

Operator: Welcome to Natura &Co's fourth-quarter and full-year 2022 earnings call.

On this call today are Fábio Barbosa, CEO of Natura &Co, and Guilherme Castellan, CFO of Natura &Co. João Paulo Ferreira, CEO of Natura &Co Latin America, will join for the Q&A session.

The presentation they will be referring to during this call is available on the Natura &Co Investor Relations website.

I will now hand the call over to Fábio Barbosa.

Fábio Barbosa: Thank you.

Good morning or good afternoon to all of you and thank you for joining us today. I'm very happy to be with you again today.

Gui will comment on the results shortly, so I will provide a more qualitative commentary. As you know, 2022 was a difficult year, and we continued to operate in the fourth quarter in a challenging environment, marked by high global inflation that is affecting discretionary spending and changing consumer behavior, as well as rising energy costs, foreign exchange volatility and, of course, the geopolitical fall-out resulting from the war in Ukraine.

In this environment, we decided in mid-2022 to reassess the group's growth model in the short term and shift the focus from sales growth to profit margins and cash conversion. As part of this shift, we took a hard look at our cost structure and the role of the Holding company, with significant savings already achieved, and we are also re-evaluating our global footprint to concentrate on profitable markets.

In full-year 2022, we posted stable revenue at constant currency while adjusted EBITDA margin decreased 160 bps. In the fourth quarter, sales growth improved at constant currency, and we delivered further progress in cash conversion, in line with our priority. We have some reasons for satisfaction, notably continued strong momentum at the Natura brand, especially in Brazil, and also, a continued good performance at Aesop, we also saw a solid performance by Avon in the beauty category in Latin America. This bodes well for the second wave of integration of our businesses in the region that is getting underway, aiming at harmonizing the distribution and sales systems and optimizing the product portfolio.

At TBS, we continue working on costs and optimizing footprint of stores and geographies. At Avon International, we're focusing on countries with high

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growth potential while revisiting business model at several other countries, at the same time reducing the cost structure.

A lot has been done and takes a while to show up at results. This is, as I like to say, a transatlantic. A lot has been done by all means, but a lot has to be done yet and we are undertaking every effort in that direction.

At the same time, I want to remind that the group continues to focus on its ESG agenda. We remain as focused on our commitment to our environmental agenda, the Amazon and its biodiversity, social inclusion, female empowerment, and other matters that constitute Natura &Co's DNA are at the core of our commitment to life 2030 vision and give us a competitive advantage and make us a differentiated company.

With that let me now hand over to Gui to comment on our first quarter performance in greater detail. Gui?

Guilherme Castellan: Thank you Fabio and hello to everyone.

I'll start with Natura & Co's consolidated revenue on slide 5, which stood at nearly 10.4 billion reais and grew by 3% in constant currency, improving sequentially despite the challenging macro environment. In Reais, sales were down 10.8%, mainly reflecting the depreciation of the British Pound, the Australian dollar, and the Argentinean Peso among other currencies vs the Real.

We will look at the performance by BU shortly, but in a nutshell, we posted solid constant currency growth at Natura &Co Latam, with a strong performance by the Natura brand, notably in Brazil, and by Avon in the beauty category, while Aesop again posted double-digit growth at constant currency. Avon International's fundamentals improved, but performance was still impacted by the war in Ukraine and by one-off supply chain issues. The Body Shop had another difficult quarter, as The Body Shop at Home is seeing a return to pre-pandemic levels.

In the full year, revenue rose 0.4% at constant currency and was down 9.5% in reais to 36.3 billion reais.

We turn to Adjusted EBITDA margin on slide 6, which stood at 10.5% in Q4, down 280 bps. This reflected different moving parts and Business Units dynamics. First, the main positive impacts are:

An improvement of holding expenses, down 23% year-on-year. This is the result of our efforts to create a leaner and simpler organization, as mentioned by Fabio, but impacted by the 25 million reais of phasing expenses mentioned in the previous quarter. In FY22, corporate expenses already showed a 30.0% decreased compared to FY21, even though the adjustments only started in the second half.

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Improving margin at Aesop, supported by its strong top line growth at constant currency.

And finally, 90 bps YoY improvement of selling expenses as percentage of net revenues benefiting from financial discipline across all businesses, with a focus on improving efficiency and simplifying the business model.

These were more than offset by the combination of:

First, pressure on margin at Natura &Co Latam and Avon International due to higher G&A expenses. Second, additional margin pressure at The Body Shop amid a challenging top line. Finally, G&A as percentage of net revenues increased by +290 bps in Q4-22 on a YoY basis. Q4-22 was particularly impacted by increased costs related to phasing of expenses, including incentives provisions, as there were almost no incentives in 9M of 2022. In the full year, adjusted EBITDA margin was 8.7%, down a 160 bps.

On slide 7, we focus on net income and underlying net income.

Net income in Q4 was a negative 890 million Reais, compared to net profit of 696 million Reais in Q4-21, driven mainly by lower EBITDA, higher net financial expenses and a higher loss from discontinued operations. EBITDA was impacted by a non-cash impairment of 383 million Reais. It's worth highlighting that Q4-21 net income had also benefitted from tax gains related to credit recoveries.

