natura

Conference Call Transcript

Q4 2025 Results

Operator:
Good morning, ladies and gentlemen, and thank you for waiting. Welcome to Natura's Q4 2025 Earnings Conference Call.

It is important to note for those who need simultaneous translation that this feature is available on the platform. To access it, simply click the Interpretation button—the globe icon at the bottom of the screen—and select your preferred language, Portuguese or English. And for those listening to the conference call in English, you can mute the original audio in Portuguese by clicking Mute Original Audio.

Joining us today are João Paulo Ferreira and Silvia Vilas Boas, CEO and CFO of the Natura Group, respectively.

The presentation we will be referring to during this call is already available on the Investor Relations website. I now turn the floor over to João Paulo Ferreira. Please, João, go ahead.

João Paulo Ferreira:
Good morning, everyone. Thank you very much for joining us on this call and for your interest in Natura.

I'd like to begin by noting that 2025 was a major milestone for the company, as it marked the conclusion of the corporate streamlining process that began back in 2022 and was led by Fábio Barbosa.

In 2025, we completed the sale of the assets of Avon International, Central America and the Dominican Republic, and Russia. In addition, we simplified the holding company's structure and finalized the reverse merger, which enabled us to return to our original ticker symbol, NATU3.

We also completed the streamlining of our ongoing operations here in Latin America with the integration of Wave 2 into the two remaining regions, Mexico and Argentina. With this, the company returned to its roots, prioritizing and focusing on its operations, strengths, and opportunities in Latin America.

Let me now walk you through how our operations closed out 2025. In the fourth quarter, the Natura brand in Brazil saw a slight decline in revenue, driven by lower sales volume and reduced activity among the less active consultants. Our higher concentration of business in the Northeast region, which was more severely affected by the challenging consumer environment, also weighed on results.

And although the brand maintained its market leadership, we did see a slight loss of market share in 2025. We have already taken steps to restore growth, such as adjusting incentives for our sales force and strengthening our product launch pipeline—details we will explore later in the call.

In Hispanic America, our two main markets, Mexico and Argentina, continue to see revenues impacted by the integration of Wave 2. Mexico is already showing positive and consistent signs of recovery, which makes us optimistic about the coming quarters.

In Argentina, where we are also seeing improvement, stabilization will take longer because, in addition to a more severe integration impact, we continue to navigate macroeconomic conditions that have weighed on consumption. Even so, amid the ongoing revenue recovery, we are already seeing a gradual improvement in regional profitability as we capture the efficiencies from the integration.

Stepping back from the fourth quarter to our full-year results, I would also like to highlight how we delivered on the commitments we made to our investors.

We expanded the EBITDA margin in Latin America—both reported and recurring—by more than 100 bps compared to the previous year. We reduced transformation costs by more than 10% year-over-year, and, as promised, this was the last quarter in which we reported this line item. Finally, we maintained leverage within the optimal range of one to one and a half times EBITDA, ending the year at 1.3 times.

Lastly, before turning the floor over to Silvia, I want to highlight our net income from continuing operations of nearly R$1 billion—already inclusive of the transformation costs incurred. This is a significant figure, though still short of our potential, and it demonstrates the company's capacity for strong profitability when focused on the core of its business.

Silvia, the floor is yours for the financial details.

Silvia Vilas Boas:

Good morning, everyone, and thank you very much for joining us.

Before we begin analyzing the numbers, I would like to revisit, as I mentioned on our last call, the matter of comparability in our financial statements. To facilitate analysis, our earnings release continues to present a pro-forma basis figure.

In this presentation, as well as in the supporting materials available on the IR website, we have presented results on an adjusted and comparable basis. This means that for the 2024 figures and the 2025 consolidated results, we have excluded the Avon assets that were divested.

As we know, these recurring adjustments add an additional layer of complexity to the analysis, and we appreciate everyone's diligence. But with the completion of the corporate simplification, this issue is finally behind us.

Starting in the third quarter of 2026, the comparisons will be completely clean, as they will fully reflect the period following the reverse merger of the Holding Company by Cosméticos. I must say that none of you are happier about the end of this cycle than JP, Helena, and me.

Let's now begin the financial session. On slide 5, we detail revenue performance in Brazil.

In the fourth quarter, Brazil saw a 4.8% year-over-year decline. Looking specifically at the Natura brand, the decline was 2.2% versus the same period last year, and it is worth putting into context the factors behind this performance.

