

1Q26 Earnings Script

November 5, 2025

Sue Nabi, Chief Executive Officer

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- Welcome everyone, and thank you for joining us today
- After 4 years of industry-leading growth and expansion through FY24, followed by a more challenging CY25, we are committed to reaccelerating our performance and doubling down on our strengths
- The early results from our recent operational interventions are promising
- We are improving our core prestige fragrance performance, accelerating in adjacencies such as ultra-premium fragrances and fragrance mists, and remain focused on building our footprint in prestige makeup and skincare
- We have shown strong progress in improving our execution in U.S. Prestige, with the U.S. being our #1 headwind in FY25
- We are acting with urgency to transform our Consumer Beauty business while progressing with our strategic review
- And we remain laser focused on strengthening our profitability and balance sheet, with our FY26 business trends steadily improving in line with our expectations
- As we solidify our position as a global Prestige beauty company with an emphasis on fragrance and scenting across price points, with cosmetics and skincare capabilities, our goal remains delivering strong, consistent performance and outperforming the beauty market

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- In Q1, total net revenues declined 8% LFL, in line with our expectations and guidance
- Encouragingly, like-for-like sales trends improved in both Prestige and Consumer Beauty

- This sequential improvement reflects the early impact of our strategic interventions, including targeted inventory actions and a renewed focus on our core growth engine, fragrances and scenting
- While the environment remains promotional and some pressures persist, our topline trajectory is moving in the right direction
- Our fragrance portfolio continues to be a key driver, with standout launches and expansion, as consumers continue to prioritize fragrances as affordable luxuries
- We're encouraged by the progress and we remain confident in our ability to build momentum as we move through FY26

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- In Prestige, we saw sequential improvement in LFL sales trends, as anticipated
- Sales declined by 7% LFL in 4Q25, improving moderately to a 6% LFL decline in Q1
- We are of course not happy with this performance, as we continue to face a bigger gap between sell-in and sell-out than many of our peers, following several years of outperformance versus our peer group, which likely also drove retailers to stock up on Coty's blockbusters
- As we further shrink the sell-in and sell-out gap and reinvest behind our brands to drive stronger sell-out during the holidays, we expect further Prestige LFL trend improvement in Q2

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- In Consumer Beauty, we are also seeing signs of sequential improvement
- LFL sales declined by 12% in 4Q25 and 11% in Q1
- We anticipate further improvement in Q2, as the new divisional leadership drives operational changes

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- The broader beauty market is moderating after several years of exceptional growth

- However, fragrances continue to outperform, benefitting from a structural shift toward affordable luxury, often described as 'recession glam' or 'treatonomics'
- The Prestige fragrance category has grown at a mid single digit pace in the last 3 quarters, even as other consumer categories languished
- Fragrance volumes were up low single digits in 1Q, reflecting sustained demand
- The mass cosmetics category saw a sharper slowdown in FY25, though we are seeing some trend improvement to low single digit percentage growth in Q1
- These dynamics underscore the importance of agility in navigating the evolving beauty landscape

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- Against this market backdrop, we saw diverging dynamics between our sell-out and sales performance in each division
- In Prestige, the prestige beauty market grew 6% in Q1, reflecting strong consumer demand across categories, while our sell-out grew 1%
- And specifically in prestige fragrances, which is our core category, the market grew by 5%, while our sell-out grew around 2%
- The couple percentage point gap between the prestige fragrance market and our Prestige sell-out reflects the timing of our BOSS Bottled Beyond fragrance launch at the end of the quarter and our more disciplined approach to the elevated promotional activity we see in many markets
- As anticipated, our Prestige sell-in tracked well below sell-out due to ongoing retailer destocking, though this gap narrowed from the double-digit gap we saw in Q4
- Our actions to right size inventory levels are impacting near-term results, but are necessary for a healthier trajectory ahead
- In Consumer Beauty, the dynamics are different
- While the mass beauty market grew 2% in Q1, our sell-out declined 6% and sell-in declined 11%, driven by rapid channel shifts, media investment reallocation away from lower-return areas, and competitive pressure

