

**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 September 30, 2024

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
(State or other jurisdiction of
incorporation or organization)

87-1242679
(I.R.S. Employer
Identification No.)

432 Park Avenue South, Third Floor, New York, NY 10016

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

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

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

As of November 1, 2024, registrant had 662,922,801 shares of common stock, par value \$0.001 per share, outstanding.

OLAPLEX HOLDINGS, INC.
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GLOSSARY

As used in this Quarterly Report on Form 10-Q (“Quarterly Report”), the terms identified below have the meanings specified below unless otherwise noted or the context indicates otherwise. Except where the context otherwise requires or where otherwise indicated, the terms “OLAPLEX” “we,” “us,” “our,” “the Company,” and “our business” refer to Olaplex Holdings, Inc. and its consolidated subsidiaries.

- “2022 Credit Agreement” refers to the Credit Agreement, dated as of February 23, 2022, by and among Olaplex, Inc., Penelope Intermediate Corp., Goldman Sachs Bank USA, as administrative agent, collateral agent and swingline lender, and each lender and issuing bank from time to time party thereto. The 2022 Credit Agreement includes, among other things, a \$675 million seven-year senior-secured term loan facility (the “2022 Term Loan Facility”) and a \$150 million five-year senior-secured revolving credit facility (the “2022 Revolver”).
- “IPO” refers to the initial public offering of shares of common stock of Olaplex Holdings, Inc., completed on October 4, 2021.
- “Penelope” refers to Penelope Holdings Corp., which is an indirect parent of Olaplex, Inc., the Company’s primary operating subsidiary.
- “Penelope Group Holdings” refers to Penelope Group Holdings L.P., which prior to the IPO was the direct parent of Penelope.
- “Pre-IPO Stockholders” refers to, collectively, (i) the former limited partners of Penelope Group Holdings prior to the Reorganization Transactions and (ii) holders of options to purchase shares of common stock of Penelope that were vested as of the consummation of the Reorganization Transactions.
- “Pre-IPO Tax Assets” refers to, collectively, certain tax attributes existing prior to 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 us and our wholly-owned subsidiaries.
- “Reorganization Transactions” refers to the internal reorganization completed in connection with our IPO, pursuant to which Olaplex Holdings, Inc. became an indirect parent of Olaplex, Inc. For further information, see “Reorganization Transactions” in “Note 1 - Nature of Operations and Basis of Presentation” to our Consolidated Financial Statements included in Part II, Item 8 of our Annual Report on Form 10-K for the year ended December 31, 2023.
- “Tax Receivable Agreement” refers to the income tax receivable agreement entered into by the Company in connection with the Reorganization Transactions under which the Company is required to pay the Pre-IPO Stockholders 85% of the cash savings, if any, in United States (“U.S.”) federal, state or local tax that the Company actually realizes on its taxable income following the IPO, as specified in the Tax Receivable Agreement.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report 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 that are not historical or current facts. When used in this document, words such as “may,” “will,” “could,” “should,” “intend,” “potential,” “continue,” “anticipate,” “believe,” “estimate,” “expect,” “plan,” “target,” “predict,” “project,” “forecast,” “seek” and similar expressions as they relate to us are intended to identify forward-looking statements.

The forward-looking statements in this Quarterly Report reflect our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operation. Examples of forward-looking statements include, among others, statements we make regarding: our financial position, sales and operating results; our business plans, strategies, investments and objectives; general economic and industry trends; our business prospects; our reputation and brand; our product technology; future product development and introduction; growth and expansion opportunities, including expansion in existing markets and into new markets; our sales channels and omnichannel strategy; legal proceedings; changes in laws and regulations; future payments under our Tax Receivable Agreement; our customer base; our supply chain and global distribution network; our information technology; our employees and culture; our operational capabilities; interest rate derivatives; and our expenses, inventory levels, other working capital, indebtedness and liquidity. Forward-looking statements are predictions based upon assumptions that may not prove to be accurate, and they are not guarantees of future performance. As such, you should not place significant reliance on our forward-looking statements. Neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements, including any such statements taken from third party industry and market reports.

Forward-looking statements involve known and unknown risks, inherent uncertainties and other factors that are difficult to predict 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, including, without limitation, the following:

- competition in the beauty industry;
- our ability to effectively maintain and promote a positive brand image, expand our brand awareness and maintain consumer confidence in the quality, safety and efficacy of our products;
- our ability to anticipate and respond to market trends and changes in consumer preferences and execute on our growth strategies and expansion opportunities, including with respect to new product introductions;
- our ability to accurately forecast customer and consumer demand for our products;
- our dependence on the success of our long-term strategic plan;
- our ability to limit the illegal distribution and sale by third parties of counterfeit versions of our products or the unauthorized diversion by third parties of our products;
- our dependence on a limited number of customers for a large portion of our net sales;
- our ability to develop, manufacture and effectively and profitably market and sell future products;
- our ability to attract new customers and consumers and encourage consumer spending across our product portfolio;
- our ability to successfully implement new or additional marketing efforts;
- our relationships with and the performance of our suppliers, manufacturers, distributors and retailers and our ability to manage our supply chain;
- impacts on our business from political, regulatory, economic, trade and other risks associated with operating internationally;
- our ability to manage our executive leadership changes and to attract and retain senior management and other qualified personnel;
- our reliance on our and our third-party service providers’ information technology;
- our ability to maintain the security of confidential information;
- 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 outcome of litigation and regulatory proceedings;
- the impact of changes in federal, state and international laws, regulations and administrative policy;
- our existing and any future indebtedness, including our ability to comply with affirmative and negative covenants under the 2022 Credit Agreement;
- our ability to service our existing indebtedness and obtain additional capital to finance operations and our growth opportunities;
- volatility of our stock price;
- our “controlled company” status and the influence of investment funds affiliated with Advent International, L.P. over us;
- the impact of an economic downturn and inflationary pressures on our business;
- fluctuations in our quarterly results of operations;
- changes in our tax rates and our exposure to tax liability; and
- the other factors identified in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”) and in other documents that we file with the U.S. Securities and Exchange Commission from time to time.

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 as anticipated, believed, estimated, expected, intended, planned or projected. We discuss many of these risks in greater detail in the “Risk Factors” section of our 2023 Form 10-K. The forward-looking statements included in this Quarterly Report are made only as of the date hereof. Unless required by law, we neither intend nor assume any obligation to update these forward-looking statements for any reason after the date of this Quarterly Report to conform these statements to actual results or to changes in our expectations or otherwise.

PART I - FINANCIAL INFORMATION
ITEM 1. Financial StatementsOLAPLEX HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(amounts in thousands, except per share and share data)
(Unaudited)

	September 30, 2024	December 31, 2023
Assets		
Current Assets:		
Cash and cash equivalents	\$ 538,829	\$ 466,400
Accounts receivable, net of allowances of \$21,309 and \$21,465	34,886	40,921
Inventory	85,907	95,922
Other current assets	10,090	9,953
Total current assets	669,712	613,196
Property and equipment, net	1,238	930
Intangible assets, net	911,477	947,714
Goodwill	168,300	168,300
Other assets	8,430	10,198
Total assets	\$ 1,759,157	\$ 1,740,338
Liabilities and stockholders' equity		
Current Liabilities:		
Accounts payable	\$ 11,356	\$ 7,073
Sales and income taxes payable	5,654	9,067
Accrued expenses and other current liabilities	19,797	20,576
Current portion of long-term debt	6,750	6,750
Current portion of Related Party payable pursuant to Tax Receivable Agreement	13,006	12,675
Total current liabilities	56,563	56,141
Long-term debt	645,040	649,023
Deferred tax liabilities	3,636	3,016
Related Party payable pursuant to Tax Receivable Agreement	172,390	185,496
Other liabilities	1,798	1,694
Total liabilities	879,427	895,370
Contingencies (Note 11)		
Stockholders' equity (Notes 1 and 9):		
Common stock, \$0.001 par value per share; 2,000,000,000 shares authorized, 662,479,324 and 660,731,935 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	662	671
Preferred stock, \$0.001 par value per share; 25,000,000 shares authorized and no shares issued and outstanding	—	—
Additional paid-in capital	325,288	316,489
Accumulated other comprehensive (loss) income	(985)	1,365
Retained earnings	554,765	526,443
Total stockholders' equity	879,730	844,968
Total liabilities and stockholders' equity	\$ 1,759,157	\$ 1,740,338

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales	\$ 119,080	\$ 123,555	\$ 321,929	\$ 346,583
Cost of sales:				
Cost of product (excluding amortization)	34,781	37,415	89,361	98,431
Amortization of patented formulations	2,565	2,592	7,054	6,298
Total cost of sales	37,346	40,007	96,415	104,729
Gross profit	81,734	83,548	225,514	241,854
Operating expenses:				
Selling, general, and administrative	42,956	36,433	128,816	119,770
Amortization of other intangible assets	10,782	10,378	32,807	31,025
Total operating expenses	53,738	46,811	161,623	150,795
Operating income	27,996	36,737	63,891	91,059
Interest expense	(15,610)	(14,692)	(44,708)	(43,283)
Interest income	6,605	5,182	19,067	13,024
Other income (expense), net	670	(970)	(541)	(1,328)
Income before provision for income taxes	19,661	26,257	37,709	59,472
Income tax provision	4,864	5,891	9,387	11,986
Net income	\$ 14,797	\$ 20,366	\$ 28,322	\$ 47,486
Net income per share:				
Basic	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.07
Diluted	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.07
Weighted average common shares outstanding:				
Basic	662,248,231	654,702,392	661,586,351	653,603,665
Diluted	666,151,359	678,758,020	664,723,301	681,089,543
Other comprehensive (loss) income:				
Unrealized (loss) gain on derivatives, net of income tax effect	\$ (906)	\$ (861)	\$ (2,350)	\$ 229
Total other comprehensive (loss) income	(906)	(861)	(2,350)	229
Comprehensive income	\$ 13,891	\$ 19,505	\$ 25,972	\$ 47,715

