

# Fourth-quarter and full-year 2018 **RESULTS**

February 22<sup>nd</sup>, 2019



Aēsop.

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**natura & co**

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## Q4 and FY 2018 key highlights: Strong performance in all 3 businesses

- **Natura &Co's first full year demonstrates the strength**

of the purpose-driven, multi-brand and multi-channel group

- **Very strong Q4 performance:** Double-digit growth in revenue, adjusted EBITDA and net income

- **Strong cash flow generation,** more than doubling in Q4, and continued deleveraging, on track to achieve 2021 target

- **All three businesses and brands contributing to growth:**

**Natura:** Record sales in Q4 and strong growth in the full-year, driven both by Brazil and Latam. Further consolidation of the commercial model with enhanced consultant productivity and loyalty, continued digital and multichannel growth, with market share gains

**The Body Shop:** Solid underlying performance in Q4, on the back of strong Christmas campaign and LFL sales growth. Solid full-year sales and EBITDA growth demonstrate positive momentum

**Aesop:** Continued remarkable double-digit sales and EBITDA growth; strong expansion across channels and geographies, with double digit LFL sales growth

- **Further advances in sustainability, underscoring our triple bottom line commitments**

# Consolidated Financial Performance

# Very solid underlying performance, excluding the following non-operational adjustments

**IFRS 15:** Reclassification of late payment charges in Q4-18, with impacts on net revenue and EBITDA for Natura Brazil and with impact on net revenue in Latam

**Hyperinflation and foreign currency translation** accounting standards (IAS29 and IAS21, respectively) in Argentina in Q4-18 with impact in Latam's full P&L

**Tax provision reversals in Natura Brazil in 2017**, with impacts on net revenue and COGS (IPI and other tax provision/reversal), and EBITDA (IPI, PIS & COFINS) and other provision adjustments in 2017

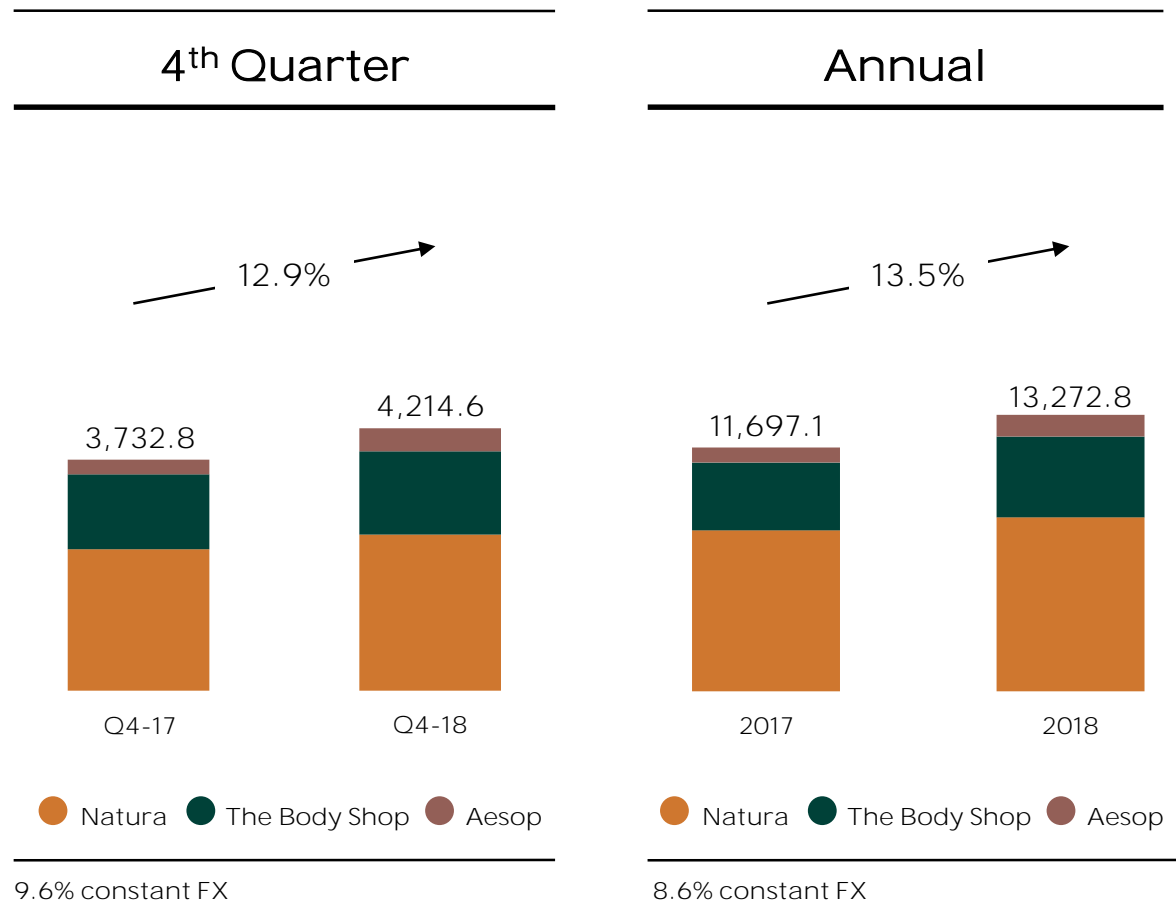
**Tax recoveries** related to ICMS taxes imputed on the base of PIS and COFINS

**The Body Shop's transformation costs**, which refer to the amounts allocated to the execution of its transformation plan, as previously announced by the group, with impact on EBITDA

The Body Shop's **pre-acquisition pro forma revenue and EBITDA** from January through August were included in 2017 figures, for comparison purposes

# Adjusted consolidated Net Revenue: Double-digit growth

(Adjusted<sup>1</sup>; R\$ million)