- These dynamics underscore the importance of our performance improvement plan for the Consumer Beauty color cosmetics business, alongside the ongoing strategic review

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- I want to take a moment to discuss the progress we're making to address the challenges we faced in FY25

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- One of our top priorities has been to address the challenges we faced the U.S. market, which accounted for the vast majority of our sales decline in FY25
- In the spring, we announced a new regional structure to make Coty nimbler and more aligned with today's evolving channel landscape
- We also appointed new leadership in the U.S., and we are now benefiting from a seasoned leadership team and an overarching regional structure that adds another layer of experience and agility
- These adjustments are yielding positive green shoots, as we closed the gap between our U.S. prestige fragrance sell-out and the overall U.S. prestige fragrance market from an approximately 5-point gap in 4Q25 to full alignment with the market in 1Q26
- This progress validates the impact of our organizational and commercial interventions, and reinforces our confidence in returning to outperformance in the U.S. market

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- More effective leadership, sharper execution, and better alignment between sell-in and sell-out are driving meaningful improvements across our key metrics in the U.S.
- In Q1, we closed the gap between our U.S. prestige fragrance sell-out and the U.S. market, with both growing approximately 7%, reflecting the impact of targeted interventions and commercial actions
- We expect to broadly maintain this alignment in the coming quarters

- While our U.S. prestige revenues have tracked well below our sell-out over the last 3 quarters due to retailer destocking, inventory trends are improving
- With our solid sell-out growth in the last 2 quarters and assuming the prestige fragrance market continues to grow at a similar pace, we expect our U.S. Prestige sell-in to return to growth in Q2
- These results demonstrate Coty's agility and commitment to returning to outperformance in our largest market

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- We have taken decisive steps to fundamentally improve Coty's ROI and operational efficiency
- The next phase of All-In to Win is underway, targeting significant fixed cost savings across the organization
- Our newly established Performance and Operational Excellence Office is reinforcing operational oversight, focused on consistent performance tracking and improving ROI
- In Q1, we generated over \$40 million in productivity savings and more than \$10 million in fixed cost reduction
- We remain on track to deliver approximately \$200 million in combined fixed costs and productivity savings in FY26, giving us the flexibility to reinvest in growth, offset inflation, and support profit expansion

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- In light of the tariff landscape, Coty has taken decisive steps to reinforce our competitive advantages
- We transferred some production of U.S.-bound fragrances to our domestic plant, including mass brands, Adidas and Nautica, and fragrance mists
- We will continue to transfer additional fragrance products and adjacencies, while we assess the final scope, prioritizing return on investment

- All of these actions reinforce Coty's resiliency and relative cost advantage versus our peers, who continue to produce primarily in Europe
- With the recent tariff updates, we now expect a gross tariff impact of under \$50 million for the year, with a net impact of under \$40 million, which is approximately \$20 million lower than our assumptions several months ago

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- As we discussed last quarter, our digital and e-commerce teams are now embedded within local markets and brand organizations
- This structure enables omnichannel execution and empowers commercial decision-making at the local level
- And in Q1, our e-commerce sell-out grew mid-single-digits in both Prestige and Consumer Beauty, reflecting the effectiveness of our strategy and the demand for our brands online

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- As shared last quarter, we are accelerating AI implementation across Coty with a new roadmap to embed digital innovation throughout our operations
- A few priorities include content, automation with agentic AI, smarter decisions through predictive analytics and visualization, and better user experiences through chatbots
- Plus, new AI assistants in procurement for instance are transforming contracts and negotiations
- And with the rise of agentic shopping across retail platforms, we are already developing and integrating tools to enhance the shopper experience, including selection optimization and virtual try-on
- These initiatives are optimizing fixed cost investments across back-end functions and reducing the cost of content creation, freeing up funds for working media
- We're already seeing some early benefits, and expect them to ramp up over the coming year

- Now let me turn it over to Laurent to discuss our financial results and outlook

Laurent Mercier, Chief Financial Officer

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- Thank you, Sue
- Our Q1 results were in line with expectations and guidance
- As we navigate the complex external environment and implement necessary changes within Coty, we remain focused on steadily improving our performance trends throughout FY26

