

Natura &co

Natura &Co Investor Day transcription | May 9, 2022

Victoria Ford:

Welcome ladies and gentlemen to the Natura &Co Investor Day from the New York Stock Exchange, in line with the CDC guidelines, notes that two of our speakers will be joining us virtually, João Paulo Ferreira and David Boynton. For those of you here with us today, you can download the link in a QR code that will appear in the central screen. We will hold a short Q&A session at the end. So those of you who are joining us online, please do submit your questions. Please welcome to the stage, our executive chairman and group CEO, Roberto Marques.

Roberto Marques:

Thank you, Victoria. Hello everybody. Thank you all for coming. Good to see people live, even though we're still trying to adhere as much as we can to the CDC protocols, as Victoria Ford said. So listen, first for those joining here live in New York Stock Exchange, and those virtual, welcome. It's great to have you here. This place actually brings some great memories. About two and a half years ago we're actually here, actually listing, Natura &Co ADRs at New York Stock Exchange after the combination with Avon. And what has been very challenging two and a half years, nobody would predict what the world threw to all of us. So I think it is actually probably a good opportunity to take an inventory, to really reflect where we are, and most important where we're going.

What we can tell you is that, for sure, I think hopefully at the end of the presentation, you're going to be able to really see that what we're trying to do here is, understand what's working, not working, but at the same time, really trying to show that the direction and most important, the roles of each one of the business units that we have as part of the Natura &Co are clear. And if we deliver against those goals in each one of the BUs, we are super confident about our business case, and what we think would be still very successful business.

So let me start first with the agenda. So this is an opportunity not only to hear from me and Guilherme Castellan, who normally you guys hear every quarter, but most important, we're going to have JP presenting what we are doing at Natura &Co Latin America, which is our most important region. You're going to hear from, Angela Cretu, what she's doing at Avon outside of Latin America, which of course has been going through a lot of changes and challenges, especially now with the war.

I forgot to click. So thank you. Here you go. I'm looking here and I need to click, so thank you. Angela is going to talk about what we are doing in terms of Avon, and especially in light now of the war in Central Eastern Europe. David Boynton will join us virtually and talk about the Body

Shop, and then Aesop, Michael is going to come in about the plans to continue to really accelerate growth at Aesop. Then, Gui going to come and put it all together. Hopefully at that time we'll become even clear about the sustainable profitable growth plans that we have. And also at the same time, the clarity of the guidance, especially on the top line and margin, how we're going to get there. We heard from a lot of you over this last six months about, help us understand some of the building blocks, help us understand about some of the indicators, leading indicators that will give us confidence about the guidance that we review recently.

I'll come from some key takeaways, and then we're going to have an opportunity to have a Q&A with all of us to make sure that we can address your questions and feedback as well. So hopefully that works in terms of the agenda for everybody. So let me start with something before I get into the reflections, which I think it is important, right, in this very challenging world that we all living through, right? Some unprecedented times. It's always important to ground ourselves on our north star, which is really this notion of creating this group to be not only the best beauty group in the world, but for the world. And this idea of driving positive economic, social, and environmental impact, is very special to all of us. We want to make sure that we remain true to that.

No matter some of the curve balls, some of the challenges that we all facing in this very unprecedented, challenging times. That's something that we are very proud of. It's something that's I think glued all the business units, all the brands that are part of Natura &Co, and something that for us, continues to be what motivated us, what inspire us to come and work every day. So with now, I would like to start with some reflections of 2021, and where we are seeing 2022 year to date. I think it's fair to say that Avon integration proves to be more challenged than we expected when actually we acquired the business. Of course there's a lot of external factors contributing in headwinds, contributing to that. But also there is a learning about Avon being a pretty different business from pricing position, from the scale, even from the way they do direct selling. And that learning in how to integrate, how to make it work, I think has proven to be more challenging.

But you're also going to hear both from, JP and Angela, that we actually are very confident about some of the progress and some of the leading indicators that give us again, absolutely conviction that we believe it is moving in the right direction. The second reflection, which is also, I think it is a very important one to even though we've been talking about that in the quarter results, that the synergies and the industrial logic of the deal, are actually on track, which means that it's working. However, as you might remember, back here, two and a half years ago, when we talked about the synergies, we were expecting those synergies to be either coming to the bottom line or to the reinvestment at a bigger scale than we were able to do. And why? Because a lot of those synergies actually end up being used to offset some of the higher costs, FX and inflationary pressures that was unforeseen when we did the deal.

So again, I would like to reiterate that the synergies are happening and materializing as we expected. However, being actually used to offset some of the unforeseen things that happen because of some of those extraordinary events of the pandemic, of some of the supply chain

disruption that caused a lot of the headwinds, and the synergies somehow are being used to mitigate that.

The last point here that I want to make, is the sales deal average are a combination of two things which is compounded, but it's important actually to separate those two things. One is very intentional. When we did the acquisition of Avon, we knew that we needed to do what I mentioned a couple of times of, open surgery, right? We needed to make significant changes on the way they operate. Wouldn't be incremental change. It had to be substantial and transformational changes, right? We decided to do those things in a very bold way, and you're going to hear both from, JP and Angela that those changes were changes that Avon didn't do it on their own for at least the last past 10 years, right? Those things we knew like, portfolio optimization, reduction of SKUs, would have a short-term impact on sales. You compound that with some of the external factors, and you have actually a sales deleverage that we are seeing, especially over the last six months, right? So some of those, and I want to reiterate, that some of those were expected, intentional, because we knew that we had to do it. And by the way, in a lot of conversations with our boards and management, we actually were confronted with two options. Because of the external pressure and headwinds, we could actually slow down some of those changes. Actually, we made a decision to accelerate some of those changes. The reason for that is because we're still believing that at some point those pressure, those headwinds are going to pass. And we want to make sure that the group and especial Avon, will be actually in a much better position to capture some of the regain of the market, and some of the categories they operated than before. So that's still our belief. But the result of that, no question is this sales deleverage that we're seeing specifically in the second half of 2021. And as we said, we still believe will continue to happen in the first half of 2022. But then as we also been talking to the market, we are very bullish about the remaining of the year and as we think about 2023 and 2024, of course, if the market doesn't throw any additional curve ball versus where we are today.

So those reflections, we believe are important things to have as a context, as we are going to discuss the plans for each one of the business units. Now, moving forward, as I mentioned at the beginning, one, we want to better define the roles and expectations of each one of the business, and also the group functions to improve execution. The notion that I've also heard from a lot of you is, "Please help us understand that each business or each brand has a different role in the portfolio," and they do. It's not one size fits all. Hopefully at the end of this presentation, when you hear from, JP, from Angela, from David and Michael, and specifically also after Gui talks about the guidance and the building blocks, that will become even clear. Also, we want to further increase the accountability of each one of the business with clear milestones and deliverables.

In these very uncertain times, we believe that making choices about where to invest, how we're going to invest, it becomes even more critical. Hopefully, again, as you're going to see the role of each one of the units, you are going to understand how we are allocating resources, and how we are doing that in a way that is going to position us to succeed.

And the third point is almost without saying, but is a very good reaffirming of a strict financial discipline that we needed to do to continue to navigate this very challenging, external environment with better capital allocation and actually a better cash conversion process. You're going to hear from Gui, who's spending a lot of time working with the business in how to make sure that we can really deliver against those targets. So that's kind of the plan that we think moving forward will be important as we think about delivering our plans.

So let me start, again, with quick highlights of the role of each one of the business units. So Latin America, clearly we needed to win here. This is the region, this is the business that we need to protect our strong foothold. We have a strong market leadership position in the region, especially combining Natura and Avon. We want to defend and expand this market share in the region. We want to make sure that Natura and Avon relationship model, especially what we call Wave Two and Wave Three, which is the cross sell and upsell, will enable us operational leverage across the region and you're going to hear from JP that that's ongoing. We ought to make sure that we continue to deliver on the synergies, validating the industrial logic of the deal as we communicated early on in the deal that we are planning to deliver 350 to 450 million dollars by 2024. And by the way, those are actually above expectations as we speak.

At Avon, outside of Latin America, the road is actually very different. We needed to stabilize the business and improve the margins outside of Latin America. How Angela is doing that, and hopefully she's going to explain even better, than I can here is to really delivering a linear operating model and footprint with this new earnings and commercial model that has been now implemented in 14 markets and it's very important to hear that from Angela. At the same time, Angela and the team have been very bold in terms of reducing the complexity and the portfolio across the geographies that Avon operates outside of Latin America. Angela and the team has the responsibility on a global level to actually rejuvenate the brand and creating an innovation portfolio and a brand that actually appeals now to the younger target, and really stay true to the purpose of Avon as a brand, and also ramping up the social selling as a key priority, right?

Now, the Body Shop continues its margin improvement and drive the top line growth. When we did the acquisition of the Body Shop, we always talk about a two transformational phases. The phase one of the transformation was really focused on reducing discounts, improving margin, which has been done. And now as we coming out of the pandemic, reopening the retail, it's time for us to start driving the top line growth, not only the channel rebalancing post pandemic, but the new brand positioning, the portfolio and the store concept. So that is ongoing, and you're going to hear more details from David.

And last but not least Aesop that continues to outperform its peers, even the luxury and because of that, and we believe it's really a special brand that is seeing a tremendous performance that has actually accelerated even during the pandemic, our goal is very simple: We want to double down on Aesop to actually build on that growth momentum, establishing a very strong foothold in Asia, entering in China, as you're going to hear from Michael, continue expand in some key markets in a more omnichannel approach as we learn that Aesop can be very successful also through an omnichannel approach, and also further unlock some categories like, fragrance and treatment as a way to continue to expand Aesop.

So this is in a nutshell a summary of what we believe are very different rows of each one of the business units. And hopefully you're going to get much more granular as you're going to hear from each one of the CEOs.

Now, as we talk about the group, we think we have a structure that really prioritize the autonomy and the full P&L accountability of each one of the business units. However, we also think that there is a role for some key enablers. And we talk about mainly four of them: the innovation, how important it's to really nurture innovation and continue to foster that the passion for beauty and cosmetics across all of our business because at the end of the day, they all in the cosmetic segment. Thinking about digital, and how we create more capability and understanding about digital across all of our business, our sustainability and ESG approach through our 2030 commitment to life, and how we operate as a team are super important.

So let me try quickly to talk about each one of them. So, the key enablers again, is really how we share and how we make sure that we continue to invest in technology, invest in differentiation, products that can really enchant our consultants, representatives, our stores, and most important our customers. So, some examples here like Natura Bīōme is actually the first brand that is totally in link with sustainability, in solid form with no packaging, no plastic, something that we are very proud of, that's probably been the first brand to do that and we would like to see that potentially growing across different markets.

