



COTY

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# THIRD QUARTER FY20 RESULTS

May 11, 2020



# THANK YOU

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- Coty teams continue to show strong commitment, energy and solidarity
- Hydro-alcoholic hand sanitizer produced in 12 plants in 10 countries and donated to frontline workers
- Coty brands donating gloves, caps, and shampoo to local hospitals
- Numerous relief funds established globally

# ACCELERATING OUR TRANSFORMATION



- Announcing a Strategic Partnership with KKR:
  - \$750M Convertible Preferred shares subscribed by KKR – immediate strong liquidity
  - Exclusive talks for a 60/40 partnership on Professional Beauty & Retail Hair for enterprise value of \$4.3B (12.3x FY19 EBITDA)
- Q3 LFL net revenues down 20% with strong operating deleverage
- Comprehensive plan to reduce fixed cost base by \$700M or 25%
- Restart focused on key priorities: e-commerce, Kylie Beauty, Mass Beauty



# STRATEGIC REVIEW

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## Scope of Partnership with KKR:

- Professional Beauty and Retail Hair
- Generated \$2.35B of sales and ~\$350M of EBITDA in FY19
- Brazil mass beauty operations to remain fully with Coty

## Valuation:

- Strategic partnership, with KKR owning 60%/Coty 40%
- Enterprise value of \$4.3B
- Expected incremental cash proceeds of ~\$3B

## Timing:

- Expect to sign agreement by end of May
- Expect to close 6-9 months post signing

# STRONG LIQUIDITY POSITION

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## Convertible Preferred Shares:

- Immediate \$750M cash inflow from KKR
- 9% coupon, \$6.24 conversion price assuming entry into JV
- Additional \$250M issuance upon signing of strategic partnership

## Debt Covenants:

- Secured holiday on leverage covenant for next 4 quarters
- No change in funding costs
- Suspending cash dividend

## Immediate Liquidity:

- Enter Q4 with ~\$1.3B in cash on hand
- Expect immediate liquidity of \$1.5-2.0B exiting FY20



# ACCELERATED TRANSFORMATION

Amplify Turnaround – Fixed Cost Reduction of \$700M by FY23

## MAKE COTY

~15%

### More efficient

End to end supply  
Adapt to demand  
Increase flexibility  
Reduce cost

~50%

### Fit for growth

Business services -30%  
Cut discretionary spend  
Rationalize A&CP/  
**Re-invest 50% of savings**

~35%

### Simpler

Organizational  
simplification  
Further simplify processes  
and review network  
Adapt compensation

**CONFIRMING OUR MID TEENS OPERATING MARGIN TARGET BY FY23**

# ACCELERATED TRANSFORMATION

## Make Coty: More Efficient

Network optimization

Avg utilization <40%  
Over 30K product flow combos

Portfolio complexity

>50K SKUs

Speed to market

Accelerate by 20%

Target fixed cost reduction

20%  
(>\$1B base, with 50% fixed)

Detailed roadmap ready by end August



# ACCELERATED TRANSFORMATION

## Make Coty: Fit for Growth

### A&CP

- Global media negotiation
  - Platforming marketing materials
  - Increased spend accountability
- Reinvest 50% of the savings  
= increased consumer reach

### Business Services

- Reduce cost of network: real estate, IT, T&Es...
  - Reduce external services & projects
  - Target next quartile benchmark
- 30% decrease vs baseline

BUY BETTER / SPEND BETTER – FREE-UP RESOURCES FOR GROWTH



# ACCELERATED TRANSFORMATION

## Make Coty: Simpler

Accelerate organizational  
simplification

\$180M / Majority by end FY21

Leverage Coty Operating  
System

Massive process simplification

Competitive, affordable  
compensation

Adapt parameters to new  
environment

Leverage / grow internal  
resources

Push internal opportunities  
and development

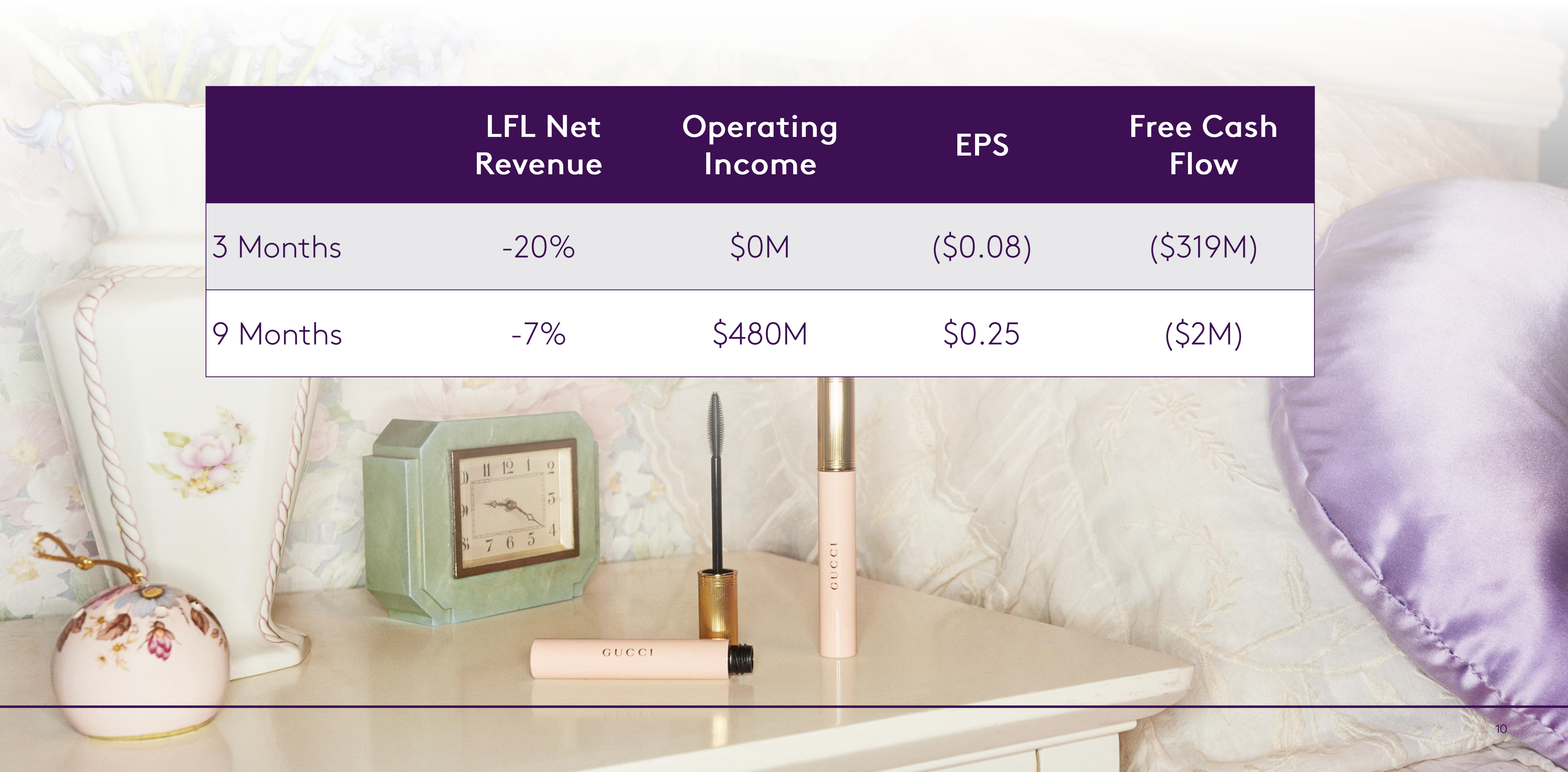
Control Team in place / Led by COO and CTO