Q4-22 Underlying Net Income, which is net income excluding transformation costs, restructuring costs, discontinued operations and PPA effects, was a loss of 49 million Reais. You see the bridge on the slide, with the main impacts coming from PPA effect for 367 million Reais, restructuring costs, discontinued operations and other effects for 357 million Reais, and finally transformation and integration costs were 117 million Reais.

On slide 8 we focus on free cash flow, which is a particular focus of ours and which showed a sharp improvement in FY-2022. Free cash flow was an outflow of -1.7 billion reais compared to outflow of -2.4 billion reais in the previous year. Despite the negative impact from net income in the year, which was positive 1.0 billion reais in 2021 to negative 2.9 billion reais in 2022, cash flow from operations improved to -280 million reais from - 1.2 billion reais in 2021. The improvements are mainly driven by first:

Operating working capital that improved across all business unit as a percentage of net revenues but was partially offset by business unit mix. The business units that are growing the most carries higher structural working capital.

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Main driver from Working capital improvement was inventory which were partially offset by receivables with the growth in Latam. Working capital also benefited from lower advance to suppliers. Significant improvement on income tax and social contribution was seen as well.

On top of the significant improvement in cash from operations, we continued our resources allocation efforts which resulted in lower Capex, down 25% YoY, while still investing in our main priorities.

As previously mentioned, management continues to be strongly focused on optimizing cash conversion and continues to work on several fronts:

First, improving working capital management, where we still see further opportunities for improvement. Second, thorough discipline in capital allocation and CAPEX optimization. And third, continued improvement in the cash tax rate.

On slide 9, we look at our liquidity profile.

We ended the quarter with a cash position of 6 billion Reais, up 1.4 billion Reais vs the previous quarter and in line with our cash position in Q4 of 2021.

Our net debt-to-EBITDA ratio stood at 3.5 times at the end of the year, up from 2.85 times at the end of Q3 and 1.5 times one year ago. Although net debt improved on a QoQ basis to 7.4 billion reais (from 8.8 billion reais), reported EBITDA was particularly impacted this quarter by non-underlying expenses (including BRL 383 million of impairment).

Talking about debt capacity payment, as you see on the second graph, our cash position of 6 billion Reais is higher than the total of our debt payments through 2027. The average maturity of our debt and we face limited debt repayments until 2028.

As part of the Group's continuous efforts to improve its capital structure and actively address upcoming maturities, Natura &Co Luxembourg Holdings entered on November 14th in a 250 million US Dollar Club Loan maturing in 2025, guaranteed by Natura &Co Holding and Natura Cosméticos. The funds were used primarily to prepay a 150 million US Dollar loan under the group Revolving Credit Facility maturing in 2024 and a 70m British pound loan of The Body Shop with the UK Export Finance agency.

Also, in December 2022 Natura Cosméticos repaid BRL 913 million related to its 10th issuance of debentures. At the same time, Natura Cosméticos received an inflow of approximately 1.05 billion Reais in October 2022 resulting from the issuance of Certificates backed by real estate receivables, known as CRI. It is important to note that the repayment of the 10th issuance of debentures eliminates all Group financial covenants.

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Let's turn now to our performance by business unit, beginning on slide 11 with Natura & Co Latam, which posted a solid performance.

Total net sales were up by 10.6% in constant currency and down 3.2% in Reais. This was driven by double-digit growth at the Natura brand, which grew by 17.5% at constant currency, while the Avon brand was also up slightly in constant currency, at + 2.2%, thanks to growth in the beauty category.

The Natura brand posted strong momentum, with year-on-year growth of 17.9% in Brazil, supported by price increases and mix effects, which resulted in 14.9% growth in consultant productivity in the quarter. The average available consultant base is broadly stable, at 1.16 million in Q4-2022, up by 1.7% vs. Q4-21 and by 0.9% vs. Q3-2022. This is aligned with our ongoing strategy of focusing on increasing productivity with a more stable consultant base.

In Hispanic Latam, net revenue was up 16.9% at constant currency despite a challenging situation in several countries in the region. Revenue was down 18.6% in Reais. Growth in constant currency was mainly driven by Argentina, Colombia and Mexico acceleration. Excluding Argentina, sales in Hispanic markets were up in mid-single digits at constant currency, despite softer performance in Peru and in Chile.

At the Avon brand in Latam, net revenue grew by 2.2% at constant currency. In Brazil, trends continued the sequential improvement we have seen every quarter in recent periods and Avon entered positive territory in Q4, growing by +7.5%, albeit on a soft comparable base. The Beauty segment continued to grow, accelerating to 12%, while Fashion and Home was down 10%, in line with our portfolio optimization strategy.

In Hispanic markets, net revenue was down 1.1% at constant currency and down 19.5% in Reais. Performance was good in Argentina, but impacted by a decrease in Mexico, which has higher exposure to the Fashion and Home category, as well as in Peru and Chile, which were affected by political and economic volatility. The Beauty category grew 7.3% in constant currency, but this was more than offset by Fashion and Home, which was down year-on-year.

On slide 12, we turn to Natura &Co Latam's Q3 adjusted EBITDA and margin.

