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

# FORM 10-Q

**(Mark One)**

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

**For the quarterly period ended June 30, 2022**

**or**

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

**For the transition period from __________ to __________**

**Commission File Number** 001-40860

# Olaplex Holdings, Inc.
**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| Delaware | 87-1242679 |
| **(State or other jurisdiction of incorporation or organization)** | **(I.R.S. Employer Identification No.)** |

Address not applicable[1]

**(Address of principal executive offices and zip code)**

(310) 691-0776

**(Registrant's telephone number, including area code)**

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

| Title of Each Class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common stock, par value $0.001 per share | OLPX | Nasdaq Global Select Market |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 | ☐ | Accelerated Filer | ☐ |
| Non-accelerated Filer | ☐ | Smaller reporting company | ☐ |
| | | Emerging growth company | ☐ |

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 by Rule 12b-2 of the Exchange Act). Yes ☐ No ☐

As of July 29, 2022, registrant had 649,087,823 shares of common stock, par value $0.001 per share, outstanding.

[1] Olaplex Holdings, Inc. is a fully remote company. Accordingly, it does not maintain a principal executive office.

**OLAPLEX HOLDINGS, INC.**
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## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including the section "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains certain forward-looking statements and information relating to us that are based on the beliefs of our management as well as assumptions made by, and information currently available to, us. These statements include, but are not limited to, statements about our strategies, plans, objectives, expectations, intentions, expenditures and assumptions and other statements contained in or incorporated by reference in this Quarterly Report on Form 10-Q that are not historical facts. When used in this document, words such as "may," "will," "could," "should," "intend," "potential," "continue," "anticipate," "believe," "estimate," "expect," "plan," "target," "predict," "project," "seek" and similar expressions as they relate to us are intended to identify forward-looking statements. These statements reflect our current views with respect to future events, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate.

Examples of forward-looking statements include, among others, statements we make regarding: our financial position and operating results; business plans and objectives, including geographic expansion and omnichannel strategy; general economic and industry trends; business prospects; future product development; growth and expansion opportunities; impacts on our supply chain; and expenses, working capital and liquidity. We may not achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place significant reliance on our forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward- looking statements we make.

The forward-looking statements in this Quarterly Report on Form 10-Q are predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, including such statements taken from third party industry and market reports. You should understand that the following important factors, in addition to those discussed in the section "Risk Factors" included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K"), could affect our future results and could cause those results or other outcomes to differ materially from those expressed or implied in our forward-looking statements, including the following:

- our ability to execute on our growth strategies and expansion opportunities;
- increased competition causing us to reduce the prices of our products or to increase significantly our marketing efforts in order to avoid losing market share;
- our existing and any future indebtedness, including our ability to comply with affirmative and negative covenants under the 2022 Credit Agreement (as defined herein) to which we will remain subject, until maturity, and our ability to obtain additional financing on favorable terms or at all;
- our dependence on a limited number of customers for a significant portion of our net sales;
- our ability to effectively market and maintain a positive brand image and expand our brand awareness;
- our ability to attract new customers and encourage consumer spending across our product portfolio;
- changes in consumer preferences or changes in demand for hair care products or other products we may develop;
- our ability to accurately forecast consumer demand for our products;
- our ability to maintain favorable relationships with suppliers and manage our supply chain, including obtaining and maintaining shipping distribution and raw materials at favorable pricing;
- our relationships with and the performance of distributors and retailers who sell our products to hair care professionals and other customers;
- impacts on our business due to the sensitivity of our business to unfavorable economic and business conditions;
- the impact of material cost increases and other inflation and our ability to pass on such increases to our customers;

- our ability to develop, manufacture and effectively and profitably market and sell future products;
- failure of markets to accept new product introductions;
- our ability to attract and retain senior management and other qualified personnel;
- regulatory changes and developments affecting our current and future products;
- our ability to service our existing indebtedness and obtain additional capital to finance operations and our growth opportunities;
- impacts on our business from political, regulatory, economic, trade, and other risks associated with operating internationally including volatility in currency exchange rates, and imposition of tariffs;
- our ability to establish and maintain intellectual property protection for our products, as well as our ability to operate our business without infringing, misappropriating or otherwise violating the intellectual property rights of others;
- the impact of changes in laws, regulations and administrative policy, including those that limit United States ("U.S." ) tax benefits or impact trade agreements and tariffs;
- the outcome of litigation and governmental proceedings;
- impacts on our business from the COVID-19 pandemic; and
- the other factors identified in the "Risk Factors" section of the 2021 Form 10-K.

These forward-looking statements involve known and unknown risks, inherent uncertainties and other factors, which may cause our actual results, performance, time frames or achievements to be materially different from any future results, performance, time frames or achievements expressed or implied by the forward-looking statements. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. Actual results and the timing of certain events may differ materially from those contained in these forward-looking statements.

Many of these factors are macroeconomic in nature and are, therefore, beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from those described in this Quarterly Report on Form 10-Q as anticipated, believed, estimated, expected, intended, planned or projected. We discuss many of these risks in greater detail in the "Risk Factors" section included in the 2021 Form 10-K. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. Unless required by U.S, federal securities laws, we neither intend nor assume any obligation to update these forward-looking statements for any reason after the date of this Quarterly Report on Form 10-Q to conform these statements to actual results or to changes in our expectations.

PART I - FINANCIAL INFORMATION
**ITEM 1. Financial Statements**

**OLAPLEX HOLDINGS, INC.**

**CONDENSED CONSOLIDATED BALANCE SHEETS**
*(amounts in thousands, except per share and share data)*
*(Unaudited)*

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **Assets** | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 198,028 | $ 186,388 |
| Accounts receivable, net of allowances of $ 17,443 and $ 8,231 | 81,345 | 40,779 |
| Inventory | 140,316 | 98,399 |
| Other current assets | 5,765 | 9,621 |
| Total current assets | 425,454 | 335,187 |
| Property and equipment, net | 670 | 747 |
| Intangible assets, net | 1,019,120 | 1,043,344 |
| Goodwill | 168,300 | 168,300 |
| Deferred taxes | 11,881 | 8,344 |
| Other assets | 6,234 | 4,500 |
| Total assets | $ 1,631,659 | $ 1,560,422 |
| | | |
| **Liabilities and stockholders' equity** | | |
| Current Liabilities: | | |
| Accounts payable | $ 20,699 | $ 19,167 |
| Accrued expenses and other current liabilities | 20,546 | 17,332 |
| Accrued sales and income taxes | 18,199 | 12,144 |
| Current portion of long-term debt | 6,750 | 20,112 |
| Current portion of Related Party payable pursuant to Tax Receivable Agreement | 20,786 | 4,157 |
| Total current liabilities | 86,980 | 72,912 |
| Related Party payable pursuant to Tax Receivable Agreement | 208,493 | 225,122 |
| Long-term debt | 656,989 | 738,090 |
| Total liabilities | 952,462 | 1,036,124 |
| | | |
| Contingencies (Note 11) | | |
| | | |
| Stockholders' equity (Notes 1 and 9): | | |
| Common stock, $ 0.001 par value per share; 2,000,000,000 shares authorized, 649,087,823 and 648,794,041 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively | 649 | 648 |
| Preferred stock, $ 0.001 par value per share; 25,000,000 shares authorized and no shares issued and outstanding | — | — |
| Additional paid-in capital | 308,088 | 302,866 |
| Retained earnings | 370,460 | 220,784 |
| Total stockholders' equity | 679,197 | 524,298 |
| Total liabilities and stockholders' equity | $ 1,631,659 | $ 1,560,422 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

**OLAPLEX HOLDINGS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME**
*(amounts in thousands, except per share and share data)*
*(Unaudited)*

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Net sales | $ 210,903 | $ 152,124 | $ 397,099 | $ 270,243 |
| Cost of sales: | | | | |
| Cost of product (excluding amortization) | 52,293 | 29,324 | 95,515 | 51,397 |
| Amortization of patented formulations | 2,180 | 2,268 | 3,949 | 4,719 |
| Total cost of sales | 54,473 | 31,592 | 99,464 | 56,116 |
| Gross profit | 156,430 | 120,532 | 297,635 | 214,127 |
| Operating expenses: | | | | |
| Selling, general, and administrative | 26,111 | 33,786 | 48,425 | 45,066 |
| Amortization of other intangible assets | 10,295 | 10,183 | 20,561 | 20,365 |
| Total operating expenses | 36,406 | 43,969 | 68,986 | 65,431 |
| Operating income | 120,024 | 76,563 | 228,649 | 148,696 |
| Interest expense | (8,694) | (15,563) | (20,154) | (31,065) |
| Other expense, net | | | | |
| Loss on extinguishment of debt | — | — | (18,803) | — |
| Other expense, net | (1,224) | (157) | (1,601) | (204) |
| Total other expense, net | (1,224) | (157) | (20,404) | (204) |
| Income before provision for income taxes | 110,106 | 60,843 | 188,091 | 117,427 |
| Income tax provision | 22,391 | 11,492 | 38,415 | 22,545 |
| Net income | $ 87,715 | $ 49,351 | $ 149,676 | $ 94,882 |
| Comprehensive income | $ 87,715 | $ 49,351 | $ 149,676 | $ 94,882 |
| Net income per share: | | | | |
| Basic | $ 0.14 | $ 0.08 | $ 0.23 | $ 0.15 |
| Diluted | $ 0.13 | $ 0.08 | $ 0.22 | $ 0.14 |
| Weighted average common shares outstanding: | | | | |
| Basic | 648,973,952 | 648,124,642 | 648,894,417 | 648,066,435 |
| Diluted | 691,365,072 | 656,745,557 | 692,985,088 | 683,430,562 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

