

Coty's 2Q24 Script

February 7, 2024

Sue Nabi, Chief Executive Officer

Slide 1

Welcome everyone,

- The strength of our Q2 and first half results reinforce several of our convictions, including:
 - The attractiveness of the beauty market
 - The strength of our brands
 - Coty's transformed and industry-leading capabilities
 - And our disciplined financial execution
- The momentum of the global beauty market in the midst of geopolitical and macroeconomic disruptions confirms that consumers continue to gravitate to and prioritize beauty as a fundamental pillar in their well-being
- At the same time, our amazing brands and our industry-leading capabilities are enabling Coty to bring exceptional innovations to the market which further strengthen consumers' desire for beauty
- We are continuing to deliver on our balanced growth agenda, with LFL growth in both Prestige and Consumer Beauty, in each of our regions, in each of our categories of fragrances, cosmetics, skincare and bodycare, and across volumes, price and mix
- As a result, we are once again outperforming the beauty market
- And this growth is accompanied by strong and disciplined financial delivery, as we generate robust profit growth, operating and EBITDA margin expansion, free cash flow, and deleveraging progress
- We therefore continue to target sales growth that is ahead of the beauty market, growing our profit ahead of sales, steadily deleveraging our balance sheet, and positioning Coty as a beauty powerhouse with still significant untapped potential

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- Let me summarize the key messages from our results
- First, we continued to deliver market leading revenue growth ahead of both expectations and raised guidance for the first half of fiscal 24, fueled by the strength of the beauty category and Coty's successful icons and top notch innovations
- Our LFL revenues grew 11% in Q2 and 14% in the first half, which was ahead of our updated first half '24 guidance of 11 to 13% growth
- Both Prestige and Consumer Beauty contributed to the strong LFL growth in the second quarter, with outperformance in Prestige
- We continued to drive our balanced growth agenda supported by volumes and premiumized mix, complemented by pricing
- Second, in Q2, we delivered strong profits and both operating and EBITDA margin expansion despite reinvestments in the business, with adjusted operating income growing 18% year-on-year and adjusted EBITDA growing 15%, fueling expansion in the EBITDA margin
- I am very pleased to confirm that we once again met a key milestone in our deleveraging agenda, as we exited calendar year 2023 with leverage of approximately 3x, in line with our guidance
- Third, we continued to execute and make progress across our strategic growth pillars, which we'll discuss in more detail
- As part of our strategic progress, we further strengthened our portfolio
- In Prestige, we signed a license with Marni, an Italian luxury brand which is very complementary to our prestige portfolio
- And in Consumer Beauty, we extended two of our key licenses – bruno banani and Mexx – for over 20 more years
- Finally, we are reiterating our fiscal 24 outlook, supported by the very strong delivery in the first half of the year
 - We continue to expect to grow FY24 LFL revenues at +9-11%, driven by outperformance in Prestige, ahead of our mid-term target range of +6-8%

- We continue to expect modest gross margin expansion, 10-30 basis points of adjusted EBITDA margin expansion, and fiscal 24 adjusted EBITDA of \$1,080-1,090 million, as well as 16 to 25% adjusted EPS growth excluding the equity swap

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- I will now take a few moments to cover our revenue trends during the quarter, before Laurent takes you through our financials
- Then I will finish with an update on our strategic progress and our outlook

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- Starting with our revenue performance
- LFL revenues grew 11% in the second quarter
- In the first half, our LFL revenue grew 14%, coming in ahead of our raised guidance of 11 to 13% growth
- Our Prestige business grew 15% LFL in Q2 and 18% LFL in 1H24
- The very strong sales growth in Q2 and the first half were broad-based, with double-digit percentage growth across all regions, and especially strong growth in APAC, Americas and Global Travel Retail
- And importantly, the strong category and Coty sell-out momentum meant that retailers exited the holidays with broadly healthy inventory levels in key markets
- In Consumer Beauty, revenues grew 5% LFL in Q2 and 7% LFL in first half
- Our Q2 Consumer Beauty growth was driven by all categories and momentum in Americas and EMEA

