UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 4, 2021

THE BEAUTY HEALTH COMPANY
(Exact name of registrant as specified in its charter)

Delaware	001-39565	85-1908962
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2165 Spring Street Long Beach, CA	90806
(Address of principal executive offices)	(Zip Code)

(800) 603-4996
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	**SKIN**	**The Nasdaq Stock Market LLC**
Warrants, each exercisable for one share of Class A Common Stock at a price of $11.50	**SKINW**	**The Nasdaq Stock Market LLC**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☒

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

Explanatory Note

This Current Report on Form 8-K/A (this "Amendment") amends the Current Report on Form 8-K filed with the Securities and Exchange Commission ("SEC") on May 10, 2021 (the "Original Form 8-K").

As previously disclosed, on April 12, 2021, the Staff of the SEC released the Staff Statement on Accounting and Reporting Considerations for Warrants Issued by Special Purpose Acquisition Companies ("SPACs") (the "Staff Statement"). The Staff Statement sets forth the conclusion of the SEC's Office of the Chief Accountant that certain provisions included in the warrant agreements entered into by many SPACs, including, previously, The Beauty Health Company (formerly known as Vesper Healthcare Acquisition Corp. ("Vesper")) (the "Company"), require such warrants to be accounted for as liabilities measured at fair value, rather than as equity securities, with changes in fair value during each financial reporting period reported in earnings. The Company has previously classified its private placement warrants and public warrants as equity. For a full description of the Company's private placement warrants and public warrants (collectively, the "warrants"), refer to the registration statement on Form S-1 (File No. 333-248717), filed in connection with the Company's initial public offering, declared effective by the SEC on September 30, 2020.

As previously disclosed, on May 9, 2021, the Company's management and the Audit Committee of the Company's board of directors (the "Audit Committee") concluded that, in light of the Staff Statement, it is appropriate to restate the Company's previously issued audited financial statements as of December 31, 2020 and for the period from July 8, 2020 (inception) through December 31, 2020 (the "Affected Periods") and accordingly, such audited financial statements should no longer be relied upon. Similarly, the Audit Committee concluded that any previously furnished or filed reports, related earnings releases, investor presentations or similar communications of the Company describing the Company's financial results for the Affected Periods should no longer be relied upon, including previously filed pro forma financial statements.

On May 28, 2021, the Company filed an amendment to its Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on March 18, 2021 (the "Amended 10-K") reflecting this reclassification of the warrants for the Affected Periods. The adjustments to the financial statement items for the Affected Periods are set forth through expanded disclosure in the Company's management's discussion and analysis of financial of financial condition and results and operations and the financial statements included in the Amended 10-K, including further describing the restatement and its impact on previously reported amounts.

Additionally, on July 1, 2021, the Company filed its Quarterly Report on Form 10-Q (the "Form 10-Q") for the period ended March 31, 2021, including the unaudited condensed consolidated financial statements of the Company, as of and for the three months ended March 31, 2021. In connection with the preparation of the Form 10-Q, the Company noted an error in its application of guidance associated with "ASC 480: Distinguishing Liabilities from Equity" which needed to be modified to appropriately present the impact on the accounting treatment of the temporary equity as a result of the private investment in public equity transaction that is subject of the Subscription Agreements entered into by the Company with certain investors on December 8, 2021 in connection with the Company's business combination with LCP Edge Intermediate, Inc., a Delaware corporation and indirect parent of Edge Systems LLC d/b/a The HydraFacial Company, and LCP Edge Holdco, LLC, as previously disclosed in the Company's Form 10-K/A filed on May 27, 2021. This modification to the accounting treatment of equity required the Company's common stock to be reclassified from permanent equity to temporary equity in the form of common stock subject to possible redemption. The Audit Committee, in consultation with the Company's management, concluded that all Class A common stock that was sold to the public in the Company's initial public offering are to be classified as temporary equity, thereby correcting an error of classification within the Condensed Balance Sheet. In the financial statements filed in the Company's Form 10-K/A, the Company incorrectly classified 8,351,205 Class A common stock as permanent equity as of December 31, 2020, whereas no Class A common stock should have been so classified. The 8,351,205 shares of Class A common stock that were originally incorrectly classified as permanent equity have been reclassified as temporary equity in the Form 10-Q and in the unaudited pro forma condensed combined financial information of the Company as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020 included in Exhibit 99.8 to this Form 8-K/A, thereby yielding a total of 46,000,000 shares of Class A common stock (the shares sold to the public in our initial public offering, which are subject to redemption) as temporary equity. Further detail on the impact of the revision can be found in Note 10 of the Interim Financial Statements contained in the Form 10-Q.

The Company is filing this Amendment to the Original Form 8-K to (i) incorporate by reference into Item 9.01(a) of this Current Report on Form 8-K/A and file as Exhibit 99.1 the restated audited financial statements of the Company as of December 31, 2020 and for the period from July 8, 2020 (inception) through December 31, 2020 included in the Amended 10-K, (ii) incorporate by reference into Item 2.01 of this Current Report on Form 8-K/A and file as Exhibit 99.2 management's discussion and analysis of financial condition and results of operations of the Company for the period from July 8, 2020 (inception) through December 31, 2020 included in the Amended 10-K, (iii) incorporate by reference into Item 9.01(a) of this Current Report on Form 8-K/A and file as Exhibit 99.3 the audited consolidated financial statements of LCP Edge Intermediate, Inc. as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018, (iv) incorporate by reference into Item 9.01(a) of this Current Report on Form 8-K/A and file as Exhibit 99.4 the unaudited condensed consolidated financial statements of the Company as of March 31, 2021 and for three months ended March 31, 2021 included in the Form 10-Q, (v) incorporate by reference into Item 2.01 of this Current Report on Form 8-K/A and file as Exhibit 99.5 management's discussion and analysis of financial condition and results of operations of the Company for the three months ended March 31, 2021 included in the Form 10-Q, (vi) incorporate by reference into Item 9.01(a) of this Current Report on Form 8-K/A and file as Exhibit 99.6 the unaudited condensed consolidated financial statements of LCP Edge Intermediate, Inc. as of March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020, (vii) incorporate by reference into Item 2.01 of this Current Report on Form 8-K/A and file as Exhibit 99.7 management's discussion and analysis of financial condition and results of operations of LCP Edge Intermediate, Inc. for the three months ended March 31, 2021 and 2020, and (viii) incorporate by reference into Item 9.01(a) of this Current Report on Form 8-K/A and file as Exhibit 99.8 the unaudited pro forma condensed combined financial information of the Company as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020.

Additionally, on July 9, 2021, the Audit Committee approved the engagement of Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public accounting firm. This Amendment is also being filed to add the disclosure required by Item 4.01 of Form 8-K.

Accordingly, the Original Form 8-K is hereby amended solely to amend Item 2.01, add Item 4.01 and amend and restate Item 9.01. The Original Form 8-K otherwise remains unchanged.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Management's Discussion and Analysis of Financial Condition and Results of Operations and Quantitative and Qualitative Disclosures About Market Risk

Management's discussion and analysis of financial condition and results of operations of the Company for the year ended December 31, 2020 included in Part II, Item 7 of the Amended 10-K is incorporated by reference into Item 2.01 of this Current Report on Form 8-K/A and filed as Exhibit 99.2 hereto.

Management's discussion and analysis of financial condition and results of operations of the Company for the three months ended March 31, 2021 included in Part I, Item 2 of the Form 10-Q is incorporated by reference into Item 2.01 of this Current Report on Form 8-K/A and filed as Exhibit 99.5 hereto.

Management's discussion and analysis of financial condition and results of operations of LCP Edge Intermediate, Inc. for the three months ended March 31, 2021 and 2020 is filed as Exhibit 99.7 hereto and is incorporated by reference into Item 2.01 of this Current Report on Form 8-K/A.

Item 4.01 Change in Registrant's Certifying Accountant.

On July 9, 2021, the Audit Committee approved the engagement of Deloitte as the Company's independent registered public accounting firm, effective immediately, to audit the Company's consolidated financial statements for the year ended December 31, 2021. Deloitte served as independent registered public accounting firm of LCP Edge Intermediate, Inc. prior to the business combination between LCP Edge Intermediate, Inc. and Vesper (the "Business Combination"). Accordingly, Marcum LLP ("Marcum"), Vesper Healthcare Acquisition Corp's independent registered public accounting firm prior to the Business Combination, was informed that it would be replaced by Deloitte as the Company's independent registered public accounting firm.

The reports of Marcum on Vesper's, the Company's legal predecessor, consolidated balance sheet as of December 31, 2020, the related consolidated statements of operations, changes in stockholders' equity and cash flows for the period from July 8, 2020 (inception) through December 31, 2020, and the related notes, did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainties, audit scope or accounting principles.

During the period of Marcum's engagement by the Company, and the subsequent interim period preceding Marcum's dismissal, there were no disagreements with Marcum on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Marcum, would have caused it to make a reference to the subject matter of the disagreement in connection with its reports covering such periods. In addition, no "reportable events," as defined in Item 304(a)(1)(v) of Regulation S-K, occurred within the period of Marcum's engagement and subsequent interim period preceding Marcum's dismissal.

The Company has provided Marcum with a copy of the foregoing disclosures and has requested that Marcum furnish the Company with a letter addressed to the SEC stating whether it agrees with the statements made by the Company set forth above. A copy of Marcum's letter, dated July 9, 2021, is filed as Exhibit 16.1 to this Current Report on Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired

1. The audited consolidated financial statements of the Company as of December 31, 2020 and for the period from July 8, 2020 (inception) through December 31, 2020 included in the Amended 10-K filed with the SEC on May 28, 2021 are incorporated herein by reference and filed as Exhibit 99.1 to this Current Report on Form 8-K/A.
2. The audited consolidated financial statements of LCP Edge Intermediate, Inc. as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 are filed as Exhibit 99.3 to this Current Report on Form 8-K/A and are incorporated herein by reference.
3. The unaudited condensed consolidated financial statements of the Company as of March 31, 2021 and December 31, 2020 and for three months ended March 31, 2021 and 2020 included in the Form 10-Q filed with the SEC on July 1, 2021 are incorporated herein by reference and filed as Exhibit 99.4 to this Current Report on Form 8-K/A.
4. The unaudited condensed consolidated financial statements of LCP Edge Intermediate, Inc. as of March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020 are filed as Exhibit 99.6 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(b) Pro Forma Financial Information

1. The unaudited pro forma condensed combined financial information of the Company as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020 are filed as Exhibit 99.8 to this Current Report on Form 8-K/A and are incorporated herein by reference.

(d) Exhibits

Exhibit Number	Description
2.1+	Agreement and Plan of Merger, dated as of December 8, 2020, by and among Vesper Healthcare Acquisition Corp., Hydrate Merger Sub I, Inc., Hydrate Merger Sub II, LLC, LCP Edge Intermediate, Inc. and LCP Edge Holdco, LLC, in its capacity as the Stockholders' Representative (incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K of the Company on December 9, 2020).
3.1	Second Amended and Restated Certificate of Incorporation of The Beauty Health Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
3.2	Amended and Restated Bylaws of The Beauty Health Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
4.1	Specimen Class A Common Stock Certificate (incorporated by reference to Exhibit 4.2 to the Registration Statement on Form S-1 (File No. 333-248717) of the Company on September 21, 2020).
4.2	Specimen Warrant Certificate (incorporated by reference to Exhibit 4.3 to the Registration Statement on Form S-1 (File No. 333-248717) of the Company on September 21, 2020).
4.3	Warrant Agreement, dated September 29, 2020, between the Company and Continental Stock Transfer & Trust Company, as warrant agent (incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K of the Company on October 5, 2020).
10.1	Form of Subscription Agreement (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company on December 9, 2020).
10.2	Amended and Restated Registration Rights Agreement dated as of May 4, 2021, by and among The Beauty Health Company, BLS Investor Group LLC and the stockholders of LCP Edge Intermediate, Inc (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).

10.3	Investor Rights Agreement dated as of May 4, 2021, by and between The Beauty Health Company and LCP Edge Holdco, LLC (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.4#	The Beauty Health Company 2021 Incentive Award Plan (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company on April 30, 2021).
10.5#	The Beauty Health Company 2021 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K of the Company on April 30, 2021).
10.6#	Employment Agreement, dated as of May 4, 2021, between Clinton E. Carnell, Edge Systems LLC d/b/a The HydraFacial Company and The Beauty Health Company (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.7#	Employment Agreement, dated as of May 4, 2021, between Liyuan Woo, Edge Systems LLC d/b/a The HydraFacial Company and The Beauty Health Company (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.8#	Offer Letter dated as of April 21, 2021, between Daniel Watson, Edge Systems LLC d/b/a The HydraFacial Company and The Beauty Health Company (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.9#	Form of Stock Option Award Agreement (CEO and CFO) (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.10#	Form of Stock Option Award Agreement Form (Non-CEO and CFO) (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.11#	Form of Performance-Based Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.12#	The Beauty Health Company Executive Severance Plan (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.13#	Form of Indemnity Agreement (incorporated by reference to Exhibit 10.13 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
10.14	Amended and Restated Management Services Agreement dated as of May 4, 2021, by and among Linden Manager III LP, Edge Systems LLC d/b/a The HydraFacial Company and The Beauty Health Company (incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
16.1*	Letter from Marcum LLP regarding Change in Independent Registered Public Accounting Firm dated July 1, 2021.
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Company's Current Report on Form 8-K filed with the SEC on May 10, 2021).
99.1	Audited Consolidated Financial Statements of The Beauty Health Company and its subsidiaries as of December 31, 2020 for the period from July 8, 2020 (inception) through December 31, 2020 (incorporated by reference to Part II, Item 8 of the Company's Annual Report on Form 10-K/A filed with the SEC on May 28, 2021).
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for The Beauty Health Company for the year ended December 31, 2020 (incorporated by reference to Part II, Item 7 of the Company's Annual Report on Form 10-K/A filed with the SEC on May 28, 2021).
99.3	Audited Consolidated Financial Statements of LCP Edge Intermediate, Inc. as of December 31, 2020 and 2019, and for the years ended December 31, 2020, 2019 and 2018 (incorporated by reference to the consolidated financial statements of LCP Edge Intermediate, Inc. set forth beginning on page FS-23 of the Company's definitive proxy statement filed with the SEC on April 7, 2021).
99.4	Unaudited Condensed Consolidated Financial Statements of The Beauty Health Company and its subsidiaries as of March 31, 2021 and December 31, 2020 and for three months ended March 31, 2021 and 2020 (incorporated by reference to Part I, Item 1 of the Company's Quarterly Report on Form 10-Q filed with the SEC on July 1, 2021).
99.5	Management's Discussion and Analysis of Financial Condition and Results of Operations for The Beauty Health Company for the three months ended March 31, 2021 (incorporated by reference to Part I, Item 2 of the Company's Quarterly Report on Form 10-Q filed with the SEC on July 1, 2021).
99.6*	Unaudited Condensed Consolidated Financial Statements of LCP Edge Intermediate, Inc. as of March 31, 2021 and December 31, 2020, and for the three months ended March 31, 2021 and 2020.

99.7*	Management's Discussion and Analysis of Financial Condition and Results of Operations for LCP Edge Intermediate, Inc. for the three months ended March 31, 2021 and 2020.
99.8*	Unaudited Pro Forma Condensed Combined Financial Statements of The Beauty Health Company and its subsidiaries as of and for the three months ended March 31, 2021 and for the year ended December 31, 2020.

+ Certain schedules and exhibits to this Exhibit have been omitted pursuant to Item 601(a)(5) or Item 601(b)(10)(iv), as applicable, of Regulation S-K. The Registrant agrees to furnish supplemental copies of all omitted exhibits and schedules to the Securities and Exchange Commission upon its request.