**OLAPLEX HOLDINGS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**
*(amounts in thousands, except number of shares)*
*(Unaudited)*

| | Shares (Note 1) | Amount | Additional Paid in Capital | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance - December 31, 2021** | 648,794,041 | $ 648 | $ 302,866 | $ 220,784 | $ 524,298 |
| Net income | — | — | — | 61,961 | 61,961 |
| Conversion of cash-settled units to stock-settled stock appreciation rights | — | — | 1,632 | — | 1,632 |
| Exercise of stock-settled stock appreciation rights | 117,180 | — | 348 | — | 348 |
| Shares withheld and retired on exercise of stock-settled stock appreciation rights | (55,244) | — | (920) | — | (920) |
| Share-based compensation expense | — | — | 1,696 | — | 1,696 |
| **Balance – March 31, 2022** | 648,855,977 | $ 648 | $ 305,622 | $ 282,745 | $ 589,015 |
| Net income | — | — | — | 87,715 | 87,715 |
| Exercise of stock options | 231,846 | 1 | 739 | — | 740 |
| Share-based compensation expense | — | — | 1,727 | — | 1,727 |
| **Balance – June 30, 2022** | 649,087,823 | $ 649 | $ 308,088 | $ 370,460 | $ 679,197 |

| | Shares (Note 1) | Amount | Additional Paid in Capital | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance - December 31, 2020** | 647,888,387 | $ 648 | $ 530,025 | $ — | $ 530,673 |
| Issuance of common stock | 236,255 | — | 633 | — | 633 |
| Net income | — | — | — | 45,531 | 45,531 |
| Share-based compensation expense | — | — | 627 | — | 627 |
| **Balance – March 31, 2021** | 648,124,642 | $ 648 | $ 531,285 | $ 45,531 | $ 577,464 |
| Net income | — | — | — | 49,351 | 49,351 |
| Share-based compensation expense | — | — | 547 | — | 547 |
| **Balance – June 30, 2021** | 648,124,642 | $ 648 | $ 531,832 | $ 94,882 | $ 627,362 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

**OLAPLEX HOLDINGS, INC.**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
*(amounts in thousands)*
*(Unaudited)*

| | Six Months Ended June 30, | |
|---|---|---|
| | **2022** | **2021** |
| **Cash flows from operating activities:** | | |
| Net income | $ 149,676 | $ 94,882 |
| Adjustments to reconcile net income to net cash from operations provided by operating activities: | | |
| Amortization of patent formulations | 3,949 | 4,719 |
| Amortization of other intangibles | 20,561 | 20,365 |
| Inventory write-off and disposal | 4,324 | — |
| Depreciation of fixed assets | 152 | — |
| Amortization of debt issuance costs | 636 | 1,380 |
| Deferred taxes | (3,537) | 1,331 |
| Share-based compensation expense | 3,423 | 1,174 |
| Loss on extinguishment of debt | 18,803 | — |
| Changes in operating assets and liabilities, net of effects of acquisition: | | |
| Accounts receivable, net | (40,566) | (28,715) |
| Inventory | (45,657) | (23,777) |
| Other current assets | 3,856 | (3,421) |
| Accounts payable | 1,532 | 723 |
| Accrued expenses and other current liabilities | 10,901 | 6,292 |
| Net cash provided by operating activities | 128,053 | 74,953 |
| | | |
| **Cash flows from investing activities:** | | |
| Purchase of property and equipment | (75) | (64) |
| Purchase of software | (870) | — |
| Net cash used in investing activities | (945) | (64) |
| | | |
| **Cash flows from financing activities:** | | |
| Proceeds from the issuance of stock | — | 633 |
| Proceeds from exercise of stock options | 740 | — |
| Payments for shares withheld and retired for taxes and exercise price for stock-settled stock appreciation rights | (572) | — |
| Principal payments and prepayment fees for 2020 Term Loan Facility, and principal payments for 2022 Term Loan Facility | (778,692) | (10,056) |
| Proceeds from the issuance of 2022 Term Loan Facility | 675,000 | — |
| Payments of debt issuance costs | (11,944) | — |
| Net cash used in financing activities | (115,468) | (9,423) |
| | | |
| Net increase in cash and cash equivalents | 11,640 | 65,466 |
| Cash and cash equivalents - beginning of period | 186,388 | 10,964 |
| Cash and cash equivalents - end of period | $ 198,028 | $ 76,430 |
| | | |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for income taxes | $ 35,176 | $ 22,731 |
| Cash paid during the year for interest | $ 13,491 | $ 32,006 |
| **Supplemental disclosure of noncash activities:** | | |
| Public offering and strategic transition costs included in accounts payable and accrued expenses | $ — | $ 626 |
| Cash-settled units liability reclassification to additional paid in capital | $ 1,632 | $ — |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

## NOTE 1- NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Olaplex Holdings, Inc. (“Olaplex Holdings” and, together with its subsidiaries, the “Company” or “we”) is a Delaware corporation that was incorporated on June 8, 2021 for the purpose of facilitating an initial public offering and to enter into the other related Reorganization Transactions, as described below, in order to carry on the business of Penelope Holdings Corp. (“Penelope”), together with its subsidiaries. Olaplex Holdings is organized as a holding company and operates indirectly through its wholly owned subsidiaries, Penelope and Olaplex, Inc., which conducts business under the name “Olaplex”. Olaplex is an innovative, science-enabled, technology-driven beauty company that is focused on delivering its patent-protected premium hair care products to professional hair salons, retailers and everyday consumers. Olaplex develops, manufactures and distributes a suite of hair care products strategically developed to address three key uses: treatment, maintenance and protection.

In January 2020, a group of third-party investors, through Penelope, acquired100% of the Olaplex, LLC business, including the intellectual property operations of another affiliated business, LIQWD, Inc. (the “Olaplex business”), from the owners of the Olaplex business for $1,381,582 (the “Acquisition”). Subsequent to the Acquisition, all of the operations of Olaplex are comprised of the operations of Olaplex, Inc.

In these financial statements, the term “Olaplex” is used to refer to either the operations of the business prior or after the Acquisition and prior to and after the initial public offering and Reorganization Transactions, in each case as discussed below, depending on the respective period discussed.

### *Initial Public Offering*

On October 4, 2021, Olaplex Holdings completed an initial public offering of shares of its common stock (the “IPO”). See “Item 8. Financial Statements – Note 1. Nature of Operations and Basis of Presentation – Initial Public Offering” in the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Form 10-K”) for additional details on the IPO.

### *Reorganization Transactions*

Prior to the IPO, Penelope Group Holdings, L.P. was the direct parent of Penelope, which is the indirect parent of Olaplex, Inc., the Company’s primary operating subsidiary. In connection with the IPO, the Company completed a series of transactions (collectively, the “Reorganization Transactions”) pursuant to which all outstanding units of Penelope Group Holdings, L.P. were exchanged for an aggregate of 648,124,642 shares of common stock of Olaplex Holdings, Inc., and the options and cash-settled units of Penelope were converted into options and cash-settled units of Olaplex Holdings, Inc. See “Item 8. Financial Statements – Note 1. Nature of Operations and Basis of Presentation – Reorganization Transactions” in the Company’s 2021 Form 10-K for additional details on the Reorganization Transactions that were completed in connection with the IPO.

### *Basis of Presentation*

The accompanying unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X promulgated by the U.S. Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim Condensed Consolidated Financial Statements furnished reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the full fiscal year. The unaudited interim Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and accompanying footnotes included in the Company’s 2021 Form 10-K.

The financial statements for prior periods give effect to the Reorganization Transactions as referred in the 2021 Form 10-K. All share and earnings per share amounts presented herein have been retroactively adjusted to give effect to the Reorganization Transactions as if they occurred in all prior periods presented.

