



## Conference Call Transcript

### 3Q-25 Results

**Operator:**

Good morning, ladies and gentlemen, and thank you for joining us today. Welcome to Natura's third quarter 2025 earnings call.

We would like to remind everyone that Simultaneous Interpretation is available on the platform. To use this feature, click the interpretation icon, the globe symbol at the bottom of your screen, and select your preferred language, either Portuguese or English. If you're listening to the English audio, you can mute the Portuguese channel by selecting Mute Original Audio.

Joining us today are Mr. João Paulo Ferreira, our CEO, and Silvia Vilas Boas, our CFO.

The presentation we'll be referring to during today's call is already available on our investor relations website. I'll now hand things over to Mr. João Paulo Ferreira.

Mr. Ferreira, you may proceed, sir.

**João Paulo Ferreira:**

Good morning, everyone.

I would like to start today's call by acknowledging our weak performance this quarter. The results were disappointing and fell short of expectations in terms of revenue and profitability, although some of the difficulties were self-imposed and planned.

The challenges we observed this quarter were, first, G&A. Revenue deleveraging put pressure on our margins. And even though selling expenses came down, our nominal G&A still ended up above last year, mostly because of the structural investments we're making — investments we decided to keep, since they're expected to bring significant benefits in 2026.

The second challenge was the macro slowdown, especially in Brazil, where consumption was more severely affected than we had anticipated.

We are not satisfied with our revenue performance in the region. The adjustments we made to our offerings weren't enough to capture emerging demand trends, especially given the low degree of readiness of the Avon brand, which could have benefited in the current context.

And speaking of Avon, I come to my third challenge. We continue to lose revenue with the brand due to its slow pace of innovation and new product launches, in this hiatus that is happening while we work on its relaunch in the first half of 2026.

Finally, the fourth challenge is related to the final impacts of Wave 2, especially in Argentina.

This quarter, our biggest operational challenges came from Argentina, where the intense commercial changes we made affected consultants coming from the Avon network more negatively than planned. This resulted in actual drop in revenue in the country, which was intensified by the unfavorable exchange rate. Mexico also experienced a decline in revenue, although they showed consistent improvements month after month. Finally, in Brazil, the closure of the Interlagos plant caused temporary disruptions in Avon product availability, impacting sales.

Despite these challenges, we are confident of positive developments in the coming quarters. Our operation in Mexico is already showing signs of recovery, and Argentina is on track for stabilization in early 2026.

Additionally, we are anticipating structural efficiency gains initiatives, which were enabled by post-Wave 2 simplifications and harmonizations.

As a result, we reaffirm our commitment to expanding recurring EBITDA margin in fiscal year 2025 versus fiscal year 2024, which should translate into stronger profitability as early as Q4 2025.

Finally, the corporate streamlining efforts advanced with the sale of Avon Central America and the Dominican Republic and the agreement to sell Avon International. Starting in 2026, with the end of the transformation cycle, our focus will be on sustainable growth and generating return to our shareholders.

I'll now hand things over to Ms. Silvia Vilas Boas who will walk you through the details of our financial performance for the quarter.

**Silvia Vilas Boas:**

Thank you, JP. Good morning, everyone, and thank you for joining us.

Before going into the detailed financial results, I would like to reinforce two key points that JP already mentioned: First, this quarter fell short of our expectations, and I will provide a little more detail on why later on. Second, the point regarding corporate streamlining. They are extremely relevant to the company, but they do make it very difficult to compare financial statements. For this reason, we have included a pro forma in the earnings release to facilitate analysis.

In this presentation, as well as in the Release and supporting Excel file available on the IR website, we have already provided adjusted and comparable bases. This means that we show the figures for 2024 and 2025, already excluding Avon International and Avon Card.

In addition, we have considered the results reported by the Holding both in 2024 and in the first half of 2025. Only the third quarter of this year fully reflects the results of Natura Cosméticos, following the incorporation of the Holding on July 1.

We know that these adjustments have been recurring and make analysis difficult, but as I said, they are important steps in the simplification process and are nearing completion. With the conclusion of Wave 2, all that remains now is the completion of the sale of Avon International and Russia.

Another important point, as agreed, is that this quarter's Earnings Release contains the new disclosure of information that we presented during our Natura Day. This includes the breakdown of the operating income statement for both Brazil and Hispanic, in addition to other indicators that will facilitate understanding of the business and monitoring of the execution of the strategy. We look forward to your feedback on the new disclosures, so that we can continue to evolve.

