

2Q25 Earnings Script

February 10, 2025

Sue Nabi, Chief Executive Officer

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- Welcome everyone

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- As we are now midway through our fiscal year, it is clear that fiscal 25 is shaping up to be a pivotal year for Coty
- On the one hand, the global beauty market continues to grow at a healthy pace, even if growth has moderated off of the elevated levels of the last few years, which benefited from more material pricing increases
- And in this backdrop, fragrances of all price points continue to outperform most other beauty categories, which strongly benefits Coty's business as fragrances account for over 60% of our revenues and an even bigger portion of our profits
- On the other hand, pressure in pockets of our business which we discussed at length on the last earnings call, namely in China, Travel Retail Asia, Australia and in Consumer Beauty U.S., cumulatively impacted us even more significantly in Q2
- And in our core markets, despite a seemingly strong holiday period where beauty performed strongly and consumers engaged with the category, this did not translate into improved replenishment orders for Coty, as retailers managed their inventory very tightly
- As a result of these factors, our Q2 LFL sales trends were below our expectations
- While we are prudently assuming these patterns will continue into the second half as well, the strong sell-out growth of our fragrance brands gives us confidence that these headwinds are temporary, and we should return to improved sales growth as we enter FY26

- Against this uncertain backdrop, our teams acted with agility, activating strong savings initiatives, maintaining promotional discipline, and protecting our cash flow
- The results of these efforts can be seen in our Q2 financial performance
- In the quarter, our adjusted gross margin expanded by 170 basis points year on year, we maintained strong marketing support, EBITDA expanded by 7%, and our EPS excluding the equity swap impact grew 16%
- And we reached a key milestone exiting calendar 24: for the first time in over 8 years, our leverage was below 3 times
- While the complex backdrop may weigh on trends in the near term, we are confident in our ability to continue to deliver strong margin expansion
- And with exciting brand initiatives and distribution opportunities on track for fiscal 26 and beyond, we remain confident in Coty's ability to accelerate sales growth and outperform the beauty industry over the coming years, while steadily expanding margins and cash flow, and significantly growing EPS, which will fuel our Total Shareholder Return

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- Let me summarize the 4 key messages we want to leave you with today
- First, beauty market growth remains broadly healthy, with outperformance in Prestige, particularly the fragrance category
- Second, fiscal 25 is shaping up to be a transition year for Coty as despite healthy demand for our brands, we are impacted by pressure in select markets in combination with retailers in many parts of the world tightly managing their orders
- Third, despite these top-line challenges coupled with more elevated FX headwinds on sales, we are delivering strong profit growth, EPS growth and margin expansion
- And finally, we remained laser focused on our cash generation, reaching leverage of below 3x exiting calendar 24, our lowest leverage in over 8 years and on track for further reduction in calendar 25

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- Let me provide some context on the trends we are seeing in our markets
- In Prestige fragrances, consumer demand remained strong through the holidays
- We had some incremental slowing in the category, but growth remained robust at a high-single-digit level
- And our estimated sell-out for prestige fragrances remained strong and in line with the market, growing at a high-single-digit percentage in the first half

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- On the Consumer Beauty side, we have seen continued slowing in the global mass beauty market
- Following the high-single-digit market growth in fiscal 24, which included a sizeable contribution from pricing, the market slowed to mid-single-digit growth in Q1 and further slowed to low-single-digit growth in Q2
- Sell-out for our Consumer Beauty business was somewhat below the market and down low-single-digits in Q2, weighed down by our outsized presence in mass color cosmetics which was the weakest performing category

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- Last quarter, we discussed at length the pockets of our business which together account for roughly 20% of our sales but have had a disproportionate impact on our short-term growth, namely China, Travel Retail Asia, Australia and U.S. Consumer Beauty
- At the time we provided guidance, our assumption was that trends in these areas would remain broadly consistent into Q2
- Instead, trends worsened in Q2, with the combination of China, Travel Retail Asia and Australia negatively impacting our Prestige business by roughly 3% on a LFL basis
- And adding Consumer Beauty U.S., the negative impact on total Coty LFL sales in Q2 was also approximately 3%