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	Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Equity
Balance - December 31, 2023	660,731,935	\$ 671	\$ 316,489	\$ 1,365	\$ 526,443	\$ 844,968
Net income	—	—	—	—	7,746	7,746
Issuance of shares upon exercise of stock options and vesting of restricted stock units	551,742	4	171	—	—	175
Share-based compensation expense	—	—	3,183	—	—	3,183
Unrealized loss on derivatives, net of taxes	—	—	—	(361)	—	(361)
Balance – March 31, 2024	661,283,677	\$ 675	\$ 319,843	\$ 1,004	\$ 534,189	\$ 855,711
Net income	—	\$ —	\$ —	\$ —	\$ 5,779	\$ 5,779
Issuance of shares upon exercise of stock options and vesting of restricted stock units	546,543	1	54	—	—	55
Share-based compensation expense	—	—	2,861	—	—	2,861
Unrealized loss on derivatives, net of taxes	—	—	—	(1,083)	—	(1,083)
Balance – June 30, 2024	661,830,220	\$ 676	\$ 322,758	\$ (79)	\$ 539,968	\$ 863,323
Net income	—	\$ —	\$ —	\$ —	\$ 14,797	\$ 14,797
Issuance of shares upon exercise of stock options and vesting of restricted stock units	649,104	(14)	14	—	—	—
Share-based compensation expense	—	—	2,516	—	—	2,516
Unrealized loss on derivatives, net of taxes	—	—	—	(906)	—	(906)
Balance – September 30, 2024	662,479,324	\$ 662	\$ 325,288	\$ (985)	\$ 554,765	\$ 879,730

	Shares	Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Total Equity
Balance - December 31, 2022	650,091,380	\$ 649	\$ 312,875	\$ 2,577	\$ 464,856	\$ 780,957
Net income	—	—	—	—	20,964	20,964
Issuance of shares upon exercise of stock-settled stock appreciation rights	109,620	—	326	—	—	326
Shares withheld on exercise of stock-settled stock appreciation rights	(83,501)	—	(390)	—	—	(390)
Issuance of shares upon exercise of stock options	3,659,267	4	3,295	—	—	3,299
Share-based compensation expense	—	—	2,018	—	—	2,018
Unrealized loss on derivatives, net of taxes	—	—	—	(557)	—	(557)
Balance – March 31, 2023	653,776,766	\$ 653	\$ 318,124	\$ 2,020	\$ 485,820	\$ 806,617
Net income	—	—	—	—	6,156	6,156
Issuance of shares upon exercise of stock options	754,062	1	797	—	—	798
Share-based compensation expense	—	—	2,634	—	—	2,634
Unrealized gain on derivatives, net of taxes	—	—	—	1,647	—	1,647
Balance – June 30, 2023	654,530,828	\$ 654	\$ 321,555	\$ 3,667	\$ 491,976	\$ 817,852
Net income	—	—	—	—	20,366	20,366
Issuance of shares upon exercise of stock options	193,538	—	352	—	—	352
Share-based compensation expense	—	—	2,686	—	—	2,686
Unrealized loss on derivatives, net of taxes	—	—	—	(861)	—	(861)
Balance – September 30, 2023	654,724,366	\$ 654	\$ 324,593	\$ 2,806	\$ 512,342	\$ 840,395

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)

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income	\$ 28,322	\$ 47,486
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of patent formulations	7,054	6,298
Amortization of other intangibles	32,807	31,025
Inventory write-off and disposal	2,970	9,801
Depreciation of fixed assets	393	344
Amortization of debt issuance costs	1,359	1,359
Deferred taxes	1,322	2,377
Share-based compensation expense	8,560	7,338
Other operating	1,764	795
Changes in operating assets and liabilities:		
Accounts receivable, net	5,513	(5,656)
Inventory	6,572	23,260
Other current assets	1,959	2,170
Accounts payable	4,091	3,601
Accrued expenses, sales tax and income tax payable	(6,918)	(1,311)
Other assets and liabilities	(2,358)	(390)
Net cash provided by operating activities	<u>93,410</u>	<u>128,497</u>
Cash flows from investing activities:		
Purchase of property and equipment	(690)	(239)
Purchase of intangible assets	—	(500)
Purchase of software	(2,679)	(2,163)
Net cash used in investing activities	<u>(3,369)</u>	<u>(2,902)</u>
Cash flows from financing activities:		
Proceeds from exercise of stock options	230	4,449
Payments related to shares withheld to cover tax withholding obligation for SARs	—	(64)
Payments made pursuant to Tax Receivable Agreement	(12,779)	(16,452)
Principal payments for 2022 Term Loan Facility	(5,063)	(6,750)
Net cash used in financing activities	<u>(17,612)</u>	<u>(18,817)</u>
Net increase in cash and cash equivalents	72,429	106,778
Cash and cash equivalents - beginning of period	<u>466,400</u>	<u>322,808</u>
Cash and cash equivalents - end of period	<u>\$ 538,829</u>	<u>\$ 429,586</u>
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	\$ 12,635	\$ 9,531
Cash paid for interest	\$ 45,781	\$ 44,421
Supplemental disclosure of noncash activities:		
Assets acquired under operating lease	\$ 742	\$ 2,128
Purchases of intangible assets not yet paid	\$ 629	\$ —
Purchases of property and equipment not yet paid	\$ 18	\$ —

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

OLAPLEX HOLDINGS, INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts, percentages and as otherwise indicated)
(Unaudited)

NOTE 1 – NATURE OF OPERATIONS AND BASIS OF PRESENTATION

Olaplex Holdings, Inc. (“Olaplex Holdings” and, together with its subsidiaries, the “Company”) is a Delaware corporation that was incorporated on June 8, 2021. Olaplex Holdings is organized as a holding company and operates indirectly through Olaplex, Inc., its wholly owned indirect subsidiary, 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 prestige hair care products to professional hair salons, retailers and everyday consumers. Olaplex develops, manufactures and distributes a line of hair care products developed to address three key uses: treatment, maintenance and protection.

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 2023 Form 10-K.

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, allowance for promotions, and refunds; loss contingencies; the fair value of share-based options and stock settled stock appreciation rights (“SARs”); the fair value of and/or potential impairment of goodwill and intangible assets for the Company’s reporting unit; the fair value of the Company’s Interest Rate Caps (as defined below in “Note 5 - Fair Value Measurement”); useful lives of the Company’s tangible and intangible assets; estimated income tax expense and tax payments; future payment obligations under the Tax Receivable Agreement; and the net realizable value of, and demand for the Company’s 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 Condensed Consolidated Balance Sheets, which may differ from fair value. The Company's Interest Rate Caps are recorded at their Level 2 fair values in the Condensed Consolidated Balance Sheets.

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, 2023.

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

In connection with the Reorganization Transactions, the Company entered into the Tax Receivable Agreement under which the Company will be required to pay to the Pre-IPO Stockholders 85% of the federal, state or local tax cash savings that the Company actually realizes on its taxable income following the IPO, as a result of the amortization of intangible assets and capitalized transaction costs that existed as of the date of the IPO. Under the Tax Receivable Agreement, generally the Company will retain the benefit of the remaining 15% of the applicable tax savings.

The Tax Receivable Agreement liability is calculated based on current tax laws and the assumption that the Company and its subsidiaries will earn sufficient taxable income to realize the full tax benefits subject to the Tax Receivable Agreement. Updates to the Company's blended state tax rate, allocation of U.S. versus foreign sourced income and changes in tax rules on the amortization and depreciation of assets may significantly impact the established liability, and changes to that established liability would be recorded to other income (expense) in the period the Company made the determination regarding the applicable change. The Company expects that future payments under the Tax Receivable Agreement relating to the Pre-IPO Tax Assets could aggregate to \$185.4 million over the 11-year remaining period under the Tax Receivable Agreement. Payments under the Tax Receivable Agreement, which began in the year ended December 31, 2022, are not conditioned upon the parties' continued ownership of equity in the Company.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued Accounting Standards Update No. 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The new guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and early adoption is permitted. The guidance is to be applied retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company expects this update to impact its disclosures in the notes to its financial statements but does not anticipate any effect on its consolidated results of operations, cash flows or financial condition.

In December 2023, the FASB issued Accounting Standards Update No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures", which modifies the rules on income tax disclosures to require entities to disclose (1) specific categories in the rate reconciliation, (2) the income or loss from continuing operations before income tax expense or benefit (separated between domestic and foreign) and (3) income tax expense or benefit from continuing operations (separated by federal, state and foreign). This update also requires entities to disclose their income tax payments to international, federal, state and local jurisdictions, among other changes. The new guidance is effective for annual periods beginning after December 15, 2024. The Company expects this update to impact its disclosures in the notes to its financial statements but does not anticipate any effect on its consolidated results of operations, cash flows or financial condition.

In March 2024, the SEC adopted the final rule under SEC Release No. 33-11275, The Enhancement and Standardization of Climate-Related Disclosures for Investors. This rule will require registrants to disclose certain climate-related information in annual reports. On April 4, 2024, the SEC determined to voluntarily stay the final rules pending completion of a judicial review of certain legal challenges. The Company is currently evaluating the final rule to determine its impact on the Company's disclosures.

Reclassifications

Certain amounts presented have been reclassified within the “Condensed Consolidated Statements of Operations and Comprehensive Income” to conform with the current period presentation, including a prior year reclassification from Interest expense, net to Interest income for the three and nine months ended September 30, 2023. The reclassifications occurred as a result of an increase in the significance of the current year amount. The reclassifications had no effect on the Company's consolidated operating results, financial condition or cash flows.

NOTE 3 – NET SALES

The Company distributes products in the U.S. and internationally through professional distributors in salons, directly to retailers for sale in their physical stores and e-commerce sites, and direct-to-consumer (“DTC”) through sales to third-party e-commerce customers and through its own Olaplex.com website. During the three and nine months ended September 30, 2024 and September 30, 2023, the Company's net sales by its three business channels, professional, specialty retail and DTC, were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales by Channel:				
Professional	\$ 42,198	\$ 48,289	\$ 114,360	\$ 137,626
Specialty retail	42,607	43,159	113,463	107,785
DTC	34,275	32,107	94,106	101,172
Total net sales	<u>\$ 119,080</u>	<u>\$ 123,555</u>	<u>\$ 321,929</u>	<u>\$ 346,583</u>

Net sales by major geographic region is based on the shipping address on record for the customer purchasing the Company's products. During the three and nine months ended September 30, 2024 and September 30, 2023, the Company's net sales to consumers in the United States and International regions were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net sales by Geography:				
United States	\$ 59,839	\$ 61,880	\$ 162,435	\$ 159,641
International	59,241	61,675	159,494	186,942
Total net sales	<u>\$ 119,080</u>	<u>\$ 123,555</u>	<u>\$ 321,929</u>	<u>\$ 346,583</u>

For the three and nine months ended September 30, 2024, U.S. net sales included approximately \$3.2 million and \$7.3 million, respectively, of net sales to customers with U.S. shipping addresses who the Company expects will ultimately sell such products in international jurisdictions.

For the three and nine months ended September 30, 2023, U.S. net sales included approximately \$4.6 million and \$9.4 million, respectively, of net sales to customers with U.S. shipping addresses who the Company expects will ultimately sell such products in international jurisdictions.

