

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

FORM 10-Q

(MARK ONE)

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

For the quarter ended March 31, 2021

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

For the transition period from _____ to _____
Commission file number: 001-39565

The Beauty Health Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

85-1908962
(I.R.S. Employer
Identification No.)

2165 Spring Street
Long Beach, CA 90806
(Address of principal executive offices)
(800) 603-4996
(Issuer's telephone number)

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

Check whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 1, 2021, there were 125,919,152 shares of Class A common stock, par value \$0.0001 per share issued and outstanding.

[Table of Contents](#)

THE BEAUTY HEALTH COMPANY
FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2021
TABLE OF CONTENTS

	<u>Page</u>
Part I. Financial Information	
Item 1. Financial Statements (Unaudited)	
Condensed Balance Sheets as of March 31, 2021 and December 31, 2020	2
Condensed Statement of Operations for the three months ended March 31, 2021	3
Condensed Statement of Changes in Stockholder's Equity for the three months ended March 31, 2021	4
Condensed Statement of Cash Flows for the three months ended March 31, 2021	5
Notes to Unaudited Condensed Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	25
Item 3. Quantitative and Qualitative Disclosures Regarding Market Risk	29
Item 4. Controls and Procedures	29
Part II. Other Information	
Item 1. Legal Proceedings	31
Item 1A. Risk Factors	31
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	31
Item 3. Defaults Upon Senior Securities	32
Item 4. Mine Safety Disclosures	32
Item 5. Other Information	32
Item 6. Exhibits	33
Part III. Signatures	34

EXPLANATORY NOTE

On May 4, 2021 (the “Closing Date”), the registrant consummated the previously announced business combination pursuant to that certain Agreement and Plan of Merger, dated December 8, 2020, by and among Vesper Healthcare Acquisition Corp. (“Vesper Healthcare”), 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”) (the “Merger Agreement”), which provided for: (a) the merger of Merger Sub I with and into HydraFacial, with HydraFacial continuing as the surviving corporation (the “First Merger”), and (b) immediately following the First Merger and as part of the same overall transaction as the First Merger, the merger of HydraFacial 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” and, together with the other transactions contemplated by the Merger Agreement, the “Business Combination”). As a result of the First Merger, the registrant owns 100% of the outstanding common stock of HydraFacial and each share of common stock and preferred stock of HydraFacial has been 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 registrant owns 100% of the outstanding interests in Merger Sub II. In connection with the closing of the Business Combination (the “Closing”), the registrant owns, directly or indirectly, 100% of the stock of HydraFacial and its subsidiaries and the stockholders of HydraFacial as of immediately prior to the effective time of the First Merger (the “HydraFacial Stockholders”) hold a portion of the Class A Common Stock, par value \$0.0001 per share, of the registrant (the “Class A Stock”).

In connection with the Closing, the registrant changed its name from “Vesper Healthcare Acquisition Corp.” to “The Beauty Health Company.” Unless the context otherwise requires, in this Quarterly Report on Form 10-Q, the “registrant” and the “Company” refer to Vesper Healthcare Acquisition Corp. prior to the Closing and to the combined company and its subsidiaries following the Closing and “HydraFacial” refers to the business of LCP Edge Intermediate, Inc. and its subsidiaries prior to the Closing and the business of the combined company and its subsidiaries following the Closing.

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 (the “PIPE Investment”) 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 ordinary shares that were sold to the public in our IPO 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 ordinary shares as permanent equity as of December 31, 2020, whereas no Class A ordinary shares should have been so classified. The 8,351,205 Class A ordinary shares that were originally incorrectly classified as permanent equity have been reclassified as temporary equity in this Form 10-Q, thereby yielding a total of 46,000,000 Class A ordinary shares (the shares sold to the public in our IPO, 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.

PART I—FINANCIAL INFORMATION

Item 1. Interim Financial Statements.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
CONDENSED BALANCE SHEETS

	March 31, 2021 (Unaudited)	December 31, 2020 (As Revised)
ASSETS		
Current assets		
Cash	\$ 2,753,154	\$ 3,265,075
Prepaid expenses	595,589	638,013
Total Current Assets	<u>3,348,743</u>	<u>3,903,088</u>
Marketable securities held in Trust Account	460,184,400	460,098,212
TOTAL ASSETS	<u>\$ 463,533,143</u>	<u>\$ 464,001,300</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accrued expenses	\$ 801,521	\$ 753,547
Accrued offering costs	11,950	11,950
Total Current Liabilities	813,471	765,497
Warrant liability	51,493,331	65,646,664
Deferred underwriting payable	16,100,000	16,100,000
Total Liabilities	<u>68,406,802</u>	<u>82,512,161</u>
Commitments		
Class A common stock subject to possible redemption, 46,000,000 shares at redemption value as of March 31, 2021 and December 31, 2020,	460,037,629	460,001,441
Stockholders' Equity		
Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued and outstanding	—	—
Class A common stock, \$0.0001 par value; 200,000,000 shares authorized; none issued and outstanding (excluding 46,000,000 shares subject to possible redemption) as of March 31, 2021 and December 31, 2020	—	—
Class B common stock, \$0.0001 par value; 20,000,000 shares authorized; 11,500,000 shares issued and outstanding as of March 31, 2021 and December 31, 2020	1,150	1,150
Additional paid-in capital	3,103,850	3,103,850
Accumulated deficit	<u>(68,016,288)</u>	<u>(81,617,302)</u>
Total Stockholders' Equity	<u>(64,911,288)</u>	<u>(78,512,302)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 463,533,143</u>	<u>\$ 464,001,300</u>

The accompanying notes are an integral part of the unaudited condensed financial statements.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
CONDENSED STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2021
(UNAUDITED)

Formation and operating costs	\$ 602,319
Loss from operations	(602,319)
Other income:	
Interest earned on marketable securities held in Trust Account	85,152
Unrealized gain on marketable securities held in Trust Account	1,036
Change in fair value of warrants	14,153,333
Other income	14,239,521
Income before benefit from income taxes	13,637,202
Benefit from income taxes	—
Net income	\$ 13,637,202
Basic and diluted weighted average shares outstanding, Common stock subject to possible redemption	46,000,000
Basic and diluted net income per share, Common stock subject to possible redemption	\$ 0.00
Weighted average shares outstanding, basic and diluted	11,500,000
Basic and diluted net loss per common share	\$ 1.18

The accompanying notes are an integral part of the unaudited condensed financial statements.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
CONDENSED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
THREE MONTHS ENDED MARCH 31, 2021
(UNAUDITED)

	Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balance – January 1, 2021	11,500,000	\$ 1,150	\$ 3,103,850	\$ (81,617,302)	\$ (78,512,302)
Change in value of Class A common stock subject to possible redemption	—	—	—	(36,188)	(36,188)
Net income	—	—	—	13,637,202	13,637,202
Balance – March 31, 2021	11,500,000	\$ 1,150	\$ 3,103,850	\$ (68,016,288)	\$ (64,911,288)

The accompanying notes are an integral part of the unaudited condensed financial statements.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
CONDENSED STATEMENT OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2021
(UNAUDITED)

Net income	\$ 13,637,202
Adjustments to reconcile net income to net cash used in operating activities:	
Change in fair value of warrant liability	(14,153,333)
Interest earned on marketable securities held in Trust Account	(85,152)
Unrealized gain on marketable securities held in Trust Account	(1,036)
Changes in operating assets and liabilities:	
Prepaid expenses	42,424
Accrued expenses	47,974
Net cash used in operating activities	(511,921)
Net Change in Cash	(511,921)
Cash – Beginning of period	3,265,075
Cash – End of period	\$ 2,753,154
Non-Cash investing and financing activities:	
Change in value of Class A common stock subject to possible redemption	<u>\$ 36,188</u>

The accompanying notes are an integral part of the unaudited condensed financial statements.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

NOTE 1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

The Beauty Health Company (formerly known as Vesper Healthcare Acquisition Corp.) (the “Company”) was incorporated in Delaware on July 8, 2020. The Company was formed for the purpose of entering into a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

Merger and PIPE Investment

On May 4, 2021 (the “Closing Date”), the registrant consummated the previously announced business combination pursuant to that certain Agreement and Plan of Merger, dated December 8, 2020, by and among Vesper Healthcare Acquisition Corp. (“Vesper Healthcare”), 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”) (the “Merger Agreement”), which provided for: (a) the merger of Merger Sub I with and into HydraFacial, with HydraFacial continuing as the surviving corporation (the “First Merger”), and (b) immediately following the First Merger and as part of the same overall transaction as the First Merger, the merger of HydraFacial 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” and, together with the other transactions contemplated by the Merger Agreement, the “Business Combination”). As a result of the First Merger, the registrant owns 100% of the outstanding common stock of HydraFacial and each share of common stock and preferred stock of HydraFacial has been 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 registrant owns 100% of the outstanding interests in Merger Sub II. In connection with the closing of the Business Combination (the “Closing”), the registrant owns, directly or indirectly, 100% of the stock of HydraFacial and its subsidiaries and the stockholders of HydraFacial as of immediately prior to the effective time of the First Merger (the “HydraFacial Stockholders”) hold a portion of the Class A Common Stock, par value \$0.0001 per share, of the registrant (the “Class A Stock”).

