

Research Update:

# Natura Cosméticos Upgraded To 'BB' From 'BB-' And Avon To 'BB-' From 'B+' On Parent's Equity Follow-On, Outlook Stable

October 14, 2020

## Rating Action Overview

- Natura&Co Holding S.A. (Natura&Co) announced an equity follow-on that raised around R\$5.6 billion (\$1 billion), the majority of which the group will use to reduce Avon Products Inc.'s debt.
- Although risks are prevalent in Avon's operational overhaul and the potential second wave of COVID-19, overall demand in the cosmetics fragrance and toiletries market has been recovered faster than our expectations, and the group has been posting solid results in the past few months thanks to digital sales.
- On Oct. 14, 2020, S&P Global Ratings upgraded Natura Cosméticos S.A. to 'BB' from 'BB-' on global scale and to 'brAAA' from 'brAA+' on national scale, including all debt ratings. The recovery rating remains at '3' (50%).
- At the same time, we upgraded Avon to 'BB-' from 'B+' and revised upward the stand-alone credit profile (SACP) to 'b' from 'b-'. We also raised our senior secured and senior unsecured issue-level ratings to 'BB+' from 'BB' and 'BB-' from 'B+', respectively. The recovery ratings of '1' (95%) and of '3' (50%) on respective debts remain unchanged.
- The stable outlook at Avon reflects that the ratings benefit from the group's credit quality, prompting a rating change in line with change in the parent's credit profile.
- The stable outlook on Natura reflects the group's significant deleveraging, and stronger capital structure and liquidity cushion, reducing the consolidated leverage consistently below 2.5x.

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## Rating Action Rationale

**Substantial debt reduction and strong financial flexibility.** Natura&Co demonstrated commitment to contain leverage through the controlling shareholders' capitalizing the group by R\$2 billion in the second quarter of 2020 and the R\$5.6 billion equity offer completed last week. The group plans to use the bulk of R\$7.6 billion for debt reduction. The group announced the intention to prepay Avon's 2022 secured notes, which will reduce the subsidiary's debt by half.

This would significantly enhance financial flexibility and capital structure both at Avon and the consolidated level. Avon's remaining bonds (maturing in 2023 and 2043) are senior unsecured and have no financial covenants, and the company has time to address refinancing them while operations gradually improve. Natura has a debenture due 2021 and a bond in 2023, which we expect the company to refinance without difficulties following recent cash inflows and better-than-expected operating performance.

**Operational risks remain at Avon, but overall recovery prospects are positive.** We believe risks in revamping Avon's operations remain high. The reorganization consists of digital shift and better position the brand. However, we don't fully incorporate the significant potential synergies among production facilities and administrative structures of Avon and Natura in our forecast, which will likely help boost EBITDA and cash flows in the next years beyond our estimates.

In addition, online sales have considerably exceeded estimates growing more than 200% in the year to date, as well as the sharp recovery in consumption in the CF&T market. In the first half of 2020, the group's revenue declined 5.7% in Brazilian reals compared with 2019, but we expect growth of about 10% by the year-end. A quick adjustment of the product mix has been crucial to sustain the group's competitive advantages in markets it operates.

**Although we analyze the SACPs of Natura and Avon separately, Natura&Co's group profile is the main ratings driver.** Our assessment of the consolidated group's creditworthiness and the likelihood of its potential support (or intervention) influence ratings on subsidiaries. We currently view Natura as a core subsidiary and Avon as a strategically important one.

## Outlook (Natura)

The stable outlook on Natura reflects our view of significant improvement in the group's credit quality given plans to use the proceeds from the follow-on to prepay debt and accelerate growth initiatives. The outlook also reflects Natura's better-than-expected results year-to-date. Although a second wave of COVID-19 is a risk, the company has enough cushion in its cash flow and liquidity position to face uncertainties. The stable outlook reflects our belief the company and group will maintain debt to EBITDA below 2.5x in 2020 and below 2x afterwards, and funds from operations (FFO) to debt around 30% and above 35%, respectively, benefiting from strong volume growth in Brazil and cash flows at The Body Shop (TBS) and Aesop.

## Downside scenario

We could take a negative rating action in the next 12 months if the rising COVID-19 cases worldwide disrupt Natura's operations, which could pressure its credit metrics. A downgrade is also possible if the group's credit quality deteriorates because Avon continues to burn cash. If Natura experience weaker-than-expected demand and higher working capital needs, its debt to EBITDA could reach above 3.0x, FFO to debt below 20%. This scenario would also tighten the company's liquidity position and the covenant headroom.

