Coty's 3Q24 Script

May 6, 2024

Sue Nabi, Chief Executive Officer

Slide 1

Welcome everyone,

- First, let me begin by saying that Coty's very strong Q3 results, with double digit growth, reinforce our nearly four-year track record of delivering results in-line to ahead of expectations
- We continue to see a strong and dynamic global beauty market even in the midst of a challenging geopolitical and macroeconomic environment
- Coty's diversified portfolio and strong execution have enabled us to once again outperform the broader global beauty market
- And, our global and multi-category presence has proven to be a key area of strength and differentiation, as subdued trends in very few markets and subcategories, such as U.S. mass cosmetics, were more than offset by continued strong momentum in the majority of our core categories and markets
- This global and multi-category presence, coupled with our industry-leading capabilities and desirable brand portfolio, equipped Coty to boost consumers' desire for beauty through our disruptive innovations and established icons
- Our strong growth in Q3 was accompanied by strong and disciplined financial delivery, as we generated robust profit growth and margin expansion, allowing us to raise the midpoint of our guidance for the third time this year
- Overall, we continue to target sales growth 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 saw continued double-digit LFL growth in Q3 and year-to-date as we once again delivered market leading revenue growth, marking nearly four years of Coty reporting results in-line to ahead of expectations
- Our LFL revenues grew 10% in Q3 and grew 13% year-to-date, trending above our guidance of +9-11% LFL for fiscal 24
- In Q3, we continued to deliver on our balanced growth agenda, with strong LFL growth in both Prestige and Consumer Beauty, across all regions and in each of our core categories fragrances, color cosmetics, skin care, and body care, all supported by a broad range of our leading brands, and with contribution from volumes and price mix
- Second, in Q3 and year-to-date, we delivered strong profits and margin expansion despite reinvestments in the business, with adjusted gross margin increasing by 190 basis points in Q3 and up 20 basis points fiscal year-to-date to 64.4%
- At the same time, our Q3 adjusted operating income and adjusted EBITDA both increased double digits year-over-year, which drove 30 basis points of expansion in the EBITDA margin
- Third, we continued to execute and make progress across our strategic growth pillars, which we'll discuss in more detail later in the call
- Finally, we are achieving strong results and milestones while delivering robust profit growth and margin expansion, **allowing us to raise the midpoint of our fiscal '24 guidance for the third time this year**
    - We expect FY24 LFL revenues to grow at the upper end of the previously announced +9-11% range, which is clearly ahead of our mid-term target growth of +6-8%
    - We continue to expect modest gross margin expansion in fiscal '24
    - And, we are raising our FY24 adjusted EBITDA margin expansion to the upper end of the 10-30 basis points guidance range

- At the same time, we expect fiscal 24 adjusted EBITDA to be consistent with our previously guided range of $1,080-1,090 million as EBITDA margin at the upper end of the guidance range is partially balanced by FX headwinds expected in Q4
- We now expect adjusted EPS, excluding the equity swap, to be at the high end of prior guidance range of 44 to 47 cents, implying strong year-over-year growth at the upper end of 16-25%

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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
- In the third quarter, LFL revenues grew 10%, which is trending ahead of our 2H24 revenue guidance of +6-8% LFL growth
- Fiscal year-to-date, our revenues grew 13% LFL, coming in ahead of our full year fiscal 2024 guidance of 9 to 11%
- Our Prestige business grew 13% LFL in Q3 and 17% LFL fiscal year-to-date
- The continued strong LFL sales growth in Prestige was well balanced across regions and categories, including:
  - Robust growth across all regions, and outperformance in APAC, EMEA and the Travel Retail channel
  - And, solid growth in our key categories of prestige fragrances, prestige cosmetics, and skin care
- In the quarter, we saw minor impact from retailer restocking in the prior year, with a much more significant headwind from restocking expected in the fourth quarter, as we have previously discussed

