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Executive Summary
After conducting a forensic review of e.l.f. Beauty, Inc. (NYSE: “ELF” or “the Company”), a multi-brand Company that offers cosmetics and skincare products, we have grave concerns about its continuing brand equity given its business relationship with Movers+Shakers, a marketing firm with ties to the notorious NXIVM cult and with its “joy” messaging that appears to be eerily similar to the cult’s Science of Joy teachings. We believe much of ELF’s recent success is from its viral TikTok social media campaigns designed in partnership with Movers+Shakers. We estimate that at least 80% of ELF’s customers, 79% of its employees and 66% of its Board members are women. As a result, we believe ELF’s brand equity and success is dependent on policies and practices in support of women’s rights and health concerns.

NXIVM cult leader Keith Raniere (aka “The Vanguard”) was sentenced to 120 years in prison for racketeering, sex trafficking of women, forced labor conspiracy and wire fraud conspiracy. In addition, other cult leaders received jail time for their roles in the trafficking scheme. Movers+Shakers founders are Evan Horowitz and Geoffrey Goldberg, former coaches and recruiters of NXIVM with close ties to the upper echelon of the cult, including Alison Mack who was sentenced to jail for her role in sex trafficking women. While it is important to recognize that neither of Movers+Shakers founders were alleged to have committed, or have been charged with, any wrongdoing, we find alarming evidence to suggest that Movers+Shakers and/or its founders may have continuing sympathy and/or affiliation with the teachings of NXIVM and former members who continue to support both Raniere and the cult.

For example, Movers+Shakers heavily embraces the concept of “Spreading Joy” which is plastered all over its website and social media presence. The “Science of Joy” was one of Raniere’s central messages. ELF’s public relations messages have increased the frequency of parroting the word “Joy” after beginning a business relationship with Movers+Shakers. Movers+Shakers corporate branding is yellow, which is a similar color as the co-founder’s sash color indicating his NXIVM rank. Even worse, ELF’s Chief Marketing Officer frequently perpetuates the use of “badass” in relation to women, a term associated with NXIVM’s Dominus Obsequious Sororium (“DOS”) subcult which was responsible for branding women, creating master/slave relationships between members, and what law enforcement alleged was forced sexual slavery. Moreover, we also provide evidence that Mr. Horowitz even provided character witness testimony for a medical doctor who was a NXIVM member who was stripped of his New York medical license for, among other things, allegedly conducting gruesome experiments on members by showing them violent scenes of women being murdered and decapitated. In addition, evidence indicates that the embattled doctor, whose public profile indicates continued support for NXIVM, may continue to advise Mr. Horowitz.
Brand integrity is critically important to ELF and customer concentration presents a material risk:

ELF warns as material risk factors in its 10-K that, “Any damage to our reputation or brands may materially and adversely affect our business, financial condition and results of operations” and that “vendors…could harm our brands.” ELF’s own brand values and “Superpowers” stress, among other things, that it is guided to: 1) Do the right thing, 2) Execute with speed and quality, and 3) Operate cruelty-free (with respect to animals, but by extension, we believe all living beings). We question whether ELF is truly committed to these values. As of March 31, 2023, Target, Walmart and Ulta Beauty represented 25%, 20%, and 15% of net sales, and none of these powerful customers are obligated to continue purchasing from ELF. In addition, each of these material customers have conduct codes for suppliers which describe expectations of ethical behavior.

Over the years, ELF has had its share of scandals and ethical lapses, including:

1) Settling charges that it used sanctioned products from North Korea;
2) The sentencing to prison of its Board member for his role in the college admission fraud scandal;
3) Recently acquiring Naturium for $355 million despite numerous critics alleging the founder committed fraud by failing to adhere to FTC guidelines around marketing products she had a financial interest in.