Management contract or compensatory plan or arrangement.

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: July 9, 2021

The Beauty Health Company

By:	/s/ Liyuan Woo
Name:	Liyuan Woo
Title:	Chief Financial Officer

Exhibit 16.1

July 9, 2021

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We have read the statements made by The Beauty Health Company (formerly Vesper Healthcare Acquisition Corp.) under Item 4.01 of its Form 8-K/A dated May 4, 2021 and filed on July 9, 2021. We agree with the statements concerning our Firm in such Form 8-K/A; we are not in a position to agree or disagree with other statements of The Beauty Health Company (formerly Vesper Healthcare Acquisition Corp.) contained therein.

Very truly yours,

/s/ Marcum LLP

Marcum LLP

Exhibit 99.6

INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF LCP EDGE INTERMEDIATE, INC.

Unaudited Condensed Consolidated Financial Statements

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LCP EDGE INTERMEDIATE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share amounts)

	March 31, 2021 (unaudited)		December 31, 2020 (unaudited)	
Assets				
Current assets:				
Cash and cash equivalents	$	14,115	$	9,486
Accounts receivable, net of allowance for doubtful accounts of $2,049 as of March 31, 2021 and $2,032 as of December 31, 2020		27,014		18,576
Prepaid expenses		4,195		3,220
Income tax receivable		4,394		4,611
Inventories		21,770		23,202
Total current assets		71,488		59,095
Property and equipment, net		8,146		9,191
Intangible assets, net		50,254		50,935
Goodwill		98,535		98,531
Deferred tax assets, net		224		270
Other assets		6,142		4,813
Total assets	$	234,789	$	222,835
Liabilities and Stockholders' Deficit				
Current liabilities:				
Accounts payable	$	22,415	$	18,485
Accrued payroll related expenses		14,177		9,475
Other accrued expenses		2,860		2,458
Current portion of long-term debt due to related parties		5,197		512
Total current liabilities		44,649		30,930
Other long-term liabilities		1,773		1,854
Long-term debt due to related parties, net of current portion		218,472		216,024
Deferred income taxes, net		3,100		3,987
Total liabilities	$	267,994	$	252,795
Stockholders' deficit				
Common stock $0.01 par value; 60,000 shares authorized; 54,358 shares issued and outstanding at March 31, 2021 and December 31, 2020	$	—	$	—
Class A Preferred stock, $0.01 par value; 1,500 shares authorized; 935 issued and 931 outstanding at both March 31, 2021 and December 31, 2020 (Aggregated liquidation preference of $8,465 as of March 31, 2021 and December 31, 2020)		—		—
Additional paid-in capital		13,990		13,956
Note receivable from stockholder		(554)		(554)
Accumulated other comprehensive income		237		242
Accumulated deficit		(46,878)		(43,604)
Total stockholders’ deficit		(33,205)		(29,960)
Total liabilities and stockholders’ deficit	$	234,789	$	222,835

The accompanying notes are an integral part of these financial statements.

LCP EDGE INTERMEDIATE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands, except share and per share amounts)

	Three Months Ended March 31, 2021 (unaudited)	Three Months Ended March 31, 2020 (unaudited)
Net sales	$ 47,542	$ 32,536
Cost of sales	15,802	13,607
Gross profit	31,740	18,929
Operating expenses:		
Selling and marketing	17,095	17,697
Research and development	1,452	1,376
General and administrative	10,811	7,192
Total operating expenses	29,358	26,265
Income (loss) from operations	2,382	(7,336)
Other expense (income)		
Interest expense, net	5,699	4,150
Other expense (income)	7	(5)
Foreign currency loss, net	256	203
Total other expense	5,962	4,348
Loss before provision for income taxes	(3,580)	(11,684)
Income tax benefit	(306)	(2,614)
Net loss	(3,274)	(9,070)
Cumulative preferred dividends	(201)	(188)
Net loss attributable to common shareholders	(3,475)	(9,258)
Comprehensive loss, net of tax:		
Foreign currency translation adjustments	(5)	(72)
Comprehensive loss, net of tax:	$ (3,279)	$ (9,142)
Net loss per share available to common stockholders - basic and diluted	$ (63.92)	$ (188.17)
Weighted average common shares outstanding - basic and diluted	54,358	49,205

The accompanying notes are an integral part of these financial statements.

LCP EDGE INTERMEDIATE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in thousands, except share amounts; unaudited)

	Common Stock		Preferred Stock		Additional Paid-in Capital	Note Receivable from Stockholder	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount					
BALANCE, December 31, 2019	49,205	—	935	—	$ 13,747	$ (554)	$ 28	$ (14,429)	$ (1,208)
Stock-based compensation	—	—	—	—	26	—	—	—	26
Net loss	—	—	—	—	—	—	—	(9,070)	(9,070)
Foreign currency translation adjustment	—	—	—	—	—	—	(72)	—	(72)
BALANCE, March 31, 2020	49,205	—	935	—	$ 13,773	$ (554)	$ (44)	$ (23,499)	$ (10,324)
BALANCE, December 31, 2020	54,358	—	931	—	$ 13,956	$ (554)	$ 242	$ (43,604)	$ (29,960)
Stock-based compensation	—	—	—	—	34	—	—	—	34
Net loss	—	—	—	—	—	—	—	(3,274)	(3,274)
Foreign currency translation adjustment	—	—	—	—	—	—	(5)	—	(5)
BALANCE, March 31, 2021	54,358	—	931	—	$ 13,990	$ (554)	$ 237	$ (46,878)	$ (33,205)

The accompanying notes are an integral part of these financial statements.

LCP EDGE INTERMEDIATE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Three Months Ended March 31,	
	2021	2020
	(unaudited)	(unaudited)
Cash flows from (used in) operating activities:		
Net loss	$ (3,274)	$ (9,070)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation of property and equipment	690	650
Amortization of intangible assets	2,921	2,819
Provision for doubtful accounts	19	183
Amortization of other assets	33	33
Amortization of deferred financing costs	394	349
Stock-based compensation	34	26
Amortization of unfavorable lease terms	—	(36)
Payment in-kind interest	2,182	—
Deferred income taxes	(842)	3,068
Changes in operating assets and liabilities:		
Accounts receivables	(8,457)	5,245
Prepaid expenses	(975)	1,231
Income taxes receivable	217	(3,393)
Inventory	1,411	(3,135)
Other assets	(1,182)	(143)
Accounts payable	3,067	567
Accrued payroll and other expenses	5,018	(1,312)
Other long-term liabilities	(81)	160
Income taxes payable	86	(2,296)
Net cash from (used in) operating activities	1,261	(5,054)
Cash flows used in investing activities:		
Capital expenditures for intangible assets	(170)	(117)
Capital expenditures for property and equipment	(818)	(2,126)
Net cash used in investing activities	(988)	(2,243)
Cash flows from financing activities:		
Proceeds from revolving facility borrowings	5,000	6,500
Repayment of term loan borrowings	(443)	(443)
Payments for transaction costs	(180)	—
Net cash from financing activities	4,377	6,057
Net change in cash and cash equivalents	4,650	(1,240)
Effect of foreign currency translation on cash	(21)	44
Cash and cash equivalents, beginning of period	9,486	7,307
Cash and cash equivalents, end of period	$ 14,115	$ 6,111
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 3,123	$ 5,350
Supplemental disclosures of non cash investing and financing activities:		
Capital expenditures included in accounts payable	863	31
Deferred offering costs	2,203	—

The accompanying notes are an integral part of these financial statements.

Note 1 – Description of Business and Basis of Presentation

LCP Edge Intermediate, Inc. ("The HydraFacial Company" or "HydraFacial" or the "Company") and its subsidiaries design, develop, manufacture, market, and sell aesthetic technologies and products. HydraFacial is a wholly owned subsidiary of LCP Edge Holdco, LLC ("LCP Holdco" or "Parent"). HydraFacial offers hydradermabrasion systems that enhance the skin to cleanse, exfoliate, extract, and hydrate simultaneously; HydraFacial® Daily Essentials, which provides detoxification, rejuvenation, and protection of skin; crystal microdermabrasion systems; and light emitting diode systems. The premiere system is the HydraFacial MD® liquid based skin exfoliation system.

Merger

On May 4, 2021 (the "Closing Date"), HydraFacial consummated a merger pursuant to the Agreement and Plan of Merger, dated December 8, 2020 (the "Merger Agreement") with Vesper Healthcare Acquisition Corp. ("Vesper"), which provided for, among other things, the merger with and into Vesper, with the Company surviving as the accounting acquirer. Upon closing, the surviving entity was renamed The Beauty Health Company ("BeautyHealth") and began to trade on the Nasdaq Capital Market under the ticker symbol "SKIN." The transactions set forth in the Merger Agreement constitute a "Business Combination" as contemplated by Vesper's Amended & Restated Certificate of Incorporation. See Note 17 for additional information on the merger.

Basis of presentation and consolidation – The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The consolidated financial statements are presented on a consolidated basis and include the operations of HydraFacial and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The interim Unaudited Condensed Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and include HydraFacial's consolidated domestic and international subsidiaries. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these interim Unaudited Condensed Consolidated Financial Statements and accompanying footnotes should be read in conjunction with HydraFacial's Consolidated Financial Statements as of and for the year ended December 31, 2020. Except as described elsewhere in this Note 2, there have been no material changes to HydraFacial's significant accounting policies as described in HydraFacial's Consolidated Financial Statements as of and for the year ended December 31, 2020.

In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair presentation have been included in the Condensed Consolidated Financial Statements. HydraFacial believes that the disclosures provided herein are adequate to prevent the information presented from being misleading. The results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results of operations to be expected for the full year ending December 31, 2021.

Note 2 – Summary of Significant Accounting Policies

Use of estimates and assumptions in preparing consolidated financial statements – In preparing its consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, HydraFacial makes assumptions, estimates, and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of net sales and expenses during the reported periods. On an ongoing basis, HydraFacial evaluates its estimates, including, among others, those related to revenue related reserves, allowance for doubtful accounts, the realizability of inventory, fair value measurements including common stock valuations, useful lives of property and equipment, goodwill and finite-lived intangible assets, accounting for income taxes, stock-based compensation expense and commitments and contingencies. HydraFacial's estimates are based on historical experience and on its future expectations that are believed to be reasonable. The combination of these factors forms the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from its current estimates and those differences may be material.

Recently issued accounting pronouncements

With the Business Combination consummated, HydraFacial expects to be an "emerging growth company." The Jumpstart Our Business Startups Act, or the JOBS Act, allows HydraFacial to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. HydraFacial has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that the Company (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, HydraFacial's financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective date for new or revised accounting standards that are applicable to public companies.

Recently Adopted Accounting Pronouncements

Income Taxes. In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* ("ASU 2019-12"). The amendments in this ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify GAAP for other areas of Topic 740 by clarifying and amending existing guidance. HydraFacial adopted ASU 2019-12 on January 1, 2021, which did not have a material impact on its Condensed Consolidated Financial Statements.

Accounting Pronouncements Not Yet Adopted

Leases. In February 2016, FASB issued ASU 2016–02, *Leases (Topic 842*): Lessees will be required to recognize assets and liabilities on the balance sheet for the rights and obligations created by all leases with terms of more than 12 months. For non-public entities, the standard is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. In October 2019, the FASB issued ASU 2019-10, Lease (*Topic 842*): Effective Dates, which defers the effective date of ASU 2016-02 for companies that are not public business entities. For calendar-year end companies that are eligible for the deferral, the effective date is January 1, 2022.

Early adoption is permitted, however, HydraFacial will elect to defer adoption until January 1, 2022, once it indicates its emerging growth company status. HydraFacial is evaluating the impact of the amended lease guidance on HydraFacial's consolidated financial statements.

Note 3 – Revenue Recognition

HydraFacial has determined that each of its products is distinct and represents a separate performance obligation. The customer can benefit from each product on its own or together with other resources that are readily available to the customer. The products are separately identifiable from other promises in the contract. Control over HydraFacial's products generally transfers to the customer upon shipment of the products from HydraFacial's warehouse facility. Therefore, revenue associated with product purchases is recognized at a point in time upon shipment to the intended customer.

Disaggregated Revenue

HydraFacial generates revenue through manufacturing and selling HydraFacial and Perk Delivery Systems (the "Delivery Systems"). In conjunction with the sale of Delivery Systems, HydraFacial also sells its serum solutions and consumables (the "Consumables"). The Consumables are sold by HydraFacial and are available for purchase separately from the purchase of the Delivery System.

HydraFacial's revenue disaggregated by major product line consists of the following for the periods indicated (in thousands):

	Three Months Ended	
	March 31, 2021	March 31, 2020
Net Sales		
Delivery Systems	$ 25,672	$ 14,081
Consumables	21,870	18,455
Total net sales	$ 47,542	$ 32,536

See Note 15 for revenue disaggregated by geographical region.

Note 4 – Inventories

Inventories consist of the following as of the periods indicated (in thousands):

	March 31, 2021		December 31, 2020	
Raw materials	$	9,531	$	9,335
Finished goods		12,239		13,867
Total inventories	$	21,770	$	23,202

Note 5 – Property and Equipment, net

Property and equipment consist of the following as of the periods indicated (in thousands):

	Useful life (years)	March 31, 2021		December 31, 2020	
Furniture and fixtures	2-7	$	3,225	$	3,265
Computers and equipment	3-5		3,630		3,502
Autos and trucks	5		454		413
Tooling	5		1,150		1,150
Leasehold improvements	Shorter of remaining lease term or estimated useful life		4,443		4,097
Total Property and equipment			12,902		12,427
Less: accumulated depreciation and amortization			(5,023)		(4,407)
Construction-in-progress			267		1,171
Property and equipment, net		$	8,146	$	9,191

Depreciation expense was $0.7 million and $0.6 million for the three months ended March 31, 2021 and 2020, respectively. Of the total depreciation for the three months ended March 31, 2021 and 2020, $0.3 million and $0.3 million, respectively, were recorded in Cost of sales and $0.4 million and $0.3 million, respectively, were recorded in General and administrative expenses in the Condensed Consolidated Statements of Comprehensive Loss.

Note 6 – Goodwill and Intangible Assets, net

The gross carrying amount and accumulated amortization of HydraFacial's intangible assets, net, as of March 31, 2021 were as follows (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)
Trademarks	$ 9,480	$ (2,934)	$ 6,546	15
Customer relationships	6,016	(2,455)	3,561	5-10
Developed technology	70,900	(38,404)	32,496	8
Patents	1,596	(173)	1,423	4-19
Capitalized Software	8,208	(1,980)	6,228	3-5
Total intangible assets	$ 96,200	$ (45,946)	$ 50,254	

The gross carrying amount and accumulated amortization of HydraFacial's intangible assets, net, as of December 31, 2020 were as follows (in thousands):

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Useful Life (Years)
Trademarks	$ 9,480	$ (2,765)	$ 6,715	15
Customer relationships	6,003	(2,263)	3,740	5-10
Developed technology	70,900	(36,189)	34,711	8
Patents	1,423	(158)	1,265	4-19
Capitalized Software	6,172	(1,668)	4,504	3-5
Total intangible assets	$ 93,978	$ (43,043)	$ 50,935	

Amortization expense for the three months ended March 31, 2021 and 2020, was $2.9 million and $3.2 million, respectively. Of the total amortization expense for three months ended March 31, 2021 and 2020, $2.2 million and $2.7 million, respectively, were recorded in Cost of sales and $0.7 million and $0.5 million, respectively, were recorded in General and administrative expenses in the Condensed Consolidated Statements of Comprehensive Loss.

