

# Natura &Co

## Q4-20 Results Earnings Conference Call Transcript

**Operator:** Good morning ladies and gentlemen, thank you for waiting. At this time, we would like to welcome everyone to Natura &Co Fourth Quarter 2020 results.

This event is being recorded and all participants will be in listen-only mode during the company's presentation. After Natura's remarks are completed, there will be a question-and-answer session. At that time, further instructions will be given. Should any participant need assistance during this call, please press star zero to reach the operator.

This presentation may contain forward-looking statements. Such statements are not statements of historical fact and reflect the beliefs and expectations of Natura &Co's management. Forward-looking statements speak only as of the date they are made, and the Company does not undertake any obligation to update them in light of new information or future developments. This presentation also includes adjusted information prepared by the Company for information and reference purposes only, which have not been audited.

Now, I will turn the conference over Mrs. Viviane Behar, Investor Relations Officer of Natura &Co.

Mrs. Behar, the floor is yours.

**Viviane Behar:** Good morning or good afternoon to everyone. I am Viviane Behar, Natura &Co's Investor Relations Officer.

Thank you for joining us today for this call to present Natura &Co's fourth-quarter and full-year 2020 earnings.

I am joined today by Roberto Marques, Executive Chairman and CEO of Natura &Co, José Filippo, CFO of Natura &Co, as well as Joao Paulo Ferreira, CEO of Natura &Co Latin America, who will join us for the Q&A session. Our Investor Relations team of Natura &Co is also with us.

The presentation we will be referring to during this call is available on the Natura &Co Investor Relations website.

Roberto will start with an overview of our performance. Filippo will detail our financials for Natura &Co. After that, Roberto will make concluding remarks, and we will open the floor to your questions.

For the sake of timing, in order for us to accommodate questions from all of you, we'd like to ask you to please limit yourselves to one or two questions each in the Q&A session. Thank you very much for your understanding and cooperation on this.

Let me now hand over to Roberto.

Roberto, please.

**Roberto Marques:** Thank you, Viviane, and hello to everyone. Thank you for joining us. I hope all of you are safe and well in these still challenging times.

I will begin on **slide 3** with an overview of our highlights for 2020.

2020 was a year that changed the world. In many respects, it was a year that showed us how vulnerable and interdependent we all are, a year that has transformed Natura &Co for the foreseeable future, that brought a strong validation of the Group omnichannel and multi-brand strategy, and a clear demonstration of Natura &Co's purpose-driven approach. I'd like to make a call-out to our teams across the world for their extraordinary dedication throughout the year and solid results.

As soon as the pandemic hit, we determined that it was a time to care. We made the health and safety of our associates, our network of consultants and representatives our utmost priority. We provided financial and workplace support to our associates and networks of partners. We also quickly shifted production to essential products, such as soaps and hand sanitizers and mobilized significant donations across the world from our four brands.

It was also a time to adapt, and we rapidly pivoted our brands to online sales and digital social selling when lockdowns across the world temporarily shut down retail operations. This extraordinary year actually accelerated many of our strategic initiatives, especially in digital. We posted very strong growth in e-commerce and social selling, digitalization of consultants and representatives continued to gather momentum, and adoption of the Natura and Avon digital platforms is growing steadily.

We also became truly omnichannel: Group digital sales, which combine e-commerce and social selling, grew 79% in Q4. We also took decisive steps towards geographic expansion in the past year, buying back The Body Shop's operations in Japan, launching the At-Home in the US, and making further progress in our future entry into China.

2020 was also the year in which we welcomed Avon into our family of iconic brands, and we are making great headways on its integration. Synergies are ahead of plan and we have successfully launched a new campaign, called "Watch me Now". We have simplified the commercial model across all markets with monthly campaigns and a new earnings model at Avon International and started to pilot the representative segmentation model in South Africa, building on learnings from Natura.

We also made further advances in innovation with strategic product launches at all our brands. One example: the breakthrough innovation in hero skin care line Anew, now powered by Protinol; a scientific discovery made by Avon which accelerates collagen production. Natura's innovation index reached 67% in Q4, growing strongly by 8.7 percentage points versus 2019. And Aesop brought digital innovation features, such as live assistance and WeChat e-boutique in Asia to gain strong online traction.

We strengthened our capital structure with two successful capital raisings totaling R\$7.6 billion, including a USD 1 billion global offering that was the largest ever in the Latin American consumer space. We deleveraged the Company through the prepayment of the Avon 2022 bonds, and this allows us to make investments to accelerate strategic priorities, including the Avon integration, the group digitalization, geographic expansion, and our sustainability commitments.

These commitments are captured in our 2030 Commitment to Life Sustainability Vision, a very comprehensive and ambitious plan to maximize our social and environmental impact over the next

decade. Our longstanding ESG practices resulted in Natura &Co as a group gaining B-Corp certification, becoming, in fact, the world's biggest B-Corp, and the group was once again included in major sustainability indices, such as Dow Jones and ISE on B3 this quarter, actually.

