Q2 2026 Earnings Call - Q&A *(Corrected version)*

Event Details

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Company: Coty, Inc.
Ticker: COTY-US

Company Participants

Markus Strobel - Coty, Inc., Executive Chairman & Interim Chief Executive Officer
Laurent Mercier - Coty, Inc., Chief Financial Officer

Other Participants

Filippo Falorni - Analyst
Robert Ottenstein - Analyst
Nik Modi - Analyst
Olivia Tong - Analyst
CharlesLouis Scotti - Analyst
Oliver Chen - Analyst
Susan Anderson - Analyst
Andrea Teixeira - Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and good afternoon, everyone. My name is Chloe, and I will be your conference operator today. At this time, I would like to welcome everyone to Coty's Second Quarter Fiscal 2026 Question-and-Answer Conference Call. As a reminder, this conference call is being recorded today, February 6, 2026, at 8:00 AM Eastern Time or 2:00 PM Central European Time. Please note that on February 5, 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 Markus Strobel, Executive Chairman of the Board and Interim 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 earning 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.

With that, we will now open the line for questions.

QUESTION AND ANSWER SECTION

Operator

We'll take our first question from Filippo Falorni with Citi. Your line is open.

Analyst: Filippo Falorni

Question – Filippo Falorni: Hi. Good morning, good afternoon, everyone. Markus, maybe can you give us a bit more color on the Color the Future performance improvement plan for Consumer Beauty? You mentioned in the prepared remarks yesterday that there's a lot of different initiatives commercially, including streamlining the portfolio. What are you thinking those potential impacts are going to be on sales near term and then a little bit longer term?

And then, Laurent, on the margin side, Consumer Beauty has been significantly below corporate average. Do you have an aspiration of where their business operating margins can get back to? Thank you.

Answer – Markus Strobel: All right. Thanks, Filippo. I'll take that on. There's about three or four principles how we are addressing consumer – the consumer business priorities and focus on our business building plan. It's imperative for us to get back to sellout growth and to market share growth. We got to be the masters of our own destiny and win in the market. That's our ambition.

Now, how we're going to do that? Number one, we're going to focus on our most iconic assets. These are brands like COVERGIRL, where we have assets in there like Lash Blast, Simply Ageless, and iconic brands like Rimmel. We started doing this in the last couple of weeks, and I'm very encouraged by the early results. We had seen declines on these franchises in the high-single digits. Now they went down to the low-single digit, to the mid-single digit. So it's nothing to write home about, nothing that we are happy about, but we're going to see the power of focus on the key assets.

Number two, you know that cosmetics is driven very much by the big innovation bundles that come in spring. In the past, we had gigantic innovation bundles with lots of SKUs. Most of them didn't work, and they crowded out productive SKUs on the shelf. So you got kind of the double-whammy and you got returns from the trade. So we're avoiding this. We're going to bring our first bundle in fiscal 2026, which is sharper, streamlined with better SKUs, fast rotation, and we'll also protect our existing fast-rotating SKUs on the shelf.

This leads me to the question you had, when do we see sellout? Obviously, if we sell in a smaller bundle, we're going to see initially less pipeline fill, and you're going to see this in Q3. But the focus we're getting with this and the sellout velocity on the shelf will improve sellout as we go along and hopefully get our business back on track. That's number two.

Number three is that when we do these big bundles and these big advertising campaigns, we have a lot of money on asset creation, but we have very little money to – in what we call, working ACP (sic) [A&CP] (00:04:46), working spending to show the wonderful assets to the consumers in digital, in advocacy, via influencers and so on and so on and so on. So by having smaller shopper bundles, we're going to free up asset creation money, put it into working media, and we also did a lot of exciting experiments with AI in color cosmetics to create assets in a much more efficient way. We have a couple of experiments that show us we can probably create assets at 70% to 80% cost reduction versus what we're doing now, and again, money we can reinvest into consumer-facing businesses. These three actions together will compound, and beyond Q3, which is the hump for us, right, our expectations will get us into much better future on color cosmetics.

Operator

We'll take our next question from...

Answer – Laurent Mercier: Yeah, and – yeah, maybe, Filippo, to take your second question on the profitability for Consumer Beauty. I mean, you heard really from Markus that, number one, there is a clear diagnosis on where we have the gaps, and the work that Gordon and the team initiated that in front of each gap, okay, there is a clear action plan. So now, of course, it takes some time really to implement these actions. Markus was giving the example of innovation. So, the team really has designed really a detailed innovation plan, but, of course, it is going to pay off in fiscal 2027, okay? But on top of this, is, of course, reignite the sellout, and then volumes will also reverse the gross margin trend, because currently, in the gap, there is some fixed costs under-absorption. So we have really these elements. A lot of work done really on platforming across all our great brands.

