

# First-Quarter 2023 Results

May 09<sup>th</sup>, 2023

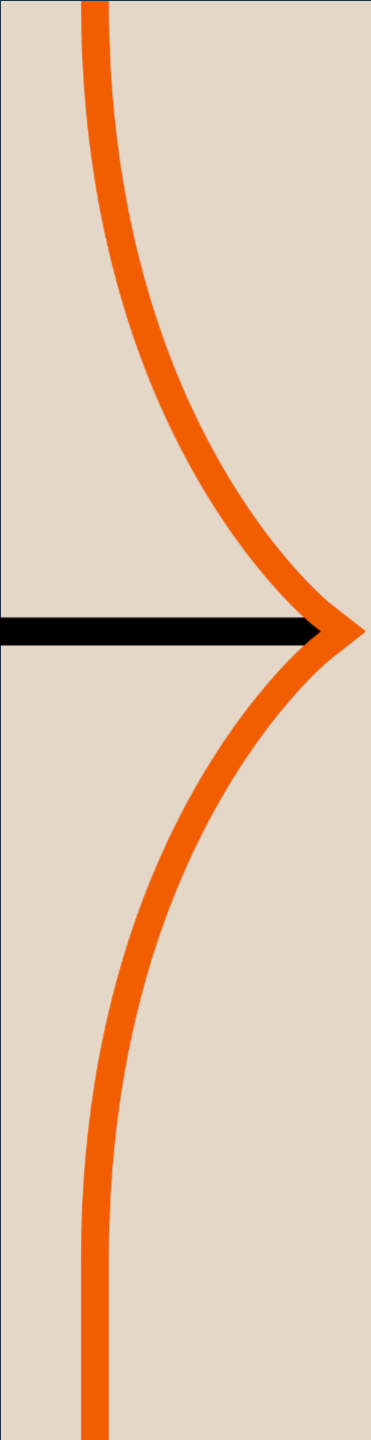
AVON

natura

THE BODY SHOP

Aēsop.

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## 1. Profitability improvement

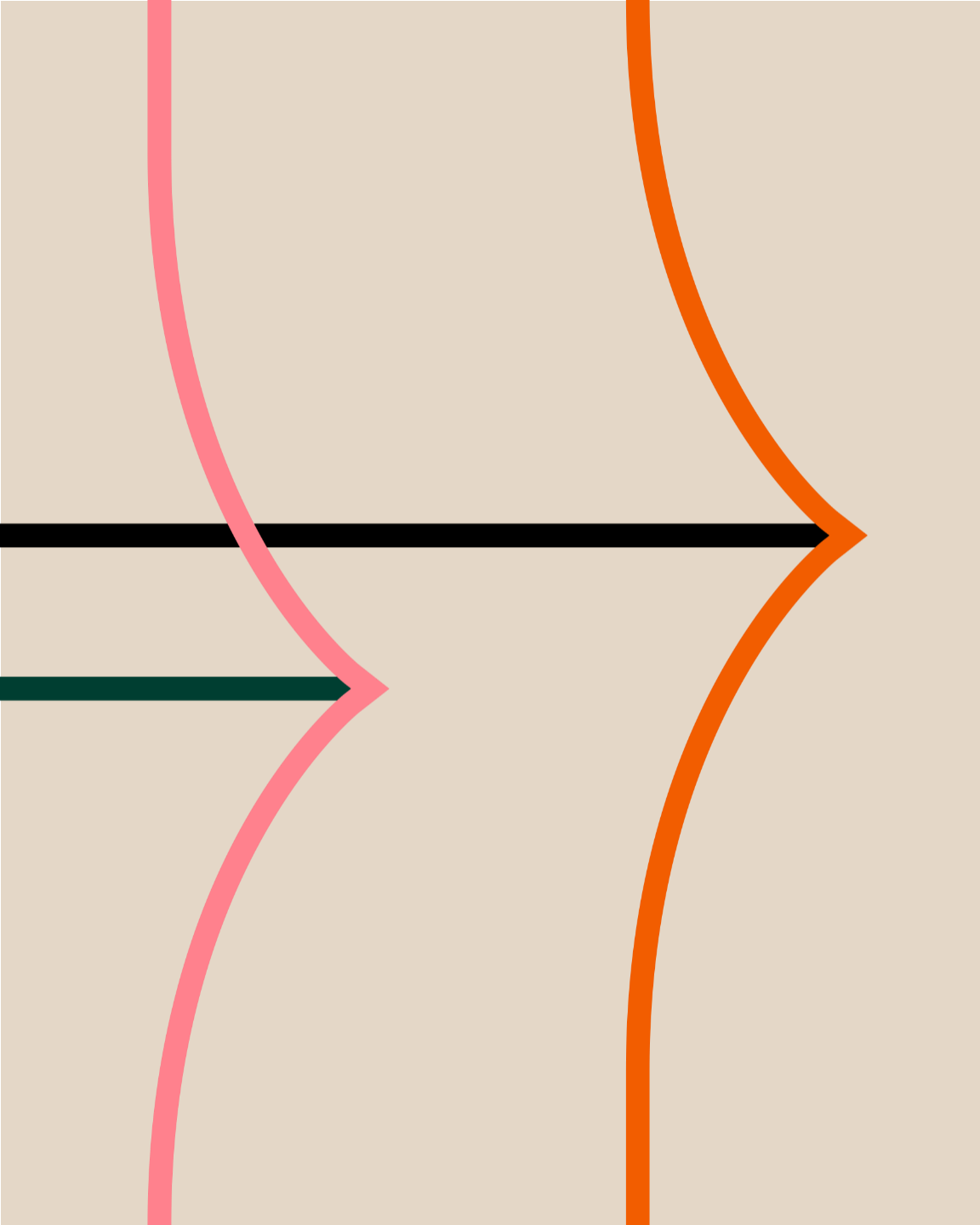
- 370 bps improvement in gross margin, driven by pricing and mix
- Adj. EBITDA margin, at 10.5% (+330 bps), driven by:
  - Natura &Co Latam and Avon International, combined with lower Holding expenses
  - Negatively impacted by sales deleverage at TBS