Let's now move on to **slide 5** to detail the revenue performance in Brazil. In the third quarter, Brazil, on a consolidated basis, saw a 3.7% year-on-year decline in revenue. When we analyze the brands, Natura Brazil showed stable revenue compared to the same period last year, but it is important to note the sharp slowdown compared to the low double-digit growth we recorded in Q2 this year for the Natura brand.

This movement mainly reflects the slowdown in consumption that affected the region from June onwards, as we mentioned earlier, impacting our performance.

Avon Brazil, on the other hand, recorded a 17.3% decline in the quarter. This result was influenced by three main factors: the adverse macroeconomic scenario, which affected consumers' purchasing power; the absence of recent portfolio innovations — a point we have reiterated as the brand prepares for its relaunch in the first half of 2026, which will bring a renewed portfolio aligned with its new positioning; and temporary operational impacts from the closure of the Interlagos factory, completed in October, with all production migrated to Cajamar, which affected product availability.

Our inventories are in the process of being rebalanced to reverse this latest operational impact that affected the Avon brand in Brazil.

The Home & Style category fell 9%, in line with Q1-25, but below Q2-25, which had been driven by an opportunistic campaign in the category.

Regarding channel performance, it is important to note that the reduction in the number of consultants and their productivity is concentrated among the least productive consultants, who are more sensitive to credit restrictions. The most productive consultants continue to grow year-over-year.

Finally, regarding non-direct sales channels, both the digital and retail channels continue to grow at a healthy pace, but still with low penetration in total revenue, reinforcing their role as important levers for future growth.

Moving on to **slide 6**, which details profitability in Brazil. We can see in the left column of the chart that we went from a recurring EBITDA margin of 23.1% in Q3-24 to 16.2% in this third quarter. This decline is mainly explained by the deleveraging of G&A, impacted by the market slowdown and the maintenance of strategic investments.

These investments include: the new integrated planning project that we discussed at length during Natura Day, a very important project that will enable greater demand accuracy and inventory efficiency;

digitalization tools to improve the journey for both customers and consultants; and investment in innovation, which includes the relaunch of the Avon brand in the first half of 2026.

Which brings us exactly to JP's point. These investments were already underway and are key levers to support growth and results from 2026 onwards, which is why we made the decision not to halt these projects.

It is worth noting that the set-up and initial costs of these projects are concentrated in our main market, Brazil, impacting G&A. These same projects will subsequently be implemented in Hispanic at a substantially lower cost than in Brazil.

In addition, we had a 300 bps year-on-year decline in gross margin, as shown in the second column of the slide. However, this margin remains at a healthy level, and the decline is mainly explained by the strong basis for comparison.

As evidence that this gross margin is healthy, the figures for the first half of 2025 in Brazil show a gross margin at levels close to this quarter's, but with an EBITDA margin of around 21%, reflecting greater expense efficiency in a period of strong revenue growth.

However, we are not satisfied with this quarter's results and need to make our company simpler and more efficient. The sharp slowdown we are experiencing has made it even more urgent to anticipate structural actions to reduce expenses, which will lead us to less dependence on the macro scenario and a more agile and efficient organization.

Moving on to **slide 7**, let's analyze the performance of the Hispanic markets. The region saw a 3.9% drop in revenue in constant currency and 24.9% in Brazilian reais. Excluding Argentina, the drop in constant currency was 1.6%, which shows the impact we had in the region due to the integration carried out in July.

The Natura brand in the region grew 12.3% in constant currency, but fell 12.2% in Brazilian reais, heavily impacted by the hyperinflation adjustment. In addition, Wave 2 and the general slowdown in consumption in the country put further pressure on revenue.

However, when we look at the Hispanic markets' performance, excluding Argentina, we see the Natura brand growing at a high single-digit rate in constant currency. This represents an acceleration compared to the low single-digit growth we saw in the second quarter of 2025.

This acceleration is explained by the performance of Mexico, which showed sequential operational improvements each month of Q3, until revenue stabilized year-on-year in September. Other countries maintained the good performance presented in the first half of the year.

Moving on to the Avon brand, revenue fell by 27.2% in constant currency and 41.9% in Brazilian reais, also impacted by hyperinflation and, like Natura, impacted by the integration of Argentina in July and a slowdown in consumption in the country.

In addition, Avon was also pressured by the total migration from physical magazines to an exclusively digital distribution. This move, which took place in June, affected the entire third quarter of 2025.

Although to a lesser extent than Natura, Avon showed signs of recovery in performance excluding Argentina, reducing its decline in the quarter to 15.4% in constant currency versus a 20.5% decline recorded in Q2 -25.