A&CP, detailed work, really how to optimize A&CP. And, of course, there is another work on SG&A optimization. So, I'm not going to give you a precise number, but I can tell you that all these initiatives are currently really under high scrutiny, and you will start to see really some improvement in fiscal 2027, which will be part of the profit recovery for the global company.

Operator

We'll take our next question from Rob Ottenstein with Evercore. Your line is open.

Analyst: Robert Ottenstein

Question – Robert Ottenstein: Great. Thank you very much. Just to kind of understand things a little bit better, I want to just sort of throw out a friendly challenge, which I'm sure it'll be easy for you to rebuke, but it'll I think help understand things a little bit better. Based on the management comments from what I understood, there's a problem with focus, brand, SKU proliferation. You want to get the portfolio right so you can really focus on, on the key brands, and that all of that makes sense.

But this is also happening within the context of very significant changes in where and how the consumer buys, drugstores where you're pretty heavily exposed have been very weak. Department stores have been weak for many years. Amazon has become a huge driver. So I was wondering if you could just kind of talk about your strategy within the context of these very important route-to-market changes and how the consumer shops and why you feel it's more important to get rid of SKUs first rather than get the RTM footprint right first and how you're balancing those two. Thank you.

Answer – Markus Strobel: Yeah. Yeah, I don't think this is a contradiction. I mean, number one focus is to drive sellout and market share, because we have been underperforming the market in the last 18 months and this is obviously not sustainable for us. We got to minimum grow with the market and ideally slightly ahead of the market. This is our objective, okay?

Focus on SKUs, this is one thing, and I can tell you examples about that, that this really makes a gigantic difference in the performance. But, obviously, in the channel footprint, this is something we're addressing as well. We're actually in – we're actually doing in our Prestige portfolio pretty well on Amazon. We have grown sales by, like, 30% in the last six months. We've launched Marc Jacobs brand in Amazon in July. This is doing very well, double-digit growth. And the fun fact is that our launch in Amazon has a halo effect actually on brick and mortar.

A similar thing we're seeing in the TikTok Shop in the UK, where we are being pretty active with our Rimmel brand, and every bidding we're doing in the TikTok Shop, and the volumes are still small today, but the marketing effect we're getting and the increase in the algorithm rankings has a huge halo effect on the other channels. So we are investing into the new channels. But, again, it's always important to take the other channels along, because our consumer also shops there. When I talk about less is more to build the core, this applies to the portfolio, but also, it applies to the channels, because we also need to have the new channels be successful and the halo effect building our core in our existing channels. I think this is where the magic happens.

Question – Robert Ottenstein: Great. And are you making any changes in terms of channel strategy?

Answer – Markus Strobel: Of course – we're going to be invest obviously – in our business, we got to go where the consumer goes, okay? So we're investing heavily in online. We're investing heavily in e-commerce. We're investing in TikTok Shops and everywhere where consumers go, but it's for us also important that we, especially in our cosmetics business, protect the channels where our existing consumer shops as well. As we get new consumers, that's great. But brands like CoverGirl and Sally Hansen, there's a huge Gen X population that shops for them. And actually we have retailers asking us, everybody is going after Gen Z, who's doing something for Gen X? And you can do that because you have the brands to do that. Please help us. So I think with the right joint business planning activities with the drugstores and these customers, we can do a big splash in the market on both groups.

Operator

We'll move next to Nik Modi with RBC Capital Markets. Your line is open.

Analyst: Nik Modi

Question – Nik Modi: Yeah. Thank you. Good morning, everyone. So, I guess just, Markus, any views on kind of how you intend to manage the business after the Gucci license ends? And would you consider a deal with Kering to kind of terminate early, just so you can kind of move on and reallocate resources? That's my first question. And I have just a quick bigger picture strategic question.

Answer – Markus Strobel: Okay. Let me get to your first one, Nik. I mean, how we're addressing this, and I think we've mentioned this in previous calls. I mean, job number one for us is to drive our big brand franchises. And we have many big brand franchises that are basically over $0.5 billion, like HUGO BOSS, Burberry, to the next level. They have still a huge growth potential. Marc Jacobs has huge growth potential. Chloé has huge growth potential. So, basically, these brands that we have, where we see the potential, where we bring out newness. So we are basically pretty busy cooking new initiatives and new innovations for the years 2027, 2028, 2029, that coincide with the Gucci exit in June 2028, I think it is, to really have the right pipeline to build our top line sales and compensate part of this.