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- Our Q1 adjusted gross margin was 64.5%, in line with our expectations
- This represents a decline of 100 basis points compared to the prior year, which reflects lower sales as well as a 40-basis point headwind from tariffs

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- Despite near term sales and gross margin pressure, we maintained strong support for A&CP in Q1
- Our A&CP investment was approximately 26% of net revenues, up 110 basis points from the prior year
- This demonstrates our ongoing commitment to invest behind our brands to drive consumer engagement, long-term growth and value creation

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- Adjusted EBITDA declined 18% in Q1, in line with guidance
- The decline primarily reflected lower sales and lower gross margin, partially offset by lower fixed costs

- Our disciplined approach to cost management and operational efficiency helped mitigate some of the topline pressures, even as we invested behind our brands and strategic priorities

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- Our Q1 adjusted EPS, excluding the equity swap, was 15 cents, in line with expectations

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- As discussed last quarter, we've launched the next phase of our All-In To Win program, targeting \$130 million in annual fixed cost savings by FY27, alongside ongoing productivity savings
- In Q1, we generated fixed cost savings of over \$10 million, in addition to over \$40 million in productivity savings
- We continue to expect about \$200 million in cumulative savings in FY26
- Altogether, our cumulative savings under the All-In to Win program is close to \$900 million between FY21 and 1Q26
- These savings provide us with the flexibility to reinvest in growth, offset inflation and other cost pressures, and support profit expansion

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- Shifting to our cash flow and balance sheet
- We generated \$11 million of free cash flow in Q1, an improvement of \$19 million versus last year
- As a result, we ended Q1 with leverage of 3.7x, up 0.2 turns from the end of Q4 primarily driven by lower EBITDA
- With strong seasonal free cash flow expected in Q2, we anticipate leverage to come down again exiting next quarter
- Deleveraging remains a key objective for us, and we are currently actively pursuing the monetization of Wella

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- On the balance sheet side, in Q1, we successfully refinanced \$900 million of CY26 debt maturities at an attractive cost of approximately 5.6% with strong participation from investment grade investors
- We continue to expect seasonally strong Q2 free cash flow of over \$300M supporting first half free cash flow of over \$350M, which should cover the remaining portion of our CY26 maturities
- And in parallel, our focus remains on deleveraging and smoothing out our maturity towers
- These actions reinforce Coty's financial position and reflect our disciplined approach to capital allocation, ongoing deleveraging, and risk management, as part of our goal to become an investment grade company

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- As we move into Q2, consistent with what we discussed last quarter, we expect sequential improvement in sales and profit trends versus Q1
- The organizational changes underway in the U.S. continue to yield results and should continue to build through the year
- We still anticipate net revenues to be negative in the first half as strong contribution from innovation, new sub-categories and distribution gains, are offset by headwinds from trade inventory reduction, a more promotional environment and elevated year-over-year comparisons
- Importantly, we anticipate net revenues will turn positive in the second half, supported by new launches, alignment between sell-in and sell-out, and easing comparisons
- Lower sales, a net negative impact from tariffs, and the anticipated restoration of variable compensation are weighing on EBITDA in the first half
- However, we expect positive EBITDA in the second half supported by a return to sales growth, stepped-up contribution from tariff mitigation, and the full benefit of our fixed cost savings initiatives