As shown on the graph, adjusted EBITDA decreased to 526 million reais from 741 million Reais in the same period last year. Adjusted EBITDA margin was down 320 bps to 8.9%.

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Margin benefited from strong top line performance and strict financial discipline, but this was more than offset by a 60 basis-point drop in gross margin and higher G&A as a percentage of net revenues. G&A growth was mainly driven by higher investments in R&D, notably at the Natura brand, expenses deleverage at Avon Latam and increased quarterly phasing expenses including accrual for incentives provisions.

Let's now move to Avon International on slide 14.

Revenue was down 9.9% at constant currency and 23.8% in Reais. This drop continues to reflect the situation in Ukraine. Excluding that, sales were down by a more limited 6.2% at constant currency. Revenue in the quarter was also impacted by a one-off supply chain challenge related to mascara products, which had an estimated unfavorable impact of 2 percentage points.

The TMEA and APAC regions showed year-on-year growth, while Western Europe posted softer performance. However, even in a tough macro environment, Avon International was able to pass through inflation and FX pressure to prices, which also benefits rep productivity.

As expected, the number of representatives is still down 20% amid the new commercial model roll-out and the footprint optimization impact. However, we continue to see good progress on fundamentals. For example, penetration of the Avon On app reached 30.6% in Q4-22, compared to 25.5% in Q4-21. Activity, units per rep and productivity continues to show sequential improvements as well.

Gross margin was 61.1%, up 230 bps, driven by price increases and a positive product mix, which more than offset pressure from cost inflation and FX headwinds. However, Adjusted EBITDA margin was 5.8%, down 490 bps, as gross margin expansion and continued focus on transformation savings were more than offset by the sales deleverage and phasings of expenses in the quarter.

We now move to The Body Shop. Q4 net revenue declined by 8.4% at constant currency and 20.6% in reais. Although still showing challenging results, these figures mark a sequential improvement over the previous quarter, which had seen constant currency sales decline of 19.5%, albeit on a softer comp.

Combined sales of core business distribution channels, in other words, stores, e-commerce and franchisees showed a low single digit decline in constant currency, an improvement over the high-single digit decrease in the previous quarter. This underscores the significant impact of The Body Shop at Home, which returned to pre-pandemic levels.

However, the tough macro environment, particularly in the UK and the rest of Western Europe, continued to impact retail and SSS sell-out was -4.8%.

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Franchise sell-in grew in the quarter, but softer sales sell-out impacted the trend of franchise partner inventory normalization seen the last quarter.

Q4-22 EBITDA margin was 21.4%, down 80 bps year-on-year, this represents a 270 bps efficiency gain of SG&A as a percentage of net revenues, despite the sales deleverage impact, partly offset 350 bps of gross margin pressure.

2022 was a very challenging year, and management is focused on stabilizing the core channels top line and the implementation of cost savings initiatives to deliver margin expansion and support cash generation.

Strict cost containment measures to manage headcount levels and discretionary spend were complemented in the quarter by the first phase of structural cost reductions including the rightsizing of The Body Shop at Home's overhead structure, reductions in leadership and IT transformation.

The restructuring of the business continues, and in early 2023, management announced several additional steps to improve the long-term profitability. These include the announcement in January of the closure of the At-Home business in the US and of the dedicated distribution center in the UK. And in February we announced a restructuring of our global management structure, reducing leadership positions by 25%, as well as a 12% reduction in the rest of global overhead staffing.

These actions are part of a broader recovery program that will support margin expansion, cash generation and net revenue stabilization in 2023 and beyond.

On slide 18, Aesop again recorded an excellent performance, with another quarter of double-digit growth in constant currency, up 18.2%. Revenue in reais was down 2.1%.

All regions delivered double-digit growth despite the challenging environment. Retail and wholesale showed solid growth, partially offset by a softer e-commerce performance reflecting post-Covid normalization of consumer behavior. From a category standpoint, fragrance sales grew at more than twice the overall pace, aligned with Aesop's category diversification strategy. The fragrances market has outgrown the market as a whole, especially the premium segment, indicating the importance of this category for the future of the company.

The highlight of the quarter was of course Aesop's successful China market entry, with the launch of two physical stores, along with the Aesop.com platform and a domestic T-Mall operation. Performance has exceeded expectations and the stores are already the top two sellers among Aesop's 287 signature stores worldwide.

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Q4 adjusted EBITDA margin was 28.6%, up +190 bps YoY, still pressured by planned investments to deliver sustainable future growth, notably in technology, supply chain enhancements and China market entry, but more than offset by sales leverage.

As mentioned in the notice to the market published on November 30, Natura & Co continues to evaluate strategic alternatives for Aesop. We will keep the market updated as soon as we have something concrete to communicate.

Let me now hand back to Fabio.

Fábio Barbosa: So, I think now we are ready here to go for the Q&A and we can start, please.

Question-and-Answer Session

Operator: We will now begin the question-and-answer session. If you have a question, please press the star key followed by the number one on your touch tone phone. If you wish to be removed from the queue, please press star then two.

At this time we will pause momentarily to assemble the roster.

And our first question will come from João Soares, of Citibank. Please, go ahead.