## Natura

**+14.2%<sup>2</sup> in Q4-18, +9.7%<sup>2</sup> in 2018**, driven by both Brazil and Latam, on the back of strong Christmas campaigns and increase in consultants' productivity. Brazil's Christmas campaign was the most successful ever

## The Body Shop

**+0.7%<sup>2</sup> LFL-own-store growth in Q4 and robust +1.8% in the full year. Q4-18 Net Revenue of -1.7%<sup>2</sup> impacted by store closures and phasing of head franchisees orders. Healthy +1.7%<sup>2</sup> Net Revenue growth in 2018**, consistent across all regions

## Aesop

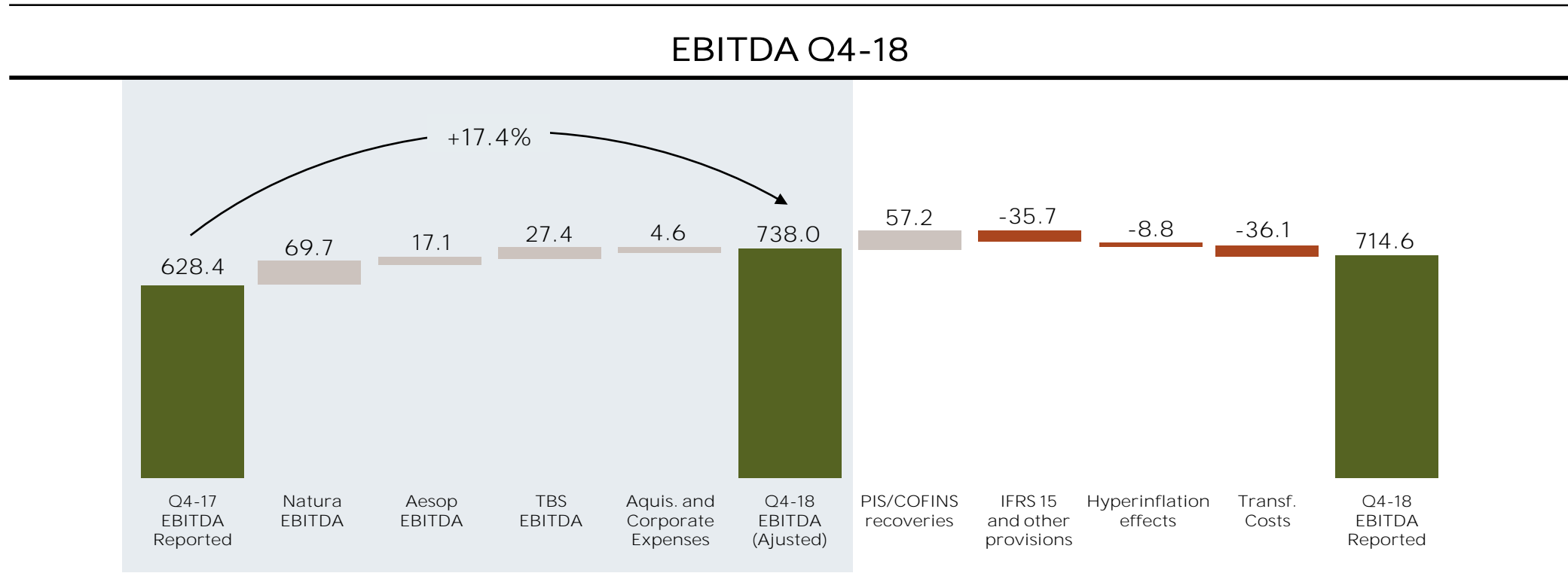
Strong growth in all geographies and channels: **+25.6%<sup>2</sup> in Q4-18 and +31.0%<sup>2</sup> in 2018**. Impressive LFL sales of 13.5% in Q4 and 17.8% in the full year

<sup>1</sup> Adjusted: Excludes IFRS 15 (reclassification of late payment charges) both in Brazil and Latam, hyperinflation effects in Latam, IPI tax reversal in Brazil, PIS/COFINS recoveries in Brazil and The Body Shop's transformation costs. Includes: The Body Shop pre-acquisition figures, for comparable purposes (full year only).

<sup>2</sup> At constant exchange rates

# Adjusted consolidated EBITDA: +17.4% in Q4

(Adjusted<sup>1</sup>; R\$ million)



