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# Fourth-Quarter and FY 2021 *Results*

*March 10<sup>th</sup>, 2022*

AVON



THE BODY SHOP

Aēsop.

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**natura & co**

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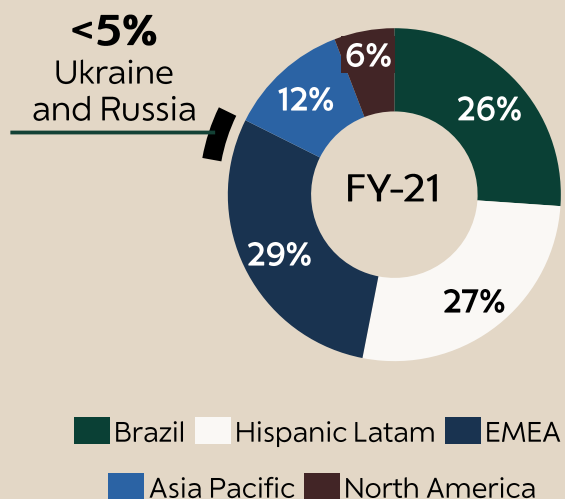
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<https://ri.naturaeco.com/en/>

# Actions in the Ukraine / Russia war

**% of sales from Russia and Ukraine / total Group sales**



## Natura and &Co fully mobilized to provide support

- Our priority is the safety and wellbeing of all our associates, representatives and partners
- The Group has donated more than R\$3 million in addition to personal care products to refugees, through relief organizations

## A limited presence at Group level

- Natura &Co is present in Russia and Ukraine through Avon social selling and franchise operations for The Body Shop and Aesop
- Revenues in Russia and Ukraine represented under 5% of consolidated revenue in FY21 (including all brands)
- Contribution to consolidated Adjusted EBITDA is approximately 3%

## Actions taken

- The Body Shop and Aesop suspended product delivery to their franchisees in Russia
- Avon has suspended exports from Russia and is assessing shipments to the market
- Avon's Russian manufacturing site is continuing to supply the local social selling operations to provide our representatives with the means to sustain their financial independence

# Q4 and FY-21 Highlights

Strong margin expansion in Q4 despite increasing costs and continued pressure in key markets

Net income reached R\$695 million in Q4 and R\$ 1 billion in FY21

## Revenue pressure in Q4 and FY growth

- Consolidated net revenue: -3.0% in Q4, +8.8% in FY-21 and +20.6% vs Q4-19
- Strong comp in Q4-20 (+24.3%)
- CFT market decline in Brazil and pandemic effects in key Avon and TBS markets

## Margin expansion and growth in net income...

- Adjusted EBITDA: Q4 Margin +90 bps
- Net Income: R\$695 million in Q4; R\$1 billion in FY21, enabled by Avon integration

## ...despite continued cost pressure

- Commodity prices, inflation and FX
- Sales deleverage and temporary business pressures
- Higher investments

## Strong cash position and deleveraging

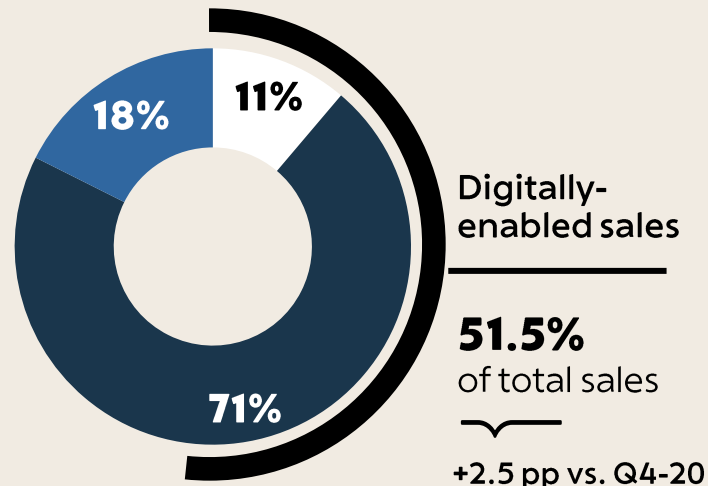
- R\$ 6 billion, enabling R\$ 180 million in dividends
- On top of a share buyback of R\$ 140 million through Dec 31

## Advances in Avon integration and transformation

- Total Avon sales in FY21 were nearly stable, best revenue trend in three years
- Synergies ahead of plan, at US\$197 million in FY21, close to 50% of plan
- **New commercial model at Avon:**
  - **International:** Higher productivity and activity levels
  - **Brazil:** Still adjusting the model, with recent positive trends in recruitment and activity, and nearly stable # of reps
  - **Hispanic:** Positive KPIs after roll-out in Ecuador, benefitting from learnings in Brazil

# Digitally enabled sales reached 52% of total revenue

Q4-21



- Retail
- Online (e-commerce + social selling)
- Relationship Selling

## 1. &Co Pay

- Natura in Brazil : 340,000 accounts
- Total Payment Value ("TPV") of R\$ 6.5 billion, ahead of R\$ 4bi estimate

## 2. Avon

- Total Avon online sales<sup>1</sup> reached 4.2% of sales in Q4, compared to 1.4% pre-pandemic
- At Avon International, Avon On adoption reached 15% in Q4, which is 3x above pre-pandemic levels

## 3. The Body Shop

- Online sales<sup>1</sup> reached 31.2% of sales in Q4, which is 1.5x above pre-pandemic levels

<sup>1</sup>Online sales include e-commerce and social selling sales

## 4. Aesop

- Online sales reached 23.8% of sales in Q4, which is 1.5x above pre-pandemic levels

## 5. Natura

- Total number of consultants sharing content increased 13% in Q4, standing at 4x higher than pre-pandemic levels
- Total Natura online sales reached 7.9% of sales in Q4, compared to 4.3% pre-pandemic

# Continued strong pipeline of innovative products



AVON

## Advent Calendars

12 and 24-day Advent Calendars, successful gift kits to expand the product range to higher value products



  
natura

## Natura BiÔme

Natural tech, zero plastic personal care brand in solid bars



  
THE BODY SHOP

## Repurposable Advent calendars

New calendars with packaging that can be reused for other purposes



Aēsop®

## Anatomy of Generosity gift kits

Each kit is tied to a select charity that receives AU\$ 100,000 from Aesop Foundation