Second job to be done is building the new brands that we have acquired. We have new licenses with Swarovski, Armani, Etro, and we have big plans for Swarovski. We're going to come up with what we hope to be a real blockbuster in 2027. And number three, obviously, on Gucci, as we get closer to the license exit, we probably also need to look into our cost structure, how we kind of tweak this a bit to keep all our profitability intact. So these are the three actions we're taking there.

Now your question on Kering, and I mean, we are always open for deals that create value for us, that create value for our shareholders. So yes, we are open.

Question – Nik Modi: Got it. And then just – I guess, just, kind of get to Filippo's question on the Consumer Beauty business, but newness is so important in fragrances.

Answer – Markus Strobel: Yeah.

Question – Nik Modi: How does that...

Answer – Markus Strobel: Yeah.

Question – Nik Modi: ...kind of – does that conflict with the whole notion of kind of streamlining the complexity of the portfolio?

Answer – Markus Strobel: Yeah. No, not necessarily. I think newness, let's understand what newness is in fine fragrances. People love it when you – they like to experiment, they like to layer sense. So, of course, you're going to come up with new propositions. But the new propositions need to be tailored in a way that they drive total portfolio or the total brand. I'll give you one example, we've launched BOSS Bottled Beyond in summer. That's a pretty successful initiative. It's the number two male initiative of the year. We have already 90 basis points share in the US, because we wanted to crack the US for HUGO BOSS 50s (000:14:25) initiative, and it's working very well. Problem is, our HUGO BOSS franchise in total is not growing. So the innovation is great, but it has no halo effect on the core. And often what happens is, you bring in a new innovation, many SKUs, it's pretty cool, everybody sells the innovation. And then we're losing shelf space on SKUs that are loved by consumers and are fast rotating, right? So that is something we need to avoid in the future and be much more surgical, how we bring our innovation to market and also how do we build in a halo effect, right? So that if you launch one, it halos on the other by joint merchandising or there's tons of other things that we can do.

So, yes, innovation is the lifeblood of this category, but innovation executed in a way that it has an effect on the core. So if I do a BOSS Bottled Beyond, I want it to grow the total HUGO BOSS franchise and not only the innovation itself. And we are applying this discipline, this logic, this idea of building in halo effects into innovation in everything that we do. And I think that should have a pretty strong effect moving forward.

Operator

We'll move next to Olivia Tong with Raymond James. Your line is open.

Analyst: Olivia Tong

Question – Olivia Tong: Great. Thanks. Good morning. Nice to speak with you, Markus and Laurent. Markus, I was wondering if you could give some views on your assessment of the internal controls at the company and sort of prioritization, what's your starting point, because, the brands, the marketing, innovation, SKU management, IT, it sounds like it's all of the above. So, do you think this is a company in need of significant reinvestment? Are there costs that you can take out? And I guess most importantly, do you trust the answers that the analytics are providing?

Answer – Markus Strobel: Yeah. Thanks, Olivia, for that question. Number one, I mean, we have a very, very creative organization. We have amazingly creative people that come up with very awesome things where even I, with my long beauty experience, have to say, wow, this is really cool, right. What we are missing a bit is the operational discipline to bring this to market in a way that is sequenced, that is properly funded, and that is well thought through in agreements. For example, in the plans we go to market, we are very – often very – so excited about our innovation that we are focusing on the sell-in, right, which is good for a quarter or two, but what we got to focus on is the sellout. How does it reach the consumer? Does it meet the consumer needs? Do we have strong joint business planning – plans with every single retailer to really bring it out and get the sellout going? Because if you get the sellout going, the sell-in will come. This always equals at the end of the day. But we've got to start from the sellout, from the consumption, from the market shares.

That's the big switch that we're going to do. And this is not only – it's not only words on paper. This is – it's easy to say, right. I can put this on a PowerPoint chart. It looks great. It's very hard to do, to change the mindset of the organization on this one and put the processes in. And the data and the analytics, that's where we spend a lot of time these days, how do we get to one source of truth and every aspects about our business? So when we talk about service to customers, what is the one number that tells us are we meeting service to customers? What is the one number that tells us, are we meeting offtake and market share expectations. So we spend a lot of time in, at the moment, data and AI to really build out our data lake, to make sure we have the right questions, the right answers, the right hypothesis and come up with the right action. So you're right, there's a lot of investment needed in this space and we're making these investments.

