



# COTY 2Q23 EARNINGS CALL

February 8, 2023

# COTY

# KEY MESSAGES

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## ROBUST BEAUTY DEMAND DRIVES Q2 SALES GROWTH AHEAD OF GUIDANCE

- Q2 LFL REVENUE GROWTH OF +4%, WITH CORE BUSINESS (ADJUSTING FOR RUSSIA EXIT) +7% LFL, BRINGING 1H23 CORE LFL TO +9%, AHEAD OF GUIDANCE OF 6-8%

2

## SOLID GROSS MARGIN, PROFIT & NET DEBT PERFORMANCE DESPITE INFLATION

- 2Q22 ADJ GROSS MARGIN +90 BPS YOY, WITH 1H22 +80 BPS YOY; Q2 ADJ OPERATING INCOME +11%, NET DEBT <\$3.9B WITH LEVERAGE ~4X AND TARGETING ~3X EXITING CY23

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## PROGRESS ACROSS EACH STRATEGIC PILLAR

- STRONG EXECUTION ACROSS ALL OF OUR STRATEGIC PILLARS

4

## FURTHER CONFIDENCE IN ABILITY TO ACHIEVE FY23 GUIDANCE, WITH EPS GUIDANCE RAISED

- FY23 CORE BUSINESS (EX RUSSIA) LFL REVENUE GROWTH OF +6-8% AND ADJUSTED EBITDA ~\$955-965M AT CURRENT FX RATES; EPS GUIDANCE RAISED TO \$0.35-0.36, WITH >20% GROWTH YOY

**STRONG  
SALES  
DELIVERY**



# 1H23 CORE REVENUE GROWTH **AHEAD OF GUIDANCE**, DESPITE COMPONENT CONSTRAINT

**CB +6% LFL**  
(**+8%** ADJUSTING FOR RUSSIA)

**PRESTIGE +3% LFL**  
(**+6%** ADJUSTING FOR RUSSIA)



**Q2 SALES +4% LFL**, WITH CORE REVENUES **+7% LFL** (ADJUSTING FOR RUSSIA EXIT)  
➤ BRINGS 1H23 CORE LFL TO **+9% LFL**, AHEAD OF GUIDANCE OF +6-8% LFL

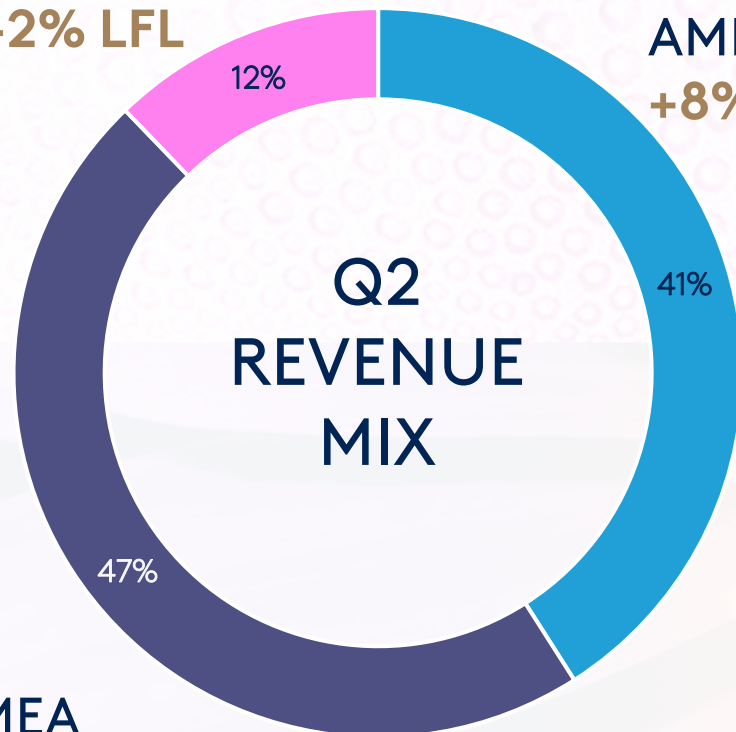
**PRESTIGE LFL +6% IN Q2 AND +8% IN 1H23**, ADJUSTING FOR RUSSIA EXIT  
➤ FRAGRANCE COMPONENT SHORTAGES CONSTRAINED BOTH SALES AND SELL-OUT  
➤ INNOVATION PIPELINE LARGELY EXTENSIONS VS. BLOCKBUSTER LAUNCHES IN FY22  
➤ LEAN RETAILER INVENTORY EXITING Q2

**CONSUMER BEAUTY LFL +8% IN Q2 AND +10% IN 1H23**, ADJUSTING FOR RUSSIA EXIT  
➤ MID SINGLE DIGIT RETAIL SALES GROWTH, AHEAD OF THE UNDERLYING MARKET

# GROWTH ACROSS ALL REGIONS

APAC

**+2% LFL**



AMERICAS

**+8% LFL**

AMERICAS **+8% LFL IN Q2** AND **+7% IN 1H23**, WITH PARTICULARLY STRONG MOMENTUM IN LATAM AND TRAVEL RETAIL, WHILE U.S. CONSTRAINED BY PRESTIGE SUPPLY

EMEA **+2% LFL IN Q2** AND **+6% IN 1H23** (INCLUDING ~500 BPS IMPACT FROM RUSSIA EXIT), FUELED BY GROWTH IN MOST MARKETS AND TRAVEL RETAIL

