

Solésence (SLSN) Fourth Quarter and Full Year 2025 Conference Call Script

Operator: Good day. Thank you for standing by. Welcome to the Solésence Fourth Quarter and Full Year 2025 conference call. Today's call is being recorded.

During this call, management will make statements that include forward-looking statements within the meaning of the federal securities laws, which are pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995.

This conference call may contain statements that reflect the company's current beliefs, and a number of important factors could cause actual results for future periods to differ materially from those stated on this call. These important factors include, without limitation, a decision of a customer to cancel purchase order or supply agreements, demand for and acceptance of the company's personal care ingredients, advanced materials, and formulated products, changes in development and distribution relationships, the impact of competitive products and technology, possible disruption in commercial activities occasioned by public health issues, terrorist activity and armed conflict and other risks indicated in the company's filings with the Securities and Exchange Commission.

Except as required by federal securities laws, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new events, uncertainties, or other contingencies. I'll now hand the conference over to Kevin Cureton, President and Chief Executive Officer. Please go ahead, sir.

Speaker: Kevin Cureton, President & CEO

Thank you, operator. And thank you to our investors, brand partners, and teammates who are joining us today.

Today, we will provide more guidance on our 2026 plans and the strategy we initiated at the end of 2025, which aims to take our company forward to enhance consumer health and well-being while delivering outstanding results to our investors. This initiative is called Transform & Transcend. Before we delve into our plans, we will review our 2025 results.

To walk you through how we wrapped up 2025, I'll turn the call over to our CFO, Laura Riffner. Laura?

Speaker: Laura Riffner, CFO

Thank you, Kevin. I will begin with a review of our fourth-quarter 2025 results before moving to full-year performance and our 2026 outlook.

For the fourth quarter, revenue was \$12.5 million, roughly even compared to the previous year. Fourth quarter 2025 gross profit was \$3.4 million compared to \$2.8 million for the same period

in 2024. Gross margin was 27% in the fourth quarter of 2025 compared to 22% in the same period in 2024. Our results were affected by transition costs and operational inefficiencies in manufacturing resulting from our facility consolidation. Operating expenses in the fourth quarter of 2025 were \$3.2 million compared to \$2.8 million in the same period in 2024. This figure included relocation charges as we transitioned from three facilities to two. Solésence reported net income for the quarter of \$163,000, compared to a net loss of \$558,000 the previous year.

Turning to the full year 2025, revenue reached a record \$62.1 million, up 18.6% from \$51.9 million in 2024. This was primarily driven by a large-scale launch in the first half of 2025, as well as twenty new brand partners who launched products in 2025.

While revenue growth was substantial, full-year gross profit was \$16.1 million, compared to \$16.2 million in 2024. As Kevin noted in our third-quarter call last November, our margins were compressed by three key areas:

The first is labor costs. Elevated labor costs this period were primarily driven by extended process changeovers and related downtime as we scaled our production volume.

The second is product design, which relates to startup and quality costs associated with a complex launch in the first half of 2025.

Third, inventory control which represented the most substantial headwind to margins this period. Driven by our efforts to grow while scaling production, we experienced yield volatility and associated losses, which impacted our bottom line. We are now prioritizing cycle counting and pre-production staging to improve production flow as we continue to expand.

With the above results, we delivered adjusted EBITDA of \$4.2 million, less than 7% of revenue.

As we look ahead, our 2026 guidance focuses on operational health. As a result, we are establishing a 30% gross margin floor as our target for the year. We expect EBITDA improvement in 2026, returning to double digits as we realize six-figure annual savings from our facility consolidation and the elimination of 2025's operational inefficiencies. A critical goal in 2026 is to increase our free cash flow by reducing safety stock and improving procurement operations. We began 2026 with momentum from 2025, driven by organizational changes and the launch of the Transform and Transcend initiative. Still, our first-quarter results will be impacted by investments in training and restructuring associated with Transform and Transcend, as well as by changes in customer order patterns, largely due to retail dynamics, and weak sell-through from one of our large mass-market customers. Our current shipped and open orders stand at just under \$33 million as compared to a year ago when they were at \$38 million. While we anticipate a period of revenue normalization, we plan to improve EBITDA relative to 2025 and remain confident in our ability to achieve our full-year guidance. I'll turn it back over to Kevin to provide more details about our Transform and Transcend initiative, Kevin?

Speaker: Kevin Cureton, President & CEO

Thank you, Laura! As we look back on 2025, it is important to reflect on our company's journey over the last twelve months, indeed, the past two years. During that period, our company nearly doubled its revenue. As I noted in our press release, this affirmed both the value we bring to the industry and our ability to establish ourselves as a leading innovator and manufacturer of SPF-infused beauty products. We increased our patent portfolio by 20%, which now numbers over 120, and through this expanded position, created a valuable picket fence that protects our market position and provides one-of-a-kind leverage for our brand partners as they grow. While we achieved these important business milestones, we invested in building our manufacturing infrastructure, which both modernized our production capabilities and expanded capacity, which will enable us to generate over \$200 million in revenue without further major investment.

In October of 2025, we showcased a new product, Day Mode Hero Concealer. 'Day Mode' is a hybrid product that combines skin care and color cosmetics with skin longevity claims, including UV protection, and leverages two new technology platforms that we will bring to market in 2026. This prototype product was recently named a finalist across four categories of the Cosmetics & Toiletries Allure Awards. These categories are: Wellness, Anti-Aging and Skin Care, Color Cosmetics, and UV protection. While the winners will not be announced until later in 2026, the cross-category recognition for this multifunctional concealer demonstrates the broad and enduring appeal of our innovations - and affirms that our technology and product stories resonate with brands and industry experts alike.