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- Let me share more concrete guidance for Q2
- We continue to expect a gradual improvement in sales trends through FY26 from the 4Q25 LFL levels
- With strong sales in October, particularly in Prestige, we expect Q2 LFL sales to land at the more favorable end of our prior guidance of -3% to -5% LFL, with sequential trend improvement in both Prestige and Consumer Beauty
- We estimate a low-to-mid single digit FX benefit on our reported revenues in Q2
- We anticipate continued gross margin pressure in Q2, driven by lower sales and a sequentially higher net impact of tariffs
- Fixed cost savings from the All In To Win program are expected to broadly offset the negative impact from the resumption of variable compensation
- We do expect quarterly phasing of net fixed costs to fluctuate as savings build over the year, while the year-on-year negative impact from variable compensation will be most pronounced in Q2 and Q3
- We continue to expect gradual profit trend improvement, with adjusted EBITDA declining by a low-to-mid teens percentage in Q2, consistent with our prior guidance
- Importantly, with declining Fed rates and some benefit from cross-currency swaps, we expect quarterly P&L interest expense to remain broadly consistent with our Q1 interest in the \$45 to \$50 million range, resulting in annual interest expense of around \$190 million
- This reflects roughly \$25 million in interest savings year-on-year, or a 2 cent EPS benefit
- Therefore, we expect Q2 adjusted EPS, excluding the equity swap, of 18 to 21 cents, bringing the first half adjusted EPS excluding swap to 33 to 36 cents, consistent with prior guidance
- We continue to estimate seasonally stronger free cash flow in 1H26 of over \$350 million, resulting in leverage at the end of CY25 approximately in line with the 4Q25 leverage level of around 3.5x

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- Turning now to our outlook for the second half
- We continue to expect our LFL sales to return to growth in the second half as sell-in and sell-out reach alignment, and supported by several key launches in Prestige, as well as more favorable comparisons
- We also expect to return to adjusted EBITDA growth in the second half, targeting around \$1 billion in adjusted EBITDA for the year
- While this outlook implies very strong year-over-year expansion in our second half EBITDA, it's important to remind that this is off very low prior year comparisons, particularly in 4Q25
- On a 2-year basis, our EBITDA outlook for second half FY26 is a few percentage points higher than second half FY24
- The expected profit growth will in turn fuel adjusted EPS growth in the second half
- Our goal is also to continue deleveraging in CY26, as we target reaching an investment grade profile
- Now, let me turn the call over to Sue to discuss our evolution in lockstep with the beauty market

Sue Nabi, Chief Executive Officer

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- Thank you, Laurent
- Coty has always been a best-in-class fragrance operator, and in this next phase, we are doubling down to become a fragrance and scenting powerhouse from \$5 to \$500
- This is a category where Coty has a proven right to win, backed by leading R&D and IP, manufacturing, marketing, and distribution capabilities combined with a very attractive brand portfolio

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- First, we have a strong, long-duration portfolio, that provides a solid foundation for sustainable growth

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- Developments in the beauty and luxury industry over the past year all confirm that the winners in beauty have been and will remain specialized beauty players like Coty
- In-housing beauty remains incredibly complex and costly for non-beauty players, reinforcing the appeal of the licensing model
- Licenses offer strong ROI, with no material upfront license or renewal costs, while established brand equity increases the probability of success and payoff
- A successful licensing business depends on portfolio diversification and minimizing license duration risk
- In recent years, we've proactively renewed and significantly extended many key licenses, including Hugo Boss, Marc Jacobs, adidas and Davidoff, for an additional 15-plus years
- Today, 85% of our portfolio is either an owned brand, a perpetual license which we view like an owned brand, or a license with very long-term remaining duration of 7 years or more
- Even when looking at our core beauty portfolio, approximately 80% of our brands are either owned or under long term license
- We have also been prudent in ensuring that no single brand in our portfolio accounts for more than approximately 10% of our sales
- With the public announcement that the Gucci license will no longer be part of our portfolio after its expiry, our focus for the next several years will be on overdriving the brands with the biggest long-term growth potential, building and amplifying our newly added licenses and brands, and in parallel optimizing the Gucci brand during its remaining term

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- The second critical point is that Coty maintains a top position in global fragrances

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- We remain a top 3 global fragrance player, with leading positions in both prestige and mass fragrances

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- In the highly attractive \$50 billion prestige fragrances market, Coty is a Top 3 player with 12% market share
- Importantly, even excluding the Gucci license, Coty solidly remains the Number 3 player in prestige fragrances, a position we aim to boost further by overdriving our core brands and doubling down on our new licenses
- Among the top 5 global fragrance players, only Coty and L'Oreal operate licensing models, meaning luxury brands have limited partners capable of building scaled, global, and multi-category beauty businesses, combining prestige fragrances and prestige cosmetics
- With this backdrop, we continue to attract new and desirable licenses, most recently adding Swarovski, Etro and Marni to our portfolio, reinforcing Coty's position as a preferred partner for luxury brands