Finally, the Home & Style category also showed a strong impact from the integration in Argentina and continues to be pressured by the integration in Mexico, where it is most relevant. The category recorded a decline of 35.9% in constant currency and 48.7% in Brazilian reais. The decline in the channel after Wave 2, together with commercial adjustments in the integration process, led to this sharp decline.

Moving on to **slide 8**, in terms of profitability, Hispanic posted an EBITDA margin of 4.5% in the third quarter of this year, implying a 100 basis point decline year-on-year, as shown in the chart.

This performance is the result of opposing forces. Gross margin benefited from the accounting effect of hyperinflation in Argentina, which, on the other hand, significantly pressured our revenue, as we detailed in the previous slide.

In addition, the beginning of the capture of efficiencies unlocked in our expenses in the integration process in the region was still preliminary and not enough to offset the drop in revenue, leading to a deleveraging of SG&A.

Looking specifically at G&A, this quarter saw an impact from severance expenses. It is important to note that these are not included in the transformation costs, as they are not related to the Wave 2 process, although they aim also at the company's organizational efficiency.

Excluding this impact, general and administrative expenses at Hispanic markets would have shown a decline similar to that of revenue, even with part of these expenses linked to the Brazilian real, which appreciated against Hispanic currencies during the period.

Finally, it is worth noting that, excluding Argentina, the EBITDA margin improved year-on-year, reflecting the recovery in revenue in Mexico and the strong performance of the more mature integrated countries.

Moving on to **slide 9**, let's now look at our consolidated results. We see a revenue decline of 3.8% in constant currency and 13.1% in Brazilian reais, reflecting the slowdown in Brazil, the temporary challenges of Wave 2 in Hispanic America, as well as the appreciation of the Brazilian real against Hispanic currencies and the strong impact of hyperinflation accounting on our revenue in Argentina.

In terms of profitability, we saw a decline of 350 bps year-on-year on a consolidated basis, or 360 bps when looking at Latam's operations alone. The 10 bps gap between both performances is mainly due to corporate expenses, formerly labeled as Holding expenses, which decreased 27.7% year-on-year. As a result, they now account for 60 bps of consolidated revenue, down from 70 bps in Q3-2024.

Looking at Latam's profitability, once again the issue of G&A stands out, explaining the entire year-on-year variation in the EBITDA margin and reinforcing the urgency of completing the setups of our structural investments and taking structural actions to unlock efficiencies in the organization.

Moving now to net income for this quarter on **slide 10**. Our bottom line was once again impacted by non-cash and non-recurring accounting effects related to our discontinued operations that are available for sale.

This quarter, we recorded a loss of R\$ 1.8 billion. This figure mainly reflects an impairment charge of R\$ 2.8 billion on the book value of Avon International, excluding Russia. This loss was partially offset by a gain of R\$ 1 billion due to the maintenance of the Avon brand rights in Latin America, as detailed in the material fact we released on September 18.

It is important to note that the impairment of R\$ 2.8 billion is explained by the intention to sell the operation for one pound, and its book value, as shown in the second quarter, was R\$ 2.8 billion.

Regarding net income from continuing operations, we reported a loss of R\$ 119 million in the third quarter. This represents a deterioration when compared to the profit of R\$ 301 million recorded in the same period last year.

This change is the result of pressure on revenue and profitability, as I mentioned earlier, and a deterioration in financial results explained by the unfavorable effect of the foreign exchange hedge on our dollar-denominated debt.

However, these effects were partially offset by lower tax expenses, given the reduction in our EBT for the quarter.

On **slide 11**, we analyze our free cash flow to the firm. In the 9M-25, it totaled R\$ 301 million, representing a reduction of R\$ 81 million compared to the same period last year. This reduction was driven by two main factors :

First, the deterioration in operating results, which, however, was almost entirely offset by taxes.

Second, the deterioration of our working capital, which worsened by R\$ 37 million.

Analyzing the dynamics of working capital, we see a significant improvement in receivables, reflecting the more restrictive credit policy we have implemented. However, this was offset by the deterioration in the line of payments and other assets and liabilities.

Finally, it is worth noting that our inventory line worsened by R\$ 65 million year-on-year, explained by revenue, which came below expectations in the third quarter.

Regarding free cash flow, the year-on-year deterioration was R\$ 172 million. This difference is explained by the R\$ 81 million reduction in the free cash flow to the firm, with the remainder mainly attributed to exchange rate effects on our cash position.

Moving on to **slide 12**, my last slide, on debt. This quarter, our net debt remained virtually stable at R\$ 4 billion, reflecting the company's neutral cash flow for the quarter and debt interest payments of around R\$ 90 million.