- As a reminder, China and Asia Travel Retail continue to be pressured as market demand remains sluggish, retailers are adjusting orders further, and new regulations were enacted in the Asia Travel Retail corridor
- In Australia, which also accounts for a low-single-digit percentage of our sales, our Prestige business shipments were impacted by substantial working capital reduction at a key retailer
- In our U.S. Consumer Beauty business, retailers have been actively managing their orders and inventory, exacerbated by the significant channel shifts in the market
- At the time of our Q1 call, we anticipated that the strong start to holiday sales we were seeing at retail would drive solid re-orders from our major prestige retailers in the U.S. and Europe, which would somewhat offset the pressure in these pockets of the business
- While our brands, particularly in Prestige fragrance, saw strong sell-out growth in Q2, we did not see replenishment orders at the pace we were expecting

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- Looking at our revenue performance by segment and region
- In Prestige, we reported 4% LFL growth in the first half and 1% LFL growth in Q2, with higher growth in Q1 reflecting earlier shipments of fragrance giftsets
- This 4% LFL growth in the first half is particularly noteworthy as we are lapping extremely high growth last year when our prestige business grew 18% LFL
- In Prestige, our total global sell-out grew by a mid-single-digit percentage in the first half, with our sell-out for fragrances growing even stronger at a high-single-digit level, confirming that our brands continue to resonate strongly with consumers
- In Consumer Beauty, our sales declined 2% in the first half and declined 4% LFL in Q2
- The more significant pullback in Q2 was driven by further mass beauty market deceleration and a couple of points gap between sell in and sell out, driven by pressures at mass retailers due to ongoing channel shifts and tight inventory management, and higher trade investments

- Importantly, our mass cosmetics brands continued to outperform most legacy brands
- By region, in Q2 and the first half, EMEA continued to grow LFL, Americas grew in the first half but declined in Q2, and APAC was pressured in both periods by declines in China, Asia Travel Retail and Australia
- In both periods, the Americas region included a 3% contribution from Argentina, which experienced hyperinflation

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- Looking at the picture by volume, price and mix
- While volumes declined moderately on a total company basis driven by color cosmetics, our fragrance volumes grew in both Prestige and Consumer Beauty in the first half
- This is a critical element, as fragrances account for less than a quarter of our volumes but over 60% of our revenues, given the higher relative price points
- Estimated pricing contributed a low to mid-single-digit benefit primarily due to carryover from last year
- And estimated mix & other was neutral for the quarter

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- While our sales trends this quarter were below expectations, it's important to put this in the context of our delivery over the last 4 years
- In 9 out of the last 14 quarters, we have grown ahead of leading global beauty peers

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- Our LFL sales this quarter are also shaping up to be in the middle of our peer group
- With that, let me turn it over to Laurent

Laurent Mercier, CFO

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- Thank you, Sue
- Fiscal 2025 is indeed a transition year for beauty and for Coty
- Category growth is moderating in tandem with lower pricing benefits, and pressure in certain pockets of the beauty market is exacerbated by retailers tightly managing orders and inventory
- While this is impacting our sales trends in the near term, our financial equation is now stronger than it has been in the last 4 years, and we will see outsized benefit from our healthier debt levels and cash generation
- With our EBITDA margin for the year on track to reach around 19% even as we maintain strong investment behind our brands, and our lower debt is now translating to steady declines in interest expense, we expect our FY25 EPS to grow in the low double digits after adjusting for the discrete tax benefit last year
- This coupled with our leverage now below 3x, confirms that Coty is on significantly healthier footing, which should fuel double digit EPS growth and strong TSR in the coming years, particularly once sales growth begins to accelerate

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- Our first half net revenues grew 2% LFL
- While we expected some phasing impacts due to earlier shipments of fragrance giftsets from Q2 to Q1, our Q2 LFL sales of -1% were lower than anticipated as the combined impact from China, Asia Travel Retail, Australia and Consumer Beauty U.S. worsened sequentially to a 3% impact on our sales
- At the same time, the 2% LFL growth in first half 25 was achieved despite quite elevated comparisons in the prior year of 14% LFL growth

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- While we saw sales headwinds this quarter, we remained focused on fueling healthy gross margin expansion
- In Q2, we delivered very strong adjusted gross margin expansion of 170 basis points, following the 200 basis points of expansion generated in Q1
- The significant margin expansion was fueled by strong supply chain savings including procurement savings and productivity gains, coupled with improvement in excess & obsolescence, and a net benefit from pricing
- It's also worth noting that the strong gross margin expansion also reflected our efforts to maintain discipline this holiday season, in the face of quite significant discounting from many of our peers
- In total, our first half gross margins reached 66.1%
- While we expect absolute gross margins in the second half to be seasonally lower than the first half, based on usual business seasonality, our strong delivery in the first half should support another year of steady gross margin expansion in FY25

