



**EARNINGS PER SHARE ILLUSTRATION GUIDE:
BASED ON GAAP**



COTY
SINCE 1904

Earnings Per Share (“EPS”) Illustration Guide

Basic EPS

Basic EPS is computed by dividing earnings available to common stockholders (“**numerator**”) by the weighted-average number of common shares outstanding (“**denominator**”).

The **numerator** to the basic EPS calculation (earnings available to common stockholders) is adjusted by deducting dividends declared on preferred stock and dividends accumulated on cumulative preferred stock (whether paid or not).

Illustration – Coty adjusted net income from continuing operations available to common stockholders for the year ended June 30, 2021

Adjusted net income from continuing operations available to common stockholders	\$111.9
Less: Convertible Series B Preferred Stock dividends	<u>(102.3)</u>
Adjusted net income from continuing operations available to common stockholders	\$ 9.6 Numerator
Weighted average common shares - Basic	764.8 Denominator
Basic EPS	\$0.01

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Diluted EPS

The computation of diluted EPS is similar to the computation of basic EPS except that:

Numerator – is adjusted to add back any convertible preferred dividends.

Denominator - assumed all dilutive potential common shares within the Company’s capital structure were outstanding during the reporting period including:

- The diluted effect of the share-based payment awards
- The diluted effect of the convertible securities (i.e., Series B convertible preferred stock) – is calculated using **\$1,074.1** million of Series B convertible preferred stock face value plus accrued dividends divided by **\$6.24** conversion rate = **172.1** million shares and weighted for the period.

Start with Basic EPS numerator	\$9.6
Add back Convertible Series B Preferred Stock dividends	<u>102.3</u>
Adjusted net income from continuing operations available to common shareholders	\$111.9
Weighted average common shares - Diluted	935.9
Diluted EPS – As calculated	\$0.12
Diluted EPS – As disclosed in company’s financial documents including earnings release	\$0.01

Note - Diluted EPS would be **\$0.12** which is greater than basic EPS of **\$0.01**. **According to GAAP, whenever diluted EPS increases earnings per share amount or decreases loss per share amount as compared to basic EPS, the diluted EPS will remain the same as basic EPS.**

Anti-Dilutive

In a period with a loss position

When a company is in a loss position, **the diluted EPS will remain the same as basic EPS.**