## 2. Decisive strategic steps

- Binding agreement to sell Aesop (EV US\$2.525 billion), addressing leverage
- Wave 2 implementation in Peru
- New chapter at The Body Shop with CEO transition

## 3. Advances in ESG agenda

- Further progress on renewable or natural ingredients
- Continued focus on pay equity



# Consolidated Financial Performance

Guilherme Castellan, CFO

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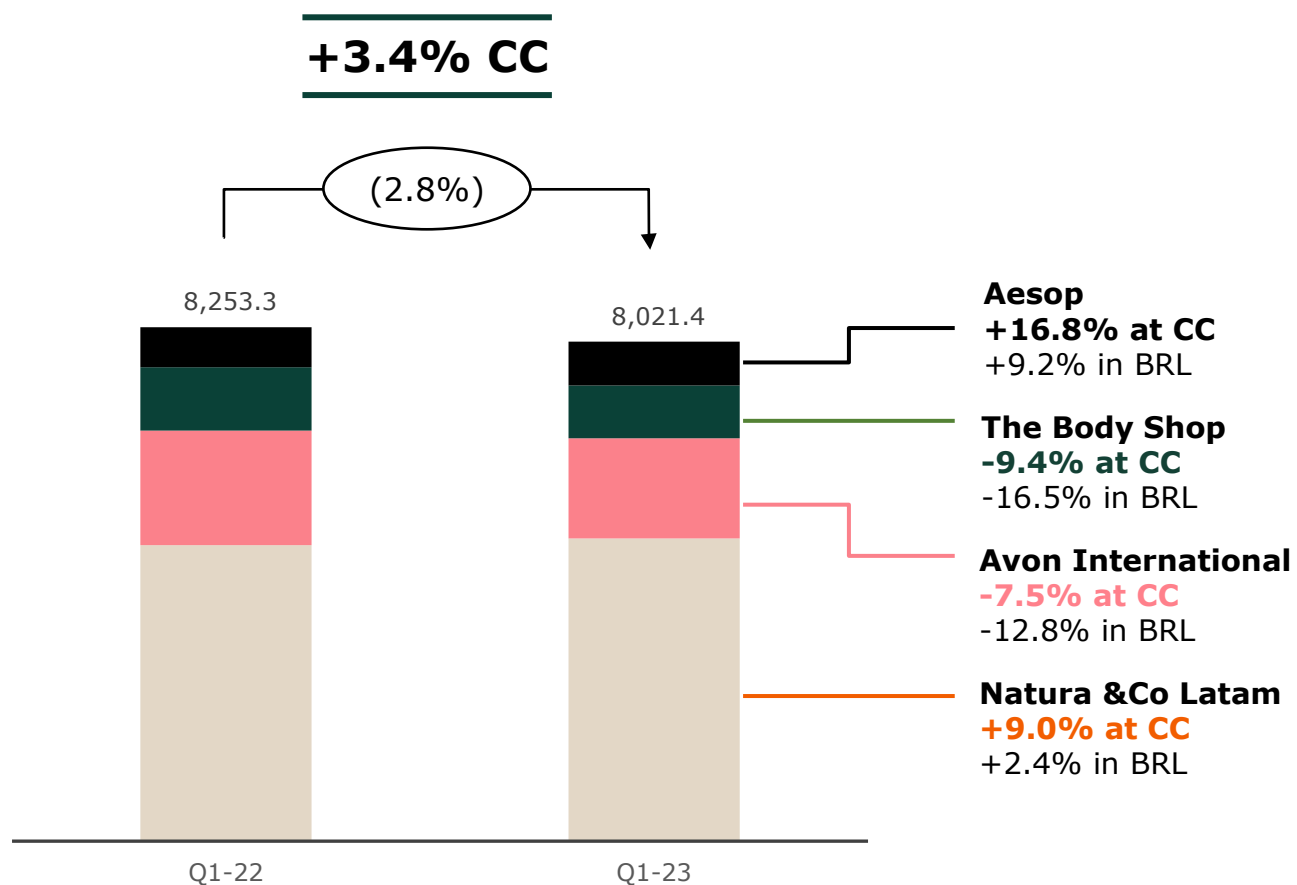
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# Natura &Co: Continued sales growth in constant currency

Net Revenue (BRL million)



## Highlights

Strong performance at:

- Natura &Co Latam  
Mid-twenties % growth at Natura brand
- Growth in CFT for Avon Brazil and Avon Int

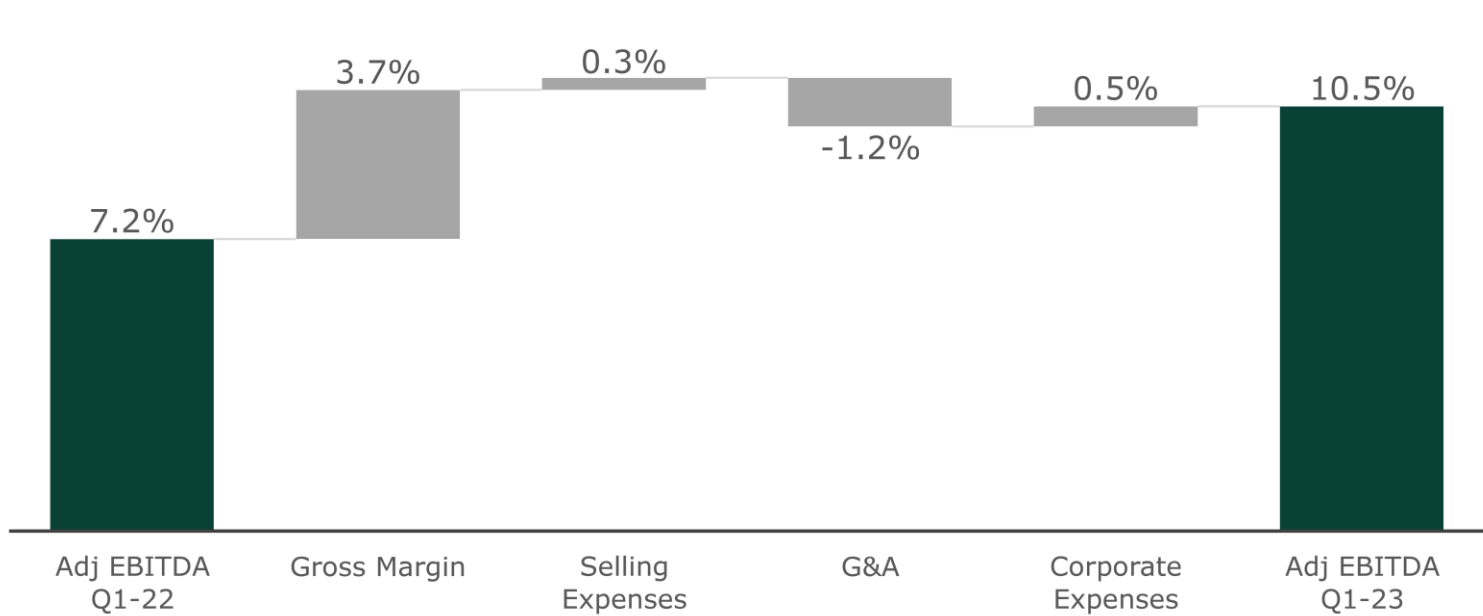
Partially offset by:

