

✓ **Event Details**

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Company: Coty, Inc.
Ticker: COTY-US

✓ **Company Participants**

Sue Y. Nabi - Coty, Inc., Chief Executive Officer & Director
Laurent Mercier - Coty, Inc., Chief Financial Officer

✓ **Other Participants**

Robert Ottenstein - Analyst
Filippo Falorni - Analyst
Susan Anderson - Analyst
Bonnie Herzog - Analyst
Korinne Wolfmeyer - Analyst
Oliver Chen - Analyst
Steve Powers - Analyst
Olivia Tong - Analyst
Ashley Helgans - Analyst
Andrea Teixeira - Analyst
Anna Lizzul - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

My name is Chelsea, and I'll be your conference operator today. At this time, I would like to welcome everyone to Coty's Third Quarter Fiscal 2025 Question-and-Answer Conference Call.

As a reminder, this conference call is being recorded today, May 7, 2025, at 8:00 AM Eastern Time or 2:00 PM Central European Time. Please note that on May 6, at approximately 4:30 PM Eastern Time or 10:30 PM Central European Time, Coty issued a press release and prepared remarks webcast, which can be found on its Investor Relations website. On today's call are Sue Nabi, Chief Executive Officer; and, Laurent Mercier, Chief Financial Officer.

I would like to remind you that many of the comments today may contain forward-looking statements. Please refer to Coty's earnings release and the reports filed with the SEC, where the company lists factors that could cause actual results to differ materially from these forward-looking statements. In addition, except where noted, the discussion of Coty's financial results and Coty's expectations reflect certain adjustments, as specified in the Non-GAAP Financial Measures section of the company's release.

QUESTION AND ANSWER SECTION

Operator

With that, we will now open the line for questions. And we'll take our first question from Rob Ottenstein with Evercore. Please go ahead.

Analyst:Robert Ottenstein

Question – Robert Ottenstein: Great. Thank you very much. Sue, I was wondering if you could give us a little bit more detail on the Q4 sales outlook. Is it really a reflection of weakening consumer demand or changes in kind of retail inventories or actions that you're doing just to kind of better understand why you expect to see that sharp sales deceleration in Q4, please. Thank you.

Answer – Sue Y. Nabi: Hello. Good morning, Robert. Good morning, everyone. So, it has not to do with the, I would say, worsening of the market conditions. Not at all. This has to do a lot with our wish on the Prestige division while the fragrance category continues to grow solidly to clean up the baseline. At the same time, we are still seeing pressure coming on the prestige cosmetics market mainly coming from Asia Travel Retail and from China, which are still under pressure.

So, this is really in the Prestige division about intervening actively to clean up the baseline given how big is going to be the pipeline of innovation for fiscal 2026, we wanted to play the role of stimulating the demand and coming back to growth as big as possible. And, for this, you need a clean baseline.

For the Consumer Beauty division, we see a continuation of the mid-single digits decline in the cosmetics category globally. We also see some impact on our cosmetic sales from the marketing allocation and some headwinds in the gross to net, which should reverse next year.

So, in summary, I would say that this figure is – if we didn't go to that cleaning, this high-single digits decline would be a rather a low-single digit decline without the cleanup. So, that's the way I would describe it. Still, the same trends, strong dynamism behind fragrances, including in the US, but still a mid-single digit decline in color cosmetics while our brands are continuing to fight for market share in both divisions.

Operator

Thank you. Our next question will come from Filippo Falorni with Citi. Please go ahead.

Analyst:Filippo Falorni

Question – Filippo Falorni: Hey. Good morning, everyone. Sue, maybe just following up on Rob's question, just on the prestige fragrance category, you mentioned you still grow at mid-single digit rate if you adjust for the Easter timing, low-single digit more on a reported basis. Can you give us a sense of just geographically how you're seeing the growth of the category, especially exiting the quarter, if you think this mid-single digit is sustainable going forward? Thank you.

Answer – Sue Y. Nabi: Yeah. Good morning, Filippo. So, we believe this mid-single digit percentage growth is sustaining for – specifically in the US. It's also strong in most European markets and the reason why we believe this is going to – or continue or sustain is that this famous fragrance index that we've been referring to since now almost three years is continuing in a way today with still – and this is what we envision for the next years, still gains of penetration in a country like the US, where penetration is still much lower, driven by a new generation of users.