However, our leverage went up from 2.18 times in the second quarter of 2025 to 2.53 times this quarter. Why is that? Mainly due to the deterioration of reported EBITDA this quarter compared to the same period last year.

Finally, it is worth remembering that EBITDA for the fourth quarter of 2024, which is used in the calculation of the LTM EBITDA, had a negative impact of R\$ 564 million from strategic projects previously led by the

Holding, mainly related to the Chapter 11 of API. Excluding this effect, the net debt-to-EBITDA ratio would be 1.87 times in the third quarter of 2025. This is our adjusted leverage figure. For the end of the year, we expect to finish the 12-month period within our optimal capital structure, positioning ourselves between 1 and 1.5 times leverage.

Before handing over to JP, I would like to highlight that Mexico's continued recovery, Argentina's gradual improvement in performance, and the benefits of the tactical reductions we implemented in the third quarter will be the factors that will enable a margin improvement already in the fourth quarter and, finally, the expansion of the recurring EBITDA margin for the entire year of 2025 versus 2024, which reiterates the commitment we made to the market at the beginning of the year.

I will now give the floor to JP and return shortly for the Q&A session.

**João Paulo Ferreira:**

Thank you, Silvia.

Before we move on to the Q&A session, I'd like to wrap up the presentation with my closing remarks.

With regard to 2025, I'd like to echo Silvia's comments and reaffirm the expansion of our recurring EBITDA margin for the year. I'd also like to reiterate that this was the last year we reported transformation costs and adjusted EBITDA.

With the end of this cycle of transformations, I reinforce our confidence that we are well positioned to deliver, starting next year, the ambitions presented at Natura Day, namely :

- defending and expanding our leadership in Brazil and Argentina, leveraged by the modernization of direct sales ;
- strengthening our business in Mexico;
- accelerating our operations in E2C channels and in the hair category ;
- the resumption of Avon ;
- the implementation of a more agile and adapted operational and organizational model to drive the strategic demands of our next cycle ;
- and finally, capturing the return on structural investments, already mentioned during the call, with gains in efficiency, profitability, and cash conversion.

I will conclude here. Thank you very much for your attention. We will now open the floor for questions.

**Operator:**

We'll now begin the Q&A session. To ask a question, click the Q&A icon at the bottom of the screen and type your questions to enter the queue. When your name is called, a prompt will appear on your screen. Please enable your microphone to ask your question. We kindly ask that you ask all your questions at once.

Our first question is from Danni Eiger, sell side analyst from XP. Please, Danni, you may turn on your microphone.

**Danni Eiger - XP:**

Good morning, everyone. Thank you for taking my question. I have a question that I think has several ramifications, so I'll just ask it.

We are seeing a very challenging macro context, especially in Brazil, but you also mention Argentina, and we even see other players going through similar situations, where it seems that there is not much room to handle all of that. And it looks like you are already taking initiatives on this issue of expense efficiency, apparently more tactical, but eventually evolving into structural.

So I wanted to explore what else can be done. First, on the issue of structural initiatives, if you could give us some idea of the order of magnitude or key areas, I think that would be great. And also when this structural project should be done or completed.

And then, on the other hand, in terms of what else can be done, I don't remember now which of you mentioned the issue of adjusting offers, that they weren't enough. I think it was you, JP. So, are still looking at other possible adjustments, whether in the portfolio, in price, or in some other way in your offering for a reality that may be more challenging for a longer period of time. I know that Avon is being rebuilt, so to speak, but at Natura itself, what opportunities are you still looking at there?

And then also on the issue of credit, you talk about credit restrictions, I think it makes sense in the context of higher levels of default, but also, couldn't you use Emana Pay? We generally see leaders promoting Emana Pay more, so how much flexibility do you have to use this as leverage, or possibly others that I haven't thought of here? So it's basically what you have at your disposal to deal with the most challenging scenario beyond expenses. Thank you.

**João Paulo Ferreira:**

Good morning, Danni. I'll start with topics related to revenue and consumption, and Silvia will continue talking about expense adjustments.

We are not anticipating any major changes in the consumption scenario. We don't detect any trends that will shift the current scenario, which is one of more compressed consumption. That said, there is always something we can do.

The first lever, as you rightly mentioned, is credit. We have been more restrictive with credit. That is why we have kept delinquency well under control. This has an effect on the activity of our consultants. But, in fact, the instruments of credit, payment, and collection that exist today in Pay are of excellent quality. Therefore, by progressively migrating the portfolio to Pay, this gives us more efficient credit granting alternatives. So, we are accelerating the migration of the portfolio to Pay, which will certainly contribute to improving the activity of our consultants.

