4Q 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 fourth quarter fiscal 2026 earnings
- On Thursday, August 20th, 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

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- 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
- With that, I will turn it over to our Chief Executive Officer, Markus

Markus

Slide 2

- Thank you, Olga
- Hello everyone, thank you for joining us

- Before I begin, I want to thank you, Laurent, for your leadership as CFO. On behalf of the Board and the entire company, I want to thank you for your many contributions to Coty over the last 9 years
- I would also like to congratulate Soraya on her appointment as Chief Financial Officer. We are pleased to have her stepping into this role, as part of an orderly transition, as we continue executing our strategy
- Our fourth quarter results were ahead of our expectations, an encouraging step as we improve execution consistency
- The strong cash discipline across the company also fueled higher free cash flow in FY26, even in the face of profitability headwinds
- At the same time, we are not yet where we want the business to be
- FY27 will be a transition year as we strengthen core franchises and simplify the portfolio and organization, positioning Coty for more consistent growth and sustainable value creation over time
- With that, let me turn it over to Laurent

Laurent

Slide 3

- Thank you, Markus
- Now, let me begin by walking through the sales and sell-out trends in the quarter
- While the macro environment remains volatile, our focus continues to be on the areas we can control:
    - Strengthening sell-out
    - Improving execution
    - And allocating resources behind the brands, markets, and initiatives with the greatest potential to create value

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- Starting with our Q4 performance

- Coty delivered Q4 like-for-like sales down 1%, reflecting sequential trend improvement, and coming in ahead of our guidance of a mid-single-digit LFL decline
- Relative to our expectations coming in, the better-than-expected LFL sales performance was supported by stronger than expected customer orders in the U.S. in both prestige fragrances and mass cosmetics, as well as milder impact from the Middle East
- Specifically, the Middle East conflict impacted our Q4 total sales by a little over 1%, whereas we had anticipated a 2% to 3% impact for the quarter
- We ended FY26 with a 5% LFL decline in sales, which included quarterly variability driven in part by prior-year comparisons and the timing of commercial and portfolio actions like exiting under-scale markets and launches
- We remain focused on disciplined execution and improving sell-out across the portfolio, though quarterly fluctuations may continue over the course of FY27 as we make necessary adjustments

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- Let me start with the broader market backdrop and our sell-out performance
- Despite continued macroeconomic and geopolitical uncertainty, consumer demand for beauty remains resilient
- In Prestige, the market grew approximately 6% in the second half of fiscal 2026, while the Mass Beauty market grew approximately 5% over the same period
- Against that backdrop, our sell-out performance remained below the market in both divisions
- In Prestige, our sell-out declined 1% in the second half and was slightly negative for the full fiscal year
- The timing of several key consumer and retail events differed year-over-year, including Easter in Europe and Amazon Prime Day in the U.S.
- As a result, we believe the six-month view provides a more representative comparison of both market growth and our sell-out performance
- However, our conclusions remain consistent:
    - The prestige beauty market remains robust though very competitive

    - Our major Prestige fragrance launches are performing well, but they have not yet generated the halo across the core portfolio that we are targeting, particularly in the second half
    - And at the same time, our smaller flankers are not sufficiently differentiated
- These two factors are resulting in the modest decline in our sell-out
- This is exactly what we intend to improve in FY27, as all of our brand plans are aimed at driving both incrementality of innovation and a halo for the portfolio
- In Consumer Beauty, our sell-out declined 2% in the second half, which is an improvement relative to the 4% sell-out decline for the full fiscal year
- While still clearly below the market growth levels, this improvement in our Consumer Beauty sell-out is being driven by the U.S., where we are seeing some early green shoots for Sally Hansen and CoverGirl, as well as acceleration in our sell-out growth in Brazil
- In sum, our focus is improving sell-out in both divisions, and steadily closing the gap to the market