The changes in the carrying value of goodwill between December 31, 2020 and March 31, 2021 are from the effect of a foreign currency translation.

Note 7 – Long-term Debt

HydraFacial's long-term debt consists of the following as of the periods indicated (in thousands):

	March 31, 2021		December 31, 2020	
Revolver	$	5,000	$	—
Current portion of Term Loan		1,772		1,772
Current portion of deferred financing costs		(1,575)		(1,260)
Current portion of long-term debt, net		5,197		512
Term Loan, net of current portion		184,661		184,175
Term A Loan		34,648		33,395
Long-term portion of deferred financing costs		(837)		(1,546)
Long-term debt, net		218,472		216,024
Total debt, net	$	223,669	$	216,536

Deferred financing costs amortization expense for the three months ended March 31, 2021 and 2020 amounted to $0.4 million and $0.3 million, respectively, and is included in Interest expense, net on the Condensed Consolidated Statements of Comprehensive Loss.

Revolver and Term Loans

HydraFacial has a credit agreement (the "Credit Agreement") with a bank that is a related party holding less than 5% interest in HydraFacial, which originally provided for $65 million of term loans (the "Term Loans") and a revolving line of credit (the "Revolver") of $5.0 million. During August 2018, the Credit Agreement was amended to provide an additional $113.0 million of Term Loans and to increase the capacity under the Revolver to $15.0 million. During August 2019, HydraFacial further amended the Credit Agreement to provide an additional $10.0 million of Term Loans.

Borrowings under the Credit Agreement bear interest at a Base Rate plus an Applicable Margin ("Base Rate Loan") or a specified London Inter-Bank Offering Rate (LIBOR) plus an Applicable Margin. ("LIBOR Loan"). There was no interest on the Revolver in 2020, as there is no outstanding balance as of December 31, 2020. Interest is due on Base Rate Loans in arrears on the first day of each calendar month, and on the last day of the applicable interest period for LIBOR Loans. Principal on the Term Loan is due in installments of approximately $0.5 million at the end of each calendar quarter and the remaining principal is due upon maturity. The Credit Agreement matures on August 24, 2022, at which time the outstanding balances under the Revolver and Term Loans are due.

As of March 31, 2021 and December 31, 2020, there was an outstanding balance of $186.4 million and $185.9 million on the term loan, respectively. As of March 31, 2021, there was $5.0 million outstanding on the Revolver and as of December 31, 2020, there was no outstanding balance on the Revolver. As of March 31, 2021 and December 31, 2020, available borrowing capacity under the Revolver was $10.0 million and $15.0 million, respectively. Commitment fees on the revolving line of credit undrawn initial committed amount of $5.0 million is 1.50% per annum. The interest rate on the Revolver under the Credit Agreement was 8.75% for the three months ended March 31, 2021.

On April 10, 2020, the Credit Agreement was amended to include a "PIK" interest component of 2% that accrues on the outstanding balances of the Term Loan and the Revolver. Additionally, HydraFacial is required to pay an early prepayment fee of 2.00% of the amount prepaid or repaid on the Term Loan prior to April 10, 2021, and 1.00% if prepaid between April 11, 2021 and April 10, 2022. The interest rates on the Term Loan borrowings under the Credit Agreement including PIK was 8.75% for the three months ended March 31, 2021.

HydraFacial's initial Credit Agreement is collateralized by all assets of HydraFacial. The Term Loan and the Revolver contain customary covenants that restrict the ability of HydraFacial and its consolidated subsidiaries to, among other things, incur additional indebtedness, sell certain assets, guarantee obligations of third parties, pay cash dividends except to HydraFacial's subsidiary or direct parent or make certain other distributions, and undergo a merger or consolidation or certain other transactions without the lenders' consent. The Credit Agreement is also subject to certain financial covenants, requiring HydraFacial to maintain compliance with certain leverage ratios. HydraFacial was in compliance with its financial covenants as of March 31, 2021 and December 31, 2020.

Term A Loan

On April 10, 2020, HydraFacial entered into a second credit agreement with related parties to provide for term loan borrowings of $30.0 million ("Term A Loan"). Borrowings accrue interest at a rate of 15.0% and the agreement matures on August 24, 2023. Accrued interest is due quarterly which will be paid by increasing the amount of principal outstanding under the Term A Loan ("PIK Interest"). The PIK Interest shall be payable in cash upon maturity or acceleration of the Term A Loan in the event of default or change in control. The outstanding principal and interest on the Term A Loan is payable upon maturity. Term Loan A accrued $1.3 million in PIK interest for the three months ended March 31, 2021.

HydraFacial is required to pay an early prepayment fee of 2.00% of the amount of the Term A Loan prepaid or repaid prior to April 10, 2021, and 1.00% if prepaid between April 11, 2021 and April 10, 2022. Similar to the HydraFacial existing credit agreement, the Term A Loan is also subject to certain customary financial covenants and restrictions including to maintain quarterly consolidated profitability and debt-service ratios. These financial covenants are less restrictive than those of the initial Credit Agreement. The Term A loan is collateralized by all assets of HydraFacial and is subordinated to HydraFacial's existing first lien borrowings under the Credit Agreement.

Subsequent to March 31, 2021, in connection with the consummation of the Business Combination, all outstanding debt was repaid.

Note 8 – Income Taxes

The income tax benefit for the three months ended March 31, 2021 and 2020 is $0.3 million and $2.6 million, respectively. The effective tax rate for the three months ended March 31, 2021 is 8.55%, which is lower than the federal statutory rate of 21.0% primarily due to the increase in valuation allowance and non-deductible expenses. The effective tax rate for the three months ended March 31, 2020 is 22.38%, which is greater than the federal statutory rate of 21.0% primarily due to the benefit for state taxes, partially offset by an increase in valuation allowance.

The Company has established a valuation allowance against a portion of its remaining deferred tax assets because it is more likely than not that certain deferred tax assets will not be realized. In determining whether deferred tax assets are realizable, the Company considered numerous factors including historical profitability, the amount of future taxable income and the existence of taxable temporary differences that can be used to realize deferred tax assets.

Additionally, the Company follows an accounting standard addressing the accounting for uncertainty in income taxes that prescribes rules for recognition, measurement and classification in the financial statements of tax positions taken or expected to be taken in a tax return. The Company has gross unrecognized tax benefits of $0.1 million for the three months ended March 31, 2021. The Company did not have any gross unrecognized tax benefits for the three months ended March 31, 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was signed into law. The CARES Act provides numerous tax provisions and other stimulus measures, including temporary changes regarding the prior and future utilization of net operating losses, temporary changes to the prior and future limitations on interest deductions, temporary suspension of certain payment requirements for the employer portion of Social Security taxes, the creation of certain refundable employee retention credits, and technical corrections from prior tax legislation for tax depreciation of certain qualified improvement property (“QIP”).

HydraFacial believes it will be able to obtain federal tax refunds by carrying back its net operating loss for the year ended December 31, 2020. HydraFacial estimates the net operating loss carryback will result in a federal refund of approximately $4.5 million.

On December 27, 2020, the United States enacted the Consolidated Appropriations Act which extended many of the benefits of the CARES Act that were scheduled to expire. The Company does not expect a material impact of Consolidated Appropriations Act on its Condensed Consolidated Financial Statements and related disclosures.

On March 11, 2021 the United States enacted the American Rescue Plan Act of 2021 (“American Rescue Plan”). The American Rescue Plan includes various income and payroll tax measures. The Company does not expect a material impact of the American Rescue Plan on its Condensed Consolidated Financial Statements and related disclosures.

In June 29, 2020, the State of California passed Assembly Bill 85 which suspends the California net operating loss deduction for the 2020-2022 tax years and the R&D credit usage for the same period (for credit usages in excess of $5.0 million). These suspensions were considered in preparation of the year ended December 31, 2020 and three months ended March 31, 2021 Condensed Consolidated Financial Statements.

Note 9 – Employee Benefit Plan

HydraFacial sponsors a defined contribution 401(k) and profit sharing plan that all regular employees are eligible to participate in after one year of service. The Plan is administered by a third-party administrator. Contributions to the plans were $0.2 million and $0.3 million for the three months ended March 31, 2021 and 2020, respectively.

Note 10 – Equity-Based Compensation

2016 Equity Incentive Award Plan

HydraFacial had approximately 1,509 time vested stock options and 5,082 performance based stock options outstanding as of December 31, 2019 under its 2016 Equity Incentive Award Plan (the “2016 Plan”). These awards were subsequently canceled by HydraFacial during 2020 and replaced with new incentive units of LCP Holdco.

Incentive Units

During May 2020, HydraFacial canceled 1,295 of the time vested stock options and 4,440 of the performance-based stock options outstanding under the 2016 Plan (“Option Awards”) and replaced these awards with 1,295 of new time vested incentive units (“Time Vesting Units”) and 4,440 of performance based incentive units (“Performance Vesting Units”) of LCP Holdco (the “Incentive Units”) for certain members of management pursuant to the LCP Holdco LLC Agreement. All of the Time Vesting Units immediately vest upon a qualified sale that constitutes a change of control which includes a reverse recapitalization. The performance condition related to the Performance Vesting Units is based upon the amount of proceeds received in connection with a qualified sale related to a liquidity event, which can include a reverse recapitalization.

As of March 31, 2021, there were 318 Time Vesting Units and 4,033 Performance Vesting Units issued and outstanding at LCP level.

Stock-based Compensation Expense

Stock-based compensation expense for the Incentive Units is recorded by HydraFacial as it has been determined that the economic interest holder, LCP Holdco, has made a capital contribution to HydraFacial, who will make stock-based payments to its employees in exchange for services rendered. The total net stock-based compensation is attributable to the granting of, and the remaining requisite service periods of, Option Awards and Incentive Units.

Compensation expense attributable to stock-based compensation was immaterial for the three months ended March 31, 2021 and 2020, respectively.

HydraFacial estimates the fair value of the Incentive Units using a Monte Carlo simulation model. Stock-based compensation expense is recognized for the Time Vesting Units as service is provided, and stock-based compensation expense is recognized for the Performance Vesting units that are expected to vest upon the achievement of the performance condition. A change in control event is not deemed probable until consummated. As of March 31, 2021, achievement of the performance condition was not probable. Total unrecognized compensation related to unvested Time Vesting Units as of March 31, 2021 was approximately $0.3 million, and the total unrecognized compensation related to Performance Vesting Units was $1.1 million.

Note 11 – Commitments and Contingencies

Litigation – From time to time HydraFacial is involved in claims, legal actions and governmental proceedings that arise from its business operations. As of March 31, 2021 and December 31, 2020, HydraFacial was not party to any legal proceedings or threatened legal proceedings, the adverse outcome of which, individually or in the aggregate, it believes would have a material adverse effect on its business, financial condition or results of operations.

Note 12 – Concentrations

Purchases from major suppliers amount to as follows for the periods indicated (in thousands):

	Three Months Ended March 31, 2021	
	Amount	**% of Total Purchases**
Supplier A	$ 1,803	28.3 %
Supplier B	1,119	17.6
Supplier C	681	10.7
Total	$ 3,603	56.6 %

Included in Accounts payable at March 31, 2021, was $1.4 million payable to these vendors.

Purchases from major suppliers amount to as follows for the periods indicated (in thousands):

	Three Months Ended March 31, 2020	
	Amount	% of Total Purchases
Supplier A	$ 2,275	22.4 %
Supplier B	1,152	11.4
Supplier C	1,025	10.1
Total	$ 4,452	43.9 %

Included in Accounts payable as of December 31, 2020 was $1.0 million payable to these vendors.

As of March 31, 2021, HydraFacial had no customers that accounted for 10% or more of the Accounts receivable balance.

As of December 31, 2020, HydraFacial had one customer that accounted for 10% or more of the Accounts receivable balance. This customer accounted for 10.5%, or $1.9 million, of the Accounts receivable balance.

No single customer accounted for 10% or more of consolidated Net sales during the three months ended March 31, 2021 and 2020.

Note 13 – Related-Party Transactions

HydraFacial entered into management service agreements with two related parties, who are the Parent's owners, to provide financial and management advisory services to HydraFacial. Both management services agreements provide for a quarterly monitoring fee in an amount equal to the product of the (a) the greater of (x) $0.1 million and (y) 1.25% of HydraFacial's EBITDA for the twelve-month period ending on the last calendar day of the immediately preceding applicable calendar quarter, multiplied by (b) the pro rata proportion as defined in the agreement.

In addition, the management services agreement provides for other fees in relation to services that may be provided in connection with equity and/or debt financing, acquisition of any other business, company, product line or enterprise, or divestiture of any division, business, and product or material assets. The fees vary between 1% and 2% of the related transaction amount.

HydraFacial recorded approximately $0.1 million and $0.5 million of charges related to management services fees for the three months ended March 31, 2021 and 2020, respectively. These amounts are included in General and administrative expenses on the Condensed Consolidated Statements of Comprehensive Loss. There were $1.9 million and $0.5 million due to these related parties at March 31, 2021 and 2020 included in Accounts payable on the Condensed Consolidated Balance Sheets.

HydraFacial leases its office in Signal Hill, California, from an entity owned by minority stockholders of HydraFacial who are no longer active employees. Lease expense under this lease was $0.1 million and $0.1 million for the three months ended March 31, 2021 and 2020, respectively.

HydraFacial issued shares to a key member of management in exchange for a note receivable with a $0.6 million face value. Interest on the note accrues at a rate of 8% and matures in December 2022. Interest receivable is presented as a component of Other assets on the Condensed Consolidated Balance Sheets. As there is no intent for the issuer to pay the note within a reasonably short period of time, HydraFacial has presented the note as a deduction of stockholders' deficit. The outstanding note receivable from stockholder was $0.5 million as of both March 31, 2021 and December 31, 2020. Subsequent to March 31, 2021, with the consummation of the Business Combination, the outstanding note receivable amount was settled.

On April 10, 2020, the Company's existing Credit Agreement with a bank that is also a related party was amended to include a "PIK" interest component of 2% that accrues on the outstanding balances of the Term Loan and Revolver. Additionally, the Company is required to pay an early prepayment fee of 2.00% of the amount prepaid or repaid on the Term Loan prior to April 10, 2021, and 1.00% if prepaid between April 11, 2021 and April 10, 2022. As of March 31, 2021, the amount due to a related party was $191.4 million in connection with the Term Loan and Revolver. See Note 7 for additional information on the Term Loans.

On April 10, 2020, HydraFacial also entered into a second credit facility with a related party to provide for borrowings of $30.0 million under the Term A Loan. As of March 31, 2021, the amount due to the related party was $34.6 million in connection with the Term A Loan and related PIK Interest. See Note 7 for additional information on the Term A Loan.

HydraFacial sells to a customer that is owned directly or indirectly by a key member of management. Sales for this related party and the outstanding accounts receivable balance are as follows for the periods indicated (in thousands):

	Three Months Ended	
	March 31, 2021	March 31, 2020
Sales to related party	$ 100	$ 96
Accounts receivable	$ 322	$ 75

Note 14 – Stockholders' Deficit

Common Stock

In October 2016, HydraFacial implemented a single class common stock structure by authorizing 60,000 shares of common stock in connection with the formation of LCP Edge Intermediate, Inc. As of March 31, 2021 and December 31, 2020, there was 54,358 Common Stock shares issued and outstanding. The Common Stock is entitled to one vote per share and all shares are outstanding. HydraFacial has not declared or paid any dividends with respect to its Common Stock.

