2Q FY26 Earnings Script

Olga

Slide 1

- Hello everyone, this is Olga Levinzon, Coty's Senior Vice President of Investor Relations
- Thank you for joining us today for the prepared remarks portion of Coty's second quarter fiscal 2026 earnings
- On Friday, February 6th, 2026, at approximately 8:00 AM Eastern Time or 2:00 PM Central European Time, we will hold a separate, live Q&A session on our results, which you can access via our Investor Relations website

Slide 2

- Joining me for our presentation are Markus Strobel, Coty's Executive Chairman of the Board and Interim Chief Executive Officer, and Laurent Mercier, Coty's Chief Financial Officer
- Before I hand the call over to Markus, 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
- Thank you

Slide 3

- I will now turn it over to our Executive Chairman and Interim Chief Executive Officer, Markus

Markus

Slide 4

- Hello everyone
- My name is Markus Strobel and as you have seen, I officially joined Coty on January 1st as the Executive Chairman and Interim CEO
- Today is my 36th day on the job – and let me tell you, these days have been pretty intense
- I had the chance to conduct in-depth business reviews, visit some of our biggest markets like the U.S. and the U.K., see our technical centers, and review our R&D capabilities
- I managed to speak to some of our key customers, and most importantly, met with many of our talented, beauty-minded and passionate people
- All this has given me a good sense of the business and a fundamental understanding of our challenges and opportunities
- Since most of you don't know me, I thought I'd give you a quick summary of my background
- I spent the last 33 years at P&G, and I retired a year ago in 2024
- For the vast majority of my time at P&G, I had the pleasure of working in a variety of beauty categories: skin care, hair care, personal care, as well as almost 10 years working on fine fragrances
- In the last 7 and a half years I was the president of the Skin & Personal Care division globally run out of Singapore, with brands that you may know like SK II, Olay, Old Spice and Native
- Fun fact: in my early years working in fragrances, I was in charge of transforming Hugo Boss from a small local fragrance brand into a global success, and one of the ways we did this was by spearheading the launch of the Boss Bottled franchise
- Fast forward to today, as I join Coty, Hugo Boss is now the largest brand in the portfolio, and with Boss Bottled Beyond as this year's blockbuster launch, it feels like I've come full circle

- And the task at hand now is to apply my experience from P&G – both the extensive beauty expertise but also the operational, data-driven discipline – to help the Coty organization focus and succeed in the beauty market of today and tomorrow

Slide 5

- Coty has accomplished a lot in the last 5 years
- The organization significantly strengthened its fragrance innovation and execution capabilities
- Growing the Prestige fragrance business at a 10% CAGR from FY21 to FY25 is no small feat
- Coty revamped the brand equities of the major Consumer Beauty brands, while modernizing consumer engagement and the innovation pipeline
- The company grew gross margins by close to 500 basis points and deleveraged the company by over 4 turns in that time frame
- These are major accomplishments, and the teams should be very proud of the progress made

Slide 6

- Even though I'm still only a month into understanding the business, and assessing the portfolio, it's already clear that Coty has outstanding assets, capabilities and competitive advantages that will position it to succeed in beauty, if and only if, they are paired with the right operational discipline
- First, Coty has leading and highly desirable fragrance brands like Hugo Boss, Burberry, Marc Jacobs and Chloe
- Coty significantly grew each these brands between 30% and 140% from FY19 to FY25, and there remains substantial room to expand them further
- Second, after visiting our fragrance R&D Center of Excellence in Geneva, meeting our leading perfumers, understanding our cutting-edge compositions and seeing our proprietary testing, I am convinced that Coty has stellar fragrance innovation capabilities

- Third, I've spoken to the various global and local teams, and I am very impressed by the amazing creativity and entrepreneurial spirit across the organization
- And finally, Coty's vertically integrated model – particularly in fragrances – is a real differentiator and competitive advantage, enabling Coty to translate our internal R&D and global commercial scale into winning propositions across our multi-tiered fragrance portfolio
- But as they say, if you are so smart, why aren't you rich?
- There's no denying that Coty's financial results in the past 18 months have been disappointing
- The stock has also been hovering around $3 for several months, which I see as a signal that investors are skeptical about Coty's long-term ability to compete in beauty, sustain fair market share, and deliver consistent, profitable growth
- Both things are true: Coty has outstanding assets and capabilities, and we have not been delivering at the level we should
- My takeaway is simple: our business imperative is to leverage our collective brainpower and competitive advantages to deliver the financial and operational performance that reflects Coty's potential