ASIA PACIFIC **+2% LFL IN Q2** AND **+6% IN 1H23**, WITH VERY STRONG MOMENTUM IN ASIA-EX-CHINA AND TRAVEL RETAIL

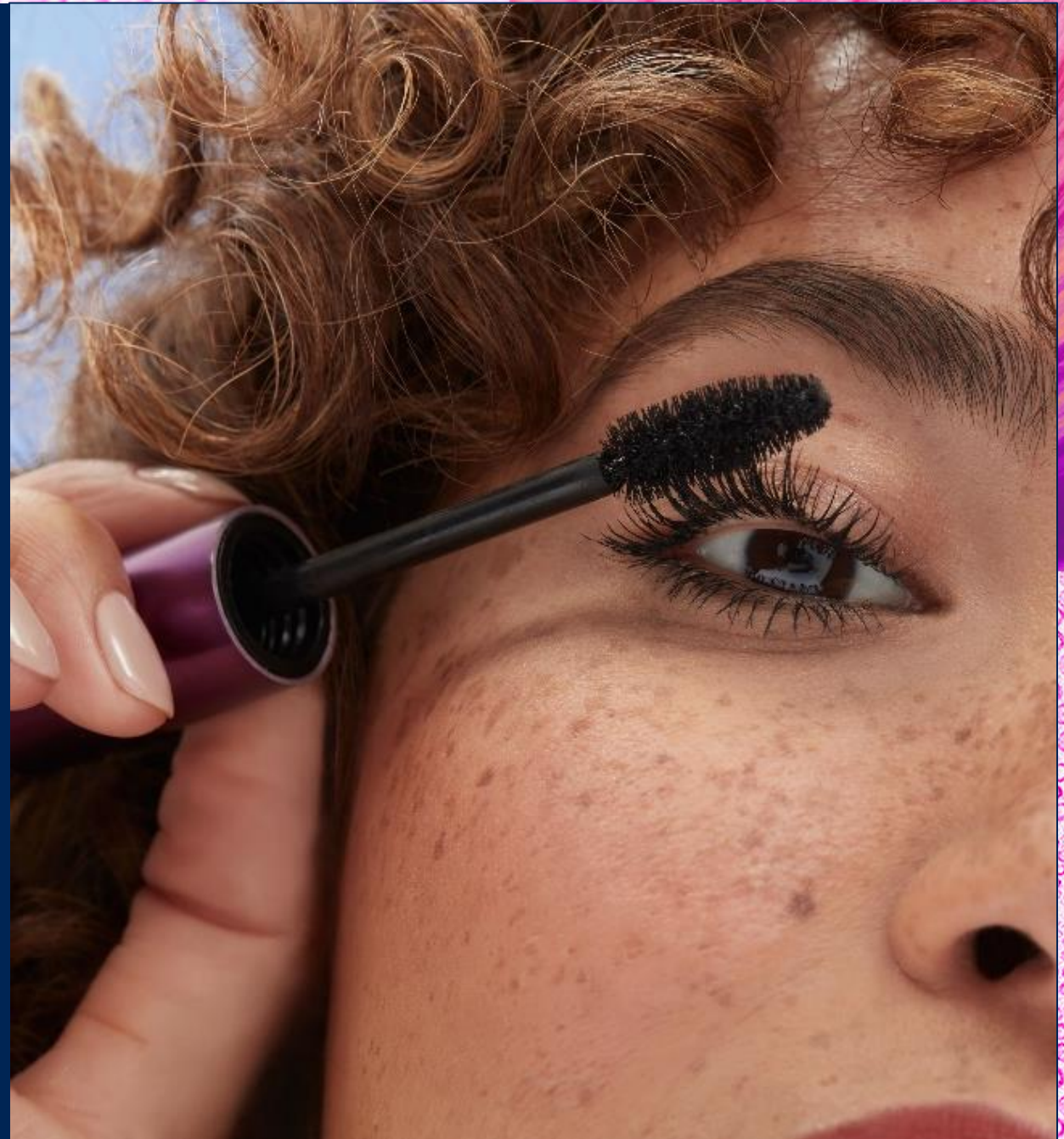
EMEA

**+2% LFL**

**(+7% ADJUSTING FOR RUSSIA)**

COTY

**SOLID PROFIT  
PERFORMANCE**

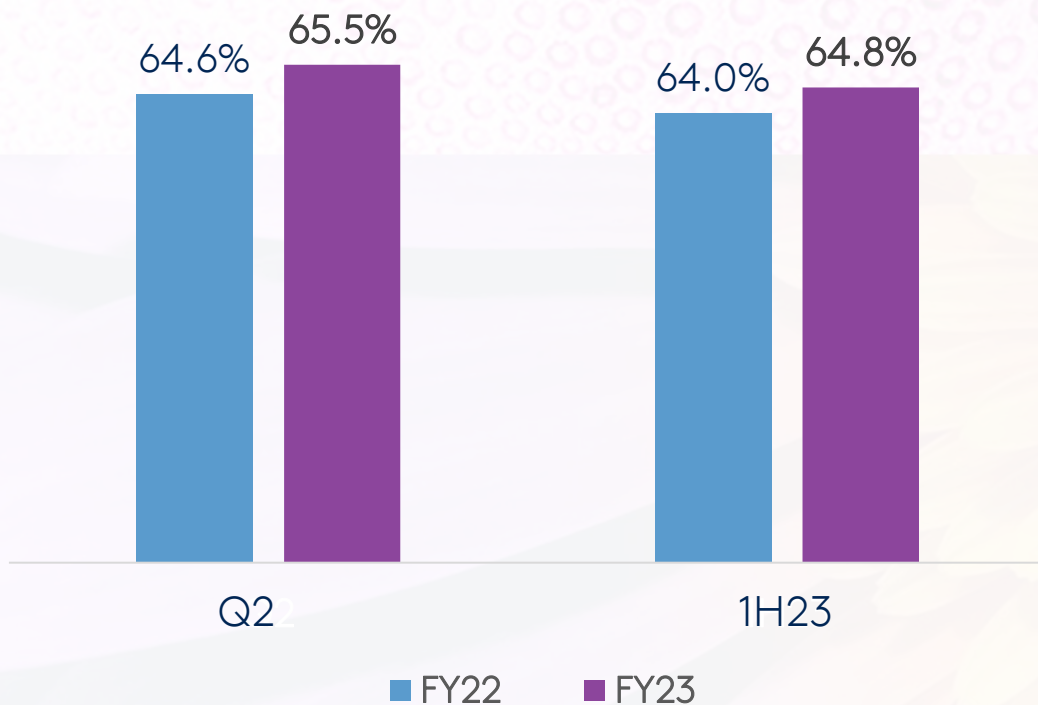


# ROBUST GROSS MARGIN PERFORMANCE

## ADJUSTED GROSS MARGIN

+90 bps YoY

+80 bps YoY



GROSS MARGIN UP STRONGLY, +90BPS YOY IN Q2 AND +80BPS YOY IN 1H23

GROSS MARGIN EXPANSION REFLECTS:

- PRICING EXECUTION IN BOTH PRESTIGE AND CONSUMER BEAUTY
- SUPPLY CHAIN AND PLANNING IMPROVEMENTS
- IMPROVED TRADE SPEND
- TEMPORARY EASING OF INFLATION IMPACT TO <150BPS DUE TO TIMING OF CERTAIN MATERIAL COSTS

# FRAGRANCE COMPONENT SHORTAGES EASING INTO 2H FY23

- Q2 FRAGRANCE REVENUES AND SELL-OUT MEANINGFULLY **CONSTRAINED BY COMPONENT SHORTAGES** (GLASS BOTTLES, CAPS, PUMPS)