Given these previous missteps, we are surprised to see that ELF relies on the services of Movers+Shakers to assist with its viral digital marketing campaigns to broaden its Gen Z appeal. Spruce Point believes that to salvage its brand equity, ELF may need to embark on a new and expensive creative re-branding strategy to restore the public’s confidence that it adheres to its values and aligns with female concerns. Movers+Shakers was recently acquired by Stagwell Inc. (Nasdaq: STGW) on Nov 2nd for approximately $15 million. Though Movers+Shakers is unlikely to be a material contributor to Stagwell’s $2.5 billion of revenue, we believe it is a material factor in ELF’s continued success with its female and Gen Z customer base. As a result, we are short ELF but not Stagwell.

ELF trades at a large premium to cosmetic and beauty companies on the belief that its 20%+ revenue growth is sustainable. If ELF’s retail partners or end female customers revolted at its “joy” and “badass” messages while realizing that Movers+Shakers founders remain connected to NXIVM loyalists, we could see 45%-65% downside risk to ELF’s share price as recent sales momentum evaporates.
Brand Equity Is A Material Risk To ELF

ELF lists that damage to its brand is one of the biggest risks associated with its business. In fact, it even references that certain vendors providing services could harm the brand or cause customer dissatisfaction. As we will show, ELF’s viral marketing campaigns have been led by individuals that were associated with a cult that trafficked and branded women.

**SUMMARY OF MATERIAL RISKS ASSOCIATED WITH OUR BUSINESS**

The principal risks and uncertainties affecting our business include the following:

- The beauty industry is highly competitive, and if we are unable to compete effectively our results will suffer.
- Our new product introductions may not be as successful as we anticipate.
- Any damage to our reputation or brands may materially and adversely affect our business, financial condition and results of operations.
- Our success depends, in part, on the quality, performance and safety of our products.
- We may not be able to successfully implement our growth strategy.
- Our growth and profitability are dependent on a number of factors, and our historical growth may not be indicative of our future growth.
- We may be unable to grow our business effectively or efficiently, which would harm our business, financial condition and results of operations.
- A disruption in our operations, including a disruption in the supply chain for our products, could materially and adversely affect our business.
- We rely on a number of third-party suppliers, manufacturers, distributors and other vendors, and they may not continue to provide services that are consistent with our standards, or applicable regulatory requirements, which could harm our brands, cause consumer dissatisfaction, and require us to find alternative suppliers of our products or services.

Source: ELF 10-K
Spruce Point believes that ELF’s recent success is directly correlated with its creative TikTok and Gen Z viral marketing campaigns led by a relatively small agency named Movers+Shakers.

**ELF Search Interest and Stock Chart**

**“How E.l.f. Saw A 49% Increase in Sales by Focusing On Gen Z”**

**E.l.f.’s shift to TikTok**

In 2019, the hashtag #elfcosmetics had over 3 million views on TikTok before e.l.f. even had its own presence on the platform. With this in mind, the company shifted its marketing strategy to focus on TikTok’s user base (which was overwhelmingly Gen Z), leveraging short-form video and user-generated content in its #EyesLipsFace campaign.

Alongside Brooklyn-based agency **Movers + Shakers**, e.l.f. commissioned an original song that was catchy enough to go viral and encouraged TikTok users to feature the song and the hashtag #EyesLipsFace. The campaign was among TikTok’s most viral and cemented e.l.f.’s newfound focus on a Gen Z audience.
We question the alignment of values between ELF and Movers+Shakers in light of comments made on Glassdoor by former Movers+Shakers employees alleging that cult-like tactics are used and that the CEO said offensive things to multiple female coworkers. One Glassdoor post references the Head of HR as a cult member. A comment on the Frank Report, alleges that Lorraine Dorrow, the VP of People + Culture, was an Espian (aka: NXIVM) member.\(^1\)

### ELF Values And Superpowers

**OUR SUPERPOWERS**
- Premium Quality
- Clean
- Cruelty-free
- Accessible Prices
- Universal Appeal

**OUR VALUES**
- Delight Our Consumer
  - Our consumers inspire and inform us. They are the reason we are here and at the heart of everything we do.
- Work Together to Win
  - We treat each other with respect and leverage each other’s strengths. We are open, honest and direct in the spirit of helping the team succeed.
- Do the Right Thing
  - In our actions and words, we lead with honesty and integrity. We don’t take shortcuts.
- Execute with Speed and Quality
  - Consumers know us by what they see, touch and experience. Execution matters and we are passionate about doing things well and with speed.

