

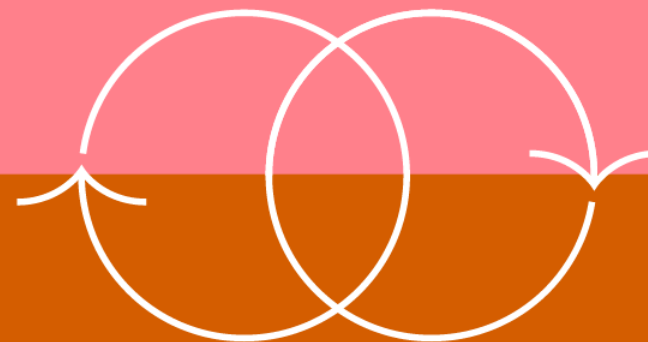
Kick-off Wave 2

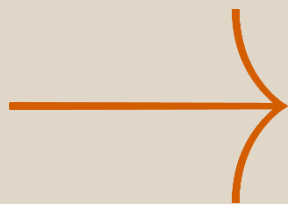
AVON



Aēsop.

natura & co





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Agenda

1 *Wave 2 – Context & Recap*

2 *Initial Results: Peru & Colombia*

3 *Brazil Update & Timeline*

4 *Financial Details*

5 *Summary & Conclusion*

Context - What have we accomplished so far?

Avon and Natura integration process in Latin America

Capture initial synergies

Rebuilding fundamentals

Dreaming big: full commercial and administrative integration

Q1 2020
Covid-19 pandemic outbreak

Q2 2021
Start of the portfolio optimization

Channel segmentation, Portfolio optimization, Marketing investment, further integration process, and some DC integration

Q3 2023
Phase 1 | Brazil implementation

Jan 2020
Avon's transaction closed

Supply Chain integration

Q2 2020
Avon's cyber incident

Q3 2021
Wave 1 | Segmentation of Avon's commercial model in Brazil

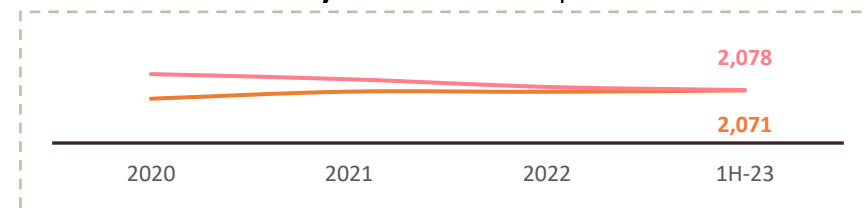
Q2 2023
Wave 2 in Peru and Colombia

What Are We Solving for?

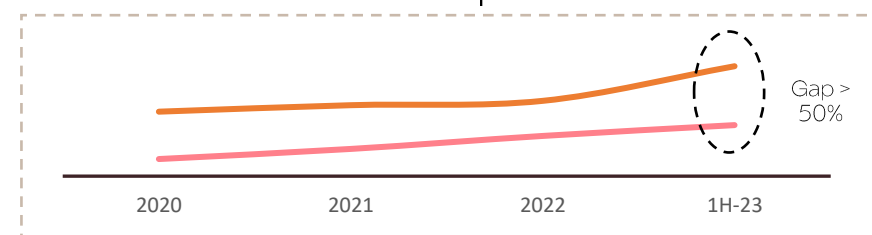
- Wave 1**
 Expected to improve top line and margins, but profitability did not meet expectations
- Fixing Fundamentals**
 The Avon channel stabilized in some countries, but the contribution margin from lower productive reps remained negative as the average ticket stayed low
- Wave 2**
 Capitalizing on cross-selling opportunities with improvements in productivity should result in meaningful margin expansion



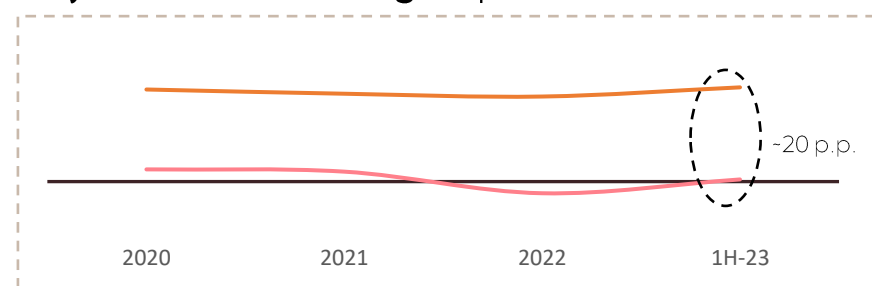
Number of beauty consultants | Latin America¹



Minimum order evolution | Latin America



Adjusted EBITDA Margin% | Latin America





Avon Natura




Note: ¹ in thousands

Wave 2
is built on
3 pillars




Channel Combination focused on productivity

-  Create one single channel, with more than **4.1 million beauty consultants¹**, to penetrate more households in the region
-  Increase beauty consultants' earnings by creating a complementary portfolio and improving productivity

Portfolio Optimization

-  23% Reduction in combined SKUs in CFT, increasing efficiency
-  Portfolio harmonization between both brands, boosting cross-selling and mitigating cannibalization
-  Continuing rightsizing of Home & Style while turning it profitable

Pursuing Further Simplification

-  Leaner and simpler structure
-  Incentives aligned with overall regional performance
-  Marketing and R&D remain separate to maintain brand identities

Channel Combination

Creating more **overlap** to capture opportunities across the Latin American region...



