed business conditions or other future developments, including any marketing initiatives, investments or additional acquisitions we may decide to pursue. To the extent we are unable to generate sufficient cash flow, we may be forced to cancel, reduce or delay these activities. Alternatively, if our sources of funding are insufficient to satisfy our cash requirements, we may seek to obtain an additional credit facility or sell equity or debt securities. The sale of equity securities would result in dilution of our existing stockholders. The incurrence of additional indebtedness would result in increased debt service obligations and operating and financing covenants that could restrict our operations.

Our ability to generate cash to meet our operating needs, expenditures and debt service obligations will depend on our future performance and financial condition, which will be affected by financial, business, economic, legislative, regulatory and other factors, including potential changes in costs, pricing, the success of product innovation and marketing, competitive pressure and consumer preferences. If our cash flows and capital resources are insufficient to fund our debt service obligations and other cash needs, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. Our credit facilities may restrict our ability to take these actions, and we may not be able to affect any such alternative measures on commercially reasonable terms, or at all. If we cannot make scheduled payments on our debt, the lenders under the Amended Credit Agreement can terminate their commitments to loan money under the Amended Revolving Credit Facility, and our lenders under the Amended Credit Agreement can declare all outstanding principal and interest to be due and payable and foreclose against the assets securing their borrowings, and we could be forced into bankruptcy or liquidation.

Furthermore, it is uncertain whether financing will be available in amounts or on terms acceptable to us, if at all, which could materially and adversely affect our business, financial condition and results of operations.

***Changes in tax law, in our tax rates or in exposure to additional income tax liabilities or assessments could materially and adversely affect our business, financial condition and results of operations.***

We are subject to the income tax laws of the United States and several international jurisdictions. Changes in law and policy relating to taxes, including changes in administrative interpretations and legal precedence, could materially and adversely affect our business, financial condition and results of operations.

In addition, as we continue to expand our business internationally, the application and implementation of existing, new or future international laws could materially and adversely affect our business, financial condition and results of operations. Current economic and political conditions make tax rules in any jurisdiction, including those in which we operate, subject to significant change.

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***Fluctuations in currency exchange rates may negatively affect our financial condition and results of operations.***

Exchange rate fluctuations may affect the costs that we incur in our operations. The main currencies to which we are exposed are the Euro, British pound, Chinese Renminbi and Canadian dollar. The exchange rates between these currencies and the US dollar in recent years have fluctuated significantly and may continue to do so in the future. A depreciation of these currencies against the US dollar will decrease the US dollar equivalent of the amounts derived from foreign operations reported in our consolidated financial statements, and an appreciation of these currencies will result in a corresponding increase in such amounts. The cost of certain items, such as raw materials, manufacturing, employee compensation and benefits and transportation and freight, required by our operations may be affected by changes in the value of the relevant currencies.

To the extent that we are required to pay for goods or services in foreign currencies, the appreciation of such currencies against the US dollar will tend to negatively affect our business. There can be no assurance that foreign currency fluctuations will not have a material adverse effect on our business, financial condition and results of operations.

**Risk factors related to our retail customers, consumers and the seasonality of our business**

***We depend on a limited number of retailers for a large portion of our net sales, and the loss of one or more of these retailers, or business challenges at one or more of these retailers, could adversely affect our results of operations.***

A limited number of our retail customers account for a large percentage of our net sales. We expect a small number of retailers will, in the aggregate, continue to account for the majority of our net sales for foreseeable future periods. Any changes in the policies or our ability to meet the demands of our retail customers relating to service levels, inventory de-stocking, pricing and promotional

strategies or limitations on access to display space could have a material adverse effect on our business, financial condition and results of operations.

As is typical in our industry, our business with retailers is based primarily upon discrete sales orders, and we do not have contracts requiring retailers to make firm purchases from us. Accordingly, retailers could reduce their purchasing levels or cease buying products from us at any time and for any reason. If we lose a significant retail customer or if sales of our products to a significant retailer materially decrease, it could have a material adverse effect on our business, financial condition and results of operations.

Because a high percentage of our sales are made through our retail customers, our results are subject to risks relating to the general business performance of our key retail customers. Factors that adversely affect our retail customers' businesses may also have a material adverse effect on our business, financial condition and results of operations. These factors may include:

- any reduction in consumer traffic and demand at our retail customers as a result of economic downturns, pandemics or other health crises, changes in consumer preferences or reputational damage as a result of, among other developments, data privacy breaches, regulatory investigations or employee misconduct;
- any credit risks associated with the financial condition of our retail customers;
- the effect of consolidation or weakness in the retail industry or at certain retail customers, including store closures and the resulting uncertainty; and
- inventory reduction initiatives and other factors affecting retail customer buying patterns, including any reduction in retail space committed to beauty products and retailer practices used to control inventory shrinkage.

***Our quarterly results of operations fluctuate due to seasonality, order patterns from key retail customers and other factors, and we may not have sufficient liquidity to meet our seasonal working capital requirements.***

Our results of operations are subject to seasonal fluctuations, with net sales in the third and fourth fiscal quarters typically being higher than in the first and second fiscal quarters. The higher net sales in our third and fourth fiscal quarters are largely attributable to the increased levels of purchasing by retailers for the holiday season and customer shelf reset activity, respectively. Adverse events that occur during either the third or fourth fiscal quarter could have a disproportionate effect on our results of operations for the entire fiscal year. To support anticipated higher sales during the third and fourth fiscal quarters, we make investments in working capital to ensure inventory levels can support demand.

Fluctuations throughout the year are also driven by the timing of product restocking or rearrangement by our major customers as well as our expansion into new customers. Because a limited number of our retail customers account for a large

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percentage of our net sales, a change in the order pattern of one or more of our large retail customers could cause a significant fluctuation of our quarterly results or reduce our liquidity.

Furthermore, product orders from our large retail customers may vary over time due to changes in their inventory or out-of-stock policies. If we were to experience a significant shortfall in sales or profitability, we may not have sufficient liquidity to fund our business. As a result of quarterly fluctuations caused by these and other factors, comparisons of our operating results across different fiscal quarters may not be accurate indicators of our future performance. Any quarterly fluctuations that we report in the future may differ from the expectations of market analysts and investors, which could cause the price of our common stock to fluctuate significantly.

#### **Risk factors related to information technology and cybersecurity**

***We are increasingly dependent on information technology, and if we are unable to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, our operations could be disrupted.***

We rely on information technology networks and systems to market and sell our products, to process electronic and financial information, to assist with sales tracking and reporting, to manage a variety of business processes and activities and to comply with regulatory, legal and tax requirements. We are increasingly dependent on a variety of **secure** information systems to effectively process retail customer orders and fulfill consumer orders from our e-commerce business. We depend on our information technology infrastructure for digital marketing activities and for electronic communications among our personnel, retail customers, consumers, manufacturers and suppliers around the world. These information technology systems, some of which are managed by third parties, may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading or replacing software, databases or components, power outages, hardware failures, computer viruses, telecommunication failures, user errors, catastrophic events and data security and privacy threats, cyber and otherwise. If our information technology systems suffer damage, disruption or shutdown, we may incur substantial cost in repairing or replacing these systems, and if we do not effectively resolve the issues in a timely manner, our business, financial condition and results of operations may be materially and adversely affected, and we could experience delays in reporting our financial results.

Data security and privacy threats are becoming increasingly difficult to detect and come from a variety of sources, including traditional computer "hackers," threat actors, "hacktivists," personnel (such as through theft or misuse), organized criminal threat actors, sophisticated nation states and nation-state supported actors. Some threat actors now engage and are expected to continue to engage in cyberattacks, including without limitation nation-state actors for geopolitical reasons and in conjunction with military conflicts and defense activities. During times of war and other major conflicts, we and the third parties upon which we rely may be vulnerable to a heightened risk of these attacks, including retaliatory cyberattacks that could materially disrupt our systems and operations. Any material disruption of our systems, or the systems of our third-party service providers, could disrupt our ability to track, record and analyze the products that we sell and could negatively impact our operations, shipment of goods, ability to process financial information and transactions and our ability to receive and process retail customer and e-commerce orders or engage in normal business activities.

Our e-commerce operations are important to our business. Our e-commerce websites and mobile applications serve as an extension of our marketing strategies by introducing potential new consumers to our brand, product offerings and enhanced content. Due to the importance of our e-commerce operations, we are vulnerable to website downtime and other technical failures. Our failure to successfully respond to these risks in a timely manner could reduce e-commerce sales and damage our brands' reputation.

The risks described here are heightened due to the increase in remote working. A portion of our personnel is currently working under our hybrid model of three days in the office and two days remote, while others work remote entirely. It is possible with this model that the execution of our business plans and operations could be negatively impacted. If a natural disaster, power outage, connectivity issue, or other event occurs that impacts our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The increase in remote working may also result in heightened consumer privacy, IT security and fraud concerns, potentially disrupting our operations.

***We must continue to maintain and make requisite or critical upgrades to our information technology systems, and our failure to do so could have a material adverse effect on our business, financial condition and results of operations.***

We have identified the need to conduct annual penetration testing and vulnerability assessments to continually expand, identify and improve, address potential security weaknesses in our information technology systems and personnel, third-party vendor environments to support expected future growth. As such, we will continue to invest in

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and implement modifications and upgrades to our information technology systems and procedures, including replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality, hiring employees with information technology expertise and building new policies, procedures, training programs and monitoring tools. We are currently undertaking various technology upgrades and enhancements to support our business growth, including an implementation of SAP software to upgrade our platforms and systems worldwide. These types of activities subject us to inherent costs and risks associated with replacing and changing these systems, including impairment of our ability to leverage our e-commerce channels, fulfill customer orders, potential disruption of our internal control structure, substantial capital expenditures, additional administration and operating expenses, acquisition and retention of sufficiently skilled personnel to implement and operate the new systems, demands on management time and other risks and costs of delays or difficulties in transitioning to or integrating new systems into our current systems.

The implementation of new information technology systems, such as our implementation of SAP software, or any modification of our key information systems may not result in productivity improvements at a level that outweighs the costs of implementation, or at all. In addition, difficulties with implementing new technology systems, delays in our timeline for planned improvements, significant system failures, or our inability to successfully modify our information systems to respond to changes in our business needs may cause disruptions in our business operations and have a material adverse effect on our business, financial condition and results of operations.

***If we fail to adopt new technologies or adapt our e-commerce websites and systems to changing consumer requirements or emerging industry standards, our business may be materially and adversely affected.***

To remain competitive, we must continue to enhance and improve the responsiveness, functionality and features of our information technology, including our e-commerce websites and mobile applications. Our competitors are continually innovating and introducing new products to increase their consumer base and enhance user experience. As a result, in order to attract and retain consumers and compete against our competitors, we must continue to invest resources to enhance our information technology and improve our existing products and services for our consumers. The Internet and the online retail industry are characterized by rapid

technological evolution, changes in consumer requirements and preferences, frequent introductions of new products and services embodying new technologies and the emergence of new industry standards and practices, any of which could render our existing technologies and systems obsolete. Our success will depend, in part, on our ability to identify, develop, acquire or license leading technologies useful in our business, and respond to technological advances and emerging industry standards and practices in a cost-effective and timely way. The development of our e-commerce websites, mobile applications and other proprietary technology entails significant technical and business risks. There can be no assurance that we will be able to properly implement or use new technologies effectively or adapt our e-commerce websites, mobile applications and systems to meet consumer requirements or emerging industry standards. If we are unable to adapt in a cost-effective and timely manner in response to changing market conditions or consumer requirements, whether for technical, legal, financial or other reasons, our business, financial condition and results of operations may be materially and adversely affected.