For the periods prior to the Reorganization Transactions, Penelope and its subsidiaries, including Olaplex, Inc., are consolidated in the unaudited interim Condensed Consolidated Financial Statements of the Company.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Estimates and Assumptions***

Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. Examples of estimates and assumptions include: for revenue recognition, determining the nature and timing of satisfaction of performance obligations, variable consideration, and other obligations such as product returns and refunds; loss contingencies; the fair value of share-based options and stock settled rights; the fair value of and/or potential impairment of goodwill and intangible assets for our reporting unit; useful lives of our tangible and intangible assets; allowance for promotions; estimated income tax and tax receivable payments; the net realizable value of, and demand for our inventory. Actual results and outcomes may differ from management's estimates and assumptions due to risks and uncertainties.

***Fair Value of Financial Instruments***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The authoritative guidance for fair value measurements established a framework for measuring fair value and established a three-level valuation hierarchy for disclosure of fair value measurements as follows:

***Level 1***—Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets. The Company's Level 1 assets consist of its marketable securities.

***Level 2***—Observable quoted prices for similar assets or liabilities in active markets and observable quoted prices for identical assets or liabilities in markets that are not active.

***Level 3***—Unobservable inputs that are not corroborated by market data.

Cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are reflected at carrying value, which approximates fair value due to the short-term maturity. The Company's long-term debt is recorded at its carrying value in the Consolidated Balance Sheets, which may differ from fair value.

***Accounting Policies***

There have been no material changes in significant accounting policies as described in the Company's Consolidated Financial Statements for the year ended December 31, 2021.

***Constructive Retirement of Common Stock Repurchases***

When the Company's common stock is retired or purchased for constructive retirement for net share settlement of stock options, any excess purchase price over par value is allocated between additional paid-in-capital, to the extent that previous net gains from sales or retirements are included therein, and the remainder to retained earnings.

***Tax Receivable Agreement***

As part of the IPO, we entered into the Tax Receivable Agreement under which generally we will be required to pay to the former limited partners of Penelope Group Holdings, L.P. and the holders of options to purchase shares of common stock of Penelope that were vested prior to the Reorganization Transactions (collectively, the "Pre-IPO Stockholders"), 85% of the cash savings, if any, in U.S. federal, state or local tax that we actually realize on our taxable income following the IPO (or are deemed to realize in certain circumstances) as a result of certain existing tax attributes, including tax basis in intangible assets and capitalized transaction costs relating to taxable years ending on or before the date of the IPO (calculated by assuming the taxable year of the relevant entity closes on the date of the IPO), that are amortizable over a fixed period of time (including in tax periods beginning after the IPO) and which are available to us and our wholly-owned subsidiaries, and interest accrued at a rate equal to LIBOR ("London Interbank Offered Rate") (or if LIBOR ceases to be published, a replacement rate with similar characteristics) plus 3% from the date the applicable tax return is due (without extension) until paid. Under the Tax Receivable Agreement, generally we will retain the benefit of the remaining 15% of the applicable tax savings.

***Recently Adopted Accounting Pronouncements***

The Company is an "emerging growth company" and as an emerging growth company, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the Company's financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies.

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)." The guidance in this ASU supersedes the leasing guidance in "Leases (Topic 840)." Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for Company fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company adopted this accounting standard on January 1, 2022. Adoption of this standard did not have a material impact on its Consolidated Financial Statements.

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." This ASU provides an optional expedient and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. In response to the concerns about structural risks of interbank offered rates ("IBORs") and, particularly, the risk of cessation of the LIBOR, regulators in several jurisdictions around the world have undertaken reference rate reform initiatives to identify alternative reference rates that are more observable or transaction based and less susceptible to manipulation. The ASU provides companies with optional guidance to ease the potential accounting burden associated with transitioning away from reference rates that are expected to be discontinued. The ASU can be adopted no later than December 31, 2022 with early adoption permitted. The Company adopted this accounting standard on January 1, 2022. Adoption of this standard did not have a material impact on its Consolidated Financial Statements.

***Recent Accounting Pronouncement not yet adopted***

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments in this ASU, among other things, require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. The FASB has issued multiple updates to ASU 2016-13 as codified in Topic 326, including ASUs 2019-04, 2019-05, 2019-10, 2019-11, 2020-02, and 2020-03. These ASUs have provided for various minor technical corrections and improvements to the codification as well as other transition matters. The amendments in the ASU are effective for the Company for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. Early application of the amendments is permitted. The Company is currently evaluating the impact this guidance will have on its Consolidated Financial Statements and related disclosures.

**NOTE 3 – NET SALES**

The Company distributes products in the U.S. and internationally through professional distributors in the salon channel, directly to retailers for sale in their physical stores and e-commerce sites, and direct-to-consumer (“DTC”) through sales to pure-play e-commerce customers and through its own Olaplex.com websites. As such, the Company’s three business channels consist of professional, specialty retail and DTC as follows:

| | For the Three Months Ended | | For the Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **Net sales by Channel:** | | | | |
| Professional | $ 105,489 | $ 79,488 | $ 182,548 | $ 126,877 |
| Specialty retail | 64,229 | 38,118 | 128,501 | 69,858 |
| DTC | 41,185 | 34,518 | 86,050 | 73,508 |
| Total Net sales | $ 210,903 | $ 152,124 | $ 397,099 | $ 270,243 |

Revenue by major geographic region is based upon the geographic location of customers who purchase our products, however the majority of net sales are transacted in U.S. Dollars, the Company’s functional and reporting currency. During the three and six months ended June 30, 2022 and June 30, 2021, our net sales to consumers in the United States and International regions were as follows:

| | For the Three Months Ended | | For the Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **Net sales by Geography:** | | | | |
| United States | $ 121,320 | $ 85,855 | $ 241,430 | $ 158,613 |
| International | 89,583 | 66,269 | 155,669 | 111,630 |
| Total Net sales | $ 210,903 | $ 152,124 | $ 397,099 | $ 270,243 |

United Kingdom (“U.K.”) net sales for the three and six months ended June 30, 2022 were 8% of total net sales, and net sales for the three and six months ended June 30, 2021 were 11% and 12% of total net sales, respectively. No other International country exceeds 10% of total net sales.

**NOTE 4 - INVENTORY**

Inventory as of June 30, 2022 and December 31, 2021 consisted of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Raw materials | $ 31,407 | $ 20,852 |
| Finished goods | 108,909 | 77,547 |
| Inventory | $ 140,316 | $ 98,399 |

**NOTE 5 - INVESTMENT IN NONCONSOLIDATED ENTITY**

Our investment in and advances to our nonconsolidated entity as of June 30, 2022 and December 31, 2021 represents our investment in a limited liability company. We do not control or have significant influence over the operating and financial policies of this entity.

We account for this investment using the cost method and adjust only for other than temporary declines in fair value, additional investments, plus or minus changes from observable price changes in orderly transactions or distributions deemed to be a return of capital. Our investment is classified as a long-term asset and included in Other assets in our Condensed Consolidated Balance Sheet and consists of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Capital contributions, net of distributions and impairments | $ 4,500 | $ 4,500 |
| Total investments in and advances to nonconsolidated entity | $ 4,500 | $ 4,500 |

**NOTE 6 – GOODWILL AND INTANGIBLE ASSETS**

Goodwill and intangible assets are comprised of the following:

| | June 30, 2022 | | | |
|---|---|---|---|---|
| | Estimated Useful Life | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Brand name | 25 years | $ 952,000 | $ (94,354) | $ 857,646 |
| Product formulations | 15 years | 136,000 | (22,465) | 113,535 |
| Customer relationships | 20 years | 53,000 | (6,566) | 46,434 |
| Software | 3 years | 1,760 | (255) | 1,505 |
| Total finite-lived intangibles | | 1,142,760 | (123,640) | 1,019,120 |
| Goodwill | Indefinite | 168,300 | — | 168,300 |
| Total goodwill and other intangibles | | $ 1,311,060 | $ (123,640) | $ 1,187,420 |

Total amortization on finite-lived intangible assets was $12,562 and $25,094 for the three and six months ended June 30, 2022, respectively, and $12,634 and $25,084 for the three and six months ended June 30, 2021, respectively.

The amortization of brand name and customer relationships was $10,182 and $20,365 for the three and six months ended June 30, 2022, and June 30, 2021, respectively, and is recorded in Amortization of other intangible assets in the Condensed Consolidated Statements of Operations and Comprehensive Income.
The amortization of software of $113 and $196 for the three and six months ended June 30, 2022 is recorded in Amortization of other intangible assets in the Condensed Consolidated Statements of Operations and Comprehensive Income. There was no amortization of software recorded for the three and six months ended June 30, 2021, respectively.

The amortization for patented formulations was $2,266 and $4,533 for the three and six months ended June 30, 2022, respectively. The Company expensed $2,180 and $3,948 of patent amortization in the Condensed Consolidated Statements of Operations and Comprehensive Income, and capitalized $86 and $585 to inventory for the three and six months ended June 30, 2022, respectively.