  - COTY'S Q2 PRESTIGE SERVICE LEVELS <80% AND **MODERATELY LOWER Q/Q**
  - DESPITE CONSTRAINTS, COTY DELIVERED Q2 **REVENUES AHEAD OF GUIDANCE** AND ADJUSTED **GROSS MARGINS +90BPS YOY**
  - SERVICE LEVELS BEGINNING TO IMPROVE IN JANUARY
- CONTINUE TO ESTIMATE COGS COST INFLATION OF **~2% OF REVENUES IN FY23**, TO BE OFFSET BY PRICING, COGS SAVINGS AND TRADE INVESTMENT OPTIMIZATION



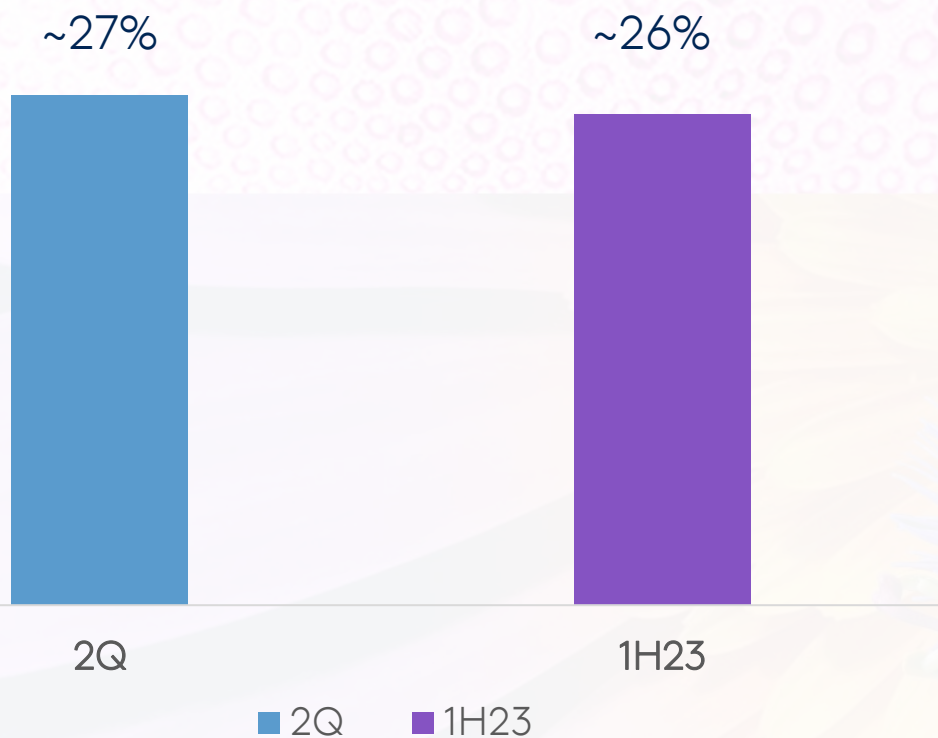
# FY24 SAVINGS INCREASED TO ~\$90M, WITH FURTHER ~\$75M IN FY25

- REMAIN ON TRACK FOR SAVINGS OF ~\$170M IN FY23, WITH ~\$70M DELIVERED IN 1H23
- POSITIONING COTY FOR SUCCESS, DEFENSIVELY & OFFENSIVELY, BY BOOSTING SAVINGS PIPELINE:
  - FY24 SAVINGS TARGET INCREASED TO ~\$90M (FROM ~\$75M PREVIOUSLY)
  - FY25 SAVINGS PIPELINE IDENTIFIED OF ~\$75M
- FY23-FY25 SAVINGS PROJECTS MAJORITY-DRIVEN BY GROSS MARGIN INITIATIVES



