Coty's 3Q23 Script

May 9, 2023

Sue Y. Nabi, Chief Executive Officer

Slide 1

Welcome everyone,

- We are once again proud to report strong operational and financial performance, with today's Q3 results marking the eleventh consecutive quarter of results in line to ahead of expectations
- In a complex global environment, beauty remained an advantaged category with consumers, at the sweet spot of affordable luxury, self-care, and confidence boosting
- We saw no signs of slowing in consumers' appetite for fragrances, as the "fragrance index," as we like to call it, remained in full effect
- And we once again delivered another quarter of balanced growth, with LFL growth across both divisions, across each of our regions, and across our key categories including fragrances, cosmetics and bodycare
- This has allowed us to again report sales growth above the underlying beauty market
- As a result, we continue to target growing our sales ahead of the beauty market, growing our profit ahead of sales, and steadily deleveraging our balance sheet, positioning Coty to become a true beauty powerhouse
- I'm also very grateful to our Board for their continued support and trust in me, as we've recently announced the extension of my long-term partnership with Coty anchored on a long-term equity program which runs through 2030
- I am excited to continue to work with my leadership team to drive Coty forward to build substantial value for all stakeholders for many years to come

Slide 2

- I would like to call out a few highlights from our results
- First, we once again delivered revenue growth ahead of expectations and guidance, fueled by the strong beauty demand, retailer restocking post the holidays, and successful key brand initiatives in both divisions
- Our Q3 core LFL revenues grew 15%
- Second, beginning in Q3, we have kicked off the full multi-pronged growth acceleration of our strategic skincare business, including new launches, merchandising upgrades, distribution expansion and PR events
- As such, and consistent with what we've discussed in recent months, we are reinvesting behind these strategic initiatives and the underlying organization to drive our growth flywheel in the coming years, while at the same time confirming our profit delivery in FY23 and beyond in line with our guidance, and leverage target towards 3x exiting CY23
- Third, we continued to execute and make progress across our strategic growth pillars
- Finally, we are raising our core LFL FY23 revenue guidance to +9-10%, while maintaining our FY23 EBITDA guidance of $955-965 million
- We are also raising our FY23 adjusted EPS guidance
- Assuming the current share price holds, we expect over 85% growth in our overall adjusted EPS to 52 to 53 cents
- And excluding the equity swap benefit, we now expect a FY23 adjusted EPS of 38 to 39 cents, reflecting very strong growth of roughly 35% year-on-year, up from previous guidance of 35 to 36 cents,

Slide 3

- I will now take a few moments to cover our revenue trends during the quarter, before Laurent takes you through our financials
- Then I will finish with an update on our strategic progress and our outlook

Slide 4

- Starting with our revenue performance
- Our Q3 core revenues grew 15% LFL, adjusted for our exit from Russia
- This brings our fiscal year to date core business revenue growth to +10% LFL, ahead of our original 6-8% LFL growth guidance
- In Q3, our core Prestige business grew 16% LFL, adjusting for the Russia exit, resulting in 10% core LFL growth fiscal year to date
- The strong sales growth acceleration in Q3 reflected continued robust fragrance demand, which actually strengthened further in recent months, improvement in our prestige fragrance supply, and retailer restocking which we estimate provided a mid single digit percent benefit to our Q3 growth
- We estimate that retailer inventories are now at normalized levels, which should drive Q4 sell-in to be relatively aligned with sell-out
- Within the Q3 Prestige growth, we saw mid single digit volume growth and double digit expansion in price and mix
- In Consumer Beauty, our Q3 core revenues grew 12% LFL, bringing the fiscal year to date core LFL growth to 11%
- Our Q3 Consumer Beauty growth included low single digit volume growth and double digit price and mix

Slide 5

- Geographically, I'm pleased to say that LFL revenues continued to grow in all regions.
- Americas revenues grew 15% LFL in Q3, with double digit growth in nearly every market
- EMEA sales grew 18% LFL in Q3, which adjusts for the Russia exit. We saw double digit growth in nearly every market, with particularly strong momentum in regional Travel Retail
- Asia Pacific revenues grew 4% LFL in Q3, with strong momentum in broader Asia and Travel Retail, and negative but steadily improving trends in China as retailers worked through inventory