Q4-18 reported EBITDA +13.7%, adjusted +17.4%

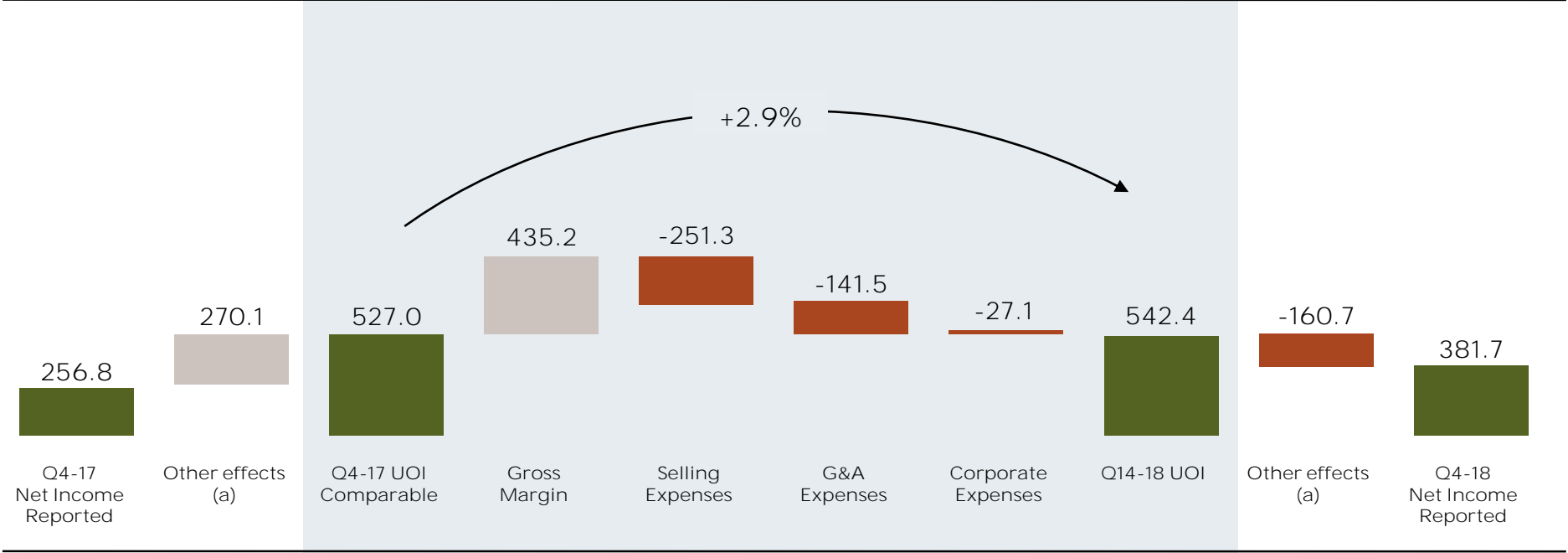
FY 2018 reported EBITDA +6.0%, adjusted +23.0%

<sup>1</sup> Adjusted: Excludes IFRS 15 (reclassification of late payment charges) both in Brazil and Latam, hyperinflation effects in Latam, IPI tax reversal in Brazil, PIS/COFINS recoveries in Brazil and The Body Shop's transformation costs.

# Consistent improvement in Underlying Operating Income and strong Net Income

(R\$ million)

## Q4 Underlying Operating Income – UOI



**Underlying operating income growth** driven by improved performance by Natura, The Body Shop, and Aesop

**Strong growth in Net Income** supported by:

- Higher EBITDA
- Lower financial expenses
- Lower effective income tax rate

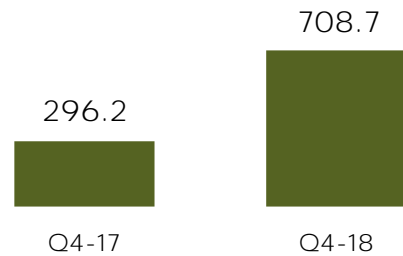
Q4-18 Net Income +48.7%; UOI +2.9%  
 FY 2018 Net Income -18.2%; UOI +17.3%

<sup>1</sup> Other effects: acquisition-related expenses, transformation costs, financial expenses and income tax

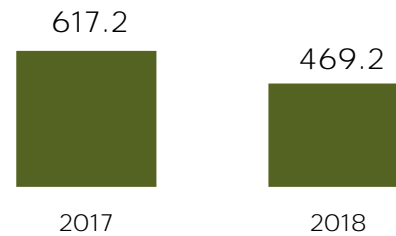
# Cash flow generation more than doubled in Q4; significant deleveraging

(R\$ million)

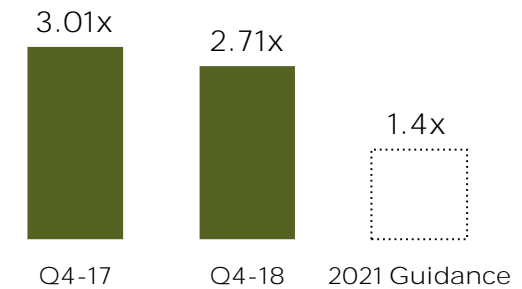
## Q4-18 Free Cash Flow



## 2018 Free Cash Flow



## Net-debt-to-EBITDA ratio



**Strong cash inflow of R\$708.7 million in the quarter, thanks to:**

Cash flow generation in all three businesses

- Higher consolidated net income
- Lower working capital needs:
  - Natura:** Reduced inventory and lower level of accounts payable
  - The Body Shop:** Lower accounts receivable
  - Aesop:** Reduced inventory

## **NET-DEBT-TO-EBITDA RATIO**

reduced from Q4-17 and Q3-18 (3.27x), in line with expectations, on track to reach 2021 target



# Natura's Performance

# Q4 highlights: Strong growth in revenue and profitability in Brazil and Latam

**Highest quarterly sales** in Natura Brazil's history

**Higher consultant productivity** for 9 consecutive quarters in Brazil; number of consultants stable in the year

**Further digital expansion:** Over 60% of consultants in Brazil and 30% in Latam using our mobile platform

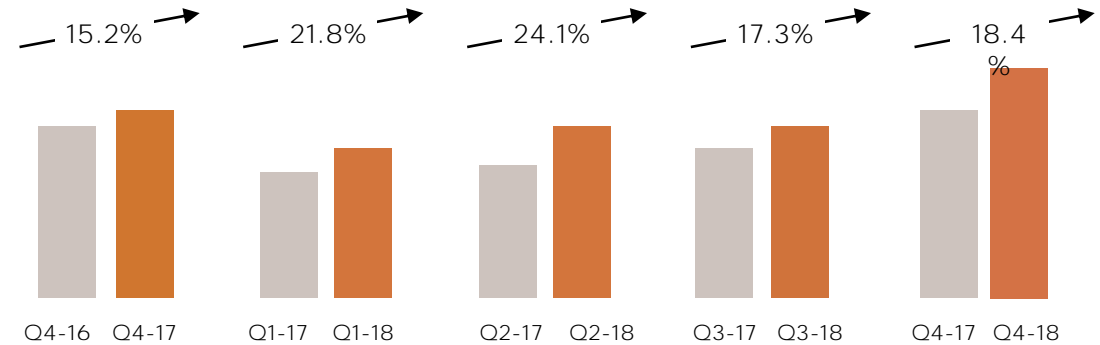
**Market share gains leadership in the sector** and in key categories (fragrance, body care and gifts) and improved brand preference, both in Brazil and Latam