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- Let me now turn to our Prestige division
- Prestige LFL sales improved sequentially to down 0.5% in the fourth quarter, and exceeded our expectations
- Within this divisional total, Prestige fragrance LFL revenues declined 1% in Q4 and by approximately 4% in the second half, which is now almost aligned with our Prestige fragrance sell-out trends in the second half
- In parallel, we saw strong momentum in Prestige cosmetics, which delivered double-digit sales and sell-out growth, supported by Kylie, Burberry, and the early contribution from the Marc Jacobs makeup launch
- The estimated impact on Prestige sales from the Middle East conflict was approximately 1.5% in the quarter, lower than we had initially anticipated
- We saw encouraging momentum from innovations across the portfolio, including BOSS Bottled Beyond, Cosmic Kylie Jenner Intense, and Calvin Klein Euphoria Elixir

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- Let me now turn to Consumer Beauty sales trends
- While results remain below where we want them to be, we saw an improvement in trends in the fourth quarter, with LFL sales declining 3%
- Color cosmetics remained pressured, though trends improved sequentially as we continued to implement the actions associated with our turnaround plan
- Encouragingly, Sally Hansen returned to sales growth, supported by continued positive sell-out momentum over the past 6 months
- We are also seeing improving sell-out trends in CoverGirl and a narrowing gap versus the broader category
- And, in the U.K., Rimmel gained volume market share in the last 3 months and is narrowing the gap to the broader category
- Lifestyle fragrances remained challenged, though sales trends improved compared to prior quarters
- While we still have considerable work ahead, these results provide early evidence that the actions we are taking are beginning to gain traction
- Our focus remains on strengthening sell-out, improving execution, and positioning Consumer Beauty for more sustainable growth over time

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- While our financial performance remains impacted by the challenges we have discussed throughout the year, we are making progress against our strategic priorities
- I'll now walk you through our financial results for the fourth quarter and full fiscal year

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- Turning to gross margin
- In the fourth quarter, our adjusted gross margin was 60.9%, down 140 basis points year-over-year, and in line with our expectations
- For the full fiscal year, adjusted gross margin was 63.0%, down 190 basis points

- In the quarter, the primary drivers of the year-over-year decline were cost absorption impact from lower volumes, elevated excess and obsolescence in both divisions, and the impact from tariffs
- We remain focused on simplification, operational discipline and productivity actions, as we aim to stabilize gross margins over the course of FY27

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- Turning now to our savings program
- Our All-In-To-Win program continued to deliver strong results in fiscal 2026, with total productivity and fixed costs savings of more than $250 million, ahead of our target
- These savings were generated across procurement, supply chain, overheads, and organizational efficiencies, reflecting continued focus on productivity and disciplined cost management
- Importantly, these actions are contributing to a structurally leaner cost base
- Our underlying fixed cost structure declined 4% year-over-year in fiscal 2026 despite the inflationary backdrop, partially offset by a headwind from the partial restoration of variable compensation
- We expect to accelerate our savings initiatives in FY27 and beyond, as we right-size our cost structure across the P&L

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- Turning to EBITDA and EPS
- In the fourth quarter, our adjusted EBITDA and adjusted EPS, excluding the equity swap, came in at the high end of our guidance range and ahead of expectations
- That said, performance remains below where we want to be in absolute terms, and we are not satisfied with the current level of profitability
- We continued to invest behind our core brands and franchises, with A&CP remaining in the high-20s as a percentage of sales
- Adjusted EBITDA declined 26% year-on-year in Q4 and 22% in FY26, primarily reflecting topline pressure, lower gross margins, and the year-over-year impact from variable compensation

- Adjusted EPS, excluding the impact of the equity swap, was breakeven in the fourth quarter and $0.34 for the full fiscal year
- As we move forward, we remain focused on improving execution, strengthening operational discipline, and building more consistent profitability over time

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- Let me now walk you through our adjusted EBITDA delivery by division
- Starting with Prestige, adjusted EBITDA declined 17% in Q4 and 12% in fiscal 26
- The FY26 EBITDA decline was driven by cost of goods sold (COGS) absorption headwinds from lower shipment volumes, higher trade spending, and higher tariff costs
- In Q4, the EBITDA decline primarily reflected a step up in A&CP behind prestige makeup initiatives as well as some COGS absorption headwinds
- Even amid these near-term pressures, Prestige delivered a strong adjusted EBITDA margin of 20.5% in FY26, highlighting the resilience of our scaled global beauty platform
- In Consumer Beauty, adjusted EBITDA continued to be under pressure in Q4, declining 67% year-over-year
- As we discussed previously, Consumer Beauty profitability was heavily pressured by:
    - Supply chain cost under-absorption due to lower sales;
    - Higher excess and obsolescence; and
    - Higher tariff-related costs
- Importantly, in Q4, Consumer Beauty adjusted EBITDA improved by $32 million sequentially from Q3, supported by tighter cost control and seasonally stronger sales

