

# Fourth-quarter and FY 2020 results

March 05, 2021

AVON  natura  THE BODY SHOP Aēsop.

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natura & co

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## An omni-channel, multi-brand and purpose-driven Group

### Omni-channel and digital

- Social selling adoption in our Direct Sales businesses
- TBS At Home: Exponential growth + launch in USA
- Pivot to e-commerce in TBS and Aesop



### Avon

- Integration ahead of schedule
- New commercial model being piloted
- "Watch me now" campaign rollout in key markets
- Highlights: Brazil, Mexico and UK

### Innovation

- Strategic product launches: Fragrances (Natura), Anew Protinol (Avon), Winter Jasmine (TBS) and Candles (Aesop)
- Natura innovation index reached 67.1% in Dec-20 (+8.7pp vs. Dec-19)
- Digital features to boost online sales such as e-brochure, digital aroma, live assistance, click & collect, new websites



### Covid-19

- Protecting the health and safety of our network
- Significant donations across the world

### Capital Structure

- Two successful capital raisings totaling R\$7.6 bn: R\$2 bn and global offering of US\$1 bn
- Avon's 2022 bonds prepayment



### ESG Agenda

- 2030 Sustainability Vision
- Largest B-Corp
- DJSI and ISE

# Q4-20 Highlights

## **Strong sales growth of 24%<sup>1</sup> and net profit up 200%**

### **The Group strongly outperformed the global CFT market<sup>2</sup> by 6 pp in the quarter**

- Extraordinary performance of digital social selling and e-commerce
- Market share gains in key markets

### **Progress on Avon turnaround**

- Synergies: US\$25.5 million in Q4 and US\$73.3 million in FY-20, ahead of guidance
- Brand rejuvenation: Launch of impactful campaigns around the world

### **New advances in our ESG agenda**

- Natura &Co biggest certified B Corporation of the world
- Improvement of our gender parity agenda: International Women's Day
- Efforts underway to become Net Zero

### **Optimized capital structure**

- Accelerated deleveraging: Consolidated net debt-to-EBITDA ratio at 0.97x
- Strong cash flow generation: R\$1.0 billion in the quarter
- Robust cash position: R\$8.3 billion

1) For comparison purposes, Q4-20 and Q4-19 results and analyses include: i) Q4-19 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) Q4-20 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.

2) Cosmetics, Fragrance and Toiletries market performance: Company estimate based on global peers' net revenue vs prior year of approximately -0.4% in Q4 and -8.3% in FY20 (in reported FX), as reported by the companies or estimates published on Bloomberg for those who have not yet reported.



# Consolidated

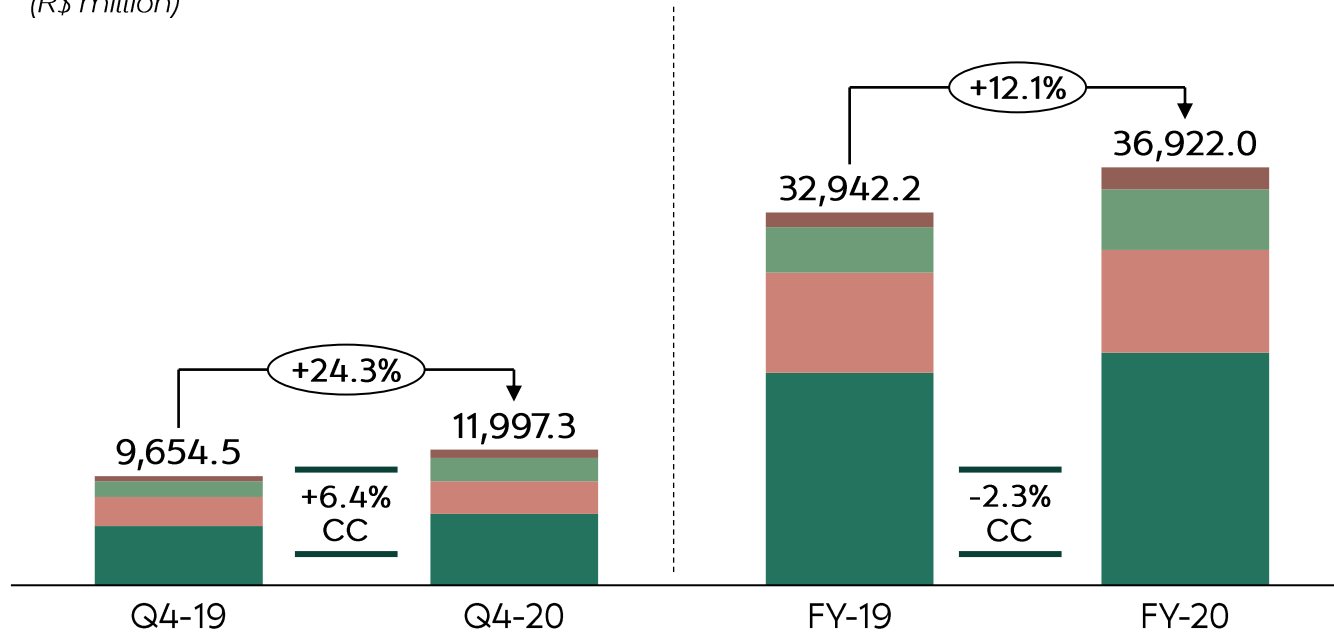
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Financial Performance

# Strong sales growth of 24% in Q4 driven by digital social selling and e-commerce

## NET REVENUE

(R\$ million)



### Natura &Co Latam

Q4: +20.5% in BRL  
+13.0% at CC  
FY: +9.4% in BRL  
+3.7% at CC

### Avon International

Q4: +12.1% in BRL  
-11.5% at CC  
FY: +2.9% in BRL  
-18.0% at CC

### The Body Shop

Q4: +48.4% in BRL  
+9.7% at CC  
FY: +32.4% in BRL  
0.0% at CC

### Aesop

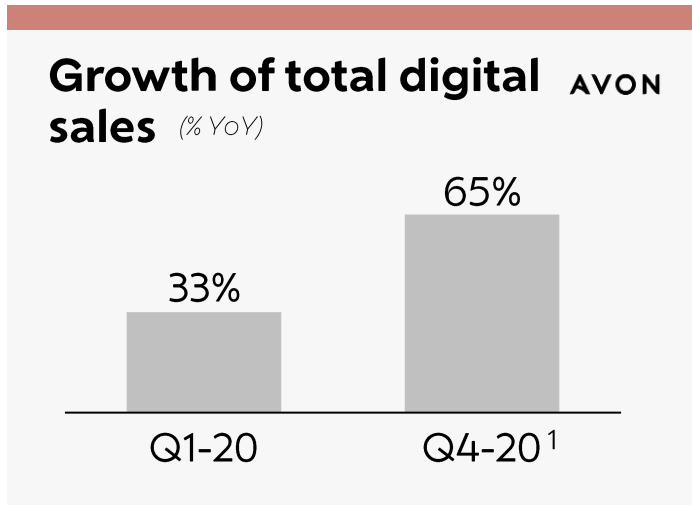
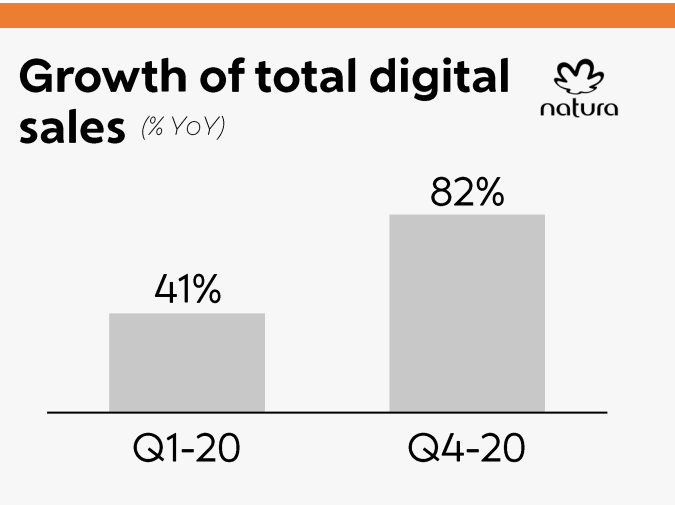
Q4: +62.1% in BRL  
+19.3% at CC  
FY: +50.0% in BRL  
+13.2% at CC