Source: [ELF website](#)

### Movers+Shakers Glassdoor Reviews

**Cons**
- "The CEO said very offensive and culturally derogatory statements to multiple of my female coworkers of color."
- They use "joy" and "positivity" to bully employees into not feeling comfortable. Multiple times I would voice concerns in a polite manner and would be harassed following my constructive criticism. I saw multiple coworkers cry as a result of how Executive spoke to them.
- They pride themselves on a diverse workplace, but continue to hire white males in leadership roles. Also the CEO said very offensive and culturally derogatory statements to multiple of my female coworkers of color.

**Cons**
- "No one speaks about the cult that the CEOs and Head of HR were apart of, which is interesting because several tactics from the cult are used to run the agency."
- This is a true start up environment; this agency was able to break through being one of the first to master TikTok, however you won’t get experience in other platforms
- Raising your hand and asking for help doesn’t get you anywhere unless you’re one of the founding employees
- There is severe favoritism and visibly different treatment for white gay males
- Diversity hires are hard to come by, because they’re viewed as less competent
- No one speaks about the cult that the CEOs and Head of HR were apart of, which is interesting because several tactics from the cult are used to run this agency

Source: [Glassdoor](#)

1) [Frank Report](#)
Women make up 67% of ELF’s Board, 56% of senior leadership and almost 80% of all employees. Therefore, we believe its brand equity and success is highly sensitive to the perception that it supports organizations with positive connections to women’s health and rights.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Board of Directors</th>
<th>Senior Leadership (1)</th>
<th>All Employees (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>67%</td>
<td>56%</td>
<td>79%</td>
</tr>
<tr>
<td>Male</td>
<td>33%</td>
<td>44%</td>
<td>21%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Board of Directors</th>
<th>Senior Leadership (1)</th>
<th>All Employees (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z and Millennial</td>
<td>—%</td>
<td>—%</td>
<td>71%</td>
</tr>
<tr>
<td>All Other</td>
<td>100%</td>
<td>100%</td>
<td>29%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Race / Ethnicity</th>
<th>Board of Directors</th>
<th>Senior Leadership (1)</th>
<th>All Employees (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black or African American</td>
<td>11%</td>
<td>14%</td>
<td>4%</td>
</tr>
<tr>
<td>Hispanic or LatinX</td>
<td>—%</td>
<td>—%</td>
<td>15%</td>
</tr>
<tr>
<td>Asian</td>
<td>22%</td>
<td>29%</td>
<td>18%</td>
</tr>
<tr>
<td>Native American</td>
<td>—%</td>
<td>—%</td>
<td>—%</td>
</tr>
<tr>
<td>Two or More Races</td>
<td>—%</td>
<td>—%</td>
<td>5%</td>
</tr>
<tr>
<td>White</td>
<td>67%</td>
<td>57%</td>
<td>58%</td>
</tr>
</tbody>
</table>

(1) Senior Leadership includes our Executive Officers and the Vice President, General Manager of our China operations.
(2) Includes our employees in the United States, United Kingdom and Canada, where over 75% of our workforce is located.

Source: ELF 10-K
Not surprisingly, ELF’s core customer is women. Based on Similarweb data, we see that 82% of traffic to its website [www.elfcosmetics.com](http://www.elfcosmetics.com) are women. The age range skews towards a younger Gen Z demographic.

Source: Similarweb
60% of ELF’s sales are through Target, Walmart and Ulta Beauty. ELF must adhere to Supplier Codes of Conduct that reference ethical conduct and standards that are open to the interpretation of their customers, none of which have any obligation to continue purchasing products from ELF.