# MAINTAINING STRONG MARKETING INVESTMENTS

## A&CP AS PERCENT OF SALES



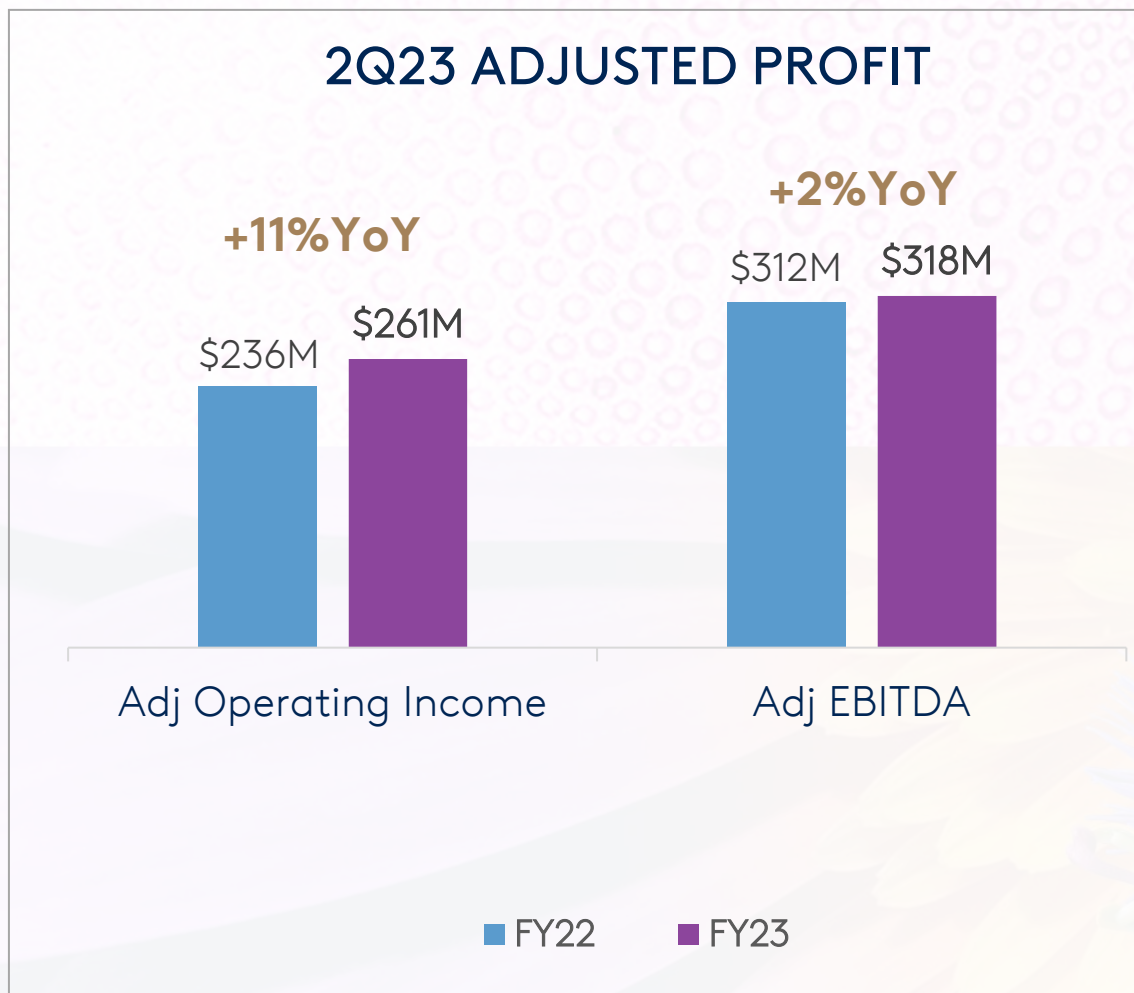
A&CP AT ~27% DURING Q2 AND ~26% IN 1H23, INLINE WITH EXPECTATIONS

### INVESTMENTS MADE BEHIND:

- PRESTIGE INNOVATIONS LIKE HUGO BOSS BOTTLED PARFUM, BURBERRY HERO, AND GUCCI FLORA GORGEOUS JASMINE
- CB INNOVATIONS LIKE COVERGIRL SIMPLY AGELESS INNOVATION BUNDLE AND RIMMEL THRILLSEEKER MASCARA
- CONTINUED INVESTMENT BEHIND OUR WHITESPACE AREAS

CONTINUE TO EXPECT FY23 A&CP TO BE AT HIGH 20% LEVEL OF SALES

# STRONG 2Q23 PROFIT GROWTH, DESPITE FX HEADWINDS



- 2Q23 ADJ OP INCOME **+11% YOY**, WITH 1H23 ADJ OP INCOME **+17% YOY**
  - DOUBLE DIGIT Q2 PROFIT GROWTH DESPITE **HIGH SINGLE DIGIT FX HEADWIND**
- 2Q23 ADJ OP MARGIN OF **17.2% (+220BPS YOY)**, WITH 1H23 MARGIN OF **17.5% (+270BPS)**
- 2Q23 ADJ EBITDA **+2% YOY**, WITH 1H23 ADJ EBITDA **+6% YOY**
- 2Q23 ADJ EBITDA MARGIN OF **20.8% (+100BPS YOY)**, WITH 1H23 MARGIN OF **21.5% (+150 BPS)**