No international country exceeded 10% of total net sales for the three and nine months ended September 30, 2024 and September 30, 2023, respectively. Despite our customers' geographic location, the majority of net sales are transacted in U.S. Dollars, the Company's functional and reporting currency.

NOTE 4 – INVENTORY

Inventory as of September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
Raw materials	\$ 22,964	\$ 30,306
Finished goods	62,943	65,616
Inventory	<u>\$ 85,907</u>	<u>\$ 95,922</u>

During the three and nine months ended September 30, 2024, the Company recorded inventory write-offs of \$0.5 million and \$3.0 million, respectively, due to reserves for product obsolescence.

During the three and nine months ended September 30, 2023, the Company recorded inventory write-offs of \$3.6 million and \$9.8 million, respectively, due to reserves for product obsolescence.

NOTE 5 – FAIR VALUE MEASUREMENT

Fair value measurements are established utilizing a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets; Level 2, defined as 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; and Level 3, defined as unobservable inputs that are not corroborated by market data. The Company's Level 1 assets consist of its marketable securities. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

On August 11, 2022, the Company entered into an interest rate cap transaction (the "2022 Interest Rate Cap") in connection with the 2022 Term Loan Facility, with a notional amount of \$400 million. The 2022 Interest Rate Cap expired on July 31, 2024.

In advance of the expiration of the 2022 Interest Rate Cap, on May 7, 2024, the Company entered into a second interest rate cap transaction (the "2024 Interest Rate Cap" and, together with the 2022 Interest Rate Cap, the "Interest Rate Caps") in connection with the 2022 Term Loan Facility, with a notional amount of \$400 million. The 2024 Interest Rate Cap expires on July 31, 2026.

The 2024 Interest Rate Cap asset is, and the 2022 Interest Rate Cap was, measured at fair value on a recurring basis. Although the Company has determined that the majority of the inputs used to value the Interest Rate Caps fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with the Interest Rate Caps utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. The Company has determined that the impact of the credit valuation adjustments made to the Interest Rate Caps were not significant to the overall valuation. As a result, the 2024 Interest Rate Cap as of September 30, 2024 and the 2022 Interest Rate Cap as of December 31, 2023 were classified as Level 2 of the fair value hierarchy.

The Company's assets measured at fair value on a recurring basis and subject to fair value disclosure requirements at September 30, 2024 were as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Other assets				
2024 Interest Rate Cap	\$ 142	\$ —	\$ 142	\$ —

The Company's assets measured at fair value on a recurring basis and subject to fair value disclosure requirements at December 31, 2023 were as follows:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets:				
Other assets				
2022 Interest Rate Cap	\$ 2,391	\$ —	\$ 2,391	\$ —

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets as of September 30, 2024 and December 31, 2023 were comprised of the following:

	September 30, 2024			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Brand name	25 years	\$ 952,000	\$ (180,034)	\$ 771,966
Product formulations	15 years	136,500	(42,906)	93,594
Customer relationships	20 years	53,000	(12,530)	40,470
Software	3-15 years	9,054	(3,607)	5,447
Total finite-lived intangibles		1,150,554	(239,077)	911,477
Goodwill	Indefinite	168,300	—	168,300
Total goodwill and other intangibles		\$ 1,318,854	\$ (239,077)	\$ 1,079,777

	December 31, 2023			
	Estimated Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Brand name	25 years	\$ 952,000	\$ (151,475)	\$ 800,525
Product formulations	15 years	136,500	(36,082)	100,418
Customer relationships	20 years	53,000	(10,541)	42,459
Software	3 years	5,660	(1,348)	4,312
Total finite-lived intangibles		1,147,160	(199,446)	947,714
Goodwill	Indefinite	168,300	—	168,300
Total goodwill and other intangibles		\$ 1,315,460	\$ (199,446)	\$ 1,116,014

The amortization of the Company's brand name, customer relationships and software is recorded to Amortization of other intangible assets in the Condensed Consolidated Statements of Operations and Comprehensive Income. A portion of Amortization of patented formulations is capitalized to Inventory in the Condensed Consolidated Balance Sheets, and the remainder is recorded to Amortization of patented formulations in the Condensed Consolidated Statements of Operations and Comprehensive Income.

Amortization of the Company's definite-lived intangible assets for the three and nine months ended September 30, 2024 and 2023 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Amortization of patented formulations	\$ 2,565	\$ 2,592	\$ 7,054	\$ 6,298
Amortization expense, brand name and customer relationships	\$ 10,183	\$ 10,179	\$ 30,548	\$ 30,547
Amortization expense, software	599	199	2,259	478
Amortization of other intangible assets	\$ 10,782	\$ 10,378	\$ 32,807	\$ 31,025
Amortization of patented formulations capitalized to inventory	\$ (291)	\$ (315)	\$ (230)	\$ 513

NOTE 7 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses as of September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
Accrued professional fees	\$ 4,498	\$ 4,133
Payroll liabilities	4,318	4,639
Accrued freight	1,618	1,229
Accrued advertising	4,149	6,348
Deferred revenue	1,130	1,051
Other accrued expenses and current liabilities	4,084	3,176
Accrued expenses and other current liabilities	<u>\$ 19,797</u>	<u>\$ 20,576</u>

NOTE 8 – LONG-TERM DEBT

The Company’s Long-Term Debt as of September 30, 2024 and December 31, 2023 consisted of the following:

	September 30, 2024	December 31, 2023
Long-term debt		
<i>Credit Agreement, dated as of February 23, 2022 (the “2022 Credit Agreement”)</i>		
\$675 Million 7-Year Senior Secured Term Loan Facility (the “2022 Term Loan Facility”)	\$ 658,125	\$ 663,188
\$150 Million 5-Year Senior Secured Revolving Credit Facility (the “2022 Revolver”) ⁽¹⁾	—	—
Debt issuance costs	(6,335)	(7,415)
Total term loan debt	651,790	655,773
Less: Current portion	(6,750)	(6,750)
Long-term debt, net of debt issuance costs and current portion	<u>\$ 645,040</u>	<u>\$ 649,023</u>

⁽¹⁾ As of September 30, 2024 and December 31, 2023, the Company did not have outstanding amounts drawn on the 2022 Revolver, including letters of credit and swingline loan sub-facilities. As of September 30, 2024, the Company had \$150 million of available borrowing capacity under the 2022 Revolver.

The interest rate on outstanding debt under the 2022 Term Loan Facility was 8.4% per annum as of September 30, 2024. The interest rates for all facilities under the 2022 Credit Agreement are calculated based upon the Company’s election among (a) an adjusted term secured overnight financing rate (“SOFR”) (subject to a 0.50% floor with respect to the 2022 Term Loan Facility, and a 0% floor with respect to the 2022 Revolver) plus an additional interest rate spread, (b) with respect to a borrowing in Euros under the 2022 Revolver, a euro interbank offered rate (subject to a 0% floor) plus an additional interest rate spread, or (c) an “Alternate Base Rate” (as defined in the 2022 Credit Agreement) (subject to a 1.50% floor with respect to the 2022 Term Loan Facility, and a 1.00% floor with respect to the 2022 Revolver) plus an additional interest rate spread.

Interest expense, inclusive of debt amortization, for the three months ended September 30, 2024 and September 30, 2023 was \$15.6 million and \$14.7 million, respectively, and for the nine months ended September 30, 2024 and September 30, 2023 was \$44.7 million and \$43.3 million, respectively.

The fair value of the Company’s long-term debt is based on the market value of its 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 the fair value hierarchy. As of September 30, 2024, the carrying amount of the Company’s long-term debt under the 2022 Credit Agreement was \$651.8 million, and the fair value of the Company’s long-term debt was \$626.9 million. As of December 31, 2023, the carrying amount of the Company’s long-term debt under the 2022 Credit Agreement was \$655.8 million, and the fair value of the Company’s long-term debt was \$615.1 million.

The 2022 Credit Agreement includes, among other things, customary negative and affirmative covenants (including reporting, financial and maintenance covenants) and events of default (including a change of control) for facilities of this type. In addition, the 2022 Credit Agreement includes a springing first lien leverage ratio financial covenant, which is applicable only to the lenders under the 2022 Revolver. The Company was in compliance with these affirmative and negative covenants on September 30, 2024 and December 31, 2023, respectively. The 2022 Term Loan Facility and the 2022 Revolver are secured by substantially all of the assets of Olaplex, Inc. and the other guarantors, subject to certain exceptions and thresholds.

Interest Rate Cap Transactions

The Company’s results are subject to risk from interest rate fluctuations on borrowings under the 2022 Credit Agreement, including the 2022 Term Loan Facility. The Company may, from time to time, utilize interest rate derivatives in an effort to add stability to interest expense and to manage its exposure to interest rate fluctuations. See further discussion in “Note 5 - Fair Value Measurement”.

The Company performed an initial effectiveness assessment on the Interest Rate Caps and determined each to be an effective hedge of the cash flows related to the interest rate payments on the 2022 Term Loan Facility. The hedge is evaluated qualitatively on a quarterly basis for effectiveness. For derivatives designated, and that qualify, as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income and subsequently reclassified into Interest expense in the same period(s) during which the hedged transaction affects earnings, as documented at hedge inception in accordance with the Company's accounting policy election. Payments of the up-front premiums of the Interest Rate Caps are included within other current assets and other assets and liabilities within cash flows from operating activities on the Company's Condensed Consolidated Statements of Cash Flows.

During the three and nine months ended September 30, 2024, the Company's Interest Rate Caps generated an unrecognized pre-tax loss of \$1.2 million and \$3.0 million, respectively, recorded in accumulated other comprehensive income on the Company's Condensed Consolidated Balance Sheets. During the same periods, the Company also recognized a \$0.7 million and \$3.4 million reduction, respectively, in interest expense related to the Company's receipt of funds as a result of the interest rate cap settlements with the Company's counterparty with respect to the Interest Rate Caps, partially offset by \$0.3 million and \$0.9 million, respectively, of interest expense related to amortization of the interest rate cap premiums paid by the Company in connection with the Interest Rate Caps.

During the three and nine months ended September 30, 2023, the Company's 2022 Interest Rate Cap generated an unrecognized pre-tax loss of \$0.7 million and a gain of \$0.3 million, respectively, recorded in accumulated other comprehensive income on the Company's Condensed Consolidated Balance Sheets. During the same periods, the Company also recognized a \$1.3 million and a \$2.8 million reduction, respectively, in interest expense related to the Company's receipt of funds as a result of the interest rate cap settlements with the Company's counterparty, partially offset by \$0.3 million and \$0.8 million, respectively, related to amortization of the interest rate cap premium paid by the Company in connection with the 2022 Interest Rate Cap.

