

Third-quarter 2020 results

November 13, 2020

AVON


natura


THE BODY SHOP

Aēsop.

natura & co

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

Q3-20 Highlights

Natura &Co reports 32% sales growth, significantly outperforming the CFT market^{1,2}, with strong margin improvement

Strong revenue growth and continued progress of digitalization in a volatile environment

- Strong revenue growth across all brands
- Continued progress in digital helps offset store closures
- Launch of &Co Pay, our proprietary and complete financial services platform

Progress on Avon integration

- Latam: Important advances in manufacturing - integration of production and fulfillment fronts in Brazil, Mexico and Argentina
- International: (i) Roll-out underway of simplified campaign cycle in five markets; and (ii) launch of Watch Me Now campaign in over 30 countries

ESG agenda

- Aesop became a certified B-Corp
- Raising awareness: Amazon day; Climate week; Breast cancer awareness month

Strengthened capital structure

- Successful global US\$1 billion capital raise, the largest-ever in the Latin American consumer space:
 - Optimization of capital structure
 - Enables key strategic investments to accelerate growth over the next three years

1 Cosmetics, Fragrance and Toiletries market performance: Company estimate based on global peers' Q3 net revenue vs prior year of approx. -3.5% (in reported FX), as reported by the companies or estimates published on Bloomberg for those who have not yet reported. For comparison purposes, Q3-20 and Q3-19 results and analyses include: i) Q3-19 aggregated figures including Avon Products, Inc. results in IFRS; ii) Natura &Co's results in Latin America, which includes the operations of Avon, Natura, The Body Shop and Aesop brands in the region; iii) the results of Avon International, The Body Shop and Aesop brands, except in Latin America; iv) Q3-20 results and analyses including the effects of the fair market value assessment as a result of the business combination with Avon as per the Purchase Price Allocation – PPA.



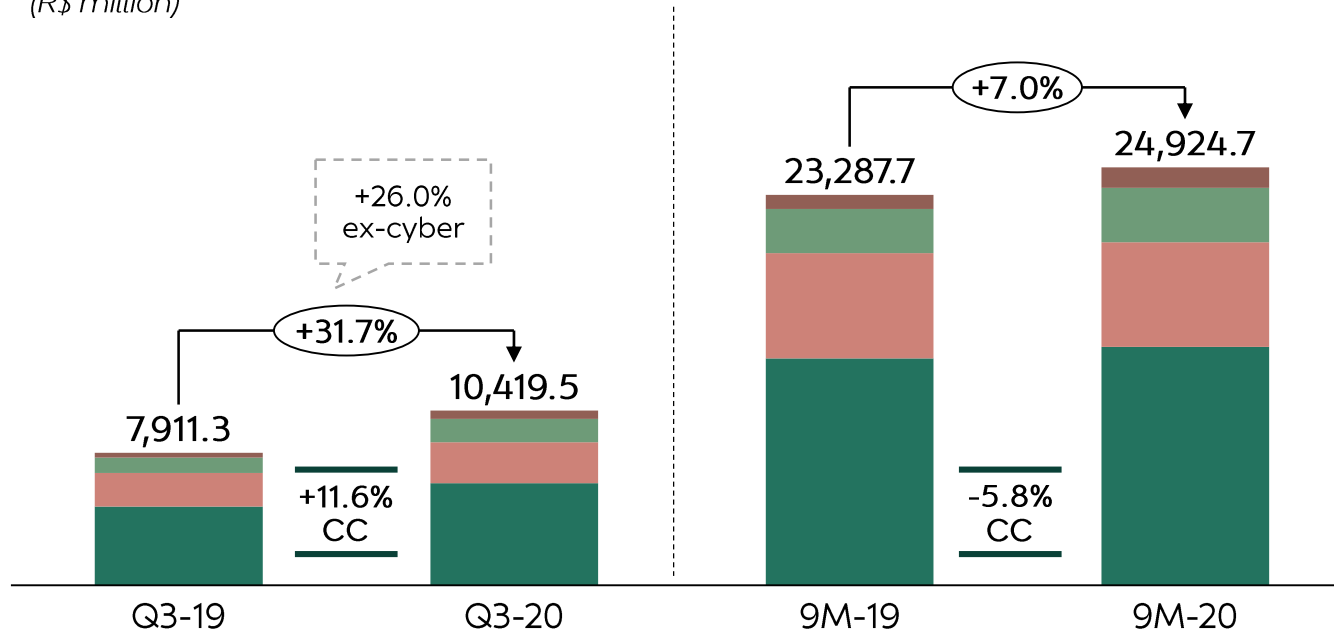
Consolidated

Financial Performance

Strong growth across all brands, significantly outperforming the CFT^{1,2} market

NET REVENUE

(R\$ million)



Natura &Co Latam

Q3: +29.5% in BRL
+20.1% at CC
9M: +5.1% in BRL
0.0% at CC

Avon International

Q3: +22.5% in BRL
-7.3% at CC
9M: -0.9% in BRL
-20.5% at CC

The Body Shop

Q3: +51.9% in BRL
+8.2% at CC
9M: +23.9% in BRL
-4.9% at CC

Aesop

Q3: +67.2% in BRL
+19.9% at CC
9M: +43.5% in BRL
+10.1% at CC

HIGHLIGHTS

- Strong growth of Natura &Co Latam (Natura brand up 41.2% and Avon brand up 19.3%)
- Solid performances by The Body Shop and Aesop
- Sustainable growth in digital sales across all brands

¹ Cosmetics, Fragrance and Toiletries market performance: Company estimate based on global peers' Q3 net revenue vs prior year of approx. -3.5% (in reported FX), as reported by the companies or estimates published on Bloomberg for those who have not yet reported. For comparison purposes, Q3-20 and Q3-19 results and analyses include: i) Q3-19 aggregated figures including Avon Products, Inc. results in IFRS; ii) Natura &Co's results in Latin America, which includes the operations of Avon, Natura, The Body Shop and Aesop brands in the region; iii) the results of Avon International, The Body Shop and Aesop brands, except in Latin America; iv) Q3-20 results and analyses including the effects of the fair market value assessment as a result of the business combination with Avon as per the Purchase Price Allocation - PPA.

+115% Continued strong acceleration in digital social selling and e-commerce, even as many retail markets reopened



&

AVON

+83%
online sales

- +170% of content sharing
- +45% of orders
- +75% consultant online stores
- Sales via e-brochures more than doubled at Avon globally
- +70% of consumers accessing e-brochure
- +300% of e-brochure sales in UK

Aēsop.