- The category's continued strong growth and Coty's sell-out momentum meant that retailers in key markets continue to hold healthy inventory levels
- In Consumer Beauty, revenues grew 6% LFL in Q3 and 7% LFL fiscal year-to-date
- Our Q3 Consumer Beauty growth was driven by growth across all categories, with particular strength in mass fragrances, skin care and body care momentum in Europe, LATAM and Asia excluding China

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- Geographically, all regions contributed to the strong LFL growth of 10% in the quarter
- In Americas, LFL sales grew 11% in Q3 and 13% fiscal year-to-date, with Latin America, Canada, and the regional Travel Retail channel delivering very strong double-digit percentage growth in the quarter
- In the EMEA region, LFL revenues grew 9% in Q3 and 12% fiscal year-to-date supported by growth in most markets and the regional Travel Retail channel
- In Asia Pacific, LFL revenues grew 11% in Q3 and 16% fiscal year-to-date fueled by strong growth across many markets and the regional Travel Retail channel

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- As we have continued to discuss, 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 Q3, we saw low-to-mid single-digit percentage volume growth in both Prestige and Consumer Beauty, supporting mid-single-digits percentage volume growth for total Coty
- Volumes also grew low single digits year-to-date
- Our modest volume growth in Consumer Beauty included volume growth in the Brazil business and in mass fragrances, partially offset by moderate declines in the rest of the business

- In Q3, price grew an estimated high-single-digits percentage, primarily reflecting the carryover from earlier pricing actions
- As we have discussed, we will remain very targeted in any future pricing actions
- At the same time, the estimated impact from mix and other was slightly negative in the quarter largely driven by the strong performance in our Brazil business, while mix had an estimated positive low single contribution fiscal year-to-date
- 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, ahead of our targets

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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 Q3, Prestige and Consumer Beauty service levels remained very strong at approximately 94%
- As anticipated, inflation has eased significantly versus first half 24. In Q3 inflation had a negligible impact on COGS, and we expect this minimal impact to continue in Q4
- It's important to note that with the significant moderation in inflation, we will be very targeted on any future price increases

- Regarding the conflict in the Red Sea and the Baltimore port closure, it's important to highlight that we currently see limited risk from these events 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
- Finally, with more elevated impact from excess & obsolescence in first half '24, we see these headwinds moderating in 2H24 and into FY25

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- I will now provide an update on our All-in-to-Win program
- In the third quarter, we delivered savings of approximately $25 million, bringing our fiscal year-to-date total savings to over $90 million
- We are maintaining our savings target in fiscal 24 of $110-$120 million which reflects ongoing productivity projects whose savings are partially reinvested in our structural growth capabilities and teams, particularly in digital advocacy, skin care and retail
- Looking to next year, we reaffirm our fiscal 25 savings target of $75 million
- In sum, having delivered approximately $700 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
- Q3 adjusted gross margin of 64.8% increased substantially by 190 basis points from last year, as we anticipated
- Our Q3 adjusted gross margin improvement was driven by:
    - Ongoing premiumization of the portfolio coupled with the benefit from carryover pricing
    - The positive impact of easing inflation

    - And continuous supply chain productivity
- While Q3 gross margin was negatively impacted by excess & obsolescence expenses, the trend has continued to improve over the course of the year
- With the strong Q3 gross margin expansion, our fiscal year-to-date gross margins grew by 20 basis points to 64.4%
- And with further gross margin expansion expected in Q4, even if more moderate than in Q3, we continue to expect modest gross margin expansion in FY24
- We remain focused on executing on our multi-part, multi-year gross margin attack plan, as we drive our gross margins to the mid to high 60s in the next few years

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- Let me now walk you through our marketing investments
- In Q3, A&CP investments represented approximately 28% of sales, increasing approximately 1 percentage point from the prior year
- We are continuing to both support core icons and invest behind new launches like Infiniment Coty Paris, Marc Jacobs Daisy Wild and Cosmic Kylie Jenner for Prestige, and CoverGirl Simply Ageless Essence and Rimmel Wonder Bond Mascara for Consumer Beauty
- We continue to expect A&CP to be in the high 20s percentage level of sales in full year fiscal 24 and beyond

