

# COTY

BEAUTY, CELEBRATED & LIBERATED

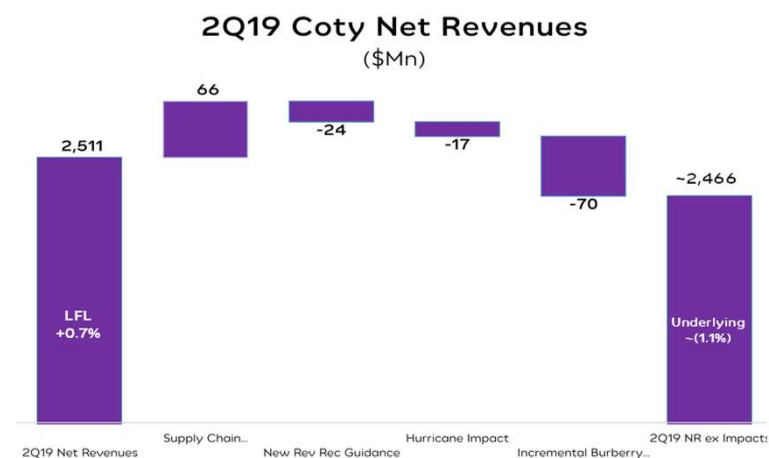
## SECOND QUARTER FY19 FINANCIAL RESULTS

February 8, 2019

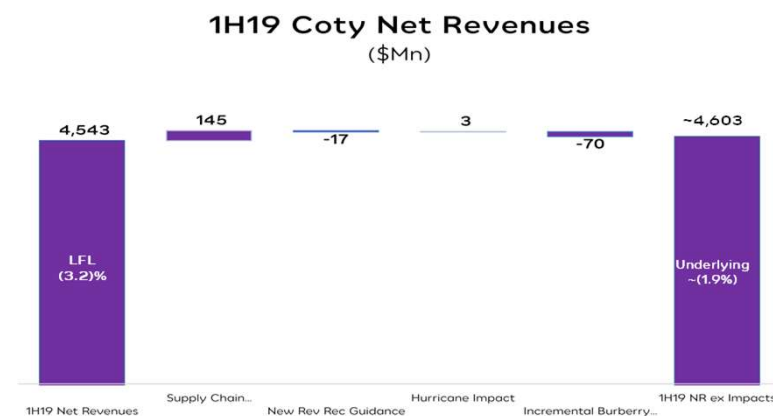


# 2Q19 AND 1H19 NET REVENUES

## IMPROVED LFL TRENDS IN Q2 ON A REPORTED AND UNDERLYING BASIS



- 2Q19 Net Revenue LFL +0.7%, or ~(1.1%) when excluding temporary factors, including:
  - Burberry included in LFL base
  - Benefit from revenue recognition
  - U.S. Hurricane-related shipment shift into Q2
  - Moderation in supply chain headwinds



- 2Q19 marks an improvement relative to 1H19 LFL Net Revenues of (3.2%), or (1.9%) on an underlying basis, excluding temporary factors

## SUPPLY CHAIN DISRUPTION

~\$150M OF NET REVENUE IMPACT SEEN IN 1H19, WITH +\$90M OF LOST PROFIT

Luxury warehouse

Shipment backlog cleared and capacity constraints effectively resolved

Consumer Beauty  
Planning Center

Cosmetics service levels nearing normalized levels; will be resolved in 3Q19

Professional  
Beauty  
warehouse

Continued constraints in Nail supply globally; expect to stabilize service levels in 2H19