**Strong Christmas campaigns** in Brazil and Latam

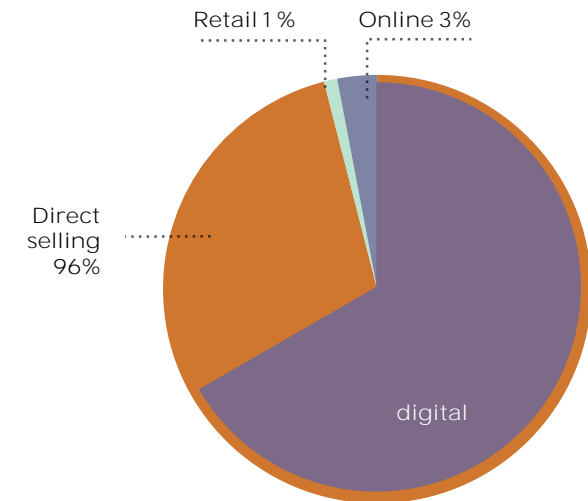
**Strong growth in all countries in Latam** with significant gain in brand preference.

**Strong growth in Argentina**, thanks to loyal consultants, brand preference, efficient operations and market knowledge

## Consultants productivity - Brazil (% year over year)

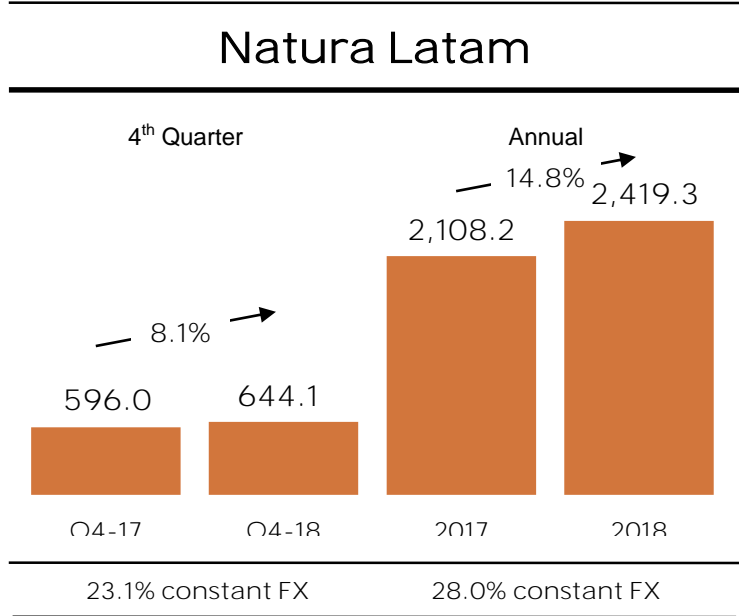
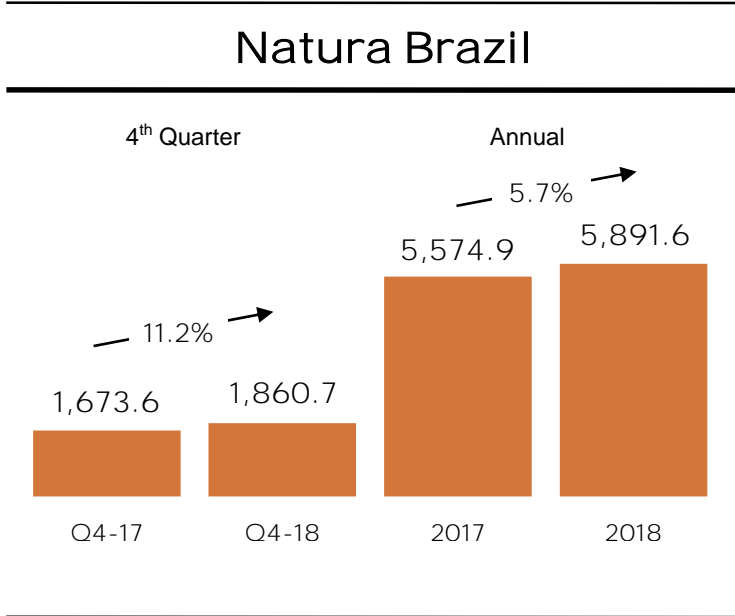
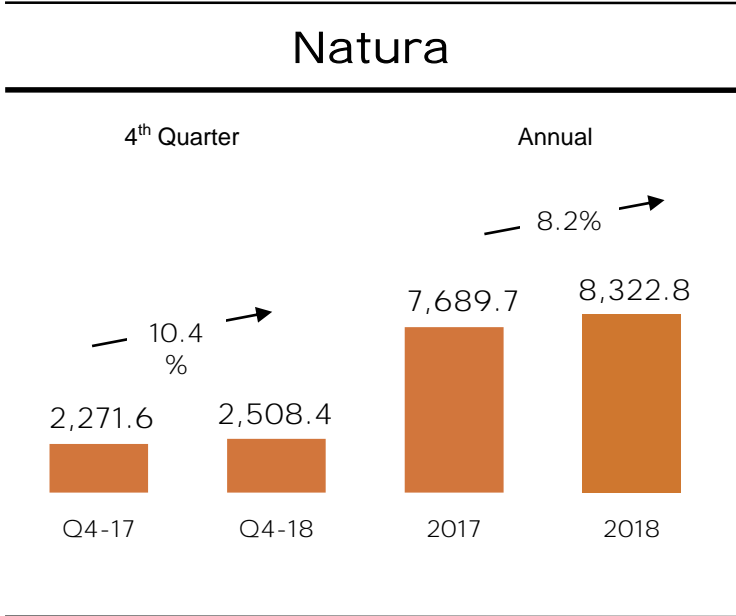