## — HIGHLIGHTS

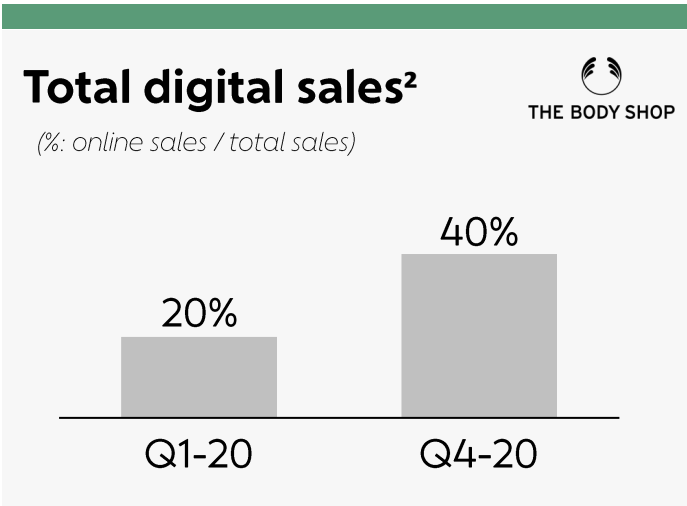
- **Natura &Co Latam** continues to report strong growth (Natura brand up 24.6% in BRL and Avon brand up 16.2% in BRL)
- **The Body Shop and Aesop** successfully pivoted to online and social selling channels

# Sustainable growth in digital social selling and e-commerce

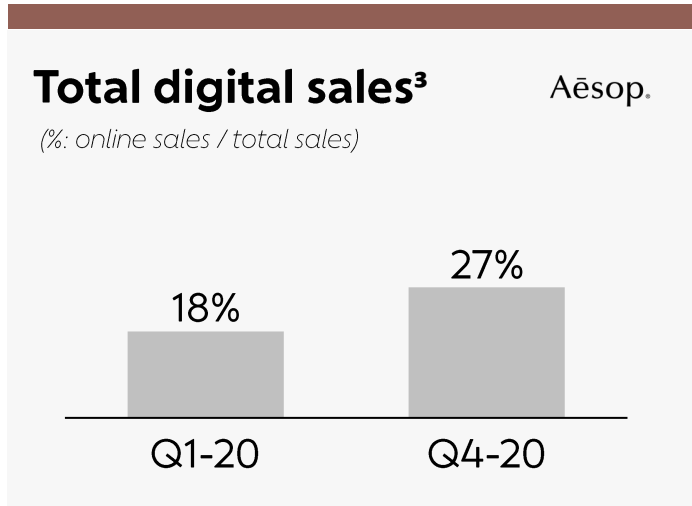
**+79%** group digital sales



1) Avon globally: growth of total digital sales 46%; e-brochure sales +90%



2) The Body Shop At Home (direct sales) + e-commerce

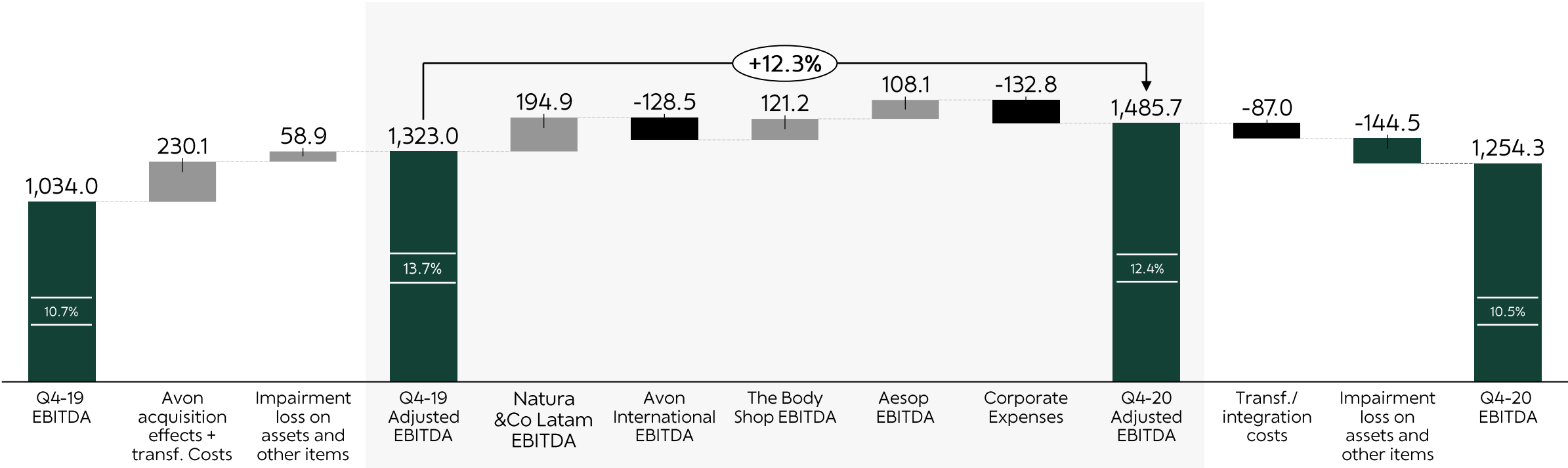


3) Aesop Direct Digital Sales + Online Resellers

# Double-digit growth in adjusted EBITDA

## Q4 CONSOLIDATED EBITDA

(R\$ million)