# ROBUST 2Q23 AND 1H23 ADJUSTED EPS DELIVERY

\$ Millions	Q1	Q2	H1
Adjusted EBITDA	308	318	626
Depreciation	(58)	(56)	(114)
Net Interest	(66)	(61)	(127)
Income Tax	(44)	(68)	(111)
Other	(44)	62	18
Adj Preferred Dividend	(3.3)	(3.3)	(6.6)
Diluted Share Count	859M	887M	885M
Diluted Adjusted EPS *	11 cents	22 cents	33 cents
Diluted Adj EPS excl. equity swap	15 cents	17 cents	32 cents

- Q2 ADJ EPS OF \$0.22, +29% YOY
- Q2 EPS INCLUDES **NON-CASH BENEFIT** FROM TOTAL RETURN SWAP MARK-TO-MARKET OF **~\$45M OR \$0.05 IN EPS** DUE TO STOCK PRICE IMPROVEMENT IN Q2
- 1H23 ADJ EPS OF \$0.33, +27% YOY
  - DRIVEN BY STRONG PROFIT GROWTH
  - INCLUDES **ONLY \$0.01 YTD BENEFIT FROM EQUITY SWAP**

# STRONG FREE CASH FLOW GENERATION

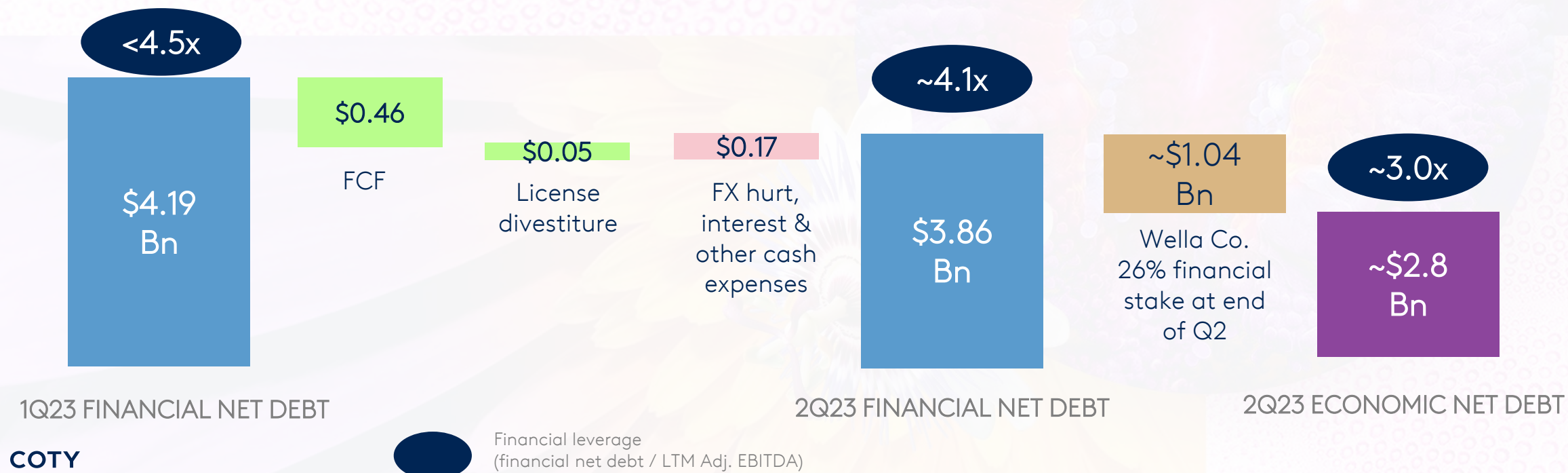
\$ Millions	Q2	H1
Adjusted EBITDA	318	626
Capex, WC, one-offs	247	66
Interest and tax	(110)	(149)
<b>FREE CASH FLOW</b>	<b>455</b>	<b>543</b>

## FREE CASH FLOW

- 2Q23 **FCF OF \$455M**, AHEAD OF EXPECTATIONS
  - REFLECTS TIMING OF CAPEX AND WORKING CAPITAL PAYMENTS
  - RISING INVENTORY TO ADDRESS COMPONENT SHORTAGES
- CONTINUE TO EXPECT **STRONG FCF IN FY23**, THOUGH DOWN YOY DUE TO STRONG WORKING CAPITAL BENEFITS IN FY22

# ACTIVE DELEVERAGING PATH, MEETING CY22 TARGET

- LEVERAGE EXITING 2Q23 OF **~4.1X**, IN LINE WITH GUIDANCE, IMPROVING FROM <4.5X EXITING 1Q23
- **~90% OF DEBT IS FIXED**, INCLUDING HEDGES; **~70% FIXED** ONCE HEDGES EXPIRE
- WELLA VALUE **INCREASED BY ~\$75M** TO **~\$1.04B**, REFLECTING LOWER DISCOUNT RATE & HIGHER MARKET MULTIPLES

