

First-quarter 2020 results

May 8, 2020

AVON



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<https://natu.infoinvest.com.br/en>

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Q1-20

Revenue growth even with Covid-19, strong digital ramp-up

Avon integration acceleration, synergies raised by US\$100 million

Strengthened balance sheet with fresh capital increase led by Natura controlling shareholders

Natura &Co becomes the **Leader in CFT** in Latin America¹ with the addition of Avon

Adapting to the Covid-19 crisis in line with our purpose-driven approach

Consolidated net revenue growth: R\$7.5 billion in Q1, up 1.9%, or -6.2% at constant currency ("CC"), driven by Natura and Aesop

Strong acceleration in digital social selling and e-commerce since lockdown restrictions

Adjusted EBITDA² reached R\$571.5 million, with adjusted margin of 7.6%

Annual recurring target synergies from Avon integration raised by US\$100 million to between US\$300 million and US\$400 million
One-time costs to achieve of \$190 million

Enhanced capital structure, strong cash position and increased liquidity

Further deleveraging at Natura Cosméticos

An aerial, high-angle photograph of a large, circular plaza paved with light-colored stone tiles. The plaza is filled with a diverse crowd of people of various ages and ethnicities, some walking, some standing in small groups, and some sitting on the ground. The perspective is from directly above, looking down on the scene. The overall atmosphere is one of a busy, public gathering space.

Consolidated Financial Performance

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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 at:

- Natura &Co Latam in Q1-20 and Q1-19
- Avon's Open Up costs at Avon International in Q1-20 and Q1-19
- The Body Shop in Q1-19

3

Purchase Price Allocation (PPA):

Effects of the fair market value assessment as a result of the business combination with Avon, which impacted P&Ls of Natura &Co Latam and Avon International

4

ICMS provision reversal:

Reversal of an ICMS provision at Natura Brazil in Q1-19, resulting from a revised estimate of the outcome of a legal action

5

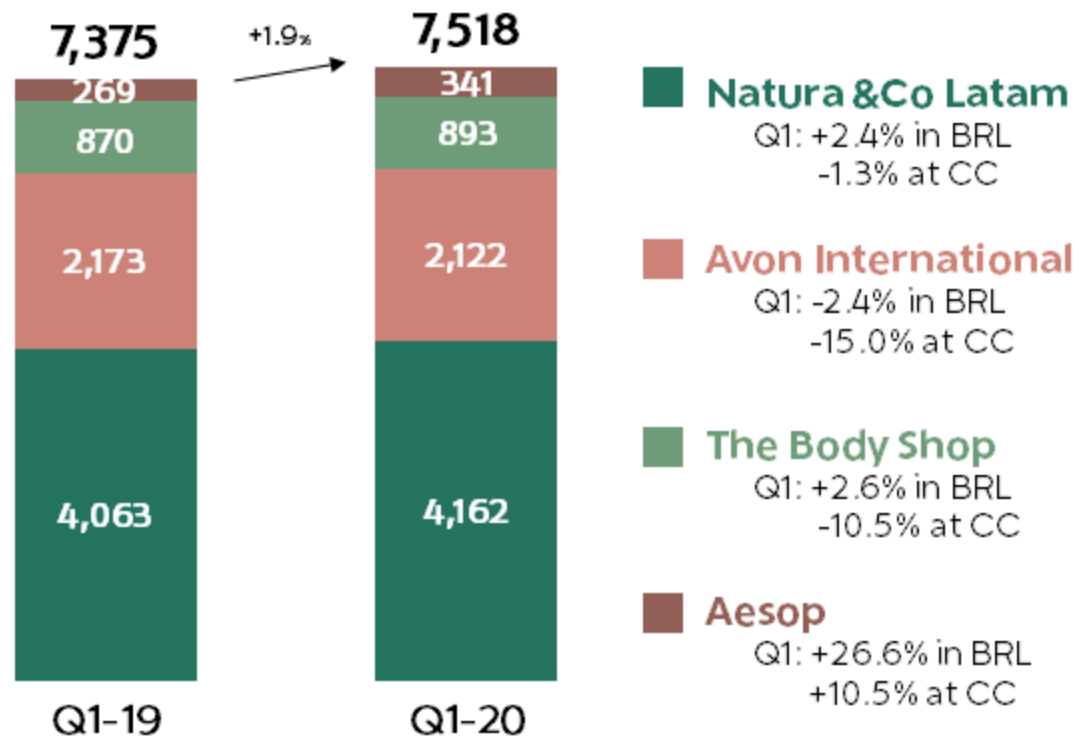
Assets sales at Avon International:

Refer to a gain on the sale of a manufacturing facility in China in 2019

Revenue growth even with Covid-19; strong digital ramp up

(R\$ million)

Q1-20 Net Revenue



-6.2% at CC (constant currency)

E-commerce sales growth

Group: circa 250%

Natura + Avon combined (global): 150%

The Body Shop: Circa 300%

Aesop: over 500%



Strong acceleration in digital social selling in recent weeks (vs. same period last year)

Avon: Sales via Representatives sharing the e-brochure grew 85% and up 5x in the UK

Natura + Avon combined, globally: E-brochure has reached 2.1 million weekly unique visitors, an all-time high

Natura: Over 90% of consultants can share content such as offers, product news and e-brochures