+264%
online sales

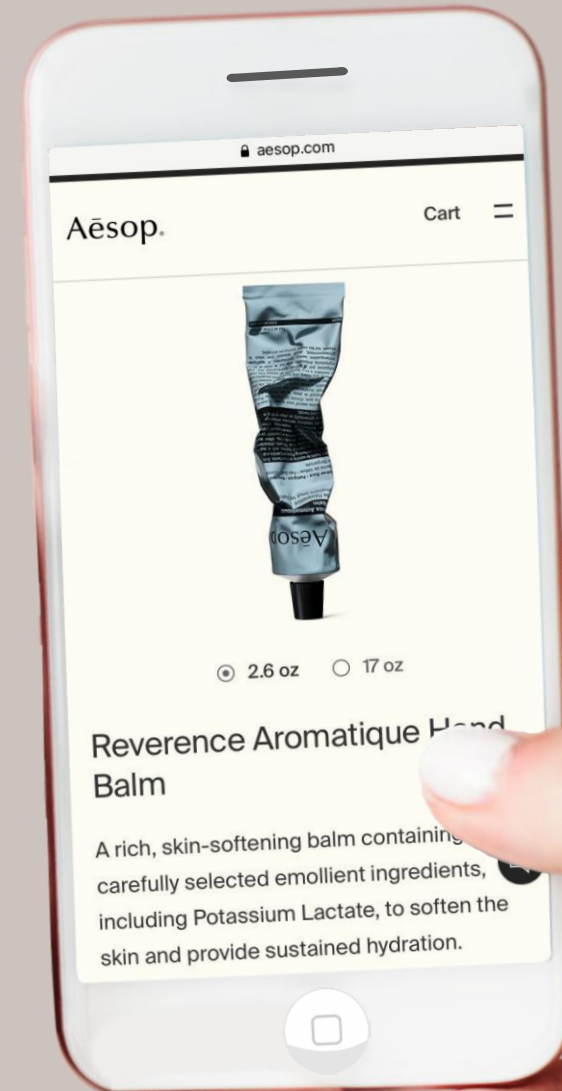
- Online was 22% of total sales
- Successful replication of the unique in-store customer experience, including online chats



THE BODY SHOP

+103%
online sales

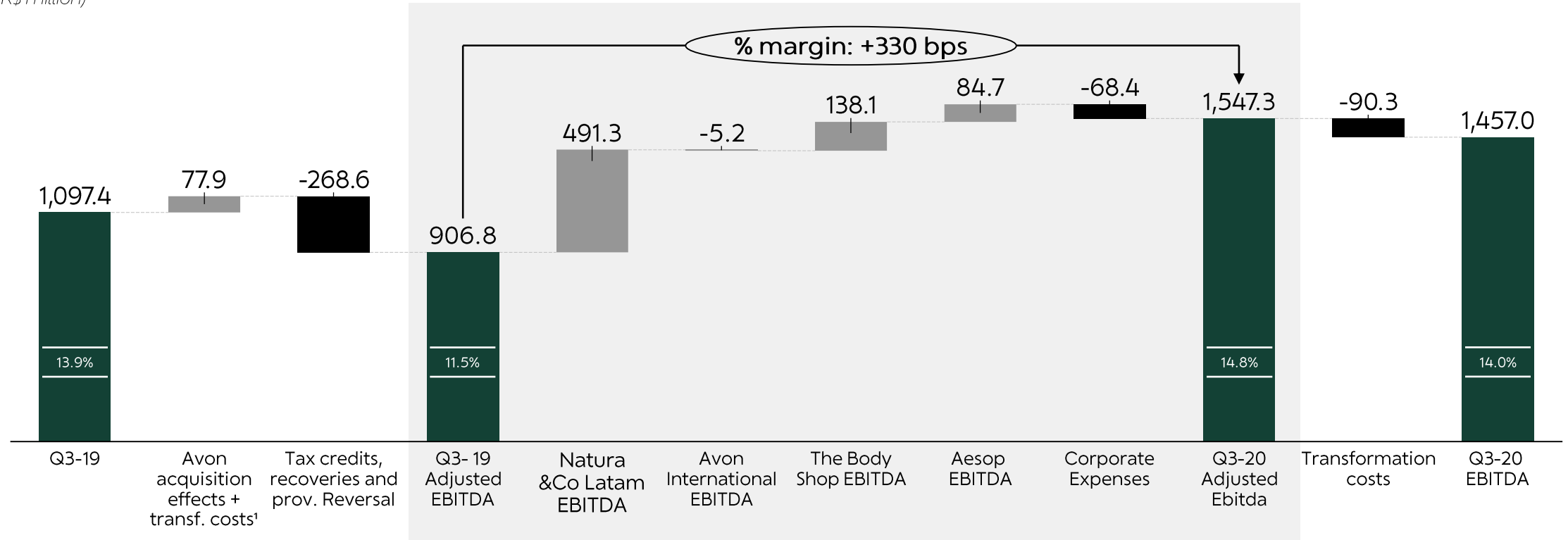
- Online was 12% of total sales
- +302% of online sales in Australia and +167% in the UK



71% growth in adjusted EBITDA and strong margin expansion

Q3 CONSOLIDATED EBITDA

(R\$ million)



