

Manscaped - Transcript

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Paul Tran

Hi, everyone. I'm Paul Tran and I'm the CEO of Manscaped. Here with me today is Kevin Dato, our President, and Philip Unthank, our CFO.

We also have the talented team of Bright Lights, Mike Mahan and Hahn Lee. In the past couple of years, we've been so fortunate to create and capture a white space in the men's lifestyle market. We've evolved and scaled so rapidly that it feels like a blur. But we're here to talk about the next chapter of our growth. Once again, I feel so fortunate that Manscaped and Bright Lights serendipitously found each other.

Our teams are so synergistic that we could not have dreamt of a better partner. So let me turn it over to Mike and ask him to talk a little bit about Bright Lights.

Mike Mahan

Hi, everyone. By way of background, Bright Lights raised a \$230 million SPAC in January of 2021. We are incredibly proud of the team we have assembled, including what we believe to be a best-in-class board of directors. I started my career in investment banking and private equity and most recently, I was CEO of Dick Clark Productions, which is home to a number of high-profile celebrity driven shows, including the Golden Globes, the American Music Awards, the Billboard Music Awards, the Academy of Country Music Awards and New Year's Rockin' Eve. While at Dick Clark, we had six straight years of record revenue and six straight years of record EBITDA, and ultimately grew the value of the company from \$370 million to over \$1 billion. Also, around the same time, the Bright Lights team began to invest in assets like Epic Games, the Oklahoma City Dodgers and the LAFC, which is the pre-eminent franchise in Major League

Soccer. But where we really started to develop conviction and had our biggest success was investing alongside celebrities who had also agreed to serve as a marketing partner. To that end, we packaged an investment in Aviation Gin alongside Ryan Reynolds at a \$40 million valuation, which sold to Diageo for \$550 million a little over two years later. Led by John Howard, we invested in Skims with Kim Kardashian, which has also been an extraordinarily successful investment.

Given these successes, we formed a view that we could drive value by applying the celebrity partnership model to a SPAC. We believe we are uniquely qualified given our track record, our team, including our board of directors and our celebrity relationships. We therefore set out to find a company with four key criteria: 1) we wanted a thriving business; 2) we wanted a great executive team; 3) we wanted a company built for a scale with strong margins; and 4) we wanted a company successful in its own right but could still benefit from celebrity partnership.

We believe Manscaped fits our investment thesis perfectly. Manscaped created an eponymous category with a scalable business model, high quality products and attractive margins. They've grown from just \$3 million in trailing 12-month revenue in Q1 of 2018 to nearly \$300 million in 2021 and they expect \$360 million in revenue in 2023. Importantly, we believe they are just getting started. They're growing their retail footprint and are poised to replicate their domestic success across the globe. They're well-positioned to expand rapidly and into other products aided by the brand loyalty and subscription program of over 1 million subscribers.

And with that, I'll turn it back to Paul.

Paul Tran

Men are now more conscientious about their own self-care. And Manscaped is defining a whole new ritual, a whole new routine for men. If you think about it, women led the way decades ago and now men are following.

It's a huge market that we've created, and groin care, which we call manscaping, is becoming culturally accepted. In fact, if you are Gen Z, it's frankly required. Manscaping builds confidence and is partner endorsed. What's exciting is that we started in the groin, which we dominate, but we've already grown way beyond it.

Many people in the world see our ads, our commercials, and our brand, but not many know how fast we've grown or the scale that we've achieved in such a short period of time.

We're here to talk about how we went from a \$3 million run rate four years ago to nearly a \$300 million run rate today, with just \$23 million of equity capital raised while amassing over 1 million active paying members. Let's start from head to toe.

It started with a dream to build the next multi-generational brand- one that speaks to a whole new generation.

To do that, we created and captured a whole new routine. Before Manscaped, there was white

space. There was no brand that adequately represented male self-care. Today, when you think about the groin, there's only Manscaped.

Manscaped defined the category of manscaping, but how big is this market that we've created?

Well, we've deployed over 5 million of our Lawn Mower trimmers into the market to date.

That might sound like a lot, but there are 43 million millennials in the U.S, and 80 million men in our target demographic.

With 5 million trimmers deployed and hundreds of million in revenue, that only represents roughly 6% of the domestic opportunity.