- Continued challenges at TBS, and
- Significant decrease in Fashion and Home for Avon (Latam and Int)

Excluding Aesop, Q1-23 consolidated net revenue was BRL 7.3 billion, up +2.2 YoY at CC and down 3.8% YoY in BRL

# Expansion in adjusted EBITDA margin

Q1-23 Consolidated Adjusted EBITDA Margin



## Highlights

- Improvement at Natura &Co Latam and Avon International
- Lower Holding expenses

More than offset by:

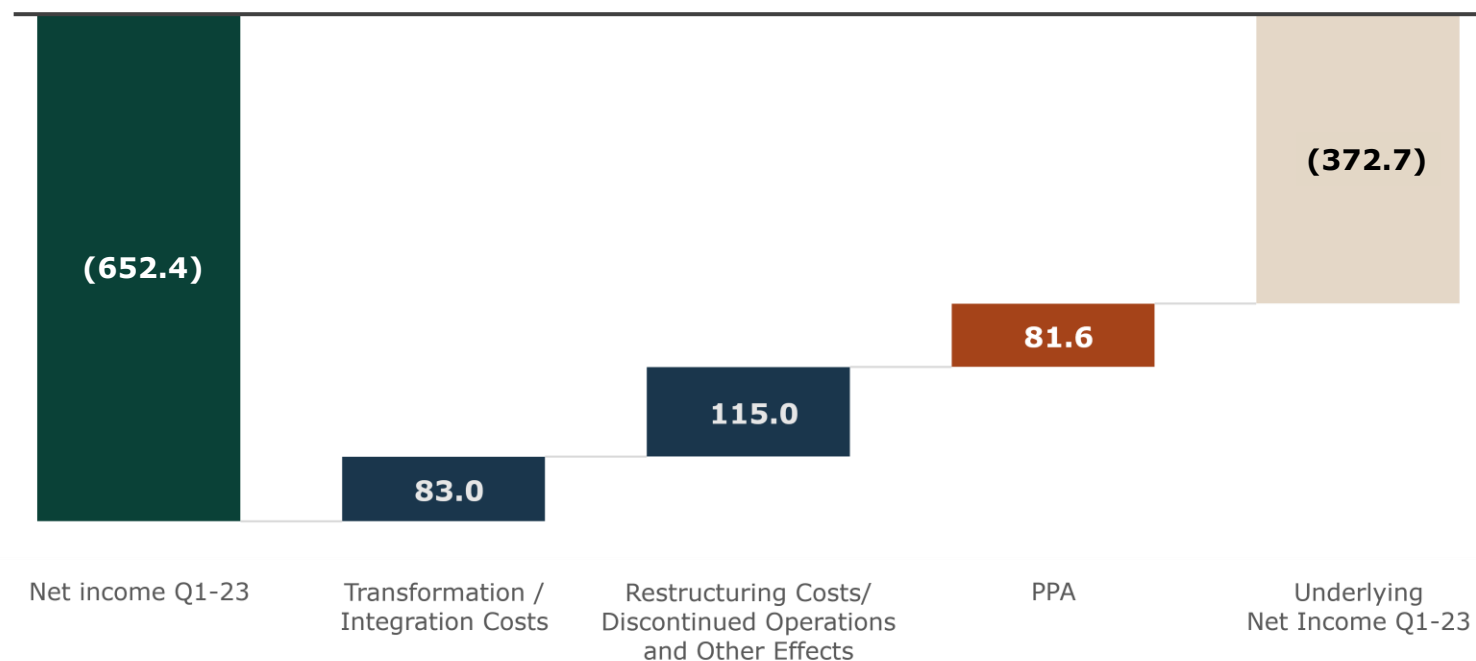
- Slight YoY pressure at TBS from operating deleverage
- Higher pressure at Aesop from continued investments

Adjusted EBITDA ex-Aesop was BRL 712 million, with margin up 370 bps vs Q1-22 to 9.7%

