#### Long SKIN - Price Target: \$5/share (from \$2/share, 200%)<sup>1</sup>

Even when confronting the worst (if it takes 4 quarters to regain trust and get Syndeo 3.0 fully functional) strong unit economics, high margins, and sticky consumables products support a recovery.

**Thesis:** SKIN will be able to eventually recover from operational challenges imposed by Syndeo's botched roll-out. (1) Even if we assume it takes 4 quarters to fully convert from Syndeo 1.0 & 2.0 to 3.0, no new sales of ex-Syndeo machines (and consumable sales fall by ~18% q/q as SKIN gives 1 quarter of free products to users who experienced malfunctions), SKIN can still have EBIT just below 0 so that it can survive until operational difficulties are resolved. (2) After 3.0 issues are resolved, SKIN's large install base, high margins, and sticky consumables will drive strong EBITDA to 98M by '25 (vs. St. at 51).

What Happened: SKIN collapsed ~65% on 3Q earnings as a result of a botched Syndeo rollout and the news that mgmt. had suspended their LT '25 guide (formerly 600-700 vs '22 at 366). Syndeo is SKIN's digitally connected delivery system which was originally released in the US in March '22 and in APAC and EMEA in March '23. The first signs of operational trouble came in April '23 when Brad Hauser, former CEO of Soliton (maker of RESONIC, a machine to remove cellulite) joined SKIN as COO. The stock began to move much lower (see Annotated Stock Chart). On the 8/9/23 (2Q) call, SKIN, for the first time, alluded to investors some technical difficulties. Mgmt. (CEO was Andrew Stanleick at the time) said "improvement starts first and foremost with resolving our Syndeo teething issues by the end of the year, developed at speed during the pandemic, this high-tech delivery system launched just 28 days into my tenure". Yet, SKIN was still not being fully honest with investors about the scale of the calamity. On the 11/13/23 (3Q) call, mgmt. finally came clean: "There was an issue with low flow and clogs in the [1.0] .... [SKIN] made several enhancements to Syndeo to address and remediate these issues, releasing Syndeo 2.0 into the field ... despite these efforts, many of the issues continue to persist ... We believe we have addressed the Syndeo issues with our current Syndeo 3.0 ... implemented in July." Accordingly, Stanleick was removed as CEO and Marla Beck (founder of Blue Mercury) was made interim CEO, and LT '25 topline guidance of 600-700M was suspended.

**Possible Outcomes:** Either (**Bull**) SKIN can stick the landing with Syndeo 3.0, remain a popular choice among estheticians and move forward from this debacle, or (**Bear**) the 3.0 machine released (similarly to the 2.0 machine) will continue to misfunction costing further loses as SKIN replaces malfunctioning products and further eroding trust. SKIN is unable to pay its outstanding convertible debt (750M due in Oct '26) and the company is acquired or enters bankruptcy.

#### **Our Base Case:**

**Delivery Systems:** SKIN takes 4 quarters to fully recover from the 3.0 disaster. We trust mgmt.'s claim that 3.0 has resolved all clogging issues given (1) their report that "3.0 devices coming off the production line ... have a return rate in line with HydraFacial's low historical benchmark" and (2) the product was released to estheticians in July '23 and there has been a noticeable decline in commentary on social media about issues with SKIN's delivery systems. **To directly address the very palpable risk of further malfunctions**: we can (1) monitor social media channels to learn from the esthetician community<sup>2</sup> and (2) model extremely conservatively (see Scratch Model of Disaster Scenario). SKIN had 7,350 Syndeo 1.0 and 2.0 devices in the field at peak of which 2,850 have been replaced. Thus, 4,500 still need to be replaced. We model a replacement rate of 1,425 machines per quarter (half of what SKIN was able to do in 3Q). We

<sup>&</sup>lt;sup>1</sup> Any comment which reads see (x) can be found in the accompanying slides.

<sup>&</sup>lt;sup>2</sup> Social media sentiment on TikTok, Reddit, and Esthetician Facebook groups would have revealed shortly after the release of Syndeo 1.0 issues with clogging and drainage. After the July 3.0 upgrades, there has been a noticeable decline in commentary. Further research / formalization recommended.

<sup>&</sup>lt;sup>3</sup> We let the reputational damage to SKIN's brand persist for 4 quarters. We believe that this is overly conservative given that their NPS remains best in class at 40 (notably above Botox). SKIN has offered product upgrades/replacements to version 3.0 free of charge to their esthetician community, and in line with traditional practice, we believe they have offered their estheticians one quarter's worth of consumables as they upgrade. See notes.

then model ~300 new system sales as a penalty to SKIN's brand and reputation (down from 1,778 last quarter, but at the same level as peak COVID). We keep this as the status quo until 4Q'24 where we then begin to start new machine sales benchmarked to FY'19 levels (as a way of excluding COVID noise and Syndeo malfunction / upgrade cycle issues) (see Delivery System Build).

Consumables: There remain ~24,000 ex-Syndeo machines active in the field and currently 1,425 functional Syndeo machines in the field, using these, we build our consumables sales. We assume that consumables sales will take an 18% hit as mgmt. upgrades customers to 3.0 devices (see Consumables Build). Despite all these aggressively modeled headwinds, given high consumables margins (estimated at 80% from historical back-testing), we arrive at 238 adj. gross profit for the year. Holding fixed operating expenses flat and letting variable operating expenses fall by 200 bps (mgmt. working already to cut marketing, down 1,300 bps last quarter, and will continue to do so), we arrive at an adj. operating income of -27 for the year. Bringing these assumptions forward through FY'24 we arrive at an adj. operating income -27. By 4Q'24, we expect an install base of 30,812 machines (7,470 Syndeo and 22,742 ex-Syndeo), a full lapping of any promotional headwinds, and recurring revenue / installed active machine at 2,028 (a conservative 3.7% above FY'19's levels). This gets us to 62.5 M in consumable revenue for 4Q (see Consumables Build). By FY'25, we believe there will be an active install base of 32,781 machines at 8,310 in revenue per machine getting 272M from consumables, on a 364 topline (~75% of revenue from consumables, in line with mgmt.'s LT objective).

#### Valuation: We triangulate valuation using:

- 1. **EV/EBITDA:** we apply a 12x multiple on FY'25 EBITDA 98 (vs. st. at 51), current EV/NTM EBITDA multiple is 22.2x to get WPT of \$5.36.
  - a. ULTA at 11.2x, ABBV at 11.6x.
- 2. **EV/Sales:** we use 3.4x on FY'25 sales of 364 (vs. street at 440), current EV/NTM Sales multiple is 1.3x gets WPT of \$5.10.
  - a. Elf Beauty at 7.2x, ABBV at 5.4x.
- 3. **DCF:** we assume 0% terminal growth rate, EBIT margins of 8.2% (based on FY'19 historicals) to get PT of \$5.59.

How We Get Paid / Event Path: Investors need to reestablish trust with mgmt. They need concrete evidence that (1) the issues with Syndeo 1.0 & 2.0 have been resolved and (2) that there are no further unforeseen ways in which mgmt. is obfuscating the truth. We believe that this will come from first management being able to meet their 4Q implied guide of 84-99 restoring trust between them and the investor community (see Future Guides). From here, we believe that mgmt. will be very transparent in setting its FY'24 guide in such a way which fully accounts for any additional costs of the Syndeo 3.0 upgrade, the costs of promotional packages in consumables, and is very conservative when modeling new system sales / upgrades. We believe that if they guide, it will be towards 200-300 (see Guidance). We have confidence that as subsequent quarters unfold, mgmt, will continue to communicate with investors the progress on the roll out and any subsequent issues given Beck's approach on the last call. By 2HFY'24, we expect almost all Syndeo 1.0&2.0 remaining in the field to have been upgraded to 3.0, the effects of the promotional consumables spend to have lapped, and HydraFacial to have maintained its relationship with estheticians. The market will come around and appreciate this view once mgmt. has made clear that operational issues are behind them by presenting further metrics on the stability of 3.0 (such as return rates, NPS, machines left to be replaced, etc.) – we expect this to happen during the next earnings call if not sooner.

#### How this View is Variant:

This view takes a much longer-term approach than the market is currently. It is based on the fundamental assumption that (1) SKIN can eventually produce a Syndeo product without issues, and (2) subsequently postulates that in the absence of such a product, SKIN's revenue, and economics in the ex-Syndeo products will be enough to support expenses and keep the company afloat (we diverge from the market, bond trading

and stock performance imply that buy-side community doubts if SKIN can even exist by next year). From there, we interrogate the street's implied DCF assumptions to conclude that even at its worst, SKIN is worth considerably closer to \$5 / share than it is to \$2 / share (see DCFs).

#### Our Trade is Wrong... Why? (Risks):

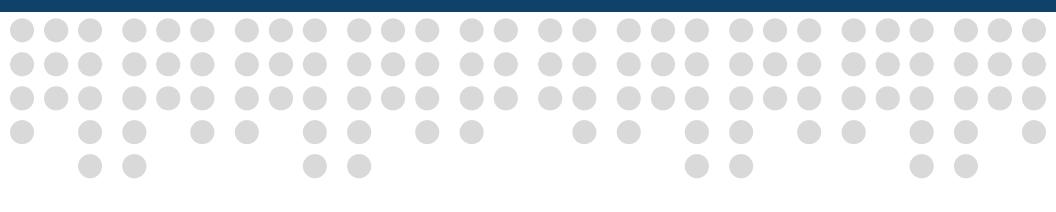
- (1) The risk: spending on luxury skincare products will collapse in an economic downcycle adding further pressure on SKIN's top and bottom line. *Mitigant: Spending on Personal Care services has been gaining a larger share of the consumer wallet over time and this accelerated in 2008-2009 see (Relative PCE Spending).*
- (2) The risk: BeautyHealth faces increasing competition in the space from DiamondSpa (ABBV), SKIN loses share and investors lose confidence in mgmt's ability to maintain topline. *Mitigant: recent share loss is due to operational issues rather than changes in consumer preferences. SKIN has a stronger brand than ABBV with higher NPS for its products comparatively. We expect share reversal to return towards normalized trends once operational issues are sorted (see Relative Share Loss).*
- (3) The market takes longer than anticipated to replace trust in mgmt., the stock sinks lower in the meantime. Mitigant: using a reverse DCF with street's numbers topline, NOPAT numbers, and the current stock price, we arrive at a perpetuity growth rate of -15.3%. This gives us confidence that the stock has been overly penalized and makes us comfortable buying at this price (see DCFs).

Conclusion: SKIN broke investor's trust. Stanleick did not make the short comings of his highly anticipated Syndeo product clear. His ambitions grew too large as he forecasted FY'25 revenue at a CAGR of ~25%. Marla Beck has made clear on the 3Q call that a new day has come at SKIN. She was extremely transparent about the economic impact of SKIN's mistakes (70M total), laid out a clear, executable plan, and put her stakeholders first – actively managing the reputational damage done to estheticians. The underlying product remains strong. In subsequent quarters, investors will reestablish trust in SKIN through its new mgmt., and until then, strong unit economics and a large ex-Syndeo install base will keep the company afloat.

#### **Notes:**

For reference: <u>r/Esthetics</u> has 12 comments on the tread *HydraFacial Syndeo Issues*: "Hey, just wondering if anyone has found a solution to the poor suction on the Syndeo models, we cannot get consistent suction". Of these 12 comments, 10 of them are 5 months or older, with the most recent comment posted on 11/16/23 reading "is the new machine Syndeo 3.0 better now?" and a reply stating "my newest machine arrived end of October. Knock [on] wood, haven't had issues YET". **We recommend active tracking of this channel and other social channels.** 

Notably, the esthetician community stays very loyal to HydraFacial despite some users reporting that they are on their 8<sup>th</sup> replacement machine in one practice. They cite being able to contact customer support, the money they can generate from having a working machine, and the fact that their clients ask for the product by brand name. None of these strengths have changed nor do we anticipate that they will permanently change. (See Unit Economics) for benefits for the Esthetician.





