Second-quarter 2020 results

August 14, 2020

AVON natura THE BODY SHOP Aēsop.

natura &co

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Q2-20 Highlights

Amidst Covid-19 global impact, Natura &Co outperforms CFT market in Q2[1], demonstrating resilience of purpose-driven and omnichannel Group with a strong surge in digital and e-commerce

Strengthened capital structure

- Successful R$2 billion capital raise

Acceleration in digital transformation

- 225% increase in total group e-commerce sales
- Investment of R$400 million over the coming 6 months

Progress on Avon synergies and integration

- US$25 million of savings in Q2-20
- On track to deliver our 2020 synergy commitment

Strategic actions

- Partnerships with Singu, a leading Brazilian digital platform for at-home beauty services, and with Vayner Media, a global powerhouse in social media
- The Body Shop:
  - Acquisition of Japan business from a head franchisee
  - Launch of At-Home in the US

2030 Sustainability Vision

- Launch of Commitment to Life, our multi-year plan for environmental and social progress

1 Cosmetics, Fragrance and Toiletries market performance: Company estimate based on global peers' Q2 net revenue vs prior year of -21% (in reported FX), as reported by the companies or estimates published on Bloomberg for those who have not yet reported. For comparison purposes, Q2-20 and Q2-19 results and analyses include: i) Q2-19 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) Q2-20 results and analyses including the effects of the fair market value assessment as a result of the business combination with Avon as per the Purchase Price Allocation – PPA.

Consolidated

Financial Performance

Adjusted figures exclude the following non-operational effects

1

Avon acquisition costs

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

2

Transformation costs

Include Transformation costs at Natura &Co Latam, and Avon's Open-Up and Grow costs at Avon International both in Q2-20 and Q2-19, and The Body Shop in Q2-19.

3

Asset sale at Avon International

Refers to the sales of office building and other assets as part of Avon's transformation plan.

4

Tax credits, recoveries and provision reversal

Non-recurring social charges provision reversal at Natura, and Pis and Cofins tax credits at Avon in Latin America in Q2. Q2-19 effects refer to tax credits from previous years and tax recoveries related to ICMS taxes applied on the base of Pis and Cofins.

5

Impairment loss on assets

Impairment loss at Avon International in Q2-19.

1 On a pro-forma, estimated non-audited basis

+225% Online sales growth and record acceleration of digital social selling

natura

&

AVON

+150% online sales

- +70% of content sharing
- Orders up 3x
- +65% consultant online stores

- Avon International sales via the digital brochure grew 3x
- 70% adoption of digital assets by representatives in UK