Preferred Stock

Effective October 2016, the Board of Directors authorized the issuance of preferred stock, with a par value of $0.01 per share. As of March 31, 2021 and December 31, 2020, there were 1,500 shares of preferred stock authorized and 931 shares of preferred stock outstanding designated as non-voting Class A Preferred Stock. The Class A Preferred Stock shares are entitled to receive 8% per annum dividends based on the per share liquidation value of the preferred stock, calculated daily and compounded quarterly.

HydraFacial's governing documents do not provide for redemption of, conversion of, or participation in dividends paid on Class A common stock by the Class A Preferred Stock. However, the cumulative dividends must be paid on the preferred stock prior to paying dividends on the common stock. The Class A Preferred Stock is not callable and is not subject to any sinking fund or other mandatory redemption. On August 24, 2018, HydraFacial paid $13.7 million in 8% cumulative dividends earned through the date of payment, and modified the terms of the Class A Preferred Stock to pay a distribution of $85.0 million on the $100,000 per share liquidation value, for a total distribution of $98.7 million. As a result of the distribution, the aggregate liquidation preference was reduced to $8.5 million, on which 8% cumulative dividends are earned. Otherwise, HydraFacial has not declared or paid any dividends, or authorized or made any distributions upon or with respect to its Class A Preferred Stock.

Note 15 - Segment Reporting

HydraFacial manages its business on the basis of one operating segment and one reportable segment. As a result, the chief operating decision maker, who is the Chief Executive Officer, decides how to allocate resources and assess performance, reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocates resources and evaluates financial performance.

Net sales by geographic region were as follows for the periods indicated (in thousands):

	Three Months Ended	
	March 31, 2021	March 31, 2020
Americas	$ 31,280	$ 23,913
EMEA	7,471	6,888
Asia Pacific	8,791	1,735
Total net sales	$ 47,542	$ 32,536

As of March 31, 2021 and December 31, 2020, substantially all of HydraFacial's property and equipment, net was held in the United States.

Note 16 – Net Loss Attributable to Common Shareholders

Net loss attributable to common stockholders is computed by deducting both the dividend distributions declared in the period on preferred stock and the dividends accumulated for the period on cumulative preferred stock from net income (“Basic EPS”). Diluted net loss per share (“Diluted EPS”) is computed by dividing net loss attributable to common stockholders by the total of the weighted-average common stock outstanding shares outstanding during the period.

Diluted EPS for the three months ended March 31, 2020 exclude the dilutive effect of stock option shares because their inclusion would be anti-dilutive for all periods. All stock options were cancelled during 2020.

The following table sets forth the calculation of both basic and diluted net loss per share as follows for the periods indicated (in thousands, except share and per share amounts):

	Three Months Ended	
	March 31, 2021	**March 31, 2020**
Basic and Diluted Net loss per share:		
Net loss	$ (3,274)	$ (9,070)
Less: Cumulative preferred dividends	(201)	(188)
Net loss attributable to common shareholders	$ (3,475)	$ (9,258)
Shares used in computation:		
Weighted-average common shares outstanding	54,358	49,205
Basic and Diluted Net loss per share:	$ (63.92)	$ (188.17)

The following potentially dilutive shares were not included in the calculation of diluted shares outstanding as the effect would have been anti-dilutive for the periods indicated:

	Three Months Ended	
	March 31, 2021	**March 31, 2020**
Stock Options	—	1,509

Note 17 – Subsequent Events

HydraFacial has evaluated subsequent events through July 9, 2021, which is the date the condensed consolidated financial statements were available to be issued.

Acquisitions

HydraFacial has entered into definitive agreements to acquire four distributors across Latin America, Europe and Asia to sell and distribute the HydraFacial line of products within their respective regions. One distributor acquisition has closed on June 4, 2021 with cash consideration of $5.7 million prior to working capital adjustments plus equity consideration consisting of 110,726 shares of Class A Common Stock of BeautyHealth. The remaining three acquisitions closed on July 1, 2021. Cash consideration expected to be paid in the aggregate, prior to any working capital adjustments, to acquire the three remaining distributors is $23.4 million plus equity consideration consisting of 479,373 shares of Class A Common Stock of BeautyHealth. The equity consideration for all four acquisitions will be issued by August 1, 2021.

Merger

On May 4, 2021, HydraFacial consummated the Merger Agreement with Vesper, pursuant to which Vesper acquired, directly or indirectly, 100% of the stock of HydraFacial and its subsidiaries. Upon closing, the surviving entity was renamed The Beauty Health Company and trades on the Nasdaq Capital Market under the ticker symbol “SKIN.”

The transactions set forth in the Merger Agreement constitute a “Business Combination” as contemplated by Vesper’s Amended & Restated Certificate of Incorporation. Immediately after the completion of the Business Combination, the shareholders of HydraFacial exchanged their interests in HydraFacial for shares of common stock of the surviving entity.

Pursuant to the terms of the Merger Agreement, the aggregate merger consideration paid to the HydraFacial stockholders in connection with the Business Combination was approximately $975.0 million less HydraFacial’s net indebtedness as of the Closing Date, transaction expenses, and net working capital relative to a target. In connection with the transaction, all of HydraFacial’s existing debt under its credit facilities were repaid and the note receivable from its stockholder was settled.

The merger consideration included both cash consideration and consideration in the form of newly issued Class A Common Stock. The aggregate cash consideration paid to the former HydraFacial stockholders at the Closing was approximately $368.0 million, consisting of the Vesper’s cash and cash equivalents as of the closing of the Business Combination including proceeds of $350.0 million from Vesper’s Private Placement of an aggregate of 35,000,000 shares of Class A Common Stock, and approximately $433.0 million of cash available to Vesper from the trust account that held the proceeds from Vesper’s initial public offering (the “Trust Account”) after giving effect to income and franchise taxes payable in respect of interest income earned in the Trust Account and redemptions that were elected by Vesper’s public stockholders, minus approximately $224.0 million used to repay HydraFacial’s outstanding indebtedness at the Closing, minus approximately $94.0 million of transaction expenses of HydraFacial and Vesper, minus $100.0 million. The remainder of the consideration paid to the HydraFacial stockholders consisted of 35,501,743 newly issued shares of Class A Common Stock. The foregoing consideration paid to the HydraFacial stockholders will be further increased by the payment of 7.5 million earn-out shares of Class A Common Stock pursuant to the terms of the Merger Agreement and as a result of the consummation of the distributor acquisitions referenced above.

Exhibit 99.7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF LCP EDGE INTERMEDIATE, INC.

The following discussion and analysis of LCP Edge Intermediate Inc.'s financial condition and results of operations should be read in conjunction with LCP Edge Intermediate Inc.'s consolidated financial statements and related notes appearing elsewhere in this Current Report on Form 8-K. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause LCP Edge Intermediate Inc.'s results to differ materially from those expressed or implied by such forward-looking statements. Unless the context otherwise requires, references to "HydraFacial", "we", "us", and "our" in this section are intended to mean the business and operations of LCP Edge Intermediate, Inc. and its consolidated subsidiaries.

Overview

Founded in 1997, HydraFacial is a category-creating beauty health company. Its offerings in skin care and scalp health occupy a position at the intersection of medical aesthetics and traditional skin and personal care products. HydraFacial treatments are convenient, affordable, personalized and have demonstrated effectiveness. HydraFacial distributes its products in 87 countries through multiple channels including day spas, hotels, dermatologists, plastic surgeons and beauty retail.

HydraFacial's business model has two predominant revenue streams: Delivery Systems (as defined below) and Consumables (as defined below). Delivery Systems are purchased up-front. Consumable single- and multi-use serums, tips and boosters or "Consumables" to provide treatments using our Delivery Systems are purchased on a recurring basis. The expansion of the number of Delivery Systems installed increases the foundation for future revenue by creating a larger base to drive consumable sales. We believe that as the installed base grows and Delivery Systems become more productive, recurring revenue will grow to become a larger share of the business.

HydraFacial has more than tripled Net Sales from $48 million for the year ended December 31, 2016 to $166 million for the year ended December 31, 2019, growing its footprint both in the US and internationally. Net sales decreased in 2020 as a result of COVID-19 restrictions, but have rebounded since the onset of the pandemic, as Net sales increased $15.0 million, or 46.1%, for the three months ended March 31, 2021 when compared with the Net sales for the three months ended March 31, 2020. Financial metrics we use to track our goals include revenue growth, adjusted gross profit and Adjusted EBITDA. For a definition of Key Performance Indicators ("*KPIs*") see the section titled "—Key Operational and Business Metrics".

Recent Developments

Impact of the COVID-19 Pandemic

The COVID-19 pandemic has had, and we expect will continue to have adverse impacts on our business. As government authorities around the world continue to implement significant measures intended to control the spread of the virus and institute restrictions on commercial operations, while at the same time implementing multi-step policies with the goal of re-opening certain markets, we are working to ensure our compliance while also maintaining business continuity for essential operations in our facilities.

The COVID-19 pandemic caused us to experience several adverse impacts primarily in the first and second quarters of fiscal year 2020, including extended sales cycles to close new orders for our products, delays in shipping and installing orders due to closed facilities and travel limitations and delays and failures in collecting accounts receivable. The rapid development and uncertainty of the impacts of the COVID-19 pandemic precludes any prediction as to the ultimate adverse impact of the COVID-19 pandemic on our business. However, the COVID-19 pandemic, and the measures taken to contain it, present material uncertainty and risk with respect to our performance and financial results. In particular, closure of providers, restrictions on performing personal services, consumer perceptions about the safety of HydraFacial's services, disruption in the supply chain of raw materials and components, and inefficiencies in the manufacturing of products due to social distancing and hygiene protocols. Disruptions in the capital markets as a result of the COVID-19 pandemic may also adversely affect our business if these impacts continue for a prolonged period and we need additional liquidity.

During the year ended December 31, 2020, we took and may continue to take, actions to mitigate the impact of the COVID-19 pandemic on our cash flow and results of operations and financial condition. Starting in April 2020, after the government mandated shutdowns, we experienced a significant decline in sales during the second quarter of 2020 and took certain corrective measures. HydraFacial furloughed a majority of its workforce and went through a restructuring process, which included the write-off of certain product lines, and costs incurred for assistance provided by third-party consultants to assist in managing the downturn. Subsequent to the downturn experienced during the second quarter of 2020, our revenues increased, and we returned to having positive Adjusted EBITDA in the latter half of 2020. This trend continued into the first quarter of 2021. We are currently managing the variable portion of our cost structure to better align with revenue, including external marketing spend, which was significantly reduced during the downturn and during the first quarter of 2021. Additionally, many of our furloughed employees have returned to work.

Business Combination and Public Company Costs

On May 4, 2021 (the “Closing Date”), HydraFacial consummated the previously announced Business Combination pursuant to that certain Merger Agreement, dated December 8, 2020 (the “Merger Agreement”) with Vesper Healthcare Acquisition Corp. (“Vesper"), pursuant to which Vesper acquired, directly or indirectly, 100% of the stock of HydraFacial and its subsidiaries. Upon closing, the combined entity was renamed the Beauty Health Company (“BeautyHealth”) and trades on the Nasdaq Capital Market under the ticker symbol “SKIN”.

Pursuant to the terms of the Merger Agreement, the aggregate merger consideration paid to the HydraFacial stockholders in connection with the Business Combination was approximately $975.0 million less HydraFacial’s net indebtedness as of the Closing Date, transaction expenses, and net working capital relative to a target. In connection with the transaction, all of HydraFacial’s existing debt under its credit facilities were repaid and the note receivable from its stockholder was settled.

The merger consideration included both cash consideration and consideration in the form of newly issued Class A Common Stock. The aggregate cash consideration paid to the former HydraFacial stockholders at the Closing was approximately $368.0 million, consisting of the Vesper’s cash and cash equivalents as of the closing of the Business Combination including proceeds of $350.0 million from Vesper’s Private Placement of an aggregate of 35,000,000 shares of Class A Common Stock, and approximately $433.0 million of cash available to Vesper from the trust account that held the proceeds from Vesper’s initial public offering (the "Trust Account") after giving effect to income and franchise taxes payable in respect of interest income earned in the Trust Account and redemptions that were elected by Vesper’s public stockholders, *minus* approximately $224.0 million used to repay HydraFacial’s outstanding indebtedness at the Closing, *minus* approximately $94.0 million of transaction expenses of HydraFacial and Vesper, *minus* $100.0 million. The remainder of the consideration paid to the HydraFacial stockholders consisted of 35,501,743 newly issued shares of Class A Common Stock. The foregoing consideration paid to the HydraFacial stockholders may be further increased by amounts payable as earn-out shares of Class A Common Stock pursuant to the terms of the Merger Agreement.

Notwithstanding the legal form of the Business Combination pursuant to the Merger Agreement, the Business Combination was accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, Vesper was treated as the “acquired” company for financial reporting purposes. This determination was primarily based on the following:

- HydraFacial’s existing shareholders were expected to have the largest minority interest of the voting power in the combined entity under the minimum and maximum redemption scenarios;
- HydraFacial’s operations prior to the acquisition comprise the only ongoing operations of the combined entity;
- HydraFacial senior management were retained and compose the majority of the senior management of the combined entity;
- HydraFacial’s relative valuation and results of operations compared to Vesper; and
- pursuant to the Investor Rights Agreement, HydraFacial was given the right to designate certain initial members of the board of directors of the post-combination company immediately after giving effect to the transactions.

Consideration was given to the fact that Vesper paid a purchase price consisting of a combination of cash and equity consideration and its shareholders would have significant voting power. However, based on the aforementioned factors of management, board representation, largest minority shareholder, and the continuation of the HydraFacial business as well as size it was determined that accounting for the Business Combination as a reverse recapitalization was appropriate. Accordingly, for accounting purposes, the financial statements of the combined entity will represent a continuation of the financial statements of HydraFacial with the acquisition being treated as the equivalent of HydraFacial issuing stock for the net assets of Vesper, accompanied by a recapitalization. The net assets of Vesper were stated at historical cost, with no goodwill or other intangible assets recorded.

Following the consummation of the Business Combination, we became an SEC-registered and NASDAQ-listed company, which requires us to hire additional staff and implement procedures and processes to address public company regulatory requirements and customary practices. We have incurred and expect to incur additional annual expenses for, among other things, directors' and officers' liability insurance, director fees and additional internal and external accounting, legal and administrative resources and fees.

Factors Affecting Our Performance

Market Trends

HydraFacial is a pioneer in the attractive and growing beauty health industry and there are several emerging market trends that we believe will play a key role in shaping the future of this industry. Recent growth in the skincare industry has been driven by an emphasis on skincare rather than cosmetics and HydraFacial is poised to capture a larger share of wallet from consumers. Further, HydraFacial's market research conducted in 2019 demonstrated that consumers are increasingly willing to spend on high-end beauty health products. To the extent disposable income grows, we expect impacts of this trend to be amplified. We believe these favorable market trends will continue and strengthen going forward.

Demographics

HydraFacial benefits from a large, young and diverse customer base and the ability to serve a large percentage of the population given that HydraFacial's patented technology addresses all skin, regardless of type, age or gender. At the intersection of the medical and consumer retail markets, the large potential customer base should provide significant upside to drive topline growth. HydraFacial over indexes with males, significantly increasing the Total Addressable Market (TAM) compared to peers and the mix of male customers is growing at two times the rate of female customers. HydraFacial customers are young; approximately 50% of HydraFacial customers are Millennials, and approximately 30% of HydraFacial's beauty retail customers are under the age of 24. As the Millennial and Gen Z consumers age, they appear to be taking skincare more seriously and willing to invest in premium treatments, such as those offered by HydraFacial.