João Soares: Thank you very much. I have two questions if I may. First one, I just wanted to understand better what's happening in Latam. I understand there was a big impact of Argentina, some accounting issues, so if you could talk a little bit more into how the revenue of that operation how should we expect the performance of this operation and understand the margin dynamics of that operation as well, I think that seasonally we're expecting a better fourth quarter.

So, if we could understand, I mean, after all the initiatives that you took throughout the year, how should we think about the recovery rate of that EBITDA margin?

And if I may just one last one, on TBS there was a big improvement sequentially on EBITDA margin. I just wanted to understand how sustainable this margin recovery at TBS is, please. Thank you.

Guilherme Castellan: João, can you, please, repeat the first part of your question? It's not clear here for us if it's only Latam or if it's everything. So, if you can repeat that will be great.

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João Soares: Sure, sure Gui. Just especially looking into Hispanic both Natura and Avon I just want to understand because there was big impact of Argentina and in accounting as well. So, if I could please understand the underlying operation, specifically on Hispanic which was, at least for us, it was worse than what we were expecting. Thank you.

Guilherme Castellan: Sure. Well, thank you João. I'm going to tackle here the first part of the question and then I'm going to pass to João to talk a little bit about the situation and the operation specifically in Argentina and the rest of Hispanic, right?

So, first, let me just be extremely clear that there is no accounting changes whatsoever from this year to previous years, right, we're still following the accounting practices related to IFRS16... to IFRS, sorry, so it's 100% in line with what we have done in the past. Now Argentina of course it has a special situation given the hyperinflation, which as you know, João, it impacts all the lines of the P&L, it's not only the revenue, not only the costs, but it's throughout the P&L of course through the price dynamics in revenues, and of course, through the inflationary dynamics in the cost side. So, there's no difference whatsoever to what we have done in the year.

Now given the very high inflation that we saw in 2022, especially in the second-half of the year, especially compared to the previous year 2021, of course you can assume that those adjustments especially impacting the EBITDA margin they were higher in 2022, so a headwind compared to 2021. But it's important to me mentioned that the business there remains very healthy, Natura specifically – and João is going to comment a little bit on that – doing extremely...continues to do extremely, extremely, extremely well, the margins of Natura Hispanic Latam, not only in Argentina, but Argentina as well, but Hispanic Latam in general they continue to be healthy, and of course, as we have communicated before, the main issue in Hispanic Latam has been the profitability of the Avon brand, which is the main focus of the Elo project going forward, and this is why we have been communicating, the Elo is the cornerstone, is transformational for us to get that margin for Latam back to the levels where we want it to be.

So, I hope that it's clear, from accounting perspective there is absolutely no change whatsoever, there is a headwind of course given the inflationary pressures that we saw in the second half of last year, which was unprecedented, but now I'm going to pass to João so he can comment a little bit more on the operational results.

João Paulo Ferreira: João, I wonder if your question is trying to... is inferring that the drop in Latin American profitability is coming from Argentina, so I just want to reinforce that that's not the reason why you see the reduced profitability in Latin America, which comes from other effects, I can comment later if you prefer.

So but just talking about the operation itself, preliminary data indicates that Natura &Co in Latin America defended its market share through all the year increasing market share in the second half, and Hispanic Latin America Natura

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grew market share whereas we lost some market share in Avon. We do see macro socioeconomic headwinds in some countries, Chile as you've followed from other companies, consumption has dropped, Peru in the fourth quarter had to face some political issues which led to strikes, demonstrations [inaudible – audio failure], and in Argentina we faced difficulties with the shortage of goods, so there were restriction in imports of goods which reflected on a softer top line growth in those countries, only partially compensated by our performance in Mexico and Colombia.

As I said, Natura continues to grow albeit in a bit softer than before because of this macro headwinds as I said, and as Gui just mentioned, in the case of Avon we are restructuring the operation more thoroughly at this point in time restricting fashion & home by choice in preparation for wave two. But overall, the operation is pretty healthy as well as its margin.

Guilherme Castellan: And, João, let me let me talk about the second part of your question, which is related to The Body Shop. So, first of course, let me remind everybody that from a seasonality perspective The Body Shop has historically a very strong Q4 compared to the previous quarters, so that's again the quarter where margins and cash flow for The Body Shop are the highest.

In the case of The Body Shop in this particular quarter, we had some headwinds coming from gross margin given the inflationary pressure, and as we also have discussed before, right, the fact that we were not that aggressive in from a net price increase perspective given the changes, the momentum of the retail, especially in some markets, and the head franchisees inventory level, so that impacted the gross margin by 350 bps negatively. But of course, through the cost containment actions that we exercised during the last quarter of the year, we were able to offset great part of that amount through SG&A.

Now those actions of course most of them they are structural changes and they will remain, there are some small technical changes as well, technical movements as well in the last part of the year, but it's very important to say and to comment that our focus of right-sizing the The Body Shop organization is there, and again, there are some actions that we disclosed that we took in the first quarter of 2023, which of course they don't reflect in the numbers of last quarter of Q4 2022, such as the closure of TBS At Home in the US and the dedicated distribution center in the UK, as well as the restructuring of the global management structure, by which we reduced leadership positions by almost 25%, and again, further headcounts reductions in the rest of the global overhead staffing.