The amortization for patented formulations was $2,266 and $4,533 for the three and six months ended June 30, 2021, respectively. The Company expensed $2,267 and $4,719 of patent amortization in the Condensed Consolidated Statements of Operations and Comprehensive Income, of which $1 and $186 was previously capitalized to inventory, for the three and six months ended June 30, 2021, respectively.

| | December 31, 2021 | | | |
|---|---|---|---|---|
| | Estimated Useful Life | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Brand name | 25 years | $ 952,000 | $ (75,314) | $ 876,686 |
| Product formulations | 15 years | 136,000 | (17,932) | 118,068 |
| Customer relationships | 20 years | 53,000 | (5,241) | 47,759 |
| Software | 3 years | 890 | (59) | 831 |
| Total finite-lived intangibles | | 1,141,890 | (98,546) | 1,043,344 |
| Goodwill | Indefinite | 168,300 | — | 168,300 |
| Total goodwill and other intangibles | | $ 1,310,190 | $ (98,546) | $ 1,211,644 |

**NOTE 7 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses as of June 30, 2022 and December 31, 2021 consisted of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| Deferred revenue | $ 6,558 | $ 5,022 |
| Accrued interest | 6,027 | — |
| Accrued other | 4,677 | 6,008 |
| Payroll liabilities | 3,284 | 6,302 |
| Accrued expenses and other current liabilities | $ 20,546 | $ 17,332 |

**NOTE 8 - LONG-TERM DEBT**

The Company’s Long-Term Debt as of June 30, 2022 and December 31, 2021 consisted of the following:

| | June 30, 2022 | December 31, 2021 |
|---|---|---|
| **Long-term debt** | | |
| *Credit Agreement, dated as of February 23, 2022 (the “2022 Credit Agreement”)*[1] | | |
| $675 Million 7-Year Senior Secured Term Loan Facility (the “2022 Term Loan Facility”) | $ 673,313 | $ — |
| $150 Million 5-Year Senior Secured Revolving Credit Facility (the “2022 Revolver”)[2] | — | — |
| *Credit Agreement, dated as of January 8, 2020, as amended (the “2020 Credit Agreement”)*[1] | | |
| $800 Million 6-Year Senior Secured Term Loan Facility, as amended (the “2020 Term Loan Facility”) | — | 769,235 |
| $51 Million 5-Year Senior Secured Revolving Credit Facility, as amended (the “2020 Revolver”)[2] | — | — |
| Debt issuance costs | (9,574) | (11,033) |
| Total term loan debt | 663,739 | 758,202 |
| Less: Current portion | (6,750) | (20,112) |
| Long-term debt, net of debt issuance costs and current portion | $ 656,989 | $ 738,090 |

(1) The 2022 Credit Agreement refinanced and replaced the 2020 Credit Agreement.

(2) As of June 30, 2022 and December 31, 2021, the Company did not have outstanding draws on the 2022 Revolver or 2020 Revolver, respectively, including letters of credit and swingline loan sub-facilities.

The interest rate on outstanding debt under the 2022 Term Loan Facility was4.8% as of June 30, 2022, and the interest rate on outstanding debt under the 2020 Term Loan Facility was 7.5% as of December 31, 2021. The interest rates for all facilities under the 2022 and 2020 Credit Agreements were calculated based upon the Company's election between the applicable published reference rate at time of election plus an additional interest rate spread, or an "Alternate Base Rate" (as defined in the 2022 Credit Agreement or the 2020 Credit Agreement, as applicable) plus an additional interest rate spread.

Interest expense, inclusive of debt amortization, was $8,694 and $20,154 for the three and six months ended June 30, 2022, respectively, and $15,563 and $31,065 for the three and six months ended June 30, 2021, respectively.

The 2022 Credit Agreement includes, and the 2020 Credit Agreement included, reporting, financial, and maintenance covenants that require, among other things, for the Company to comply with certain maximum secured leverage ratios, which the Company was in compliance with on June 30, 2022 and December 31, 2021. Substantially all the assets of the Company constitute collateral under the 2022 Credit Agreement.

The fair value of the Company's long-term debt is based on the market value of our long-term debt instrument. Based on the inputs used to value the long-term debt, the Company's long-term debt is categorized within Level 2 in fair value hierarchy. As of June 30, 2022, the carrying amount of the Company's long-term debt under the 2022 Credit Agreement was $663.7 million, and the fair value of the Company's long-term debt was $634.6 million. As of December 31, 2021, the carrying amount of the Company's long-term debt under the 2020 Credit Agreement approximated its fair values, as the stated rate approximated market rates for loans with similar terms.

**NOTE 9 - EQUITY**

During the six months ended June 30, 2022, the Company converted886,950 of cash-settled units into net stock-settled stock appreciation rights ("SARs"), with a fair value liability of $1,632 reclassified to APIC. The Company issued 117,180 shares of its common stock upon vesting and settlement of the converted SARs. The Company repurchased 55,244 of outstanding shares of its common stock for the net settlement of SARs for payment of taxes related to such SARs, that were accounted for as a share retirement. Additionally, the Company issued 231,846 shares of its common stock as a result of stock options exercised during the six months ended June 30, 2022.

**NOTE 10 - RELATED PARTY TRANSACTIONS**

In July 2020, the Company entered into an agreement with CI&T, an information technology and software company, in which certain investment funds affiliated with Advent International Corporation (the "Advent Funds") hold a greater than 10% equity interest. During the three and six months ended June 30, 2022, the Company paid CI&T $22 and $27, respectively. During the three and six months ended June 30, 2021, the Company paid CI&T $40 and $159 respectively, for services related to the development, maintenance and enhancement of the Olaplex professional application, all of which were negotiated on market terms.

*Tax Receivable Agreement*

In connection with the Reorganization, the Company entered into the Tax Receivable Agreement with the Pre-IPO Stockholders. See further discussion in "Note 2 – Summary of Significant Accounting Policies – Tax Receivable Agreement".

**NOTE 11 - CONTINGENCIES**

From time to time, the Company is subject to various legal actions arising in the ordinary course of business. The Company cannot predict with reasonable assurance the outcome of these legal actions brought against us as they are subject to uncertainties. Accordingly, any settlement or resolution in these legal actions may occur and affect our net income in such period as the settlement or resolution.

As of June 30, 2022 and December 31, 2021, the Company was not subject to any pending legal matters or claims that could have a material adverse effect on its financial position, results of operations, or cash flows should such litigation be resolved unfavorably.

**NOTE 12 – NET INCOME PER SHARE**

The following is a reconciliation of the numerator and denominator in the basic and diluted net income per common share computations:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2022 | June 30, 2021 | June 30, 2022 | June 30, 2021 |
| **Numerator:** | | | | |
| Net Income | $ 87,715 | $ 49,351 | $ 149,676 | $ 94,882 |
| | | | | |
| **Denominator:** | | | | |
| Weighted average common shares outstanding – basic | 648,973,952 | 648,124,642 | 648,894,417 | 648,066,435 |
| Dilutive common equivalent shares from equity options | 42,391,120 | 8,620,915 | 44,090,671 | 35,364,127 |
| Weighted average common shares outstanding – diluted | 691,365,072 | 656,745,557 | 692,985,088 | 683,430,562 |
| | | | | |
| **Net income per share:** | | | | |
| Basic | $ 0.14 | $ 0.08 | $ 0.23 | $ 0.15 |
| Diluted | $ 0.13 | $ 0.08 | $ 0.22 | $ 0.14 |

## ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited interim Condensed Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our audited Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (the "2021 Form 10-K").*

*Some of the information contained in this discussion and analysis, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from management's expectations as a result of various factors. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in the section "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q and in "Item 1A. – Risk Factors" in the 2021 Form 10-K.*

### Company Overview

OLAPLEX is an innovative, science-enabled, technology-driven beauty company. We are founded on the principle of delivering effective, patent-protected and proven performance in the categories where we compete. We strive to empower our consumers to look as beautiful on the outside as they feel on the inside.

We believe every person deserves to have healthy, beautiful hair, whether they are visiting a salon or caring for their hair at home. Our commitment to deliver results that are visible on first use, coupled with our strong sense of community across both professional hairstylists and consumers, has driven strong brand loyalty. We offer our award-winning products through a global omnichannel platform serving the professional, specialty retail, and Direct to Consumer ("DTC") channels.

OLAPLEX disrupted and revolutionized the professional hair care industry by creating the bond building category in 2014. We have grown from an initial offering of three products sold exclusively through the professional channel to a broader suite of products offered through the professional, specialty retail and DTC channels that have been strategically developed to address three key uses: treatment, maintenance and protection. Our unique bond building technology repairs disulfide bonds in human hair that are destroyed via chemical, thermal, mechanical, environmental and aging processes. Our current product portfolio comprises thirteen unique, complementary products specifically developed to provide a holistic regimen for hair health.