***Failure to protect sensitive information of our consumers and information technology systems against security breaches could damage our reputation and brand and substantially harm our business, financial condition and results of operations.***

We collect, maintain, transmit, **store** and **store** **otherwise process** data about our consumers, suppliers, **prospective and current employees** and others, including personal data, financial information, including consumer payment information, as well as other confidential and proprietary information important to our business. We also employ third-party service providers that collect, store, process and transmit personal data, and confidential, proprietary and financial information on our behalf.

We have in place technical and organizational measures to maintain the security and safety of critical proprietary, personal, employee, customer and financial data which we continue to maintain and upgrade to industry standards. However, advances in technology, the pernicious ingenuity of criminals, new exposures via cryptography, acts or omissions by our employees, contractors or service providers or other events or developments could result in a compromise or breach in the security of confidential or personal data. We and our service providers may not be able to prevent third parties, including criminals, competitors or others, from breaking into or altering our systems, disrupting business operations or communications infrastructure through denial-of-service attacks, attempting to gain access to our systems, information or monetary funds through phishing or social engineering campaigns, installing viruses or malicious software on our e-commerce websites or mobile applications or devices used by our employees or contractors, or carrying out other activity intended to disrupt our systems or gain access to confidential or sensitive information in our or our service providers' systems.

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We are not aware of any material breach or compromise of the personal data of consumers, but we have been subject to attacks (e.g., phishing, denial of service) in the past and cannot guarantee that our security measures will be sufficient to prevent a material breach or compromise in the future.

Furthermore, such third parties may engage in various other illegal activities using such information, including credit card fraud or identity theft, which may cause additional harm to us, our consumers and our brands. We also may be vulnerable to error or malfeasance by our own employees or other insiders. Third parties may attempt to fraudulently induce our or our service providers' employees to misdirect funds or to disclose information in order to gain access to personal data we maintain about our consumers or website users. In addition, we have limited control or influence over the security policies or measures adopted by third-party providers of online payment services through which some of our consumers may elect to make payment for purchases at our e-

commerce websites and mobile applications. Contracted third-party delivery service providers may also violate their confidentiality or data processing obligations and disclose or use information about our consumers inadvertently or illegally.

If a material security breach were to occur, our reputation and brands could be damaged, and we could be required to expend significant capital and other resources to alleviate problems caused by such breaches including exposure of litigation or regulatory action and a risk of loss and possible liability. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. In addition, any party who is able to illicitly obtain a subscriber's password could access the subscriber's financial, transaction or personal information. Any compromise or breach of our security measures, or those of our third-party service providers, may violate applicable privacy, data security, financial, cyber and other laws and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, all of which could have a material adverse effect on our business, financial condition and results of operations. We may be subject to post-breach review of the adequacy of our privacy and security controls by regulators and other third parties, which could result in post-breach regulatory investigation, fines and consumer litigation as well as regulatory oversight, at significant expense and risking reputational harm.

Furthermore, we are subject to diverse laws and regulations in the United States, the European Union (the "EU"), and other international jurisdictions that require notification to affected individuals in the event of a breach involving personal information. These required notifications can be time-consuming and costly. Furthermore, failure to comply with these laws and regulations could subject us to regulatory scrutiny and additional liability. Although we maintain relevant insurance, we cannot be certain that our insurance coverage will be adequate for all breach related liabilities, that insurance will continue to be available to us on economically reasonable terms, or at all, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could adversely affect our reputation, business, financial condition and results of operations. We may need to devote significant resources to protect against security breaches or to address problems caused by breaches, diverting resources from the growth and expansion of our business.

***Payment methods used on our e-commerce websites subject us to third-party payment processing-related risks.***

We accept payments from our consumers using a variety of methods, including online payments with credit cards and debit cards issued by major banks, payments made with gift cards processed by third-party providers and payment through third-party online payment platforms such as PayPal, Afterpay and Apple Pay. We also rely on third parties to provide payment processing services. For certain payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins. We may also be subject to fraud and other illegal activities in connection with the various payment methods we offer, including online payment options and gift cards. Transactions on our e-commerce websites and mobile applications are card-not-present transactions, so they present a greater risk of fraud. Criminals are using increasingly sophisticated methods to engage in illegal activities such as unauthorized use of credit or debit cards and bank account information. Requirements relating to consumer authentication and fraud detection with respect to online sales are complex. We may ultimately be held liable for the unauthorized use of a cardholder's card number in an illegal activity and be required by card issuers to pay charge-back fees. Charge-backs result not only in our loss of fees earned with respect to the payment, but also leave us liable for the underlying money transfer amount. If our charge-back rate becomes excessive, card associations also may require us to pay fines or refuse to process our transactions. In addition, we may be subject to additional fraud risk if third-party service providers or our employees

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fraudulently use consumer information for their own gain or facilitate the fraudulent use of such information. Overall, we may have little recourse if we process a criminally fraudulent transaction.

We are subject to payment card association operating rules, certification requirements and various rules, regulations and requirements governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. As our business changes, we may also be subject to different rules under existing standards, which may require new assessments that involve costs above what we currently pay for compliance. If we fail to comply with the rules or requirements of any provider of a payment method we accept, or if the volume of fraud in our transactions limits or terminates our rights to use payment methods we currently accept, or if a data breach occurs relating to our payment systems, among other things, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our consumers, process electronic funds transfers or facilitate other types of online payments, and our reputation and our business, financial condition and results of operations could be materially and adversely affected.

#### **Risk factors related to conducting business internationally**

***We have significant operations in China, which exposes us to risks inherent in doing business in that country.***

We currently source and manufacture a substantial number of our products from third-party suppliers and manufacturers in China. As of **September 30, 2023** December 31, 2023, we had **9194** employees in China. With the rapid development of the Chinese economy, the cost of labor has increased and may continue to increase in the future. Our results of operations will be materially and adversely affected if our labor costs, or the labor costs of our suppliers and manufacturers, increase significantly. In addition, we and our manufacturers and suppliers may not be able to find a sufficient number of qualified workers due to the intensely competitive and fluid market for skilled labor in China. Furthermore, pursuant to Chinese labor laws, employers in China are subject to various requirements when signing labor contracts, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. These labor laws and related regulations impose liabilities on employers and may significantly increase the costs of workforce reductions. If we decide to change or reduce our workforce, these labor laws could limit or restrict our ability to make such changes in a timely, favorable and effective manner. Any of these events may materially and adversely affect our business, financial condition and results of operations.

Operating in China exposes us to political, legal and economic risks. In particular, the political, legal and economic climate in China, both nationally and regionally, is fluid and unpredictable. Our ability to operate in China may be adversely affected by changes in the United States and Chinese laws and regulations such as those related to, among other things, taxation, import and export tariffs, environmental regulations, land use rights, intellectual property, currency controls, network security, employee benefits, privacy, hygiene supervision and other matters. For example, in December 2021, the US Congress enacted the Uyghur Forced Labor Prevention Act in an effort to prevent what it views as forced labor and human rights abuses in the Xinjiang Uyghur Autonomous Region ("XUAR"). If it is determined that our third-party suppliers and manufacturers mine, produce or manufacture our products wholly or in part from the XUAR, then we could be prohibited from importing such products into the United States. In addition, we may not obtain or retain the requisite legal permits to continue to operate in China, and costs or operational limitations may be imposed in connection with obtaining and complying with such permits. In addition, Chinese trade regulations are in a state of flux, and we may become subject to other forms of taxation, tariffs and duties in China. Furthermore, the third parties we rely on in China may disclose our confidential information or intellectual property to competitors or third parties, which could result in the illegal distribution and sale of counterfeit versions of our products. If any of these events occur, our business, financial condition and results of operations could be materially and adversely affected.

***We are subject to international business uncertainties.***

We sell many of our products to customers located outside the United States. In addition, substantially all of our third-party suppliers and manufacturers are located in China and certain other foreign countries. We intend to continue to sell to customers outside the United States and maintain our relationships in China and other foreign countries where we have suppliers and manufacturers. Further, we recently opened an office in the UK and hired a team of employees to support our international expansion, and we are establishing additional relationships in other countries to grow our operations. The substantial up-front investment required, the lack of consumer awareness of our products in jurisdictions outside of the United States, differences in consumer preferences and trends between the United States and other jurisdictions, the risk of inadequate intellectual property protections and differences in packaging, labeling and related laws, rules and regulations are all substantial matters that need to be evaluated prior to doing business in new territories. We cannot be assured that our international efforts will be successful.

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International sales and increased international operations may be subject to risks such as:

- difficulties in staffing and managing foreign operations;
- burdens of complying with a wide variety of laws and regulations, including more stringent regulations relating to data privacy and security, particularly in the UK and the EU;
- adverse tax effects and foreign exchange controls making it difficult to repatriate earnings and cash;
- political and economic instability;
- terrorist activities and natural disasters;
- trade restrictions;
- disruptions or delays in shipments whether due to port congestion, container shortages, labor disputes, product regulations and/or inspections or other factors, natural disasters or health pandemics, or other transportation disruptions;
- differing employment practices and laws and labor disruptions;

- the imposition of government controls;
- an inability to use or to obtain adequate intellectual property protection for our key brands and products;
- tariffs and customs duties and the classifications of our goods by applicable governmental bodies;
- a legal system subject to undue influence or corruption;
- a business culture in which illegal sales practices may be prevalent;
- logistics and sourcing; and
- military conflicts.

The occurrence of any of these risks could negatively affect our international business and consequently our overall business, financial condition and results of operations.

In addition, the ultimate effects of the UK's withdrawal from the EU ("Brexit") are still difficult to predict as there remains considerable uncertainty around the impact of post-Brexit regulations as the various agencies interpret the regulations and develop enforcement practices. Changes related to Brexit could subject us to heightened risks in that region, including disruptions to trade and free movement of goods, services and people to and from the UK, disruptions to our employees in the UK and the workforce of our business partners, increased foreign exchange volatility with respect to the British pound and additional legal, political and economic uncertainty. If these actions impacting our international distribution and sales channels result in increased costs for us or our international partners, such changes could result in higher costs to us, adversely affecting our operations, particularly as we expand our international presence in the UK.

***The ongoing conflict between Russia and Ukraine has caused, and may continue to cause, negative effects on geopolitical conditions and the global economy, including financial markets, inflation and the global supply chain, which could have an adverse impact on our business, financial condition and results of operations.***

In February 2022, Russian military forces launched a full-scale military invasion of Ukraine that has resulted in an ongoing military conflict between the two countries. The length, impact and outcome of the ongoing military conflict in Ukraine is highly unpredictable, and the conflict has caused, and may continue to cause, global political, economic and social instability, and disruptions to the global economy, financial systems, international trade, the global supply chain and the transportation and energy sectors, among others.

Russia's recognition of two separatist republics in the Donetsk and Luhansk regions of Ukraine and subsequent military action against Ukraine have led to an unprecedented expansion of sanction programs imposed by the United States, the EU, the UK,

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Canada, Switzerland, Japan and other countries against Russia, Belarus, the Crimea Region of Ukraine, the so-called Donetsk People's Republic and the so-called Luhansk People's Republic. In retaliation against new international sanctions and as part of measures to stabilize and support the volatile Russian financial and currency markets, Russian authorities imposed significant currency control measures aimed at restricting the outflow of foreign currency and capital from Russia, imposed various restrictions on transacting with non-Russian parties, banned exports of various products and other economic and financial restrictions. The situation is rapidly evolving as a result of the conflict in Ukraine, and the United States, the EU, the UK and other countries may implement additional sanctions, export controls or other measures against Russia, Belarus and other countries, regions, officials, individuals or industries in the respective territories. Such sanctions and other measures, as well as the existing and potential further responses from Russia or other countries to such sanctions, tensions and military actions, could adversely affect the global economy and financial markets and could adversely affect our business, financial condition and results of operations. In addition, it is possible that the conflict could expand beyond its current scope and involve additional countries and regions.