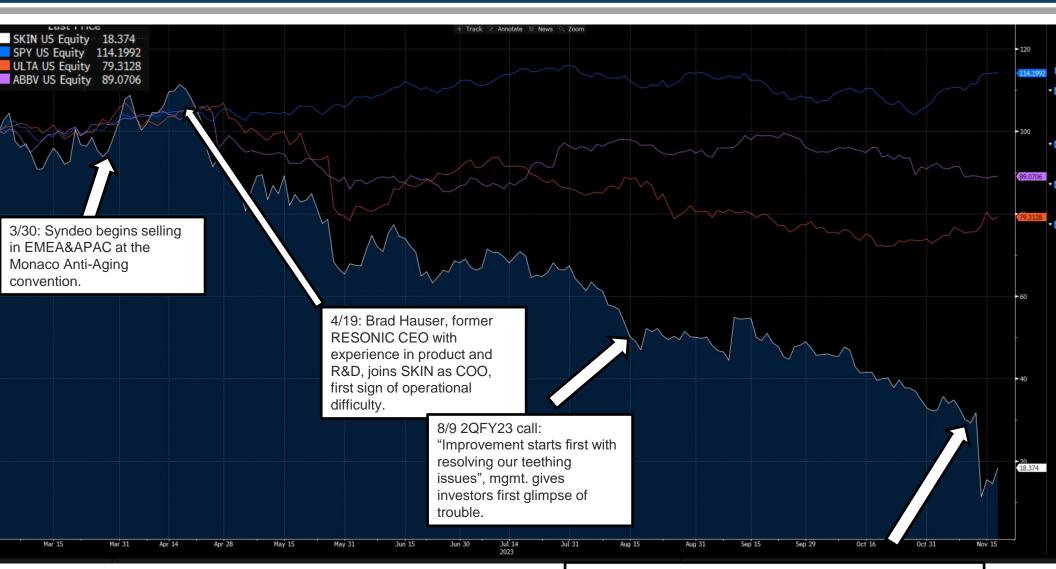
## BeautyHealth (SKIN): LONG

Price: \$2.20 | Target: \$5 (+140%) | R/R: 9.6x |

Duration: Through end of '24
Zach MARIANI – 20 November 2023

## **Annotated Stock Chart**





Source(s): BBG

11/13 3QFY23 call: Investors are informed that all Syndeo 1.0 & 2.0 machines are scrapped and slated to be replaced with 3.0. Stanleick removed as CEO. Beck appointed interim CEO. LT guidance suspended, 70M+ losses associated with Syndeo 1.0 and 2.0 written off.

### Scratch Model of Disaster Scenario



In the worst case scenario, they are unable to sell any more ex-Syndeo machines, all Syndeo machines are dysfunctional, mgmt. can cut costs to their historic lows and survive.

Year BBG Label VA Label Period Ending Report Date  Stock Close 1 Day Pro-Q Stock Close 1 Day Post-Q Estimate for Stock Berformance on the Print Performance PoP	1 2023 2023Q1 1QFV-2023 3/31/2023 5/10/2023 90 \$11.00 \$10.69 (2.8%) (13.1%)	2 2023 2023Q2 20FY-2023 6/30/2023 8/9/2023 91 \$7.12 \$7.08 (0.6%)	3 2023 2023Q3 3QFY-2023 9/30/2023 11/13/2023 92 \$3.90 \$1.39 (64.4%) (80.4%)	4 2023 2023Q4 4QFY-2023 12/31/2023 2/28/2024 92	4 2023 FY-2023 12/31/2023 2/28/2024 365	1 2024 2024Q1 1QFY-2024 3/30/2024 5/9/2024 90	2 2024 2024Q2 20FY-2024 6/29/2024 8/8/2024 91	3 2024 2024Q3 3QFY-2024 9/29/2024 11/12/2024 92	4 2024 2024Q4 4QFY-2024 12/30/2024 2/27/2025 92	4 2024 FY-2024 12/30/2024 2/27/2025 365	1 2025 2025Q1 1QFY-2025 3/30/2025 5/9/2025 91	2 2025 2025Q2 2QFY-2025 6/29/2025 8/8/2025 91	3 2025 2025Q3 3QFY-2025 9/29/2025 11/12/2025 91	4 2025 2025Q4 4QFY-2025 12/30/2025 2/27/2026 91	4 2025 FY-2025 12/30/2025 2/27/2026 365	1 2026 2026Q1 1QFY-2026 3/30/2026 5/9/2026 91	2 2026 2026Q2 2QFY-2026 6/29/2026 8/8/2026 91	3 2026 2026Q3 3QFY-2026 9/29/2026 11/12/2026 91	4 2026 2026Q4 4QPY-2026 12/30/2026 2/27/2027 91	4 2026 FY-2026 12/30/2026 2/27/2027 365
Driving Builds																				
Total Disaster Model																				
Total Disaster Model																				
Total Disaster Model  Ex-Syndeo Machines (Avg)  q/q growth	21,980 597	23,091 1,111	23,091 0	23,091 0		23,091 0	23,091 0	23,091 0	23,091 0		23,091 0	23,091	23,091	23,091 0		23,091 0	23,091 0	23,091	23,091 0	
Ex-Syndeo Machines (Avg)									23,091 0 1,713 0.0%		23,091 0 1,424 2.0%									
Ex-Syndeo Machines (Aug) q/q growth Avg Consumables Spend / Machine	597 1,551	1,111	1,893	1,713	159 9.4%	1,396	1,727	1,893	1,713	155 (2.5%)	1,424	1,762	1,930	0 1,747	158 2.0%	0 1,452	1,797	1,969	1,782	162 2.0%
Ex-Syndeo Machines (Avg) q/g growth  Avg Consumables Spend / Machine y/y  Total Spend on Just Consumables ex-Syndeo (Disaster Topline)	597 1,551 (3.6%)	1,111 1,818 4.7%	0 1,893 13.0%	0 1,713 (10.0%)		1,396 (10.0%)	0 1,727 (5.0%)	0 1,893 0.0%	0 1,713 0.0% 40		0 1,424 2.0%	0 1,762 2.0% 41	0 1,930 2.0%	0 1,747 2.0%		0 1,452 2.0%	0 1,797 2.0% 41	0 1,969 2.0%	0 1,782 2.0% 41	

Disaster Scenario represents the following assumptions:

- 1. SKIN is never able to sell another ex-Syndeo machine
- 2. All Syndeo machines are ruined, and they are never able to fix any Syndeo machines
- 3. They can cut costs to their lowest historical levels

Source(s): Company Filings, BBG

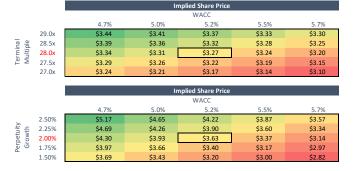
### Disaster DCF



Disaster DCF represents the following assumptions:

- 1. SKIN is never able to sell another machine
- 2. All Syndeo machines are ruined, and they are never able to fix any Syndeo machines
- 3. They can cut costs to their lowest historical levels
- 4. They can grow pricing at 2% for consumables for the ex-Syndeo install base which stays permanently where it is today
- 5. They reach their '19 EBIT margin of 8.2% by FY'27

Assumption	is
WACC	5.2%
Perpetuity Growth Rate	2.00%
Terminal Multiple (LTM)	28.0x
Date	11/19/2023
Days in Fiscal Year	365
Diluted Shares Outstanding	133
Today's Price	\$2.26
WACC	\$300
Market Value of Equity Market Value of Debt	\$300 525
Total Capitalization	\$825
Cost of Equity	12.6%
Cost of Debt	1.3%
Tax Rate	20.0%
WACC	5.2%
Cost of Equit	ty
Risk-Free Rate	4.4%
Equity Risk Premium	6.1%
Beta	1.3
Cost of Equity	12.6%
Cost of Deb	t
Pre-tax Cost of Debt	1.3%



Stub FCF Credit?		12%	100%	100%	100%	100%	100%
FY ending		12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
			Discounted C	ash Flows			
		FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Revenue	•	\$341	\$155	\$158	\$162	\$165	\$168
% yoy growth		-56%	-54%	2%	2%	2%	2%
EBIT	•	\$10	\$0	\$0	\$8	\$14	\$14
% margin		3.0%	0.0%	0.0%	5.0%	8.2%	8.2%
% growth			-100%	#DIV/0!	#DIV/0!	67%	2%
Taxes		(\$2)	\$0	\$10	\$15	\$3	\$3
NOPAT		\$13	\$0	(\$10)	(\$7)	\$11	\$11
Change in NWC	•	133	(22)	(15)	(13)	(8)	(4)
D&A	•	32	24	16	10	8	6
Capex	•	(4)	0	1	2	3	4
FCF		\$174	\$3	(\$8)	(\$8)	\$14	\$17
Period		0.12	1.12	2.12	3.12	4.12	5.12
Discount Factor		0.99	0.94	0.90	0.85	0.81	0.77
PV of FCF	-	\$20	\$2	(\$7)	(\$7)	\$11	\$13

Terminal Multiple	
Terminal Value	477
PV of Terminal Value	367
PV of Free Cash Flow	33
Enterprise Value	400
Less: Debt	(525)
Less: Preferred / Other	0
Plus: Cash	559
Implied Equity Value	435
FDSO	133
Implied Share Price	\$3.27
Upside / (Downside)	44.7%
TV as % of Enterprise Value	91.8%
Implied Perpetuity Growth Rate	1.6%

Perpetuity Grow	th
Terminal Value	539
PV of Terminal Value	415
PV of Free Cash Flow	33
Enterprise Value	448
Less: Debt	(525)
Less: Preferred / Other	0
Plus: Cash	559
Implied Equity Value	482
FDSO	133
Implied Share Price	\$3.63
Upside / (Downside)	60.6%
TV as % of Enterprise Value	92.7%
Implied Terminal Multiple	27

## St. Reverse DCF



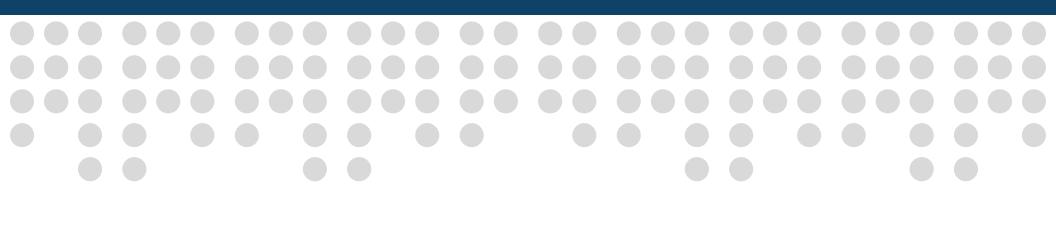
Using VA assumptions and BBG estimates for WACC, a reverse DCF gives you a negative 15.25% perpetuity growth rate! This gives us confidence that the market is overreacting to bad news.