# Consolidated Financial Performance

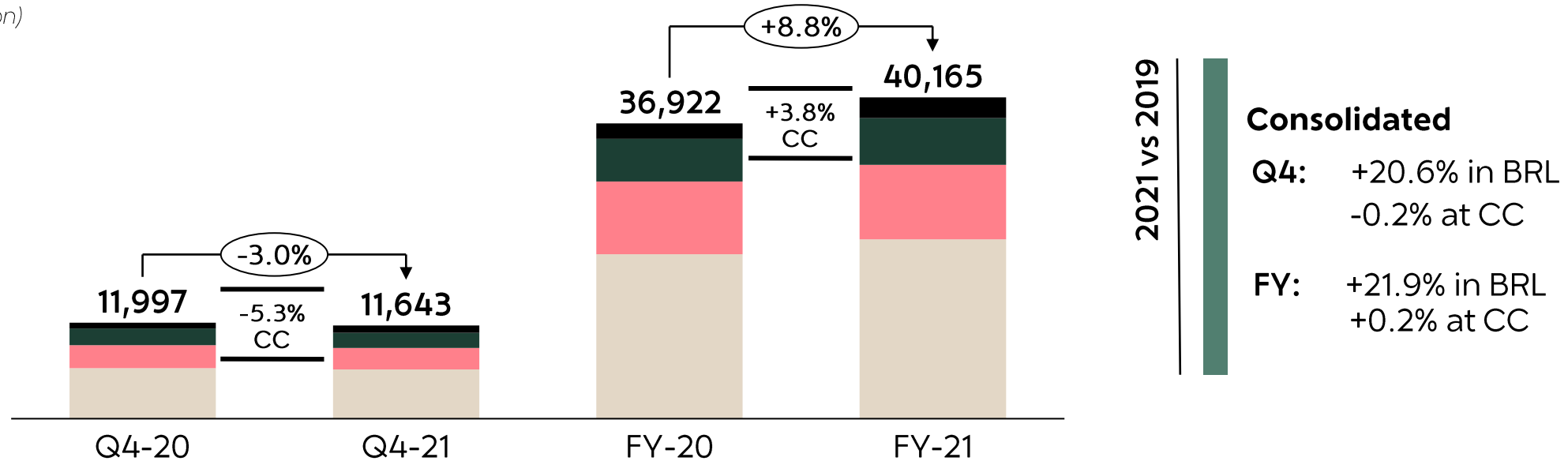
*Guilherme Castellan, CFO*



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# Natura &Co revenue impacted by a very strong comparable and revenue pressure; solid growth compared to 2019 (pre-Covid)

## NET REVENUE<sup>1</sup> (R\$ million)



## HIGHLIGHTS

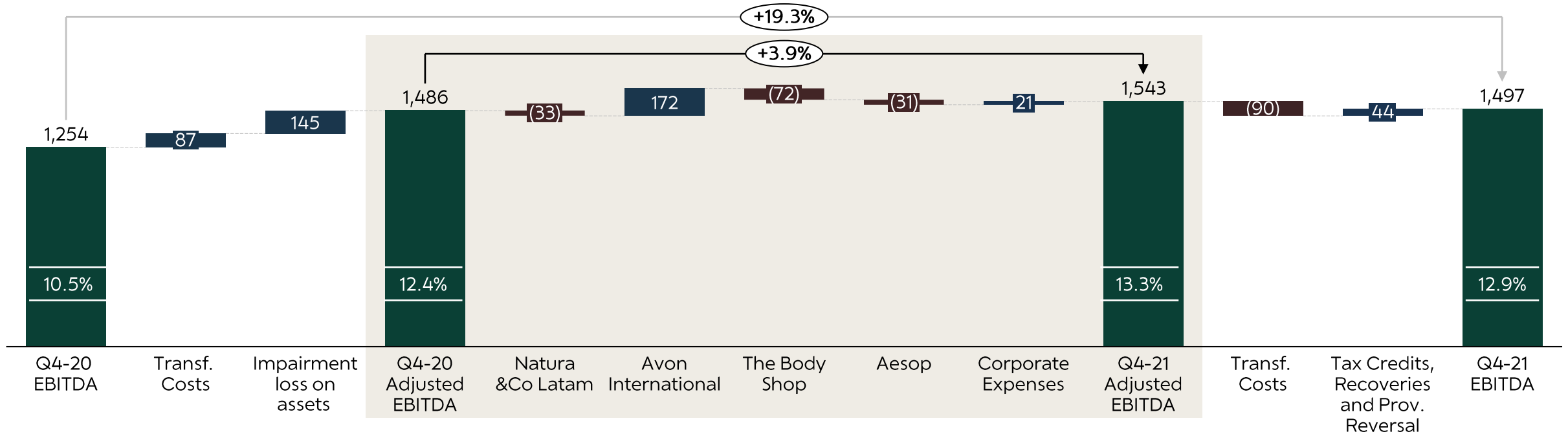
- Very strong comparable base as Q4-20 was up by 24.3% vs Q4-19 (+6.4% at CC)
- Compared to 2019, net revenue up by +20.6% in Q4-20 (-0.2% at CC)
- Q4 marked by a deteriorating macro environment in Brazil, pandemic effects in key Avon markets, and Omicron wave at The Body Shop during Christmas
- FY21 net revenue growth of +8.8% (+3.8% at CC) driven by Hispanic markets and Aesop
- 47% of revenue from outside Latam in 2021