COTY



# 3Q20 RESULTS SNAPSHOT

	LFL Net Revenue	Operating Income	EPS	Free Cash Flow
3 Months	-20%	\$0M	(\$0.08)	(\$319M)
9 Months	-7%	\$480M	\$0.25	(\$2M)



# STRONG INNOVATION RESULTS

## COVERGIRL

Mass cosmetics ranking on Amazon U.S. up to **#3** from **#4**

Clean Fresh the **#1** Foundation launch this spring

**RIMMEL**  
LONDON

Highest U.K. market share of 31% in >5 years

**BOSS**  
HUGO BOSS

Boss Alive the **#1** female scent in Germany after only 4 weeks

*Sally Hansen*

- Highest market share of 45% in >3 years in U.S.
- New clean-label "Pure" already reached 2.7% market share

**ck**  
Calvin Klein

CK Everyone a **Top 3** launch at Macy's and a **Top 5** launch in units in US, Canada and Germany

Sources: NPD, Nielsen, Amazon

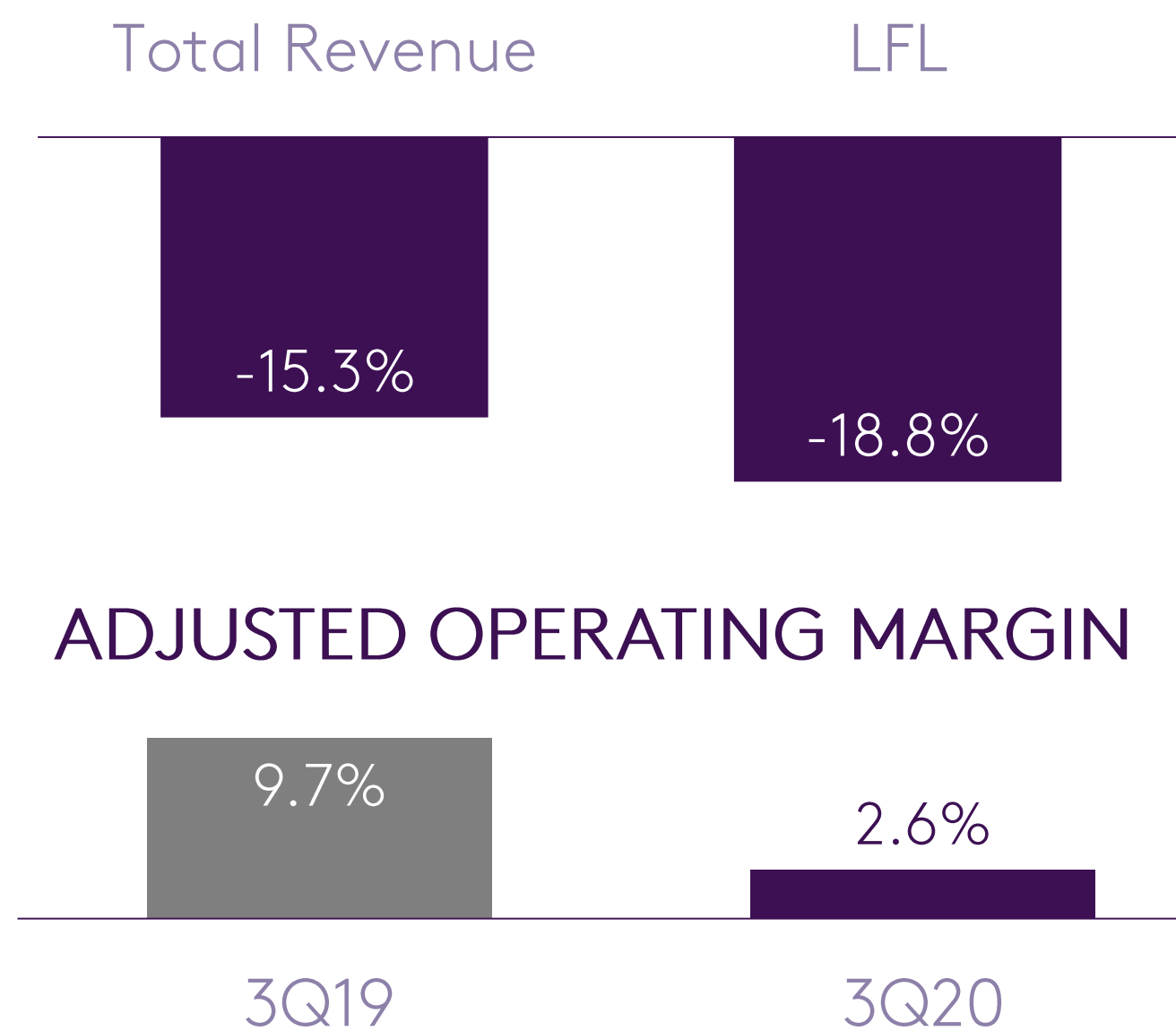


# AMERICAS 3Q20 RESULTS

## COVID Driven Pressure

- Began to more aggressively reduce A&CP and costs

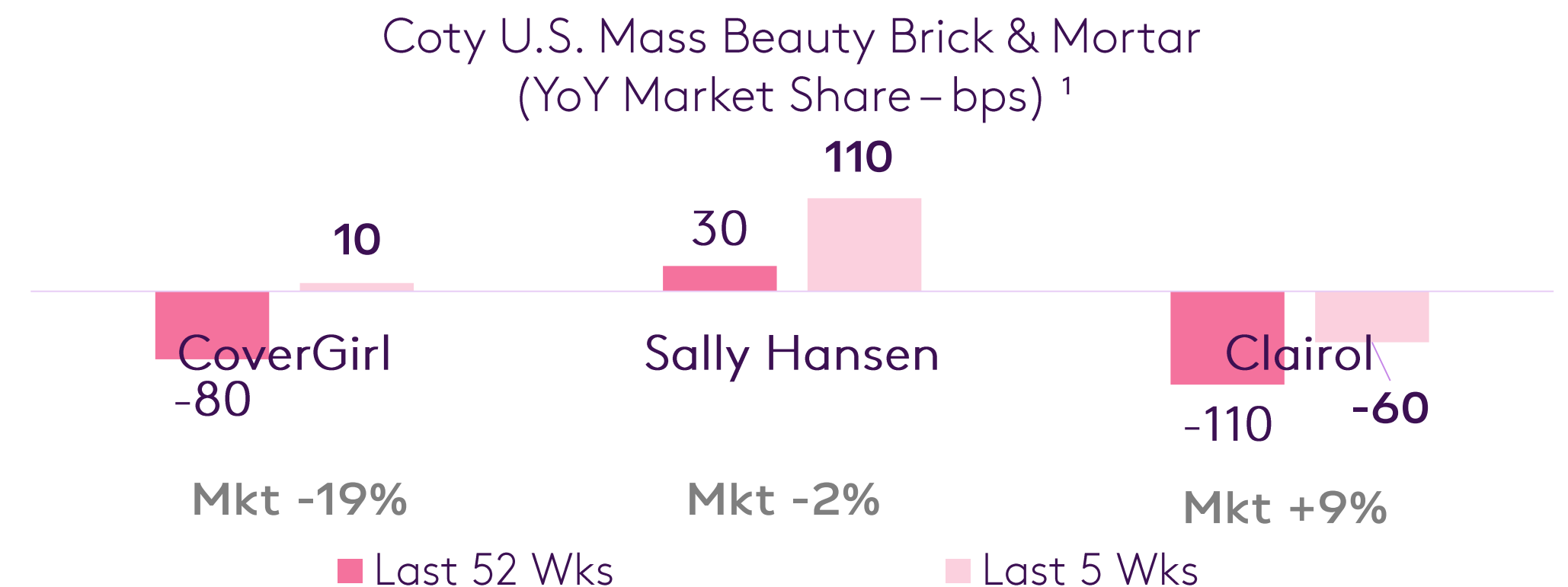
### 3Q20 REVENUE GROWTH



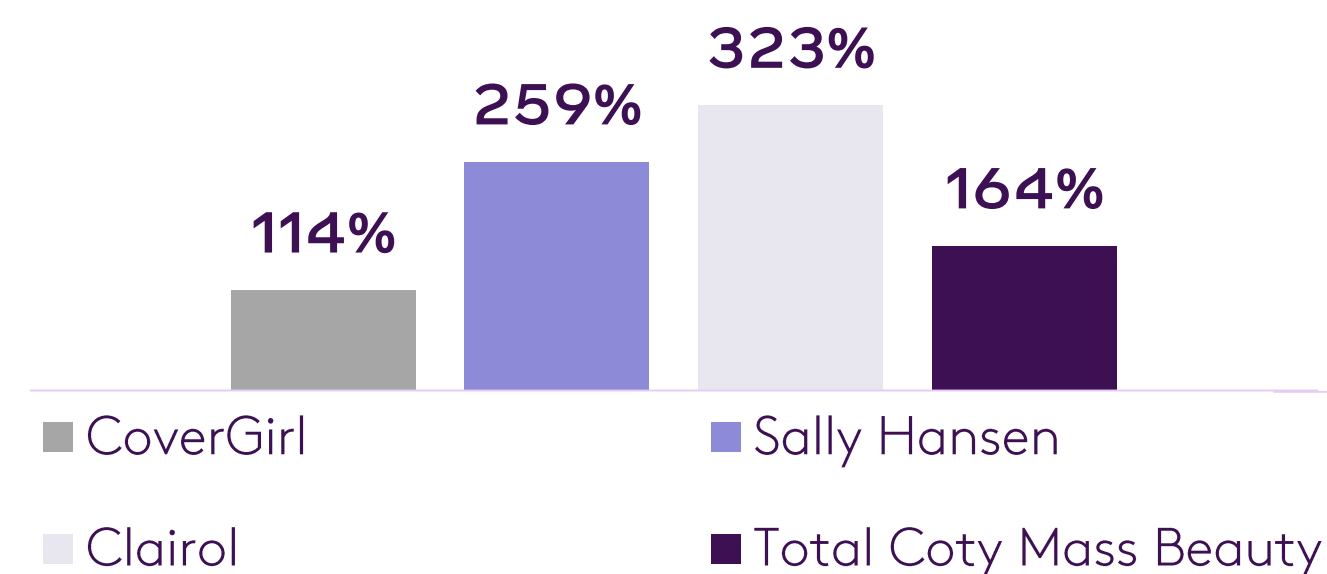
### ADJUSTED OPERATING MARGIN



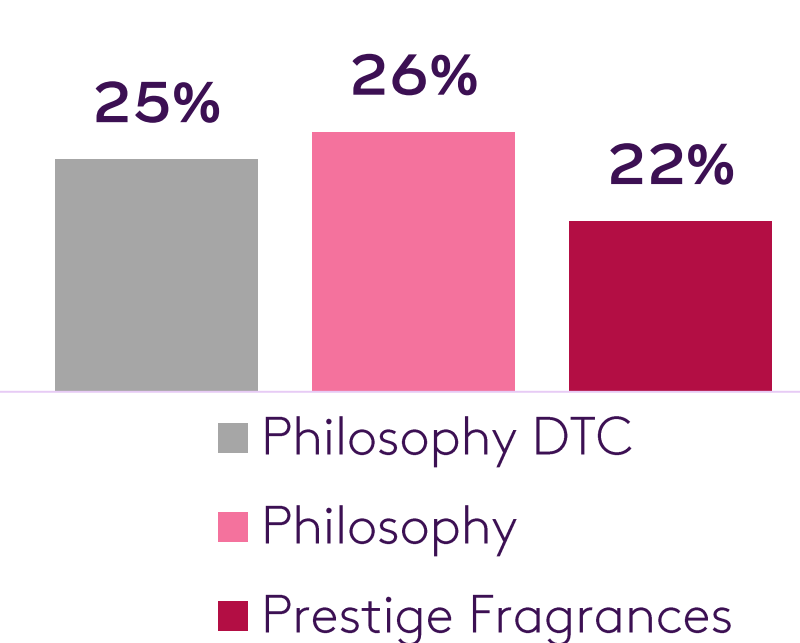
