

06-May-2026

# Coty, Inc. (COTY)

Q3 2026 Earnings Call

## CORPORATE PARTICIPANTS

### Markus Strobel

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

### Laurent Mercier

*Chief Financial Officer, Coty, Inc.*

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## OTHER PARTICIPANTS

### Filippo Falorni

*Analyst, Citigroup Global Markets, Inc.*

### Olivia Tong

*Analyst, Raymond James Financial, Inc.*

### Sydney Wagner

*Analyst, Jefferies LLC*

### Oliver Chen

*Analyst, TD Cowen*

### Alec Legg

*Analyst, Canaccord Genuity LLC*

### Charles-Louis Scotti

*Analyst, Kepler Cheuvreux SA*

### Andrea Teixeira

*Analyst, JPMorgan Securities LLC*

### Bonnie Herzog

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### Anna Lizzul

*Analyst, BofA Securities, Inc.*

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good morning and good afternoon, everyone. My name is Chelsea, and I will be your conference operator today. At this time, I would like to welcome everyone to Coty's Third Quarter Fiscal 2026 Question-and-Answer Conference Call. As a reminder, this conference call is being recorded today, May 6, 2026 at 8:00 AM Eastern Standard Time or 2:00 PM Central European Time.

Please note that on May 5, at approximately 4:30 PM Eastern Standard Time or 10:30 PM Central European Time, Coty issued a press release and prepared remarks webcast, which can be found on its Investor Relations website.

On today's call are Markus Strobel, Executive Chairman of the Board and Interim Chief Executive Officer; and Laurent Mercier, Chief Financial Officer.

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 reports filed with the SEC, where the company lists factors that could cause actual result 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.

## QUESTION AND ANSWER SECTION

**Operator:** With that, we will now open the line for questions. [Operator Instructions] Thank you. Our first question will come from Filippo Falorni with Citi. Please go ahead.

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### Filippo Falorni

*Analyst, Citigroup Global Markets, Inc.*

Q

Hi. Good morning, and good afternoon there. First question, Markus, I was hoping you can elaborate on the sell-in versus sellout gap that you called out yesterday, both for Prestige and Consumer Beauty. Different drivers there, but how should we think about it going forward into Q4 and as you start thinking about fiscal 2027?

And then one question for Laurent. On the margin side, can you provide some color on the exposure to oil and higher oil prices, both from a raw material standpoint but also from a distribution and logistical standpoint? Thank you. Thank you, both.

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### Markus Strobel

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

A

Yeah. Thanks, Filippo. On your first question, I mean, first of all, on the Prestige side, it was good that we saw some sellout growth. Not much, but it was good and we're happy about that. But the sell-in was trailing. There's basically three reasons behind it. Number one is the Middle East, because when this hit us end of February, we basically couldn't sell anything in March. And Middle East for us is a mid-teens region, was growing very highly. So, a good part of that sell-in problem is attributable to the Middle East.

Number two, we're still in a highly promotional environment, which can be visible in the gross to net. And finally, what we also saw is that a lot of our European retailers stocked up quite a bit for the holiday, for the Christmas period. And our sellout was not as high as they had intended it to be. So, they were working down a little bit of inventory in Q3. So, all these three factors combined led to that gap between sell-in and sellout.

When it comes to Consumer, first of all, the good news on Consumer is that we have closed a bit the gap to the category, especially on Sally Hansen and on CoverGirl in the US. Actually on both of these brands, we are now growing versus the market in unit volume, and we are catching up in value.

Now, why have we not seen this in the sell-ins? There is basically multiple reasons behind this. Number one, we have basically decided to get our whole organization focused on sellout and market share. This is for us a big cultural shift. So, in the Q3, we sold in much slimmer, much sharper bundles, because we sell in – in the past, we sold in very big bundles, a lot of volume. Problem with it, if it doesn't sell out, it comes back in returns and obsolescence. We avoided it this time. So, we sold in less, but we sold through much, much more. That's how we caught up against the category. So, this is short-term effect of selling in less, because we changed our strategy in the way we drive retail productivity.