What is staggering is the global opportunity. There are over 900 million income-adjusted men in our target demographics worldwide. We can discount that however we'd like, but the outcome is still a tremendous amount of opportunity still available. Some men are already manscaping, but they were using the wrong tools for the job. Manscaped's Lawn Mower is specifically designed to increase safety when removing hair on loose skin. So, we're not only satisfying the market need, we're building awareness and accelerating the adoption of this hygiene behavior.

What's really exciting is that we've already proven that we can extend beyond the groin into the \$70 billion male grooming market.

We're already generating significant revenue outside of the groin from hardware products like our Weed Whacker, a nose hair trimmer, to wet consumable products like our cleanser and preserver; we've been able to create a brand that extends beyond hygiene and self-care into lifestyle. We created one pair of Manscaped boxers for a content piece, and when we ran it, dudes out there wrote in asking where they can purchase Manscaped boxers. So far, we've deployed over 2 million pairs of Manscaped boxers. We're not an apparel company, but we're very proud that men are willing and eager to wear our brand on their body. To us, that signals that we're truly a lifestyle business.

You go out to get a haircut by a professional, but you're not going to go out for someone to trim your nether regions for you. This is a personal care activity and existing trimmers were never designed for this part of the body. Similar to a toothbrush, this isn't a device that you share. This is a personal care device. We're in the personal care space. And many, many men still do not have a dedicated, groin trimmer.

So, you see those 900 million men in our target demographic, they're going to eventually need a dedicated, groin trimmer. They're not going to risk cutting themselves with any old trimmer. They're going to choose a Manscaped SkinSafe trimmer. Manscaped owns the customer's trust and mindshare when it comes to safely trimming their family jewels.

We have a firm belief here at Manscaped that as millennials and Gen Z males get older, manscaping becomes a socially required grooming habit. It's becoming ingrained in the fabric of our society. Women led the way and now men are following. We uncovered a white space, and

we obsess over creating the very best products for men.

This is the Lawn Mower 4.0, the 4th iteration of a specifically engineered tool for groin grooming. It is a purposefully built device to remove hair from loose skin. It features our SkinSafe technology, it works in wet and dry environments, it's cordless, it's rechargeable, and it has a detachable replacement blade.

This detachable replacement blade fuels our subscription program that drives repeat purchases. The Peak Hygiene Plan, our subscription program, now has over a million active paying members. We have a mechanism to deploy new products to our members without them incurring additional costs. So, when we launch a shampoo, a million men can get it in their box without any additional cost. When we launch our deodorant, a million members can get it. What happens when they run out? They come back to us or any of our retail partners to repurchase. We see this as a strong competitive advantage.

Our passion and dedication is authentic and our customers can feel it. This is how we're able to achieve a net promoter score of 52. When we serve our customers, they tell their friends. When you combine great marketing with customer satisfaction, you achieve really high brand awareness.

Our marketing is truly resonating, and our brand awareness proves it. We've grown our brand awareness to over 49% in a short period of time. At this pace, imagine what's next as we continue to expand internationally.

There are so many growth levers that we've already proven. We've developed products that our customers have been begging for and we're getting ready to launch them. We've also laid the foundation and global infrastructure to satisfy international demand.

The Manscaped brand now resonates in over 38 countries, and we've grown a brand presence to phenomenal heights. How do we do it?

Well, our marketing machine is second to none. We deeply, deeply understand men and we maintain our marketing IP in-house.

From ideation to scripting, videography to post-production, ad buying to influencer management, we do it in-house. This is how we own our brand voice. We've become a media powerhouse that's deploying \$100 million in media and genuinely understands the next generation of men.

We've been able to achieve amazing marketing efficiency.

Our reach is so broad because we see success in all these channels, from motocross to cornhole, and MLB to kickboxing. We have a presence in these channels because we're able to be successful in them. We're the official sponsors of the San Francisco 49ers and the official sponsors of the UFC.

We had a car in NASCAR.

We took over every single billboard at Penn Station in New York City, which was an incredibly fun and profitable campaign. This is the Manscaped marketing machine at its finest.

