



## European Wax Center, Inc. Reports First Quarter Fiscal Year 2023 Results

May 10, 2023

### Reiterates fiscal 2023 outlook

#### First Quarter Fiscal 2023 versus 2022

- Net new centers increased 11.9% to 978 total centers in 45 states
- System-wide sales of \$218.4 million increased 5.5%
- Total revenue of \$49.9 million increased 9.8%
- Same-store sales increased 4.5%
- GAAP net loss of \$1.1 million and Adjusted EBITDA of \$16.3 million

PLANO, Texas, May 10, 2023 (GLOBE NEWSWIRE) -- Today, European Wax Center, Inc. (NASDAQ: EWCZ), the largest and fastest-growing franchisor and operator of out-of-home waxing services in the United States, reports financial results for the 13 weeks ended April 1, 2023.

David Berg, Chief Executive Officer of European Wax Center, Inc. stated: "We are pleased with our solid performance in the first quarter, as we continued to deliver on our two key growth vectors – unit growth and in-center sales growth. We opened 34 net new centers during the quarter, which represents not only 12% growth year-over-year but also the highest single-quarter new center openings since our founding in 2004. This record growth underscores the strong demand from our well-capitalized franchisee base. We also delivered 5.5% system-wide sales growth, and we are focused on further strengthening guest engagement and valuable Wax Pass adoption through our "Attract More, Buy More, and Visit More" strategy. These efforts continue to generate recurring and predictable visits, giving us confidence in the health of our business model over the long term."

Mr. Berg continued, "We are reiterating our fiscal 2023 outlook, anchored by the resilience and consistency of our Wax Pass holders and routine guests, coupled with balanced initiatives in place to bolster trends in the current dynamic environment. Our efforts are designed to generate long-term revenue growth, enabling margin expansion and significant free cash flow over time – all of which we believe will translate into substantial value creation for our franchisees and our shareholders."

#### Results for the First Quarter of Fiscal 2023 versus Fiscal 2022

- The Company opened 34 net new centers and ended the quarter with 978 centers, representing a 11.9% increase versus 874 centers at the end of 2022.
- System-wide sales of \$218.4 million grew 5.5% from \$207.0 million in the prior year period, primarily driven by increased spend by guests at existing centers and net new centers opened over the past twelve months.
- Total revenue of \$49.9 million increased 9.8% from \$45.4 million in the prior year period.
- Same-store sales increased 4.5%.
- Selling, general and administrative expenses ("SG&A") of \$17.3 million increased 11.6% from \$15.5 million in the prior year period. SG&A as a percent of total revenue increased 50 basis points to 34.6% from 34.1%, primarily due to increased share-based compensation expense partially offset by a reduction in professional fees and expense leverage driven by sales growth year-over-year.
- Interest expense of \$6.9 million increased from \$1.5 million in the prior year period due to higher average principal balances and interest rates following the Company's refinancing in April 2022.
- Net loss of \$1.1 million decreased from net income of \$4.0 million in the prior year period and Adjusted net income of \$3.4 million decreased from \$8.6 million in the prior year period. We recognized a \$0.5 million income tax benefit in the first quarter of fiscal 2023 compared to negligible income tax expense in the prior year period.
- Adjusted EBITDA of \$16.3 million increased 7.5% from \$15.2 million in the prior year period.

#### Balance Sheet and Cash Flow

The Company ended the quarter with \$45.9 million in cash and cash equivalents, \$6.6 million in restricted cash, \$397.0 million in borrowings outstanding under its senior secured notes and no outstanding borrowings under its revolving credit facility. Net cash provided by operating activities totaled \$4.2 million during the quarter.

## **Fiscal 2023 Outlook<sup>(1)</sup>**

The Company reiterates its previous outlook for fiscal year 2023 as follows:

	<b>Fiscal 2023 Outlook</b>
New Center Openings, Net	95 to 100
System-Wide Sales	\$965 million to \$990 million
Total Revenue	\$222 million to \$229 million
Same-Store Sales	Mid-Single Digits
Adjusted Net Income <sup>(2)</sup>	\$22 million to \$24.5 million
Adjusted EBITDA	\$77 million to \$80 million

(1) Fiscal 2022 and Fiscal 2023 each include a 53rd week in the fourth quarter. The Company estimates the 53<sup>rd</sup> week contribution to the top and bottom line is worth approximately one half of an average fourth quarter week. The Company's current outlook assumes no meaningful change in consumer behavior driven by inflationary pressures or the COVID-19 pandemic and no further impacts from incremental tightening in the labor market beyond what we see today.