It used to be Gen Zs, it used to be male consumers, Hispanic consumers. This continues to a lesser extent, but now it's around male teens, and still a continuation of Gen Z, trending towards niche fragrances. So, we

believe this – I would say, growth engine for this category will continue in the US.

In Europe, the growth probably in the coming years will be driven by mix and pricing. And, in China, if this market, which we see starting to get a little bit better quarter after quarter, but there, again, the penetration level is also so low that we believe the volumes are coming from more and more users, will continue to drive the growth of this market.

So, to answer the question, the market is strong in most European markets. It continues to be mid-single digits in the US. It's today still affected in China, but we believe that all in all the global growth of the category of fragrances, both in prestige and in mass, will continue to be the strongest among the three key categories of the Beauty business.

Operator

Thank you. Our next question will come from Susan Anderson with Canaccord Genuity. Please go ahead.

Analyst:Susan Anderson

Question – Susan Anderson: Hi. Good morning. Thanks for taking my question. I wanted to ask about the Consumer Beauty business. I think, in your prepared comments, you talked about rebalancing your resources to profit. Not sure if you meant just within Consumer Beauty or the whole portfolio. But just curious how you're thinking about CoverGirl and if potentially you could sell that at some point or do you want to refocus your efforts here towards profitability, and then some more consumer innovations, I believe, you mentioned.

And then also, if you could just talk about the promotional environment in mass cosmetics, given it's been one of the weaker areas of beauty. And then, I was curious how some of the international brands like Rimmel performed versus CoverGirl. Thanks.

Answer – Sue Y. Nabi: Thank you. So, if I understand well your question, it's about how to increase the profitability of the Consumer Beauty division. So, Consumer Beauty division is two stories, if I may say. There is color cosmetics on one side, and then mass fragrances on the other side. The first information that needs to be known is that it's – we see really diverging trends. With color cosmetics under pressure, we know the declines of this market both globally and in the US, but what we see is that, at the same time, the mass fragrances are really continuing to grow high-single digits, sometimes double digits growth. And this is really what we are trying to pivot now since a year-and-a-half, accelerating in fiscal 2025, which is reflected in the figures that you saw during the presentation.

So, the color cosmetics category per se is, when you look at the gross margin of this category at Coty, it's quite high in terms of gross margin. So, it's really something that is not a big difference versus our peers who are more exposed to skincare, hence higher profitability in this kind of mass market division. But, if you compare color cosmetics to color cosmetics, we are quite close to our competitors.

The thing that happened is that, when we started as a team in 2021 to reposition the division, we had to reinvest in building an innovation pipeline, in increasing marketing spend, in strengthening brand reach relevance, equity, stabilizing the distribution, which led to investment that really weighed on operating margin for some time.

Importantly, what we saw is that we had tangible results for this color cosmetics category, first, with stabilized shelf space; and, second, with probably the strongest brand equities in many years in this division.

At the same time, the market has continued to evolve, and we've seen the rise of indies or dupes, depending on how they are positioned which, at the end of the day, did not grow the full market. And that's what I did say last quarter is that this color cosmetics market in mass market needs to be a story of legacy plus indie, rather than just a story of indie, who are failing to grow the total market.

So, on this side, what we are doing on the color cosmetics start (00:09:44) is that we are making our effort even more granularly (00:09:49), meaning that we've made a lot of studies to understand what are the lever that can support totally the brands with the highest return on investment, which really allow us to free some resources to put them behind mass fragrances, which are, by the way, much more profitable with gross margins much higher than color cosmetics.

So that's the key shift that we are operating in this division, still continuing to do the right things behind color cosmetics, while freeing investments to support what is growing and what is much more profitable for us, which is mass fragrances.

To finish on this, I can give you one good example of what we have done with the Rimmel in the UK, which is a very interesting example of what is the right playbook to be successful in this business. So, on Rimmel in UK, we have put in place a combination of, number one, innovations that were prestige inspired, if I may say. I'm thinking about the Lip Butter, I'm thinking about The Multi-Tasker Concealer, which went very, very strongly viral and also benefited from very strong always-on influencer content, organic consumer content plus advocacy, activations using TikTok Shop for the first time, which led to a brand halo and a strong momentum on Amazon. Altogether, this required less investment than the classical launches we were doing before, but at the same time, they allowed us to stabilize the market share of the brand in the UK for the first time in three years.