ELF’s Major Customers

Customers

Along with our direct e-commerce channels, we have strong relationships with our retail customers such as Target, Walmart, Ulta Beauty and other leading retailers that have enabled us to expand distribution both domestically and internationally.

Target, Walmart and Ulta Beauty accounted for 25%, 20% and 15%, respectively, of our net sales in the year ended March 31, 2023. No other individual customer accounted for 10% or more of our net sales in the year ended March 31, 2023. We expect that Target, Walmart and Ulta Beauty along with a small number of other customers will, in the aggregate, continue to account for a large portion of our net sales in the future.

As is customary in the industry, none of our customers is under any obligation to continue purchasing products from us in the future.

ELF’s Major Customers Have Codes of Conduct For Suppliers

<table>
<thead>
<tr>
<th>Suppliers</th>
<th>Walmart</th>
<th>Ulta Beauty</th>
</tr>
</thead>
</table>
| Suppliers are responsible for compliance with these Standards throughout their business and throughout the process of providing products to Walmart. This includes responsibility for the conduct of any suppliers, subcontractors, and agents they use as part of their Walmart business (including, for example, factories, processing facilities, and raw material, component, and ingredient providers).

Anyone who violates the Standards may be subject to consequences, up to and including termination of business with Walmart. Walmart reserves the right to audit or inspect suppliers at any time to determine whether they are complying with these Standards.

Conclusion

Ulta Beauty will not tolerate any instances of human trafficking or other forced labor within its supply chains. Ulta Beauty expects that its employees, directors, suppliers and service providers conduct all relationships in accordance with the highest ethical standards. Failure to comply with Ulta Beauty’s standards will result in appropriate actions being taken against such individuals and companies to preserve Ulta Beauty’s high standards of business conduct.

Source: ELF 10-K, Target Code of Conduct, Ulta Beauty Supply Chain Transparency, Walmart Standards For Suppliers
Movers+Shakers co-founder had a long association with NXIVM dating to at least 2011. According to internet sources, Horowitz was a high-ranking member who was referred by Brian S. Elliot and coached by Farouk Rojas. It appears that both of these individuals remain loosely connected to Mr. Horowitz and/or Movers+Shakers through social media.

Source: Wayback Machine

(1) “The top 150 plus remaining High Rank NXIVM revealed,” ArtVoice
We Believe Movers+Shakers Founders Were Well Connected Within NXIVM

The two co-founders of Movers+Shakers appear to have been close with Alison Mack (sentenced to prison) and Nikki Clyne, two central players in the NXIVM cult.

Source: FrankReport.com, Twitter, PageSix.com
Movers+Shakers employed at least one Ex-DOS member who defended Raniere's branding of women, and the employment was during the time it was well known by the public of the cult's practices. Raniere was ultimately arrested in Mexico where the former employee also split time working between New York.

NEW YORK -- The leader of a secretive group in upstate New York turned female followers into brainwashed "slaves" who were branded with his initials and coerced into having sex, authorities alleged on Monday in a criminal complaint charging him with sex-trafficking. Keith Raniere, co-founder of the group called Nxivm, was arrested in Mexico and returned to Texas Monday, authorities said. He was to appear in court on Tuesday in Fort Worth on the charges filed by federal prosecutors in Brooklyn.

Source: "Nxivm female sex "slaves" allegedly branded with secretive group leader's initials", CBS.com, March 27, 2018

Source: NYPost.com
Brendan Porter lost his medical license for conducting unsanctioned research studies on NXIVM members.\(^{(1)}\) In one study, dubbed the "Fright Study," Porter was alleged to have forced his subjects to watch violent and "horrific" video clips including footage of four women being dismembered with a machete. There were also reports of NXIVM conference members and children falling ill from a mysterious infectious disease.\(^{(2)}\) It was alleged he failed to report the outbreak.