# Underlying net income (UNI) and net income

## Net Income to Underlying Net Income (UNI) Reconciliation

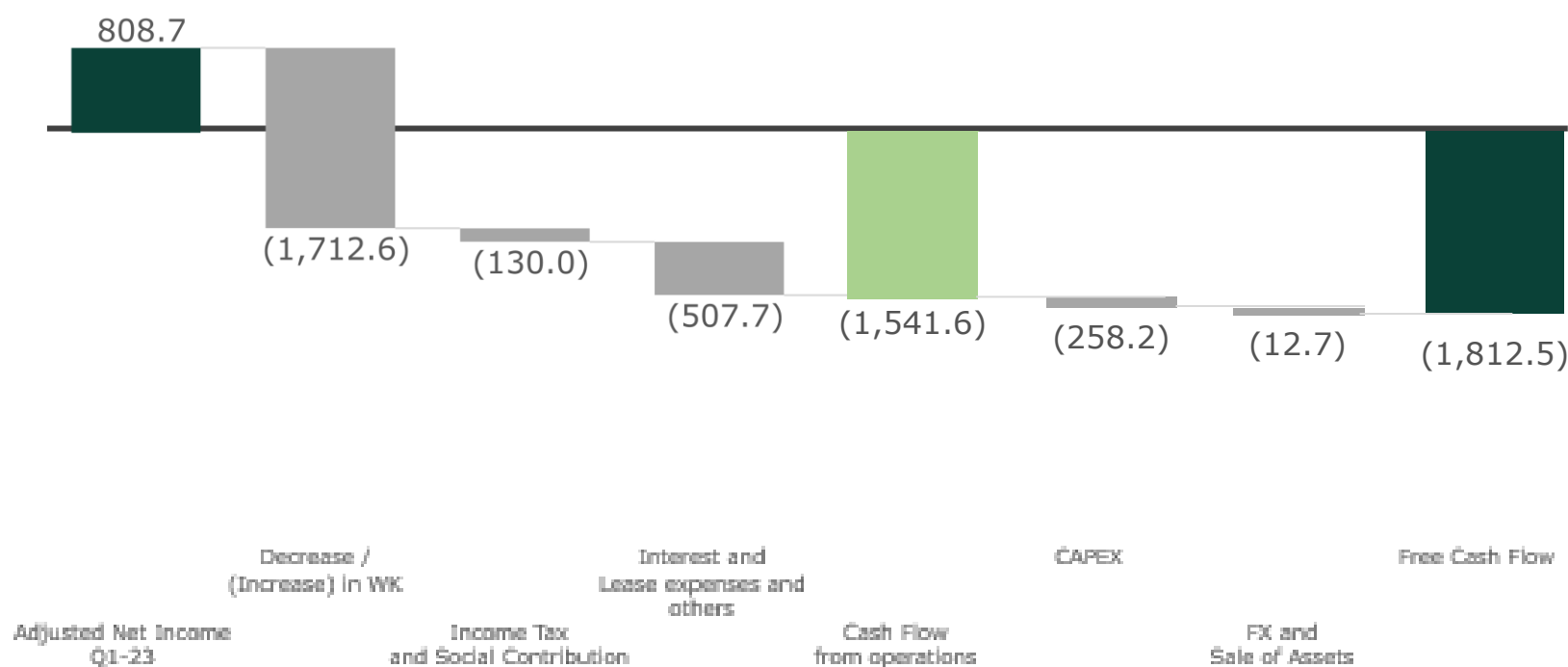
Q1-23 (BRL million) Aesop as Discontinued Operation



### Main Highlights

- Higher EBITDA
- More than offset by:
- Higher net financial expenses (will be addressed with Aesop's sale)
  - Higher losses from discontinued operations

# Progress in cash conversion



## Highlights

Higher Adjusted Net Income

Higher WK consumption:

- Increase in Inventory
- Increase in accounts receivable

Partially offset by:

- Increase in accounts payable
- Improvements in other assets and liabilities

Lower Capex



# Continued liability management

Q1-23

BRL 4.0 billion

Cash balance at period-end

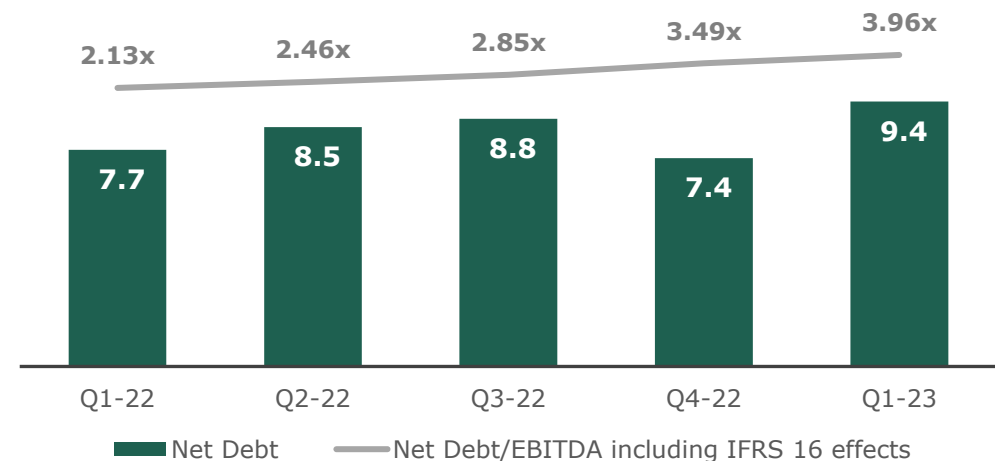
3.96x

Group net debt-to-EBITDA ratio

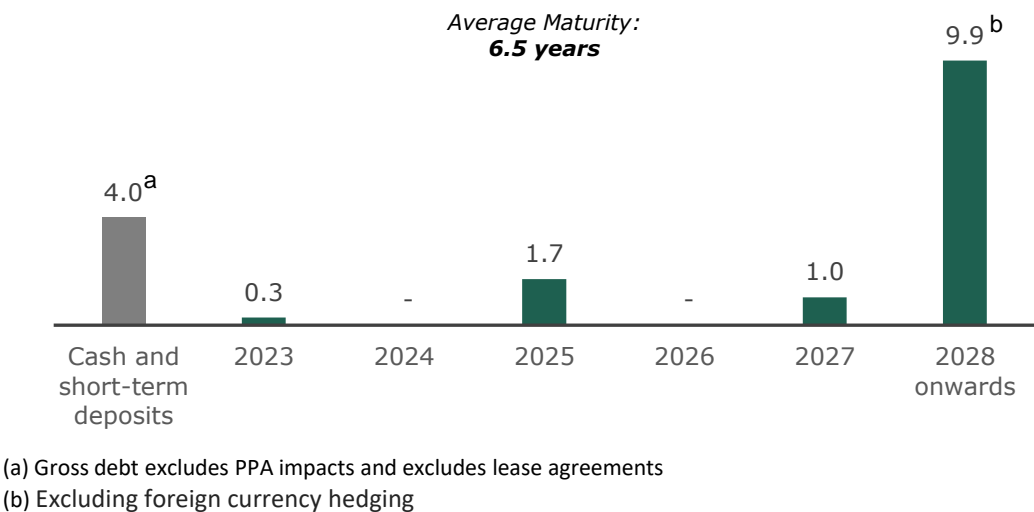
Enterprise value of  
US\$ 2.525 billion