The first factor is our comparison base. In Q4 2024, Natura Brazil grew 21%, which set a very high bar for the comparable period this year. Additionally, we saw lower activity across our consultant network, with a roughly 5% reduction in the channel, concentrated mainly in less productive segments.

On the supply side, we experienced a shortage of body splash products, one of our best-selling items in 2025.

Finally, we saw a decline in demand in the Northeast region, where our market share exceeds our national average, which amplified the impact on our consolidated results.

To address these issues, we have taken several measures. The body splash availability issue has already been resolved, and we have revised the sales force incentive model to include metrics such as balance of new recruits and order frequency.

We are already seeing positive signs starting in March, although for the first quarter we expect Natura's performance in Brazil to be similar to or slightly better than that of the fourth quarter of 2025.

At Avon Brazil, we recorded sequential improvement compared to the third quarter. This trend reflects progress in operational stabilization following the move of the factory from Interlagos to Cajamar.

Despite the operational progress, Avon brand revenue declined by 11.5%, reflecting a lack of innovations during the period. The official relaunch of the brand took place last week and marks the start of the recovery plan.

The Mother's Day catalog already features the new concept, with the first product launches hitting the market starting in the second quarter. I emphasize that Avon's recovery will be gradual throughout the year, with progress on the plan tied to the achievement of previously established targets.

Turning to the channel breakdown: relationship selling recorded a 5% decline in the consultant base, accompanied by lower activity among less active segments. By contrast, non-direct channels—digital and retail—continue to show healthy growth, already accounting for 23% of total revenue this quarter versus 18% in the prior year. These channels remain key drivers of diversification and growth.

On slide 6, we detail the profitability of the Brazil operation. The recurring EBITDA margin reached 21.7% in this fourth quarter, up by 410 bps compared to the 17.6% reported in the same period of 2024.

This growth reflects a 150 bps expansion in the gross margin on a low basis of comparison. The seasonality of the fourth quarter, with a higher mix of gifts, explains the 170 bps decline compared to the third quarter. Tactical promotional efforts to address consumption restraint during the period accentuated this trend.

In the 2025 consolidated results, gross margin reached 69%, in line with the 2024 result. The second driver came from the sales expenses line, with efficiency gains of 300 bps compared to the fourth quarter of 2024. The result reflects the adjustment of sales force incentives and tactical adjustments, such as in relationship-building initiatives and events.

In G&A, we recorded an impact of 120 bps from investments in systems and digitization, with normalization beginning in 2026. Nominal G&A went down by approximately 20% compared to the third quarter, resulting from tactical cuts and adjustments to variable compensation.

We ended 2025 with a margin of 20.1% in Brazil, a decline of 140 bps compared to 2024, yet still a healthy margin above 20%.

On slide 7, we detail the Hispanic region, which recorded a 1.4% decline in constant currency and a 21.5% decline in Brazilian reais. Excluding the impact of Argentina, revenue grew 2.5% in constant currency. This figure reflects the region's sequential recovery following Wave 2 and the performance of the more mature combined markets.

The Natura brand grew 6.7% in constant currency. Excluding Argentina, the brand recorded single-digit growth, in line with the consolidated results. The more mature integrated markets continue to grow healthily, and in Mexico, although still impacted by Wave 2, we are already seeing a recovery in the channel this quarter, operating at levels close to those of the same period in 2024.

For the Avon brand, the 14.7% decline in constant currency marks an improvement from the 27% decline in the previous quarter. Operational stabilization in Mexico and sell-in to CARD are the key drivers of this performance. Argentina continues to face pressure from the shift to digital catalogs and the impacts of channel integration. As in Brazil, the lack of innovations weighed on results for the period. The brand's relaunch in Mexico, simultaneous with Brazil, supports the recovery strategy for the coming quarters.

Finally, the Home & Style category showed sequential improvement but declined 27% in constant currency. This result reflects Wave 2 in Mexico and Argentina, which adjusted commercial incentives and reduced channel activity.

On slide 8, we detail Hispanic's profitability, which recorded a significant improvement in the EBITDA margin, reaching 7.5% this quarter. The result represents an expansion of 810 bps compared to the negative margin recorded in the same last year, as well as a sequential gain of 300 bps over the third quarter. Three main drivers underpin this improvement:

First, the gross margin showed a marginal gain of 30 bps, benefiting from the accounting effect of hyperinflation in Argentina, a factor that, conversely, put pressure on revenue. Excluding this effect, the gross margin remains impacted by integration effects in Mexico and Argentina.