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**Case Facts Alleged Against Porter**

1. Between 2015 through August of 2017, as part of NXIVM’s Ethicist program, the Respondent performed human subject research on approximately 40 human subjects, including A.1, A.2, A.5, A.6, A.7, A.9 and A.10, by showing them happy or impressionable or disturbing or graphically violent scenes from commercials, short films and movie clips (video clips study). These clips included a video depicting the actual murders and disembowelment of five women and movie scenes showing a gang rape and a racially motivated murder of an African American man. The Respondent used the EEG and GSR to record their brainwaves and physiological responses to watching the clips. He also used a video tachometer to record their facial expressions. [Exhibit 19a, 20a, 21a, 22, Y; Transcript, p. 158-63, 170-74, 177-179, 252-253; 365-366, RXs]

2. The Respondent’s conduct in performing the video clips, "Fright Study" OCD and ERP human research studies on the subjects, including A.1, A.2, A.5, A.6, A.7, A.9, A.10, B.1 and C.1, constituted the practice of medicine. The Respondent also practiced medicine when he prescribed Wellbutrin to subject D-1 on two occasions, which he completed without documenting a clinical record or communicating with the subject’s treating psychiatrist. [Transcript, p. 318-320, 309, 2044.]

3. The Respondent collected the data from the EEGs, galvanic skin response and video tachometer and downloaded it to a computer. The data, hand drive and equipment used for the study, along with the containing names of study participants and OCD and "Fright Study" surveys are located in the locked room of a building used by the Ethical Science Foundation and beyond the Respondent’s control. [Transcript, pg. 171-73, 177, 218, 301, 303, 321, 322, 2148.]

4. The Respondent labeled the study by assigning random numerical values to the subjects based on the order in which they "passed the study." This number and the subjects’ names were placed on a list, which was saved to the computer. The video data shows the subjects’ unmarked faces. [Transcript, pg. 367-368, 1451, 2133, 2165.]

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**Movers+Shakers Founder Witness For The Doctor**

- **Procedural History**
  - Pre-Hearing Conference: June 12, 2018
  - Hearing Dates:
    - June 27, 2018
    - July 12, 18 and 24, 2018
    - August 9, 2018
    - October 2, 10, 25 and 29, 2018
    - November 13 and 28, 2018
    - December 4 and 17, 2018
    - January 15, 2019
    - April 10, 2019

- **Witnesses for Petitioner:**
  - Elise Streeter
  - Thia Dalfino, M.D.
  - Steven Hanks, M.D.
  - Brandon Porter, M.D.
  - Subject A.5
  - Ariella Capelinski
  - Michael Menasha
  - Bruce F. Fauber, M.D.
  - Robert L. Mittman, M.D.

- **Witnesses for Respondent:**
  - Julia Berry
  - Subject A.7
  - Luene Roberts
  - Robert Younis
  - Subject A.10
  - Polore Wilson
  - Sean Crane
  - Evan Horowitz
  - Subject A.9
  - Respondent’s spouse
  - Roxanne Cohen Silver, Ph.D.
  - Brandon Porter, M.D.

- **Written Submissions dated:**
  - April 10, 2019

- **Deliberations held:**
  - May 8, 2019
  - June 11, 2019
  - June 20, 2019

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Source: [HealthNY.gov](http://HealthNY.gov)

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1. NBC New York
2. Epoch Times
Brandon Porter, the doctor who lost his medical license in NY for allegedly conducting psychological experiments on women by showing decapitations and murders, continues to support NXIVM and the science of joy on his social media profiles. He also states that he advises the CEO of a mid-sized advertising agency in the USA. Recall, that Mr. Horowitz of Movers+Shakers testified on his behalf during his medical license review. Is Mr. Porter advising Mr. Horowitz?