The strength of our business model and ability to scale have created a compelling financial profile characterized by revenue growth and very strong profitability. We have developed a mutually reinforcing, synergistic, omnichannel model that leverages the strength of each of our channels and our strong digital capabilities that we apply across our sales platforms. Our professional channel serves as the foundation for our brand, validating the quality of our products and influencing our consumers' purchasing decisions. As we continued to grow, we expanded into the DTC channel and specialty retail channel, both of which have continued to grow and have contributed to the success of our omnichannel model. Our DTC channel, comprised of OLAPLEX.com and sales through third-party e-commerce platforms, also provides us with the opportunity to engage directly with our consumers to provide powerful feedback that drives decisions we make around new product development.

#### *Second quarter 2022 financial highlights*

- Net sales increased 38.6% from $152.1 million in the three months ended June 30, 2021 to $210.9 million in the three months ended June 30, 2022. For the three months ended June 30, 2022, net sales in our professional channel grew 32.7%, our specialty retail channel grew 68.5% and our DTC channel grew 19.3%, in each case as compared to the three months ended June 30, 2021.
- Gross profit margin, gross profit as a percentage of sales, decreased from 79.2% in the three months ended June 30, 2021 to 74.2% in the three months ended June 30, 2022, primarily as a result of product mix, and higher input costs for raw materials, warehousing, and inbound distribution.
- Operating expenses for the three months ended June 30, 2022, decreased by 17.2%, as compared to the three months ended June 30, 2021, primarily due to one time legal costs of $14.3 million incurred in the three months ended June 30, 2021.

- Operating income increased from $76.6 million for the three months ended June 30, 2021 to $120.0 million for the three months ended June 30, 2022.

- Net income increased from $49.4 million for the three months ended June 30, 2021 to $87.7 million for the three months ended June 30, 2022.

***Year-to-date 2022 financial highlights***

- Net sales increased 46.9% from $270.2 million in the six months ended June 30, 2021 to $397.1 million in the six months ended June 30, 2022. For the six months ended June 30, 2022, net sales in our professional channel grew 43.9%, our specialty retail channel grew 83.9%, and our DTC channel grew 17.1%, in each case as compared to the six months ended June 30, 2021.
- Gross profit margin decreased from 79.2% in the six months ended June 30, 2021 to 75.0% in the six months ended June 30, 2022, primarily as a result of product mix, higher input costs for raw materials, warehousing, and inbound distribution, as well as inventory write-off and disposal costs.
- Operating expenses for the six months ended June 30, 2022 increased by 5.4%, as compared to the six months ended June 30, 2021, primarily as a result of higher payroll due to workforce expansion, increased sales and marketing expense, share-based compensation expense and distribution and fulfillment expenses, offset by one-time legal costs of $14.3 million incurred in the three months ended June 30, 2021;
- Operating income increased from $148.7 million for the six months ended June 30, 2021 to $228.6 million for the six months ended June 30, 2022.
- Net income increased from $94.9 million for the six months ended June 30, 2021 to $149.7 million for the six months ended June 30, 2022.

**Key Factors Affecting Our Performance**

We believe that our continued success and growth are dependent on a number of factors. These factors provide both significant areas of opportunity as well as potential challenges that we will need to address in order to sustain the growth of our business. We have outlined some of these factors below, as well as in "Item 1A. – Risk Factors" in the 2021 Form 10-K.

***Ability to Grow Our Brand Awareness and Penetration***

Our brand is integral to the growth of our business and is essential to our ability to engage with our community. Our performance will depend on our ability to attract new customers and encourage consumer spending across our product portfolio. Despite rapid growth in our brand awareness, we believe Olaplex is in the high single digits of unaided brand awareness within the U.S. among prestige hair care consumers. We believe awareness among the broader market is lower still. As we seek to enter new markets, it will be important for us to be able to expand our brand awareness and engage with new consumers across all of our channels.

***Continued Execution of Omnichannel Strategy***

Since our founding, the professional channel has provided our brand with credibility in the hairstylist community and with consumers, which translated into meaningful brand equity and success in the specialty retail and DTC channel, allowing us to gain deeper consumer insights. These channels broaden the scope of our brand awareness and customer penetration, which also serves to grow our professional channel. This synergistic omnichannel strategy has been key to our growth thus far, and we expect it will continue to serve as a valuable tool for growing our business. We intend to continue to find ways to deepen our channel integration through our digital platform, engaged social community, and relationships with salons and key retailers. Our ability to execute this strategy will depend on a number of factors, such as retailers' and salons' satisfaction with the sales and profitability of our products.

***Supply Chain***

The COVID-19 pandemic has contributed to global supply chain disruptions, including closures, employee absences, port congestion, labor and container shortages, and shipment delays. As a result, we have incurred and expect to continue to incur higher costs which have and will continue to negatively impact our cost of sales and operating expenses in the near future. We have mitigated, and expect to continue to mitigate some of the impact to our business through cost savings initiatives, product mix optimization, strategic pricing, timing of shipments, and minimizing the use of air freight and congested ports. Our inventory levels of finished goods have increased in response to longer international transit times, and we have increased the supply of raw materials and components on hand to ensure availability to meet demand even with the industry supply chain delays. By the end of 2022 we expect to begin manufacturing with a new contract manufacturer in Europe to directly supply certain of our core products to that market. We believe this will help to reduce transportation costs, shipping time and environmental impact, as we continue our efforts to build further resilience in our supply chain.

***Continued Geographic Expansion Across All Channels***

We believe our ability to enter new markets, and scale existing markets across all of our channels will continue to be part of our future growth. Since our founding, we have expanded into Europe, Asia, Latin America and other markets, with plans to continue to increase our presence in all of these markets. As we scale in new and existing markets, we anticipate that we will leverage our existing relationships with partners who operate in these markets, as well as engage with new professional, specialty retail and DTC customers. We believe our ability to continue expanding in new markets will be powered by our omnichannel efforts to enable a synergistic relationship between the professional, specialty retail and DTC channels. Our ability to grow our business geographically will depend on a number of factors, including our marketing efforts and continued customer satisfaction with the quality of our products.

***Continued Product Innovation***

We anticipate a meaningful portion of our future growth will come from new product development and innovation. We believe our robust in-house research and development team, dedicated Olaplex laboratory, independent lab testing and real-world salon testing enables us to continue to develop meaningful new products and positions us to maintain a full new product pipeline for several years into the future. During 2022 we expanded our product portfolio with the launch of No. 9 Bond Protector Nourishing Hair Serum and No. 4C Bond Maintenance Clarifying Shampoo and a new 1-liter size for each of No. 4 Bond Maintenance Shampoo, No. 4C Bond Maintenance Clarifying Shampoo and No. 5 Bond Maintenance Conditioner. As we develop future products, we are relentlessly focused on staying at the forefront of technical developments and product innovation. Our attention in this area is a critical component of our growth plan, and thus our performance will depend, in part, on our ability to continue to deliver new high-performance products.

**Results of operations**

**Comparison of the Three Months Ended June 30, 2022 to the Three Months Ended June 30, 2021**

The following table sets forth our Condensed Consolidated Statements of Operations and Comprehensive Income data for each of the periods presented:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | (in thousands) | % of Net sales | (in thousands) | % of Net sales |
| Net sales | $ 210,903 | 100.0 % | $ 152,124 | 100.0 % |
| Cost of sales: | | | | |
| Cost of product (excluding amortization) | 52,293 | 24.8 | 29,324 | 19.3 |
| Amortization of patented formulations | 2,180 | 1.0 | 2,268 | 1.5 |
| Total cost of sales | 54,473 | 25.8 | 31,592 | 20.8 |
| Gross profit | 156,430 | 74.2 | 120,532 | 79.2 |
| Operating expenses: | | | | |
| Selling, general, and administrative | 26,111 | 12.4 | 33,786 | 22.2 |
| Amortization of other intangible assets | 10,295 | 4.9 | 10,183 | 6.7 |
| Total operating expenses | 36,406 | 17.3 | 43,969 | 28.9 |
| Operating income | 120,024 | 56.9 | 76,563 | 50.3 |
| Interest expense | (8,694) | (4.1) | (15,563) | (10.2) |
| Other expense, net | (1,224) | (0.6) | (157) | (0.1) |
| Income before provision for income taxes | 110,106 | 52.2 | 60,843 | 40.0 |
| Income tax provision | 22,391 | 10.6 | 11,492 | 7.6 |
| Net income | $ 87,715 | 41.6 | $ 49,351 | 32.4 |
| Comprehensive income | $ 87,715 | 41.6 % | $ 49,351 | 32.4 % |