I remember reading a comment on one of our Instagram posts that said, "Manscaped is the only brand that can sponsor both drag queens and the UFC." And we're very proud of that because it speaks to the diversity and mass-market appeal of not only our product but also our brand.

We believe that social responsibility goes hand-in-hand with financial success. We are role models for a whole generation of men, and we take this responsibility very seriously. This is why we partnered with the Testicular Cancer Society. In one of our campaigns, we put two golf balls into a blue balloon and taught men how to check themselves for testicular cancer. So Manscaped helps save balls from cuts and knicks, and through a close partnership with the Testicular Cancer Society, we help save lives.

Next up, I'd like to invite Kevin Dattoo, our President, to talk about the quantitative side of our success, but more importantly, how clearly we define our growth path.

Kevin Dattoo

Thanks, Paul.

What I'd like to do now is take you through the key elements of the business. Let's start by looking at the products that we sell today. Our hero product, which Paul already went through, is the Lawn Mower 4.0 trimming device, which retails for \$85.00.

Next, we created a suite of additional products for the groin area that collectively comprise the full grooming routine. These products are all uniquely positioned to support the concept of superior self-care in this region.

Finally, we have another handful of products designed for outside the groin area, like our nose and ear hair trimmer, body wash, shampoo, and deodorant.

We'll talk more about our strategy to expand beyond the groin in a bit. But the last point I'll make here is that you traditionally see companies that are either hard good makers or soft good makers, and we don't think like that. We think holistically about what needs our men have, and then we solve for that with the complete routine.

Central to our philosophy at Manscaped is to take the awareness and consideration that our marketing machine has created and meet our customers wherever they are. Since day one, we have believed in the importance of an omnichannel distribution strategy.

Let's now explore each of these channels in turn.

Here we see that our D2C business is anchored by our website manskaped.com. Between 2018 and 2021, we signed up 3 million customers in the US. Our D2C site is clean, clear and fast. We maintain a 4% conversion rate, which is 30% higher than the e-commerce average. So, who is

coming to our site?

Conventional wisdom says that manscaping is a young man's game and absolutely we see great adoption among the millennial population where the practice is now expected behavior.

However, 66% of our customer base is over the age of 35, which signals that the self-care trend is resonating within all age cohorts, and importantly, ones with higher disposable incomes.

So, when we get asked how big is the movement to self-care – meaning is it a fad with a narrow, fickle, young consumer base, or is it more of a definitive movement – we can respond that our data shows that it is broad-based, and we are growing on both ends of the spectrum.

Most of our customers come to the site thinking about the Lawn Mower hero device, but we're pretty good at educating them about the power of the full routine. We're great with packaging and with branding and so 66% of first-time buyers end up purchasing a starter set.

Our most popular starter set is called the Perfect Package and includes the Lawn Mower, two of our web products, the crop preserver and the crop provider, a pair of boxers, with six sizes to choose from, a travel bag, and the magic mat for easy cleanup. From a customer perspective, starter sets get you into the full routine while unlocking 30 to 40% savings by the bundle. From a business perspective, starter sets are the key driver of our \$89.00 initial average order value.

Furthermore, 70% of all of our first-time buyers check out with our quarterly subscription program, which we call the Peak Hygiene Plan. We'll talk about that now.

The Peak Hygiene Plan is the major driver of our repeat revenue. Let's start with a bit of history on this plan. When we started the Peak Hygiene Plan in 2019, it was essentially an experiment, a replenishment program that for \$14.99 customers would get a quarterly box with a replacement Lawn Mower trimmer head and one of our wet products selected by us. It was a free gift. We were pleasantly surprised that even with the rigidity of the system, customers stayed with it. We learned that members especially loved the wet goods to which we introduced them. However, the main request which we heard about in focus groups was the desire for more control.

So, in 2021, we launched Peak Hygiene Plan 2.0 enabling choice and increased selection. The evolved program allows the member to have full customization over their box. They can select from about a dozen core products in each box, and with this pricing, effectively \$7.50 per product, this is the best pricing these customers can get in any channel.

So, bringing this all together, we see that the D2C business has been growing due to the combination of great first-time buyer and repeat order trends.