Aēsop

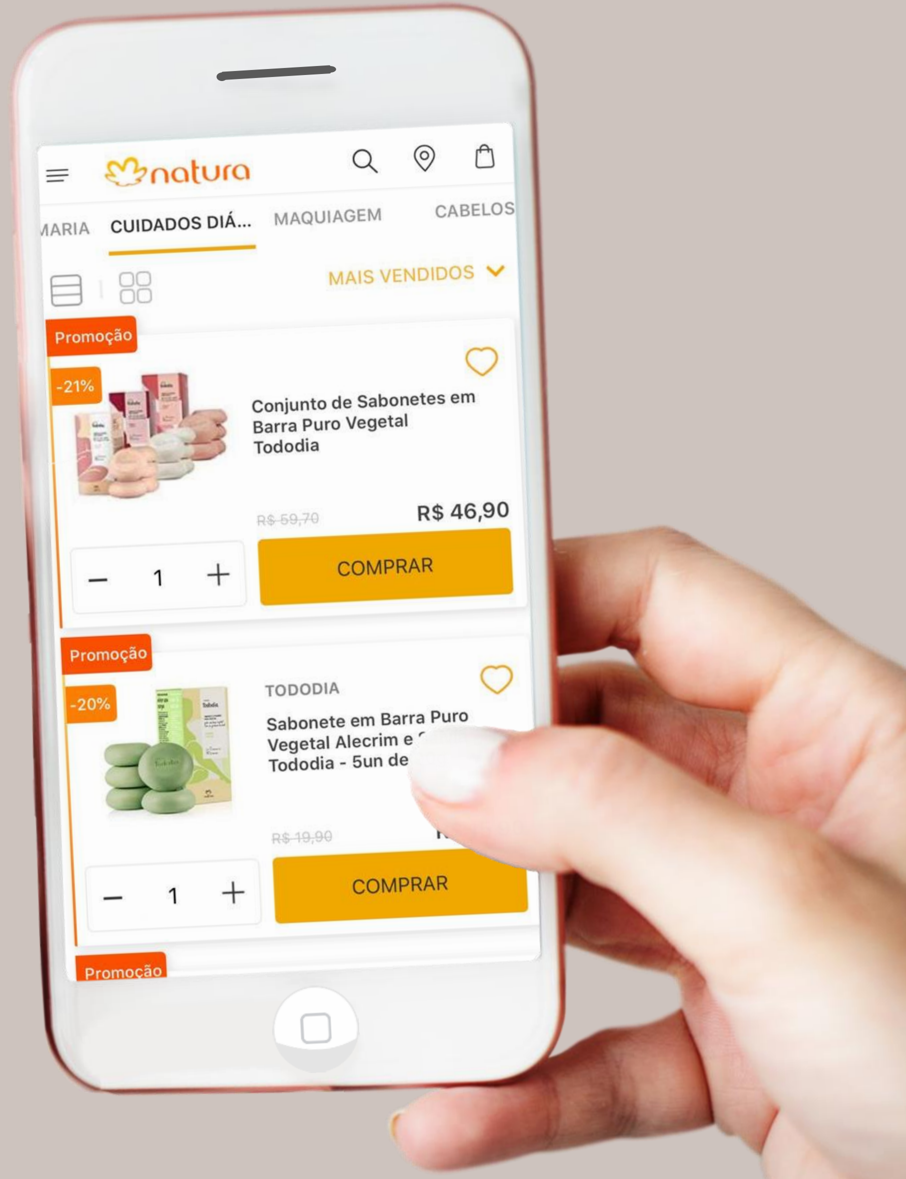
+430% online sales

- Online was 37% of total sales
- Successful replication of the unique in-store customer experience

THE BODY SHOP

+230% online sales

- Online was 27% of total sales
- Recovery of revenue lost through store closures