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- Turning to free cash flow
- Despite over a $200 million decline in our FY26 EBITDA, we delivered very strong free cash flow of $348 million, an increase of approximately $70 million year-over-year, and well ahead of our guidance

- This performance reflects disciplined working capital management across the organization, year-over-year reduction in cash bonuses, a $44 million reduction in cash paid for interest, and a $25 million lower capex
- Importantly, this demonstrates strong cash conversion and disciplined balance-sheet management in a difficult operating year
- Strong cash generation remains a key priority as we continue to fund strategic investments, strengthen the balance sheet, and position the company for sustainable long-term value creation

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- Turning now to our balance sheet and capital structure
- Debt paydown and deleveraging remains a top priority for Coty and an important element of our long-term value creation framework
- We exited fiscal 2026 with net debt of $2.9 billion, and this balance does not incorporate the first tranche of proceeds we received in July from the Gucci transaction
- Net debt declined by nearly $840 million year-over-year, reflecting progress against our debt reduction objectives through the Wella monetization and strong free cash flow generation
- In turn, we exited the year with leverage of approximately 3.4 times
- Even as we navigate evolution of our portfolio, we continue to target leverage of approximately 2x over time
- In parallel, we continue to evaluate our portfolio and assets to support a simplified Coty with a stronger balance sheet
- Let me turn it back to Markus to discuss our outlook

Markus

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- Thank you Laurent

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- Let me walk you through our outlook for the first quarter of fiscal 2027

- As we continue to see quarter after quarter, consumer demand for beauty remains resilient, with solid demand growth in fragrances and cosmetics
- At the same time, consumers are increasingly selective in their purchase decisions, which is manifesting in several ways: in some cases, benefiting more premium brands and products, and in other cases benefiting more accessible offerings
- We are continuing to implement our Coty.Curated strategic framework, focusing on core brands and markets, reducing portfolio complexity, increasing agility by simplifying the organization, and identifying savings opportunities across the P&L to support increased investment in consumer engagement and protect profitability
- We expect first quarter FY27 LFL revenue to decline by a low- to-mid single-digit percentage
- While we expect Q1 sell-out trends for both divisions to be broadly consistent with trends in the second half of FY26, the timing of customer orders and prior-year comparables are contributing to fluctuations in our year-over-year sales trends
- On a reported basis, we anticipate foreign exchange to have a neutral impact in the quarter
- We see Q1 adjusted gross margins declining by approximately 50 to 100 basis points year-over-year, driven by COGS absorption headwinds from lower shipment volumes and elevated, though sequentially lower, excess and obsolescence, partially offset by productivity initiatives and procurement actions
- Altogether, we expect Q1 adjusted EBITDA to decline by a low-teens percentage, reflecting a sequential improvement from the more significant declines in the second half of FY26
- This is expected to translate to adjusted EPS, excluding the equity swap, of 11 cents to 13 cents per share
- Anchored in the seasonal strength of our business in the first half and continued disciplined capex and working capital management, we expect free cash flow in first half FY27 of over $300 million

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- Let me briefly share how we are approaching fiscal 27
- As we have discussed, our objective is to restore growth while improving the quality of the business through greater focus, simplification, and operating discipline