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- We also lead the mass fragrance market, a \$7 billion category across developed markets, which grew over 10% in Q1
- Coty holds the #1 position with 12% market share, well ahead of peers, positioning us well to expand our portfolio with new internally created and licensed brands

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- Our dominant position across all fragrance price points is a core strength, as the category carries higher barriers to entry and stronger consumer loyalty than many other beauty categories
- Success in fragrances is anchored on technical superiority and performance, internal fragrance development, and brand names that are both desirable and aspirational
- In fact, approximately 90% of the top 20 global prestige fragrance brands were designer brands in both 2019 and 2024
- This trend holds even among more price-sensitive Gen Z consumers
- In the latest Piper Sandler U.S. teens survey, 16 of the top 20 fragrance brands among male teens were designer or ultra-premium brands
- All of this underscores that, even in a fragmented beauty market with many new entrants, the fragrance category remains remarkably stable, with brand equity serving as a key competitive moat
- Furthermore, our best-in-class fragrance capabilities and IP, and our desirable and complementary designer brands will continue to fuel our strong position in prestige fragrances, while our unique portfolio which also extends to more affordable Consumer Beauty fragrance brands will allow us to capture opportunities in the “prestige-inspired” juice trends

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- With designer brands remaining critical to success in beauty, Coty’s portfolio of leading designer fragrance and prestige cosmetics brands is a key asset
- We have nurtured and elevated each of our core brands, delivering exceptional growth across our designer brand portfolio over the past 6 years
- Between FY19 and FY25 at constant currency, we’ve grown Burberry by an impressive 141%, Hugo Boss by 33%, Chloé by 69%, and Marc Jacobs by 47%
- These results highlight Coty’s ability to unlock long-term value through strategic brand building and innovation across our designer portfolio

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- Importantly, we've delivered similar momentum and success behind brands exiting the portfolio, as we grew Gucci Beauty by +61% between FY19 and FY25, at constant currency

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- Building on this, we have an exciting pipeline ahead with major launches and category expansions across our portfolio
- We remain on track to launch Marc Jacobs makeup in CY26, with a distinctive and craveable assortment

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- Under Etro, we've already taken steps to strengthen the brand's visibility with consumers
- Our repromotion of Etro Nectar, an orange blossom fragrance, has resonated with consumers since its relaunch, setting the stage for what's next
- Building on this momentum, we're preparing for Coty-produced fragrance launches starting in CY26, a significant milestone in our partnership and expanding Etro's presence in the prestige fragrance market

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- We expect to launch beauty under Marni in CY27, further expanding our reach and category presence
- Looking ahead to CY27, we see a tremendous opportunity for Swarovski, another newly added license
- This launch will unlock distribution in over 2 thousand Swarovski doors, in addition to the tens of thousands of traditional beauty retail doors

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- In parallel, we continue building on our multi-year track record of leading fragrance innovation
- Our BOSS Bottled Beyond launch is already resonating with consumers across markets
- I'm excited to share that BOSS Bottled Beyond is on track to be the #2 Male fragrance launch of the fall in Europe, including the #1 male fragrance launch in Germany in units, and the #1 male SKU in Australia
- The launch is elevating the Hugo Boss brand equity, strengthening our position in male fragrances, and unlocking a significant opportunity in the U.S., where BOSS Bottled Beyond is already the #6 innovation despite limited historical presence

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- We also have a major Prestige fragrance launch in the second half under a key brand

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- As we double down on fragrances, we're integrating our prestige and mass fragrance capabilities more closely, leveraging scale across R&D, consumer insights, fragrance library, manufacturing, and distribution to strengthen our revenue and profit engine
- This coordination will amplify our mass fragrance portfolio
- Adidas Vibes marks our largest mass launch in a decade, showcasing the strength of the adidas brand and Coty's execution
- This launch marks the foundation for a global mass scenting platform, designed to expand across categories and geographies

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- We continue to roll out our internally developed scenting projects with key retailers to drive incremental sales and expand distribution