On **slide 4**, we focus more specifically on Q4, and I would like to highlight four key achievements: First, Natura &Co posted a very strong performance with sales growth of 24% and net income up 200%. All of our brands contributed to revenue growth, supported by digital social selling and e-commerce, with total group digital sales up 79% in Q4. Our consolidated EBITDA margin remained strong while reflecting phased investments in branding, R&D, and technology to support continued sustainable growth.

This excellent performance in a very challenging context translated into market share gains in key markets and very significant outperformance of the global CFT market by 6 percentage points in the quarter.

Second, we made further progress on Avon's turnaround and integration. Synergies reached US\$25.5 million in Q4 and US\$73.3 million in the full year, ahead of guidance through initiatives in administrative, procurement and manufacturing. We also initiated the Avon's brand rejuvenation with the launch of impactful campaigns around the world, reconnecting the brand with social causes, such as fighting domestic violence, promoting gender equality and antiracism. Despite the higher impact of Covid-19 in Europe and in key categories, like makeup and fragrances, we are pleased to see that Avon International gained market share in color driven by key markets, which Filippo will comment later on.

Third, our ESG Agenda continues to advance in line with our 2030 Commitment to Life Sustainability Vision. We made further progress on our gender parity agenda, and you will be hearing more from us next week as the world celebrates International Women's Day. And we are on our way to reaching net-zero carbon emissions by 2030, 20 years ahead of the UN goal.

Finally, we optimized our capital structure, achieving a net-debt to EBITDA ratio of 0.97x. We generated cash flow of R\$1 billion in the quarter and ended the year with a robust cash position of R\$8.3 billion.

Before handing over to Filippo, as we announced his transition already, I would also like to take this opportunity, as he is going to be stepping down as our CFO at the end of the year, to personally thank him for his leadership, partnership, and strong contribution since he joined the Group.

During that time, he played a leading role in the acquisition of Avon in January 2020, which included listing Natura &Co both on the B3 and NYSE, managed two successful capital raises last year, implemented Natura &Co global financial structure, and strengthened our internal controls and liability management functions, completing a very successful cycle within Natura &Co.

To ensure a smooth transition, we are pleased to announce that Guilherme Castellan will be joining the Group as Deputy CFO. He will work closely with José Filippo over the coming months and will become the Group CFO after Filippo completes his cycle. Guilherme is a Brazilian national, joined Natura &Co after seven years at AB InBev Group, where he held senior financial positions in New York, São Paulo, Shanghai, and Hong Kong. Before joining AB InBev Group, Guilherme spent several years in the banking industry. In his last position, he was Chief Financial Officer at Budweiser Brewing

Co. at Asia-Pacific, a listed company based in Hong Kong. He will start his new role next April, and at the proper time, you are all going to be able to also welcome and meet Guilherme.

Thank you again Filippo, and over to you to go into our financials in greater detail.

**José Filippo:** Thank you for your kind words, Roberto, and hello to everyone.

On **slide 6**, you see that we posted very strong consolidated sales growth in the quarter of 24.3% in Reais and 6.4% in constant currency, reaching nearly R\$12 billion Reais. This reflects double-digit growth in Reais in all our brands.

In the full year, Natura &Co's consolidated net revenue stood at nearly R\$37 billion, up 12.1%, and in constant currency down by a limited 2.3%, which demonstrates the resilience of our model in a very challenging year.

On **slide 7**, we focus on our digital performance, for both e-commerce and digital social selling. As Roberto mentioned, digital sales largely offset the impact of COVID-19 on our retail activity, which continued to be impacted in the quarter, notably in Europe. The Group's consolidated digital social selling and online sales grew 79% in Q4. At Natura, digital sales were up 82% in the quarter; at Avon International, digital sales were up 65% in Q4; at The Body Shop, online and At-Home sales reached 40% of total sales; and at Aesop, online sales accounted for 27% of total sales in Q4.

**Slide 8** shows that we posted a solid 12.3% increase in consolidated adjusted EBITDA, reaching close to R\$1.5 billion, excluding Avon acquisition related effects, transformation costs and an impairment at The Body Shop, related to loss-making legacy stores, predominantly in the US, which were further impacted by the pandemic.

The strong growth in adjusted EBITDA was supported by cost discipline across all businesses and was driven by solid EBITDA at Natura &Co Latam, The Body Shop and Aesop.

Adjusted EBITDA margin in the quarter was 12.4%, down 130 basis points. This is primarily due to the phasing of investments in brand, R&D, and technology, concentrated in Q4 after rigorous cost control steps taken in the first half of the year. Reported EBITDA for Natura &Co was R\$1.25 billion, up 21.3%, with margin of 10.5%.

In the full year, adjusted EBITDA reached more than R\$4.2 billion, up 5.1%, with a healthy margin of 11.4%, down only 80 basis points, which is a very strong result in a challenging year.

Turning to **slide 9**, we see that Natura &Co posted strong growth in profitability in Q4. Reported net income was R\$174.4 million, up by 200% year-on-year as we reversed a net loss of R\$176.1 million in Q4 of 2019.