Avon brought to the market a breakthrough technology in skincare called Protinol. I actually, in my previous life, working on a retinol technology, and I can tell you that Protinol is a new generation of that technology. We are seeing tremendous success in some of the project's serum, and Angela is going to talk about it that was recently launched, getting a lot of awards, a lot of recognitions from experts about really the benefits of Protinol. You want to really treat that as a cult, as a hero product, and really expand that platform, as also a way to rejuvenate the Avon brand itself.

The Body Shop relaunches its iconic brand or Body Butter, in a much more sustainable package and ingredients, and that continued process of rejuvenation of the entire portfolio of the Body Shop, you're going to hear from David and Aesop as I mentioned, really doing a terrific job in fragrance as an incremental category. We feel that we have a lot of ways to go with fragrance within Aesop. So, all of those in terms of product innovation.

Digital, we talk a lot about digital enabled sales, which is really the combination of the online social selling, and all the tools that our consultants and representatives are using as they connect with their customers. And we are seeing tremendous progress, which now, as we look at 2022, over 50% of our sales across the group is digital enabled sales. We want to actually even expand that to get close to 75% in two, three years. This is very important and requires a lot of investment. As we continue to equip our reps, our consultants in terms of content generation, as we continue to improve our e-commerce capabilities, we are changing the 'Body Shop At-Home' to a new, a social selling platform. So that's a key priority area for us, something that we believe will continue to make social selling and relationship selling even more relevant on the years to come.

The Commitment to Life is also a very important one and here we normally give an update every year. This year will be the second year anniversary of our commitment to life. We just finalized what is very important, which is the baseline of our emissions across all of our business for the first time using science based targets. And we know that is about two point four million tons of CO2 equivalent. We know exactly what are the big offenders, what are the things that we need to do to get us to the goal of net zero by 2030. Will be a huge challenge for us to achieve that, but now that we know by brand, by category, by activity, what are the areas that we need to spend more time, that we're going to need more innovation, that we're going to need more collaboration through our supply chain to address those things, we are developing specific plans by business, by brand, in terms of how we are going to really tackle that.

On our second pillar of human rights and humankind, I'm pleased to say they're actually already achieved our target of over 50% of women in leadership positions within Natura &Co, something that we're very proud of and we continue to invest heavily in some of our key causes.

And the last one is, circular regeneration. We already achieved almost 90% of our ingredients being renewable or natural with almost 94% also biodegradable formulas. We continue also to use on PCR plastics, we're already about 10%, and we continue to try to get our target, which is by 2030 to get close to 50%.

So on and on, we are progressing here. This is a priority for us, is part of the way we embedded in the business innovation, and how we think about really creating that positive impact.

The last one is about our operating model. And here I want to reiterate that we have a very unique operating model where each business unit has its own P&L accountability, full P&L accountability in terms of how they run their business. We continue to optimize our group support across areas, where there are learnings, best practice sharing and synergies to drive efficacy and efficiencies. Areas for example like legal compliance, procurement, IT infrastructure, including cyber security, which is an area that we are investing, we actually upgrade our capability in cyber security across all the business. We think that those areas are important to continue to serve all the business units. Our ways of working, it's less hierarchical. We use the definition of hubs and networks of excellence with participation of people from the business units in collaboration with the group.

And most important, we want to continue to keep this group very lean and supporting the business units. Right now we're about 1% of sales in terms of that structure that is very decentralized. The benchmark that we have is about 2% to 4%. The other point that I think it is very important, even within this 1%, over 85% of that cost is related to business units activity, directly related to business units activity. We like the model. We like the model where really all the resources are serving the business units, and we'll continue to monitor, and we'll continue to optimize that as we move forward.

So with that now, I would like to invite, and hopefully technology is not going to let us down, I would like to invite JP that will detail Latin America, Natura &Co Latin America. So, JP, welcome.

João Paulo Ferreira:

Perfect. So can you see me here?

Roberto Marques:

Yes, perfect. We see you perfectly. Very good.

João Paulo Ferreira:

Good.

Roberto Marques:

So, I'm turning to you, JP. Please go on.

João Paulo Ferreira:

Thank you. So hello, everybody. Apologies for not being there with you. Apologies if this presentation looks a little bit awkward, but it's for the good of all of us. So let me share with you how we have been progressing with the integration of the businesses in Latin America while we keep developing the digitalization of our operating model to unlock growth. Before I do that, let me remind you why we chose to put all those businesses together in Latin America. This is the region where Natura built its stronghold, its source of growth, revenues, profits, cash, sustainability practices, innovation, reputation. And by combining the other businesses there, combining those tangible and intangible assets, the brands, the reputation, the household penetration, the factories, distribution centers, labs, people, talent in general, we not only thought we would protect that stronghold, but actually make it even stronger. So if you can move to the next slide, please.

So, my brief story this afternoon will be sliced into six chapters. The first one, I will show you how we have already expanded our leadership in the region over the last two years. Primarily based on the successful story of Natura, both in Brazil and Hispanic market, and its development of new digital, and other formats of shopping experiences, which now enabled us to include new sources of revenue into the ecosystem, namely, Natura &Co Pay.

As regards to Avon, after a period of setbacks, I'll share some indicators with you that shows that we are back on track. And I'm very confident that very soon we start seizing very good results, which will finally allow us to combine Natura and Avon to start seizing some of the top line synergies, cross selling and upselling opportunities. But none of that will happen if we are not offering our customers delightful and relevant products and solutions.

So, if you go to the next one, please. Thanks. As I said, Natura &Co in the region is a stronghold. It is big and relevant, in numbers of consultants and reps, the number of consumers we reach, the number of employees, stores, factories, you name it. And Natura &Co is the number one CFT company in the region. Actually, along these two very bumpy years, we actually gained 70 basis points in market share, and we expanded the gap to the second player. We were already the number one CFT player in Brazil. But as of last year, we also became the number one player in the Hispanic markets. We gained shared in all of the most important markets, and in some of them, at least one of them, that was enough to move us one position up in the ranking. Next one, please.

Natura has been the key driver of that success. I'd like to start highlighting the importance of Natura Hispanic. This is the business that grew 10 times in the last 10 years, and only in the last five years, it grew with a 20% CAGR. It became the number one direct-selling company in the Hispanic markets and Natura alone became the fourth largest CFT brand in the region. Along that period, profitability also improved, and Natura Hispanic is now operating with an EBITDA margin that matches Natura Brazil. But there are still many opportunities for growth. Our penetration in Mexico is still relatively low, and we still need to deploy all the omnichannel solutions that we have been developing in Brazil and Chile across the region, as well as Natura & Co Pay. Finally, we will increase significantly the volume, which is produced locally using the factories that came from Avon in Argentina and Mexico. Next one, please.

Similarly impressive has been the recovery of Natura in Brazil, especially in the last five years. In 2017, Natura recovered the leadership of the Brazilian market and kept it ever since. Moreover, the distance to the second player increased from 40 basis points in 2017, to 120 basis points in 2021. Natura Brazil did face some difficulties in the second half of last year as a pandemic's hangover shifted completely the consumption pattern in terms of categories and price points. We've adjusted relatively fast and started beating a declining market already in Q4 and resume growth in Q1. We just received information from Kantar that Natura's Q1 market share was the highest in the last five years. Moreover, consultant productivity also started to grow again, and we prefer growth through productivity than through the absolute number of consultants. So, it seems that we are well set for the rising tide. If we can move... Another one, please. Thanks.

But we are ready for the rising tide, not only because of the health of the channel, but also because of our brand, Natura Brazil is the preferred CFT brand and as well as the preferred brand in many countries across Latin America, and over the last three years, we gained significant points in terms of brand preference. But it's not only that, we have been diversifying the shopping experiences we offer to our customers and to our consultants. The number of consultants selling online continues to grow as does the number of actively and engaged online consultants, digitally engaged consultants, which are primarily recruited online. Most of our paid media is now being deployed to online channels where we continue to gain preference, in most of the platforms we gain engagement. So, in Q1, we gained significant engagement both in Instagram and in TikTok. We are also operating more than 600 stores across the region, mostly in Brazil but also in Argentina, in Peru, in Chile and in Mexico. Now, as regards the whole digitalization of the sales and marketing internal processes, it might be of interest to you to know that as of the beginning of this year, Agenor Leão, who was our chief digital officer became also the head of Natura's Brazilian business. So that we can start using all the potential of the already existing digital assets to modernize our internal processes. To tell you more about this journey, there's a short video I'd like you to watch. Can we see the video please?

Speaker 1 – Natura &Co Latam Video:

The world of storytelling and selling has gone digital with its own rhythm, fast, funky, friendly, and for Natura, it's a time for digitally enhanced relationships. Natura beauty consultants are real people, over 2 million of them, women and men of all ages, people of flesh and blood and pixels.

An easy setup makes for an easy start. It used to take 10 days on average, now it takes a couple of clicks, a personal touch and you're all set. 80% of total appointments are digital. Ready for their first interaction with their customers from door-to-door to click-to-click, the digital journey begins.

The brochure is digital, direct shop, digital accounts and payment links are on, on every consultant's super app and inside their keyboard. Marketing decisions such as price adjustments, offers and product availability happen in near real time. The power of sharing. 55% of our beauty consultants create, edit, share and build strong relationships everywhere at the right time and the right place. Adoption numbers are three times higher than pre pandemic ones. In 2021, over 40 million contents were shared and counting all for the eyes and likes of the customers. This is how beauty and care spreads, continuous development and entrepreneurship are in the core of our business model.

Beauty consultants can increase their income opportunities by training other consultants on different areas of expertise. This is our social learning platform. Also, they can become Natura certified influencers and get paid to encourage their audiences on social media. Brand new ways to tell customized stories across the world. Geography is no longer a limitation, quite the opposite. Every beauty consultant can reach out to more and more consumers. They sell, we deliver to their homes or to pick up points in our shops. There are more than 450 pickup points currently active in Brazil. The new relationship frontier, where things happen as we speak. Live shopping boosts consultants' productivity by 7.7%. The digital experience ends in the warmest way. Natura's gift is wrapped up and delivered directly to the customer's home with a personal touch. Natura, a new way to nurture relationships, a better way of living and doing business.

João Paulo Ferreira:

Am I back? So, couple of years ago, we made a similar film to describe how the future would look like and this is all reality now. You probably noticed also the usage of financial solutions as part of their journey and I'd like to call your attention to this one. Natura &Co has been a huge success. It finally took off and it closed last year with a R\$ 6.5 billion in TPV and more than 350,000 active accounts. In Q1, it is already showing significant growth against previous year. That suggests what we are expecting for this year, but there's more to come.