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- As part of our focus on maintaining a healthy business equation and supporting our strategy over the short and long term, we continue to invest behind our brands and initiatives
- We maintained a high 20s A&CP percentage in Q2, up year on year

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- The combination of strong gross margin expansion, sustained marketing support, short term cost initiatives and very tight fixed cost control, fueled 7% growth in our Q2 EBITDA
- As a result, we delivered 220 basis points of EBITDA margin expansion in Q2, with margin expansion in both divisions

- For the first half, our EBITDA expanded 3%, resulting in an EBITDA margin of 22.5%, which was up a strong 90 basis points year over year

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- While some of the strong EBITDA growth despite moderately lower reported sales was a result of shorter-term cost controls, a sizeable portion also came from cost reductions as part of our All In To Win program
- In Q2, we delivered savings of approximately \$35M, up from approximately \$20M in Q1, with most of the savings in gross margin related areas
- We continue to expect these savings to further step up in the second half
- In total, we continue to target savings of over \$120M in FY25
- And the plans we are putting in place should support strong savings delivery in FY26 and beyond, as we are evaluating the organization and new optimization opportunities

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- Last quarter we detailed some of the workstreams supporting the \$120M savings target
- These include:
 - First, establishing centers of excellence for key processes, including an AI-powered demand planning solution and the consolidation of demand planning into 1 hub
 - Second, adapting our commercial organization to the increasingly omnichannel world, with the assessments underway
 - Third, accelerating our speed to market
 - Fourth, maximizing the benefits of emerging tech and AI, including our successful migration to S4Hana over the summer
 - And finally, regional footprint redesign as we focus on re-allocating resources from the least to the most attractive opportunities

- All of these are supplemented by our ongoing productivity efforts which were key contributors this quarter, including in manufacturing and warehousing, and high levels of material savings through material value analysis and commercial negotiation
- Let me also take a minute to address the tariff topic, which we know is top of mind
- As is evident in the last few weeks, the global geopolitical and tariff situation remains quite fluid, further adding to the broader uncertainty
- Having said that, our teams have been planning for several different scenarios with action plans to minimize the potential impact on Coty
- For context, our sourcing from China, Canada and Mexico into the U.S. is fairly minimal
- As we contemplate a potential 10% tariff on finished goods shipped from Europe into the U.S., or potential retaliatory tariffs in North America, together this could represent a few points of impact to our annualized EBITDA
- In the meantime, we are already making adjustments in our product flows and sourcing, including having some extra inventory on hand in the U.S. and shifting more of our mass fragrance production to our North Carolina plant
- And of course, pricing remains an additional lever, particularly in the relatively price inelastic prestige beauty market

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- The strong progress we have made in significantly reducing our debt by over \$4.5B since FY20, including the \$300M debt repayment in Q2, is now also bearing fruit
- In the first half of fiscal 25, our interest expense declined by \$14M year on year to \$116M, reflecting the lower debt balance and a lower cost of debt
- We expect our interest expense to decrease further in the second half to below \$100M
- In total, we expect interest expense to decrease by over \$40M in FY25 to approximately \$210M, fueling about 8% of EPS accretion in this year alone
- And based on the trajectory of our deleveraging and the current interest rate backdrop, we expect interest expense to decline further in FY26, driving further EPS accretion

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- The combination of our operating income growth, lower interest expense, and a lower tax rate resulted in strong EPS growth
- Our Q2 EPS, excluding the equity swap, grew 16% to 22 cents and our first half EPS grew 21% to 41 cents
- Our first half EPS growth benefitted from a discrete tax hurt in the prior year totaling 3 cents, which did not repeat this year

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- While tight order and cash flow management by retailers weighed on our FCF in the first half, we did deliver very strong free cash flow in Q2 of \$419M, an increase of \$56M over the prior year
- Our teams have remained nimble in this uncertain environment, which has allowed us to lower inventory levels and improve our working capital performance in Q2
- This resulted in solid free cash flow generation in the first half of \$411M
- And based on our expectations for free cash flow in the second half to be roughly neutral, we expect FY25 free cash flow of roughly \$400M