The Company does not hold or issue derivative financial instruments for trading purposes, nor does it hold or issue leveraged derivative instruments. By using derivative financial instruments to hedge exposures to interest rate fluctuations, the Company exposes itself to counterparty credit risk. The Company manages exposure to counterparty credit risk by entering into derivative financial instruments with highly rated institutions that can be expected to fully perform under the terms of the applicable contracts.

NOTE 9 – EQUITY

During the nine months ended September 30, 2024, the Company issued 1,747,389 shares of its common stock, of which 297,945 shares were issued as a result of stock options exercised and 1,449,444 shares were issued upon vesting of restricted stock units.

During the nine months ended September 30, 2023, the Company issued 109,620 shares of its common stock upon vesting and settlement of net stock-settled SARs. The Company withheld 83,501 of such shares of its common stock for the net settlement payment of exercise price and taxes related to such SARs.

Additionally, during the nine months ended September 30, 2023, the Company issued 4,606,867 shares of its common stock as a result of stock options exercised.

NOTE 10 – RELATED PARTY TRANSACTIONS

In August 2023, the Company entered into an agreement with Pacvue Corporation, an e-commerce advertising and software company, in which certain investment funds affiliated with Advent International L.P., the holder of a majority of the Company's common stock (collectively the "Advent Funds"), hold a greater than 10% equity interest. During the three and nine months ended September 30, 2024, payments to Pacvue Corporation were de minimis and \$0.3 million, respectively. No payments were made to Pacvue Corporation during the three and nine months ended September 30, 2023.

In connection with the Reorganization Transactions, 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". During the three and nine months ended September 30, 2024, the Company made payments of \$0.2 million and \$12.8 million, respectively, as required pursuant to the terms of the Tax Receivable Agreement. During the three months ended September 30, 2023, the Company did not make any payments pursuant to the terms of the Tax Receivable Agreement. During the nine months ended September 30, 2023, the Company made payments of \$16.6 million as required pursuant to the terms of the 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 the Company as they are subject to uncertainties. Accordingly, any settlement or resolution in these legal actions may occur and affect the Company's net income in such period as the settlement or resolution.

Pending Legal Proceedings:

On November 17, 2022, a putative securities class action was filed against the Company and certain of its current and former officers and directors in the United States District Court for the Central District of California, captioned *Lilien v. Olaplex Holdings, Inc. et al.*, No. 2:22-cv-08395. A consolidated complaint was filed on April 28, 2023, which names as additional defendants the underwriters for the Company's IPO and various stockholders that sold shares of common stock of the Company in the IPO. The action is brought on behalf of a putative class of purchasers of the Company's common stock in or traceable to the Company's IPO and asserts claims under Sections 11, 12, and 15 of the Securities Act of 1933. The action seeks certification of the putative class, compensatory damages, attorneys' fees and costs, and any other relief that the court determines is appropriate. The defendants moved to dismiss the consolidated complaint on July 19, 2023. The court held hearings on the defendants' motions to dismiss on October 16, 2023 and July 1, 2024. A decision has yet to be issued. On August 23, 2024, the court issued an order staying this action pending the United States Supreme Court's resolution of the appeal in *Facebook, Inc., et al. v. Amalgamated Bank, et al.*, No. 23-980. The underwriter defendants have notified the Company of their intent to seek indemnification from the Company pursuant to the IPO underwriting agreement regarding the claims asserted in this action. The Company intends to vigorously defend the pending lawsuit.

On November 15, 2023, a purported derivative action was filed against the Company, Advent International Corporation, and certain of the Company's current and former officers and directors in the United States District Court for the Central District of California, captioned *Ciuffo v. Dagousset, et al.*, No. 2:23-cv-09712-SVW-SK. This action is premised on allegations similar to those asserted in the *Lilien* federal securities litigation. On February 1, 2024, the parties filed a joint stipulation to stay the purported derivative action pending a decision on the motions to dismiss filed in the *Lilien* federal securities action.

On March 22, 2024, a second purported derivative action was filed against the Company, Advent International Corporation, and certain of the Company's current and former officers and directors in the United States District Court for the Central District of California, captioned *Hutchinson v. Advent International Corporation, et al.*, No. 2:24-cv-02364. This action is premised on allegations similar to those asserted in the *Lilien* federal securities litigation and in the *Ciuffo* federal derivative action. On April 19, 2024, the parties in both purported derivative actions filed a joint stipulation to consolidate the two derivative actions and to stay proceedings in the consolidated case, which the court granted on June 26, 2024.

On February 9, 2023, twenty-eight plaintiffs filed *Albahae, et al. v. Olaplex Holdings, Inc., et al.*, No. 2:23-cv-00982, a complaint alleging personal and economic injury and asserting claims for breach of warranty, negligence/gross negligence, products liability, unjust enrichment, and violations of California False Advertising Law and Unfair Competition Law, against the Company and Cosway Company, Inc., the Company's primary contract manufacturer, in the United States District Court for the Central District of California. On March 2, 2023, the plaintiffs amended the complaint to include seventy-three additional plaintiffs. The plaintiffs allege that certain ingredients used in some Company products have purportedly caused irritation or posed a hazard to consumers, and that the Company engaged in misrepresentation with respect to those products. The plaintiffs seek actual and consequential damages, punitive damages, restitution in the form of disgorgement of profits, attorneys' fees and costs, and any other relief that the court determines is appropriate. On April 17, 2023, the Company moved to dismiss and to sever the plaintiffs' claims. On July 11, 2023, the Court granted the Company's motion to sever and dismissed all but the first named plaintiff. The Court also dismissed the operative complaint with leave to re-file on the grounds that it now contained allegations that were not relevant to the claims of the one, remaining plaintiff. On July 24, 2023, the remaining plaintiff filed a notice, voluntarily dismissing her claims without prejudice. As of the date of issuance of these Condensed Consolidated Financial Statements, none of the plaintiffs have re-filed their claims.

Any potential loss associated with these pending legal proceedings is not probable or reasonably estimable at this time.

As of September 30, 2024 and December 31, 2023, the Company was not subject to any other currently 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income	\$ 14,797	\$ 20,366	\$ 28,322	\$ 47,486
Denominator:				
Weighted average common shares outstanding – basic	662,248,231	654,702,392	661,586,351	653,603,665
Dilutive common equivalent shares from common stock equivalents	3,903,128	24,055,628	3,136,950	27,485,878
Weighted average common shares outstanding – diluted	666,151,359	678,758,020	664,723,301	681,089,543
Net income per share:				
Basic	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.07
Diluted	\$ 0.02	\$ 0.03	\$ 0.04	\$ 0.07

The shares of the Company’s common stock underlying stock options, restricted stock units (“RSUs”) and SARs that were excluded in the computation of diluted net income per common share because their inclusion would have been anti-dilutive were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Stock options	6,522,429	4,473,909	8,495,650	2,887,141
RSUs	4,427,600	2,939,647	4,759,093	61,205
SARs	182,250	345,926	182,250	260,518

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 and with our audited Consolidated Financial Statements included in the 2023 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 and in “Item 1A. - Risk Factors” in the 2023 Form 10-K.

Company Overview

OLAPLEX is an innovative, science-enabled, technology-driven beauty company. Since our inception in 2014, we have focused on delivering effective, patent-protected and proven performance in the prestige hair care category.

OLAPLEX disrupted and revolutionized the prestige hair care category by creating the bond-building space in 2014. We have grown from an initial assortment 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 patent-protected bond-building technologies relink disulfide bonds in human hair that are destroyed via chemical, thermal, mechanical, environmental and aging processes. Our current product portfolio is comprised of twenty-two unique and complementary products.

The strength of our business model and ability to scale have created a compelling financial profile. We have developed a 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. Through this channel, professional hairstylists introduce consumers to our products and, we believe, influence consumer purchasing decisions. Our specialty retail channel works to increase awareness of, and education for, our products and expand consumer penetration. 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.

Strategic Pillars

We are focused on executing against our key strategic pillars that we believe will support our long-term growth. These include igniting our global brand, disrupting with innovation, amplifying channel coverage and charting new geographies. These key strategic pillars are supported by our efforts to build capabilities and infrastructure that we believe will enable our aspirations.

Igniting our Global Brand

We believe we have built one of the most powerful brands in the prestige hair care category. We plan to continue growing awareness of our global brand, in an effort to deepen connections with existing customers as well as reach new audiences. We will also continue to invest in enhancing our brand equity. Our marketing model remains focused on implementing high return on investment, performance marketing activities aimed at fueling growth. Key levers of our marketing include organic social media activations, strategic paid media, education and training regarding our brand, community engagement with our professional hairstylists, influencer partnerships, and retailer activations such as sampling and in-store events.

Disrupting with Innovation

We believe we have a strong pipeline of disruptive innovation that leverages our science-based technology and patented ingredients. We plan to launch two-to-four products annually over the next three years. To support this pipeline, we intend to continue to invest in research and development to strengthen our internal innovation capabilities. We recently entered into hair care adjacent categories and remain excited about the opportunity to further grow where our technology can serve as a foundation for entry that we believe is supported by consumer trust in our brand.

Amplifying Channel Coverage

In our professional channel, we have undertaken efforts to support and reassert strong relationships with the professional hairstylist community and maintain brand awareness by increasing our field support efforts, deepening partnerships with distributors and customers, and refreshing educational content. We are also pursuing opportunities to further penetrate premium and prestige salons. In specialty retail, we are enhancing visual merchandising in stores, investing in brand store pages online and deploying targeted communications intended to enable new customer acquisition. For our DTC business, we are evolving the digital experiences on Olaplex.com and third party e-commerce websites. On Olaplex.com, we expect to continue to invest in site enhancements and more advanced personalization efforts.

Charting New Geographies

We believe there is substantial opportunity to grow globally. Our priority international regions are currently key markets in Europe and Asia. Across Europe and other regions, we aim to implement our business model by first establishing a strong professional channel and then complementing that channel through entry into specialty retail and DTC. In Asia, we intend to partner with distributors in the region that will support omni-channel distribution and sales for our brand.

Supporting our Strategic Pillars

To enable these key growth pillars, we intend to continue to build our capabilities and infrastructure. These efforts extend across our organization, including focusing on cultivating top talent and building a strong corporate culture, evolving our operational capabilities as we scale, creating a strong financial foundation for growth, and ensuring that we have the right organizational infrastructure, technology and data to support our growth.