Marketing

Effective marketing is vital to our ability to drive growth. We plan to further our successful demand- generating activities through educational campaigns that focus on our brand, values, and quality, as well as enhancing our digitally integrated media campaigns.

Innovation

Our strategy involves innovating our current product offering while also diversifying into attractive adjacent categories where we can leverage our strengths, capabilities and community. We intend to maintain investment in research and development to stay at the forefront of cutting-edge technology.

Technology

Our investments in technology enhance the HydraFacial experience for consumers while capturing valuable and leverageable data. As we expand our capabilities, we hope to enable the world's largest skin health database. We believe this data will allow us to drive habituation by enhancing personalization, access, trend identification and consumer education.

Geographic Expansion

HydraFacial's recent growth has been driven in part by our international strategy. 35.7% of HydraFacial's total revenue during the first quarter of fiscal year 2021 came from outside the United States and Canada. Our diverse distribution channels create a significant opportunity within our existing retail and wholesale channels, as well as new locations abroad. We plan to expand our global footprint, building out our team and infrastructure for further penetration across Asia, Europe and Latin America.

Key Operational and Business Metrics

In addition to the measures presented in our consolidated financial statements, we use the following key operational and business metrics to evaluate our business, measure our performance, develop financial forecasts, and make strategic decisions:

	Three months ended March 31,	
(dollars in millions)	**2021**	**2020**
Delivery Systems Net Sales	$ 25.6	$ 14.1
Consumables Net Sales	$ 21.9	$ 18.4
Total Net Sales	$ 47.5	$ 32.5
Consolidated Gross Profit	$ 31.7	$ 18.9
Consolidated Gross Margin	66.7 %	58.2 %
Net Loss	$ (3.3)	$ (9.1)
Adjusted EBITDA	$ 7.0	$ (2.1)
Adjusted EBITDA Margin	14.8 %	(6.4) %
Adjusted Gross Profit	$ 34.3	$ 21.6
Adjusted Gross Margin	72.2 %	66.3 %

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin are key performance measures that our management uses to assess our operating performance. See the section titled "Non-GAAP Financial Measures—Adjusted EBITDA and Adjusted EBITDA Margin" for information regarding our use of Adjusted EBITDA and a reconciliation of Adjusted EBITDA to net loss.

Adjusted Gross Profit and Adjusted Gross Margin

We use Adjusted Gross Profit and Adjusted Gross Margin to measure our profitability and ability to scale and leverage the costs of our Delivery Systems and Consumables sales. See the section titled "*Non-GAAP Financial Measures—Adjusted Gross Profit and Adjusted Gross Margin*" for information regarding our use of Adjusted Gross Profit and a reconciliation of Adjusted Gross Profit to gross profit.

Components of our Results of Operations

Net Sales

Net sales consists of the sale of products to retail and wholesale customers through e-commerce and distributor sales. HydraFacial generates revenue through manufacturing and selling HydraFacial and Perk Delivery Systems ("Delivery Systems"). In conjunction with the sale of Delivery Systems, HydraFacial also sells its serum solutions and consumables (collectively "Consumables"). Consumables are sold solely and exclusively by HydraFacial and are available for purchase separately from the purchase of Delivery Systems. For both Delivery Systems and Consumables, revenue is recognized upon transfer of control to the customer, which generally takes place at the point of shipment.

Cost of Sales

HydraFacial's cost of sales consists of Delivery System and Consumables product costs, including the cost of materials, labor costs, overhead, depreciation and amortization of developed technology, shipping and handling costs, and the costs associated with excess and obsolete inventory. As we launch new products and expand our presence internationally, we expect to incur higher cost of sales as a percentage of sales because we have not yet achieved economies of scale with these items.

Operating Expenses

Selling and Marketing

Selling and marketing expense consists of personnel-related expenses, sales commissions, travel costs, and advertising expenses incurred in connection with the sale of our products. We intend to continue to invest in our sales and marketing capabilities in the future and expect this expense to increase in absolute dollars in future periods as we release new products, grow our global footprint, and drive consumer demand in the ecosystem. Selling and marketing expense as a percentage of total revenue may fluctuate from period to period based on total revenue and the timing of our investments in our sales and marketing functions as these investments may vary in scope and scale over future periods.

Research and Development

Research and development expense primarily consists of personnel-related expenses, tooling and prototype materials, technology investments, and other expenses incurred in connection with the development of new products and internal technologies. We expect our research and development expenses to increase in absolute dollars in future periods and vary from period to period as a percentage of total revenue, as HydraFacial plans to continue to innovate and invest in new technologies and to enhance existing technologies to fuel future growth as a category creator.

General and Administrative

General and administrative expenses include personnel-related expenses, professional fees, credit card and wire fees and facilities-related costs primarily for our executive, finance, accounting, legal, human resources, and IT functions. General and administrative expense also includes fees for professional services principally comprising legal, audit, tax and accounting services and insurance.

We expect to continue to incur additional general and administrative expenses as a result of operating as a public company, including expenses related to compliance and reporting obligations of public companies, and increased costs for insurance, investor relations expenses, and professional services. In addition, we expect to continue to incur additional IT expenses as we scale HydraFacial and enhance our ecommerce, digital and data utilization capabilities. As a result, we expect that our general and administrative expenses will increase in absolute dollars in future periods and vary from period to period as a percentage of revenue.

Other Expense

Other expense consists of interest expense and foreign currency transaction gains and losses. Foreign currency transaction gains and losses are generated by settlements of intercompany balances and invoices denominated in currencies other than the reporting currency. We expect Other expense to increase in absolute dollars as HydraFacial grows internationally and obtains more financing to support such growth. Other expense as a percentage of revenue will fluctuate period to period along with interest rates, exchange rates and other factors not related to normal business operations.

Income Tax Benefit

The provision for income taxes consists primarily of income taxes related to foreign and state jurisdictions in which we conduct business.

Results of Operations

The following tables set forth our consolidated results of operations in dollars and as a percentage of total revenue for the periods presented. The period-to- period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future. The results of operations data for the three months ended March 31, 2021 and 2020 have been derived from the interim consolidated financial statements included elsewhere in this Current Report on Form 8-K.

Comparison of the three months ended March 31, 2021 and 2020

	Three months ended March 31,			
(in millions)	**2021**	**% of Net Sales**	**2020**	**% of Net Sales**
Consolidated Statements of Comprehensive Loss Data:				
Net sales	$ 47.5	$ 100.0	$ 32.5	$ 100.0
Cost of sales	15.8	33.3	13.6	41.8
Gross profit	31.7	66.7	18.9	58.2
Operating expenses				
Selling and marketing	17.1	36.0	17.7	54.5
Research and development	1.5	3.2	1.4	4.3
General and administrative	10.8	22.5	7.2	22.1
Total operating expenses	29.4	61.7	26.3	80.9
Income (loss) from operations	2.4	5.0	(7.4)	(22.8)
Other expense, net	6.0	12.6	4.3	13.3
Loss before provision for income tax	(3.6)	(7.6)	(11.7)	(36.0)
Income tax benefit	(0.3)	(0.6)	(2.6)	(8.0)
Net loss	$ (3.3)	$ (7.0)	$ (9.1)	$ (28.0)

Net Sales

	Three months ended March 31,		Change	
(in millions)	**2021**	**2020**	**Amount**	**%**
Net sales				
Delivery Systems	$ 25.6	$ 14.1	$ 11.5	81.6%
Consumables	21.9	18.4	3.5	18.5%
Total net sales	$ 47.5	$ 32.5	$ 15.0	46.2%
Percentage of net sales				
Delivery Systems	53.9%	43.4%		
Consumables	46.1%	56.6%		
Total	100.0%	100.0%		

Total net sales for the three months ended March 31, 2021 increased $15.0 million, or 46.2%, compared to the three months ended March 31, 2020. Delivery System sales for the three months ended March 31, 2021 increased $11.5 million, or 81.6%, compared to the three months ended March 31, 2020. Delivery Systems units sold for the three months ended March 31, 2021 increased primarily due to both domestic and international growth as sales productivity improved despite the impact of the COVID-19 pandemic. Similarly, Consumables sales for the three months ended March 31, 2021 increased $3.5 million, or 18.5%, compared to the three months ended March 31, 2020. The increase in Consumables sales was primarily attributable to rebounding sales volume following the COVID-19 pandemic, as domestic and international stay-at-home orders were lifted and commercial operations were allowed to resume with social distancing restrictions during the three months ended March 31, 2021.

Cost of Sales, Gross Profit, and Gross Margin

	Three months ended March 31,		Change	
(in millions)	2021	2020	Amount	%
Cost of sales	$ 15.8	$ 13.6	$ 2.2	16.2%
Gross profit	$ 31.7	$ 18.9	$ 12.8	67.7%
Gross margin	66.7%	58.2%		

Cost of sales increased 16.2% driven by increased sales volume and a shift in the product mix to HydraFacial Delivery Systems, which have higher costs and lower margins. Gross margin increased from 58.2% during the three months ended March 31, 2020 to 66.7% during the three months ended March 31, 2021. The increase in gross margin was primarily driven by an increase of 46.1% in the overall sales volume coupled with lower overhead allocation due to reduced headcount as a result of the COVID-19 pandemic in the three months ended March 31, 2021 compared to that of the prior year.

Operating Expenses

Selling and Marketing

	Three months ended March 31,		Change	
(in millions)	2021	2020	Amount	%
Selling and marketing	$ 17.1	$ 17.7	$ (0.6)	(3.4)%
As a percentage of total net sales	36.0%	54.5%		

Selling and marketing expense for the three months ended March 31, 2021 decreased $0.6 million, or 3.4%, compared to the three months ended March 31, 2020. The decrease was due to lower marketing spend related to the decision to delay marketing programs until COVID-19 restrictions were lifted and markets reopened, partially offset by an increase in sales commissions and personnel-related expense of $2.9 million.

Research and Development

	Three months ended March 31,		Change	
(in millions)	2021	2020	Amount	%
Research and development	$ 1.5	$ 1.4	$ 0.1	7.1%
As a percentage of total net sales	3.2%	4.3%		

Research and development expense for the three months ended March 31, 2021 increased $0.1 million, or 7.1%, compared to the three months ended March 31, 2020. The increase was primarily due to increased expenses related to investments in new skincare treatment technologies of $0.8 million, partially offset by reductions in salary and benefits expense of $0.5 million and professional services fees of $0.1 million due to reductions in headcount and delayed projects related to the COVID-19 pandemic.

General and Administrative

	Three months ended March 31,		Change	
(in millions)	2021	2020	Amount	%
General and administrative	$ 10.8	$ 7.2	$ 3.6	50.3%
As a percentage of total net sales	22.5%	22.2%		

General and administrative expense for the three months ended March 31, 2021 increased $3.6 million, or 50.3%, compared to the three months ended March 31, 2020. The increase was primarily driven by an increase in personnel-related costs of $2.3 million incurred as we continue to scale, as well as by increases in transaction costs of $0.7 million incurred in connection with the Business Combination and accounting fees of $0.7 million.

Other (Income) Expense, Net and Income Tax Provision

	Three months ended March 31,		Change	
(in millions)	**2021**	**2020**	**Amount**	**%**
Other expense	6.0	4.3	1.7	39.5
Income tax benefit	(0.3)	(2.6)	2.3	(88.5)

Other expense was $6.0 million for the three months ended March 31, 2021 compared to $4.3 million for the three months ended March 31, 2020. The increase in other expense, net, was primarily due to an increase of $1.5 million in interest expense related to increased borrowings on the term loans and line of credit in 2020 and in the three months ended March 31, 2021 in order to fund greater working capital needs. Income tax benefit decreased for the three months ended March 31, 2021 from the three months ended March 31, 2020 primarily due to a decrease in net loss.

Liquidity and Capital Resources

Our operations have been funded primarily through cash flow from operating activities and net proceeds from our revolving facility and term loans. As of March 31, 2021, we had cash and cash equivalents of approximately $14.1 million.

We believe our existing cash and cash equivalent balances (including the cash consideration received from the consummation of the Business Combination), cash flow from operations and future amounts available for borrowing under an anticipated revolving facility will be sufficient to meet our working capital and capital expenditure needs for at least the next 12 months. Our future capital requirements may vary materially from those currently planned and will depend on many factors, including our rate of revenue growth, the timing and amount of spending on research and development, growth in sales and marketing activities, the timing of new product launches, timing and investments needed for international expansion, expansion, potential acquisitions and overall economic conditions. We expect capital expenditures of up to $15.0 million for the year ended December 31, 2021. We anticipate using cash from the Business Combination and cash generated through the normal course of operations to fund these items.

To the extent that current and anticipated future sources of liquidity are insufficient to fund our future business activities and requirements, we may be required to seek additional equity or debt financing. The sale of additional equity would result in additional dilution to our stockholders. The incurrence of debt financing would result in debt service obligations and the instruments governing such debt could provide for operating and financing covenants that would restrict our operations. There can be no assurances that we will be able to raise additional capital. The inability to raise capital would adversely affect our ability to achieve our business objectives.

See Note 7 to our consolidated financial statements included elsewhere in this Current Report on Form 8-K for more information on our indebtedness prior to the consummation of the Business Combination. Subsequent to March 31, 2021, as part of the Business Combination, during May 2021 we repaid our indebtedness in full.

Cash Flow Summary

(in millions)	Three months ended March 31, 2021	2020
Cash and cash equivalents at beginning of period	$ 9.4	$ 7.3
Operating activities:		
Net loss	(3.3)	(9.1)
Non-cash adjustments	5.5	7.1
Changes in working capital	(0.9)	(3.1)
Net cash flows from (used in) operating activities	1.3	(5.1)
Net cash flows used in investing activities	(1.0)	(2.2)
Net cash flows from financing activities	4.4	6.1
Net change in cash and cash equivalents	4.7	(1.2)
Cash and cash equivalents at end of period	$ 14.1	$ 6.1

Operating Activities

Net cash from operating activities of $1.3 million for the three months ended March 31, 2021 was primarily due to non-cash adjustments of $5.5 million, offset by a net loss of $3.3 million and a decrease in the net change in working capital of $0.9 million. The non-cash adjustments are primarily related to depreciation and amortization expense of $3.6 million and payment-in-kind interest of $2.2 million. This was offset by net changes in working capital, driven by an increase in receivables of $8.5 million, offset by an increase of $5.0 million and $3.1 million in accrued payroll and other expenses and accounts payable, respectively, to support overall business growth.

Net cash used in operating activities of $5.1 million for the three months ended March 31, 2020 was primarily due to the net loss of $9.1 million. The net loss was partially offset by non-cash adjustments of $7.1 million and a decrease in the net change in working capital of $3.1 million. The non-cash adjustments primarily related to depreciation and amortization expense of $3.5 million. The change in net operating assets and liabilities was primarily due to an increase of income taxes receivable and inventory of $3.4 million and $3.1 million, respectively, and a decrease in accounts receivable, prepaid expenses, and income taxes payable of $5.2 million, $1.2 million and $2.3 million respectively.

Investing Activities

Cash used in investing activities for the three months ended March 31, 2021 of $1.0 million was primarily related to capital expenditures for property and equipment of $0.8 million.

Cash used in investing activities for the three months ended March 31, 2020 of $2.2 million was primarily related to capital expenditures for property and equipment of $2.1 million.

Financing activities

Net cash from financing activities of $4.4 million for the three months ended March 31, 2021 was primarily related to proceeds from borrowings under the revolving credit facility of $5.0 million, offset by $0.6 million in debt repayments and transaction costs.

Net cash from financing activities of $6.1 million for the three months ended March 2020 was primarily related to proceeds from the revolving facility of $6.5 million, offset by debt repayments of $0.4 million.