- Importantly, April sales in China, including Hainan, have increased both versus last year and versus two years ago, speaking to the strong signs of recovery in the market

Slide 6

- I will now hand the call over to Laurent to take you through our financial results

Laurent Mercier, Chief Financial Officer

Slide 6

- Thank you, Sue.
- In a complex global environment, I am pleased to say that we continued to deliver strong financial performance, with the Q3 results marking the 11th consecutive quarter of results in-line to ahead of expectations

Slide 7

- Let's start with an update on the global supply and inflationary backdrop and how we are navigating through this difficult environment
- As we spoke about last quarter, the continued robust demand for fragrances resulted in industry-wide supply chain shortages in key fragrance components
- The biggest constraints have been felt in glass bottles, though the supply of fragrance caps and pumps has also been limited
- As we discussed in recent months, our Prestige service levels improved significantly in the third quarter, reaching a high 80s level exiting the quarter and only a few percentage points below targeted levels
- This improvement was driven by strong efforts by our supply chain team to systematically address component constraints by qualifying additional suppliers as well as by additional industry capacity coming online

- As a result, retailers restocked on fragrances following the trade inventory depletion during Q2
- Turning to the inflationary backdrop, in the third quarter, COGS inflation rose sequentially to over 2% of sales, in line with our expectations
- We expect a further increase in COGS inflation to approximately 2.5% in the fourth quarter and as such, we continue to estimate COGS inflation of approximately 2% of revenues in FY23
- Looking to FY24, in the first half of the fiscal year, we currently expect COGS inflation to be consistent with the levels observed in the second half of FY23, with a moderation in COGS inflation closer to 1% in the second half of FY24
- In addition, we expect somewhat higher inflationary pressure in SG&A
- Our execution on savings, strategic revenue management and pricing is helping us balance this inflationary impact
- We are currently evaluating another round of pricing in the first quarter of FY24, as we continue our portfolio transition to cleaner and more sustainable products – including for the majority of our fragrance portfolio to be produced using carbon captured ethanol by end of calendar 2023 – while simultaneously driving category value expansion

Slide 8

- I will now provide an update on our All-in-to-Win program
- In Q3, we delivered savings of approximately $60 million, bringing our year to date savings to approximately $130 million
- And as savings ramp up from key initiatives, including our fragrance plant consolidation and material value analysis, we continue to target savings of approximately $170 million in FY23
- We also continue to target savings of approximately $90 million in FY24 and $75 million in FY25, reaffirming the savings targets announced in Q2

- In sum, having delivered over $550 million of savings life-to-date, we continue to optimize all of our processes and expenditures, thereby positioning Coty to be both flexible and fully equipped to invest in our strategic priorities
- And importantly, we are now entering phase 2 of our transformation, as we put in place more enablers for sustainable growth across the brands and markets, supplementing our savings initiatives

Slide 9

- Now turning to our adjusted EPS, where we reported strong momentum in the quarter
- As you know, we are obligated to include in our adjusted net income and adjusted EPS the mark-to-market changes on the equity swaps we entered in CY22, which locked in an effective stock price below $8 for close to $400 million of future buybacks in CY24 and CY25
- As these are non-cash and non-operational impacts which will be mechanically calculated based on the quarter-end stock price, we are tracking and measuring our EPS performance both including and excluding the impacts from the equity swaps.
- We will therefore guide on EPS both including and excluding the swap, and to explicitly call out the swap impact in our earnings reports, to easily enable investors to understand our operational performance
- As a result, we recommend for investors and analysts to include in your models the two EPS figures – our operational EPS excluding the swap and the EPS inclusive of the swap, which by necessity will be shown in our earnings releases
- With that context, our Q3 diluted adjusted EPS was 19 cents, which includes a non-cash EPS benefit of 13 cents from the mark-to-market on the equity swap
- Our operational EPS, excluding the swap, was 6 cents, reflecting a 3 cent increase year-on-year, driven by the operating income growth as well as a lower effective tax rate
- On a fiscal year to date basis, our adjusted EPS including the swap was 52 cents or almost 80% higher year-on -year, and our adjusted EPS excluding the swap was 38 cents, which reflects very substantial growth of 31% versus last year