*Net Sales*

The Company distributes products in the U.S. and internationally through professional distributors in the salon channel, directly to retailers for sale in their physical stores and e-commerce sites, and direct-to-consumer (“DTC”) through sales to pure-play e-commerce customers and through the Company’s own Olaplex.com websites. As such, our three business channels consist of professional, specialty retail and DTC as follows:

| (in thousands) | For the Three Months Ended June 30, 2022 | 2021 | $ Change | % Change |
|---|---|---|---|---|
| **Net sales by Channel:** | | | | |
| Professional | $ 105,489 | $ 79,488 | $ 26,001 | 32.7 % |
| Specialty retail | 64,229 | 38,118 | 26,111 | 68.5 % |
| DTC | 41,185 | 34,518 | 6,667 | 19.3 % |
| Total Net sales | $ 210,903 | $ 152,124 | $ 58,779 | 38.6 % |

Growth in professional was driven by volume growth from increased velocity (sales per point of distribution) of existing products and the net impact of new products launched since June 30, 2021, which include the Professional only 4-in-1 Moisture Mask, No. 4P Blonde Enhancer Toning Shampoo, No. 9 Bond Protector Nourishing Hair Serum, No. 4C Bond Maintenance Clarifying Shampoo, and 1-liter sizes in No. 4 Bond Maintenance Shampoo, No.4C Bond Maintenance Clarifying Shampoo and No. 5 Bond Maintenance Conditioner. The Company also experienced significant net sales growth in the U.S., Germany, and Italy.

Growth in specialty retail was driven by the addition of new customers and the net impact of new products launched since June 30, 2021, which include No. 4P Blonde Enhancer Toning Shampoo, No. 9 Bond Protector Nourishing Hair Serum, and No. 4C Bond Maintenance Clarifying Shampoo. The Company experienced significant net sales growth in the U.S., Canada, and France.

Growth in DTC was driven by the net impact of volume growth from new products launched since June 30, 2021, which include No. 4P Blonde Enhancer Toning Shampoo, No. 9 Bond Protector Nourishing Hair Serum, and No. 4C Bond Maintenance Clarifying Shampoo. The Company experienced significant net sales growth in the U.S. and China.

*Cost of Sales and Gross Profit*

| (in thousands) | For the Three Months Ended June 30, 2022 | 2021 | $ Change | % Change |
|---|---|---|---|---|
| Cost of sales | $ 54,473 | $ 31,592 | $ 22,881 | 72.4 % |
| Gross profit | $ 156,430 | $ 120,532 | $ 35,898 | 29.8 % |

Our cost of sales increased primarily due to inflationary pressures and growth in sales volume, partially offset by a $0.1 million decrease in the amortization of our acquired patented formulations.

Our gross profit margin, gross profit as a percentage of sales, decreased from 79.2% in the three months ended June 30, 2021 to 74.2% in the three months ended June 30, 2022, as a result of increased input costs for warehousing, inbound distribution and raw materials, which accounted for approximately three percentage points of the decline, with the remainder relating to product and channel mix. Gross profit margin was adversely impacted due to product mix in our professional channel as a result of our efforts to build a pipeline of the 1-liter sizes in each of No. 4 Bond Maintenance Shampoo, No. 4C Bond Maintenance Clarifying Shampoo and No. 5 Bond Maintenance Conditioner.

*Operating Expenses*

| (in thousands) | For the Three Months Ended June 30, 2022 | For the Three Months Ended June 30, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Selling, general, and administrative expenses | $ 26,111 | $ 33,786 | $ (7,675) | (22.7)% |
| Amortization of other intangible assets | 10,295 | 10,183 | 112 | 1.1 % |
| Total operating expenses | $ 36,406 | $ 43,969 | $ (7,563) | (17.2)% |

The decline in selling, general and administrative expenses was primarily driven by a decrease of $14.3 million in other selling, general and administrative expenses related to non-recurring litigation costs that were recorded in the three months ended June 30, 2021, partially offset by increases of $2.4 million in sales and marketing expense, $2.4 million in payroll driven by workforce expansion, and $1.2 million in share-based compensation expense in the three months ended June 30, 2022.

*Interest Expense*

| (in thousands) | For the Three Months Ended June 30, 2022 | For the Three Months Ended June 30, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Interest expense | $ (8,694) | $ (15,563) | $ 6,869 | (44.1)% |

Interest expense decreased due to the Company refinancing its previously-existing 2020 Credit Agreement (as defined below) with a new 2022 Credit Agreement (as defined below) during the three months ended March 31, 2022, which reduced the Company's outstanding debt and lowered the interest rate in respect thereof, in the three months ended June 30, 2022. See "Liquidity and Capital Resources Requirements – Credit Facility" for additional information.

*Other Expense, Net*

| (in thousands) | For the Three Months Ended June 30, 2022 | For the Three Months Ended June 30, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Other expense, net | (1,224) | $ (157) | $ (1,067) | 679.6 % |
| Total other expense, net | $ (1,224) | $ (157) | $ (1,067) | 679.6 % |

Other expense, net increased primarily due to an increase in foreign currency translation losses driven by strengthening of the U.S. dollar.

*Income Tax Provision*

| (in thousands) | For the Three Months Ended June 30, 2022 | For the Three Months Ended June 30, 2021 | $ Change | % Change |
|---|---|---|---|---|
| Income tax provision | $ 22,391 | $ 11,492 | $ 10,899 | 94.8 % |

Our effective tax rate was 20.3% for the three months ended June 30, 2022, as compared to 18.9% for the three months ended June 30, 2021. The increase in the provision for income taxes from the comparative prior three months period is primarily due to the increase in the Company's income before taxes over this period. The Company's effective tax rate in the three months ended June 30, 2022 is lower than the statutory tax rate of 21% primarily due to the benefit associated with the foreign derived intangible income deduction ("FDII"), which results in income from the Company's sales to foreign customers being taxed at a lower effective tax rate, partially offset by the effect of state income taxes. The increase in the effective tax rate from the comparative prior three months period is primarily due to an increase in the effect of state income taxes.

**Comparison of the Six Months Ended June 30, 2022 to the Six Months Ended June 30, 2021**

The following table sets forth our Condensed Consolidated Statements of Operations and Comprehensive Income data for each of the periods presented:

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | (in thousands) | % of Net sales | (in thousands) | % of Net sales |
| Net sales | $ 397,099 | 100.0 % | $ 270,243 | 100.0 % |
| Cost of sales: | | | | |
| Cost of product (excluding amortization) | 95,515 | 24.1 | 51,397 | 19.0 |
| Amortization of patented formulations | 3,949 | 1.0 | 4,719 | 1.7 |
| Total cost of sales | 99,464 | 25.0 | 56,116 | 20.8 |
| Gross profit | 297,635 | 75.0 | 214,127 | 79.2 |
| Operating expenses: | | | | |
| Selling, general, and administrative | 48,425 | 12.2 | 45,066 | 16.7 |
| Amortization of other intangible assets | 20,561 | 5.2 | 20,365 | 7.5 |
| Total operating expenses | 68,986 | 17.4 | 65,431 | 24.2 |
| Operating income | 228,649 | 57.6 | 148,696 | 55.0 |
| Interest expense | (20,154) | (5.1) | (31,065) | (11.5) |
| Other expense, net | | — | | — |
| Loss on extinguishment of debt | (18,803) | (4.7) | — | — |
| Other expense, net | (1,601) | (0.4) | (204) | (0.1) |
| Total other expense, net | (20,404) | (5.1) | (204) | (0.1) |
| Income before provision for income taxes | 188,091 | 47.4 | 117,427 | 43.5 |
| Income tax provision | 38,415 | 9.7 | 22,545 | 8.3 |
| Net income | $ 149,676 | 37.7 | $ 94,882 | 35.1 |
| Comprehensive income | $ 149,676 | 37.7 % | $ 94,882 | 35.1 % |

*Net Sales*

| (in thousands) | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | 2021 | $ Change | % Change |
| **Net sales by Channel:** | | | | |
| Professional | $ 182,548 | $ 126,877 | $ 55,671 | 43.9 % |
| Specialty retail | $ 128,501 | $ 69,858 | 58,643 | 83.9 % |
| DTC | $ 86,050 | $ 73,508 | 12,542 | 17.1 % |
| Total Net sales | $ 397,099 | $ 270,243 | $ 126,856 | 46.9 % |

Growth in professional was driven by volume growth from increased velocity (sales per point of distribution) of existing products and the net impact of new products launched since June 30, 2021, which include No. 8 - Bond Intense Moisture Mask, the Professional only 4-in-1 Moisture Mask, No.4P Blonde Enhancer Toning Shampoo, No. 9 Bond Protector Nourishing Hair Serum, No. 4C Bond Maintenance Clarifying Shampoo, and 1-liter sizes in No. 4 Bond Maintenance Shampoo, No. 4C Bond Maintenance Clarifying Shampoo and No. 5 Bond Maintenance Conditioner. The Company also experienced significant net sales growth in the U.S., Germany and Italy.