(2) Adjusted net income outlook assumes a 20% effective tax rate for Fiscal 2023.

See "Disclosure Regarding Non-GAAP Financial Measures" and the reconciliation tables that accompany this release for a discussion and reconciliation of certain non-GAAP financial measures included in this release.

## **Webcast and Conference Call Information**

European Wax Center, Inc. will host a conference call to discuss first quarter fiscal 2023 results today, May 10, 2023, at 8:00 a.m. ET/7:00 a.m. CT. To access the conference call dial-in information, analysts should click [here](#) to register online at least 15 minutes before the start of the call. All other participants are asked to access the earnings webcast via <https://investors.waxcenter.com>. A replay of the webcast will be available two hours after the call and archived on the same web page for one year.

## **About European Wax Center, Inc.**

European Wax Center, Inc. (NASDAQ: EWCZ) is the largest and fastest-growing franchisor and operator of out-of-home waxing services in the United States. European Wax Center locations perform more than 22 million services per year, providing guests with an unparalleled, professional personal care experience administered by highly trained wax specialists within the privacy of clean, individual waxing suites. The Company continues to revolutionize the waxing industry with its innovative Comfort Wax® formulated with the highest quality ingredients to make waxing a more efficient and relatively painless experience, along with its collection of proprietary products to help enhance and extend waxing results. By leading with its values – We Care About Each Other, We Do the Right Thing, We Delight Our Guests, and We Have Fun While Being Awesome – the Company is proud to be Certified™ by Great Place to Work®. European Wax Center, Inc. was founded in 2004 and is headquartered in Plano, Texas. In 2022 its network of 944 centers in 45 states generated sales of nearly \$900 million. For more information, including how to receive your first wax free, please visit: <https://waxcenter.com>.

## **Forward-Looking Statements**

This press release includes "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this press release include but are not limited to European Wax Center, Inc.'s strategy, outlook and growth prospects, its operational and financial outlook for fiscal 2023 and its long-term targets and algorithm, including but not limited to statements under the heading "Fiscal 2023 Outlook" and statements by European Wax Center's executive. Words including "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "plan," "potential," "predict," "project," "seek," "should," "will," or "would," or, in each case, the negative thereof or other variations thereon or comparable terminology are intended to identify forward-looking statements. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking.

These forward-looking statements are based on management's current expectations and beliefs. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause the Company's actual results, performance or achievements to be materially different results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to: the operational and financial results of its franchisees; the ability of its franchisees to enter new markets, select appropriate sites for new centers or open new centers; the effectiveness of the Company's marketing and advertising programs and the active participation of franchisees in enhancing the value of its brand; the failure of its franchisees to participate in and comply with its agreements, business model and policies; the Company's and its franchisees' ability to attract and retain guests; the effect of social media on the Company's reputation; the Company's ability to compete with other industry participants and respond to market trends and changes in consumer preferences; the effect of the Company's planned growth on its management, employees, information systems and internal controls; the Company's ability to retain or effectively respond to a loss of key executives; a significant failure, interruptions or security breach of the Company's computer systems or information technology; the Company and its franchisees' ability to attract, train, and retain talented wax specialists and managers; changes in the availability or cost of labor; the Company's ability to retain its franchisees and to maintain the quality of existing franchisees; failure of the Company's franchisees to implement business development plans; the ability of the Company's limited key suppliers, including international suppliers, and distribution centers to deliver its products; changes in supply costs and decreases in the Company's product sourcing revenue; the Company's ability to adequately protect its intellectual property; the Company's substantial indebtedness; the impact of paying some of the Company's pre-IPO owners for certain tax benefits it may claim; changes in general economic and business conditions; the Company's and its franchisees' ability to comply with existing and future health, employment and other governmental regulations; complaints or litigation that may adversely affect the Company's business and reputation; the seasonality of the Company's business resulting in fluctuations in its results of operations; the impact of global crises, such as the COVID-19 pandemic on the Company's operations and financial performance; the impact of inflation and rising interest rates on the Company's business; the Company's access to sources of liquidity and capital to finance its continued operations and growth strategy and the other important factors discussed under the caption "Risk Factors" in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the Securities and Exchange Commission (the "SEC"), as such factors may be updated from time to time in its other filings with the SEC, accessible on the SEC's website at [www.sec.gov](http://www.sec.gov) and Investors Relations section of the Company's website at [www.waxcenter.com](http://www.waxcenter.com).