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- Moving to our profit delivery for the quarter
- Our Q3 adjusted operating income grew a strong 17%, driving 90 basis points of margin expansion
- Our Q3 adjusted EBITDA grew 10% year-over year to $200 million, with the Q3 adjusted EBITDA margin increasing 30 basis points to 14.4%
- Our year-to-date adjusted operating income grew 19%, resulting in an 80 basis point increase in year-to-date adjusted operating margin

- And adjusted EBITDA totaled $927 million, growing 15% from the prior year, with the adjusted EBITDA margin up 30 basis points, at the upper end of our full year guidance
- We continue to expect strong income growth and margin expansion going forward

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- And, that brings me to our adjusted EPS
- Excluding the impact from the equity swap, our Q3 adjusted EPS totaled 6 cents
- Our headline diluted adjusted EPS of 5 cents included an EPS hurt of 1 cent from the mark-to-market on the equity swap due to the stock price decrease in Q3
- Fiscal year-to-date, our adjusted EPS excluding the swap totaled 41 cents and grew by 8% year-over-year
- Our headline fiscal year-to-date EPS included a 2 cents per share negative impact from the mark to market on the equity swap
- Looking ahead to FY24, I would like to outline certain drivers of our adjusted EPS
    - First, we continue to expect depreciation to be in the $230 to 240 million range
    - Second, we continue to anticipate net interest expense for the year to be in the mid $200 millions
    - Third, we anticipate the adjusted effective tax rate for fiscal 2024 to be in the high 20s, including some potential discreet tax benefits in Q4 which we expect to balance the discrete tax hurts we incurred in Q1
    - Finally on fiscal 2024 share count, we executed the first tranche of our equity swap agreement of 27 million shares on February 22nd at the very attractive price of $7.40, which partially benefited Q3 and will fully benefit Q4 share count. We expect to exit Q4 with a diluted share count of ~875 million

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- Moving to our free cash flow
- Q3 is our seasonally weaker cash flow period, with outflow of $234 million this year

- This compared to outflow of approximately $180 million prior year
- The year-on-year decline in free cash flow in Q3 and fiscal year-to-date reflected two key drivers
    - First, the payment of income taxes for prior years which totaled over $50 million year-to-date
    - And second, the timing of working capital payments, pretax, which should reverse in Q4
- Looking to the full year, we expect our free cash flow to be solid and broadly consistent with fiscal 23 at approximately $400 million, as the strong profit expansion is balanced by a step up in cash tax payments related to prior year balances as well as higher working capital particularly as we've built up inventory to support our business in the current dynamic environment
- In FY25, free cash flow is expected to grow, on stronger profit and lower cash tax payments

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- Moving to our capital structure
- We ended Q3 with net debt of approximately $3.7 billion
- As a result, our leverage at the end of the quarter was around 3.4x, up from around 3.1x at the end of Q2 due to the seasonally low Q3 cash flow coupled with the impact of the share buyback at a cash cost of $200 million
- Factoring in our Wella stake, we ended the quarter with economic net debt of approximately $2.6 billion
- We remain committed to reaching an investment grade profile, targeting leverage towards approximately 2.5x exiting calendar '24 and towards 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

- 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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- Beginning with our first strategic pillar, growing our Consumer Beauty business
- Consumer Beauty revenues grew 6% LFL in Q3 and 7% LFL fiscal year-to-date
- Importantly, the global mass beauty market continued to grow by a mid-single-digit percentage in Q3, while our Consumer Beauty business continued to grow in line with the mass market
- We once again benefitted from the geographic and category diversification of our Consumer Beauty portfolio
- We delivered solid growth in mass color cosmetics even as the market growth has normalized toward historical levels and the industry saw softness in the U.S. mass cosmetics category
- At the same time, our diversified portfolio allowed us to benefit from strong category growth in mass fragrances, mass skin care and body care, which drove double-digit percentage growth in many of our brands, including brands Beckham, Bruno Banani, Monange, Bozzano and Paixao
- Channel-wise, we continue to outperform in the critical e-commerce channel, once again gaining market share