- Looking ahead to the remainder of FY23, I would like to provide some more context on the different drivers of our adjusted EPS:
    - First, we continue to expect depreciation to be in the mid $200 million;
    - Second, we continue to expect net interest for the year to also be in the mid $200 million;
    - We now expect an adjusted effective tax rate for FY23 – excluding the equity swap – of mid-to-high 20s, a little below our previous outlook of high 20s.
    - Finally on fiscal 2023 share count, based on GAAP accounting provisions around anti-dilution, we continue to expect diluted shares at the 860-870 million range

Slide 10

- Moving to our profit delivery for the quarter
- Our Q3 adjusted operating income grew 8% to $123 million, with our year to date operating income expanding a strong 15% year-on-year
- This delivery was particularly impressive given strong FX headwinds, which negatively impacted our year to date profit by over $50 million
- The Prestige division delivered double-digit operating income growth in the quarter, while the Consumer Beauty division saw an operating loss reflecting both the stepped-up investment in A&CP around the key spring initiatives coupled with certain transactional FX costs
- As a result, our Q3 adjusted operating margin was relatively stable at 9.5% year-over-year, with our year to date margin up strongly by 180 basis points to 15.1%
- Importantly, we continue to expect strong income growth and margin expansion in both divisions in FY23
- Our adjusted EBITDA was stable with the prior year at $182 million, with 4% growth year to date to $807 million
- As a result, year to date adjusted EBITDA margin reached 19.2%, up 50 basis points versus last year

Slide 11

- Moving to our gross margin performance
- Q3 adjusted gross margin of 62.9% decreased by 170 basis points from last year, bringing the year to date adjusted gross margin to 64.2%, which is stable year-on-year and up by a very significant 450 basis points versus 2 years ago
- Our Q3 gross margin was impacted by:
    - Close to 100 basis points of one-time negative impacts, including the benefit from the Wella TSA exit in the prior year
    - An increase in COGS inflation to over 2% of sales
    - And a negative impact from transactional FX
- These impacts on gross margin were partially offset by the execution of additional pricing increases at the end of the quarter, which will have a more sizeable benefit to gross margin in Q4, and the positive benefits from mix and supply chain productivity
- Despite these headwinds, we continue to expect modest gross margin expansion in Q4 and FY23, with further expansion in the following years
- Going forward, we will continue executing on our multi-pronged, multi-year gross margin attack plan, as we drive our gross margins to the mid-60s and beyond

Slide 12

- Let me now walk you through our marketing investments
- In Q3, A&CP investments represented approximately 27% of sales, stable with Q2 levels and with the prior year, as we continued to support our key initiatives
- This brings the year to date A&CP level to approximately 26%, in line with our expectations
- As with prior quarters, our marketing spend was concentrated behind key launches in Prestige and Consumer Beauty, as well as whitespace opportunities
- For the fourth quarter, we expect A&CP to remain in the high-20% level of sales, resulting in full fiscal 2023 A&CP also ending in the high-20% level of sales

Slide 13

- Moving to our free cash flow

- We had free cash outflows of $178 million in the quarter
- This was consistent with Coty's seasonally weaker cash flow period and our active efforts to build prestige fragrance inventory to secure the Fall 2023 holiday season in the midst of persistent constraints in key fragrance components
- Year to date we have generated $365 million of free cash flow
- Consistent with our previous guidance, we remain on track to deliver over $400 million of free cash flow in fiscal 2023, with steady expansion in the coming years
- Our intent is to continue to use our strong free cash flow and opportunistic asset monetization to actively reduce our debt and advance our deleveraging agenda