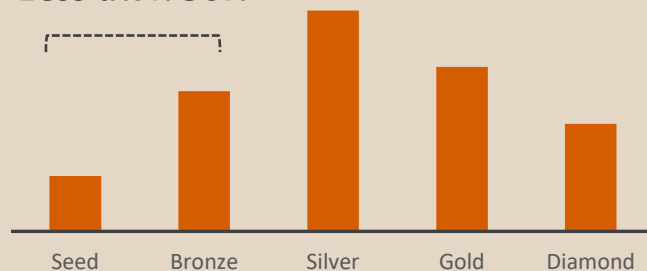
2.1 million
beauty consultants¹

¹Overlap of ~500 thousand beauty consultants operating for both brands



2.6 million
beauty consultants¹

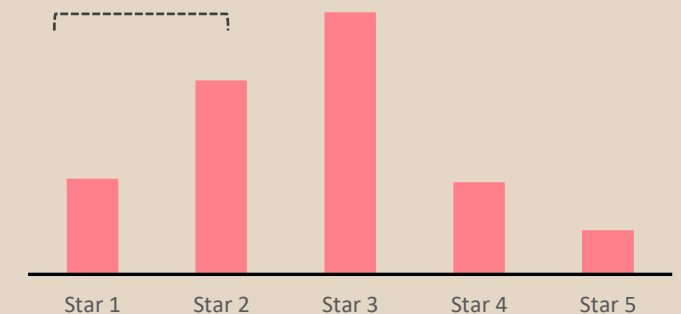
Less than 30%²



Percentage of revenue



Around 40%²



Negative contribution margin across Stars 1 and 2

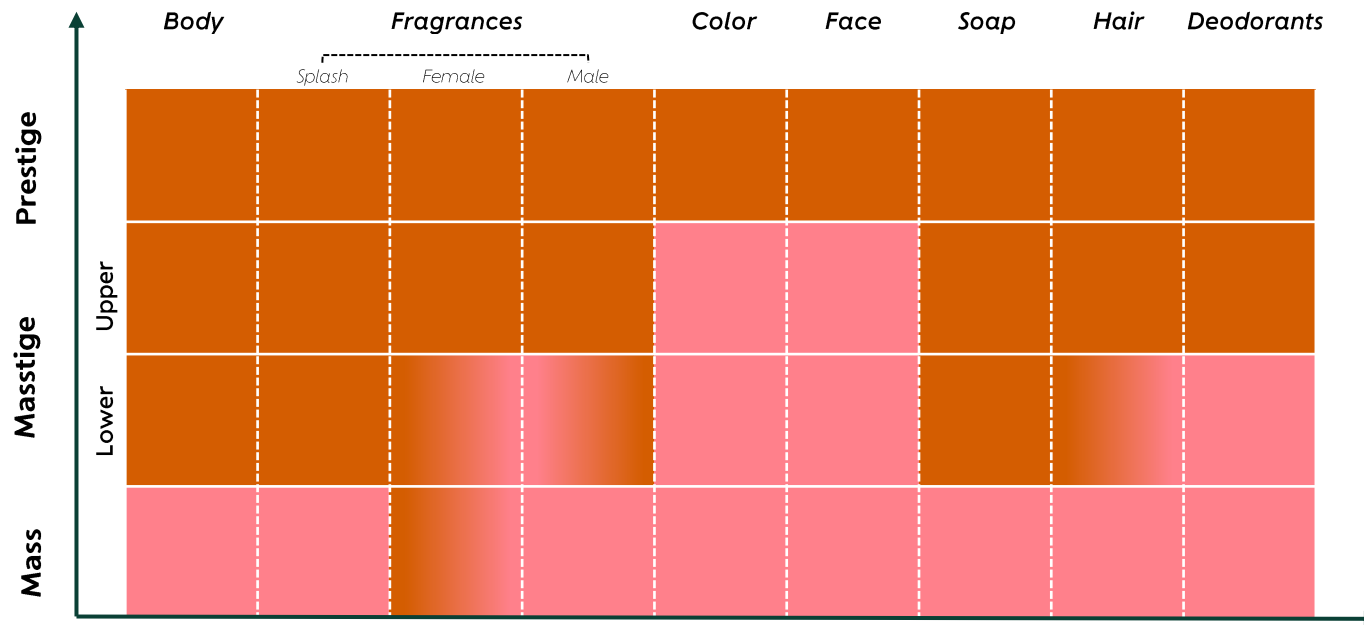
Percentage of revenue

... by simplifying the consultant's journey

Portfolio Optimization

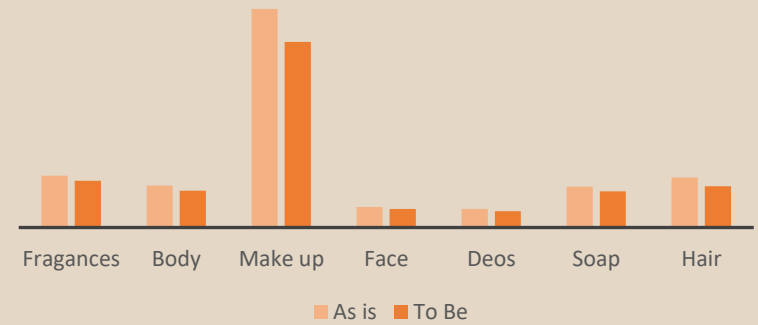
Designed to improve the value proposition for our beauty consultants and final consumers while mitigating potential cannibalization...