So, at the end of the day, we feel that we are finding the right recipe to support color cosmetics with a little bit downsized investment, while having better results, while reinvesting behind the mass fragrance category.

Then, there was a second question around promotional environment. Laurent, you want to take it?

Answer – Laurent Mercier: Yeah. So, indeed, I mean, as we indicated, I mean, we are seeing some of our peers, I mean, playing really some strong promotions, and we are really making sure that in our portfolio that we are protecting our brands versus (00:12:01) now we are really dedicating teams, working on the SRMs, or strategic revenue management, working on the portfolio, really working on the segmentation of the portfolio, on the innovations. So, indeed, yes, there is this context, but again back to the point that Sue was referring to, we are making sure we are protecting the gross margin and, really, that we keep sufficient ammunition to support the brands.

Operator

Thank you. Our next question will come from Bonnie Herzog with Goldman Sachs. Please go ahead.

Analyst:Bonnie Herzog

Question – Bonnie Herzog: Thank you. Hi, everyone. I actually had a question on FY 2026 phasing. You called out gradual improvement in like-for-like trends over the course of the year compared to expected weakness in F Q4. So, first, as you think about the gradual improvement, should we expect continued declines in 1H, especially maybe in Q1, before you return to growth later in the year?

And then, second, how should we think about the timing of your new blockbuster launch that you mentioned in 1H? Could it add to the growth in Q1 or is this more about an F Q2 story? Thank you.

Answer – Laurent Mercier: Yeah. Thank you. So, indeed, just to give more details, indeed, on the phasing. So, I mean, in the current uncertain macro environment, so we want to stay and we want to be prudent around the outlook. And, indeed, so we are currently seeing, indeed that some – there will be some decline in sales in H1. However, we expect, I mean, the trend to be better than the Q4, and this trend will gradually improve over the course of the year. So, this is really what we are seeing.

So then, the – how this is built, I would say, more or less the same components, as Sue just explained that we think that this decline will remain largely driven by Consumer Beauty, again, with the color cosmetic category remaining under pressure, I mean, still in this H1 fiscal 2026.

And, at the same time, okay, we are seeing the Prestige pretty muted, but I will say, more headwinds on the cosmetics and skincare, but fragrance remain strong. And, step by step is really that we can reconcile our sell-in and sellout. And, indeed, this will be supported by big initiatives in prestige fragrance that, indeed, Sue, will comment now.

Answer – Sue Y. Nabi: Yeah. Bonnie, good morning. To complement and to answer your question, indeed, this first half of fiscal 2026 and full fiscal 2026, we are back to the fiscal 2023 and 2024 recipe of success, which is to put in place these game-changing blockbusters. Okay? So that's the first thing I wanted to really re-insist on. It's probably going to be the best type of innovations in the last five years and this new launch that you are referring to will have an impact on Q1.

Operator

Thank you. Our next question will come from Korinne Wolfmeyer with Piper Sandler. Please go ahead.

Analyst:Korinne Wolfmeyer

Question – Korinne Wolfmeyer: Hey, good morning, team. Thank you for taking the question. I'd like to touch a little bit on the tariff dynamic. You were able to quantify the impact and it seems like it's going to be more of a fiscal 2026 event. But, can you give us a little bit more insight on kind of like the progress of offsetting that tariff impact throughout fiscal 2026? Is it going to be immediate? Is it going to be more throughout the year? And then, as we think about pricing coming in to help offset, which categories are going to see some of that pricing increase? And then, how are you thinking about the elasticity of that? Thank you.

Answer – Laurent Mercier: Yeah. Absolutely. I mean, good morning. So, I mean, first of all, I really want to – again to emphasize that, I mean, we are pretty well positioned in this context, and it's always that our geographical footprint, in terms of sales but also in terms of manufacturing is creating some – I would say, a healthy positioning.

I just want to give concrete example that our color cosmetic factory for US brands are in the US, talking about CoverGirl, talking about Sally Hansen. So, here we have really the best protection. And talking about prestige, prestige fragrance, yes, we have – most of our production is in Europe and you know that we have the biggest factory in Barcelona. We have also a prestige and a fragrance factory in the US, okay, and also skincare. So, we have really this protection.