We brought in about 1 million first-time buyers per year. The AOV of these customers has grown at a 22% CAGR since 2019, driven by higher-value devices and larger starter sets. And our repeat business is growing. We shipped 2.9 million repeat packages in 2021 and the average customer, including both subscribers and what we call on-demand purchasers,

receives 2.7 shipments in their first 12 months, which has driven our repeat revenue from 20% of D2C revenue in 2019 to 40% in 2021. This dependable revenue stream doesn't require any marketing dollars and is one key driver to scaling our operating margin over time.

According to a 2019 survey by Civic Science, nearly 50% of U.S. customers over the age of 13 are starting their product searches within the Amazon ecosystem. And we believe this marketplace is key to engaging our customers when they're in a lean-forward buying moment. Importantly, we built an on-brand presence seen here on the left, within the platform to ensure our customer experience goes well beyond just product listings, which are seen here on the right. We are the number 1 best-selling men's trimmer on Amazon, and Amazon contributed 25% of total U.S. sales in 2021.

Last, but not least, beginning in 2020, we started growing our U.S. retail presence with a select set of key retailers. We are now live in 3,500 doors. Our largest presence is in Target. We've also launched into Best Buy, Macy's, and two of the military exchanges. Where possible, we've created differentiated kits to meet the price and margin goals for this channel, which further helps us reduce channel conflict. Our success in this channel is unmistakable. In Target, we initially started with a two-product facing. A year later, we've expanded to the in-aisle layout shown here on this page. Essentially, it's Manscaped and everyone else. Our stellar performance within retail unlocked interest from Target and giving us additional space for a beautiful on-brand endcap presentation for Father's Day. For a retailer that prides itself on economic decision making, our real estate expansion inside Target speaks for itself, and as we'll talk about later, we'll be increasing our door count substantially in 2022.

And now I'll turn it back to Paul to talk about our growth plans.

Paul Tran

Thank you, Kevin.

As Kevin mentioned, all the signals are trending in the right direction. Media as a percentage of revenue is decreasing while repeat customers are increasing. These are the exact KPIs that we are looking for as we continue to grow and expand EBITDA. \$100 million in annual marketing might sound like a lot but when you look at it from a percentage of revenue, it's steadily decreasing year over year. While repeat customers have increased to 40%, meaning 40% of our U.S. D2C revenue is from repeat customers

So, what's next? We clearly see that male self-care is an expanding business. Manscaped is the leader in this space because we created the category. Those 900 million men are going to need a dedicated groin trimmer and Manscaped will deliver it to them.

What's exciting is that we've already grown way beyond the groin. In the future you're not going to even remember that Manscaped started out in the groin. You just know that Manscaped is the leading brand in men's self-care. We've already proven that our customers are willing to purchase Manscaped products outside of the groin. We now have over 1 million members in our Peak Hygiene program, so when we launch our deodorant, 1 million customers can get it right

at launch, right in their box. What other CPG brands can deploy new products to a million captive and loyal customers like Manscaped can?

When we launched our Weed Whacker, our nose hair trimmer, we saw a stair-step growth in revenue. You already know that we sold over 5 million Lawn Mowers, but we also sold over 1 million Weed Whackers. As we continue to launch hardware products, we're going to unlock additional stair-step growth. In addition to that, our formulated products drive long-term lifetime value. We will expand formulated products, shampoos, conditioners, deodorant and deploy them to 1 million members along with other channels like Amazon and Retail. We connect to the youngest of men and believe that that is the most valuable cohort. Groin care builds trust and will extend that trust to cater to a man's entire body. So new hardware products drive stair-step revenue growth, while formulations drive long lifetime value.

And then there's international. We are building a global multi-generational brand. International is only two years old, but the signals are very exciting. The numbers in international mimics the U.S., so international is just a few years behind. We're seeing international growth more than double year over year, and from the survey data that we polled, 60% of international consumers are already practicing some kind of groin care, and 54% will pay a premium for a specific groin trimmer. So, it's not just men in the U.S. that are practicing self-care, it's global. We'll get more into that. But we split international into two stages. Stage one, we focus on English speaking countries and many of the EU countries. In stage two, we expand our reach.

With that let me pass it back to Kevin to talk about our 2022 outlook.

Kevin Datto

Thanks, Paul.