...also increasing beauty consultants' lifetime value, reducing CAC by reducing churn



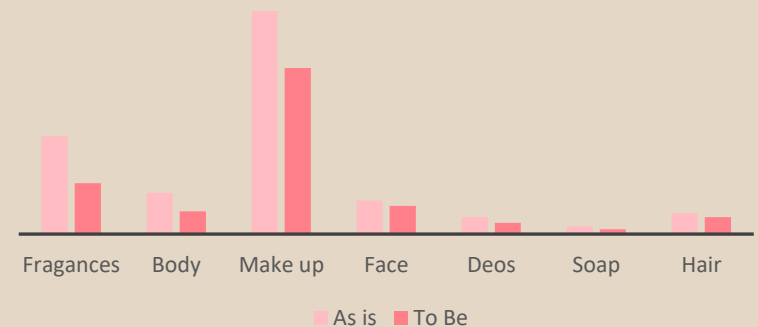
-14%
SKUs

Portfolio optimization



-32%
SKUs

Portfolio optimization



The graphs show the pre-Wave 2 portfolio and the simplification expected by the end of the process



Home & Style weight in portfolio to keep decreasing over time by reducing ~50% of SKUs while improving returns

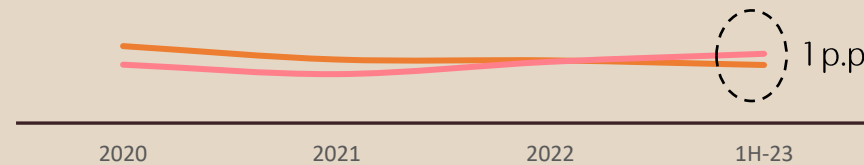
Pursuing Further Simplification

The new combined business model will further simplify our operations, leading to a more efficient business that retains the identity of each brand

Opportunity

Commercial Structure

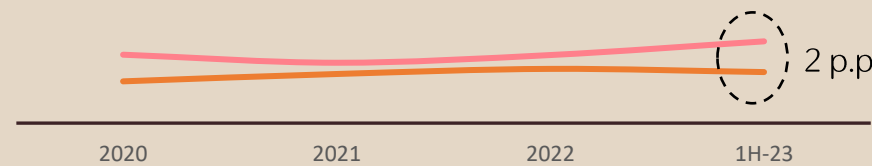
Selling as % of Net Revenue



- Leaner and more efficient commercial structure

Natura Systems as the Foundation

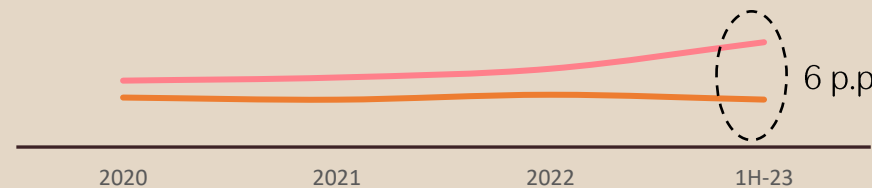
IT as % of Net Revenue



- The Avon brand will be operated by Natura's system
- From ~800 systems to less than 200

Logistics Integration

Logistics as % of Net Revenue



- Gaining efficiency by combining both brands into the same box, capturing logistic density
- Reduction in environmental impact

Marketing and R&D



- Separate structure, maintaining the identity of each of the brands

Marketing & Innovation

Natura "bem estar bem" & Avon "essence" propositions | A combined strategy to generate self-esteem, joy & happiness!



Unique well-being-oriented concepts that deliver performance and ultra-sensorial experiences with clear RTBs, powered by bio innovation and our commitment to life proposition

**bem
estar
bem**



New brand governance process to maintain clear identities, promote differentiation & deliver a clear value proposition to consumers and consultants

**Precise and relevant
innovation with a
reduced time to
market**



Progress for women through a diverse beauty offering at an irresistible value

AVON

**PROGRESS FOR
WOMEN**

Maximizing Positive Impact

Implemented in Peru and Colombia



Woman Rights

- Hotline to fight domestic violence



Education

- University & Professional Scholarships
- Digital and Financial Education



Beauty Consultant health

- Telemedicine & mental health support
- Early detection of breast cancer



Income Generation

- Increase the earnings of beauty consultants



Peru



Colombia



Recycling

- 2x increase in recycling volume



Amazon

- Sourcing from new communities in the Colombian and Peruvian Amazon



GHG reduction

- A single box, reducing environmental impact (Co2)