## Green Shoots



### Coty U.S. Mass Beauty E-Com Growth at Top 4 Retailers (Last 8 Wks) <sup>2</sup>



### Coty U.S. Prestige E-Com Growth (Mar + Apr) <sup>3</sup>



<sup>1</sup>Source: Nielsen; Period ended March

<sup>2</sup>Source: ePOS from retail partners; Period ended 4/18/20

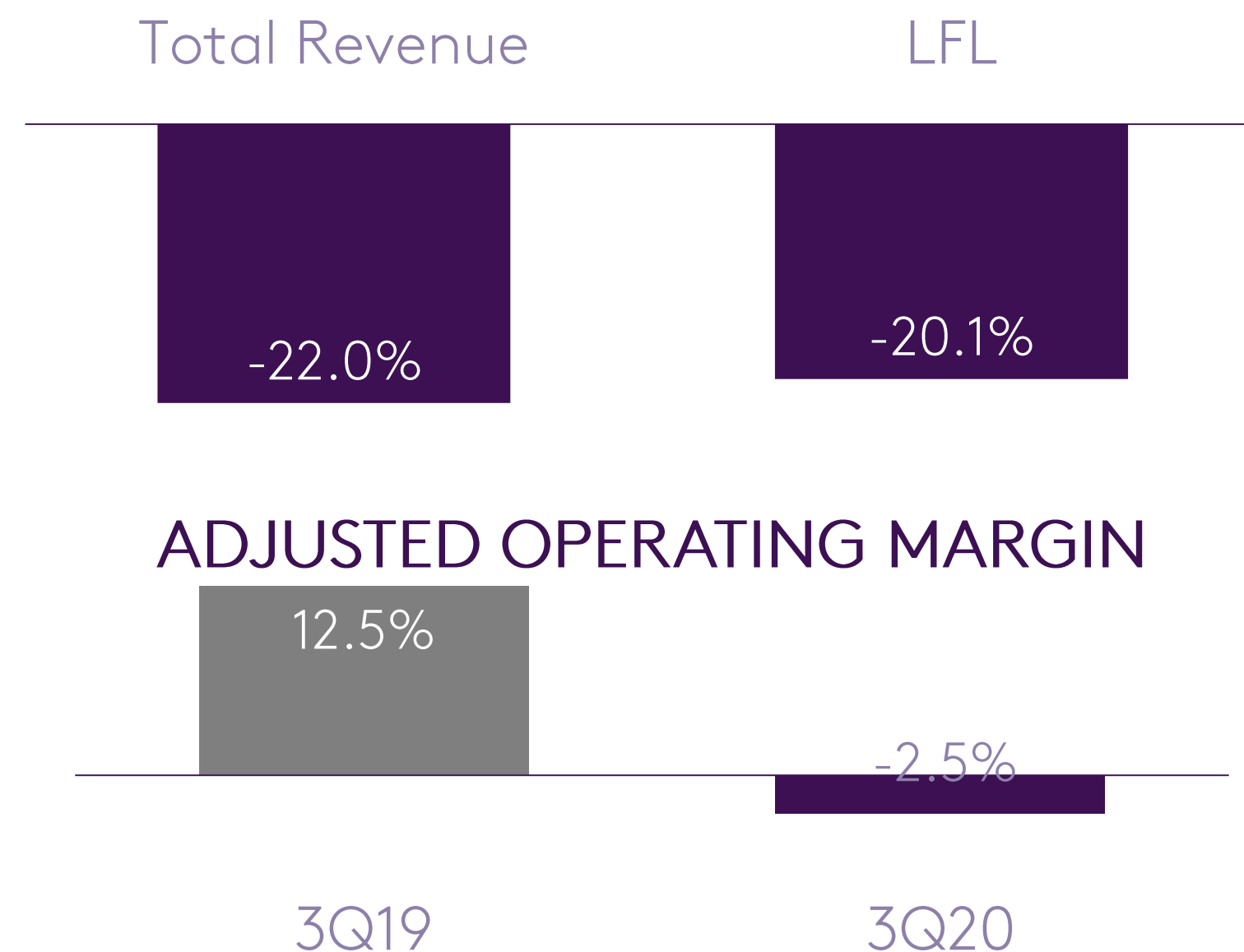
<sup>3</sup>Source: Coty, ePOS from retail partners

# EMEA 3Q20 RESULTS

## COVID Driven Pressure

- Similar declines in Prestige and Mass
- Began significantly pulling back on A&CP spending and reducing fixed costs