Adjusted EBITDA margin of 12.4% (-130 bps) in Q4-20 and 11.4% (-80 bps) in FY-20

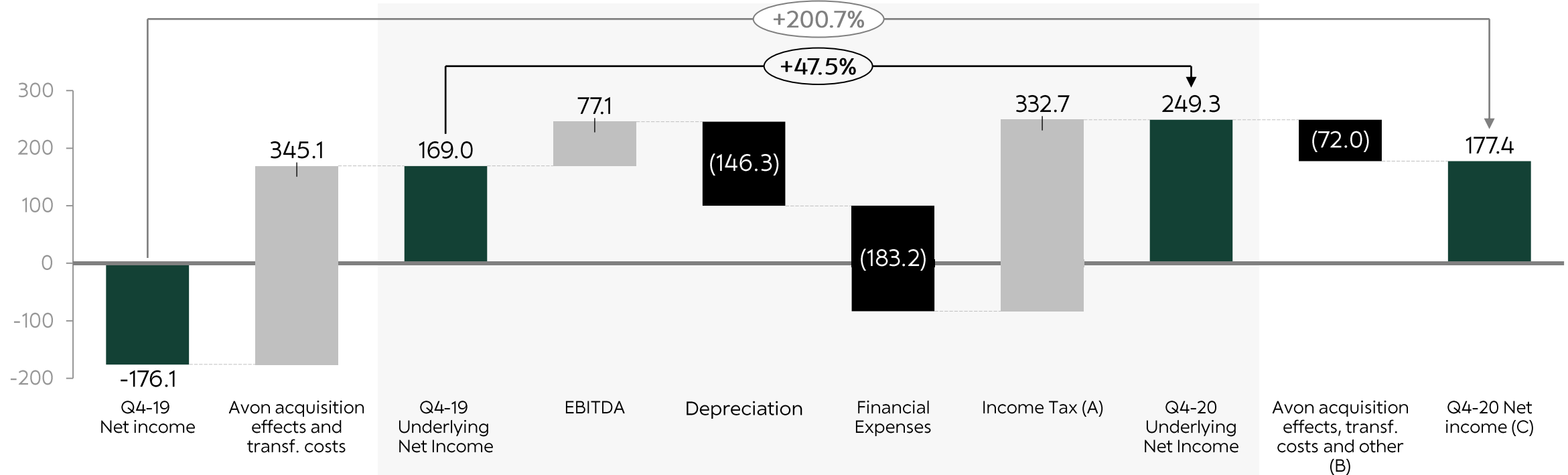
Reported EBITDA margin of 10.5% (-20 bps) in Q4-20 and 9.5% (-140 bps) in FY-20



# Strong growth in profitability: Net income up 200.7%, UNI<sup>1</sup> up 47.5%

## Q4-20 UNI<sup>1</sup>

(R\$ million)



(A) Income tax and taxes on holding company constitution

(B) Other includes non-controlling interest and discontinued operations

(C) Net income attributable to controlling shareholders

FY-20: UNI<sup>1</sup> of R\$399.5 million and reported net loss of R\$650.2 million, to be offset against capital reserves, subject to approval by the extraordinary shareholders meeting, to be held on April 16.

# Significant deleveraging and strong cash generation

Q4-20

**R\$1 bn**

Cash generation  
(reversal of negative  
cash flow in H1-20)

**R\$8.3 bn**

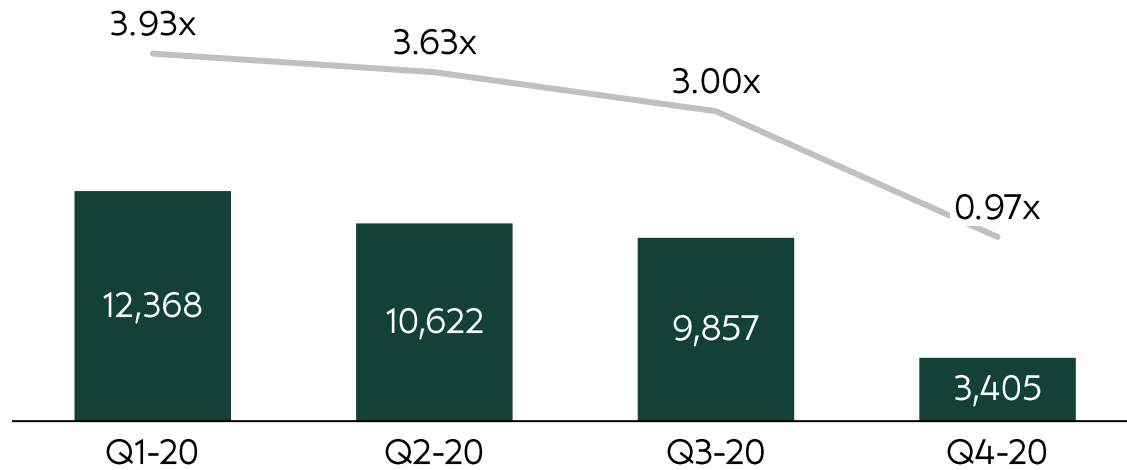
Cash at  
quarter-end

**0.97x**

Group's net-debt to  
EBITDA ratio

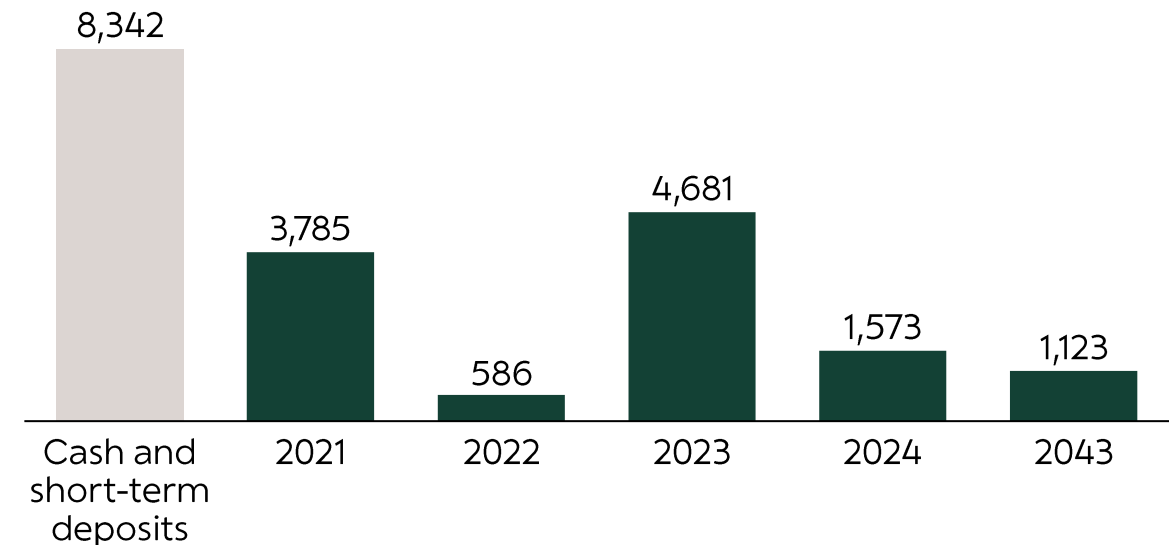
## — NET DEBT AND NET-DEBT-TO-EBITDA RATIO —