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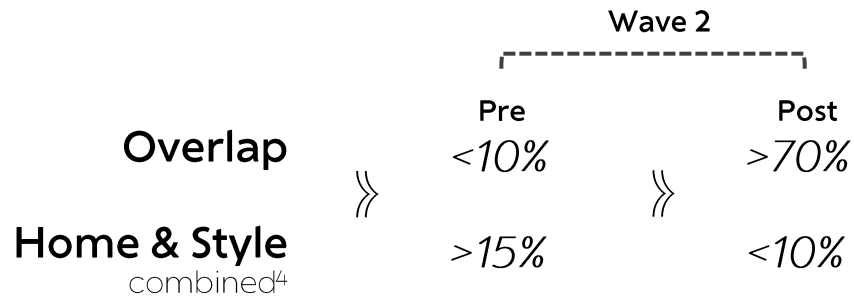
5 *Summary & Conclusion*

KPIs Peru

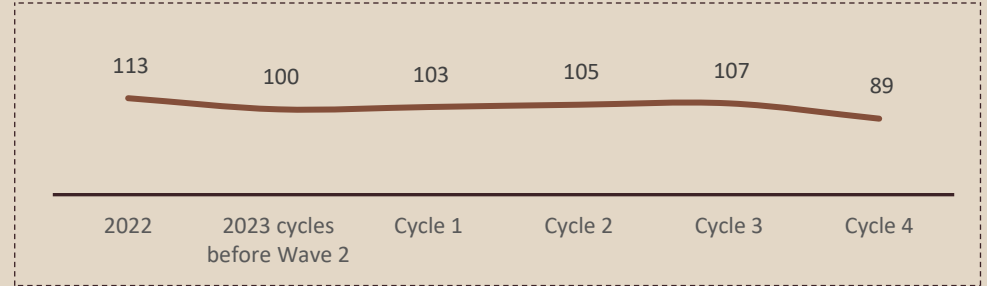


- All KPIs pointing to increasing CFT productivity...
- ... which should improve contribution margins

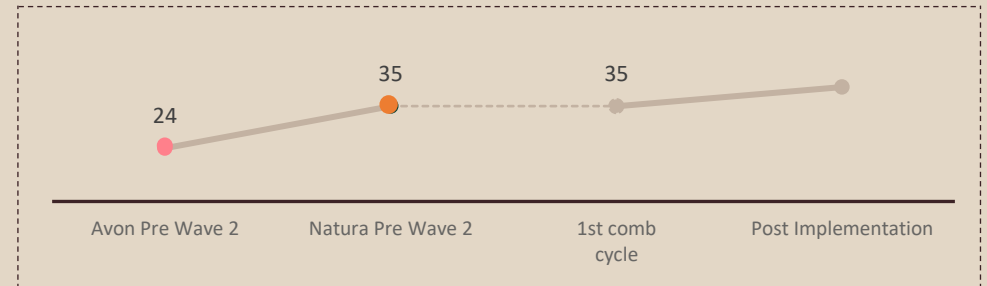
Channel segmentation was not implemented in Peru until the start of Wave 2...



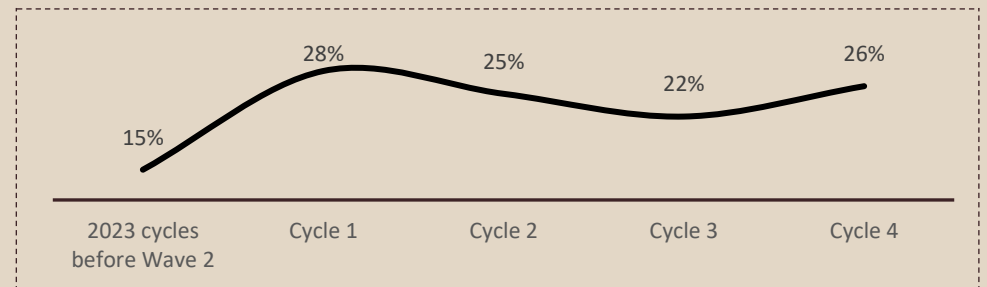
Number of beauty consultants¹



Minimum Order in points²



CFT Productivity³



Notes: ¹The number of beauty consultants considers a base of 100 starting in the 2023 cycles before Wave 2 implementation; ²Minimum order in pts; ³CFT Productivity Growth YoY (%); ⁴Considers Natura + Avon revenue in Peru

KPIs Colombia

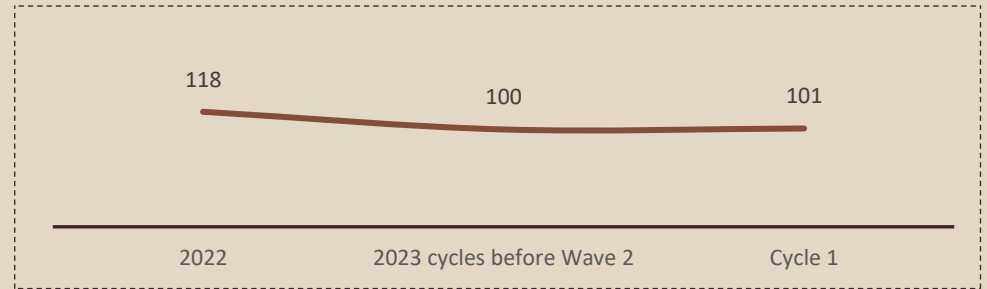


- The Natura and Avon brands are healthier in Colombia than in Peru
- Colombia's **initial data** points in the same direction as Peru, in a different magnitude