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- I'd like to provide a bit of additional color on the outperformance in Prestige

- While we don't have perfect data on the global prestige market, we have internal estimates on Coty's prestige sell-out performance, which we believe are helpful to frame our Prestige performance in fiscal 24
- Our Prestige revenue growth and sell-out are continuing to outperform the very strong prestige fragrance market
- While the prestige fragrance market grew close to 10% in both Q1 and Q2, our sell-out in both quarters outperformed, growing 12 to 13%
- At the same time, our LFL revenue growth was higher, as we benefitted from the year-on-year recovery in fragrance service levels following the supply challenges last year
- We estimate this benefit to be in the low-to-mid-single-digits percentage

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- Geographically, all regions contributed to the strong LFL growth of 11% in the quarter
- In Americas, LFL sales grew 11% in Q2 and 14% in the first half, driven by robust double-digit percentage growth in Latin America and mid-single-digit percentage growth in North America
- In the EMEA region, LFL revenues grew 10% in Q2 and 14% in the first half with most markets and regional Travel Retail delivering strong growth in the quarter
- In Asia Pacific, LFL revenues grew 16% in Q2 and 17% in the first half fueled by strong growth across many markets
- In the quarter, our Prestige revenues in China grew by a double-digit percentage LFL, while Consumer Beauty revenues were lower, as retailers continued to work down inventory

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- We are focused on driving balanced growth across the portfolio
- An important piece of this balanced growth agenda, is that our sales growth is supported by a combination of volumes, pricing and mix

- In Q2 and the first half, we saw mid-to-high single-digit percentage volume growth in Prestige fueled by the success of the core business as well as new launches, like Burberry Goddess, Boss Bottled Elixir and Gucci Flora Gorgeous Magnolia
- Volumes in Consumer Beauty remained stable supported by fragrance and Brazil
- As a result, for the total company, volumes grew in the low-single-digits percentage
- In addition to volume growth, price grew an estimated high-single-digits percentage, and mix and other grew an estimated low-single-digits percentage
- Our intent is to continue to drive this balanced growth in the coming quarters and years fueled by volumes and premiumized mix, complemented by targeted pricing

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- I will now hand the call over to Laurent to take you through our financial results

Laurent Mercier, Chief Financial Officer

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- Thank you, Sue
- In the current macroeconomic environment, I am pleased to share that we continued to deliver strong financial performance, with the Q2 results marking the 14th consecutive quarter of operational results in-line to ahead of expectations

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- Let's begin with an update on how we're managing the global supply chain, as well as our visibility into the inflationary environment
- In Q2, Prestige and Consumer Beauty service levels remained very strong at approximately 96%

- And, as anticipated, COGS inflation moderated quarter-over-quarter and was in line with our expectations, benefitting from stabilization in commodities and transportation inflation
- We have been balancing these inflationary impacts through a combination of our execution on premiumization, mix management, and productivity, complemented by price increases
- In the second half of fiscal 24, we continue to expect COGS inflation to ease significantly, with the main inflationary remnant being general inflation
- It's important to note that with the significant moderation in inflation, we will be very limited and targeted on any future price increases
- Finally, with the conflict in the Red Sea dominating headlines, it's important to highlight that we currently see limited risk from this as we have been using alternate routes and purchasing some safety stock
- This inventory build does represent a moderate headwind to our free cash flow expectations for the year

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- I will now provide an update on our All-in-to-Win program
- In the second quarter, we delivered savings of approximately \$30 million, bringing our fiscal year-to-date total savings to approximately \$65 million
- Due to our very strong project pipeline, we are increasing our target for savings in fiscal 24 to \$110-\$120 million from our previous outlook of over \$100 million
- The savings are driven by material cost savings, structural A&CP savings and trade investment
- Importantly, the increased savings are helping us fuel reinvestment in our structural growth capabilities and teams, particularly in digital and skincare
- Looking to next year, we reaffirm our fiscal 25 savings target of \$75 million
- In sum, having delivered over \$660 million of savings life-to-date, we continue to optimize our processes and expenditures, positioning Coty to be flexible and fully equipped to invest in our strategic priorities