Business Environment & Trends

We continue to monitor the effects of the global macro-economic environment, including the risk of recession, inflationary pressures, competitive products and discounting, currency volatility, high interest rates, social and political issues, geopolitical tensions and regulatory matters. We also are mindful of inflationary pressures on our consumers, and are monitoring the impact that increasing inflationary pressures may have on consumer spending and preferences and inventory rebalancing at our customers in an increasingly competitive industry.

Competition in the beauty industry is based on a variety of factors, including innovation, product efficacy, accessible pricing, brand recognition and loyalty, service to the consumer, promotional activities, advertising, special events, new product introductions, e-commerce initiatives, sustainability and other activities. We have seen increased competitive activity including discounting in the prestige hair care category, which may continue in a heightened inflationary environment. We believe we have a well-recognized and strong reputation in our core markets and that the quality and performance of our products, our emphasis on innovation, and our engagement with our professional and consumer communities position us to compete effectively.

Third Quarter 2024 Financial Summary

- Net sales decreased 3.6% from \$123.6 million in the three months ended September 30, 2023 to \$119.1 million in the three months ended September 30, 2024. For the three months ended September 30, 2024, net sales in our professional channel decreased 12.6%, our specialty retail channel decreased 1.3% and our DTC channel increased 6.8%, in each case as compared to the three months ended September 30, 2023.
- Gross profit margin increased from 67.6% in the three months ended September 30, 2023 to 68.6% in the three months ended September 30, 2024, primarily due to a decrease in write-offs for product obsolescence, partially offset by an expansion of our customer sampling program, as well as product mix and channel mix in the three months ended September 30, 2024.
- Operating expenses for the three months ended September 30, 2024 increased by 14.8%, as compared to the three months ended September 30, 2023, primarily as a result of higher non-payroll related advertising and marketing expenses, distribution and fulfillment costs and technology investments in the three months ended September 30, 2024.
- Operating income decreased from \$36.7 million for the three months ended September 30, 2023 to \$28.0 million for the three months ended September 30, 2024.
- Net income decreased from \$20.4 million for the three months ended September 30, 2023 to \$14.8 million for the three months ended September 30, 2024.

Year to Date 2024 Financial Summary

- Net sales decreased 7.1% from \$346.6 million in the nine months ended September 30, 2023 to \$321.9 million in the nine months ended September 30, 2024. For the nine months ended September 30, 2024, net sales in our professional channel decreased 16.9%, our specialty retail channel increased 5.3% and our DTC channel decreased 7.0%, in each case as compared to the nine months ended September 30, 2023.
- Gross profit margin increased from 69.8% in the nine months ended September 30, 2023 to 70.1% in the nine months ended September 30, 2024, primarily due to a decrease in write-offs for product obsolescence, partially offset by product and channel mix.
- Operating expenses for the nine months ended September 30, 2024 increased by 7.2%, as compared to the nine months ended September 30, 2023, primarily as a result of higher payroll costs due to workforce expansion and merit increases, non-payroll related advertising and marketing expenses, distribution and fulfillment costs and technology investments, partially offset by lower legal and professional fees in the nine months ended September 30, 2024.
- Operating income decreased from \$91.1 million for the nine months ended September 30, 2023 to \$63.9 million for the nine months ended September 30, 2024.
- Net income decreased from \$47.5 million for the nine months ended September 30, 2023 to \$28.3 million for the nine months ended September 30, 2024.

Results of operations**Comparison of the Three Months Ended September 30, 2024 to the Three Months Ended September 30, 2023**

The following table sets forth our consolidated results for each of the periods presented:

	Three Months Ended September 30,			
	2024		2023	
	(in thousands)	% of net sales	(in thousands)	% of net sales
Net sales	\$ 119,080	100.0 %	\$ 123,555	100.0 %
Cost of sales:				
Cost of product (excluding amortization)	34,781	29.2	37,415	30.3
Amortization of patented formulations	2,565	2.2	2,592	2.1
Total cost of sales	37,346	31.4	40,007	32.4
Gross profit	81,734	68.6	83,548	67.6
Operating expenses:				
Selling, general, and administrative	42,956	36.1	36,433	29.5
Amortization of other intangible assets	10,782	9.1	10,378	8.4
Total operating expenses	53,738	45.1	46,811	37.9
Operating income	27,996	23.5	36,737	29.7
Interest expense	(15,610)	(13.1)	(14,692)	(11.9)
Interest income	6,605	5.5	5,182	4.2
Other income (expense), net	670	0.6	(970)	(0.8)
Income before provision for income taxes	19,661	16.5	26,257	21.3
Income tax provision	4,864	4.1	5,891	4.8
Net income	\$ 14,797	12.4	\$ 20,366	16.5

Net Sales

We distribute products in the U.S. and internationally through professional distributors in salons, directly to retailers for sale in their physical stores and e-commerce sites, and DTC through sales to third party e-commerce customers and through our Olaplex.com website. As such, net sales by our three business channels consisting of professional, specialty retail and DTC for the three months ended September 30, 2024 and September 30, 2023 were as follows:

<i>(in thousands)</i>	Three Months Ended September 30,		\$ Change	% Change
	2024	2023		
Net sales by Channel:				
Professional	\$ 42,198	\$ 48,289	\$ (6,091)	(12.6)%
Specialty retail	42,607	43,159	(552)	(1.3)%
DTC	34,275	32,107	2,168	6.8 %
Total Net sales	\$ 119,080	\$ 123,555	\$ (4,475)	(3.6)%

Total net sales decreased 3.6% in the three months ended September 30, 2024 compared to the same period in 2023, primarily attributed to a lower level of demand. This decline was partially offset by our launch of Browbond® Building Serum in March 2024 and the launches of No. 5 Leave-In™ Moisturize & Mend Leave-In Conditioner, No. 10 Bond Shaper™ Curl Defining Gel and Bond Shaper™ Curl Rebuilding Treatment in the three months ended September 30, 2024, as well as the impact of new customers within each channel. Net sales declined in the United States and certain markets in Western Europe, partially offset by increases in Eastern Europe and Latin America.

Cost of Sales and Gross Profit

<i>(in thousands)</i>	Three Months Ended September 30,		\$ Change	% Change
	2024	2023		
Cost of sales	\$ 37,346	\$ 40,007	\$ (2,661)	(6.7)%
Gross profit	\$ 81,734	\$ 83,548	\$ (1,814)	(2.2)%

Cost of sales decreased primarily due to a decrease in product sales and a decrease in write-offs for product obsolescence in the three months ended September 30, 2024. The Company recorded \$0.5 million in inventory write-offs during the three months ended September 30, 2024 as compared to \$3.6 million recorded during the three months ended September 30, 2023. The cost of sales decline was partially offset by an expansion of our customer sampling program, as well as product mix and channel mix in the three months ended September 30, 2024.

As a result of the activity described above, our gross profit margin increased from 67.6% in the three months ended September 30, 2023 to 68.6% in the three months ended September 30, 2024.

Operating Expenses

<i>(in thousands)</i>	Three Months Ended September 30,		\$ Change	% Change
	2024	2023		
Selling, general, and administrative expenses	\$ 42,956	\$ 36,433	\$ 6,523	17.9 %
Amortization of other intangible assets	10,782	10,378	404	3.9 %
Total operating expenses	\$ 53,738	\$ 46,811	\$ 6,927	14.8 %

The increase in selling, general and administrative expenses was primarily driven by an increase of \$5.3 million in non-payroll related advertising and marketing expenses, \$0.6 million in distribution and fulfillment costs and \$0.4 million in technology investments during the three months ended September 30, 2024.

Interest Expense, Net
(in thousands)

	Three Months Ended September 30,		\$ Change	% Change
	2024	2023		
Interest expense	\$ (15,610)	\$ (14,692)	\$ (918)	6.2 %
Interest income	\$ 6,605	\$ 5,182	\$ 1,423	27.5 %
Interest expense, net	<u>\$ (9,005)</u>	<u>\$ (9,510)</u>	<u>\$ 505</u>	<u>(5.3)%</u>

Interest expense for the three months ended September 30, 2024 increased as compared to the previous year due to fluctuations in interest rates. In addition, during the three months ended September 30, 2024, the Company recognized a \$0.7 million reduction in interest expense related to the Company's receipt of funds as a result of the interest rate cap settlements with respect to the Interest Rate Caps as compared to a \$1.3 million reduction in the three months ended September 30, 2023 with respect to the 2022 Interest Rate Cap.

See "Financial Condition, Liquidity and Capital Resources – 2022 Credit Facility" for additional information on our outstanding debt.

Interest income for the three months ended September 30, 2024 increased as compared to the previous year due to additional investments driven by an increase in cash and cash equivalents throughout the year.

Other Income (Expense), Net
(in thousands)

	Three Months Ended September 30,		\$ Change	% Change
	2024	2023		
Other income (expense), net	\$ 670	\$ (970)	\$ 1,640	169.1 %

Other income (expense), net increased primarily due to foreign currency transactions gains driven by the performance of the U.S. dollar.

Income Tax Provision
(in thousands)

	Three Months Ended September 30,		\$ Change	% Change
	2024	2023		
Income tax provision	\$ 4,864	\$ 5,891	\$ (1,027)	(17.4)%

Our effective tax rate increased to 24.7% for the three months ended September 30, 2024, as compared to 22.4% for the three months ended September 30, 2023. The increase in the effective tax rate for the three months ended September 30, 2024 is primarily due to the unfavorable impact of non-deductible stock compensation and interest associated with income taxes, partially offset by the impact of increased foreign derived intangible income ("FDII") deduction, which results in income from the Company's sales to foreign customers being taxed at a lower effective tax rate, and the effect of those items on the lower book income in the three months ended September 30, 2024.

Our effective tax rate for the three months ended September 30, 2024 was higher than the statutory rate of 21% primarily due to the unfavorable impact of non-deductible stock compensation, the effect of state income taxes, and interest associated with income taxes, partially offset by the FDII deduction. Our effective tax rate in the three months ended September 30, 2023 was higher than the statutory tax rate of 21% primarily due to the effect of state income taxes, partially offset by the FDII deduction.