So, all those things, again, we continue to deliver in order to protect the margin of the The Body Shop. So, yes, it's a big focus and we are expecting The Body Shop to improve margins compared to 2022 going forward.

João Soares: Thanks, thanks, guys, very clear.

Operator: The next question comes from Daniella Eiger, of XP Investments. Please, go ahead.

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Daniella Eiger: Hi, good morning. Thanks for taking my question. I have two from my side. The first on AESOP. Something that caught our attention was actually the restatement of the past results of the company mainly on the gross margin line. If you could just provide some color on why that was done throughout the past quarters that would be great.

And also – I think that that one is for Gui – is mainly related to leverage, the picture of the quarter called the attention, especially when looking at EBITDA ex-IFRS reaching almost 8 times. I understand that you don't have like a short-term financial issue in terms of liquidity because you actually... sorry, not sure if that was cut, but I understand that you don't have any like short-term liquidity issues, but just wondering how we should think about the deleveraging process in terms of leverage to get that done and also the speed throughout the quarters. Thank you.

Guilherme Castellan: Thanks, Daniella. So, just to confirm, your first question was on the AESOP standardization in terms of the gross margin from SG&A, right, the reclassification that we did, and the second one was related to leverage and how we see that going forward, is that correct?

Daniella Eiger: Yes, that's it.

Guilherme Castellan: OK. So, again, the AESOP was an adjustment, an accounting adjustment that we did, so there is no impact on previous numbers in terms of EBITDA or net income, so it was just a reclassification from some logistic costs that were sitting in sell-in expenses and basically they were reclassified to the gross margin. That's why again there was a negative impact when you look at the gross margin of the company even though it was just an accounting reclassification to standardize the way that we look at numbers correctly across the BUs.

But, again, as you can see, there's no impact in previous numbers in terms of EBITDA, net income or anything below EBITDA. Just to just to be clear on that, and that will be the way that will continue to present AESOP's numbers going forward.

Now on leverage in particular, of course we finished the year with a high leverage and that it's mainly explained by the very low reported EBITDA in the quarter, and of course, in the year, so the reported EBITDA of course was impacted by the performance of the business, needless to say, but also through several one-offs impacts and those one-offs are transformational restructuring, corporate right-sizing and impairments which were again a big number especially in Q4 of the year, which brought the reported EBITDA of the year to low levels compared to historically numbers.

But of course, if your denominator is low, your leverage is high, despite the fact of course that we have a significant improvement in terms of cash conversion and that will remain the focus.

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So, on that I would like to say that of course we continue to focus as a company all across the BUs and in the holding, we continue to focus on our two priorities for 2023: EBITDA margin and cash flows. So, margin has to improve again [inaudible – audio failure] 2022 with less than 9% adjusted EBITDA margin in the year and, and of course, that number has to significantly improve going forward and BUs and the teams are working on that, and we need to continue our efforts in terms of cash conversion, which again, we already started seeing that in Q3 and Q4 and that effort will remain in 2023 in order of course to continue to reduce the net debt impact.

On top of that, which again it's important to mention, as Fábio has said, we are working on our capital structure and they're working on actions to take to improve our capital structure, and of course, as soon as we have concrete news on that we will communicate that market, but it is a big focus for us, as of course, you can see the impact of net interest expense in our results and how interest rates is impacting of course not only the cash, but the P&L profile of Natura &Co.

Operator: The next question comes from Tiago Macruz, of Itaú. Please, go ahead.

Tiago Macruz: Thank you. guys, my question is regarding a potential divestment of the AESOP operation. I mean, I want to understand how you guys would be taxed on a potential transaction like that in terms of capital gains. Is there any sort of tax shield that you guys could eventually use to diminish that amount? This is my question, thank you.

Guilherme Castellan: Hey, Macruz, thanks for the question. So, let me revert to public information to what we can say. As you can see in the material fact that we issued to the market, we are evaluating and studying structural and alternatives for AESOP going forward. Of course, that project is ongoing and we cannot communicate anything to the market, so several alternatives were on the table, of course as we continue to evaluate and as we continue to study we continue to funnel those alternatives to what we believe is the right thing for Natura &Co at this this moment.

But I know, Macruz, you appreciate that we cannot say anything that it's again not yet communicated, and of course, we're not going to comment on tax or anything like that at this point, and as soon as we have news on the AESOP process we will communicate the market in a more comprehensive way.

Tiago Macruz: OK, I understand. Thank you very much, Gui.

Operator: The next question comes from Bob Ford, of Bank of America. Please, go ahead.

Bob Ford: Good morning, everybody, and thanks for taking my questions. JP, Natura Brazil growth was very impressive in the quarter. Can you comment a little bit on pricing, competitive dynamics, gross margin and operating

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profitability for Natura Brazil as well as the momentum for the brand in early 2023?

And then, Gui, how are you thinking about market exits – and Fábio as well, right –, how are you thinking about market exits for Avon International this year, the fixed cost structure of The Body Shop and further restructuring and impairment charges for 2023? Thank you.