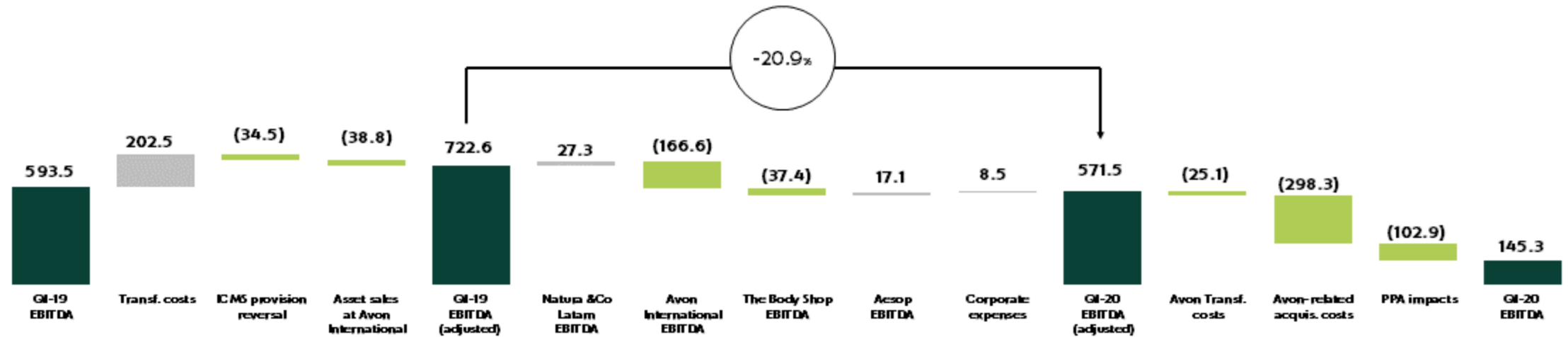
Sharing of content +64%, the number of orders doubled in the 700,000+ online Consultant stores

Doubling of attendance at digital training

Adjusted¹ EBITDA reflects Covid-19 effects in the quarter

(R\$ million)

Q1-20 consolidated adjusted EBITDA Q1-20

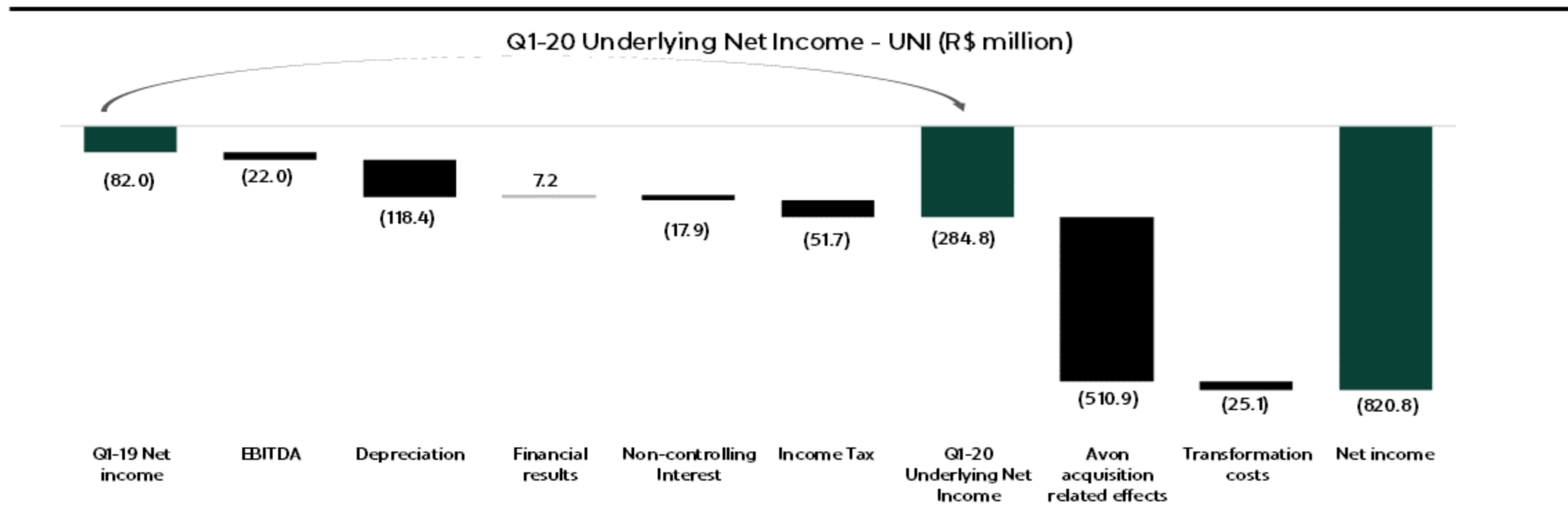


Q1-20 Adjusted EBITDA margin of 7.6% (-220 bps)

¹ Adjusted: Excludes non-recurring Avon-acquisition related expenses, purchase price allocation effects and transformation costs

Underlying Net Income impacted by Avon acquisition-related effects

(R\$ million)



Underlying Net Income (UNI), which excludes non-recurring and/or non-cash effects, was (R\$284.8) million in Q1, before Avon-acquisition related effects of R\$536.0 million, comprised of: i) R\$298.3 million in acquisition expenses; ii) R\$171.6 million from non-cash PPA impacts; iii) R\$41.0 million in IOF taxes on shares issued for the all-stock acquisition; iv) transformation costs of R\$25.1 million. **Reported net loss of R\$820.8 million**, impacted by a higher effective income tax rate due to non-deductible acquisition-related expenses and PPA effects at The Body Shop, related to deferred tax liabilities in the UK (reversal of nominal income tax rate from 17% to 19%).