# Significant adjusted EBITDA margin expansion, driven by Avon International

## Q4-21 CONSOLIDATED EBITDA

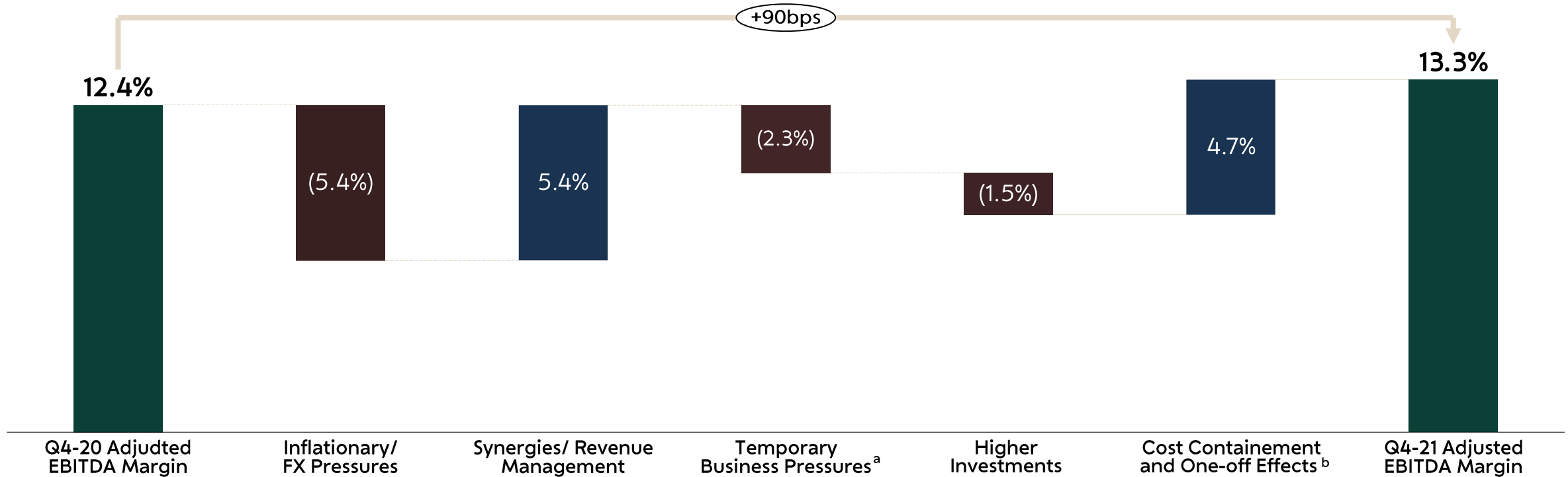
(R\$ million)



- Adjusted EBITDA Margin improvement supported by financial discipline , **structural changes primarily at Avon International**, and synergies in Latam ahead of plan
- In FY 21, Adjusted EBITDA margin of 10.3% (-110 bps)

# Q4-21 EBITDA margin growth despite a challenging operating environment

## Q4-21 CONSOLIDATED ADJUSTED EBITDA MARGIN



(a) Temporary Business Pressures: sales deleverage and commercial provisions

(b) Cost containment and one-off effects: mainly cost containment and short/long term incentive provision

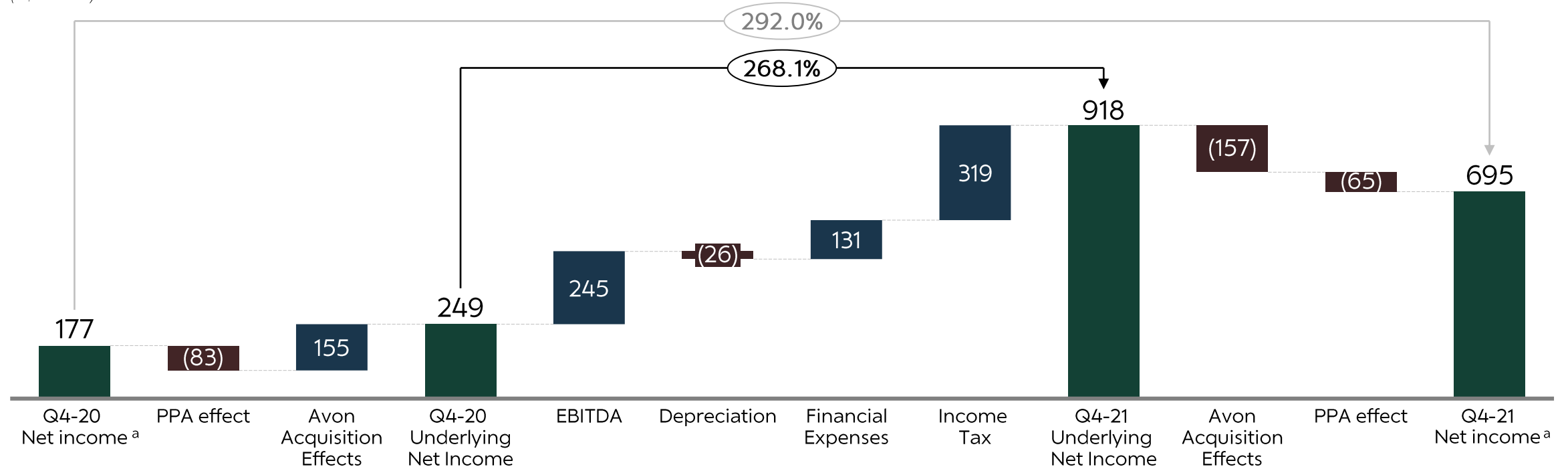
**Synergies, revenue management, cost containment and one-off effects more than offset inflationary and FX pressures**

# Significant increase in underlying net income (UNI) and net income

Driven by increased EBITDA and positive income tax effects resulting from corporate structure and simplification in Latam

## Q4-21 UNI<sup>1</sup>

(R\$ million)



(a) Net income attributable to controlling shareholders

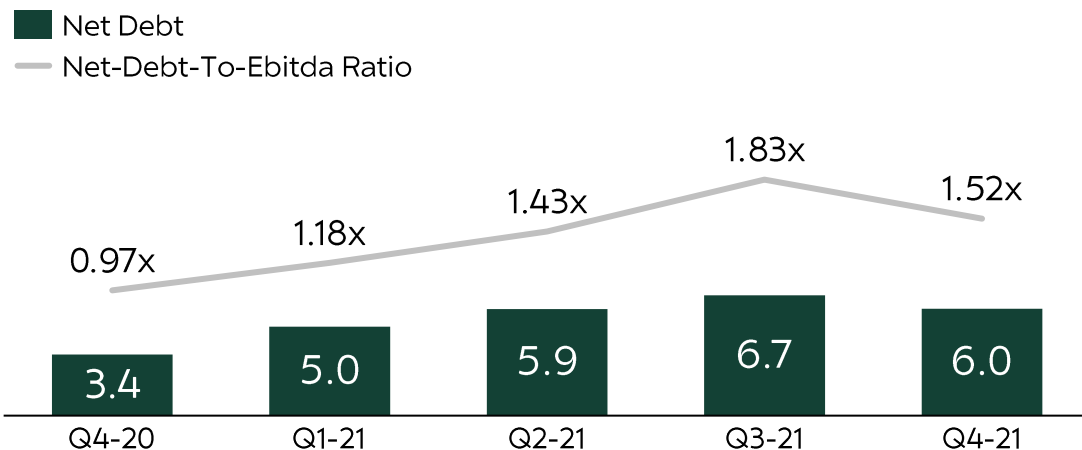
- FY-21 UNI of R\$1.7 billion vs. R\$402.4 million in FY-20
- FY-21 reported net income of R\$1.0 billion reversing a net loss of R\$650.2 million in FY-20
- Net income enabled **dividend distribution** on realized profits of R\$180 million, in addition to R\$ 140 million in repurchased shares (4.7 million shares) through Dec 31, 2021, to be approved by the April 20 General Shareholder Meeting.