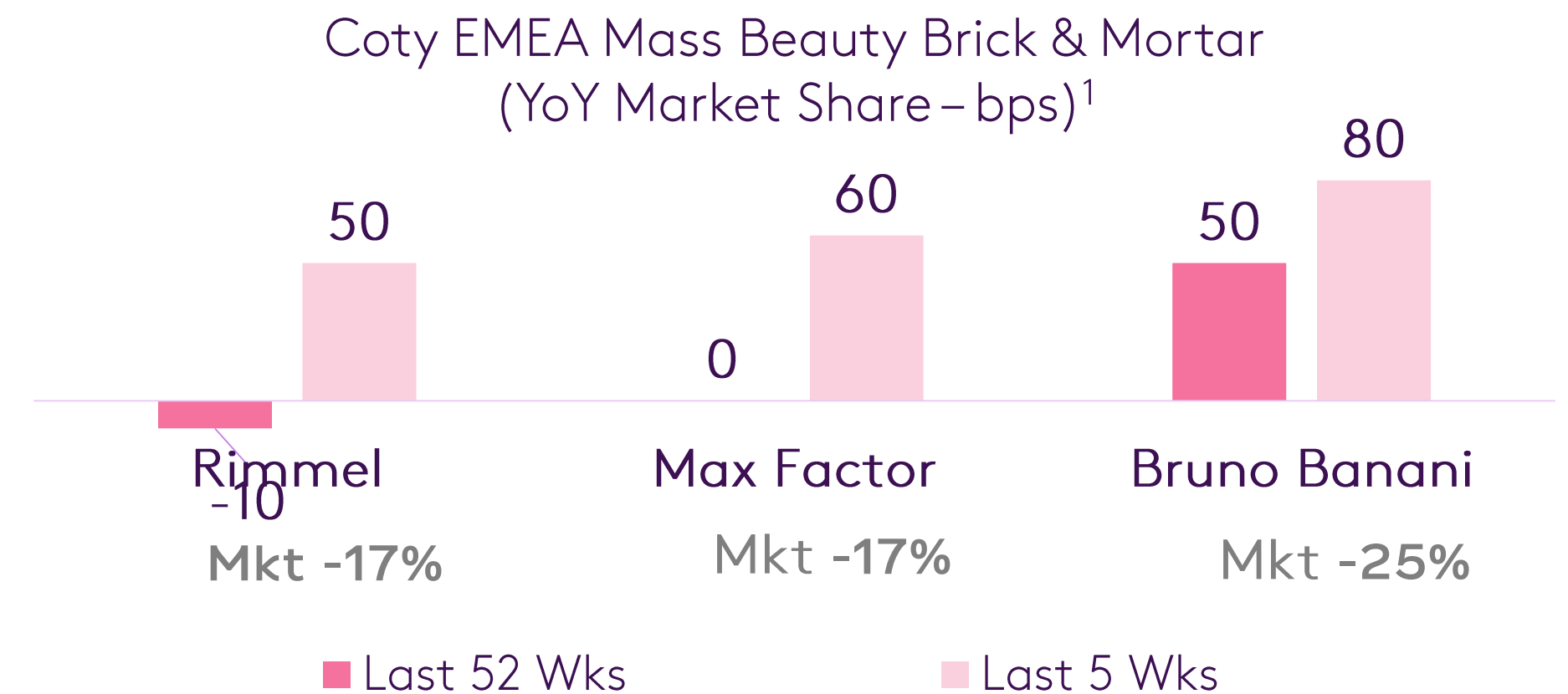
### 3Q20 REVENUE GROWTH



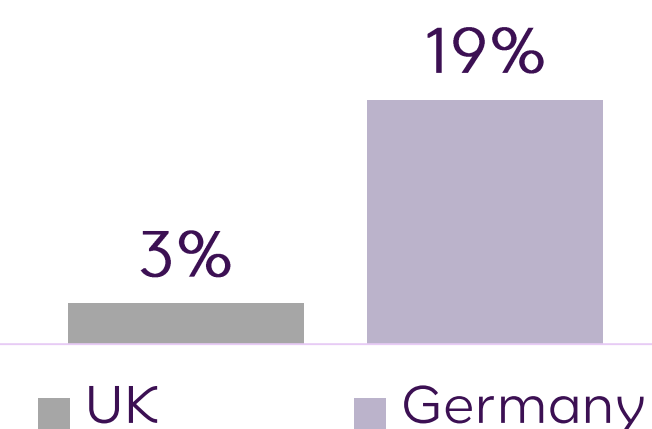
### ADJUSTED OPERATING MARGIN



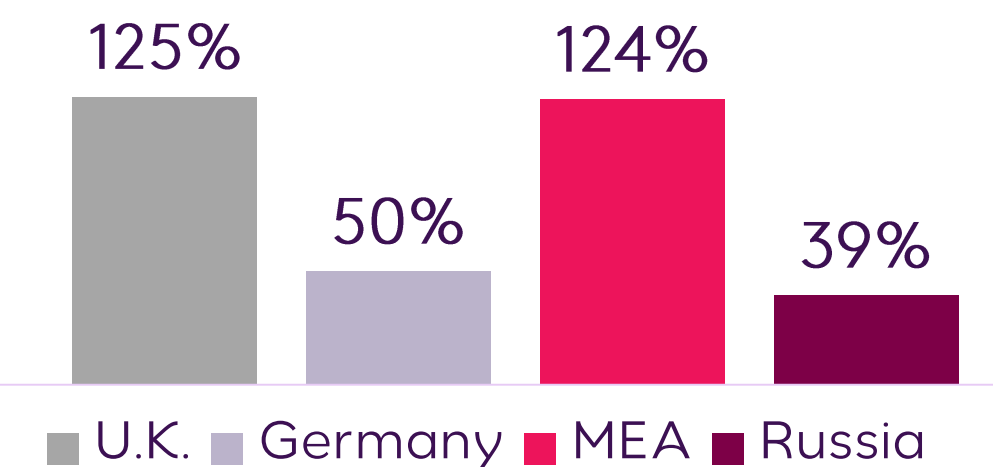
## Green Shoots



### Coty Prestige Beauty E-Com Growth (Mar + Apr)<sup>2</sup>



### Coty EMEA Mass Beauty E-Com Growth at Top Retailers (Mar + Apr)<sup>2</sup>



<sup>1</sup>Source: Nielsen; Period ended March

<sup>2</sup>Source: ePOS from retail partners for March and April combined

# ASIA PACIFIC 3Q20 RESULTS

## COVID Driven Pressure

- Pressure from COVID-19 in China and Travel Retail beginning in February
- China trends improving in April, though other markets remain in lockdown