Strong cash position, strengthened capital structure and enhanced liquidity

1

Strong cash position

- Strong cash position of **R\$4.6 billion** at quarter-end

2

Free cash flow

- Cash outflow of R\$1.7 billion vs. outflow of R\$765.0million¹ in Q1-19
- Consistent with seasonality and impacted by:
 - *Non-recurring acquisition costs of R\$501.0 million*
 - *Covid-19 effects*
 - *FX effects in working capital*
 - *Extended payment terms for Consultants and Reps*

3

Capital structure

Capital raising of R\$1 billion to R\$2 billion in the form of a private placement, led by controlling shareholders, including other investors and minority shareholders. To be completed in Q2-20

4

Enhanced liquidity

Financing of R\$750.0million raised on **May 4, 2020**

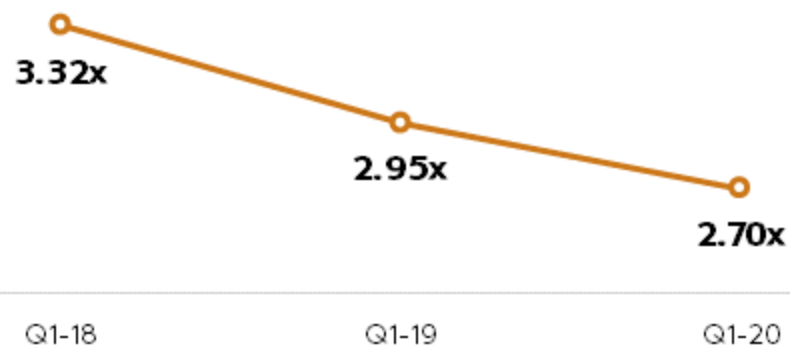
- No impact on net debt
- 1-year term

Continued deleveraging at Natura Cosméticos

R\$ million

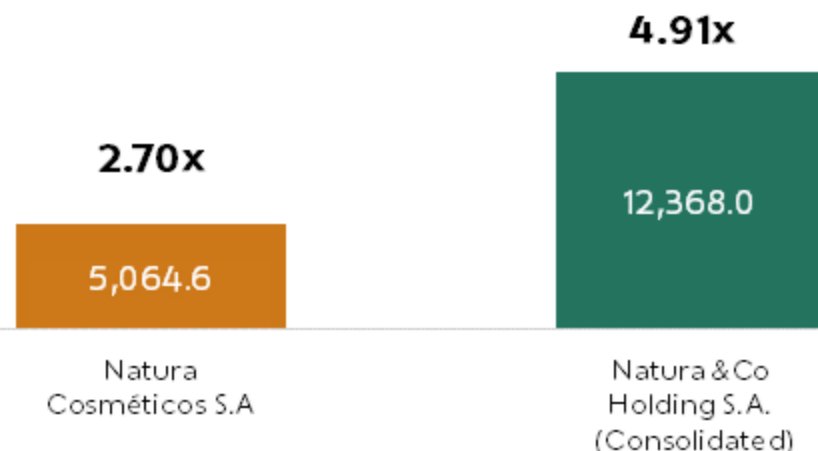
Net debt-to-EBITDA¹ ratio

(Natura Cosméticos)



Net debt-to-EBITDA of 2.70x in Q1-20

Net debt and net debt-to-EBITDA¹ ratio



Adjusted net debt-to-EBITDA at Natura &Co Holding of 3.84x, excluding non-recurring transaction costs and PPA impact on EBITDA

Indebtedness ratio at the Holding Company level will not be considered for financial covenant purposes in June 2020

¹ Excludes IFRS 16 impacts both in EBITDA and in total debt (leases) as per current covenant calculations

Q1-20 Consolidated indebtedness

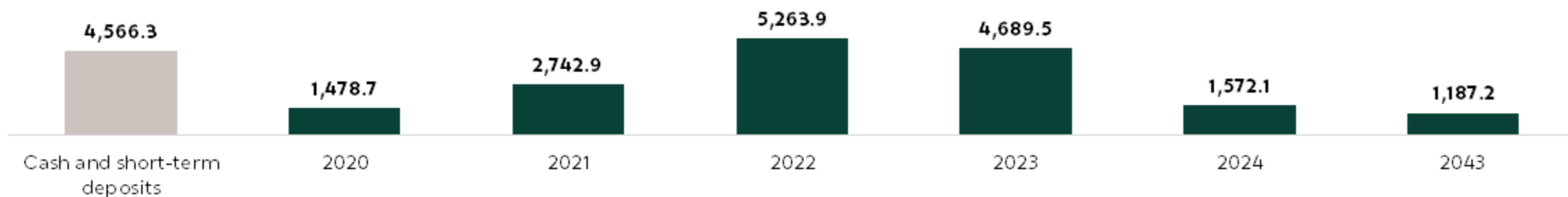
Debt profile



More than R\$4.5 billion in cash
 Maturities of R\$ 1.5 billion this year
 Main maturities in 2022 and 2023
 No further maturities between 2024 and 2043

Debt amortization schedule

R\$ million



Average maturity: 3.9 years

Natura & Co Latam Performance



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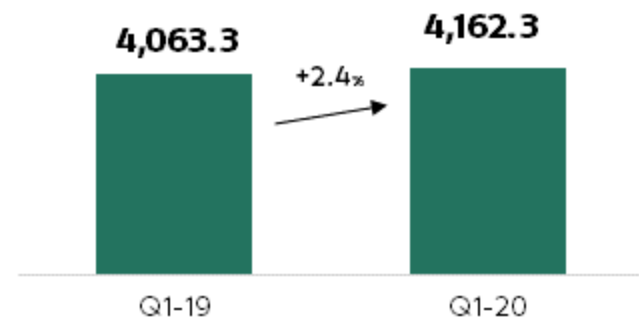
Aesop