These and other important factors could cause actual results to differ materially from those indicated by the forward-looking statements made in this press release. Any forward-looking statement that the Company makes in this press release speaks only as of the date of such statement. Except as required by law, the Company does not have any obligation to update or revise, or to publicly announce any update or revision to, any of the forward-looking statements, whether as a result of new information, future events or otherwise.

#### **Disclosure Regarding Non-GAAP Financial Measures**

In addition to the financial measures presented in this release in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), the Company has included certain non-GAAP financial measures in this release, including Adjusted EBITDA and Adjusted net income. Management believes these non-GAAP financial measures are useful because they enable management, investors, and others to assess the operating performance of the Company.

We define EBITDA as net income (loss) before interest, taxes, depreciation and amortization. We believe that EBITDA, which eliminates the impact of certain expenses that we do not believe reflect our underlying business performance, provides useful information to investors to assess the performance of our business.

We define Adjusted EBITDA as net income (loss) before interest, taxes, depreciation and amortization, adjusted for the impact of certain additional non-cash and other items that we do not consider in our evaluation of ongoing performance of our core operations. These items include exit costs related to leases of abandoned space, IPO-related costs, non-cash equity-based compensation expense, corporate headquarters office relocation, non-cash gains and losses on remeasurement of our tax receivable agreement liability, transaction costs and other one-time expenses.

We define Adjusted net income (loss) as net income (loss) adjusted for the impact of certain additional non-cash and other items that we do not consider in our evaluation of ongoing performance of our core operations. These items include exit costs related to leases of abandoned space, IPO-related costs, non-cash equity-based compensation expense, corporate headquarters office relocation, debt extinguishment costs, non-cash gains and losses on remeasurement of our tax receivable agreement liability, transaction costs and other one-time expenses. Please refer to the reconciliations of non-GAAP financial measures to their GAAP equivalents located at the end of this release.

This release includes forward-looking guidance for certain non-GAAP financial measures, including Adjusted EBITDA and Adjusted net income. These measures will differ from net income (loss), determined in accordance with GAAP, in ways similar to those described in the reconciliations at the end of this release. We are not able to provide, without unreasonable effort, guidance for net income (loss), determined in accordance with GAAP, or a reconciliation of guidance for Adjusted EBITDA and Adjusted net income (loss) to the most directly comparable GAAP measure because the Company is not able to predict with reasonable certainty the amount or nature of all items that will be included in net income (loss).

#### **Glossary of Terms for Our Key Business Metrics**

**System-Wide Sales.** System-wide sales represent sales from same day services, retail sales and cash collected from wax passes for all centers in our network, including both franchisee-owned and corporate-owned centers. While we do not record franchised center sales as revenue, our royalty revenue is calculated based on a percentage of franchised center sales, which are 6.0% of sales, net of retail product sales, as defined in the franchise agreement. This measure allows us to better assess changes in our royalty revenue, our overall center performance, the health of our brand and the strength of our market position relative to competitors. Our system-wide sales growth is driven by net new center openings as well as increases in same-store sales.

**Same-Store Sales.** Same-store sales reflect the change in year-over-year sales from services performed and retail sales for the same-store base. We define the same-store base to include those centers open for at least 52 full weeks. If a center is closed for greater than six consecutive days, the center is deemed a closed center and is excluded from the calculation of same-store sales until it has been reopened for a continuous 52 full weeks. This measure highlights the performance of existing centers, while excluding the impact of new center openings and closures. We review same-store sales for corporate-owned centers as well as franchisee-owned centers. Same-store sales growth is driven by increases in the number of transactions and average transaction size.