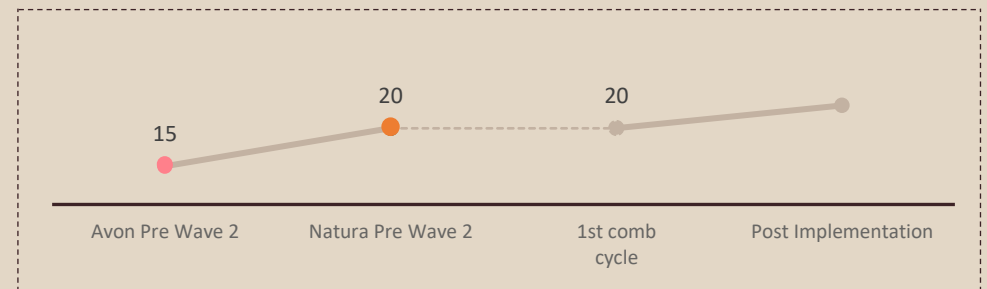
...in Colombia, channel segmentation was implemented before the start of Wave 2

	Wave 2	
	Pre	Post
Overlap	<10%	>70%
Home & Style combined ⁴	>15%	<10%

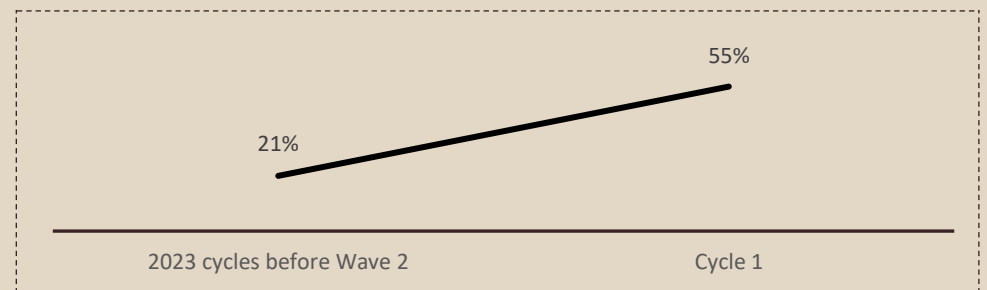
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Challenges & Learnings

- *Difference in the minimum order between Natura and Avon*
- *Unique dynamics in each country: competitive scenario, socio-political context, and brand power*
- *Changes in commercial rules and reorganizing sales force accordingly*
- *Preparation with technology, systems and consultant information*
- *Commercial team integration: accommodate the new geography, establishing new relationships*
- *More limited digitalization in Avon's network than in Natura's network*

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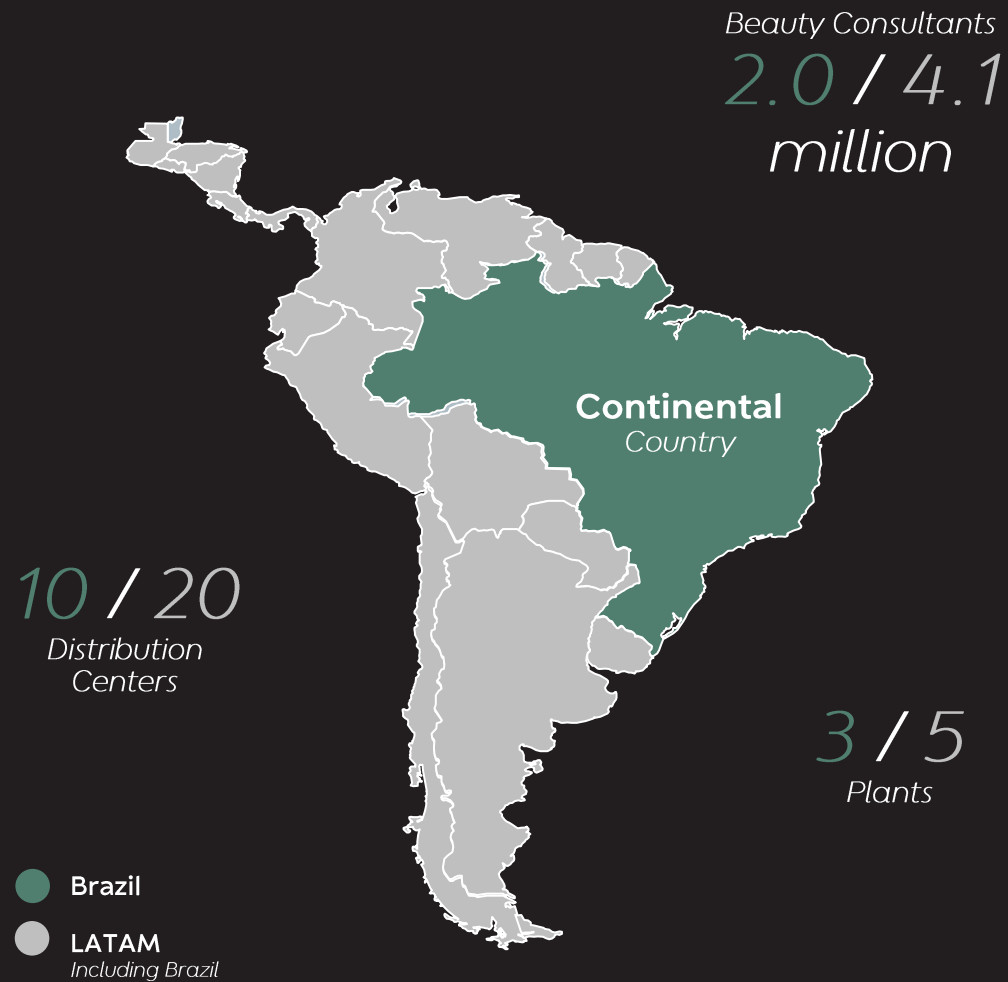
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Brazilian Market Singularities