Assumptions	
WACC	10.7%
Perpetuity Growth Rate	(15.25%)
Terminal Multiple (LTM)	3.3x
Date	11/19/2023
Days in Fiscal Year	365
Diluted Shares Outstanding	131
Today's Price	\$2.26
WACC	
Market Value of Equity	\$297
MV of Debt (from B/S)	737
Total Capitalization	\$1,034
Cost of Equity	12.6%
Cost of Debt	1.3%
Tax Rate	20.0%
WACC (from BBG)	10.7%
Cost of Equity	
Risk-Free Rate	4.4%
Equity Risk Premium	6.1%
Beta	1.3
Cost of Equity	12.6%
Cost of Debt	
Pre-tax Cost of Debt (Bond Coupon, 1.25%)	1.25%

Stub FCF Credit?		12%	100%	100%	100%	100%	100%
Y ending		12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28
			Discounted C	ash Flows			
		FY 2023E	FY 2024E	FY 2025E	FY 2026E	FY 2027E	FY 2028E
Revenue	•	397	416	455	466	475	484
% yoy growth		(5.2%)	4.7%	9.5%	2.3%	2.0%	2.0%
EBIT	•	20	20	45	47	47	48
% margin		5.0%	4.8%	9.9%	10.0%	10.0%	10.0%
% growth			1.9%	124.3%	3.2%	2.0%	2.0%
Taxes		\$4	\$4	\$9	\$9	\$9	\$10
NOPAT		\$16	\$16	\$36	\$37	\$38	\$39
Change in NWC	•	(2)	13	(0)	(5)	0	0
D&A	•	31	29	27	30	30	30
Capex	•	17	16	16	16	18	20
FCF		\$61	\$74	\$79	\$77	\$86	\$89
Period		0.12	1.12	2.12	3.12	4.12	5.12
Discount Factor		0.99	0.89	0.81	0.73	0.66	0.59
PV of FCF		\$7	\$66	\$64	\$56	\$57	\$53
	Terminal Mu	ıltiple				Perpetuity Growt	h
Terminal Value			290		Terminal Value		290
PV of Terminal Value			172		PV of Terminal		173
PV of Free Cash Flow			302		PV of Free Cash		302
Enterprise Value			475		Enterprise Valu	e	475
Less: Debt			(737)		Less: Debt		(737)
Less: Preferred / Other			0		Less: Preferred	/ Other	0
Plus: Cash			559		Plus: Cash		559
Implied Equity Value			297		Implied Equity	Value	297
FDSO			131		FDSO		131
Implied Share Price			\$2.26		Implied Share P		\$2.26
Upside / (Downside)			(0.0%)		Upside / (Down.	side)	0.1%
TV as % of Enterprise Value			36.3%		TV as % of Enter		36.4%
Implied Perpetuity Growth R	ate		(15.3%)		Implied Termina	al Multiple	4

		In	nplied Share Price		
			WACC		
	6.7%	8.7%	10.7%	12.7%	14.7%
.3x	\$3.30	\$2.97	\$2.68	\$2.41	\$2.16
.8x	\$3.06	\$2.75	\$2.47	\$2.22	\$2.00
.3x	\$2.82	\$2.53	\$2.27	\$2.04	\$1.83
.8x	\$2.57	\$2.31	\$2.07	\$1.86	\$1.66
3x	\$2.33	\$2.09	\$1.87	\$1.67	\$1.49

Implied Share Price														
		WACC												
6.7%	8.7%	10.7%	12.7%	14.7%										
\$5.06	\$4.07	\$3.33	\$2.76	\$2.31										
\$3.78	\$3.16	\$2.67	\$2.26	\$1.93										
\$3.09	\$2.63	\$2.26	\$1.94	\$1.67										
\$2.65	\$2.29	\$1.98	\$1.72	\$1.49										
\$2.35	\$2.04	\$1.78	\$1.55	\$1.35										
	\$5.06 \$3.78 \$3.09 \$2.65	6.7% 8.7% \$5.06 \$4.07 \$3.78 \$3.16 \$3.09 \$2.63 \$2.65 \$2.29	WACC       6.7%     8.7%     10.7%       \$5.06     \$4.07     \$3.33       \$3.78     \$3.16     \$2.67       \$3.09     \$2.63     \$2.26       \$2.65     \$2.29     \$1.98	WACC       6.7%     8.7%     10.7%     12.7%       \$5.06     \$4.07     \$3.33     \$2.76       \$3.78     \$3.16     \$2.67     \$2.26       \$3.09     \$2.63     \$2.26     \$1.94       \$2.65     \$2.29     \$1.98     \$1.72										





Revenue Builds

# Delivery System Build



Vear	2 2020	3 2020	4 2020	4 2020	4 2021	4 2022	1 2023	2 2023	3 2023	4 2023	4 2023	1 2024	2 2024	3 2024	4 2024	4 2024	1 2025	2 2025	3 2025	4 2025	4 2025	1 2026	2 2026	3 2026	4 2026	4 2026
BBG Label	2020Q2	2020Q3	2020Q4				2023Q1	202302	2023Q3	2023Q4		2024Q1	2024Q2	2024Q3	2024Q4		2025Q1	202502	2025Q3	2025Q4		2026Q1	2026Q2	2026Q3	2026Q4	
VA Label	2QFY-2020	3QFY-2020	4QFY-2020		FY-2021	FY-2022	1QFY-2023	2QFY-2023	3QFY-2023	4QFY-2023	FY-2023	1QFY-2024	2QFY-2024	3QFY-2024	4QFY-2024	FY-2024	1QFY-2025	2QFY-2025	3QFY-2025	4QFY-2025	FY-2025	1QFY-2026	2QFY-2026	3QFY-2026	4QFY-2026	FY-2026
Period Ending	6/30/2020	9/30/2020		12/31/2020	12/31/2021	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023	12/31/2023	3/30/2024	6/29/2024	9/29/2024	12/30/2024	12/30/2024	3/30/2025	6/29/2025	9/29/2025	12/30/2025	12/30/2025	3/30/2026	6/29/2026			12/30/2026
Report Date	8/10/2020 91	11/16/2020 92	3/18/2021 92	3/18/2021 365	2/22/2022	2/28/2023	5/10/2023	8/9/2023 91	11/13/2023 92	2/28/2024	2/28/2024 365	5/9/2024	8/8/2024 91	11/12/2024 92	2/27/2025	2/27/2025 365	5/9/2025	8/8/2025 91	11/12/2025 91	2/27/2026	2/27/2026 365	5/9/2026 91	8/8/2026 91	11/12/2026 91	2/27/2027 91	2/27/2027 365
Stock Close 1 Day Pre-Q	31	34	\$11.22	303	303	303	\$11.00	\$7.12	\$3.90	34	503	30	31	34	32	303	31	31	91	21	303	4	91	31	31	303
Stock Close 1 Day Pre-Q Stock Close 1 Day Post-Q			\$11.35				\$11.00	\$7.12 \$7.08	\$1.39																	
Estimate for Stock Performance on the Print			1.2%				(2.8%)	(0.6%)	(64.4%)																	
Performance PoP							(13.1%)	(33.8%)	(80.4%)																	
		_						_		_					_											
Driving Builds																										
Hardware (Razors)																										
Total Systems Sales																										
Total Delivery Systems Sold (#)	283	812	805	2,647	6,191	8,492	1,774	2,822	2,140	300	7,036	300	400	500	751	1,951	824	1,038	1,096	1,066	4,024	1,041	1,188	1,143	1,389	4,762
Total Delivery System ASP (in \$) Total Delivery System Sales (in Ms)	21,113 \$6.0	19,612 \$15.9	21,604 \$17.4	20,163 \$53.4	22,527 \$139.5	24,285 \$206.2	25,565 \$45.4	23,242 \$65.6	23,832	67.0	24,085 \$169.5	\$8.0	\$9.0	\$13.1	\$16.5	23,939 \$46.7	23,743 \$19.6	20,823 \$21.6	\$26,3	524.4	22,819 \$91.8	24,276 \$25.3	21,024	23,978	23,321 \$32.4	23,115 \$110.1
Total Delivery System sales (in Ms)	56.0	\$15.9	\$17.4	503.4	\$139.5	\$206.2	545.4	365.6	\$91.0		5169.5	58.0	59.0	\$15.1	\$16.5	546.7	519.6	\$21.6	526.5	524.4	591.8	\$23.3	\$25.0	1000	\$52.4	\$110.1
New Systems Sales Build																										
New Systems Sold (#)	277	800	789	2,602	5,950	6,699	1,636	2,389	1,778	300	6,103	300	400	500	599	1,799	669	880	933	898	3,379	869	1,011	961	1,203	4,045
y/y	(71.6%)	(14.3%)	(34.1%)	(34.0%)	128.7%	12.6%	4.3%	35.6% 144.5%	(1.0%)						Ten etc.	(0.0.00)	(no ob)	(10.0%)	0.0%	50.0%	(14.3%)	30.0%	15.0% 3.5%	3.0%	34.0%	2.00
vs. 19 % of Total Delivery Systems Sold Which Were New	(71.6%) 98.0%	(14.3%) 98.5%	(34.1%) 98.0%	(34.0%) 98.3%	50.9% 96.1%	69.9% 78.9%	95.8% 92.2%	144.5% 84.7%	90.3% 83.1%	$\overline{}$					(50.0%)	(54.4%) 92.2%	(20.0%) 81.1%	(10.0%) 84.7%	0.0% 85.1%	(25.0%) 84.3%	(14.3%)	4.0%	3.5% 85.1%	3.0% 84.1%	86.6%	2.6% 84.9%
% of Total Delivery Systems Sold Which Were New New ASP (in \$)	21,299	19,728	21,800	20,305	22,953	27,572	26,710	22,599	26,241	25,075	24.884	26,710	22,599	26,241	25,075	25,121	26.00	22,599	26,241	25,075	25,076	26,710	22,599	26,241	25,075	25,084
y/v	2.0%	(0.7%)	8,9%	0.6%	13.0%	20.1%	8.7%	(31.1%)	(2.5%)	(5.0%)	(9.8%)	0.0%	0.0%	0.0%	0.0%	1.0%	0.	0.0%	0.0%	0.0%	(0.2%)	0.0%	0.0%	0.0%	0.0%	0.0%
New System Sales (in Ms)	\$5.9	\$15.8	\$17.2	\$52.8	\$136.6	\$184.7	\$43.7	\$54.0	\$46.7	\$7.5	\$151.9	\$8.0	\$9.0	\$13.1	\$15.0	\$45.2	\$17.9	\$19.9	\$24.5	\$22.5	\$84.7	\$23.2	\$22.9	\$25.2	\$30.2	\$101.5
y/y	(71.1%)	(14.9%)	(28.2%)	(33.6%)	158.5%	35.2%	13.3%	7.2%	(3.5%)	(84.2%)	(17.8%)	(81.7%)	(83.3%)	(71.9%)	99.5%	(70.2%)	122.9%	119.9%	86.6%	50.0%	87.5%	30.0%	15.0%	3.0%	34.0%	19.7%
Trade-Ups Sales Build															_											
Number of Trade Ups	6	12	16	45	241	1,793	138	433	362	<del></del>	933				153	153	156	159	163	168	645	172	177	182	186	717
% of Total Delivery Systems Sold Which Were Trade-Ups	2.0%	1.5%	2.0%	1.7%	3.9%	21.1%	7.8%	15.3%	16.9%		13.3%				20.3%	7.8%	18.9%	15.3%	14.9%	15.7%	16.0%	16.5%	14.9%	15.9%	13.4%	15.1%
% of Beginning Install Base	0.0%	0.1%	0.1%	0.3%	1.5%	8.8%	0.5%	1.6%	1.2%		4.6%				0.5%	0.6%	0.5%	0.5%	0.5%	0.5%	2.1%	0.5%	0.5%	0.5%	0.5%	2.1%
Trade Up ASP	12,000	12,000	12,000	12,000	12,000	12,000	12,000	26,790	12,000		18,864				10,000	10,000	11,000	11,000	11,000	11,000	11,000	12,000	12,000	12,000	12,000	12,000
Trade Up Sales (in Ms)	\$0.1	\$0.1	\$0.2	\$0.5	\$2.9	\$21.5	\$1.7	\$11.6	\$4.3		\$17.6				\$1.5	\$1.5	\$1.7	\$1.7	\$1.8	\$1.8	\$7.1	\$2.1	\$2.1	\$2.2	\$2.2	\$8.6
Install Base Build																		$\overline{}$								
Beginning Installed Base	14,421	14,495	15,124	13,872	15,672	20,285	25,336	27,406	29,682	24,516	20,285	26,241	27,966	29,791	30,516	26,241	31,109	31,77	32,641	33,565	31,109	34,454	35,314	36,316	37,267	34,454
(+) Net New Delivery Systems Sold (New Sales less Trade Ups)	277	800	789	2,602	5,950	6,699	1,636	2,389	1,778	300	6,103	300	400	500	599	1,799	669	880	933	898	3,379	869	1,011	961	1,203	4,045
(-) Churn (Reactivation)	(203)	(171)	(241)	(802)	(1,337)	(1,648)	434	(113)	(6,944)	1,425	(5,198)	1,425	1,425	225	(6)	3,069	(7)	(9)	(9)	(9)	(34)	(9)	(10)	(10)	(12)	(40)
Churn as a % of beginning	(1.4%)	(1.2%)	(1.6%)	(5.8%)	(8.5%)	(8.1%)	1.7%	(0.4%)	(23.4%)	5.8%	(25.6%)	5.4%	5.1%	0.8%	(1.0%)	11.7%	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(0.1%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(0.1%)
(=) Ending Installed Base	14,495	15,124	15,672	15,672	20,285	25,336	27,406	29,682	24,516	26,241	26,241	27,966	29,791	30,516	31,109	31,109	31,770	32,641	33,565	34,454	34,454	35,314	36,316	37,267	38,458	38,458
Avg Installed Base	14,458	14,810	15,398	14,772	17,978	22,810	26,371	28,544	24,516	25,378	23,263	27,103	28,878	30,153	30,812	28,675	31,439	32,206	33,103	34,009	32,781	34,884	35,815	36,791	37,863	36,456
q/q change	312	352	589				1,467	2,173	(4,028)	863		1,725	1,775	1,275	659		627	766	897	906		875	931	976	1,071	
y/y change	2,823	2,369	2,048	2,574	3,206	4,832	5,369	6,220	815	474	452	732	334	5,638	5,434	5,412	4,336	3,327	2,950	3,197	4,106	3,445	3,609	3,688	3,853	3,675
Street Average Install Base	14,458	14,809	15,398	14,747	17,942	22,770	26,406	28,545	29,908	30,907	28,339	32,208	33,509	35,130	36,680	34,173	37,528	38,966	40.513	42,011	39,647	43,840	45,401	47,127	48,774	44,718
Variance	(0.0%)	0.0%	0.0%	0.2%	0.2%	0.2%	(0.1%)	(0.0%)	(18.0%)	(17.9%)	(17.9%)	(15.8%)	(13.8%)	(14.2%)	(16.0%)	(16.1%)	(16.2%)	(17.3%)	(18.3%)	(19.0%)	(17.3%)	(20.4%)	(21.1%)	(21.9%)	(22.4%)	(18.5%)
Syndeo, Illustrative Build																			-							
Syndeo 1.0 (Launched in Mid-March '22) & 2.0 (Launched First Half of '23)																								$\overline{}$		
Beginning Balance of Syndeo 1.0 & 2.0						. 0	4,002	4,780	6,126	1,500	4,002	3,075	1,650	225					\ \							,
(+) Total Additions						4,002	779	1,345	1,037	0	3,348	•	0	0					\ \							,
% of new systems sold which were Syndeo						4	40.0%	40.0%	40.0%										N	•					_	
Syndeo 1.0 & 2.0 Machines Sold						2,130	654	956	711 90.0%										•	A						
% of Trade-Ups which were Syndeo Syndeo 1 0 8 2 0 Machiner Traded Up						1,515	90.0%	900%	90.0% 326											<b>\</b>						
Syndeo 1.0 & 2.0 Machines Traded Up (-) Replaced with 3.0						1,515	124	390	326 2,850	1,425	4,275	1,425	1,425	225						<b>\</b>						
(-) Replaced with 3.0 (=) Ending Balance of Syndeo 1.0 & 2.0						4,002	4,780 7	6,126	2,850 7,350	3,075	4,275 3,075	1,425	1,425 225	0						<b>\</b>						,
						4,000	I	0,122	7,000	2,0.0	3,4	Aphon	***	•						\						
Syndeo 3.0 Released c. 8/23	1						<b>⊿</b> \	(												\						,
Syndeo 3.0 Beginning Balance							4	\	0	2,850	0	4,275	5,700	7,125	7,350	4,275	7,589	7,857	8,209	8,502	7,589	8,941	9,289	9,693	10,078	8,941
(+) Syndeo 3.0 from Replacements of 1.0 & 2.0									2,850	1,425	4,275	1,425	1,425	225	0	3,075	0	0	0	0	0	0	0	0	0	0 /
(x) % of New Sales which were Syndeo									0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	40.0%	13.3%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40,0%
(+) Syndeo 3.0 from New Sales								_	0	0	0	0	0	0	239	239	267	352	373	359	1,352	348	405	384	481	1,618
(=) Syndeo 3.0 Ending Balance									2,850	4,275	4,275	5,700	7,125	7,350	7,589	7,589	7,857	8,209	8,582	8,941	8,941	9,289	9,693	10,078	10,559	10,559
(-) syriacs are crising entance						2,001	4,391	5,453	1,425	2 563	2,138	4,988	6,413	7,238	7,470	5,932	7,723	8,033	8,395	8,761	8,265	9,115	9,491	0.005		9,750
																3,932	1,123	8,033		8,701						
Total Functional Syndeo Systems in Field (Awg)							21.980	23.091	22.001	213.4	21.125		22.466	22.916	23.343	22.743	23.716	24.173	24.708		24.516		26.324	26,906	10,318 27,544	
						20,809		23,091	23,094	21,1	21,125	22,116 300	22,466	22,916	23,343	22,743	23,716	24,173	24,708	25,248	24,516	25,769		26,906	10,318 27,544	26,706
Total Functional Syndeo Systems in Field (Avg) ex-Syndeo Systems in Field (Avg)	14,458	14,810	15,300	14,772	17,978			23,091	24,516	25,378	21,125		22,466	22,916 30,153	23,343 30,812	22,743	23,716 31,439	24,173 32,206	24,708 33,103		24,516			26,906 36,791		
Total Functional Syndeo Systems in Field (Avg) ex-Syndeo Systems in Field (Avg) q/q adds	14,458	14,810	15,300	14,772	17,978	20,809	21,980	23,091 1,111	23,091	25,378	1,000	22,116 300	22,466 20,978							25,248	24,516	25,769	26,324	,	27,544	26,706