Slide 7

- Coty has breadth; breadth can be a strength—but only when it's curated
- This is the foundation of our new strategic framework, "Coty. Curated."
- At its core, this means FOCUSED INVESTMENT and SHARPER PRIORITIES
- "Coty. Curated." is about making big even bigger: scaling what wins, stopping what dilutes, and removing layers that slow execution
- Ultimately, success hinges on disciplined execution, operational effectiveness and sufficient, multi-year marketing support
- Let me illustrate how complexity quietly dilutes impact

- Today at Coty, we sell more than 40 brands across dozens of markets. This results in over a thousand possible brand and market combinations — highlighting the significant complexity we manage
- The risk is clear: when resources are stretched across too many permutations, our core brands may not get the consistent, concentrated support they need
- This manifests in the following ways:
    - Without adequate support, our top initiatives don't reach their full potential in the markets that matter most – the largest, highest-growth potential markets where impact should be the greatest
    - The creativity of the Coty organization is amazing, and we can create beautiful and cutting-edge assets, but too often we create too many new assets, across too many brands and too many markets
    - A disproportionate amount of our spending gets tied up in asset creation, and not enough flows into working media and consumer engagement, which can lead to insufficient awareness, trial and purchase
    - And, finally, strong Year-1 initiatives may often lack sufficient Year-2 support, because we are allocating too many resources to new product launches. So many activities, so many projects — but very few make a real difference
- So how do we break this cycle?
- We will place a much stronger focus on our top markets, brands and initiatives, ensuring they are sufficiently funded and grow year after year
- We will refocus investment on the CORE, ensuring that the MORE supports the CORE through built-in halo effects
- These insights are not revolutionary, but they are fundamental to every beauty and consumer business that delivers long term success
- FEWER ASSETS. BETTER EXECUTION. BIGGER PROPOSITIONS. THE MORE SUPPORTING THE CORE
- We will share more details about "Coty. Curated." in the coming quarters

Slide 8

- Let me share a few examples of what this looks like in practice, focused on our biggest brands and biggest markets
- It's only fitting to begin with Hugo Boss
- Hugo Boss is Coty's biggest brand in the portfolio, and despite its scaled size, Coty has grown this brand by over 30% at constant currency since FY19, a testament to how the strategy is broadly working
- Boss Bottled Beyond, launched this past fall, is a top-notch innovation and is already ranking as the #2 innovation in key markets
- Its strong momentum has driven market share gains for the iconic Boss Bottled franchise in all major markets, including Germany, UK, Spain, France, Canada and Mexico
- Importantly, by leveraging Boss Bottled Beyond to unlock the U.S. market for the Hugo Boss brand, the innovation has already captured 90 basis points of share in the U.S.

Slide 9

- These achievements highlight the strength of Coty's innovation, creativity and marketing capabilities
- But without sufficiently strong operational discipline, the success of Boss Bottled Beyond did not translate into growth for the broader Hugo Boss brand in the past 2 quarters
- The launch did not generate enough halo impact on other core Hugo Boss franchises, like Boss The Scent
- This is not rocket science, which is why we're putting in place a more holistic plan for next year, with continued support and co-merchandising around Boss Bottled Beyond, a broader brand-level halo strategy, and sustained reinforcement of the core business

Slide 10

- We've seen similar puts and takes in our largest market, the U.S.
- As shared in recent quarters, underperformance in the U.S. market in both divisions accounted for nearly all of Coty's FY25 sales decline

- The company took action in calendar ‘25, including a new leadership team, new organizational structure, and increased marketing support
- However, the results in the last couple of quarters have been inconsistent
- There are many things that are working well in the U.S.
- We have several scaled, leading fragrance brands such as Burberry and Marc Jacobs, with several female franchises like Burberry Her and Marc Jacobs Daisy ranking in the Top 15
- We’re strongly outperforming in the prestige makeup category, led by momentum in Kylie makeup
- On the retail side, we are strengthening our position with growing customers
- As a result of our strong partnership with Ulta, they are now one of our largest retail partners, and we are outperforming with them
- Similarly, we’re delivering best-in-class execution in the critical prestige e-commerce channel, with strong double-digit growth in the first half
- Amazon is now a leading beauty retailer in the U.S., albeit with a smaller position in prestige fragrances
- We are proud to have grown Coty’s fragrance sales on Amazon by over 30%, fueled by our existing brands and the successful launch of Marc Jacobs fragrance on Amazon in July
- And importantly, our efforts on TikTok Shop in both the U.S. and U.K. are driving a halo for our brands in both e-commerce and brick-and-mortar