We continue to monitor the situation in Ukraine and are assessing its impact on our business, including our business partners and customers. We do not sell our products in Russia and, to date, we have not experienced any material interruptions in our infrastructure, supplies, technology systems or networks needed to support our operations. We have no way to predict the progress or outcome of the conflict in Ukraine, whether it will expand or its impacts in Ukraine, Russia, Europe, the United States or the rest of the world as the conflict, and any resulting government reactions, are rapidly developing and beyond our control. The extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and our business for an unknown period of time. Any of the above-mentioned factors could affect our business, financial condition and results of operations.

### **Risk factors related to evolving laws and regulations and compliance with laws and regulations**

***New laws, regulations, enforcement trends or changes in existing regulations governing the introduction, marketing and sale of our products to consumers could harm our business.***

There has been an increase in regulatory activity and activism in the United States and abroad, and the regulatory landscape is becoming more complex with increasingly strict requirements. If this trend continues, we may find it necessary to alter some of the ways we have traditionally manufactured and marketed our products in order to stay in compliance with a changing regulatory landscape, and this could add to the costs of our operations and have an adverse impact on our business. To the extent federal, state, local or foreign regulatory changes regarding consumer protection, or the ingredients, claims or safety of our products occur in the future, they could require us to reformulate or discontinue certain of our products, revise the product packaging or labeling, or adjust operations and systems, any of which could result in, among other things, increased costs, delays in product launches, product returns or recalls and lower net sales, and therefore could have a material adverse effect on our business, financial condition and results of operations. Noncompliance with applicable regulations could result in enforcement action by the FDA or other regulatory authorities within or outside the United States, including but not limited to product seizures, injunctions, product recalls and criminal or civil monetary penalties, all of which could have a material adverse effect on our business, financial condition and results of operations.

In the United States, with the exception of color additives, the FDA does not currently require pre-market approval for products intended to be sold as cosmetics. However, the FDA may in the future require pre-market authorization for certain cosmetic products, establishments or manufacturing facilities. Moreover, such products could also be regulated as both drugs and cosmetics simultaneously, as the categories are not mutually exclusive. The statutory and regulatory requirements applicable to drugs are extensive and require significant resources and time to ensure compliance. For example, if any of our products intended to be sold as cosmetics were to be regulated as drugs, we might be required to conduct, among other things, clinical trials to demonstrate the safety and efficacy of these products. We may not have sufficient resources to conduct any required clinical trials or to ensure compliance with the manufacturing requirements applicable to drugs. If the FDA determines that any of our products intended to be sold as cosmetics should be classified and regulated as drug products and we are unable to comply with applicable drug requirements, we may be unable to continue to market those products. Any inquiry into the regulatory status of our cosmetics and any related interruption in the marketing and sale of these products could damage our reputation and image in the marketplace.

In recent years, the FDA has issued warning letters to several cosmetic companies alleging improper claims regarding their cosmetic products. If the FDA determines that we have disseminated inappropriate drug claims for our products intended to be sold as cosmetics, we could receive a warning or untitled letter, be required to modify our product claims or take other actions to satisfy the FDA. In addition, plaintiffs' lawyers have filed class action lawsuits against cosmetic companies after receipt of these types of FDA warning letters. There can be no assurance that we will not be subject to state and federal government actions or class action lawsuits, which could harm our business, financial condition and results of operations.

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Additional state and federal requirements may be imposed on consumer products as well as cosmetics, cosmetic ingredients, or the labeling and packaging of products intended for use as cosmetics. For example, on December 29, 2022, Congress enacted the Modernization of Cosmetics Regulation Act of 2022 ("MoCRA"). MoCRA created new compliance requirements for manufacturers of cosmetic products in the United States and also significantly expanded the FDA's authority to oversee and regulate cosmetics. Under MoCRA, companies must comply with new requirements for cosmetics, such as new labeling requirements for certain products, safety substantiation, facility registration, product listing, adverse event reporting, good manufacturing practice ("GMP") requirements and mandatory recalls. In addition, MoCRA provided FDA with new enforcement authorities over cosmetics, such as the ability to initiate mandatory recalls and to obtain access certain product records. Many of the requirements ~~are~~ were scheduled to become applicable on December 29, 2023, ~~although~~ with some of the requirements, such as those relating to labeling, ~~may~~ scheduled to become applicable ~~later~~ in 2024 and 2025.

2025; however, on November 8, 2023, the FDA advised that it does not intend to enforce the requirements related to cosmetic product facility registration and cosmetic product listing until July 1, 2024 to provide regulated industry additional time to comply with the requirements.

In either case, although the FDA is required under MoCRA to propose mandatory GMPs for cosmetics by ~~December 29, 2023~~ July 1, 2024, and although parties that operate facilities engaged in the manufacturing or processing of cosmetic products are required to register such facilities and submit product listing information to FDA by the same deadline, the FDA has yet to propose implementing regulations for MoCRA. As such, we are unable to ascertain at this time the full impact that complying with MoCRA will have on our business. Compliance with the new requirements may further increase the cost of manufacturing certain of our products and could have a material adverse effect on our business, financial condition and results of operations.

We also sell a number of products as over-the-counter ("OTC") drug products, which are subject to the FDA OTC drug regulatory requirements because they are intended to be used as sunscreen or to treat acne. The FDA regulates the formulation, manufacturing, packaging and labeling of OTC drug products. Our sunscreen and acne drug products are regulated pursuant to

FDA OTC drug monographs that specify acceptable active drug ingredients and acceptable product claims that are generally recognized as safe and effective for particular uses. If any of these products that are marketed as OTC drugs are not in compliance with the applicable FDA monograph, we may be required to reformulate the product, stop making claims relating to such product or stop selling the product until we are able to obtain costly and time-consuming FDA approvals. We are also required to submit adverse event reports to the FDA for our OTC drug products, and failure to comply with this requirement may subject us to FDA regulatory action.

We also sell a number of consumer products, which are subject to regulation by the CPSC in the United States under the provisions of the Consumer Product Safety Act, as amended by the Consumer Product Safety Improvement Act of 2008. These statutes and the related regulations ban from the market consumer products that fail to comply with applicable product safety laws, regulations and standards. The CPSC has the authority to require the recall, repair, replacement or refund of any such banned products or products that otherwise create a substantial risk of injury and may seek penalties for regulatory noncompliance under certain circumstances. The CPSC also requires manufacturers of consumer products to report certain types of information to the CPSC regarding products that fail to comply with applicable regulations. Certain state laws also address the safety of consumer products, and mandate reporting requirements, and noncompliance may result in penalties or other regulatory action.

Our products are also subject to state laws and regulations, such as the California Safe Drinking Water and Toxic Enforcement Act, also known as "Prop 65," and failure to comply with such laws may also result in lawsuits and regulatory enforcement that could have a material adverse effect on our business, financial condition and results of operations. We are, and may in the future be, involved in litigation related to such state laws and regulations.

***Our facilities and those of our third-party manufacturers are subject to regulation under the Federal Food, Drug and Cosmetic Act ("FDCA") and FDA implementing regulations.***

Our facilities and those of our third-party manufacturers are subject to regulation under the FDCA and FDA implementing regulations. The FDA may inspect all of our facilities and those of our third-party manufacturers periodically to determine if we and our third-party manufacturers are complying with provisions of the FDCA and FDA regulations. In addition, third-party manufacturer's facilities for manufacturing OTC drug products must comply with the FDA's current GMP ("cGMP") requirements for drug products that require us and our manufacturers to maintain, among other things, good manufacturing processes, including stringent vendor qualifications, ingredient identification, manufacturing controls and record keeping.

Our operations could be harmed if regulatory authorities make determinations that we, or our vendors, are not in compliance with these regulations. If the FDA finds a violation of cGMPs, it may enjoin our manufacturer's operations, seize product, restrict importation of goods, and impose administrative, civil or criminal penalties. If we or our third-party manufacturers fail

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to comply with applicable regulatory requirements, we could be required to take costly corrective actions, including suspending manufacturing operations, changing product formulations, suspending sales, or initiating product recalls. In addition, compliance with these regulations has increased and may further increase the cost of manufacturing certain of our products as we work with our vendors to ensure they are qualified and in compliance. For example, under MoCRA, manufacturers of cosmetic products in the United States will become subject to mandatory GMP requirements. Although the FDA has yet to establish or implement

regulations for such GMP requirements, third-party manufacturers of our cosmetic products may be slow or unable to adapt to these forthcoming regulations, which may require us to find alternative suppliers for our products. Any of these outcomes could have a material adverse effect on our business, financial condition and results of operations.

***Government regulations and private party actions relating to the marketing and advertising of our products and services may restrict, inhibit or delay our ability to sell our products and harm our business, financial condition and results of operations.***

Government authorities regulate advertising and product claims regarding the performance and benefits of our products. These regulatory authorities typically require a reasonable basis to support any marketing claims. What constitutes a reasonable basis for substantiation can vary widely from market to market, and there is no assurance that the efforts that we undertake to support our claims will be deemed adequate for any particular product or claim. A significant area of risk for such activities relates to improper or unsubstantiated claims about our products and their use or safety. If we are unable to show adequate substantiation for our product claims, or our promotional materials make claims that exceed the scope of allowed claims for the classification of the specific product, whether cosmetics, OTC drug products or other consumer products that we offer, the FDA, the FTC or other regulatory authorities could take enforcement action or impose penalties, such as monetary consumer redress, requiring us to revise our marketing materials, amend our claims or stop selling certain products, all of which could harm our business, financial condition and results of operations. Any regulatory action or penalty could lead to private party actions, or private parties could seek to challenge our claims even in the absence of formal regulatory actions which could harm our business, financial condition and results of operations.

***Our business is subject to complex and evolving US and foreign laws and regulations regarding privacy and data protection. Many of these laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased costs of operations or otherwise harm our business, financial condition and results of operations.***

We are subject to a variety of laws and regulations in the United States and abroad regarding privacy and data protection, some of which can be enforced by private parties or government entities and some of which provide for significant penalties for non-compliance. Such laws and regulations restrict how personal information is collected, processed, stored, used and disclosed, as well as set standards for its security, implement notice requirements regarding privacy practices, and provide individuals with certain rights regarding the use, disclosure, and sale of their protected personal information.

For example, the California Consumer Privacy Act (the "CCPA") requires certain disclosures to California residents regarding a business's data processing activities, affords California consumers rights with respect to their personal information (including the rights related to access to and deletion of personal information, and the right to opt out of certain disclosures of their personal information), and establishes significant penalties for noncompliance. The California Privacy Rights Act (the "CPRA"), which took effect on January 1, 2023, significantly expands the CCPA, including by introducing additional obligations such as data minimization and retention requirements, granting additional rights to California residents such as correction of personal information and additional opt-out rights, and creating a new regulatory authority, the California Privacy Protection Agency, to implement and enforce the law. Comprehensive privacy legislation has also been enacted in four other states, imposing similar compliance obligations. These laws are the obligations have been passed in several states and took effect in Virginia, Consumer Data Protection Act of 2021 (the "VCDPA"), which went into effect on January 1, 2023, the Colorado Privacy Act (the "CPA") Connecticut and Connecticut Data Privacy Act (the "CTDPA"), which each went into effect on July 1, 2023, and the Utah Consumer Privacy Act (the "UCPA"), which will go into effect on December 1, 2023. Several in 2023. Following this trend, several other states are considering enacting data protection legislation that may impose significant obligations and restrictions. Additionally, there is discussion in Congress of a new comprehensive federal data protection law. The enactment of such laws could create conflicting

requirements, compliance with which could result in additional compliance costs. The effects of the CPRA, the VCDPA, the CPA, the CTDPA and the UCPA these laws are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply, and increase our potential exposure to regulatory enforcement and/or litigation.