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- Moving to our gross margin performance
- Q2 adjusted gross margin of 65.1% was in line with our expectations, decreasing by 40 basis points from last year
- Our Q2 adjusted gross margin decrease was driven by:
 - Increased excess & obsolescence largely tied to the inventory build-up in the Prestige business to support strong service levels
 - And gross margin benefits in the prior year which did not recur
- The inflationary impact in the quarter was lower sequentially
- These Q2 impacts to adjusted gross margin were partially offset by supply chain productivity and pricing
- In the second half of fiscal 24, we expect significant easing of COGS inflation to drive strong year-over-year adjusted gross margin improvement, which will support modest gross margin expansion in FY24
- We will continue executing on our multi-part, multi-year gross margin attack plan, as we drive our gross margins to the mid-60s and beyond

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- Let me now walk you through our marketing investments
- In Q2, A&CP investments represented approximately 26% of sales, decreasing approximately 1 percentage point from the prior year, and in line with expectations
- We are continuing to shift media spend toward digital and social media activations, which now account for a majority of our media spend
- We continue to expect A&CP to be in the high 20s percentage level of sales in fiscal 24

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- Moving to our profit delivery for the quarter

- Our Q2 adjusted operating income grew a strong 18%, driving 70 basis points of margin expansion
- Our Q2 adjusted EBITDA grew 15% year-over year to \$366 million, with the Q2 adjusted EBITDA margin increasing 40 basis points to 21.2%
- Our year-to-date adjusted operating income grew 20%, resulting in a 70 basis point increase in year-to-date adjusted operating margin
- And adjusted EBITDA totaled \$727 million, growing 16% from the prior year, with the adjusted EBITDA margin up 10 basis points
- We continue to expect strong income growth and margin expansion going forward

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- And, that brings me to our adjusted EPS
- Our Q2 diluted adjusted EPS of 25 cents includes an EPS benefit of 6 cents from the mark-to-market on the equity swap due to the stock price increase in the second quarter
- Excluding the swap, our Q2 adjusted EPS grew 12% year-over-year to 19 cents
- For the first half of fiscal 24, our diluted adjusted EPS of 34 cents grew 6% year-over-year and had no net contribution from the equity swap mark-to-market
- Looking ahead to FY24, I would like to outline certain drivers of our adjusted EPS
 - First, we expect depreciation to be in the \$230 to 240 million range
 - Second, we anticipate net interest expense for the year to be in the mid \$200 millions
 - Third, in light of the change in the Swiss statutory tax rate and the \$24 million one-time non-cash impact we recorded in Q1, we now anticipate the adjusted effective tax rate for fiscal 2024 to be approximately 30%. At the same time, the underlying tax rate – excluding this discrete impact – remains in the high 20s going forward
 - Finally on fiscal 2024 share count, while our outstanding share count increased by approximately 33 million at the beginning of Q2 due to the Paris share issuance, we will execute the first tranche of our equity swap agreement of 27 million by the end

of February 2024 at the very attractive price of \$7.40, which will partially benefit Q3 and fully benefit Q4 share count

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- Moving to our free cash flow
- We generated free cash flow of \$363 million in the quarter, down 20% from the prior year, due to a change in phasing of vendor payments
- Looking to the full year, we expect our free cash flow to be solid and broadly consistent with fiscal 23, due to higher working capital as we drive our growth strategy

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- Moving to our capital structure
- We ended Q2 with net debt of approximately \$3.3 billion
- As a result, our leverage at the end of the quarter was around 3.1x, down from around 3.8x at the end of Q1 and in line with our target to end calendar year 2023 with leverage of approximately 3x
- Factoring in our Wella stake, we ended the quarter with economic net debt of approximately \$2.2 billion
- We remain committed to reaching an investment grade profile, targeting leverage of approximately 2.5x exiting calendar '24 and approximately 2x exiting calendar 25, which we believe we can reach through our organic free cash flow generation and EBITDA expansion
- At the same time, we also continue to target divesting our Wella stake by end of calendar 25
- In the second quarter, we entered into a third tranche of equity swap agreements with several banks to hedge a targeted share buyback program of approximately 25 million shares in fiscal year 2026