And number two, we also exited some smaller markets on the Consumer business, especially on Kylie Cosmetics in Southeast Asia and in Mexico. And obviously, when you exit, you don't sell in. So, we believe that long term, the focus on sellout and sharper bundles and much more retail productivity will make us a stronger company. And over time, sellout will equal sell-in.

**Laurent Mercier**

*Chief Financial Officer, Coty, Inc.*

A

Yeah. So, Filippo, I can take the second question on – so Middle East, indeed, there are two implications. One, of course, top line margins. So, indeed, Middle East is a mid-single-digit [indiscernible] (00:05:33) net revenue for the company.

And of course, the other impact is, indeed, on oil price. So, what I can tell you, if you have to keep in mind some numbers is that roughly speaking, \$1 impact from oil price is impacting our profit by \$2 million. This is roughly the gross number. So, this is before any intervention on productivity, change of sourcing or any other kind of activity or ultimately even pricing. So that – just to have in mind.

So, now about the – the timing is – there is some delay, number one, because we have inventories on components. Number two also that our procurement team, they have also some hedging policy with our suppliers, which is also protecting suppliers, and as a result is protecting us. So, all in all, it means that we are protected against oil inflation roughly by the end of calendar year 2026. Okay, so this is the rough cut.

And maybe just to conclude on this, but indeed what are the scope impacted. So, number one is freight. This has impact on freight. And it's also on glass obviously. And this is where procurement teams are really finding, optimizing in terms of sourcing. Okay, how we can avoid these impact. And number three, it's about components, when we have some plastic components, okay.

So, again, we are managing these very tightly. I mean the procurement teams have really demonstrated over the last years ability and agility to navigate this kind of volatility of inflation, was the case three, four years ago when there was a peak of inflation. So again, the teams are really full-on and managing all these elements, while at the same time, of course, making sure that we keep always the top quality products.

**Filippo Falorni**

*Analyst, Citigroup Global Markets, Inc.*

Q

Great. Thank you very much.

**Operator:** Thank you. Our next question will come from Olivia Tong with Raymond James. Please go ahead.

**Olivia Tong**

*Analyst, Raymond James Financial, Inc.*

Q

Great. Thanks. Good morning. Can you – you mentioned retail destocking is mostly complete, but promotional levels are obviously still higher than you'd like, and at least in the near term Middle East is likely a continued headwind. So, perhaps can you give us a better sense of when you expect that sell-in and sellout to converge? Is this a next 12-month endeavor, or do you think it could potentially take longer? I understand your comments to Filippo about some of the actions that you're taking, particularly in Consumer Beauty. But would love a little bit more detail on that?

And then just longer term, can you talk about some more of the building blocks to get you closer to category growth, and whether you may need to take even more drastic actions, particularly in Consumer Beauty, to get you there? Thanks.

**Markus Strobel**

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

A

Okay. I mean, let me just start with how we get to category growth, both on Prestige and Consumer Beauty. And they are pretty similar, okay. Because both run under the Coty.Curated framework. The number one is getting the right innovation out there and focusing on the right innovation. So what we have done already for fiscal 2027, we have identified what is our best innovation, what is innovation that complements the brand that has a halo effect on the brand. And what are some small things that we have been doing in the past that we should not be doing at all.

So, we have cut our number of activities, but we're going to make the innovation that we bring to market bigger, better and make sure it has a halo effect on the brand. So that's point number one. And we're doing this on Prestige. And we also doing this on Consumer because we already see now that some of our reduced bundles with bigger, better innovation, some of our items are far ahead of objectives. Some of them 3x. So, we've seen we can appeal much, much more to the consumer, get more traction.

Second point is getting consumer engagement – improve consumer engagement. As I mentioned in the last call, by doing so many activities, we have invested a lot of money in creating assets, but even have enough sufficient money to put these assets out there for consumers to see. So, we're changing that, creating fewer assets, having more money in working media, and especially focusing more on what we call advocacy, which is modern way of doing marketing, influencers. We had been a bit slow on this one because we still had a very traditional marketing mix up until last year, but we're catching up very quickly. So that we believe that the consumers will respond much, much more to offering.