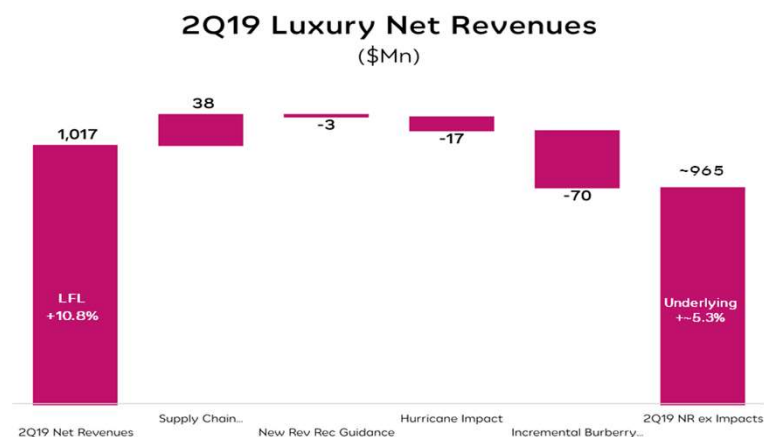
Luxury  
component  
shortages

Continued shortages in pumps and metalized bottles extending through 2H19

CONFIDENT THAT MAJORITY OF THE DISRUPTION BEHIND US, MUCH MORE MODERATE IMPACT EXPECTED IN 2H19

# LUXURY 2Q19 RESULTS

## SUSTAINED MID SINGLE DIGIT UNDERLYING GROWTH



- 2Q19 Net Revenue LFL +10.8%, or up ~5.3% when excluding temporary factors
  - 1H19 Net Revenue LFL and underlying LFL of +5.0%
- 2Q19 adjusted operating income of \$177M (+41% YoY), reaching 17.4% adjusted operating margin
- Strong growth in Gucci, Calvin Klein, Marc Jacobs, Chloe and Burberry
- Solid e-commerce momentum across all geographies



## LUXURY HIGHLIGHTS



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# PROFESSIONAL BEAUTY 2Q19 RESULTS

## SUPPLY CHAIN DISRUPTION MASKED SOLID LOW SINGLE DIGIT UNDERLYING GROWTH

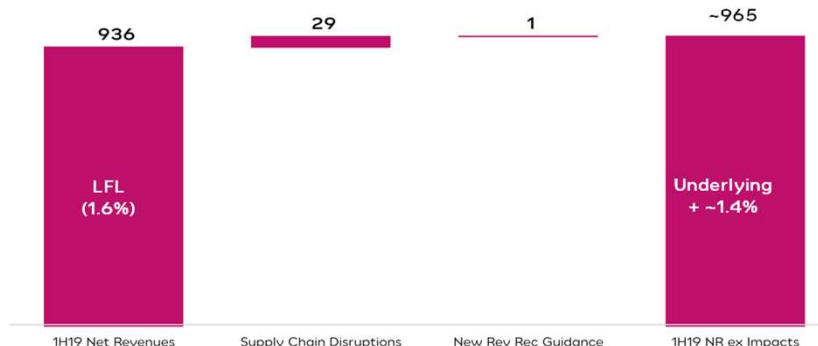
### 2Q19 Professional Beauty Net Revenues

(\$Mn)



### 1H19 Professional Beauty Net Revenues

(\$Mn)



- 2Q19 Net Revenue LFL (0.8%), or growth of ~1.5% when excluding temporary supply chain headwinds
  - 1H19 Net Revenue LFL of (1.6%) or underlying growth of ~1.4% LFL
  - Disproportionate impact on OPI
- Adjusted operating income of \$91M (+1% YoY), with adjusted operating margin of 17.3%
- Wella innovation performing well, alongside strong momentum in ghd, supported by the Platinum+ styler launch



# PROFESSIONAL BEAUTY HIGHLIGHTS



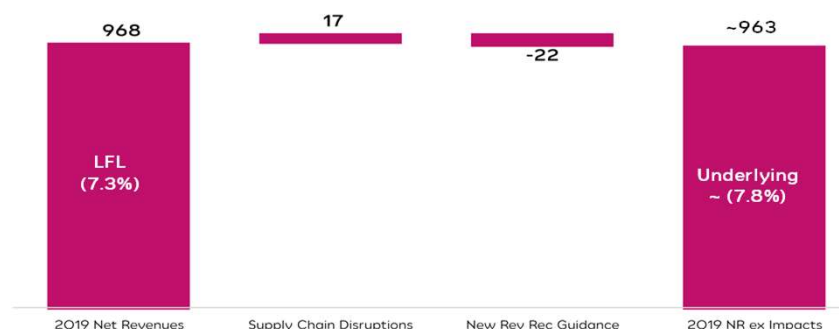
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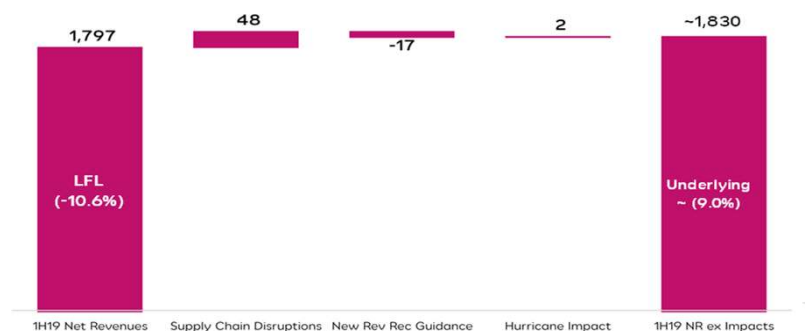
# CONSUMER BEAUTY 2Q19 RESULTS