- And, we remain on track to execute the first tranche of our equity swap agreement by the end of February 2024, which will result in a share count reduction of 27 million at cash cost of about \$200 million
- Focusing on our balance sheet, we completed a tender to retire up to \$400 million of outstanding 2026 bonds, based on our strong cash inflow in the first half of fiscal 24
- This speaks to our strengthening balance sheet and our financial flexibility, as we continue to actively reduce our debt
- Looking ahead, our strong continued progress on deleveraging and debt paydown support our expectation for our interest expense to steadily decline in the coming years
- I will now hand it back to Sue to review our strategic progress in the quarter

Sue Nabi, Chief Executive Officer

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- Thank you, Laurent
- Let me take a few minutes to discuss the progress we continue to make on our six strategic pillars

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- Starting with our first strategic pillar, stabilizing and growing our Consumer Beauty business
- In Q2, our Consumer Beauty revenues grew 5% LFL, bringing the growth in the first half to 7% LFL
- This is in line with the global mass beauty market, which similarly grew in the mid-single digits percentage

- We once again benefitted from the diversification of our Consumer Beauty portfolio, as we delivered solid growth across our categories: color cosmetics, lifestyle fragrances and skin and bodycare
- Our presence across multiple mass beauty categories is allowing us to capitalize on the tailwinds in both mass fragrances and bodycare, contributing to double-digit percentage growth in our brands Beckham, Jovan, Monange and Bozzano
- We delivered solid revenue growth in color cosmetics, even as the market growth has been normalizing closer to the low-single-digit percentage growth seen in the pre-COVID period
- Importantly, cosmetics category growth remains robust in the e-commerce channel, growing in the mid-teens
- And in this outperforming channel, I am happy to share that our leading cosmetics brands are gaining market share, including CoverGirl, Rimmel and Sally Hansen

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- Now let me turn to a disruptive innovation we've recently launched under CoverGirl
- The CoverGirl Simply Ageless Skin Perfector Essence foundation marks a new milestone in CoverGirl's leadership in skinified makeup, by offering a serum texture with skincare ingredients and pigmented foundation capsules
- This is a first-to-mass product whose distinctiveness is immediately visible
- It is therefore the perfect launch to complement our significantly accelerated influencer strategy
- As we discussed on the last quarter's earnings call, we are actively step-changing our social media reach in order to drive our brands and build stronger community engagement, underpinned by disruptive innovation
- While some of our previous Consumer Beauty launches included activations with hundreds of influencers, we really put our social media advocacy strategy into overdrive with CoverGirl's Essence foundation, working with over 5 thousand influencers of different scale and community reach

- And the initial results are highly promising
- The TikTok video post you can see on this slide by macro influencer Meredith Duxbury has already reached over 95 million views, driving over \$10 million of Earned Media Value for this post alone, which is multiple times above the EMV we generated on CoverGirl over a full year
- And we are forging deeper relationships with influencers through the influencer studios we've begun to open, including a major one in Miami, which is where the other TikTok posts that you see on this slide were filmed in December
- And this is driving real results for the brand
- While CoverGirl Essence is only now beginning to appear on shelf at key retailers, it has been available online for the past month or so, and I am proud to share that it has already become the #1 new makeup launch on Amazon
- Going forward, we will continue to overdrive on advocacy not just on this launch, but across our other Consumer Beauty disruptive innovations and hero products

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- As we continue to drive growth in our Consumer Beauty business, we are also securing our license portfolio
- In the past week we've announced long-term extensions for two key Consumer Beauty lifestyle fragrance brands – bruno banani and Mexx
- This follows on the heels of the renewal of our license with adidas, which we announced last year
- Both brands have a strong presence in Europe, with bruno banani as the #1 and Mexx the #3 lifestyle fragrance brands in Germany
- We are happy to extend these partnerships for over 20 years as we strengthen and broaden the portfolio