Slide 14

- Moving to our capital structure
- We ended Q3 with net debt of approximately $4.1 billion, reflecting the seasonally negative free cash flow in the quarter and the negative translational FX impact on our debt from the strengthening Euro
- As a result, our leverage at the end of the quarter was around 4.4x, up from around 4.1x at the end of Q2 and consistent with our expectations
- The book value of our retained 26% Wella stake remained $1.04 billion, consistent with Q2
- Factoring in our Wella stake, we ended the quarter with economic net debt of approximately $3.1 billion
- We continue to expect an attractive return when we divest our Wella stake by FY25
- In addition, given the rising interest rate environment, it is important to note that, currently, approximately 70% of our debt is fixed
- Looking beyond FY23, our strong continued progress on deleveraging and debt paydown support our expectation for our interest expense to steadily decline in the coming years, despite the currently rising interest rate environment
- To sum up, we are confident in our next major leverage milestone, as we continue to target exiting calendar 2023 with leverage towards 3x

- Before I turn the call back to Sue, I want to comment on our recent announcement that we are exploring a potential dual listing on the Paris Stock Exchange
- Such a dual listing would further strengthen Coty's presence in Europe and would provide an additional vehicle to reach untapped investors in the market
- At this time, we would anticipate listing existing Coty shares on the Paris exchange, with no additional share issuances being contemplated
- The structure aligns with Coty's over 100 year heritage in France and our substantial business footprint in Europe.
- I will now hand it back to Sue to review our strategic progress in the quarter

Sue Nabi, Chief Executive Officer

Slide 15

- Thank you, Laurent
- Let me share some highlights from our continued execution on our six strategic pillars

Slide 16

- Starting with our first strategic pillar, stabilizing and growing our Consumer Beauty business
- In the quarter, both the mass beauty market and our Consumer Beauty business remained very dynamic
- The market grew in high single digits in Q3, in part aided by easier comparisons earlier in the quarter
- At the same time, both our Consumer Beauty LFL revenues and sell-out grew low double digits, marking the fifth consecutive quarter of share gains for the business
- And as you can see on this slide, our top color cosmetics brands all gained share globally, with particularly strong double digit LFL sales growth in CoverGirl, Rimmel and Max Factor

- CoverGirl led the booming trend in lip with the viral launch of its Clean Fresh Yummy Gloss, which has become the #1 Lip launch nationally, and #5 launch across all of mass cosmetics
- This has helped drive further expansion in CoverGirl's household penetration, particularly amongst Hispanic and Gen Z consumers
- Our focus for CoverGirl continues to be on driving penetration with Gen Z and Millennial consumers, this will help the brand close the sales growth gap with the U.S. cosmetics category
- CoverGirl's recent launches of the Yummy Gloss and skin priming serums are both aimed at these younger consumers
- And as the next exciting step in this strategy, we have just announced the upcoming launch of CoverGirl's new Lash Blast Cleantopia mascara, the brand's first plant-powered clean mascara
- At the same time, Max Factor continues to shine, growing close to 30% ex Russia, fueled by its exclusive collection with Priyanka Chopra Jonas, as well as its early but successful entry into mass skincare with the launch of the Miracle Pure Skin Illuminating Serum

Slide 17

- Turning to our second pillar, focused on accelerating our luxury fragrance business
- We continue to see the "fragrance index" in full effect, with increased fragrance usage by Gen Z, men and Hispanic consumers, further underpinned by social media
- In fact, in Q3, demand for prestige fragrances across North America and Europe accelerated to the mid teens %, above the high single digit growth recorded last quarter, and well above the historical low to mid single digit growth of the fragrance market
- As a result, the fragrance market is over 40% higher than 2019
- And once again, the market data confirms no slowing in the premiumization trend in fragrances
- And with the expected growth in fragrance consumption in China and further rebound in Travel Retail still ahead, coupled with the resurgence of demand in Europe similar to

what we've seen in the U.S., we remain optimistic about the strong momentum ahead for the fragrance category