Second, selling expenses contributed a positive 560 bps to the EBITDA margin, reflecting the capture of Wave 2 efficiencies as well as lower marketing investments resulting from service level constraints.

Finally, G&A contributed 190 bps of efficiency, reflecting both the synergies from Wave 2 and tactical expense cuts and adjustments to variable compensation.

In the full year, Hispanic's profitability reached 6.3%. Although this result represents a significant improvement compared to 2024 and is in line with what was presented in the first quarter of 2025 during the Natura Investor Day, it remains below the potential of the region. We remain committed to gradually closing the profitability gap between Hispanic America and Brazil.

Moving to slide 9, let's now look at our consolidated results. Revenue declined 3.4% in constant currency and 12.1% in Brazilian reais, reflecting the operational challenges and macroeconomic environment that was detailed earlier.

Regarding profitability, the group's adjusted EBITDA margin expanded by 700 bps. In Latam, the gain was 650 bps, a difference of 50 bps explained by the simplification of corporate expenses. We reduced this line by 50%, representing a drop from 80 bps to 30 bps in the consolidated expense-to-revenue ratio.

Latam's margin was driven by a combination of gross margin expansion, sales efficiencies, and G&A savings, resulting from tactical cuts, adjustments to variable compensation, and the capture of Wave 2 operational synergies in the region.

For the full year, Latam's EBITDA margin reached 14.6%, up by 130 bps compared to 2024. With this result, we fulfilled our commitment to annual profitability growth, which was also achieved even if excluding the positive effect of the variable compensation adjustment. We also reiterate the reduction in transformation costs, which totaled R$ 426 million in 2025, compared to R$ 484 million in the previous fiscal year. This result marks the end of transformation costs.

For 2026, with the transformation cycle now concluded—as JP will discuss next—our strategy is focused on the continued expansion of margins, supported by additional efficiency gains and operational leverage, underpinned by rigorous capital allocation discipline with a focus on returns.

In Brazil, we prioritize gaining market share through the resumption of relationship selling activities and the acceleration of digital and retail channels. In Hispanic, the focus is on fully capturing the efficiencies arising from Wave 2.

Complementing these drivers, the implementation of the new operating model—which JP will also discuss—will yield a more agile, efficient organization with strong execution capabilities.

Let's now turn to the net income of the quarter, on slide 10.

Our net income was impacted, once again, by non-recurring accounting effects related to our discontinued operations. As a result, we recorded a net loss of R$ 321 million this quarter. This figure primarily reflects three events:

First, the full write-off of the provision for accounts receivable from the sale of The Body Shop, in the amount of R$ 434 million. Second, the payment under the settlement related to the Chapman lawsuit, involving Avon's former non-operating subsidiary in the United States, in the amount of R$ 360 million. Finally, the write-off related to the sale of Avon's assets, in the amount of R$ 147 million.

I would like to emphasize that we do not anticipate any further impacts of this nature in the coming periods. As a result, excluding these effects, we recorded net income from continuing operations of R$ 620 million in the fourth quarter.

When compared to the net income from continuing operations of R$ 299 million in the fourth quarter of 2024, also adjusted for non-recurring accounting effects, this represents an improvement of R$ 321 million versus the fourth quarter of the previous year—more than double.

This improvement stems primarily from two factors: First, the expansion of profitability during the period. Second, the reduction in transformation costs. And here I want to repeat: this was the last quarter in which we reported costs of this nature. These positive effects were partially offset by the financial results line due to a non-cash impact. This movement stems from the appreciation of the Brazilian real, which has an unfavorable effect on the foreign exchange hedge of our dollar-denominated debt.

On the next slide, slide 11, we look at free cash flow to firm. In the twelve months ended December 2025, we generated free cash flow to firm of R$ 753 million, a decrease of R$ 276 million compared to the same period of the prior year.

This decline was primarily driven by working capital deterioration of R$ 732 million, mainly from inventory, partially offset by improved tax efficiency and the normalization of CAPEX levels.

Looking at the working capital dynamics, several distinct factors shaped our cash generation. First, we saw a cash consumption of R$ 503 million in inventory, reflecting the mismatch between sales volume and commercial planning throughout the year.

Accounts payable contributed R$ 502 million in cash generation, down from the prior year due to lower purchase volumes resulting from cost-containment measures. These headwinds were offset by the accounts receivable line, which released R$1.3 billion in cash, reflecting lower consumption from slowing sales and a more restrictive credit policy.

Finally, the other assets and liabilities line item showed a cash outflow of R$ 1 billion, primarily impacted by lower provisions for variable compensation and the pace of tax credit offsets, consistent with revenue performance for the fiscal year.