In addition, the UK General Data Protection Regulation (the and Data Protection Act 2018 (collectively, the "UK GDPR") and the EU's General Data Protection Regulation (the "EU GDPR") (the EU GDPR and UK GDPR together referred to as the "GDPR") impose comprehensive data privacy compliance obligations in relation to the collection, processing, sharing, disclosure, transfer and other use of data relating to an identifiable living individual, including a principle of accountability and the obligation to demonstrate compliance through policies, procedures, training and audits. Failure to comply with the UK GDPR

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or the GDPR could result in penalties for noncompliance of up to the greater of GBP 17.5 million/EUR 20 million (as applicable) or 4% of our global annual turnover, and companies can be fined under each of these regimes independently with respect to the same violation. In addition to fines, a violation of the UK GDPR or the GDPR may result in regulatory investigations, reputational damage, orders to cease/change data processing activities, enforcement notices, assessment notices (for a compulsory audit) and/or civil claims (including class actions).

We are also subject, under the UK GDPR and the GDPR, to restrictions on cross-border transfers of personal data out of the European Economic Area (the "EEA") and the UK. Recent where recent legal developments have created complexity and uncertainty regarding transfers of personal data outside the EEA and the UK, including to the United States. Most recently, We rely on the standard contractual clauses ("SCCs") to transfer data outside of the EEA/ UK in some situations; however, the Court of Justice of the European Union ("CJEU") has stated that reliance on the SCCs alone may not be sufficient. On October 7, 2022, President Biden signed an Executive Order on 'Enhancing Safeguards for United States Intelligence Activities' which introduced new redress mechanisms and binding safeguards to address some of the concerns raised by the CJEU in relation to data transfers from the EEA to the United States and which formed the basis of the new EU-US Data Privacy Framework ("DPF"), as released on December 13, 2022. The European Commission adopted its Adequacy Decision in relation to the DPF on July 10, 2023, rendering the DPF effective as an EU GDPR transfer mechanism to U.S. entities self-certified under the DPF. On October 12, 2023, the UK Extension to the DPF came into effect (as approved by the UK Government), as a UK GDPR data transfer mechanism to U.S. entities self-certified under the UK Extension to the DPF. CJEU. We expect the existing legal complexity and uncertainty regarding international personal data transfers to continue. In particular, we expect Some European regulators have prevented companies from transferring personal data out of the DPF Adequacy Decision to be challenged and international transfers to EEA for allegedly violating the United States and to other jurisdictions more generally to continue to be subject to enhanced scrutiny by regulators. EU GDPR's cross-border transfer rules. As supervisory authorities issue further guidance on personal data export mechanisms, including circumstances where the standard contractual clauses SCCs cannot be used, and/or start taking continue to take enforcement action, we could suffer additional costs, complaints and/or regulatory investigations or fines, and/or if we are otherwise unable to transfer personal data between and among countries and regions in which we operate, it could affect the manner in which we provide our services, the geographical location or segregation of our relevant systems and operations, and could adversely affect our financial results. Furthermore, the relationship between the UK and the EEA in relation to certain aspects of data protection law remains unclear, and it is unclear how UK data protection laws and regulations will develop in the medium to longer term, and how data transfers to and from the UK will be regulated in the long term. These changes may lead to additional costs and increase our overall risk exposure.

Data privacy continues to remain a matter of interest to lawmakers and regulators. In the United States, a number of privacy-related proposals (including proposed comprehensive privacy legislation) are pending before federal and state legislative and regulatory bodies and additional laws and regulations have been passed but are not yet effective, all of which could significantly affect our business. The same may be true outside the United States, where various jurisdictions have enacted or are considering comprehensive data protection legislation. Additionally, at the federal level in the United States, various bills have been introduced to enact comprehensive federal privacy legislation, though to date none of these efforts have been successful. If comprehensive privacy legislation is enacted at the federal level in the United States, this could lead to additional costs and increase our overall risk exposure.

We are also subject to evolving privacy laws on cookies, tracking technologies and e-marketing. Regulation of cookies and similar technologies may lead to broader restrictions on our marketing and personalization activities and may negatively impact our efforts to understand consumers' Internet usage, online shopping and other relevant online behaviors, as well as the effectiveness of our marketing and our business generally. Such regulations, including uncertainties about how well the advertising technology ecosystem can adapt to legal changes around the use of tracking technologies, may have a negative effect on businesses, including ours, that collect and use online usage information for consumer acquisition and marketing. We may also be subject to fines and penalties for non-compliance with any such laws and regulations. The decline of cookies or other online tracking technologies as a means to identify and target potential purchasers may increase the cost of operating our business and lead to a decline in revenues. In addition, legal uncertainties about the legality of cookies and other tracking technologies may increase regulatory scrutiny and increase potential civil liability under data protection or consumer protection laws.

Compliance with existing, forthcoming, and proposed privacy and data protection laws and regulations can be costly and can delay or impede our ability to market and sell our products, impede our ability to conduct business through websites and mobile applications we and our partners may operate, require us to modify or amend our information practices and policies, change and limit the way we use consumer information in operating our business, cause us to have difficulty maintaining a single operating model, result in negative publicity, increase our operating costs, require significant management time and attention, or subject us to inquiries or investigations, claims or other remedies, including significant fines and penalties, or demands that we modify or cease existing business practices. In addition, if our privacy or data security measures fail to comply with applicable current or future laws and regulations, we may be subject to litigation, regulatory investigations, enforcement notices requiring us to change the way we use personal data or our marketing practices, fines or other liabilities, as well as negative publicity and a potential loss of business. We may also face civil claims including representative actions and other class action type litigation (where individuals have suffered harm), potentially amounting to significant compensation or damages liabilities, as well as associated costs, and diversion of internal resources. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

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***Failure to comply with the US Foreign Corrupt Practices Act, other applicable anti-corruption and anti-bribery laws, and applicable trade control laws could subject us to penalties and other adverse consequences.***

We currently source and manufacture a substantial number of our products from third-party suppliers and manufacturers located outside of the United States, and we have an office in China from which we manage our international supply chain. We sell our products in several countries outside of the United States, including through distributors. Our operations are subject to the US Foreign Corrupt Practices Act (the "FCPA"), as well as the anti-corruption and anti-bribery laws in the countries where we do business. The FCPA prohibits covered parties from offering, promising, authorizing or giving anything of value, directly or indirectly,

to a “foreign government official” with the intent of improperly influencing the official’s act or decision, inducing the official to act or refrain from acting in violation of lawful duty, or obtaining or retaining an improper business advantage. The FCPA also requires publicly traded companies to maintain records that accurately and fairly represent their transactions, and to have an adequate system of internal accounting controls. In addition, other applicable anti-corruption laws prohibit bribery of domestic government officials, and some laws that may apply to our operations prohibit commercial bribery, including giving or receiving improper payments to or from non-government parties, as well as so-called “facilitation” payments. In addition, we are subject to United States and other applicable trade control regulations that restrict with whom we may transact business, including the trade sanctions enforced by the US Treasury, Office of Foreign Assets Control.

While we have implemented policies, internal controls and other measures reasonably designed to promote compliance with applicable anti-corruption and anti-bribery laws and regulations, and certain safeguards designed to ensure compliance with US trade control laws, our employees or agents may engage in improper conduct for which we might be held responsible. Any violations of these anti-corruption or trade controls laws, or even allegations of such violations, can lead to an investigation and/or enforcement action, which could disrupt our operations, involve significant management distraction, and lead to significant costs and expenses, including legal fees. If we, or our employees or agents acting on our behalf, are found to have engaged in practices that violate these laws and regulations, we could suffer severe fines and penalties, profit disgorgement, injunctions on future conduct, securities litigation, bans on transacting government business, delisting from securities exchanges and other consequences that may have a material adverse effect on our business, financial condition and results of operations. In addition, our brands and reputation, our sales activities or our stock price could be adversely affected if we become the subject of any negative publicity related to actual or potential violations of anti-corruption, anti-bribery or trade control laws and regulations.

***Government regulation of the Internet and e-commerce is evolving, and unfavorable changes or failure by us to comply with these regulations could substantially harm our business, financial condition and results of operations.***

We are subject to general business regulations and laws as well as regulations and laws specifically governing the Internet and e-commerce. Existing and future regulations and laws could impede the growth of the Internet, e-commerce or mobile commerce. These regulations and laws may involve taxes, tariffs, privacy and data security, anti-spam, content protection, electronic contracts and communications, consumer protection, social media marketing, third-party cookies, web beacons and similar technology for online behavioral advertising and gift cards. It is not clear how existing laws governing issues such as property ownership, sales taxes and other taxes and consumer privacy apply to the Internet as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. It is possible that general business regulations and laws, or those specifically governing the Internet or e-commerce, may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. We cannot be sure that our practices have complied, comply or will comply fully with all such laws and regulations. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings or actions against us by governmental entities or others. Any such proceeding or action could hurt our reputation, force us to spend significant amounts in defense of these proceedings, distract our management, increase our costs of doing business and decrease the use of our sites by consumers and suppliers and may result in the imposition of monetary liability. We may also be contractually liable to indemnify and hold harmless third parties from the costs or consequences of non-compliance with any such laws or regulations. In addition, it is possible that governments of one or more countries may seek to censor content available on our sites or may even attempt to completely block access to our sites. Adverse legal or regulatory developments could substantially harm our business. In particular, in the event that we are restricted, in whole or in part, from operating in one or more countries, our ability to retain or increase our consumer base may be adversely affected, and we may not be able to maintain or grow our net sales and expand our business as anticipated.

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### **Risk factors related to legal and regulatory proceedings**

***We are involved, and may become involved in the future, in disputes and other legal or regulatory proceedings that, if adversely decided or settled, could materially and adversely affect our business, financial condition and results of operations.***

We are, and may in the future become, party to litigation, regulatory proceedings or other disputes. In general, claims made by or against us in disputes and other legal or regulatory proceedings can be expensive and time consuming to bring or defend against, requiring us to expend significant resources and divert the efforts and attention of our management and other personnel from our business operations. These potential claims include, but are not limited to, personal injury claims, class action lawsuits, intellectual property claims, privacy claims, employment litigation and regulatory investigations and causes of action relating to the advertising and promotional claims about our products. Any adverse determination against us in these proceedings, or even the allegations contained in the claims, regardless of whether they are ultimately found to be without merit, may also result in settlements, injunctions or damages that could have a material adverse effect on our business, financial condition and results of operations.

***We may be required to recall products and may face product liability claims, either of which could result in unexpected costs and damage our reputation.***

We sell products for human use. Our products intended for use as cosmetics or skincare are not generally subject to pre-market approval or registration processes, so we cannot rely upon a government safety panel to qualify or approve our products for use. A product may be safe for the general population when used as directed but could cause an adverse reaction for a person who has a health condition or allergies, or who is taking a prescription medication. While we include what we believe are adequate instructions and warnings and we have historically had low numbers of reported adverse reactions, previously unknown adverse reactions could occur. If we discover that any of our products are causing adverse reactions, we could suffer adverse publicity or regulatory/government sanctions.

Potential product liability risks may arise from the testing, manufacture and sale of our products, including that the products fail to meet quality or manufacturing specifications, contain contaminants, include inadequate instructions as to their proper use, include inadequate warnings concerning side effects and interactions with other substances or for persons with health conditions or allergies, or cause adverse reactions or side effects. Product liability claims could increase our costs, and adversely affect our business, financial condition and results of operations. As we continue to offer an increasing number of new products, our product liability risk may increase. It may be necessary for us to recall products that do not meet approved specifications or because of the side effects resulting from the use of our products, which would result in adverse publicity, potentially significant costs in connection with the recall and could have a material adverse effect on our business, financial condition and results of operations.