Number three, and this is very important when you mention the sellout and we're changing our whole company culture to sellout oriented. It used to be fairly sell-in oriented. But now we – for every innovation, for everything we've been doing, we're asking what is the sellout plan? What is the joint business planning with the retailer? Does it fit into the cadence of the retailer? So, have a really fully synchronized plan to drive sellout and then sell-in will follow.

And number four is on everything that we do, we put the ROI lens. We have very good ROI measurements now of all our actions of our media spending, marketing spending. And we're saying, everything what we do, does it move the needle, yes or no? So, across these four elements, which is basically Coty.Curated on both Prestige and Consumer, we believe this is going to have a big impact over time.

Now there will be – we had a framework. We put out this framework in the last call as you remember. We're putting it into the market now and hopefully it will improve quite a bit in 2027. It's probably going to go much faster on the innovation side because we decided this already, it's going to go much faster on the ROI side because we have the data. Moving asset creation to working media, it's going to take a little bit more time because you need some me-time to do that. And getting the whole organization that has been traditionally focused on sell-in, sellout oriented will also take a little bit more time.

When everything comes together, we believe we will finally be in a position that sellout and sell-in kind of equate. And we have a very healthy business from which to grow and reduce the gap we have versus the market. We want to grow over time, at least with the market and in the long term obviously we're going to outgrow the market.

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**Operator:** Thank you. Our next question will come from Sydney Wagner with Jefferies. Please go ahead.  
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**Sydney Wagner**

*Analyst, Jefferies LLC*



Hey. Thanks for taking our question. So, just curious on – we're encouraged to hear some of the progress early from CoverGirl. Which of those strategic steps do you think are most repeatable outside of the US? And then, we are seeing several mass retailers developing and broadening their beauty offerings. So, can you talk about how you think about where the Coty brands fit into that evolving mass retail environment and kind of how your strategy fits around there?

**Markus Strobel**

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*



Yeah. I find it quite interesting when you look at CoverGirl and Sally Hansen. We had a lot of failed efforts in the last couple of years to position the brands where the brands don't fit. I think at one point in time we tried to turn CoverGirl into the ultimate Gen Z brand, that didn't really work because this was not credible for the consumer. And, each time when I go see a retailer in the United States, but also in Europe, I would say, please, please, please, can anybody do something for Gen X? Because Gen X women have money, they're ready to spend it, but nobody talks to them, and nobody has an offering for them.

So basically what we're doing – what we've done with CoverGirl, we made CoverGirl again the – in the process of making the penultimate Gen X brand, and retailers really support us in this. What this means, the way we're going to market, we need to have a good mix of advocacy, as I just mentioned, we got to improve that, but also some traditional media to focus on the core properties, Simply Ageless, LashBlast, all these kind of things that people know, that people trust in. So where we bring innovation on these existing franchises versus [indiscernible] (00:14:33) all the time, and I think that it's highly appreciated. That helps us now to actually get much closer with CoverGirl to the category.

And we're actually outgrowing the category at the moment in terms of units in the US. And I believe this model is also applicable outside of the US. We're going to apply this on Rimmel in the UK and on some of our other properties like Bourjois, Max Factor in Europe.

**Operator:** Thank you. Our next question will come from Oliver Chen with TD Cowen. Please go ahead.

**Oliver Chen**

*Analyst, TD Cowen*



Hi, Markus and Laurent. Regarding the focus on the sellout culture, what does that mean in terms of your systems and/or capabilities or working capital and what you're thinking that that requires? It sounds like it's quite prudent.

And then as you mentioned earlier, Markus, on the promotional environment that you're seeing, as well as the European accounts being overstocked, how long might that persist? Or what are you monitoring in terms of the relationship of what you're seeing there relative to guidance?

And lastly, Laurent, on the A&P shift, was that planned or was that in relation to what you were seeing in the marketplace? Thank you.

**Markus Strobel**

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*



Yeah. In terms of sellout culture, which is obviously, like, probably the more difficult part because culture change is usually more difficult and takes a bit longer than strategy change. But we're doing this. We're trying to implement this in all parts of the organization. So, when we do a business review, we basically say, what are the selling plans? What is the retailer plan? How we can engage with the retailer? Has the retailer verified these plans? So that it's asking the right questions, but also personally, on the top level, connecting with the right retailers, which we're doing.