Pursuant to the terms of the Merger Agreement and customary adjustments set forth therein, the aggregate merger consideration paid to the HydraFacial Stockholders in connection with the Business Combination was approximately \$975,000,000 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 Class A Stock. The aggregate cash consideration paid to the HydraFacial Stockholders at the Closing was approximately \$368 million, consisting of the Company’s cash and cash equivalents as of the Closing (including proceeds of \$350 million from the Company’s private placement of an aggregate of 35,000,000 shares of Class A Stock (the “Private Placement”) with a limited number of accredited investors (as defined by Rule 501 of Regulation D) without any form of general solicitation or general advertising pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and approximately \$433 million of cash available to the Company from the trust account that held the proceeds from the Company’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 the Company’s public stockholders, minus approximately \$224 million used to repay HydraFacial’s outstanding indebtedness at the Closing, minus approximately \$94 million of transaction expenses of HydraFacial and the Company, minus \$100 million. The remainder of the consideration paid to the HydraFacial Stockholders consisted of 35,501,743 newly issued shares of Class A Stock (the “Stock Consideration”).

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

The foregoing consideration paid to the HydraFacial Stockholders may be further increased by up to \$75.0 million payable as earn-out shares of Class A Stock upon the completion of certain acquisitions within one year of Closing pursuant to the terms of the Merger Agreement.

All outstanding shares of Class B Stock were automatically converted into shares of Class A Stock on a one-for-one basis at the Closing and will continue to be subject to the transfer restrictions applicable to such shares of Class B Stock.

In connection with the Merger Agreement, certain accredited investors (the “PIPE Investors”) entered into subscription agreements (the “PIPE Subscription Agreements”) pursuant to which the PIPE Investors agreed to purchase 35,000,000 shares (the “PIPE Shares”) of The Beauty Health Company Class A Common Stock at a purchase price per share of \$10.00 and an aggregate purchase price of \$350,000,000 (the “PIPE Investment”). The PIPE Investment was consummated substantially concurrently with the Closing.

In connection with the Closing, holders of 2,672,690 shares of Class A Stock exercised their rights to redeem those shares for cash at an approximate price of \$10.00 per share, for an aggregate of approximately \$26,737,737, which was paid to such holders at Closing.

Immediately after giving effect to the Merger and the PIPE Investment, there were 125,329,053 shares of The Beauty Health Company Class A Common Stock.

In connection with the Closing, the registrant changed its name from “Vesper Healthcare Acquisition Corp.” to “The Beauty Health Company”.

Business Prior to the Business Combination

Prior to the Business Combination, the Company had two subsidiaries, Hydrate Merger Sub I, Inc., a wholly owned subsidiary of the Company incorporated in Delaware on December 7, 2020 (“Merger Sub I”) and Hydrate Merger Sub II, LLC, a wholly owned subsidiary of the Company incorporated in Delaware on December 7, 2020 (“Merger Sub II”).

As of March 31, 2021, the Company had not commenced any operations. All activity for the period from July 8, 2020 (inception) through March 31, 2021 relates to the Company’s formation and the initial public offering (“Initial Public Offering”), which is described below. The Company will not generate any operating revenues until after the completion of a Business Combination, at the earliest. The Company will generate non-operating income in the form of interest income from the proceeds derived from the Initial Public Offering.

The registration statement for the Company’s Initial Public Offering was declared effective on September 29, 2020. On October 2, 2020, the Company consummated the Initial Public Offering of 46,000,000 units (the “Units” and, with respect to the shares of Class A common stock included in the Units sold, the “Public Shares”), which includes the full exercise by the underwriters of the over-allotment option to purchase an additional 6,000,000 Units, at \$10.00 per Unit, generating gross proceeds of \$460,000,000, which is described in Note 3.

Simultaneously with the closing of the Initial Public Offering, the Company consummated the sale of 9,333,333 warrants (the “Private Placement Warrants”) at a price of \$1.50 per Private Placement Warrant in a private placement to BLS Investor Group LLC (the “Sponsor”), generating gross proceeds of \$14,000,000, which is described in Note 4.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

Transaction costs amounted to \$25,777,859 consisting of \$9,200,000 of underwriting fees, \$16,100,000 of deferred underwriting fees and \$477,859 of other offering costs.

Liquidity

As of March 31, 2021, the Company had \$2,753,154 in its operating bank accounts, \$460,184,400 in securities held in the Trust Account to be used for a Business Combination or to repurchase or redeem its ordinary shares in connection therewith and current liabilities of \$813,471.

Until the consummation of a Business Combination, the Company used the funds not held in the Trust Account for identifying and evaluating prospective acquisition candidates, performing due diligence on prospective target businesses, paying for travel expenditures, selecting the target business to acquire, and structuring, negotiating and consummating the Business Combination.

As noted above (Merger and PIPE Investment), on May 4, 2021, the Company consummated the Merger and the PIPE investment.

Risks and Uncertainties

Management continues to evaluate the impact of the COVID-19 pandemic and has concluded that while it is reasonably possible that the virus could have a negative effect on the Company's financial position, results of its operations and/or search for a target company, the specific impact is not readily determinable as of the date of these consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Certain information or footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnotes necessary for a complete presentation of financial position, results of operations, or cash flows. In the opinion of management, the accompanying unaudited condensed financial statements include all adjustments, consisting of a normal recurring nature, which are necessary for a fair presentation of the financial position, operating results and cash flows for the periods presented.

The accompanying unaudited condensed financial statements should be read in conjunction with the Company's Annual Report on Form 10-K/A as filed with the SEC on May 27, 2021. The interim results for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for period ended December 31, 2021 or for any future periods.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

Emerging Growth Company

The Company is an “emerging growth company,” as defined in Section 2(a) of the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”), and it may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the independent registered public accounting firm attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

Further, Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Exchange Act) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies but any such election to opt out is irrevocable. The Company has elected not to opt out of such extended transition period which means that when a standard is issued or revised and it has different application dates for public or private companies, the Company, as an emerging growth company, can adopt the new or revised standard at the time private companies adopt the new or revised standard. This may make comparison of the Company’s financial statements with another public company which is neither an emerging growth company nor an emerging growth company which has opted out of using the extended transition period difficult or impossible because of the potential differences in accounting standards used.

Use of Estimates

The preparation of the condensed financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The Company considers all short-term investments with an original maturity of three months or less when purchased to be cash equivalents. The Company did not have any cash equivalents as of March 31, 2021 and December 31, 2020.

Marketable Securities Held in Trust Account

At March 31, 2021 and December 31, 2020, substantially all of the assets held in the Trust Account were held in U.S. Treasury Bills. The Company accounts for its securities held in the trust account in accordance with

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

the guidance in Accounting Standards Codification (“ASC”) Topic 320 “Debt and Equity Securities.” These securities are classified as trading securities with unrealized gains/losses recognized through income.

Class A Common Stock Subject to Possible Redemption

The Company accounts for its Class A common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification (“ASC”) Topic 480 “Distinguishing Liabilities from Equity.” Class A common stock subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights that is either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within the Company’s control) is classified as temporary equity. At all other times, common stock is classified as stockholders’ equity. The Company’s Class A common stock features certain redemption rights that are considered to be outside of the Company’s control and subject to occurrence of uncertain future events. Accordingly, Class A common stock subject to possible redemption is presented at redemption value as temporary equity, outside of the stockholders’ equity section of the Company’s consolidated balance sheets.