In addition, there are regional opportunities. The consumption pattern we see in the Northeast is different from that in the South, and we are working on a more micro level in each region, understanding what is most in demand in each of our markets and adjusting our offering accordingly.

And of course, there are categories and segments that sell more at this time of year, and we are prioritizing offers in these segments. That said, Avon would be a very important lever at this time, but unfortunately it does not have the right portfolio for us to use it in our response.

So, in summary, yes, there are adjustments we can make to try to increase our capture in the current context, especially in Brazil, and also in Argentina. Silvia.

**Silvia Vilas Boas:**

Hi, Danni, good morning. Thank you for the question.

I'm going to talk about G&A, which was the big detractor of profitability in the quarter, to give you a little more color on what we've already done and what we're still going to do.

First point: this level of G&A is not and will not be the company's running G&A level from 2026 onwards. This point is extremely important. That said, the nominal value of G&A in Brazil fell in Q3 versus Q2. But due to de leverage, as a percentage of revenue, we do not see this evolution.

The slowdown in Brazil turned out to be sharper than we expected. So what did we do once we started to see this happening?

We reviewed the project portfolio to cancel projects that were scheduled to start this year, froze all hiring, and implemented across-the-board cuts in discretionary expenses of all kinds — but even that was not enough. And so, as you mentioned, we are bringing forward relevant structural measures to simplify the organization. These measures will already begin to deliver benefits starting in 2026.

When we look at Brazil's G&A, we see significant impacts from projects that both JP and I have mentioned, which we decided not to stop, which are projects that were already underway, very important for enabling the company's future growth and future returns starting in 2026, which are impacting G&A. Among them is the integrated planning, a project that we talked about a lot during the Investor Day. It is a complete overhaul that will bring many benefits, as I've already mentioned — from greater demand accuracy to improved inventory efficiency. It's a very important project that we are now completing at the end of the year for Brazil. Other projects are related to digitizing the consultant's journey and the customer's journey, they are also very important because digitizing the consultant's journey enables the evolution of direct sales, the evolution of non-direct sales channels, and, finally, innovation. Innovation impacted G&A this quarter, with significant investments, mainly related to Avon's new portfolio, which, as we mentioned, will kick off its new positioning in the first half of 2026.

So, in general terms, we are coming in with a high level of G&A, and we had a nominal evolution in Q3 in relation to Q2. In Q4, we intend to capture additional benefits, given the tactical measures that have been implemented, and the urgency to accelerate these structural measures to reduce our dependence on the market scenario.

**Danni Eiger - XP:**

Okay, just a follow-up on pricing. I don't know if you are seeing any opportunity to perhaps revisit your price positioning. We hear feedback about intense competition in the giftable category between categories, not just within, for example, cosmetics with cosmetics, but this extends to, for example, jewelry, chocolate, etc. Thinking now about seasonality, if you think there is room to make some kind of price adjustment.

**João Paulo Ferreira:**

We always look at price dynamics in relation to the market in general, competition, as you said, competition is not always in the same category, and we try to make adjustments, and we will make some adjustments, but they are marginal, nothing that is absolutely relevant.

**Danni Eiger - XP:**

That's great. Thank you for your answers.

**Operator:**

Our next question is from Luiz Guanais, sell side analyst at BTG. Please, Luiz, you may turn on your microphone.

**Luiz Guanais - BTG:**

Good morning, JP. Good morning, Silvia.

I have two questions here on my end, and picking up on the previous answer, JP, if you could explore a little bit this top-down market scenario and in the different segments in which Natura operates, how do you see the trend for the end of the year and the beginning of next year? If there are any signs, even small ones, of a shift in any specific consumption category. So that's the first question.

The second question, also picking up on Danni's question, which is the scope for price increases here in Brazil. I understand that you are constantly studying the positioning of the competition, but thinking mainly about next year, could we expect any scope for price increases in the categories in which you operate? Thank you.

**João Paulo Ferreira:**

Look, about consumption, the market has been slowing down throughout the year and has grown slightly above inflation, compared to a market that had been growing well above inflation. And fundamentally because of price. Volumes were flat, and sometimes even slightly negative in the more beauty-related, more discretionary categories, which are important categories for us.

We have not seen signs of major inflections. It seems to have stopped slowing down, but the signs are still very weak. Our categories, as I remind everyone, are very elastic to household disposable income and prices. So, we need to monitor what will happen with disposable income. The government has a number of plans to increase income, especially for next year. If that happens, it will favor our market.

Finally, we always price to rebuild our margins, and I think that nothing in recent years has shown any obstacles to this price movement, especially with our brand being the leading brand. We have to continue to lead the price adjustment, which comes not only from list price increases but also from innovations. We have a very strong pipeline for next year, which is quite differentiated and innovative. So, I am confident that we will be able to maintain our habit of restoring margins through pricing as well.