And number two is we will also – as we move forward, putting some on the – these metrics into our evaluation system. If you put market share, right, into the way how you evaluate the organization, you see a shift on sellout almost immediately. So, I think it's a mix of putting it into our performance metrics, KPIs, measure it and drive it home with the organization every single day, but also building the capability for joint business planning with retailers, not just selling it in and hope it sells with top line media, but having the right plan every time.

It's much easier to have the right plan. If you go back to the curation, if you have fewer, bigger initiatives, because you can focus on that to make the right plan versus throwing out too many things where you just don't have the bandwidth and the capacity to do the right plan. So, I think this is going to help quite a lot.

When it comes to retailer inventory. Again, we said before that we don't think there is much more structural destocking in the trade. Structural destocking means retailers are, in general, dramatically reducing their inventory or the days on hand. We don't see that at the moment. It was just for us that our Christmas sellout was not as great as we wanted. And we've worked through that in the first quarter. Now, as you go into the next holiday period, which is Mother's Day and Father's Day, we're obviously much more attuned to that. And now that we get into the sellout culture, I think we will be better in sellout. And sellout and inventory will be much closer correlated than what they were in the past. So, I think it's going to get better over time.

Laurent?

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**Laurent Mercier**

*Chief Financial Officer, Coty, Inc.*

A

Yeah. So, Oliver, I will take – just maybe to build on in your first question about working capital. I would like to build on this also to make clear that as part of the Coty.Curated and again, this focus on sellout, I mean, there are also some strong benefits on cash and working capital because, of course, by focusing on the [indiscernible] (00:18:44), reducing the – it has some implication on inventory and on working capital. So that's one, and it's part, really, of the discussion.

And number two, when we say focus on sellout culture, it's also – behind this is also to have a very strong focus on forecast accuracy, really understand better the dynamic with the retailers. And again by doing this is really to be much more efficient on our inventory and also on excess and obsolescence.

So, it's really a big element. And that's also what you – you saw that, what procurement implementing, [indiscernible] (00:19:28) project, which is really about streamlining our supplier ecosystem. So, it's also another benefit as part of this Coty.Curated. So, that's very important. And it has indeed concrete implication on top line, on the gross margin and also on the working capital and the cash.

So, now I go to your last question on the A&CP. First of all, I want to remind that our level of A&CP in Q3 is flat, okay, which means that even in terms of percentage, it has increased. Okay. So it's really that there is no cut or drastic reduction. And it's part of our tight monitoring that we are implementing.

When we say focused, it's of course focusing on the big bets, but it's also focusing on where we are seeing strong ROI. And this is also the analysis and the decision we made during the Q3 that we believe that we need to preserve and we need to invest more for the KCP, and indeed Mother's Day and Father's Day are really KCPs especially for Prestige. And this is a conscious decision that we made during the quarter, say, okay, let's reserve some money from Q3 because we are in a good place. And when we allocate these money where we are seeing in fact a strong ROI. So that's really part also of the new dynamic, okay, not to be absolutely stuck on some decisions made three months ago. We are seeing how things are evolving and when we have to make the decision to reallocate some money, we do it. So, it's absolutely conscious decision.

**Operator:** Thank you. Our next question will come from Susan Anderson with Canaccord Genuity. Please go ahead.

**Alec Legg**

*Analyst, Canaccord Genuity LLC*

Q

Hi. Alec Legg on for Susan. Thanks for taking our question. I guess, how should we think about the exit of Orveda. And then also some of the brands from smaller markets. And then when should we expect I guess Orveda exit to occur. And can you give any details on how large that business was? Thank you.

**Markus Strobel**

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

A

Well, let me put it that way. Orveda, we have started transitioning out of Orveda since February basically. We have reserved for all these costs in our Q2 already. We are executing this at the moment, which means closing some of these big boutiques, some of them might be taken over by the previous licensor. We're still working on that. We think we're going to be out more or less completely by the end of this fiscal year. So come June, July, August, we should be out of that business and we can reallocate some of that spending that were on this business on our core fine fragrance brands. The size of the business, we don't break out individual brands, but you can imagine it was not huge to say the least. So, that is Orveda.