Adjusted EBITDA margin of 14.8% (+330 bps) in Q3-20 and 11.0% (-60 bps) in 9M-20

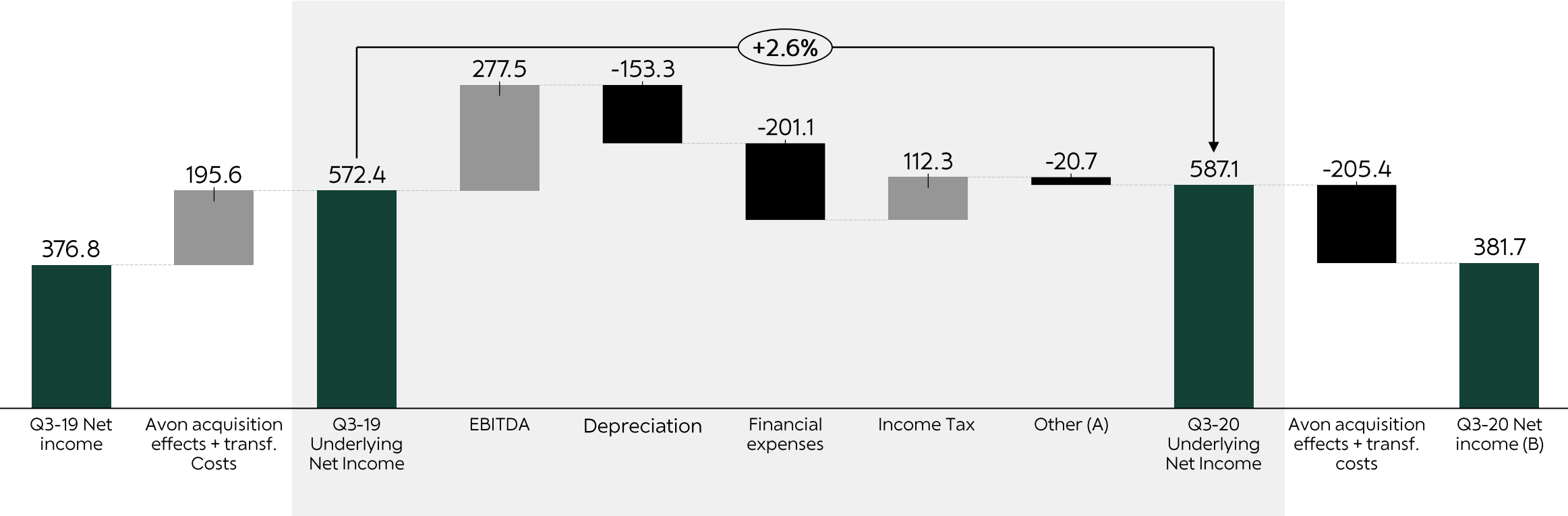
Reported EBITDA margin of 14.0% (+10 bps) in Q3-20 and 9.0% (-200 bps) in 9M-20

¹ Includes non-recurring Avon-acquisition-related expenses, transformation costs, asset sales and impairment losses

Underlying Net Income positively impacted by higher EBITDA

Q3-20 UNDERLYING NET INCOME (UNI)

(R\$ million)



(A) Non-controlling interests and discontinued operations
 (B) Net income attributable to controlling shareholders

9M-20: UNI of R\$ 88.5 million and reported net loss of R\$ 827.6 million

Optimized capital structure with rapid deleveraging and strong cash generation

Q3-20

R\$793 mm

R\$8.0 bn

Cash generation in Q3 (+76%)

Cash at quarter-end (pre-capital raise)

Post Q3-20

US\$1 bn

US\$900 mm

Credit Rating Upgrade¹

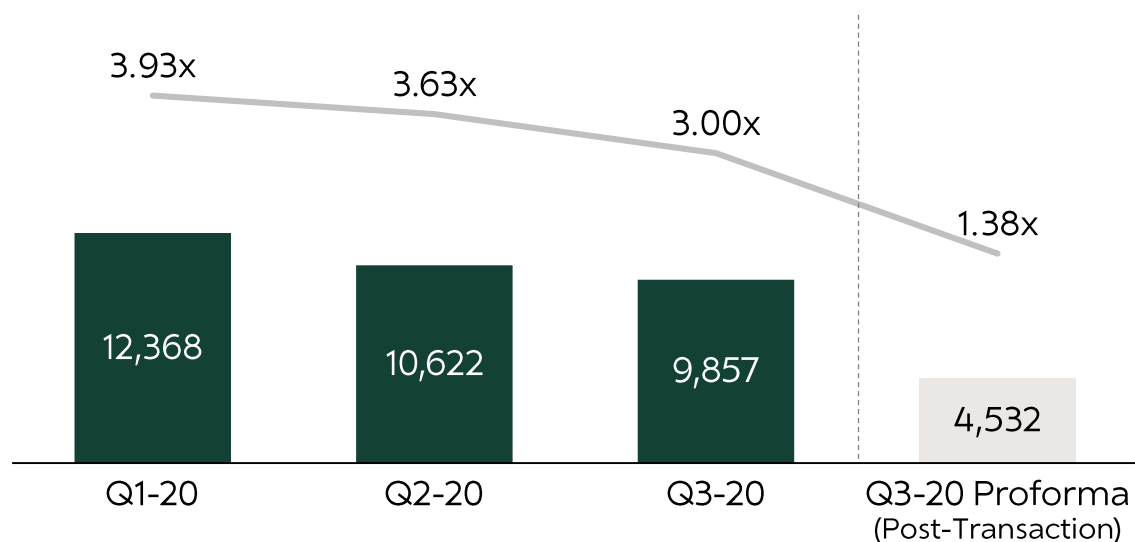
Capital raise (Oct/2020)