Slide 11

- While many areas of the U.S. business are working well, results during the critical Q2 holiday period were below our expectations
- We saw three key areas of pressure
- First the prestige fragrance market slowed from 7% growth in Q1 to approximately 3% growth in Q2, with much of the consumer purchasing concentrated at the very end of the quarter

- Second, we saw very aggressive promotional activity in prestige fragrances during the holiday season
    - This not only suppressed broader US fragrance growth but also the profit contribution from this key market
- And third, our performance versus the market has been inconsistent
    - In Prestige fragrances, after lagging the market by 5-7% in prior quarters, our fiscal Q1 sell-out was in line with the market
    - However, in Q2 our sell-out was flattish, underperforming the market by several points in the critical fragrance category
    - In Consumer Beauty, we continue to see a large gap in our sell-out performance relative to the U.S. mass cosmetics category, though the recent changes we've implemented are starting to show some modest improvement
- The root cause of this underperformance comes back to the same themes: focus, making choices, prioritizing investment, and operational discipline
- Over the past couple of years, in both Prestige and Consumer Beauty, Coty has funded too many projects and initiatives
- As a result, high potential core franchises didn't receive sufficient investment or organizational focus
- Too much emphasis was placed on launching new innovation, and not enough on the core business
- The challenge was most acute in mass cosmetics, where our SKU count in seasonal innovation bundles kept increasing, resulting in less productive SKUs replacing more productive SKUs on shelves in addition to incurring more costs from returns
- The good news is that we are clear on our priorities from here
- We are actively shaping the U.S. playbook for both Prestige and Consumer Beauty to:
    - First of all, continue winning where we are already strong, and
    - Second, concentrate media support, in-store execution, and organizational focus behind the brands, franchises, retailers, and channels that will move the needle and deliver sustainable sell-out growth

Slide 12

- Burberry continues to be a standout performer in our portfolio
- We have grown Burberry by more than 140% between FY19 and FY25, a testament to the strength of the brand and the discipline of our execution over time
- Over the past six years, we've built three core fragrance franchises — Burberry Her, Burberry Hero, and Burberry Goddess
    - And in Q2, each grew by a mid-single-digit to double-digit percentage LFL
- And importantly, Burberry continues to steadily strengthen its position:
    - Burberry's global fragrance ranking improved from #30 in 2019 to #15 in 2025
    - In female fragrances specifically, Burberry is now within the Top 10, up from #27 in 2019, a remarkable step-change in just a few years
- Complementing fragrances, Burberry makeup also delivered high-single-digit growth in Q2, reinforcing the brand's ability to perform across categories

Slide 13

- Let me move to another example of what's working well, Marc Jacobs
- We are seeing continued momentum in key franchises like Perfect
- We also saw exceptional performance from the Daisy Murakami limited-edition collection, which exceeded all expectations and rapidly sold out in the U.S.
- We are excited to roll out this launch in additional markets in the coming months
- The launch of Marc Jacobs on Amazon last summer has been highly incremental
- In fact, the Amazon launch has supported growth across other channels, including brick-and-mortar, with Marc Jacobs U.S. total sell-out growing double-digits since the launch
- Looking ahead, we are excited to launch makeup under Marc Jacobs Beauty in mid-calendar 26
- This combination of strong core franchises, high-impact innovations, and presence in top markets and key channels, illustrates why disciplined momentum-building is central to our strategy across the portfolio

Slide 14

- Kylie Cosmetics is another example of what is working well
- In the second quarter, Kylie delivered strong like-for-like sales growth
- Fragrance sales more than doubled year-over-year led by the Cosmic franchise and the brand's entry into fragrance mists
- Makeup sales also grew at a high-single-digit rate thanks to momentum in lip products and the viral social media success of the *Skin Tint Blurring Elixir*
- Total Kylie Cosmetics brand sell-out growth in Q2 was more than 20%, supported by strong momentum in both makeup and fragrance
- In recent weeks, we launched the next fragrance iteration, *Cosmic Kylie Jenner Intense*, and this innovation is off to an exceptional start, well ahead of our expectations
- And as further proof of the brand's global resonance — and Kylie's own influence — Kylie Cosmetics ranked #2 among all beauty brands in CY25 in social media engagement through creator-led strategies by both Traackr and Cosmetify