## MEANINGFUL IMPROVEMENT VS 1Q19, BUT STILL MUCH WORK TO DO

2Q19 Consumer Beauty Net Revenues  
(\$Mn)



1H19 Consumer Beauty Net Revenues  
(\$Mn)



- 2Q19 Net Revenue LFL (7.3%), with (7.8%) LFL when excluding temporary factors
  - 1H19 Net Revenue LFL of (10.6%), or ~(9.0%) underlying LFL
  - Underlying net revenue consistent with sell-out, moderation in share loss
- 2Q19 net revenues benefitted from easier North America comparables in the prior year ahead of last year's brand relaunches
- Adjusted operating income of \$54M (-59% YoY)
- Moderation in supply chain disruption should drive improvement in 2H19 profit
- Impairment charge of \$965M with vast majority coming from Consumer Beauty



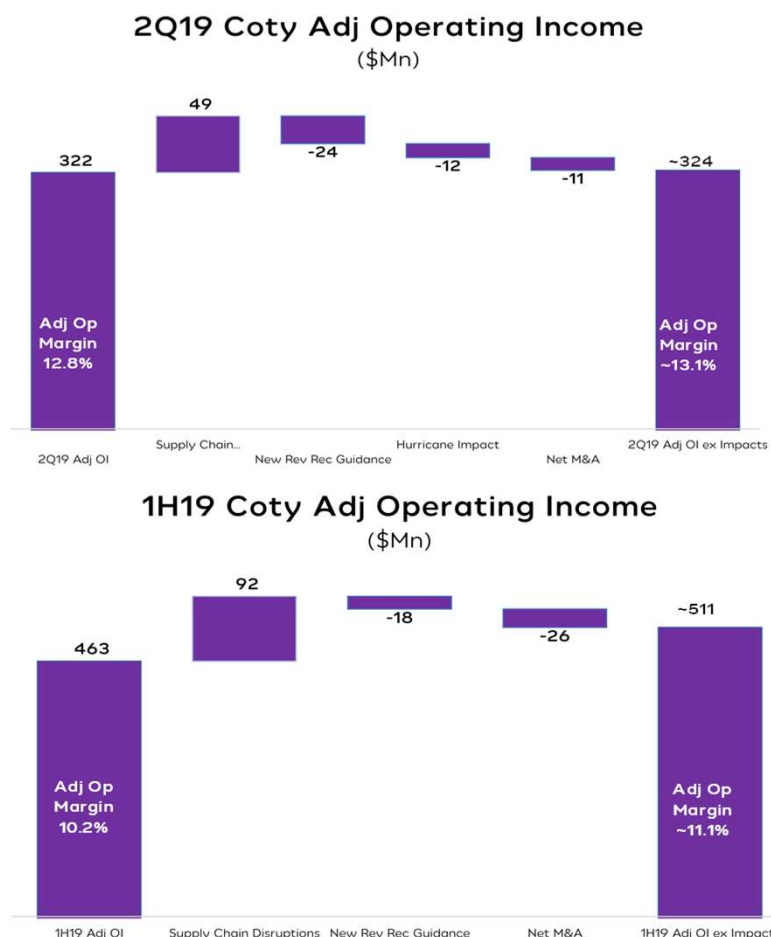
# CONSUMER BEAUTY HIGHLIGHTS



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## 2Q19 AND 1H19 PROFIT AND EPS