# Strong cash position, with an enhanced liquidity profile



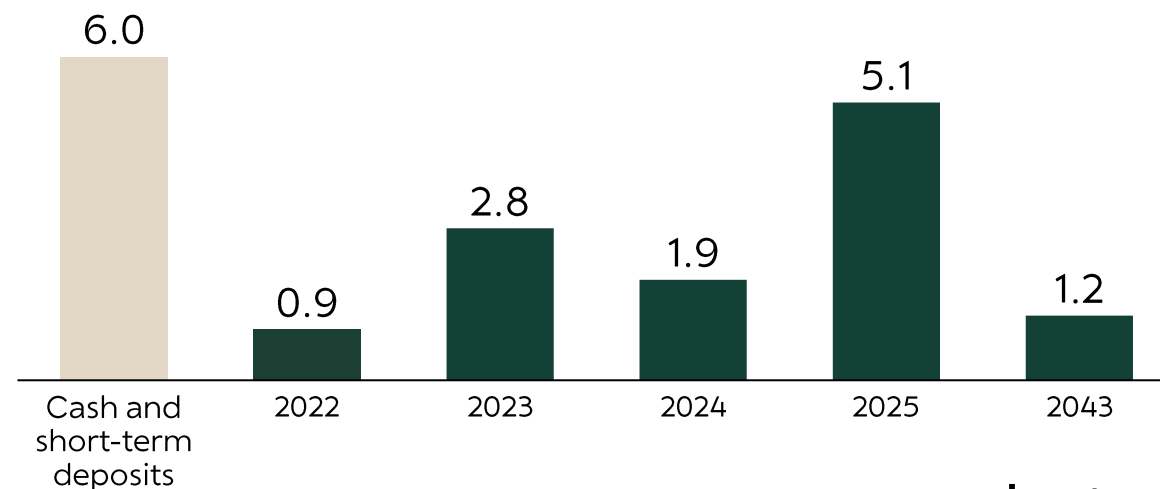
## NET DEBT AND NET DEBT-TO-EBITDA RATIO

(R\$ billion)



## AMORTIZATION SCHEDULE

(R\$ billion)





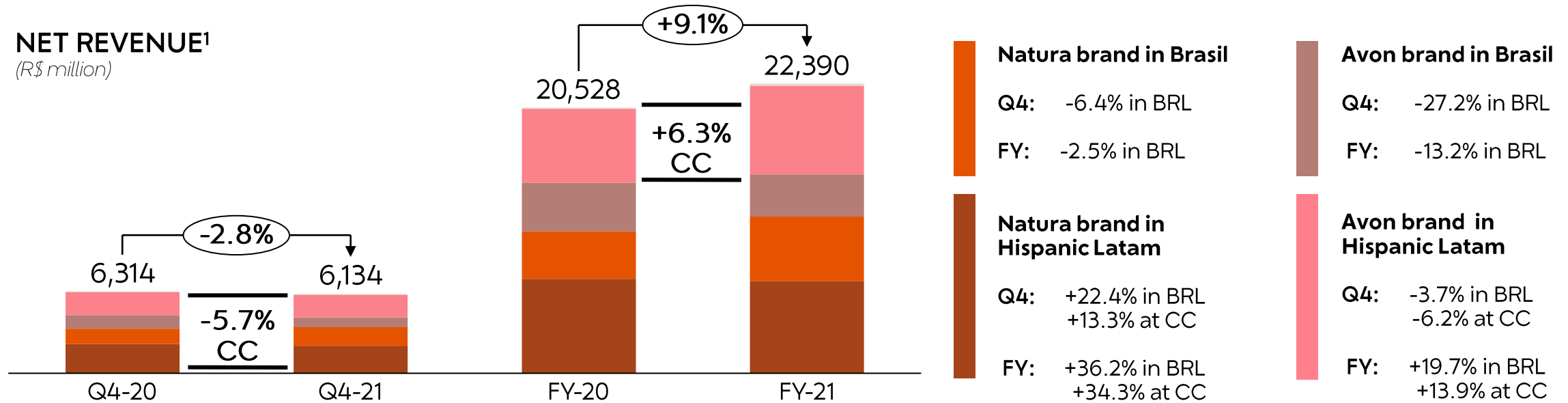
# Natura &Co Latam

*Financial  
Performance*

**Natura &CO**  
Latin  
America

# Natura &Co Latam: Hispanic markets reach 52% of sales in FY, highlighting broader Latam footprint

NET REVENUE<sup>1</sup>  
(R\$ million)