### 3Q20 REVENUE GROWTH

Total Revenue

LFL

-36.9%

-34.8%

### ADJUSTED OPERATING MARGIN

14.8%

-14.1%

3Q19

3Q20

## Green Shoots

Coty Australia Mass Beauty Brick & Mortar  
(YoY Market Share – bps)<sup>1</sup>

50

130

Sally Hansen

■ Last 52 Wks

130

230

Clairol

■ Last 5 Wks

Coty China Prestige Make-up  
Market Share<sup>2</sup>

0.2%

0.4%

■ 3QFY19

■ 3QFY20

Mkt -42%

Coty APAC 3Q20 E-Com Sell-Out  
Growth (Mar + Apr)<sup>3</sup>

115%

131%

■ Australia

■ Japan

<sup>1</sup>Source: Nielsen; Period ended March

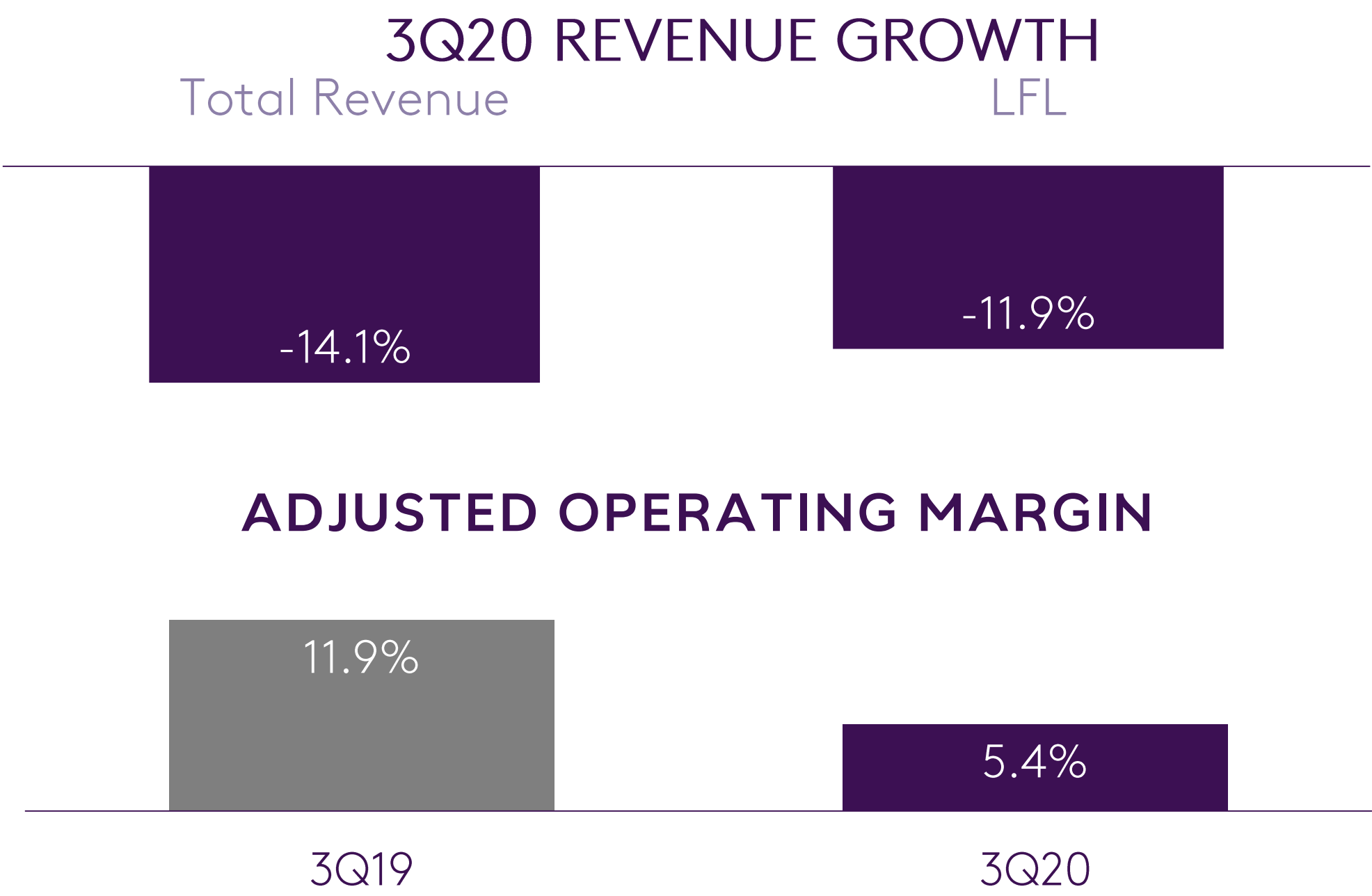
<sup>2</sup>Source: Beaute Research

<sup>3</sup>Source: ePOS from retail partners

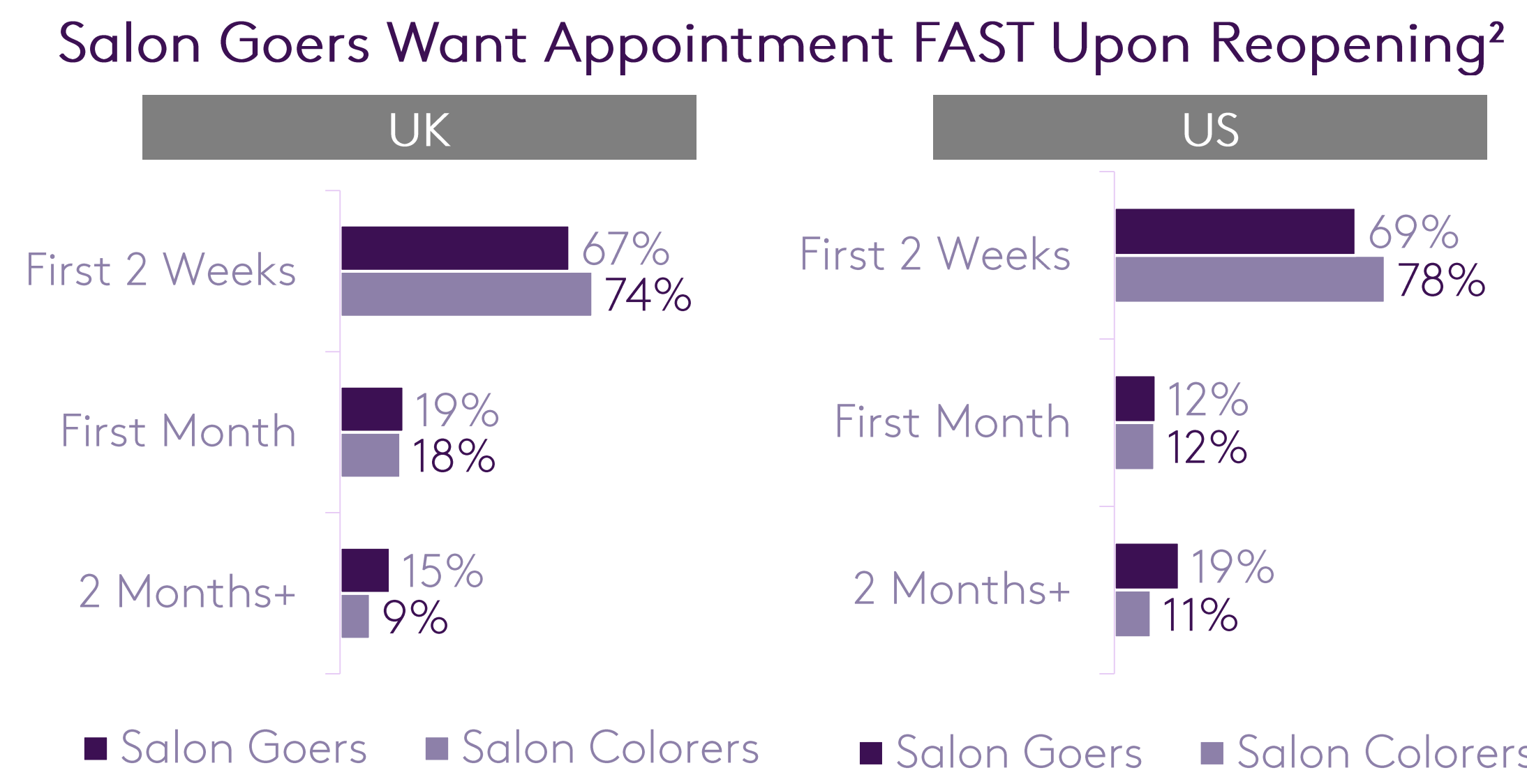
# PROFESSIONAL BEAUTY 3Q20 RESULTS

## COVID Driven Pressure

- Sales impacted as salons started to close due to COVID-19 exiting Q3
- ghd delivered solid growth, supported by strong e-commerce sales