On free cash flow, we saw an improvement of R$ 166 million year-on-year. However, it is worth adjusting the 2024 figure for the R$ 610 million disbursement associated with Chapter 11. Excluding that effect, free cash flow for 2025 would have declined by R$ 44 million, reflecting the R$ 276 million reduction in operating cash flow and higher interest payments and foreign exchange effects on our cash position.

On slide 12, I conclude my presentation by detailing our debt and leverage position. We ended the quarter with net debt of R$ 3.5 billion, representing a sequential reduction of R$ 600 million and a decrease of R$ 700 million compared to the fourth quarter of 2024.

This deleveraging directly reflects our operating cash generation during the period and reinforces our commitment to strengthening our balance sheet. As a result, our leverage ratio fell significantly, from 2.53x in Q3 to 1.57x in Q4.

I would also like to highlight that this quarter's EBITDA was negatively impacted by R$ 434 million associated with the provision for receivables from the sale of The Body Shop, with no cash effect. Excluding this non-recurring effect, our adjusted leverage ratio stands at 1.31x.

With this result, we have reached the level we consider our ideal capital structure—between 1x and 1.5x net debt to EBITDA—and have thus fulfilled yet another commitment made to the market for 2025.

I'll now turn the floor over to JP and will return shortly for the Q&A session. Thank you.

João Paulo Ferreira:

Thank you, Silvia.

Before we open the floor for the Q&A session, I'd like to share a few final thoughts.

We closed out 2025 having completed the fundamental simplification cycle that began in 2022. Throughout this period, we successfully divested non-strategic assets, including Avon International, Central America, the Dominican Republic, and Russia, enabling management to focus entirely on the core of our business.

We also completed the integration of Wave 2 across all the regions where we operate, consolidating a more agile and efficient business model. In parallel with this transformation, we defended the Natura brand's market share leadership and structured the plan to relaunch the Avon brand—key drivers for our future growth.

The result of this disciplined execution reflects our fourth consecutive year of EBITDA margin expansion, both recurring and reported, in our Latin American operations. We delivered on our promise: a simpler, financially sound company ready to accelerate growth.

As you can see, the end of this cycle puts net income back at the center of our agenda. We recorded net income from continuing operations of R$ 974 million for the fiscal year—a figure that demonstrates our ability to unlock value and generate returns for our shareholders.

Now, as we enter this new chapter for the company—one that seeks to combine innovation and growth with a rigorous approach to capital allocation and cost management—we have put in place a new organizational structure. As we approached the end of Wave 2, in the middle of last year, we designed a new operating model that is already being implemented.

The model brings together a commercial platform and a brand platform, operating through fully integrated processes aligned with market dynamics and customer needs and preferences, with clear single decision points to eliminate duplication, and a flatter organization structured into more agile business units that each manage their own P&Ls with fully aligned incentives.

At the same time, we have created new organizational structures to further enhance innovation processes, data-driven management, and the development of digital and artificial intelligence solutions.

We believe this new operating model will modernize the company while, interestingly, recapturing the entrepreneurship, agility, and cost efficiency that characterized the origins of Natura.

That is why I am confident in our ability to deliver on our commitments for 2026 and beyond—growing and expanding the leadership of the Natura brand in Brazil, accelerating revenue in Mexico and Argentina, relaunching the Avon brand, improving profitability in Hispanic, and implementing the new operating model with efficiencies that offset implementation costs as early as 2026. This means the end of transformation costs and a return to historical investment levels, continued annual expansion of the company's profitability, and, ultimately, the creation of value and returns for our shareholders.

I’ll conclude here. Thank you for your attention, and we’ll now open the floor for questions.

Operator:

We will now begin the Q&A session. To ask a question, click the Q&A icon at the bottom of your screen and type your question to join the queue.

When your turn is announced, a prompt to activate your microphone will appear on the screen. You must then activate your microphone to ask your question. We ask that all questions be asked at once.

Our first question is from Danni Eiger, Analyst at XP. Please, Danni, turn on your microphone.

Danni Eiger - XP:

Hi, good morning, JP and Silvia—thank you for taking my question. I have two here; the first is on the growth side. You briefly mentioned a return to growth at the end of the quarter at Natura in Brazil, but I’d like to understand a little more about what has been done to ensure the sustainability of this recovery. Regarding the incentive adjustments you mentioned, I’ve already seen some gamification initiatives tied to the World Cup, but there’s also talks of having made a small investment in gross margin in the fourth quarter amid a still-challenging macro environment, and the Northeast remains like this. So if you could help us get a clearer picture of what’s been done and how you expect this to unfold throughout the year, I think that would be really helpful. And again, focusing heavily on Natura Brazil.