- FY27 will be a transition year as we strengthen the core business and continue shaping a simpler, more focused Coty, factoring in both the Gucci exit by FY28 and final portfolio decisions related to our strategic review by the end of calendar ‘26
- Given Coty.Curated remains in the early stages of implementation, with uneven quarterly performance trends, coupled with the ongoing strategic review, we will not be issuing full year FY27 guidance at this stage
- However, I do want to share a framework of the moving parts for FY27
- We have several large highly incremental launches planned in FY27, coupled with smaller targeted launches designed to strengthen core franchises
- We remain mindful of several external factors, including potential volatility in our COGS due to the Middle East conflict and oil prices
- Assuming oil prices remain at or below $100 per barrel, the anticipated impact to our COGS should be limited to $20 to $30 million, which is embedded in our outlook
- As it relates to tariffs, our refund submission for FY27 is in process, which could represent upside of up to $30 million, though this is currently not embedded in our assumptions
- We also expect the normalization of variable compensation, which will be a year-over-year headwind to our cost base
- At the same time, we are accelerating our fixed cost reduction efforts, building on the progress already achieved through our productivity programs and continuing to simplify the organization
- Altogether, we are targeting improvement in year-over-year EBITDA trends over the course of FY27

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- Last month, we reached a critical deal with Kering, securing significant immediate and future cash proceeds totaling $400 million, plus inventory proceeds, in exchange for the early transition of the Gucci license a year ahead of schedule and supporting Kering with the transition
- This was a very positive outcome for Coty in the context of a license which was already set to exit the portfolio

- While it's far too early to provide an exact outlook for FY28, when Gucci is no longer in our business, I do want to provide context on some of the financial parameters, our plans to offset the loss, and the strength of our core portfolio

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- As part of the agreement with Kering, Coty received $250 million in cash at signing and we will receive an additional $150 million no later than September 30, 2027, plus additional proceeds for inventory
- We plan to use these proceeds to support three primary objectives: reducing debt, investing in our core Prestige fragrance and beauty brands to accelerate growth, and funding the organizational optimization required to align our cost structure with the future scope of the business
- In the meantime, we will continue to operate the Gucci Beauty brand through at least June 30, 2027

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- It's important to contextualize the size of Gucci Beauty in our portfolio
- Gucci Beauty contributes a low-double-digit percentage of our total revenues
- From a margin standpoint, Gucci Beauty's profitability is broadly consistent with that of Coty's overall Prestige division
- At the same time, it's important to emphasize that our Prestige brands are all supported by a shared R&D, manufacturing, and distribution backbone
- And of course, the central Coty functions support the full Coty portfolio, including Gucci
- As such, without any interventions, the mechanical impact to our profit in the first year of the Gucci Beauty exit would be sizeable
- We are actively developing a plan designed to moderate the sales and profit impact in FY28 from the exit of the Gucci Beauty business, and position the business for success in FY29 and beyond

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- Starting on the cost side
- To address the anticipated substantial central and divisional costs expected to remain following the Gucci exit, we are developing a significant fixed-cost savings plan which we expect to begin implementing in the second half of FY27
- We will share more details as the program is finalized, but the key components the program will address are:
    - Global go-to-market set-up
    - Manufacturing & distribution footprint
    - De-layering the organization
    - And, rightsizing central organization
- In addition to this incremental fixed cost savings program, we will also be continuing to generate productivity savings across the P&L, and particularly in COGS, targeting several hundred million of additional savings over the next three years
- Coty has a well-established track record of executing robust fixed-cost and productivity savings, delivering over $1 billion of cumulative savings in the last 6 years, which fueled both significant reinvestment in the business and close to 200 basis points of adjusted EBITDA margin improvement between FY21 to FY25
- Our track record gives us confidence in our ability to execute these actions, which are designed to simplify the operating model with the new scope of the business, and strengthen our profitability and margins

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- We are developing plans to help moderate the FY28 profit impact following the Gucci exit, while fueling growth in FY29 and beyond
- The first part is an amplified innovation and expansion pipeline for our core prestige fragrance brands, such as Burberry, Hugo Boss, Calvin Klein, Marc Jacobs, Chloé, and Kylie, as well as targeted investment into Davidoff and Jill Sander