Warrant Liability

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant’s specific terms and applicable authoritative guidance in Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 480, Distinguishing Liabilities from Equity (“ASC 480”) and ASC 815, Derivatives and Hedging (“ASC 815”). The assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company’s own common shares and whether the warrant holders could potentially require “net cash settlement” in a circumstance outside of the Company’s control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period end date while the warrants are outstanding.

For issued or modified warrants that meet all of the criteria for equity classification, the warrants are required to be recorded as a component of additional paid-in capital at the time of issuance. For issued or modified warrants that do not meet all the criteria for equity classification, the warrants are required to be recorded at their initial fair value on the date of issuance, and each balance sheet date thereafter. Changes in the estimated fair value of the warrants are recognized as a non-cash gain or loss on the statements of operations. The fair value of the warrants issued in the IPO has been estimated using a Monte Carlo simulation methodology as of the date of the IPO and such warrants’ quoted market price as of December 31, 2020 and March 31, 2021. The private placement warrants were valued using a Monte Carlo simulation methodology.

Income Taxes

The Company follows the asset and liability method of accounting for income taxes under ASC 740, “Income Taxes.” Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statements carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") 740 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of December 31, 2020. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position. The Company is subject to income tax examinations by major taxing authorities since inception.

Net Income Per Common Share

Net income (loss) per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding during the period. The Company has not considered the effect of the warrants sold in the Public Offering and Private Placement to purchase an aggregate of 24,666,666 shares in the calculation of diluted loss per share, since the exercise of the warrants are contingent upon the occurrence of future events and the inclusion of such warrants would be anti-dilutive.

The Company's statement of operations includes a presentation of income (loss) per share for common shares subject to possible redemption in a manner similar to the two-class method of income (loss) per share. Net income (loss) per common share, basic and diluted, for Common stock subject to possible redemption is calculated by dividing the proportionate share of income or loss on marketable securities held by the Trust Account, net of applicable franchise and income taxes, by the weighted average number of Common stock subject to possible redemption outstanding since original issuance.

Net loss per share, basic and diluted, for non-redeemable common stock is calculated by dividing the net income (loss), adjusted for income or loss on marketable securities attributable to Class A common stock subject to possible redemption, by the weighted average number of non-redeemable common stock outstanding for the period.

Non-redeemable common stock includes Founder Shares and non-redeemable Class A shares as these shares do not have any redemption features. Non-redeemable common stock participates in the income or loss on marketable securities based on Class A non-redeemable share's proportionate interest.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

The following table reflects the calculation of basic and diluted net income (loss) per common share (in dollars, except per share amounts):

	For the Three Months ended March 31, 2021
<i>Common stock subject to possible redemption</i>	
Numerator: Earnings allocable to Common stock subject to possible redemption	
Interest earned on marketable securities held in Trust Account	\$ 72,209
Unrealized gain on marketable securities held in Trust Account	878
Less: Company's portion available to pay taxes	(42,400)
Net Income allocable to shares subject to redemption	<u>\$ 30,687</u>
Denominator: Weighted Average Class A common stock subject to possible redemption	
Basic and diluted weighted average shares outstanding	<u>46,000,000</u>
Basic and diluted net income per share	<u>\$ 0.00</u>
<i>Non-Redeemable Common Stock</i>	
Numerator: Net income minus Net Earnings	
Net income	\$ 13,637,202
Less: Net income allocable to Class A common stock subject to possible redemption	(30,687)
Non-Redeemable Net Income	<u>\$ 13,606,515</u>
Denominator: Weighted Average Non-Redeemable Common Stock	
Basic and diluted weighted average shares outstanding	<u>11,500,000</u>
Basic and diluted net income per share	<u>\$ 1.18</u>

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of a cash account in a financial institution, which, at times, may exceed the Federal Depository Insurance Coverage of \$250,000. The Company has not experienced losses on this account.

Fair Value of Financial Instruments

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurement," approximates the carrying amounts represented in the condensed balance sheets, primarily due to their short-term nature.

Fair Value Measurements

Fair value is defined as the price that would be received for sale of an asset or paid for transfer of a liability, in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). These tiers include:

- Level 1, defined as observable inputs such as quoted prices (unadjusted) for identical instruments in active markets;
- Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable such as quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions, such as valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

In some circumstances, the inputs used to measure fair value might be categorized within different levels of the fair value hierarchy. In those instances, the fair value measurement is categorized in its entirety in the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives in accordance with ASC Topic 815, "Derivatives and Hedging". For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value on the grant date and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

Recent Accounting Standards

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the Company's condensed financial statements.

NOTE 3. INITIAL PUBLIC OFFERING

Pursuant to the Initial Public Offering, the Company sold 46,000,000 Units, which includes the full exercise by the underwriters of their option to purchase an additional 6,000,000 Units, at a purchase price of \$10.00 per Unit. Each Unit consists of one share of Class A common stock and one-third of one redeemable warrant ("Public Warrant"). Each whole Public Warrant entitles the holder to purchase one share of Class A common stock at an exercise price of \$11.50 per share (see Note 7).

NOTE 4. PRIVATE PLACEMENT

Simultaneously with the closing of the Initial Public Offering, the Sponsor purchased an aggregate of 9,333,333 Private Placement Warrants at a price of \$1.50 per private Placement Warrant, for an aggregate purchase price of \$14,000,000. Each Private Placement Warrant is exercisable to purchase one share of Class A common stock at a price of \$11.50 per share. The proceeds from the Private Placement Warrants were added to the proceeds from the Initial Public Offering held in the Trust Account.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

NOTE 5. RELATED PARTY TRANSACTIONS

Founder Shares

On August 5, 2020, the Company issued an aggregate of 11,500,000 shares of Class B common stock (the “Founder Shares”) to the Sponsor for an aggregate purchase price of \$25,000 in cash. The Founder Shares included an aggregate of up to 1,500,000 shares of Class B common stock subject to forfeiture by the Sponsor to the extent that the underwriters’ over-allotment option was not exercised in full or in part, so that the Sponsor would own, on an as-converted basis, 20% of the Company’s issued and outstanding shares after the Initial Public Offering (assuming the Sponsor did not purchase any Public Shares in the Initial Public Offering). As a result of the underwriter’s election to fully exercise its over-allotment option, 1,500,000 Founder Shares are no longer subject to forfeiture.

The Sponsor has agreed that, subject to certain limited exceptions, the Founder Shares will not be transferred, assigned, sold or released from escrow until the earlier of (A) one year after the completion of a Business Combination or (B) the date subsequent to the Company’s initial Business Combination on which the Company completes a liquidation, merger, capital stock exchange or other similar transaction that results in all of the Company’s stockholders having the right to exchange their shares of common stock for cash, securities or other property. Notwithstanding the foregoing, if the last reported sale price of the shares of our Class A common stock equals or exceeds \$12.00 per share (as adjusted for stock splits, stock capitalizations, reorganizations, recapitalizations and the like) for any 20 trading days within any 30-trading day period commencing at least 150 days after a Business Combination, the converted Class A common stock will be released from the lock-up.

Due from Sponsor

At the closing of the Initial Public Offering on October 2, 2020, a portion of the proceeds from the sale of the Private Placement Warrants in the amount of \$4,800,000 was due to the Company to be held outside of the Trust Account for working capital purposes. Such amount was paid by the Sponsor to the Company on October 6, 2020.

Advances from Related Party

The Sponsor paid for certain offering costs on behalf of the Company in connection with the Initial Public Offering. The outstanding balance of \$229,886 under these advances was repaid subsequent to the closing of the Initial Public Offering, on October 6, 2020.

Promissory Note — Related Party

On July 23, 2020, the Company issued an unsecured promissory note to the Sponsor (the “Promissory Note”), pursuant to which the Company could borrow up to an aggregate principal amount of \$300,000. The Promissory Note was non-interest bearing and payable on the earlier of (i) January 31, 2021 or (i) the consummation of the Initial Public Offering. The outstanding balance under the Promissory Note of \$261,386 was repaid subsequent to the closing of the Initial Public Offering on October 6, 2020.

Administrative Support Agreement

The Company entered into an agreement, commencing on September 30, 2020 through the earlier of the Company’s consummation of a Business Combination and its liquidation, to pay an affiliate of the Company’s

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

Chief Executive Officer, a total of up to \$10,000 per month for office space and administrative support services. For the three months ended March 31, 2021, the Company incurred and paid \$30,000 in fees for these services.