We are deploying the Natura &Co financial solutions to our own stores and to our franchise stores and there will be a major booster in the middle of the year. All the credit that we grant to our consultants on us will be incorporated as part of the Natura &Co system, that is going to be rolled out to Avon in Brazil. Towards the end of the year, we'll take the first steps in Argentina and also introduce financial solutions to 40 communities in the rainforest. Not only this is a super good business, but it is also a wonderful opportunity for digital and financial inclusion. Next one, please.

As regards to Avon, we spent the last two years fixing the fundamentals while we called Wave One and with ups and downs. Avon Latin America closed the year with 2.5% growth, which is the first growth in the last five years. Primarily driven or 100% driven by the Hispanic markets, while Brazil still had to deal with the difficulties that you are aware of. But also, we have been pruning the portfolio, 35% reduction in CFT, 50% reduction in fashion and home, with significant

improvement in quality in this as well. Rep satisfaction is at all-time high, brand preference and consideration increased significantly in Brazil, especially tied to some key strategic attributes for us, namely quality, innovation and also pride to represent. And our share in Hispanic, Latin America has stabilized, so we didn't lose share there. Next one, please.

Now back to Avon Brazil, you heard me before that we applied all the fixes to the issues we faced in October. And as of then, we have been witnessing improving KPIs, now for five months in a row or if you prefer, some eight to nine campaigns in a row. So let me share some of them with you starting with the total number of reps or available reps. And you see that the curve is getting closer to zero, which means that very soon, that absolute number will match previous year. But look at productivity, how nicely it is improving most recently. And activity growing significantly, especially in the lower tier rep one and two stars, which also predicts lower churn going forward. When we look at Ecuador and central America, where we made fewer mistakes, or perhaps not any known mistakes so far in central America, the underlying KPIs show the same trend and we are very confident. Next one, please.

So that finally we will unlock the opportunity of cross selling and upselling. This is what we call the Wave Two, which is based on these four pillars. The conversion of large and small consultants and reps into the second brand, their shared retention to reduce churn and increasing their baskets. The tests have confirmed the potential that we've announced before that we expect to see by 2024. So what is happening right now? Well, first of all, we have already harmonized Avon's commercial and marketing processes across the region. That simplifies that connection between the two brands, but it also enabled us to delayer the organization of Avon in Latin America. A movement that we have just announced last week, which by the way, also helps with G&A.

We have now also a dedicated team to scale up Wave Two, starting with Brazil and following in Colombia towards the end of the year. And Wave Two is not only about incentives to reps and consultants, it's also about the creation of a combined process for commercial assortment, pricing and promotions. The other countries will follow next year. By the way, we also have people dedicated to preparing the entry of the Natura brand into Ecuador using Avon's chasse. That is likely to happen end of this year or beginning of next year. That depends on our ability to escape the Christmas campaign. Next one, please.

Yeah, thanks. As I said, we do need to continue capturing the minds and hearts of our consumers and stakeholders in general. And that has been powered by a series of launches of products, which are functionally incredible, but also carry our differentials in terms of sustainability. Roberto described some of them and I think I won't have time to dwell on those things, but there's also corporate movements that I'd like you to be aware of. Perhaps the main one coming soon is the launch of the Integrated P&L where we're monetizing the capital human environmental assets of this company, in addition to the financial results, showing that its economic value to society is far greater than its financial value, actually two times greater. And that's going to trigger interesting debates and for us in the financial market on how to value companies. The next and final one, please.

Good. In summary, key milestones going forward. This year, we are focusing on accelerating Natura's digitalization in recovering Avon's top line and profitability in Brazil, central America and in the Andean region. Scale up wave two, starting in Brazil and scaling up Natura &Co Pay in Brazil and in Argentina. Next year, we shall complete the conversion of the commercial models of Avon in Mexico and in Argentina, which will then allow us to roll out Wave Two across the region. We expect to introduce Natura in the countries where it's currently not yet present and complete the rollout of Natura &Co Pay across the region. Finally, 2024 shall be dedicated to scaling up all the omnichannel solutions, which are currently being developed in Brazil and in Chile, Natura Brazil and Natura Chile across the region. And now Natura is expected to enter new categories as well. That's it in a summary and with that, I hand over to Angela.

Angela Cretu:

Hello everyone, warmest regards from all the Avon teams. Good to see you today. I would like to start with Avon's why and what. We have been doing beauty differently for 135 years. And we are the company that creates a business model that would give women opportunities of economic empowerment and stands up for causes that matter to them. Now, in partnership with Natura &Co we have the potential to amplify our reach and our impact. We have millions of representatives around the world and together with them and their communities, we collected and donated more than US\$1 billion in our fight against breast cancer and domestic violence. We are extremely proud of our R&D capabilities of our products. We have more than 700 patents for our innovation and in the last couple of years alone, we took 300 international awards for our innovation.

We are a company that in this moment sells seven bottles of fragrance every second, more than any other fragrance brand in the world. And we've reached top positions, especially in emerging markets, in our key categories and in direct selling industry. So yes, we have a lot to be proud of in our legacy, but we lost pace with the market and even more so, we see in the last years that the market is moving faster than we have ever seen, so should we. So we very decisively took on an open up and grow strategic agenda with the key pillars meant to change how we operate. We started with a full reset in our operating model, creating a leaner, agile, more fit for purpose organization operating model to allow us to succeed.

Then we stabilize the channel with the new commercial model, opening it up with digitalization and then restore the growth through brand rejuvenation. In 2021, we've seen significant progress and we are absolutely convinced that with this strategy we address the customer needs of personalization at high touch access, especially in a beauty industry so relevant. Convenience, a greater value for money, even more relevant in nowadays world, where customers are having shrinking disposable income and then capture these mega trends of gig economy. In 2022, we are seeing that we have to navigate new types of challenges with managing the war in Ukraine, the inflationary pressure, but we believe that it's absolutely critical that we stay the course performing while transforming with speed. So let me give you an update of each of these key strategic pillars.

I would start with our operating model. Our operating model needed a deep reset. Very first major structural change was to move from our 38 very different quasi-independent market processes. Everyone with their portfolio and their brochure planning, into a top market led standardized process with only four lead markets brochures being leveraged to all others, with a centrally led and resource of services and enablers for all markets to follow. This hub and spoke model has already delivered for us, as of last year, US\$100 million of yearly running rate of savings. And we continue accelerating this space by expanding our Natura &Co synergies and aligning better our cost structure to our sales footprint, so that is the very first major change that we've done. The second one, it's related to how we operate through the planning and the way we create our brochure in the markets.

We went from many different company cycles, three weeks, four weeks, 1 month. And we created for the entire world portfolio, only one monthly cycle, which enabled us immediately to simplify our portfolio and reduce the churn of innovation. We reduced already by 20% and fashion and home, even more dramatically, as you see on the chart. And we continue accelerating that pace until we arrive to a portfolio that will give us the opportunity to hone into fewer, bigger, better innovation, fully capitalizing on a pricing of our hero products and gifting and then creating the opportunity to overhaul the creative brand visual identity.

So you see with this critical reset only then we are able to implement at speed, a new commercial model. It is only at this last fourth quarter, so two quarters ago, that we are able to implement in 14 markets. So at speed and with scale, the new commercial model that we have co-created with our partners in Natura. From its implementation to today, we've got extremely good response.

This new commercial model, it's really getting the representative experience from a transaction focused earning model, to an open for all yet tailored for each segmented experience benefits in incentives, digital tools, training, communication, recognition. Really following the representatives through their life journey with us and not just at a transaction. While it's not yet compensating for the full representative count, we are still balancing one another. The early signs are telling us that this is the right way to go. Representative satisfaction, retention, productivity, starting from its very implementation in Q4 and continuing now in Q1, are showing that is the right strategic direction. So we'll continue rolling it out at speed and we are going to continue enhancing its features. Relationship, it's at the heart of everything we do and this model, it's fitting it beautifully.

Then we talk about digitalization and technology. I'm sure you hear it everywhere, they're critical enablers for the new business models out there. In our case, it's critical for our very modernization from a uni channel, brochure based, traditional, direct selling model, to a high touch omnichannel, a digital social selling revolution fully capturing the gig economy and the new needs of customers of convenience and gratifying experience in a digital space. And with this evolution, we see our customers having the choice to interact with us at their convenience, from buying always in a high touch experience powered by their own representatives, either from a Facebook live shopping event or from the very own little store of our representatives, from a product display to a full flagship experience.

And we already relaunched Avon ON app with this application, our representatives are having access at the click of their fingers to training information. They can connect, share, sell, learn and the adoption of the end of Q1 is 16%. Our digital sales have already reached 6% from a basically very traditional paper based brochure, just few years back. And we are continuing accelerating at pace this multiplication of access until we reach that seamless omnichannel experience in the upcoming years. Technology continues to be modernized. We have prioritized our cybersecurity program and we continue replacing the legacy systems in our pretty fragmented complex setup, until we reach both backend and front end a modern platform that will allow us to keep the pace with the market.

And this is the pillar that excites me most, because this is the one that comes now with the growth. It's the rejuvenation of our brand. You would say "what needs to happen for a brand that is beloved by many yet is quite tired?" And I would start with the insights, outside in. In this global context, we have these unequal possibilities for women and Avon as a beauty company, comes with a unique combination of attributes in the beauty industry. It comes with a Trinity of values. One, it comes with how these relationships that are offered by our representatives in the relationship with customers. We all know that in beauty industries, when women are buying beauty products, they need an intimate, trusted advice many of the times.

We are the company that gives beauty from and for the community and that nurtures the progress for women. We equally come with an extreme pride in our wow products, products whose performance is well recognized, just like the Protinol that Roberto has just mentioned, which is one of the winning formulations. It was Edison awarded formula of one of the most effective skincare products in the market and it's a wow because it gets a visible performance in days. And then it's all about access, from convenient accessibility to taking pride in being aspirational beauty at irresistible value.

And of course, we know that rejuvenating a brand takes time, but we do not lose any minute in reframing our value, especially in the current global context and create an opportunity to, once again, demonstrate our irrefutable quality. We are honing into our hero products and gifting and leveraging the macro influencers we have now by our brand in every market, together with our representatives turning into micro influencers. And together with them, we are advocating, we are creating a never before seen advocacy for our products, showing their competitive quality versus Prestige brands with blind testing and demonstrations. And for the very first time, we equally understood that we cannot promote the product outside of the experience that customers have. So we bring in the channel reappraisal movement into the overall product experience, understanding that beyond the product's quality, we equally want to bring that intimacy, that personalization that customers are craving for. And in this way, re-engaging our network and attracting new ones now with the new digital tools, making it so easy for them just to take a gig aside and talk about the beauty that they love most.