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- Our disciplined approach to profit expansion, cash generation and debt paydown have fueled the steady reduction in our leverage over the past 4 years
- We ended CY24 with leverage of 2.9x, consistent with recent guidance to end CY24 with leverage below 3x
- This reflects a reduction in our leverage ratio of 0.4 turns from the end of fiscal 24 and 0.2 turns year-on-year

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- Let me now share some context on our outlook

- With normalizing but still growing beauty category growth, pockets of disruption, and uncertain retailer behavior driving sell-in tracking below sell-out, we prudently see fiscal 25 as a transition year in terms of sales performance
- Still, we remain on track to deliver solid profit, EPS and free cash flow expansion

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- As we enter calendar 25, we expect the global beauty market in terms of consumer demand to grow in the low to mid-single-digits, consistent with historical levels
- At the same time, the pressure in the China ecosystem and the continued tight order and inventory management by retailers which we expect to continue for several more quarters, will likely result in beauty sell-in tracking below sell-out in the near term

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- Based on these factors, we anticipate our LFL sales trends in the second half to be broadly consistent with our Q2 LFL sales trend at -1% to -2%, with flattish Prestige and lower Consumer Beauty, largely consistent with what we saw in Q2
- The significant strengthening of the U.S. dollar is expected to drive a more material FX headwind in 2H25 of approximately 3% to 4%, resulting in second half reported sales declining in the mid-single-digits percentage
- We expect gross margins to be slightly lower year-on-year off the quite elevated level last year, and reflecting approximately 100 bps of expansion versus 2 years ago
- Supported by stronger fixed cost reduction in the second half, we expect the second half adjusted EBITDA margin to expand 70 to 90 basis points, implying low-single-digit adjusted EBITDA growth which includes a mid-single-digit percentage headwind from FX
- Due to the phasing of initiatives and spending this year, we expect the absolute sales and EBITDA dollars to be pretty equal between Q3 and Q4, which reflects somewhat different phasing from last year when Q3 was higher than Q4 on both metrics
- We estimate the adjusted effective tax rate to be in the mid to high 20s
- This is expected to translate to EPS in the second half of 9 to 11 cents

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- Altogether, this translates to fiscal 25 LFL sales which are flattish year-on-year
- Contemplating worsening FX headwinds and the 1% headwind in the first half from the divestiture of the Lacoste license, reported revenues are expected to decline in the low-single-digits
- We continue to expect solid gross margin expansion in fiscal 25, fueled by the strong gross margin improvement delivered in 1H25
- This gross margin expansion coupled with our strong cost savings will support ongoing strong investment behind our brands, with A&CP expected to remain in the high 20s percentage
- Through the combination of gross margin expansion, ongoing brand support, short-term cost containment efforts and structural cost savings programs, we are targeting adjusted EBITDA margin expansion of 70-90 bps both in 2H25 and FY25, an acceleration from the 30 bps adjusted EBITDA margin expansion in FY24
- This implies adjusted EBITDA growing in the low-single-digits to \$1,115M to \$1,125M, which includes a low-to-mid-single-digit headwind from FX
- Our steady debt reduction is now translating to an anticipated sizeable reduction in the FY25 interest expense to the low \$200s millions
- And the adjusted effective tax rate is expected to be in the mid to high 20s percentage
- As a result, we now expect FY25 adjusted EPS to grow by a mid-to-high-single-digit percentage, ahead of EBITDA growth, to 50 to 52 cents
- Excluding the 2-cent discrete tax benefit to EPS last year, our underlying EPS growth in FY25 is expected to be 9-13%, as we start benefiting from the strong reductions in our interest expense
- We expect FY25 free cash flow to grow roughly 10% year-on-year to approximately \$400 million, driven by the combination of higher profit and lower cash taxes, partially offset by certain cash benefits recognized in fiscal 24 which will not re-occur