In addition, plaintiffs in the past have received substantial damage awards from other cosmetic and drug companies based upon claims for injuries allegedly caused by the use of their products. Although we currently maintain general liability insurance, any claims brought against us may be subject to policy exclusions or exceed our existing or future insurance policy coverage or limits. Any judgment against us that is not covered or in excess of our policy coverage or limits would have to be paid from our cash reserves, which would reduce our capital resources. In addition, we may be required to pay higher premiums and accept higher deductibles in order to secure adequate insurance coverage in the future. Further, we may not have sufficient capital resources to pay a judgment, in which case our creditors could levy against our assets. Any product liability claim or series of claims brought

against us could harm our business significantly, particularly if a claim were to result in adverse publicity or damage awards outside or in excess of our insurance policy limits.

## **Risk factors related to intellectual property**

***If we are unable to protect our intellectual property, the value of our brands and other intangible assets may be diminished, and our business may be adversely affected.***

We rely on trademark, copyright, trade secret, patent and other laws protecting proprietary rights, nondisclosure and confidentiality agreements and other practices, to protect our brands and proprietary information, technologies and processes. Our primary trademarks include "e.l.f.," "e.l.f. SKIN," "Naturium," "e.l.f. eyes lips face," "Well People," and "Keys Soulcare," and "Naturium," all of which are registered or have registrations pending in the United States and in many other countries or registries. Our trademarks are valuable assets that support our brands and consumers' perception of our products. Although we have existing and pending trademark registrations for our brands in the United States and in many of the foreign countries in which we operate, we may not be successful in asserting trademark or trade name protection in all jurisdictions.

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We also have not applied for trademark protection in all relevant foreign jurisdictions and cannot assure you that our pending trademark applications will be approved. Third parties may also attempt to register our trademarks abroad in jurisdictions where we have not yet applied for trademark protection, oppose our trademark applications domestically or abroad, or otherwise challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products in some parts of the world, which could result in the loss of brand recognition and could require us to devote resources to advertising and marketing new brands.

We have limited patent protection, which limits our ability to protect our products from competition. We primarily rely on know-how to protect our products. It is possible that others will independently develop the same or similar know-how, which may allow them to sell products similar to ours. If others obtain access to our know-how, our confidentiality agreements may not effectively prevent disclosure of our proprietary information, technologies and processes and may not provide an adequate remedy in the event of unauthorized use of such information, which could harm our competitive position. Furthermore, advances in artificial intelligence technology may generate intellectual property developments, which existing intellectual property laws may not adequately protect and which may also give rise to a proliferation of infringement which we may not be able to address effectively.

The efforts we have taken to protect our proprietary rights may not be sufficient or effective. In addition, effective trademark, copyright, patent and trade secret protection may be unavailable or limited for certain of our intellectual property in some foreign countries. Other parties may infringe our intellectual property rights and may dilute our brands in the marketplace. We may need to engage in litigation or other activities to enforce our intellectual property rights, to protect our trade secrets or to determine the validity and scope of proprietary rights of others. Any such activities could require us to expend significant resources and divert the efforts and attention of our management and other personnel from our business operations. If we fail to protect our intellectual property or other proprietary rights, our business, financial condition and results of operations may be materially and adversely affected.

***Our success depends on our ability to operate our business without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights and other proprietary rights of third parties.***

Our commercial success depends in part on our ability to operate without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights, trade secrets and other proprietary rights of others. We cannot be certain that the conduct of our business does not and will not infringe, misappropriate or otherwise violate such rights. From time to time we receive allegations of intellectual property infringement and third parties have filed claims against us with allegations of intellectual property infringement. We are, and may in the future be, subject to third-party claims of intellectual property infringement. In addition, third parties may involve us in intellectual property disputes as part of a business model or strategy to gain competitive advantage.

**To the extent** As we gain greater visibility and market exposure as a public company **or and** otherwise, we **may** also face a greater risk of being the subject of such claims and litigation. For these and other reasons, third parties may allege that our products or activities infringe, misappropriate, dilute or otherwise violate their trademark, patent, copyright or other proprietary rights. Defending against allegations and litigation could be expensive, occupy significant amounts of time, divert management's attention from other business concerns and have an adverse impact on our ability to bring products to market. In addition, if we are found to infringe, misappropriate, dilute or otherwise violate third-party trademark, patent, copyright or other proprietary rights, our ability to use brands to the fullest extent we plan may be limited, we may need to obtain a license, which may not be available on commercially reasonable terms, or at all, or we may need to redesign or rebrand our marketing strategies or products, which may not be possible.

We may also be required to pay substantial damages or be subject to an order prohibiting us and our retail customers from importing or selling certain products or engaging in certain activities. Our inability to operate our business without infringing, misappropriating or otherwise violating the trademarks, patents, copyrights and proprietary rights of others could have a material adverse effect on our business, financial condition and results of operations.

***Our agreement with Alicia Keys for our Keys Soulcare brand may be terminated if specified conditions are not met.***

We have an agreement with Alicia Keys regarding our Keys Soulcare brand, which, among other things, includes a license for her likeness and imposes various obligations on us. If we breach our obligations, our rights under the agreement could be terminated by Alicia Keys and we could, among other things, have to pay damages, lose our ability to associate the Keys Soulcare brand with her, lose our ability to sell products branded as Keys Soulcare, lose any upfront investments made in connection with the Keys Soulcare brand, and sustain reputational damage. Each of these risks could have an adverse effect on our business, results of operations and financial condition.

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**Risk factors related to marketing activities**

***Use of social media may materially and adversely affect our reputation or subject us to fines or other penalties, and any failure in our marketing efforts through our social media presence could materially and adversely affect our business, financial condition and results of operations.***

We rely to a large extent on our online presence to reach consumers, and we offer consumers the opportunity to rate and comment on our products on our e-commerce websites and mobile applications. Negative commentary or false statements regarding us or our products may be posted on our e-commerce websites, mobile applications, or social media platforms and may be harmful to our reputation or business. Our target consumers often value readily available information and may act on such information without further investigation and without regard to its accuracy. The harm may be immediate without affording us an opportunity for redress or correction. In addition, we may face claims relating to information that is published or made available through the interactive features of our e-commerce websites and mobile applications. For example, we may receive third-party complaints that the comments or other content posted by users on our platforms infringe third-party intellectual property rights or otherwise infringe the legal rights of others. While the Communications Decency Act and Digital Millennium Copyright Act generally protect online service providers from claims of copyright infringement or other legal liability for the self-directed activities of its users, if it were determined that we did not meet the relevant safe harbor requirements under either law, we could be exposed to claims related to advertising practices, defamation, intellectual property rights, rights of publicity and privacy, and personal injury torts. We could incur significant costs investigating and defending such claims and, if we are found liable, significant damages. If any of these events occur, our business, financial condition and results of operations could be materially and adversely affected.

We also use third-party social media platforms as marketing tools. For example, we maintain Snapchat, Facebook, TikTok, Twitter, X (formerly Twitter), Roblox, Twitch, Pinterest, Instagram and YouTube accounts. As e-commerce and social media platforms continue to rapidly evolve, we must continue to maintain a presence on these platforms and establish presences on new or emerging popular social media platforms. If we are unable to cost-effectively use social media platforms as marketing tools, our ability to acquire new consumers and our financial condition may suffer. Generally, the opportunities in and sophistication of newer advertising channels are relatively undeveloped and unproven, and there can be no assurance that we will be able to continue to appropriately manage and fine-tune our marketing efforts in response to these and other trends in the advertising industry. Furthermore, these newer advertising channels often change rapidly and can be subject to disruptions for reasons beyond our control. For example, in recent months, lawmakers in the United States, Europe and Canada have recently escalated efforts to restrict access to TikTok. While a US judge in November 2023 blocked Montana's governor signed a bill in May to first-of-its-kind proposed state ban TikTok from operating inside the state – the first prohibition of its kind in the United States – and TikTok, other states, governmental bodies and institutions have voiced concerns that TikTok poses a national security threat and may adopt pursue similar prohibitions. As laws and regulations rapidly evolve to govern the use of these platforms and devices, the failure by us, our employees or third parties acting at our direction to abide by applicable laws and regulations in the use of these platforms and devices could subject us to regulatory investigations, class action lawsuits, liability, fines or other penalties and have a material adverse effect on our business, financial condition and result of operations. Any failure to successfully manage our marketing efforts on, or disruptions to, social media channels that we have come to depend on for marketing could materially adversely affect our business, financial condition and results of operations.

In addition, an increase in the use of social media for product promotion and marketing may cause an increase in the burden on us to monitor compliance of such materials and increase the risk that such materials could contain problematic product or marketing claims in violation of applicable regulations.

***Our business relies heavily on email and other messaging services, and any restrictions on the sending of emails or messages or an inability to timely deliver such communications could materially adversely affect our net revenue and business.***

Our business is highly dependent upon email and other messaging services for promoting our brands, products and e-commerce platforms. We provide emails, text messages and "push" communications to inform consumers of new products, shipping specials and other promotions. We believe these messages are an important part of our consumer experience. If we are unable to

successfully deliver emails or other messages to our subscribers, or if subscribers decline to open or read our messages, our business, financial condition and results of operations may be materially adversely affected. Changes in how web and mail services block, organize and prioritize email may reduce the number of subscribers who receive or open our emails. For example, Google's Gmail service has a feature that organizes incoming emails into categories (for example, primary, social and promotions).

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Such categorization or similar inbox organizational features may result in our emails being delivered in a less prominent location in a subscriber's inbox or viewed as "spam" by our subscribers and may reduce the likelihood of that subscriber reading our emails. Actions by third parties to block, impose restrictions on or charge for the delivery of emails or other messages could also adversely impact our business. From time to time, Internet service providers or other third parties may block bulk email transmissions or otherwise experience technical difficulties that result in our inability to successfully deliver emails or other messages to consumers.

Changes in the laws or regulations that limit our ability to send such communications or impose additional requirements upon us in connection with sending such communications would also materially adversely impact our business. For example, electronic marketing and privacy requirements in the EU and the UK are highly restrictive and differ greatly from those in the United States, which could cause fewer of individuals in the EU or the UK to subscribe to our marketing messages and drive up our costs and risk of regulatory oversight and fines if we are found to be non-compliant.

Our use of email and other messaging services to send communications to consumers may also result in legal claims against us, which may cause us increased expenses, and if successful might result in fines and orders with costly reporting and compliance obligations or might limit or prohibit our ability to send emails or other messages. We also rely on social networking messaging services to send communications and to encourage consumers to send communications. Changes to the terms of these social networking services to limit promotional communications, any restrictions that would limit our ability or our consumers' ability to send communications through their services, disruptions or downtime experienced by these social networking services or decline in the use of or engagement with social networking services by consumers could materially and adversely affect our business, financial condition and results of operations.

## **Risk factors relating to our stockholders and ownership of our common stock**

### ***Our business could be negatively impacted by corporate citizenship and sustainability matters.***

There is an increased focus from certain investors, customers, consumers, employees, and other stakeholders concerning corporate citizenship and sustainability matters. From time to time, we may announce certain initiatives, including goals, regarding our focus areas, which include environmental matters, packaging, responsible sourcing and social investments. We could fail, or be perceived to fail, in our achievement of such initiatives or goals, or we could fail in accurately reporting our progress on such initiatives and goals. In addition, we could be criticized for the scope of such initiatives or goals or perceived as not acting responsibly in connection with these matters. Any such matters, or related corporate citizenship and sustainability matters, could have a material adverse effect on our business, financial condition and results of operations.