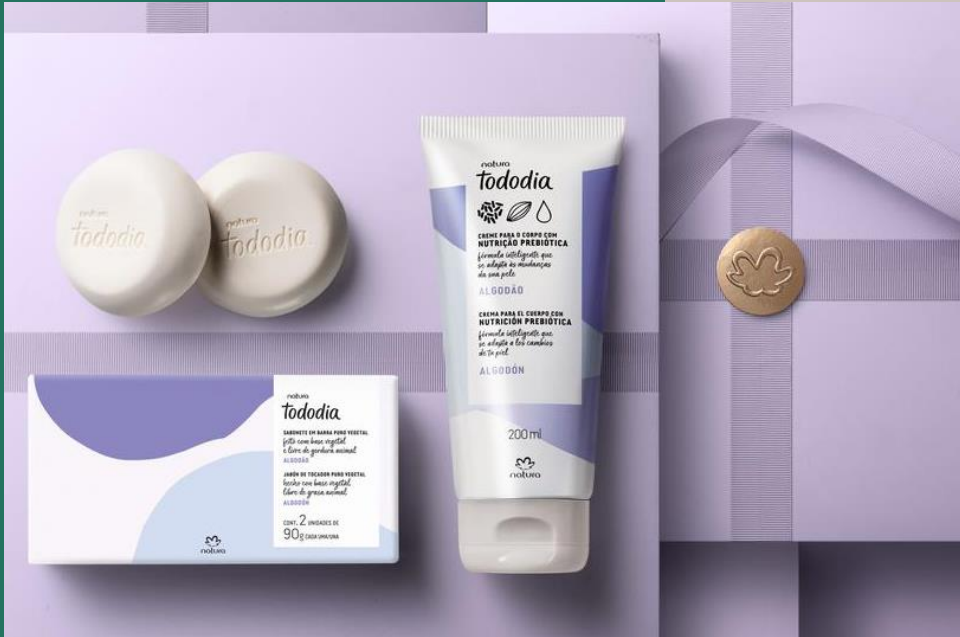
(R\$ million) — Net-Debt-To-Ebitda Ratio ■ Net Debt



## — AMORTIZATION SCHEDULE —

(R\$ million)





# Natura &Co Latam

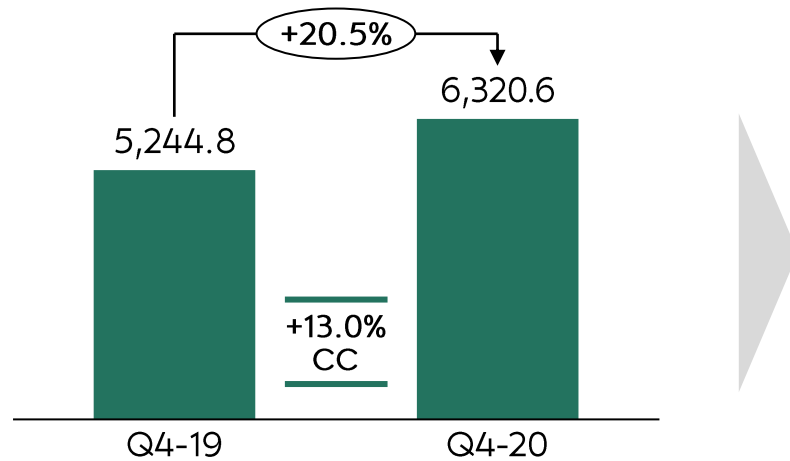
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Financial Performance

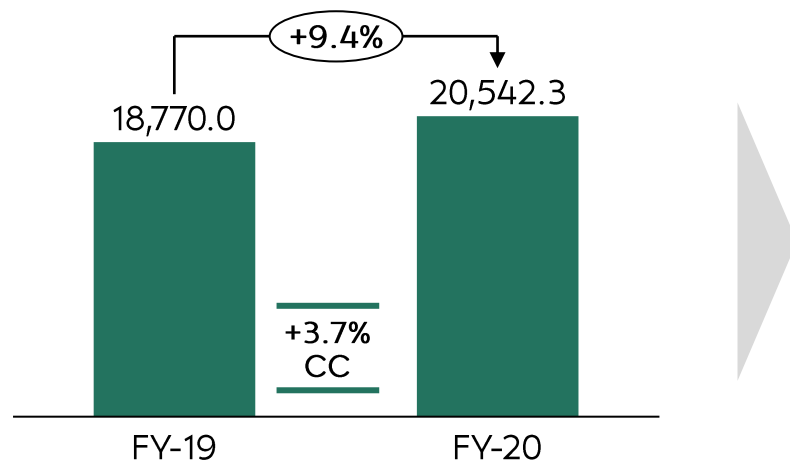
# Strong quarter for Natura and Avon in Latam

## NET REVENUE

(R\$ million)



	BRL	CC
Natura	+24.7%	+20.9%
Avon	+16.2%	+3.9%



	BRL	CC
Natura	+21.8%	+17.2%
Avon	-1.8%	-9.3%

## - Q4-20 HIGHLIGHTS

- **Natura: Net revenue increased by 24.7% in BRL (+20.9% at CC), supported by a strong performance in Brazil (+16.2%), outperforming the domestic CFT market<sup>1</sup> by 10 pp**
- **Avon: Net revenue increased by 16.2% in BRL (+3.9% at CC), supported by improved reps' productivity**
- **Leadership in Latin America: Market share gains reaching 12%<sup>2</sup> vs. 11.8% in 2019**
- **Leadership in Brazil: Market share<sup>3</sup> up 4 pp in Q4 and 0.6 pp in 2019**

<sup>1</sup> Source: ABIHPEC +6.3%

<sup>2</sup> Source: Based on Company's estimates for the Natura and Avon brands combined

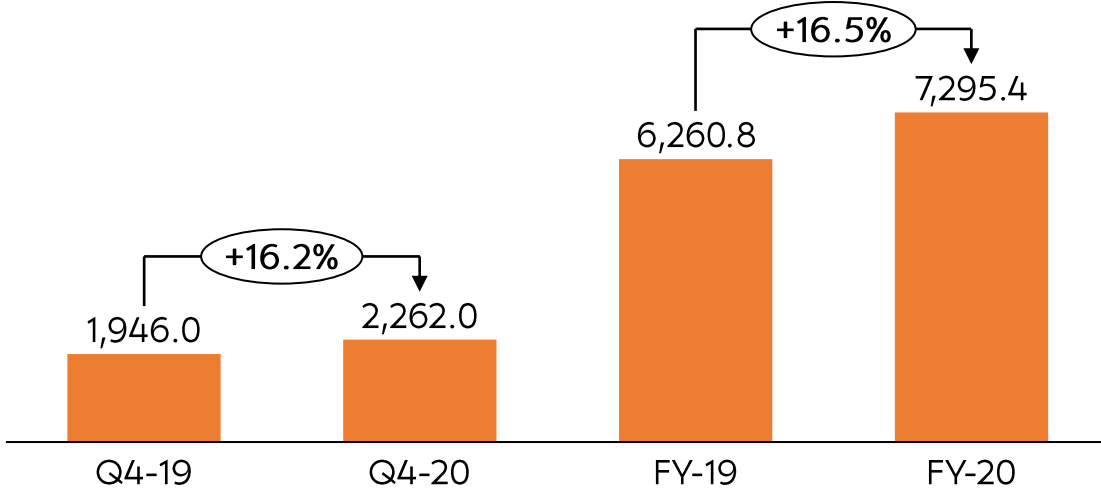
<sup>3</sup> Source: Kantar, for the Natura and Avon brands combined