Slide 15

- Moving to our mass fragrances business
- The broader Coty issue of pursuing too many small projects, adding complexity without moving the needle, is also evident here
- Smaller lifestyle fragrance initiatives have diverted focus and resources from core brands, reinforcing the need to focus and streamline the portfolio
- We will discontinue small fragrance initiatives and halt new projects that have been in development, particularly as many of these projects did not resonate with retailers and consumers
- Instead, our focus will be on amplifying core brands like adidas, bruno banani and Mexx
- In fact, adidas fragrances, grew at a double-digit pace in Q2
- The new adidas scenting platform, adidas Vibes, is performing well in a number of regions, particularly emerging markets like Central & Eastern Europe and Southeast Asia

- But that strength is not yet consistent globally, and we are working to accelerate its performance across markets

Slide 16

- Across Coty, our AI journey is accelerating and we're already putting real foundations in place, though this is just the tip of the iceberg of what AI can do for our business
- Building on our strong, sizable AI partnerships with Microsoft and ServiceNow, our new strategic collaboration with OpenAI expands our AI ecosystem to support focused applications, including advanced consumer-persona insights
- We're actively creating digital assets using generative-AI, helping us reduce spending, compress timelines, and generate more content
- While still in the early stages of implementation, through AI, we've reduced the post-production asset costs for select fragrance, cosmetics, and skincare brand campaigns by 70-90%
- We are also preparing for machine buying
- Through Generative Engine Optimization, we're beginning to influence how our brands are represented and recommended across AI engines — an increasingly critical gateway for consumer discovery.
- But perhaps most importantly, AI at Coty isn't just about the tools, it's about our people
- Through targeted training, hands-on workshops, and leadership engagement, we are building an organization where AI becomes part of our employee's day-to-day, strengthening execution today and creating a future-ready Coty

Slide 17

- Now that I've shared my very initial assessment of Coty's portfolio, capabilities, and playbook, it's fair to ask: now what? What does this mean for Coty's overall strategic direction?
- I don't have all the answers today, and I will come back to you in the coming quarters with a comprehensive strategic overview and financial roadmap for the coming years

- But in the meantime, there are some decisions I've made, with the support of the Board
- First, we will continue with our strategic review of Consumer Beauty
- As shared last quarter, under the leadership of Gordon von Bretten, we are activating the "Color the Future" performance improvement plan to return Coty's Consumer Beauty Cosmetics business to growth and profit expansion over the next one to two years
- Laurent will share an update on Color the Future shortly
- While delivering the full results of the plan will take some time, I believe this is the right strategic decision for Coty, as the successful execution of the plan will unlock shareholder value regardless of the ultimate decision on the brand portfolio, with value opportunities in both the short and long term
- The second portfolio decision is around lifestyle scenting
- While we will pursue closer coordination across our full fragrance portfolio in R&D and consumer insights, we have decided that lifestyle fragrances will remain under Consumer Beauty to ensure continuity in commercial activities and marketing support
- Third, given our focus on scale, reach and profitability, we have made the decision to end our license with the Orveda skincare brand
- And finally, in a similar vein, we will also be reviewing our tail fragrance initiatives, with a focus on the smaller, geographically dispersed activities
- Now let me hand the call over to Laurent to discuss our financial results and outlook

Laurent

Slide 18

- Thank you, Markus
- As Markus has discussed, we are navigating a complex external environment, while in parallel working to instill greater focus and operational discipline across the organization