In addition, a variety of organizations measure the performance of companies on environmental, social, and governance (“ESG”) topics, and the results of these assessments are widely publicized. Investment in funds that specialize in companies that perform well in such assessments are increasingly popular, and major institutional investors have publicly emphasized the importance of such ESG measures to their investment decisions. Topics taken into account in such assessments include, among others, the company's efforts and impacts on climate change and human rights, ethics and compliance with law, and the role of the company's board of directors in supervising various sustainability issues.

Furthermore, ESG-related legislation and regulation is being implemented across the world, including in the United States, and any such legislation or regulation, including the SEC's proposed climate-related reporting requirements, may impose additional compliance burdens on us and on third parties in our value chain, which could potentially result in increased administrative costs, decreased demand in the marketplace for our products, and/or increased costs for our supplies and products. The SEC has proposed rule changes that would require registrants to include certain climate-related disclosures in their registration statements and periodic reports, including information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements. If approved, these new disclosure requirements will likely increase our costs of compliance, which would then increase our operating expenses.

We take into consideration the expected impact of ESG matters on the sustainability of our business over time and the potential impact of our business on society and the environment. However, in light of investors' increased focus on ESG matters, and in light of increased and evolving legislation and regulation regarding ESG matters, there can be no certainty that we will manage such issues successfully, or that we will successfully meet our customers' or society's expectations as to our proper role. If we fail to meet the ESG values, standards and metrics that we set for ourselves, or our articulated public benefit purposes, or fail to align to regulatory or market expectations or standards regarding such matters, we may experience negative publicity and a loss of customers as a result, which will adversely affect our business, financial condition, and results of operations.

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### ***Actions of activist stockholders could be costly and time-consuming, divert management's attention and resources, and have an adverse effect on our business.***

While we value open dialogue and input from our stockholders, activist stockholders could take actions that could be costly and time-consuming to us, disrupt our operations, and divert the attention of our board of directors, management, and employees, such as public proposals and requests for potential nominations of candidates for election to our board of directors, requests to pursue a strategic combination or other transaction, or other special requests. As a result, we have retained, and may in the future retain additional services of various professionals to advise us in these matters, including legal, financial and communications advisers, the costs of which may negatively impact our future financial results. In addition, perceived uncertainties as to our future direction, strategy, or leadership created as a consequence of activist stockholder initiatives may result in the loss of potential business opportunities, harm our ability to attract new or retain existing investors, customers, directors, employees or other partners, and cause our stock price to experience periods of volatility or stagnation.

### ***Because we have no current plans to pay cash dividends on our common stock, stockholders may not receive any return on investment unless they sell our common stock for a price greater than that which they paid for it.***

We have no current plans to pay cash dividends on our common stock. The declaration, amount and payment of any future dividends will be at the sole discretion of our board of directors. Our board of directors may take into account general and economic conditions, our financial condition and results of operations, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, including restrictions under the Amended Credit Agreement and other indebtedness we may incur, and such other factors as our board of directors may deem relevant.

***Stockholders may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise.***

We had approximately **194.8 million** 194.5 million shares of common stock authorized but unissued and **55.2 million** 55.5 million shares of common stock outstanding as of **October 26, 2023** February 1, 2024. Our amended and restated certificate of incorporation authorizes us to issue these shares of common stock and stock options exercisable for common stock (and other equity awards) for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Any common stock that we issue, including under our existing equity incentive plans or any additional equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by existing investors. In connection with our acquisition of Naturium, we issued 577,659 shares of the Company's common stock, with a fair market value of **\$72.02 million** \$57.8 million as of the date of **calculation**.

the Acquisition.

***Anti-takeover provisions in our organizational documents and Delaware law might discourage or delay acquisition attempts for us that stockholders might consider favorable.***

Our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult without the approval of our board of directors. Among other things:

- although we do not have a stockholder rights plan, these provisions allow us to authorize the issuance of undesignated preferred stock in connection with a stockholder rights plan or otherwise, the terms of which may be established and the shares of which may be issued without stockholder approval, and which may include super voting, special approval, dividend or other rights or preferences superior to the rights of the holders of common stock;
- these provisions provide for a classified board of directors with staggered three-year terms;
- these provisions require advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- these provisions prohibit stockholder action by written consent;
- these provisions provide for the removal of directors only for cause and only upon affirmative vote of holders of at least 75% of the shares of common stock entitled to vote generally in the election of directors; and

- these provisions require the amendment of certain provisions only by the affirmative vote of at least 75% of the shares of common stock entitled to vote generally in the election of directors.

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Further, as a Delaware corporation, we are also subject to provisions of Delaware law, which may impair a takeover attempt that our stockholders may find beneficial. These anti-takeover provisions and other provisions under Delaware law could discourage, delay or prevent a transaction involving a change in control of our company, including actions that our stockholders may deem advantageous, or negatively affect the trading price of our common stock. These provisions could also discourage proxy contests and make it more difficult for other stockholders to elect directors of their choosing and to cause us to take other corporate actions they may desire.

***Our board of directors is authorized to issue and designate shares of our preferred stock in additional series without stockholder approval.***

Our amended and restated certificate of incorporation authorizes our board of directors, without the approval of our stockholders, to issue up to 30 million shares of our preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our amended and restated certificate of incorporation, as shares of preferred stock in series, to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The powers, preferences and rights of these additional series of preferred stock may be senior to or on parity with our common stock, which may reduce its value.

***Our amended and restated certificate of incorporation and amended and restated bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated certificate of incorporation and amended and restated bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. This provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find this provision in our amended and restated certificate of incorporation and amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition and results of operations.

**General risk factors**

***An active trading market for our common stock may not be sustained, and the market price of shares of our common stock may be volatile, which could cause the value of your investment to decline.***

Although our common stock is listed on the NYSE, there can be no assurances that an active trading market for our common stock will be sustained. In the absence of an active trading market for our common stock, stockholders may not be able to sell their common stock at the time or price they would like to sell.

Even if an active trading market is sustained, the market price of our common stock may be highly volatile and could be subject to wide fluctuations. Securities markets often experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, could reduce the market price of shares of our common stock in spite of our operating performance. In addition, our results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including variations in our quarterly results of operations, additions or departures of key management personnel, changes in consumer preferences or beauty trends, announcements of new products or significant price reductions by our competitors, failure to meet analysts' earnings estimates, publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or investment community, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, adverse publicity about our industry, the level of success of releases of new products and in response the market price of shares of our common stock could decrease significantly.

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In addition, in May 2019, we announced that our board of directors authorized a share repurchase program allowing us to repurchase up to **\$25.0 million** **\$25.0 million** of our outstanding shares of common stock ("Share Repurchase Program"), of which approximately **\$17.1 million** remains available for future share repurchases as of **September 30, 2023** **December 31, 2023**. Purchases under the Share Repurchase Program may be made from time to time in the open market, in privately negotiated transactions or otherwise. The timing and amount of any repurchases pursuant to the Share Repurchase Program will be determined based on market conditions, share price and other factors. The Share Repurchase Program may be suspended or discontinued at any time and there is no guarantee that any shares will be purchased under the Share Repurchase Program.

In the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***Future sales, or the perception of future sales, by us or our stockholders in the public market could cause the market price for our common stock to decline.***

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

In addition, all the shares of common stock subject to stock options and restricted stock units and shares of restricted stock awards outstanding and reserved under our 2014 Equity Incentive Plan, our 2016 Equity Incentive Award Plan and our 2016 Employee Stock Purchase Plan have been registered on Form S-8 under the Securities Act and such shares, once the underlying equity award vests, will be eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates. We intend to file one or more registration statements on Form S-8 to cover additional shares of our common stock or securities convertible into or exchangeable for shares of our common stock pursuant to automatic increases in the number of shares reserved under our 2016 Equity Incentive Award Plan and our 2016 Employee Stock Purchase Plan. Accordingly, shares registered under these registration statements on Form S-8 will be available for sale in the open market.

As restrictions on resale end, the market price of shares of our common stock could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of shares of our common stock or other securities.

***If securities analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and trading volume to decline.

## **Item 2. Unregistered sales of equity securities and use of proceeds.**

### **Issuer Purchases of Equity Securities**

In May 2019, we announced that our board of directors authorized the Share Repurchase Program, which authorizes us to repurchase up to \$25 million of our outstanding shares of common stock. The Share Repurchase Program remains in effect through the earlier of (i) the date that \$25 million of our outstanding common stock has been purchased under the Share Repurchase Program or (ii) the date that our board of directors cancels the Share Repurchase Program.

Subject to certain exceptions, the covenants in the Amended Credit Agreement require us to be in compliance with certain leverage ratios to make repurchases under the Share Repurchase Program.

We did not repurchase any shares during the three months ended September 30, 2023 December 31, 2023, including pursuant to the Share Repurchase Program. A total of \$17.1 million remains available for future share repurchases under the Share Repurchase Program as of September 30, 2023 December 31, 2023.

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## **Item 3. Defaults upon senior securities.**

None.

#### Item 4. Mine safety disclosures.

None.

#### Item 5. Other information.

##### Rule 10b5-1 Trading Plans

As of the date of this Quarterly Report, each of the Company's executive officers has entered into a Rule 10b5-1 trading plan that remains in effect. The following table sets forth the material terms of each Rule 10b5-1 trading plan that was adopted, modified or terminated by an officer or director of the Company during **During** the three months ended September 30, 2023. **December 31, 2023**, no director or officer of the Company adopted, terminated or modified 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.

Officer/Director	Action	Date	Trading Arrangement		Total Shares to be Sold <sup>(1)</sup>	Expiration Date
			Rule 10b5-1*	Non-Rule 10b5-1**		
Scott Milsten <i>SVP, General Counsel and Chief People Officer</i>	Adopt	9/8/2023	X		Up to 118,713	9/30/2024

\* Intended to satisfy the affirmative defense of Rule 10b5-1(c).

\*\* Not intended to satisfy the affirmative defense of Rule 10b5-1(c).

(1) The total shares to be sold for each officer cannot be determined at the date of this Quarterly Report as the planned sale amount for each officer is equal to a designated percentage of the net number of shares after a portion of the shares have been sold to cover withholding taxes from RSU or RSA vesting, as well as performance stock units that will only vest upon achievement of applicable performance targets and may not vest at all. The amount listed for each officer reflects the maximum number of shares available to be sold multiplied by the designated percentages set forth in each officer's respective 10b5-1 trading plan.

#### Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference				
		Filed Herewith	Form	Exhibit Number	File Number	Filing Date
2.1	<a href="#">Securities Purchase Agreement by and among Naturium LLC, TCB-N Prelude Blocker Corp., The Center Brands LLC, Elaine J. Balady, TCB Prelude Holdings, LLC, e.l.f. Cosmetics, Inc., e.l.f. Beauty, Inc. and The Center Brands LLC (as Representative), dated August 28, 2023</a>		S-3	2.1	333-274869	10/5/2023
3.1	<a href="#">Amended and Restated Certificate of Incorporation of e.l.f. Beauty, Inc.</a>		8-K	3.1	001-37873	9/27/2016
3.2	<a href="#">Amended and Restated Bylaws of e.l.f. Beauty, Inc.</a>		8-K	3.2	001-37873	9/27/2016

10.1	<a href="#">Second Amendment to Amended and Restated Credit Agreement, dated August 28, 2023, by and among the Company as parent guarantor, e.l.f. Cosmetics, Inc., W3LL People, Inc. and J.A. RF, LLC, each as a borrower, Bank of Montreal, as the administrative agent, swingline lender and I/c issuer, U.S. Bank, as syndication agent and a joint lead arranger, BMO Capital Markets Corp., as a joint lead arranger and bookrunner, and the lenders from time to time party thereto</a>	X
31.1	<a href="#">Certification of the Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.</a>	X
31.2	<a href="#">Certification of the Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.</a>	X
32.1*	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.</a>	X
101.INS	XBRL Instance Document - Instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	X

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	Exhibit Number	File Number	Filing Date
3.1	<a href="#">Amended and Restated Certificate of Incorporation of e.l.f. Beauty, Inc.</a>		8-K	3.1	001-37873	9/27/2016
3.2	<a href="#">Amended and Restated Bylaws of e.l.f. Beauty, Inc.</a>		8-K	3.2	001-37873	9/27/2016
31.1	<a href="#">Certification of the Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.</a>	X				
31.2	<a href="#">Certification of the Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act.</a>	X				
32.1*	<a href="#">Certification of the Chief Executive Officer and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act.</a>	X				

101.INS	XBRL Instance Document - Instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	X
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	X

- \* This certification is deemed furnished, and not filed, with the SEC and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Quarterly Report, irrespective of any general incorporation language contained in such filing.

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**SIGNATURES**

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

e.l.f. Beauty, Inc.

November 2, 2023 February 7, 2024

Date

By: /s/ Tarang P. Amin

Tarang P. Amin  
Chief Executive Officer  
(*Principal Executive Officer*)

November 2, 2023 February 7, 2024

Date

By: /s/ Mandy Fields

Mandy Fields  
Chief Financial Officer  
(*Principal Financial and Accounting Officer*)

**SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT**

THIS SECOND AMENDMENT TO AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") is entered into as of August 28, 2023 (the "Amendment Closing Date"), by and among e.l.f. Cosmetics, Inc., a Delaware corporation ("e.l.f. Cosmetics"), J.A. RF, LLC, a Delaware limited liability company ("J.A. RF"), W3LL People, Inc., a Delaware corporation ("W3LL"; collectively with e.l.f. Cosmetics and J.A. RF, the "Borrowers"), e.l.f. Beauty, Inc., a Delaware corporation ("Holdings"), the other Persons party hereto that are designated as a "Loan Party" on the signature pages hereof, Bank of Montreal, a Canadian chartered bank acting through its Chicago branch (in its individual capacity, "BMO"), as Administrative Agent, an L/C Issuer and a Lender, and each Lender signatory hereto, each in its individual capacity as a Lender under the Credit Agreement and/or as a provider of the portion of the Second Amendment Requested Incremental Term Loan (as defined below) set forth opposite such Lender's name on Schedule 1 attached hereto (each a "Second Amendment Incremental Term Loan Lender").

**WITNESSETH:**

WHEREAS, Borrowers, Holdings, the other Loan Parties party thereto, BMO, as Administrative Agent, an L/C Issuer and a Lender, and the other Lenders from time to time party thereto are parties to that certain Amended and Restated Credit Agreement dated as of April 30, 2021 (as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time prior to the date hereof, the "Credit Agreement");

WHEREAS, on the terms and subject to the conditions set forth in the Credit Agreement (including, without limitation, Section 2.18(e) thereof) and this Amendment, the Borrowers have requested an incremental term facility in the original aggregate principal amount of \$115,000,000 (the "Second Amendment Requested Incremental Term Loan"), the proceeds of which shall be used by the Borrowers (a) to consummate the Acquisition (the "Naturium Acquisition") by e.l.f. Cosmetics of one hundred percent (100%) of the equity interests of Naturium LLC, a Delaware limited liability company ("Naturium"), pursuant to that certain Securities Purchase Agreement, dated as of August 28, 2023, by and among e.l.f. Cosmetics, Naturium, the "Sellers" (as defined therein) party thereto, the "Representative" (as defined therein) and the other parties thereto (the "Naturium Acquisition Agreement") and (b) to pay costs, fees and expenses related to the Naturium Acquisition and this Amendment; and

WHEREAS, the Loan Parties have requested that the Lenders amend certain provisions of the Credit Agreement, and, subject to the satisfaction of the conditions set forth herein, the Administrative Agent and the Lenders signatory hereto are willing to do so, on the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

1. Defined Terms. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Credit Agreement (as defined below).

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2. Second Amendment Requested Incremental Term Loan. Pursuant to Section 2.18 of the Credit Agreement and subject to the terms and conditions and relying upon the representations and warranties set forth herein and in the Credit Agreement, each Second Amendment Incremental Term Loan Lender, severally and not jointly, agrees to make the portion of the Second Amendment Requested Incremental Term Loan set forth opposite its name on Schedule 1 attached hereto to the Borrowers on the Second Amendment Funding Date (as defined below). The terms and provisions applicable to the Second Amendment Requested Incremental Term Loan shall be identical to those of the existing initial Term Loan, and in connection therewith shall be subject to all of the terms and provisions of the Credit Agreement and the other Loan Documents pertaining thereto, as modified by this Amendment. In connection with the foregoing, all references in the Credit Agreement and the other Loan Documents to the Term Loan shall be deemed to include the Second Amendment Requested Incremental Term Loan and from and after the Second Amendment Funding Date, the Second Amendment Requested Incremental Term Loan shall be deemed to constitute a portion of the outstanding Term Loan for all purposes under the Credit Agreement and the other Loan Documents, subject to all of the same terms and conditions applicable thereto (except as otherwise expressly set forth herein), on a pari passu basis with the initial Term Loan. In addition, the Second Amendment Requested Incremental Term Loan shall be deemed to constitute a part of the outstanding Obligations (as a portion of the outstanding initial Term Loan and Obligations under the initial Term Loan) and shall have all of the rights, remedies, protections and collateral security afforded to the Obligations under the Credit Agreement and the other Loan Documents, as modified by this Amendment. From and after the Second Amendment Funding Date, each Second Amendment Incremental Term Loan Lender shall be deemed to be, and shall become (or, if it is already a Term Lender or a Lender, as applicable, shall continue to be) a Term Lender or a Lender for all purposes of, and with all the rights and remedies of a Term Lender and a Lender under, the Credit Agreement and the other Loan Documents. Each Lender from time to time holding all or any portion of the Second Amendment Requested Incremental Term Loan shall be deemed to constitute a Lender under the initial Term Loan in respect thereof for all purposes of the Credit Agreement and the other Loan Documents.

3. Amendments to Credit Agreement and Terms of the Second Amendment Requested Incremental Term Loan.

a. Each of the Loan Parties certifies that the Naturium Acquisition constitutes a Limited Condition Acquisition under the Credit Agreement.

b. Except with respect to the scheduled amortization of the Second Amendment Requested Incremental Term Loan described in Section 3.c. below, the terms and provisions of the Second Amendment Requested Incremental Term Loan shall be identical to those of the portion of the existing initial Term Loans (and, except with respect to the interest rate applicable to the Second Amendment Requested Incremental Term Loan described in 3.d. below, interest in respect of the Second Amendment Requested Incremental Term Loan shall be due and payable in accordance with the terms of the Credit Agreement).

c. On the Second Amendment Funding Date, the Credit Agreement shall be deemed amended to the extent (but only to the extent) necessary to reflect the existence and terms of the Second Amendment Requested Incremental Term Loan set forth herein (and, for the avoidance of doubt, the other amendments expressly contemplated herein), without the need for the execution and delivery of a separate amendment to the Credit Agreement. Without limiting the foregoing the definition of "Term Loan Commitment" set forth in the Credit Agreement shall be deemed automatically updated to take into account the Second Amendment Requested Incremental Term Loan as set forth in this Amendment.

d. The principal amount of the Second Amendment Requested Incremental Term Loan shall be paid in installments on the dates and in the respective amounts shown below:

Date	Quarterly Payment
December 31, 2023	\$1,437,500
March 31, 2024	\$1,437,500
June 30, 2024	\$1,437,500
September 30, 2024	\$1,437,500
December 31, 2024	\$1,437,500
March 31, 2025	\$1,437,500
June 30, 2025	\$1,437,500
September 30, 2025	\$1,437,500
December 31, 2025	\$1,437,500
March 31, 2026	\$1,437,500
April 30, 2026	The outstanding unpaid principal balance of the Second Amendment Requested Incremental Term Loan

The outstanding unpaid principal balance and all accrued and unpaid interest on the Second Amendment Requested Incremental Term Loan shall be due and payable on the earlier of (i) the Term Loan Maturity Date, and (ii) the date of the acceleration of such Second Amendment Requested Incremental Term Loan in accordance with the terms of the Credit Agreement.

e. The Applicable Margin for the Second Amendment Requested Incremental Term Loan shall be as set forth in the table below.

Level	Consolidated Total Net Leverage Ratio	Applicable Margin for SOFR Loans	Applicable Margin for Base Rate Loans
I	> 3.25:1.00	2.375%	1.375%
II	> 2.50:1.00 but ≤ 3.25:1.00	2.125%	1.125%
III	> 1.75:1.00 but ≤ 2.50:1.00	1.875%	0.875%
IV	> 1.00:1.00 but ≤ 1.75:1.00	1.625%	0.625%
V	≤ 1.00:1.00	1.50%	0.50%

f. The Borrowers agree that the proceeds of the Second Amendment Requested Incremental Term Loan shall be used solely to (i) consummate the Naturium Acquisition and (ii) fund the payment of fees, costs and expenses incurred by the Loan Parties in connection with the Naturium Acquisition and this Amendment.

g. The "Increase Effective Date" in respect of the Second Amendment Requested Incremental Term Loan shall be the Second Amendment Funding Date.

h. This Amendment shall constitute a request for an "Increase" of the Term Loan Facility under Section 2.18(a) of the Credit Agreement.

i. Section 1.01 of the Credit Agreement is hereby amended by amending and restating the following definition in its entirety:

"Fee Letter" means the letter agreement, dated as of August 28, 2023 between Borrowers and Administrative Agent.

j. Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions in the correct alphabetical order:

"Second Amendment" means that certain Second Amendment to Amended and Restated Credit Agreement dated as of August 28, 2023, by and among the Borrowers, the other Loan Parties party thereto, Administrative Agent and the Lenders party thereto.

"Second Amendment Funding Date" has the meaning set forth in the Second Amendment.

k. Section 2.18(a) of the Credit Agreement is hereby amended and restated in its entirety as follows:

(a) Request for Increase. Upon notice to Administrative Agent (who shall promptly notify the applicable Revolving Lenders and Term Lenders), Borrower Agent may from time to time prior to the Maturity Date request to add one or more incremental term facilities and/or request an increase in the Aggregate Revolving Credit Commitments or Term Loan Facility by an amount (for all such requests) not exceeding, in

the aggregate, with respect to any such Increase incurred on any date following the Second Amendment Funding Date, the greater of (x) 1.0x of Adjusted Consolidated EBITDA on a Pro Forma Basis for the four Fiscal Quarter period most recently ended as determined based on the financial statements for the most recently ended fiscal period that were required to be delivered pursuant to this Agreement and (y) \$100,000,000, all of which may be used to increase the Term Loan Facility or add one or more incremental term facilities (each such increase or addition of incremental facilities, an "*Increase*"); provided that any such request for an Increase shall be in a minimum amount of \$5,000,000 in the aggregate (or \$2,500,000 with respect to an Increase in the Aggregate Revolving Credit Commitments) or, if less, the entire unutilized amount of the maximum amount of all such requests set forth above. Each notice from the Borrower Agent pursuant to this Section shall set forth the requested amount and proposed terms of the relevant Increase, as applicable.