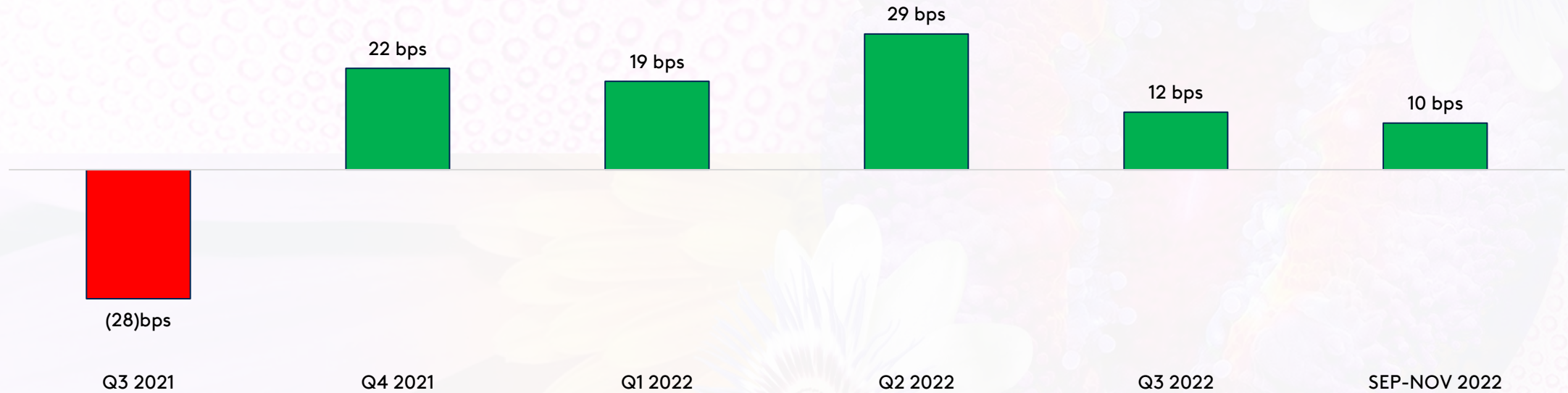


# EXECUTING ON STRATEGIC PILLARS



# FULL YEAR OF MARKET SHARE GAINS FOR CONSUMER BEAUTY

Coty sell-out growing **mid-to-high single digits**, above CB market growing **mid single digits**



# "FRAGRANCE INDEX" IN FULL EFFECT ACROSS KEY MARKETS

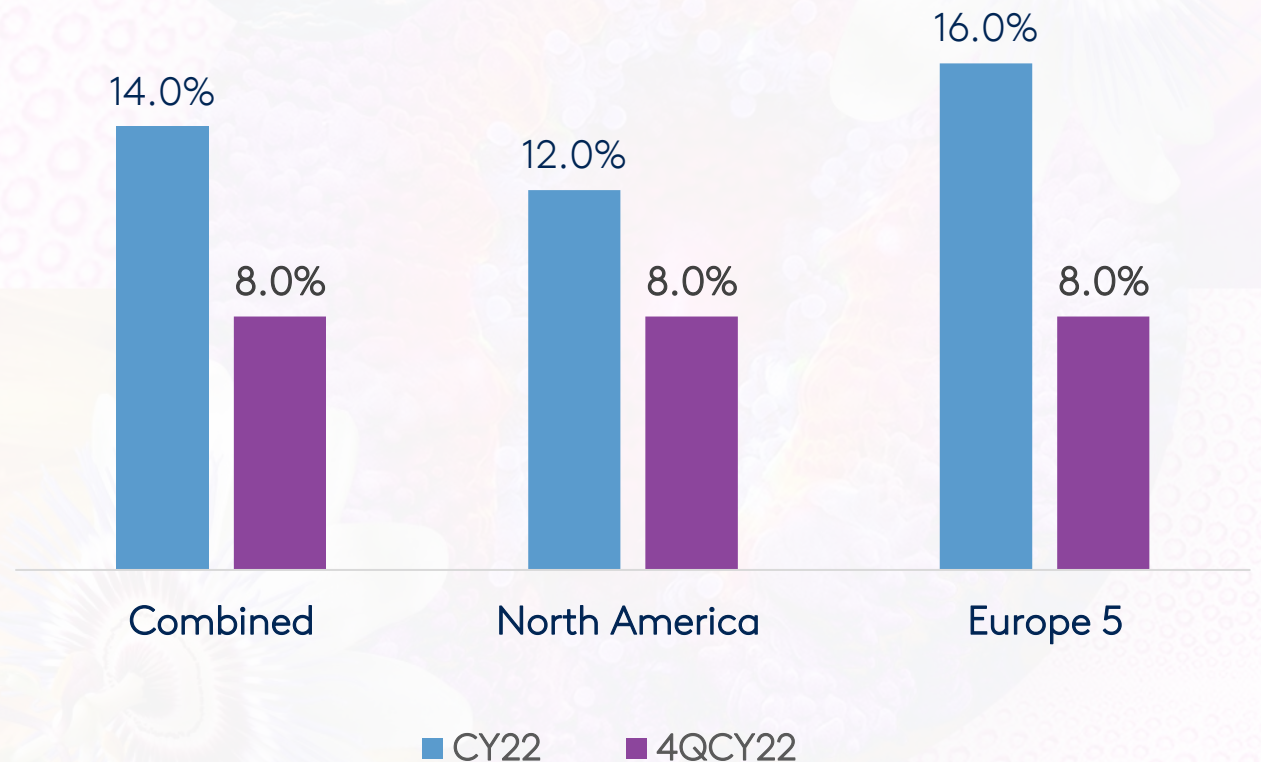
FRAGRANCE MARKET CONTINUING TO **GROW AT HIGH SINGLE DIGIT LEVEL** IN BOTH NORTH AMERICA AND EUROPE, **ABOVE HISTORICAL GROWTH OF LSD-MSD %**

MARKET IS **25-30% HIGHER THAN 2019**, CONFIRMING STRUCTURAL GROWTH DRIVERS

**NO SLOWING IN PREMIUMIZATION TRENDS:**

- PREMIUM+ AND ULTRA PREMIUM LINES GROWING 1.5-2X FRAGRANCE MARKET
- HIGHER CONCENTRATION FRAGRANCES GAINING SHARE

Luxury Fragrance Market Growth (YoY)