Slide 19

- Let me provide some context on the broader beauty backdrop and our in-market performance
- In Q2, the prestige beauty market grew approximately 5%
- While still solid growth, this indicates some sequential slowing from the roughly 6% growth in Q1
- The slower growth was evident in prestige fragrances, with the category moderating from 5% growth in Q1 to 3% in Q2, with modest growth in both units and price/mix
- In prestige fragrances, there was some incremental slowing in the U.S. and in certain European markets like Germany and the U.K.
- Against this backdrop, our total sell-out was broadly flattish, though this included weaker-than-category sell-out in key markets like the U.S., Germany and the U.K., largely balanced by strong sell-out in emerging regions like Asia Pacific, Middle East, Latin America and Travel Retail
- On the revenue side, our Prestige net sales declined by 2% LFL
- The gap between our relatively stronger sell-out and weaker sell-in was primarily driven by elevated promotionality in the market, which pressured our gross-to-net
- On a gross sales basis, sell-in was broadly aligned with sell-out, indicating that the estimated inventory destocking headwinds we experienced over the past year meaningfully reduced this quarter
- In Consumer Beauty, the market grew by 5% in the quarter
- As in recent quarters, our challenge in Consumer Beauty remains the sizeable gap between our sell-out and the market, while our sell-in remains broadly aligned with our sell-out

Slide 20

- Our total Q2 LFL sales improved sequentially to down 3%, at the better end of our minus 3% to minus 5% guidance
- We estimate that we have significantly reduced Prestige trade inventory in Q2 and are tightening the gap between sell-in and sell-out

- At the same time, topline was held back by slower category growth and continued market share underperformance in several of our key markets, including the U.S., U.K. and Germany

Slide 21

- In Prestige, LFL sales were down 2%, an improvement from down 6% last quarter
- As discussed, several counteracting forces are at play
- On the one hand, the estimated impact from retailer destocking has significantly reduced and our innovation overall is contributing more strongly to the topline, growing double-digits versus last year
- On the other hand, the prestige fragrance market growth has slowed by a couple of percentage points while simultaneously becoming much more promotional, with aggressive discounting activity during the holiday season
- It's also worth noting that the complexity in the business driven by too many launches and initiatives contributed to service issues in the Prestige business during Q2
- To address this, we are increasing our inventory behind core SKUs to improve service in the coming months

Slide 22

- In Consumer Beauty, LFL sales declined 6%, an improvement from an 11% decline in Q1
- We are orienting our innovation pipeline toward the highest-growth face subsegments, including highlighters, bronzers, and tints
- Our market share gaps in the U.S. and Europe continue to weigh on sell-in
- And while we are focused on turning around our color cosmetics business, this work and closing our share gaps will take time

Slide 23

- Specific to Consumer Beauty Cosmetics, as Markus mentioned, we have begun implementing our Color the Future performance improvement plan

- With the Consumer Beauty leadership team now in place and fully accountable for the P&L, the team has begun to put the plan into action, including:
    - First, re-allocating A&CP from non-working media and asset production, to consumer engagement investments behind core parts of the business like CoverGirl U.S. and Rimmel U.K.
    - Second, streamlining the FY27 innovation pipeline to ensure a tighter, better-supported and more targeted innovation bundle designed to halo on our core brands, improve door productivity and drive margin accretion
    - Third, doubling down on procurement savings initiatives across various categories including merchandising and media
    - Fourth, refining brand equities and positioning across the entire color cosmetics portfolio to ensure each brand has a clear, differentiated point of view with its core consumers
    - And, finally, executing more locally relevant, disruptive 360° activations to strengthen brand visibility and engagement in our key markets
- Next steps in the coming months include reinvesting behind key icons, activating evolved brand equities, leveraging AI to scale content creation at a fraction of the cost, and re-examining the full value chain
- It's worth noting that some of these actions were part of our Consumer Beauty turnaround 5 years ago, including revamping brand equities, platforming innovation, and streamlining SKU count
- While these interventions helped stabilize and grow Consumer Beauty several years ago, operational discipline has slipped across the organization over the past two years
    - For example, the number of SKUs in our annual CoverGirl innovation bundle has almost doubled in recent years, significantly increasing costs
    - We have already materially reduced the SKU count in the FY26 spring innovation bundle to focus on the highest-potential launches, and our FY27 plans include further streamlining in the CoverGirl innovation SKU count

- With Gordon leading end-to-end, the goal is to reinstate the operational discipline and introduce more transformational, full value-chain change so that progress is durable
- While still early in the transformation plan, we've seen some early green shoots
- For CoverGirl, we've focused marketing activation and investment behind the top franchises – Simply Ageless and Lash Blast – and as a result, these franchises have seen improved retail sales trends
- Sell-out has improved from a high-single-digit decline in the last 12 months to a low-to-mid-single-digit decline in the past 3 months
- For Rimmel, with culturally relevant, locally executed activations, sell-out has improved from a mid-single-digit decline in the last 12 months to a low-single-digit decline in the past 3 months and closing the gap to the category