We have the Syndeo 1.0 and 2.0 machines upgrade to 3.0 over time (rate of 1,425 is half as efficient as in 3QFY'23). We then let ~40% of new machine sales be Syndeo 3.0 (in line with historically backed out numbers).

Source(s): Company Filings, BBG

We assume all new machines are 100% ex-Syndeo machines until 4QFY24. We use 300 as our base given that it is the lowest level of ex-Syndeo machine sales ever (peak COVID) We then return new machine sales growth benchmarked to FY'19 levels (removes COVID and functional issues).

### Consumables Build



Year BBG Label Va Label	4 2022 2022Q4 4QFY-2022	4 2022 FY-2022	1 2023 2023Q1 1QFY-2023	2 2023 2023Q2 2QFY-2023	3 2023 2023Q3 3QFY-2023	4 2023 2023Q4 4QFY-2023	4 2023 FY-2023	1 2024 2024Q1 1QFY-2024	2 2024 2024Q2 2QFY-2024	3 2024 2024Q3 3QFY-2024	4 2024 2024Q4 4QFY-2024	4 2024 FY-2024	1 2025 2025Q1 1QFY-2025	2 2025 2025Q2 2QFY-2025	3 2025 2025Q3 3QFY-2025	4 2025 2025Q4 4QFY-2025	4 2025 FY-2025	1 2026 2026Q1 1QFY-2026	2 2026 2026Q2 2QFY-2026	3 2026 2026Q3 3QFY-2026	4 2026 2026Q4 4QFY-2026	4 2026 FY-2026
Period Ending	12/31/2022	12/31/2022	3/31/2023	6/30/2023	9/30/2023	12/31/2023	12/31/2023	3/30/2024	6/29/2024	9/29/2024	12/30/2024	12/30/2024	3/30/2025	6/29/2025	9/29/2025	12/30/2025	12/30/2025	3/30/2026	6/29/2026	9/29/2026	12/30/2026	12/30/2026
Report Date	2/28/2023	2/28/2023	5/10/2023	8/9/2023	11/13/2023	2/28/2024	2/28/2024	5/9/2024	8/8/2024	11/12/2024	2/27/2025	2/27/2025	5/9/2025	8/8/2025	11/12/2025	2/27/2026	2/27/2026	5/9/2026	8/8/2026	11/12/2026	2/27/2027	2/27/2027
	92	365	90	91	92	92	365	90	91	92	92	365	91	91	91	91	365	91	91	91	91	365
Stock Close 1 Day Pre-Q	\$11.32		\$11.00	\$7.12	\$3.90																	
Stock Close 1 Day Post-Q Estimate for Stock Performance on the Print	\$12.30 8.7%		\$10.69	\$7.08	\$1.39																	
Performance PoP	24.1%		(2.8%)	(0.6%)	(64.4%)																	
renormance For	24.179		(25.270)	(55.676)	(00,470)																	
Driving Builds																						
Consumables (Razor Blades)																						
(consumables (kazor biades)																						
Avg Install Base (from above)	24,905	22,810	26,371	28,544	24,516	25,378	23,263	27,103	28,878	30,153	30,812	28,675	31,439	32,206	33,103	34,009	32,781	34,884	35,815	36,791	37,863	36,456
Consumables Net Sales	\$47.4	\$159.7	\$40.9	\$51.9	\$46.4	\$38.0	\$177.2	\$35.8	\$35.8	\$54.2	\$62.5	\$188.2	\$57.9	\$73.2	\$65.5	\$75.9	\$272.4	\$65.5	\$83.0	\$74.2	\$86.1	\$308.9
9/9	19.4%	00.00/	(13.7%)	26.9%	(10.6%)	(18.0%)		(6.0%)	0.0%	51.6%	15.2%	6.007	(7.3%)	26.4%	(10.5%)	15.9%	** 1907	(13.6%)	26.7%	(10.6%)	16.1%	40.45/
y/y Per Installed Device	34.7% 1,903	32.3% 6,999	21.0% 1,551	33.9% 1,818	16.9% 1,893	966	11.0% 7,619	(12.6%) 969	(31.1%) 1.033	1,798	64.2% 2,028	6.2%	61.9% 1,842	104.6%	20.8% 1,978	21.4%	44.7% 8,310	13.2% 1,879	13.4% 2,318	13.4% 2,017	2,275	13.4%
y/y	5.5%	4.3%	(3.6%)	4.7%	13.0%	(49.3%)	8.9%	(37.5%)	(4. 2%)	(5.0%)	110.0%	(13.8%)	90.0%	120.0%	1,978	10.0%	26.6%	2.0%	2.0%	2.0%	2.0%	2.0%
vs. '19	2.370		(7.4%)	(4.7%)	11.63	(50.6%)	9.1%	(42.1%)	(45.9%)	6.0%	3.7%	(6.0%)	10.0%	19.1%	16.6%	14.1%	19.0%	12.2%	21.5%	18.9%	16.4%	21.3%
						,																
Street Consumables Net Sales	47.4	159.7	40.9	51.9	46.4	50.7	190.5	48.2	57.1	55.6	61.9	219.2	52.7	63.0	61.1	66.3	251.6	61.1	71.1	71.0	76.3	264.0
Variance	0.1%	0.0%	0.1%	0.0%	0	33.2%	7.5%	34.7%	59.6%	2.5%	(1.0%)	16.4%	(9.0%)	(13.9%)	(6.7%)	(12.5%)	(7.7%)	(6.8%)	(14.4%)	(4.3%)	(11.4%)	(14.5%)
Street Per Installed Device	1,908	7,013	1,550	1,819	1,551	1,639	6,721	1,496	1,703	1,582	1,687	6,413	1,405	1,616	1,507	1,579	6,345	1,394	1,566	1,507	1,564	5,903
Variance	(0.3%)	(0.2%)	0.1%	(0.0%)	22.0%	(41.1%)	13.4%	(35.2%)	(39.4%)	13.6%	20.2%	2.4%	31.1%	40.6%	31.2%	41.2%	31.0%	34.8%	48.0%	33.8%	45.5%	43.5%
																\						
																\						
I																<b>\</b>						
																· \						
																\						

We have an 18% hit to the q/q consumables revenue from our side build presented above. We let this persist for two quarters to be conservative. SKIN gives customers ~1 quarters worth of consumables for free when they buy a new system or upgrade. They have not explicitly said if this policy extends to those whose machines were affected by the 1.0 and 2.0 flaws, but we conservatively assume – as would be in line with historical practices and their insistence on maintaining strong relationships with their estheticians.