# Strong double-digit growth in Brazil and Hispanic Latam

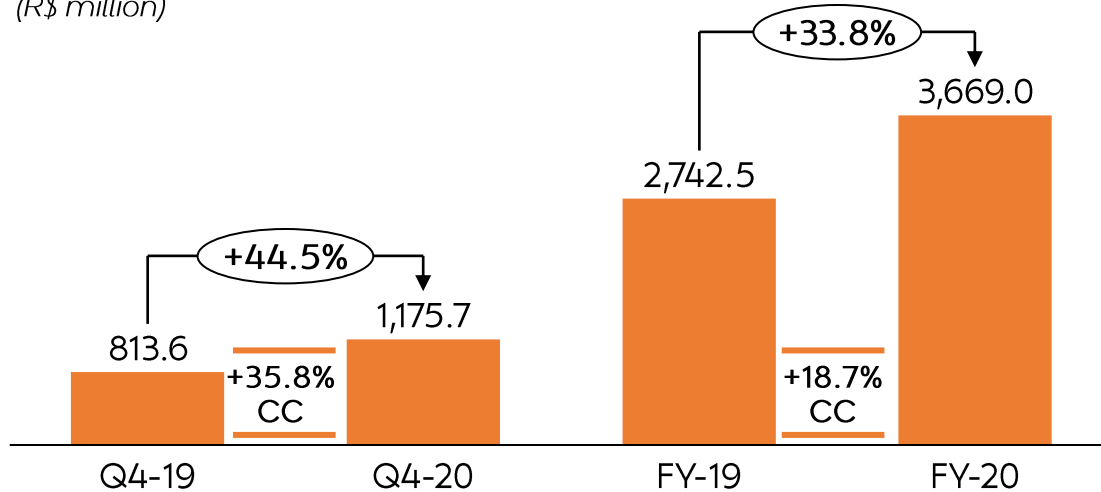
## NET REVENUE - BRAZIL

(R\$ million)



## NET REVENUE - HISPANIC LATAM

(R\$ million)



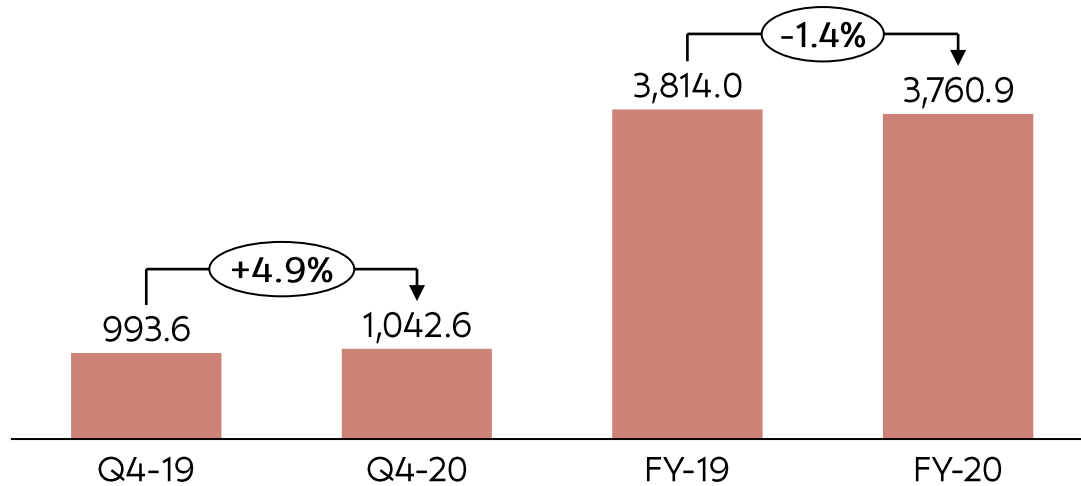
## – Q4-20 HIGHLIGHTS

- Brazil:
  - Net revenue up 16.2%, driven by: **brand preference**, continued **productivity improvement** (17th consecutive quarter) and **acceleration in social selling**
  - **Outperformance of the domestic CFT market<sup>1</sup>** by almost 10 pp in Q4
  - **Best ever consultant loyalty index**
- Hispanic Latam:
  - Net revenue **grew strongly in all markets**, notably Argentina, Chile and Mexico, **supported by improved consultant productivity**

<sup>1</sup> Source: ABIHPEC of +6.3%.

## NET REVENUE – AVON BRAZIL

(R\$ million)

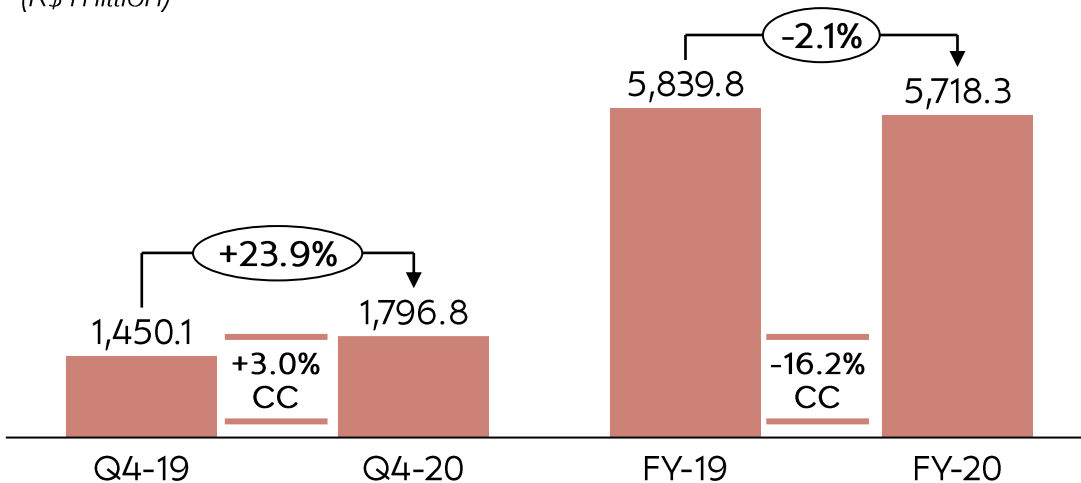


## – Q4-20 HIGHLIGHTS

- Brazil: **Higher reps' productivity and activity level**; Double-digit sales growth of Fashion & Home; **Pilot of the new commercial model completed**
- Hispanic Latam: **Increase of productivity and expansion of the reps' base**; Strong performance of Fashion & Home; Growth in key markets, including Mexico