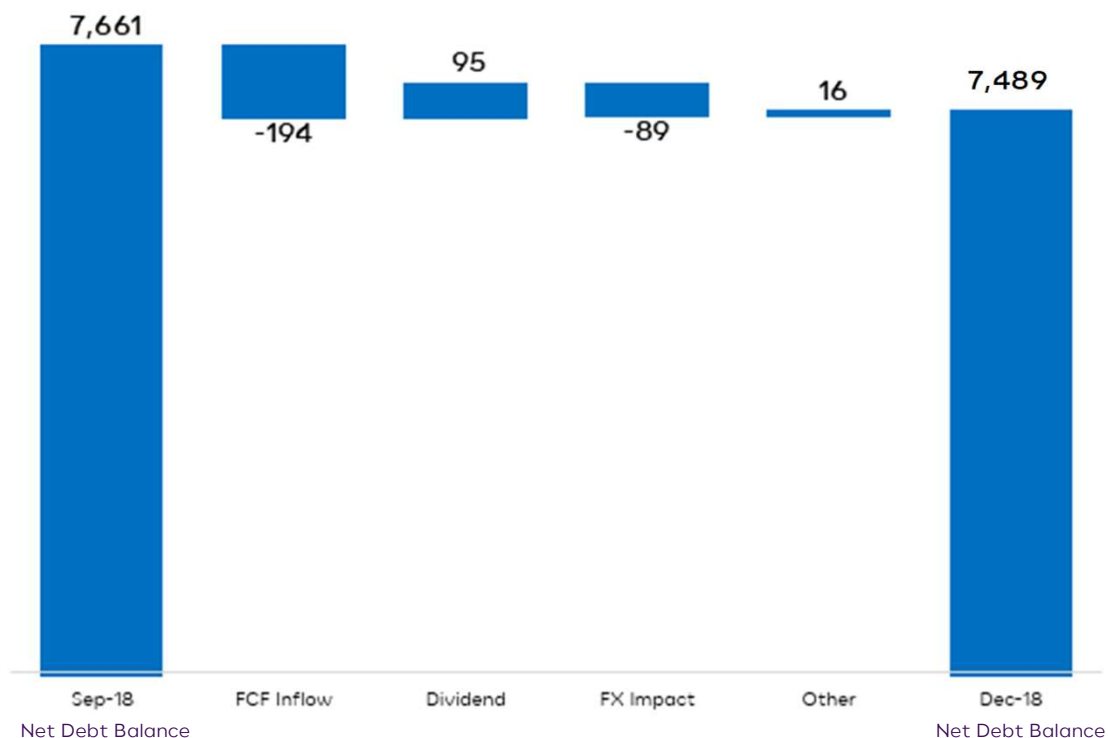
### ANTICIPATE A STRONG PROFIT TREND RECOVERY IN 2H19



- 60% of the business showing solid to strong performance with Consumer Beauty still facing difficulties
- 2Q19 adjusted gross margin of 62.1% (+50bps YoY), with 20bps coming from underlying improvement
- 2Q19 adjusted operating income of \$322M (-7% YoY), or ~\$324M excluding temporary impacts
  - Trend improvement vs. 1Q19 on a reported and underlying basis
- 2Q19 adjusted EPS of \$0.24 (-25% YoY), mainly due to a tax benefit in the 2Q18
  - 1H19 EPS of \$0.35

## NET DEBT DECREASE IN 2Q19 SUPPORTED BY SOLID FREE CASH FLOW DELEVERAGING #1 PRIORITY, MOST IMPORTANT LEVER FOR VALUE CREATION

\$ Millions



- Net Debt decreased by \$173M in 2Q19, resulting in Net Debt / Adj. EBITDA ratio of 5.8x
- Covenant adjusted leverage ratio remains below our permitted threshold
- 2Q19 FCF of \$194M was largely in-line with prior year
- We expect positive free cash flow in FY19
- More disciplined and systematic focus will meaningfully enhance FCF in Medium Term

## FY19 OUTLOOK & PRIORITIES

- Focused on building medium term plans with a focus gross margin, adjusted operating income and free cash flow
- Expect a profit trend recovery in the second half of FY19
- Expect that FY19 constant currency adjusted operating income will be moderately below FY18 result of \$1 billion
- Expect positive free cash flow for FY19