Results of operations

Comparison of the Nine Months Ended September 30, 2024 to the Nine Months Ended September 30, 2023

The following table sets forth our consolidated results for each of the periods presented:

	Nine Months Ended September 30,			
	2024		2023	
	(in thousands)	% of net sales	(in thousands)	% of net sales
Net sales	\$ 321,929	100.0 %	\$ 346,583	100.0 %
Cost of sales:				
Cost of product (excluding amortization)	89,361	27.8	98,431	28.4
Amortization of patented formulations	7,054	2.2	6,298	1.8
Total cost of sales	96,415	29.9	104,729	30.2
Gross profit	225,514	70.1	241,854	69.8
Operating expenses:				
Selling, general, and administrative	128,816	40.0	119,770	34.6
Amortization of other intangible assets	32,807	10.2	31,025	9.0
Total operating expenses	161,623	50.2	150,795	43.5
Operating income	63,891	19.8	91,059	26.3
Interest expense	(44,708)	(13.9)	(43,283)	(12.5)
Interest income	19,067	5.9	13,024	3.8
Other income (expense), net	(541)	(0.2)	(1,328)	(0.4)
Income before provision for income taxes	37,709	11.7	59,472	17.2
Income tax provision	9,387	2.9	11,986	3.5
Net income	\$ 28,322	8.8	\$ 47,486	13.7

Net Sales

Net sales by channel for the nine months ended September 30, 2024 and September 30, 2023 were as follows:

(in thousands)	Nine Months Ended September 30,			
	2024	2023	\$ Change	% Change
Net sales by Channel:				
Professional	\$ 114,360	\$ 137,626	\$ (23,266)	(16.9)%
Specialty retail	113,463	107,785	5,678	5.3 %
DTC	94,106	101,172	(7,066)	(7.0)%
Total Net sales	\$ 321,929	\$ 346,583	\$ (24,654)	(7.1)%

Total net sales decreased 7.1% in the nine months ended September 30, 2024, compared to the same period in 2023, primarily attributed to a lower level of demand. This decline was partially offset by our launches of Browbond® Building Serum, No. 5 Leave-In™ Moisturize & Mend Leave-In Conditioner, No. 10 Bond Shaper™ Curl Defining Gel and Bond Shaper™ Curl Rebuilding Treatment, as well as the impact of new customers within each channel. Net sales declined primarily in certain markets in Western Europe, partially offset by increases in the United States, Eastern Europe and Latin America.

Cost of Sales and Gross Profit

<i>(in thousands)</i>	Nine Months Ended September 30,		\$ Change	% Change
	2024	2023		
Cost of sales	\$ 96,415	\$ 104,729	\$ (8,314)	(7.9)%
Gross profit	\$ 225,514	\$ 241,854	\$ (16,340)	(6.8)%

Cost of sales decreased primarily due to a decrease in product sales and a decrease in write-off for product obsolescence in the nine months ended September 30, 2024. The Company recorded \$3.0 million in inventory write-offs during the nine months ended September 30, 2024 as compared to \$9.8 million recorded during the nine months ended September 30, 2023. The cost of sales decline was partially offset by product and channel mix in the nine months ended September 30, 2024.

As a result of the activity described above, our gross profit margin increased from 69.8% in the nine months ended September 30, 2023 to 70.1% in the nine months ended September 30, 2024.

Operating Expenses

<i>(in thousands)</i>	Nine Months Ended September 30,		\$ Change	% Change
	2024	2023		
Selling, general, and administrative expenses	\$ 128,816	\$ 119,770	\$ 9,046	7.6 %
Amortization of other intangible assets	32,807	31,025	1,782	5.7 %
Total operating expenses	\$ 161,623	\$ 150,795	\$ 10,828	7.2 %

The increase in selling, general and administrative expenses was primarily driven by an increase of \$5.3 million in payroll costs driven by workforce expansion and merit increases, \$2.9 million in non-payroll related advertising and marketing expenses, \$2.8 million in distribution and fulfillment costs and \$1.7 million in technology investments, partially offset by a decrease of \$6.1 million in legal and professional fees during the nine months ended September 30, 2024.

Interest Expense, Net

<i>(in thousands)</i>	Nine Months Ended September 30,		\$ Change	% Change
	2024	2023		
Interest expense	\$ (44,708)	\$ (43,283)	\$ (1,425)	3.3 %
Interest income	\$ 19,067	\$ 13,024	\$ 6,043	46.4 %
Interest expense, net	\$ (25,641)	\$ (30,259)	\$ 4,618	(15.3)%

Interest expense for the nine months ended September 30, 2024 increased as compared to the previous year due to fluctuations in interest rates. See “Liquidity and Capital Resources Requirements – 2022 Credit Facility” for additional information on our outstanding debt.

Interest income for the nine months ended September 30, 2024 increased as compared to the previous year due to additional investments driven by an increase in cash and cash equivalents throughout the year.

Other Income (Expense), Net

<i>(in thousands)</i>	Nine Months Ended September 30,		\$ Change	% Change
	2024	2023		
Other income (expense), net	\$ (541)	\$ (1,328)	\$ 787	59.3 %

Other income (expense), net increased primarily due to foreign currency transaction gains driven by the performance of the U.S. dollar.

*Income Tax Provision**(in thousands)*

	Nine Months Ended September 30,		\$ Change	% Change
	2024	2023		
Income tax provision	\$ 9,387	\$ 11,986	\$ (2,599)	(21.7)%

Our effective tax rate increased to 24.9% for the nine months ended September 30, 2024, as compared to 20.2% for the nine months ended September 30, 2023. The increase in the effective tax rate for the nine months ended September 30, 2024 is primarily due to the unfavorable impact of non-deductible stock compensation and interest associated with income taxes, partially offset by increased FDII deduction, compared to a tax benefit from stock option exercises during the nine months ended September 30, 2023.

Our effective tax rate for the nine months ended September 30, 2024 was higher than the statutory rate of 21% primarily due to the unfavorable impact of non-deductible stock compensation, the effect of state income taxes, and interest associated with income taxes, partially offset by the FDII deduction. Our effective tax rate for the nine months ended September 30, 2023 was lower than the statutory tax rate of 21% primarily due to the benefit associated with the FDII deduction, as well as a tax benefit from stock option exercises. These benefits were partially offset by the net impact of state income taxes.

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 as well as general operating expenses for marketing, fulfillment costs of customer orders, overhead costs, innovation, 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, timing of inventory purchases, and timing of our payables and expenses. 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 distributors and expansion of our customer base.

A considerable portion of our operating income is related to sales to customers outside of the U.S.; however, the majority of our bank deposits are held within the U.S.

As of September 30, 2024, we had \$538.8 million of cash and cash equivalents. In addition, as of September 30, 2024, we had borrowing capacity of \$150.0 million under the 2022 Revolver, plus \$74.3 million of working capital excluding cash and cash equivalents for a combined liquidity position of \$763.1 million.

Cash Flows

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

<i>(in thousands)</i>	Nine Months Ended September 30,	
	2024	2023
Net cash provided by (used in):		
Operating activities	\$ 93,410	\$ 128,497
Investing activities	(3,369)	(2,902)
Financing activities	(17,612)	(18,817)
Net increase in cash and cash equivalents	\$ 72,429	\$ 106,778

Operating Activities

Net cash provided by operating activities was \$93.4 million for the nine months ended September 30, 2024, primarily reflecting our net income of \$28.3 million, net of non-cash cost items and changes in operating working capital. Non-cash adjustments were primarily driven by amortization of other intangibles of \$32.8 million, share-based compensation expense of \$8.6 million and amortization of patent formulations of \$7.1 million. Changes in operating assets and liabilities increased cash provided by operating activities by \$8.9 million.

Net cash provided by operating activities was \$128.5 million for the nine months ended September 30, 2023, primarily reflecting our net income of \$47.5 million, net of non-cash cost items and changes in operating working capital. Non-cash adjustments were primarily driven by amortization of other intangibles of \$31.0 million, inventory write-off and disposals of \$9.8 million, share-based compensation expense of \$7.3 million and amortization of patent formulations of \$6.3 million. Changes in operating assets and liabilities increased cash provided by operating activities by \$21.7 million.

Investing Activities

Net cash used in investing activities was \$3.4 million for the nine months ended September 30, 2024, reflecting investments of \$2.7 million primarily related to the development of internal-use software and purchases of property and equipment of \$0.7 million.

Net cash used in investing activities was \$2.9 million for the nine months ended September 30, 2023, primarily reflecting investments of \$2.2 million primarily related to the development of internal-use software, purchases of intangible assets of \$0.5 million and purchases of property and equipment of \$0.2 million.

Financing Activities

Net cash used in financing activities was \$17.6 million for the nine months ended September 30, 2024, primarily consisting of \$12.8 million of payments pursuant to our Tax Receivable Agreement and \$5.1 million of principal payments for the 2022 Term Loan Facility.

Net cash used in financing activities was \$18.8 million for the nine months ended September 30, 2023, primarily consisting of \$16.5 million of payments pursuant to our Tax Receivable Agreement and \$6.8 million of principal payments for the 2022 Term Loan Facility partially offset by proceeds of \$4.4 million from stock option exercises.

Liquidity and Capital Resources Requirements

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

If necessary, we may borrow funds under our 2022 Revolver to finance our liquidity requirements, subject to customary borrowing conditions. To the extent additional funds are necessary to meet our long-term liquidity needs as we continue to execute our business strategy, we anticipate that they will be obtained through the incurrence of additional indebtedness, equity financings or a combination of these potential sources of funds; however, such financing may not be available on favorable terms, or at all. Our ability to meet our operating, investing and financing needs depends, to a significant extent, on our future financial performance, which will be subject in part to general economic, competitive, financial, regulatory and other factors that are beyond our control, including those described in “Item 1A. - Risk Factors” in our 2023 Form 10-K. In addition to these general economic and industry factors, the principal factors in determining whether our cash flows will be sufficient to meet our liquidity requirements will be our ability to continue providing innovative products to our customers and consumers and manage production and our supply chain.

2022 Credit Facility

As of September 30, 2024, we had outstanding indebtedness under the 2022 Credit Agreement of \$658.1 million, of which \$6.8 million was classified as current. As of September 30, 2024, we had \$150.0 million of available borrowing capacity under the 2022 Revolver.

The interest rate on outstanding amounts under the 2022 Term Loan Facility was 8.4% per annum as of September 30, 2024. We have not drawn on the 2022 Revolver as of September 30, 2024. The 2022 Term Loan Facility is repayable in mandatory quarterly installments equal to \$1.6 million, with the balance payable at maturity. The maturity date of the 2022 Term Loan Facility is February 23, 2029, and the maturity date of the 2022 Revolver is February 23, 2027.

The 2022 Credit Agreement contains a number of covenants that, among other things, restrict the Company’s ability to (subject to certain exceptions) pay dividends and distributions or repurchase its capital stock, incur additional indebtedness, create liens on assets, engage in mergers or consolidations and sell or otherwise dispose of assets. The 2022 Credit Agreement also includes reporting, financial and maintenance covenants, including a springing first lien leverage ratio financial covenant. The Company was in compliance with these affirmative and negative covenants on September 30, 2024 and December 31, 2023. Substantially all the assets of the Company constitute collateral under the 2022 Credit Agreement.