Through these developments, we have built a company on the cusp of changing the health and well-being of millions of people while dynamically growing our enterprise value. But there is still more work to be done.

In our Q3 call, I spoke about three specific areas where our operating model needed changes that were revealed by our rapid growth. These areas are product design, labor efficiency, and inventory control. While we achieved record-breaking revenue this year, our business processes were tested by the sheer volume and complexity of our success. As Laura highlighted, these challenges led to lower-than-planned income performance. As we faced these challenges, we also saw that our opportunities to simultaneously increase profitability and growth were being limited by our execution.

As a result, we launched the initiative that today we are formally introducing to our investors; Transform & Transcend. It is the framework we will use to ensure our financial performance aligns with our technological excellence in order to secure a path toward for sustainable profitability. This is a roadmap designed to fundamentally correct the operating challenges we have identified,

while amplifying the innovation platform we created, ultimately resulting in what we believe will be significantly increased enterprise value.

The Transform & Transcend initiative is built on four core pillars:

The first pillar is operational excellence through the implementation of lean management principles. We began work on this first and foundational pillar in November 2025. Through lean management principles, we are equipping our company with the processes and discipline to meet or exceed our brand partners' requirements while aggressively eliminating the inefficiencies we have identified across our business. A key tenet of this is a modernized Sales, Inventory, and Operations Planning process or SIOP. These improvements will address the labor inefficiencies, inventory control issues, and yield losses we saw in 2025. We plan to increase our gross profit margin by at least 5% by the end of this year, compared to 2025.

The second pillar is Technology-Driven Expansion. Starting in late Q2 to early Q3 2026, we plan to expand our addressable market by introducing new product categories. These include bringing the technologies behind the prototype Day Mode Hero Concealer product to market. We are leveraging our 120 patents with new formulation innovations to move into adjacent prestige beauty segments, like scalp care, where our technologies can provide an immediate competitive advantage.

The third pillar is our shift toward a product development and supply model that enables us and our brand partners to capture more value and a greater share of wallet. This includes an emphasis on turnkey supply and collaborative marketing to drive sell-through and leverage increased consumer recognition of Solésence-branded technologies. We kicked off our first major co-marketing activation two weeks ago with brand partners Colorescience and Bloomeffects.

The fourth and final pillar is Collaborative Globalization. Beginning in the first quarter of 2027, we plan to support select partners as they expand into international markets. Given the regulatory complexity of the global SPF market, this pillar presents an opportunity to modify our service model in those regions, increasing margins by 10% or more relative to our domestic benchmarks.

The change in leadership, starting with my appointment as President and Chief Executive Officer, was made to achieve profitable growth for our company, including the development and implementation of the Transform and Transcend initiative. As you know, in support of our profitable growth objective, we also added a seasoned CFO, Laura Riffner, to our team in September of 2025. This represents the first time that we added a C-Suite-level finance and accounting professional to our team who has demonstrated success in our industry. We also recently added Yoolie Park as Vice President of Brand Partnerships. Yoolie brings over 20 years of experience in component supply and turn-key manufacturing. Her mandate is to institutionalize

our new commercial strategy and help us further deepen and expand our relationships with existing and new brand partners.

Looking ahead into 2026, beauty sectors remain resilient, and consumers continue to view beauty as an affordable luxury, with SPF-infused skin care at the intersection of essential and discretionary spending. Consumers are more critically examining how protecting their skin, their largest organ, impacts their overall well-being. As a result, we believe SPF-infused beauty will be a central aspect of more than \$500 billion global beauty and personal care market. We remain excited about how closely our products and technologies are aligned to consumer demand, and the value our strategic brand partners see value in our consumer products.

Before we go to Q&A, please keep these thoughts in mind: following two years of growth that significantly outpaced the industry average, 2026 will be a year focused on execution, which is at the heart of what the Transform and Transcend program will yield. It is this focus, accompanied by the associated restructuring and investment that is a necessary step to transform our operational execution in order to transcend beyond the traditional CDMO model. Ultimately, this will turn Solésence into a strategic innovation partner that drives superior financial performance for both our brand partners and our company.

Operator, we are now ready for the Q&A.

Q&A session takes place

Speaker: Kevin Cureton, President & CEO

Before we sign off, I want to leave you with a final thought on our future.

Back in 2019, when our consumer products line was less than \$2 million, we said, 'The future of sun care is the future of beauty.' Today, with over \$50 million in revenue from our consumer products line and a global patent estate to support it, that vision has been validated. However, our 2025 results showed us that scale without operational excellence will not enable us to create a platform for our company to achieve our goal of dynamic growth in our enterprise value.

This is why 2026 is our year of transformation. Through Transform & Transcend, we are removing inefficiencies from our operations, modernizing our supply chain, and refining our partner base and ways of working with them to ensure mutual success at both the top and bottom lines. We are doing the hard work now to ensure that our proprietary technologies and consumer-preferred products translate into the best-in-class financial returns our shareholders expect.

We are confident that by stabilizing our foundation this year, we are setting the stage for the next five years to be the most profitable in our company's history. Thank you for your continued support. Have a great day.