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- Turning to our second pillar, focused on accelerating our luxury fragrance business
- The “fragrance index” maintained momentum, driven by strong demand for fragrances across the globe and ongoing premiumization, as consumers are seeking more concentrated, longer lasting and more sophisticated scents
- In Q2, the Prestige fragrance market continued its strong momentum, growing close to 10%, consistent with the growth trajectory of CY23
- At the same time, our Prestige fragrance revenues grew 15% LFL in Q2
- As I discussed at the start of the call, while the recovery in our service levels year-on-year represented an estimated low-to-mid single-digit percentage benefit to our Prestige sales, our underlying Prestige sell-in and sell-out grew in the low-teens percentage, outperforming the market
- The strong broad-based momentum in our portfolio is confirmed by the fact that sales for each of our Top 7 Prestige fragrance brands grew by a double-digit percentage LFL in the first half

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- Within the strong momentum we are seeing across our Prestige fragrance portfolio, Burberry’s performance continues to be exceptional
- Consistent with the initial results we shared last quarter, Burberry Goddess Eau de Parfum remains the #1 female fragrance launch in key markets
- These exceptional results six months into the launch position Burberry Goddess to be the biggest Coty fragrance launch EVER
- Importantly, the tremendous success of Goddess is elevating the sales of other Burberry fragrance icons, including Burberry Hero and Burberry Her, resulting in total Burberry fragrance revenues in the first half growing over 60% year-on-year

- Such tremendous momentum has propelled Burberry to the number 7 brand ranking across North America and Europe, which is a fantastic improvement from its number 21 brand rank last year
- All of this reaffirms Coty's position as a leading fragrance expert with best-in-class end-to-end capabilities, from developing a winning scent which resonates with consumers across all regions, to activating distinctive marketing campaigns, and finally to disruptive in-store and online activations

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- As we further strengthen our Prestige portfolio, I am excited to share that we have entered a license agreement with Marni, an Italian luxury brand founded in 1994
- The license focuses on fragrances, with the option to extend into cosmetics
- With the license extending beyond 2040, this really reinforces the long-term partnerships we forge in our portfolio
- Marni is known for its' premium, artistic collections and resonates strongly with young consumers in Asia and Europe
- We are very excited about our partnership with Marni and the ways in which it complements our Prestige portfolio, with brands spanning different consumer territories, different geographies, and different price points

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- We are also continuing to strengthen our Prestige makeup business
- In Q2, we saw double-digit percentage growth LFL in Prestige makeup with all brands growing in the second quarter and first half of fiscal '24
- For Kylie Cosmetics, we launched the Kylie Power Plush concealer last quarter, actively expanding the assortment of the brand into complexion
- We also delivered double-digit percentage growth in Burberry makeup

- And as you may have seen, we launched SKKN by Kim makeup on January 26th in direct-to-consumer only
- SKKN by Kim's makeup day one sales significantly exceeded our expectations, with some SKUs, like the eyeshadow palette, already selling out

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- Shifting to our 3rd strategic pillar, building our skincare business
- Having kicked off our skincare acceleration strategy last spring, we are continuing to learn, adjust, and reinforce our marketing and commercial strategies behind our key skincare brands: philosophy, Lancaster, and Orveda
- Skincare remains one of the biggest whitespace opportunities for Coty, and we are fortunate to take on this immense market with outstanding skincare technology and patents, and a portfolio of iconic brands with distinct positionings and views of the world
- At the same time, the beauty, and especially the skincare market, remains very dynamic and we are tweaking to accommodate the changes, be it in consumer preferences for strong scientific claims, a more tempered consumer environment in China, and the growing dominance of certain social media platforms
- In Q2, Lancaster had strong double-digit percentage revenue growth
- At the same time, our data confirms that consumers across Europe and China see Lancaster's credentials and reputation in UV and full light protection as best in class, even as they discover the efficacious formulas of Lancaster's base skincare line and the new Ligne Princiere line
- The strength of Lancaster's newly introduced Ligne Princiere line is underscored by the 5 leading skincare awards that Lancaster has garnered in China over the past few months
- At the same time, from a market activation and marketing mix perspective, we see the best ROI coming when we communicate on the UV protection and photo aging repair benefits of each of Lancaster's hero pillars, which will help accelerate the growth of the brand in China