- This will be funded by a combination of more focused and streamlined business efforts in our skincare business, concentrating our funds in the highest-ROI opportunities, and moving funds from non-working spending to media and advocacy investments
- The second part of the plan is to build out fully incremental portfolio initiatives including the launch of Marc Jacobs makeup and Etro fragrances, which will build over the course of FY27, and the major launch of fragrances under Swarovski in addition to Marni fragrances in FY28
- And finally, these sales acceleration efforts will be accompanied by the savings program, which we are developing
- Taken together, this plan is being designed to deliver on several key objectives:
    - First, return our underlying portfolio, excluding Gucci, to growth in FY28
    - Second, moderate the mechanical adjusted EBITDA decline in FY28, with profit recovery resuming in FY29 and beyond; and
    - Third, continue to steadily lower our net debt in FY27 and FY28 from the current $2.9 billion
    - And while leverage will mechanically increase in FY28 due to step-down in profit even as net debt declines, our goal remains to drive our leverage towards 2x over time
- I do want to note that these financial objectives are based on the current scope of the business with Gucci exiting by FY28; these objectives therefore do not contemplate the completion of our strategic review and any resulting decisions, which we aim to finish by the end of calendar ‘26

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- It’s important to highlight that our core portfolio remains robust with long-duration licenses and strong market positions
- Excluding Gucci, 97% of our portfolio is either an owned brand or under perpetual or long-term license
- And even after adjusting for the Gucci brand exit, we remain the #3 player in both the Prestige fragrance market and the total fragrance market, including prestige and mass
- Of course, this does not include any of the new brands we will be launching in the next couple of years, including Swarovski

- So the potential is significant to reinforce and then grow our market share in our core fragrance business

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- Let me turn to our broader strategy and the progress we're making under our Coty.Curated strategic framework

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- As a reminder, Coty.Curated is about FOCUSED INVESTMENT and SHARPER PRIORITIES, scaling what works, stopping what dilutes, and removing layers that slow execution
- Applying this framework to the Coty business means disciplined execution, operational effectiveness and sufficient, multi-year marketing support
- While we are still in the early stages of this journey, the decisions we are making today are intended to create a more focused organization, a stronger portfolio and a more consistent foundation for long-term value creation

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- Let me now turn to how we have translated the Coty.Curated framework into action over the past several months
- First, we are simplifying and de-layering the commercial organization to improve agility, accountability, and decision-making speed
- Second, we are reinforcing an organization-wide focus on sell-out and market share
- As I have said before, consumer demand is our north star, and to better align the organization behind these priorities, we have updated our FY27 incentive compensation structure to include market share as one of the KPIs
- Third, innovation plans across both Prestige and Consumer Beauty are centered around a smaller number of big bets, so we can concentrate our resources behind the initiatives with the strongest potential
- Fourth, we are stepping up advocacy and consumer engagement, supported by a more streamlined agency model and broader deployment of generative AI and Generative Engine

Optimization capabilities to improve content efficiency and brand discovery across brands and markets

- This enables us to redirect resources away from non-working spending and toward the activities that most directly influence consumer demand
- And finally, we continue to apply a more rigorous ROI lens across the portfolio
- A good example is Prestige skincare, where profitability has improved in the past quarter as we have focused our investments in the areas where we see the returns
- While we are still early in the journey, these actions are helping position the company for more sustainable growth and more consistent performance over time

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- Building on our more targeted innovation agenda in FY27
- One of the most important changes under Coty.Curated is a more selective and disciplined approach to resource allocation
- In FY27, we are concentrating resources behind fewer, bigger and more scalable initiatives with the strongest potential to create meaningful impact
- In Prestige, our first-half large priorities include BOSS Bottled Beyond Her and Marc Jacobs makeup, coupled with more targeted launches like Burberry Goddess Amber Vanilla and Kylie Cosmetics Mood Stones fragrances which are designed to strengthen the core
- In the second half, we'll concentrate resources behind key launches across Hugo Boss and Burberry coupled with targeted incremental innovation behind other key brands
- We will also launch the Etro fragrance collection in selective distribution channels
- In Consumer Beauty, we are applying the same discipline by focusing investment and execution behind our largest brands and core franchises
- First half priorities include CoverGirl's TruBlend Sun & Sculpt Bronzing Glow Serum, Rimmel's Oh My Gloss! Slip Stick, Max Factor's Lasting Blur and Sally Hansen's Miracle Gel and INSTA-DRI seasonal shade stories
- In the second half, we will follow with additional high-impact innovation across these brands, designed to support their core franchises

- Across both divisions, our innovation is designed to drive greater incrementality, strengthen core franchises, and create a broader halo across each brand