- At the same time, we continued to strengthen and extend our license portfolio, with the recent renewal of the Davidoff license beyond 2040, which follows the license renewals in recent months of both Hugo Boss and Jil Sander
- As a result, the average remaining duration of Coty's top seven licenses – which account for approximately 90% of our prestige fragrance business – is now ~11 years

Slide 18

- On Prestige cosmetics, trends have been improving sequentially with the reopening of the China economy
- During the quarter we launched in China new long-wear foundations under both Burberry and Gucci, as part of our strategy to enter the higher-loyalty complexion sub-category
- The new Burberry Beyond Wear Perfecting Matte foundation is inspired by the revolutionary fabric of Burberry's iconic trench coat and provides 24-hour wear and protection against the elements
- The launch is off to a great start, with consumers nicknaming it the "trench foundation" and with sales well above our targets
- In the U.S., our Prestige makeup brands continue to outpace the category, with both Gucci makeup and Kylie makeup sell-out growing over 30% or one and a half to two times the growth of U.S. Prestige Makeup
- Finally, on Kylie Cosmetics, the brand's makeup sales grew strong double digits globally
- This growth is fueled by an expanded distribution, including a growing footprint in Macy's and the recent successful launches in Dubai, as well as the brand's expanded assortment with more innovation already launched in Q4 with the introduction of Kylash, Kylie's first-ever mascara which is off to a great start

Slide 19

- Shifting to our 3rd strategic pillar, building our skincare business

- In the last few months, we have ignited our comprehensive strategy as planned, with exciting initiatives across each of our key skincare brands Lancaster, Orveda and philosophy, and many more to come in the coming quarters and years
- As we've continued to share, accelerating our skincare presence will be a multi-year journey, and the combination of the strong business momentum we are seeing in the rest of our business and our savings generation will be crucial to both funding this journey and at the same time, delivering our targeted multi-year profit expansion

Slide 20

- Let me start with Lancaster
- In mid March, we launched Lancaster's ultra-premium skincare line called Ligne Princiere, bringing to the forefront Lancaster's heritage as the exclusive brand of the Monaco Princely Family, backed by patented and top-testing formulations
- We have executed a fully omnichannel launch around Ligne Princiere
- You can see in this video the very first Lancaster flagship store launched in Hangzhou, China, on March 31st, in partnership with China's #1 department store retailer INTIME
- And are continuing to open new Ligne Princiere doors at the most luxurious locations in the Chinese mainland and Hainan, while also launching Ligne Princiere on Tmall and Douyin

Slide 21

- And while we are still very early in the Ligne Princiere launch, the initial results are promising
- The Ligne Princiere line has reached the #1 spot in social buzz across social media in China, a critical component in driving consumer awareness and trial
- In fact, consumers are now calling it "the Kelly cream" online
- The conversion rate at our initial counters in the Chinese mainland and Hainan are currently in line to ahead of the leading beauty brands
- And the consumer comments and reviews are overwhelmingly positive on the packaging, the scent and the texture, with an average product rating of 4.9 out of 5

- We view these KPIs – social buzz, sales conversion, and product reviews – as the 3 most important metrics for any new skincare launch, and we will be closely focusing on these areas for each of our key skincare brands in the coming quarters

Slide 22

- Shifting to Orveda, in the last few months we have begun to build the awareness, buzz and desirability of this ultra-premium skincare brand amongst our target consumers: ultra high net worth individuals, celebrities, opinion leaders especially in the scientific community, and leading figures in the art world
- Orveda partnered with Paris Art Design show in Paris to connect with Contemporary Art and its influential global community of high net worth collectors
- During the recent Paris Fashion Week, Orveda also partnered with three of the most trendy Fashion designers - COURREGES, GIAMBATTISTA VALLI & ANNE DEMEULEMEESTER - to bring its exclusive signature glow to the models backstage, with the post procedure lines of Orveda helping the models' sensitized skin
- And Orveda has been awarded three times recently by beauty editors in UK, USA & Spain, including the most coveted award – the Prix D'excellence Marie Claire, making Orveda our most awarded skincare brand
- This lays a strong foundation for Orveda's critical commercial and launch initiatives slated for FY24