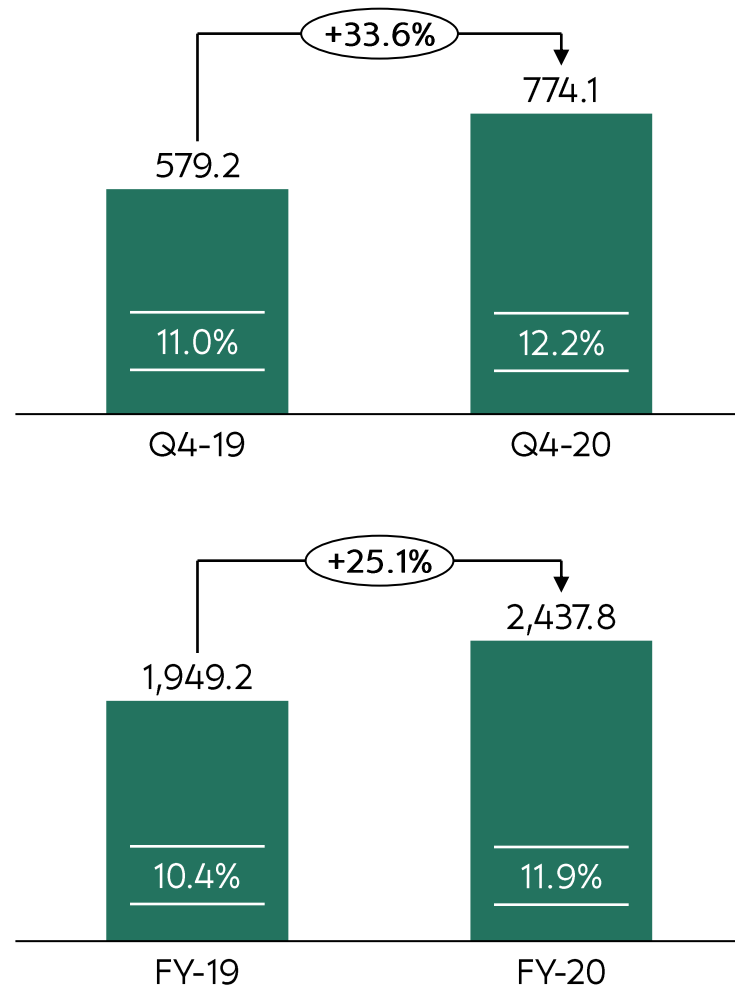
## NET REVENUE – AVON HISPANIC LATAM

(R\$ million)



## ADJUSTED EBITDA<sup>1</sup> AND EBITDA MARGIN

(R\$ million / %)



## – Q4-20 HIGHLIGHTS

- Higher margins at Natura Hispanic Latam and Avon Brazil
- Phased investments in brand, R&D and technology to support future growth

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



# Avon International

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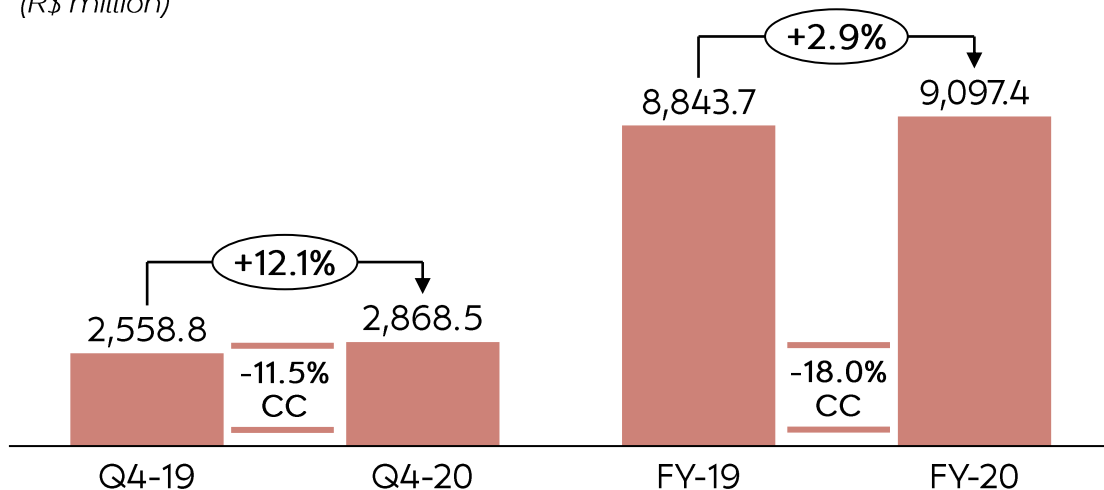
Financial Performance



# AVON Improving fundamentals, results reflect investments for future growth

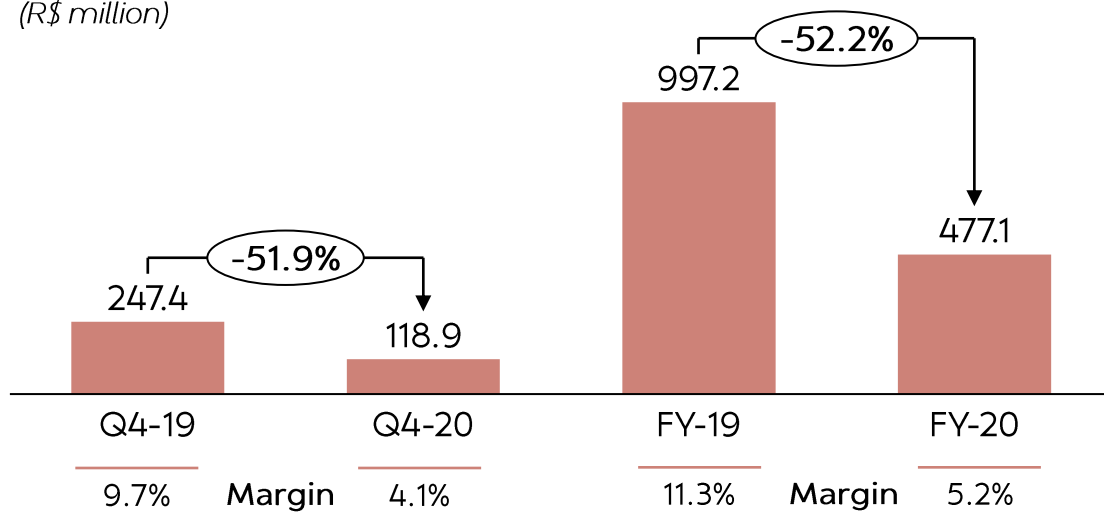
## NET REVENUE

(R\$ million)



## ADJUSTED EBITDA<sup>1</sup>

(R\$ million)



## – Q4-20 HIGHLIGHTS

- Sales impacted by **Covid-19 second wave** (Europe) and **category mix** (fragrance and cosmetics)
- UK sales up 3.0% at CC with **market share gain for the 3rd consecutive quarter**. Sequential share improvements in Russia in the year, and strong share gains in fragrance in the Philippines in Q4
- EBITDA impacted by lower revenue, FX and higher **investments as part of our turnaround strategy to drive market share and accelerate future growth**

<sup>1</sup> Adjusted: Excludes non-recurring Avon-acquisition related expenses, transformation costs, assets sales and impairment loss on assets