So having said that and, indeed, we indicated that we see the impact being in the low-\$100 million. This impact is, indeed, driven by prestige fragrance due to these sourcing in Europe, but it's also due to components, marketing material, GWP. So, I would, say it's more marketing stuff. So, it's not finished goods, but which indeed is sourced from China. So, this is indeed the sizing that we are sharing with you based on the current assumptions.

So, now we are taking – and we started even before to make some actions. Number one, we built inventory before this tariff came in place. So, that's why we indicate that we are well protected at least till end of fiscal 2025. So this is indeed something which is more coming for fiscal 2026. So, there is indeed the phasing.

Number two, back to my point on components and marketing materials, procurement already started even before to work actively on change of sourcing and really to reallocate this sourcing production, and we have already some actions in place because we built also this dual-sourcing approach that we are accelerating. So, this is absolutely what we are doing.

From a manufacturing standpoint, we have levers, and as I shared, we have already factories in the US. So, we can make decision to promote prestige fragrance line to the US, if needed, but this is something that we are contemplating versus how the situation is evolving. But, we can do it indeed with an amount on (00:19:11) investment which is reasonable. Okay, we don't need to build a factory, we have already a factory.

So, the last element is about pricing. So, indeed, we shared that we are implementing mid-single digit price increase on prestige. So, this is what we are doing. And again we use the same recipe as we did a few years ago. We have a dedicated pricing office. We are very granular. We do it in a very precise manner. Again, we are leveraging our tools about strategic revenue management, playing between mass fragrance, entry premium but also high end, so they are also levers. Sue was expanding also about the pen spray, which is also a segment which is growing very fast. So, we are really playing with all these levers.

So that's why – I mean – and we have the data that this category is pretty inelastic versus price increase. This is what we got from the last year's when we did strong price increase. And you saw that the category kept growing in terms of volumes. So, we are tracking very carefully, but indeed we are pretty confident that we can do this indeed without impacting the volumes. So, we continue to monitor the situation and to see how it evolves based on the final decisions about these tariffs.

Operator

Thank you. Our next question will come from Oliver Chen with TD Cowen. Please go ahead.

Analyst: Oliver Chen

Question – Oliver Chen: Hi, Sue and Laurent. Regarding retailer replenishment, what do you see happening over the next quarters and years and what are the implications for how you're managing your own inventory?

Second question is on organizational changes in the US that you mentioned. Would love your thoughts on how that will drive more agility and what's happening. And as you think about regionalization versus centralization, it sounded like both of those are different opportunities for different reasons. Thank you.

Answer – Laurent Mercier: Yeah. Thank you, Oliver. So, retailer replenishment. Indeed, this is something that we flagged already a few quarters ago. I mean, we are seeing retailers being very disciplined and tight on their cash management, very strong on their inventory. So, this we – we see it in – I would say, in both

divisions. It started really – we saw it first in Consumer Beauty color cosmetic, but we see it also now, I mean, in the Prestige division. So, we are really seeing retailers being very tight on their inventory.

And this is also back to what we are sharing about the Q3 and the Q4 trend. Indeed, we are seeing these retailers moving from, I would say, pretty high inventory and now being really to very low inventory. So, this is really a new pattern.

And this is also exacerbated now by the acceleration of the e-comm players. And to name the biggest one, Amazon, who are extremely strict, extremely disciplined, extremely well organized on these inventory management and you see, of course, that the traditional retailers, of course, they are now – need to take also the same approach to optimize their cash.

Answer – Sue Y. Nabi: And then on the second part of your question – good morning, Oliver – which is around the organizational changes in the US, this was something that we've been working on for now quite some time. We believe that when we reorganized the company back in 2021, we had to give, I would say, a lot of power to central organizations because we had to rebuild marketing strategy, brand equities to make sure that everyone is aligned behind the same goals, the same ways of doing, the same culture.

We believe this is the right moment to give the power to regions specifically now that the brands and the way of doing is quite different from one region to another. So, we created a new region, which is a region that is English-speaking region with the US, UK, Canada, Australia and New Zealand, and this with the new leadership team that is in charge of it to really balance local versus global so that there is a rapidity of decision and then that there is more nimbleness, more ability to make decisions that are 100% driven by local, I would say, constraints or opportunities versus just what used to come from central as a guideline.