And from the other brands, you mentioned mostly the Consumer business where we exited some smaller markets because they're just not economical, we cannot create any scale or make any money or have any ROI. And with our new ROI culture, we will continue some of these. But there will not be – it will not be dramatically pronounced because the volume per market there is fairly small. We will focus in Consumer Beauty on our most important franchises, CoverGirl, Rimmel, Sally Hansen, Max Factor. We've got to win in North America. That's job number one. We got to win on Rimmel in the UK. That's job number two. And then we got to win in Europe with the rest of our portfolio. Job number three, in that priority.

**Alec Legg**

*Analyst, Canaccord Genuity LLC*

Q

Thanks. That's really helpful. And then just a quick follow-up. Are you able to quantify the tariffs you've paid over the last year. And any insight on if there's a chance for getting refunds on that. Thank you.

**Markus Strobel**

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

A

Yes. Laurent?

**Laurent Mercier**

*Chief Financial Officer, Coty, Inc.*

A

Yeah, yeah, indeed. So, roughly it's about \$30 million impacting P&L this year. And of course, I mean we are looking carefully at – in the opportunity to refund and, okay, depending how situation is evolving, okay. If – when and if we can do it, of course, this is something we will contemplate to help indeed our P&L.

**Operator:** Thank you. Our next question will come from Charles Scotti with Kepler. Please go ahead.

**Charles-Louis Scotti**

*Analyst, Kepler Cheuvreux SA*

Q

Yes. Good morning and good afternoon. Two questions for me, please. The first one, you mentioned that the competitive environment remains very intense. Could you provide more details on this? And who is putting pressure on pricing and in which regions? And more broadly, do you think that similarly to the luxury industry, consumer are starting to push back against perfumes price increases? And could prices eventually start to decline at some point, or could you push more on smaller formats to adapt to lower purchasing power?

And then second question, there has been many media rumors suggesting that you could dispose of certain licenses to other industry players in order to accelerate your deleveraging. I think these rumors have since been denied, but do you have any comments on this topic?

And regarding Gucci, more specifically, you previously seemed open to a disposal ahead of the license maturity. Could you give us an update on this matter, please? Thank you.

**Markus Strobel**

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

A

Yeah. Okay. Okay. Now I have to make – this is three questions. So I have to make sure, I don't forgot them. One by one. In terms of the price, first of all, I mean, you got to know that the beauty market is extremely resilient. You saw again 5% growth in the market in Q3 and both 5% on prestige and 5% on the mass. So basically the consumer is shopping across a very, very wide price spectrum. And so far, we have seen an amazing resilience of the consumer out there. Yet it's a bit of – everybody is fighting for market share, so there is a lot of promotion in the market. But that has more to do with, yeah, building sellout and market share than it has to do with absolute price level. So, we believe we're still in good shape when it comes to the resilience of the consumer. At least we haven't seen anything negative yet.

On the rumors that you may have heard that we will be divesting anything in our Prestige portfolio. I can say here for everybody very clear that there is no truth to this. We categorically denied it. There is no plans whatsoever. We're very, very happy with our portfolio. We're very, very happy with our brands on the Prestige side. And each of them has an important role to play for us in the future. And if you go to the specific article, our – Burberry and Hugo Boss, our biggest brands that are our global brands and we love them and we continue to strongly build them in the future. Okay. Very clear. No doubt about that.

And when it comes to Gucci, yes, obviously, we are open to everything, to an early exit if it creates value for us. It needs to create value for us and for our shareholders. And if anything becomes clear and fixed, we will obviously notify the public based on our requirements. Okay. Nothing to report here at the moment. We'll keep you posted.

**Charles-Louis Scotti**

*Analyst, Kepler Cheuvreux SA*

Thank you very much.



**Operator:** Thank you. Our next question comes from Andrea Teixeira with JPMorgan. Please go ahead.

**Andrea Teixeira**

*Analyst, JPMorgan Securities LLC*

Hi. Good morning, everyone. Thank you for the question. Markus, you and Laurent, you both talked about, like, going back to the SKU – or the SKU rationalization, brand rationalization, Consumer Beauty. This has been obviously a very long journey. And I just wanted to see what inning you are in terms of that, if – how many more iterations of that you think you need.