Related Party Loans

In order to finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor or certain of the Company's directors and officers may, but are not obligated to, loan the Company funds as may be required ("Working Capital Loans"). If the Company completes a Business Combination, the Company would repay the Working Capital Loans out of the proceeds of the Trust Account released to the Company. Otherwise, the Working Capital Loans would be repaid only out of funds held outside the Trust Account. In the event that a Business Combination does not close, the Company may use a portion of proceeds held outside the Trust Account to repay the Working Capital Loans, but no proceeds held in the Trust Account would be used to repay the Working Capital Loans. Except for the foregoing, the terms of such Working Capital Loans, if any, have not been determined and no written agreements exist with respect to such loans. The Working Capital Loans would either be repaid upon consummation of a Business Combination, without interest, or, at the lender's discretion, up to \$1,500,000 of such Working Capital Loans may be convertible into warrants of the post-Business Combination entity at a price of \$1.50 per warrant. The warrants would be identical to the Private Placement Warrants.

NOTE 6. COMMITMENTS

Registration and Stockholder Rights Agreement

Pursuant to a registration and stockholder rights agreement entered into on September 29, 2020, the holders of the Founder Shares, Private Placement Warrants and warrants that may be issued upon conversion of Working Capital Loans (and any Class A common stock issuable upon the exercise of the Private Placement Warrants and warrants issued upon conversion of the Working Capital Loans) are entitled to registration rights. The holders of these securities are entitled to make up to three demands, excluding short form demands, that the Company register such securities. In addition, the holders have certain "piggy-back" registration rights with respect to registration statements filed subsequent to consummation of a Business Combination. However, the registration rights agreement provides that the Company will not permit any registration statement filed under the Securities Act to become effective until termination of the applicable lockup period. The Company will bear the expenses incurred in connection with the filing of any such registration statements.

Underwriting Agreement

The underwriters are entitled to a deferred fee of \$0.35 per Unit, or \$16,100,000 in the aggregate. Subject to the terms of the underwriting agreement, (i) the deferred fee will be placed in the Trust Account and released to the underwriters only upon the completion of a Business Combination and (ii) the deferred fee will be waived by the underwriters in the event that the Company does not complete a Business Combination. The deferred fee was paid upon completion of the Business Combination described in Note 1.

Merger Agreement

On May 4, 2021 (the "Closing Date"), the registrant consummated the previously announced business combination pursuant to that certain Agreement and Plan of Merger, dated December 8, 2020, by and among

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

Vesper Healthcare Acquisition Corp. (“Vesper Healthcare”), 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”) (the “Merger Agreement”), which provided for: (a) the merger of Merger Sub I with and into HydraFacial, with HydraFacial continuing as the surviving corporation (the “First Merger”), and (b) immediately following the First Merger and as part of the same overall transaction as the First Merger, the merger of HydraFacial 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” and, together with the other transactions contemplated by the Merger Agreement, the “Business Combination”). As a result of the First Merger, the registrant owns 100% of the outstanding common stock of HydraFacial and each share of common stock and preferred stock of HydraFacial has been 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 registrant owns 100% of the outstanding interests in Merger Sub II. In connection with the closing of the Business Combination (the “Closing”), the registrant owns, directly or indirectly, 100% of the stock of HydraFacial and its subsidiaries and the stockholders of HydraFacial as of immediately prior to the effective time of the First Merger (the “HydraFacial Stockholders”) hold a portion of the Class A Common Stock, par value \$0.0001 per share, of the registrant (the “Class A Stock”).

Pursuant to the terms of the Merger Agreement and customary adjustments set forth therein, the aggregate merger consideration paid to the HydraFacial Stockholders in connection with the Business Combination was approximately \$975,000,000 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 Class A Stock. The aggregate cash consideration paid to the HydraFacial Stockholders at the Closing was approximately \$368 million, consisting of the Company’s cash and cash equivalents as of the Closing (including proceeds of \$350 million from the Company’s private placement of an aggregate of 35,000,000 shares of Class A Stock (the “Private Placement”) with a limited number of accredited investors (as defined by Rule 501 of Regulation D) without any form of general solicitation or general advertising pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and approximately \$433 million of cash available to the Company from the trust account that held the proceeds from the Company’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 the Company’s public stockholders, minus approximately \$224 million used to repay HydraFacial’s outstanding indebtedness at the Closing, minus approximately \$94 million of transaction expenses of HydraFacial and the Company, minus \$100 million. The remainder of the consideration paid to the HydraFacial Stockholders consisted of 35,501,743 newly issued shares of Class A Stock (the “Stock Consideration”).

The foregoing consideration paid to the HydraFacial Stockholders may be further increased by up to \$75.0 million payable as earn-out shares of Class A Stock upon the completion of certain acquisitions within one year of Closing pursuant to the terms of the Merger Agreement.

All outstanding shares of Class B Stock were automatically converted into shares of Class A Stock on a one-for-one basis at the Closing and will continue to be subject to the transfer restrictions applicable to such shares of Class B Stock.

In connection with the Merger Agreement, certain accredited investors (the “PIPE Investors”) entered into subscription agreements (the “PIPE Subscription Agreements”) pursuant to which the PIPE Investors agreed to

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

purchase 35,000,000 shares (the “PIPE Shares”) of The Beauty Health Company Class A Common Stock at a purchase price per share of \$10.00 and an aggregate purchase price of \$350,000,000 (the “PIPE Investment”). The PIPE Investment was consummated substantially concurrently with the Closing.

In connection with the Closing, holders of 2,672,690 shares of Class A Stock exercised their rights to redeem those shares for cash at an approximate price of \$10.00 per share, for an aggregate of approximately \$26,737,737, which was paid to such holders at Closing.

Immediately after giving effect to the Merger and the PIPE Investment, there were 125,329,053 shares of The Beauty Health Company Class A Common Stock.

In connection with the Closing, the registrant changed its name from “Vesper Healthcare Acquisition Corp.” to “The Beauty Health Company”.

NOTE 7. STOCKHOLDER’S EQUITY

Preferred Stock—The Company is authorized to issue 1,000,000 shares of preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company’s board of directors. At March 31, 2021 and December 31, 2020, there were no shares of preferred stock issued or outstanding.

Class A Common Stock—The Company is authorized to issue 200,000,000 shares of Class A common stock with a par value of \$0.0001 per share. Holders of Class A common stock are entitled to one vote for each share. At March 31, 2021 and December 31, 2020, there were no shares of Class A common stock issued or outstanding, excluding 46,000,000 shares of Class A common stock subject to possible redemption.

Class B Common Stock—The Company is authorized to issue 20,000,000 shares of Class B common stock with a par value of \$0.0001 per share. Holders of Class B common stock are entitled to one vote for each share. At March 31, 2021 and December 31, 2020, there were 11,500,000 shares of Class B common stock issued and outstanding.

Holders of Class B common stock will have the right to elect all of the Company’s directors prior to a Business Combination. Holders of Class A common stock and Class B common stock will vote together as a single class on all other matters submitted to a vote of stockholders except as required by law.

The shares of Class B common stock will automatically convert into shares of Class A common stock upon the consummation of a Business Combination at a ratio such that the number of shares of Class A common stock issuable upon conversion of all Founder Shares will equal, in the aggregate, on an as-converted basis, 20% of the sum of (i) the total number of shares of common stock issued and outstanding upon completion of the Initial Public Offering, plus (ii) the sum of (a) all shares of common stock issued or deemed issued or issuable upon conversion or exercise of any equity-linked securities or deemed issued by the Company in connection with or in relation to the completion of a Business Combination, excluding (1) any shares of Class A common stock or equity-linked securities exercisable for or convertible into shares of Class A common stock issued, or to be issued, to any seller in a Business Combination and any (2) Private Placement Warrants issued to the Sponsor or any of its affiliates upon conversion of Working Capital Loans minus (b) the number of Public Shares redeemed by Public Stockholders in connection with a Business Combination. In no event will the shares of our Class B common stock convert into shares of our Class A common stock at a rate of less than one to one.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

NOTE 8. WARRANT LIABILITY

Warrants—Public Warrants may only be exercised for a whole number of shares. No fractional shares will be issued upon exercise of the Public Warrants. The Public Warrants will become exercisable on the later of (a) 30 days after the completion of a Business Combination or (b) one year from the closing of the Initial Public Offering. The Public Warrants will expire five years after the completion of a Business Combination or earlier upon redemption or liquidation.