Contractual Obligations

As of March 31, 2021, our contractual obligations were as follows:

	Payments due by period				
(in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations:					
Term loan borrowings*	$ 219.3	$ 1.7	$ 217.6	$ —	$ —
Estimated interest obligations**	20.7	12.6	8.1	—	—
Operating lease obligations***	9.9	2.6	4.5	2.8	—
Salesforce commitments****	4.3	1.2	2.4	0.7	—

* All term loan borrowings were repaid in connection with the Business Combination. Amounts include principal and PIK interest.

** The interest obligations are estimated using the Company's effective rate as of March 31, 2021, less the fixed PIK interest rate of 2% and outstanding principal on the Term Loan as of March 31, 2021. Subsequent to March 31, 2021, the PIK interest was paid in full.

*** Amounts include payments for related party and non-related party leases.

**** Amounts include payments for software license agreements.

For the three months ended March 31, 2021, there have been no material changes to our significant contractual obligations as previously disclosed in the proxy statement related to the Business Combination. As stated above, as part of the Business Combination, we repaid our indebtedness in full.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of March 31, 2021.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. In preparing the consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, stockholders' equity/deficit, revenue, expenses, and related disclosures. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because of the uncertainty inherent in these matters, actual results may differ from these estimates and could differ based upon other assumptions or conditions. The critical accounting policies that reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements include those noted below.

Revenue Recognition

We elected to adopt the new revenue recognition standard using the full retrospective method as of January 1, 2019. The adoption of the new standard did not have a significant effect on earnings or on the timing of our transactions and, therefore, the effect of applying the new guidance was not material. As such, there were no adjustments to the prior periods. In accordance with ASU 2014-09, we determine the amount of revenue to be recognized through application of the following steps:

- Identify the customer contract;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognize revenue as the performance obligations are satisfied.

Stock-Based Compensation

During 2020, LCP granted incentive units (the "*Incentive Units*") for certain members of our management pursuant to the LCP limited liability company agreement (the "*LCP LLC Agreement*"). The Incentive Units were intended to constitute profits interests and were granted for purposes of enabling such individuals to participate in our long-term growth and financial success and were issued in exchange for services to be performed. All of the Incentive Units immediately vest upon a Qualified Sale that constitutes a Change of Control (each as defined in the LCP LLC Agreement). We record share-based compensation expense for the Incentive Units as it has been determined that the economic interest holder, LCP, has made a capital contribution to us and we will make share-based payments to our employees in exchange for services rendered. We measure share-based compensation costs at the respective grant dates, based on the fair value of the award and recognizes the expenses on a straight-line basis over the requisite service period.

We estimate the fair value of the Incentive Units using a Monte Carlo simulation model. The Monte Carlo simulation model is dependent on the estimated fair value of the equity of LCP, which is a significant estimate. We determine the estimated fair value of our equity, with the assistance of a third-party valuation firm, as of the grant date of the Inventive Units using a combination of discounted cash flows, a public company guideline approach, and based on comparable observable acquisitions.

For units that vest upon the achievement of a performance condition and market condition ("*Performance Vesting Units"*), stock-based compensation expense is recognized upon the achievement of the performance condition. The Performance Vesting Units vest based on the achievement of certain financial performance targets upon the consummation of a Qualified Sale of HydraFacial in connection with a Change of Control (each as defined in the LCP LLC Agreement). The awards are also subject to the grantee being continuously employed by HydraFacial through the vesting date. A change in control event is not deemed probable until consummated. As of March 31, 2021, achievement of the performance condition was not probable. Forfeitures are recognized as incurred. Due to the consummation of the Business Combination, the performance condition was achieved and the Performance Vesting Units vested. See Note 10 to our consolidated financial statements included elsewhere in this Current Report on Form 8-K for more information.

Goodwill

Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the assets acquired and liabilities assumed. Goodwill is not amortized but is evaluated for impairment annually or more frequently if indicators of impairment are present or changes in circumstances suggest that impairment may exist. We have one reporting unit and management evaluates the carrying value of HydraFacial's goodwill annually at the end of its fiscal year or whenever events or changes in circumstances indicate that an impairment may exist.

When testing goodwill for impairment, we have the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as the basis to determine if it is necessary to perform a quantitative goodwill impairment test. In performing our qualitative assessment, we consider the extent to which unfavorable events or circumstances identified, such as changes in economic conditions, industry and market conditions or company specific events, could affect the comparison of the reporting unit's fair value with its carrying amount. If we conclude that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we are required to perform a quantitative impairment test.

Quantitative impairment testing for goodwill is based upon the fair value of a reporting unit as compared to its carrying value. Under a quantitative impairment test, we will make certain judgments and assumptions in allocating assets and liabilities to determine carrying values for our reporting unit. The impairment loss recognized would be the difference between a reporting unit's carrying value and fair value in an amount not to exceed the carrying value of the reporting unit's goodwill.

Testing goodwill for impairment requires us to estimate fair values of reporting units using significant estimates and assumptions. The assumptions made will impact the outcome and ultimate results of the testing. We will use industry accepted valuation models and set criteria that are reviewed and approved by various levels of management and, in certain instances, we will engage independent third-party valuation specialists for advice.

The key estimates and factors used in the valuation models would include revenue growth rates and profit margins based on our internal forecasts, our specific weighted-average cost of capital used to discount future cash flows, and comparable market multiples for the industry segment, when applicable, as well as our historical operating trends. Certain future events and circumstances, including deterioration of market conditions, higher cost of capital, a decline in actual and expected consumer consumption and demands, could result in changes to these assumptions and judgments. A revision of these assumptions could cause the fair values of the reporting units to fall below their respective carrying values, resulting in a non-cash impairment charge. Such charge could have a material effect on the consolidated financial statements.

We performed a qualitative assessment as of December 31, 2020, based on which we determined that there is no indication of goodwill impairment. During the second quarter of 2020, our business was substantially impacted by the COVID-19 pandemic, which subsequently recovered and returned to having positive Adjusted EBITDA during the 3rd quarter of 2020. We evaluated our goodwill for impairment during the second quarter of 2020, and as a result of that assessment, concluded that our goodwill was not impaired.

Intangible Assets

Intangible assets are composed of developed technology, customer relationships and trademarks. At initial recognition, intangible assets acquired in a business combination are recognized at their fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses, if any, and are amortized on a straight-line basis over the estimated useful life of the asset. We assess the impairment of intangible assets whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If necessary, we will use an industry accepted valuation model to estimate the fair value of the intangible assets. The fair value calculation requires significant judgments in determining both the assets' estimated cash flows potentially the appropriate discount and royalty rates applied to those cash flows to determine fair value. Variations in economic conditions or a change in general consumer demands, operating results estimates or the application of alternative assumptions could produce significantly different results. If these assumptions differ materially from future results, we may record impairment charges in the future.

Inventories

Inventories are stated at the lower of cost (determined by the first-in, first-out method) or net realizable value. Obsolete inventory or inventory in excess of management's estimated usage is written-down to its estimated net realizable value. Inherent in the net realizable value are management's estimates related to economic trends, future demand for products, and technological obsolescence of our products.

Income Taxes

We use the asset-and-liability method for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying amounts and tax bases of assets and liabilities and operating loss and tax credit carryforwards and are measured using the enacted tax rates that are expected to be in effect when the differences reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Valuation allowances are established when necessary to reduce deferred tax assets to an amount that, in the opinion of management, is more likely than not to be realized. Significant judgement is required to determine if a valuation allowance is needed. As of December 31, 2020, HydraFacial had incurred cumulative pre-tax losses, and as a result, does not rely on its projections as a source of income that would give us the ability to realize our deferred tax assets. In order to determine the realizability of our deferred income tax assets, we have pointed to the reversal of our taxable temporary differences as a source of income that will result in the realization of our deferred income tax assets. During the year ended December 31, 2020, and due to the pre-tax loss recorded, we began to accrue for a valuation allowance for the portion of deferred income tax assets that will not be realized through the reversal of taxable temporary differences.

Our policy for accounting for uncertainty in income taxes requires the evaluation of tax positions taken or expected to be taken in the course of the preparation of tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. Reevaluation of tax positions considers factors such as changes in facts or circumstances, changes in or interpretations of tax law, effectively settled issues under audit or expiration of statute of limitation and new audit activity.

We recognized interest accrued and penalties related to unrecognized tax benefits in our income tax expense.

Recent Accounting Pronouncements

See Note 2 of the notes to our consolidated financial statements in the section titled “—Recently Issued Accounting Pronouncements” in our Note 2 to our consolidated financial statements included elsewhere in this Current Report on Form 8-K for a discussion about new accounting pronouncements adopted and not yet adopted.

Quantitative and Qualitative Disclosure About Market Risk

Interest Rate Risk

We had cash and cash equivalents of approximately $14.1 million as of March 31, 2021. We do not enter into investments for trading or speculative purposes. We have not been exposed, nor do we anticipate being exposed to material risks due to changes in interest rates. Subsequent to March 31, 2021, we repaid our indebtedness in full.

Foreign Currency Risk

To date, all of our inventory purchases have been denominated in U.S. dollars. Our international sales are primarily denominated in foreign currencies and any unfavorable movement in the exchange rate between U.S. dollars and the currencies in which we conduct sales in foreign countries could have an adverse impact on our revenue. A portion of our operating expenses are incurred outside the United States and are denominated in foreign currencies, which are also subject to fluctuations due to changes in foreign currency exchange rates.

While we are not currently contractually obligated to pay increased costs due to changes in exchange rates, to the extent that exchange rates move unfavorably for our suppliers, they may seek to pass these additional costs on to us, which could have a material impact on our gross margins. Our operating results and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. However, we believe that the exposure to foreign currency fluctuation from operating expenses is relatively small at this time as the related costs do not constitute a significant portion of our total expenses. As of March 31, 2021, the effect of a hypothetical 10% change in foreign currency exchange rates would not have had a material impact to our consolidated results of operations.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and operating results.

Internal Control Over Financial Reporting

Evaluation of Disclosure Controls and Procedures

A company's internal control over financial reporting is a process designed by, or under the supervision of, that company's principal executive and principal financial officers, or persons performing similar functions, and influenced by that company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

In connection with the audit of our combined financial statements as of and for the years ended December 31, 2020 and 2019, we identified certain material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

These material weaknesses are related to our general segregation of duties, including the review and approval of journal entries, our lack of sufficient accounting resources and the lack of a formalized risk assessment process. These material weaknesses may not allow for us to have proper segregation of duties and the ability to close our books and records and report our results, including required disclosures and complex accounting matters, on a timely basis.

We have begun the process of, and we are focused on, designing and implementing effective internal controls measures to improve our internal control over financial reporting and remediate the material weaknesses. Our efforts include a number of actions:

- We are designing and implementing additional review procedures within our accounting and finance department to provide more robust and comprehensive internal controls over financial reporting that address the relative financial statement assertions and risks of material misstatement within our business processes.
- We are actively recruiting additional personnel, in addition to engaging and utilizing third party consultants and specialists to supplement our internal resources and segregate key functions within our business processes, if appropriate.
- We are designing and implementing information technology and application controls in our financially significant systems to address our relative information processing objectives.
- We are developing a comprehensive risk assessment process and a plan to respond to those risks.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we are committed to the continuous improvement of our internal control over financial reporting and will continue to diligently review our internal control over financial reporting.

Non-GAAP Financial Measures

In addition to HydraFacial's results determined in accordance with accounting principles generally accepted in the United States of America (GAAP), management utilizes certain non-GAAP performance measures, Adjusted EBITDA, Adjusted EBITDA Margin, Adjusted Gross Profit, and Adjusted Gross Margin, for purposes of evaluating HydraFacial's ongoing operations and for internal planning and forecasting purposes. HydraFacial believes that these non-GAAP operating measures, when reviewed collectively with HydraFacial's GAAP financial information, provide useful supplemental information to investors in assessing HydraFacial's operating performance.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin are key performance measures that HydraFacial's management uses to assess its operating performance. Because Adjusted EBITDA and Adjusted EBITDA Margin facilitates internal comparisons of HydraFacial's historical operating performance on a more consistent basis, HydraFacial uses these measures for business planning purposes.

HydraFacial also believes this information will be useful for investors to facilitate comparisons of its operating performance and better identify trends in its business. HydraFacial expects Adjusted EBITDA Margin to increase over the long-term as it continues to scale its business and achieve greater leverage in its operating expenses.

HydraFacial calculates Adjusted EBITDA as net income (loss) adjusted to exclude: other (income), net; interest expense; provision (benefit) for income taxes; depreciation and amortization expense; stock-based compensation expense; and one-time or non-recurring items such as transaction costs (including the costs incurred in the Business Combination), non-recurring legal fees associated with certain actions to defend its intellectual property, manufacturing and freight costs related to inefficiencies due to capacity constraints prior to moving into its new warehouse and assembly facility in December 2019, restructuring costs associated with COVID-19, Management Fees incurred from its private equity owners; and Foreign Currency (gain) loss.

The following table reconciles HydraFacial's net income (loss) to Adjusted EBITDA for the periods indicated:

	Three months ended March 31,	
Unaudited (in thousands)	**2021**	**2020**
Net loss	$ (3,274)	$ (9,070)
Adjusted to exclude the following:		
Depreciation and amortization expense	3,644	3,501
Stock-based compensation expense	34	26
Interest expense	5,699	4,150
Income tax benefit	(306)	(2,614)
Other expense (income)	7	(5)
Foreign currency loss, net	256	203
Management fees (1)	127	530
COVID-19 related costs (2)	—	110
Transaction related costs (3)	746	663
Other non-recurring and one-time fees (4)	87	432
Adjusted EBITDA	$ 7,020	$ (2,074)
Adjusted EBITDA Margin	14.8%	(6.4)%

(1) Represents quarterly management fees paid to the majority shareholder of HydraFacial based on a pre- determined formula. Upon consummation of Business Combination, these fees will no longer be paid. Because these fees will not have an ongoing impact, they have been excluded from the calculation of Adjusted EBITDA.

(2) Such costs represent COVID-19 related restructuring cost including write-off of expired consumables, discontinued product lines, human capital and cash management consultant fees in relation to COVID-19 restructuring.

(3) Such amounts represent direct costs incurred with the Business Combination and to prepare HydraFacial to be marketed for sale by HydraFacial's shareholders in previous periods. These costs do not have a continuing impact.

(4) Such costs primarily represent personnel costs associated with restructuring of HydraFacial's salesforce and costs associated with former warehouse and assembly facility during the transition period offset by a legal settlement received in favor of HydraFacial.

Adjusted Gross Profit and Adjusted Gross Margin

HydraFacial uses Adjusted Gross Profit and Adjusted Gross Margin to measure its profitability and ability to scale and leverage the costs of its Delivery Systems (as defined below) and Consumables sales (as defined below). The continued growth of HydraFacial's Delivery Systems installed will allow it to improve its Adjusted Gross Margin, as additional Delivery System units sold will increase our recurring Consumables revenue, which has higher margins.

HydraFacial uses Gross Profit and Gross Margin to measure its profitability and ability to scale and leverage the costs of its Delivery Systems and Consumables sales. HydraFacial believes Adjusted Gross Profit and Adjusted Gross Margin are useful measures to HydraFacial and to its investors to assist in evaluating its operating performance because it provides consistency and direct comparability with HydraFacial's past financial performance and between fiscal periods, as the metric eliminates the effects of amortization and depreciation, which are non-cash expenses that may fluctuate for reasons unrelated to overall continuing operating performance. Adjusted Gross margin has been and will continue to be affected by a variety of factors, including the product mix, geographic mix, direct vs. indirect mix, the average selling price on Delivery Systems, and new product launches. HydraFacial expects its Adjusted Gross Margin to fluctuate over time depending on the factors described above.