- Our Consumer Beauty e-commerce revenues grew approximately 30% like for like in Q3
- And in brick & mortar, Coty's global shelf space remained broadly stable in the resets that took place in Spring 2024, and the initial indicators suggest that our shelf space should remain broadly stable in Fall 2024

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- As we discussed on our first and second quarter earnings calls, our focus in fiscal 24 has been on actively step-changing our social media reach in order to drive our brands and build stronger community engagement, underpinned by disruptive innovation
- We're already seeing very strong positive impacts
- In fact, in March, CoverGirl propelled to the number 3 rank for earned media value in the U.S. among the brand's peer set, which is a very strong increase from the brand's number 5 in Q3 and the number 6 rank in Q3 of last year
- And, CoverGirl's year-over-year EMV rose nearly 1.5x in the third quarter, which was the highest growth amongst the brand's competitive set
- This speaks not only to the quality of CoverGirl's disruptive innovations, like the Simply Ageless Skin Perfector Essence as well as Outlast Lipstain, but also to Coty's activation strategy, where the launches have been amplified by thousands of influencers
- As a result, Essence has become a Top 5 foundation on Amazon and #1 in Canada's omnichannel
- The combination of CoverGirl's distinctive brand equity, disruptive innovation and the strong momentum we are gaining in social media advocacy is allowing CoverGirl to outperform the established cosmetics brands at U.S. mass retailers while simultaneously outperforming in e-commerce
- At the same time, our leading European brand Rimmel has risen to the number 4 rank in earned media value in Q3 in the U.K. among the brand's peer set, up from number 5 in 3Q23

- Rimmel's year-over-year EMV growth was over 75% in Q3, as we're actively working with Rimmel's Creator Crew to develop new products and launches and promote our hero products
- Our mission is to outperform the mass market through disruptive innovation amplified by social media advocacy and we will continue to overdrive on advocacy across our other Consumer Beauty brands

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- Turning to our second pillar, focused on accelerating our luxury fragrance business and establishing Coty in prestige makeup
- The "fragrance index" remains as strong as ever as we saw the fragrance category growth accelerating sequentially in Q3 to mid teens percentage growth, driven by continued robust global volume growth and ongoing premiumization
- Against this favorable backdrop, our prestige fragrance execution continues to be robust with Coty gaining market share and growing sell-out in the high teens percentage
- Our market share gains are broad-based, including in mature markets like North America, France, and Germany, and growth engine markets like the Middle East
- Our prestige fragrance net revenues grew 12% LFL in Q3 and 18% LFL fiscal year-to-date supported by multiple growth engines, and fueled by strength in existing icons coupled with strong contributions from new launches, like Burberry Goddess, Cosmic Kylie Jenner and Marc Jacobs Daisy Wild
- Most of Coty's leading fragrance brands grew net revenues by a double-digit percentage fiscal year-to-date
- This robust Q3 and year-to-date prestige fragrance growth across our leading brands is evidence of the broad-based momentum we're seeing across our portfolio and the structural multi-year momentum we are seeing in the fragrance category worldwide, as more consumers use fragrances more frequently and opt for more premium offerings, supporting well being and also accessing affordable luxury