And then related to that, on the costs side, I think you talked about returns and obsolescences impacting your numbers. Again, how we should be thinking where these margins will land and how long you think you're going to take as you focus, to your point, more in the sellout vis-à-vis the sell-ins? It seems to me that you're going to have to – incurring something, kind of restructuring those brands and making sure that you get the best returns on those. Thank you.

**Markus Strobel**

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

Yeah. Well, I think in terms of getting the innovation to a place that really makes sense for shelf and retail productivity. I mean, in the past, you probably know that, we put out such a big innovation bundle every spring and every fall that we almost like crowded out productive SKUs on the shelf. So, it's a double whammy. You have stuff out there doesn't sell and you have lost some productive SKUs. And if you add it all up, it's all coming back to you in either returns or obsolescence. Okay. And we're still suffering from the hangover of that.



But this quarter, Q3, was the first time where we're breaking that cycle and we're going to break the cycle even more in the fall bundle, which is going to be sharper. And most important thing, it's not like just reducing the number of properties. It's actually important to bring properties out there that resonate with the consumer. So, we're going to be much more consumer based, much more trend based, trying to lead the market in creating some of these trends.

And the first results we have seen now are really, really good. I mean, we have some – some of the innovations are really far above our expectations. And they helped actually to build market share in volume, but also catching up very much in value now to the market with actually a much smaller number of bundle and a much [ph] lower (00:30:14) number of SKUs. Much more efficient model. It's probably going to take us one, two, three iterations through those bundles to work through that and see the full effects. As you will see, less and less obsolescence over time, but give us a few quarters and you will see the effects of this.

Laurent, there was a second part, right, on...

**Laurent Mercier**

*Chief Financial Officer, Coty, Inc.*

Yeah. I think on – yeah, when we're talking about E&O and I think it's really to build on this and what we were hearing this before. I think it's really important you look at all these initiatives, really, from an end-to-end element



or cycle. Okay. It's not just one bucket, but reducing the number of SKUs, but it's how we can be very precise. And again, it will have some implication on forecast accuracy on inventory. And E&O, indeed, today, this is – as you saw in the Q3, it's really an element which is hurting our gross margin in Prestige, but also in Consumer Beauty.

So by reducing this, and there was the example, reducing the bundle, it's indeed a way that we are reducing inventory. We reduce E&O, but also, we will reduce the returns that we get from retailers. So, this will flow into the P&L. And also, there are also currently some, say, exceptional elements.

Markus was referring to some markets that we are closing in Consumer Beauty because they are not profitable. It also triggers, I will say, as a short term that sometimes it's impacting – we need to look at some inventory here and it's hurting E&O or even in some cases we have some returns.

So, these are also some exceptional costs that as time goes will disappear. And then on the other hand, we get really the benefit from these decisions. So, it takes time. But again it's really part of a very consistent plan. And it will be visible in the gross margin improvement.

**Operator:** Thank you. Our next question will come from Bonnie Herzog with Goldman Sachs. Please go ahead.

**Bonnie Herzog**

*Analyst, Goldman Sachs & Co. LLC*

Q

All right. Thank you. Hi, everyone. I had a couple questions on your FY 2027. First, how should we think about the impact from the Middle East? Is the 2 points to 3 points headwind that you expect in F Q4 a good proxy. And then could you provide a little more context of these pressures and maybe investments to support your launches in the year? Ultimately, is it reasonable to assume continued EBITDA declines or could EBITDA start to flip positive? Thank you.

**Laurent Mercier**

*Chief Financial Officer, Coty, Inc.*

A

Yes. Thank you, Bonnie, for the question. I think you agree on in your question that there are a lot of moving pieces. So, we always make clear that we operate in an environment where there is a lot of volatility. And indeed, currently the geopolitics is bringing of course some additional volatility.