Binding agreement to sell Aesop

Net debt and net debt-to-EBITDA ratio  
(BRL billion)



Amortization schedule  
(BRL billion)



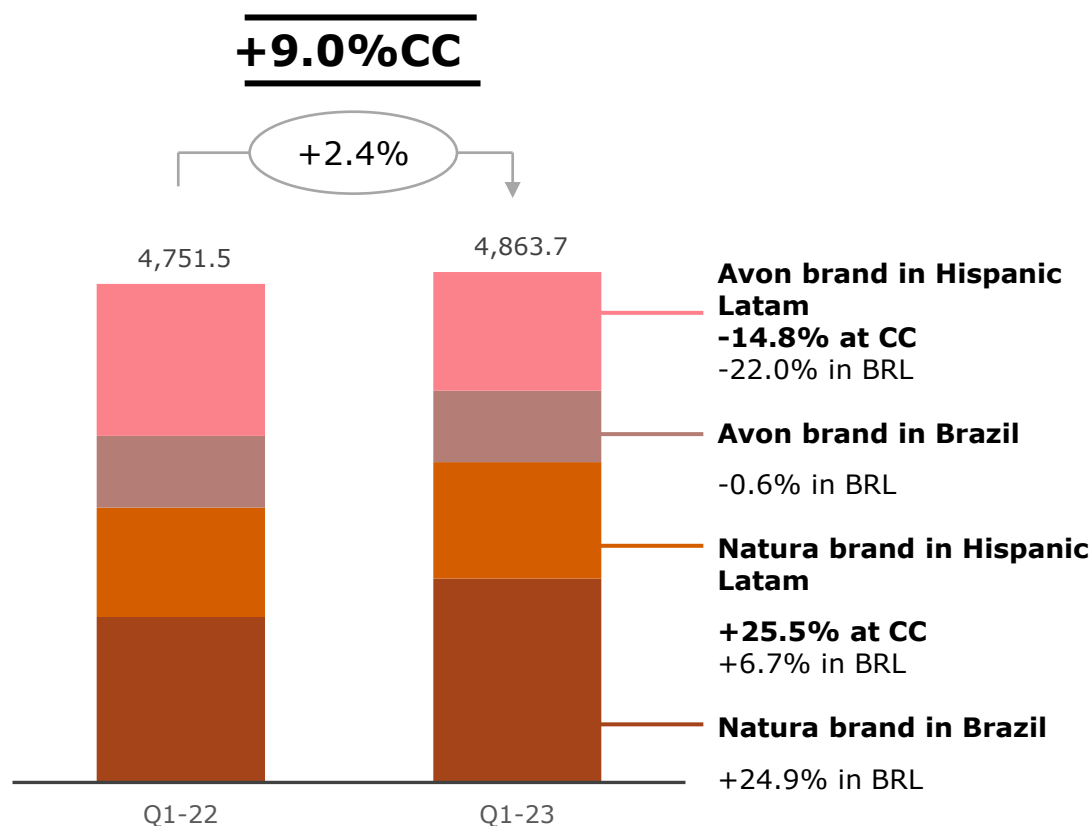


# Natura &Co Latam

Financial Performance

# Natura & Co Latam: Double-digit growth in CC at Natura brand offset by a drop at Avon Latam

Net Revenue (BRL million)



## Natura Brand

Consultant productivity: up by +20.4%

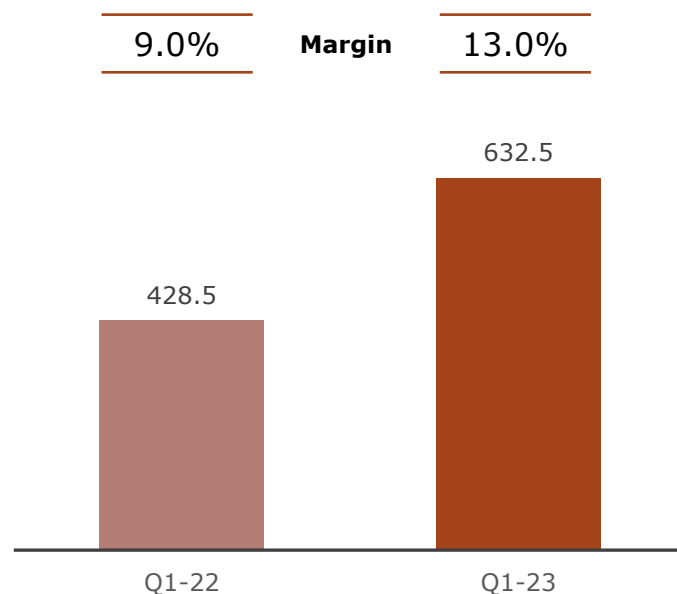
- **Brazil: Volume and strong productivity growth**
- **Hispanic:** Ex-Argentina, revenue was up mid-single digits in CC, despite a decrease in Chile

## Avon Brand:

- Beauty category: +5.6% top line growth in Brazil and -0.6% in Hispanic Latam
- **Wave 2 - Peru:** Good initial KPIs in the first campaign