4. Conditions to the Effectiveness of this Amendment. The effectiveness of this Amendment is subject to the satisfaction of the following conditions precedent:

a. the execution and delivery of this Amendment by the Administrative Agent, the Lenders, the Borrowers and each other Loan Party, together with each of the other documents and items set forth on Exhibit A (under the section "Signing Documents") attached hereto;

b. receipt by Administrative Agent and the Lenders of the fees set forth in that certain Fee Letter entered into in connection with this Amendment;

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c. no Event of Default exists or shall arise as a direct result of the effectiveness of this Amendment; and

d. the truth and accuracy, in all material respects (or in all respects for such representations and warranties that are by their terms already qualified as to materiality), of the representations and warranties contained in Section 6 hereof.

5. Conditions to the Effectiveness of the Financing. The funding of the Second Amendment Requested Incremental Term Loan is subject to the satisfaction of the following conditions precedent (the "Second Amendment Funding Date"):

a. the satisfaction of the conditions to the effectiveness of this Amendment contained in Section 4 hereof on the Amendment Closing Date;

b. the execution and delivery of the documents and items set forth on Exhibit A (under the section "Funding Documents");

c. all accrued costs, fees and expenses (including all reasonable and documented out-of-pocket fees, charges and disbursements of counsel to Administrative Agent) due and payable to Administrative Agent pursuant to this Amendment and the Credit Agreement, in each case, on or before the Second Amendment Funding Date shall have been paid, to the extent set forth hereunder or otherwise invoiced with reasonable detail at least two (2) Business Days prior to the Second Amendment Funding Date;

d. no Event of Default under Section 8.01(a) or 8.01(f) of the Credit Agreement exists or shall arise as a direct result of the funding of the Second Amendment Requested Incremental Term Loan or the consummation of the Naturium Acquisition;

e. the Borrower Agent shall have delivered to Administrative Agent a Committed Loan Notice pursuant to Section 2.02 of the Credit Agreement;

f. the Borrower Agent shall have delivered to Administrative Agent a certificate evidencing compliance with Section 2.18(e)(iv) of the Credit Agreement;

g. the Total Revolving Credit Outstanding of the Borrowers shall not exceed \$90,000,000; and

h. the Naturium Acquisition shall have been consummated or shall be consummated concurrently therewith in accordance with the terms of the Naturium Acquisition Agreement and the Loan Parties shall have satisfied each of the conditions of a "Permitted Acquisition" set forth in the Credit Agreement.

6. Representations and Warranties. Each Loan Party hereby represents and warrants to the Administrative Agent and each Lender as follows:

a. after giving effect to this Amendment on the Amendment Closing Date, the representations and warranties made by such Loan Party contained in the Loan Documents are true and correct in all material respects (or in all respects for such representations and warranties that are by their terms already qualified as to materiality), except to the extent such representation or warranty expressly relates to an earlier date, in which case, such representations and warranties were true and correct in all material respects (or in all respects for such representations and warranties that are by their terms already qualified as to materiality) as of such earlier date;

b. after giving effect to this Amendment, such Loan Party is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization;

c. such Loan Party has all requisite power and authority and all requisite governmental licenses, authorizations, consents and approvals to execute, deliver and perform its obligations under this Amendment and the Credit Agreement, as amended hereby;

d. the execution, delivery and performance by such Loan Party of this Amendment and the Credit Agreement, as amended hereby, have, in each case, been duly authorized by all necessary organizational action and (A) do not and will not (i) contravene the terms of its Organization Documents, (ii) conflict with or result in any breach or contravention of, or the creation of any Lien under (other than as permitted by Section 7.02 of the Credit Agreement) (x) any Contractual Obligation to which such Person is a party or (y) any order, injunction, writ or decree of any Governmental Authority, (iii) violate any Law material to any Loan Party or Subsidiary in any material respect, except with respect to any conflict, breach, or contravention referred to in clause (A)(ii), to the extent that such conflict, breach or contravention would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or (B) do not or will not require any approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority or any other Person, except for (i) filings necessary to perfect Liens on the Collateral granted by the Loan Parties in favor of the Administrative Agent for the benefit of the Lender Parties, (ii) the approvals, consents, exemptions, authorizations, actions, notices, and filings which have been duly obtained, taken, given or made and are in full force and effect or (iii) if the failure to obtain the same, take such action or give such notice could reasonably be expected to result in a Material Adverse Effect;

e. this Amendment and the Credit Agreement, as amended hereby, constitutes the legal, valid and binding obligation of such Loan Party, enforceable against such Loan Party in accordance with their terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws relating to or affecting the rights and remedies of creditors or by general equitable principles; and

f. no Event of Default exists or shall arise as a direct result of the effectiveness of this Amendment on the Amendment Closing Date.

7. **Termination.** The obligation of the Second Amendment Incremental Term Loan Lenders to fund the Second Amendment Requested Incremental Term Loans shall automatically terminate on December 28, 2023.

8. No Modification. Except as expressly set forth herein, nothing contained herein shall be deemed to constitute a waiver of compliance with any term or condition contained in the Credit Agreement or any of the other Loan Documents or constitute a course of conduct or dealing among the parties. Except as expressly stated herein, the Administrative Agent and Lenders reserve all rights, privileges and remedies under the Loan Documents. Except as amended or consented to hereby, the Credit Agreement and other Loan Documents remain unmodified and in full force and effect. All references in the Loan Documents to the Credit Agreement shall be deemed to be references to the Credit Agreement as amended and waived hereby. This Amendment is a Loan Document for purposes of the Credit Agreement.

9. Counterparts. This Amendment may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute a single contract. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed counterpart of a signature page of this Amendment by telecopy or other electronic means (including .pdf or .tiff files) shall be effective as delivery of a manually executed counterpart of this Amendment.

10. Successors and Assigns. The provisions of this Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that none of the Loan Parties may assign or transfer any of its rights or obligations under this Amendment except as permitted by the Credit Agreement.

11. Governing Law and Jurisdiction. SECTION 10.14 (GOVERNING LAW; JURISDICTION; ETC.) IS INCORPORATED HEREIN BY REFERENCE, *MUTATIS MUTANDIS*.

12. Severability. The illegality or unenforceability of any provision of this Amendment or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Amendment or any instrument or agreement required hereunder. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

13. Reaffirmation. Each of the Loan Parties as debtor, grantor, pledgor, guarantor, assignor, or in other any other similar capacity in which such Loan Party grants liens or security interests in its property or otherwise acts as accommodation party or guarantor, as the case may be, hereby (i) ratifies and reaffirms all

of its payment and performance obligations, contingent or otherwise, under each of the Loan Documents to which it is a party (after giving effect hereto) and

(ii) to the extent such Loan Party granted liens on or security interests in any of its property pursuant to any such Loan Document as security for or otherwise guaranteed the Borrower's Obligations under or with respect to the Loan Documents, ratifies and reaffirms such guarantee and grant of security interests and liens and confirms and agrees that such security interests and liens hereafter secure all of the Obligations as amended hereby. Each of the Loan Parties hereby consents to this Amendment and acknowledges that each of the Loan Documents remains in full force and effect and is hereby ratified and reaffirmed. The execution of this Amendment shall not operate as a waiver of any right, power or remedy of the Administrative Agent or Lenders, constitute a waiver of any provision of any of the Loan Documents or serve to effect a novation of the Obligations.

**14. Fees and Expenses.** To the extent required by Section 10.04 of the Credit Agreement, Borrowers agree to reimburse the Administrative Agent for all reasonable and documented out-of-pocket costs, fees and expenses due and payable to Administrative Agent pursuant to this Amendment and the Credit Agreement.

[Remainder of Page Intentionally Left Blank; Signature Pages Follow]

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IN WITNESS WHEREOF, each of the undersigned has executed this Amendment as of the date set forth above.

**HOLDINGS:**

**E.L.F. BEAUTY, INC.,**

a Delaware corporation

By: /s/ Scott K. Milsten

Name: Scott K. Milsten

Title: General Counsel and Secretary

**BORROWERS:**

**E.L.F. COSMETICS, INC.,**

a Delaware corporation

**J.A. RF, LLC**

a Delaware limited liability corporation

**W3LL PEOPLE, INC.,**

a Delaware corporation

By: /s/ Scott K. Milsten

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Name: Scott K. Milsten

Title: General Counsel and Secretary

*[Signature Page to Second Amendment to Amended and Restated Credit Agreement]*

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IN WITNESS WHEREOF, each of the undersigned has executed this Amendment as of the date set forth above.

**ADMINISTRATIVE AGENT AND LENDERS:**

**BANK OF MONTREAL**, as Administrative

Agent and as a Lender

By: /s/ Abigail J. Sacco

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Name: Abigail J. Sacco

Title: Vice President

*[Signature Page to Second Amendment to Amended and Restated Credit Agreement]*

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IN WITNESS WHEREOF, each of the undersigned has executed this Amendment as of the date set forth above.

MORGAN STANLEY SENIOR FUNDING,  
INC., as a Lender

By: /s/ Jack Kuhns

\_\_\_\_\_  
Name: Jack Kuhns

Title: Vice President

[Signature Page to Second Amendment to Amended and Restated Credit Agreement]

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IN WITNESS WHEREOF, each of the undersigned has executed this Amendment as of the date set forth above.

Wells Fargo Bank, N.A., as a Lender

By: /s/ Gerrit J. Buddingh

\_\_\_\_\_  
Name: Gerrit J. Buddingh

Title: Director

[Signature Page to Second Amendment to Amended and Restated Credit Agreement]

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IN WITNESS WHEREOF, each of the undersigned has executed this Amendment as of the date set forth above.

Bank of America, N.A., as a Lender

By: /s/ Jason Eshler

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Name: Jason Eshler

Title: Vice President

[Signature Page to Second Amendment to Amended and Restated Credit Agreement]

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IN WITNESS WHEREOF, the each of the undersigned has executed this Amendment as of the date set forth above.

US Bank, N.A., as a Lender

By: /s/ Jimmy Valdiviezo

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Name: Jimmy Valdiviezo

Title: Vice President

[Signature Page to Second Amendment to Amended and Restated Credit Agreement]

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IN WITNESS WHEREOF, the each of the undersigned has executed this Amendment as of the date set forth above.

M&T BANK, successor by merger to  
PEOPLE'S UNITED BANK, N.A. as a Lender

By: /s/ Kathryn Williams

Name: Kathryn Williams

Title: SVP

[Signature Page to Second Amendment to Amended and Restated Credit Agreement]

**Exhibit 31.1**

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER  
PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tarang P. Amin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of e.l.f. Beauty, Inc.;
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(s) 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: **November 2, 2023** **February 7, 2024**

/s/ Tarang P. Amin

Tarang P. Amin  
Chief Executive Officer  
(*Principal Executive Officer*)

**Exhibit 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER  
PURSUANT TO  
SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A)  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Mandy Fields, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of e.l.f. Beauty, Inc.;
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(s) 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: November 2, 2023 February 7, 2024

/s/ Mandy Fields

Mandy Fields

Chief Financial Officer

*(Principal Financial Officer and Principal  
Accounting Officer)*

**CERTIFICATION PURSUANT TO  
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 e.l.f. Beauty, Inc. (the "Company") on Form 10-Q for the quarterly period ended **September 30, 2023** **December 31, 2023**, as filed with the Securities and Exchange Commission (the "Report"), Tarang P. Amin, Chief Executive Officer of the Company, and Mandy Fields, Chief Financial Officer of the Company, do each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: **November 2, 2023** **February 7, 2024**

/s/ Tarang P. Amin

Tarang P. Amin

Chief Executive Officer

*(Principal Executive Officer)*

/s/ Mandy Fields

Mandy Fields

Chief Financial Officer

*(Principal Financial Officer and Principal Accounting Officer)*

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