2022 Avon Debt prepayment (Nov/20)

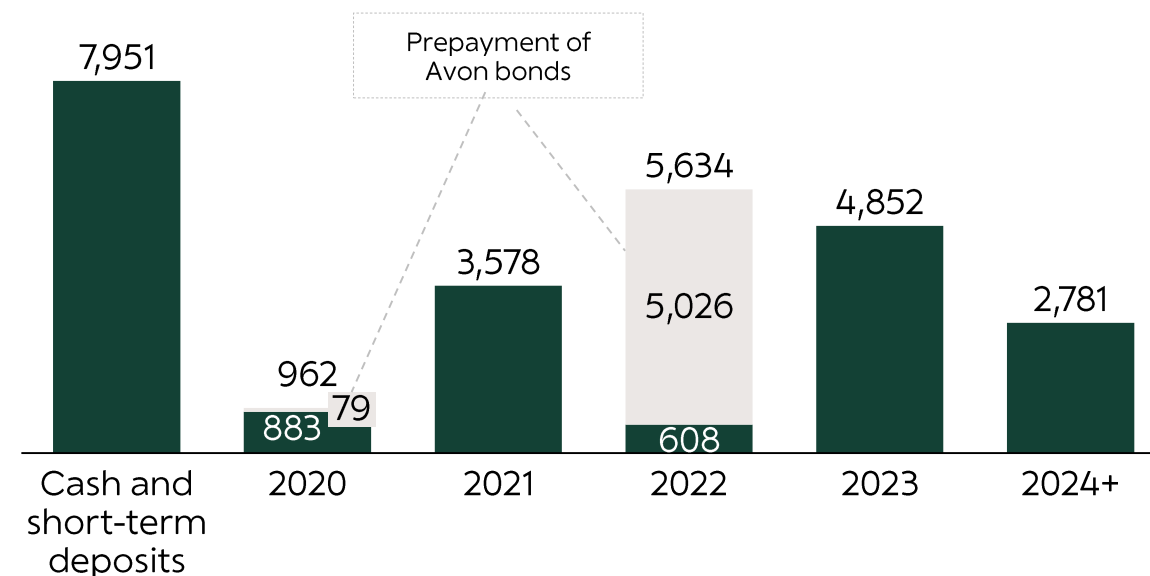
S&P and Fitch

— NET DEBT AND NET-DEBT-TO-EBITDA RATIO² —

(R\$ million) — Net-Debt-To-Ebitda Ratio ■ Net Debt



— AMORTIZATION SCHEDULE³ —



(1) S&P (October 14th, 2020): (i) Natura Cosméticos Global (from BB- to BB); (ii) Natura Cosméticos National (from brAA+ to brAAA); (iii) Avon Global (from B+ to BB-) | Fitch (November 4th, 2020): (i) Natura Cosméticos Global (from BB- to BB); (ii) Natura Cosméticos National (from AA-(bra) to AA+(bra)); (iii) Avon Global (from B+ to BB). All ratings have now a Stable Outlook; (2) Proforma numbers considers the cash and debt impact of the subsequent events: (i) US\$ 1 billion capital raise completed on October 14, 2020, considering net amount received; and (ii) US\$ 900 million Avon International's 2022 bonds prepayment concluded on November 2, 2020, considering redemption fee and accrued interest. FX as of 09/30/2020 (1 US\$ / 5.6401 BRL); (3) 2020: considers US\$ 14 million of accrued interest; and 2022 considers the debt balance net of emission costs (US\$ 891 million).



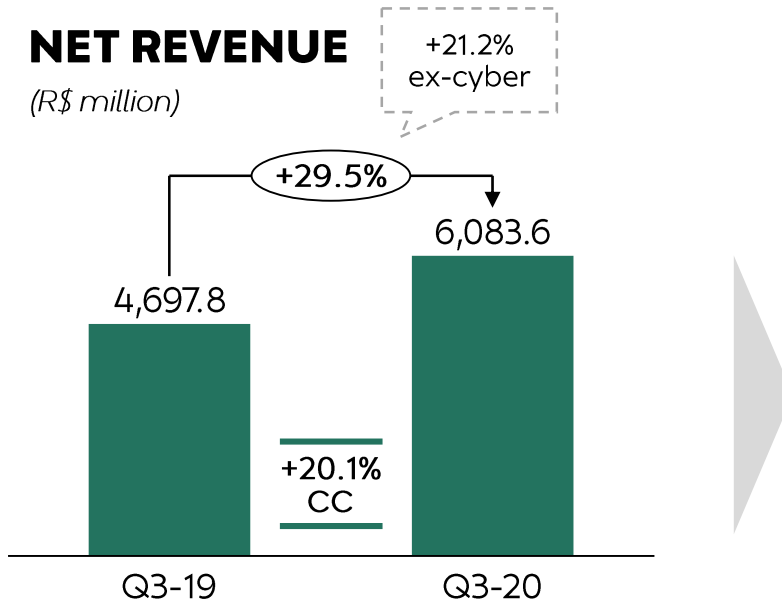
Natura &Co Latam

Financial Performance

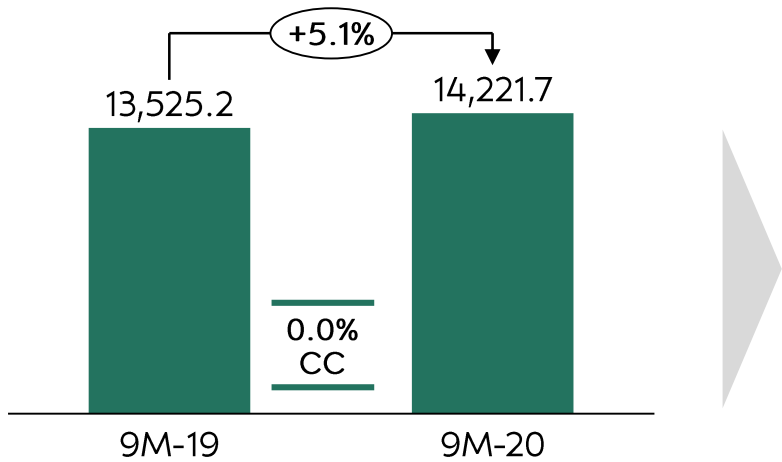
Strong double-digit growth at Natura; Avon Brazil returns to growth

NET REVENUE

(R\$ million)



	BRL	CC
Natura	+41.2%	+30.5%
Avon	+19.3%	+9.9%



	BRL	CC
Natura	+20.5%	+15.5%
Avon	-7.9%	-13.8%

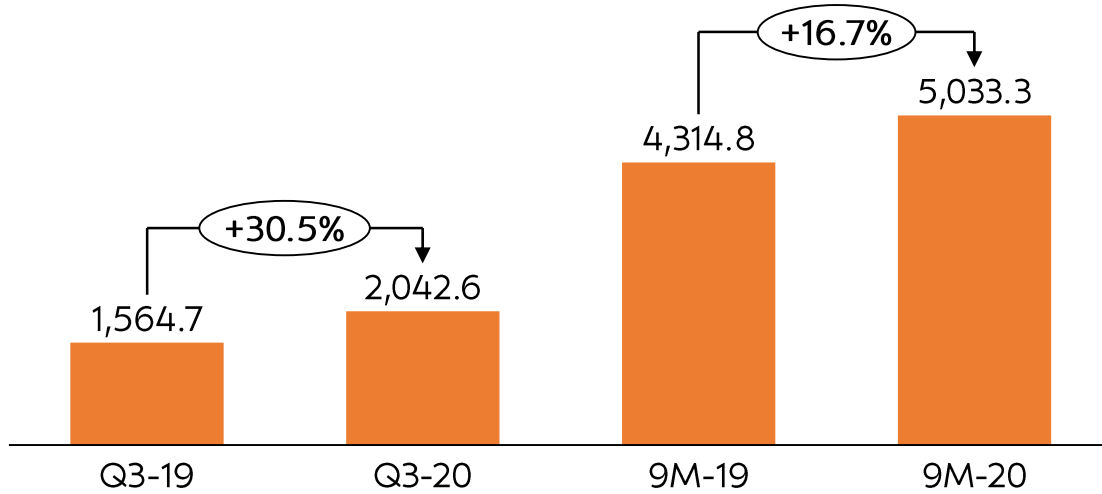
- Q3-20 HIGHLIGHTS

- Natura: Net revenue increased by **41.2% in BRL** (+30.5% at CC), supported by a strong performance in Brazil, **outperforming the Brazilian CFT market¹** and Hispanic Latam
- Avon: Net revenue in Latin America increased by 19.3% in BRL (+9.9% at CC). Ex-cyber +3.3% in BRL
- **Adoption of digital social selling model** boosts sales at both brands

¹ Source: Kantar of approximately +8% and ABIHPEC of +21%.