## Natura Brazil: Diversified omnichannel experience 2018



# Best-ever net revenue<sup>1</sup> demonstrates the vigor of our new commercial model in Brazil; increased brand preference in Latam

(Adjusted<sup>1</sup>; R\$ million)



#### Brazil:

- Most successful Christmas campaign, ever
- Leadership in the CFT sector and in key categories<sup>2</sup>
- Increase of 18.4% in Q4 in consultant's productivity, for the 9<sup>th</sup> consecutive quarter

#### Latam:

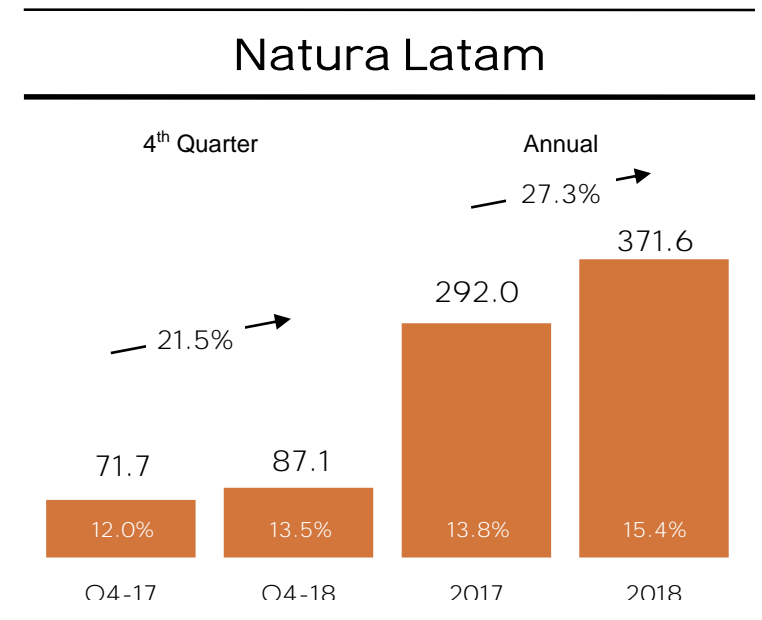
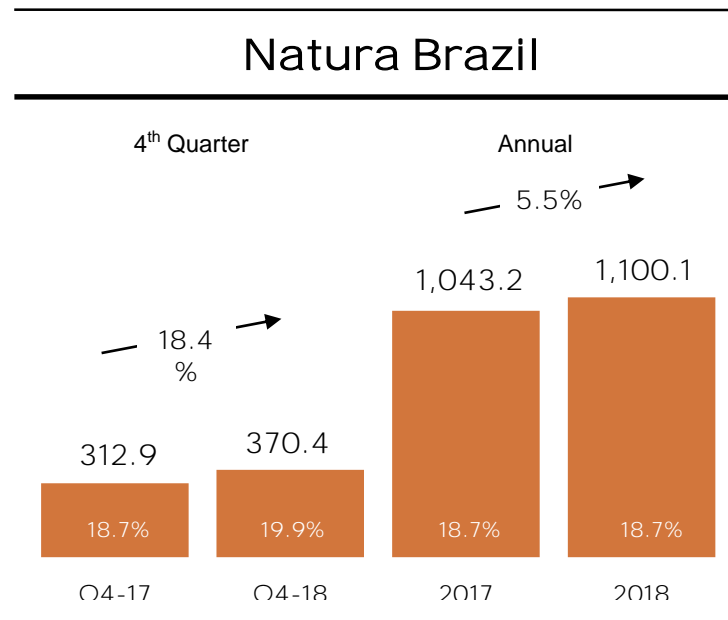
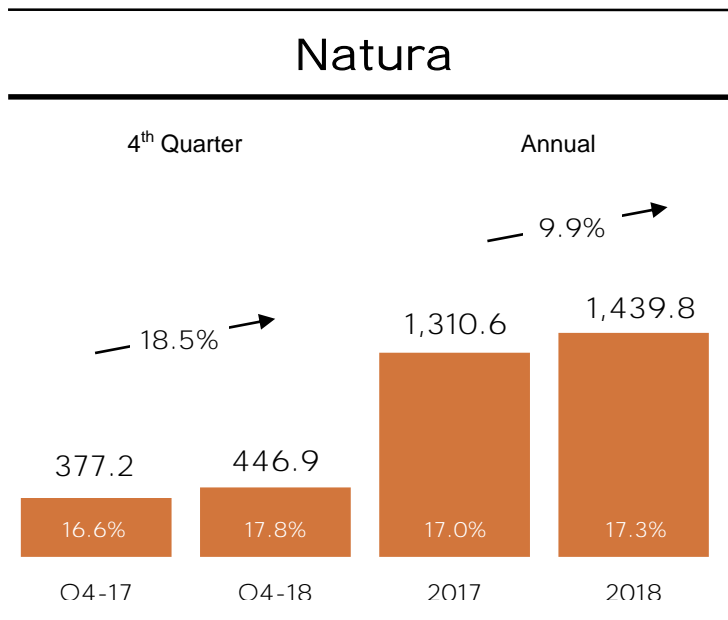
- 9.5% growth in number of consultants;
- 11.8% volume growth
- Growth in all geographies; strong performance in Mexico, Argentina and Colombia in Q4

<sup>1</sup> Adjusted to exclude for IFRS 15 (reclassification of late payment charges) both in Brazil and Latam, hyperinflation effects in Latam, PIS/COFINS recoveries and other provisions in Brazil