**Cost Break Down Consumables** Dysfunctional machines that need repair 7.350 (-) Machines replaced w/3.0 2,850 (=) Machines which still need to be replaced 4.500 1,737 Revenue / Machine / Quarter, Rolling Avg (past 4Qs before impact) Consumables Impact so Far (in Ms) (per machines replaced) 5 Consumables Last 4 Qs Rolling Avg \$45.0 % of Last Avg 4 Qs (11.0%) Consumables Impact Still to come (in Ms) 8 (17.4%) % of Last Avg 4 Qs

We then benchmark back to FY'19 (pre-COVID and pre-Syndeo issues) the per machine consumable build. The company does not disclose changes in consumables pricing & it is not available publicly on their website.

Therefore, we take a simplistic approach to avoid false precision. We return to 2% conservatively below the historical FY'22 level of 4.3%.

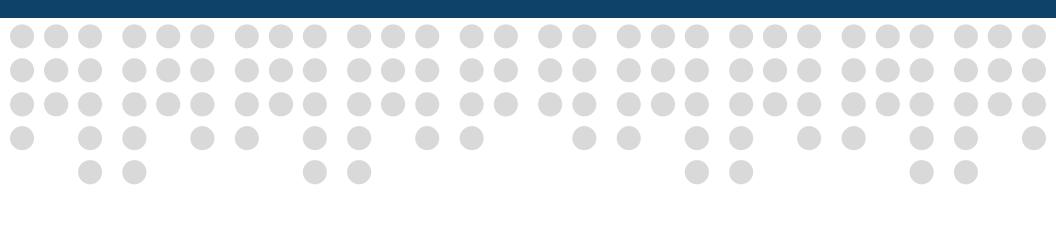
Source(s): Company Filings, BBG

## **Income Statement**



Test 1856 Label Ferica Ending Report Date Revised Ending Revised Ending Revised Ending Revised Ending Revised En	1 2020 2020Q1 10FY-2020 3/31/2020 5/13/2020 90	2 2020 2020Q2 205Y-2020 6/30/2020 8/10/2020 91	3 2020 2020Q3 9QFY-2020 9/30/2020 11/16/2020 92	4 2020 202004 4QFY-2020 12/31/2020 3/18/2021 92 511.22 511.35 1.2%	12/31/2020	4 2021 FY-2021 12/31/2021 2/22/2022 365	1 2022 2022Q1 10FY-2022 3/31/2022 8/9/2022 90 515.27 514.00 (8.3%) (15.4%)	6/30/2022	3 2022 2022Q3 30[FY-2022 9/30]/2022 11/8/2022 92 511.30 59.91 (12.3%) (29.2%)		4 2022 FY-2022 12/31/2022 2/28/2023 365	1 2023 2023Q1 10/FY-2023 3/31/2023 5/10/2023 90 511.00 510.69 (2.8%) (13.1%)	2 2023 2023Q2 2023Q2 20[FY-2023 6/30/2023 91 57.12 57.08 (0.5%)	3 2023 2023Q3 5QFY-2023 9/30/2023 11/3/2023 92 53.90 51.39 (64.4%)	4 2023 2029294 40FY-2023 12/51/2023 2/28/2024 92	4 2025 FY-2023 12/31/2023 2/28/2024 365	1 2024 2024Q1 10[FY-2024 3/30/2024 5/9/2024 90	2 2024 2024 2024 20FY-2024 6/39/2024 8/8/2024 91	3 2024 2024Q3 3QFY-2024 9/29/2024 11/12/2024 92	4 2024 2024Q4 4QFY-2024 12/30/2024 2/27/2025 92	4 2024 FY-2024 12/30/2024 2/27/2025 365	1 2025 202501 1QFV-2025 3/30/2025 5/9/2025 51	2 2025 2025Q2 2025Q2 20FY-2025 6/29/2025 8/8/2025 91	3 2025 2025Q3 30FY-2025 9/29/2025 11/12/2025 91	4 2025 2025Q4 40FY-2025 12/30/2025 2/27/2026 91	4 2025 FY-2025 12/30/2025 2/27/2026 365	1 2026 2026Q1 10,FY-2026 3,70,70226 5,79,7026 91	2 2026 2028G2 20FY-2026 6/29/2026 8/8/2026 91	9/29/2026	4 2026 2026Q4 4QFY-2026 12/30/2026 2/27/2027 91	4 2026 FY-2026 12/30/2026 2/27/2027 365
		- 14	96	90	110	260	76	104	90		266	06	110	07	AG	347	44	AE		70	235	77	06	03	100	364	01	108	102	119	419
Net Sales v/v	(0)	(1)	(0)	(0)	(28.7%)	118.4%	58.8%	55.7%	30.3%	26.0%	40.7%	14.4%	13.5%	9.7%	(53.6%)	(5.2%)	(49.3%)	(61.9%)	(50.9%)	73.4%	(32.2%)	77.0%	111.6%	36.3%	26.8%	55.0%	17.2%	13.9%	10.8%	18.3%	15.0%
current guide									_					110	84-99 11	385-400 202				20	57				25	93					108
Adjusted Gross Profit	33	4	21	24	78	192	55	75	67	71	267	60	76	61	35	238	33	34	51	59	178	58	71	68	75	271	67	81	75	88	311
Adjusted Gross Margin	100.0%	30.5%	60.6%	63.5%	65.5%	74.0%	72.7%	72.3%	75.1%	72.3%	73.0%	70.0%	64.9%	62.4%	76.7%	68.7%	76.3%	76.0%	76.1%	75.2%	75.8%	74.3%	74.9%	73.7%	74.6%	74.4%	73.7%	74.8%	74.0%	74.0%	74.1%
y/y bps Street					(580)	855	43	(263)	355	(426)	(98)	(270)	(742)	(1,264)	444	(433)	635	1,111	1,368	(146)	713	(205)	(108)	(242)	(65)	(146)	(54)	(10)	28	(62)	(24)
Revenue	33	14	35	38	119	260	75	104	89	98	366	86	117	97	94	395	90	114	109	110	423	99	114	113	114	440	109	128	128	129	493
Adjusted Gross Profit	22	7	24	26	78	192	54	74	67	71	266	60	76	61	59	256	60	75	73	74	282	65	75	77	79	296	74	85	88	89	336
Gross Profit Build																															
Consumables Sales	19	8	19	21	66	121	34	39	40	47	160	41	52	46	38	177	36	36	54	62	188	58	73	65	76	272	66	83	74	86	309
Assumed Gross Margin Consumables Gross Profit	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0% 128	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%	80.0%
Consumables dross Profit	15		15	10	33	97	21	31	32	30	120	33	42	37	30	242	29	29	43	50	151	40	39	52	01	210	32	00	39	69	24/
New Machines Sales	14	6	16	17	53	137	39	50	48	47	185	44	54	47	8	152	8	9	13	15	45	18	20	24	23	85	23	23	25	30	101
Assumed Gross Margin New Machines Profit	60.0%	60.0%	60.0%	60.0%	60.0% 32	60.0% 82	60.0%	60.0% 30	60.0%	60.0%	60.0% 111	60.0%	60.0%	60.0% 28	60.0%	60.0% 91	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0% 15	60.0%	60.0%
Trade-Up Machines Sales Assumed Gross Margin	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	14 30.0%	30.0%	30.0%	22 30.0%	30.0%	12 30.0%	30.0%	30.0%	18 30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	7 30.0%	30.0%	30.0%	30.0%	30.0%	9 30.0%
Trade-Up Machines Profit	0	0	0	0	0	1	1	4	0	1	6	0	30.0%	1	0	5	0	0	0	0	0	1	1	1	1	2	1	1	1	1	30.0%
Blended Sales Blended Gross Margin	71.2%	71.4%	70.6%	70.7%	70.9%	260 68.9%	75 67.7%	104 63.3%	89 68.7%	98 68.7%	366 67.0%	68.9%	117 65.9%	97 68.2%	76.7%	347 68.7%	76.3%	76.0%	67 76.1%	79 75.2%	235 75.8%	77 74,3%	95 74,9%	73.7%	74,6%	364 74,4%	91 73.7%	108 74.8%	74.0%	119 74.0%	419 74.1%
Blended Profit	23	10	24	27	84	179	51	66	61	67	245	59	77	66	35	238	33	34	51	59	178	58	71	68	75	271	67	81	75	88	311
	26					220					275															244					252
Total Operating Expenses S, G & A	25	0	18	21	81	210	63	72	64	67	266	69	78	68	42	265	48	49	55	49	203	59	63	60	54	237	62	65	61	57	245
% of Net Sales	76.6%	0.0%	52.7%	55.0%	68.0%	80.7%	83.1%	70.0%	71.6%	68.8%	72.8%	80.1%	66.5%	69.5%	92.3%	74.1%	109.4%	110.0%	81.5%	61.9%	85.5%	76.2%	66.7%	65.9%	54.3%	65.1%	68.4%	60.2%	60.0%	47.9%	58.5%
Research & Development % of Net Sales	0.0%	0.0%	1.7%	0.0%	3 2.9%	9 3.3%	3.0%	2.5%	2,4%	1 1.5%	2.3%	2.7%	2.5%	1.8%	1	8 2.3%	1	1	1 1.8%	1 1.8%	1.8%	1	1.8%	1.8%	2 1.8%	7 1.8%	2 1.8%	1.8%	2 1.8%	1.8%	1.8%
Other Expenses	1	0.0%	0	0.0%	2.5%	2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
% of Net Sales	4.3%	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Operating Income	(7)	(8)	3		(17)	(29)	(13)	(0)	1	10	(2)	(0)	10	1	(8)	(27)	(15)	(16)	(5)	9	(27)	(3)	6	5	19	27	3	14	12	29	58
st OPEX	\$25.66	\$10.49	\$17.87	\$25.11	575.92	\$167.64	\$56.46	563.73	\$52.41	\$57.95	\$232.45	562.68	\$61.39	\$57.21	561.08	\$243.45	\$64.77	564.61	554.37	\$63.78	\$242.07	\$64.33	\$66.07	\$64.61	\$62.68	\$265.75	\$66.74	\$68.64	\$67.08	\$64.48	\$244.08
Interest Expense (Income) % of net debt			6	61	(0.2%)	12	(0.0%)	(0.0%)	0.0%	3	13	3	3	(3)	(3)	0	(2)	(2)	(2)	(2)	0	(1)	(1)	(1)	(0)	0	0	1	1	2	0
St. of net dept Other Expenses (Income)			#DIV/0I (0)	(0.6%)	(0.2%)	(0.0%)	(0.0%)	(0.0%)	(7)	0.0%	(83)	0.0%	0.0%	(0.0%)	(0.0%)	(23)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0%	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0%	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0% (21)
% of net sales			(0.1%)	13.2%	0.0%	126.5%	(68.3%)	(14.1%)	(7.7%)	(9.9%)	(22.6%)	6.1%	(15.1%)	(8.7%)	(5.0%)	(6.7%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)	(5.0%)
Pre Tax Income			(9)	(66)	(30)	(372)	15			17	64	(0)	24	- 11	(2)	15	(11)	(12)		15	195		12	- 11	24	. 49		19	16		76
Provision for Income Taxes			(1)	(20)	(9)	(2)	3	ō	(1)	(1)	1	(4)	(2)	4	0	(2)	0	0	ō	0 -	0	ō	2	2	5	10	2	4	3	7	15
Effective Tax Rate	#DIV/01	#DIV/01	21.1%	30.0%	24.2%	0.6%	7.4%	0.9%	(18.7%)	(7.4%)	1.0%	40.7%	(9.2%)	27.1%	0.0%	(9.4%)	0.0%	0.0%	0.0%	0.0%	0.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Adjusted Net Income	(9)		1		(29)	(18)	33	2	5	18	58	(5)	25	13	1	42	(8)	(9)	4	18	6	5	13	12	23	53	10	18	17	30	75
		_		_																											
Adj Diluted EPS VA	#DIV/0! (\$0.10)	#DIV/0! (\$0.16)	\$0.03 \$0.01	#DIV/0! (\$0.05)	(\$0.56) (\$0.35)	(\$0.18) \$0.06	\$0.21 (\$0.05)	\$0.01 \$0.01	\$0.03 \$0.05	\$0.13 \$0.05	\$0.39 \$0.10	(\$0.04) (\$0.03)	\$0.19 \$0.07	\$0.10 (\$0.14)	\$0.01 (\$0.04)	\$0.32 (\$0.13)	(\$0.06) (\$0.04)	(\$0.06) \$0.04	\$0.03 \$0.08	\$0.14 \$0.03	\$0.04 \$0.08	\$0.04 (\$0.02)	\$0.10 \$0.03	\$0.09 \$0.06	\$0.17 \$0.07	\$0.40 \$0.17	\$0.07 \$0.02	\$0.14 \$0.07	\$0.13 \$0.12	\$0.23 \$0.12	\$0.56 \$0.33
	(30.20)	(30.10)	30.01	(30.03)		30.00		30.01	30.03	30.03					(30.04)			30.04	30.08	30.03	30.08	(30.02)	30.03	30.00	30.07	30.17	30.02	30.07	30.12		
Diluted Shares			35		52	101	153	153	151	138	149	132	133	133	133	133	133	133	133	133	133	133	133	133	133	133	133	133	133	133	133
GAAP NI to Adj EBITDA																							_	_	_			_			
Net Income (Loss)			(2)		(29)	(375)	33		0	4	44	(22)	3	(74)	1	(91)	(8)	(9)	4	18	6	5	13	12	23	53	10	18	17	30	75
DBA % of last period's PPBE & A					15 0.0%	18 0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	32 0.0%	7 0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	3 0.0%	16 0.1%	0.0%	0.0%	0.0%	0.0%	0.1%
Stock Based Comp					0	12	7	6	7	8	28	4	9	8	4	24	3	3	4	5	14	5	6	6	6	22	5	6	6	7	25
% of revenue					0.0%	4.8%	9.3%	6.2%	8.4%	7.8%	7.8%	4.2%	7.2%	8.4%	8.0%	6.9%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Interest Expense Income Tax Benefit					(9)	(2)	3 (4)	3	(1)	(1)	(2)	(3)	(2)	(3)	(3)	(10)	(2)	(2)	(2)	(2)	0	(1)	(1)	(1)	(0)	10	2	4	3	7	3 15
Other						220	0	0	(2)	1	(1)	(0)	0	(5)	ō	(6)	ō	0	0	ō	0	ō	ō	0	ō	0	0	0	ō	0	0
Adjusted EBITDA	(2)	(1)	7			22	2	11	17	16	40	m	10			16	0	(1)	12	27	97	14	24	72	17	92	20	22	29	40	129
VA VA	(2)	(1)	8	4	8	33	2	13	16	16	48	(1)	17	9	1	28	(2)	13	20	12	40	3	12	14	17	51	9	19	22	25	79
Adjusted EBITDA, Margin	(6.4%)	(7.8%)	21.4%	9.2%	6.5%	12.6%	2.9%	12.2%	18.6%	16.6%	13.0%	(0.6%)	15.1%	9.3%	20.3%	10.3%	0.3%	(2.8%)	17.6%	33.6%	15.9%	17.9%	25.6%	24.9%	36.5%	26.8%	21.8%	29.6%	29.0%	40.1%	30.7%