- Similarly on philosophy, the brand's turnaround continues, with the third consecutive quarter of year-over-year revenue growth, after years of more sluggish results
- And importantly, this growth is being driven by outperformance in the brand's hero skincare lines
- Finally, on Orveda, while the distribution still remains very limited on purpose, the strong buzz we have been generating around the brand whether through our fashion show partnerships, exclusive events, and the many awards we have received, is translating into growing momentum at our points of sale
- The productivity of Orveda's leading doors in the top luxury retailers in Switzerland, New York and Paris have more than doubled year over year
- And, the end of December marked a major milestone for Orveda as we opened the brand's first ever maison boutique, in Shanghai
- This marks a major step for Orveda and Coty's overall entry into retailing, and we look forward to sharing our learnings as we build from here

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- Moving to our 4th strategic pillar, digital and e-commerce
- In Q2, both divisions delivered very strong e-commerce sales momentum, with overall e-commerce revenue growth of over 20% LFL
- In fact, in the second quarter, e-commerce sales drove approximately 40% of our LFL sales growth
- As a result, our e-commerce penetration expanded by approximately 180 basis points, resulting in total e-commerce penetration in the low 20s percentage
- It's worth highlighting that our e-commerce market share grew in both Prestige and Consumer Beauty and that our e-commerce growth was once again ahead of the underlying e-commerce trends
- We've achieved this momentum through best-in-class online launches, the success of our accelerating digital advocacy strategy and active participation in key online shopping

events while simultaneously premiumizing the portfolio, and increasing digital media competitiveness

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- Moving to our fifth strategic pillar, building our presence in China
- Our Q2 China LFL revenues, including Hainan, grew at a double-digit percentage, led by our Prestige business
- In the quarter, our LFL Prestige sales grew strongly in mainland China driven by Burberry, Gucci and Chloe, while our sales in Hainan quadrupled year-on-year from a low base
- From a sell-out standpoint, our Prestige business significantly outpaced the market, growing 27%, while the prestige beauty market declined 3%
- On the Consumer Beauty side, which accounts for a fraction of our China sales, revenues declined due to elevated trade inventory
- We have continued to see the prestige fragrance category outperform the overall prestige beauty market in China, as Chinese consumers move up the fragrance adoption curve and continue to premiumize at the same time
- This reinforces our conviction that with our leading fragrance portfolio and small but growing prestige makeup and skincare portfolio, China remains one of several significant opportunities for us in both the short and long term

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- Finally, we are continuing to see outstanding momentum in our Travel Retail sales
- In Q2 and the first half of 24, our Travel Retail sales grew over 20% LFL, coming on top of over 30% growth in fiscal '23
- Importantly, we are seeing this momentum across all regions, with double-digit percentage Travel Retail sales growth in Europe, the Americas, and Asia Pacific

- We have continued to gain share in the high-growth and highly-profitable Travel Retail channel in all three regions, fueled by distribution expansion, Travel Retail launch exclusivities, successful innovations and our growing multi-category presence
- And looking forward, we aren't seeing a slowdown in consumer travel
- In sum, we see Travel Retail as a key opportunity for us both short and long term, fueled by the desire to travel amongst consumers around the globe, coupled with our category expansion strategy

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- Turning to our sixth and final strategic pillar, becoming a leader in sustainability
- On November 28th, we issued our FY23 sustainability report
- I'd like to highlight a few of our accomplishments this past year:
 - First, we committed to setting emissions reduction targets inline with science-based net zero
 - And, we exceeded our goals set for 2030 on emissions from our own operations, energy reduction and recycling rate
 - We also continued to make progress towards gender balanced leadership. In fact, 47% of our leaders and a majority of the board and our Executive Committee are women
 - And, we were incredibly proud to announce that as part of our dedication to our People pillar, we expanded our gender-neutral parental leave policy, to set a global minimum of 14 fully paid weeks for all employees, regardless of gender or location
- To sum up, I am very proud of the progress made in our sustainability journey in FY23 and beyond, and we'll continue to be guided by our Beauty That Lasts sustainability framework