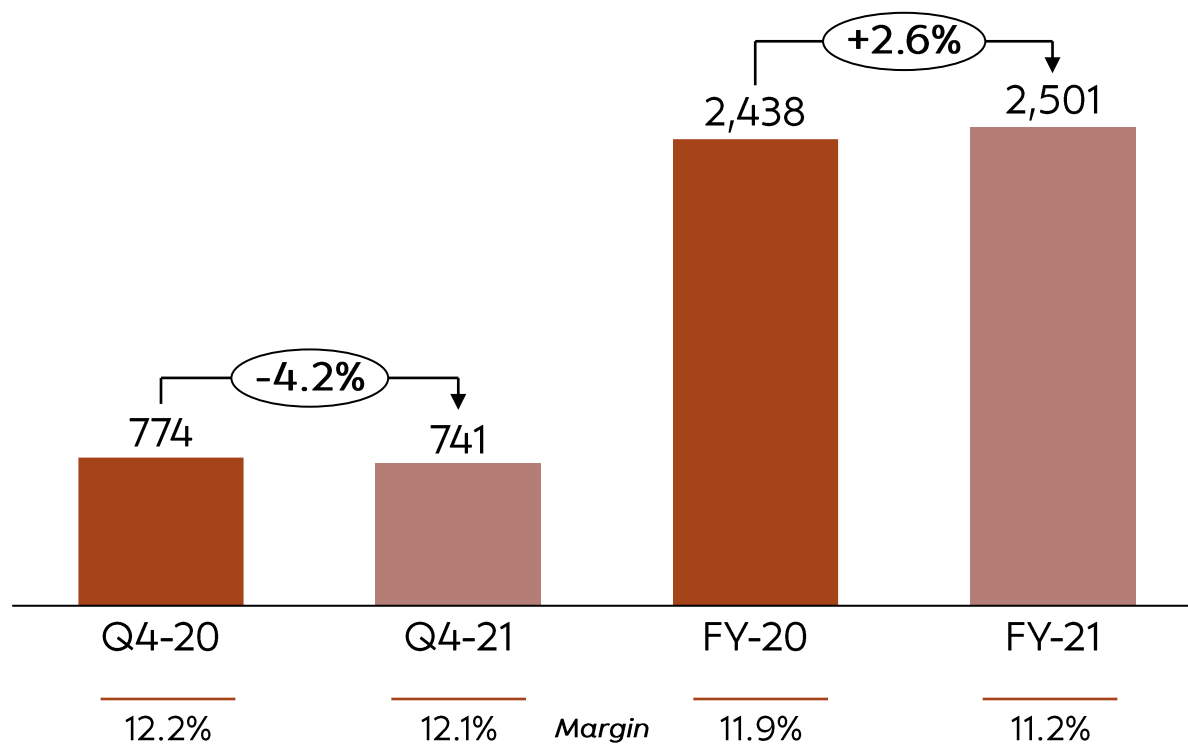
## HIGHLIGHTS

- **Natura Brand: +3.5% in Q4, and +10.5% in the year, driven by growth in Hispanic markets**
  - **Brazil:** Still outperforming the target CFT market by 6.1pp in Q4; Revenue +8.8% vs Q4-19; sales accelerated vs Q3
  - **Hispanic:** CFT market outperformance driven by all markets, higher # of consultants and productivity
- **Avon brand: -12.3% in Q4 and +6.6% in the year; strong performance in Hispanic markets; FY growth for the first time in 5 years (at CC)**
  - **Brazil:** Q4 sales impacted by a decline in reps, a contracting CFT market and lower Fashion and Home sales
  - **Hispanic:** New commercial model in Ecuador with initial positive signs; In the year, strong sales growth driven by Central America, Chile and Argentina

# Q4 Adjusted EBITDA margin in Latam broadly in line with Q4-20

## ADJUSTED EBITDA<sup>1</sup> AND ADJUSTED EBITDA MARGIN

(R\$ million)



## Q4-21 HIGHLIGHTS

- Adjusted EBITDA margin -10 bps vs Q4-20, with synergies, revenue management and strict financial discipline significantly offsetting sales deleverage, raw material inflation and FX headwinds
- SG&A up 50 bps, to 52% (ex-PPA effects):
  - Selling, Marketing and Logistics expenses decrease of 60 bps**, driven by synergies and cost containment
  - 110 bps increase in G&A**, due to higher inflationary pressure and sales deleverage

<sup>1</sup> Excluding effects that are not considered recurring nor comparable between the periods under analysis, such as: Transformation costs and costs-to-achieve synergies