The Company will not be obligated to deliver any Class A common stock pursuant to the exercise of a warrant and will have no obligation to settle such warrant exercise unless a registration statement under the Securities Act with respect to the Class A common stock underlying the warrants is then effective and a prospectus relating thereto is current, subject to the Company satisfying its obligations with respect to registration, or a valid exemption from registration is available. No warrant will be exercisable and the Company will not be obligated to issue a share of Class A common stock upon exercise of a warrant unless the share of Class A common stock issuable upon such warrant exercise has been registered, qualified or deemed to be exempt under the securities laws of the state of residence of the registered holder of the warrants.

The Company has agreed that as soon as practicable, but in no event later than twenty business days after the closing of a Business Combination, the Company will use its commercially reasonable efforts to file with the SEC a registration statement for the registration, under the Securities Act, of the Class A common stock issuable upon exercise of the warrants. The Company will use its commercially reasonable efforts to cause the same to become effective and to maintain the effectiveness of such registration statement, and a current prospectus relating thereto, until the expiration or redemption of the warrants in accordance with the provisions of the warrant agreement. If a registration statement covering the issuance of the Class A common stock issuable upon exercise of the warrants is not effective by the 60th business day after the closing of a Business Combination, warrant holders may, until such time as there is an effective registration statement and during any period when the Company will have failed to maintain an effective registration statement, exercise warrants on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act or another exemption. In addition, if the Class A common stock is at the time of any exercise of a warrant not listed on a national securities exchange such that they satisfy the definition of a “covered security” under Section 18(b)(1) of the Securities Act, the Company may, at its option, require holders of Public Warrants who exercise their warrants to do so on a “cashless basis” in accordance with Section 3(a)(9) of the Securities Act and, in the event the Company elects to do so, it will not be required to file or maintain in effect a registration statement, but it will use its best efforts to register or qualify the shares under applicable blue sky laws to the extent an exemption is not available.

Redemption of warrants when the price per share of Class A common stock equals or exceeds \$18.00. Once the Public Warrants become exercisable, the Company may redeem the Public Warrants (except with respect to the Private Placement Warrants):

- in whole and not in part;
- at a price of \$0.01 per warrant;
- upon not less than 30 days’ prior written notice of redemption to each warrant holder; and
- if, and only if, the reported last reported sale price of the Class A common stock for any 20 trading days within a 30-trading day period ending three business days before the Company sends the notice of redemption to the warrant holders (the “Reference Value”) equals or exceeds \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like).

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

If and when the warrants become redeemable by the Company, the Company may exercise its redemption right even if the Company are unable to register or qualify the underlying securities for sale under all applicable state securities laws. However, in this case, the Company will not redeem the warrants unless an effective registration statement under the Securities Act covering the Class A common stock issuable upon exercise of the warrants is effective and a current prospectus relating to those shares of our Class A common stock is available throughout the 30-day redemption period.

Redemption of warrants when the price per share of Class A common stock equals or exceeds \$10.00. Once the Public Warrants become exercisable, the Company may redeem the Public Warrants:

- in whole and not in part;
- at \$0.10 per warrant upon a minimum of 30 days' prior written notice of redemption; provided that holders will be able to exercise their warrants on a cashless basis prior to redemption and receive that number of shares based on the redemption date and the fair market value of the Class A common stock;
- if, and only if, the Reference Value equals or exceeds \$10.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like); and
- if the Reference Value is less than \$18.00 per share (as adjusted for stock splits, stock dividends, reorganizations, recapitalizations and the like), the Private Placement Warrants must also be concurrently called for redemption on the same terms as the outstanding Public Warrants, as described above.

If the Company calls the Public Warrants for redemption, management will have the option to require all holders that wish to exercise the Public Warrants to do so on a "cashless basis," as described in the warrant agreement. The exercise price and number of shares of Class A common stock issuable upon exercise of the warrants may be adjusted in certain circumstances including in the event of a stock dividend, or recapitalization, reorganization, merger or consolidation. However, except as described below, the warrants will not be adjusted for issuance of Class A common stock at a price below its exercise price. Additionally, in no event will the Company be required to net cash settle the warrants. If the Company is unable to complete a Business Combination within the Combination Period and the Company liquidates the funds held in the Trust Account, holders of warrants will not receive any of such funds with respect to their warrants, nor will they receive any distribution from the Company's assets held outside of the Trust Account with the respect to such warrants. Accordingly, the warrants may expire worthless.

In addition, if (x) the Company issues additional shares of Class A common stock or equity-linked securities for capital raising purposes in connection with the closing of a Business Combination at an issue price or effective issue price of less than \$9.20 per Class A common (with such issue price or effective issue price to be determined in good faith by the Company's board of directors and, in the case of any such issuance to the Sponsor or its affiliates, without taking into account any Founder Shares held by the Sponsor or such affiliates, as applicable, prior to such issuance) (the "Newly Issued Price"), (y) the aggregate gross proceeds from such issuances represent more than 60% of the total equity proceeds, and interest thereon, available for the funding of a Business Combination on the date of the consummation of a Business Combination (net of redemptions), and (z) the volume weighted average trading price of the Company's Class A common stock during the 20 trading day period starting on the trading day prior to the day on which the Company consummates a Business Combination (such price, the "Market Value") is below \$9.20 per share, the exercise price of the warrants will be adjusted (to the nearest cent) to be equal to 115% of the higher of the Market Value and the Newly Issued Price,

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

and the \$10.00 and \$18.00 per share redemption trigger prices will be adjusted (to the nearest cent) to be equal to 100% and 180% of the higher of the Market Value and the Newly Issued Price, respectively.

The Private Placement Warrants are identical to the Public Warrants underlying the Units sold in the Initial Public Offering, except that the Private Placement Warrants and the Class A common stock issuable upon the exercise of the Private Placement Warrants will not be transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions. Additionally, the Private Placement Warrants will be exercisable on a cashless basis and be non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Placement Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Placement Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

NOTE 9. FAIR VALUE MEASUREMENTS

The Company follows the guidance in ASC Topic 820 for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least annually.

The fair value of the Company's financial assets and liabilities reflects management's estimate of amounts that the Company would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from independent sources) and to minimize the use of unobservable inputs (internal assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs based on our assessment of the assumptions that market participants would use in pricing the asset or liability.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2021 and December 31, 2020, and indicates the fair value hierarchy of the valuation inputs the Company utilized to determine such fair value:

<u>Description</u>	<u>Level</u>	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Assets:			
Marketable securities held in Trust Account	1	460,184,400	460,098,212
Liabilities:			
Warrant Liability – Public Warrants	1	31,893,332	40,633,332
Warrant Liability – Private Placement Warrants	3	19,599,999	25,013,332

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

The Warrants were accounted for as liabilities in accordance with ASC 815-40 and are presented within warrant liabilities on our consolidated balance sheet. The warrant liabilities are measured at fair value at inception and on a recurring basis, with changes in fair value presented within change in fair value of warrant liabilities in the consolidated statement of operations.

The Company established the initial fair value for the Warrants on October 2, 2020, the date of the Company’s Initial Public Offering, using a Monte Carlo simulation model for the warrants. The Company allocated the proceeds received from (i) the sale of Units (which is inclusive of one share of Class A common shares and one-third of one Public Warrant), (ii) the sale of Private Placement Warrants, and (iii) the issuance of Class B common shares, first to the Warrants based on their fair values as determined at initial measurement, with the remaining proceeds allocated to Class A common shares subject to possible redemption, Class A common shares and Class B common shares based on their relative fair values at the initial measurement date. The Warrants were classified as Level 3 at the initial measurement date due to the use of unobservable inputs.

Subsequently, the Warrants are measured at fair value on a recurring basis. The subsequent measurement of the Public Warrants as of December 31, 2020 is classified as Level 1 due to the use of an observable market quote in an active market.

The key inputs into the Monte Carlo simulation model for the Private Placement Warrants at March 31, 2021 were as follows:

Input	March 31, 2021
Risk-free interest rate	0.92%
Expected term (years)	5.08
Expected volatility	14.9%
Exercise price	\$ 11.50
Fair value of Units	\$ 10.03

The following table presents the changes in the fair value of warrant liabilities:

	Private Placement	Level	Public	Level	Warrant Liabilities
Fair value as of December 31, 2020	\$25,013,332		\$40,633,332		\$ 65,646,664
Change in valuation inputs or other assumptions	(5,413,333)	3	(8,740,000)	1	(14,153,333)
Fair value as of March 31, 2021	<u>\$19,599,999</u>		<u>\$31,893,332</u>		<u>\$ 51,493,331</u>

Level 3 financial liabilities consist of the Private Placement Warrant liability for which there is no current market for these securities such that the determination of fair value requires significant judgment or estimation. Changes in fair value measurements categorized within Level 3 of the fair value hierarchy are analyzed each period based on changes in estimates or assumptions and recorded as appropriate.