Let's start with how 2021 ended compared to our previous guidance. We closed the year with total revenue of \$297 million, about \$7 million higher than our guidance. The revenue beat was driven by a great holiday quarter, and we saw higher than expected sales in the U.S. marketplace and U.S. retail as consumer behavior began to rebalance. We also saw a strong international direct-to-consumer performance. The higher revenue flowed through to the bottom line, leading to a better-than-expected profit.

These results are in line with how we intend to run the business. Set reasonable expectations that we have high confidence in meeting and exceeding. And given the current state of the economy, and I'll take you through our perspectives on this all now, we have reset expectations for 2022 at \$305 million of top-line revenue so that the company, the investors, and the stock price are all set up for success.

As you've seen, our company was growing rapidly when COVID threw a curveball in Q1 of 2020. But we are agile operators and we looked for the opportunity and seized on it. First, we leaned in from a marketing perspective. Prior to COVID, we found a way to reach our audience with a special way of talking to men. And when other marketers got spooked, we took this opportunity to drive our awareness, consideration, and conversion of new customers. You can

see how we drove awareness in the U.S. in the chart in the bottom. The chart on the top shows U.S. D2C first-time buyers, and you can see how we took advantage of several factors, including: retail shutting down, which drove more transactions online, and stay-at-home orders and stimulus payments, which changed purchase behavior. Finally, our supply chain was very agile. Our strong partnerships with our manufacturers and our ability to move product between selling channels helped us stay in stock throughout the pandemic. We think we were very good at capturing the COVID opportunity.

So, what we've tried to do is model how much of the revenue in 2020 and 2021 was driven by COVID behaviors. This is a bit of an art versus science because our company was already growing so rapidly pre-COVID, since we had already established ourselves as a category leader with great product-market fit and a very effective marketing strategy. But what we did is CAGR our existing business lines, U.S. D2C and U.S. marketplace, from pre-COVID to post-COVID. We took haircuts to our international rollout since there was no international activity pre-COVID. This model, which is reflected on this slide, returns an estimate of \$100 million over two years in accelerated sales, and that revenue and profit allowed us to invest in our future, building out our team, getting new products into production, solidifying our first-mover advantage with the customer. We put those dollars to good work.

On an ex-COVID basis, we see a two-year CAGR of 97%, which we're very proud of, and it resets our perspective on 2022, as a year of strong continued growth if you: 1) remove the COVID impact, and 2) even when you bake in the current short term macro-driven headwinds. Speaking of the current economic environment.

You are all quite aware of the current economic conditions, higher gas prices, inflation concerns, continued supply chain disruptions, and higher media rates. As operators and stewards of capital, we saw these trends develop in Q1, and decided to pull back with our investments to not fight against the short-term headwinds. In Q1 we saw a return to retail and saw our highest mix of Lawn Mower devices ever sold through that channel. Sales through our existing retailers were phenomenal. And at the same time, we were under-penetrated in this channel with new relationships on the horizon.

This slide summarizes everything we just talked about, but in short, the conditions that we see, along with our mindset to issue guidance that we can meet and exceed, is driving our revised revenue target of \$305 million for 2022.

Let's revisit the signals that prove that Manscaped is positioned to continue its accelerated growth and capitalize on our category leadership position. First, the addressable market is huge. The behavior of manscaping is mainstream. More than 80% of men do it with regularity. Most of these tend to the groin area, electric trimmers are a key part of this regimen, and as a bonus, and as we've seen with our D2C population, there's comfort with subscription-based models.

Our customer dynamics are very consistent. Things like AOV and subscription rate, our customers have stayed consistent over time.

We have worked hard on a number of key initiatives that are now locked and will bear fruit in the

latter parts of 2022.

We have a new A-plus tier celebrity partnership that is signed, and the first piece of content has been filmed. This is exactly the type of relationship we were looking to forge when we started this journey with Bright Lights.

We just took expanded shelf space in Target with a lot of new real estate and new SKUs.

We have two new large retailers, one in the U.S. in a new category, and one in international, that are signed deals and begin setting up in-store in Q3. This is a massive increase in distribution, adding 6,000 doors on top of the 3,500 that we have today.

On the website, we've created new higher AOV starter sets that will incorporate our new body formulations.