Natura & co

Growth in net revenue at Natura &Co Latam

R\$ million

Net revenue



-1.3% at CC

**#1 player in CFT in Latin America:
11.8% market share in 2019¹**

Number 1 position in key markets such as Brazil, Argentina and Colombia¹

New reporting segment comprising all four brands in the region

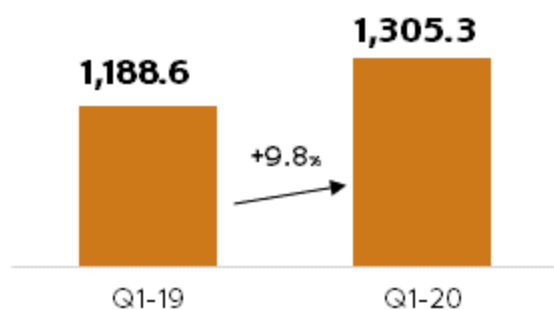
Net revenue growth by brand

	BRL	CC
Natura	+14.9%	+12.4%
Avon	-7.1%	-11.9%
Other	-3.5%	-
Total Average # Consultants / Representatives (% change)		+0.4%
Total units sold (% change)		-10.0%

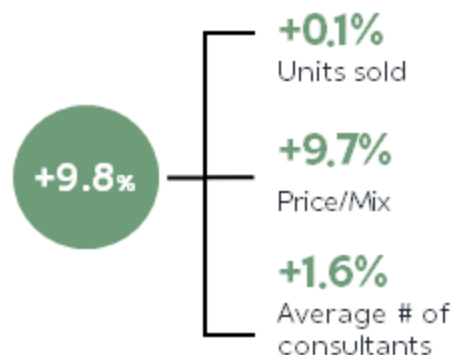
Natura brand posted very strong growth in both Brazil and Hispanic Latam

Natura Brand in Brazil

Net revenue (R\$ million)



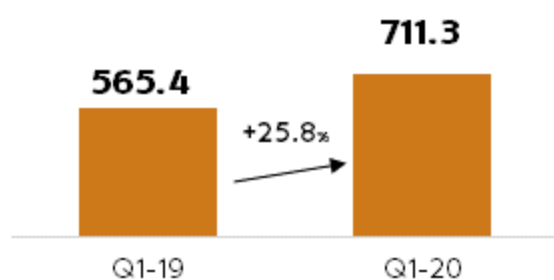
Net revenue growth



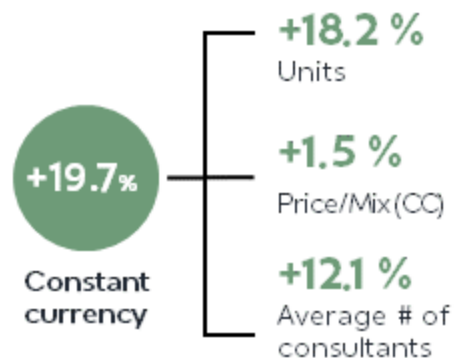
14th consecutive quarter of Consultant productivity growth (+7.6%)
Launch of digital interactive brochure that can be shared over instant messaging and social media
95+% of our consultants use our digital platforms (app + web)
700,000 online consultants stores (+40% vs. Q1-19)
Strong performance of 58 own-stores until lockdown in mid-March
Double-digit LFL growth at 400+ franchise stores Aqui Tem Natura
Double-digit growth in fragrances and body care

Natura Brand in Hispanic Latam

Net revenue (R\$ million)



Net revenue growth (CC)

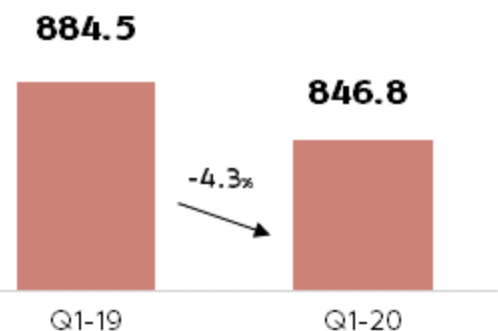


Strong sales growth in Argentina, above inflation
Mexico and Chile also grew strongly
2nd half of March impacted by harsher Covid-19 lockdowns in Argentina, Peru and Colombia

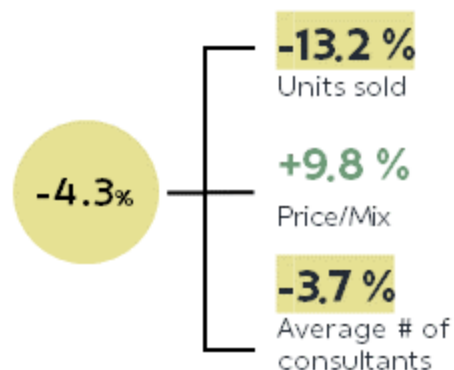
Avon brand impacted by Covid-19; Strong acceleration in digital

Avon Brazil

Net revenue (R\$ million)



Net revenue growth



Sales via digital brochure have grown five-fold since January 1st

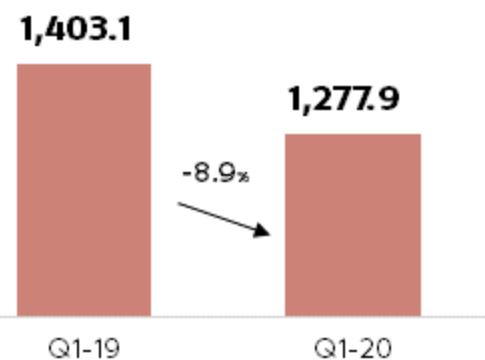
E-commerce +85% at Avon Brazil and Hispanic Latam