So, this glocalization of the world is translated into a glocalization of our organization. Global still have the key, I would say power, but local has as much power as global today. So that's what I believe is making – probably going to help us, sorry, to regain the momentum specifically in the US.

You've probably noticed that immense majority of our decline is US-driven for many reasons. One of them is to strengthen the leadership teams and the management and the ability to execute properly. The other one is that the US market is indeed the markets where Burberry Goddess, Kylie Cosmic (sic) [Cosmic Kylie] (00:24:52), of course, Marc Jacobs Daisy Wild were the biggest successes. So, this is really what created the biggest comp in this country more than anywhere else around the world.

Operator

Thank you. Our next question will come from Steve Powers with Deutsche Bank. Please go ahead.

Analyst: Steve Powers

Question – Steve Powers: Yes. Good morning. Thank you. And this question may build a bit on Oliver's question there on the US organizational changes. But if we think about the cost savings initiatives that you've announced accelerated recently more holistically, is there a way to parse what proportion of them you think you would have done in any environment such that we might consider them truly structural versus those that maybe have been pulled forward, more in reaction to the current environment, sort of as belt-tightening such that they may come back into the cost structure when conditions turn more favorable, even if they come back in a slightly different form. Thank you.

Answer – Laurent Mercier: Yeah. Yeah (00:25:53) for the question. So, I mean, these are really structural interventions. So, it's really – and I think it's important to always to insist that we are really in a mode of constantly rethinking and re-challenging our organization and ways of working because the world is moving very fast. So, what Sue explained, so it's really the change of organization, is also in a context where, indeed, (00:26:25) omni-channel is either changing very fast, so Sue was explaining what we do in the US.

I just want to give also the example back to Europe, where you are seeing that our retailers are moving to cross-country approach and this is something, of course, that we are really matching very, very quickly.

That's also the case about the e-comm players. I mean, e-comm players, of course, they are playing a game, which is cross-country. So it's really that by doing this adjusting organization is really to gain agility, flexibility and also, of course, is really optimizing our cost structure always with this mindset that we can refuel the brand and reorganize.

So, indeed, it's structural and this is something that we continue on ongoing basis. It's also leveraging technology. You remember last year we shared with you that we implemented successfully (00:27:21), I mean, it was very flawless. And now, we're also leveraging these tools, this technology, of course, to optimize our ways of working. And we will continue, of course, and, yes, so this structural change is also helping to address and to manage, I mean, the current very high volatile environment.

Answer – Sue Y. Nabi: And, Steve, to complement on Laurent's answer, I would say that this is really structural changes with a dose of conjunctural changes, if I may say. Laurent was referring earlier to the rise of the likes of Amazon, which may become the number one beauty retailer in this calendar year.

But at the same time, while Amazon is growing, you have a new challenger called TikTok Shop, which represents I think already \$3 billion of sales, which is at the same time entertainment and sales in the same platform – in the same place, and this one is even challenging classical pure players of e-retail. So, there is really this kind of moves that are happening under our eyes and we absolutely need to adapt almost on a monthly basis. So, it's really both.

Operator

Thank you. Our next question will come from Olivia Tong with Raymond James. Please go ahead.

Analyst:Olivia Tong

Question – Olivia Tong: Great. Thanks. Good morning. First, just a point of clarification on Consumer Beauty. If you could help clarify what drove volume to be flat while price/mix was the driver of the weakness in Q3, wouldn't have expected that to be the case.

And then building on the All in To Win plan, could you talk about what's new about the streamlining that you want to do as part of this plan versus the savings you were targeting in the prior plan, where the head count reductions are coming from?

And then as you think about your portfolio, should you be in all the brands that you have, are you scrutinizing your portfolio, thinking about potentially exiting some underperformers or repositioning some of the underperformers? Thank you.

Answer – Laurent Mercier: Yeah. Good morning, Olivia. So, on the gap between volume and pricing, I mean the big reason on Consumer Beauty is that, as you understand, where we had really gaps and

underperformance was really on the color cosmetic, and we flagged mostly about the US. But on the other hand, as you know, we are – very good performance in Brazil, where we have significant volume growth. But indeed, the net revenue or the price per unit in Brazil indeed is lower versus the rest of the countries – of the US. So this is what's driving, indeed, this gap indeed between volume and price. So, indeed, it's mostly geographical mix.