Growth in specialty retail was driven by the addition of new customers and the net impact of new products launched since June 30, 2021, which include No. 8 - Bond Intense Moisture Mask, No. 9 Bond Protector Nourishing Hair Serum, No. 4P Blonde Enhancer Toning Shampoo, and No. 4C Bond Maintenance Clarifying Shampoo. The Company experienced significant net sales growth in the U.S., Canada, and France.

Growth in DTC was driven by the net impact of volume growth from new products launched since June 30, 2021, which include No. 8 - Bond Intense Moisture Mask, No. 4P Blonde Enhancer Toning Shampoo, No. 9 Bond Protector Nourishing

Hair Serum, and No. 4C Bond Maintenance Clarifying Shampoo. The Company experienced significant net sales growth in the U.S. and China.

*Cost of Sales and Gross Profit*

| (in thousands) | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | 2021 | $ Change | % Change |
| Cost of sales | $ 99,464 | $ 56,116 | $ 43,348 | 77.2 % |
| Gross profit | $ 297,635 | $ 214,127 | $ 83,508 | 39.0 % |

Our cost of sales increased primarily due to inflationary pressures and growth in sales volume, as well as a $4.3 million increase due to the inventory write-off and disposal costs related to unused stock of a product that the Company reformulated in June 2021 as a result of regulation changes in the E.U. In addition, cost of sales was partially offset by a $0.8 million decrease in the amortization of our acquired patented formulations.

Our gross profit margin decreased from 79.2% in the six months ended June 30, 2021 to 75.0% in the six months ended June 30, 2022 due to increased input costs for warehousing, inbound distribution, and raw materials, which accounted for approximately three percentage points of the decline, with the remainder relating to product and channel mix, and the inventory write-off and disposal costs discussed above.

*Operating Expenses*

| (in thousands) | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | 2021 | $ Change | % Change |
| Selling, general, and administrative expenses | 48,425 | 45,066 | $ 3,359 | 7.5 % |
| Amortization of other intangible assets | 20,561 | 20,365 | 196 | 1.0 % |
| Total operating expenses | $ 68,986 | $ 65,431 | $ 3,555 | 5.4 % |

Selling, general and administrative expenses increased primarily due to increases of $4.5 million in payroll driven by workforce expansion, $4.4 million in sales and marketing expense, $2.2 million in share-based compensation expense, $2.0 million in distribution and fulfillment costs related to the increase in product sales volume, partially offset by a decrease of $14.3 million in general and administrative expenses primarily related to non-recurring litigation costs recorded in the three months ended June 30, 2021.

*Interest Expense*

| (in thousands) | For the Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2022 | 2021 | $ Change | % Change |
| Interest expense | $ (20,154) | $ (31,065) | $ 10,911 | (35.1)% |

Interest expense decreased due to the Company refinancing its previously-existing 2020 Credit Agreement with a new 2022 Credit Agreement during the three months ended March 31, 2022, which reduced the Company's outstanding debt and lowered the interest rate in respect thereof, in the six months ended June 30, 2022. See "Liquidity and Capital Resources Requirements – Credit Facility" for additional information.

*Other Expense, Net*

| (in thousands) | For the Six Months Ended June 30, 2022 | 2021 | $ Change | % Change |
|---|---|---|---|---|
| Loss on extinguishment of debt | $ (18,803) | $ — | $ (18,803) | — % |
| Other expense, net | (1,601) | $ (204) | $ (1,397) | 684.8 % |
| Total other expense, net | $ (20,404) | $ (204) | $ (20,200) | 9902.0 % |

As a result of the debt refinancing that occurred during the six months ended June 30, 2022, as described above, the Company recorded $18.8 million of loss on extinguishment of debt. Other expense, net also increased primarily due to an increase in foreign currency translation losses driven by the strengthening of the U.S. dollar.

*Income Tax Provision*

| (in thousands) | For the Six Months Ended June 30, 2022 | 2021 | $ Change | % Change |
|---|---|---|---|---|
| Income tax provision | $ 38,415 | $ 22,545 | $ 15,870 | 70.4 % |

Our effective tax rate was 20.4% for the six months ended June 30, 2022, as compared to 19.2% for the six months ended June 30, 2021. The increase in the provision for income taxes from the comparative prior period is primarily due to the increase in the Company's income before taxes over this period. The Company's effective tax rate in the six months ended June 30, 2022 is lower than the statutory tax rate of 21% primarily due to the benefit associated with the FDII, which results in income from the Company's sales to foreign customers being taxed at a lower effective tax rate, partially offset by the effect of state income taxes. The increase in the effective tax rate from the comparative prior period is primarily due to an increase in the effect of state income taxes.

*Tax Receivable Agreement*

Based on current tax laws and assuming that the Company earns sufficient taxable income to realize the full tax benefits subject to the Tax Receivable Agreement, we expect that future payments under the Tax Receivable Agreement relating to certain tax benefits of tax attributes existing prior to the Company's initial public offering of shares of its common stock (the "IPO"), including tax basis in intangible assets and capitalized transaction costs relating to taxable years ending on or before the date of the IPO (calculated by assuming the taxable year of the relevant entity closes on the date of the IPO), that are amortizable over a fixed period of time (including in tax periods beginning after the IPO) and which are available to the Company and its wholly-owned subsidiaries, could aggregate to $229.3 million over the 14-year period under the Tax Receivable Agreement. Payments under the Tax Receivable Agreement are not conditioned upon the parties' continued ownership of the Company. The Tax Receivable Agreement payment obligation as of June 30, 2022 is $229.3 million, of which $208.5 million was recorded in long term liabilities and $20.8 million was recorded in current liabilities

**Financial Condition, Liquidity and Capital Resources**

***Overview***

Our primary recurring source of cash is the collection of proceeds from the sale of our products to our customers, including cash periodically collected in advance of delivery or performance.

Our primary use of cash is for working capital and payment of our operating costs, which consist primarily of employee-related expenses, such as compensation and benefits, as well as general operating expenses for marketing, fulfillment costs of customer orders, overhead costs, capital expenditures, and debt servicing. We also utilize cash for strategic investments. Fluctuations in working capital are primarily caused by customer demand of our product, timing of when a retailer rearranges or restocks our products, expansion of space within our existing retailer base, expansion into new retail stores and fluctuation in warehouse and distribution costs. Capital expenditures typically vary and are currently limited, and future capital expenditure requirements depend on strategic initiatives selected for the fiscal year, including investments in infrastructure, expansion into new national and international retailers and expansion of our customer base.

A considerable portion of our operating income is earned outside the United States; however, the majority of our bank deposits are held within the United States.

As of June 30, 2022, we had $198.0 million of cash and cash equivalents. In addition, as of June 30, 2022, we had borrowing capacity of $150.0 million under the 2022 Revolver, providing us with a liquidity position of $348.0 million plus $140.4 million of working capital excluding cash and cash equivalents for a combined $488.4 million liquidity position.

Although there is no current need, we primarily examine our options with respect to terms and sources ofexisting and future short-term and long-term capital resources to maintain financial flexibility and may from time to time elect to raise capital through the issuance of additional equity or the incurrence of additional debt.

***Cash Flows***

The following table summarizes our cash flows for the periods presented:

| | For the Six Months Ended June 30, | |
|---|---|---|
| **(in thousands)** | **2022** | **2021** |
| Net cash provided by (used in): | | |
| Operating activities | $ 128,053 | $ 74,953 |
| Investing activities | (945) | (64) |
| Financing activities | (115,468) | (9,423) |
| Net increase in cash and cash equivalents: | $ 11,640 | $ 65,466 |

***Operating Activities***

The increase in net cash provided by operating activities was primarily a result of an increase in net income of $54.8 million and adjusting items, including loss on extinguishment of debt of $18.8 million related to the refinancing of the 2020 Credit Agreement, partially offset by the inventory write-off and disposal adjustment of $4.3 million recorded in the three months ended March 31, 2022, and changes in working capital.

***Investing Activities***

The Company’s investing activities include purchases of software, property and equipment.

***Financing Activities***

The Company’s financing activities for the six months ended June 30, 2022 primarily consisted of cash outflows for payments on our long-term debt and debt issuance costs, offset by proceeds from the issuance of the 2022 Credit Agreement. For the six months ended June 30, 2021, the Company’s financing activities primarily consisted of cash outflows for payments on our long-term debt.

***Liquidity and Capital Resources Requirements***

Based on past performance and current expectations, we believe that our cash, cash equivalents and cash generated from operations and draws on our 2022 Revolver will be sufficient to meet anticipated operating costs, required payments of principal and interest, working capital, ordinary course capital expenditures, and other commitments for at least the next 12 months.