Porter’s Social Media Profile Indicates Continued Support of NXIVM

Is the CEO of the fast-growing mid-sized ad agency in the USA Mr. Horowitz of Movers+Shakers?
Brandon Porter, whose social media profile says he advises the CEO of a mid-sized advertising agency in the USA, frequently likes posts by Mr. Horowitz of Movers+Shakers. Specifically, he also likes posts related to ELF Beauty.
At the very least, Movers+Shakers co-founder maintains a connection to one person who is actively trying to dispute the Raniere case. Brian Elliot appears on the website “Make Justice Blind”, an advocacy group dedicated to exposing bad behavior within the criminal justice system and using the NXIVM case as a prime example.
CEO Horowitz appears close to ELF’s Chief Marketing Officer Kory Marchisotto. They have appeared together on multiple industry panels and seem to have a shared understanding of a unique term called “Volofo”, an acronym that does not have a well-defined meaning.
The Relationship With Movers+Shakers Is Also Praised By ELF’s CEO

CEO Tarang Amin also chimed in recently by saying ELF loved working with the Movers+Shakers team.
ELF’s Marketing Partner Appears To Have Connections With The “Joy” Messaging From The NXIVM Cult

The concept and science of joy is linked to cult leader Keith Raniere. There was even a documentary made with the first episode entitled “The Science of Joy” which premiered in August 2020. The word joy is littered on Movers+Shakers website and public messaging.

Imprisoned Cult Leader Raniere Preaches Experiencing Joy

Movers+Shakers Website Is Littered With Messages About “Joy”

“Have people experience more joy in life”
Spruce Point observes that Movers+Shaker’s corporate branding is yellow. We also notice that a picture of co-founder Horowitz shows him donning a similar yellow sash. This is a potential indicator of Movers+Shakers continued sympathy for the NXIVM belief system.
ELF Has Recently Increased The Frequency of Its “Joy” Messaging

ELF’s marketing communications increased the messaging of “Joy” not long after engaging Movers+Shakers. An article suggests that Movers+Shakers became acquainted with ELF in late 2019 and the Joy messages began to frequently appear in ELF’s public messages in January 2020.¹

ELF’s Marketing Communications Have Frequently Referenced “Joy” Beginning In January 2020

Jan 2020, Kory Marchisotto, Chief Marketing Officer: “It was so exciting to be a part of Republic’s GRAMMY night and gratifying to work with a partner who shares our values of supporting diversity, inclusivity and joy through individual expression— including through music and authentic beauty.”

Dec 2020, Kory Marchisotto, Chief Marketing Officer: “We intend to bring holiday cheer to the season in a way that e.l.f. has never done before through music, self-expression and pure joy.”

Jan 2021, Kory Marchisotto, Chief Marketing Officer: “We created a holiday playlist to bring joy and entertain Triller audiences while celebrating beauty with a community of music enthusiasts.”

Aug 2021, Patrick O’Keefe VP, Integrated Marketing: “Tierra is a leader, and she brings joy to everything she does. We’re excited for this epic launch that will combine the energy, style and creativity of Tierra and Big Mood!”

Feb 2023, Kory Marchisotto, Chief Marketing Officer: “This is e.l.f. Cosmetics biggest lipstick launch yet, and we’re going all in,” Kory adds. “We’re disrupting norms in another eyes.lips.first. entertaining beauty moment— the kind our e.l.f. community has come to anticipate for pure joy.”

Sept 2023, Christine Cassidy (VP/GM): “We want every eye, lip and face to feel the joy and freedom of expressing their truest (s)e.l.f. Join us on this e.l.f.ing amazing journey.”

¹) Vox.com

Source: ELF Press Releases (1, 2, 3, 4, 5, 6)
Perhaps a total coincidence, but in late 2020 ELF’s Holiday Album featured a remix of “Joy To The World” and ELF tapped Movers+Shakers to design the campaign and produce the brand’s first-ever album.

Source: YouTube and ELF Press Release
“Badass” Was NXIVM Terminology Associated With The Women Subjected To Branding

Multiple credible news sources reported that “badass” was the terminology used by NXIVM’s subcult of women known as DOS (Dominus Obsequious Sororium). DOS members were subject to branding and a master/slave relationship.