Underlying Net Income in Q4 grew by 47.5% to R\$249.3 million, driven by higher EBITDA and lower Income Tax payments. As a reminder, Underlying Net Income excludes R\$72 million in the quarter of Avon acquisition effects, transformation costs and discontinued operations.

In the full year, underlying net income reached R\$399.5 million, and net income was a loss of R\$650 million, due to impact on activity from the pandemic, Avon acquisition related PPA and tax effects. Management will propose to offset losses against capital reserves, subject to approval by the Extraordinary Shareholders Meeting, to be held on April 16.

On **slide 10**, we show that we ended the year with a robust cash position and a much stronger balance sheet. In the quarter, we generated R\$1 billion in cash, which helped reverse negative cash flow in the first half of the year. This allowed us to end the year with R\$8.3 billion in cash.

As you know, we completed a capital raise of US\$ 1 billion in the quarter and used the proceeds to prepay Avon's 900-million-dollar bonds due in 2022, allowing us to rapidly deleverage, to lower interest expenses and reduce exposure to US dollar-denominated debt.

As you see on the graph, our net-debt to EBITDA ratio was 0.97 times at the end of Q4, down from 3 times at the end of Q3, giving us a very healthy balance sheet.

The second graph provides you with our amortization schedule that shows that we have cash far in excess of the R\$3.7 billion in debt maturing this year.

Let's turn now to our performance by business unit, beginning with **Natura &Co Latam**.

The net sales were up 20.5% in Reais and 13.0% at constant currency in Q4. This excellent performance was driven by growth at both the Natura and Avon brands.

The Natura brand was up 24.7% in Reais and 20.9% at constant currency, supported by very strong market outperformance in Brazil of 10 percentage points.

The Avon brand recorded growth of 16.2% in Reais and 3.9% at constant currency, which is a very encouraging trend, driven mainly by improved productivity of representatives.

In the full year, Natura &Co Latam's sales stood at R\$20.5 billion, up 9.4% in Reais and 3.7% at constant currency. The Natura brand posted strong double-digit growth both in Reais and constant currency, while the Avon brand was slightly down in Reais, at -1.8%, and down 9.3% at constant currency.

The Natura and Avon brands combined in Latin America gained significant market share in the year, above 12%, versus 11.8% in 2019. In Brazil, the brands combined also gained market share of 4 percentage points in the quarter, and 0.6 percentage points in the year. This consolidates the Group's clear leadership both in Latin America and in Brazil.

On **slide 13**, we look at the Natura brand. Sales at the Natura brand in Brazil rose 16.2% in Q4, a very solid performance on the back of a successful Christmas campaign, a strong innovation pipeline and continued brand preference.

This demonstrates the success of our social selling model, which led to the 17th consecutive quarter of higher productivity in Brazil, up 1.4%, even with a higher consultant base, which increased by 12.9% year-on-year to 1.2 million. The Natura consultant loyalty index in Brazil reached the highest-level ever.

In Hispanic Latam, net revenue grew by 44.5% in Reais and 35.8% at constant currency in the quarter, with growth across all markets, notably Argentina, Chile, and Mexico. The average number of consultants increased by 16% to over 800 thousand. Productivity and consultant loyalty also increased.

In the full year, net sales grew both in Brazil and Hispanic Latam by 16.5% and 33.8% respectively in Reais. Sales in Hispanic Latam at constant currency were up by a strong 18.7%.

Turning to the Avon brand on **slide 14**. Revenue in Brazil grew by 4.9%, marking the second consecutive quarter of growth. This performance was supported by higher activity and improved productivity, while the number of representatives was stable.

Fashion & Home category sales grew double-digit, and considerable advances were made to increase the brand's perception as giftable. Avon also completed the pilot of a new commercial model in Brazil to be rolled out starting this quarter.

The Avon brand returned to growth in Hispanic Latam, up 23.9% in Reais and 3.0% in constant currency, driven by growth in Argentina, Chile and Mexico, its largest single market.

In the full year, the Avon brand's sales were down slightly in Brazil and Latin America by 1.4% and 2.1% respectively in Reais, and down 16.2% in Latam at constant currency.

On **slide 15**, Adjusted EBITDA for Natura &Co Latam rose strongly in the quarter, reaching R\$774.1 million driven by revenue growth, synergies and operational leverage at both Natura and Avon. Margin grew 120 basis points to 12.2%, driven by Natura Hispanic Latam and Avon Brazil, even with investments in brand, R&D, and technology to support future growth.

We saw similar trends in the full year, with Adjusted EBITDA up 25.1% and margin up 150 basis points to 11.9%.

Let's now move to Avon International on **slide 17**. Net revenue was up 12.1% in Q4 in Reais and was down 11.5% at constant currency. Sales were impacted by the second wave of COVID in certain markets, notably Central and Eastern Europe, and also sales of categories like fragrance and cosmetics were more affected by the pandemic than other categories.

On the other hand, Avon International gained share in color in Q4, driven by key markets. The UK stood out with sales up 3.0% at constant currency, gaining market share for the third consecutive quarter vs the previous year. In Russia, market share improved sequentially since Q2, and the Philippines gained strong market share in fragrance in the quarter.