# Avon International

*Financial  
Performance*

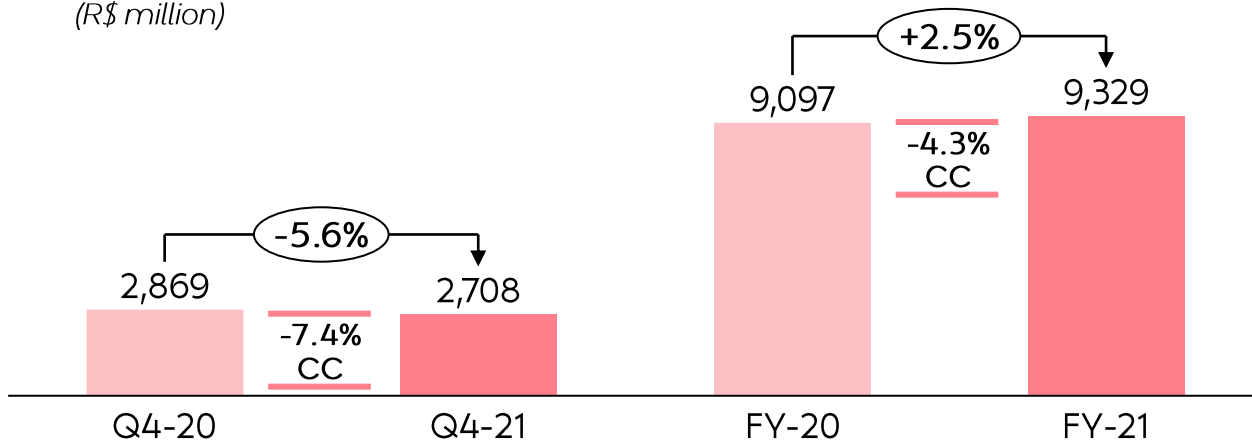
AVON



# Steady revenue progression, with strong EBITDA margin expansion

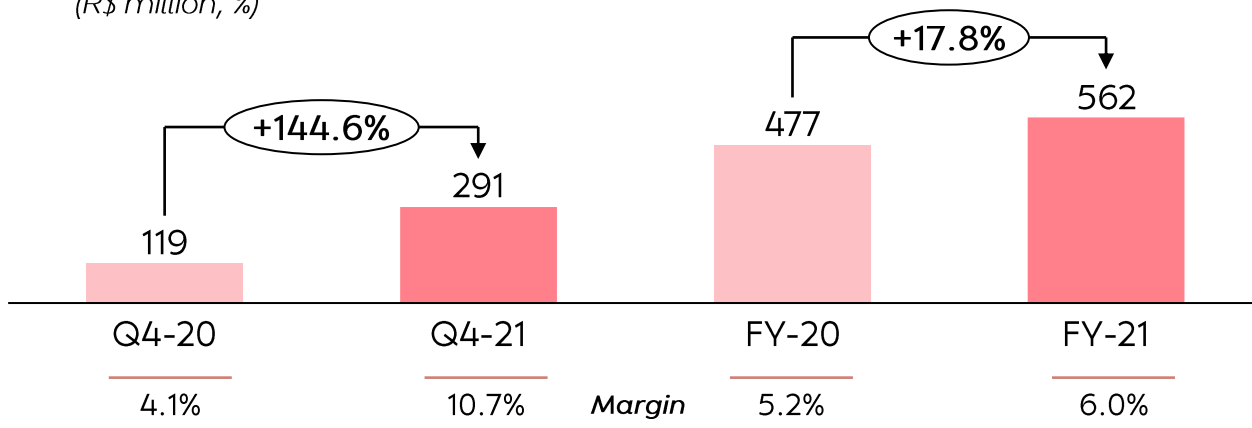
## NET REVENUE

(R\$ million)



## ADJUSTED EBITDA<sup>1</sup> AND EBITDA MARGIN

(R\$ million, %)



## Q4-21 HIGHLIGHTS

- Q4 revenue shows **steady progression QoQ** since Q1-20
- As expected, **revenue impacted by lower # of reps**
- **Higher rep productivity** from structural changes in the new commercial model **fully implemented in Q4 in all 9 markets**
- **Improved rep satisfaction**, from record service level and new commercial model
- **Total Avon brand revenue nearly stable in FY21** vs FY20, (-0.9%), best trend in 3 years
- **Q4 adjusted EBITDA margin** reflected normal seasonality, gross margin improvement from revenue management and synergies, strict financial discipline, structural savings from the simplification of the operating model

<sup>1</sup> Excluding effects that are not considered recurring nor comparable between the periods under analysis, such as: Transformation costs and costs-to-achieve synergies, Avon acquisition related expenses and tax credits and provisions reversals



# The Body Shop

*Financial  
Performance*



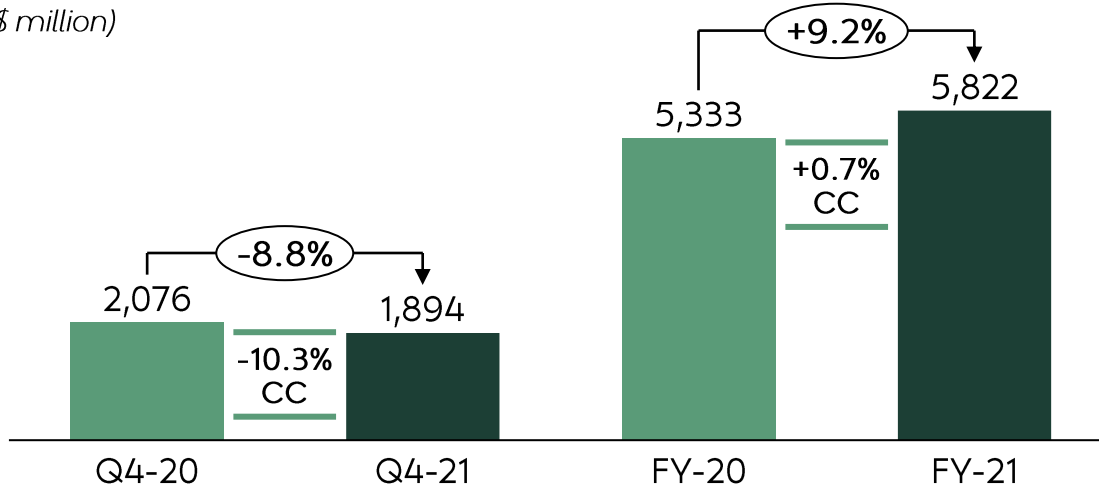
THE BODY SHOP



# Holiday season sales impacted by Omicron effects

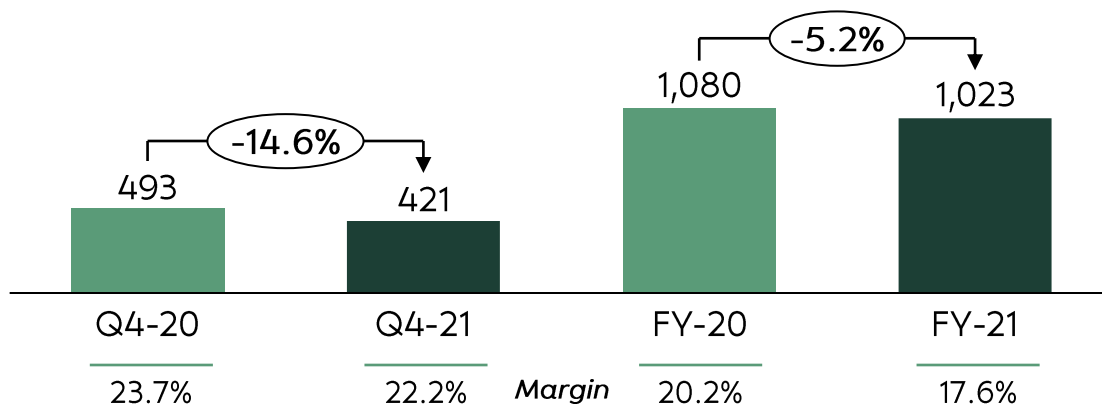
## NET REVENUE

(R\$ million)



## ADJUSTED EBITDA<sup>1</sup> AND ADJUSTED EBITDA MARGIN

(R\$ million, %)



## Q4-21 HIGHLIGHTS

- **Omicron wave** impacted retail in the holiday season, mainly in the UK
- Compared to Q4-19, revenue +35.4% (-1.5 at CC), driven by **growth in At Home and e-commerce**
- **Successful Christmas** offering, with gifts selling 12% above Q4-19; Advent calendars up by +163%, despite **supply chain disruptions** notably in North America
- **Q4 adjusted EBITDA margin -150 bps vs Q4-20**, due to sales deleverage, channel mix impact and absence of government support in Q4-21