**Badass**

**The New York Times**

“This was an intersection of theories about femininity, victimhood, money and ethics, much of it influenced by Ayn Rand, one of Raniere’s favorite authors. The ultimate Nxivm member was “potent,” in Nxian lingo — not only rich but emotionally disciplined, self-controlled, attractive, physically fit and slender — or, in the word most members themselves preferred, “badass.”

NEW YORK POST

“In a series of text messages on October 9, 2015, Raniere told her about a secret Nxivm subgroup he was building, a women’s empowerment sorority called DOS, or Dominus Obsequious Sororium — a fake Latin phrase roughly translating to “master over the slave women.” He described it as “a badass bitch boot camp,” writes Berman. “Some women even talked about it as if it were an elite talent agency … like the Freemasons but for women wanting to build character and change the world.”

VANITY FAIR

“Keith Raniere’s message of power through submission ensnared a cadre of wealthy, beautiful, intelligent, insecure women who wanted to be “badass.”

“Their numbers included Misty Kropp, 29, of Boca Raton, Florida, a former NXIVM executive. “I was a real ‘badass,’” Kropp, who recently left NXIVM, said in an interview. “I didn’t want to be the weak one. I didn’t want to be the victim.”

“Those who followed him, he insisted, would become stronger, emotionally and physically, or, as some of them called themselves, “badass.”

Source: “Inside Nxivm, the ‘Sex Cult’ That Preached Empowerment,” May 30, 2018, NYTimes.com
“How Keith Raniere lured scores of young women into sex slave cult NXIVM,” April 17, 2021, NYPost.com
“Insider the NXIVM empowerment sex cult,” Vanity Fair, June 19, 2019
Intended or not, Spruce Point finds repeated references by ELF’s Chief Marketing Officer to the word “badass” as it relates to women.

“Renegade Badass Spirit” 
“Bright, Sassy, Badass”

“E.l.f. was born to disrupt, and E.l.f. has a built-in renegade badass spirit in our veins,” said Kory Marchisotto, E.l.f CMO

“Kory gives Heide and me a ton of headlines, including “Bright, Sassy, Badass” and “Curiosity, Courage, Conviction”— not to mention plenty of “elfisms” and the elf-bombs!

“Badass Boss Lady”

“Applauds Badass Women”

Sources: “Marketing is Seduction and Commerce is Sex for e.l.f. CMO Kory Marchisotto,” Adweek, Feb 21, 2021
“Following TikTok success, E.l.f. Cosmetics expands to Triller,” Dec 10, 2020, Glossy.co
Salesforce.com Blog, June 19, 2019
LinkedIn post
Note: Red underline emphasis from Spruce Point
ELF’s Stock Is The Most Richly Valued In The Cosmetics And Beauty Industry

ELF’s share price commands a premium to peers as revenue growth has recently been more than double the industry average and it has avoided slower growing international markets.