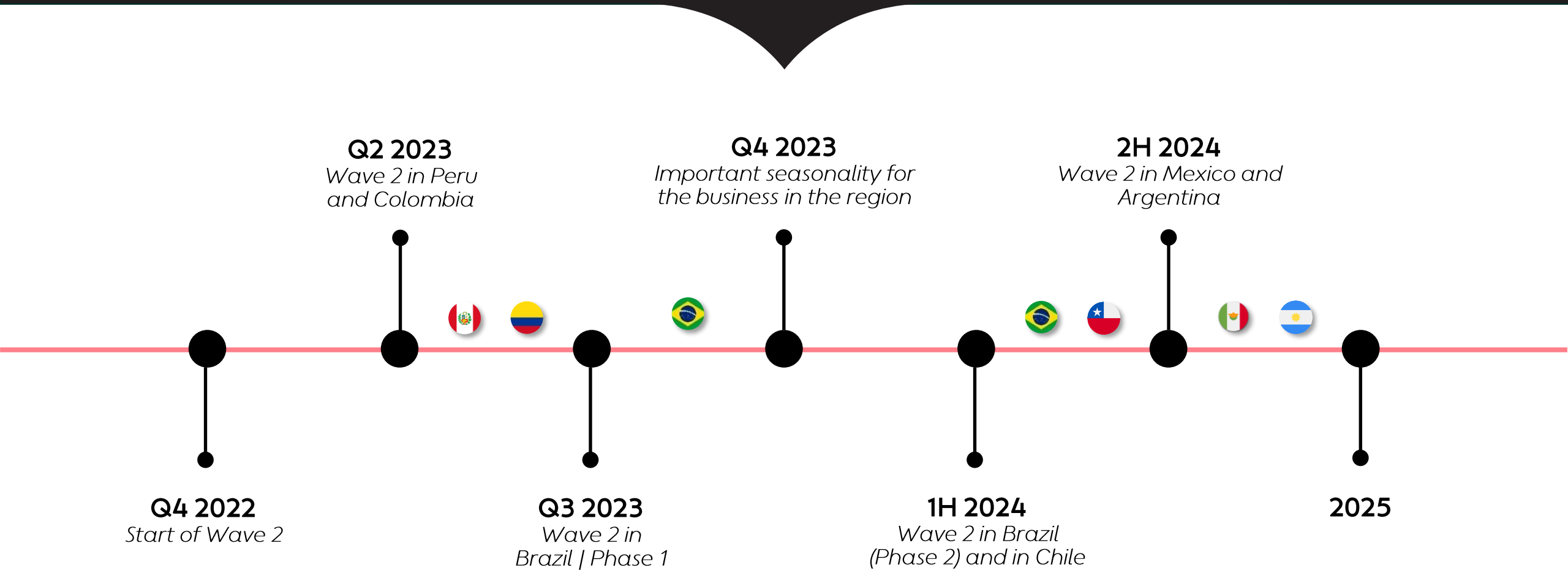
- Size of the market
- Logistics integration complexity
- Higher consultant overlap | ~40%
- Payment terms to the Beauty Consultants



- Unique implementation process

Timeline Going Forward

- Brazil Phase 1 | Integration of part of the IT system, commercial team, and consultants
- Brazil Phase 2 | Integration of the remaining IT systems and logistics processes
- Timeline | Pending on external and internal conditions