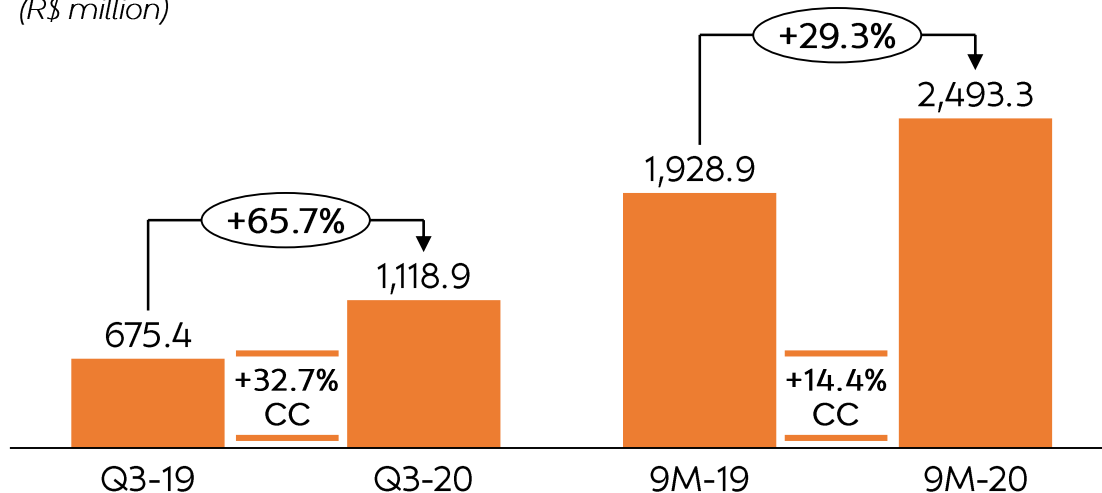
NET REVENUE - BRAZIL

(R\$ million)



NET REVENUE – HISPANIC LATAM

(R\$ million)

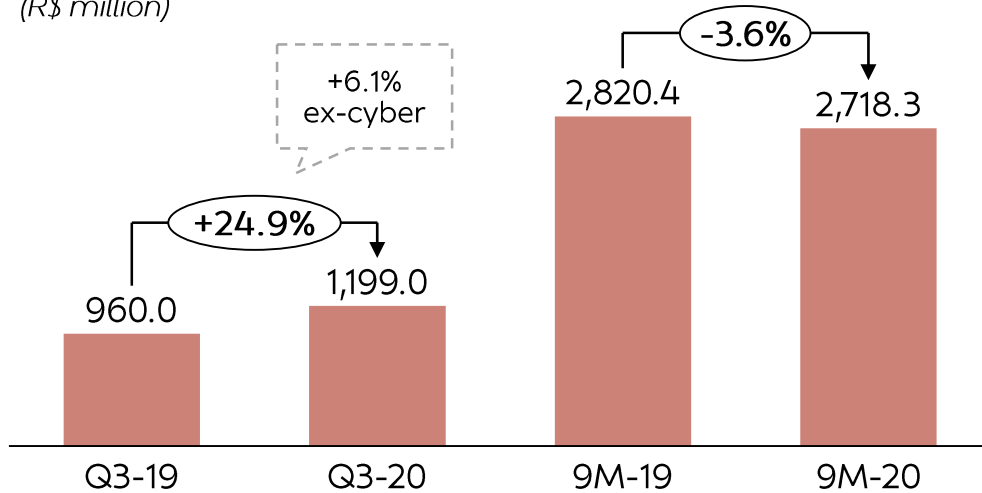


– Q3-20 HIGHLIGHTS

- Continued improvement in brand preference and **market share gain**
- In Brazil, net revenue increased 30.5%, driven mainly by the strength of its **digital social selling model**
- Volume increased, driven by core categories such as fragrances, body care and hair
- **16th consecutive quarter of consultant productivity growth (+13.8%)**
- In Hispanic Latam, net revenue grew strongly in all markets, notably Argentina, Chile and México

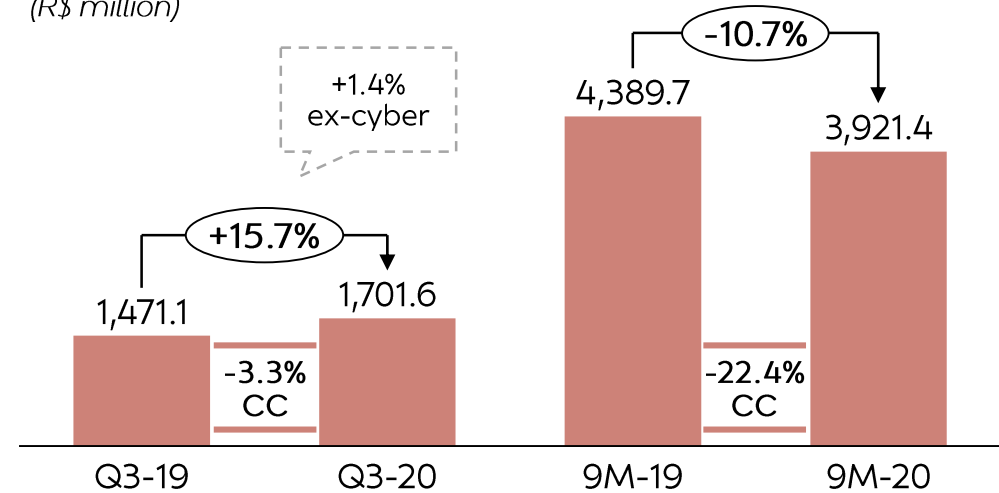
NET REVENUE – AVON BRAZIL

(R\$ million)



NET REVENUE – AVON HISPANIC LATAM

(R\$ million)



Q3-20 HIGHLIGHTS

- Increase in average number of representatives, higher productivity and larger volumes both in beauty and fashion & home categories
- Media investments in Brazil resumed this quarter

ADJUSTED EBITDA¹ AND EBITDA MARGIN

(R\$ million / %)



— Q3-20 HIGHLIGHTS —

- **Higher margins at both Natura Brazil and Hispanic Latam**, driven by growth in revenues and reduced discretionary spend
- **Higher margins at Avon Brazil**, helped by the shift in sales to Q3 resulting from the cyber incident in Q2

¹ Excluding effects that are not considered recurring nor comparable between the periods under analysis.