NOTE 10. PRIOR PERIODS’ FINANCIAL STATEMENT REVISION

The Company noted an error in its application of guidance associated with “ASC 480: Distinguishing Liabilities from Equity.” Which needed to be modified to approximately present the impact on the accounting

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

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 (the “ PIPE Investment”) 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 ordinary shares that were sold to the public in our IPO 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 ordinary shares as permanent equity as of 12/31/20, whereas no Class A ordinary shares should have been so classified. The 8,351,205 Class A ordinary shares that were originally incorrectly classified as permanent equity have been reclassified as temporary equity in this Form 10-Q, thereby yielding a total of 46,000,000 Class A ordinary shares (the shares sold to the public in our IPO, which are subject to redemption) as temporary equity.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

The following tables present the effect of the correction of the misstatement that impacted the year ended December 31, 2020, as described in Note 1, and the related adjustments to reflect the revision on the Condensed Balance Sheet.

	<u>As Previously Reported</u>	<u>Adjustments</u>	<u>As Revised</u>
Balance sheet as of December 31, 2020 (audited)			
<i>Commitments</i>			
Number of Class A common shares at redemption value	37,648,795	8,351,205	46,000,000
Class A common stock subject to possible redemption	\$ 376,489,130	\$ 83,512,311	\$ 460,001,441
<i>Stockholders' Equity</i>			
Number of Class A common shares issued and outstanding	8,351,205	(8,351,205)	—
Class A common shares	\$ 835	\$ (835)	\$ —
Additional paid-in capital	43,911,821	(40,807,971)	3,103,850
Accumulated deficit	(38,913,797)	(42,703,505)	(81,617,302)
Total stockholders' equity	5,000,009	(83,512,311)	(78,512,302)
Statement of operations for the period from July 8, 2020 (inception) through December 31, 2020 (as Restated)			
Basic and diluted weighted average shares outstanding, Common stock subject to possible redemption	41,438,497	1,165,717	42,604,214
Weighted average shares outstanding, basic and diluted	13,388,418	(651,643)	12,736,775
Basic and diluted net loss per common share	\$ (2.91)	\$ (0.15)	\$ (3.06)
Statement of changes in stockholders' equity for the period from July 8, 2020 (inception) through December 31, 2020			
<i>Class A common stock</i>			
Shares of Class A common stock subject to possible redemption	(37,648,795)	(8,351,205)	(46,000,000)
Class A common stock subject to possible redemption	\$ (3,765)	\$ (835)	\$ (4,600)
<i>Additional paid-in capital</i>			
Class A common stock subject to possible redemption	(376,485,365)	(40,807,971)	(417,293,336)
<i>Accumulated deficit</i>			
Net loss	(38,913,797)	(42,703,505)	(81,617,302)
<i>Total stockholders' equity</i>			
Class A common stock subject to possible redemption	(376,489,130)	(40,808,806)	(417,297,936)
Net loss	(38,913,797)	(42,703,505)	(81,617,302)

NOTE 11. SUBSEQUENT EVENTS

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the consolidated financial statements were issued. Based upon this review, other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the consolidated financial statements.

THE BEAUTY HEALTH COMPANY
(FORMERLY KNOWN AS VESPER HEALTHCARE ACQUISITION CORP.)
NOTES TO CONDENSED FINANCIAL STATEMENTS
MARCH 31, 2021
(Unaudited)

On April 19, 2021, *Elstein v. Saunders et al.*, No. 21-3028CA01 (Fla. 11th Cir. Ct.) was voluntarily dismissed. On April 26, 2021, *Purvance v. Vesper Healthcare Acquisition Corp., et al.*, Index No. 650365/2021 (N.Y. Sup. Ct.) was voluntarily discontinued. On May 12, 2021, *Watkins v. Vesper Healthcare Acquisition Corp., et al.*, No. 1:21-cv-00713 (S.D.N.Y.) was voluntarily dismissed. On May 17, 2021, *Ciccotelli v. Vesper Healthcare Acquisition Corp., et al.*, Index No. 650346/2021 (N.Y. Sup. Ct.) was voluntarily discontinued.

On May 4, 2021, the Company completed the Business Combination and PIPE Investment as described in Note 1.

On June 8, 2021 and July 1, 2021, the Company completed acquisitions of four international third-party distributors for HydraFacial. The total purchase price for the four distributors is approximately \$28 million in cash and 590,099 shares of the Company's Class A Common Stock. As a result of the closing of the acquisitions, the Company will also be required to issue up to 7.5 million shares of Class A Common Stock to the former owners of HydraFacial pursuant to the earnout provision in the Merger Agreement related to the Company's Business Combination, which closed on May 4, 2021.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

References in this report (the “Quarterly Report”) to the “registrant,” “we,” “us,” “our” or the “Company” refer to The Beauty Health Company (formerly known as Vesper Healthcare Acquisition Corp.). Unless the context otherwise requires, in this Quarterly Report on Form 10-Q, the “registrant” and the “Company” refer to Vesper Healthcare Acquisition Corp. prior to the Closing and to the combined company and its subsidiaries following the Closing and “HydraFacial” refers to the business of LCP Edge Intermediate, Inc. and its subsidiaries prior to the Closing and the business of the combined company and its subsidiaries following the Closing. References to our “management” or our “management team” refer to our officers and directors, and references to the “Sponsor” refer to BLS Investor Group LLC. The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Quarterly Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Special Note Regarding Forward-Looking Statements

This Quarterly Report includes “forward-looking statements” that are not historical facts and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Quarterly Report including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, please refer to the Risk Factors section of the Annual Report on Form 10-K/A filed with the SEC. The Company’s securities filings can be accessed on the EDGAR section of the SEC’s website at www.sec.gov. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Overview

We are a blank check company formed under the laws of the State of Delaware on July 8, 2020, for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or other similar business combination with one or more businesses.

Recent Developments

On May 4, 2021 (the “Closing Date”), the registrant consummated the previously announced business combination pursuant to that certain Agreement and Plan of Merger, dated December 8, 2020, by and among Vesper Healthcare Acquisition Corp. (“Vesper Healthcare”), 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”) (the “Merger Agreement”), which provided for: (a) the merger of Merger Sub I with and into HydraFacial, with HydraFacial continuing as the surviving corporation (the “First Merger”), and (b) immediately following the First Merger and as part of the same overall transaction as the First Merger, the merger of HydraFacial 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” and, together with the other transactions contemplated by the Merger Agreement, the “Business

[Table of Contents](#)

Combination”). As a result of the First Merger, the registrant owns 100% of the outstanding common stock of HydraFacial and each share of common stock and preferred stock of HydraFacial has been 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 registrant owns 100% of the outstanding interests in Merger Sub II. In connection with the closing of the Business Combination (the “Closing”), the registrant owns, directly or indirectly, 100% of the stock of HydraFacial and its subsidiaries and the stockholders of HydraFacial as of immediately prior to the effective time of the First Merger (the “HydraFacial Stockholders”) hold a portion of the Class A Common Stock, par value \$0.0001 per share, of the registrant (the “Class A Stock”).

In connection with the Merger Agreement, certain accredited investors (the “PIPE Investors”) entered into subscription agreements (the “PIPE Subscription Agreements”) pursuant to which the PIPE Investors agreed to purchase 35,000,000 shares (the “PIPE Shares”) of The Beauty Health Company Class A Common Stock at a purchase price per share of \$10.00 and an aggregate purchase price of \$350,000,000 (the “PIPE Investment”). The PIPE Investment was consummated substantially concurrently with the Closing.

In connection with the Closing, holders of 2,672,690 shares of Class A Stock exercised their rights to redeem those shares for cash at an approximate price of \$10.00 per share, for an aggregate of approximately \$26,737,737, which was paid to such holders at Closing.

In connection with the Closing, the registrant changed its name from “Vesper Healthcare Acquisition Corp.” to “The Beauty Health Company”.