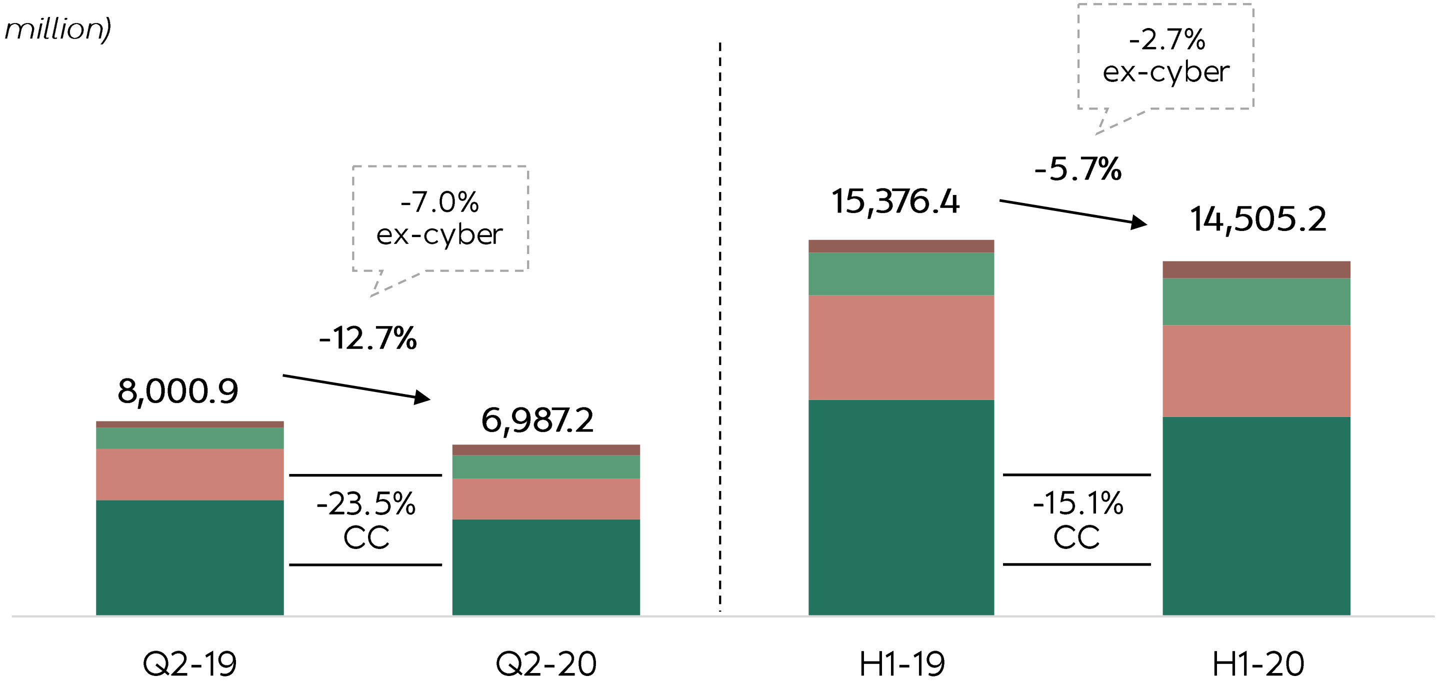


Note: All % change: Q2 vs PY

Resilient revenue thanks to the strength of omnichannel and social selling model

NET REVENUE

(R$ million)



Natura &Co Latam
Q2: -16.5% in BRL
-19.2% at CC
H1: -7.8% in BRL
-11.3% at CC

Avon International
Q2: -21.6% in BRL
-38.9% at CC
H1: -11.9% in BRL
-26.6% at CC

The Body Shop
Q2: +15.5% in BRL
-13.2% at CC
H1: +9.0% in BRL
-11.8% at CC

Aesop
Q2: +34.8% in BRL
-0.6% at CC
H1: +30.8% in BRL
+4.9% at CC

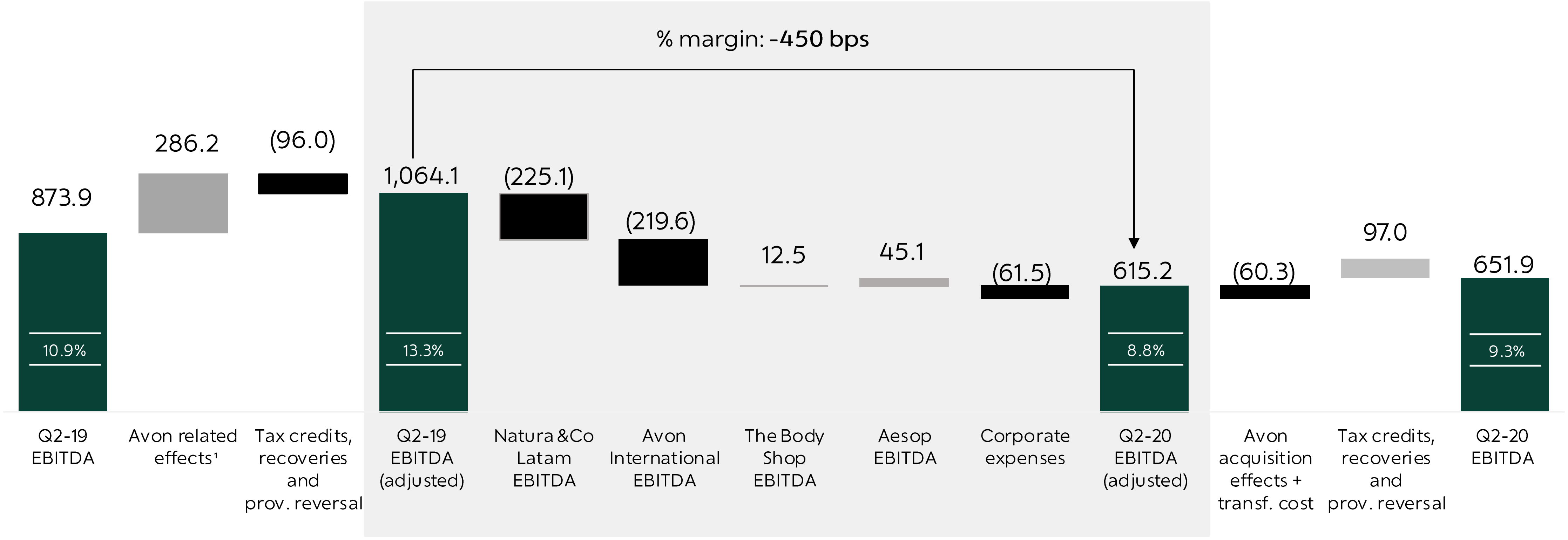
HIGHLIGHTS

- Remarkable growth of the Natura brand, up 7.9% in Brazil
- Strong performances by The Body Shop and Aesop
- Cyber incident shifted ~R$ 450 million of sales to Q3
- Record increase in digital sales across all brands
- Geographic diversification