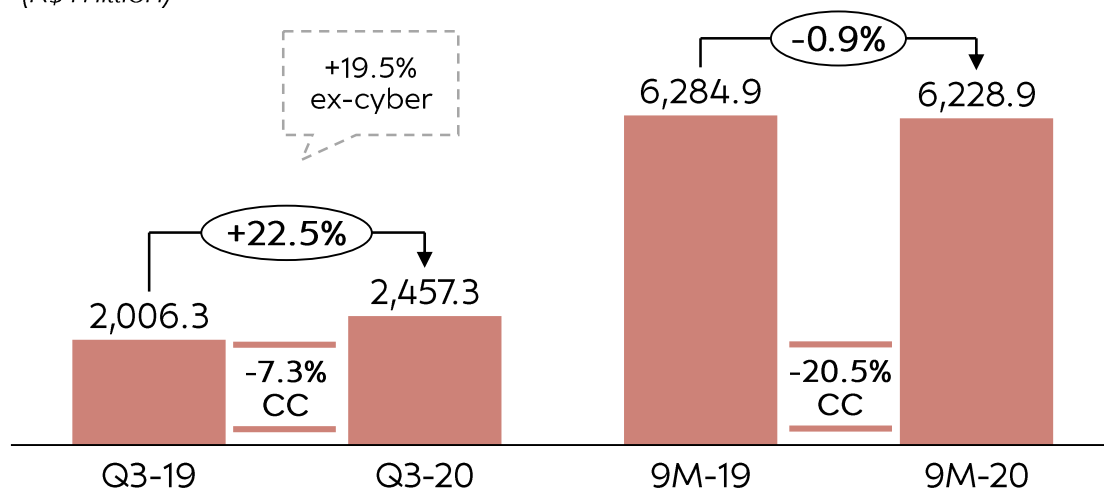
Avon International

Financial Performance

AVON Q3 growth driven by gross margin expansion

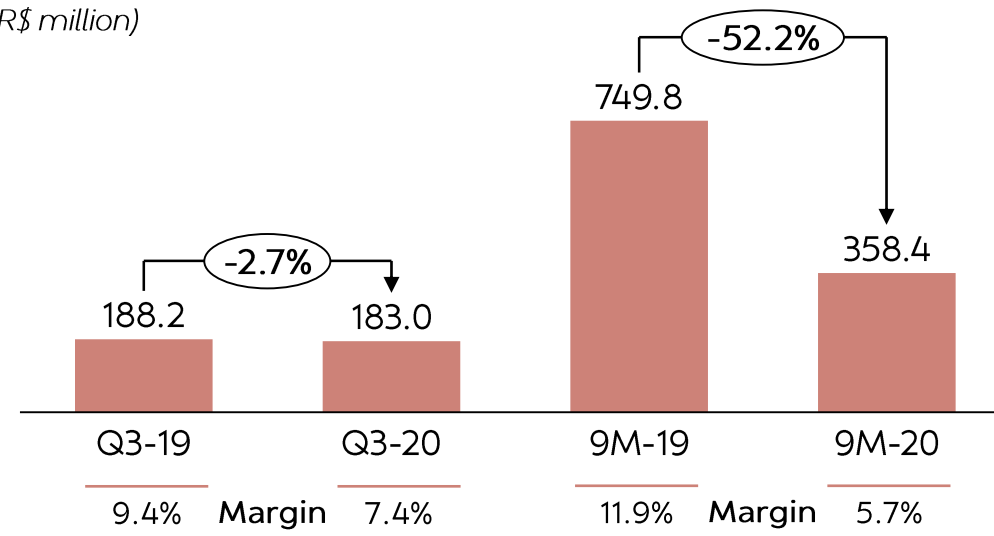
NET REVENUE

(R\$ million)



ADJUSTED EBITDA¹

(R\$ million)



- Q3-20 HIGHLIGHTS

- Representative adoption of digital assets exceeded 70% in Q3 in the UK
- Improved gross margin (+160 bps) mainly from positive price and mix effects and lower costs of goods
- Ebitda impacted by lower revenue, FX and higher sales leader and field investments

¹ Adjusted: Excludes non-recurring Avon-acquisition related expenses, transformation costs and assets sales