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- Within the strong momentum we are seeing across our Prestige fragrance portfolio, the performance of our new launches continues to be exceptional
- Beginning with Burberry Goddess, Coty's biggest fragrance launch ever
    - Consistent with the very strong results we shared last quarter, Burberry Goddess Eau de Parfum continues to be a top female fragrance launch in key markets
    - The phenomenal success of Burberry Goddess has elevated growth in other Burberry franchises, like Hero and Her, which has resulted in total Burberry fragrance revenues growing over 60% fiscal year-to-date
- We are continuing to build on our track record of exceptional fragrance launches with two new hits which were launched this spring
- In Q3, we launched Marc Jacobs Daisy Wild and Cosmic Kylie Jenner, both of which have already reached the top ranks
- Marc Jacobs Daisy Wild is the #1 fragrance launch in the U.S. calendar year-to-date, which has also benefitted the full Daisy franchise
- And, Cosmic Kylie Jenner, the first fragrance launch under Kylie, is the #2 fragrance launch in the U.S. calendar year-to-date
- This means that Coty innovations hold the Top 2 spots amongst U.S. fragrance launches this spring, with Burberry Her Petals also reaching a Top 10 position
- Cosmic Kylie Jenner has also performed very strongly internationally, providing a halo effect on the broader brand
- These winning launches reaffirm 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
- Speaking of disruptive innovation and winning scents, we have recently launched Infiniment Coty Paris, our most ambitious and premium fragrance project to date, with the goal to capitalize on the whitespace opportunities we have in the rapidly growing ultra-premium niche fragrance market dominated by pure player brands

- For Coty, this is a major milestone because for the first time in half a century, we have a Coty branded fragrance collection
- So far, the response has been overwhelmingly positive
- Infiniment Coty Paris is anchored in modernity, with a patent pending, Molecular Aura technology extending the fragrance's signature up to 30 hours, and a collection of scents which are simultaneously luxurious, niche and wearable
- And, as part of our commitment to sustainability, Infiniment Coty Paris is the first globally distributed full fragrance collection to be manufactured using 100% carbon-captured alcohol, and the bottles are refillable, stackable and reusable, as the brand has pioneered "artcycling" through specially designed bottles that can be stacked together to create new works of art
- In March, we opened our first Infiniment Coty Paris boutique in Paris with promising early results as well as a counter at the Liberty London niche perfumery area, where Infiniment is already the best-selling Coty fragrance brand amongst our brands sold at the retailer
- And we're also planning to open an Infiniment boutique in New York this summer
- At the same time, sales on the Infiniment Coty DTC site are also strongly exceeding our expectations
- Together, let's watch our Infiniment Coty Paris brand video

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[Watch video]

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- We are also continuing to strengthen our Prestige makeup business
- In Q3, Coty's Prestige makeup sales grew over 25% LFL with all brands growing by a double-digit percentage LFL

- Fiscal year-to-date, our prestige makeup business generated double-digit percentage growth LFL with contributions from Burberry, Kylie and Gucci
- The very strong success of Burberry Goddess has driven a halo on Burberry makeup, which generated very strong double-digit percentage sales growth in Q3 and fiscal year-to-date
- Similarly, the success of Cosmic Kylie Jenner is also driving a significant halo on Kylie's cosmetics business
- For Kylie Cosmetics, we are continuing to actively expand the assortment with recent launches including powder plush longwear foundation, powder blush sticks, and wisp lash mascara
- And the recent launch of Kylie Cosmetics in India and Malaysia is off to a great start, with sales ahead of target and the brand reaching top cosmetics rankings in this initial period
- And Gucci makeup continues to resonate with consumers, generating double-digit percentage growth LFL in Q3

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- Shifting to our 3rd strategic pillar, building our skin care portfolio over the mid-to-long term, led by our prestige brands: Lancaster, philosophy and Orveda
- Skin care represents a significant white space opportunity for Coty in the mid-to-long term, and our focus is on winning over the most discerning skin care consumers in our areas of excellence – photoaging prevention and repair, biotech-enhanced longevity science, and dermatologic wisdom™ solutions
- And, with this winning strategy, our momentum in skin care continued to build in the third quarter, with acceleration in Lancaster across both Europe and China, top industry awards and growing productivity for Orveda, and strong momentum in philosophy's social media resonance
- Lancaster generated over 25% growth LFL in Q3 and over 20% growth LFL fiscal year-to-date