And my second question is more on the expense side. I think this issue of model adjustment is quite clear, and how much savings this can generate looking toward 2026, but my question is more tied to the issue of tactical expense control. You’ve held back quite a bit on marketing and some other more opportunistic expenses—is there any correlation between that and eventually also generating growth and revenue? And so just help us think about how to estimate these non-personnel expense lines for 2026—whether there’s still significant efficiency to be captured here, some optimization, or if we should already expect some normalization over the course of the year.

Thank you.

João Paulo Ferreira:

Good morning, Danni.

Starting with growth at Natura Brazil, there are two key pillars: first, strengthening the relationship selling channel, and second, strengthening our innovation pipeline.

As you noted, we have invested in incentives to boost sales force activity; we’ve already seen improvements throughout Q1—nothing dramatic, but consistent gains—and as we factor these trends into our full-year outlook, they create a solid commercial foundation for a return to growth.

At the same time, we have strengthened and accelerated our product launch pipeline, given the current competitive dynamics in our market. So, we are confident in these actions.

I would also add the acceleration of non-direct-sales channels and adjustments to our communication and media strategies for consumers. All of this combined should drive a progressive acceleration of the Natura brand throughout the year.

Danni Eiger - XP:

Sorry, just a quick follow-up, Danni. Regarding this reinforcement of the launch pipeline, do we already see this happening throughout 2026?

João Paulo Ferreira:

Yes, without a doubt. We have significantly shortened our development cycles, and we will see the pipeline strengthen later this year. Please, Silvia.

Silvia Vilas Boas:

Hi, Danni, good morning. Thanks for the question.

On expenses, as you mentioned, ever since we identified the slowdown in Brazil, we have implemented a wide range of tactical cost-cutting measures to protect profitability.

Looking ahead to 2026, our commitment is unchanged: delivering a fifth consecutive year of profitability growth. We will of course continue to look for opportunities, and we have several highly compelling ones for 2026.

The first is the implementation of the new operating model, which involves a 25% reduction in headcount. We will begin to see benefits in 2026—it pays for itself within the year and even generates a net benefit—but the full run-rate benefit, net of severance costs, will be realized in 2027.

In addition, we have the benefits of Wave 2, both in Mexico and Argentina, which, coupled with sales growth, as JP mentioned, will be key drivers in delivering on our commitment to profitability expansion.

Danni Eiger - XP:

That’s great. Thank you. Congratulations on the results.

Operator:
Our next question comes from Joseph Giordano, JP Morgan. Joseph, please go ahead.

Joseph Giordano - JP Morgan:

Good morning, everyone. Good morning, João Paulo and Silvia, thank you for the opportunity to ask questions. I’d like to explore two points.

The first is on the operational side. Coming back to the top-line discussion, we saw quite depressed channel activity in Q4, with newer channels providing some offset—though clearly the direct sales channel is still far more relevant.

So, looking ahead to 2026 and 2027, how should we think about expanding the channel—both digitally and through company-owned stores and franchises—and how might this help mitigate the situation? In this context, how would Avon enter these new channels, particularly in the physical world?

And my second question is more for Silvia, regarding taxes. So we have the corporate merger set to take place this year, so I'd like to understand: are you already in a position to share a bit about what could be gained in terms of goodwill gains and NOLs due to this merger, and how we should think more broadly about the company's tax rate for the coming years. Thank you very much.

João Paulo Ferreira:

Good morning, Joseph.

In our strategic plan, non-direct sales channels are projected to grow at a significantly faster rate than traditional relationship selling—and that is how we should think about their contribution in 2026 and 2027. I would remind you that these channels—retail and online—include formats where consultants are still involved. We shouldn't think of them as operating independently of the consultant network; they also rely on consultants' engagement and commitment, though not exclusively.

And the main driver of growth for Avon in non-direct-sales channels is, notably, the consultant-driven digital channel—a format that was previously unavailable to Avon but is now accessible to our consultants, more so than the physical retail channel.

That said, we are really working on this and have made adjustments that lead us to believe in a strengthening of the relationship selling channel by 2026, okay?

Silvia, please.

Silvia Vilas Boas:

Hi, Joseph. Good morning. Thank you for the question.