Source(s): Company Filings, BBG





Framing Revenue Builds, TAM & Guidance

### **Future Guides**



How Mgmt. Meets Their 4Q Implied Guide	
Lower Bound of 4Q Guide	84
Upper Bound of 4Q Guide	99
Total Revenue	84
Consumables	
ex-Syndeo Install Base	23,091
Syndeo Install Base (excluded b/c promotional packages)	2,850
% of Syndeo Base Who is Reordering	0.0%
Average Consumables Spend / Device (Last 4Q)	1,903
Total Consumables Spend	44
Machines	
Syndeo New System Sales	0
Ex-Syndeo New System Sales (Held Constant from Last Q)	1,799
ASP (in line w/ historical average)	22,000
Total Delivery System Spend	40

Given the conservative assumptions above, we believe that mgmt. may
be able to reach the bottom of it's implied 4Q guide. The lower bound
(84) is -15% lower y/y than last year's 4Q. St. has topline at 94. They
have yet to miss topline or EBITDA guidance.

Ex-Syndeo new system sales are very hard to triangulate, but we believe that ~1,800 is reasonable given that they were able to sell 1,931 systems in 4QFY'21 (the quarter before the official launch of the Syndeo 1.0).

See TAM build for more support.

How Mgmt. Sets FY'24 Guide		
Consumables	Mv Model	Mgmt.'s Bull Case
ex-Syndeo Install Base (avg over FY'24)	22,743	23,993
(+) Syndeo Install Base (avg over FY'24)	5,932	7,582
(x) Average Annual Consumables Sales (per installed device FY '22)	6,999	7,500
(=) Consumables Sales	201	237
(-) Consumable Impact from Syndeo Upgrades	8	8
(=) Total Consumables Sales FY'24	193	229
Delivery Systems		
New Syndeo Machines Sold (not upgrades from 1.0/2.0)	239	3,300
(x) ASP	28,000	28,000
(+) New Machines Sold ex-Syndeo	1,559	2,500
(x) ASP	22,000	22,000
(+) Upgrades	153	250
(x) ASP	25,000	25,000
(=) Total Delivery System Sales FY'24	45	154
Total Sales	238	383

It is very difficult to triangulate where mgmt. may guide for FY'24. We believe that given the high degree of uncertainty and mgmt.'s desire to regain investor trust, they may guide to a very conservative 200-300 in the first quarter and then raise as they recover from operational challenges, **but we do not have great visibility here**. NB: this compares to a current FY guide of 385-400, st at 423.

It also seems plausible that they issue no guidance at all.

## TAM Build (I), US TAM



We benchmark to AbbVie's Medicial Aesthetics Business (Botox + Juvederm) to get that SKIN is still significantly below both its US and Int'l TAM.

	FY-2018	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024	FY-2025	FY-2026
HYDRAFACIAL TAM									
US TAM Build									
Estimate of Total Women in the US Aged 15-39 (Census)	54,888,372	55,164,193	55,441,400	55,720,000	56,000,000	56,280,000	56,561,400	56,844,207	57,128,428
(x) % of women willing to go	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%
(x) avg frequency, monthly	0.5x								
(+) Estimate of Total Men in the US Aged 15-39 (Census)	55,868,522	56,149,268	56,431,425	56,715,000	57,000,000	57,285,000	57,571,425	57,859,282	58,148,579
(x) % of men willing to go	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
(x) avg frequency, monthly	0.3x								
(=) Total Sessions (TAM) Monthly	19,509,876	19,607,915	19,706,448	19,805,475	19,905,000	20,004,525	20,104,548	20,205,070	20,306,096
TAM in People	41,813,178	42,023,294	42,234,467	42,446,700	42,660,000	42,873,300	43,087,667	43,303,105	43,519,620
Triangulation via Consumables									
Consumables Sales (in Ms, Globally)	55	85	66	121	160	177	188	272	309
(x) % of Consumables Sales generated in US	79.0%	73.5%	68.4%	65.1%	66.5%	62.3%	66.0%	66.0%	66.0%
(/) Revenue Generated / Session	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
(/) # of Months	12	12	12	12	12	12	12	12	12
(=) Implied Sessions Monthly	145,301	208,617	149,785	262,089	353,804	365,809	414,098	599,313	679,594
(/) Total Sessions TAM Monthly	19,509,876	19,607,915	19,706,448	19,805,475	19,905,000	20,004,525	20,104,548	20,205,070	20,306,096
(=) Percent of TAM	0.7%	1.1%	0.8%	1.3%	1.8%	1.8%	2.1%	3.0%	3.3%
Triangulation via Machines									
Machine Sales (in Ms, Globally)	57	81	53	139	206	169	47	92	110
Average US Install Base	8,260	10,435	12,276	14.391	17,550	19.618	21,303	23,367	25,007
(x) Treatments / System Annually	376	376	376	376	376	376	376	376	376
(/) Adj for Quarters	1	1	1	1	1	1	1	1	1
(/) # of Months	12	12	12	12	12	12	12	12	12
(=) Total Sessions TAM Monthly	259,138	327,370	385,142	451,510	550,621	615,476	668,352	733,111	784,562
(/) Total Sessions TAM Monthly	19,509,876	19,607,915	19,706,448	19,805,475	19,905,000	20,004,525	20,104,548	20,205,070	20,306,096
(=) Percent of TAM	1.3%	1.7%	2.0%	2.3%	2.8%	3.1%	3.3%	3.6%	3.9%

We start with the US population who may be interested in the product as per mgmt.'s suggestions. To arrive at a total monthly sessions in the US TAM for SKIN.

From there, we triangulate via consumables and via machines (using mgmt.'s disclosures of roughly ~\$25 in revenue in consumables per treatment and ~376 treatments per machine annually) to get that SKIN is currently at only 1.8%-2.8% of its current TAM.

On the coming slides we benchmark this to ABBV's Botox and Juvederm products (which are at 10% of their TAMs).