Operator

We'll take our next question from Charles Scotti with Kepler. Your line is open.

Analyst: CharlesLouis Scotti

Question – CharlesLouis Scotti: Yes. Good morning, good afternoon. Couple of questions from my side. The first one, could you please provide us more granularity on the expected mid-single-digit sales decline in Q3? It appears that the Consumer Beauty will remain the main drag, but Prestige beauty comps become significantly easier in Q3, and apparently, inventories are healthier. And despite that, it seems that there will be a sequential deterioration in Q3. So what's explaining this dynamic? And more broadly, what's driving the gap between the expected market growth in Prestige and Consumer and your own expected top line growth, is it destocking or market share losses?

Second question...

Answer – Markus Strobel: Yeah.

Question – CharlesLouis Scotti: ...on the gross – sorry, one by one?

Answer – Markus Strobel: Yes.

Answer – Laurent Mercier: Yeah, maybe I can – I can start with that one, Charles, and then please go on. So, indeed, on the Q3 mid-single digit, so as we indicated, I mean, it's – the main headwind is from Consumer Beauty. And indeed, as we shared just before, I mean, we are really still in a phase of that we know where the gaps are, the team is really putting in place all these actions, but it takes time. And, indeed, we are still in this phase where the example that too many innovations, then we had to take some returns in some cases. So it's still hurting the top line. And this is something that, indeed, we are managing.

There is also a part that how – it's exactly the strategy. We are focusing on the big bets. So, there are also some parts where we are deprioritizing, okay? So it's weighing on the net revenue, but for good reasons, okay. It's really with this approach that it will pick up and then it will improve the gross margin and it will improve the profitability. So there is these dimensions that you need to consider in Q3 for Consumer Beauty. But at the same time, we are starting to see some green shoots. Markus was referring to CoverGirl. Simply Ageless, Lash Blast, I mean, are doing good. So we need really to amplify these initiatives. But again, it takes time.

Then on Prestige, I mean, first of all, you see that, indeed, we have some really sequential recovery from Q1 to Q2. This is what we indicated. I can tell you that the headwind that we faced over the last year, which was related to retailer inventory, now is fading out. So, we are really now – sell-in and sellout step-by-step are really now synchronized. So that's positive.

Now, again, Q3, we still have some challenges. Now, it's really focusing on sellout. Sellout will be sell-in. But sellout, indeed, and we indicated in the call that we still have some headwinds. I mean, US Prestige is one case. I mean, our Q2 was not at the level expected. Our Q1 sellout was very encouraging. The beginning of Q2 was encouraging, but the end of Q2, in fact, was lower than expected. And these are exactly the reasons that Markus was sharing. Okay? So that's really the big indication. We have great assets, great innovations, which are really doing great. But on the other hand, we didn't focus enough on the core. And this is currently what's putting pressure on our sellout and market share, and that all the actions are really in place to correct this. But indeed, it takes time and it's weighing also on our Q3 Prestige top line. So that's really the big picture. But keep in mind that these are adjustments, and then step-by-step, there will be some sequential recovery on both divisions.

Question – CharlesLouis Scotti: Okay. Thank you. Very clear. And on the 200 bps and 300 bps gross margin contraction, could you break down the key drivers between input cost inflation, product, geographic mix, tariff and promotions? And what is your full year gross margin assumption? Given that the margin comps also become much easier in Q4, is it fair to assume the same 200 bps, 300 bps margin contraction in Q4 or a little bit less? Thank you.

Answer – Laurent Mercier: Yeah. Yeah, thank you. So indeed, Q2 gross margin, I mean, came in lower than our initial expectations. And this is indeed what's driving, you know, putting some pressure on the profits. So what are the big drivers? So, on the Prestige division, the number one is that indeed we saw in Q2 and especially end of Q2 really some very high promotionality in the market. So it really puts some pressure on trade terms, on markdowns. So this is really something that we saw really from the whole category and the whole sector. So, it indicated some headwind on the gross margin. And this is mostly the case in Prestige.

And on top of this, of course, I mean, comes the tariff, indicated tariff is about $8 million for this Q2, will be below $40 million for the full year. And the third element still on Prestige is also the forex. As we discussed last time, I mean, we have production in the US and we started really to put some more production in the US. But we still have big productions in Europe. And of course, the euro-dollar is creating really a headwind on the gross margin.