<sup>1</sup> Excluding effects that are not considered recurring nor comparable between the periods under analysis, such as: impairment loss of assets and other items in Q4-20 and FY-20



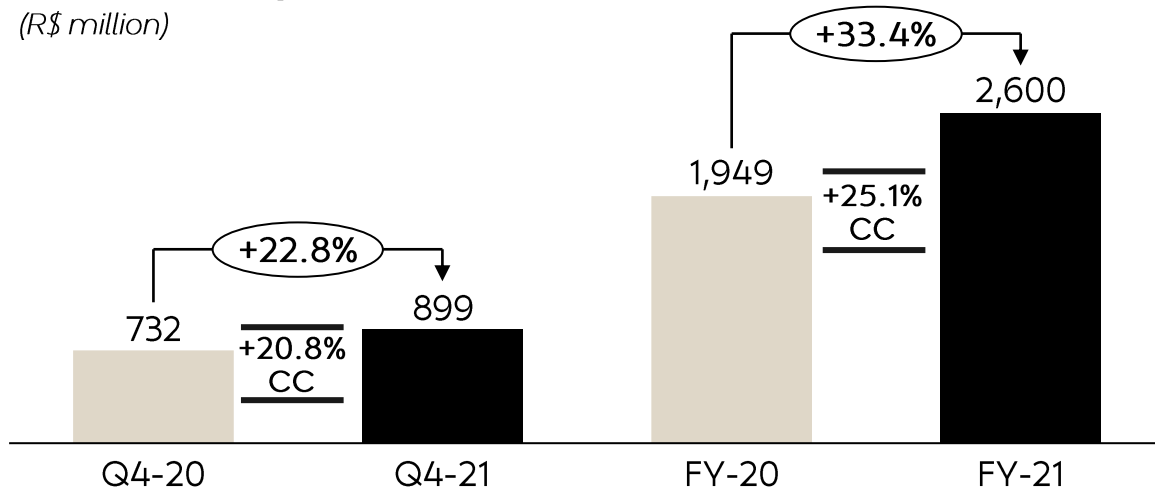
# Aesop

*Financial  
Performance*

# Continued strong sales growth as retail channels gain momentum

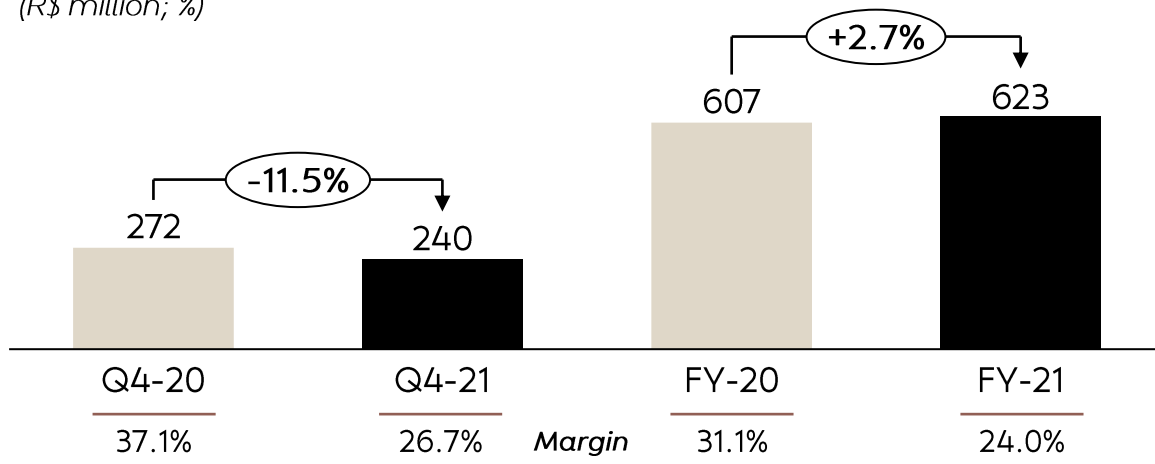
## NET REVENUE

(R\$ million)



## EBITDA AND EBITDA MARGIN

(R\$ million; %)



## Q4-21 HIGHLIGHTS

- **Revenue growth accelerated sequentially**, driven by retail channels in North America and Asia (68% of total sales)
- **Advances on China entry plan:** Successful activation events and progressing product registration
- **EBITDA margin reflects higher investments** to drive future profitable growth, and absence of government support in Q4-21

# Closing Remarks

*Roberto Marques*

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# Key Takeaways

## Solid fundamentals and the right strategy to face a challenging environment

1.

Focused on execution to preserve profitability, as we face further impacts in Central and Eastern Europe

Strategic initiatives to optimize supply chain consolidation and organizational structure

2.

Special attention to discretionary OPEX and CAPEX

3.

Liquidity protection with focus on cash flow

4.

Primary listing in NYSE: The right strategy, tactically not the right time

5.

Strong and experienced global team, with solid local knowledge, specially in CEE

Creating the best beauty group *FOR* the world

# Major Initiatives to drive profitable sustainable growth 2022

## Natura &Co Latam

- Stabilization of Avon rep base in Brazil
- Roll-out of Wave 2, **cross-selling and upselling** of Natura and Avon
- Further roll-out of new Avon commercial model in Hispanic Latam
- &Co Pay roll out to Avon Brazil and Natura Latam
- Expand Natura social-selling tools (e-brochures, live shopping, interactive launch events)



## Avon International

- New commercial model implementation
- Avon On app scale up
- Continued organization restructuring
- Brand rejuvenation with focus on cult products and gifting



## The Body Shop

- Continued roll-out of new store concept & Refill stations
- Strong product pipeline
- Japan transformation



## Aesop

- Focus on North America and APAC
- Preparing for China entry
- Fragrance focus
- Digital investments



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# Thank You

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# Appendix

Q4-21

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# Important advances on Sustainability Vision 2030

## Commitment to Life

### Address the Climate Crisis & Protect the Amazon



Natura &Co defined its baseline for carbon emissions for all brands (scopes 1, 2 and 3): 2.4 million tCO<sub>2</sub>eq. before use phase; including use phase, total of 5.8 million tCO<sub>2</sub>eq.