## Upside scenario

Although unlikely in the next 18-24 months, we could take a positive rating action on the group if we see a much stronger-than-expected recovery in Avon's operations, and consistent volume and price growth at Natura, with higher margins on a sustained basis despite competition and

currency swings. In this scenario, we expect debt to EBITDA below 2.0x, FFO to debt above 45%, and FFO cash interest above 6.0x. Also, we expect the company to maintain a liquidity cushion and extend the 2022 and 2023 debt maturities. A scenario of overall improvement in the group's credit quality group would prompt a similar rating action on Natura.

We could revise upward Natura's SACP amid stronger operating performance and credit metrics. In this scenario, we would see its stand-alone debt to EBITDA consistently below 2.0x, FFO to debt above 45%, and free operating cash flow to debt above 15%, maintaining payout ratio close to 35%. We would also like to see the strength of the business going forward, with stable profits even while it continues to grow.

## **Outlook (Avon)**

The stable outlook on Avon mirrors the one on our group profile assessment, reflecting that the proceeds from the follow-on will significantly reduce the company's debt and accelerate Avon's turnaround. The outlook also reflects our expectation that the proceeds from the follow-on will be used to streamline Avon's digital platform and modernize its branded portfolio, lifting the company's margins and cash flows.

## **Downside scenario**

We could revise downward our SACP on Avon if it continues to post weak results, which will erode EBITDA and cash flows. In this scenario, we expect weak metrics, with debt to EBITDA still above 5x in 2021 and 2022, and FFO to debt below 12%. If Avon approaches 2023, during which significant maturities are due, without refinancing, paying debt down or increasing cash flows, we could revise downward the SACP. Less likely, a downgrade of Avon would follow the revision of Avon's subsidiary status to a lower category.

## **Upside scenario**

A positive rating action is also unlikely in the short term and would depend on an improvement of the group credit profile (GCP), because it currently limits the credit rating on Avon to one notch below the GCP. A higher issuer credit rating on Avon is possible only if we view Avon as fully integrated with Natura and managed as a division, rather than a separate entity. This would also need to be accompanied by Natura&Co's demonstrated commitment of support during credit stress and closer alignment of Avon's risk management with that of the parent. An upward revision of Avon's SACP is possible if the company's growth strategy strengthen cash flows and credit ratios, with debt to EBITDA consistently below 5x and FFO to debt above 12%, with manageable debt amortizations compared to cash flows.

## **Company Description**

Natura&Co is the fourth-largest global cosmetics group, with annual revenue of about \$10 billion. The group consists of Natura, Avon, Aesop, and TBS. The group is present in more than 100 countries across all continents, with a leading position in Brazil, and wide portfolio diversification, with offerings to various customer tiers and channel diversification. The group has a leading position in the direct sales models for cosmetics, with more than 6 million representatives, along with 3,200 stores.

## Our Base-Case Scenario

- Natura's revenue growth of about 4% in Brazil and Latin America in 2020, thanks to a sharp recovery starting in June 2020. A revenue decline of about 20% in TBS's retail operations in the second and third quarters of 2020, and flat in the fourth quarter, which usually represents more than 60% of the annual volume.
- Despite Aesop's e-commerce growth of about 250%, its volume to decline 5%-10% in 2020.
- Both TBS and Aesop revenue to increase significantly in Brazilian reals.
- A revenue decline of about 20% at Avon in 2020 due to a weak performance in some regions such as Asia-Pacific and color and fashion & home as the hardest hit unit.
- Capex of about R\$850 million for 2020 at the group level, 30% at Avon and 70% at Natura.
- Dividends consisting of the payment by Natura&Co to Cerberus totaling \$95 million, which already occurred in 2020.