So, on Middle East and I think like all of us and we read the news every day, as you understand the big numbers, so mid-single digit percentage of the size of Coty as a whole. Indeed, it's a very strong fragrance business and also very dynamic. So indeed, it's creating a headwind now and you need really to understand that within Middle East there are different dynamics.

The channel which is the most impacted is Travel Retail, which of course, given the circumstances is drastically reduced. Also in Emirates, because you have a lot of tourists and currently, of course, this is very to – to the minimum. But on the other hand you have markets like Saudi, which are pretty well protected. So, we need to understand these dynamics. We are monitoring as we go. And also we are managing the P&L equation and the investments and the spending of the region according to how the situation is evolving. And we have a very good team on site and very close to all the actions and really the agility. So, we'll keep you posted. But of course, we are making sure that we are managing these very closely within our equation.

So now when – on your second question. Again and again, the big focus – and it brings all the discipline and the organization is focused on sellout. So this is really what will drive the performance and the improvement. Of course, at the moment it will be visible in the sell-in, but that's really a matter of discipline that Markus shared loud and clear. So, gradually improve our sellout to reduce the gap versus the category, which is resilient and of course is really our – goal is clear indeed to improve our EBITDA year on year trends over the course of fiscal year 2027. So, that's for sure.

At the same time, and we've been very clear, we need to manage potential inflation, which was your first question, from oil in cream. And also, we've been very clear in the presentation that there are also some short-term benefits that also will create some headwind next year. But again the trend – the organic trend is really to improve sellout and, of course, indeed to improve the trend of our EBITDA trajectory.

**Bonnie Herzog**

*Analyst, Goldman Sachs & Co. LLC*

Q

All right. Thank you.

**Operator:** Thank you. Our last question will come from Anna Lizzul with Bank of America. Please go ahead.

**Anna Lizzul**

*Analyst, BofA Securities, Inc.*

Q

Hi. Good morning. Good afternoon. Thank you so much for the question. I know you talked a bit about the promotional environment here being a bit elevated. Was wondering if you could comment more on both the Prestige and Consumer Beauty lines of business, and when do you expect this to better normalize? Thank you so much.

**Laurent Mercier**

*Chief Financial Officer, Coty, Inc.*

A

Yeah. Good morning, Anna. Indeed, yeah, we are seeing some promotion being more elevated. So, indeed, coming from specific actors, specific retailers. I think this is something that I will not call as, a major change versus what we observed in the previous quarters and what we flagged. But we are always making sure that we are protecting our brands, we are protecting our innovation, and really that we are not playing that game.

I will insist also and you saw in the Consumer Beauty presentation that we have been also very cautious in terms of price increase versus most of our competitors. And you see that in fact our sellout in units, especially in the US is growing. So, this is very encouraging. And it really helps also to avoid playing this kind of promotionality game. So, again – and you see tangible results in the sellout improvement in CoverGirl and Sally Hansen.

So, we are managing this very closely, managing really all the revenue management approach. So, again, this is the way we are looking at it. When it will normalize? I can tell you on our side, we stay very disciplined on this and then on how our peers want to play the game. Of course, this is a question that you can raise with them. But again, we stay very disciplined managing the revenue management in a very targeted way.

**Anna Lizzul**

*Analyst, BofA Securities, Inc.*

Q

Great. Thank you very much.

**Operator:** Thank you.

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## Markus Strobel

*Executive Chairman & Interim Chief Executive Officer, Coty, Inc.*

Good. Just finally closing comment. Obviously, we are not – to be honest, we're not where we want to be – yet where we want to be, but we are improving. And I think Q3 demonstrated our ability to protect profitability and cash flow while taking first concrete steps to strengthen execution across the business.

Coty.Curated is the framework that's guiding the shift, sharpening our priorities, simplifying operating model and scaling what works. With the same focus and disciplined execution, we are confident Coty is well positioned to deliver more consistent, profitable growth in the long term value creation, and I want to use this opportunity again to thank all Coty employees around the world working very hard to make this happen, and especially our colleagues in the Middle East are doing a tremendous job under a high state of high uncertainty. So thank you very much.

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**Operator:** Thank you ladies and gentlemen. This brings us to the end of today's meeting. We appreciate your time and participation. You may now disconnect.

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