EBITDA supported by improved gross margin and strong cost discipline

Q2 CONSOLIDATED EBITDA

(R$ million)



Adjusted EBITDA margin of 8.8% (-450 bps) in Q2-20 and 8.2% (-340 bps) in H1-20

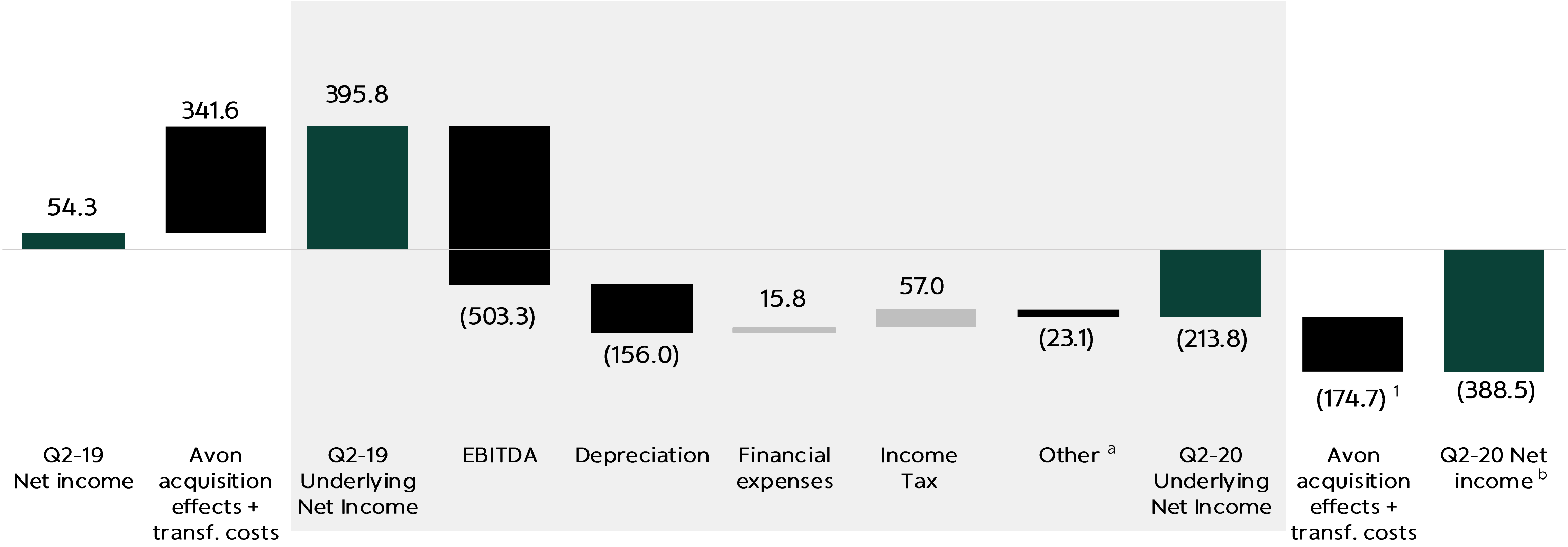
Reported EBITDA margin of 9.3% (-160 bps) in Q2-20 and 5.5% (-400 bps) in H1-20

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

Underlying Net Income impacted mainly by lower EBITDA and depreciation

Q2-20 UNDERLYING NET INCOME (UNI)

(R$ million)



a) Non-controlling interests and discontinued operations
b) Net income attributable to controlling shareholders

H1-20 **UNI** of (R$ 498.6) million

[1]Includes: i) transformation costs of (R$54.6); ii) PPA amortization of (R$175.0) million; iii) PPA effects in financial expenses and income tax of R$60.5 million, and iv) acquisition expenses of (R$5.6) million.