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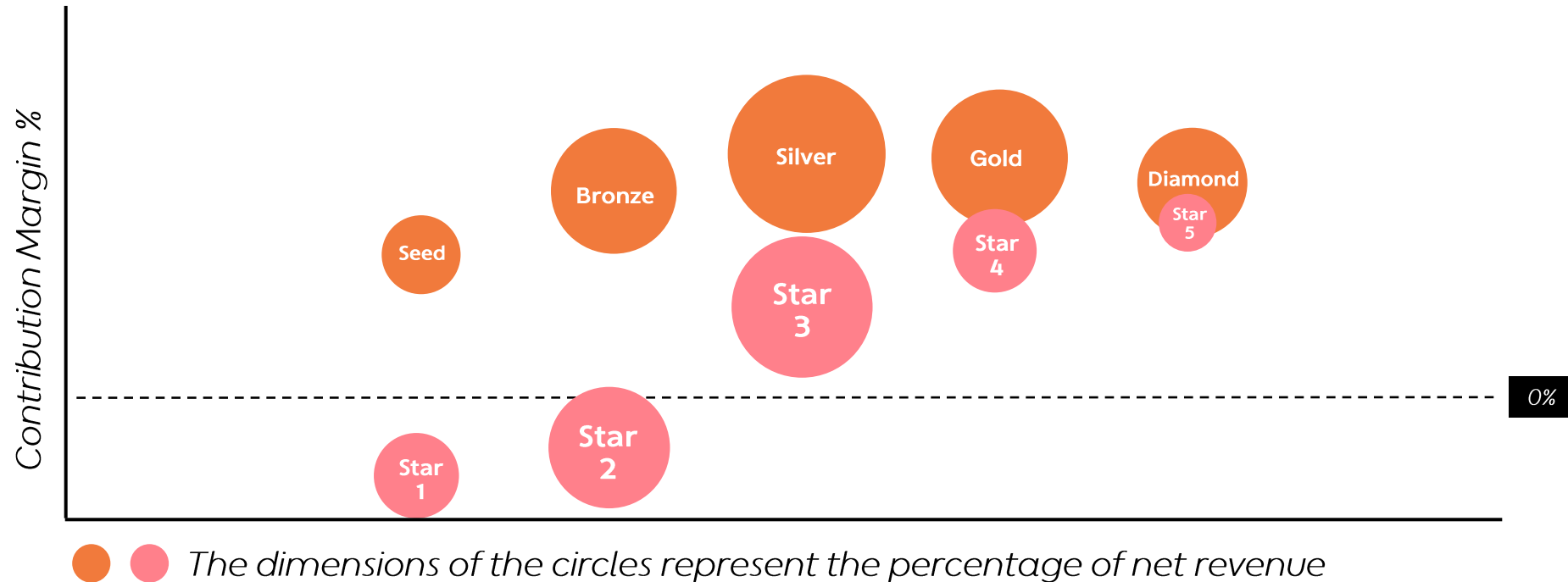
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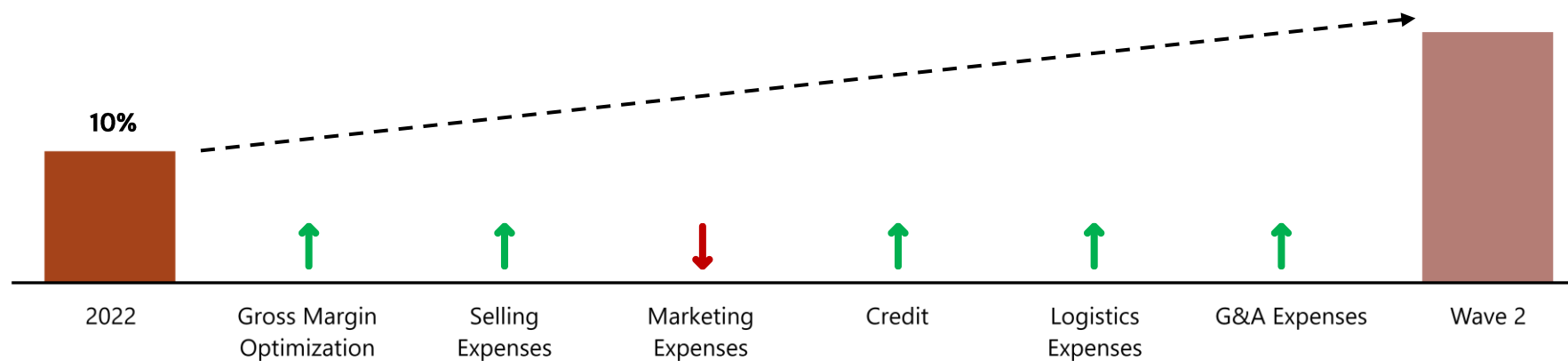
Wave 2 to Harmonize the Commercial Model...



- Natura's commercial model is based on a balanced contribution margin across all clusters
- Avon's pre-Wave 2 commercial model shows an imbalance, not only in revenues but also in the contribution margin among star levels