Results of Operations

Through March 31, 2021, we had neither engaged in any operations nor generated any revenues. Our only activities through March 31, 2021 were organizational activities, those necessary to prepare for the Initial Public Offering, described below, and, after our Initial Public Offering, identifying and preparing for the Business Combination. We did not generate any operating revenues until after the completion of the Business Combination. Prior to the Business Combination, we generated non-operating income in the form of interest income on marketable securities held in the Trust Account. We incur expenses as a result of being a public company (for legal, financial reporting, accounting and auditing compliance), as well as for due diligence expenses.

For the three months ended March 31, 2021, we had a net income of \$13,637,202, which consisted of operating costs of \$602,319, offset by interest income on marketable securities held in the Trust Account of \$85,152, a change in the fair value of warrant liabilities of \$14,153,333 and an unrealized gain on marketable securities held in the Trust Account of \$1,036.

Liquidity and Capital Resources

On October 2, 2020, we consummated the Initial Public Offering of 46,000,000 Units, which includes the full exercise by the underwriters of the over-allotment option of 6,000,000 Units, at \$10.00 per unit, generating gross proceeds of \$460,000,000. Simultaneously with the closing of the Initial Public Offering, we consummated the sale of 9,333,333 Private Placement Warrants to the Sponsor at a price of \$1.50 per warrant, generating gross proceeds of \$14,000,000.

Following the Initial Public Offering, the exercise of the over-allotment option and the sale of the Private Placement Warrants, a total of \$460,000,000 was placed in the Trust Account. We incurred \$25,777,859 in transaction costs, including \$9,200,000 of underwriting fees, \$16,100,000 of deferred underwriting fees and \$477,859 of other costs.

[Table of Contents](#)

For the three months ended March 31, 2021, cash used in operating activities was \$511,921. Net income of \$13,637,202 was offset by interest income on marketable securities held in the Trust Account of \$85,152, a change in the fair value of warrant liabilities of \$14,153,333 and an unrealized gain on marketable securities held in the Trust Account of \$1,036. Changes in operating assets and liabilities used \$90,398 of cash from operating activities.

As of March 31, 2021, we had marketable securities held in the Trust Account of \$460,184,400. We intend to use substantially all of the funds held in the Trust Account, including any amounts representing interest earned on the Trust Account (less deferred underwriting commissions and income taxes payable), to complete our Business Combination. To the extent that our capital stock or debt is used, in whole or in part, as consideration to complete our Business Combination, the remaining proceeds held in the Trust Account will be used as working capital to finance the operations of the target business or businesses, make other acquisitions and pursue our growth strategies.

As of March 31, 2021, we had \$2,753,154 of cash held outside of the Trust Account. We used the funds held outside the Trust Account primarily to identify and evaluate target businesses, perform business due diligence on prospective target businesses, travel to and from the offices, plants or similar locations of prospective target businesses or their representatives or owners, review corporate documents and material agreements of prospective target businesses, and structure, negotiate and complete the Business Combination.

In order to fund working capital deficiencies or finance transaction costs in connection with a Business Combination, the Sponsor or an affiliate of the Sponsor or certain of our directors and officers could have, but were not obligated to, loan us funds as may be required. We did not need to raise additional funds in order to meet the expenditures required for operating our business.

We used substantially all of the funds held in the Trust Account to complete the Business Combination on May 4, 2021. Of the funds held in the Trust Account, we used \$26,737,737 to fund the redemption of 2,672,690 shares of Class A Stock.

Off-Balance Sheet Arrangements

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

Contractual Obligations

We do not have any long-term debt, capital lease obligations, operating lease obligations or long-term liabilities, other than an agreement to pay affiliate of the our Chief Executive Officer a monthly fee of \$10,000 for office space, administrative and support services. We began incurring these fees on September 30, 2020 and continued to incur these fees monthly until the completion of the Business Combination.

The underwriters were entitled to a deferred fee of \$0.35 per Unit, or \$16,100,000 in the aggregate, which was paid upon completion of the Business Combination.

Critical Accounting Policies

The preparation of condensed financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and income and expenses during the periods reported. Actual results could materially differ from those estimates.

[Table of Contents](#)

Warrant Liability

We account for the warrants issued in connection with our Initial Public Offering and Private Placement Warrants in accordance with the guidance contained in ASC 815-40, under which the warrants do not meet the criteria for equity treatment and must be recorded as liabilities. Accordingly, we classify the warrants as liabilities at their fair value and adjust the warrants to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in our statement of operations. The fair value of the warrants issued in the IPO has been estimated using a Monte Carlo simulation methodology as of the date of the IPO and such warrants' quoted market price as of March 31, 2021 and December 31, 2020. The Private Placement Warrants were valued using a Monte Carlo simulation model as of the date of the IPO, December 31, 2020, and March 31, 2021. In each case, the model reflected the specific features of the warrants, including redemption considerations.

Class A Common Stock Subject to Possible Redemption

We account for our shares of Class A common stock subject to possible redemption in accordance with the guidance in Accounting Standards Codification ("ASC") Topic 480 "Distinguishing Liabilities from Equity." Shares of Class A common stock subject to mandatory redemption is classified as a liability instrument and is measured at fair value. Conditionally redeemable common stock (including common stock that features redemption rights that are either within the control of the holder or subject to redemption upon the occurrence of uncertain events not solely within our control) is classified as temporary equity. At all other times, common stock is classified as stockholders' equity. Our common stock features certain redemption rights that are considered to be outside of our control and subject to occurrence of uncertain future events. Accordingly, the Class A common stock subject to possible redemption is presented as temporary equity, outside of the stockholders' equity section of our consolidated balance sheets.

Net Income (Loss) per Common Share

The Company's statement of operations includes a presentation of income (loss) per share for common shares subject to possible redemption in a manner similar to the two-class method of income (loss) per share. Net income (loss) per common share, basic and diluted, for Common stock subject to possible redemption is calculated by dividing the proportionate share of income or loss on marketable securities held by the Trust Account, net of applicable franchise and income taxes, by the weighted average number of Common stock subject to possible redemption outstanding since original issuance.

Net loss per share, basic and diluted, for non-redeemable common stock is calculated by dividing the net income (loss), adjusted for income or loss on marketable securities attributable to Class A common stock subject to possible redemption, by the weighted average number of non-redeemable common stock outstanding for the period.

Non-redeemable common stock includes Founder Shares and non-redeemable Class A shares as these shares do not have any redemption features. Non-redeemable common stock participates in the income or loss on marketable securities based on Class A non-redeemable share's proportionate interest.

Recent Accounting Standards

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on our condensed financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2021, we were not subject to any market or interest rate risk. Following the consummation of our Initial Public Offering, the net proceeds of our Initial Public Offering, including amounts in the Trust Account, have been invested in U.S. government treasury bills, notes or bonds with a maturity of 185 days or less or in certain money market funds that invest solely in U.S. treasuries. Due to the short-term nature of these investments, we believe there will be no associated material exposure to interest rate risk.

Item 4. Controls and Procedures

Restatement Background

On April 12, 2021, the Staff of the U.S. Securities and Exchange Commission (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 the Company’s, 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. The Company’s management further evaluated the warrants under Accounting Standards Codification (“ASC”) Subtopic 815-40, Contracts in Entity’s Own Equity. ASC Section 815-40-15 addresses equity versus liability treatment and classification of equity-linked financial instruments, including warrants, and states that a warrant may be classified as a component of equity only if, among other things, the warrant is indexed to the issuer’s common stock. Under ASC Section 815-40-15, a warrant is not indexed to the issuer’s common stock if the terms of the warrant require an adjustment to the exercise price upon a specified event and that event is not an input to the standard option pricing model. The Company and the audit committee concluded that the Company’s warrants are not indexed to the Company’s common shares in the manner contemplated by ASC Section 815-40-15 because the holder of the instrument is not an input into the pricing of a fixed-for-fixed option on equity shares. In addition, based on management’s evaluation, the Company’s audit committee, in consultation with management, concluded the tender offer provision included in the warrant agreement fails the “classified in shareholders’ equity” criteria as contemplated by ASC Section 815-40-25.

As a result of the above, the Company should have classified the warrants as derivative liabilities in its previously issued financial statements. Under this accounting treatment, the Company is required to measure the fair value of the warrants at the end of each reporting period and recognize changes in the fair value from the prior period in the Company’s operating results for the current period.