The following table reconciles gross profit to Adjusted Gross Profit for the periods indicated:

	Three months ended March 31,	
(in millions)	**2021**	**2020**
Net sales	$ 47,542	$ 32,536
Cost of sales	15,802	13,607
Gross profit	$ 31,740	$ 18,929
Gross margin	66.8%	58.2%
Adjusted to exclude the following:		
Depreciation and amortization expense	$ 2,591	$ 2,639
Adjusted gross profit	$ 34,331	$ 21,568
Adjusted gross margin	72.2%	66.3%

Exhibit 99.8

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Introductory Note

Defined terms included below have the same meaning as terms defined and included elsewhere in this Current Report on Form 8-K.

On May 4, 2021 (the "Closing Date"), the Company consummated the previously announced Business Combination pursuant to that certain Merger Agreement, dated December 8, 2020, by and among Vesper, Hydrate Merger Sub I, Inc. ("Merger Sub I"), Hydrate Merger Sub II, LLC ("Merger Sub II"), LCP Edge Intermediate, Inc., the indirect parent of Edge Systems LLC d/b/a The HydraFacial Company ("HydraFacial"), and LCP Edge Holdco, LLC ("LCP," and, in its capacity as the stockholders' representative, the "Stockholders' Representative"). On the Closing Date, Merger Sub I merged with and into HydraFacial, with HydraFacial continuing as the surviving corporation (the "First Merger"), and immediately following the First Merger and as part of the same overall transaction as the First Merger, HydraFacial merged with and into Merger Sub II, with Merger Sub II continuing as the surviving entity (the "Second Merger" and, together with the First Merger, the "Mergers"). As a result of the First Merger, the Company owns 100% of the outstanding common stock of HydraFacial and each share of common stock and preferred stock of HydraFacial was cancelled and converted into the right to receive a portion of the consideration payable in connection with the Mergers. As a result of the Second Merger, the Company owns 100% of the outstanding interests in Merger Sub II. In connection with the Closing, the registrant changed its name from "Vesper Healthcare Acquisition Corp." to "The Beauty Health Company."

Pursuant to the terms of the Merger Agreement, the aggregate merger consideration paid to the HydraFacial stockholders in connection with the Business Combination was approximately $975.0 million less HydraFacial's net indebtedness as of the Closing Date, and subject to further adjustments for transaction expenses, and net working capital relative to a target. The merger consideration included both cash consideration and consideration in the form of newly issued shares of the Company's Class A Stock Common Stock ("Class A Stock"). The aggregate cash consideration paid to the HydraFacial Stockholders at the Closing was approximately $368.0 million, consisting of the Vesper's cash and cash equivalents as of the closing of the Business Combination (including proceeds of $350.0 million from the Vesper's private placement of an aggregate of 35,000,000 shares of Class A Stock (the "Private Placement"), and approximately $433.0 million of cash available to Vesper from the trust account that held the proceeds from Vesper's initial public offering (the "Trust Account") after giving effect to income and franchise taxes payable in respect of interest income earned in the Trust Account and redemptions that were elected by Vesper's public stockholders, minus approximately $224.0 million used to repay HydraFacial's outstanding indebtedness at the Closing, minus approximately $94.0 million of transaction expenses of HydraFacial and the Company, minus $100.0 million. The remainder of the consideration paid to the HydraFacial stockholders consisted of 35,501,743 newly issued shares of Class A Stock. The foregoing consideration paid to the HydraFacial stockholders will be further increased by amounts payable as earn-out consideration consisting shares of Class A Stock pursuant to the terms of the Merger Agreement.

Under the terms of the transaction, HydraFacial retained $100.0 million of cash towards its balance sheet, and the Company and HydraFacial incurred approximately $95.0 million of transaction expenses in the aggregate, inclusive of $16.1 million of deferred offering costs incurred by the Company in connection with its initial public offering. In addition to the consideration paid at the closing of the Business Combination, the former stockholders of HydraFacial are entitled to receive earn-out consideration consisting of 7.5 million shares of Class A Common Stock from the Company (the "Earn-out Shares") as a result of the Company's completion in June and July 2021 of the acquisition of certain target businesses identified by HydraFacial as contemplated by the Merger Agreement. The 7.5 million Earn-out Shares are expected to be issued on or before August 1, 2021.

Basis of Pro Forma Presentation

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses.” The pro forma adjustments to the combined historical financial information of HydraFacial and the Company depict the accounting for the Business Combination.

The adjustments in the unaudited pro forma condensed combined financial information have been identified and presented to provide relevant information necessary for an accurate understanding of the combined entity upon consummation of the Business Combination.

The pro forma adjustments have been prepared as if the Business Combination had been consummated on March 31, 2021 in the case of the unaudited pro forma condensed combined balance sheet and on January 1, 2020, the beginning of the earliest period presented in the unaudited pro forma condensed combined statement of operations.

The pro forma adjustments represent management’s estimates based on information available as of the date of this Current Report on Form 8-K and are subject to change as additional information becomes available and additional analyses are performed. Management considers this basis of presentation to be reasonable under the circumstances.

The post-combination company approved a new incentive award plan (the “2021 Plan”), which became effective upon consummation of the Business Combination and expects to enter into new equity awards with its employees pursuant to the 2021 Plan. The terms of these new equity awards to employees have not been finalized and remain subject to change. Accordingly, no effect has been given to the unaudited pro forma condensed combined financial information for the new or current awards. No pro forma adjustments were recorded for historical stock-based compensation expense associated with the units that vested upon closing of the Business Combination as the amounts were immaterial.

The Earn-out Shares are recognized as a liability in the unaudited pro forma condensed combined balance sheet and the preliminary fair value of the liability has been determined using the most reliable information available as the achievement of the maximum contingent consideration amount is reasonably certain. This liability will be settled with up to a maximum of 7.5 million Earn-out Shares and future changes in the fair value of the liability will be recognized in earnings prior to the issuance of the Earn-out Shares.

The unaudited pro forma condensed combined balance sheet as of March 31, 2021 combines the unaudited condensed balance sheet of the Company as of March 31, 2021 with the unaudited condensed consolidated balance sheet of HydraFacial on a pro forma basis as of March 31, 2021, giving effect to the Business Combination and related transactions, summarized below, as if they had been consummated on that date. The unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 combines the condensed statement of operations of the Company for the period from July 8, 2020 (inception) through December 31, 2020 with the condensed consolidated statement of operations of HydraFacial for the year ended December 31, 2020. The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2021 combines the unaudited condensed statement of operations of the Company for the three months ended March 31, 2021 with the unaudited condensed consolidated statement of operations of HydraFacial for the three months ended March 31, 2021. The unaudited pro forma condensed combined statements of operations presented give effect to the Business Combination and related transactions, summarized below, as if they had been consummated on January 1, 2020, the earliest period presented:

- the merger of Merger Sub I, a wholly-owned subsidiary of Merger Sub II, with and into HydraFacial, followed by a subsequent merger of HydraFacial into Merger Sub II, a wholly-owned subsidiary of the Company, with Merger Sub II being the surviving company;

- the payment of cash consideration to HydraFacial shareholders and repayment of HydraFacial indebtedness in connection with the Business Combination;
- the redemption of 2,672,690 shares of Class A Stock of the Company from the Company's public shareholders who elected to have their shares redeemed in connection with the Business Combination for an aggregate redemption price of $26.7 million;
- the consummation of the Private Placement;
- the acceleration and vesting of HydraFacial incentive units in connection with the Business Combination;
- issuance of 70,501,743 shares of Class A Stock;
- the conversion of each outstanding share of Class B Stock immediately prior to the closing of the Business Combination into one share of Class A Stock;
- the settlement of a note receivable due from the HydraFacial Stockholders;
- the recognition of the Earn-out Shares liability;
- the payment of transaction costs incurred by both the Company and HydraFacial; and
- the payment of deferred legal fees, underwriting commissions and other costs incurred in connection with the Business Combination.

The unaudited condensed combined pro forma financial information was derived from and should be read in conjunction with the following historical financial statements and the accompanying notes, prepared in accordance with GAAP, which are included elsewhere in this Current Report on Form 8-K:

- the historical audited financial statements for the period from July 8, 2020 (inception) through December 31, 2020, and the historical interim financial statements as of and for three months ended March 31, 2021 of the Company; and
- the historical audited financial statements for the year ended December 31, 2020 and the unaudited consolidated financial statements of HydraFacial as of and for the three months ended March 31, 2021.

The Business Combination has been accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, the Company is treated as the "acquired" company for financial reporting purposes. This determination was primarily based on the following:

- the HydraFacial Stockholders considered in the aggregate have the largest minority interest of the voting power in the combined entity after taking into account actual redemptions;
- the operations of HydraFacial prior to the acquisition comprise the only ongoing operations of the post-combination company;
- senior management of HydraFacial comprises the senior management of the post-combination company;
- the relative size and valuation of HydraFacial compared to the Company; and
- pursuant to the Investor Rights Agreement, HydraFacial was given the right to designate certain initial members of the board of directors of the post-combination company immediately after giving effect to the transactions.

Consideration was given to the fact that the Company paid a purchase price consisting of a combination of cash and equity consideration and its shareholders may have a significant amount of voting power, should the Company's public stockholders be considered in the aggregate. However, based on the aforementioned factors of management, board representation, largest minority shareholder as noted above, and the continuation of the

HydraFacial business as well as size it was determined that accounting for the Business Combination as a reverse recapitalization was appropriate.

Accordingly, for accounting purposes, the financial statements of the post-combination company will represent a continuation of the financial statements of HydraFacial with the acquisition being treated as the equivalent of HydraFacial issuing stock for the net assets of the Company, accompanied by a recapitalization. The net assets of the Company will be stated at historical cost, with no goodwill or other intangible assets recorded.

The following summarizes the pro forma shares of common stock outstanding after giving effect to the redemption of 2,672,690 shares for $26.7 million. The table excludes the potential dilutive effect of the warrants and excludes the Earn-out Shares as such shares have not yet been issued:

Shareholder	No. of Shares	% Ownership
Vesper's public stockholders	43,327,310	34.57%
Vesper Sponsor shares	11,500,000	9.17%
HydraFacial owners	35,501,743	28.33%
PIPE investors	35,000,000	27.93%
Pro Forma weighted average shares outstanding – basic and diluted	125,329,053	100.00%

The unaudited pro forma condensed combined financial information is for illustrative purposes only. The unaudited condensed combined pro forma adjustments reflecting the consummation of the Business Combination and related transactions are based on certain estimates and assumptions. These estimates and assumptions are based on information available as of the dates of these unaudited pro forma condensed combined financial statements and may be revised as additional information becomes available. Therefore, it is likely that the actual adjustments will differ from the pro forma adjustments, and it is possible the difference may be material. You should not rely on the unaudited pro forma condensed combined financial information as being indicative of the historical results that would have been achieved had the companies always been combined or the future results that the combined entity will experience. The Company and HydraFacial have not had any historical relationship prior to the transactions. Accordingly, no pro forma adjustments were required to eliminate activities between the companies.

The unaudited condensed combined pro forma financial information should also be read together with "*Management's Discussion and Analysis of Financial Condition and Results of Operations of the Company*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations of LCP Edge Intermediate Inc.*," and other financial information included elsewhere in this Current Report on Form 8-K.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2021
(in thousands, except per share amounts)

	Vesper (Historical)	HydraFacial (Historical)	Pro Forma Adjustments		Pro Forma Combined
Assets					
Current assets:					
Cash and cash equivalents	$ 2,753	$ 14,115	$ 460,184	**(a)**	$ 114,668
	—	—	(365,658)	**(b), (l)**	—
	—	—	(78,361)	**(c)**	—
	—	—	(16,100)	**(d)**	—
	—	—	350,000	**(e)**	—
	—	—	(26,738)	**(f)**	—
	—	—	(226,081)	**(j)**	—
	—	—	554	**(m)**	—
Accounts receivable, net of allowances for doubtful accounts	—	27,014	—		27,014
Prepaid expenses	596	4,195	—		4,791
Income tax receivable	—	4,394	—		4,394
Inventories	—	21,770	—		21,770
Total current assets	3,349	71,488	97,800		172,637
Property and equipment, net	—	8,146	—		8,146
Intangible assets, net	—	50,254	—		50,254
Goodwill	—	98,535	—		98,535
Deferred tax assets	—	224	—		224
Other assets	—	6,142	—		6,142
Cash and securities held in Trust Account	460,184		(460,184)	**(a)**	—
Total assets	**$ 463,533**	**$ 234,789**	**$ (362,384)**		**$ 335,938**
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable	$ —	$ 22,415	$ (1,960)	**(c)**	$ 20,455
Accrued payroll related expenses	—	14,177	—		14,177
Accrued expenses	802	2,860	—		3,662
Accrued offering costs	12	—	—		12
Advances from related party	—	—	—		—
Promissory note - related party	—	—	—		—
Current portion of long-term debt	—	5,197	(5,197)	**(j)**	—
Earn-out Shares	—	—	97,875	**(n)**	97,875
Total current liabilities	814	44,649	90,718		136,181
Other long-term liabilities	—	1,773	—		1,773
Long-term debt due to related parties, net of current portion	—	218,472	(218,472)	**(j)**	—
Deferred income taxes, net	—	3,100	—		3,100
Derivative liability - Private Placement Warrants	19,600	—	—		19,600
Derivative liability - Public Warrants	31,893	—	—		31,893
Deferred underwriting fee payable	16,100	—	(16,100)	**(d)**	—
Total liabilities	**68,407**	**267,994**	**(143,854)**		**192,547**
Commitments					
Class A common stock subject to possible redemption	460,037	—	(460,037)	**(f) , (g)**	—
Stockholders' Equity					
Common stock	—	—	—	**(k)**	—
Preferred stock	—	—	—	**(k)**	—
Class A common stock	—	—	4	**(e)**	14
	—	—	10	**(g)**	—
Class B common stock	1	—	(1)	**(g)**	—

Additional paid-in-capital	3,104	13,990	(355,111)	**(b), (k)**	221,317
	—	—	(48,188)	**(c)**	—
	—	—	349,997	**(e)**	—
	—	—	433,291	**(g)**	—
	—	—	(68,016)	**(h)**	—
	—	—	(1,410)	**(i)**	—
	—	—	(8,465)	**(l)**	—
	—	—	(97,875)	**(n)**	
Note receivable from stockholder	—	(554)	554	**(m)**	—
Accumulated other comprehensive income	—	237	—		237
Accumulated Deficit	(68,016)	(46,878)	(28,214)	**(c)**	(78,177)
	—	—	68,016	**(h)**	—
	—	—	1,410	**(i)**	—
	—	—	(2,083)	**(l)**	—
	—	—	(2,412)	**(j)**	—
Total stockholders' equity (deficit)	**$ (64,911)**	**$ (33,205)**	**$ 241,507**		**$ 143,391**
Total liabilities and stockholders' equity	**$ 463,533**	**$ 234,789**	**$ (362,384)**		**$ 335,938**

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2021
(in thousands, except share and per share amounts)