- I want to note that we have two equity swap arrangements outstanding which we intend to execute in calendar 26. Per the terms of the swap agreements, and as a result of the pullback in our stock price in recent quarters, in Q3 we expect to make a “true up” cash payment to the banks in connection with these swaps
- The amount of the cash payment will depend on the stock price, but assuming a stock price of \$7, we would make a Q3 payment of \$88 million
- Importantly, any payments are simply a partial prepayment of the aggregate cost which had been locked in for the future buyback, with no change to the predetermined cost of the future buyback or settlement of 48 million shares
- Given the more uncertain environment for the next couple of quarters, further pressured by FX headwinds, we are targeting a year-over-year reduction in leverage exiting CY25 of 0.5x or more, resulting in leverage below 2.5x, with our goal to reach closer to 2x
- This does not take into account proceeds from the targeted Wella divestiture, which would further accelerate both deleveraging and shareholder returns
- As a reminder, the standstill period as part of our Wella shareholders agreement with KKR expired at the end of November

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- Importantly, we have a number of initiatives which we expect to drive growth acceleration in FY26
- These include blockbuster launches under several top prestige fragrance brands coupled with further geographic expansion
- Let me now turn it back to Sue to discuss our continued strategic momentum and significant growth opportunities ahead

Sue Nabi, Chief Executive Officer

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- Thank you, Laurent
- Amid an uncertain year, what is clear is that our brands remain as powerful as ever, and our teams continue to develop winning innovations which are activated with best-in-class campaigns and commercial strategies

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- I'd like to highlight 4 key takeaways
- First, as an industry leader in fragrances, we continue to cement our leadership across both prestige and mass fragrances, as we double down on this area of strength
- Second, we continue to fuel our cosmetics brands through strong momentum in social media advocacy and are now beginning to be complemented by our agile innovation strategy
- Third, we are continuing to capture growth opportunities across categories, channels and geographies
- And finally, we are attaining new milestones in ESG as we pursue our goal of becoming a leader in sustainability

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- Starting with the first point
- As a best-in-class end-to-end fragrance operator and trendsetter, we continue to reinforce our leadership across the full price spectrum ranging from mass and masstige fragrances, all the way up to ultra-premium and niche fragrances

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- Our leadership in fragrances across the price gamut was evidenced in the Q2 results
- The combination of prestige and mass fragrances account for over 60% of annual sales
- Given the importance of fragrances for Coty, the performance of our brands was encouraging
- Sell-out for our Prestige fragrances grew by a high-single-digit percentage in the first half, even as sell-in was several points lower due to retailer inventory management
- On the Consumer Beauty side, our mass fragrance LFL sales were also strong with mid-single-digit growth

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- Starting with Hugo Boss
- For Hugo Boss, now the largest brand at Coty, we are continuing the brand momentum
- Hugo Boss has become the #2 male fragrance brand in Europe, an increase of 1 rank from the prior year
- This was fueled by the continued expansion of the Boss Bottled franchise including the recently launched Boss Bottled Absolu and Elixir, as well as the strong performance of Boss the Scent Elixir
- In total, the brand's sales grew mid-single-digits LFL in the first half

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- Moving to Burberry
- The phenomenal success of Burberry Goddess, followed by the launch of Burberry Goddess Intense, and continued momentum of the Burberry Her and Burberry Hero franchises drove Burberry to significantly outperform the underlying market
- In calendar 24, Burberry fragrance retail sales grew over 30%, which was more than 3 times the prestige fragrance market

- And sales in the past 2 quarters were also robust, with over 20% growth

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- Next, on Chloe
- The launch of Chloe Signature Intense resonated strongly across many global markets, boosting this core pillar for Chloe
- At the same time, the ultra-premium Chloe Atelier des Fleur line maintained strong growth momentum
- We also leveraged the success of both lines to relaunch Chloe in the U.S., which is off to a strong and promising start
- Altogether, Chloe's revenues increased by a mid-teens percentage in the first half

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- On Marc Jacobs, our recent launches, Perfect Elixir and Daisy Wild, expanded the brand's reach and boosted performance
- Marc Jacobs Daisy Wild remains the #1 fragrance launch in the UK throughout calendar 24, propelling the overall Daisy franchise to the #1 spot
- As a result, sales for Marc Jacobs grew at a mid-single-digit pace LFL in the first half

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- Next, on Davidoff, one of our Top 7 fragrance brands
- LFL sales in the first half grew at a high-single-digit level
- And we are excited about the next phase for Davidoff, as we've recently announced Gen Z-favorite, Charles Melton, as the new brand ambassador, with a key initiative for the brand on track for the second half of this year