Sequential improvement in performance: Brazil sales drop was half that of Q4-19

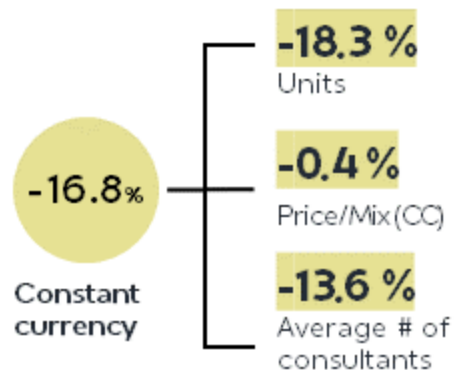
Important launches in skin care, significantly outperforming estimates

Avon Hispanic Latam

Net revenue (R\$ million)



Net revenue growth (CC)

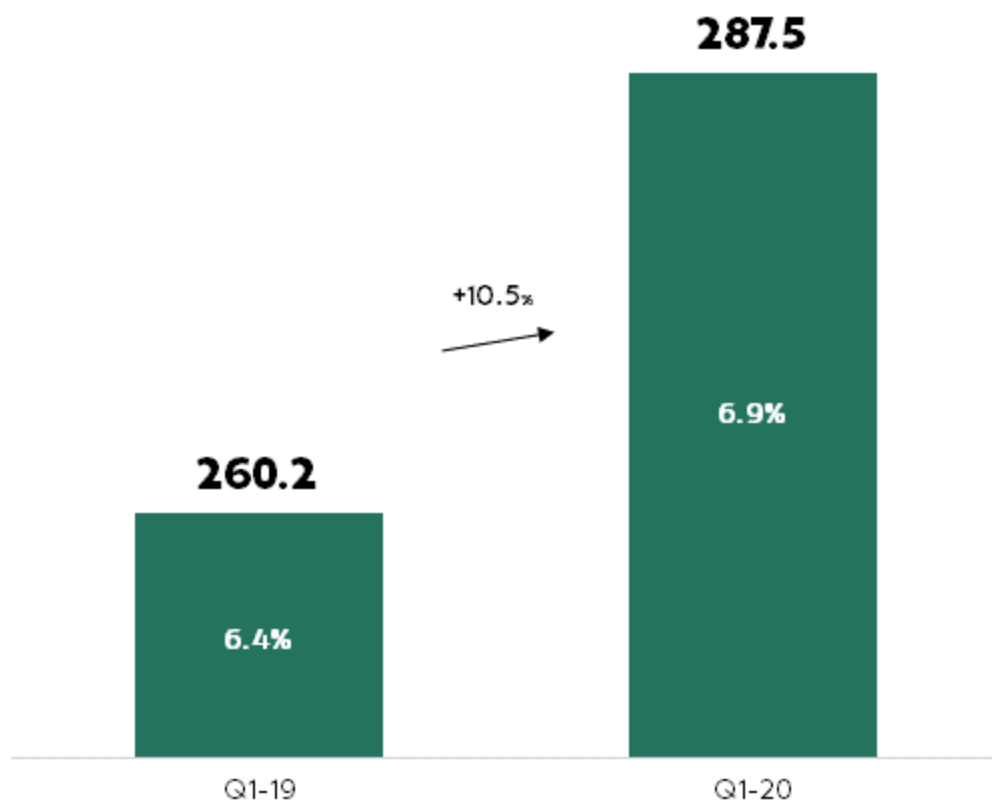


Strict lockdowns in Central America, Argentina, Peru, Colombia and Ecuador in second half of March

Important launches in fragrances, outperforming expectations

Double digit growth in adjusted EBITDA and margin gain at Natura &Co Latam

R\$ million



Adjusted EBITDA grew by 50 bps

Driven by higher sales and operational leverage at both Natura Brazil and Hispanic Latam

Selling, marketing & logistics expenses reached 43.8% of net revenue (+300 bps), partly offset by lower G&A expenses, which stood at 13.7% of net revenue (-80 bps)

Avon International Performance



AVON

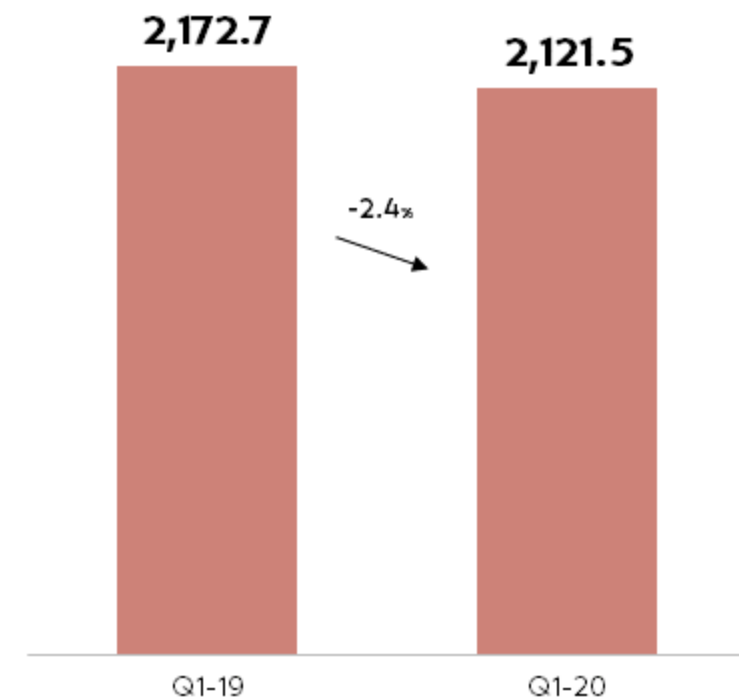


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Acceleration in adoption of digital assets by representatives