Plena Mata Portal measured 69 million trees taken down in the Brazilian Amazon rainforest, 11% lower than in Q4-20

### Protect Human Rights and be Human-Kind



- The Board of Directors approved the Group's Human Rights policy, in line with the UN Guiding Principles, one year ahead of schedule
- Two Aesop stores in the UK were devoted to the pursuit of amplifying queer voices, via a queer library
- Avon International partnered with the NGO No More and invested further to tackle gender-based violence
- Natura Institute supported 2.4 million youths and children in 2021

### Embrace Circularity & Regeneration



- 10.2% of all plastic used is of recycled plastic content (cumulative through Q4-21)
- Natura &Co formed the Sustainable Packaging Hub, led by R&D heads from all 4 brands to create new technology platforms through new innovation approaches and achieve our Group targets
- The Body Shop continued the roll-out of 500 refill stations in stores across the world, having reached 480 in 2021

# Adjusted figures exclude the following non-operational effects

1.

## **Transformation/ Integration costs**

*Includes:*

- (i) Transformation Plan costs mostly at Avon International*
- (ii) Integration costs (costs to achieve synergies) both at Avon in Latam and International*

2.

## **Avon acquisition costs (2020)**

*Non-recurring costs associated with Avon acquisition, in FY-20 only*

3.

## **Tax credits, recoveries and provision reversal**

*Non-recurring tax recoveries from previous years, related to ICMS taxes applied on the base of Pis and Cofins taxes, tax amnesty and tax subsidies in Brazil*

4.

## **Impairment loss on assets and other items (2020)**

*Impairment loss at The Body Shop in 2020, related to loss-making legacy stores predominantly in the USA, that were previously included in the store closure plan and were further impacted by pandemic effects*

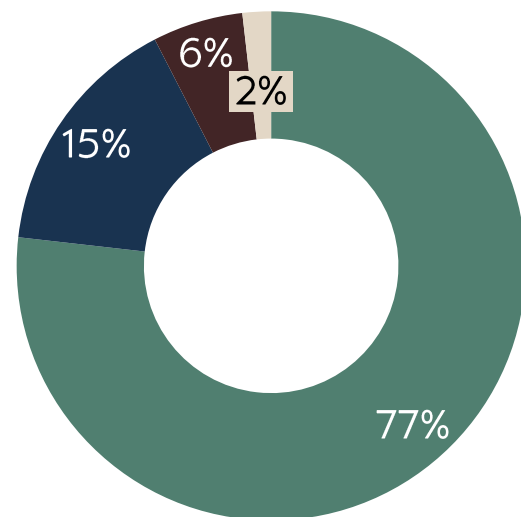
5.

## **Non-recurring inventory PPA impacts (2020)**

*Non-cash, non-recurring inventory PPA impact in 2020, resulting from a step-up in inventory value (in the cost of goods sold), at both Natura &Co Latam and Avon International*

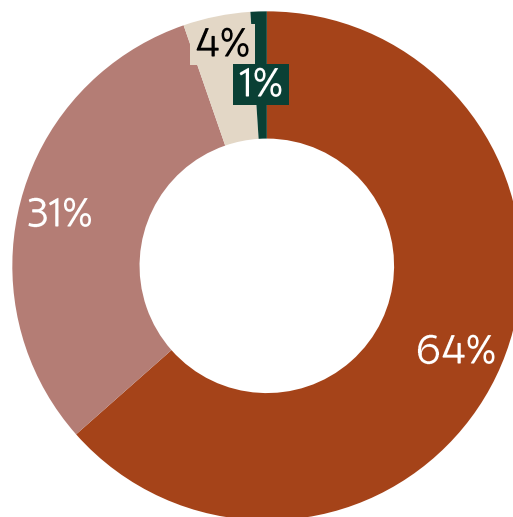
# Debt profile

## Q4-21 BY TYPE



Bonds Working Capital  
Debentures Other

## Q4-21 BY CURRENCY





BRL USD GBP Other

# Breakdown of global net revenue by brand

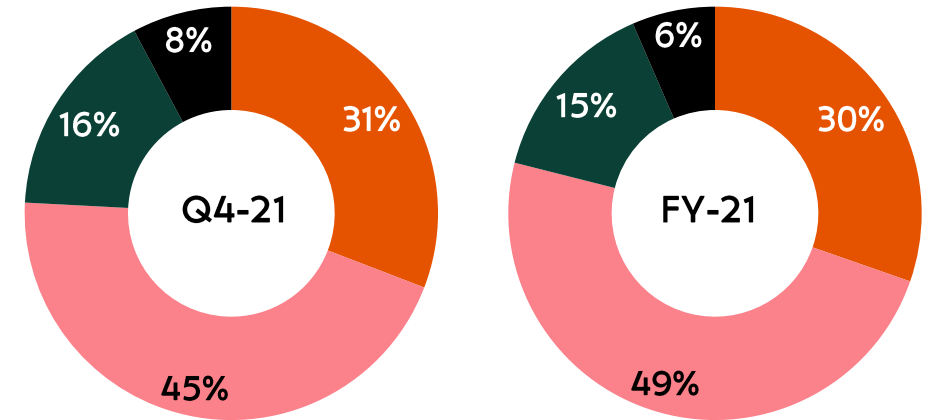
## NET REVENUE BY BRAND

(R\$ million)

Brand	Q4-21	Q4-20	% (R\$)	% (CC)	FY-21	FY-20	% (R\$)	% (CC)
 natura	3,563.6	3,444.6	+3.5%	-0.1%	12,133.2	10,979.1	+10.5%	+8.8%
<b>AVON</b>	5,198.3	5,707.9	-8.9%	-11.1%	19,438.6	18,576.6	+4.6%	-0.9%
 THE BODY SHOP	1,893.9	2,075.9	-8.8%	-10.3%	5,821.8	5,332.9	+9.2%	+0.7%
<b>Aēsop.</b>	898.9	732.3	+22.8%	+20.8%	2,600.2	1,949.3	+33.4%	+25.1%
<b>Total net revenue</b>	11,643.2	11,997.3	-3.0%	-5.3%	40,164.7	36,922.0	+8.8%	+3.8%

## NET REVENUE BREAKDOWN (BY BRAND)

(%)



■ Natura 
 ■ Avon 
 ■ The Body Shop 
 ■ Aēsop