On August 11, 2022, we entered into the 2022 Interest Rate Cap in connection with the 2022 Term Loan Facility, with a notional amount of \$400.0 million, in order to limit our exposure to potential increases in future interest rates related to the 2022 Term Loan Facility. The 2022 Interest Rate Cap expired on July 31, 2024.

On May 7, 2024, in advance of the expiration of the 2022 Interest Rate Cap, we entered into the 2024 Interest Rate Cap in connection with the 2022 Term Loan Facility, with a notional amount of \$400.0 million, amortizing to \$200.0 million on August 29, 2025. The 2024 Interest Rate Cap expires on July 31, 2026. We have designated the Interest Rate Caps as cash-flow hedges for accounting purposes.

See “Note 8 - Long-Term Debt” in the Notes to the Condensed Consolidated Financial Statements included in Item 1. Financial Statements of this Quarterly Report for additional information.

Tax Receivable Agreement Obligations

In connection with the Reorganization Transactions, we entered into the Tax Receivable Agreement under which we will be required to pay to the Pre-IPO Stockholders 85% of the federal, state or local tax cash savings that we actually realize on our taxable income following the IPO, as a result of the amortization of intangible assets and capitalized transaction costs that existed as of the transaction date. Under the Tax Receivable Agreement, generally we will retain the benefit of the remaining 15% of the applicable tax savings.

The Tax Receivable Agreement liability is calculated based on current tax laws and the assumption that we and our subsidiaries will earn sufficient taxable income to realize the full tax benefits subject to the Tax Receivable Agreement. Updates to our blended state tax rate, allocation of U.S. versus foreign sourced income and changes in tax rules on the amortization and depreciation of assets may significantly impact the established liability and changes would be recorded to other income (expense) in the period we made the determination. We expect that future payments under the Tax Receivable Agreement relating to the Pre-IPO Tax Assets could aggregate to \$185.4 million over the 11-year remaining period under the Tax Receivable Agreement. Payments under the Tax Receivable Agreement, which began in the year ended December 31, 2022, are not conditioned upon the parties’ continued ownership of equity in the Company.

Contractual Obligations and Commitments

There were no material changes to our contractual obligations since the filing of our 2023 Form 10-K.

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 and estimates, see our discussion for the year ended December 31, 2023 in the 2023 Form 10-K. There have been no material changes to these critical accounting estimates in the nine months ended September 30, 2024.

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, our interest rate cap transactions, 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 affect the amount of our interest payments and, therefore, our future earnings and cash flows. As of September 30, 2024, we had \$658.1 million of outstanding variable rate loans under the 2022 Term Loan Facility. Based on our September 30, 2024 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 \$6.6 million over the next 12 months.

Interest Rate Cap

On May 7, 2024, we entered into the 2024 Interest Rate Cap in connection with the 2022 Term Loan Facility, as more fully described in “Note 5 - Fair Value Measurement” in the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1. Financial Statements of this Quarterly Report. We use the 2024 Interest Rate Cap to add stability to interest expense and to manage our exposure to interest rate fluctuations. The fair value of the 2024 Interest Rate Cap is measured at the end of each reporting period using observable inputs other than quoted prices. The fair value of the 2024 Interest Rate Cap recorded in other assets at September 30, 2024 was \$0.1 million. A hypothetical 50 basis point increase in interest rates would result in an increase to the fair value of the 2024 Interest Rate Cap of approximately \$0.3 million. A hypothetical 50 basis point decrease in interest rates would result in a decrease to the fair value of the 2024 Interest Rate Cap of approximately \$0.1 million.

Inflation

Inflationary factors such as increases in the cost to produce our products and overhead costs have adversely affected, and may continue to adversely affect, our operating results. Sustained increases in warehousing costs, transportation costs, wages and raw material costs, or other inflationary pressures in the future, may have an adverse effect on our ability to maintain current levels of gross profit margin if the selling prices of our products do not increase with these increased costs, or if we cannot identify other cost efficiencies.

Foreign Exchange Risk

Our reporting currency, including our U.K. foreign subsidiary, Olaplex UK Limited, is the U.S. dollar. Gains or losses due to transactions in foreign currencies are reflected in the Condensed Consolidated Statements of Operations and Comprehensive Income under the line-item Other income (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 condensed 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 Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to ensure that information required to be disclosed in the reports that we file or submit under 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. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well-designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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 Quarterly 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 September 30, 2024.

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 September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We have, and may in the future, from time to time, 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. 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 (including the litigation referenced below) 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.

For detail on certain legal proceedings, see “Note 11 - Contingencies - Pending Legal Proceedings” included in the Notes to the Condensed Consolidated Financial Statements included in Part I, Item 1. Financial Statements of this Quarterly Report.

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 2023 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

- (a) On November 5, 2024, the Board of Directors of Olaplex Holdings appointed Kenneth F. Egan as Interim Chief Accounting Officer of the Company, effective as of such date. Mr. Egan assumes the responsibilities of Kristi Belhumeur, who resigned from her role of Senior Vice President - Accounting of the Company, effective October 11, 2024, as previously disclosed by the Company in its Current Report on Form 8-K filed by the Company with the SEC on September 26, 2024.

Mr. Egan, age 54, has served as a Partner and the New York Office Managing Partner at CrossCountry Consulting LLC (“CrossCountry Consulting”), a consulting firm that focuses on corporate advisory services, since May 2022. Previously, Mr. Egan was a Partner at Ernst & Young LLP, where he worked from May 1999 to March 2022.

Effective October 24, 2024, the Company entered into a Statement Of Work with CrossCountry Consulting (together with the Master Services Agreement, dated April 5, 2024, by and between the Company and CrossCountry Consulting, the “Agreement”) providing for Mr. Egan’s service as Interim Chief Accounting Officer of the Company. Under the terms of the Agreement, during his service at the Company, Mr. Egan will continue to be employed by CrossCountry Consulting and will not receive any compensation directly from the Company or participate in any of the Company’s employee benefit plans. The Company will pay a weekly fee to CrossCountry Consulting that will not exceed \$15,000 per week without written approval by the Company, plus reasonable expenses.

- (c) During the three months ended September 30, 2024, no director or “officer” (as defined in Rule 16a-1(f) under the Exchange Act) of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

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	Certificate of Amendment to the Restated Certificate of Incorporation of Olaplex Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed on June 14, 2024 (File No. 001-40860)).
3.3	Second Amended and Restated Bylaws of Olaplex Holdings, Inc. (incorporated by reference to Exhibit 3.1 to the Company’s Current Report on Form 8-K, filed on January 20, 2023 (File No. 001-40860)).
10.1#	Letter Agreement, dated July 1, 2024, by and between Olaplex, Inc. and Catherine Dunleavy.
10.2#	Change Order to Engagement Letter, dated August 13, 2024, by and between Alvarez & Marsal Private Equity Performance Improvement Group, LLC and Olaplex Holdings, Inc.
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)

Indicates a management contract or compensation plan, contract or arrangement.

† 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.

November 7, 2024

By: /s/ Amanda Baldwin
Name: Amanda Baldwin
Title: Chief Executive Officer
(Principal Executive Officer)

November 7, 2024

By: /s/ Catherine Dunleavy
Name: Catherine Dunleavy
Title: Chief Operating Officer and Chief Financial Officer
(Principal Financial Officer)

OLAPLEX

1187 Coast Village Road #1-520 | Santa Barbara, CA 93108

July 1, 2024

Catherine Dunleavy, via email

Dear Catherine,

I am pleased to offer you employment with Olaplex, Inc. (the "Company") in the position of Chief Operating Officer & Chief Financial Officer of the Company and Olaplex Holdings, Inc. ("Holdings"), reporting to me, subject to the terms and conditions described in this letter. Your anticipated first date of employment will be August 13, 2024.

If you accept this offer, your first date of employment with the Company will be mutually agreed upon. Your base salary will be \$675,000 per year (subject to increase from time to time at the discretion of the Board of Directors (the "Board") of Holdings or the Compensation Committee of the Board), less taxes and other legally required deductions, payable in accordance with the regular payroll practices of the Company.

You will be eligible to receive an annual bonus under the Company's discretionary annual bonus plan. The discretionary annual bonus plan pay-out in a given year, will be based on your performance and contributions, as well as the Company's achievement of net sales, adjusted EBITDA and other objectives set by the Company. Your annual bonus target is 50% of your base salary, and the pay-out amount in any year in which a discretionary bonus is paid will be calculated by the Company in its sole discretion. Except as set forth below, each bonus payment under the discretionary annual bonus plan is subject to your continued employment on the date the payment is made and the absence of any express intention to leave the employment of the Company on or prior to such date.

Subject to the approval by the Compensation Committee of the Board, which is expected to occur prior to your employment start date, you will be granted two (2) new hire equity grants to consist of a number of Restricted Stock Units (RSUs), with the first grant in the approximate value of \$1,500,000, and the second grant in the approximate value of \$500,000 (collectively, the "New Hire RSUs"). The number of New Hire RSUs granted will be determined by the closing price of each share of Holdings common stock on the Nasdaq Global Select Market on the day of grant. In the event any such approval is granted during Holdings' quarterly blackout period, as described under Holdings' Insider Trading Policy, the New Hire RSUs will be issued on the second eligible trading day following the conclusion of such blackout period. Each New Hire RSU award granted to you will be subject to the terms and conditions of Holdings' 2021 Equity Incentive Plan and the applicable RSU award agreement, which terms and conditions shall control in the event of a conflict with this letter. Pursuant to these terms, the New Hire RSUs will vest annually (25%) over a four (4) year period and,

solely with respect to the \$500,000 grant referenced above, accelerate in the event of a change of control, as described in the applicable RSU award agreement. As an employee of the Company, you will also be eligible for annual equity awards beginning in 2025 with a target value of no less than \$1,500,000, as determined by the Compensation Committee of the Board, in its sole discretion.

As a full-time employee, you will be eligible to participate in the Company's benefit plans on the first day of employment. The Company's comprehensive benefits package includes Medical Insurance, Dental Insurance, Vision Insurance, Basic and Voluntary Life and AD&D Insurance, Short Term and Long-Term Disability Insurance, Flexible Spending Accounts for Health, and Employee Assistance Program. Participation in all employee benefit plans is subject to the terms and conditions of the plan documents, summary plan descriptions and other plan materials.