João Paulo Ferreira: Hi, Bob. JP here. Indeed, we are passing prices across the entire regions, you can probably appreciate that when you see that we are catching up in terms of gross margin and there's still room to continue to price in a couple of countries, so a significant portion of our growth across the region came from prices, but not sacrificing volumes in any significant way, so we are pretty glad with that, notably with Natura in Brazil, Natura in Brazil is living through a very, very good moment, we see an acceleration of the digitalization, personalization, features throughout our business model, which is definitely helping us to navigate through the changes in the market, so very glad with that.

I also want to say that behind the aggregate numbers, even when you look at Avon, when you see increased profitability for CFT, that is showing that we are able to price up across the region. We are facing other difficulties related to the shrinkage of the fashion & home category as previously announced, but even there with Avon in CFT, I'm pretty glad about the fact that we are being able to price up, OK?

Thank you, let me handover to Gui.

Guilherme Castellan: Hey, Bob. Thanks for the question. Yes, as Fábio have mentioned, again, I'm going to start – and of course, if Fábio has anything to add, feel free, right – and especially in the short and medium term the revision of prints is an action that both Avon International and The Body Shop we're taking in order to improve profitability, right.

So, just talking a little bit about Avon International, we continue to see good momentum coming from a few geographies, especially when we look at the Middle East and Asia, Middle East and Asia region and when we look at APAC with a very high weight and performance of Philippines, those regions are continuing to do well. Now of course, Central Eastern and Europe in 2022 was impacted by the war in Ukraine, but we see resilience we see some countries improving results and that is also seen in the operational KPIs, especially with the new commercial model. Now Western Europe again, mainly the developed markets, are the regions that we're seeing softer results.

Now the strategy for Avon will continue to go two-folds, first is of course looking at markets with EBITDA and cash flow (particularly cash flow) have been negative, and again with no plans to turn around that quickly, so we will continue to exit those markets as we have seen in 2022, and we're working on that. Of course that existing markets is not just pressing the button, right? It requires a lot of work, and again, hopefully we have more news to communicate to the market as we progress.

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And the second part is to continue to work on the transformational costs in the markets that we operate. So, more recently we announced the one Europe structure for Avon in which basically we're merging the two sub BUs into one leadership team only with a significant reduction of headcount and a more lean and agile, and of course, giving more focus as well to the countries that we believe that will make a difference in the future. So that again will also continue.

So, you should expect to see more news from Avon in terms of market exits as well as more news in terms of transformational savings across the BU.

On The Body Shop, you are also correct, Bob, that more recently also became a focus of ours to look again at our footprint and focus not only the core channels that are basically retail, e-commerce and franchisees, the franchisees model, which is very important for The Body Shop, but also at the right geographies. So, a few markets that we used to operate on a standalone basis those markets were significantly impacting EBITDA margin, especially on a few channels, and that's the case of course of the US as we communicated that we are basically ending the operations of The Body Shop At Home in the country, and of course, also looking to optimize the rest of the channels in North America in general.

We'll continue of course to focus on the markets that we believe that we have again a strong competitive advantage, UK being of course our main market, but also some very strong markets that again we have our own stores, our franchisees models in Europe and the rest of the world, but again you should also expect to see some news about right-sizing and exiting some markets for The Body Shop doing 2023.

Fábio Barbosa: And just to add, if you allow me, in terms of Avon International we are revisiting presence in countries which are not profitable, and we will invest in countries which are growing and being profitable. But revisiting the ones which are not profitable means also going from full presence possibly to head franchise possibly to distribution possibly to an exit. So, all this analysis depending on our penetration, on our brand, depends on what kind of agreement we can reach. And The Body Shop it may be something like that although we are largely with a head franchise when outside the key countries.

But just to clarify that it's not from presence to exit, but there are scales in what kind of presence we want to have in markets where we may have some opportunity, but with no investment. Investment only in the countries where we have seen growth.

Guilherme Castellan: Yeah, and just to be clear, sorry, I'll make a correction if it was not clear, the Euro plan that I announced for Avon is basically the merger of CE and Western European in one cluster is the marketing and the brochure plan, and of course, some leadership positions. But as I mentioned, we will continue to focus in the right markets for that region. So, I just wanted to clarify that.

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Bob Ford: That's very helpful, thank you very much. And just one little follow-up, and that is JP. Can you comment a little bit about the momentum for Natura Brazil going into early 2023, please?

João Paulo Ferreira: Yes. Well, it's a strong operation that remains strong as we speak.

Bob Ford: Very helpful. Thank you so much.

Operator: The next question comes from Joseph Giordano, of JP Morgan. Please, go ahead.

Joseph Giordano: Hi, good morning, everyone. Thanks, Gui, Fábio, for taking my question. I have a few ones I want still to touch upon on Latam results, so first I would like to see if you can help us quantifying the impact of IAS 29 impacts on the conversion of Argentina sales given hyperinflation. So, Gui just mentioned like headwinds and tailwinds, we saw that throughout the region in companies that operating in Argentina that results for the fourth quarter actually had like massive accounting headwinds that actually distorted the P&L in the sense that it kind of hides the material cash flow improvements you guys have been showing.

So, that's my first question, so try to quantify a little bit the IAS 29 impacts on Latin America.