Capital structure strengthened by R$2 bn capital raise, enabling investment in digital

1

Very strong cash position

- **R$7.4 billion** at quarter-end
- **R$1.4 billion** in debt maturities this year
- **3.8 years** average debt maturity

2

Free cash flow

- Cash outflow of R$96.1 million vs. inflow of R$63.7 million[1] in Q2-19
- Consistent with seasonality and impacted by:
  - *Covid-19 effects on revenue*
  - *FX effects in working capital*
  - *Extended payment terms for Consultants and Reps*
- Partially offset by extended payables

3

Strengthened capital structure

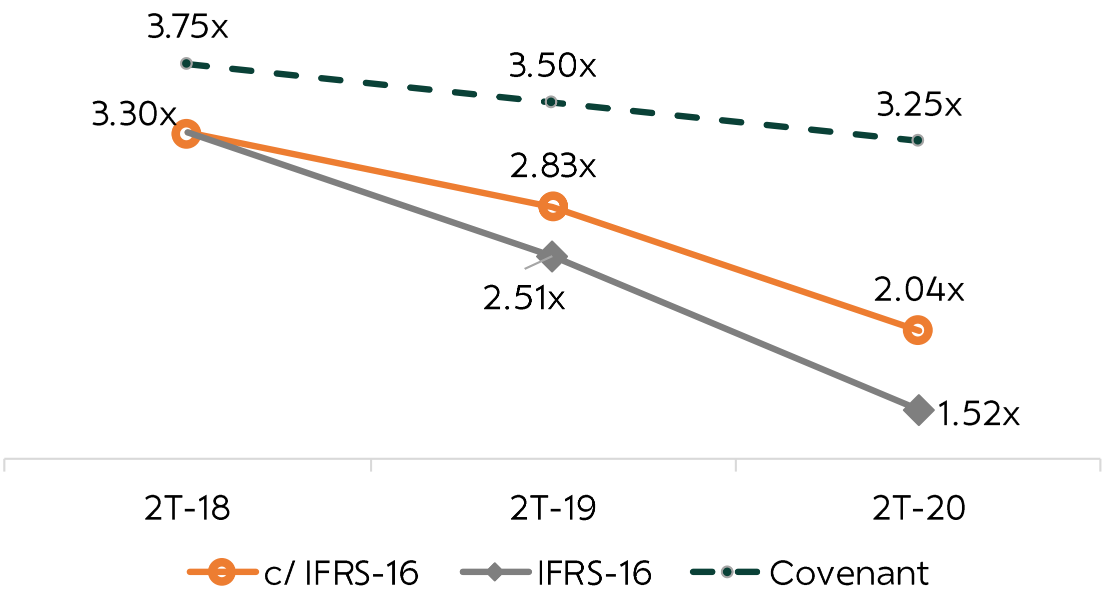
Successful completion of capital raising of R$2 billion contributing to a strong cash position, allowing us to build on the momentum in digital and accelerate our investment in IT infrastructure, digital and social selling

[1] On a pro-forma, estimated non-audited basis

Strong cash position allows rapid deleveraging and enables investment

NET DEBT-TO-EBITDA RATIO EVOLUTION

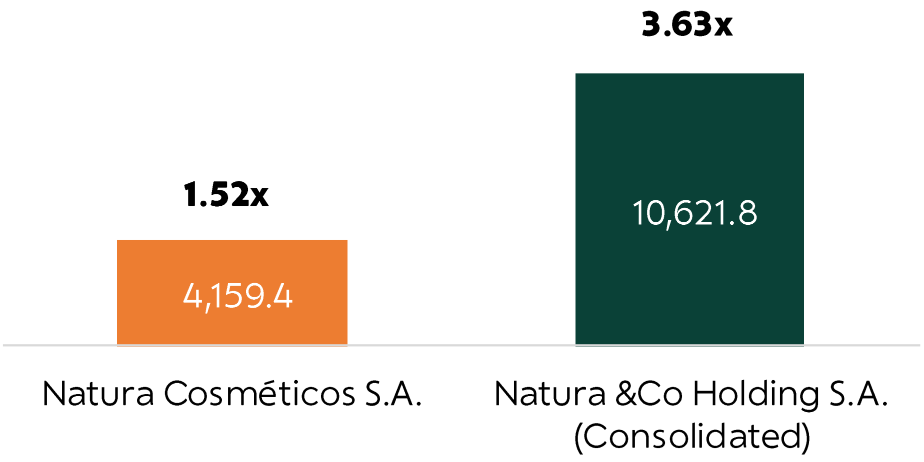
(Natura Cosméticos)