- Building on the booming trend in Arabian fragrances, we recently launched our internally developed fragrance collection Jawhara on Amazon in the US, as well as several retailers across Europe
- While the launch is in early days, we have already seen some positive results in Germany, with Jawhara already amongst Coty's Top 10 female EDP's in sell-out
- We will continue leveraging consumer insights and global reach to capture opportunities across scenting formats, trends and price points

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- Beyond traditional fragrances, we are unlocking new scenting adjacencies within our portfolio
- This includes expanding into ultra-premium fragrances and innovative categories that complement our core fragrance business
- Our approach positions Coty to lead in emerging scenting opportunities, creating incremental growth platforms that extend the reach and relevance of our fragrance brands

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- Two of the fastest-growing fragrance sub-segments are ultra-premium fragrances and fragrance mists, positioned at the high and low end of price points, respectively
- These subcategories are highly complementary, as consumers increasingly embrace "scent stacking," a trend rooted in Arabian traditions
- Many consumers use fragrance mists as a base, layering premium or ultra-premium scents on top for longevity and personal expression
- With these trends accelerating, Coty is ramping up efforts to capture our fair share in both segments
- Ultra-premium fragrances now represent over 10% of the prestige fragrance market, yet account for only ~2% of Coty's 1Q26 prestige fragrance sales, highlighting a significant opportunity for expansion

- At the other end, fragrance mists make up roughly 10% of the total fragrance market
- While our presence in mists was previously limited, recent launches under multiple brands have grown mist contributions to 1% to 2% of Coty's Q1 FY26 fragrance sales
- We see substantial room to grow in both ultra-premium and mists segments, and are committed to capturing our fair share over time

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- Coty's ultra-premium fragrance collections delivered +17% sales growth in Q1, driven by strong consumer demand and the appeal of our differentiated offerings, including our Chloe Atelier des Fleurs, Jil Sander Olfactory Series 1 and Infiniment Coty Paris collections
- This performance highlights our ability to capture growth at the high end of the market and reinforces our strategy to expand in segments where appetite is accelerating

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- Speaking of ultra-premium fragrances, I want to highlight our latest limited edition launch under Infiniment Coty Paris, Ambre Antique
- Originally introduced in 1905, Ambre Antique revolutionized perfumery and defined the modern olfactory family of amber fragrances
- Now, 120 years later, we've revived this iconic creation, a tribute that honors the original spirit and formula, blending heritage and innovation together in a way that only Coty can

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- As we shared last quarter, we are the first and only global beauty player embracing the fast-growing fragrance mist market
- In recent months, we've launched mist collections under Calvin Klein, Philosophy, Kylie, adidas Vibes, Nautica and Jawhara, with plans to launch mists across over a dozen of our Prestige and Consumer Beauty brands

- Mists are affordable, complementary and strongly profitable, with similar margin contribution to our core fragrance business
- They also unlock access to the rapidly growing, \$7 billion fragrance mist market
- Fueled by these launches, mists contributed 1% to 2% to our total fragrance sales this quarter

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- I'm proud to share that our patented mist launches are all off to strong starts
- Importantly, the results confirm that fragrance mists are incremental to the fragrance base business of each brand, boosting overall sales
- After only a few months in-market, our Calvin Klein mist collection of 4 scents is already the #4 fragrance mist brand in Europe and the #1 mist brand in Italy
- And the incrementality is evident, with total Calvin Klein fragrance sell-out growing at a mid-single-digits percentage, with growth in both fragrances and fragrance mists

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- Our recent launch of philosophy fragrance mists is also igniting excitement for the brand
- In recent months, philosophy's overall fragrance sell-out grew double digits, with growth in both core fragrances and mists, showing particular strength at Ulta

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- At the end of Q1, we launched Kylie Cosmetics fragrance mists featuring sweet gourmand scent profiles
- Once again, we've seen strong incrementality, with total Kylie fragrance sales up double digits in Q1, fueled by the successful Cosmic Kylie Jenner 2.0 fragrance launch and strong reception of fragrance mists
- These mist launches showcase Coty at our best, spotting trends early, deploying them across our brands with agility, and designing the products for profitability with comparable margins from the start