The second one is about the higher bonus provision. I think the market wasn't expecting such provisions given the EBITDA decline. So, my question to you, and again, like the EBITDA decline and it goes back with the cash flow improvements, right, so maybe the EBITDA is not a good proxy in Latin America to the cash flow generation at this point. So, my question to you is like what changed in terms of KPIs for the variable compensation?

And last, but not least, like if you have like any kind of like short to mid-term leverage targets to kind of guide us through the potential improvements of free cash over the next quarters. Thank you very much.

Guilherme Castellan: Thank you, Joe. Let me start of course answering your questions here and I'll pass to João if he wants to say anything else about Latam. So, on the IAS 29 to your point, right, I as I mentioned in the previous answer, we had a headwind in Q4 coming from Latam – and of course, when we say Latam we're talking mainly about Argentina, right –, now to quantify that you can estimate that the headwind impact on margin that was around 70 bps, it's not again that meaningful given the weight of Argentina in Latam, but it was significant given of course what we saw in terms of hyperinflation and the FX dynamics in the country.

So, again, it's very difficult to estimate and to project what that impact is going to be in 2023, but that was basically what we saw in terms of Latam impact only, I'm not saying consolidate results, but Latam impacting margins for Q4 of 2022,

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and of course, you can get more information on the IAS 29 and the hyperinflation on how we account for that in our financial release in the ITR.

But that was basically just to answer your question on how to quantify that, I think that that goes a little bit to what I just said.

Now the impact on G&A, of course in Q4 there was a significant impact, especially when we look at Avon Latam and Avon International. So, basically, let me start saying that again there were phasing of expenses and it's not only related to incentives, there were phasing of different expenses Q3 to Q4 and also Q4 to Q1 of this year that impacted the results of the quarter. Also, inflationary pressures on G&A in the case of Latam costs related to Elo, and of course, R&D as well, which we will continue to invest for the Natura brand.

On the incentives part, I want to be a little bit clearer. First of all, this is not again an allocation to one person or to only a group of individuals, this is basically an extraordinary change that the company did in the half of the year in which we try to allocate a higher weight of incentives to cash flow performance as we have communicated to align on our priorities. Of course, there was an extraordinary change that we did in 2022 with also the clear separation of H1 and H2 results.

Now we had accrued basically non to very little incentives in the first nine months of the year and with the stronger cash performance coming in the second-half, especially of course given by the high seasonal Q4, that's where again we saw the higher impact given again that we have communicated they will continue to communicate the cash flow is a strong priority for us.

Now you should not expect that level of G&A as part of the underlying business. Just to be clear. Q4 was impacted by significant one-offs, one of them being just what I described, but going forward I should not expect to see the same levels of G&A not for Latam, Avon International or for the group.

I'm going to pass to João just to see if he has anything else to mention about Latam and then I'll come back to answer your last question on leverage.

João Paulo Ferreira: Thanks, Gui. I do want to comment, Joseph. So, as I read most of your reports earlier today, I fully understand that Latin America EBITDA margin came as a negative surprise. However, I just want to reinforce my full confidence on our journey to recover profitability and I wanted to take you through some of the elements.

As just mentioned, a few minutes ago, our businesses in Brazil are doing extremely well, Natura a highlight and Avon stabilized with improved profitability. In Hispanic Latin America, we faced some macro headwinds, but as we speak in Q1 they are less strict than they were in Q4 in Argentina and Chile and Peru, and the Natura brand has proven a long story of profitable growth there. And as regards Avon, all the restructuring that we are doing which will create turbulence in terms of top line is targeted at improved profitability and cash generation. And finally, you know that we have a story of streaming down our G&A capping it to a healthy level which we continue to do, which will be

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easier now with wave two, and as Gui just mentioned, a significant portion of the G&A in Q4 related to phasing of nonrecurring items.

So, just to say that we are pretty confident in our journey to recover profitability going forward.

Guilherme Castellan: Yeah, on the leverage, Joe, we haven't communicated basically what is the optimal level of capital structure for the company. Of course that the focus right now is to work on the capital structures to reduce leverage, and as Fábio mentioned in the beginning, by doing that allowing us to have the right firepower to invest in our priorities.

So, you can of course assume that we will continue to work on the two priorities that I mentioned, which are profitability and cash conversion, but also in structure items to improve the capital structure in the short-term, and once we are in that position then we'll communicate what is the optimal leverage for the company, the optimal capital structure for the company going forward.

Joseph Giordano: Perfect, Gui. Just a follow-up here. So, you guys mentioned like both about like non-recurring G&A expenses both at the perimeters of Latin America and Avon International. So, can you help us quantifying that? So that's like really, really useful. Thank you very much. Sorry for the extra question.

Guilherme Castellan: Joe, you can assume that a significant portion of the G&A increase is coming by those non-recurring, OK. So, I'm not going to break down, but you can assume that the majority of the G&A increase in the quarter is coming from what we see here is non-recurring expenses. Again, part of that they were distribution of quarterly phases, part of that they were tactical decisions that we decided to invest, but you can assume that most of the increase or actually the decrease that we saw in EBITDA and the increase that we saw in SG&A, G&A in particular for Avon International and Latam they are non-recurring going forward, and as João mentioned, we're confident in our plan to improve EBITDA margin this year.

Joseph Giordano: Perfect, thank you very much.