- The very strong Q3 results for Lancaster confirm that the brand's strategy to communicate the UV protection and photo aging repair benefits of each of Lancaster's hero pillars, is working
- philosophy's brand relaunch continues, aided by the brand's focus on step-changing social media advocacy
- This has driven solid overall sales growth fiscal year-to-date, supported by double-digit percentage growth in skin care lines
- And, philosophy's direct to consumer channel is delivering very strong results, with increased conversion rate and double-digit percentage growth year-to-date following the relaunch of the DTC website
- Finally, on Orveda, while the distribution still remains very selective, we're continuing to generate strong buzz around the brand, which is translating into significantly higher productivity
- Fiscal year-to-date, Orveda's productivity grew 3 to 5x year-over-year, and we added new doors as we continue to thoughtfully expand our footprint in the luxury retail skin care space

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- Moving to our 4th strategic pillar, step-changing our organizational growth capabilities, including digital and R&D
- In Q3, both divisions delivered very strong e-commerce sales momentum
- In Prestige, double-digit percentage e-commerce channel growth was driven by new product launches during the quarter, coupled with strong social media activations and collaboration with e-retail partners
- In Consumer Beauty, growth of approximately 30% was supported by nearly all regions, led by the US, LATAM and Europe
- The strong growth in both divisions drove overall e-commerce Q3 revenue growth of approximately 20% year-over-year

- As a result, our e-commerce penetration expanded by approximately 190 basis points, which drove total e-commerce penetration to nearly 20% fiscal year to date
- Once again, our e-commerce market share grew in both Prestige and Consumer Beauty
- In fact, I'm proud to share that both our Prestige fragrances and Consumer Beauty businesses now rank number 2 amongst our beauty peers in the e-commerce channel
- We've succeeded in the e-commerce channel 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
- And touching on R&D, while we have been increasing our R&D spend in recent years, we're focused on continuing to significantly grow our R&D over the next several years, with our fiscal year to date spend up double digits

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- Moving to our fifth strategic pillar, expanding in the Travel Retail channel, China and other growth engine markets
- Beginning with growth engine markets, where we are unlocking key geographic white spaces
- Coty's revenues in these markets grew strongly at over 20% in the third quarter and fiscal year-to-date, reaching approximately 18% of Coty sales
- We saw very strong momentum across Brazil, the rest of LATAM, Southeast Asia, including India, and Africa, which all grew by very strong double-digit percentages in Q3 and fiscal year-to-date
- In China, our Prestige business, which accounts for roughly 80% of our China sales, grew net revenues by a strong double-digit percentage LFL in Q3 including triple digit growth in Hainan, while Consumer Beauty sales were lower

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- Finally, we are continuing to see outstanding momentum in our Travel Retail channel sales
- Coty's Travel Retail channel sales grew over 20% LFL in both Q3 and year-to-date, even after cycling over 30% growth in fiscal '23, as we continue to gain share fueled by distribution expansion, Travel Retail launch exclusivities, successful innovations and our growing multi-category presence
- Importantly, the strong growth momentum in this channel continues to be broad-based across all regions, with double-digit percentage sales growth in Europe, Americas and APAC
- The channel now accounts for approximately 9% of our business fiscal year-to-date, up from approximately 8% last year

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- Turning to our sixth and final strategic pillar, becoming an industry leader in sustainability, reinforcing our business for the long term
- I'd like to highlight a few of our ESG milestones reached during the quarter:
    - First, we're excited to announce that we now have eight carbon neutral sites, labs and offices
    - And, we've expanded solar panel use across four sites
    - We are also continuing to steadily expand refillable formats, including Cosmic Kylie Jenner and Infiniment Coty Paris, and implementing screw neck caps for new prestige fragrance bottle designs
    - Additionally, following our breakthrough introduction of carbon-captured ethanol in our fragrances, Infiniment Coty Paris is the first globally distributed full fragrance collection manufactured using 100% carbon-captured ethanol
    - And, finally, we continue to make solid improvements in our ESG scores across the leading rating platforms, including ISS ESG, where Coty was awarded Prime Status, putting Coty on par with industry leaders