### **EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS (Amounts in thousands, except share and per share amounts) (Unaudited)**

	<b>April 1, 2023</b>	<b>December 31, 2022</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 45,912	\$ 44,219
Restricted cash	6,568	6,575
Accounts receivable, net	7,300	6,932
Inventory	25,247	23,017
Prepaid expenses and other current assets	7,454	5,574
Total current assets	92,481	86,317
Property and equipment, net	2,878	2,747
Operating lease right-of-use assets	4,920	4,899
Intangible assets, net	178,290	183,030
Goodwill	328,551	328,551
Deferred income taxes	138,890	106,187
Other non-current assets	4,036	4,301
<b>Total assets</b>	<b>\$ 750,046</b>	<b>\$ 716,032</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		

Current liabilities:		
Accounts payable and accrued liabilities	\$ 17,469	\$ 18,547
Long-term debt, current portion	4,000	4,000
Tax receivable agreement liability, current portion	4,615	4,867
Deferred revenue, current portion	4,017	4,084
Operating lease liabilities, current portion	1,314	1,312
Total current liabilities	31,415	32,810
Long-term debt, net	371,166	370,935
Tax receivable agreement liability, net of current portion	203,029	167,293
Deferred revenue, net of current portion	6,898	6,901
Operating lease liabilities, net of current portion	4,255	4,227
Other long-term liabilities	2,022	3,562
Total liabilities	618,785	585,728
Commitments and contingencies		
Stockholders' equity:		
Preferred stock (\$0.00001 par value, 100,000,000 shares authorized, none issued and outstanding as of April 1, 2023 and December 31, 2022.)	—	—
Class A common stock (\$0.00001 par value, 600,000,000 shares authorized, 50,433,514 and 45,277,325 shares issued and 49,717,874 and 44,561,685 shares outstanding as of April 1, 2023 and December 31, 2022, respectively)	—	—
Class B common stock (\$0.00001 par value, 60,000,000 shares authorized, 13,046,301 and 18,175,652 shares issued and outstanding as of April 1, 2023 and December 31, 2022, respectively)	—	—
Treasury stock, at cost 715,640 shares of Class A common stock as of April 1, 2023 and December 31, 2022	(10,080)	(10,080)
Additional paid-in capital	222,460	207,517
Accumulated deficit	(118,945)	(118,437)
Total stockholders' equity attributable to European Wax Center, Inc.	93,435	79,000
Noncontrolling interests	37,826	51,304
Total stockholders' equity	131,261	130,304
<b>Total liabilities and stockholders' equity</b>	<b>\$ 750,046</b>	<b>\$ 716,032</b>

**EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands)  
(Unaudited)

	For the Thirteen Weeks Ended	
	April 1, 2023	March 26, 2022
<b>REVENUE</b>		
Product sales	\$ 27,842	\$ 24,778
Royalty fees	12,351	11,385
Marketing fees	6,902	6,450
Other revenue	2,797	2,813
Total revenue	49,892	45,426
<b>OPERATING EXPENSES</b>		
Cost of revenue	14,457	11,991
Selling, general and administrative	17,263	15,474
Advertising	7,809	6,556
Depreciation and amortization	5,063	5,060
Total operating expenses	44,592	39,081
Income from operations	5,300	6,345
Interest expense	6,862	1,507
Other expense	—	785
Income (loss) before income taxes	(1,562)	4,053
Income tax expense (benefit)	(509)	27
<b>NET INCOME (LOSS)</b>	<b>\$ (1,053)</b>	<b>\$ 4,026</b>
Less: net income (loss) attributable to noncontrolling interests	(545)	2,141
<b>NET INCOME (LOSS) ATTRIBUTABLE TO EUROPEAN WAX CENTER, INC.</b>	<b>\$ (508)</b>	<b>\$ 1,885</b>