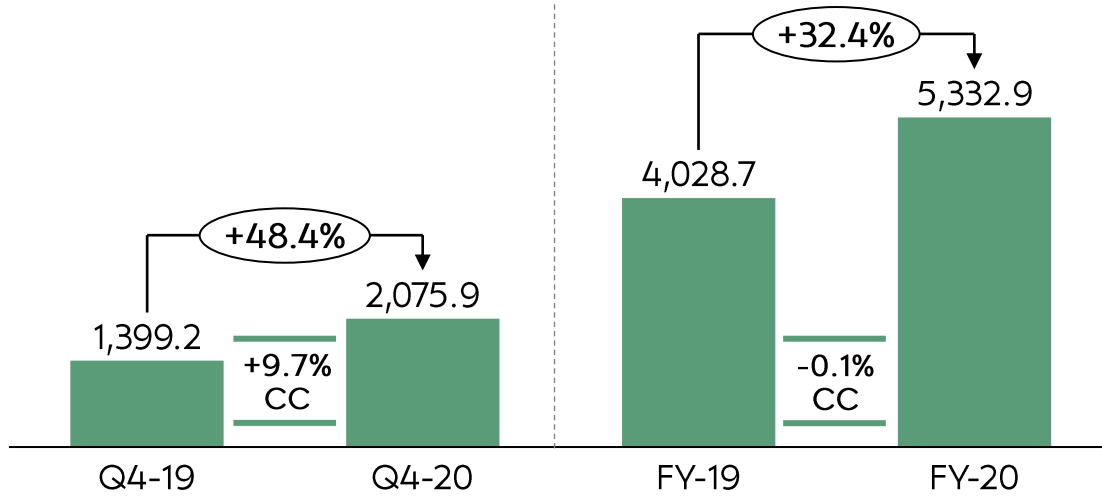
# The Body Shop

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Financial Performance

## NET REVENUE

(R\$ million)

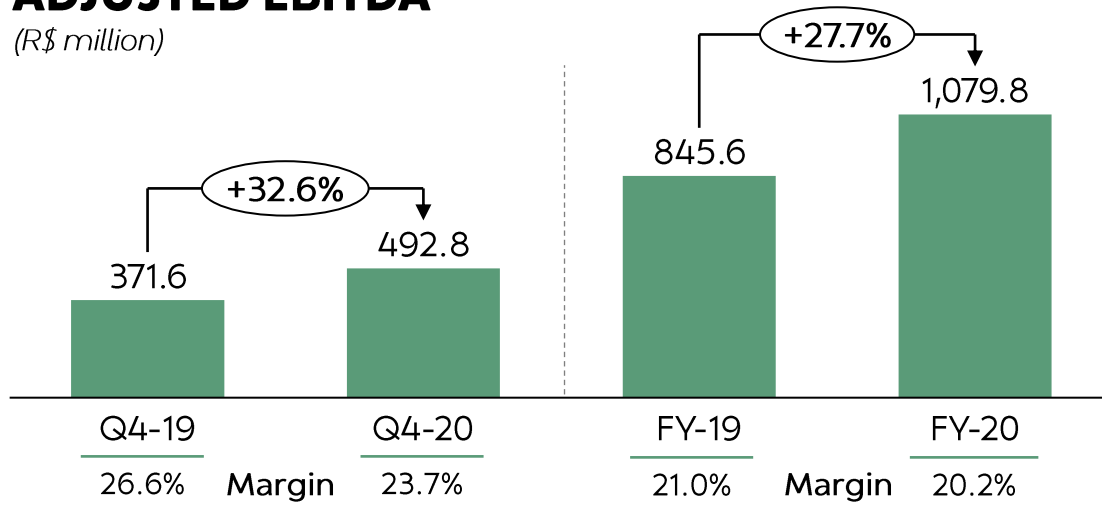


## – Q4-20 HIGHLIGHTS

- Sales growth of + 48.4%, driven by an increase of 206% in At-Home (direct sales) and 72% in e-commerce
- 78% of retail stores open at the end of the quarter (vs. 97% in Q3-20)
- EBITDA margin impacted by impairment, the pandemic and channel mix

## ADJUSTED EBITDA<sup>1</sup>

(R\$ million)



<sup>1</sup> Adjusted: Excludes non-recurring transformation costs and impairment loss on assets



# Aesop

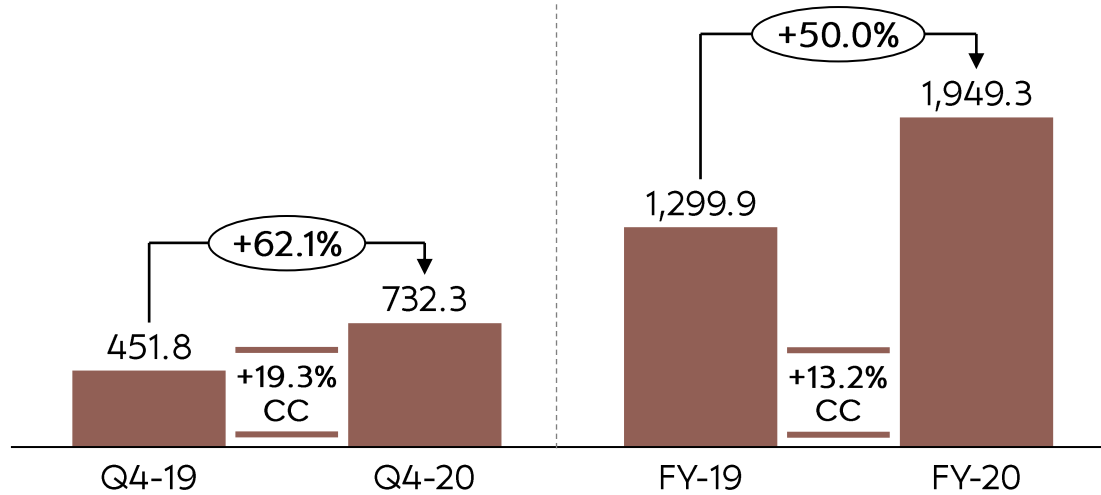
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## Financial Performance

# Aēsop. Outstanding growth driven by online and Asia recovery

## NET REVENUE

(R\$ million)

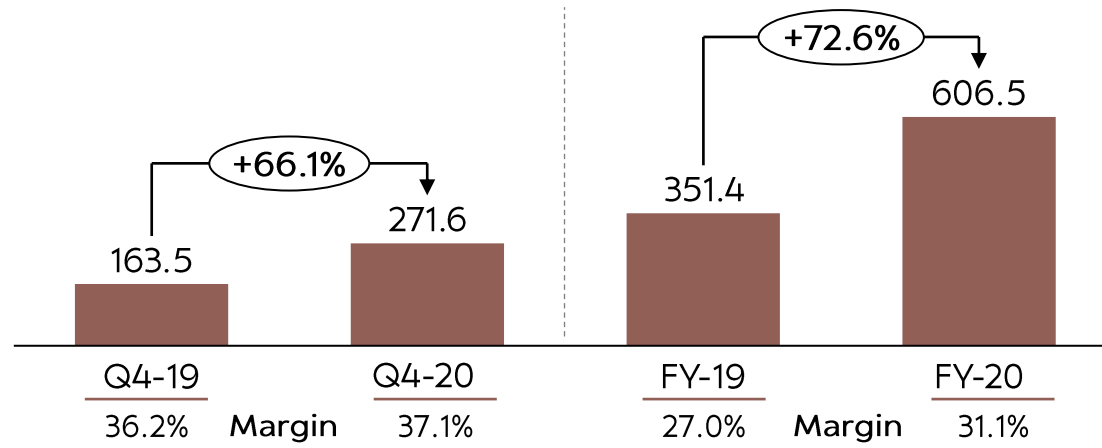


## – Q4-20 HIGHLIGHTS

- **Top line growth of 62.1%**, driven by a remarkable performance in Asia and **190% growth in online sales** (~30% of total sales)
- **Digital innovation features** helped boost sales in Q4
- EBITDA margin improvement (+410 bps) driven **by sales growth and cost discipline**

## EBITDA

(R\$ million)





# Closing Remarks

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Roberto Marques

## SUSTAINABLE GROWTH

- Natura: Double-digit growth both in Brazil and Latin America
- Avon Turnaround: Growth in Brazil and UK, return to growth in Hispanic Latam, sequential progress in Russia
- The Body Shop and Aesop: Remarkable sustainable results despite the pandemic
- Natura &Co: Largest company certified as B-Corp

## OMNICHANNEL STRENGTH

- Digitalization of consultants and reps continues to gather momentum and bring results
- Omnichannel model key to offset pandemic's impact, especially in Europe

## AVON INTEGRATION

- Synergies ahead of guidance
- Advances in business simplification
- New commercial model
- Digital adoption (social selling) and new brand campaign

## OPTIMIZED CAPITAL STRUCTURE

- Cost discipline and prioritization of investments (branding, R&D and tech)
- Robust cash position of R\$8.3 billion

Creating the best global beauty group <sup>FOR</sup> in the world

# Thank You

AVON



natura



THE BODY SHOP

Aēsop.