Full-year sales were up 2.9% in Reais and down 18% at constant currency.

Adjusted EBITDA was impacted by the drop in revenue and foreign exchange and adjusted margin at 4.1% in Q4, and 5.2% in the full year, reflected strategic investments in brand, digital and commercial areas to accelerate future growth.

On **slide 19**, we now move on to The Body Shop, with sales up 48.4% in Reais and 9.7% at constant currency, driven by the UK and Australia. This growth was boosted by a successful pivot to omnichannel to offset lost retail sales. New restrictions in some markets, notably Europe, resulted in 78% of the stores being open in the quarter, down from 97% in Q3.

At-Home sales grew 206% and e-commerce sales grew 72%, which combined accounted for 40% of total sales. Note that retail store revenue now includes Japan, following the acquisition in October of the head franchise in the country.

In the full year, sales were up 32.4% in Reais and broadly stable at constant currency.

Reported EBITDA margin in Q4 was impacted by an impairment of R\$144.5 million related to loss-making legacy stores, mainly in the US, which were further impacted by the pandemic. Adjusted EBITDA was up sharply both in Q4 and in the full year by 32.6% and 27.7% respectively. Margin was robust at 23.7% in Q4 and 20.2% in the full year but was down by 290 basis points in Q4 and a more limited 80 basis points in the year due to the pandemic's effect on retail sales and channel mix effects.

On **slide 21**, Aesop again recorded an outstanding performance. Net revenue was up 62.1% in Reais and 19.3% at constant currency in the quarter, driven by a remarkable performance in Asia, notably Japan, its largest single market, and impressive growth of 190% in online sales, which accounted for nearly one-third of total revenue.

Digital innovation features, such as live assistance and the WeChat e-boutique in Asia supported strong online momentum.

In the full-year, sales rose 50% in Reais and 13.2% at constant currency and surpassed the symbolic mark of half a billion Australian dollars.

Q4 EBITDA was up 66.1%, with margin of 37.1%, an increase of 90 basis points, driven by top line sales growth and cost discipline. Full-year EBITDA rose an even stronger 72.6%, with margin up 410 basis points to 31.1%, driven by strong sales growth and strict cost discipline.

Let me now hand back to Roberto.

**Roberto Marques:** Thank you Filippo.

And by the way, we're still counting on you as our CFO over the next couple of months.

Let me now conclude on **slide 23** with the key takeaways.

First of all, we are on a sustainable growth path. All our brands are performing strongly. The Natura brand continues to post double-digit growth both in Brazil and Latin America, while the Avon brand grew for the second consecutive quarter in Brazil and returned to growth in Hispanic Latam.

We also saw further growth in the UK and progress in Russia and the Philippines. The Body Shop successfully switched to online and At-Home and Aesop posted another stellar performance. And we did all this while maintaining our purpose-driven approach that resulted in Natura &Co becoming the world's biggest certified B-Corp.

Second, Natura &Co's omnichannel model has shown its strength throughout the COVID-19 crisis, helping to offset the impact of the pandemic. All of our businesses are increasingly omnichannel,

and digitalization of consultants and reps continues to gather momentum. Digital social selling has been key to our strong market outperformance in the quarter.

Third, the Avon, integration is on track, in fact, ahead of schedule with synergies ahead of plan and advances in the pilot of the new commercial model. The business simplification is progressing, and digital social selling is gathering momentum, supported by a new brand campaign.

And finally, we have optimized our capital structure as we deleveraged our balance sheet, and we have further resources to boost investments in key areas to accelerate growth.

So, while the COVID pandemic is far from over and we continue to be vigilant, we continue to grow and progress on our strategic initiatives. I would like to conclude by expressing once again my heartfelt gratitude to the teams across our group who really enabled this performance.

Thank you very much for your attention. We are now going to open the Q&A session, and Filippo, JP and I are happy to take your questions, so the floor is now yours.

## QUESTION AND ANSWER SESSION

Operator: Ladies and gentlemen, we will now begin the Question-and-Answer session. If you have a question, please press the star (\*) key, followed by the one (1) key on your touch-tone phone. If you wish to be removed from the queue, please press star (\*) then two. Today's first question comes from Thiago Macruz with Itaú BBA. Please, go ahead.

**Thiago Macruz:** Hi guys, good morning and congratulations on a very good quarter and year.

I have a couple of questions, the number one is regarding cash flow. We know that the company's cash generation was always a bit more focused in Brazil with the softer currency, but after the improvements we've seen at The Body Shop and Aesop continuing to lead the way in terms of growth, is it fair to say that cash flow has started to arise from international operations as well on the course of the last 12 months? And my second question is regarding Avon in Latin America, Brazil and Latam. You've touched base on the digitalization of the relationship with the sales rep at the end of your presentation, Roberto. I would like to have more information how has that evolved on the course of the last 12 months and what milestones are left for us to really think that, at least from a channel and relationship standpoints, Avon is aligned with the best practices of Natura? These are my two questions, thank you.