**EUROPEAN WAX CENTER, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)  
(Unaudited)

	For the Thirteen Weeks Ended	
	April 1, 2023	March 26, 2022
Cash flows from operating activities:		
Net income (loss)	\$ (1,053)	\$ 4,026
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	5,063	5,060
Amortization of deferred financing costs	1,318	120
Gain on interest rate cap	—	(196)
Provision for inventory obsolescence	—	(39)
Provision for bad debts	19	—
Deferred income taxes	(486)	—
Remeasurement of tax receivable agreement liability	—	785
Equity compensation	5,931	3,335
Changes in assets and liabilities:		
Accounts receivable	(639)	(1,273)
Inventory	(2,230)	(1,546)
Prepaid expenses and other assets	(1,391)	(76)
Accounts payable and accrued liabilities	(2,267)	(4,508)
Deferred revenue	(70)	(100)
Other long-term liabilities	(14)	(115)
<b>Net cash provided by operating activities</b>	<b>4,181</b>	<b>5,473</b>
Cash flows from investing activities:		
Purchases of property and equipment	(358)	(303)
<b>Net cash used in investing activities</b>	<b>(358)</b>	<b>(303)</b>
Cash flows from financing activities:		
Principal payments on long-term debt	(1,000)	(1,125)
Distributions to EWC Ventures LLC members	(276)	(2,272)
Payment of Class A common stock offering costs	—	(870)
Taxes on vested restricted stock units paid by withholding shares	(126)	—
Dividend equivalents to holders of EWC Ventures units	(735)	—
<b>Net cash used in financing activities</b>	<b>(2,137)</b>	<b>(4,267)</b>
<b>Net increase (decrease) in cash</b>	<b>1,686</b>	<b>903</b>
Cash, cash equivalents and restricted cash, beginning of period	50,794	43,301
<b>Cash, cash equivalents and restricted cash, end of period</b>	<b>\$ 52,480</b>	<b>\$ 44,204</b>
Supplemental cash flow information:		
Cash paid for interest	\$ 5,560	\$ 1,481
Cash paid for income taxes	\$ 245	\$ 7
Non-cash investing activities:		
Property purchases included in accounts payable and accrued liabilities	\$ 122	\$ 75
Right-of-use assets obtained in exchange for operating lease obligations	\$ 368	\$ —

**Reconciliation of GAAP net (loss) income to Adjusted net income:**

(in thousands)	For the Thirteen Weeks Ended	
	April 1, 2023	March 26, 2022
Net (loss) income	\$ (1,053)	\$ 4,026
Share-based compensation <sup>(1)</sup>	5,931	3,335
Remeasurement of tax receivable agreement liability <sup>(2)</sup>	—	785
Other <sup>(3)</sup>	—	417
Tax effect of adjustments to net income <sup>(4)</sup>	(1,472)	—
Adjusted net income	\$ 3,406	\$ 8,563

(1) Represents non-cash equity-based compensation expense.

(2) Represents non-cash expense related to the remeasurement of our tax receivable agreement liability.

(3) Represents non-core operating expenses identified by management. For fiscal year 2022 these costs relate to executive severance.

(4) Represents the income tax impact of non-GAAP adjustments computed by applying our estimated blended statutory tax rate to our share of the identified items and incorporating the effect of nondeductible and other rate impacting adjustments.

**Reconciliation of GAAP net (loss) income to EBITDA and Adjusted EBITDA:**

	For the Thirteen Weeks Ended	
	April 1, 2023	March 26, 2022
(in thousands)		
Net (loss) income	\$ (1,053)	\$ 4,026
Interest expense	6,862	1,507
Income tax (benefit) expense	(509)	27
Depreciation and amortization	5,063	5,060
EBITDA	\$ 10,363	\$ 10,620
Share-based compensation <sup>(1)</sup>	5,931	3,335
Remeasurement of tax receivable agreement liability <sup>(2)</sup>	—	785
Other <sup>(3)</sup>	—	417
Adjusted EBITDA	\$ 16,294	\$ 15,157
Adjusted EBITDA margin	32.7%	33.4%

(1) Represents non-cash equity-based compensation expense.

(2) Represents non-cash expense related to the remeasurement of our tax receivable agreement liability.

(3) Represents non-core operating expenses identified by management. For fiscal year 2022 these costs relate to executive severance.

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