Regarding the effective tax rate, you may have noticed that we ended the year with a very low rate, if we exclude the impacts of TBS, but that was a specific situation because we had a loss in the Brazilian entity. So we qualified for Pillar 2, the Safe Harbor, and we didn't have to pay the minimum 15%. And this is a scenario that, looking ahead, we don't expect to keep happening. But at the same time, we have already completed all the integrations, the reverse merger—which even enabled us to recognize goodwill, as you saw in the financial statements; the 2025 impact was small, but we expect to continue using this leverage—and the Wave 2 entities we merged. The model we chose to do this also enables opportunities in Argentina and Mexico.

In short, we will continue to pursue opportunities, while keeping in mind that Pillar 2 sets a minimum rate of 15%. Our goal is to deploy all available levers to minimize any incremental tax burden, though talking about taxes in Brazil require constant monitoring given the evolving regulatory landscape.

Joseph Giordano - JP Morgan:

If I may follow up on this tax issue—please excuse me for going on a bit here—we have the tax reform coming next year, which mainly affects PIS and COFINS taxes for you. How should we view the company's preparation, perhaps from a pricing perspective, to address this change, which also involves the issue of interdependent distribution, where this could potentially shift to 2027? Thank you.

Silvia Vilas Boas:

Joseph, there's a part of the tax reform we're familiar with and a part we're not, because the technical details and tax rates are being released over time.

In our case, whether with PIS and COFINS or with IPI, we face both opportunities and challenges. And we've been working on this—not just now, but since last year—to understand what changes we need to make to our business model to maximize these benefits and, of course, mitigate the negative impacts along the way.

So we have a very structured initiative here at the company, where we are monitoring all the impacts of the tax reform to enable us to act quickly.

Joseph Giordano - JP Morgan:

Perfect, thank you very much.

Operator:
Our next question is from Rodrigo Gastim, Itaú BBA. Rodrigo, please go ahead.

Rodrigo Gastim - Itaú BBA:

Good morning, everyone. I have two points to discuss here as well.

My first point, on top-line growth, is a topic that has been widely discussed with investors since last night—specifically, the sustainability of Natura Brasil's top-line recovery over the coming quarters. I think it would be most helpful if you could share how you view Natura's growth relative to market growth in 2026, as that would give us a useful benchmark.

So, today, when you look at the internal budget, etc., how much growth do you estimate for the cosmetics market in 2026? This is a market that should grow a little more than last year;

it grew around 6 to 6.5%. And how do you envision Natura Brasil's revenue catching up to the market throughout 2026? That's the first one.

And my second question, for Silvia, is about the confidence you have around EBITDA margin expansion in 2026. I see two key dynamics to understand recurring EBITDA margin here: on the positive side, the benefit of cost reductions; and on the negative side, the headwind from severance and a potentially higher profit-sharing payment in 2026.

I just wanted to check if my understanding is correct and, on that basis, what level of confidence you have in the expansion of this margin in 2026 and, theoretically, what would need to happen with Natura Brasil's top line for that to actually happen. Those are the two points. Thank you, everyone.

João Paulo Ferreira:

Good morning, Gastim.

Growth projections for the beauty market in Brazil this year are very similar to last year's. The key variables, as always, are price elasticity and household disposable income, and economists are not anticipating major shifts—though we'll see how the year unfolds. We are projecting market growth of 6% to 7%, and our goal is to gain market share with the Natura brand. Last year we lost some ground but managed to defend our leadership position, and this year our objective is to claw back that share. This doesn't happen through any sudden breakthrough at any point in the year. It's a gradual evolution throughout the year.

Silvia.

Silvia Vilas Boas:

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

Our 2026 commitment stands, and we are quite confident today in our ability to deliver another year of profitability growth. Where does that confidence come from?

On the top line, Natura Brazil—as JP mentioned—already shows encouraging signs, and we have a robust turnaround plan underway. Beyond Brazil, we have Argentina and Mexico. Mexico is already much more stabilized and showing strong channel recovery signals, while Argentina, though still more impacted, will resume its growth trajectory over the course of the year. On SG&A, we still have efficiencies to capture in Mexico and Argentina from Wave 2, and the G&A savings from the new operating model—as I noted in response to Danni's question—will pay for themselves within the fiscal year and even generate a net benefit, even if we won't realize the full run-rate savings this year.

And finally, Hispanic as a whole will take another meaningful step this year to close the gap—both in gross margin and overall profitability—relative to Brazil. Taken together, these are the factors that give us the confidence to reaffirm our commitment to profitability growth in 2026.