**Roberto Marques:** Hi Thiago. Roberto here. Nice hearing from you, hope you're well.

So, on the cash flow, I'll ask Filippo to detail, but the short answer is we are seeing improvement of cash generation across all of our business, including Avon International, The Body Shop and Aesop, that is actually creating a nice balance of cash generation in different currencies other than just Brazil. I'll ask Filippo to give a little more detail and then I'll turn to JP to talk about it, but we're very excited about the progress on the commercial model, a lot of learnings that are being now transferred to Avon, both in Latin America and also at Avon International. Just one point is that we are now in full mode of a segmentation pilot in South Africa that is pretty much applying all the



learnings of the segmentation model that has been implemented here in Brazil and in Latin America with Natura.

So, I'll turn to Filippo and then JP will comment.

**José Filippo:** Yes. Thanks Roberto, and hi Thiago! How are you?

Regarding cash flow, the a-billion-reais generation in the last quarter was with the contribution of all of our business units, so all business units generated positive cash in the fourth quarter. When you see the full year, there were impacts in the beginning of the year, you may recall, on the transaction expenses and integration on the Avon integration then, so that was impacted, but overall, the end of the year was able to offset those impacts in the early year, so we end up positive, a small positive, but important positive. So, what we see here is the contribution of all of the business units. We expect that to see going forward. Of course, there are different commitments in terms of investment another capital use, so it's going to be guiding from there, but overall, the businesses are ready to generate cash going forward.

**João Paulo Ferreira:** Hi Thiago! JP here. As regards your question on the digitalization of the Avon business, well, actually, if you spent any minute watching TV recently, you probably heard that "Avon tá on" ("Avon is on") is catching up, so the usage of the app and the instant message e-brochure is growing everywhere across the region, actually, everywhere around the world, right, but strong growth here in the region, and we expect that throughout the year it will catch up with the current levels that we see in Natura as well. So, excellent progress and transferring technology, accelerating adoption and should catch up with the rest of the operation throughout the year. Thanks.

**Thiago Macruz:** Thank you guys, thanks for the answers.

**Operator:** Our next question today comes from Robert Ford, with Bank of America. Please, go ahead.

**Robert Ford:** Hey, good day everybody. Congratulations on the quarter and all the progress with Avon. You know, I had a question with a little bit more detail, and then I apologize ahead of time, but, you know, can you talk with a little bit more detail about the current functionality in that interactive e-brochure and then, you know, with the suite of digital selling tools, you know, for reps and consultants? Can you touch on new functionalities, ease of use, how you expect those to evolve with the training that you're providing in the networks and the brand in geographies where they're currently available as well as the road map you have for wider deployment? I think that's very critical as you move forward, and you have so many positive developments I'm really excited to learn. And then, Roberto, you touched on, you know, the segmentation pilot in South Africa. Can you perhaps give us your early findings and how you're thinking about broader implementation of segmentation? Thank you.

**Roberto Marques:** Hey Bob, Roberto here. I'm going to try to give you a short answer on your very detailed questions, but one thing that I wanted to give you a little comfort that you're going to see much more details on upcoming Investor Day, but I'll try to address. First, in terms of, you know, the digitalization at Avon, we are seeing really the e-brochure is being the main vehicle for adoption and really utilization of social selling. Total Avon has been growing over 90%, and this is being consistent. In terms of geographies, the ones that really we are putting more focus on investment

and really training, and adoption is more developed markets and UK is being really our spotlight, right, so we really want to make it work in UK first to then potentially get to learnings on the features, get the learnings on the how the reps are really working with the 'Avon On'.

Avon On is the name of the app similar to what Natura has here. It doesn't have all the features, yet that Natura has, but we're catching up pretty quickly. But just UK we're seeing growth of 300% of adoption and growing of e-brochure for three consecutive quarters, and I can assure you that that is the reason that UK is now growing sales and gaining share for three consecutive quarters, which is, as you know, that's the first time that Avon is showing market share gains in UK for at least five years, right? So, more to come, but it's really very encouraging.

Now, in South Africa, the early results are very encouraging. What's really driving that is the retention of the reps. We are actually testing this on a second brand that Avon has in South Africa called Justine, which is a more premium brand. We decided to choose Justine because it's a more contained group of reps and we really want to validate the whole growing segmentation model very similar to what we have here at Natura, and the early results are very encouraging in terms of retention, productivity gains in South Africa, and hopefully with the learnings we are going to be able to expand to other markets throughout 2021.

JP, anything that you want to add in terms of some of the tools?

**João Paulo Ferreira:** Some of the tools, the most basic ones already available like accessing the e-brochure with a very easy navigation allowing the reps to share that content through social media, through all of her contacts, get the orders even through WhatsApp and load it to the system. So, the basic social selling functionalities are already available and more coming harmonizing with Natura's, as Roberto pointed out.