Net debt-to-Ebitda of 2.04x in Q2-20, well under June 30th covenant of 3.25x

NET DEBT AND NET DEBT-TO-EBITDA RATIO

(R$ million)



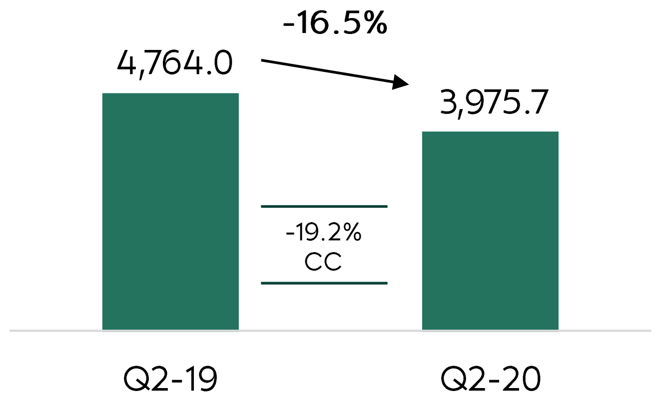
Natura &Co Latam

Financial Performance

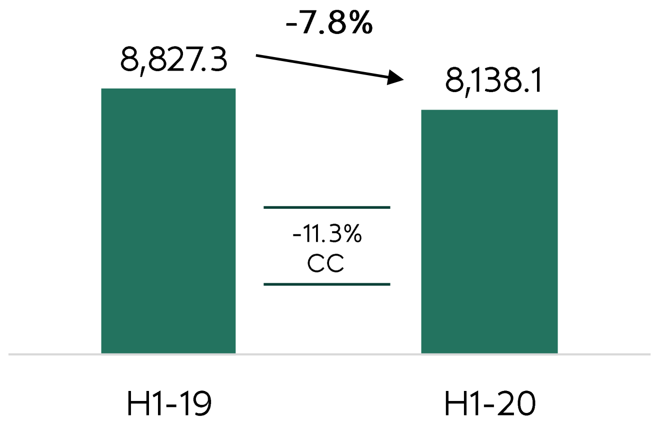
Remarkable growth at Natura Brazil offsets challenges

NET REVENUE

(R$ million)



	BRL	CC
Natura	+4.4%	+2.6%
Avon	-35.2%	-40.2%



	BRL	CC
Natura	+9.0%	+6.9%
Avon	-21.8%	-26.6%

Q2-20 HIGHLIGHTS

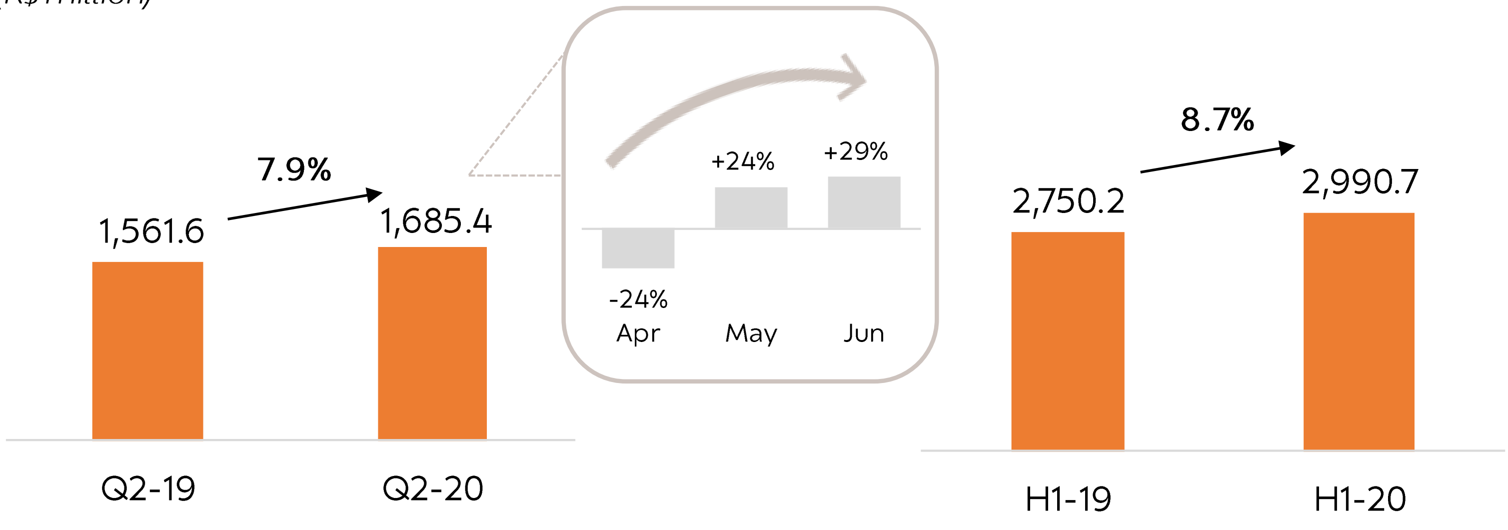
- Natura: Net revenue increased by 4.4% in BRL (+2.6% at CC), supported by a remarkable performance in Brazil (+7.9%), outperforming the CFT market[1], driven by the strength of its digital relationship selling model
- Avon: Impacted by Covid-19 and the cyber incident later in the quarter, which shifted ~R$390 million of sales to Q3