And for the selective investment we had in one or two of our markets, we've seen an immediate payoff, showing us that the more resource, the more we stabilize our margins, the more resource we release through the reset of model, the more we bring and invest in the brand with this position that we believe it's extremely relevant in the marketplace, the more we will get back.

Brand consideration immediately spikes and it's showing us that our brand has still more to say. And let me now share with you a mood movie, to get a feeling of how this beauty that sparks possibilities can come to life.

Avon International video:

Avon, we believe a better world for women is a better world for all. And when women advance, it sends ripples across communities, economies and the planet. That's why everything we do is to support women in realizing their potential. We are beauty that sparks possibilities. Possibilities for millions of women to come together and win together. Women who are their own bosses, earning their own income, forging deeply personal relationships and lifting each other up. Women fighting breast cancer, domestic violence and inequality, all whilst sharing a love of beauty. We are beauty that sparks possibilities, possibilities that come to life with our amazing products in amazing people's hands. Bright, bold nails for a confident handshake. Full bold lips for the courage to speak up. Healthy glowing skin to seize every opportunity and perfumes for owning your sense and scent of self. Welcome to our Dawn of Possibility. Welcome to watching the sunrise on women who own their power and who light up for the world to see and celebrate. Avon, watch me ow.

Angela Cretu:

So welcome to our Dawn of Possibilities. To wrap up where we are in the middle of the transformation with significant external challenges, we remain convinced that we have the right strategy and we need to stay the course, stay focused on what we need to achieve. In the same time, we are ready to take any and every action to protect the stakeholder value, to protect our people, and then our heritage and purpose. Thank you very much. And now I would like to invite David.

David Boynton:

Angela. Good afternoon, everybody. It's really a pleasure to be here presenting to you from New York even if I'm not actually in the room. So I'm going to update you on the progress of our transformation today. But before I do that, I'd like to provide a little bit more context on the profit position that we shared at the recent Q1 announcement, next slide please.

So, this slide compares Q1 EBITDA margins in 2021, and this year back to 2019 and our last year before COVID, and it shows the key drivers of variants. So the nature of the last couple of years of the pandemic means that, of course, there's lots of moving parts and one time effects, and I thought it would be helpful to walk you through that. So there's three main factors, firstly, the channel mix is different. The biggest factor here is short term pressure on our head franchise partners. Many of whom have been in and out of lockdown for two years, of course. And in 2021, we lost 21% of store opening days in the EMEA region and 31% in APAC. And that's comparable to the worst of what we experienced in Western markets in 2020. There was a particular issue at the end of the year with Omicron disrupting Christmas trading and that's led to partners being temporarily overstocked and buying less from us in Q1, and that's had a disproportionate effect on our P&L as of course that's our highest EBITDA channel.

Secondly, it's volume deleverage. This is largely due to our At Home channel, we've seen a drop in consultant numbers to what we believe is a more realistic level, but those numbers really peaked at the end of 2020 and the start of 21. So we knew that we were going to be up against tough comps as the direct selling market normalized and in addition to that and despite improving trends in recent weeks, retail stores are not fully back to balance the decline in At Home sales, it's foot traffic is still lower than 2019, for a bunch of reasons, but not least because of factors like city center office occupancy, still being only 30% of where it was in 2019. So we've still got many stores trending below that year, even if there are more positive signs recently.

And thirdly, we don't have the same level of pandemic subsidies and rent waivers in place this time around to support stores that continue to operate in a very challenging environment. Well, circling back to our franchise partners, we really do see this as a one-time effect this year and we expect a strong bounce back later in the year. I've met many of the key partners recently and we're starting to see a retail recovery in many markets and we're expecting a different picture later in the year. I mean, at that point, the partners are going to start to order for Diwali, for Christmas and anticipation of Ramadan at the start of 2023. And they tell me they're very committed, they're investing in all aspects of the brand and in particular, our workshop store concept. They've actually opened more than company markets out up until now. So let's take a closer look at our fantastic workshop stores, next slide please.

So, the workshop store provides an immersive brand experience and they're the perfect platform for our new rejuvenated products and our fantastic retrained staff. And importantly, these stores are delivering a stronger performance. Sales in workshops are up 27% compared with our other stores with people spending more. And they're also attracting new customers to The Body Shop. Up to the end of quarter one, we have 156 stores and we expect to open a total of 120 this year. We are a bit behind where we originally expected to be, of course, because of COVID, but we're confident in the concept and our markets and partners love its design and impact. One part of the store experience that we're especially proud of is our refill stations. So we knew from engaging with our community, that there was a strong groundswell to do more, to help the environment and to help shape the circular economy as it applies to the beauty industry.

What was stopping people was accessibility. And our refill stations go a long way to addressing that. The impact's been really pleasing with refills already accounting for 28% of sales in the products offered, they're stocked with some of our most popular SKU's and hair care and body wash and they're driving up repeat purchase and bringing new customers to The Body Shop. Now, as we don't have any workshop stores in the US yet, and we're working hard to address that, I thought it would be helpful to show you a little video of what a workshop store is like. And before we click through to that, I just want to say that this little movie wasn't made specifically for this event, it was an internal movie created by our French team and the soundtrack was written and performed by a Body Shop team member in support of our self-love and wellness campaign last year with contributions from hundreds of members of our community and I think it's really pretty cool. It's another example of our talented people in action. So perhaps we could click through to the video please.

The Body Shop video:

(Singing)

David Boynton:

That's lovely, thanks. And of course stores are only part of the experience, it's products that customers buy, take home and ultimately that form their opinion of the brand. And we've been focused on rejuvenating our product portfolio with natural vegan, friendly formulas and more sustainable premium packaging. Well, last year we relaunched three iconic products you heard that from Roberto about our body butters, but also our White Musk fragrance and our refreshed hair care line, including our bestselling ginger shampoo. Our new body butters are beautiful and a real treat to use. Sales last year were up almost 40% versus 2019 and close to 20% versus 2020. White Musk was a breakthrough reformulation with a vegan musk. It's the cornerstone of our fragrance proposition and the new packaging and scent is attracting new fans and performing really well in key markets like South Korea, and our hair care line has been refreshed in a cool new bottle, just like Anita's (Roddick) original one with formulas that include vegan silk protein, a technology collaboration with the Natura team that's been really well received by our customers.

This year we've had an exciting launch with our new wellness range arriving in February. This range allows a more premium giftable body care line and also it allows us to enter the wellness space with three ranges: Sleep, Boost, and Breathe. And we worked with the European sleep center to get certification that proves our four step sleep routine helps to get you to sleep faster and improves sleep quality, much needed in these difficult times. The full range has been performing really well and it's outperforming the Spa of the World line versus 2019 by almost 50%. And finally coming up later in 2022 will be the refresh of our bestselling skincare product, Drops of Youth, which will relaunch as Edelweiss, with an improved formula with three times the concentration of the key antioxidizing ingredient contained in the precious Edelweiss flower. And of course, skincare is a priority category for us as a recruitment and loyalty builder and we're focusing on winning in that category over the next few years.

Please do take some time to see the products at the back of the room and I hand selected the products in your goody bag. So I very much hope you're going to love them. In fact, I know that you're going to love them. Next slide, please.

Well, we've always been proud of our activist heritage at the body shop being a leader when it comes to purpose and impact, and we continue to make those choices, not just because of the social impact, but also because of the impact it has on our business. I've talked about how we want to become famous for refills, how we deal with plastic is a part of that. Our new products are all made from a hundred percent PCR content and we're aiming for 75% community fair trade plastic in our products across 2022. Our community fair trade ingredient program has been going strong since 1987 and it's sourcing ethical high quality ingredients and driving positive societal

change in communities across the world. And our new formulations are targeted to be 95% hardworking, natural ingredients with vegan certified content.

And finally, we're excited to extend the use of open hiring in more markets. And for those of you that are unfamiliar with open hiring, it's a concept that was pioneered by Greyston Bakery in the Bronx in New York, which is a for profit social enterprise that started in the 1980s. They hired on a strict first come first serve basis and only asked three questions during the application process. Are you authorized to work in the United States? Can you work both the day and night shift? And can you lift over 50 pounds? Well, Greyston's been hugely influential beyond the individual bakery itself in driving inclusion in society and supporting marginalized people, struggling to get a job where for example, standard criminal background checks would've automatically disqualified them. So we've taken Greyston's baton run with it. And our role in all of this got featured in the Wall Street Journal front page last November, as I'm sure you saw as the first retailer to do this, and it's really made other headlines around the world. We like that it isn't just about making a difference in supporting inclusion as if we were a nonprofit, but it's also helping us with a tight labor market and the great resignation as it's known in retail. And we've brought in 1,400 people so far through the open hiring process. Next slide please.

And to sum up this chart gives a snapshot of the priorities we're working towards and what you can expect from the body shop over the next three years. I mean, starting with brand rejuvenation, I've given you a picture of the workshop rollout and our rejuvenation of our product portfolio, which is scheduled to complete in 2024. And then after that, we'll be switching gears to more of a mode of continuous innovation. On omnichannel, many of you have heard me say last year when I talked about how we've learned to build an omnichannel business over COVID, well honestly, we're continuing to learn, but we're still making bigger investments where we see opportunities. And with The Body Shop At Home, I'm excited to say that we launched our new consultant platform earlier this year. This was a major, major project and it's providing a step change in what The Body Shop At Home offers, personal websites, a business hub with analytics and a training hub, just to name three. The platform's live in the US, it's going to roll out in the UK and Australia over the summer, and it gives us a much more modern, competitive consultant experience, and it's a lot more efficient to operate for us than the old platform. In e-commerce, we've maintained the progress we made on reducing discounts and our website's working harder than ever in an environment where media costs are higher than before. And we need to be making sure that we're building strong conversion and basket size. A recent UK technology company ranked our website as number one in their 2022 digital retail index and that was against 500 top retailers in the market. So to build on this, we're going to be putting more focus on CRM in the coming years and developing an even better understanding of our customers.

In Asia, our priority markets, of course, of the China and Japan the world's number two and number three, beauty markets, we bought the Japan businesses as I'm sure you recall back from our franchise partner in late 2020 with a clear plan to return the business to growth. Now, of course a lot's happened since that business plan was written, but we're tracking very closely to the original targets we set. We've captured savings from closing unprofitable stores and we're moving quickly on revitalizing the brand in Japan catering much more than we have in the past to

local tastes. In China, we're on track to launch our first retail stores in 2023 and towards the back end of this year, the focus is on China e-commerce. And then finally with our head franchise partners, we're supporting them in building resilience, post pandemic, and a large part of this is going to be about helping them accelerate their digital journey and reducing the reliance on retail stores and this initiative is already well underway. Next slide please.