**Robert Ford:** That's exciting. Thank you very much.

**Operator:** And the next question today comes from Richard Cathcart, with Bradesco. Please, go ahead.

**Richard Cathcart:** Hi everyone, good morning and congrats on the strong results. Just a couple of questions here on Avon. The first one in Brazil and I think in Latin America JP you made a reference to the marketing campaigns that you're running, I'd just be interested to understand a little bit more kind of if you're seeing kind of what early signs engagement you're seeing from consumers and perhaps also reps with the brand and kind of what kind of consumers are you targeting with these campaigns, you know, most of campaigns that you have in the fourth quarter and, you know, obviously your support in Big Brother in Brazil early this year. And then the second question just on Avon International, just, you know, if you could sketch out what we should expect to see from Avon International through this year in terms of revenue, you know, hopefully perhaps stabilizing the decline by the end of the year. But it would be great to hear your views on that. Thank you.

**Roberto Marques:** Hi Richard. I'll turn to JP to talk about Brazil and some of the exciting things in terms of the new campaign that is coming, and then I'll come in on Avon International sales. So, JP, please.

**João Paulo Ferreira:** Hi Richard. I'll start from the end. Next Monday International Women's Day we are launching Avon's new positioning, the Watch Me Now, but, you know, translated to Portuguese

and Spanish, within our internal network. So, from then onwards, it will reach the end consumer in the coming weeks and months. So, all the story that you already heard is being spread through Europe under this leadership is now going to reach the end consumer in Brazil in the coming weeks. In the meantime, from the end of last year, you probably noticed we have been investing on Avon quite a lot tied to launches of extremely relevant high technology products, like, you know, the ones with different tones of skins that were linked to antiracism positionings here in Brazil, all the power stay line, both in Brazil and in Latin America, the Hispanic Latin America, and a much more modern presentation of the brand, which is driving not only higher awareness, but higher consideration of the brand. So, very happy so far and the best is yet to come.

**Roberto Marques:** And Richard, to build on that, I mean, as we started the rollout of the new campaign Watch Me Now in the international markets, and there is no question about it that despite again, you know, the headwind that we are seeing in Europe with the second wave of COVID-19, we actually gained market share in color, in makeup at Avon International in Q4, which is really exciting to see. Of course, as you know, Avon International is highly depended on Europe and highly dependent on actually color cosmetic and fragrance, and those are the categories that are being hit the most. Just for you to have this data point, the top European markets declined over 12% in CFT and -23% in color cosmetics in Q4 because of this strict lockdown applied in Europe, but the good news again for Avon International is that because all the progress that we're doing on the fundamentals, the new campaign, we're able actually to gain market share in makeup in Q4. So, that for us will create a good foundation, that when you know we have some easiness of the restrictions in Europe and hopefully with the vaccinations and everything else, we do believe that fragrance and makeup are two categories that are going to rebound the fastest actually based on historical performance of those categories post crisis.

**Richard Cathcart:** Great, thanks for the reply.

**Operator:** And our next question today comes from Tobias Stingelin, with Citibank. Please, go ahead.

**Tobias Stingelin:** Yes, thank you very much. Roberto, you delivered some very strong results, and I think the synergies, you achieved synergies higher than expected at least for the first year. Is there any indication that you might be able to increase the synergy guidance going forward, or is just really because the process has been moving on faster and you kind of decided to... you were able to anticipate? It might be an early question, but just to get a sense if you are more bullish now than you were before. Sorry, that's the first question, and the second one, just going back again to Avon International, which are kind of the milestones, the KPIs that we have to look at in order to see how the progress is evolving, please? Thank you very much.

**Roberto Marques:** Hi Tobias, Roberto here. Two good questions. So, on the synergies, we're still, you know, pretty much within the guidance that we provided to the market even though, to your point, we actually overdelivered in terms of the synergies in 2020. So, if you look at our guidance, we were supposed to probably achieve about US\$55-56 million of synergies in 2020 and we delivered 73 million. We also ended up underspending a little bit on cost to achieve, which we'll catch up in 2021. As you know, we were very careful about the spending in 2020 to manage the uncertainty in the crisis, but we do want to make sure that we make the proper investments to capture the synergies. So, at this point, I would say we feel pretty good about how it's progressing, we are sticking to our guidance, but we were very pleased with the first year how we were able to really deliver on the synergies, you know, above our guidance.

On the KPIs on Avon International, I'd say there are a couple of things that we're really putting a lot of focus: The first one, I think that the question from Bob is the, you know, the digitalization adoption, and this is one metric that we really putting a lot of focus in terms of utilization of the reps, of the app Avon On, the deployment of the e-brochure, the sharing content digitally across our network. So that's one KPI that we're putting a lot of focus. The second is the productivity and retention and appointment of reps. With than you earnings model that's being implemented, a much more simplified one, the segmentation that we are rolling out, we want to make sure that the channel is very healthy, and that's another metric. The third one, just to give you three, is the brand health, how you're really rejuvenating the Avon brand in terms of preference, and that's very much tied not only to the brand campaign, the Watch Me Now, but also the innovation, the new products that we're bringing to the market and make sure that it's really helping, you know, the brand, not only awareness, but preference. So, just to stay with those three, those are probably the most important ones that we're going to be tracking.