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- We are seeing some early progress within the core portfolio as we implement our Coty.Curated strategy
- Starting with Burberry, a core pillar of our Prestige portfolio and a brand we intend to overdrive in FY27 and beyond
- Over the last several years, we have built significant momentum in Burberry fragrances, which has risen from number 29 globally in 2019 to number 15 today
- At the same time, Burberry makeup is also gaining traction, delivering strong double-digit growth in both the fourth quarter and fiscal 2026 and expanding the potential of the broader Burberry Beauty franchise
- As we focus on amplifying consumer engagement, we are also seeing improvement in Burberry's consumer advocacy
- Burberry's Prestige Fragrance Category Share of Influence increased by 80 basis points
- At the same time, given Burberry's global brand desirability, the current consumer engagement and advocacy share is below its potential, and we are focused on accelerating this further in FY27
- Building on our multi-year momentum with Burberry, our FY27 plans include a meaningful increase in marketing investment and consumer engagement, as well as relaunching a brand new, impactful campaign and incremental innovation behind one of Burberry's core franchises, all aimed at amplifying fragrances and makeup

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- Turning to HUGO BOSS, another core pillar of our Prestige portfolio
- HUGO BOSS fragrances continue to gain share in the U.S. and Canada, while the BOSS Bottled franchise maintains a Top 5 position in Europe, gaining share in FY26
- This demonstrates the strength of the core franchise, even as performance is affected by smaller tail lines, an area our sharper portfolio focus is designed to address

- We are also seeing encouraging momentum in consumer advocacy and engagement
- HUGO BOSS Prestige Fragrance Category Share of Influence increased by 100 basis points
- Building on the success of BOSS Bottled Beyond, one of our key FY27 priorities is the launch of BOSS Bottled Beyond for Her, which will extend the franchise into the female fragrance segment and is intended to create a strong halo across the core
- We also plan to relaunch The Scent dual gender franchise to better appeal to Gen Z consumers
- Together, these initiatives are designed to broaden HUGO BOSS's consumer reach, strengthen momentum, and reinforce the brand as a leading global fragrance franchise

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- Let me now turn to Calvin Klein, another iconic pillar of our Prestige portfolio
- Euphoria Elixir is a strong example of how focused innovation, supported by disciplined activation, can translate into tangible results
- The launch is helping drive share gains across Germany, France, Italy and Mexico, while the broader CK fragrance business delivered mid-single-digit sell-out growth in 4Q
- Advocacy momentum is also accelerating, with Calvin Klein Prestige Fragrance Category Share of Influence rising by 60 basis points
- Looking ahead to FY27, we will continue to amplify the Euphoria Elixir launch, while leaning into renewed 1990s nostalgia, leveraging CK One's position as one of the era's defining fragrances

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- Turning to Marc Jacobs
- Marc Jacobs fragrance sales grew double digits over the past six months, supported by the Daisy Murakami collection and Perfect Absolute
- Our launch on Amazon Premium Beauty in July 2025 has broadened consumer access and fueled online share gains throughout fiscal 2026, while creating a halo across the broader brand
- Organic advocacy accelerated during this period due to the early buzz generated by the launch of Marc Jacobs Beauty, with EMV doubling year over year

- Importantly, combined with innovation and channel expansion, this engagement is strengthening the core fragrance business, while building awareness as we expand the brand into the makeup category

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- In June, we launched makeup under Marc Jacobs Beauty, demonstrating how we can leverage the strength of an established fragrance franchise to extend the brand into new areas of beauty
- The initial response from consumers and influencers has been very strong
- Although the collection is currently only available online, early Sephora sell-out is already ahead of our targets
- Beginning in September, we will significantly expand its reach through a rollout into hundreds of Sephora stores across the U.S., as well as Travel Retail
- This phased approach allows us to build brand heat and validate consumer demand before scaling distribution, consistent with the focused and disciplined approach underpinning Coty.Curated
- While it is still early, the initial response reinforces our confidence in Marc Jacobs Beauty's potential beyond fragrance