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- Importantly, our Consumer Beauty fragrance portfolio accounts for a high-single digit percentage of our sales in 1H25
- Our big bet this year was the adidas Vibes collection of 6 fragrances, the first mass fragrance line designed and scientifically proven to enhance one's mood, reinforcing our leading fragrance R&D capabilities
- We are very encouraged by the initial results
- Adidas Vibes is on track to be our largest Consumer Beauty launch in at least 6 years, driving double digit growth in adidas fragrance sales in the first half
- And this sales growth has been accompanied by market share gains in the countries of launch, including France, Italy and Central Europe
- With Vibes on track to be launched in additional countries in the coming months, we see significant potential for this launch, setting the foundation to transform Vibes into a multi-category scenting platform

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- We are bringing our agile beauty approach to mass fragrances with recent launches under Chanson d'Eau and Pret a Porter, which had been dormant in our portfolio
- We developed the 6-scent Pret a Porter collection, which you can see on this slide, in under a year, and recently launched it online at Amazon and in store at Walmart
- With luxury codes, quality juices and a price point under \$20, we are attracting consumers who are looking to participate in the current fragrance trends at a value price

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- The third lever in our fragrance strategy is adding new and attractive scalable licenses
- In December, we announced that we entered into a new long-term license agreement with Swarovski, further strengthening our Prestige fragrance portfolio

- Swarovski's pop luxury positioning has strong appeal among consumers worldwide and the brand is present in over 140 countries
- The first fragrance under the Swarovski brand will launch in calendar year 2026, and we see significant potential for the fragrance line which will access Swarovski's 2,300 boutiques in addition to traditional retail

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- Shifting to our mass color cosmetics business, which accounts for a low 20s percentage of our annual sales
- Dynamics in the mass color cosmetics market remain complex, with flattish category performance globally and moderate declines in the U.S., coupled with ongoing competition from established and newer players
- The combination of this and continued pressure on certain retailers resulted in our color cosmetics sales declining moderately
- However, against this backdrop we continue to strengthen our brands through a combination of social media advocacy and a more agile innovation cycle

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- Multi-tier influencer activations behind viral CoverGirl launches such as Outlast Lipstain and Yummy Gloss Plumper drove a 4x increase year-on-year in CoverGirl's earned media value linked to influencers activity and the brand maintained an EMV rank of #5
- This continued strength in social media advocacy coupled with our on-trend innovations, resulted in CoverGirl gaining +60 bps of online market share last quarter
- As part of our Agile Beauty initiative, we are supplementing our core cosmetics innovation with fast innovation launched in a matter of months, including the recently launched CoverGirl Trublend Skin Enhancer Balms

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- Similarly, Rimmel's earned media value linked to influencers activity grew 13%, with the brand ranking #7 globally in terms of EMV amongst both mass and prestige brands
- This EMV momentum and Rimmel's leading innovations, including Better Than Filters foundation, supported 30 bps of online market share gains in the past quarter for Rimmel

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- Altogether, leveraging this playbook of multi-tiered influencer engagement and support, strong e-commerce activation and a robust innovation pipeline, our Consumer Beauty makeup brands are performing better than most legacy cosmetics brands
- The omnichannel market share of our leading brands Rimmel, CoverGirl and Max Factor is modestly lower with gains online offset by declines in brick & mortar
- But importantly, our cosmetics brands are outperforming other established brands, which have seen more significant pressure from newer brands
- It's also equally true that many disruptor makeup brands that entered the market in the last 5-10 years and saw strong initial momentum, are struggling to maintain relevancy
- In fact, we believe one of the key drivers of the pressure in the mass cosmetics category is the increasing reliance on newer brands, in contrast with the much healthier luxury cosmetics category which has a positive balance between heritage brands and new brands with both fueling the market growth

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- This picture holds true in the U.S. as well
- In the last quarter, while CoverGirl maintained stable to slightly lower market share on an omnichannel basis, most legacy brands have seen material market share declines

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- Of course, in addition to our core categories and initiatives, we also continue to capture additional growth opportunities across channels, categories and markets

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- We saw strong consumer demand in our e-commerce business, which accounts for about 20% of our sales
- Our e-commerce sell-out in both our Prestige and Consumer Beauty businesses grew double digits in both Q2 and the first half
- This was well ahead of the underlying e-commerce market growth in the first half, as captured by third parties such as Circana and Nielsen, as we gained market share across many brands including Burberry and Marc Jacobs in Prestige, and CoverGirl, Sally Hansen and Nautica in Consumer Beauty
- At the same time, our e-commerce sell-in significantly lagged sell-out in both Prestige and Consumer Beauty, as we observed similar behavior in terms of tight order management
- Of course, with e-retailers and retail.com players continuing to gain share within the beauty market, and our brands gaining share globally on these platforms, this reaffirms our strong digital capabilities and the relevance of our brands