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natura & co





# Appendix

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Q4-20

# Adjusted figures exclude the following non-operational effects

## 1 Avon acquisition costs

Non-recurring costs associated with Avon acquisition, in Q4-19

## 2 Transformation costs

Includes integration costs at Natura &Co Latam (costs to achieve synergies), Avon's Open-Up and Grow costs at Avon International in both years, and The Body Shop in Q4-19

## 3 Asset sale at Avon International

Gain on sale of Avon North America (New Avon) in 2019, in which Avon Products, Inc. held a 19.9% interest

## 4 Tax credits, recoveries and provision reversal

In FY20 refers to non-recurring provision reversal on social charges at Natura, and Pis and Cofins tax credits at Avon in Brazil. In FY19 refers to 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

R\$144.5 million in Q4-20 in impairment loss at The Body Shop, related to loss-making legacy stores, predominantly in the US, that were previously included in the store closure plan and were further impacted by pandemic effects. In Q4-19 the effects relate to miscellaneous items at Avon International and a write-off of intangible assets at The Body Shop

## 6 Non-cash, non-recurring inventory PPA Impacts in FY-20

Relate to non-cash adjustments to Avon's opening balance sheet, resulting from transactions that occurred in 2019

# A full ESG agenda for the quarter

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(more details available in our Earnings Release)

## **THIS QUARTER NATURA & CO:**

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- Partnered with One Planet Business for Biodiversity
- Recognized as one of the 100 most sustainable companies among one hundred listed in the Corporate Knights ranking
- DJSI: A constituent in the Emerging Market Index for the 7th consecutive year
- ISE: A constituent for the 16th consecutive year
- Received B-Corp certification, becoming the largest B-certified company in the world

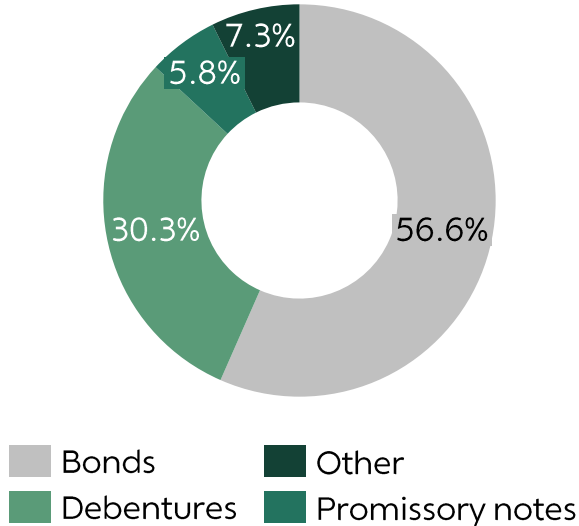
## **AND OUR BRANDS:**

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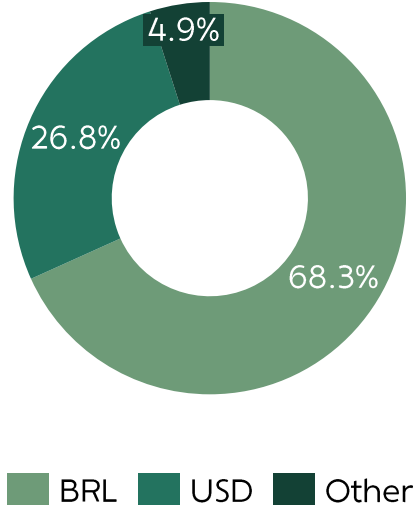
- Natura brand was recognized as the most remembered brand on diversity issues according to the Oldiversity
- Natura brand was recognized as one of the 25 best companies in the world to work, according to the World's Best Workplaces 2020 ranking
- The Natura brand obtained UEBT certification (Ekos product line)
- Natura brand was recognized by CDP as a Supplier Engagement Leader in 2020
- The Body Shop launched "fight female homelessness" campaign
- The Body Shop launched World Kindness Day
- Aesop launched a Circular Packaging Trial in Australia

# Debt profile

— Q4-20 BY TYPE





— Q4-20 BY CURRENCY



# Breakdown of global net revenue by brand

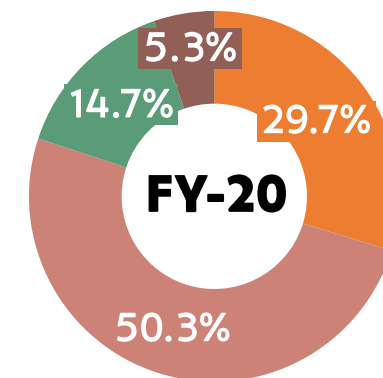
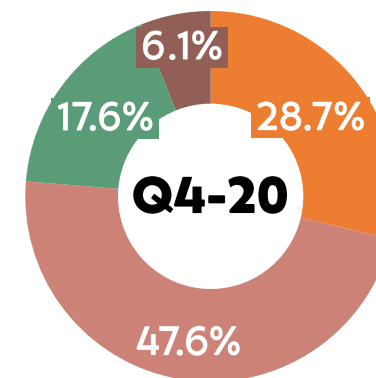
## NET REVENUE PER BRAND<sup>1</sup>

(R\$ million)

Brand	Q4-20	Q4-19	% (R\$)	% (CC)	FY-20	FY-19	% (R\$)	% (CC)
 natura	3,444.6	2,762.5	24.7%	21.6%	10,979.1	9,012.3	21.8 %	3.7%
<b>AVON</b>	5,707.9	5,002.5	14.1%	-4.5%	18,576.6	18,497.5	0.4 %	-18.0%
 THE BODY SHOP	2,111.7	1,436.8	47.0%	9.7%	5,414.7	4,129.3	31.1 %	0.0%
<b>Aēsop.</b>	733.0	452.7	61.9%	19.5%	1,951.5	1,303.0	49.8 %	13.2%
<b>Total net revenue</b>	11,997.3	9,654.5	24.3%	6.4%	36,922.0	32,942.2	12.1 %	-2.3%

## NET REVENUE BREAKDOWN (BY BRAND)

(%)



■ Natura 
 ■ Avon 
 ■ The Body Shop 
 ■ Aēsop

<sup>1</sup> Pro-forma for 2019