- While there is still a lot of work to be done, I am very proud of the progress we've made in Q3, 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 want to frame the results we delivered fiscal year-to-date and our expectations for the fourth quarter
- The beauty market remains a strong and outperforming category, even as over time, we expect the exceptional growth of the past two years to converge closer to medium term trends
- As you can see, in Q3 the prestige fragrance market growth accelerated sequentially to mid teens percentage growth
- On our side, we experienced a minor impact from restocking last year, with Coty's prestige fragrance business outperforming the market
- Importantly, we outperformed the market in Q3, with our sell-out growing high teens percentage
- Looking to Q4, we anticipate continued strength in category demand
- At the same time, we're expecting a mid-single-digit percentage headwind to our Prestige shipments and revenues due to difficult comparisons last year, as retailers restocked their supply in conjunction with improvements in our service levels
- Of course, on a sell-out basis we target to continue to outperform the market
- All of this sets the stage for Coty's LFL growth to accelerate sequentially into 1H25 from the anticipated Q4 levels, even when taking into account the very elevated growth we delivered in Q1 of this year

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- With this backdrop, let me share our outlook for Q4

- We expect low-to-mid single-digit percentage LFL revenue growth in Q4 reflecting an estimated mid-single-digit percentage headwind in Prestige from retailer inventory restocking in the prior year
- For reported revenues, in Q4, we expect an FX headwind to revenues of 1 to 2% and a headwind from the divestiture of the Lacoste license of approximately 2%
- We expect the significant easing in COGS inflation to drive year-over year expansion in our adjusted gross margin, even if the improvement is more moderate than in Q3 given the more moderate revenue growth
- And we estimate Q4 adjusted EPS excluding the equity swap of 5 to 6 cents

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- For the full fiscal 24, we expect revenues to grow at the high end of the +9 to 11% LFL range, above previous guidance, and supported by outperformance in Prestige
- Fiscal 24 reported revenues are now expected to include a roughly 1% headwind from FX, and a 2% scope headwind in the second half from the divestiture of the Lacoste license
- We continue to expect modest FY24 gross margin expansion year-on-year, consistent with our growth algorithm
- We now target fiscal 24 adjusted EBITDA margin expansion at the upper end of the guidance range of 10 to 30 basis points
- We expect fiscal 24 adjusted EBITDA consistent with prior range of $1,080-1,090 million range as EBITDA margin at the upper end of the guidance range is partially balanced by FX headwinds expected in Q4
- We now expect total fiscal 24 adjusted EPS to be at the high end of prior guidance range, excluding the equity swap, of 44 to 47 cents, implying strong year-over-year growth at the upper end of +16-25%
- And we continue to target further reduction in leverage towards approximately 2.5x exiting calendar 24 and towards approximately 2x exiting calendar 25 fueled by our cash generation and EBITDA expansion

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- To sum up, we continue to see a strong and dynamic beauty market, with our diversified portfolio and strong execution enabling Coty to once again outperform
- Coty's global and multi-category presence is proving to be a key area of strength and differentiation
- In this attractive backdrop, we are successfully executing on the strategy we laid out over 3 years ago, with momentum across our core categories and wins in the many significant white space opportunities we are pursuing
- And we are delivering a best-in-class medium term financial growth algorithm, active deleveraging, and capital returns
- As we celebrate our 120th anniversary, we are reinforcing our position as a pioneer and beauty powerhouse and remain excited by our many opportunities ahead
- Thank you for joining our Prepared Remarks call today. As a reminder, we'll be hosting a separate Q&A session on Tuesday, May 7th at 8:15am Eastern Time or 2:15pm Central European Time