R\$ million

Net revenue



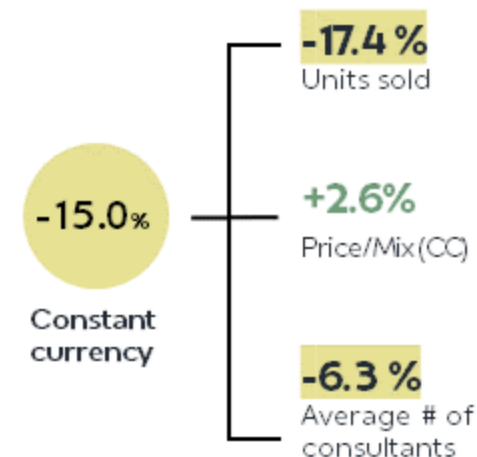
Revenue impacted by Covid-19 effects, partially offset by positive price/mix

Stabilization in the Representative count compared to Q4-19

Adoption of digital assets by representatives of over 37% in recent weeks (low single digit in 2019)

+85% Sales via representatives sharing e-brochures globally in recent weeks, and in the UK it was up five-fold versus last year

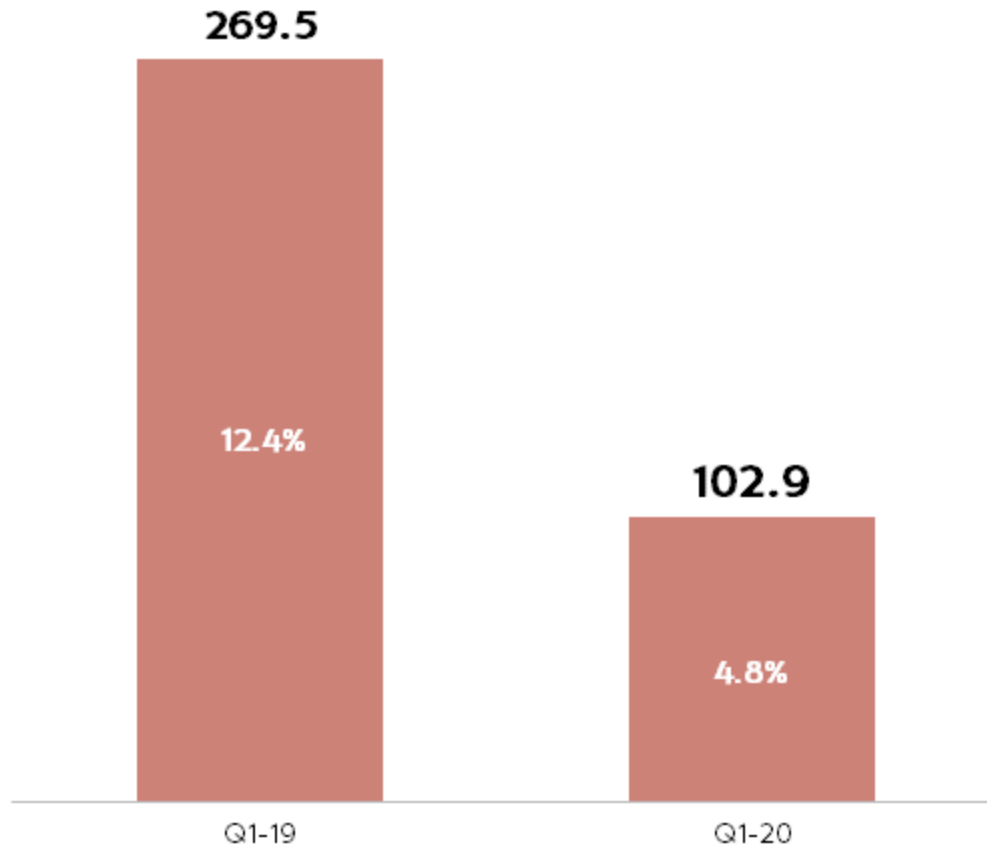
Net revenue growth (CC)



-15.0% at CC

Adjusted EBITDA reflecting impact of Covid-19

R\$ million



Adjusted EBITDA largely impacted by:

Revenue decline

Gross margin -130 bps on higher supply chain and inventory obsolescence in non-beauty items, partially offset by +2.6% price/mix

Selling, marketing & logistics expenses reached 42.6% of net revenue (+530 bps); G&A expenses reached 15.3% of net revenue (+310 bps) in the quarter, partly offset by spending cuts to mitigate Covid-19 impacts

The Body Shop's Performance



SPA

REFILL

Your body is yours for life. It works hard for you. So, take care of it. With nice, natural and powerful ingredients. That do wonders for your body. And wonders for the world.

We've never tested on animals. We've gone organic wherever possible. And in our fight for a fairer and more beautiful world, we will always empower women and girls. We'll be standing stand in our way. Not compromise. Not apologize.

Because nice, more than ever, the world needs strong confident bodies.

So, let's stand up for what we believe in.

Let's scrub up our bodies. and scrub up the world.

LET'S ROLL UP OUR SLEEVES.

LET'S GET TO WORK!