- The vibrant, modern packaging, on-trend scents and accessible price points make our mists stand out at key retailers, attracting Gen Z consumers, and supporting the layering phenomenon, as our beauty advisors encourage pairing mists with traditional perfumes

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- And building on our success in traditional fragrances and our extension into mists, we're working to extend into complementary scenting categories, with more details to come in the coming quarters
- As global temperatures rise, scenting will become increasingly pervasive in daily life across product types, and Coty will be at the forefront
- These adjacencies represent incremental growth opportunities and reinforce Coty's strategy to lead in scent innovation across multiple touchpoints

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- We're also steadily building our prestige cosmetics and skincare businesses

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- In Prestige Cosmetics, Kylie Cosmetics continues to perform exceptionally
- Global sell-out grew double digits both Q1 and calendar year-to-date, driven by strong momentum across makeup and fragrances
- And, growth is also broad-based geographically, with momentum across all major markets including the U.S., Europe and Travel Retail
- Kylie is now a balanced business, with strong pillars in Lip, Complexion and in fragrances
- And for Burberry Makeup, we are focused on fueling our recent launches of Beyond Wear Blush and loose powder

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- Each skincare brand in our portfolio is anchored in its unique expertise and brand identity

- Orveda, the longevity expert, doubled LFL sales year-over-year off a small base
- Lancaster, our photo-aging and repair expert, is accelerating in China with our Q1 skincare sell-out nearly doubling
- In fact, Lancaster is now ranked within the Top 15 UV care brands, and our recently launched Lancaster Golden Lift is now ranked within the Top 30 skincare creams, confirming that Coty is capable of driving growth and building its position in the world's most competitive skincare market
- And philosophy, our neuro beauty brand, grew double digits year-over-year
- Together, these brands position Coty to steadily scale within skincare

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- Our Prestige business continues to gain momentum in China, including Hainan, which represents roughly 3% of sales
- Coty's Q1 China sell-out grew 15%, more than double the market, even as our net revenues were lower due to destocking
- Fragrances remain the fastest growing category in China, and our sell-out was 1.5 times the market
- In makeup, we grew at twice the market
- And in skincare, we expanded approximately 10 times the market, fueled by the momentum we're building in Lancaster
- These results reflect the strength of our portfolio and targeted execution in the region
- And within our global Travel Retail business, we saw solid growth this quarter, led by a recovery in Asia

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- As we strengthen our fragrance leadership across price points and expand into ultra-premium fragrances, mists and scenting adjacencies, we've launched a full performance plan for our Consumer Beauty business, and in parallel a strategic review

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- In Consumer Beauty Color Cosmetics, we're focused on transforming the business, while pursuing a strategic review
- Our portfolio includes iconic brands, including scaled brands such as CoverGirl, Rimmel, and Sally Hansen, alongside medium-sized brands such as Max Factor and Bourjois
- The business generated sales of \$1.2 billion in FY25 with strong gross margins of over 60%, though profitability has been modest
- The mass cosmetics market faced pressure over the past year but is now returning to moderate growth
- Our near-term objective is for the new Consumer Beauty leadership team to drive execution and strategy for meaningful operational improvement
- This will generate value for Coty regardless of the strategic review's outcome

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- Since announcing our strategic update in late September, we have moved quickly to achieve our objectives
- Gordon von Bretten, Coty Board member and former Chief Transformation Officer, has rejoined the Coty Executive Committee as the President of Consumer Beauty
- This new role gives Gordon end-to-end responsibility for Consumer Beauty, spanning innovation, manufacturing, marketing and distribution
- In recent weeks, he has appointed his leadership team, composed of key leaders from within Coty, and they are now in the process of filling key roles at the next level
- A pivotal role within the new Consumer Beauty leadership team is our new EVP of Global Brands & New Product Development, who previously led the Kylie Cosmetics business and helped drive brand growth by over 30% in the last two years
- She is streamlining core innovation to focus on fewer, high-impact initiatives, while complementing trend-driven launches
- The team is actively shaping the color cosmetics transformation program, with the full plan to be finalized by Q3