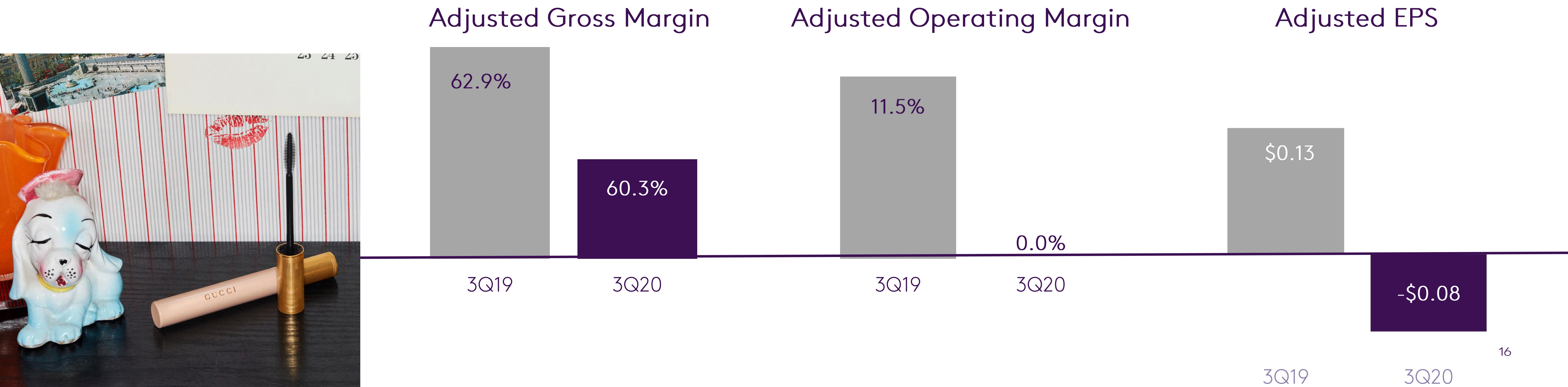
## Green Shoots



<sup>1</sup>Source: ePOS from DTC sales and retail partners  
<sup>2</sup>Source: Coty survey of over 900 consumers across US and UK

# 3Q20 COTY RESULTS

- Total revenue LFL of -19.5% inline with revised outlook, reflecting broad-based lockdowns by end of Q3
- Net revenues down ~\$370M => operating income drop off of ~\$174M
- Additional non-recurring COVID related charges of \$53M: FX transaction losses, excess & obsolescence spike, and expensing idle plant costs
- Operating margin 0%, EPS negative



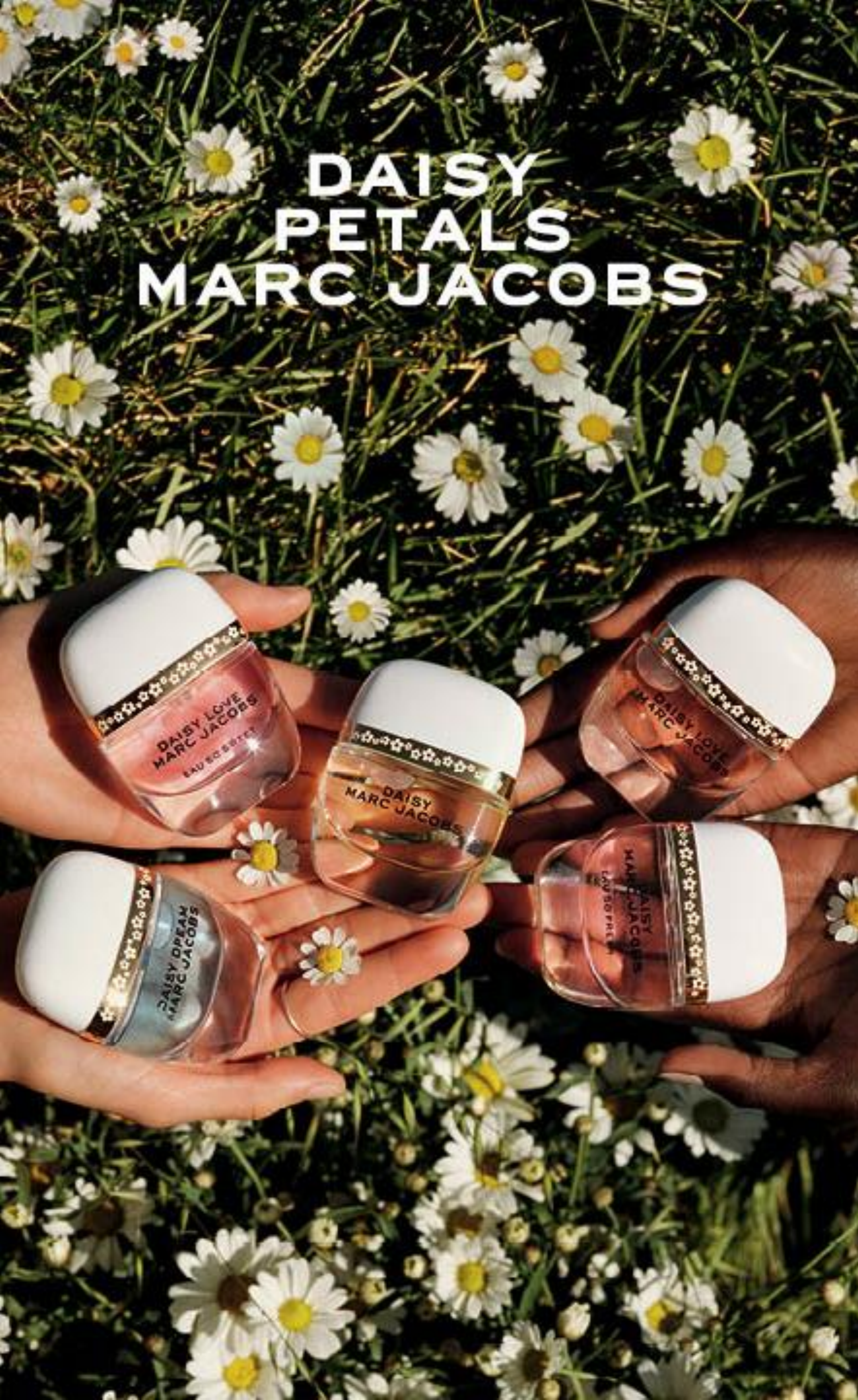
# Q3 FREE CASH FLOW

## Seasonal Weakness + Business Contraction

- \$600M investment in digitally-native Kylie Beauty brand
- Significant profit contraction on top of seasonally weaker cash quarter
- Working capital faced difficult comparable due to prior year's initiatives on factoring and payable timing



	3Q20
Adj Operating Income	0
Depreciation	103
<b>Adj EBITDA</b>	<b>103</b>
<b>Noncash Addbacks</b>	<b>54</b>
Working Capital (incl one-off costs)	(322)
Capex	(61)
Interest (Cash)	(45)
Tax (Cash)	(48)
<b>Free Cash Flow</b>	<b>(319)</b>
Dividends	(67)
M&A and Other	(598)
<b>Cash Available for Debt Paydown</b>	<b>(984)</b>
<b>Net Debt - Closing (3/31/20)</b>	<b>8,147</b>
LTM Adj EBITDA	1,121
<b>Net Debt / Adj EBITDA</b>	<b>7.3x</b>