So, on your second question about streamlining support functions. So, what we shared and we will keep you posted as – when the process indeed is in motion. So, it really is – it's about consolidating and centralizing support function activities. And indeed, it's also to align support function also with the new commercial organization that Sue was describing. Okay?

So, again, if I give the example of Europe where we are seeing retailers, where we are seeing e-comm players playing really a cross-country approach is really that we are making sure that indeed we are streamlining our support function according to the commercial organization.

We already started – as you know, we shared last time, we already started with the consolidation of demand planning into a single hub. So, this is really what is already in motion for supplier really to manage the demand and the forecast and here again to leverage technology and is also know that we can enable also some AI tool in this demand. And as I shared before also on support function, now we can also leverage the strong (00:31:43) footprint that we built last year.

Answer – Sue Y. Nabi: And to answer the second part of your question around the portfolio, Olivia – good morning – as you know, like most of the operations in this business, we are always and constantly evaluating the pertinence of our portfolio and the long term opportunities, and, of course, ROI driven by each and every brand, each and every category and each and every market. Will we keep all the brands in the portfolio? Not necessarily, and the best example is what we've just started to do with the SKKN, what we did with SKKN recently, which was announced during Q3.

Operator

Thank you. Our next question will come from Ashley Helgans with Jefferies. Please go ahead.

Analyst:Ashley Helgans

Question – Ashley Helgans: Hi. Thanks for taking our question. So, I know you talked a little bit about retailer inventory levels, but wondering if you could just talk a little bit more about how sell-in/sellout trends or retail tightening varies by region. And then also for the mid-single digit price increases planned this summer, is that going to be total prestige portfolio or select brand? Thanks.

Answer – Laurent Mercier: So, indeed, I mean, sell-in versus sellout, just to be very clear and we shared that we are seeing indeed in this quarter some disconnect in the US and this is really what's driving most of our decline and this is really what we are working on actively really to reconcile of sell-in and sellout. So, this is a work we are doing and we will start to see the results in fiscal 2026.

I mean, on the other regions, I mean, Europe remains very healthy category. If I talk to really about prestige fragrance is very healthy and here we have really – sell-in and sellout are pretty well in line, so we are tracking very carefully. But again, all the regions are very healthy. LATAM, Brazil, as I said, okay also. We are managing tightly. And Asia, as you know, is pretty small for us. So, China is very small. So – I mean – but also we are seeing still indeed some headwinds in China, but it's pretty limited for us.

At the same time, I want to again – and this was a previous question – to insist about the fact that we are seeing retailers being very aggressive on their inventory management. So, this is something that indeed is more on the retailer side, which could still create some volatility indeed, between the sell-in and the sellout. And this is obviously also exacerbated in the current context, where we are seeing indeed some slowdown in the Consumer Beauty category and some normalization in the Prestige category. So that's why we remain very cautious, especially about the H1 fiscal 2026.

So – but price increase, again, we are focusing first on prestige US because there is just a mechanical effect that due to the sourcing from Europe – and this is a case of all players, to make it very clear, that so – it's really the normal adjustment that we have to operate and, again, because we are pretty confident on the inelasticity of this category.

Now having said that, yeah, we continue to be very active and really to look carefully at all the category and also at all the regions and, indeed, when we see that we can implement price increase. With low elasticity, this is, of course, something that we will contemplate and put in place and also to continue our gross margin expansion journey.

Answer – Sue Y. Nabi: To complement on Laurent's point, Ashley, is that what we believe is going to happen being not elastic in terms of price increases behind prestige fragrances, eau de toilette/eau de parfum. We are at the same time making sure we have – we increase the number of touches on the (00:36:11) scenting with body mists, with small formats with pen sprays to a level that was not done in the past. We believe that the conjunction of the two should keep a healthy demand, either with consumers looking for value proposals and they find them behind our brands, or those who are just trying to increase the wardrobe effect, or at the end, those who are trying a small sample before moving to a bigger content and size.

Operator

Thank you. Our next question will come from Andrea Teixeira with JPMorgan. Please go ahead.