We are considering the following macroeconomic assumptions:

	2019A	2020E	2021E	2022E
(%)				
Brazil's GDP growth	1.1	(5.8)	3.5	3.0
Brazil's average interest rate	6.0	2.0	3.0	4.5
FX (average R\$ per \$)	3.9	5.1	5.1	5.0
Brazil's average CPI	3.7	2.7	3.0	3.5
Argentina's GDP growth	(2.1)	(12.5)	4.8	3.3
FX (average ARP per \$)	48.0	72.0	100.0	120.0
Mexico's GDP growth	(0.1)	(10.4)	3.7	2.6
FX (average MXN per \$)	19.3	21.7	21.3	21.2
Eurozone's GDP growth	1.2	(7.4)	6.1	3.0
FX (end of period euro per \$)	0.9	0.9	0.8	0.8

**A--Actual. E--Estimate**

Based on these assumptions, we forecast the following metrics:

	2019A	2020E	2021E	2022E
<b>Natura&amp;Co</b>				
Revenue (bil. R\$)	35-38	38-40	40-42	
EBITDA (bil. R\$)	2.4-2.6	3.6-3.9	4.4-4.6	
Net debt to EBITDA (x)	2.0-2.5	1.0-1.5	0.7-1.0	
FFO to debt (%)	25-30	45-50	85-90	
FFO cash interest (x)	2.5-3.0	4.5-5.0	5.5-6.0	
<b>Natura</b>				
Revenue (bil. R\$)	14.5	16.0-17.0	17.0-18.0	18.0-19.0

	2019A	2020E	2021E	2022E
EBITDA (bil. R\$)	2.5	2.5-3.0	3.0-3.5	3.4-3.6
Net debt to EBITDA (x)	2.9	2.0-2.5	1.8-2.2	1.5-1.7
FFO to debt (%)	21.4	25-30	32-36	45-50
FFO cash interest (x)	3.4	4.0-4.5	5.0-5.5	5.5-6.0
<b>Avon</b>				
Revenue (bil. \$)	4.7	3.5-4.0	3.9-4.2	4.4-4.6
EBITDA (mil. \$)	287	110-160	290-310	420-470
Gross debt to EBITDA (x)	6.3	6.0-8.0	3.0-3.5	2.0-2.5
FFO to debt (%)	3.7	3.0-3.5	18.0-20.0	30.0-32.0
FFO cash interest (x)	1.4	1.0-1.5	4.0-4.5	6.0-6.5

**A--Actual. E--Estimate.**

## Liquidity

We view the liquidity position of Natura&Co, Natura, and Avon as adequate. We expect Natura&Co's sources over uses of cash of close to 2.0x for the next 12 months, given the proceeds from the follow-on minus likely debt prepayments. Despite Natura&Co's large cash position and solid relationship with banks, sizable debt maturing especially at Natura starting in 2021 and a lack of track record in maintaining such a large position prevents a stronger liquidity assessment. We view Natura&Co's ability to absorb high-impact, low-probability events without refinancing as limited. Avon has no significant debt maturity until its secured notes are due August 2022, and if it prepays, as we expect, with the equity follow-on only the March 2023 senior unsecured amortization.

We expect the companies to maintain sufficient covenant headroom. If Avon prepays its 2022 maturities, the remaining debts at this subsidiary have no financial covenants. At Natura, 42% of debt are of acceleration type, majority consisting of the company's debentures, but for which we expect a more than 55% cushion. For the group, we expect a cushion of over 75%.

Main liquidity sources:

- Consolidated cash and short-term investments of about R\$8.2 billion as of June 2020;
- Forecasted FFO of about R\$1.5 billion in the next 12 months; and
- Capital injection of at least R\$525 million.

Main liquidity uses:

- Consolidated short-term debt position of about R\$2.7 billion as of June 2020;
- Working capital outflows of about R\$620 million in the next 12 months and seasonal working capital of about R\$800 million; and
- Capex of R\$860 million in the next 12 months.

For Natura, on a stand-alone basis, we consider the following sources and uses of cash:

Main liquidity sources:

- Consolidated cash and short-term investments of about R\$2.2 billion as of June 2020; and
- Forecasted FFO of about R\$1.4 billion in the next 12 months.

Main liquidity uses:

- Short-term debt position of about R\$1.2 billion as of June 2020;
- Working capital outflows of about R\$280 million in the next 12 months and seasonal working capital of about R\$200 million;
- Capex of R\$525 million in the next 12 months; and
- Dividends of around R\$170 million.

For Avon, on a stand-alone basis, we consider the following sources and uses of cash:

Main liquidity sources:

- Cash and short-term investments of about \$300 million as of June 2020;
- Forecasted FFO of about \$85 million in the next 12 months; and
- Capital injection net of prepayments of around \$100 million.