# 13.0% Adj. EBITDA margin, driven mainly by strong gross margin improvement

## Adjusted EBITDA<sup>1</sup> and Adjusted EBITDA margin (BRL million)



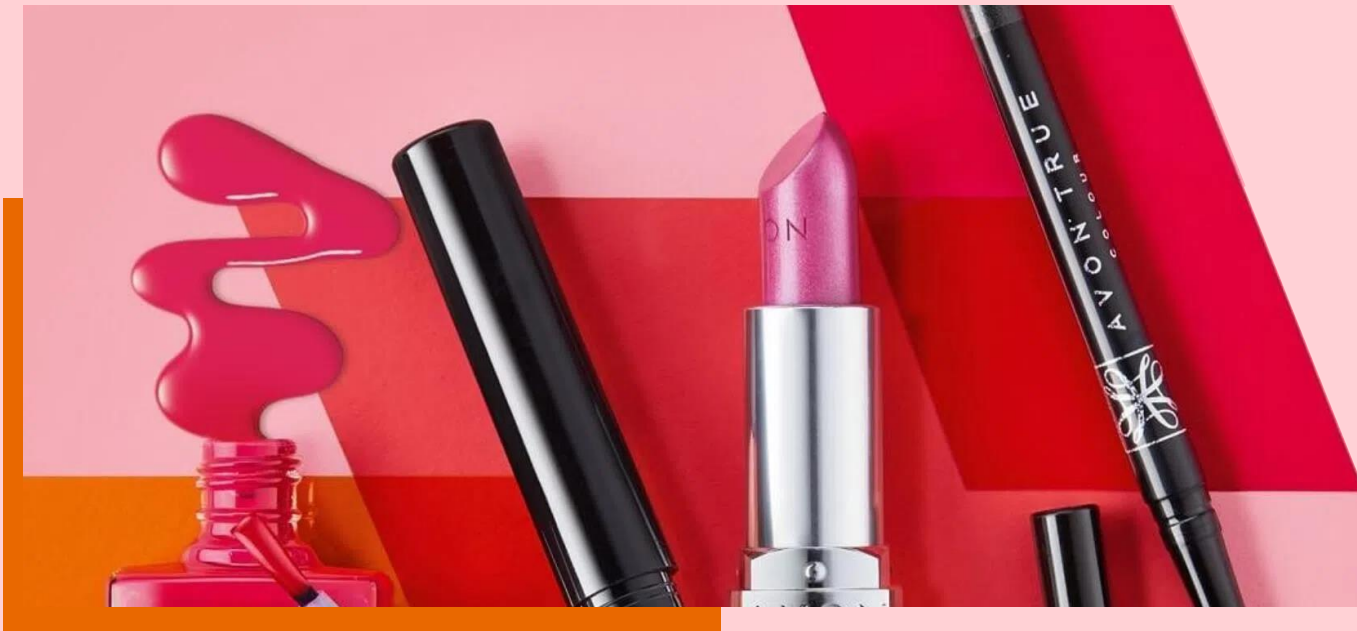
<sup>1</sup> Excluding effects that are not considered recurring nor comparable between the periods under analysis, such as: Integration costs and net non-recurring other (income)/expenses

## Main highlights

- Strong top line performance
- Gross Margin improvement
- SG&A efficiencies at Avon Brand in Brazil

## Partially offset by:

- Investments in Natura brand
- Avon Latin America deleverage due to Wave 2 preparation in some countries



# Avon International

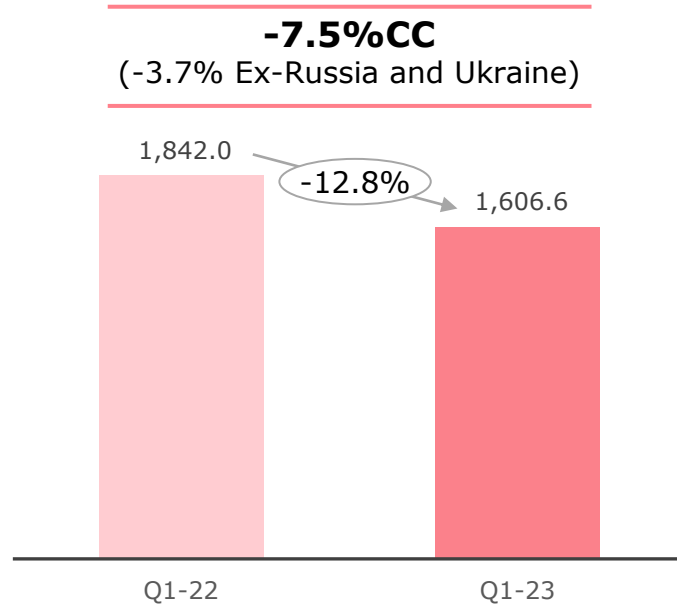
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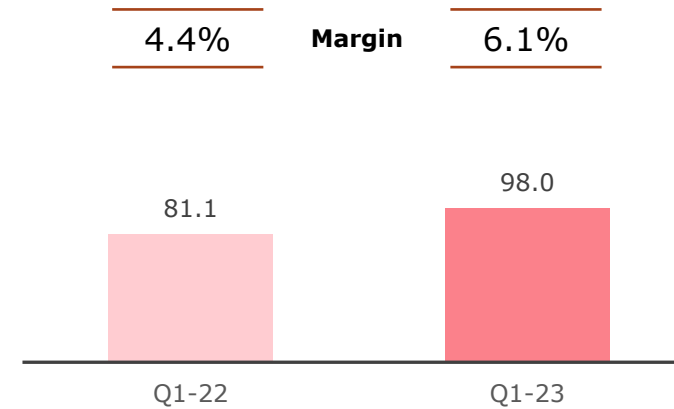


# Avon International: CFT in positive territory; improving margins

**Net Revenue** (BRL million)



**Adjusted EBITDA<sup>1</sup> and adjusted EBITDA margin** (BRL million, %)



<sup>1</sup> Excluding effects that are not considered recurring nor comparable between the periods under analysis, such as transformation costs

## Revenue:

- Beauty category entered positive territory in CC (ex Russia and Ukraine), driven by the fragrance and color categories
- F&H decreased -21% (in CC), in line with our strategy

## Adjusted EBITDA:

- Gross margin expansion of 480bps, continued focus on transformation savings and phasing of expenses partially offset by:
  - Sales deleverage
  - Brand investment in lead markets
  - Inflation increase in fixed expenses