	Vesper (Historical)	HydraFacial (Historical)	Pro Forma Adjustments		Pro Forma Combined
Revenues					
Net sales	$ —	$ 47,542	$ —		$ 47,542
Cost of sales	—	15,802	—		15,802
Gross profit	—	31,740	—		31,740
Operating expenses		—			—
Formation and operating costs	602	—	—		602
General and administrative	—	10,811	(690)	**(a)**	10,121
	—	—	—		—
Selling and marketing	—	17,095	—		17,095
Research and development	—	1,452	—		1,452
Total operating expense	602	29,358	(690)		29,270
Income (loss) from operations	(602)	2,382	690		2,470
Other expense (income)	—	—	—		—
Interest earned on marketable securities held in the Trust Account	(85)	—	85	**(b)**	—
Change in fair value - Private Placement Warrants	(5,413)	—	—		(5,413)
Change in fair value - Public Warrants	(8,740)	—	—		(8,740)
Unrealized gain on marketable securities held in Trust Account	(1)	—	1	**(b)**	—
Change in fair value of warrant liability	—	—	—		—
Interest expense, net	—	5,699	(5,746)	**(c)**	(47)
Other expense (income)	—	7	—		7
Foreign currency gain, net	—	256	—		256
Total other expense (income)	(14,239)	5,962	(5,660)		(13,937)
Income (loss) before provision for income taxes	13,637	(3,580)	6,350		16,407
Income tax provision (benefit)	—	(306)	1,415	**(h)**	1,109
Net income (loss)	**$ 13,637**	**$ (3,274)**	**$ 4,935**		**$ 15,298**
Net income (loss) per share					
Basic	$ 1.18	$ (63.93)		**(d)**	$ 0.12
Diluted	$ 1.18	$ (63.93)		**(e)**	$ 0.03
Weighted average shares outstanding					
Basic	11,500,000	54,358	113,774,695	**(f)**	125,329,053
Diluted	11,500,000	54,358	124,204,453	**(g)**	135,758,811

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2020
(in thousands, except share and per share amounts)

	Vesper (Historical as Restated)	HydraFacial (Historical)	Pro Forma Adjustments		Pro Forma Combined
Revenues					
Net sales	$ —	$ 119,092	$ —		$ 119,092
Cost of sales	—	51,893	84	**(a)**	51,977
Gross profit	—	67,199	(84)		67,115
Operating expenses					
Formation and operating costs	1,210	—	—		1,210
General and administrative	—	30,649	28,214	**(b)**	59,923
	—	—	1,060	**(a)**	
Selling and marketing	—	50,323	265	**(a)**	50,588
Research and development	—	3,409	—		3,409
Total operating expense	1,210	84,381	29,539		115,130
Loss from operations	(1,210)	(17,182)	(29,623)		(48,015)
Other expense (income)					
Interest earned on marketable securities held in the Trust Account	(90)	—	90	**(f)**	—
Change in fair value - Private Warrants	14,093	—	—		14,093
Change in fair value - Public Warrants	22,693	—	—		22,693
Unrealized gain on marketable securities held in Trust Account	(8)	—	8	**(f)**	—
Interest expense, net	—	21,275	(21,382)	**(c)**	(108)
Other expense (income)	1,016	47	2,412	**(d)**	3,475
	—	—	2,014	**(e)**	
Foreign currency gain, net	—	(21)	—		(21)
Total other expense	37,704	21,301	(16,858)		42,147
Loss before provision for income taxes	(38,914)	(38,483)	(12,765)		(90,162)
Income tax provision (benefit)	—	(9,308)	(3,191)	**(i)**	(12,499)
Net loss	**$ (38,914)**	**$ (29,175)**	**$ (9,574)**		**$ (77,663)**
Net loss per share					
Basic and diluted	$ (2.91)	$ (569.87)		**(g)**	$ (0.62)
Weighted average shares outstanding					
Basic and diluted	13,388,418	52,494	111,888,141	**(h)**	125,329,053

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Note 1 - Description of Business Combinations

On May 4, 2021, the Company consummated the previously announced Business Combination pursuant to that certain Merger Agreement, dated December 8, 2020, with Merger Sub I, Merger Sub II, LCP Edge Intermediate, Inc., the indirect parent of Edge Systems LLC d/b/a The HydraFacial Company, and LCP Edge Holdco, LLC. On the Closing Date, Merger Sub I merged with and into HydraFacial, with HydraFacial continuing as the First Merger, and immediately following the First Merger and as part of the same overall transaction as the First Merger, HydraFacial merged with and into Merger Sub II, with Merger Sub II continuing as the surviving entity, which is a wholly owned subsidiary of the Company. As a result of the First Merger, the Company owns 100% of the outstanding common stock of HydraFacial and each share of common stock and preferred stock of HydraFacial was cancelled and converted into the right to receive a portion of the consideration payable in connection with the Mergers. As a result of the Second Merger, the Company owns 100% of the outstanding interests in Merger Sub II. In connection with the Closing, the registrant changed its name from “Vesper Healthcare Acquisition Corp.” to “The Beauty Health Company.”

Pursuant to the terms of the Merger Agreement, the aggregate merger consideration paid to the HydraFacial stockholders in connection with the Business Combination was approximately $975.0 million less HydraFacial’s net indebtedness as of the Closing Date, and subject to further adjustments for transaction expenses, and net working capital relative to a target. The merger consideration included both cash consideration and consideration in the form of newly issued shares of the Company’s Class A Stock. The aggregate cash consideration paid to the HydraFacial Stockholders at the Closing was approximately $368.0 million, consisting of the Vesper’s cash and cash equivalents as of the closing of the Business Combination (including proceeds of $350.0 million from the Vesper’s Private Placement of an aggregate of 35,000,000 shares of Class A Stock, and approximately $433.0 million of cash available to Vesper from the trust account that held the proceeds from Vesper’s initial public offering) after giving effect to income and franchise taxes payable in respect of interest income earned in the Trust Account and redemptions that were elected by Vesper’s public stockholders, minus approximately $224.0 million used to repay HydraFacial’s outstanding indebtedness at the Closing, minus approximately $94.0 million of transaction expenses of HydraFacial and the Company, minus $100.0 million. The remainder of the consideration paid to the HydraFacial stockholders consisted of 35,501,743 newly issued shares of Class A Stock. The foregoing consideration paid to the HydraFacial stockholders will be further increased by amounts payable as earn-out consideration consisting of shares of Class A Stock pursuant to the terms of the Merger Agreement.

Under the terms of the transaction, HydraFacial retained $100.0 million of cash towards its balance sheet, and the Company and HydraFacial incurred approximately $95.0 million of transaction expenses in the aggregate, inclusive of $16.1 million of deferred offering costs incurred by the Company in connection with its initial public offering. In addition to the consideration paid at the closing of the Business Combination, the former stockholders of HydraFacial are entitled to receive earn-out consideration consisting of 7.5 million shares of Class A Common Stock from the Company as a result of the Company’s completion in June and July 2021 of the acquisition of certain target businesses identified by HydraFacial as contemplated by the Merger Agreement. The 7.5 million Earn-out Shares are expected to be issued on or before August 1, 2021.

Note 2 - Basis of Presentation

The following unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X as amended by the final rule, Release No. 33-10786 “Amendments to Financial Disclosures about Acquired and Disposed Businesses.” The pro forma adjustments to the combined historical financial information of HydraFacial and the Company depict the accounting for the Business Combination.

The adjustments in the unaudited pro forma condensed combined financial information have been identified and presented to provide relevant information necessary for an accurate understanding of the combined entity upon consummation of the Business Combination.

The pro forma adjustments have been prepared as if the Business Combination had been consummated on March 31, 2021 in the case of the unaudited pro forma condensed combined balance sheet and on January 1, 2020, the beginning of the earliest period presented in the unaudited pro forma condensed combined statement of operations.

The pro forma adjustments represent management’s estimates based on information available as of the date of this Current Report on Form 8-K and are subject to change as additional information becomes available and additional analyses are performed. Management considers this basis of presentation to be reasonable under the circumstances.

The post-combination company approved a new incentive award plan (the “2021 Plan”), which became effective upon consummation of the Business Combination and expects to enter into new equity awards with its employees pursuant to the 2021 Plan. The terms of these new equity awards to employees have not been finalized and remain subject to change. Accordingly, no effect has been given to the unaudited pro forma condensed combined financial information for the new or current awards. No pro forma adjustments were recorded for historical stock-based compensation expense associated with the units that vested upon closing of the Business Combination as the amounts were immaterial.

The Earn-out Shares are recognized as a liability in the unaudited pro forma condensed combined balance sheet, and the preliminary fair value of the liability has been determined using the most reliable information available as the achievement of the maximum contingent consideration amount is reasonably certain. This liability will be settled with up to a maximum of 7.5 million Earn-out Shares and future changes in the fair value of the liability will be recognized in earnings prior to the issuance of the Earn-out Shares.

Note 3 - Pro Forma Balance Sheet Adjustments

The unaudited pro forma condensed combined balance sheet as of March 31, 2021 reflects the following adjustments:

(a) Represents the release of $460.2 million of restricted investments and cash held in the Trust Account upon consummation of the Business Combination to fund the closing of the Business Combination.

(b) Represents cash consideration paid to existing HydraFacial preferred and common stock shareholders upon closing of the Business Combination.

(c) Represents cash used to pay the estimated direct and incremental transaction costs incurred by Vesper and HydraFacial of $94.5 million, including advisory, banking, printing, legal, management services and accounting fees that are expensed as a part of the Business Combination and equity issuance costs that are offset to additional paid-in capital, including $16.1 million of deferred offering costs associated with Vesper's initial public offering. Additional costs of $28.2 million not yet recognized in the historical HydraFacial statement of comprehensive loss were expensed through accumulated deficit, and $2.0 million of accrued transaction costs previously expensed were deemed settled, with the rest offset to additional paid in capital.

(d) Represents the payment of $16.1 million of deferred underwriting fees incurred as part of the Vesper's IPO that are committed to be paid upon the consummation of a business combination.

(e) Represents the issuance of the Private Placement financing to certain investors of 35.0 million shares of Class A Stock pursuant to the Subscription Agreement at a price of $10.00 per share.

(f) Represents the elimination of Class A Stock paid out to redeeming shareholders.

(g) Represents the conversion of Common Stock into non-redeemable Class A common stock of the post-combination company, resulting in the recognition of additional paid-in capital and issuance of equity to existing HydraFacial shareholders as a result of the Business Combination.

(h) Represents the elimination of Vesper's historical retained earnings, resulting in the recognition of additional paid-in capital.

(i) Represents the expense associated with the acceleration vesting of HydraFacial's incentive units in connection with the Business Combination.

(j) Represents the repayment of all of HydraFacial's outstanding indebtedness and the related payment in-kind interest and the elimination of unamortized deferred financing costs.

(k) Represents the elimination of HydraFacial's historical equity from the balance sheet.

(l) Represents the payment of $2.1 million of cumulative preferred stock dividends as well as $8.5 million of aggregate preferred stock liquidation value of HydraFacial preferred stock in connection with the Business Combination.

(m) Represents the settlement of a note receivable due to HydraFacial from a stockholder for $0.5 million, which was due upon consummation of the Business Combination.

(n) Represents the estimated fair value of the Earn-out Shares liability measured as of the date of the consummation of the Business Combination that will be settled in shares of Class A Stock. Any future changes in the fair value of the liability will be recognized in earnings.

Note 4 - Pro Forma Statement of Operations Adjustments for the Three Months Ended March 31, 2021

(a) Represents the removal of additional transaction costs of $0.7 million in the statement of operations for the three months ended March 31, 2021. Transaction costs are reflected as if incurred on January 1, 2020, the date the Business Combination occurred for the purposes of the unaudited pro forma condensed combined statements of operations. This is a non-recurring item.

(b) Represents the elimination of the interest income and unrealized gains on the marketable securities held in the Trust Account.

(c) Represents the removal of interest expense and deferred financing cost amortization related to HydraFacial's outstanding indebtedness, which was paid repaid in connection with Business

(d) Represents the basic loss per share as a result of the pro forma adjustments for the three months ended March 31, 2021. See the table below for the basic and diluted income per share calculation.

(e) Represents the diluted loss per share as a result of the pro forma adjustments for the three months ended March 31, 2021. See the table below for the basic and diluted income per share calculation.

(f) Represents the basic weighted average shares of common stock outstanding as a result of the pro forma adjustments. See the table below for the basic and diluted weighted average shares of common stock outstanding calculation.

(g) Represents the diluted weighted average shares of common stock outstanding as a result of the pro forma adjustments. See the table below for the basic and diluted weighted average shares of common stock outstanding calculation.

(h) Represents the tax impact of the pro forma adjustments described above at the statutory rate.

	For the three months ended March 31, 2021	
Numerator		
Net income *(in thousands)*	$ 15,298	
Numerator for basic earnings per share	15,298	
Change in fair value of warrants, net of tax	(10,615)	
Numerator for diluted earnings per share	$ 4,683	
Denominator		
Vesper's public stockholders	43,327,310	
Vesper Sponsor shares	11,500,000	
HydraFacial owners	35,501,743	
PIPE investors	35,000,000	
Weighted average common shares outstanding - basic	125,329,053	**(d)**
Effect of dilutive securities:		
Warrants	2,929,758	
Earn-out Shares	7,500,000	
Weighted average common shares outstanding - diluted	135,758,811	**(e)**
Net income per share		
Basic	$ 0.12	**(f)**
Diluted	$ 0.03	**(g)**

Note 5 - Pro Forma Statement of Operations Adjustments for the Year Ended December 31, 2020

(a) Represents acceleration vesting of HydraFacial's incentive units in the statement of operations for the year ended December 31, 2020. These costs are reflected as if incurred on January 1, 2020, the date the Business Combination occurred for the purposes of the unaudited pro forma condensed combined statements of operations. This is a non-recurring item.

(b) Represents the additional transaction costs of $28.2 million in the statement of operations for the year ended December 31, 2020. $21.0 million of the additional transaction costs were fees paid to the owners of LCP Edge Holdco, LLC, the former parent company of HydraFacial. Transaction costs are reflected as if incurred on January 1, 2020, the date the Business Combination occurred for the purposes of the unaudited pro forma condensed combined statements of operations. This is a non-recurring item.

(c) Represents the removal of interest expense and deferred financing cost amortization related to HydraFacial's outstanding indebtedness, which was paid repaid in connection with Business Combination.

(d) Represents the write-off of deferred financing costs as if the outstanding indebtedness was repaid on January 1, 2020, the date the Business Combination occurred for the purposes of the unaudited pro forma condensed combined statements of operations. This is a non-recurring item.

(e) Represents pre-payment penalties as if the outstanding indebtedness was repaid on January 1, 2020, the date the Business Combination occurred for the purposes of the unaudited pro forma condensed combined statements of operations. This is a non-recurring item.

(f) Represents the elimination of the interest income and unrealized gains on the marketable securities held in the Trust Account.

(g) Represents the basic and diluted loss per share as a result of the pro forma adjustments for the year ended December 31, 2020. See the table below for the basic and diluted income per share calculation. The table below excludes the effect of the warrants as these shares would be anti-dilutive.

(h) Represents the basic and diluted weighted average shares of common stock outstanding as a result of the pro forma adjustments. The table below excludes the effect of the warrants and the Earn-out Shares as these shares would be anti-dilutive. See the table below for the basic and diluted weighted average shares of common stock outstanding calculation.

(i) Represents the tax impact of the pro forma adjustments described above at the statutory rate.

		For the year ended December 31, 2020	
Numerator			
Net loss *(in thousands)*	$	(77,663)	
Denominator			
Vesper's public stockholders		43,327,310	
Vesper Sponsor shares		11,500,000	
HydraFacial owners		35,501,743	
PIPE investors		35,000,000	
Basic and diluted weighted average common shares outstanding		125,329,053	**(h)**
Net loss per share			
Basic and diluted	$	(0.62)	**(g)**