<sup>2</sup>Source: Kantar Worldpanel 2018. Key Categories: Fragrance, Bodycare and Gifts

# EBITDA up 18.5%<sup>1</sup> in Q4 on double-digit growth both in Brazil and Latam

(Adjusted<sup>1</sup>; R\$ million)



#### Brazil:

121 bps adjusted margin increase in Q4, and stable margin in the year

Online sales EBITDA growth of strong double digits in the quarter and year

#### Latam:

Strong adjusted EBITDA growth in Q4-18 and 2018, driven by strong performance in Mexico, Argentina and Colombia

EBITDA margin expanded 150 bps in Q4, and 160 bps in the year

<sup>1</sup> Adjusted to exclude for IFRS 15 (reclassification of late payment charges) both in Brazil and Latam, hyperinflation effects in Latam, PIS/COFINS recoveries and other provisions in Brazil

# THE BODY SHOP.

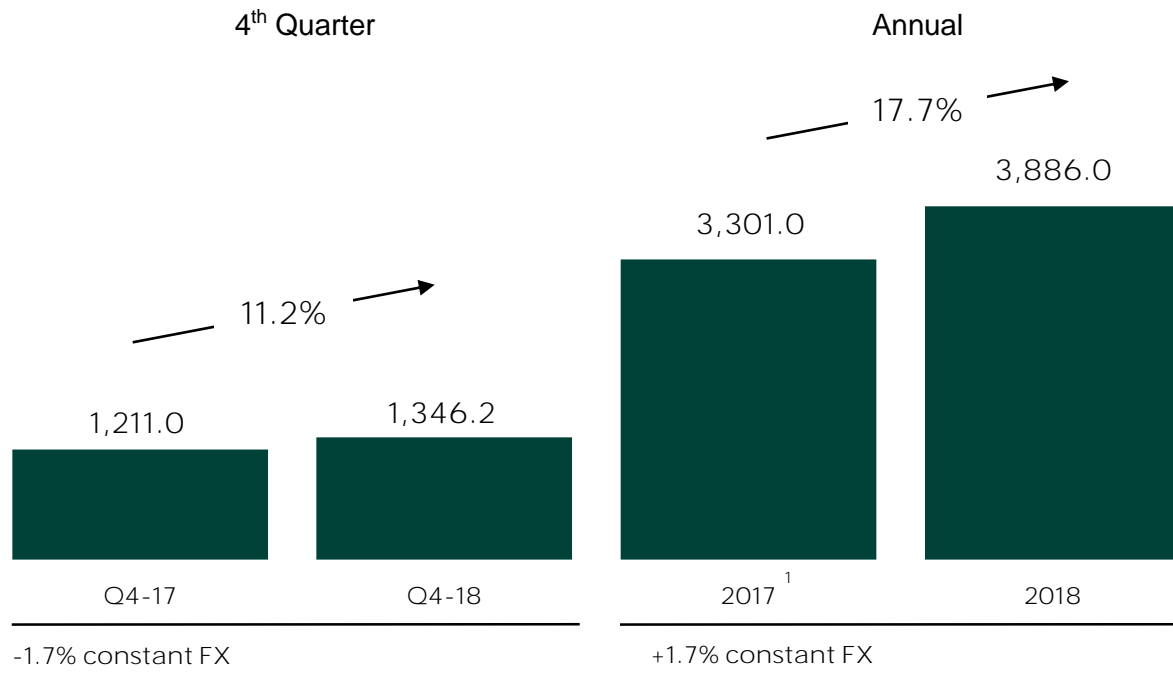
## The Body Shop's Performance



# Q4 own stores LFL sales growth underscores good momentum

(Adjusted<sup>1</sup>; R\$ million)

## The Body Shop - Net Revenue



**Q4-18 sales -1.7%** (constant FX), reflecting the net closure of 62 underperforming own stores in the year and phasing of head franchise orders

**Own stores LFL sales up by 0.7% in Q4**, including +2.5% in UK, our most important market, on the back of a successful Christmas campaign

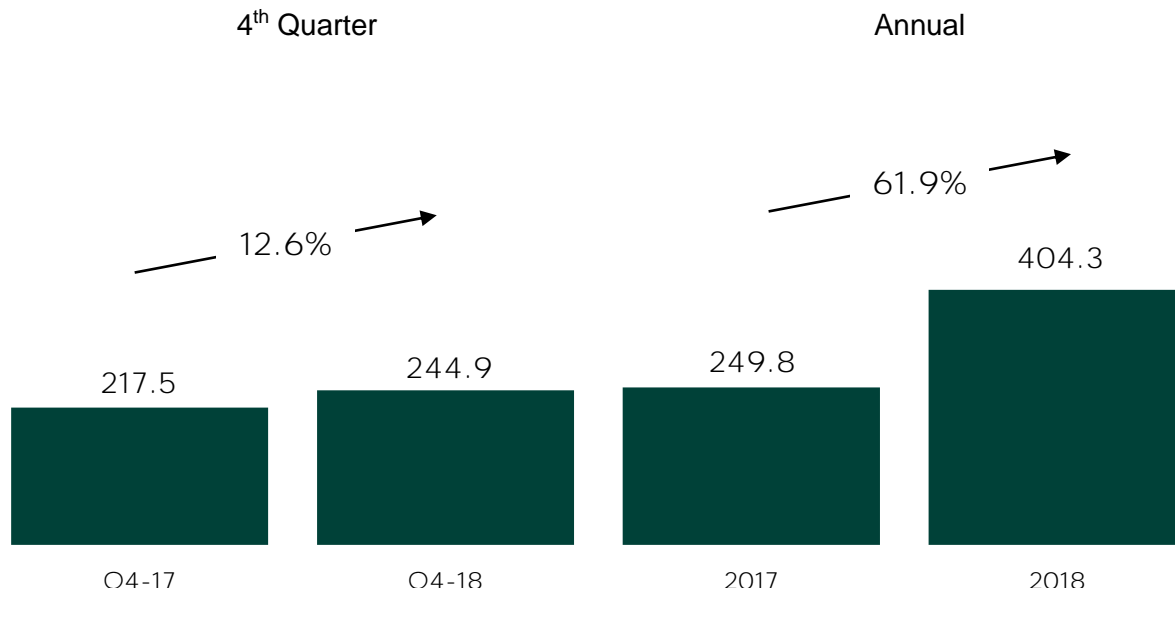
**FY 2018 net sales +1.7%** (constant FX) and LFL of 1.8%