Slide 24

- Our adjusted gross margin was 64.2%, a 260-basis point decline from the prior year
- While we expected adjusted gross margins to decline more sharply in Q2 than in Q1, the decline was worse than anticipated
- In Prestige, the promotional environment intensified as we moved through the holiday period, creating a more significant headwind than expected
- In Consumer Beauty, we faced fixed cost under-absorption from lower volumes and mix headwinds from weakness in the higher-gross margin U.S. business, coupled with stronger growth in the lower-gross margin Brazil business
- Tariff impacts were also higher than in Q1, though broadly in line with our expectations
- Importantly, based on the current external environment, we expect each of these pressures on our gross margins to persist into the second half of FY26

Slide 25

- As these margin pressures flowed through the P&L, we made some adjustments to our A&CP investments, though not to the same extent as the decline we saw in our underlying revenue trends

  - In Q2, A&CP was approximately 27% of net revenues, consistent with the prior year, demonstrating our ongoing commitment to invest behind core brands
- Adjusted EBITDA was $330 million, down 15% year-over-year, at the lower end of our guidance range for a low-to-mid-teens decline
- The decline primarily reflected topline pressure and lower gross margins
  - The quarter also included a few million dollar expense related to the CEO transition
- Our adjusted EPS excluding the equity swap was in line with expectations at 33 cents for the first half and 18 cents in Q2

Slide 26

- In Q2, we generated fixed cost savings of over $10 million, in addition to approximately $40 million in productivity savings
- We continue to expect about $200 million in cumulative savings in FY26
- These savings provide us with the flexibility to reinvest in growth, and offset inflation and other cost pressures

Slide 27

- Despite the challenged topline and profitability landscape, we delivered significantly higher free cash flow in the first half of $524 million, which was well above our guidance of more than $350 million and above last year's first half free cash flow of $411 million
- The stronger-than-guided free cash flow was driven by better receivables performance and the phasing of working capital, which benefited Q2 and will reverse in Q3
- On a year-over-year basis, free cash flow also benefitted from the absence of cash bonus payments tied to FY25 company results
- We also completed the divestiture of Wella, right in line with our original commitment to divest our financial stake by the end of calendar 2025
- This generated $750 million of upfront proceeds, with the potential to receive proceeds from a further sale or an initial public offering of the business, after KKR's preferred return has been met

- As a result, we ended the quarter with net debt of $2.6 billion and leverage of 2.7x, the lowest levels for both metrics in more than nine years
- We remain committed to bringing leverage closer to 2x over time, through both organic and inorganic levers

Slide 28

- Now, let me discuss our near-term outlook
- With Markus new to Coty and only one month into the role, he needs time to fully immerse himself in the business, understand the underlying dynamics, refine our strategic priorities and align with the Board
- Given this leadership transition, it would be premature to issue full second-half or fiscal-year 2026 guidance at this stage
- As a result, we are withdrawing full fiscal year guidance, which had been previously given for EBITDA and free cash flow
- However, we do want to offer visibility for Q3

Slide 29

- For Q3, we expect LFL revenue trends to decline mid-single-digits, driven primarily by bigger declines in Consumer Beauty
- We see differing drivers across Prestige and Consumer Beauty
- In Prestige, we estimate the fragrance market will grow low-to-mid-single-digits, consistent with Q2 and in line with the broader beauty market
- While we estimate that the headwinds from retailer destocking significantly reduced in the quarter, the promotional environment intensified as we moved through the holiday period and remains elevated, which is a headwind to net sales and by extension, gross margin
- We are refining investment allocation behind key priorities and strengthening execution playbooks as we work to improve market share over time in several key markets

- Finally, in the coming weeks we'll be launching a key female fragrance initiative under Calvin Klein
- For Consumer Beauty, we expect the mass beauty category to be flattish to up low-single-digits, driven by e-commerce
- At Coty, we are beginning to implement the Color the Future performance improvement plan for color cosmetics, which will narrow our sell-out gap with the market over time
- This includes accelerating in e-commerce, where Coty is currently underrepresented
- In the near term, our sell-out gap to the cosmetics category will weigh on our results
- With shelf space broadly stable through spring resets, we are seeing early green shoots in sell-out trends in focus brands like Rimmel globally, and key CoverGirl franchises
- At the same time, we anticipate weakness in lifestyle fragrances, as we streamline small initiatives