Analyst:Andrea Teixeira

Question – Andrea Teixeira: Thank you. Good afternoon for some of you. So, my question is on the US color cosmetics. Looking at the success you had elevating Rimmel in the UK. And I know you invested in the studios here in the US as well to modernize your way to get to the consumer. In retrospect, why it worked well abroad and not here? And what is the new leadership, well, aiming to do differently from the past? Or do you think structurally the markets are completely different here? What works here wouldn't work in the UK and vice versa.

And a follow-up to Laurent's point about the \$370 million All in To Win of cost saves. How much will go and flow through to the bottom line. Thank you.

Answer – Sue Y. Nabi: Yeah. Good morning, Andrea. Your question is valid one, I have to say. And so at the end of the day, what we see is that indeed, as you quoted it, there are structural differences, but it's a question of intensity rather than a question of what is at stake. So at the end of the day, both European and US markets are seeing disruption coming from indie or dupe brands, but this is to a much bigger extent in the US.

So, the reason why you don't see this happening as quickly as wished in the US behind, CoverGirl to name it, is that probably the US market is a much more competitive market. The exposure of indie or dupe brands is much higher, especially in terms of shelf space.

And the third reason is that what we are doing is that we usually start by testing new ways of doing in the UK before implementing this in the US. That was also the rationale behind having the same head of the region out looking at the US, at Canada, at UK and at Australia and New Zealand, which are markets with more or less the same portfolio of brands, English-speaking markets, more or less the same dynamics, but two different intensities and different paces.

So we believe that the portfolio, the – sorry, the business model we have put behind Rimmel, especially recently with a test on TikTok Shop we've done in the UK, this is something we are starting to implement behind CoverGirl next month, in fact – starting mid of May. So, this is really something that hopefully will give us the same kind of results and that's the way we work on this part of the business.

So, how much of this \$370 million savings will flow through the bottom line? Maybe, Laurent, you can take this one?

Answer – Laurent Mercier: Yeah. Thank you, Andrea. So, I mean, first of all, just to recap again, I mean, the – how this \$370 million is built. So, it's really on the two coming years is really that we have \$120 million, which is ongoing productivity and within – on (00:39:47) top of this, I mean, the program that we announced two weeks ago is adding up \$130 million in addition to this ongoing productivity.

So, what's very important to have in mind is that, as we discussed, these are structural intervention. The objective, number one, is really to create some headroom and really to manage current volatility. And as you understand, there are a lot, I mean tariff is one. So, we are really working actively so to do this.

Number two, of course, is really to be in a position that we are using part of this money to invest in our brands, to invest in the – in all our initiatives, Sue was referring indeed to the big innovation that we have next year on prestige fragrance, indeed, but is also that we need to continue and we are continuing, we need to invest on the other category. Mass fragrance is a big one, though we need also to defend the other segments. So, that's really the objective.

There are also some elements that talking about next year, as I shared that – in fact this year there is also some short term variable compensation which are helping the EBITDA this year and will reverse next year. So again, the objective is really to create this headroom to be back to a normal algorithm.

But, ultimately, the endgame is that we – is really to continue constant EBITDA margin improvement as we flagged in several forums. And, again this year is a clear example that we are accelerating and we will grow our EBITDA margin by 70 basis point. Again, fiscal 2026, there will be some reverse one-off effect, but ongoing is to continue to improve our EBITDA margin by 20 to 30 basis point. So, that's really part of the cycle using this money to reinvest to be back to the virtuous cycle and indeed to continue to improve our EBITDA margin.

Operator

Thank you. Our last question will come from Anna Lizzul with Bank of America. Please go ahead.

Analyst:Anna Lizzul

Question – Anna Lizzul: Hi. Good morning. Thank you so much for the question. I was wondering if we could take a step back just thinking about the current market conditions for Prestige versus Consumer Beauty. On the Consumer Beauty side, we've seen some weakness and lower income tiers just in the US mass beauty, broadly speaking. Was wondering if you're seeing some of this drive, the incremental weakness here. And

then in prestige, are you seeing any slowdown or incremental weakness from higher income consumers? Thank you.

Answer – Sue Y. Nabi: Yes. Hi, Anna. This is Sue speaking. So, let me start with the Prestige division and maybe, Laurent, you can do the Consumer division, so we end up together on this question.