Rodrigo Gastim – Itaú BBA:

Perfect, excellent. Thank you, Silvia, for those answers.

Operator:
The next question is from Alexandre Namioka, Morgan Stanley. Alexandre, please go ahead.

Alexandre Namioka - Morgan Stanley:

Good morning, everyone. Thank you for taking my question, and congratulations on the results.

I just wanted to perhaps go into a little more detail regarding Natura Brasil. You mentioned in the press release a reduction in the number of consultants. I just wanted to understand if there is room for you to further reduce this number of consultants in the coming quarters.

You also mentioned changes to the optimization—specifically, the commissions for this channel. Could you elaborate a bit more on the adjustments you've made here and whether you'll need to make any adjustments in other countries outside of Brazil as well? Thank you.

João Paulo Ferreira:

Good morning, Alexandre.

Sales force incentives are always calibrated to the business cycle we are in. In the current cycle, our goal is to rebuild the consultant base and improve their frequency and activity levels—particularly among smaller consultants. Accordingly, incentives for the sales force, area managers, sales managers, and field leaders have all been adjusted in that direction, with a focus on generating growing business volume by attracting, activating, engaging, and training smaller consultants.

These adjustments have been implemented across all our Latin American markets. Tomorrow the challenges may look different, and the incentives will be recalibrated accordingly—as is the nature of managing a sales force.

And it's important to note that we're already seeing a recovery in these indicators, as we'd hoped. And that's what changes, so to speak, the composition of commissions. It's always a function of sales volume, but with qualitative incentives as well regarding how to manage the sales force—in this case, as I said, by seeking greater activity, retention, and attraction of smaller consultants. Thank you.

Alexandre Namioka - Morgan Stanley:

Very clear. Thank you.

Operator:
Our next question comes from João Soares, Citi. João, please go ahead.

João Soares - Citi:

Good morning, everyone. Thank you for taking my question. And congratulations on the results. I have two questions here.

One is a bit operational, regarding margins, and the other is more financial. But JP, Silvia, I'd like to understand a little bit—could you explain to us the logic behind the brand investments? You have a significant pipeline for 2026, with the relaunch of Avon and Natura, and since you're strengthening the channels and have a strong pipeline, I imagine there will be significant R&D spending here.

So, I'd like to understand how you are planning to structure that R&D spend and how you are thinking about the geographic mix of investment. I assume Brazil has fewer easy wins at this stage, making it more about growth and operational leverage, whereas other markets may offer different opportunities. Essentially, I'm trying to get a better sense of how you will pace and prioritize these investments as the business grows.

And secondly, looking at recurring cash generation, I think 2025 was a year where working capital weighed heavily. Looking ahead to 2026, how should we envision this cash conversion? We have a magic number here of 60%, which would be the recurring cash conversion from EBITDA to cash. So, I'd like to see in 2026 how realistic it is to think about approaching that number; in short, I'd like to understand how we should envision this progression in cash conversion. Thank you.

João Paulo Ferreira:

Hi, João.

When it comes to investment in the Avon and Natura brands—starting with R&D, which you mentioned—there are no major step-changes expected. We relocated Avon's Research and Innovation Center here just over a year and a half ago, and R&D spending for both Avon and Natura is well-calibrated. You should not expect any significant increases in R&D investment.

Brand activation and communications investments, on the other hand, are deployed dynamically as the business progresses. The main variable here will be Avon's performance. As we have said before, we will unlock additional brand-support investment as the brand shows signs of recovery.

Personally, I am very excited. You may have seen the reactions on social media to the brand launch, and I have been closely following the response of the sales force—I am genuinely very pleased with what I have seen so far. Now we need to see how consumers react. I believe the reception will be positive, and if it is, we will deploy additional resources behind the Avon brand.

The same applies to the Natura brand, though that brand is far more established, which gives us a much higher degree of predictability around its performance.

You are also right to think about market-by-market differences. In Brazil, brand penetration within our sales force and consultant network is already well established, so growth will be driven by the individual performance of each brand—and I believe there is significant upside potential for Avon in particular.

Mexico is a different story: household penetration is still relatively low, brand penetration within the sales force is also limited, and as a result, the growth incentives and levers there should be considerably more flexible and far-reaching.

That is broadly how we will manage investment throughout the year. Resources are properly planned and can be accelerated if results outperform, or pulled back if conditions require it. Silvia?

Silvia Vilas Boas:

Hi, João. Good morning. Thank you for the question.