# COTY FY23 INNOVATIONS BUILDING ON SUCCESSFUL FY22 LAUNCHES



#1 Innovation



#2 Innovation



#1 Innovation



TOP3 Innovation



TOP5 Innovation



TOP3 Innovation



TOP5 Innovation



TOP5 Innovation



# BECOMING A KEY PLAYER IN PRESTIGE MAKEUP

Coty Prestige Makeup sell-out in U.S. **growing >40%**, almost **3x the market**, fueled by Gucci and Kylie

FYTD prestige makeup sales in Travel Retail **7x higher than FY19**, and now **~10% of overall TR sales**

Kylie makeup sales **growing double digits** in Q2





**LANCASTER**  
MONACO



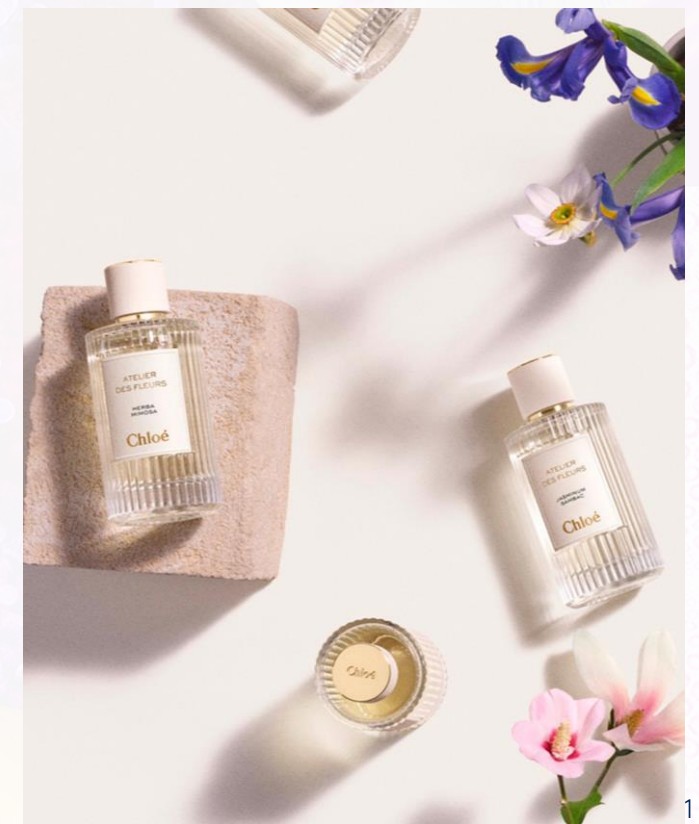
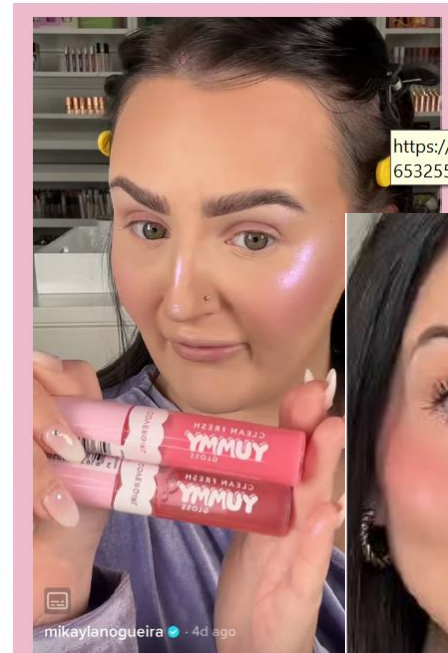
**LANCASTER ULTRA PREMIUM SKINCARE  
CHINA OMNICHANNEL LAUNCH IN MARCH '23**

# FUELING DIGITAL MOMENTUM THROUGH SOCIAL COMMERCE, NEW PARTNERSHIPS, AND E-RETAIL

Burberry Tmall sales on 11.11 grew >50% YoY

CoverGirl and Rimmel products going viral on TikTok, driving strong sales uplift

Chloe flagship opening on Tmall this month



# CHINA MARKET REOPENING TO PROPEL KEY BRAND INITIATIVES IN 2H FY23

COVID restrictions drove double-digit declines in Q2 China sales

Q3 QTD store traffic rebounding strongly from Q2 levels, though still lower YoY

Key brand initiatives for 2H fully in-sync with market re-opening:

- Lancaster ultra premium line launch
- Chloe launching on TMall in Q3



# BOOMING AND MULTI-PRONGED TRAVEL RETAIL BUSINESS

Travel Retail revenues growing ~40% YoY in Q2 and 1H23

Travel Retail now ~8% of Coty sales

Sustained global travel recovery & expected return of Chinese travelers to fuel ongoing momentum



# 2H23 AND FY23 OUTLOOK

## 2H23

JANUARY SALES GROWTH ACCELERATING SEQUENTIALLY

EXPECT 2H23 LFL SALES GROWTH OF CORE BUSINESS (ADJUSTING FOR RUSSIA EXIT) CONSISTENT WITH ALGORITHM AND PREVIOUS OUTLOOK OF **+6-8%**

APPROXIMATELY **-2%** NET IMPACT ON **Q3** SALES FROM RUSSIA EXIT, WITH NO IMPACT IN Q4

AT CURRENT RATES, EXPECT **2H23** FX HEADWINDS OF **MSD IN Q3** AND **LSD IN Q4**

EXPECT **2H23** ADJ EPS OF **~\$0.03-0.04**, WEIGHTED TOWARDS Q3

## FY23

CONTINUE TO EXPECT FY23 LFL SALES GROWTH OF CORE BUSINESS **INLINE WITH MEDIUM TERM GROWTH TARGET OF +6-8%** (ADJUSTING FOR THE IMPACT OF THE RUSSIA EXIT; ASSUMING NO SIGNIFICANT DETERIORATION IN MACRO OR COVID)