On May 9, 2021, we concluded our warrants should be accounted for as liabilities on the balance sheet and measured at fair value at inception and on a recurring basis in accordance with ASC 820, Fair Value Measurement, with changes in fair value recognized in the statement of operations. Therefore, our previously issued financial statements as of December 31, 2020 and for the period from July 8, 2020 (inception) through December 31, 2020 (the “Affected Periods”) should not be relied upon because of a misapplication in the guidance on warrant accounting. Similarly, any previously furnished or filed reports, including the audited balance sheet filed with the SEC on Form 8-K on October 8, 2020, 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 based on the correction of an error as described above and such financial statements were restated.

Additionally, 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

[Table of Contents](#)

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 (the “ PIPE Investment”) 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 ordinary shares that were sold to the public in our IPO 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 ordinary shares as permanent equity as of December 31, 2020, whereas no Class A ordinary shares should have been so classified. The 8,351,205 Class A ordinary shares that were originally incorrectly classified as permanent equity have been reclassified as temporary equity in this Form 10-Q, thereby yielding a total of 46,000,000 Class A ordinary shares (the shares sold to the public in our IPO, which are subject to redemption) as temporary equity.

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of March 31, 2021. Based upon their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, solely due to the events that led to the Company’s restatement and revision of its financial statements described above, as of March 31, 2021, a material weakness existed and our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) were not effective.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the fiscal quarter of 2020 covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. In light of the Restatement, we plan to enhance our processes to identify and appropriately apply applicable accounting requirements to better evaluate and understand the nuances of the complex accounting standards that apply to our financial statements. Our plans at this time include providing enhanced access to accounting literature, research materials and documents and increased communication among our personnel and third-party professionals with whom we consult regarding complex accounting applications. The elements of our remediation plan can only be accomplished over time, and we can offer no assurance that these initiatives will ultimately have the intended effects.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

A lawsuit was filed in the Supreme Court of the State of New York on January 18, 2021, and amended on March 24, 2021, by a purported Company stockholder in connection with the Business Combination: *Ciccotelli v. Vesper Healthcare Acquisition Corp., et al.*, Index No. 650346/2021 (N.Y. Sup. Ct.). An additional lawsuit was filed by a different purported Company stockholder on January 19, 2021, and amended on March 22, 2021, in the Supreme Court of the State of New York in connection with the Business Combination: *Purvance v. Vesper Healthcare Acquisition Corp., et al.*, Index No. 650365/2021 (N.Y. Sup. Ct.). On January 26, 2021, a lawsuit was filed in the United States District Court, Southern District of New York by a different purported Company stockholder in connection with the Business Combination: *Watkins v. Vesper Healthcare Acquisition Corp., et al.*, No. 1:21-cv-00713 (S.D.N.Y.). On February 8, 2021, a lawsuit was filed in the Eleventh Judicial Circuit, in and for Miami-Dade County, Florida, by a different purported Company stockholder in connection with the Business Combination: *Elstein v. Saunders et al.*, No. 21-3028CA01 (Fla. 11th Cir. Ct.). The complaints name the Company and some or all of the current members of the Board as defendants. The complaints allege, among other things, breach of fiduciary duty claims against the Board in connection with the Business Combination. The complaints also allege that the Preliminary Proxy Statement is misleading and/or omits material information concerning the Business Combination. The complaints generally seek, among other things, injunctive relief, damages, and an award of attorneys' fees. On March 2, 2021, counsel for Jordan Rosenblatt, a purported The Beauty Health Company shareholder, sent a demand letter alleging that The Beauty Health Company and its board had breached their fiduciary duties and violated federal securities laws in connection with the Preliminary Proxy Statement. Also on March 2, 2021, counsel for Patrick Plumley, a purported The Beauty Health Company shareholder, sent a demand letter alleging that The Beauty Health Company and its board had breached their fiduciary duties and/or violated federal securities laws in connection with the Preliminary Proxy Statement. Both letters sought additional disclosures.

The Company believes these allegations are without merit and intends to defend against them; however, the Company cannot predict with certainty the ultimate resolution of any proceedings that may be brought in connection with these allegations.

On April 19, 2021, *Elstein v. Saunders et al.*, No. 21-3028CA01 (Fla. 11th Cir. Ct.) was voluntarily dismissed. On April 26, 2021, *Purvance v. Vesper Healthcare Acquisition Corp., et al.*, Index No. 650365/2021 (N.Y. Sup. Ct.) was voluntarily discontinued. On May 12, 2021, *Watkins v. Vesper Healthcare Acquisition Corp., et al.*, No. 1:21-cv-00713 (S.D.N.Y.) was voluntarily dismissed. On May 17, 2021, *Ciccotelli v. Vesper Healthcare Acquisition Corp., et al.*, Index No. 650346/2021 (N.Y. Sup. Ct.) was voluntarily discontinued.

Item 1A. Risk Factors

Factors that could cause our actual results to differ materially from those in this Quarterly Report are any of the risks described in our Annual Report on Form 10-K/A filed with the SEC on May 27, 2021. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations. As of the date of this Quarterly Report, there have been no material changes with respect to the risk factors disclosed in our Form 10-K/A filed with the SEC on May 27, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 2, 2020, we consummated the Initial Public Offering of 46,000,000 Units, which includes the full exercise by the underwriters of their over-allotment option of 6,000,000 Units. The Units sold in the Initial Public Offering, including pursuant to the over-allotment option, were sold at an offering price of \$10.00 per unit, generating total gross proceeds of \$460,000,000. Goldman Sachs & Co, LLC and J.P. Morgan Securities

[Table of Contents](#)

LLC acted at joint book-running of managers the Initial Public Offering. The securities in the offering were registered under the Securities Act on registration statements on Form S-1 (No. 333-248717). The Securities and Exchange Commission declared the registration statements effective on September 29, 2020.

Simultaneous with the consummation of the Initial Public Offering and the exercise of the over-allotment option in full, we consummated the private placement of an aggregate of 9,333,333 Private Placement Warrants to the Sponsor at a price of \$1.50 per Private Placement Warrant, generating total proceeds of \$14,000,000. The issuance was made pursuant to the exemption from registration contained in Section 4(a)(2) of the Securities Act.

The Private Placement Warrants are identical to the warrants underlying the Units sold in the Initial Public Offering, except that the Private Placement Warrants are not transferable, assignable or salable until 30 days after the completion of a Business Combination, subject to certain limited exceptions.

Of the gross proceeds received from the Initial Public Offering including the exercise of the over-allotment option in full and the Private Placement Warrants, \$460,000,000 was placed in the Trust Account.

We paid a total of \$9,200,000 in underwriting discounts and commissions and \$477,859 for other costs and expenses related to the Initial Public Offering. In addition, the underwriters agreed to defer up to \$16,100,000 in underwriting discounts and commissions.

For a description of the use of the proceeds generated in our Initial Public Offering, see Part I, Item 2 of this Form 10-Q.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Table of Contents

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

<u>No.</u>	<u>Description of Exhibit</u>
3.1	<u>Second Amended and Restated Certificate of Incorporation of Vesper Healthcare Acquisition Corp.</u>
3.2	<u>Amended and Restated By Laws of The Beauty Health Company</u>
31.1*	<u>Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2*	<u>Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1**	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2**	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

THE BEAUTY HEALTH COMPANY

Date: July 1, 2021

By: /s/ Clinton E. Carnell
Name: Clinton E. Carnell
Title: Chief Executive Officer
(Principal Executive Officer)

Date: July 1, 2021

By: /s/ Liyuan Woo
Name: Liyuan Woo
Title: Chief Financial Officer
(Principal Accounting Officer and Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Clinton E. Carnell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Beauty Health Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2021

/s/ Clinton E. Carnell

Clinton E. Carnell
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Liyuan Woo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Beauty Health Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) (Paragraph omitted pursuant to SEC Release Nos. 33-8238/34-47986 and 33-8392/34-49313);
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 1, 2021

/s/ Liyuan Woo

Liyuan Woo

Chief Financial Officer

(Principal Accounting Officer and Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Beauty Health Company (the "Company") on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Clinton E. Carnell, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Dated: July 1, 2021

/s/ Clinton E. Carnell

Clinton E. Carnell
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of The Beauty Health Company (the "Company") on Form 10-Q for the quarterly period ended March 31, 2021, as filed with the Securities and Exchange Commission (the "Report"), I, Liyuan Woo, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Dated: July 1, 2021

/s/ Liyuan Woo

Liyuan Woo

Chief Financial Officer

(Principal Accounting Officer and Financial Officer)