So, wrapping up, there's no question that the pandemic has been a big test of a business that had been struggling for a long time and was at the early stages of transformation when the crisis struck, I'm proud of the results that the teams delivered during that period. Honestly, we feel they're pretty remarkable, but there's also no question that the crisis isn't over and the first half of this year is challenging. But when we look at where we were at the end of 2019, when we didn't have our workshop stores, we didn't have our new products, we didn't have our new website nor the coming new At Home platform, I think we can be really confident about the outlook. We're seeing progress in how customers are reacting to the brand in key markets right now, and our partners who are key to our success and who know this brand as well as anyone, because most of them were signed up back in the day of Roddicks are excited and fully bought into our plans.

And we see the current situation as short-term turbulence. That's going to take some management focus to navigate of course, but is not going to derail us from where we're headed. So thanks very much as ever for listening. And now I'm going to hand you over to Michael.

Michael O'Keeffe:

Thanks, David, and really great to be here today. I'm really excited about sharing the Aesop story with everyone here. It's sometimes at Aesop, we sort of speak a little bit softly, I suppose, and let our actions sort of speak for themselves. But it's good to, I suppose, share a little bit about what we've done, where we've come from, but also looking forward, I was just reflecting on the weekend that this is my 20th year at Aesop. It's a long time and 10th actually with Natura &Co I think for the first, the first 10 years, I helped grow Aesop from a \$2 million business. So very, very small to a 50. And I thought that was good, but during the time that I've been associated with Natura &Co I think this year we'll have grown at 15 times. So not two, not three, not four, not five but 15 times.

And I think obviously the strength of the brand, the business, the team that we have is a big part of that. But for me also just the partnership with Natura, the ecosystem of growth and entrepreneurship that Roberto was discussing is a really big part of that and really enables a high growth brand like Aesop to really flourish, which I think is exceptionally exciting. So if I look at 2021 and it feels a long time ago now, but again, it was another exceptional year for us growing 25% more than quadruple the premium luxury cosmetics industry underlining like for like sales growth, more than three times the industry, and really powering ahead. And it wasn't just some post COVID sort of pop, we're more than 40% above our levels in 2019.

And actually again, I was looking back, that double digit growth has continued since, since 2008, actually. I learned some lessons in the heart of the financial crisis and ever since then... So right through from 2008, we've just delivered constant year on year on year double digit growth and I

can see that occurring for the foreseeable future. Strong underlying operating profit, I mean, we are investing a lot in our business and as Roberto said, we're expanding into China and fragrance and treatments and a whole load of things. But in terms of the leverage from our existing operations, it's really strong. And I think that underlying profitability is fantastic and a hallmark of our business. I think as well as that on the other side, in terms of strategic priorities, last year we deployed Salesforce and immediately rolled it out to over a dozen countries, connecting more than 80% of our global customer base. So really putting in the foundations for CRM and an integrated omnichannel experience right across our channels and a little bit like The Body Shop and actually learning from our bigger sister at The Body Shop, I suppose, in terms of refills and really closing the loop with circularity and sustainability, so really a fantastic year last year. And this is just to give you an indication of stores that were opened around the world, you can see some stores were designed internally, others with external architects, but this is really a hallmark of Aesop and our ability to continue to expand and drive the depth and the penetration in existing cities while still expanding out into white spaces and new countries and new cities. And again, we've got a huge runway in this regard.

And then just to give you an idea, I suppose, from an innovation perspective for us, it doesn't just start and stop with products itself. Products are at the heart of Aesop, always have been and that connection, but innovation from a retail sense is really important as well. And this shows some really innovative fragrance concepts that we've put in stores. The one on the left is a fully immersive in-store fragrance concept designed by Snohetta from Norway in one of our largest stores, but it continues right down to just cabinets where people will walk in, they'll take off a jacket and the jacket gets sprayed with perfume and that, and again, that innovative customer service and experience is just something our peers just don't do. They just don't do it. And it's something again, it's a real hallmark of Aesop and something that we're continuing to push in to develop and on the topic of products we don't release many products, our total SKU count is probably a third of our major competitors, what we aim for is best in class products. Every Aesop product has to have a place and it has to really stand on its own and connect to our customers. Last year was actually probably one of our bigger years in terms of product development. And again it's probably a small percentage or a fraction of what others do. But again, it was a really important year for us. We continue to build out our hair care, which is one of our smaller segments, did a fantastic collaboration with a British fashion designer, Raeburn in this concept of sort of drops in fashion and all of that, and is really important and helps connect us to a new customer base. The Othertopias is a fragrance concept that we've launched out and really building fragrance and I'll talk about that in a sec and then continued to double down and really expand out in skincare, which is a really important category for us and particularly if we're going to continue to win in Asia. And then lastly, in terms of gift kits, which obviously in this industry is very important. So looking forward the way we look at our sort of building the business is sort of two prong, I suppose. As a retailer, like for like growth and just the growth of the existing operations is always critically important and has to be at the heart of what we do. We're not just about expansion for expansion's sake. We want those existing operations and now over 300 stores and counters and that around the world to grow and to grow faster than the market in general,

and to continue to really connect to our customers, as well as that though, we're continuing to innovate, and we really see significant white space opportunities geographically, but also from a product segment perspective and also from a services perspective.

So, in terms of existing operations, and as I said, this is probably 80% of our focus and I think the retail productivity channel here is again so much, and it's such an important pillar for us. So doubling down in terms of investment, in training with our staff and digital assets with our staff, really building that consultant experience and online clientele now, and everything that comes around that, the Aesop in-store experience is unique, absolutely unique in the industry. And it's something that we want to just keep developing and keep building, because we really believe that experience plus incredible products, incredible design, and the brand all around it, creates an amazing business. And we can just keep scaling that up. The tough thing is it's all about the people and over time that's where we've really built strong capabilities and expertise.

I think as well as that, you can see the expansion in terms of new doors, 30, 40 new doors per year. We've now got great in-house design teams, great property teams that are building out in that regard, product launches and again particularly in fragrance, but also skincare, as you can see only six new products per year. So we're not flooding our customers with new products, it's really just building out what they need, and then the whole area of sustainability and this journey we're on to net neutral... net zero from a carbon perspective in 2030, really creating a more inclusive, diverse, and equitable culture and business. So, for me, this is really important and I think a hallmark for Aesop and why we can continue to deliver strong double digit growth year on year out.

And then in terms of white spaces, and we've mentioned China. China's been a market that, unfortunately we haven't been able to enter because of animal testing for far too long, but actually pre pandemic, the Chinese customer was our largest customer base around the world. I mean, Australia is very close to China, we had a lot of Chinese tourists in Australia, but also Korea, in Hong Kong, in Europe and essentially that market dried up for us almost overnight. We continued to do some cross border shipping into China, through T-Mall Global and other platforms, but it was really only a small percentage of what we were serving that Chinese customer around the world. So again, if you go back to that growth from 2019 that's even above that loss of that Chinese customer all around the world.

Having said that though, we've got great brand recognition in China already. I was actually seeing some brand awareness studies the other day and we are just below our leading competitors in China, but the difference is they have 100s of stores or tens of stores or whatever, and we have zero. So to start off with already a prompted brand awareness in the high 60s is a really strong position for us. And currently we see our first two stores in China opening in the fourth quarter as long as the current restrictions ease, which people predict at the moment. The second point is just continuing to accelerate fragrance. Probably three years ago, fragrance was less than 5% of our total sales, but we knew that as a skincare brand with the essential oils that we have Aesop has been known for its scent, known for the actual fragrance in its products. And so we actually had a story and authenticity there that really very few skincare companies have. I mean, many skincare companies actually actively take fragrance out of their range and we're actually the

opposite. I think we've got the bestselling skincare, hair care, body care products in the industry, and what we're doing is using that history and using that connection with our customers on the scent of the other products to move them across into fragrance. I showed before some of the fragrance concepts that we're opening within stores. And there could be an opportunity at some point for even dedicated fragrance stores. But from our perspective we think that we can compete and compete very well against the leading niche fragrance brands around the world.

And then the third point is treatments, where we're moving into an era where services and experiences are really important. And we've actually had treatments with our customers since 2004 or 2005, but generally it's only one sort of room in the back of a store or sometimes in department stores. So this year we're going to be piloting our first sort of larger scale treatment store that's going to have at least four rooms. And again, we really see this as an opportunity for us to build a really substantial business. And I suppose really leverage both the strength that we have in products, but also the strength in customer service and the experience that we've had now over a couple of decades.

So, as I said I'm very, very proud of the Aesop journey. We've come a long way and especially since the start of the relationship with Natura. I often use the phrase that we're a sort of a 32 year-old startup, and I really do believe it, that actually the opportunities that we have ahead are exceptionally exciting. And I don't think there's any reason why actually we should slow down. A market like China should be probably a top three, top four market for us in the world in the next four to five years. And that opportunity's just sitting there for us to execute against as well as that, as I said, there's the continuing development and really acceleration of the core business as we just continue to penetrate existing cities and countries around the world, there's then opportunities such as fragrance and treatments. So as you can see, I'm exceptionally excited about the opportunity moving ahead. And just to give you an example, I suppose, of and maybe a glimpse into our journey into China, it started late last year. We kicked off with a formal PR event to influencers and to media in China and followed up with that with some digital assets and WeChat, and other sort of cross border activities with them.

But this video that I'm about to show just gives you an idea of the sort of the event that we did and sort of the engagement with Chinese media.

Due to registration requirements, we couldn't even have any actual product there. So we had to be a bit creative. Anyway, on that note, I'll hand over now to Guilherme, and I'll be back at the end to answer any of your questions. Thank you.

Guilherme Castellan:

I think I got a bad luck to speak after Aesop video. Thanks for raising the bar here, Michael. It's great to be here. Michael said that he's 20 years with Aesop. I'm one year with Natura &Co and actually I was telling the team that this is my first physical event. So many faces that I only had the opportunity to meet virtually and it's good to see you finally face to face. I'm going to be brief as basically, I want us to have some time to go through Q&A as well. But if there are three things

that I want the team to get from today's presentation in terms of finance priority, and then it has been the three things that I've been again saying for a while.

Number one is of course margin. I mean, we have our midterm commitment in 2024 to achieve 15 to 17% of adjusted margin. And we're going to try to explain to you and wrap it up, why we have the confidence that we're going to be able to do that. The second one is EBITDA is not enough. We have to focus on bottom line. We have to focus on ROIC and we have to improve cash conversion. So I think this has been a point that we have worked a lot. And we're going to talk a little bit about that as well in the next couple of pages. And finally, I think I just want to touch quickly on the efforts that we have done from a capital structure perspective, a liability management perspective, and how that put us in a good path to investment grade with a very healthy maturity profile and of course our aim to diminish our cost of capital.