CONTINUE TO EXPECT **MODEST GROSS MARGIN EXPANSION YOY** WITH POSITIVE PRICING & SAVINGS OFFSETTING INFLATION

AT CURRENT RATES, EXPECT **FY23** FX HEADWINDS ON REVENUES OF TOWARDS **THE BETTER END OF PRIOR OUTLOOK OF -6-8%**

EXPECT FY23 ADJ EBITDA OF **~\$955-965M** BASED ON CURRENT FX RATES\*, RELATIVELY INLINE WITH ITS MEDIUM TERM GROWTH TARGET OF **+9-11%**, ADJUSTING FOR THE IMPACT OF RUSSIA EXIT

INCREASING FY23 ADJ EPS OUTLOOK TO **>20% GROWTH TO \$0.35-36** FROM PREVIOUS \$0.32-0.33, EXCLUDING MARK TO MARKET FOR EQUITY SWAP

CONTINUE TO TARGET FURTHER REDUCTION IN LEVERAGE TOWARD **~3X EXITING CY23** AND **~2X EXITING CY25**

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**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, strategic planning, targets and outlook for future reporting periods (including the extent, timing and concentration of revenue, expense and profit trends, changes in operating cash flows and cash flows from operating activities and investing activities, expected drivers of sales and profitability in future periods, expected future tax rates, the impact of currency exchange rate volatility, the impact of inflationary pressures, and the expected timing and impact of pricing and other measures to offset inflationary pressures), the wind down of the Company's operations in Russia (including timing and expected impact), the Company's future operations and strategy including the expected implementation and related impact of its strategic priorities), allocation and amount of advertising and consumer promotion costs, expected shelf space trends, allocation and amount of research and development investments, investments, licenses and portfolio changes, product launches and relaunches or rebranding (including their expected timing and impact), ongoing and future cost efficiency, optimization and restructuring initiatives and programs, strategic transactions (including their expected timing and impact), and synergies, savings, performance, cost, timing and integration of acquisitions and investments, plans with respect to opportunities to leverage assets including through public offerings, expectations and/or plans with respect to joint ventures (including Wella and the timing and size of any related distribution or return of capital), the Company's capital allocation strategy and payment of dividends (including suspension of dividend payments and the duration thereof, and any plans to resume cash dividends on common stock or continue to pay dividends in cash on preferred stock, future cash flows, liquidity and borrowing capacity (including any debt refinancing or deleveraging activities), timing and size of cash outflows and debt deleveraging, the timing and extent of any future impairments, synergies, savings, impact, cost, timing and implementation of the Company's ongoing transformation agenda (including operational structure changes, operational execution and simplification initiatives, cost reductions and supply chain changes), expected impact, cost, timing and implementation of e-commerce and digital initiatives, expected impact, cost, timing and implementation of sustainability initiatives (including progress, plans and goals), the expected impact of geopolitical risks including the ongoing war in Ukraine on our business operations, sales outlook and strategy, the expected impact of global supply chain challenges and/or inflationary pressures (including as a result of COVID-19 and/or the war in Ukraine) and expectations regarding future service levels, expectations regarding the impact of the easing of COVID-19 restrictions in China, 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 Company's ability successfully implement its multi-year transformation agenda and to develop and achieve its global business strategies and strategic priorities, compete effectively in the beauty industry and achieve the benefits contemplated by its strategic initiatives within the expected time frame or at all; the timing, costs and impacts of future divestitures (and the amount and use of proceeds from any such transactions); the impact of COVID-19 (or future similar events); 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; disruptions in the availability and distribution of raw materials and components needed to manufacture the Company's products; managerial, operational, regulatory, legal and financial risks, including diversion of management attention to and management of cash flows, expenses and costs associated with multiple ongoing and future strategic initiatives, internal reorganizations and restructuring activities, including the its transformation agenda; any unanticipated problems, liabilities or integration or other challenges associated with a past or future acquired business, joint ventures or strategic partnerships which could result in increased risk or new, unanticipated or unknown liabilities, including with respect to environmental, competition and other regulatory, compliance or legal matters and litigation or investigations by governmental authorities; currency exchange rate volatility and currency devaluation and/or inflation; changes in the demand for the Company's products due to declining or depressed global or regional economic conditions, and declines in consumer confidence or spending; global political and/or economic uncertainties, disruptions or major regulatory or policy changes, and/or the enforcement thereof that affect the Company's business, financial performance, operations or products, including the impact of the war in Ukraine and any related escalation or expansion thereof; the Company's ability to retain and attract key personnel; the Company's ability to adapt its business to address climate change concerns and to respond to increasing governmental and regulatory measures relating to ESG matters; and the impact of senior management transitions and organizational structure changes.

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, 2022 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, adjusted operating income, adjusted gross margin, as well as adjusted earnings before interest, taxes, depreciation and amortization ("adjusted EBITDA"), adjusted EPS, net debt or financial net debt, economic net debt, free cash flow and immediate liquidity. 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, stock-based compensation, costs related to market exit, loss on early extinguishment of debt, asset impairment charges, 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. "Immediate liquidity" is defined as the sum of available cash and cash equivalents and available borrowings under Coty's Revolving Credit Facility. 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 February 8, 2023.

## Outlook Information

In this presentation, Coty presents outlook information as of February 8, 2023.