[1] Source: Kantar of approximately -4% and ABIHPEC of approximately -6%.

Strong growth in Brazil, Hispanic Latam returning to growth in June

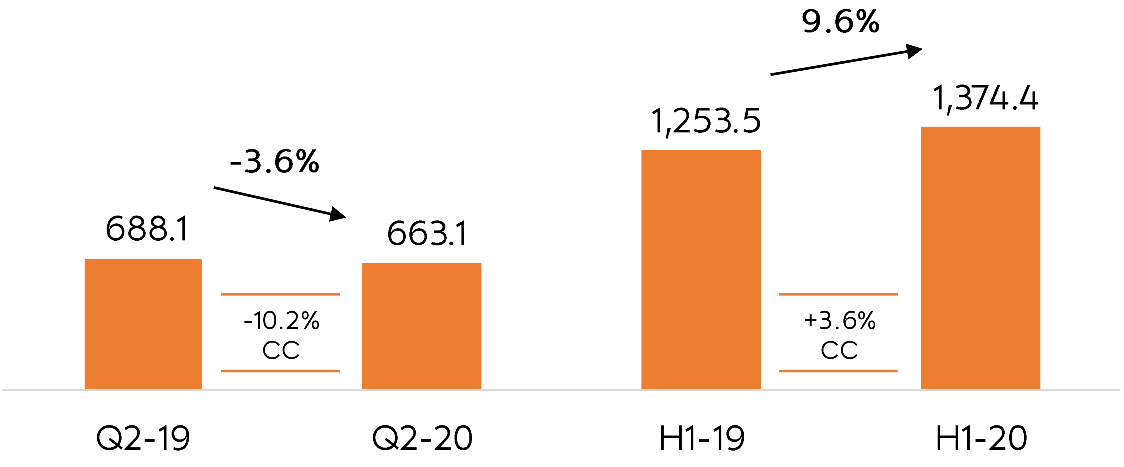
NET REVENUE - BRAZIL

(R$ million)



NET REVENUE – HISPANIC LATAM

(R$ million)



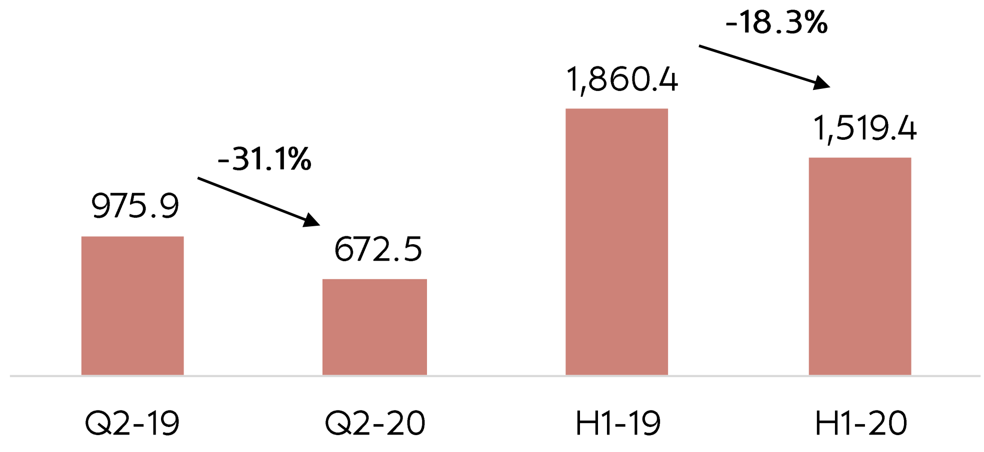
– Q2-20 HIGHLIGHTS

- Remarkably strong quarter, despite the very challenging environment
- Volume increased, driven by growth in fragrances, body care and hair categories
- 15th consecutive quarter of consultant productivity growth (+ 6.9%)
- Activity impacted by strict lockdown restrictions in Q2 in Argentina, Peru and Colombia