So trying to wrap up. I know that potentially the font is a little bit small. We have the QR code here for those that have your devices and want to look at it. There are absolutely roles for each one of the bills and Roberto, talk a little bit about that in the beginning of the presentation. Each CEO basically spends some time presenting the plan and in the end, you probably notice that we present a key milestones page. In that page, basically, we're trying to summarize here a little bit with the numbers and with the role of each one of the BUs. And each BU, we have basically one word to summarize it right from our top line perspective in this page. And then we're going to go into the next page from an EBITDA perspective.

But from a top line perspective, LATAM, we need to win. It has to be growth above the market. Basically in Q1, we already talk a little bit about the Natura brand growing ahead of the market. João explained today and a little bit in the Q1 results as well, how the KPIs of Avon they are improving, and we should start to see results of that flow into the P&L in Q2, but especially in H2 of this year. And this is even before the Wave Two and the Wave Three that João spoke about. So LATAM, the clear role from a top line perspective is to grow above the market with Natura brand, with healthy results, Avon turnaround, and the top line synergies of Wave Two and Wave Three.

Avon is to stabilize. And we know the headwinds that we had in the last couple of years. I think Angela explained that very well. Angela also explained basically some of the commercial KPIs that we're seeing after the new commercial model was implemented. And even though we know that again, our rep count base is still doesn't offset the increase in productivity, we're confident that trend is coming with the KPIs that we're having. The role of Avon international is not to grow significantly, it's basically to stabilize and deliver EBITDA margin as we're going to see the next page.

The body shop is growth at the market. And again, we have been talking a little bit about that, about the headwinds there, The Body Shop had and has in the short term, especially with the channel rebalancing. And of course the war impact in Western Europe that we're seeing impacting the overall macroeconomic scenario, but we believe as David explained in his presentation that with a channel recovery, with the rollout of the workshop stores and with the investments in the brand, we're all positioned to capture that growth, the market growth going forward.

And Aesop, I think Michael just explained very well. I think that the role of Aesop is to continue to be Aesop and grow very strong double digits. We have very good reasons to believe that the growth of Aesop is not going to diminish. As Michael said, we still have geographic expansion with the China entry, we have category expansion with the double down on fragrances, and we have the facial treatment spas rollout that we're going to start this year, that we believe that it's a very compelling story.

So when we put everything together with each one of the BUs delivering basically its role, and of course the growth in terms of top line coming mainly from LATAM and Aesop, we're confident that we can achieve our 2024 guidance of R\$47 to 49 billion.

If we move to the next page and talk a little bit about EBITDA. And I think that has a focus in terms of how we're going to deliver the guidance of EBITDA that is basically 15 to 17% adjusted EBITDA margin by 2024. And again, here's the same thing, each BU has its own role to play. And if we start with LATAM, I think that the word that I want the audience to go away with is synergies. LATAM has been a very good source of synergies that as we have talked in the results has helped us to offset the great part of the inflationary impacts that we were seeing in the results and we'll continue to see that. And that combined with the operational leverage that should start kicking in the second half of this year will be able to basically increase the EBITDA margin of LATAM significantly in the next few years.

Avon is simplification. And Angela spoke a lot about that in her presentation today, about the change in the operating model, about the standardization of the cycles and about the transformational savings on top of that, as we have been discussing quarterly, the effort on increasing the Avon gross margin. I think that we have been successfully seeing that already in the P&L. So with that in the next years, again, with the top line stabilization we're confident that we'll be able to achieve the midterm guidance that we gave to the market.

The body shop is the transformation phase two. We talk a lot about the transformation phase one, now the transformation phase two that's of course, combined with the healthier channel mix that David presented with the comeback of the franchisees, which is by far our highest EBITDA channel plus cost containments and savings that we're still going to see flow into the P&L we're able to see basically the margin of The Body Shop recovering and growing in the next few years.

And Aesop, so finally is the one that we shouldn't expect to see a lot of gross margin expansion. As Michael explained, we are in the process of literally boosting the growth of Aesop with a lot of ambitious targets in terms of expansion. And we believe that, again, for that, especially in the short term, it will require investments and the margin of Aesop should be pretty much similar to the levels that we operate today. And again, on top of that, it's very important to highlight, and Roberto talked a little bit about that in the beginning of the presentation, in the operating model page, that we will keep a very lean and efficient group that will help us to deliver more savings on top of everything and help us to achieve our midterm target of 15% to 17% by 2024.

If we talk quickly about cash, there are basically three things that I want to stress here as very important. And of course, the mentality that the organization has today on those three things is super high. The first one is working capital. Basically, I think everybody saw that in 2021, our

results were significantly impacted in terms of cash flow by a negative working capital with the inventories levels rising significantly, especially in the second half of the year with the shift of categories that we saw in Latam. And of course this slowdown in terms of top line, plus the supply chain issues that we faced that required us to increase basically our inventory levels.

Today, we have a big focus, not only on inventories, but payables and receivables, but again, we believe that working capital is going to be a key lever for us to increase cash conversion from a tactical perspective, many short term things, but also more strategic medium term actions, such as the continuous SKU rationalization and such as the digital brochures, which also improve our demand planning significantly. We believe that those will be key levers for us to expand working capital. Now, of course, results in Q1, we still show our working capital consumption of R\$200 millions in the quarter, which we know it's not good, but it's already R\$500 million better than what we saw in Q1 of 2021.

The second one is something that we have been talking as well, which is basically the cash tax rate improvement and that will come basically through corporate infrastructure. And we spoke a little bit about that last year with some gains that we saw in the P&L that will translate into cash into the next years, but also through tax planning. And of course, for some markets that today, or in the past, we used to operate with losses, they become also profitable markets. And with that, of course, improving significantly our CTR in the next few years.

And finally, and also a point that we have stressed, especially a lot in the last two quarters, a very strict resource allocation, a big focus on ROIC and responsible investments. We know that the... and as we have communicated the investments in the transformation and the cost to achieve in LATAM, they will go on until 2024. And those are important investments for us to deliver our story. And of course, Capex as well, it's key for us to win, but we shouldn't assume Capex to deviate significantly from historical levels going forward. And with that, we're confident that again, we can deliver year after year. And this is what, again, you guys should basically ask from us our cash conversion expansion when we look at cash flow to firm, as percentage of EBITDA.

Now the last page, and I'm going to pass to Roberto. After this we can have some, some Q&A, talk a little bit about our leverage and basically the efforts that we've done in the last few years. And this is an interesting page because if we look exactly two years ago, in May 2020, we had a very stressed debt profile. So we had almost R\$15 billion of debt servicing expiring within five years of which basically R\$10 billion expiring within three years with a very short term duration, so the average maturity was 3.6 and a high cost of debt at 6.75%.

With the efforts that we have done from a capital structure perspective and the liability management today, we see that within the next five years, basically we have R\$2 billion of debt servicing, which is significantly lower than our cash position today and puts us in a very good path again, delivering the number one and number two, meaning delivering the margin expansion, plus the cash flow conversion, to bring us to investment grade, and also for us to see a significant reduction in our cost of capital and generating value to shareholders.

So this is it I'm going to pass back to Roberto so he can wrap up. And then of course, we're going to take some questions in the Q&A.

Roberto Marques:

Thank you Guilherme. So just to close up, because I think it would be good to spend some time on the Q&As with all of you. So just a couple of final thoughts. So one, just to be clear, none of us are happy with the recent results. And we understand that there's a lot of headwinds in the market and challenges, but we also, as you saw throughout the presentation, some reflection how we needed to really reset expectations. And we believe the idea of the more clarity of each one of the business units, where you see that's not one size fits all, of there is really focus in each one of the business and then where we expect them on the key milestones, on deliverables in terms of top line growth, in terms of margin progression. And then the focus on some of the financial discipline that Guilherme mentioned. We believe that this is really, what's going to give us the confidence to not only pass through some of those turbulent times, but really capture the benefits that we still very bullish about it, especially as we move into the second half of this year. So hopefully this became more clear about how we're going to get there. The building blocks, some of the key priorities. And again, very different on each one of the business units. So it's not one size fits all. And the sum of the parts will become very important.

One of the roles of the holding is really this capital allocation. And we are doing that in a very disciplined way from our return over invested capital. And hopefully that became more clear today.

Having said that I also, before I called them on the stage, I want to really to reiterate my confidence, the confidence of the board and the management, our capacity to actually deliver. If you look at the last couple of years, this business has been growing. When the pandemic actually came on, this group actually overperformed significantly our global peers. And instead, actually what maybe some companies could have done of back down some of the transformations, we made an intentional decision to actually accelerate them, because we believe those are fundamental things that are going to position us well to face overall that hopefully will become a little less of a headwind. We're not even asking for a lot of tailwinds, but we believe that we're on the right path.

So with that, I would like to thank you for being here. And I would like to invite Michael, Angela, Gui, and by the way, we'll have JP and David as well on the call. So if there are any specific questions for them as well, they will be able to connect and answer. Okay. So hopefully we can have at least about 30 minutes of Q&A to make sure that we can answer your questions. So we might need some of the chairs here.

Victoria Ford:

Many thanks, everyone. Just while we get this stage reset, just a few instructions. We're going to be taking questions from the floor, but also from our virtual audience. So from the floor, if you please raise your hands, we have roving mics in the room and we'll come to you. For those of you connected online, if you'd like to ask a question, please either type it into the chat box or raise your hand depending on what platform you are on. If you're in the room and the mic comes to you, please clearly state your name and your company, and we'll come to you. Thank you.

You're good. All set to go. Okay. Do we have... We'll take probably a couple of questions from the room, and then we'll check in online to see if anyone has questions. I think we've got one over here. Can you please state your name and where you're from and your question, please?

Goldman Sachs – Irma Sgarz:

Yes. Hi, good afternoon. It's Irma from Goldman Sachs. Thanks for taking my question. I should be here in person with you. Regarding the China entry, we've heard it for The Body Shop and obviously more prominently, even for Aesop. I was just curious, in terms of magnitude of investment, what do you imagine for the company as a whole? How relevant can that be? It's obviously a huge addressable market, but we're often hearing how expensive it can be to create a presence there. Sounds like Aesop is off to a good start to have good mind share. So maybe cheaper for Aesop than for The Body Shop, if I'm correct to think so, but I was just wondering how relevant that is overall.

And then maybe for the Natura and the Avon brand in Brazil. I don't know. I feel it would be helpful over time to maybe look at consolidated market share for the two brands, because before it was acquired, we've often tracked sort of how those two brands... because they're also competing to some extent track. So I think if you could just comment of how you think about the combined market share of those two brands and whether you'll start to track that more closely going forward in your communication, especially as a phase two is getting accelerated. Thank you.