Having said that, just keep in mind that the gross margin in Prestige is still higher than versus two years ago, okay. So it's despite these headwinds, we are in a good territory. So we are seeing this pattern remaining in Q3, and then indeed there will be some recovery in Q4.

Consumer Beauty is, we discussed the number one. There are similar components, but there are two other elements which are important is, number two, that lower volumes, especially on our color cosmetics brand is creating fixed costs under absorption, which is really hurting our gross margin. So, that's why the sellout and recovery on our big brands step-by-step will mitigate these (00:25:03).

And the second one is mix. We are doing right in Brazil. On the other end, as you understand, our big brands in the US, which are very high profitable, they are under pressure. So there is also this mechanical mix effect. And again, the plan of the Color the Future is really that to recover this and step-by-step to recover. So, Q3 would still be the same pattern and then some sequential recovery in Q4, which will continue in fiscal 2027.

Operator

We'll move next to Oliver Chen with TD Cowen. Your line is open.

Analyst: Oliver Chen

Question – Oliver Chen: Hi. Thank you very much. On the Consumer Beauty side, given the strategy added here, should we expect it to get worse and worse before it gets better, just in order to conduct that reset? And also, as you think about Consumer Beauty, what specific innovation are you feeling most confident about that we should focus on? And on the fragrance side of the house and Prestige fragrance, would love your thoughts on your growth relative to the market and what innovation you're most focused on to outgrow the market trends? Thank you.

Answer – Markus Strobel: Yeah. Hi. The first question was, again, (00:26:22)

Answer – Laurent Mercier: On Consumer Beauty.

Answer – Markus Strobel: The Consumer Beauty. Yeah. I was already...

Answer – Laurent Mercier: Yeah.

Answer – Markus Strobel: ...on the innovation there. On Consumer Beauty, I think I would not – I think things will get better. This quarter for us is difficult as we are really changing the way to go to market. Sharper bundles and better focus on the base business. It will take some time, but I would not characterize this going getting from worse to worse. It will not be easy. It will take some time, but it will get better. I'm pretty much convinced of this. I have seen the plans. I have seen the way the team is defining the activities of the brand to both appeal to a modern consumer, but also make sure that our heritage consumer is being protected and keeps loving our brands. So I'm very excited about that.

We have good innovation coming up. We have strong innovation coming up on our core franchises, on the Simply Ageless, on the Lash Blast, but also on new items, more trend items like skin tints and all these things that are currently being requested by the market. So we're on it. So I guess the bundle that we're going to bring out, the fiscal 2026 bundle is going to be good, much better than before, the fiscal 2027 bundle will be great. So that's the way we envision it.

In Prestige, we have some pretty exciting blockbusters coming up in the next couple of months. We're going to launch a big Calvin Klein female initiative actually now – soon, very, very soon. And we are super excited about that, because we're trying to already make sure that we have halo effects on the Calvin Klein franchise, and Calvin Klein is a big franchise. If you can move the needle there, we can get immediate better sellout and growth. We will have big bet with the Marc Jacobs beauty, like the makeup launch in end of the fiscal year, which we try to turn into a big blockbuster as well, very excited when I look at that innovation. So this is our near-term focus to get these two things right. And obviously we have many more things in the pipeline that we can talk when we speak again.

Operator

We'll move next to Susan Anderson with Canaccord Genuity. Your line is open.

Analyst: Susan Anderson

Question – Susan Anderson: Hi. Good morning. Thanks for taking my questions. I guess, maybe just a follow up on the promotional environment. I guess as things kind of worsened in second quarter in the back half, was this driven by competitors, I guess, trying to gain more share or was it just consumer demand was lackluster? And then, do you expect this promotional environment and markdowns to continue in the third quarter? And then, just to follow up on Oliver's question as well, maybe if you could talk about kind of where your Prestige fragrances are growing relative to the market. Thanks.

Answer – Laurent Mercier: Yes. So – yeah, morning, Susan. I can start. So, indeed, I mean, we saw some competitors, indeed, being very aggressive on promotions. So that's why I was telling you, it came more second half of Q2. Yeah, we are taking the assumption that it will stay in Q3. So that's why we are including this in our equation in our gross margin. So, now, at the same time, this is really the segue to all the strategy and what Markus has just shared. So, is really that on our side? It's really crossing us and pushing us really to reallocate our resources and really focusing on the sellout. We have great innovation that we can amplify. So that's really the motto. And again, as you know, we are really across, I mean, the full portfolio.