**Tobias Stingelin:** Perfect, thank you very much. And if I may, just kind of a follow-up, in terms of the geographical breakdown of the synergies, is it fair to say that maybe 60 to 70% might be kind of achieved in Latin America specifically where you had a lot of overlap and so on? Does it make sense to think kind of this way and the synergies on the other regions will be much more probably on the top line front or something like that?

**Roberto Marques:** In fact, if you look at 2020, I would say we actually get more synergies coming from Avon International with the whole restructuring that we're doing in leveraging now the group as a whole than even Latin America. But I would say, for the future, with all the things regarding to supply chain, manufacturing distribution, most of the synergies and the top line, the revenue synergies will come from Latin America.

**Operator:** Thank you. Our next question today comes from Andrew Ruben, with Morgan Stanley. Please, go ahead.

**Andrew Ruben:** Hi, thanks very much for the question. Going back to the points on digital, so you've mentioned the accelerated growth figures for digital sales, I was curious if there's any update on digital as a percentage of your sales and how you think that could trend overtime. And then, within digital, how you see the split evolving between pure e-commerce and more of a digitally enabled direct sales model? Thank you.

**Roberto Marques:** Hey Andrew. What I can tell you – and we're going to get more details at the Investor Day, but – when you look at – and this is something that we always try to make sure that the market understands – for our color retail business, it's a little easier to track because it's just a movement from a physical to e-commerce, and what I can tell you, for example, Aesop right now e-commerce is (or digital online sales) about 30% of the business and it used to be 10% a year ago, right. Now, you can argue that this number might come down as the retail, the physical stores get more momentum back, because, again, this might be a little inflated because the business really had to pivot it to online digital because of the weakness of retail, the lockdowns, the closure of the store. So, I think it is important to calibrate that even though it's sitting almost at 30%, we don't think that this will sustain. Now, we also don't believe that it's going to go back to 10, right. So, I think there is some kind of improvement there.

On The Body Shop, if we combine Body Shop At-Home that is primarily digital and e-commerce is now sitting at almost 40% of the total revenue of the business, but again I would caution because

this is also driven by, you know, some of the restrictions in our physical stores that as to pandemic ease out, as we get some level of normality back, mobility, that probably will increase again the percentage of our physical stores. For the direct selling, the e-commerce is just one component, but the most important component is really how the reps are using online to reach out their customers even if they buy not through e-commerce, and that is the metric that we're really putting a lot of focus in terms of utilization, sharing content, e-brochure that we believe that are sales driven by digitalization and online usage, but not necessarily just e-commerce.

**Andrew Ruben:** Great, that makes sense.

**Roberto Marques:** I hope that helps.

**Andrew Ruben:** It does, thank you, appreciate that.

**Operator:** And our next question today comes from Joseph Giordano, with JP Morgan. Please, go ahead.

**Joseph Giordano:** Hello everyone, good morning and congratulations on the results and thanks for taking my question. So, I'd like to understand a little bit more like and digging into the digital strategy here like you connecting more digitally, so how are you evolving, my question is: how are you evolving on the creation of your data lake to better understand and launch products and be more assertive on the marketing strategy? And the second question is how are you leveraging and training on your sales force to actually reduce your digital marketing investment, so basically relying more on the sales reps? Thank you.

**Roberto Marques:** Hi Jo, Roberto here. I'll ask JP to talk about data lake because, again, we are leveraging a lot of the things that Natura started to do and expanding now to Avon in Latin America and we will then expand to Avon International, and then he can also complement some of the training.  
So, JP, please.

**João Paulo Ferreira:** Sure. Joseph, well, the usage of data is critical for the business today and it will be even more so in the future. So, I'll focus on Latin America, but I can tell you that, you know, The Body Shop, Aesop they are digging the data on their customers thoroughly to understand where the opportunities are today and tomorrow. In Latin America, we have already merged the data lakes so that we know all that is available as regards consultant representatives and end consumers, we are using that much more currently to reach those reps, consultants, and consumers rather than to design products, but as regards our media planning, our CRM, individualized offerings promotions, trainings, that is being heavily used already, right. I think that's it.

**Roberto Marques:** Good, I also would add to JP's point, Joseph, that in the case of The Body Shop and Aesop, this change more to the online and digital, we are accelerating our CRM, we are accelerating a lot of activities also to connect and create loyalty with our customers that are now accessing the products through digital and e-commerce and, again, we are very pleased, we are going to share more at the Investor Day, but it is one area, again, that we just highlight where we are putting a lot of investment in 2021 and over the next three years. As you know, after our capitalization we were very clear that part of the proceeds would go to acceleration of digitalization and some of those areas that he just alluded to are areas that we're putting a lot of resources again to really accelerate that growth.

**João Paulo Ferreira:** Joseph also asked about how consultants are drawing customers, right? So, indeed, we keep training them, Joseph, so that they attract their own traffic rather than having us investing on their behalf. So, that is an ongoing effort very successful so far.