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- Let me now turn to Kylie Cosmetics, which is delivering standout momentum across both fragrance and makeup
- Over the past six months, fragrance and makeup sales each grew double digits, demonstrating the strength of Kylie as a multi-category beauty brand across both retail and e-commerce
- Fragrance momentum is also translating into marketplace gains, with Kylie gaining unit share across the U.S., U.K. and Canada
- In FY27, we will build on this performance with two priority initiatives: the Mood Stones fragrance collection and new lip kits
- These launches are designed to strengthen Kylie's position as a scaled multi-category beauty brand across fragrance, lip and face

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- Let me now turn to Chloé, another important pillar within our Prestige fragrance portfolio
- Chloé Atelier des Fleurs continues to demonstrate the strength of our ultra-premium fragrance strategy, with sales growing again in fiscal 2026
- We have also seen an encouraging consumer response to the recent Les Essences Méditerranéennes collection, reinforcing the appeal of the brand's elevated positioning and distinctive fragrances
- Looking ahead, we will continue to build on this momentum by supporting the core franchise while carefully expanding the brand's presence within the attractive ultra-premium fragrance segment

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- Let me now turn briefly to Davidoff
- In fiscal 2026, the brand delivered double-digit sell-out growth across Italy and Spain
- And, Davidoff Cool Elixir is broadening the brand’s appeal among Millennials, materially reducing the average age of its core consumer by approximately 10 years
- Davidoff also remains one of the Top 15 men’s Prestige fragrance brands in Germany

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- Let me also touch on what we’re seeing in fragrance mists
- Mists continue to grow and, importantly, they are incremental to the portfolio
- The mists we’ve launched under several of our Prestige fragrance brands are bringing new, younger consumers, particularly Gen Z, into our brands
- We are excited to have recently launched fragrance mists under Marc Jacobs, offering a light scenting format in playful packaging
- From a profitability standpoint, gross margins on mists are comparable to our broader Prestige division, which reinforces that this is a complementary sub-category that supports the core franchise

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- Now turning to Consumer Beauty, let me now provide an update on Color the Future, our performance improvement plan for color cosmetics
- As we outlined last quarter, the program applies the principles of Coty.Curated to the cosmetics business: sharper priorities, fewer and more impactful innovations, consistent support behind core franchises and a leaner operating model
- We are now executing this strategy across four key areas
- First, we are continuing to implement a new operating model for global brand marketing and new product development, designed to strengthen our speed to market, advocacy, and overall agility
    - At the same time, we are right-sizing the organization and selectively increasing external sourcing to improve innovation relevance and speed to market
- Second, we are meaningfully reducing complexity
    - Our FY27 innovation bundles include 16% fewer SKUs
    - We are also leveraging shelf resets, regulatory dynamics and new launches to remove approximately 20% of our total SKU base, which we expect will result in negligible revenue impact
    - Importantly, our exits from under-scale markets were completed in Q4, and we don't expect any further P&L impact from this area
- Third, we are sharpening our brand equity, expression, and consumer targeting to drive salience, awareness and consideration
    - CoverGirl and Max Factor are refocusing on Gen X consumers, while we plan to maintain Rimmel and Bourjois' existing brand equity and assets
- Finally, Pencil, our AI-enabled content production capability, went live on July 1 and is expected to improve content speed and meaningfully reduce content-production costs in FY27
- We have also renegotiated supplier terms for merchandising capital expenditures
- Together, these actions demonstrate concrete execution of Color the Future, supporting our objective of improving Consumer Beauty growth and profitability over time

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- These operational changes are beginning to support better trends in our cosmetics brands
- With the U.S. serving as our pilot market for Color the Future, improving sell-out and closing the gap to the category remain key priorities
- Sally Hansen is showing very encouraging progress
- Over the last 52 weeks, Sally Hansen trailed the category by six points in sales on a value basis; in the last four weeks, that gap narrowed to just one point, with the brand growing 5% compared with 6% category growth
- Unit performance is even stronger, with Sally Hansen growing 5% in the last four weeks against a flat category
- Sally Hansen's significantly improved performance has been supported by a return to more consistent media support behind core brand pillars, and agile, on-trend color collections and display programs for INSTA-DRI
- While still early, this trajectory provides encouraging initial evidence of improving execution under Color the Future