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# DISCLAIMER

## Forward-Looking Statements

Certain statements in this presentation are forward-looking statements. These forward-looking statements reflect Coty Inc.'s ("Coty's") current views with respect to, among other things, Coty's targets and outlook for future reporting periods (including the extent and timing of revenue and profit trends and the Consumer Beauty division's stabilization), establishing Coty as a global leader and challenger in beauty, its future operations and strategy (including brand relaunches and performance in emerging markets and channels), synergies, savings, performance, cost, timing and integration relating to our recent acquisitions (including The Procter & Gamble Company's beauty business (the "P&G Beauty Business")), ongoing and future cost efficiency and restructuring initiatives and programs (including the expected timing and impact), strategic transactions (including mergers and acquisitions, joint ventures, investments, divestitures, licenses and portfolio rationalizations), future cash flows and liquidity, future performance in digital and e-commerce and the expected impact of our digital transformation agenda, future effective tax rates, timing and size of cash outflows and debt deleveraging, and impact and timing of supply chain disruptions. 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" 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 Coty, which could cause actual results to differ materially from such statements. Such risks and uncertainties are identified in the Earnings Release dated February 8, 2019 to which this presentation relates, including, but not limited to: Coty's ability to achieve its global business strategies, compete effectively in the beauty industry and achieve the benefits contemplated by its strategic initiatives within the expected time frame or at all, the continued integration of the P&G Beauty Business and other recent acquisitions with Coty's business, operations, systems, financial data and culture and the ability to realize synergies, avoid future supply chain and other business disruptions, reduce costs and realize other potential efficiencies and benefits (including through its restructuring initiatives) at the levels and at the costs and within the time frames contemplated or at all, and managerial, integration, operational, regulatory, legal and financial risks, including diversion of management attention to and management of cash flows, expenses and costs associated with multiple ongoing and future strategic initiatives, internal reorganizations and restructuring activities.

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, 2018, and other periodic reports Coty has filed and may file with the Securities and Exchange Commission (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-GAAP financial measures that we believe enable management and investors to analyze and compare the underlying business results from period to period. Adjusted and pro forma metrics exclude nonrecurring items, purchase price accounting related amortization, acquisition-related costs, restructuring costs and certain other information as noted within this presentation. 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. A reconciliation from reported to adjusted results can be found in our Earnings Release dated February 8, 2019, available in the "Investor Relations" section of our website at Coty.com.

## Outlook Information

In this presentation, Coty presents outlook information as of February 8, 2019, as reported in its Earnings Release of such date.

## Definitions and Notes

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

## QTD RECONCILIATION OF REPORTED TO UNDERLYING NR & REPORTED TO UNDERLYING ADJUSTED OPERATING INCOME

2Q FY19 Net Revenue Change YoY QTD									
	Reported Basis	Foreign Exchange	Impact from Acquisitions	Organic LFL NR	Supply Chain Disruptions	Hurricane Impact	New Revenue Recognition Guidance	Incremental Burberry LFL	Underlying NR
Coty Inc.	(4.8)%	(3.2)%	(2.3)%	0.7 %	2.5 %	(0.7)%	(0.9)%	(2.7)%	(1.1)%

(in millions)	2QFY19 QTD
<b>Reported Operating Loss</b>	<b>\$ (805)</b>
Amortization Expense	89
Restructuring and other business realignment costs	73
Asset Impairment	965
<b>Adjusted Operating Income</b>	<b>\$ 322</b>
Supply Chain Disruptions	49
Hurricane Impact	-12
New Revenue Recognition Guidance	-24
Net M&A	-11
<b>Q2 19 QTD Adj OI excl Impacts</b>	<b>\$ 324</b>

\*Refer to the February 8, 2019 Earnings Release for the full reconciliation of Reported Operating Loss to Adjusted Operating Income. Supply chain impacts are calculated on the basis of estimated lost net revenues and gross profit, with no assumed impact to other operating expenses.

## YTD RECONCILIATION OF REPORTED TO UNDERLYING NR & REPORTED TO UNDERLYING ADJUSTED OPERATING INCOME

2Q FY19 Net Revenue Change YoY YTD								
	Reported Basis	Foreign Exchange	Impact from Acquisitions	Organic LFL NR	Supply Chain Disruptions	Recognition Guidance	Incremental Burberry LFL	Underlying NR
Coty Inc.	(6.8)%	(2.9)%	(0.7)%	(3.2)%	3.1 %	(0.3)%	(1.5)%	(1.9)%

(in millions)	2QFY19 YTD
<b>Reported Operating Loss</b>	<b>\$ (825)</b>
Amortization Expense	181
Restructuring and other business realignment costs	129
Asset Impairment	978
<b>Adjusted Operating Income</b>	<b>\$ 463</b>
Supply Chain Disruptions	92
New Revenue Recognition Guidance	-18
Net M&A	-26
<b>Q2 19 YTD Adj OI excl Impacts</b>	<b>\$ 511</b>

\*Refer to the February 8, 2019 Earnings Release for the full reconciliation of Reported Operating Loss to Adjusted Operating Income. Supply chain impacts are calculated on the basis of estimated lost net revenues and gross profit, with no assumed impact to other operating expenses.