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</tr>
</thead>
<tbody>
<tr>
<td>L'Oreal (OR FP)</td>
<td>$440.24</td>
<td>$241,241</td>
<td>73.5%</td>
<td>23.7%</td>
<td>11.5%</td>
<td>11.3%</td>
<td>5.8x</td>
<td>24.5x</td>
<td>0.5x</td>
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<tr>
<td>Estee Lauder (EL)</td>
<td>$116.60</td>
<td>$49,902</td>
<td>72.4%</td>
<td>16.7%</td>
<td>4.3%</td>
<td>10.1%</td>
<td>3.1x</td>
<td>19.9x</td>
<td>3.0x</td>
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<tr>
<td>Ulta Beauty (ULTA)</td>
<td>$392.78</td>
<td>$21,071</td>
<td>38.9%</td>
<td>16.8%</td>
<td>4.1%</td>
<td>3.5%</td>
<td>1.9x</td>
<td>11.1x</td>
<td>0.8x</td>
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<tr>
<td>Coty (COTY)</td>
<td>$10.03</td>
<td>$13,013</td>
<td>64.5%</td>
<td>18.1%</td>
<td>8.2%</td>
<td>7.3%</td>
<td>2.2x</td>
<td>12.3x</td>
<td>4.0x</td>
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<tr>
<td>L'Occitane (973 HK)</td>
<td>$2.45</td>
<td>$4,377</td>
<td>79.0%</td>
<td>19.3%</td>
<td>14.3%</td>
<td>15.6%</td>
<td>1.7x</td>
<td>9.0x</td>
<td>1.4x</td>
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<td>Inter Parfums (IPAR)</td>
<td>$128.11</td>
<td>$4,325</td>
<td>63.6%</td>
<td>19.1%</td>
<td>11.9%</td>
<td>13.8%</td>
<td>3.3x</td>
<td>17.6x</td>
<td>0.1x</td>
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<tr>
<td>Olaplex (OLPX)</td>
<td>$1.72</td>
<td>$1,395</td>
<td>71.5%</td>
<td>38.2%</td>
<td>6.7%</td>
<td>9.7%</td>
<td>3.1x</td>
<td>8.3x</td>
<td>1.4x</td>
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<tr>
<td>Beauty Health (SKIN)</td>
<td>$4.04</td>
<td>$738</td>
<td>71.0%</td>
<td>21.5%</td>
<td>19.1%</td>
<td>44.4%</td>
<td>1.6x</td>
<td>9.0x</td>
<td>2.5x</td>
</tr>
</tbody>
</table>

Max                     79.0%  38.2%  19.1%  44.4%  5.8x  5.1x  24.5x  22.0x  4.0x
Average                  66.8%  21.7%  10.0%  14.5%  2.8x  2.3x  14.0x  12.4x  1.7x
Min                      38.9%  16.7%  4.1%  3.5%  1.6x  1.0x  8.3x  6.3x  0.1x

e.l.f. Beauty (ELF)      | $98.14                | $5,597         | 70.3%                    | 23.4%         | 27.5%                 | 18.7%                   | 6.8x           | 26.9x            | -0.5x          |
Pro Forma e.l.f. Beauty (ELF) | $98.14                | $5,956         | 70.3%                    | 23.4%         | 27.5%                 | 18.7%                   | 7.2x           | 28.6x            | 0.9x           |

Source: Spruce Point and Bloomberg consensus
ELF is pro forma for the Naturium acquisition which closed in early October. We assume 577K shares issued, $200m and $85M of debt and cash to finance the transaction.
Spruce Point believes that ELF’s valuation is supported by its above market revenue growth. This revenue is highly dependent on its retail channels through Target, Walmart, and Ulta Beauty along with continued appeal with mostly female Gen Z consumers. To the extent that ELF receives pushback from these customers related to its association with Movers+Shakers and its perceived messaging and association with the NXIVM cult, there could be material downside to the share price.

<table>
<thead>
<tr>
<th>$ in mm, except per share figures</th>
<th>Estimated ELF Share Price Sensitivity To Growth Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low Case</td>
</tr>
<tr>
<td>CY 2024E Sales</td>
<td>$844 2%</td>
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<tr>
<td>% growth</td>
<td></td>
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<tr>
<td>Multiple Range</td>
<td>2.5x</td>
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<tr>
<td>Enterprise Value</td>
<td>$2,110</td>
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<tr>
<td>Less: Pro Forma Debt(1)</td>
<td>($278)</td>
</tr>
<tr>
<td>Plus: Pro Forma Cash(1)</td>
<td>$83</td>
</tr>
<tr>
<td>Equity Value</td>
<td>$1,915</td>
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<tr>
<td>Pro Forma Diluted Shares(1)</td>
<td>58.0</td>
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<tr>
<td>Estimated Share Price</td>
<td>$33.01</td>
</tr>
<tr>
<td>% Downside Risk</td>
<td>-66%</td>
</tr>
</tbody>
</table>

Source: Company financials, Spruce Point research
1) ELF is pro forma for the Naturium acquisition which closed in early October. We assume 577K shares issued, $200m and $85M of debt and cash to finance the transaction.