***Credit Facility***

On February 23, 2022, Olaplex, Inc. entered into a seven-year $675 million senior-secured term loan facility (the “2022 Term Loan Facility”) and a five-year $150 million senior-secured revolving credit facility (the “2022 Revolver”), which includes a $25 million letter of credit sub-facility and a $25 million swingline loan sub-facility (collectively, the “2022 Credit Agreement”). The 2022 Credit Agreement refinanced and replaced the previously existing secured credit agreement entered into by Olaplex, Inc. in January 2020 (such agreement, as amended, the “2020 Credit Agreement”). The 2020 Credit Agreement consisted of an $800 million term loan facility and a $51 million revolving credit facility, which included a $10 million letter of credit sub-facility and a $5 million swingline loan facility.

Installment payments on the 2022 Term Loan Facility are required to be made in quarterly installments of $1,687,500, with the remaining balance due upon maturity. The 2022 Term Loan Facility can be prepaid at any time subject to a 1% penalty provision (with certain exceptions) if paid prior to August 23, 2022, and is subject to certain mandatory prepayments, as described in the agreement governing the 2022 Credit Agreement.

The interest rate on outstanding debt under the 2022 Term Loan Facility was 4.8% as of June 30, 2022. The interest rates for all facilities under the 2022 and 2020 Credit Agreements were calculated based upon the Company's election between the applicable published reference rate at time of election plus an additional interest rate spread, or an "Alternate Base Rate" (as defined in the 2022 Credit Agreement or the 2020 Credit Agreement, as applicable) plus an additional interest rate spread.

We incurred costs directly related to the 2022 Credit Agreement of $11.9 million, consisting primarily of lender fees of $1.7 million and third-party fees of $10.2 million during the six months ended June 30, 2022. These fees were allocated between the 2022 Revolver and the 2022 Term Loan Facility. 2022 Term Loan Facility fees are capitalized and recorded as a reduction of the carrying amount of non-current debt, 2022 Revolver Facility fees are capitalized and recorded as Other Assets on the balance sheet.

The 2022 Credit Agreement includes, and the 2020 Credit Agreement included, reporting, financial, and maintenance covenants that require, among other things, for the Company to comply with certain maximum secured leverage ratios, which the Company was in compliance with on June 30, 2022 and December 31, 2021. Substantially all the assets of the Company constitute collateral under the 2022 Credit Agreement.

As of June 30, 2022, the Company had outstanding indebtedness under the 2022 Credit Agreement of $673.3 million, of which $6.8 million was classified as current. As of June 30, 2022, the Company had $150.0 million of available borrowing capacity under the 2022 Revolver.

***Tax Receivable Agreement Obligations***

Although the actual amount and timing of any payments under the Tax Receivable Agreement will vary depending upon a number of factors including the amount, character and timing of the Company's and its subsidiaries' taxable income in the future and the tax rates then applicable to us and our subsidiaries, we expect the payments that will be required to be made under the Tax Receivable Agreement will be substantial and to be funded out of working capital. See " Comparison of the Six Months ended June 30, 2022 to the Six Months ended June 30, 2021 – Tax Receivable Agreement" above for additional information.

***Contractual Obligations and Commitments***

There were no material changes outside the ordinary course of business to our contractual obligations since the filing of Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2022.

**Off-Balance Sheet Arrangements**

None.

**Critical Accounting Policies and Estimates**

Our unaudited interim Condensed Consolidated Financial Statements have been prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that we believe to be reasonable. Actual results may differ from those estimates. We review these estimates on a periodic basis to ensure reasonableness. Although actual amounts may differ from such estimated amounts, we believe such differences are not likely to be material. For additional detail regarding our critical accounting policies including revenue recognition, inventory, business combinations, valuation of goodwill, share based compensation, income taxes and the Tax Receivable Agreement, see our discussion for the year ended December 31, 2021 in the 2021 Form 10-K. There have been no material changes to these policies in the three and six months ended June 30, 2022.

**New Accounting Pronouncements**

See "Note 2. Summary of Significant Accounting Policies" to our unaudited interim Condensed Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q for information regarding new accounting pronouncements.

**JOBS Act Accounting Election**

Section 107(b) of the JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the extended transition period to comply with new or revised accounting standards and to adopt certain of the reduced disclosure requirements available to emerging growth companies. As a result of the accounting standards election, we will not be subject to the same implementation timing for new or revised accounting standards as other public companies that are not emerging growth companies which may make comparison of our financials to those of other public companies more difficult.

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks arising from transactions in the normal course of our business. This includes risk associated with interest rates, inflation and foreign exchange.

***Interest Rate Risk***

Our results are subject to risk from interest rate fluctuations on borrowings under the 2022 Credit Agreement. Our borrowings bear interest at a variable rate; therefore, we are exposed to market risks relating to changes in interest rates. Interest rate changes generally do not affect the market value of the 2022 Term Loan Facility; however, they do affect the amount of our interest payments and, therefore, our future earnings and cash flows. As of June 30, 2022, we had $673 million of outstanding variable rate loans under the 2022 Term Loan Facility. Based on our June 30, 2022 variable rate loan balances, an increase or decrease of 1% in the effective interest rate would cause an increase or decrease in interest cost of approximately $6.7 million over the next 12 months.

***Inflation***

Inflationary factors such as increases in the cost of sales for our products and overhead costs may adversely affect our operating results. A high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and SG&A expenses as a percentage of net revenue if the selling prices of our products do not increase with these increased costs.

***Foreign Exchange Risk***

Our reporting currency is the U.S. dollar. Gains or losses due to transactions in foreign currencies are reflected in the Consolidated Statements of Comprehensive Income under the line-item other expense, net. We have not engaged in the hedging of foreign currency transactions to date, although we may choose to do so in the future. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on our Consolidated Financial Statements.

## ITEM 4. CONTROLS AND PROCEDURES

***Evaluation of Disclosure Controls and Procedures***

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosures. Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of June 30, 2022.

***Changes in Internal Control Over Financial Reporting***

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act) that occurred during the quarter ended June 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Inherent Limitations in Effectiveness of Controls***

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

From time to time, we may become involved in litigation or other legal proceedings incidental to our business, including, litigation related to intellectual property, regulatory matters, contract, advertising and other consumer claims. We are not currently a party to any litigation or legal proceeding that, in the opinion of our management, is likely to have a material adverse effect on our business, results of operations, financial condition or cash flows.

Reasonably possible losses in addition to the amounts accrued for such litigation and legal proceedings are not material to our Consolidated Financial Statements. In addition, we believe that protecting our intellectual property is essential to our business and we have in the past, and may in the future, become involved in proceedings to enforce our rights. Regardless of outcome, litigation can have an adverse impact on our reputation, financial condition and business, including by utilizing our resources and potentially diverting the attention of our management from the operation of our business.

### ITEM 1A. RISK FACTORS

An investment in our common stock involves risks. For a detailed discussion of the risks that affect our business please refer to “Item 1A. – Risk Factors" in the 2021 Form 10-K.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

| Exhibit Number | Description |
|---|---|
| 3.1 | Restated Certificate of Incorporation of Olaplex Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q, filed on November 10, 2021 (File No. 001- 40860)). |
| 3.2 | Amended and Restated Bylaws of Olaplex Holdings, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q, filed on November 10, 2021 (File No. 001-40860)). |
| 31.1 | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1† | Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2† | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

† This certification will not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

## 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.

OLAPLEX HOLDINGS, INC.

| | | | |
|---|---|---|---|
| August 09, 2022 | By: | /s/ JuE Wong | |
| | | Name: | JuE Wong |
| | | Title: | President and Chief Executive Officer<br>*(Principal Executive Officer)* |
| August 09, 2022 | By: | /s/ Eric Tiziani | |
| | | Name: | Eric Tiziani |
| | | Title: | Chief Financial Officer<br>*(Principal Financial Officer)* |

**Exhibit 31.1**

## CERTIFICATION PURSUANT TO
## RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,
## AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, JuE Wong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Olaplex Holdings, 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 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)) 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. (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

    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.

August 9, 2022

By: /s/ JuE Wong
JuE Wong
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION PURSUANT TO**
**RULE 13a-14(a) AND 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,**
**AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric Tiziani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Olaplex Holdings, 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 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)) 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. (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

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

Date: August 9, 2022

By: /s/ Eric Tiziani
Eric Tiziani
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

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

I, JuE Wong, Chief Executive Officer of Olaplex Holdings, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2022

By: /s/ JuE Wong
JuE Wong
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32.2**

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

I, Eric Tiziani, Chief Financial Officer of Olaplex Holdings, Inc. (the “Company”), do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

| | | |
|---|---|---|
| Date: August 9, 2022 | By: | /s/ Eric Tiziani |
| | | Eric Tiziani |
| | | Chief Financial Officer |
| | | (Principal Financial Officer) |