Slide 23

- Turning to our largest skincare brand, philosophy
- Our comeback of the brand kicked off in the last month, across all touch points in the U.S.
- First, philosophy announced a new brand formulation principle, dermatologic wisdom
- Second, philosophy has launched its latest product innovation, dose of wisdom™ bouncy skin reactivating serum. While still very early, sales results are over 20% ahead of our targets

- Third, we've relaunched philosophy's DTC website, which is a significant portion of the brand's sales. The new site offers a more elevated brand experience, and includes many new features such as immersive content modules, enhanced product detail pages, subscription program for replenishment orders and personalized product recommendations.
- While still early, we've already begun to see an improvement in the conversion rate on the new website as compared to the previous one
- Finally, we have updated our in-store displays and merchandising, beginning with Ulta

Slide 24

- Let's take a look now at the video campaign for philosophy's new dose of wisdom serum
- As you can see, our skincare acceleration has begun in earnest over the last few months, spanning new innovations, elevated online and offline merchandising, and unique story-telling and brand equity building
- While all of these foundational activities require upfront investment, we are of course very mindful of key metrics to track our success and ROI as we ramp sales towards our target of over $500 million in the next few years
- These include pace of store openings and the productivity of those stores; consumer loyalty and repurchase rates; PR Buzz , desirability and reach; building successful hero products for each brand; and trust and reputation with the scientific community

Slide 25

- Moving to our 4th strategic pillar, digital and e-commerce, we continued our broad-based momentum across e-commerce, social commerce, and consumer advocacy
- On e-commerce, our prestige fragrance brands Hugo Boss and Chloe are now amongst the top 5 fragrance brands on Lazmall Prestige, the leading e-retailer in the highly promising Southeast Asia region
- With a reach of over 90 million consumers, we are building on this success with the opening of the Marc Jacobs flagship store on Lazmall in April

- In Q3, we also activated a very successful omnichannel launch of Kylie Beauty in the Middle East, by partnering with Namshi, the region's fastest growing e-retailer
- The online activations were coupled with a brand pop up in the largest mall in the world – Dubai Mall, and also taking over the tallest building in the world – Burj Khalifa
- The results have been very promising, with the brand maintaining a Top 5 cosmetics brand ranking with the retailer, nearly reaching our FY23 sales target in the first 9 days
- Finally, as mentioned earlier, CoverGirl's Yummy Gloss has been a viral hit with Gen Z consumers, reaching over 100 million views on TikTok
- This marks the second phase of our CoverGirl reinvention, with a key launch that's targeting the key Gen Z and Millennial consumers

Slide 26

- Moving to our fifth strategic pillar, building our presence in China
- Since the lifting of COVID restrictions at the end of calendar 2022, we have seen a steady return of consumer traffic to stores and resumption of flights to Hainan
- While inventory workdown at some of our China retailers and distributors weighed on our Q3 sales in China, it's important to highlight that in April our sales in China, including Hainan, have increased versus both last year and versus two years ago
- This reinforces our confidence in the strong multi-year potential of China for our business, as we expand our presence in this critical market
- And Chinese consumers continue to actively engage with our brands and key launches in the quarter, including:
    - Lancaster Ligne Princière, where our announcement of Chinese actress Guan Xiaotong as the brand ambassador is driving a lot of excitement and awareness
    - Chloé on Tmall & new Atelier des Fleurs fragrance, building on the brand's already strong momentum, having reached the #4 fragrance brand in China Travel Retail in calendar 22
    - Burberry's newly launched Beyond Wear foundation