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- And that brings me to our outlook for fiscal 24

- Before I discuss our guidance, I wanted to take a minute to frame the results we have delivered in the first half and our expectations for the second half
- As you know, the overall beauty market has been growing well ahead of historical levels over the last 3 years, reflecting both the post COVID recovery, but even more so, a strong consumer appetite for beauty, particularly fragrances
- We have been consistent in our expectations that these elevated growth levels would not continue indefinitely, and our medium-term assumptions were based on some market growth normalization, amplified by our own outperformance as we capture market share and white space opportunities
- Entering the second half of FY24, the beauty market remains a strong and outperforming category, even as the exceptional growth of the past two years normalizes closer to medium term trends
- This includes the expected mid-to-high single-digit percentage growth in prestige fragrances, which is still above the historical low-to-mid single-digit percentage growth for the category; and the expected low-to-mid single-digit percentage growth in mass beauty, consistent with historical levels
- These market growth trends are consistent with our medium-term expectations
- And as you can see on this slide, in the second half, we expect our Prestige sell-out to continue to outperform the market, while our LFL revenues will see an estimated low-to-mid single-digit percentage headwind due to difficult comparisons last year as retailers restocked their supply in conjunction with improvements in our service levels
- And in Consumer Beauty, we expect sales growth to be broadly in line with the market trends

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- With this backdrop, let me share our outlook for the second half
- We expect 6 to 8% LFL revenue growth in second half fiscal 24 with outperformance in Prestige

- For reported revenues, in the second half, we expect an FX headwind to revenues of 1 to 2% and a headwind from the divestiture of the Lacoste license of approximately 2%
- On gross margins, the significant easing in inflation should drive strong year-over year improvement to our adjusted gross margins
- And we estimate second half adjusted EPS excluding the equity swap of 10 to 13 cents

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- For the full fiscal 24, we continue to expect revenues to grow 9 to 11% LFL, in line with previous guidance and supported by outperformance in Prestige
- Fiscal 24 reported revenues are still expected to include a zero to 2% benefit from FX, which we recognized in first half of fiscal 24, and a 1 to 2% scope headwind for the year from the divestiture of the Lacoste license, concentrated in the second half
- We continue to expect modest FY24 gross margin expansion year-on-year, consistent with our growth algorithm, driven by strong year-on-year improvement in gross margins in the second half as the first half gross margin pressures abate
- We continue to target fiscal 24 adjusted EBITDA margin expansion of 10 to 30 basis points, implying adjusted EBITDA of \$1,080 to 1,090 million based on current FX rates
- We still estimate total fiscal 24 adjusted EPS, excluding the equity swap, of 44 to 47 cents, implying strong growth of 16 to 25%
- And we continue to target further reduction in leverage of approximately 2.5x exiting calendar 24 and approximately 2x exiting calendar 25 fueled by our cash generation and EBITDA expansion

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- To sum up, the beauty market remains resilient, holding a favored position with consumers all over the world, while also benefiting from ongoing premiumization trends

- In this attractive backdrop, we are successfully executing on the strategy we laid out 3 years ago, with momentum across our core categories, and early wins in the white space opportunities we are pursuing
- And we are delivering a best-in-class medium term financial growth algorithm, active deleveraging, and capital returns
- In sum, as we celebrate the 120th anniversary of Coty as a beauty pioneer, we are proud of the progress we have made and are energized by the many opportunities in front of us
- Thank you for joining our Prepared Remarks call today. As a reminder, we'll be hosting a separate question and answer session on Thursday, February 8th at 8:15am Eastern Time or 2:15pm Central European Time
- We will also be presenting at the CAGNY conference on February 20th in Boca Raton, Florida, and look forward to seeing many of our analysts and investors there