<sup>1</sup> Adjusted: Excludes transformation costs and includes pre-acquisition figures, includes pro forma revenue for the full year 2017

# Adjusted EBITDA: Strong increase in the year

(Adjusted<sup>1</sup>; R\$ million)

## The Body Shop - EBITDA



**Q4-18** adjusted EBITDA **+12.6%** in BRL, reaching **EBITDA margin of 18.2%**

**2018** adjusted EBITDA **+61.9%** in BRL, reaching 10.4% EBITDA margin, +280 bps margin expansion

Transformation costs of **R\$36.1 million** in Q4 and **R\$98.5 million** in the year (non-recurring), mainly related to store footprint optimization and organization redesign

<sup>1</sup> Adjusted: Excludes transformation costs and includes pre-acquisition figures, includes pro forma EBITDA for the full year 2017



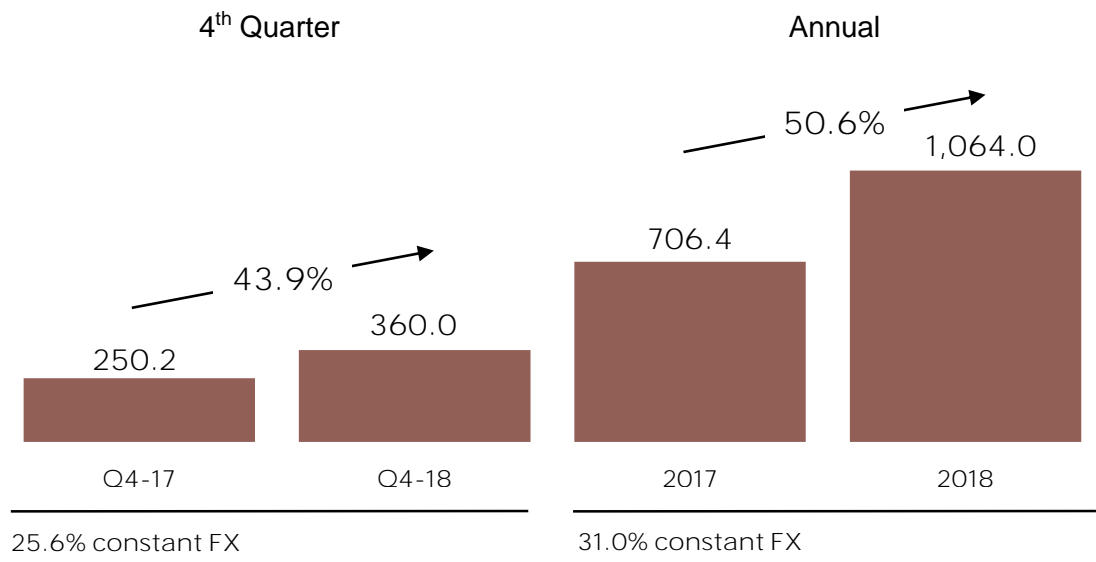
Aēsop

# Aēsop's Performance

# Continued strong double-digit growth in revenue and EBITDA

(R\$ million)

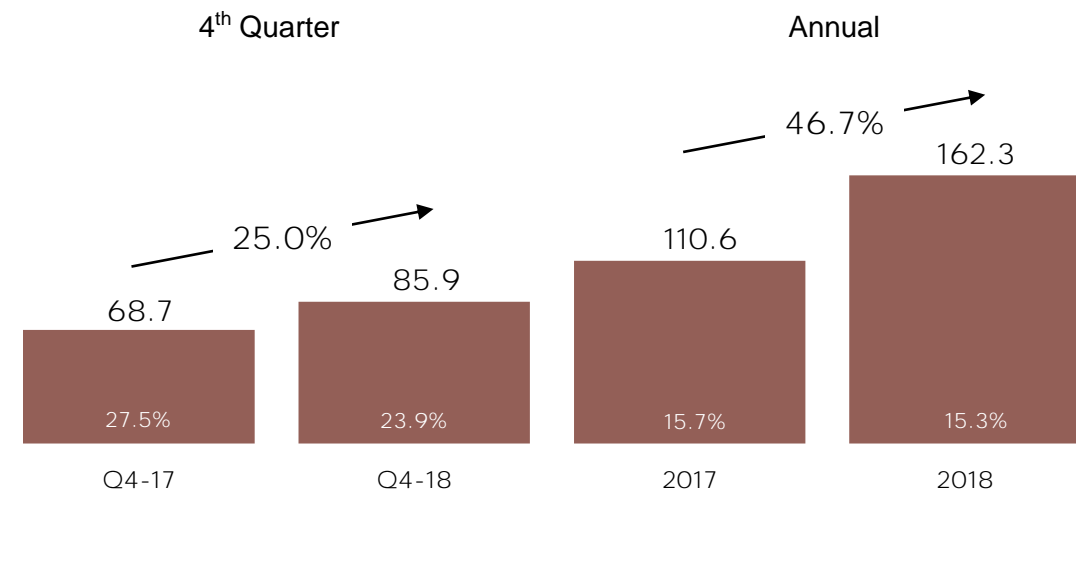
## Aesop – Net Revenue



Strong growth across all channels and geographies

Q4-18 LFL sales in signature stores increased **13.5%** and **+17.8%** in 2018  
227 signature stores (18 in LTM; + 8 in Q4)

## Aesop – EBITDA



Q4-18 EBITDA margin impacted by the retention plan provision. Excluding this, EBITDA margin would be circa 30%.