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- For CoverGirl, sales trends on both a value and unit basis are improving
- Sales on a retail value basis improved from a 6% decline over the last 52 weeks to slightly positive in the latest four weeks, while unit declines narrowed from 8% to nearly flat
- Although CoverGirl continues to trail the category, the gap has narrowed substantially
- Importantly, CoverGirl's sales also returned to growth in the quarter, increasing by a mid-single-digit percentage
- Similar to Sally Hansen, this improvement has been supported by more consistent and new, more equity-based media and advocacy support, particularly behind our top 2 franchises – Lash Blast and Simply Ageless
- At the same time, as we start more proactively targeting a multi-generational audience, with a particular emphasis on Gen X, we are now rolling out the new visuals and assets across our website, social handles, and retailer POS

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- Turning to Rimmel in the U.K., where our turnaround actions are at an earlier stage, but encouragingly, retail trends are beginning to improve
- Sales on a value basis improved from a 3% decline over the last 52 weeks to a decline of just 0.5% in the last four weeks, meaningfully narrowing Rimmel's gap to the category
- Unit trends have improved even further, moving from a 4% decline to a 1% decline and outperforming the category by one point in both the last 12 and 4 week periods
- While more work remains to return Rimmel to sustained growth, the trajectory provides encouraging early evidence that our actions are beginning to take hold

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- Turning to mass fragrances, Q4 LFL sales declined by a low single-digit percentage, although trends improved sequentially
- Where we have focus and scale, performance remains stronger, with adidas fragrances delivering high-single-digit LFL growth in Q4
- This reinforces our decision to concentrate resources behind core brands and priority markets while simplifying the broader portfolio
- To guide this work, we are introducing our Future of Scenting, a framework built on the principles of Coty.Curated and designed to deliver greater focus, scale and more consistent returns

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- As part of our strategy to strengthen the fundamentals of our business, we are also actively positioning our brands to win in the emerging playing field of agentic shopping, starting first with Generative Engine Optimization, also known as GEO
- Several of our brands and markets have taken a head start in activating GEO action plans to improve their visibility and rankings on AI platforms, and we are now actively deploying their playbooks across the broader Coty portfolio in both Prestige and Consumer Beauty
- We are measuring our brands' GEO traction with a "visibility score", which captures how often the brand in question appears in the answer of unbranded AI queries

- As an example, Marc Jacobs has already reached a strong AI positioning in the U.K., with an 8.7% visibility score, while Hugo Boss in Germany has reached a 6.3% visibility score
- But the real highlight of the last quarter has been Rimmel in the U.K., with a visibility score of 13.8%, driving its brand ranking in LLMs from #7 several months ago to #4 currently
- The local team achieved this impressive result in such a short period of time through a multi-step action plan, including enhancing the brand webpage, optimizing the product description pages on key retailer websites, refining our social media strategy, and amplifying our editorial content approach
- We are cascading this GEO playbook across the full portfolio, so that we capture our fair share in the accelerating area of AI discovery and shopping

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- Let me take a step back and frame where we are and where we're going

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- As we close today, let me be clear: while our results were ahead of our expectations, we are not yet where we want to be
- Over the last three quarters, we have taken concrete steps to simplify the portfolio, refocus on the core, and reduce debt, including the Wella monetization in late 2025 and the recent early transition agreement with Kering
- Our near-term outlook reflects both the opportunities ahead and the realities we need to navigate, including periods of volatility and the impact of portfolio changes that will weigh on our results before our actions fully take hold
- FY27 will be a transition year as we strengthen our core business while completing the work to shape a simpler, more focused Coty, factoring in both the Gucci exit by FY28 as well as final portfolio decisions related to our strategic review of Consumer Beauty by the end of calendar year 2026
- We have important strengths to build on, including leading brands, strong category positions, solid cash generation, and a differentiated end-to-end global platform

- Through Coty.Curated, we've established a clear plan to sharpen execution, strengthen our core franchises, accelerate our brands with the strongest growth potential and structurally improve productivity across the business
- We know there is no shortcut, and we will continue to be transparent about both our progress and our challenges along the way
- As I've said before, it will take time, but it will eventually happen