# The Body Shop

## Financial Performance

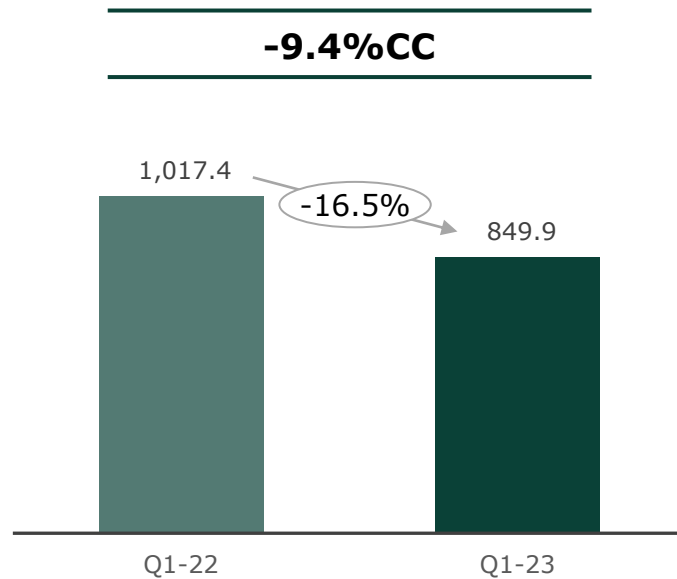


THE BODY SHOP

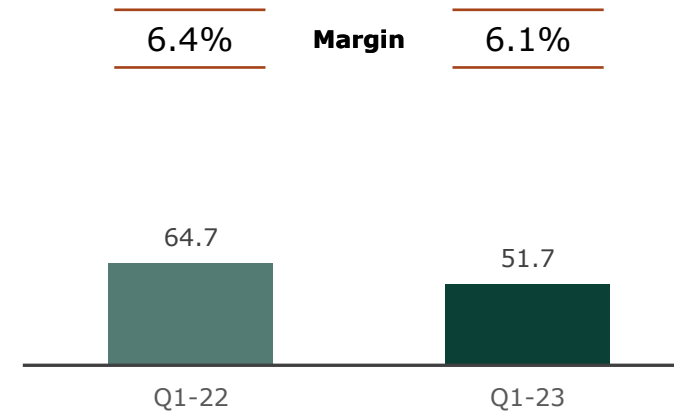


# The Body Shop: Challenging results; continued strict cost control

Net Revenue (BRL million)



Adjusted EBITDA<sup>1</sup> and adjusted EBITDA margin (BRL million, %)



<sup>1</sup> Excluding effects that are not considered recurring nor comparable between the periods under analysis, such as restructuring business unit

## Revenue:

- Low single-digit decline in CC in Q1-23 in core business distribution channels (stores, e-commerce and franchise)
- The Body Shop at Home continued its steep decline

## Adjusted EBITDA:

- Despite operating deleverage, margin decreased by a limited 30 bps, due to:
  - Slight gross margin expansion
  - Strict cost control



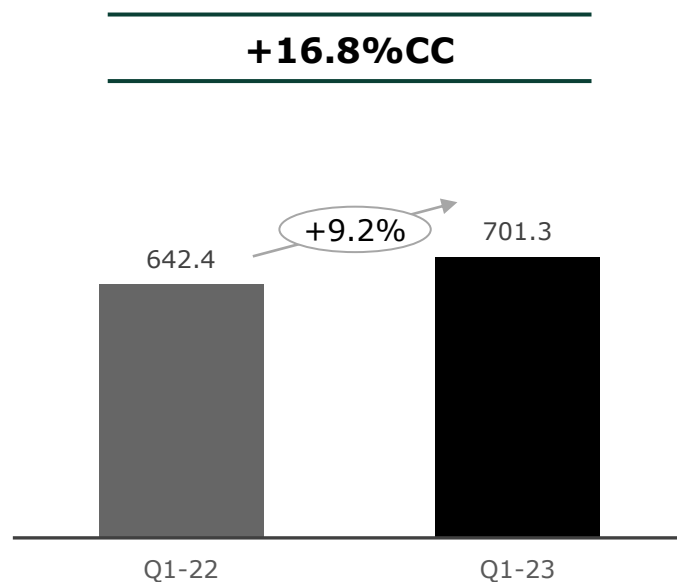
# Aesop

## Financial Performance

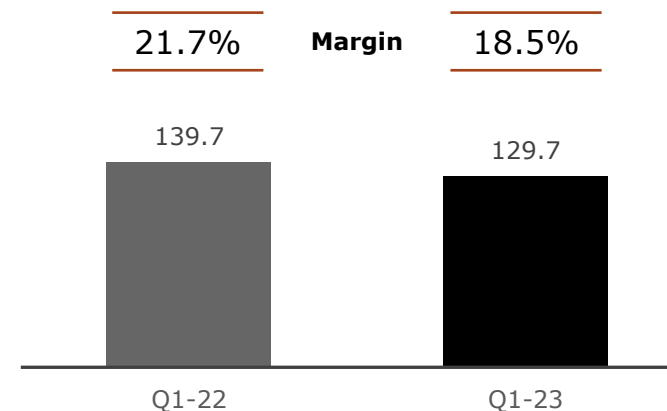


# Aesop: Double-digit net revenue growth in all regions

**Net Revenue** (BRL million)



**Adjusted EBITDA<sup>1</sup> and adjusted EBITDA margin** (BRL million, %)



<sup>1</sup> Excluding effects that are not considered recurring nor comparable between the periods under analysis, such as: net non-recurring other (income)/expenses

## Revenue:

- Retail and wholesale showed solid growth, partially offset by a softer e-commerce performance
- Fragrance sales YoY growth was more than double the brand's consolidated growth

## Adjusted EBITDA:

- 320bps decrease YoY mainly driven by:
  - Planned investments to deliver sustainable future growth
  - Slight Gross margin pressure



# Closing Remarks

Fábio Barbosa

AVON



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# Key Takeaways

1.

- Strategic actions underway at all our brands to improve performance

2.