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- The second part of our Consumer Beauty business under evaluation is our distinct end-to-end Brazil business
- It includes iconic local brands, Monange, Risque, Paixao and Bozzano, generating nearly \$400 million in sales with strong operating margins
- These brands remain highly relevant locally, with sustained market share gains in nail, skincare and shower gel
- Our Brazil business also benefits from a best-in-class platform, spanning local go-to-market, R&D, manufacturing and digital capabilities
- And importantly, our Brazil business is quite distinct and operated fairly independently of the rest of Coty

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- Our desirable local brands, strong management, and top-tier platform have fueled sustained market share gains in our Brazil business, especially in beauty-oriented categories
- Risque remains the #1 Nail brand, growing market share by over 400 basis points in the last 2 years to 34.4%
- We've expanded market share in skincare by 140 basis points and in Male Beauty by 390 basis points

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- Touching briefly on our continued digital momentum

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- Despite retailer destocking and cautious inventory management even in e-commerce channel, our sell-out trends remain strong across the business
- In Q1, our Prestige sell-out grew 5% and our Consumer Beauty sell-out grew 6%, while revenues were lower due to trade inventory reduction

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- Social media advocacy continues to fuel strong momentum across our portfolio
- Burberry's global earned media value from influencer activity nearly doubled year-over-year
- Our outstanding 360 activation for Boss Bottled Beyond drove Hugo Boss's EMV to grow tenfold versus last year

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- In Consumer Beauty, adidas Vibes continues to resonate particularly with Gen Z, driving a doubling of EMV for the adidas brand
- Rimmel's EMV also grew by over 30% year on year

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- We continue expanding our e-commerce distribution
- While we partnered early with Amazon, several of our Prestige brands have not yet listed on the platform
- This summer, we added Marc Jacobs to Amazon's Premium Beauty Marketplace
- The launch has been strong on Amazon, and we have seen a clear halo effect, with total Marc Jacobs sell-out in the U.S. up 11% since the Amazon launch, a notable acceleration from pre-launch trends

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- Finally, we continue making strong progress on our ESG commitments, reaching new milestones that reinforce Coty's leadership in sustainability and transparency

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- This quarter, we published our FY25 Sustainability Report, our first disclosure under the EU Corporate Sustainability Reporting Directive, or CSRD, advancing transparency and data integrity

- Let me highlight a few of the key takeaways from the report
- First, on the environmental front, we reduced our water withdrawal by 16% in the first year since setting our target, putting us ahead of schedule toward our 2030 goal of a 25% reduction
- Second, we achieved 100% RSPO-certified palm oil including our sourcing from third-party manufacturers and 99% FSC-certified folding boxes for our products, strengthening our responsible sourcing practices globally
- We also introduced new retailer partnerships and opened our first multi-brand sustainability hub in Travel Retail, showcasing Coty's commitment to innovation and collaboration in ESG
- And finally, we launched an online ingredients resource to provide consumers with clear, accessible information about what goes into our products
- These achievements underscore Coty's commitment to advancing sustainability

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- Let me now wrap up with our key messages for today

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- Our strategic announcements made in September include focusing and optimizing our portfolio and resources behind our areas of strength
- We aim to elevate Coty as a Prestige beauty company with an emphasis on fragrance and scenting across price points, and with capabilities in prestige cosmetics and skincare
- This includes:
 - Closer integration of prestige and mass fragrance businesses
 - Unlocking opportunities in ultra-premium fragrances, mists and broader scenting
 - Developing a performance improvement plan for Consumer Beauty Cosmetics
 - And advancing strategic reviews of our Consumer Beauty Cosmetics and Brazil businesses

- Encouragingly, underlying business trends continue to improve, tracking in line to slightly ahead of expectations
- We continue to anticipate a return to profitable sales growth in the second half of FY26

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- In summary, our medium-term focus remains clear: outperform the beauty market, expand margins, continue to reduce our leverage, and deliver sustainable growth within our best-in-class fragrance and scenting portfolio complemented by Prestige color cosmetics and skincare
- Thank you for your time today
- We look forward to connecting on Thursday, November 6th at 9:30 AM Eastern Time or 3:30 PM Central European Time for our live Q&A session