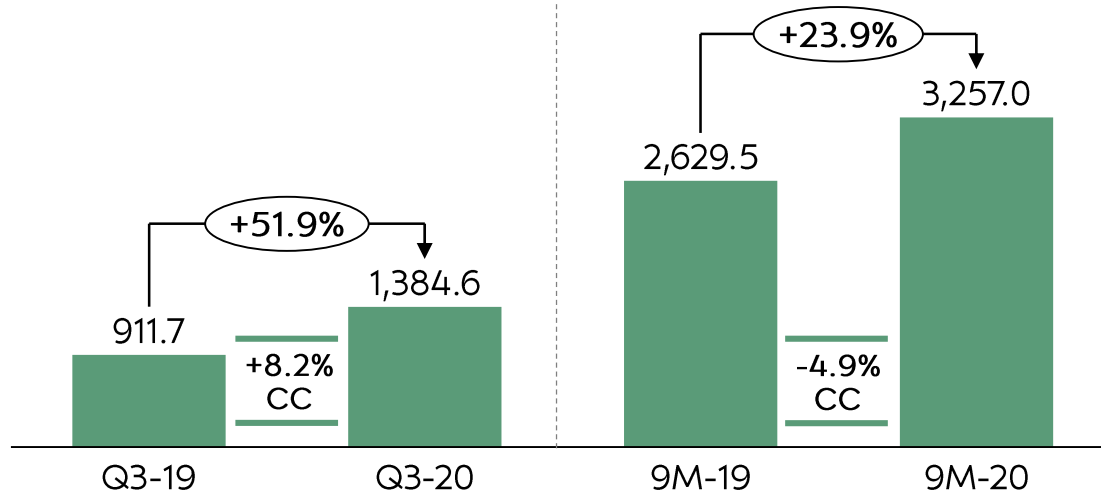


The Body Shop

Financial Performance

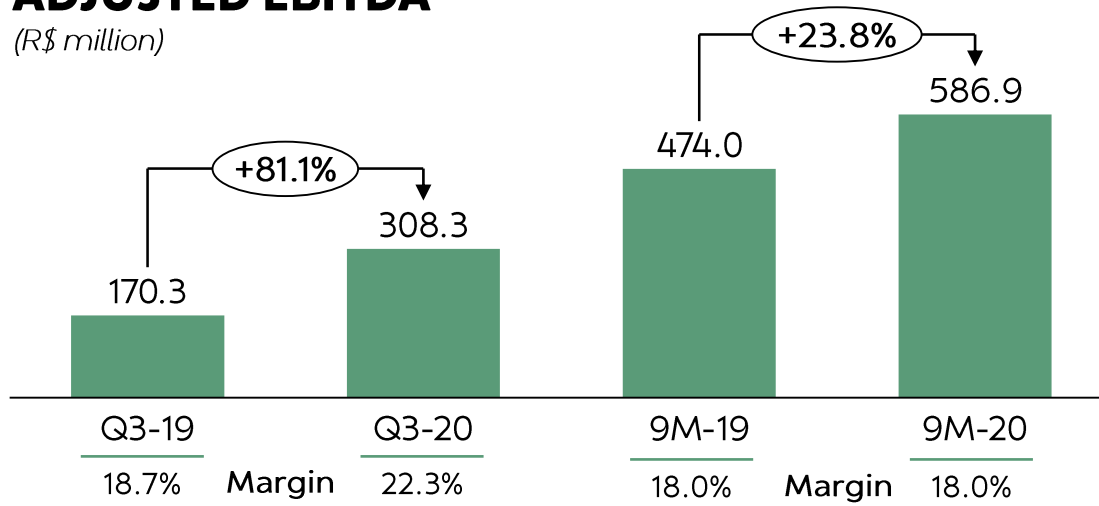
NET REVENUE

(R\$ million)



ADJUSTED EBITDA¹

(R\$ million)



– Q3-20 HIGHLIGHTS

- Sales growth of + 103% in e-commerce and + 333% in At-Home (direct sales)
- 97% of retail stores open at the end of the quarter
- Ebitda supported by operational leverage, lower discounts and Covid-19-related government support measures

¹ Adjusted: Excludes non-recurring transformation costs



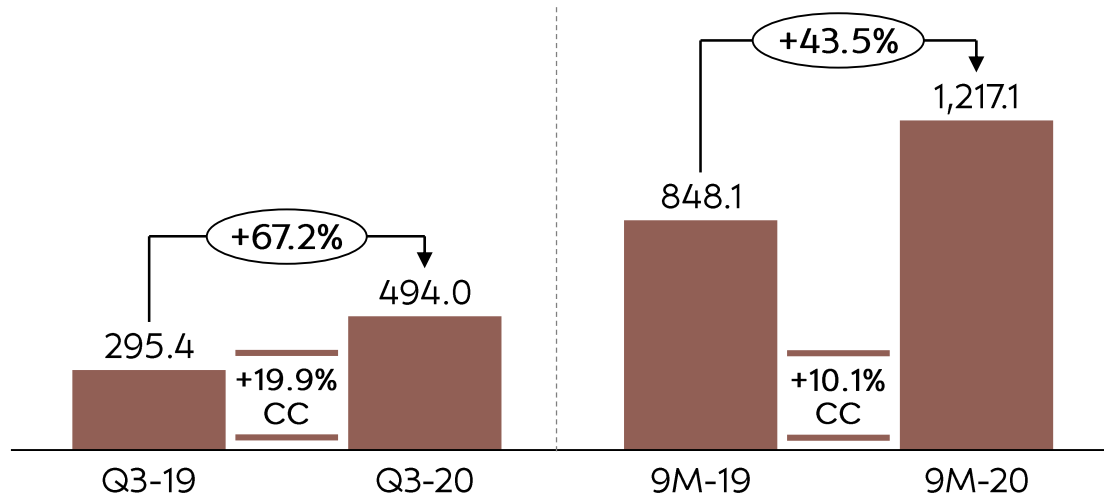
Aesop Chermside - Australia

Aesop

Financial Performance

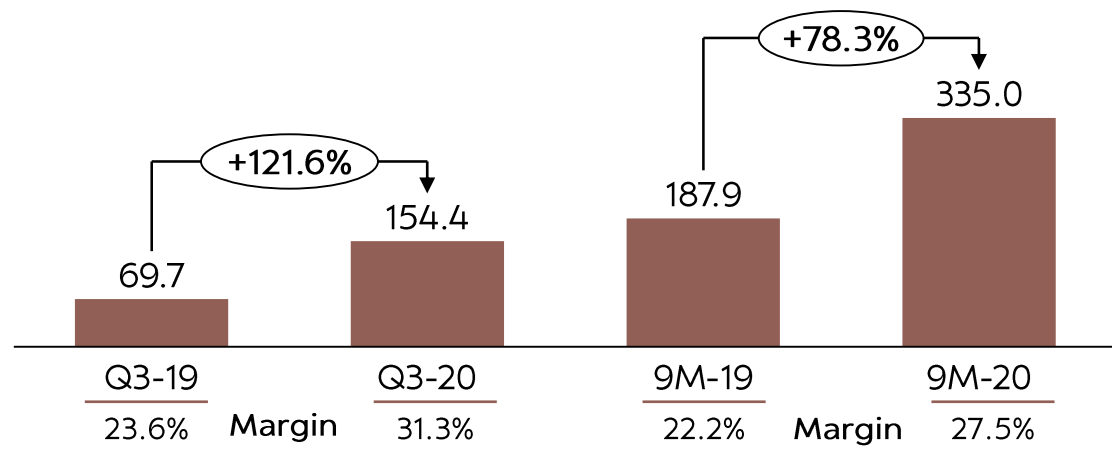
NET REVENUE

(R\$ million)



EBITDA

(R\$ million)



– Q3-20 HIGHLIGHTS

- **Growth of 264% in online sales**, helping offset ongoing partial retail closures related to Covid-19 in major markets like the US and Australia
- **95% of the retail store network open at the end of the quarter**
- Impressive Ebitda margin improvement (+770 bps) driven **by revenue growth, targeted cost reduction** and government support measures



Closing Remarks

Roberto Marques

OMNICHANNEL STRENGTH

- Omnichannel was key to strongly outperform the CFT market in Q3
- The Body Shop and Aesop continued multi-channel expansion

DIGITAL TRANSFORMATION

- Digital social selling driving results this quarter
- Continued momentum and investments in digital and e-commerce

SUSTAINABLE GROWTH

- Strong performance in Latam driven by Brazil
- Progress in Avon's integration with early positive signs in key markets
- Launch of &Co Pay, our complete financial services platform
- Strong ESG agenda across all brands; Aesop receives B-Corp certification

OPTIMIZED CAPITAL STRUCTURE

- Successful US\$1 bn capital raise
- Enables key investments to accelerate growth
- Prepayment of Avon's 2022 bonds: reducing US\$ denominated debt, currency volatility and high interest costs, and eliminating restrictive covenants

Creating the best global beauty group ^{FOR} in the world

Thank You

AVON



Aēsop.

natura & co



Appendix

Q3-20

Adjusted figures exclude the following non-operational effects

1

Avon acquisition costs

Non-recurring costs associated with Avon acquisition, mainly related to professional fees and planning costs.