Slide 30

- Considering the mid-single-digit decline in LFL sales, we expect a more significant decline in profitability
- Specifically, we see EBITDA declining to $100 to $110 million in 3Q26, compared to $204 million in 3Q25
- This decline reflects both external factors and our deliberate decision to protect the marketing investments needed to reignite our market share in both divisions
- First, we expect the lower sales at constant currency to drive approximately one-third of the EBITDA decline
- Next, another third of the EBITDA decline is driven by the expected 200 to 300 basis-point gross margin decline, similar to Q2
- This is driven by the same factors: lower sales and unit volumes, negative mix as key profit regions remain under pressure, a highly promotional environment, tariff impacts, and FX headwinds on COGS
- We continue to expect a net impact of under $40 million from tariffs in FY26

- Third, another sizeable headwind to profit relates to fixed costs, where ongoing progress on fixed cost reductions is more than offset by the mechanical impact from last year's variable compensation accrual release, something we had anticipated and have highlighted in recent quarters
- The final major driver is our decision to protect our marketing investments behind our key brands and to sustain support for recent and upcoming launches
- As we reach media sufficiency on these key franchises, we will reallocate investment away from smaller projects that have added complexity, without benefitting the Coty P&L
- We will be disciplined and pragmatic in the pace of these reallocations. Inevitably, we expect this to result in some lost sales and higher returns in the near term, which is part of the sales equation for the coming quarters
- It's also worth flagging that FX is expected to be broadly neutral to our Q3 EBITDA, as a benefit on sales will be broadly offset by a headwind to our costs

Slide 31

- With these various moving parts across the P&L, let me give our precise outlook for Q3
- We expect LFL sales to decline by a mid-single-digit percentage, primarily due to weakening trends in Consumer Beauty
- At current exchange rates, we expect FX to be a benefit of low to mid-single-digits
- We see gross margins declining between 200 to 300 basis points year-over-year, consistent with what we saw in Q2
- Given the decline in gross margin, the mechanical impact to fixed costs, and our commitment to protect A&CP, we expect EBITDA of $100 to $110 million
- We are upholding our commitment to protect A&CP investment, especially behind our core franchises, including continued support for Boss Bottled Beyond, strong support for the upcoming launch under Calvin Klein, and the exciting launch of makeup under Marc Jacobs Beauty in mid CY26

- In Q3, we expect interest expense to be in the low-$40 million level, and we remain on track to reduce FY26 interest expense by close to $40 million versus last year, to the low $170 million level
- With significant debt reductions executed to date, we expect interest expense to decline further in FY27
- Altogether, this translates to approximately breakeven Q3 adjusted EPS excluding the impact from the equity swap
- Finally, we expect cash outflow in Q3 reflecting normal seasonality of the business, the phasing of working capital which benefited Q2 at the expense of Q3, and roughly $30 million in cash taxes related to the Wella sale in December
    - Please note that we anticipate the remaining approximately $30M in cash taxes related to the Wella divestiture to be paid in Q4
- With that, let me turn it back to Markus for concluding remarks

Markus

Slide 32

- Thank you, Laurent
- Let me briefly summarize what you've heard today
- One month into the role, I am convinced that Coty has amazing initiatives, amazing assets, and amazing people
- And it is equally true that we are not yet performing at the level we need to be. Coty has missed expectations for the past 18 months. Both things are true
- With this leadership transition opening a new chapter in Coty's storied history, I am committed to a few core principles
- First, we will provide a realistic and balanced view of the business, sharing what's working; what's not working, but where we're making progress; and what's not working and we will cease
- Second, we will provide realistic and balanced short- and long-term financial targets, which today means our Q3 guidance, but will become longer-term in nature over time

- Third, we will focus the business, make deliberate choices, and optimize investments, all with the goal of delivering consistent, profitable growth over the medium-term
- Our north star will be consumer demand, with a relentless focus on sell-out and market share
- And finally, we will continue to review the portfolio to identify the best ways to unlock shareholder value both in the near and the long term, complemented by other value-driving opportunities
- We will follow up by end of FY26 to share an initial, more detailed view of our strategy, our focus brands and markets, and our portfolio
- I look forward to meeting many of you in the coming months and quarters
- To conclude, I am confident that things at Coty will get better
- It won’t happen overnight, but it will happen