Roberto Marques:

Yeah. So let me start, and then I'll pass it to Michael and invite JP. So in terms of investment, we are not going to disclose levels of investment per brand other than again, you probably saw the slide that we're not projecting Aesop to increase significantly margin from where they are. The reason for that is exactly because we want to continue to invest. We are over investing at Aesop today as part of our capital and resource location and that will continue, especially as we enter in China. Our priority is very clear. The Body Shop is also coming to China, but our priority number one as a group is Aesop in China. And we're going to have a presence of The Body Shop, but not with the same level of investment that we're thinking about at Aesop. Michael, anything to add on that?

Michael O'Keeffe:

I mean, from a backend perspective, in terms of registration of products and systems and the like we've already completed a lot of that. And with the associated investment, I mean at a high level, we're targeting to open two stores by the end of this year with six different online platforms. And that is the difference probably now compared to maybe five years ago or whatever. It will be a much heavier, digitally led entrance than it would've been.

But I think, as I said before, within three to five years, we see it as being one of our top three to four markets, which probably will represent around 10% of our sales. So it's going to be a really significant market for us. And what we see is that we do the two almost pilot stores at the end of this year. And then we really accelerate during 2023, 2024, 2025 and ramp up. And I think also

from a group perspective we're setting up the infrastructure that will be right when The Body Shop's ready. We're sharing learnings, we're really helping each other.

Roberto Marques:

Yeah. JP, would you like to comment about a consolidated share between Avon and Natura in Brazil?

João Paulo Ferreira:

Sure. Hi Irma. So indeed our objective is to grow the consolidated share, and that's the one that I showed for the entire LATAM America showing that we have our increased difference to the second player already. In countries where we didn't face the difficulties we did in Brazil that were pretty well, I mean, in Argentina, for instance, or in Chile, both brands gain share significantly. In Brazil, interesting enough, both brands gain shared in direct selling, but the dynamics of the Brazilian market in the second half, as you know, moved consumption to categories that were serviced by self-service.

So although we gained combined share in direct selling, we lost a bit, we returned a bit from the gains of previous year in Brazil, but we do track those in a combined manner. And our objective is to keep building both and there's room for building both.

Roberto Marques:

Thank you.

Victoria Ford:

Many thanks, JP, do we have any more questions from the floor? Lady at the back.

Itaú BBA - Helena:

Thank you, Helena from Itaú. I just have a couple of questions related to The Body Shop. You guys really explain how this platform is going to continue to be a growth platform, but during the pandemic, you guys were very excited with The Body Shop At Home results, and now with the reopening is something that is being suffering as expected now with the retail reopening, but we just want to understand how you guys are thinking about this channel now with the reopening, if something changed, if you're not as excited as you were, or just some learnings that you have.

And also about the stores, how did the economics compare of the new store and the traditional one and why you guys are so excited with this new format? And a final question on The Body Shop and I swear it's the last one, but how did market share compare from 2021 to 2019? Because that was something that really excited us about Natura brands standalone. So we just wanted to get the feeling about The Body Shop as well. Thank you.

Roberto Marques:

Great. So I'm going to invite David to answer that. David did you get the question from Helena?

David Boynton:

Yeah. I did. Roberto. That's great.

Roberto Marques:

Go ahead please.

David Boynton:

Yeah. Thanks for those questions. So starting with The Body Shop At Home, are we excited? Well, we continued to be excited, but perhaps not as excited as we were in 2020. There was a... I think as we've all seen, there was a Black Swan event. We had this bunch of people stuck at home with nothing to do in absolute lockdown. And people knew the brand did, particularly in the UK and Australia and they turned to the direct selling channel. We had a spectacular year, which honestly saved the day in a context where a largely retail based business was closed.

So we went from about 8% of sales in 2019 in At Home to 21% of sales. It was really remarkable what happened. So I think as we've come out of that in common with a lot of businesses with direct selling, who either are direct selling businesses or with a direct selling arm, there's been a decline over the last couple of years, as consultants have seen the workplace open up and they've had other economic opportunities.

And I think it's given us some pause. I mean, we understood that we didn't have the organization and we didn't have the technology to be able to support the At Home channel on that scale. And that's why we've taken the opportunity to invest in the new platform that I was talking about earlier on. So look, I mean, our view is, from a peak of 21% of business, we're imagining that this year it's going to be more in the range of 12 to 13%. And we think that in the medium term, we're looking at about 15% of our business.

Now that is currently bigger than e-Commerce, but we'll be smaller than eCommerce as eCommerce grows at the level that we expect. So we're excited. We see it as an important channel. We see it as a complimentary channel to our core channels of stores and eCommerce, but that's how we're thinking about At Home. So I hope that helps.

In terms of the workshop stores, I don't know if you've experienced the environment yet and had a chance to have a look at it, although it looks so much better than what we had before and it's delivering really healthy metrics as you saw during my presentation, it's not costing any more to build. So in many cases and in many markets actually, it's a cheaper shop fit to build than the very heavy structure that we had with the previous concepts from our previous owners. So it's efficient, it looks great, there's a much higher level of modernity, it's attracting more customers than before, and it's not costing us anymore. And we feel that one of the big reasons we're excited is, we feel it's a much more honest expression of our brand. So that hopefully answers that question.

And then in terms of market share, I mean, it's been... We've shared with you I think some numbers before, the key market for the Body Shop, of course as you know well, is the Body Shop... Sorry, is the UK. When we're thriving in the UK, we're thriving everywhere. And the data that

we've seen shows that no other brand has grown more in the UK since 2019. Now, the complication for us is that the conventional measurement houses don't track all the channels where we operate particularly well, but looking at the size of our UK business compared with where it was in 2019, it's a significantly bigger business. And the CAGR through that period is really encouraging.

Now we know that there is going to be a reduction in At Home. It's a relatively low margin channel. We've liked the channel because it is complementary to the other two and does drive social media presence, which we've seen is helpful to stores in ecommerce. But we've been encouraged by UK market share gains and stable market share positions in other markets even through what was a pretty challenging couple of years. So hope that's answered your questions.

Victoria Ford:

Many thanks, David. We're going to go onto our online platform at the moment. I think we've got a couple of questions through there. I'd like to call first João Soares from Citi. So if we connect through to online, João, can you hear us?

Citibank – João Soares:

Yes, perfect. Can you hear me?

Victoria Ford:

Yes, we can. Please, go ahead.

Citibank – João Soares:

Great. Thanks so much. I have one question on my side here. I just wanted to explore more, I guess the question is for JP. On the slide talking about Avon's turnaround, it's interesting to see the portfolio reduction you talk about, especially the reduction in the SKUs of Fashion and Home. And I want to understand if there is additional, are you comfortable right now with this level of this current portfolio? Do you think there are additional adjustments needed, and to understand how that is affecting those other metrics that you put in the slide. You talk about rep satisfaction, you talk about some healthy trends also in the productivity. So understanding how should we connect that portfolio simplification with the potential improvement in productivity, I think would be interesting.

Victoria Ford:

Perfect. I think that was directly to João. João, can you hear us?

João Paulo Ferreira:

Yes. So, João, good question. So, first of all, our strategy is to grow CFT rather than the Fashion And Home. Having said that, it is an important portion of Avon in Latin America. It ranges from 30% of the revenues in say, Brazil, to more than 50% in Mexico. It is also an activity driver for the network. We have simplified the portfolio, and yet during the pandemic, it grew in importance beyond our control because of the reasons you already know, people were staying at home.

Now, by the way, for the same reasons, we are now reverting part of that gain. Now, are we happy with that? No, not at all, because there is room for further simplification. Actually, there is need for further simplification. We have been harmonizing that portfolio amongst countries, so which will drop the total number of SKUs even further. But moreover, we have been re-engineering that portfolio to increase the return on invested capital, by operating with shorter supply chains, by having products which come a few times in the year in our catalogs and not only once in the year. So there's a lot going on in that area and there's still a lot of optimization to come.

Now, you particularly asked how do we track that category to the current indicators I showed to you. Actually, that category is currently playing against those indicators. So the volume dropped, so it will push activity downwards and as well as productivity downwards. Having said that, you saw the net effect. Activity is going up and productivity is going up, which means that is being pushed by CFT categories, which is part of our main strategy. Does that help?

Victoria Ford:

Many thanks, João. There's a lot of questions coming in, so we're going to try and keep it to one question per person, but we'll stay on the online for now. If we can go to Joseph Giordano, J.P. Morgan. Joseph, can you hear us?

JP Morgan – Joseph Giordano:

Yeah, super well. Thank you for taking my questions. So my question is to Angela. My question to you is the following, right, so what's the difference in the strategy within those eight focus markets that you segmented now right down from 38. So how should we be seeing that? And the second is, how are you getting and juggling around the situation in Eastern Europe? And if I may, another question to Guilherme is, when you look at the corporate structure, we have so many moving parts, so my question to you is if we have the full structure in place to monitor and address issues on a very rapid manner. Thank you.

Angela Cretu:

Thank you very much for the questions. So first of all, we have one strategy and this is applicable to all. It's about opening up the channel, the brand rejuvenation and digitalization, but then we do have different customer portfolio. These customer profiles, you would see that our portfolio is pretty eclectic. We have Philippines consumer, we have Turkish consumer, the UK, the Polish one, of course the Russian one. So if you look at the full portfolio of the customer profiles, we had to prioritize those markets that have the biggest contribution.

These top eight markets are having 78% revenue contribution to the total portfolio, and then narrow down on the role of each of the geography for the total value that we create together. So we would have, out of this eight, four are setting full customer strategy. And then to the next four, we have a flex strategy. So they would flex their marketing and their distribution by approximately 30% just to create locally relevant value proposition. And then rest of the markets, 30 markets, would simply just focus on local activation. They will be having an input, yet they are going to be deploying everything that comes from their most relevant lead market to be followed. And Eastern Europe situation as you all know, read the news, it's still very troubling.

What I am very proud of is that, in Ukraine, we've been able as of last month to restore operations to the west border and we rewired all the logistics. We moved the manufacturing initially from Russia to Poland, and found partners who were by our side and ahead of any other beauty company. We are the first to restore the earnings of our representatives. And in the last three weeks, we had 25,000 orders, even having images from some of our ladies sharing lipstick in their shelters. And that says a lot about the hope that this brand brings.

Guilherme Castellan:

Joe, thanks for the question. I think this is exactly where we are at today, right? I think it's simplifying the structure. And just to remind, I think some of the simplification and some of the reorg we already saw happening last year, it's very important to mention that those were only enabled by Avon, right? We don't call them synergies, but they were only enabled by Avon. Of course, as I mentioned, the presentation, we should start seeing cash benefits flow into the P&L in the next few years. And we still have tons to do. We still have a lot to do in front of us. It's a complex structure as you well pointed and we definitely see room for significant simplification in the next few years.