**Luiz Guanais - BTG:**

Thank you. That's great, JP. Thank you very much.

**Operator:**

Our next question is from Ruben Couto, sell side analyst with Santander. Please, Ruben, turn on your microphone.

**Ruben Couto - Santander:**

Good morning, everyone. Thank you for the question.

Can you comment a little on the expectations surrounding the consultant base? I understand that there is an effect of churn among less productive consultants, and looking at Hispanic , which is in a different dynamic due to Wave 2, but what should we expect from the consultant base, not only now at the end of the year, but also thinking about 2026?

Is there an effort here to try to increase the number of consultants, perhaps taking advantage of Brazil's slightly more difficult macroeconomic situation? Or is the focus still mainly on productivity, and is there not much room to have this volume of consultants as a counterpoint here in this slowdown? Thank you.

**João Paulo Ferreira:**

Ruben, good morning.

Yes, there is room for growth in the number of consultants. The number was, in fact, affected by churn, especially among small consultancies, which, in turn, was greatly affected by credit restrictions. We see plenty of room to rebuild the consultant base in the Hispanic markets and also in Brazil. So, this is undoubtedly one of the growth vectors for the coming years.

**Ruben Couto - Santander:**

Ok. Thank you.

**Operator:**

Our next question is from Rodrigo Gastim, sell side analyst at Itaú BBA. Please, Rodrigo, you may open your microphone.

**Rodrigo Gastim - Itaú BBA:**

Good morning, everyone.

The big question I have here is precisely what, in your opinion, was the diagnosis of both revenue and gross margin in Brazil. I know, JP, you made some comments at the opening remarks, but I wanted to explore this a little further. We saw this macro slowdown, but even growth in the quarter was slightly below market growth. You mentioned it yourself that you were displeased with the results.

The question is, if you could go back three months in time, is there anything you could have done differently? Both from a revenue perspective and from a gross margin perspective? I wanted to understand a little better, explore a little more, from a micro perspective now, these revenue and gross margin initiatives, where did this combo fall short on the third quarter?

And then the second question, in line with the first one, is when you look at the margin in Brazil, this decline year-on-year, when you look at a more stable operation, so to speak, in terms of top-line, with a slightly more stable macro, what is your profitability ambition in Brazil, looking at it from an EBITDA margin perspective? Those are the two. Thank you.

**João Paulo Ferreira:**

Good morning, Gastim. You know that our goal is to defend our leadership and even expand our market share. Year-to-date, the Natura brand is still performing well, although it fell short of our expectations in Q3, and we continue to work toward that goal. The Avon brand will not be able to expand its share this year, but we are working toward next year.

In the short term, the levers I mentioned earlier could have been pulled even more intensely to try to bring in a little more revenue, notably credit. We have been accelerating this migration to Pay, which gives us more credit instruments, and if we had moved a little faster, we could have adjusted the channel's activity a little more. In addition to what I have already said, assortment by region has different levers. We operated this, but in retrospect, we could always have done something more.

I will leave it to Silvia to talk about profitability-related issues.

**Silvia Vilas Boas:**

Hi, Rodrigo, good morning, thank you for your question.

Let's start with the gross margin in Brazil. The gross margin fell compared to last year, but it's important to note that last year's Q3-24 was quite strong, and Brazil closed with a healthy gross margin despite this decline compared to last year.

Why do I say that this gross margin is healthy? If we look at the first half of this year, we ran with a gross margin at this level and profitability in Brazil of around 21%. So, it is a margin that enables good profitability for Brazil. And when we look ahead from a profitability perspective, we said on the Investor Day that Brazil has always had very strong profitability and we will maintain these historical levels in Brazil. There is no reason why this should not happen.

And when we look to 2026, in addition to all the efficiencies we mentioned here that we will capture, the more structural ones, there is also the completion of the setup of the projects we are implementing this year, which will enable us to capture additional returns.

**Rodrigo Gastim - Itaú BBA:**

Very clear, Silvia. So, just to understand... Sorry if I understood correctly. That is, last year's margin in Brazil, a tough basis for comparison. So if you could explain exactly what drove that margin up last year, I think it would be nice to understand.

And then the margin we saw now in the quarter third, obviously with all this revenue issue having hurt operational leverage a little, would that be a more reasonable level for Brazil? Just to see if my understanding is correct, please.

**Silvia Vilas Boas:**

Rodrigo, when we look at Q3 last year, it had a very favorable exchange rate impact and a business that was growing significantly in categories with high contribution margins for the company.