On cash generation: as I mentioned at our Investor Day, our goal is to return to historical levels, in the 60% cash conversion range you referenced. That remains our primary objective, and we are actively working towards it. Let me walk through the key drivers.

On working capital—you are right, consumption was high in 2025, driven primarily by inventory. On that front, we completed the structural rollout of all the tools and end-to-end integrated planning processes I discussed with you throughout the year. The key lever for 2026 is better aligning our demand planning with actual market outcomes, which should allow us to optimize inventory levels meaningfully.

On receivables: as growth resumes, we expect to normalize the company's receivables profile. Payables will follow a similar trajectory—after a year of cost containment, payables dynamics in 2026 should also help rebalance overall working capital.

Beyond working capital, João, there are other significant levers for cash generation. First, the end of transformation costs: in 2025, we incurred R$ 414 million in transformation-related charges.

Second, CAPEX and OPEX normalization—with the high-investment structural phase now behind us, both should return to more historical levels. And EBITDA itself will be a lever, given the profitability expansion we are expecting this year.

And finally, growth generates results, and results in turn create opportunities to activate our tax and financial levers. Taken together, all of these factors give us real confidence that cash conversion in 2026 will improve meaningfully relative to 2025.

João Soares - Citi:

That's very clear. Thank you for your answers.

Operator:
Moving on, our next question comes from Irma Sgars, Goldman Sachs. Irma, please go ahead.

Irma Sgars - Goldman Sachs:

Hello, good morning. Thank you for taking my question.

I wanted to focus on the Avon brand relaunch. As you rightly noted, the initial channel reaction was positive, but the real test now is how consumers respond. I'd like to understand which metrics you will be tracking—your most direct data point is clearly sell-in to consultants—and how you will monitor what is actually happening at the sell-out level to avoid the risk of dead stock building up in the channel.

In other words, which KPIs are you watching, and what is the runway you are giving the brand before drawing any conclusions about its performance?

My second question is on gross margin: could you speak to the outlook for this year, both in Brazil and Hispanic? There are several moving parts—foreign exchange, commodities, pricing—and I'd like to understand how you are thinking about managing those dynamics.

And my final question is on delinquency: provisions rose significantly year-over-year this quarter. You touched on the improving outlook in the earnings release, but as we enter 2026, should we expect to see a more normalized trend in this line? Are you comfortable with current coverage levels and the overall quality of the receivables portfolio going forward? Thank you.

João Paulo Ferreira:

Hi, Irma.

The Avon relaunch is happening simultaneously in Brazil and Mexico—our two largest markets—beginning with Campaign 6, which is underway right now. And as I said, sell-in alone is not sufficient; we need to understand how consumers are actually responding.

Some of the metrics we track—brand consideration, market share, and household penetration—have an inherent time lag. That said, we are also able to estimate sell-out through statistical analysis and sampling across our distribution network.

We monitor all of these metrics closely so that, if performance deviates from our expectations, we can detect it as early as possible. I can say with confidence that within a single quarter, we will be able to distinguish between a pure stockpiling effect and genuine product circulation among consultants.

Silvia, please.

Silvia Vilas Boas:

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

Let's start with gross margin. In Brazil, gross margin closed the year at a level we consider healthy, and our expectation for 2026 is to sustain that healthy level, accounting for the normal seasonal variation between quarters.

In Hispanic, there is significant room for improvement—through capturing Wave 2 benefits in Mexico and Argentina, as well as the continued positive evolution of the more mature combined countries. Hispanic is currently running below the potential we believe it has, and 2026 will be another year focused on closing the gross margin gap relative to Brazil.

On commodities and macro pressures: we are continuously monitoring the situation and making internal adjustments—balancing pricing and promotional activity—to manage these dynamics and pressures.

On delinquency: the situation deteriorated in 2025 relative to 2024, driven by Brazil's macroeconomic environment and the income pressure facing the population. Our business is highly sensitive to these dynamics, which is why we have been accelerating the migration of the portfolio from our commercial receivables activity to Emana Pay.

As you can see in the earnings release, delinquency rates in Emana Pay are significantly lower than in the commercial portfolio, because Pay benefits from powerful analytical and digital tools that enable more effective risk management and deeper engagement with consultants. We have already migrated 50% of the portfolio and are on track to complete the transition within 2026.

Irma Sgars - Goldman Sachs:

I see, thank you.

Operator:
Due to time constraints, we will be unable to take further questions. The Q&A session is now closed, and the Natura fourth-quarter 2025 earnings call has concluded. The Investor Relations team remains available to address any additional questions. Thank you very much to all participants, and have a great day.