Main liquidity uses:

- Working capital outflows of about \$3.5 million in the next 12 months and seasonal working capital of about \$100 million; and
- Capex of \$67 million in the next 12 months.

## **Ratings Above the Sovereign**

Our 'BB' rating on Natura is above the 'BB-' rating on Brazil. Therefore, we run a stress-scenario for our forecast on both Natura&Co and Natura. The stress-scenario indicates if the company would be able to honor its obligation under a sovereign default scenario. In this sense, we have tested the company's ability to meet its obligation under a stress scenario on Brazil's foreign and local currency debt default. We use the scenario 'B' for the Ratings Above the Sovereign criteria, which is used when in past crisis, we observed the currency devaluation.

Both companies pass the stress test. This means that their sources of liquidity exceed uses by more than 1x in the year of the stress which we are considering as 2021. We assume a decline in revenue of more than 15%, the real's fall doubling the short-term, dollar-denominated debt, but higher cash flows from its foreign subsidiaries, along with investments in Brazil haircut by 70%, among others.

Sizable cash and cash flows from outside Brazil, and a low debt maturity schedule for 2021 enable both companies to pass the test.

## **Other Credit Considerations**

Our issuer credit ratings on Natura and Avon incorporate Natura&Co's 100% ownership. We believe Natura is a core subsidiary of Natura&Co, due to its importance to the group--representing about 70% of total EBITDA--integral role to the business strategy, and cash flow contribution. We believe Avon is important to the group's long-term strategy and is unlikely to be sold, as seen in

likely cash flow downstream to reduce debt. While Avon will be held as an independent legal entity, we believe its operations will be jointly managed, and that it will receive extraordinary support from the group in most foreseeable circumstances. However, there are some uncertainties over the extent of group support that preclude a higher support category.

## **Issue Ratings - Recovery Analysis**

Avon's capital structure includes:

- \$500 million, 5% unsecured notes due 2023 (\$462 million outstanding) issued by Avon Products Inc.
- \$250 million, 6.95% unsecured notes due 2043 (\$244 million outstanding) issued by Avon Products Inc.
- \$500 million, 7.875% secured notes due 2022 issued by Avon International Operations Inc.
- \$400 million, 6.5% senior secured notes due 2022 issued by Avon International Capital PLC.

Once the group prepays the 2022 notes with the proceeds from the follow-on, we would withdraw the rating on them. Meanwhile, we continue to assign a '1' (95%) recovery rating to the secured notes, and a '3' (50%) recovery rating to the unsecured notes. Recovery prospects could improve for unsecured notes once the secured notes are prepaid.

- We continue to value the company on a going-concern basis, using a 5.5x multiple for our projected emergence EBITDA.
- We estimate a gross recovery valuation of \$1.3 billion.

Simulated default assumptions

- Year of default: 2024
- EBITDA at emergence: \$250 million
- Implied enterprise value (EV) multiple: 5.5x

Simplified waterfall

- Net recovery value: \$1.3 billion
- Secured claims \$925 million\*
- Secured debt recovery expectation: 90%-100% (rounded estimate: 95%)
- Unsecured claims \$735 million\*
- Unsecured debt recovery expectation: 50%-70% (rounded estimate: 50%)

\*All debt amounts at default include six months accrued prepetition interest.

## **Natura**

Natura doesn't guarantee any of the debt of Avon or that of Natura&Co. If this structure changes, it could impact subordination structure and the issue-level rating on each subsidiary. We raised our senior unsecured note ratings on Natura to 'BB' from 'BB-' and its unsecured debenture rating to 'brAAA' from 'brAA+' in line with the new issuer credit ratings on both scales. The recovery rating

remains at '3' (50%). Natura's debt mainly consists of working capital lines, a bond, and local debentures.

We consider that following a hypothetical bankruptcy process, the company would be restructured and continue to operate, generating higher value to creditors, compared with a scenario of the company's liquidation. We value Natura using a 6.0x multiple applied to our projected emergence-level EBITDA of R\$790 million, arriving at a stressed enterprise value of R\$4.8 billion.