...While Balancing Profitability

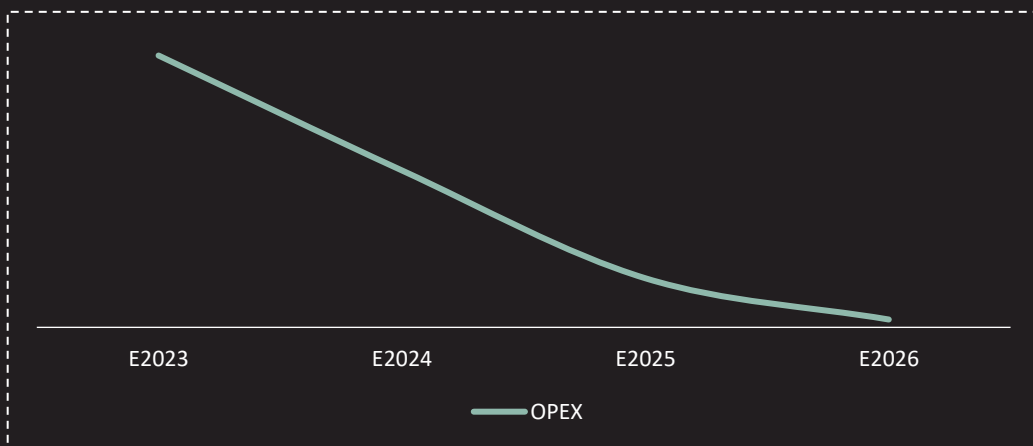
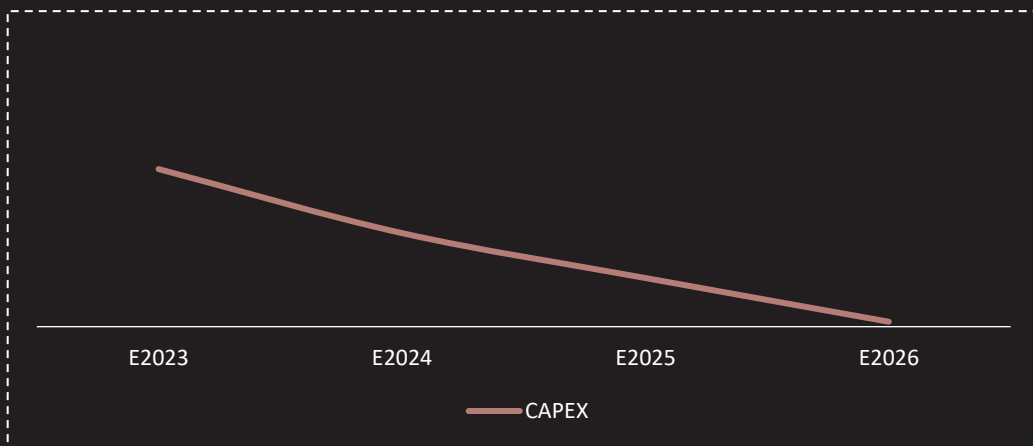
Adjusted
EBITDA Margin



The graph is shown for illustrative purposes only. Its proportions are intended to show trends and should not be interpreted as projections

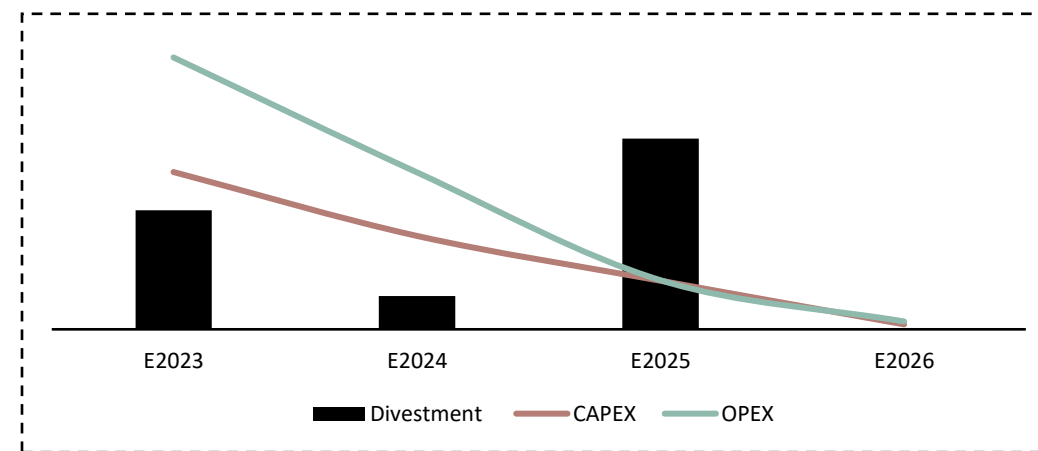
- *Main drivers of margin improvement come from gross margins, logistics and G&A*
- *Marketing investments will be intensified and should increase as a percentage of net revenues*
- *All leading to better profitability and ROIC*

Cost to Implement & Offset Strategy



- **The process incurs costs, such as:**
 - Termination/adjustment of contracts
 - Severance
 - Investments to progress the integration of both brands

- **The Company expects to partially offset costs with the sale of assets**



The graphs are shown for illustrative purposes only. Their proportions are intended to show trends and should not be interpreted as projections

OPEX, CAPEX and divestments mentioned in this slide refer exclusively to Wave 2 project costs and should not be understood as Latam business unit or Group (consolidated) numbers

Risks

- **Logistics challenges**
- **Challenges during Avon's IT migration**
- **Network loss higher than expected**
- **Portfolio cannibalization**
- **Operational deleveraging**



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Closing **Remarks**

- *Higher productivity driving network quality improvement and beauty consultants' prosperity*
- *Yet, a hit is expected in the distribution channel, which might temporarily impact revenue, particularly in Home & Style*
- *However, when combined with an optimal portfolio, cost structure simplification and improved logistic density, this movement will:*
 - *Pave the way for evolution in profitability and ROIC by the end of Wave 2*
 - *Lead to carbon footprint reduction*
 - *Put us in a position to explore opportunities for further investments in innovation and strengthening the brands*

Thank
you

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