And finally, we brought local language capabilities to our EU site: German, French, Spanish and are rolling out local language marketing campaigns. So, we have lots of things in flight that will drive our second-half performance.

Those initiatives of course have a positive impact in 2023, but we're also working this year on several initiatives that will launch in 2023 specifically.

We have four expected marquee devices coming. We've seen great success when we launch a new device or a new version of a device. So, while we've modeled this conservatively, the success of the Weed Whacker, with over 1 million units sold, makes us very bullish about these product expansions, and the fact that they come with routines as well.

While omnichannel is our strategy from day one, we're very strategic about opening brick and mortar doors and waiting until the brand has established a presence in any specific region. We now have that, and our new international retail team plans to expand beyond our first non-U.S. launch in 2022 with a myriad of other partnerships.

And finally, every product we add gives us the chance to sell higher value packages, strengthens the value of our Peak Hygiene Plan, allows us to take more shelf space in retail, and continues to expand our positioning as a category leader in manscaping from head to toe. So numerous opportunities for growth that we'll continue to unlock.

And with that, I'll turn it over to Philip.

Phillip Unthank

Thanks, Kevin.

Turning to our financial guidance. As Kevin mentioned, we expect \$305 million in revenue in 2022. Revenue in the first half of the year is expected to decline mid-single digits year over year due to the lifting of COVID lockdowns and the lack of stimulus checks versus the prior period.

The second half of the year is expected to rebound and be up high single digits, primarily from strong retail sales, new branding, and new products and subscription offerings. The summary for 2022 is that revenue has a tough comparison to 2021. However, on a two-year basis, 2022 is expected to be up approximately 45% compared to 2020. Note: we do not have the potential upside from our celebrity partnership in the forecast that Kevin just mentioned.

The key initiatives we outlined in place for mid-to-late 2022 will have a full-year impact next year when revenue is expected to increase 18% to \$360 million. 2023 is also expected to bring the launch of several new hero products and continued retail and international growth.

Gross margin in 2022 is anticipated to be 45% which are being impacted by supply chain issues related to the global shipping slowdown. This is expected to be partially alleviated in 2023 with gross margin increasing to 47%, supported by a higher mix of retail revenue, as well as ongoing COGS initiatives underway in 2022. Longer-term, through a combination of price changes and product cost improvements, we expect to return to a 50% gross margin business.

We are expecting to continue to drive leverage across paid media in 2022 and 2023, as we target a mid-30% range of media spend, with leverage coming from continued retail growth which does not require a material amount of incremental media investment.

Growth in operating expenses as a percentage of revenue in 2022 and 2023 are due to the investment in people to support our larger scale and international expansion, as well as incremental expenses to operate as a public company. These foundational investments are critical to support our organization's continued growth and global expansion. However, we expect to see 30 basis points of leverage on these investments in 2023 aided by the 18% growth in revenue.

All this leads to an expected adjusted EBITDA loss of \$13 million in 2022, with a return to positive adjusted EBITDA of \$5 million in 2023. We believe these are prudent financial targets to set our company up for long-term growth and success as we enter the public markets and navigate external macro-driven factors. Long-term, we expect to be a 50% gross margin and 20% EBITDA margin business, as we reap the benefits of scale and further media efficiency.

With that, I'll hand it back to Paul for a few words on the strength of the Manscaped business and why we're so excited about our long-term growth opportunities.

Paul Tran

Thanks, Phillip.

We're young, we grew very quickly, and there's so much opportunity. Those 900 million men are going to need a dedicated groin trimmer, and as we expand and create new products, that's only going to make our Peak Hygiene subscription plan even more valuable.

With already 1 million subscribers, we believe that we can drive even more value to our customers and subscribers.

We laid the infrastructure for international expansion. We are now in over 38 countries around the world, and we are just getting ready to really expand into those territories.

There's tremendous retail opportunity. We're only in Target, Macy's, Best Buy, and military exchanges, so there's tremendous opportunity at retail.

We're expanding into new routines. You're going to see new routines that cater to men of all types.

And of course, we've signed a deal with an A-plus celebrity, which is not modeled in any of our guidance.

As you can see, we're very excited about the future.

With all that we have already achieved. We're just getting started. Thank you for your time and attention today. We really appreciate it.