Victoria Ford:

Many thanks, Gui. We're coming back to the floor here. Do we have any questions? I think we have one right here at the front. I can actually read the name, Bob Ford.

Bank of America ML – Bob Ford:

Thank you. Thank you for taking my question, Bob Ford at Bank of America. How should we think about the weight of financials in management compensation in terms of KPIs, particularly as you rework the financials to incorporate environmental values? And then I was also hoping, David, you could be more explicit with respect to the Body Shop returns. Given the 27% lift in the new model, it suggests that there should be more aggressive remodeling and maybe even relocation.

Roberto Marques:

Right. So thank you, Bob, for the question. On the remuneration, again, even to better align, we have a compensation scheme that ties pretty much by each one of the business units delivering their goals, right? But the metrics tends to be the same. Of course, the numbers are very different

business by business, right? Then sustainability is actually part across each one of the business units.

And recently, starting this year, we actually included also on our long-term incentive sustainability, that relates to actually carbon emission. Because again, now, as I mentioned, we have for the first time our science based targets in all four, so we know exactly how to target reductions by business units, which we couldn't done it before. So we have on short term incentive, pretty much targets related to packaging and circularity, and then on long term incentive, those goals are related to carbon emission reduction. Okay? And the second part of your question, Bob, I'm not sure if I understood correctly. Can you just repeat? The first one I think I got it, but the second part, Bob?

Bob Ford:

The second one was to David.

Roberto Marques:

Oh, okay. So David, did you get on the Body Shop, Bob?

David Boynton:

Yeah. Yeah, I did.

Roberto Marques:

Okay. Please, go ahead. Go ahead.

David Boynton:

Thanks, Bob. I hear you, right, and I think... Look, the retail landscape is very complicated at the moment. I mentioned in my presentation that in the majority of markets we're operating in, the vast majority actually, we're not back to 2019 sales levels. So we're seeing a significant improvement, new versus old. We're excited about that. 27% is not to be sniffed at. And I think we're going through the process this year of, as we normalize and get back to at least 2019 sales, we're going to be in a better position to understand which locations we want to continue going forward and where we might want to close or potentially relocate as you mentioned.

So I think the retail real estate landscape is pretty complicated at the moment. I don't think it's completely settled down. I think we feel that we need a little bit more time to get clearer on where we need to be, but we're ready to ramp up and go as fast as we can, according to our capital allocations. And we know that with the sort of returns that we're able to deliver in workshop stores versus normal stores, it won't be too difficult to persuade Gui to open the purse strings and enable us to go faster. But I just think, right now in terms of where we are in a complex retail landscape, we just wanted to take a little bit of time to be really confident that the stores are in the right place. But you're quite right. I mean, with those kind of improvements on the

existing performance, that's our opportunity for growth and we won't hold back once we're clear on how the landscape is shaping up. I hope that answers your question, Bob.

Victoria Ford:

Many thanks, David. Any more questions from the floor? We have one right here.

Morgan Stanley – Andrew Ruben:

Hi, thanks very much, Andrew Ruben with Morgan Stanley. Zooming out a bit, I'd like to understand more around the topic of resource allocation and really to better understand some of the trade-offs. You laid out the initiatives and investment plans today, but if we were to think looking one or two years back, what were some of the tough decisions, some of the areas that perhaps you were focused on, but under this new focus on resource allocation optimization, might be less in focus today or perhaps just pushed out in the plan? Thank you.

Roberto Marques:

Hi, Andrew. I'm going to start here and then invite Guilherme to comment. Listen, I think one of the learnings for us is, in this very complex environment, we needed to be almost resetting our criteria of resource allocation and be much more focused. And that's hopefully what you guys saw today. I mean, we are not going to be able to do everything, but this exercise was a very disciplined exercise across each one of the business units and understanding their roles and how we really can make the right decision by the BU, and then as a holding, became really paramount. And there's been a lot of discussion since last year. So this is not recent.

I would say that right now, I believe we are in a much better position to say, okay, what JP needs to deliver, what Angela needs to deliver, what David needs to deliver and what Michael needs to deliver. Right? And I believe that exercise and that discipline in a situation like we are going through, with a lot of turbulence and a lot of things that are unforeseen, will help us. If you ask me again, one thing, and I mentioned that on my first slide, one thing that was probably something that we did not expect is, again, the synergies were pretty much used to offset and to mitigate a lot of the cost increase and inflation. And to be honest, that was a curve ball.

We were planning to actually get the synergies dropping more quickly to the bottom line and to potentially increase levels of investment across, not only Natura and Avon, potentially even across other brands more quickly. But the reality is, fortunately, we had the synergies that help us to mitigate. And if you look at our gross margin, for the most part, they're still pretty healthy. But I think one of the things that is an impact or a consequence of that, is exactly us not being able to more quickly increase the margin and ramp up investment. And that's the resetting piece, why this is so important now, more clarity and the resource allocation, because the level of resources are not as generous as we probably estimated in the past. Does that make sense? Guilherme, anything to add?

Guilherme Castellan:

Yeah. No, thanks, Andrew. So it's a good question, right. What I would add is that you don't invest in growth in a business that is not fixed, right? So in the last two years, basically we made some investments to fix a few things in Avon, right? And I think we have to be upfront and open about that, right. So while we were able finally in October Q4 of last year, to deploy the new commercial model in Avon, we haven't significantly invested in the brand because resources were being allocated to fix IT. And I think you saw what happened with the cyber-attack back in 2020, among other things, right?

So, it's very important to highlight that, again, as part of this Avon turnaround strategy, there were some resources that were basically directed to fix the fundamentals, right? Not talking about marketing in brand or anything like that. So now, of course, we invested some money in the fundamentals, we were able to deploy the commercial model. And I think that the next step, of course, is to invest in the brand.

Victoria Ford:

Perfect. Let's try and go back to our online platform. I think we have a question from Richard Cathcart from Bradesco. Richard, can you hear us?

Bradesco BBI – Richard Cathcart:

Yeah. Hi, I can hear you. Thanks very much for taking the question and good afternoon to everyone. So my question is just on the profitability of Avon in Latin America. I think that's obviously acting as a very big drag on the overall margin of the region. You gave a very helpful bridge for the Body Shop to help us understand actually where the underlying margin is.

And so I was just hoping for Avon in Latin America, you may be able to give us a little bit more detail about where the starting point is and what are the moving parts that you're expecting over the next two to three years, in order to get the margin there where you would like it to be? And then just a second one very, very quickly, I think in Michael's presentation, you showed that you opened one airport store I think in 2021. So just interested to understand how important perhaps travel may become to your expansion plans over the next few years. Thank you.

Roberto Marques:

So, JP, do you want to take the first one from Richard?

João Paulo Ferreira:

Impossible for me to draft a bridge right here right now. Nevertheless, what I can tell you is that we are expecting a substantial improvement in gross margin to start with. Substantial. There are many opportunities we are chasing in that area. And that's not to do with higher volumes and leveraging higher volumes. That comes on top, right? In addition to that, there is a similar chart that comes from SG&A. There's logistics there, a lot of logistics improvement to be made. I mentioned earlier in the presentation also, optimization of the organization itself which we have just announced, and the full implementation of the commercial model itself dilutes the

commercial investment as well. So by and large, if that helps for now, this is what I would like to share with you.

Roberto Marques:

Then, if I remember this, too, correctly, was more on travel retail. So maybe, Michael, you can take that, please.

Michael O'Keeffe:

Yeah. Look, it was a good pickup with the travel retail and I suppose we're being a bit quiet about it and conservative. The Zurich store was our second store. We've got a store in Melbourne as well that's performing very well. Look, we're ambitious, we're negotiating hard with the major travel retail groups. We do see a future in travel retail and I think the rest of the prestige industry, it should be a significant channel for us. What we are doing though, is treading carefully, negotiating so where possible at least to start with, we've essentially got full stores within the airport that we can provide the full experience, rather than just a small gondola on some shelves.

So, as I said, we know that the Aesop customer base travels a lot. And so, there is a really good connection there. We do see it expanding. I suppose it's just not a big call-out right now, but I think over the next probably more five to 10 years, I think you will see it come up for us in line with the rest of the industry and similar penetration rates. But yeah, there is a really good opportunity there, and it is something that we are pursuing.

Victoria Ford:

Perfect. Thank you, Michael. I'm just very conscious of timing. We've gone over a little bit. We'll take one more question from the floor and then we would love you to join us for some drinks and be able to have one-to-one chats with us. But let's take one more question and then we'll end there. Anyone from the floor? Should we try online then? Let me see. Do we have Daniella Eiger from XP.

XP – Daniella Eiger:

Hi, thanks for taking my question. I have just quick two, the first one for Guilherme, you mentioned about the cash corporate tax contributing to cash generation, just trying to understand if that's something more specific, one-off, or if that's something structurally lower level. And the second one I think that Roberto mentioned a lot during the opening remarks, that you want to increase accountability for each BU. And my question is if you think or considered giving maybe guidance per BU, given that each one has its specific strategy and moving parts and so onwards. Thank you.

Guilherme Castellan:

Yeah. Thanks, Daniella. On the first question, right, you can assume that most of it, it's recurring, right. Actually, all of it, it's recurring, right? As part of our corporate structure reorganization that we discuss, there are some efficiencies that we can seek that of course will flow into the P&L in

the next few years. So, most of it will be something recurring in the P&L. And also, as we have told the market, and this is important as well thinking forward, right, there were several countries that we used to operate that were loss making countries, right, through loss making entities, right. And in this effort of going forward of not operating in those markets by either turning them around or looking for different strategic solutions for them, that should also significantly improve our CTR.

Roberto Marques:

Yeah. And on the guidance, the answer is no. We are not planning to give guidance by business, because I think there is a lot of variables, but the trends that you guys received today on the lines, both on the top line and bottom line should help a lot, right, in terms of modeling, hopefully, because it indicates the expectations, again, this reset of expectations for each one of the business units. But we believe that becoming more granular than that, on top of the midterm guidance that we already have at a group level, would probably be counterproductive. But of course, we can discuss more. But again, I think the trends and the roles of each one of the BUs, and hopefully that was helpful, should give a pretty good indication about the priorities and what are we expecting over the same period of time that we have the guidance for the group.

Victoria Ford:

Perfect. Many thanks, Roberto. I know there's been a lot of questions, especially on the online. We will try to get back to you on those at a later date, but for now, I'd like to thank our CEOs and thank you all, both online and here, for your presence. For those of you who are here, please come and join us for our drinks refreshments. Thank you very much.

Roberto Marques:

Thank you, guys.