AVON



THE BODY SHOP

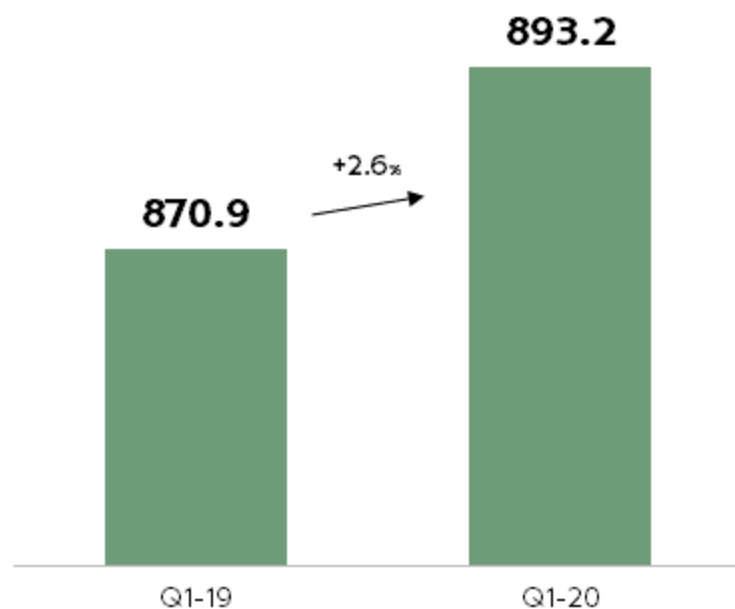
Aesop

Natura & Co. Corp, Canada

Net revenue growth in BRL, with strong acceleration in e-commerce sales

R\$ million

The Body Shop - net revenue



Positive LFL sales growth in Retail in January

E-commerce grew 300% since lockdown and into first weeks of April, recovering 40% of lost retail sales since February

The Body Shop At-Home (direct sales): +61.0%

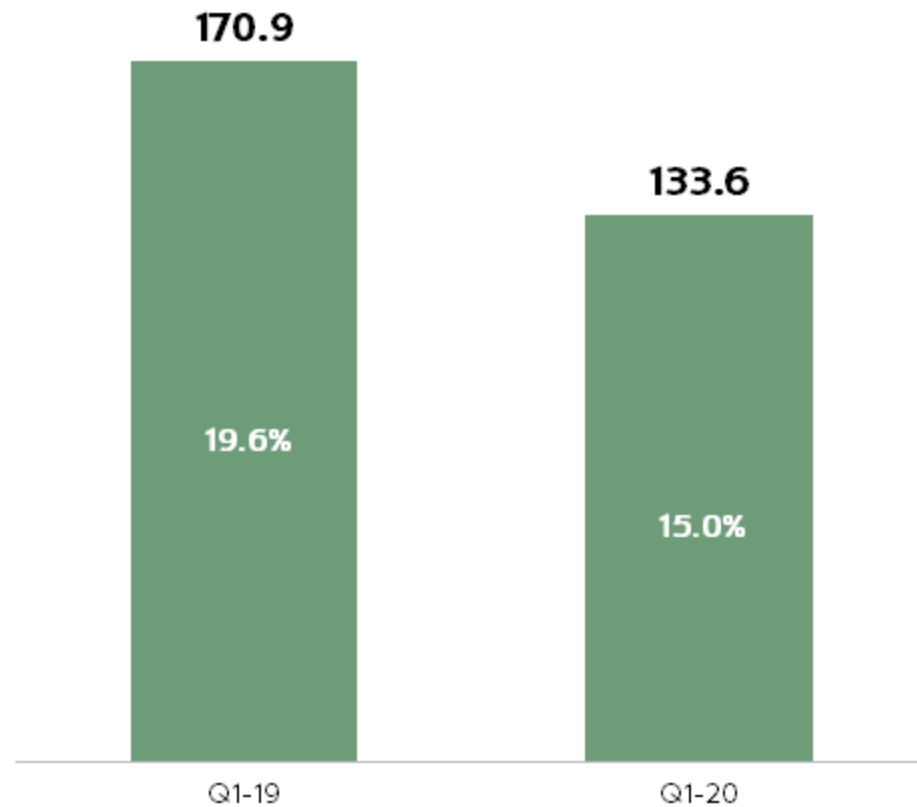
Two new concept stores in Toronto and Hong Kong

Essential items are 35% of sales

-10.5% at CC

Adjusted EBITDA impacted by lockdown measures

R\$ million



Q1 Adjusted EBITDA margin of 15.0% (-460 bps), due to:

- Revenue reduction from store closures
- Lockdown measures
- Phasing of cost measures taken in Q1 that will benefit coming quarters

SG&A expenses decreased by 2.5% at constant currency

Aesop's Performance

AVON



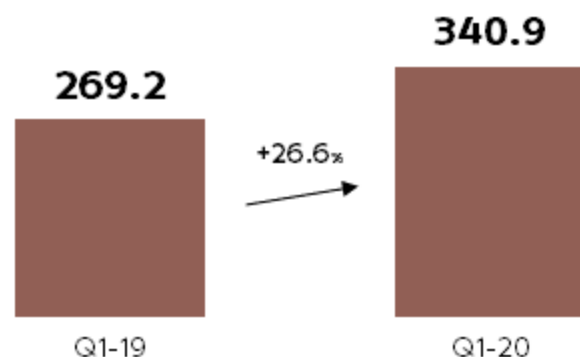
Aēsop.