# READY FOR GROWTH

Leverage Luxury innovation

Boss Alive, CK Everyone

Capitalize on Mass Beauty trends

Cover Girl, Sally Hansen, Rimmel

OPEX as a tool to restart

Prioritize markets and SKUs

Keep e-commerce momentum

Share gains on Amazon / retailer.com sites

Start expanding Kylie

Strong skin care trends  
Europe launch May 20

COTY

SINCE 1904

# DISCLAIMER

## Forward-Looking Statements

Certain statements in this presentation are forward-looking statements. These forward-looking statements reflect the Company's current views with respect to, among other things, the impact of COVID-19 and potential recovery scenarios, the Company's strategic planning, targets, segment reporting and outlook for future reporting periods (including the extent and timing of revenue, expense and profit trends and changes in operating cash flows and cash flows from operating activities and investing activities), the Company's capital allocation strategy and payment of dividends (including suspension of dividend payments and the duration thereof), its future ability to return cash to shareholders, the strategic review of its Professional Beauty business, associated consumer hair and nail brands and Brazilian operations and any transaction related thereto, including divestiture (the "Strategic Review"), including timing of such Strategic Review and any transaction and the use of proceeds from any such transaction, the Company's turnaround plan announced on July 1, 2019 and the expansion of such plan to further reduce its cost base (the "Turnaround Plan"), its future operations and strategy, ongoing and future cost efficiency and restructuring initiatives and programs, strategic transactions (including their expected timing and impact), investments, licenses and portfolio changes, synergies, savings, performance, cost, timing and integration of acquisitions (including the strategic partnership with Kylie Jenner), future cash flows, liquidity and borrowing capacity, the availability of local government funding or reimbursement programs in connection with COVID-19 (including expected timing and amounts), timing and size of cash outflows and debt deleveraging, the timing and terms of equity financing transactions, the performance of launches or relaunches, the timing and impact of current or future destocking or shelf spaces losses, impact and timing of supply chain disruptions and the resolution thereof, timing and extent of any future impairments, and synergies, savings, impact, cost, timing and implementation of the Company's Turnaround Plan, including operational and organizational structure changes, segment reporting changes, operational execution and simplification initiatives, the move of the Company's headquarters and fixed cost reductions, the priorities of senior management, and the Company's ability to support its planned business operations in the near-term and long-term basis. These forward-looking statements are generally identified by words or phrases, such as "anticipate", "are going to", "estimate", "plan", "project", "expect", "believe", "intend", "foresee", "forecast", "will", "may", "should", "outlook", "continue", "temporary", "target", "aim", "potential", "goal" and similar words or phrases. These statements are based on certain assumptions and estimates that we consider reasonable, but are subject to a number of risks and uncertainties, many of which are beyond the control of the Company, which could cause actual results to differ materially from such statements. Such risks and uncertainties are identified in the periodic reports Coty has filed and may file with the Securities and Exchange Commission (the "SEC") including, but not limited to: the impact of COVID-19, including demand for the Company's products, illness, quarantines, government actions, facility closures, store closures or other restrictions in connection with the COVID-19 pandemic, and the extent and duration thereof, related impact on our ability to meet customer needs and on the ability of third parties on which the Company relies, including its suppliers, customers, contract manufacturers, distributors, contractors, commercial banks, joint-venture partners, to meet their obligations to the Company, in particular, collections from customers, the extent that government funding and reimbursement programs in connection with COVID-19 are available to the Company, and the ability to successfully implement measures to respond to such impacts, the Company's ability successfully implement its multi-year Turnaround Plan and to develop and achieve its global business strategies, compete effectively in the beauty industry and achieve the benefits contemplated by its strategic initiatives within the expected time frame or at all, the result of the Strategic Review and whether such Strategic Review will result in any transactions (whether relating to all or part of the businesses in scope of the review), the timing, costs and impacts of any such transactions or divestitures, and the amount and use of proceeds from any such transactions, the integration of acquisitions with the Company's business, operations, systems, financial data and culture and the ability to realize synergies, avoid future supply chain and other business disruptions, reduce costs and realize other potential efficiencies and benefits (including through its restructuring initiatives) at the levels and at the costs and within the time frames contemplated or at all, and managerial, integration, operational, regulatory, legal and financial risks, including diversion of management attention to and management of cash flows, expenses and costs associated with the Company's response to COVID-19 and multiple ongoing and future strategic initiatives (including the Strategic Review), internal reorganizations and restructuring activities, including the Turnaround Plan, and the Company's ability to retain and attract key personnel and the impact of senior management transitions and organizational structure changes (including the co-location of key business leaders and functions in Amsterdam).

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included elsewhere. More information about potential risks and uncertainties that could affect Coty's business and financial results is included under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Coty's Annual Report on Form 10-K for the fiscal year ended June 30, 2019, and other periodic reports Coty has filed and may file with the SEC from time to time. Any forward-looking statements made in this presentation are qualified in their entirety by these cautionary statements. All forward-looking statements are made only as of the date of this presentation, and, Coty undertakes no obligation, other than as may be required by applicable law, update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise.

## Non-GAAP Financial Measures

In this presentation, Coty presents certain non-GAAP financial measures that we believe enable management and investors to analyze and compare the underlying business results from period to period, including constant currency, organic like-for-like (LFL) and adjusted metrics, as well as free cash flow and net debt. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period, with the current period's results calculated at the prior-year period's rates. The term "like-for-like" describes the Coty's core operating performance, excluding the financial impact of (i) acquired brands or businesses in the current year period until Coty has twelve months of comparable financial results, (ii) divested brands or businesses or early terminated brands, generally, in the prior year non-comparable periods, to maintain comparable financial results with the current fiscal year period and (iii) foreign currency exchange translations to the extent applicable. Adjusted metrics exclude nonrecurring items, purchase price accounting related amortization, acquisition-related costs, restructuring costs and certain other information as noted within this presentation. Free cash flow is defined as net cash provided by operating activities, less capital expenditures, and net debt is defined as total debt less cash and cash equivalents. These non-GAAP financial measures should not be considered in isolation, or as a substitute for, or superior to, financial measures calculated in accordance with GAAP. To the extent that Coty provides guidance, it does so only on a non-GAAP basis and does not provide reconciliations of such forward-looking non-GAAP measures to GAAP due to the inherent difficulty in forecasting and quantifying certain amounts that are necessary for such reconciliation, including adjustments that could be made for restructuring, integration and acquisition-related expenses, amortization expenses, adjustments to inventory, and other charges reflected in our reconciliation of historic numbers, the amount of which, based on historical experience, could be significant. Reconciliation of these non-GAAP financial measures to the nearest comparable GAAP financial measures are contained in the press release attached as Exhibit 99.1 to the Form 8-K filed with the SEC on May 11, 2020.

## Outlook Information

In this presentation, Coty presents outlook information as of May 11, 2020.

## Definitions and Notes

Fiscal year represents Coty's fiscal year ended June 30.