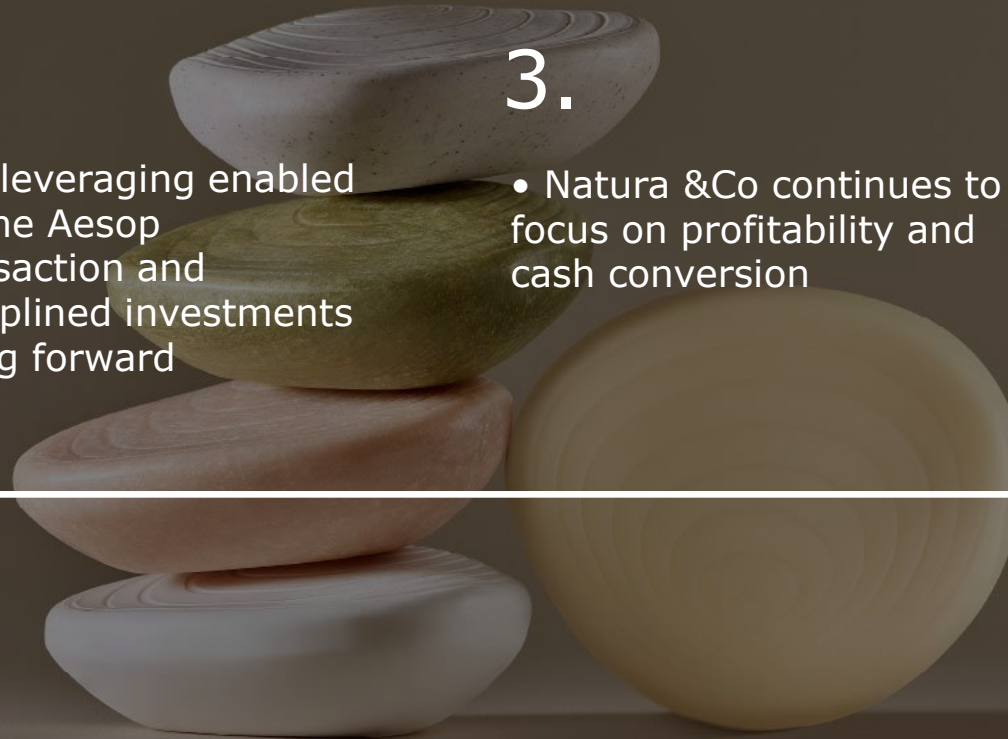
- Deleveraging enabled by the Aesop transaction and disciplined investments going forward

3.

- Natura &Co continues to focus on profitability and cash conversion

4.

- Continuous improvement in FY adjusted EBITDA and cash flow, though we may experience some volatility between quarters



Creating the best beauty group *FOR* the world





# Thank you

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# Appendix

Q1 - 23

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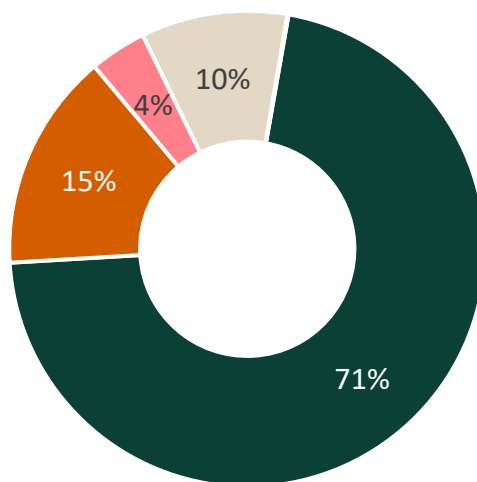
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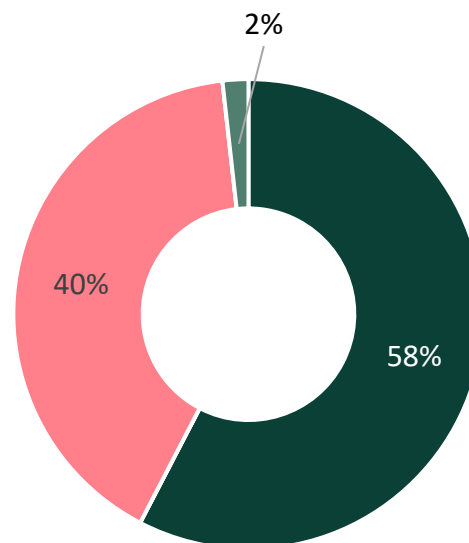
# Debt Profile

Q1-23 by type\*



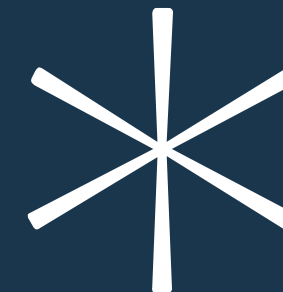
■ Bonds ■ Debentures  
■ Commercial Notes ■ Working Capital  
■ Others

Q1-23 by currency\*



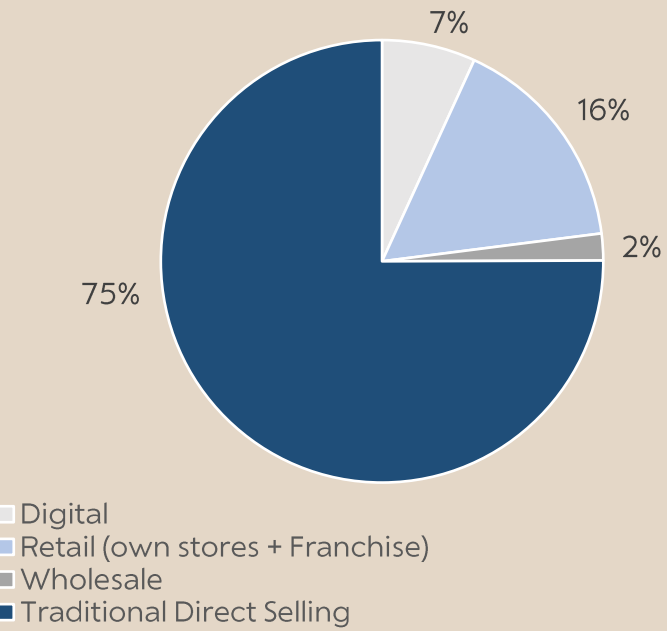
■ BRL ■ USD ■ Other

\*Excludes foreign currency hedging





Net Revenue Breakdown by Channel (R\$ million)



Share of Online Sales per Brand (%)