- And Gucci's newly launched Eternite de Beaute foundation

Slide 27

- Finally, we are continuing to see incredible momentum in our Travel Retail sales
- Both in Q3 and year to date, our Travel Retail sales grew over 30%
- As a result, our Travel Retail sales are approximately 8% of our overall business
- This is consistent with our Travel Retail penetration in 2019, even though international Travel is still close to 20% below pre-COVID levels
- We have continued to gain share in the high-growth and highly-profitable Travel Retail channel, particularly in EMEA and the Americas, fueled by distribution expansion, Travel Retail launch exclusivities, successful innovations and our growing multi-category presence
- And with no sign of slowing in global consumers' appetite for travel, and coupled with the return of Chinese travelers in the coming quarters, we remain highly optimistic about the growth potential of this channel for the beauty industry as a whole and Coty in particular

Slide 28

- Turning to our sixth and final strategic pillar, becoming a leader in sustainability
- We had several ESG milestones over the last few months
- First, we launched the world's first globally distributed fragrance manufactured using ethanol from 100% recycled carbon emissions in a partnership with Lanzatech
- Gucci's latest fragrance, Where My Heart Beats, is a key development in Coty's Beauty That Lasts sustainability strategy
- And importantly, we are targeting for the majority of our fragrance portfolio to be produced using carbon captured ethanol by end of calendar 2023
- And we know that consumers are willing to pay a premium for clean and sustainable products

- Additionally, building on our Purpose Vision and Values, Coty launched the #UndefineBeauty campaign
- #UndefineBeauty recognizes that current English language definitions of the term 'beauty' are outdated and calls on dictionary publishers to remove the implicit ageism and sexism from their definitions
- We've seen a very strong positive response from our employees, our brand partners, and our retail customers to this campaign, truly positioning Coty as a thought leader on this crucial topic

Slide 29

- And that brings me to our outlook for the remainder of the year
- We expect Q4 LFL sales growth of the core business to be relatively consistent with the fiscal year to date growth of +10%
- As a reminder, there will be no impact from the Russia exit in Q4
- At current rates, we expect Q4 FX headwinds on revenues in the low single digit percent
- And importantly, we continue to expect modest Q4 adjusted gross margin expansion
- Altogether, we expect Q4 adjusted EPS of breakeven to 1 cent
- For total FY23, we now expect revenues for the core business, adjusting for the impact of the Russia exit, to grow 9-10% LFL which reflects a significant increase from our original outlook for 6-8% core LFL growth (adjusting for the impact of the Russia exit)
- We also continue to expect modest gross margin expansion year on year
- We continue to target FY23 adjusted EBITDA of $955-965 million based on current FX rates, implying ~50 basis points of adjusted EBITDA margin expansion and over 150 basis points of adjusted operating margin expansion
- As a reminder, while our sales growth outlook has increased versus our expectations at the start of the year, our EBITDA outlook remains unchanged both because we have incurred over $50 million of negative FX impact on our profits fiscal year to date, and because we are actively reinvesting in our critical skincare organization and initiatives to fuel the growth flywheel in the coming years

- Based on the strong EPS momentum year to date, we are increasing our fiscal 23 adjusted EPS outlook
- Assuming the current stock price holds, we now expect an overall adjusted EPS of 52 to 53 cents
- Excluding the mark to market for the equity swap, we now expect approximately 35% growth in our FY23 operating adjusted EPS to 38 to 39 cents, up from our previous guidance of 35 to 36 cents
- We also continue to target a mid 20s percent adjusted EPS CAGR through FY26, excluding any mark-to-market adjustments on the equity swap, consistent with the targets we discussed recently at CAGNY
- And we continue to target further reduction in leverage toward ~3x exiting calendar 2023 and ~2x exiting calendar 2025

Slide 30

- To sum up, I am encouraged by our strong and consistent delivery over the last several years, exceeding expectations in the majority of the quarters
- We remain confident in beauty as a structurally attractive category and the longevity of the "fragrance index"
- And in this attractive market, Coty is poised to further outperform given the significant whitespace opportunities ahead of us within skincare, and in China and Travel Retail
- In short, we are excited by the path ahead as we continue on our journey to transform Coty into a true beauty powerhouse
- With that, let me open up the call for questions