2

Transformation costs

Include Transformation costs at Natura &Co Latam, and Avon's Open-Up and Grow costs at Avon International both in Q3-20 and Q3-19, and The Body Shop in Q3-19

3

Asset sale at Avon International

Gain on sale of Avon's North American business (New Avon), in which Avon Products held a 19.9% interest

4

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 at Avon in Brazil

5

Impairment loss on assets

Impairment loss on assets at Avon International and Avon in Latin America

6

Non-cash, non-recurring inventory PPA Impacts

In 9M-20, relate to adjustments to Avon's opening balance sheet, resulting from transactions that occurred in 2019

A full ESG agenda for the quarter

THIS QUARTER NATURA & CO:

- Had a major presence and promoted actions in: **(i) UN's Climate Week; (ii) Amazon Day; and (iii) Breast Cancer Awareness Month**
- **Announced sponsorship of two UN Global Compact (UNGC) initiatives: (i) Ambition 1.5oC; and (ii) Target Gender Equality**
- Was recognized as the **second most diverse company in the world** by Global Refinitiv Diverse and Inclusion index
- Has been listed by GlobeScan as one of the **top five business leaders advancing the sustainability agenda**
- Were invited to be part of **Transform Net Zero initiative**
- Has joined **Business for Nature coalition**
- Has increase its adherence to the **Brazilian Corporate Governance Code from 60% to 72%**

AND OUR BRANDS:

- Natura launched its **Declaration of Commit to Human Rights**
- Natura and The Body Shop launched a **reverse logistics program** in Brazilian stores
- Avon partnered with **Peace One Day** to raise awareness of gender violence
- **Aesop: (i) received carbon neutral certification** under the Australian government's Climate Active program; **(ii) was awarded by Cruelty Free International and became Leaping Bunny certified;** **(iii) lodged its application to become a B certified corporation;** and **(iv) Released their inaugural annual Sustainability Report**

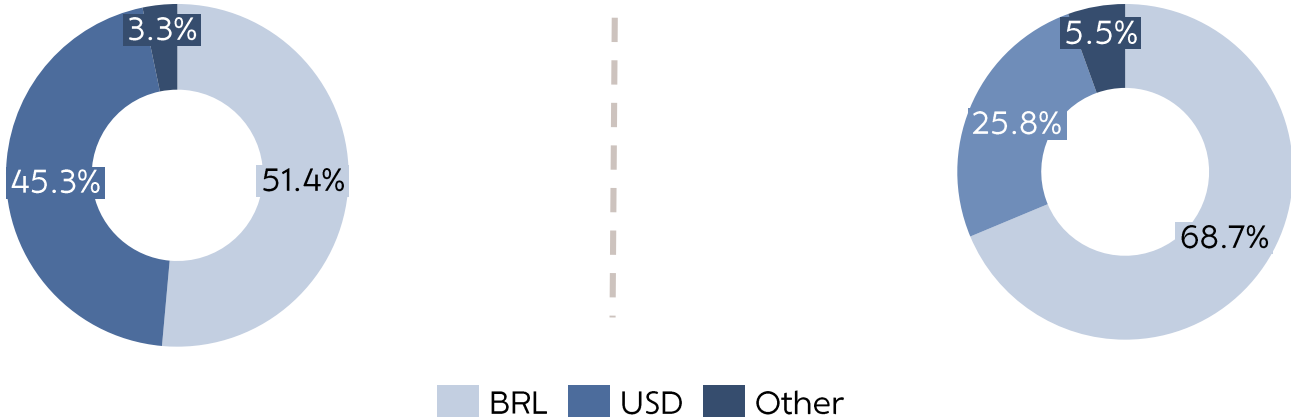
Debt profile

Q3-20 **Post Q3-20¹**

BY INSTRUMENT



BY CURRENCY





¹ Post Q3-20 – considers debt net of issuance costs (US\$890MM)

Breakdown of global net revenue by brand

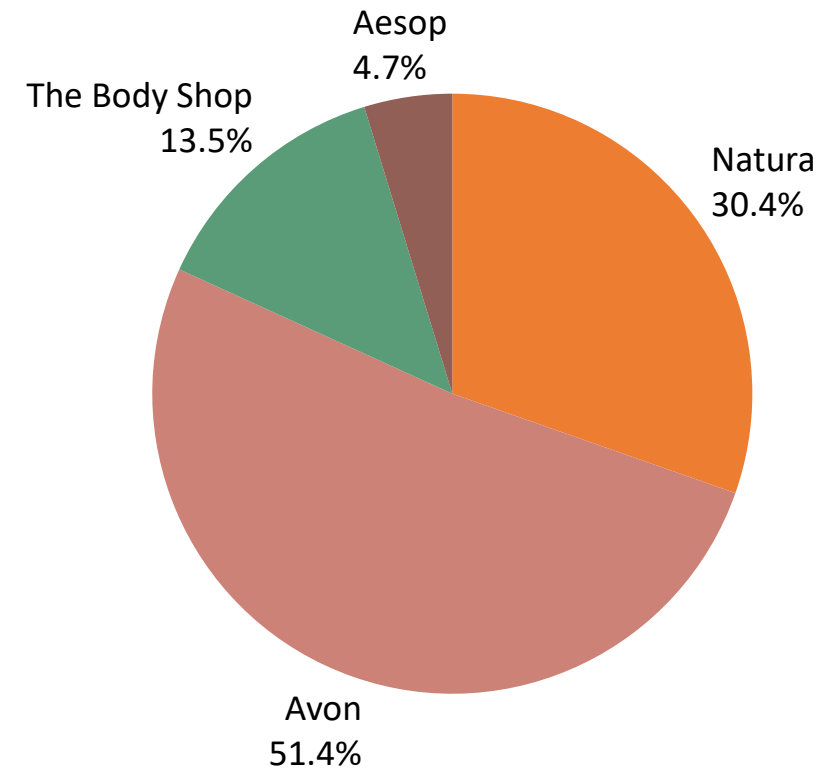
Q3 NET REVENUE PER BRAND¹

(R\$ million)

Brand	Q3-20	Q3-19	% (R\$)	% (CC)
 natura	3,165.0	2,241.8	41.2%	+30.5%
AVON	5,357.9	4,437.5	20.7%	+2.0%
 THE BODY SHOP	1,402.1	935.7	49.8%	+8.2%
Aēsop.	494.5	296.3	66.9%	+19.9%
Total net revenue	10,419.5	7,911.3	31.7%	+11.6%

Q2-20 NET REVENUE BREAKDOWN (BY BRAND)

(%)



¹ Pro-forma for 2019