**Rodrigo Gastim - Itaú BBA:**

Perfect, very clear. Thank you, Silvia.

**Operator:**

Our next question is from Vinicius Strano, sell side analyst at UBS. Please, Vinicius, open your microphone.

**Vinicius Strano - UBS:**

Good morning, João. Good morning, Silvia. I have a few questions here.

Just digging a little deeper into Natura Brazil, if you could comment a little here on which categories have been most impacted, and also explore this mix effect a little, looking ahead. Looking a little at Avon, how are you thinking about these investments to revitalize the brand? Could you comment a little on this repositioning you are planning to do? What are the main KPIs you expect to monitor? Is there any level of result or delivery that could eventually influence a decision to discontinue the brand, looking more at the long term here?

And the last question, at Avon International, if you could just comment a little on what the visibility is here in terms of cash flow evolution and if you still expect to close at the beginning of next year without the need for any additional cash injection into Avon International. Thank you.

**João Paulo Ferreira:**

Hi, Vinicius.

The market has been contracting across all categories, slightly more in the beauty categories, like perfumes, skincare, and makeup, but not by much. However, both segments, daily use and beauty, have contracted, with beauty slightly more so, and our business has a little more beauty than daily use items.

With regard to Avon, I cannot, at this time, reveal all the details of Avon's relaunch. I can confirm that there is a very large market space for which this brand is a great fit and a very well-defined audience, but for that to happen, it needs to be repositioned and its portfolio redesigned. I cannot provide any further details. Of

course, we hope to resume growth with this brand. The brand's profitability has already improved significantly after the integration. I insist that the Avon brand has a positive contribution margin in all regions, now that Wave 2 has passed. So, we want to return to growth with even higher profitability. If this does not happen, we will reassess the possible scenarios at the right time.

**Silvia Vilas Boas:**

Vinícius, the plan for Avon International continues to be executed as planned. So, the expectation is to complete the sale in the first quarter of 2026.

Regarding the cash situation, the Avon International team continues to execute the plan, including capturing benefits from the restructuring that was implemented in the first half of the year. So, there is no prospect, at this time, of any additional cash contribution to Avon International.

**Vinicius Strano - UBS:**

Great. Thank you, Silvia. Thank you, João. Have a good day.

**Operator:**

The next question is from Irma Sgars, sell side analyst at Goldman Sachs. Please activate your microphone, Irma.

**Irma Sgars - Goldman Sachs:**

Hello, good morning. Thank you for the opportunity. I have two more quick questions.

From the comments in the earnings release, it seems that you see room for a little more growth in Mexico. Obviously, there is the whole issue of recovery there after Wave 2, but I think that in terms of market share, you see that there may be even more room there than in other markets. So, if you could go into a little more detail about which categories and how you intend to pursue this market share in Mexico, specifically.

And also, if you could just explain a little bit about how you are thinking on innovation, which was a topic that you highlighted a lot at Natura Day in June, if you could talk a little bit about how you are perhaps shielding this area at the moment, as you are also seeking greater efficiencies throughout the entire organization. Thank you.

**João Paulo Ferreira:**

Good morning, Irma.

Yes, indeed, Mexico is the geography where we have the greatest upside in terms of market share, because it is where we are most under indexed in relation to the other countries.

There is a very direct, very simple vector that is happening right now, which is the penetration of the Natura brand into the direct sales channel inherited from Avon. It was a very large channel compared to what we had, and it immediately began to access the Natura brand, meaning that the brand is beginning to penetrate many more homes. And we are seeing this translate into a significant increase in productivity. Associated with this, there is an investment to make the brand better known there, as it is in other countries. So, this

growth of the Natura brand enables investments in communication of the brand itself, feeding back into a virtuous cycle.

Finally, it is a market where non-direct sales channels are also very important, and we are expanding both our online operations and our store network there, including franchises. So, this path is one where there is plenty of room for growth in the coming years, yes.

When it comes to innovation, particularly product innovation, I mean, innovation also includes commercial innovation, sales force digitization, process innovation, but I want to stick to product innovation here. We have examined our product launch pipeline for the next three years, which is already quite defined, with 2026 and 2027 with a high degree of certainty and 2028 still with some room for maneuver. And we re-examined this entire innovation pipeline, focusing on the items that bring the greatest revenue leverage and ensuring that these high-return launches will have all the resources necessary to perform. Thank you.

**Irma Sgars - Goldman Sachs:**

So perhaps it would be fair to think that you are focusing on fewer SKU launches but putting more emphasis on those where you expect the greatest impact and concentrating your spending on them.