Source(s): Company Filings, BBG

## TAM Build (II), Int'l TAM



Ex-US TAM	FY-2018	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024	FY-2025	FY-2026
Estimate of Total Women in the US Aged 15-39 (Census)	54,888,372	55,164,193	55,441,400	55,720,000	56,000,000	56,280,000	56,561,400	56,844,207	57,128,428
(x) Int'l Multiplier	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
(x) % of women willing to go	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%	66.0%
(x) avg frequency, monthly	0.5x								
(+) Estimate of Total Men in the US Aged 15-39 (Census)	55,868,522	56,149,268	56,431,425	56,715,000	57,000,000	57,285,000	57,571,425	57,859,282	58,148,579
(x) Int'l Multiplier	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%	12.5%
(x) % of men willing to go	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
(x) avg frequency, monthly	0.3x								
(=) Total Sessions TAM Monthly, ex-US	4,702,880	4,726,512	4,750,264	4,774,134	4,798,125	4,822,116	4,846,226	4,870,457	4,894,810
Triangulation via Consumables									
Consumables Sales (in Ms, Globally)	55	85	66	121	160	177	188	272	309
(x) % of Consumables Sales generated in ex-US	21.0%	26.5%	31.6%	34.9%	33.5%	37.7%	34.0%	34.0%	34.0%
(/) Revenue Generated / Session in US	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25	\$25
(x) Revenue Generated / Session as a % of US	39%	39%	39%	39%	39%	39%	39%	39%	39%
(/) # of Months	12	12	12	12	12	12	12	12	12
(=) Implied Sessions Monthly	14,899	29,022	26,648	53,994	68,674	85,727	82,129	118,864	134,786
(/) Total Sessions TAM Monthly	4,702,880	4,726,512	4,750,264	4,774,134	4,798,125	4,822,116	4,846,226	4,870,457	4,894,810
(=) Percent of TAM	0.3%	0.6%	0.6%	1.1%	1.4%	1.8%	1.7%	2.4%	2.8%
Triangulation via Machines									
Machine Sales (in Ms, Globally)	57	81	53	139	206	169	47	92	110
Average ex-US Install Base	1,065	1,763	2,496	3,587	5,260	3,645	7,372	9,414	11,449
(x) Treatments / System Annually	376	376	376	376	376	376	376	376	376
(/) Adj for Quarters	1	1	1	1	1	1	1	1	1
(/) # of Months	12	12	12	12	12	12	12	12	12
(=) Total Sessions TAM Monthly	33.406	55.327	78,311	112.538	165.026	114,367	231,282	295.357	359,199
(/) Total Sessions TAM Monthly	4,702,880	4,726,512	4,750,264	4,774,134	4,798,125	4,822,116	4,846,226	4,870,457	4,894,810
(=) Percent of TAM	0.7%	1.2%	1.6%	2.4%	3.4%	2.4%	4.8%	6.1%	7.3%

Int'l is much more difficult. We triangulate using ABBV's disclosures comparing Int'l vs. US consumption of Botox vs. Juvederm. (This is where we get the 25% Int'l multiplier from).

We also assume that the treatment costs roughly 39% of the US price ex-US (given publicly available pricing on the EMEA, Korean, and Chinese markets).

From there, we triangulate via consumables and via machines to get that SKIN is currently at only 1.4%-3.4% of its Int'l TAM.

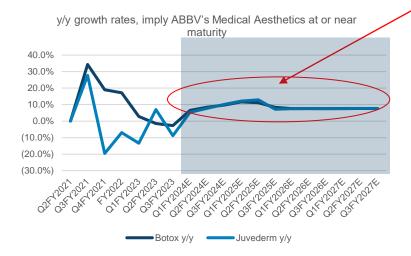
On the coming slides we benchmark this to ABBV's Botox and Juvederm products (which are at 10% of their TAMs).

Source(s): Company Filings, BBG

# TAM Build (III), ABBV Benchmarking



JS BOTOX TAM	FY-2018	FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024	FY-2025	FY-2026
AbbVie US Medical Aesthetics Revenue (Ms USD)	•		1,671	3,350	3,324	3,218	3,428	3,735	3,922
y/y change				100.5%	(0.8%)	(3.2%)	6.5%	8.9%	5.0%
(/) Revenue to AbbVie Per Unit of Botox			\$8	\$8	\$8	\$8	\$8	\$8	\$8
(/) Number of Units Per Person Per Treatment			50	50	50	50	50	50	50
(/) Treatments / Yr			2.0x	2.0x	2.0x	2.0x	2.0x	2.0x	2.0x
(x) Adj for Quarters			1	1	1	1	1	1	1
(=) US Total Patients Treated			2,088,750	4,187,500	4,155,000	4,023,095	4,285,511	4,668,899	4,902,344
() Women Aged 20-59		84,716,439	85,142,150	85,570,000	86,000,000	86,430,000	86,862,150	87,296,461	87,732,94
(=) % of TAM			2.5%	4.9%	4.8%	4.7%	4.9%	5.3%	5.6%
) Calced TAM for HydraFacial	41,813,178	42,023,294	42,234,467	42,446,700	42,660,000	42,873,300	43,087,667	43,303,105	43,519,62
(=) % of HydraFacial TAM			4.9%	9.9%	9.7%	9.4%	9.9%	10.8%	11.3%
NT'I BOTOX TAM									
bbVie Int'l Medical Aesthetics			919	1,883	2,009	2,069	2,245	2,355	2,472
y/y change				104.9%	6.7%	3.0%	8.5%	4.9%	5.0%
(/) Revenue to AbbVie Per Unit of Botox in US			\$8	\$8	\$8	\$8	\$8	\$8	\$8
(x) Price Discount Int'l			39%	39%	39%	39%	39%	39%	39%
(/) Number of Units Per Person Per Treatment			50	50	50	50	50	50	50
(/) Treatments / Yr			2.0x	2.0x	2.0x	2.0x	2.0x	2.0x	2.0x
(x) Adj for Quarters			1	1	1	1	1	1	1
(=) Int'l Total Patients Treated			442,269	906,194	966,831	995,661	1,080,524	1,133,134	1,189,79
(/) US Total Patients Treated			2,088,750	4,187,500	4,155,000	4,023,095	4,285,511	4,668,899	4,902,344
(=) % of US TAM			21.2%	21.6%	23.3%	24.7%	25.2%	24.3%	24.3%

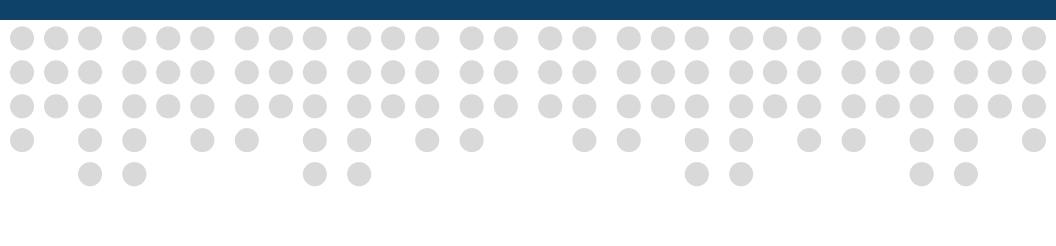


AbbVie discloses rough estimates for revenue per treatment, the number of treatments per person, and the number of times a person is treated per year.

We group both Juvederm and Botox together given that they are reported combined in "Medical Aesthetics".

This gets us the 25% Int'l TAM multiplier (ABBV which is arguably at maturity given its relatively stable growth rate) sees Int'l patients treated at roughly 25% of US patients treated (when we adjust for differences in cost between the US and Int'l).

Source(s): Company Filings, BBG, Future Numbers from consensus





Valuation

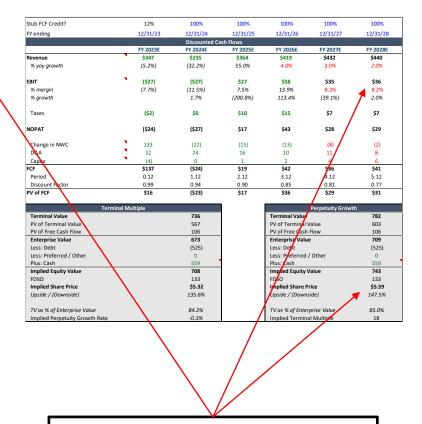
## P<sub>72</sub> DCF



St is mismodeling WACC, the company has ~750M of outstanding convertible debt which is trading at ~\$0.60, even if we assume a premium to \$0.70, debt is much lower than st. They only pay 1.25 on the convert! Combined this gets us to a WACC of 5.3% (revolver of 50 was undrawn as of 11/13/23) no other debt found, B/S records ~735M of debt – in line with only convertible bond.

Assumption	ns
WACC	5.2%
Perpetuity Growth Rate	
Terminal Multiple (LTM)	18.0x
Date	11/19/2023
Days in Fiscal Year	365
Diluted Shares Outstanding	133
Today's Price	\$2.26
WACC	
Market Value of Equity	\$300
Market Value of Debt	525
Fotal Capitalization	\$825
Cost of Equaty	12.6%
Cost of Debt	1.3%
Tax Rate	20.0%
MACC	5.2%
Cost of Equi	
Risk-Free Rate	4.4%
Equity Risk Premium	6.1%
Beta	1.3
Cost of Equity	12.6%
Cost of Dol	ht.
Cost of Deb Pre-tax Cost of Debt	1.25%

		Implied Share Price								
				WACC						
		4.7%	5.0%	5.2%	5.5%	5.7%				
	19.0x	\$5.69	\$5.62	\$5.56	\$5.50	\$5.44				
nal ple	18.5x	\$5.57	\$5.50	\$5.44	\$5.38	\$5.32				
Terminal Multiple	18.0x	\$5.44	\$5.38	\$5.32	\$5.27	\$5.21				
ĒΞ	17.5x	\$5.32	\$5.26	\$5.21	\$5.15	\$5.09				
	17.0x	\$5.20	\$5.14	\$5.09	\$5.03	\$4.98				
			Ir	mplied Share Price						
				WACC						
		4.7%	5.0%	5.2%	5.5%	5.7%				
_	0.50%	\$6.85	\$6.45	\$6.10	\$5.78	\$5.49				
t j	0.25%	\$6.51	\$6.16	\$5.83	\$5.54	\$5.28				
Perpetuity Growth	0.00%	\$6.21	\$5.89	\$5.59	\$5.33	\$5.08				
Per G	(0.25%)	\$5.94	\$5.65	\$5.38	\$5.13	\$4.91				
	(0.50%)	\$5.70	\$5.43	\$5.18	\$4.95	\$4.74				



Here, we model a LT EBIT margin of 8.2% (in line w/ FY'19), we have change in NWC approach 0 and CapEx converge towards D&A in later years. We then apply an aggressively conservative 0% terminal growth rate (on top of our drastic revenue outlook for FY'24) and get a share price of >\$5.

# Comps Table & PTs



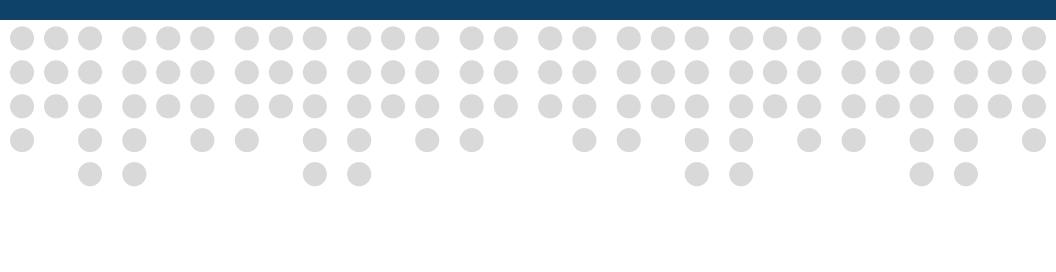
Beauty Health Comps													
Company	Ticker	Price 11/19/23	% of 52wk Hi	Mkt Cap	Enterprise Value	EV / NTM EBITDA	Delta vs Avg 1-yr	2-yr	P / NTM EPS	EV/ NTM Sales	)elta vs Avg 1-yr	3 2-yr	2021 - 2023 CAGR Revenue
Beauty Health (P72)	SKIN	\$5.36	39%	\$704	\$897	12.0x				3.4x			
Beauty Health (BBG)	SKIN	\$2.26	16%	\$297	\$489	22.2x	48.5%	(20.3%)	-34.8x	1.3x	(199.8%)	(128.4%)	22.4%
Nu Skin	NUS	\$18.00	40%	\$889	\$1,210	5.4x	(23.1%)	(19.4%)	8.7x	0.6x	(29.7%)	(26.5%)	(15.0%)
AbbVie Inc	ABBV	\$138.30	83%	\$244,174	\$291,665	11.6x	(5.4%)	2.6%	12.6x	5.4x	(6.3%)	4.5%	-2.0%
Ulta Beauty	ULTA	\$409.27	74%	\$20,148	\$21,640	11.2x	(6.9%)	(8.8%)	15.5x	2.0x	(15.7%)	(19.6%)	14.4%
Staar Surgical Co	STAA	\$34.83	44%	\$1,700	\$1,548	31.3x	(20.7%)	(37.7%)	35.9x	4.8x	(27.5%)	(43.9%)	17.9%
Inter Parfums, inc	IPAR	\$126.83	80%	\$4,056	\$4,266	15.9x	(13.7%)	(10.1%)	25.4x	3.2x	(16.3%)	(15.1%)	22.2%
Elf Beauty	ELF	\$112.85	81%	\$6,229	\$6,143	26.0x	(19.8%)	(2.9%)	41.0x	7.2x	(19.7%)	(8.4%)	49.6%
Close-Comps, Median			77%	\$5,143	\$5,204	13.7x	(16.7%)	(9.5%)	20.5x	4.0x	(18.0%)	(17.3%)	16.2%
Close-Comps, Mean			67%	\$46,199	\$54,412	16.9x	(14.9%)	(12.7%)	23.2x	3.9x	(19.2%)	(18.2%)	14.5%