Should your employment be terminated by the Company without Cause or should you resign for Good Reason (each as defined below), the Company will pay you (i) twelve (12) months of your base salary payable in equal installments in accordance with the Company's normal payroll practices, (ii) a COBRA subsidy for the same time period to cover you and your eligible dependents, and (iii) any earned, but unpaid annual bonus for the year prior to the year in which your employment termination occurs, payable when annual bonuses are paid generally to senior executives of the Company and solely payable to the extent the applicable performance conditions have been achieved (the "Prior-Year Bonus"). The foregoing severance payments are contingent upon your continued compliance with your non-disclosure and other restrictive covenant obligations, and your signing and returning to the Company (and not revoking) a timely and effective separation agreement containing a general release of claims (with standard exclusions) and other customary covenants in the form provided to you by the Company at the time of your termination (provided that such separation agreement shall not include any new non-competition or non-solicitation restrictive covenants by which you are not already bound as of immediately prior to your employment termination date).

In addition, if your employment with the Company terminates due to your death or disability (as determined under the Company's long-term disability plan), the Company will pay you or your estate (as applicable) any applicable Prior Year's Bonus, paid when annual bonuses are paid generally to senior executives of the Company.

For purposes of this letter:

"Cause" means your (i) substantial failure to perform your duties and responsibilities to Holdings or any of its subsidiaries (it being understood that the foregoing shall not be triggered based the perceived quality of your performance of such duties and responsibilities so long as you have performed your duties and responsibilities); (ii) commission of a felony or a crime involving moral turpitude; (iii) commission of theft, fraud, embezzlement, material breach of trust or any material act of dishonesty involving Holdings or any of its subsidiaries; (iv) significant violation of the code of conduct of Holdings or any of its subsidiaries of any material policy of Holdings or any of its subsidiaries, or of any statutory or common law duty of loyalty to Holdings or any of its subsidiaries; or (v) material breach of any of the terms of this offer letter, any restrictive covenant agreement in favor of Holdings and its subsidiaries, or any other material agreement between you and Holdings or any of its subsidiaries or (vi) other conduct that could reasonably be expected to be materially harmful to the business, interests or reputation of Holdings or any of its subsidiaries; provided in the case of clauses (i), (iv) and (v), to the extent able to be cured, you have failed to cure the

circumstances giving rise to Cause within fifteen (15) days following written notice of from the Company citing the specific clause relied upon and providing reasonable detail regarding the circumstances alleged to give rise to Cause.

“Good Reason” means any of the following events without your written consent: (A) a material adverse change to your authority, duties or responsibilities or your no longer reporting to the Chief Executive Officer; (B) a material reduction in your base compensation or annual bonus target (except in the case of a general reduction throughout the Company of not greater than 10%); (C) any required relocation of your principal place of employment outside of Manhattan or the Company’s current offices in New Jersey or Pearl River, New York; or (D) a material breach by the Company or any of its affiliates of this offer letter, any equity agreement or any other material written compensation agreement between you and the Company or any of its affiliates; provided, however, that an event will not give rise to termination for Good Reason unless you have notified the Company within ninety (90) days of the initial occurrence of such event, setting forth, in reasonable detail, the nature of such event, the Company has failed to correct the event within a period of thirty (30) days after the Company’s receipt of such notice, and you have actually resigned from your employment within thirty (30) days following the expiration of such cure period.

Subject to your acceptance of this offer of employment, Olaplex will reimburse actual legal fees incurred in association with your offer acceptance, up to \$10,000.

Notwithstanding anything to the contrary in this offer letter, if at the time your employment terminates, you are a “specified employee,” as defined below, any and all amounts payable under this offer letter on account of such separation from service that would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid on the next business day following the expiration of such six (6) month period or, if earlier, upon your death; except (i) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treasury regulation Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion); (ii) benefits which qualify as excepted welfare benefits pursuant to Treasury regulation Section 1.409A-1(a) (5); or (iii) other amounts or benefits that are not subject to the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (“Section 409A”). For purposes of this offer letter, all references to “termination of employment” and correlative phrases shall be construed to require a “separation from service” (as defined in Section 1.409A-1(h) of the Treasury regulations after giving effect to the presumptions contained therein), and the term “specified employee” means an individual determined by the Company to be a specified employee under Treasury regulation Section 1.409A-1(i). Each payment made under this offer letter shall be treated as a separate payment and the right to a series of installment payments under this offer letter is to be treated as a right to a series of separate payments. In no event shall the Company have any liability relating to the failure or alleged failure of any payment or benefit under this offer letter to comply with, or be exempt from, the requirements of Section 409A to the extent amounts are paid in accordance with the terms hereof.

Holdings and you shall enter into an indemnification agreement in the form provided by the Company. Holdings shall maintain for your benefit customary directors’ and officers’ (D&O) liability insurance on the same terms and conditions as applicable to other officers.

Your employment will be subject to the Company's Code of Conduct and Ethics and all other applicable policies and procedures, as outlined in the Employee Handbook and elsewhere. Paid sick leave will be made available to you in accordance with applicable law, as described in the Employee Handbook.

The Immigration Reform and Control Act requires the Company to verify your identity and employment eligibility within three business days of your commencement of employment with the Company. During your onboarding, you will be provided with the Form I-9 that you will be required to complete. Please bring the appropriate documents listed on that form with you when you join our day one orientation. We will not be able to employ you if you fail to comply with this requirement.

You further agree that during the period of your employment with the Company, you will not use or disclose to the Company, or cause the Company to use or benefit from, any confidential, proprietary, or trade secret information of any former employer or any other person or entity.

This job offer is contingent upon the following:

- (a) Verification of your right to work in the United States, as demonstrated by your completion of the Form I-9 upon hire and your submission of acceptable documentation (as noted on the Form I-9) verifying your identity and work authorization within three days of starting employment;
- (b) the Company receiving favorable references from the personal and professional references you provided;
- (c) Satisfactory completion of a background investigation, for which the required notice and consent forms will be shared with you; and
- (d) Your acceptance and signature of the Company's standard Confidentiality, Non-Disclosure & Assignment Agreement, a copy of which is enclosed. You must sign and return the Confidentiality, Non-Disclosure & Assignment Agreement at the time you sign and return this letter agreement.

This offer will be withdrawn if any of the above conditions are not satisfied.

This letter and your response are not meant to constitute a contract of employment for a specific term. Employment with the Company is at-will. This means that, if you accept this conditional offer, both you and the Company will retain the right to terminate your employment at any time, with or without notice or cause, subject to any severance entitlements set forth herein.

By your signature below accepting this offer, you confirm that (i) you have not relied on any agreements or representations, express or implied, with respect to your employment that are not set forth expressly in this letter; (ii) you are able to accept this job and carry out the work involved without breaching any legal restrictions on your activities, such as restrictions imposed by a current or former employer, and (iii) you have informed the Company about any restrictions that could possibly be construed as impacting your ability to accept this job and carry out the work involved, and provided the Company with copies of any agreements between you and your current or former employer describing restrictions on your activities.

If you wish to accept this conditional offer, please sign, date and return this letter electronically and retain a copy of this letter and the enclosed Employee Agreement for your records.

Sincerely,

/s/ Amanda Baldwin

Amanda Baldwin, Chief Executive Officer

OLAPLEX, INC.

I have read and understood the provisions of this offer of employment, and I accept the above job offer on the terms and conditions described therein.

Signature: /s/ Catherine Dunleavy

Date: 7/6/2024



Change Order #1

As of August 13, 2024

Amanda Baldwin, Chief Executive Officer
Olaplex Holdings, Inc.
432 Park Ave South, 3rd Floor
New York, NY 10016

Dear Amanda:

This change order #1 (“Change Order #1”) documents certain changes to the engagement letter agreement between Alvarez & Marsal Private Equity Performance Improvement Group, LLC (“A&M”) and Olaplex Holdings, Inc. (the “Company”) dated as of April 3, 2024 (the “Engagement Letter”). The sections of the Engagement Letter set forth below are hereby amended, effective as of the date of this Change Order #1 (or as otherwise noted), by modifying the respective sections as follows:

1. Description of Services

“Section a: In connection with this engagement, A&M shall make available to the Company:” shall be modified as follows:

Effective as of August 13, 2024, Paul Kosturos, has resigned as the Interim CFO. Mr. Kosturos is no longer providing interim officer services pursuant to the Engagement Letter to the Company as of this date.

In addition, this Change Order shall document A&M and the Company’s agreement that A&M shall continue to make Mr. Kosturos available to provide certain consulting services to the Company pursuant to the Engagement Letter. Such consulting services will be advisory only, as the interim officer scope described in the Engagement Agreement has ended. Effective as of the date hereof, A&M’s role when providing services to the Company under the Engagement Agreement will be that of an advisor.

“Section b: Duties.” shall be modified as follows:

The Company has acknowledged that they would like Paul Kosturos to continue to support the newly appointed CFO of the Company as deemed appropriate by either the CEO or CFO of the Company. Accordingly, until the termination of this Agreement, Paul Kosturos will continue in an advisory capacity to answer questions and provide guidance as requested.

All activities will be performed under the direction and supervision of the CFO and CEO as appropriate. The Company shall be solely responsible for the direction and supervision of Paul Kosturos. The Company will provide the staff and resources to direct and support Paul Kosturos. If Company cannot provide this support, both the work and the work schedule may be adversely affected.

Except as expressly modified herein, all other terms and conditions of the Engagement Letter remain unchanged. Please indicate your agreement to this Change Order #1 by signing and returning to A&M the enclosed copy.

Very truly yours,
Alvarez & Marsal Private Equity Performance Improvement Group, LLC

By: /s/ Paul Kosturos
Paul Kosturos, Managing Director

Date: 9/11/2024

Acknowledged and Accepted:

Olaplex Holdings, Inc.

By: /s/ Amanda Baldwin
Amanda Baldwin, Chief Executive Officer

Date: 9/15/2024

**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, Amanda Baldwin, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: _____ /s/ Amanda Baldwin

Amanda Baldwin
Chief Executive Officer
(Principal Executive Officer)

**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, Catherine Dunleavy, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: _____ /s/ Catherine Dunleavy
Catherine Dunleavy
Chief Operating Officer and Chief Financial Officer
(Principal Financial Officer)

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

I, Amanda Baldwin, 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 September 30, 2024 (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: November 7, 2024

By: _____ /s/ Amanda Baldwin
Amanda Baldwin
Chief Executive Officer
(Principal Executive Officer)

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

I, Catherine Dunleavy, Chief Operating Officer and 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 September 30, 2024 (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: November 7, 2024

By: _____ /s/ Catherine Dunleavy
Catherine Dunleavy
Chief Operating Officer and Chief Financial Officer
(Principal Financial Officer)