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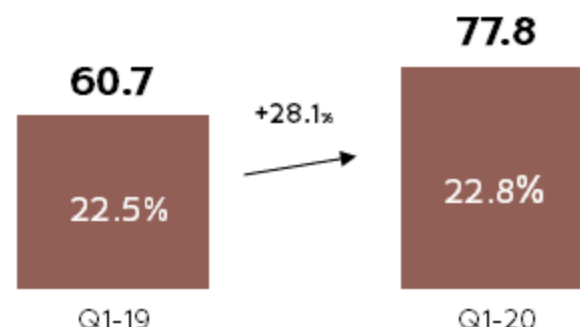
Double-digit increase in revenue and EBITDA

Aesop – net revenue

R\$ million



Aesop – EBITDA



+10.5% at constant FX

+26.6% growth in BRL and +10.5% in CC, despite physical store closures (~90% of markets)

Retail revenue grew in the quarter

E-commerce +500% in recent weeks (yoy), recovering 50% of lost retail sales

Americas, Asia and Europe posted double-digit sales growth, offsetting sales decline in Australia and New Zealand

Strong EBITDA growth, supported by sales growth and cost reduction initiatives

Closing remarks

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Key takeaways

Natura &Co's multi-channel model has demonstrated its resilience amid the Covid-19 crisis with strong growth in digital social selling and e-commerce

With the addition of Avon, Natura &Co becomes the CFT leader in Latin America.

Avon synergies raised by US\$100 million, to between US\$300 million and US\$400 million

Strengthened financial structure to capture future growth opportunities

New Group guidance in due course

Creating the best global beauty group in the world

Appendix

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Strong cash position, strengthened capital structure and enhanced liquidity

Strengthened Capital Structure

- Strong cash position of R\$4.6 billion
- Capital raising of R\$1 billion to R\$2 billion in the form of a private placement, led by controlling shareholders, including other investors and minority shareholders. To be complete in Q2-20
 - Record date for subscription rights is May 12. The preemptive rights exercise term: May 13 to June 12.
- The Group raised R\$750.0 million financing on May 4, 2020, for up to one year, to strengthen the liquidity of the companies, with no impact on net debt.

Further Deleveraging at Natura Cosméticos

- Net debt-to-EBITDA ratio reduced to 2.70x in Q1-20, from 2.95x in Q1-19 at Natura Cosméticos.
- We are continuing to work towards the target of reducing Natura Cosméticos' leverage to the pre-Body Shop acquisition level of 1.4 times by 2021.
- At Natura &Co Holding, consolidated net debt-to-EBITDA stood as 4.91x. Adjusted net debt-to-EBITDA would have been 3.84x.
- The indebtedness ratio at the Holding Company level will not be considered for financial covenant purposes in June 2020.



Private capital increase timetable

Procedure	Date
Board of Directors' meeting and disclosure of the material fact and the notice to the shareholders	7-May
Record date for subscription rights (D)	12-May
30-day preemptive rights exercise term and trading of subscription rights on B3	13-May
End of trading of subscription rights on B3 (4 b.d. prior to 12-Jun)	8-Jun
End of the preemptive rights exercise term	12-Jun
Beginning of <u>first round</u> subscription period of apportionment of unsubscribed shares	18-Jun
End of subscription period of the 1st round of unsubscribed shares (5 b.d)	24-Jun
Beginning of apportionment of unsubscribed shares by Itaú Corretora	25-Jun
End of apportionment of unsubscribed shares by Itaú Corretora as well as definition of the remaining unsubscribed Shares (3 b.d.)	29-Jun
Capital increase of Natura Comésticos S.A.	30-Jun
Additional leftovers shares subscribing periods, if necessary.	30-Jun to 20-Jul
Capital increase ratification by the Board of Directors	20-Jul
Disclosure of the material fact re: ratification of the capital increase	20-Jul
Commencement of trading of new shares	21-Jul
Shares credited to the shareholders	23-Jul

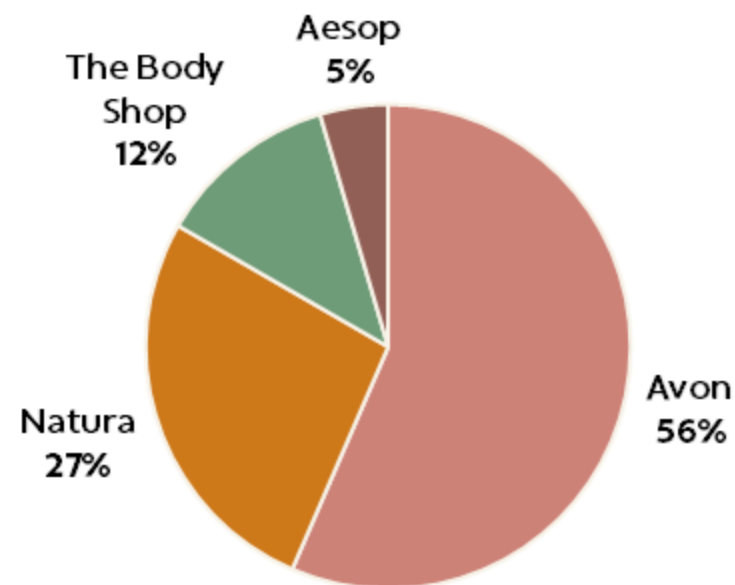
Breakdown of global net revenue by brand

Pro-forma net revenue by brand

R\$ million

Brand	Q1-20	Q1-19	%
 natura	2,017.9	1,756.0	14.9
A V O N	4,246.3	4,460.3	(4.8)
 THE BODY SHOP	912.4	889.3	2.6
Aēsop.	341.4	269.8	26.5
Total net revenue	7,518.0	7,375.5	1.9

% of net revenue by brand - Q1-20



Thank you

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