**Operator:** Thank you, our next question today comes from Gustavo Oliveira, with UBS. Please, go ahead.

**Gustavo Oliveira:** Hi, good morning everyone, congratulations on the results. I have a question that is a little bit more short-term, but in the end what I'm trying to understand is the current status of your initiatives in Brazil and Latin American in Avon and comparing that to the Avon Europe. You mentioned that your results in Avon International in Europe were affected by coronavirus, right, during the quarter although you see the recovery was still ongoing. How do you think that the surge in coronavirus in Brazil, especially now, could affect the results in the short-term the results of Avon in Brazil? Do you think that Avon Brazil is a little bit more advanced in the implementation of the initiatives, the digital initiatives, but also the commercial model initiatives that would allow you to actually deliver good results, like you've been doing with Natura, despite the surge in coronavirus cases and the restrictions?

**Roberto Marques:** Gustavo, Roberto here. There are a couple of things that are important, right. So: One, you know, some of the markets in Europe actually had to go through a much tougher restriction than we already see in general in Latin America, not saying that the situation is easier or more comfortable. On the contrary, there are some very critical situations in Latin America, but we do see some restrictions that are really tougher in some markets, especially in Center and Eastern Europe. So, that's one. Two, it is a fact that some markets in Eastern Europe – and that's why we put a lot of focus in UK – have lower adoption in digitalization than in some markets here in Latin America, and we are seeing Brazil growing also in adoption as we're seeing in UK. So, that's a second factor. The third factor is a category dynamic. You know, in Latin America Avon also has a higher percentage of their business in home and fashion, which actually, as we highlighted, is performing very well in the markets in Latin America. Avon International doesn't have that. Avon International is highly dependable on fragrance and makeup primarily, which other categories most impacted by the crisis and by the restrictions with the lockdowns. So, if you added those three things, you do have a nice picture in terms of some of the difference in performance, but the fundamentals I would say they are actually marching very consistently in terms of the new commercial model that was pilot and now is being rolled out in Brazil, now is being pilot in Mexico, and the same thing is happening in some key markets at Avon International.

**Gustavo Oliveira:** Very clear, Roberto. Thank you very much.

**Operator:** And the next question today comes from Gabriel Disseli, with Santander. Please, go ahead.

**Gabriel Disseli:** Good morning and thank you for getting my question. Can you give some more details on the four-point gains of market share in Latam during the quarter? What do you believe that were the main drivers there, like for the context of COVID empowering direct selling model or weaker competitive landscape? And then for a second question, the innovation index showed a large improvement in Natura Brazil during the quarter. Do you make a similar analysis for Avon, Avon Latin America? And if so, how it behaved during the year? Thank you.

**Roberto Marques:** So, Roberto. Thanks for the question, I'll start with the last part and then I'll turn to you. In terms of the index of innovation, we don't have the same methodology applied, you know, across our business. We're going to get there, it is one thing that we want to make sure that we start, you know, probably sometime later this year to have that visibility, we just had that level of detail for Natura for now, and I'll turn to JP to answer the first part of your questions, about the market share gains.

**João Paulo Ferreira:** Yeah, and by the way, the innovation index is a cumulative index, so it reflects all the launches, successful launches of relevant products throughout the year, which is one of the reasons that support the market share gain. The brands are more relevant now than a year ago, you know, the way we acted throughout the pandemic with our reps, with our consultants, with consumers in general across the region made them consider Natura and Avon primarily as some of the most important brands to support society during crisis. That was one. And as mentioned, the launch of very relevant products, the high engagement with consultants and reps – actually, record numbers – that have been achieved during that period given the closeness with which we related during the difficult times, the natural shift from in-store to out-of-store and the fact that we had different tools to operate out-of-store as well, so all of those combined let us through this outstanding market share again in the region. So, we are well-prepared not only to defend that gain in market share, but hopefully to expand that even further.

**Roberto Marques:** And again, we are extremely pleased with the progress in market share, not only in Brazil and Latin America, throughout both Natura and now we're seeing, you know, momentum also on Avon Hispanic, but also the market share gains that we're seeing in UK for Avon and the market share gain in total of Avon in color cosmetics, which is the most important category for Avon. And again, despite some of the headwinds that we're seeing in the category as a whole, the fact that we are outperforming our competitors is very encouraging to show some of the progress on the fundamentals and some of the power of the brand.

**Operator:** Thank you. This concludes today's question and answer session. I would like to invite Mr. Roberto Marques to proceed with his closing statements. Please, go ahead Mr. Marques.

**Roberto Marques:** Thank you again everyone for joining us today.

Again, where we are very, very pleased with the results despite this very challenging environment that we're still facing and unfortunately I think we'll continue to face over the next couple of months, but I would say a thing: Our business, our people, our network are prepared to continue to deal with resilience, with agility, with care, you know, really making sure that we stay true to our values, to our principles, and again, I just want to finish saying thank you to Filippo that will continue with us, but as we announce his succession, for all his contributions and partnership, and thank all of our teams for really an amazing 2020, a very challenging year that really transformed Natura &Co and our heartfelt thanks to our teams, to our people, to our network. Thank you again, everybody, have a great weekend. Thank you.

**Operator:** Thank you, that concludes the Natura &Co audio conference for today. Thank you very much for your participation, have a good day.