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- Shifting to our skincare business, we are continuing to steadily expand the reach of our brands Lancaster, philosophy and Orveda, through new launches, gradual distribution expansion and strong social media activation
- While we are still only a few months into Lancaster's repositioning as an expert in photo protection and photo repair, the new positioning coupled with the newly launched Golden Lift skincare line are driving continued expansion of the brand with double-digit percentage Lancaster sales growth fueled by both Europe and China

- And our social media advocacy strategy is supporting this growth
- In Q2, Lancaster's EMV grew by a factor of 13 year-over-year and ranking at #7 amongst its competitive set, an increase of 4 ranks versus a year ago
- Similarly, we've seen strong social media momentum behind philosophy, which ranked #4 in EMV amongst its competitive set, an increase of 4 ranks from a year ago

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- Momentum in our growth engine markets, which account for over 20% of our sales, remains strong
- In China, which accounts for only 3% of our sales, the market dynamics remain quite challenged for all industry players, even though the fragrance category continues to outperform overall beauty
- Despite the headwinds in China, nearly all of our other growth engine markets are performing well
- With the benefit of a healthy beauty market backdrop and limited impact from retailer destocking dynamics, we are capturing white space opportunities in markets such as Brazil, Mexico, India, Southeast Asia and Africa
- In fact, Coty has now become the #1 prestige fragrance player in South Africa
- In total, growth engine markets grew close to 10% LFL in the first half and by mid-single-digits in Q2

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- Our Latin America business, including Brazil, remains a highlight of our portfolio
- Together these markets contribute 9% of our sales and grew by mid-single-digits in the first half
- This included momentum across Brazil, Mexico, and smaller local markets, irrespective of the hyperinflationary environment in Argentina
- In Brazil, our largest growth engine market, our sell-out in Consumer Beauty grew over 10% in the first half

- Skincare has become one of our largest revenue contributors in Brazil supported by the successful launches of a face care line, a Body Hyaluronic Acid Acquagel under Monange and a special edition lotion and body oil line under Paixao
- And while still relatively small, we are building the mass fragrance category in Brazil's retail channels, reaching 7% market share in Brazil mass fragrance retail after only one year, with brands like Gabriella Sabatini, Nautica and adidas resonating with consumers

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- Finally, as part of our ambition to be a leader in sustainability, let me highlight a key recent sustainability milestone

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- We are proud to announce that last week CDP raised Coty's Climate score to A- from the previous score of B, putting us towards the top of thousands of disclosing companies
- CDP is the leading global platform rating companies on their management of their environmental impacts
- This strong ranking and improvement recognizes Coty's continued progress in measuring our climate impact, setting ambitious yet achievable targets and progressing on our sustainability agenda
- And, this marked the first year that Coty made submissions to CDP Water and Forests
- In sum, we have made major strides in the last 4 years under our Beauty That Lasts sustainability platform, with more still to come

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- To conclude, we are of course not satisfied by the current sales trends
- While the resilience of the beauty market both historically and even now, and solid sell-out trends for the majority of our business, give us confidence that the current sales challenges are shorter term in nature, we are resolute in our objective to return to

outperforming the beauty market while continuing our strong margin, EPS and cash expansion

- The beauty market has changed significantly since we first laid out our strategy and ambitions 4 years ago
- From a category perspective, fragrances have accelerated significantly supported by structural consumer behavior shifts, while color cosmetics is challenged by evolving channel preferences and new business models
- At a market level, China is no longer a key short term growth engine for beauty, while the U.S. market sustains its momentum
- With this backdrop, FY25 is shaping up to be a pivotal year for Coty, as we evaluate our operations to fuel Coty's long-term success
- And with exciting brand initiatives and distribution opportunities on track for fiscal 26 and beyond, we remain confident in Coty's ability to accelerate sales growth and fuel industry-leading Total Shareholder Returns
- We look forward to sharing a deeper dive into our strategy and outlook as part of our CAGNY presentation on February 19th