**João Paulo Ferreira:**

Correct, your interpretation is absolutely accurate. Focus on major high-return launches and a reduction in the absolute number of launches.

**Irma Sgars - Goldman Sachs:**

Understood. Thank you.

**Operator:**

Our next question is from Alexandre Namioka, sell side analyst at Morgan Stanley. Please activate your microphone, Alexandre.

**Alexandre Namioka - Morgan Stanley:**

Good morning, everyone. Thank you for taking my question.

I just wanted to do a quick follow-up on Avon. In one of the last slides of the presentation, you mention Avon's recovery starting from 2026. Looking back at the Investor Day, my impression was that you weren't yet so confident about a rebound for the brand. So I'd like to understand what is giving you more confidence now about Avon's recovery. And also, whether the structural investments alone will be enough for us to see this recovery, or if you will need to continue—at least to some extent—making additional marketing investments to reactivate or keep reactivating the brand from 2026 onwards. Thank you.

**João Paulo Ferreira:**

Alexandre, we have a team working on this relaunch, and in the weekly reviews we do for this work, I find myself getting more and more excited. The work being done is really very refreshing, very innovative, I think it's a really promising path, which I'm very excited about.

I think it's fair to say that we haven't been able to turn Avon around yet. So this confidence doesn't come from extrapolating concrete results. I think it's fair for us to wait and see if this comes to fruition, but I'm really very enthusiastic.

The investments needed to do this are regular business investments, but allocated in a completely different way than they are today. So, the resources needed are not excessive, they are in line with the size of the business, but in our opinion, they will be much more efficient, much more productive. In this case, unlike other issues, we will have to wait and see if our enthusiasm materializes into reality.

**Alexandre Namioka - Morgan Stanley:**

Perfect. Thank you, JP.

**Operator:**

Our next question is from João Pedro, sell side analyst at CITI. Please, João, open your microphone.

**João Pedro - CITI:**

JP, I think the point here, when I look at the company's top line in Brazil, is that it doesn't seem very misaligned with the proposal you were talking about at the Investor Day. Going back to Alexandre's question, we are seeing the Natura brand apparently gaining market share, Avon is in fact reflecting lower investments, but when we look below these lines, we see a misalignment, it seems, a misalignment of costs and expenses.

So I wanted to explore this point a bit further. It's also important to understand that when you resume investments in the Avon brand, there will be a cost penalty. You will once again have... or there should be some increase in R&D expenses. I'd like to understand how you see this. There is also the phasing or seasonality of expenses, which is something we have some difficulty interpreting as well.

So, I think it's important to understand how you see this better alignment. That's really the point — ensuring a better alignment of the cost and expense structure with the strategy you yourselves designed, which is to focus more on the Natura brand. I'm not sure if that point came across clearly.

And the other point is related to cash conversion for next year. What level of conversion, whether based on EBITDA or another operating metric, allows us to understand the sustainable level of cash generation for the Latam operation? Thank you.

**Silvia Vilas Boas:**

Hi, João. Thank you for your question.

You're right. Today, we have an unbalanced P&L due to the impact of G&A. And this G&A impact, as I mentioned earlier, is tied to several factors — whether internal factors related to Wave 2, our decision to maintain the projects that are being set up this year and will generate returns next year, or the deleveraging effect.

We have no doubt that in 2026 the G&A level will be significantly lower than what we saw this year, whether due to the returns and benefits these projects will generate, or due to the gains from the

organizational simplification we mentioned. So G&A is unbalanced today, and we expect it to return to an appropriate level starting in 2026.

In addition, from a profitability perspective, in selling, we still have opportunities to be captured, arising from the combination of the business in Mexico and Argentina, as we have seen in the other countries we have combined.

Marketing, which was your point, we do not intend to invest more in marketing than the business can absorb. So, as JP commented, in the case of Avon specifically, investments will happen gradually from the moment we see the evolution of the plans being implemented in 2026.

Profitability, based on these factors, our commitment is to expand profitability in 2026 compared to 2025, just as we have done over the last three years.

Moving on now to cash conversion. In our Investor Day, I showed that we ended 2024 with a cash conversion above 50 and that the company historically, before the acquisitions, operated at a level above 60.

With the end of the company's transformation and simplification cycle, we will once again have a company very similar to what it was before the acquisitions. In other words, our expectation is to return to those cash conversion levels.

**João Pedro - CITI:**

That's great, Silvia. Thank you.

**Operator:**

This concludes the Q&A session. Natura's third quarter of 2025 earnings call is now concluded. The investor relations team remains available to address any additional questions. Thank you. Have a great day!