#### Simulated default assumptions

- Simulated year of default: 2025
- EBITDA at emergence: R\$1 billion
- EBITDA multiple: 6x
- Estimated gross EV: R\$6 billion
- Net EV, after 5% of administrative expenses: R\$5.7 billion

#### Simplified waterfall

- Total claims at subsidiaries: R\$933 million
- Senior secured debt and other priority claims: R\$113.7 million
- Unsecured debt: R\$9.3 billion (bank loans, unsecured note and debenture)
- Recovery expectations on unsecured debt: 50%-70%

## Financial Summary

### Avon Products Inc. -- Financial Summary

	--Fiscal year ended 31--				
	2019	2018	2017	2016	2015
<b>(Mil. \$)</b>					
Revenues	4,763.2	5,571.3	5,715.6	5,717.7	6,160.5
EBITDA	287.9	329.2	480.8	532.5	492.8
Funds from operations (FFO)	67.1	89.0	191.7	284.7	179.1
Net income from continuing operations	175.9	162.3	286.8	189.3	194.0
Cash flow from operations	118.1	137.2	317.4	178.1	151.4
Capital expenditures	58.5	94.9	97.3	93.0	92.4
Free operating cash flow	59.6	42.3	220.1	85.1	59.0
Discretionary cash flow	50.0	39.1	212.9	79.5	(52.9)
Cash and short-term investments	650.6	532.7	881.5	654.4	689.3
Debt	1,802.5	2,303.5	2,617.2	2,620.2	2,665.4
Equity	(405.3)	(896.8)	(714.7)	(836.2)	(1,056.4)
<b>Adjusted ratios</b>					
EBITDA margin (%)	6.0	5.9	8.4	9.3	8.0

### Avon Products Inc. -- Financial Summary (cont.)

	--Fiscal year ended 31--				
	2019	2018	2017	2016	2015
Return on capital (%)	12.5	9.8	15.6	11.2	7.6
EBITDA interest coverage (x)	2.0	1.9	2.7	3.5	3.4
FFO cash int. cov. (x)	1.4	1.6	2.2	3.7	2.2
Debt/EBITDA (x)	6.3	7.0	5.4	4.9	5.4
FFO/debt (%)	3.7	3.9	7.3	10.9	6.7
Cash flow from operations/debt (%)	6.6	6.0	12.1	6.8	5.7
Free operating cash flow/debt (%)	3.3	1.8	8.4	3.2	2.2
Discretionary cash flow/debt (%)	2.8	1.7	8.1	3.0	(2.0)

### Natura Cosméticos S.A. -- Financial Summary

	--Fiscal year ended Dec. 31--				
	2019	2018	2017	2016	2015
<b>(Mil. R\$)</b>					
Revenues	14,444.7	13,397.4	9,852.7	7,912.7	7,899.0
EBITDA	2,509.8	2,302.9	2,063.2	1,398.6	1,481.2
Funds from operations (FFO)	1,554.1	1,299.1	1,657.3	946.3	1,149.8
EBIT	1,364.3	1,395.7	1,387.4	1,097.8	1,289.6
Cash flow from operations	1,335.4	1,209.3	1,352.4	816.6	1,602.8
Capital expenditures	586.4	485.0	362.5	305.8	382.9
Free operating cash flow	749.0	724.3	990.0	510.8	1,219.9
Discretionary cash flow	593.5	523.7	885.1	138.9	468.2
Cash and short-term investments	2,488.9	2,430.4	3,670.4	2,298.9	2,783.7
Debt	7,269.6	6,906.9	7,264.6	2,423.5	2,293.6
Equity	3,392.7	2,574.1	1,634.7	996.4	1,077.8
<b>Adjusted ratios</b>					
EBITDA margin (%)	17.4	17.2	20.9	17.7	18.8
Return on capital (%)	13.5	15.2	22.5	32.3	38.6
EBITDA interest coverage (x)	3.9	3.1	4.6	4.2	4.6
FFO cash int. cov. (x)	3.4	2.8	6.2	3.9	5.4
Debt/EBITDA (x)	2.9	3.0	3.5	1.7	1.5
FFO/debt (%)	21.4	18.8	22.8	39.0	50.1
Cash flow from operations/debt (%)	18.4	17.5	18.6	33.7	69.9
Free operating cash flow/debt (%)	10.3	10.5	13.6	21.1	53.2
Discretionary cash flow/debt (%)	8.2	7.6	12.2	5.7	20.4