Operator: The next question comes from Eric Hoy, of Santander. Please, go ahead.

Eric Hoy: Hi, good morning and thank you for taking my question. So, from our side, we have seen these improvements in cash generation, so we would like to better understand if you could break down how much of these improvements were related to seasonality and how much were structural.

And going forward, where are the biggest opportunities still to be captured in the cash flow size? Thank you.

Guilherme Castellan: Thank you, Eric. I'm going to take that one, and again, needless for me to repeat the focus of the company in this particular item going forward, so I'm going to skip that. But when you look at the cash flow results

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that we had, especially in the second half of the year, you can see that the bulk of the improvement even though EBITDA margin was compressed, the bulk of that improvements come from cash conversion items, and with that basically I mean working capital, the net Capex and the cash tax rate as well.

The biggest item of improvements in the last quarter of the year and in the second-half in general and full year was inventories given where we were last year and where we communicated again that we wanted to be in the big focus on reducing inventories across the region, but with a strong focus in some Latam countries. A great part of that is coming from Fashion & Home and the bulk of the inventories reduction is coming from finished products. So, we are in a very good position right now in terms of supply and service level at least in our view.

Now of course, as we mentioned, there is seasonality that impacts the business, but the important thing is that when you look at the 12 months combined we continue to deliver optimizations in terms of working capital as percentage of the revenues.

On the payable side, we remain flat in the year, mainly caused by reduction in Capex, and of course, by lower expenses as well in terms of some important items in Q4, lower purchase which impacted of course the payables items even though we have implemented in the second half of the year some important actions that we're confident that we'll continue to see results going forward in 2023.

And receivables in particular, of course, negatively impacting the cash flow, but that's a mix of BUs. As you know, most of our receivables they sit in Latam, and with Latam, in particular Brazil, showing a strong growth in the quarter again with Natura growing more than 17% and Avon for the first time in the last six quarters in positive territory posting high single-digits in terms of growth with Fashion & Home actually in that equation, that is why again we're seeing the headwinds in terms of receivables. And Capex as well, again as I mentioned, optimization that you should expect to continue and the same thing on cash tax rate.

So, in terms of seasonality, again, there is of course quarters that impact the cash flow, but the important things that when you look at the 12 months, past 12 months, this number has improved and will continue to improve with our actions that we're taking we're confident on that and the [inaudible] is mobilized on that topic.

Eric Hoy: Perfect, Gui, thanks.

Operator: The next question comes from Andrew Ruben, of Morgan Stanley. Please, go ahead.

Andrew Ruben: Hi, thanks very much for the question. I'd be interested to hear more about the wave two integration plans, and specifically how that's going to differ for Brazil versus the rest of Latam? We saw in the release some of the

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regions with wave one and wave two would occur simultaneously, so curious what that would involve. And then you mentioned with integration costs that could be offset with some Latam asset divestments, so I'm curious if you could provide more detail on what that might include as well. Thank you very much.

João Paulo Ferreira: Hi, Andrew. JP here. So, as previously announced, we are starting wave two in Peru in Q2 this year, which followed by Colombia and Brazil in the second half. Indeed, we are looking at assets, divestment of some assets that could partially offset the investments related to the implementation and the difference in Brazil is... well, I think it's two-fold, Brazil is the largest, so we need to be mindful of how to implement it in a sort of phased way although to get it behind us before the end of the year.

And the other thing is that Avon in Brazil has already gone through most of the structural changes which are necessary for this combination, which is not the case in every single country. So, when you look at Peru, the first one we are doing, there we are simultaneously making structural changes to Avon's business and commercial model and combining it with Natura, so that puts an additional pressure on the Peruvian operation, which would not be the case in some other countries.

These are the main differences.

Andrew Ruben: That's very helpful, thank you,

Operator: That's all the time we have for questions today. I would like to turn the call back over to Fábio Barbosa for closing remarks.

Fábio Barbosa:

Thank you very much, thanks everyone for following the call here It was a good digging to the details and so on. So, that we do not lose the perspective of the strategy we are following, I'll quickly go through them again.

First, structural steps are in motion across the group to improve our performance. These include accelerating the integration of Natura and Avon in Latin America, optimization of Avon International's footprint and rightsizing The Body Shop. At Aesop we are evaluating strategic options aiming to improve the Company's capital structure.

Second, our priorities of focusing on cash generation and improving the Company's capital structure build the path to unlocking significant value, with some first green shoots appearing in the Q4 numbers already. The whole organization is mobilized and incentivized to achieve these goals.

Third, looking forward, we are confident that the actions we are taking will position Natura &Company to focus not only on profitability and cash, but also return focus on growth.

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And fourth, 2023 will likely be another challenging year, but we expect a continuous improvement in revenues, as well as better profitability and cash generation, while continuing to invest in the transformational actions just mentioned.

So, we are continuing our ongoing work to improve the fundamentals of our brands and businesses. Our priority remains very clear: we are strongly focused on improving margins and generating cash flow, and the teams in the BUs are all mobilized and incentivized to achieve these goals.

Thank you very much for your attention from everyone and we will be ready to talk in the next weeks.

Operator: The conference is now concluded. Thank you for attending today's presentation and you may now disconnect.