We are seeing the Gen Z, I mean, entering the category being very excited. But volumes are growing, that's very important. So, again, we are taking this more as a conjectural effect that we are confident that all the work we are doing will help really to manage and mitigate these headwinds. So, again, to be very clear, from a consumer standpoint, there is full confidence. I mean, all the KPIs, household penetration, especially in market like US, new consumers entering the category, this is at stake. And as you know, I mean, new tools, TikTok, again, these are new tools where really we are seeing great traction. So, again, we shared, I mean, there is – we stay absolutely confident that the fragrance category will keep growing mid-single digit and really volume and mix, okay. So volume is very important and it is the case.

Operator

We'll take our last question from Andrea Teixeira with JPMorgan. Your line is open.

Analyst: Andrea Teixeira

Question – Andrea Teixeira: Hi. Yeah, good afternoon there and good morning here, everyone. So I was hoping to see if you can comment, Markus – first of all, welcome. I was hoping to – if you can talk to the experience you had managing these brands, especially the Consumer Beauty portfolio at P&G and some of the fragrances as well. At the time of the decision to sell these brands to Coty, I mean, obviously, it's the question that most of us probably are thinking, what's different now with Coty? And obviously, the industry has transformed over the last years where Coty has been the stewardess of those brands, but what gives Coty a better right to win? And a clarification on the SKU rationalization, what is the top line and gross margin impact over the years and how to think in terms of the cadence of that impact? Thank you.

Answer – Markus Strobel: Okay. I cannot obviously not comment what went down 10 years ago. I was running the SK-II brand at that time in Asia far away. I can only comment today what we are doing on the business and what gives me confidence.

If you look at, for example, the history of CoverGirl in the last few years, there has been a lot of back and forth on the positioning on the equity, right? A brand for, like, all the consumers and then suddenly tried to make it a full Gen Z brand, which obviously did not work, and then back again and back and forth. I think every brand that I have ever run, everything starts with the consumer. Okay? Do I understand my consumer? Do I understand my target? Do I write propositions for my target? And do I have strong equity that I'm going to drive and then I'm not going to walk away from?

So what we have done in the last couple of weeks under Gordon's leadership is really sharpen and define our equities and basically say, whom is CoverGirl for and whom it will appeal to? Who is going to be – who's going to love Rimmel? And we find out there is consumers out there that do, there's consumers that potentially do, older consumers, younger consumers. These brands have broad appeal and we need to bring it now to life. We need to bring it from a PowerPoint charts into the market. And we're doing that, and it's going to happen over the next couple of weeks and months. And I'm fairly confident that we can get better than we were before.

And the gross margin, the question was...

Answer – Laurent Mercier: Yeah. Your question, sorry, Andrea, was really, okay, how – yeah, how do we see some improvement from all these actions? I mean, I think you're familiar with that. Again, number one, as I shared, I mean, today, we know what are the headwinds, okay, in our gross margin. So, some will naturally disappear or anniversaries, okay. So, of course, the tariff and the forex, all these headwinds are hurting this year. And next year, they will anniversary. I think Consumer Beauty, you heard really that all these actions will deliver some gross margin. So now on the SKU rationalization, either Consumer Beauty or Prestige is of course that it has an impact across the full value chain. So this is, yeah. And Markus, you can comment.

Answer – Markus Strobel: Yeah. I think one, Andrea, I think which is very important on that, when we're doing a lot in terms of becoming more productive and saving costs, improving our gross margin. But in the beauty category, with the gross margins you have in general in beauty, the number one thing is to drive top line growth, because I'm always saying the top line health is bottom line wealth in beauty. And that's what we're all geared to do.

Operator

Thank you. At this time, we've reached our allotted time for questions. I'll now turn the call back over to Markus Strobel for any additional or closing remarks.

All right, thanks for the call. We recognize that our recent financial performance has not met expectations, there's no sugarcoating it. This leadership transition marks a fresh chapter grounded in realism, discipline and focus. Going forward, we will be transparent about what works and what does not. We're going to set balanced near and long term targets. We're going to concentrate our resources where they matter most, and we'll continuously review our portfolio to unlock value. Consumer demand is our North Star, and we have a clear emphasis on focus, execution, sharper priorities. So I'm confident that Coty will improve. It will take time, but progress is already underway. As I said in my prepared remarks, it will not happen overnight, but it will happen.

Operator

Thank you. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.