Bull: Base: Bear:

	Probability We	ighted Price Targ	ets (EV / Sales)		
'25 Sales	% Var from St	EV/Sales Multiple	Target	% Up/Down	Probability
\$437	(0.6%)	5.0	\$12.65	459.7%	10%
\$364	(17.2%)	3.4	\$5.44	140.5%	70%
\$273	(37.9%)	2.0	\$0.16	(92.8%)	20%
Current Price	Prop-weighted	% Up/Down	R/R		
\$2.26	\$5.10	125.8%	7.8x		

Bull: Base: Bear:

Probability Weighted Price Targets (EV / EBITDA)								
'25 EBITDA	% Var from St	, Multiple	Target	% Up/Down	Probability			
\$117	131.0%	25.0	\$18.30	709.5%	10%			
\$98	92.5%	12.0	\$4.92	117.6%	70%			
\$73	44.4%	8.0	\$0.46	(79.7%)	20%			
Current Price	Prob-Weighted	% Up/Down	R/R					
\$2.26	\$5.36	137.4%	9.6x					





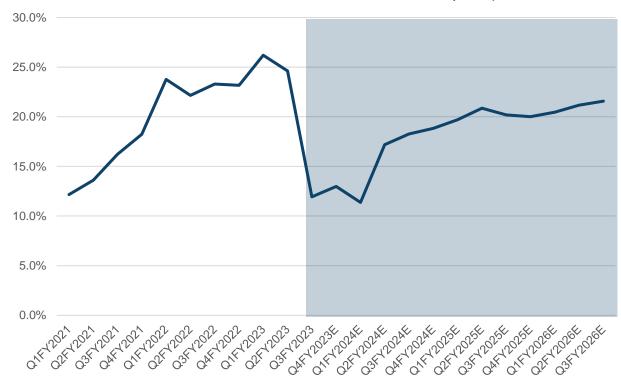
Appendix

### **Relative Share Loss**



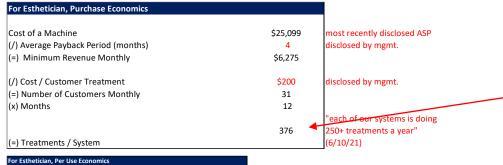
Our model shows significant share loss through '24 until all operational issues are resolved. We have confidence that the underlying dynamics of the industry haven't changed given (1) ABBV's vs. SKIN's reported NPS and (2) SKIN's strong brand affinity and partnerships with estheticians (training, replacement, and consumable promotions).

Relative Share (SKIN topline as a percentage of SKIN and ABBV Medical Aesthetics combined topline)



### **Unit Economics**





We see that the machines are very popular with customers and that they make strong investments for the esthetician.

Price of Treatment	\$200	
Time (in hours)	0.5	d
(x) Cost of Aesthician / Hr	\$27	ir
(=) Labor Cost	\$14	
Cost of Machine	\$25,099	n
(/) Useful Life of Machine (years)	3	m b
(/) Months in a Year	12	٦
(/) Customers Per Month	31	fr
(=) Machine Variable Cost	\$22	
		CI
(+) Consumables Cost	\$15	SI
(=) Total Costs of Session	\$50	
Profit From Session	\$150	
Margin	74.9%	N
		ty
	7	4i u:

disclosed by mgmt.
indeed.com

most recently disclosed ASP
mgmt. discloses that it typically
between 3-7 years

from above

cost that esthetician has to pay
SKIN

NB: botox clinic owners
typically see margins between
40-60%, NadaPayments, gives
us confidence that we're in the
right ballpark
6/10/21 call: "margins are in
excess of 80% for the
customer"

Consumables Unit Economics, for SKIN	
Active Installed Base	25,378
(x) Number of Customers Monthly	31
(x) Months in a Quarter	4
(=) Sessions / Quarter	3,184,869
Consumables Net Sales	46,400,000
(/) Sessions / Quarter	3,184,869
(=) Revenue to SKIN per session on consumables	\$15
(/) Salon Margins	80%
(=) Cost Billed to End User	\$26
Tips	\$4
Boosters + Products	\$22

disclosed by mgmt.

6/10/21 call: "we get about \$25-\$30 per treatment as part of the consumable"

Estheticians in part love these devices because they are so lucrative. Even assuming the very short end of the machine's useful life, margins are incredible for the owner.

# Convert's Trading





Convert is their only outstanding debt.

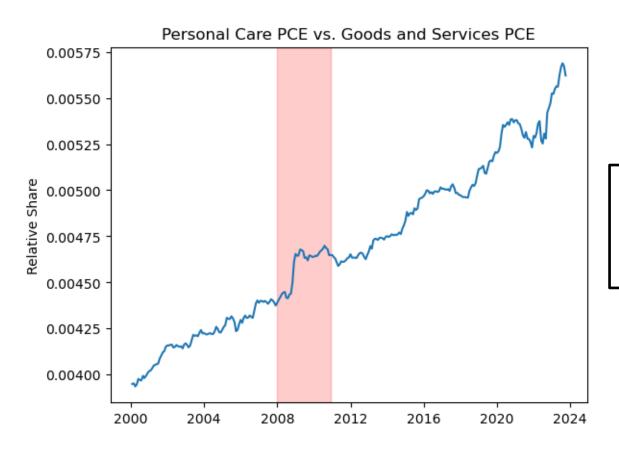
It is trading at 62/100.

We assume some buyback premium in line w/ market of ~8% to get to 70% price.

 $70\% * 750 = \sim 525$ Market Value of Debt for DCF.

# Relative PCE Spending





Personal care has been consistently winning share of the consumer's wallet since 2000. The share rapidly accelerated during the '08-'09 downturn, as people cut back on other purchases, but not on self care. This supports the argument that SKIN's revenues will be excessively harmed in an economic downcycle.

## Variance Table



	Variance Table										
Full Business											
	4QFY-2023	FY-2023	1QFY-2024	2QFY-2024	3QFY-2024	4QFY-2024	FY-2024	FY-2025	FY		
Revenue (\$)											
P72	\$46	\$347	\$44	\$45	\$67	\$79	\$235	\$364	:		
Street Δ Consensus (%)	94 (51.7%)	395 (12.3%)	90 (51.6%)	(60.6%)	109 (38.2%)	110 (28.1%)	423 (44.5%)	440 (17.2%)	(15		
Revenue (YoY)	(31.770)	(12.3/6)	(31.0%)	(00.0%)	(38.2%)	(28.1%)	(44.3%)	(17.276)	(1)		
P72	(53.6%)	(5.2%)	(49.3%)	(61.9%)	(30.9%)	73.4%	(32.2%)	55.0%	1		
Street	(3.9%)	8.1%	4.8%	(3.3%)	11.9%	16.6%	7.0%	3.9%	1		
Δ Consensus (bps)	(4,968)	(1,333)	(5,412)	(5,855)	(4,277)	5,681	(3,920)	5,111			
Gross Margin	(1,000)	(2)000)	(0) 122)	(5,555)	(1)=11)	0,002	(0,020)	0,222			
P72	76.7%	68.7%	76.3%	76.0%	76.1%	75.2%	75.8%	74.4%	7		
Street	62.6%	64.6%	65.8%	66.2%	67.1%	67.6%	66.7%	67.3%	6		
Δ Consensus (bps)	1,412	409	1,057	977	895	761	911	704			
Total OPEX											
P72	\$43	\$265	\$49	\$50	\$56	\$50	\$205	\$244			
Street Δ Consensus (%)	(29.8%)	243 8.8%	65 (24.9%)	65 (22.5%)	54 3.2%	64 (21.1%)	242 (15.2%)	(8.3%)	3		
EBITDA	(29.8%)	8.8%	(24.9%)	(22.5%)	3.2%	(21.1%)	(15.2%)	(8.3%)	3		
P72	\$9	\$36	\$0	(\$1)	\$12	\$27	\$37	\$98			
Street	1	28	(2)	13	20	12	40	51			
Δ Consensus (%)	602.0%	26.0%	(106.3%)	(109.4%)	(39.5%)	128.8%	(6.2%)	92.5%	6.		
Sales from Machines											
P72	\$8	\$169	\$8	\$9	\$13	\$17	\$47	\$92			
Street	45	208	44	56	56	52	201	198			
Δ Consensus (%) Machine ASP	(83.3%)	(18.7%)	(81.9%)	(83.9%)	(76.4%)	(68.4%)	(76.7%)	(53.7%)	(4		
P72	\$0	\$24,085	\$0	\$0	\$0	\$22,013	\$23,939	\$22,819	\$2		
Street	23,384	24,038	24,601	24,524	24,749	24,856	24,006	24,619	2		
Δ Consensus (%)	(100.0%)	0.2%	(100.0%)	(100.0%)	(100.0%)	(11.4%)	(0.3%)	(7.3%)	(7.		
Total Machines Sold											
P72	300	7,036	300	400	500	751	1,951	4,024	4		
Street	1,930	8,669	1,803	2,290	2,246	2,102	8,355	8,054	7		
Δ Consensus (#)	(1,630)	(1,633)	(1,503)	(1,890)	(1,746)	(1,351)	(6,404)	(4,029)	(3		
				Consumable	es (Razors)						
Avg Install Base											
P72	25,378	23,263	27,103	28,878	30,153	30,812	28,675	32,781	36		
Street	30,907	28,339	32,208	33,509	35,130	36,680	34,173	39,647	44		
Δ Consensus (#)	(5,529)	(5,077)	(5,104)	(4,630)	(4,976)	(5,868)	(5,498)	(6,866)	(8		
Consumable Sales / Ir											
P72	\$1,499	\$7,619	\$1,320	\$1,238	\$1,798	\$2,028	\$6,564	\$8,310	\$		
Street Δ Consensus (%)	1,639	6,721 13.4%	1,496 (11.8%)	1,703 (27.3%)	1,582 13.6%	1,687 20.2%	6,413 2.4%	6,345 31.0%	43		
Δ Consensus (%) Consumable Sales	(8.5%)	13.4%	(11.8%)	(27.3%)	13.0%	20.2%	2.4%	31.0%	43		
P72	\$38	\$177	\$36	\$36	\$54	\$62	\$188	\$272			
Street	51	190	48	57	56	62	219	252			
	(24.9%)	(6.9%)	(25.8%)	(37.3%)	(2.5%)	1.0%	(14.1%)	8.3%	17		