Prestige division, regarding if we are seeing a slowdown, as I mentioned earlier, so far we have seen this kind of normalization that happened between fiscal 2024 and fiscal 2025, which was moving from either high-single digits or low-teens to mid-single digit, which was really the way we've been guiding regarding how this market will evolve globally. And this is still the case, including with the latest numbers we got on the March quarter. So, this we don't see.

Another element that we are also looking at is how the different markets are impacted or not by the indies or dupes phenomenon, if I may say. And if there is one market that is seeing a consolidation and a growing portion of, I would say, historical brands or designer brands, it's really the fragrance one where it's increasing year over year versus other markets like color cosmetics, where you clearly see that indies (00:43:39) dupes are taking a small portion of this market.

So, clearly, the prestige fragrance market structurally is continuing to grow and we believe this is going to intensify specifically now that the number of touches of (00:43:54) are increasing with body mists that we believe are in a kind of a very generous eau de toilette version of a perfume. You can think about the pen sprays which are allowing people to play the wardrobe effect or to test the fragrance, or just because they don't have the ability to buy something more expensive. This is going to continue to drive the penetration of this category.

Now, when it comes on color cosmetics for Prestige, we believe that the pressure on color cosmetics is going to continue, be it in Asia and in Travel Retail, Asia, who are the regions that were mentioned by some of our peers, namely, the disappearance of the daigou phenomenon in this key region of the world.

But also what we are seeing, for example, in some regions is that the brands that has been doing the growth for the last years, specifically on prestige color cosmetics, such as designer brands – not designer brands, sorry, such as indie brands, are the drainers of this market in a way.

So, what we saw in color cosmetics in mass market is also happening in prestige, meaning that people are probably refocusing on values that are (00:45:11), as we say in French, versus trying again and again new things at the same time. So that's what I could say about what we see behind prestige market, namely on color cosmetics and on fragrances.

On mass market, Laurent?

Answer – Laurent Mercier: Yes. Thank you, Anna. So, on mass market, again, what's very important is really to understand that this category currently we are seeing in two different dynamics. So, if we take Consumer Beauty, as we indicated, I mean, now indeed. I mean, this quarter – I mean, global category entered really negative, so low-single digit negative. And when you open this category, you see that indeed it's color cosmetic mid-single digit negative. But, on the other hand, you see that mass fragrance is close – high-single digit or even double digit.

So, there are, really, these two speed that we have to manage. Now, in our model, we are assuming in fiscal 2026 that color cosmetic category will remain negative. So, this is really the assumption that we are making.

On the other hand, of course, we are really betting strongly on the mass fragrance acceleration. And as you know, we are very well positioned. I mean, we are the number one worldwide on this category. On US, we are number two to number three. We have very strong initiative. So, it's really currently the work we are doing in terms of resource allocation. So, it's really on the one hand is really capturing the growth opportunities from the mass fragrance and you have concrete example (00:46:49) and there is more to come.

And at the same time of course on color cosmetic, we need to be very targeted, really focusing on big innovations, really playing all this game, these are (00:47:01) Gen Z. So, this is currently what we are contemplating for fiscal 2026, really with these two speeds really a model in the Consumer Beauty.

Operator

Thank you. That does conclude the question and answer portion of today's call. I would like to turn the call back over to Sue for any additional or closing remarks.

Yes. Thank you very much for giving me this opportunity and thank you for the questions. So, let me zoom out for this closure remarks. As you know, across the latest economic cycles, again, what we have seen is that beauty has remained resilient in these four decades, even in this very challenging landscape. We have – as you know – which significantly strengthened our strategic, operational and financial fundamentals. We've been driving gross margin expansion. We've been driving a stronger cash flow generation. We've been substantially deleveraging the company over the past four years. Of course, while we are not satisfied with our net revenue performance in fiscal 2025, our strong fundamentals coupled with our multi-pronged attack-plan, which is the best in the last five years with being back to the recipes of 2023 and 2024, other initiatives being distribution and efficiencies, all of these give us strong confidence for the years ahead.

Thank you very much.

Operator

Thank you. Ladies and gentlemen, this concludes today's program and we appreciate your participation. You may disconnect at any time.