## Natura & Co Holding S.A. -- Financial Summary\*

### Pro Forma Figures

	--Fiscal year ended Dec. 31--		
	2019	2018	2017
<b>(Mil. R\$)</b>			
Revenues	32,942.2	34,965.7	28,789.5
EBITDA	3,627.9	3,876.0	3,629.2
Funds from operations (FFO)	1,814.7	1,948.2	2,220.6
Net income from continuing operations	2,047.4	2,333.6	2,166.5
Cash flow from operations	1,794.1	1,729.6	2,548.2
Capital expenditures	813.6	852.4	684.9
Free operating cash flow	980.5	877.2	1,863.3
Discretionary cash flow	787.7	664.2	1,734.7
Cash and short-term investments	8,161.4	4,492.7	6,591.0
Debt	11,744.7	13,705.8	13,015.0
Equity	1,728.9	(897.7)	(733.2)
<b>Adjusted ratios</b>			
EBITDA margin (%)	11.0	11.1	12.6
Return on capital (%)	15.6	18.6	17.6
EBITDA interest coverage (x)	3.0	2.8	3.3
FFO cash int. cov. (x)	2.4	2.5	3.5
Debt/EBITDA (x)	3.2	3.5	3.6
FFO/debt (%)	15.5	14.2	17.1
Cash flow from operations/debt (%)	15.3	12.6	19.6
Free operating cash flow/debt (%)	8.3	6.4	14.3
Discretionary cash flow/debt (%)	6.7	4.8	13.3

## Ratings Score Snapshot

### Natura Cosméticos S.A.

#### Issuer Credit Rating:

Global scale	BB/Stable/--
National scale	brAAA/Stable/--
Business risk:	Fair
Country risk:	Moderately high
Industry risk:	Low
Competitive position:	Fair
Financial risk:	Significant
Cash flow/Leverage:	Significant

Anchor:	bb
Modifiers:	
Diversification/Portfolio effect:	Neutral (no impact)
Capital structure:	Neutral (no impact)
Financial policy:	Neutral (no impact)
Liquidity:	Adequate (no impact)
Management and governance:	Fair (no impact)
Comparable Rating analysis:	Neutral
SACP:	bb
Entity status within group:	Core

**Avon Products Inc.**

Issuer Credit Rating:	
Global scale	BB-/Stable/--
Business risk:	Weak
Country risk:	Intermediate
Industry risk:	Low
Competitive position:	Weak
Financial risk:	Highly Leveraged
Cash flow/Leverage:	Highly Leveraged
Anchor:	b
Modifiers:	
Diversification/Portfolio effect:	Neutral (no impact)
Capital structure:	Neutral (no impact)
Financial policy:	Neutral (no impact)
Liquidity:	Adequate (no impact)
Management and governance:	Fair (no impact)
Comparable Rating analysis:	Neutral (no impact)
SACP:	b
Entity status within group:	Strategically important (+2 notch from SACP)

**Related Criteria**

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments, April 1, 2019
- General Criteria: Methodology For National And Regional Scale Credit Ratings, June 25, 2018
- Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers, Dec. 7, 2016
- Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments, Jan. 20, 2016
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013

- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Ratings Above The Sovereign--Corporate And Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

## Ratings List

### Upgraded; CreditWatch/Outlook Action

	To	From
<b>Natura Cosmetics S.A.</b>		
Issuer Credit Rating	BB/Stable/--	BB-/Negative/--
Brazil National Scale	brAAA/Stable/--	brAA+/Negative/--

### Natura Cosmetics S.A.

Senior Unsecured	BB	BB-
Recovery Rating	3(50%)	
Senior Unsecured	brAAA	brAA+
Recovery Rating	3(50%)	

### Upgraded; CreditWatch/Outlook Action; Ratings Affirmed

	To	From
<b>Avon Products Inc.</b>		
Issuer Credit Rating	BB-/Stable/--	B+/Negative/--

### Avon Products Inc.

Senior Unsecured	BB-	B+
Recovery Rating	3(50%)	

### Avon International Operations Inc.

Issuer Credit Rating	BB-/Stable/--	B+/Negative/--
Avon International Operations Inc.		
Senior Secured	BB+	BB
Recovery Rating	1(95%)	

### Avon International Capital p.l.c

Senior Secured	BB+	BB
Recovery Rating	1(95%)	

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at [www.standardandpoors.com](http://www.standardandpoors.com) for further information. Complete ratings information is available to subscribers of RatingsDirect at [www.capitaliq.com](http://www.capitaliq.com). All ratings affected by this rating action can be found on S&P Global Ratings' public website at [www.standardandpoors.com](http://www.standardandpoors.com). Use the Ratings search

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