## **Natura**

won the Sustainable Development Goals – SDG Brazil award granted by the Brazilian Federal Government for its social Sociobiodiversity Verification System, which promotes fair trade and ethical sourcing of Amazon bio-assets with supplier communities



## **The Body Shop**

engaged in projects to build bio-bridges to help protect animals and their natural habitats. Bio-bridges are restored wildlife corridors in damaged landscapes that help endangered species to reconnect, breed and thrive again



## **Aesop**

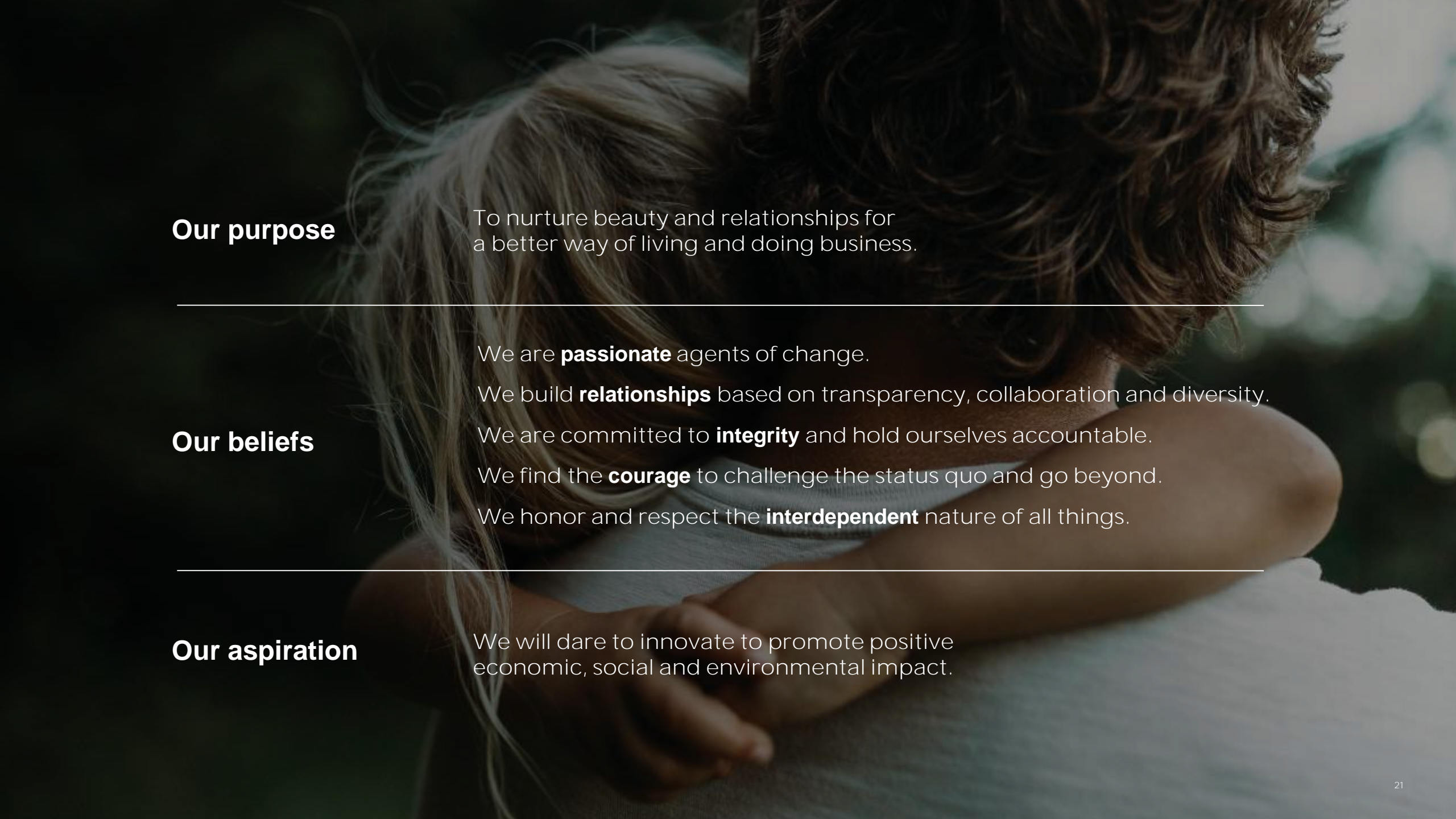
launched its packaging recycling program in Hong Kong, with the goal of increasing recycling rates in the country

## Solid Q4 performance:

- Double-digit revenue and EBITDA growth
- 48.7% net income increase
- Doubling of cash flow generation
- Further deleveraging, on track to deliver 2021 guidance of 1.4 times net-debt-to-EBITDA ratio

Growing momentum shows the strength of our global, multi-brand and multi-channel group

Natura & Co is on track to deliver on its medium-term financial targets, with a positive social and environmental impact.



## Our purpose

To nurture beauty and relationships for a better way of living and doing business.

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## Our beliefs

We are **passionate** agents of change.

We build **relationships** based on transparency, collaboration and diversity.

We are committed to **integrity** and hold ourselves accountable.

We find the **courage** to challenge the status quo and go beyond.

We honor and respect the **interdependent** nature of all things.

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## Our aspiration

We will dare to innovate to promote positive economic, social and environmental impact.

Thank you



Aēsop

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**natura & co**