Impacted by Covid-19 and cyber incident

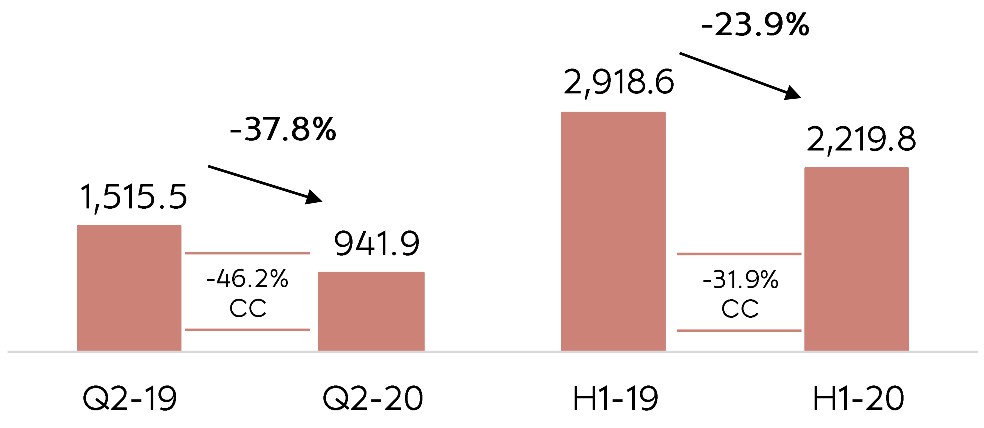
NET REVENUE – AVON BRAZIL

(R$ million)



NET REVENUE – AVON HISPANIC LATAM

(R$ million)



Q2-20 HIGHLIGHTS

- Lower representative activity related to Covid-19
- Cyber incident shifted ~R$ 390 million of sales to Q3 in Latam
- Advances in digitalization
- Increase in representative satisfaction index for the first time in six years
- Lockdowns in many Hispanic Latam markets were more severe than in other regions

EBITDA supported by strong operational leverage

ADJUSTED EBITDA[1] AND EBITDA MARGIN

(R$ million / %)

Q2-20 HIGHLIGHTS

- Higher gross margin at both Natura Brazil and Hispanic Latam enabled strong operational leverage, offset by a decline at Avon brand
- Strong cost control and discretionary spending contributed to margin expansion of 760 bps at the Natura brand

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

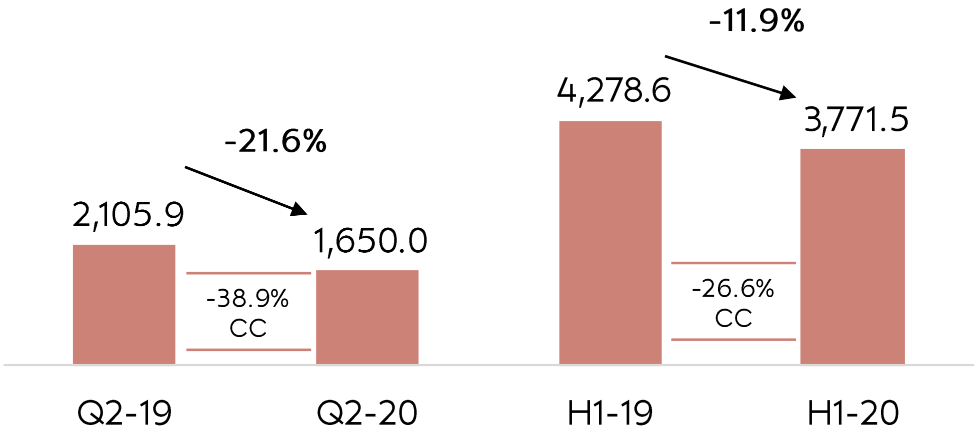
Avon International

Financial Performance

Q2 marked by progress on integration and improved digital capabilities

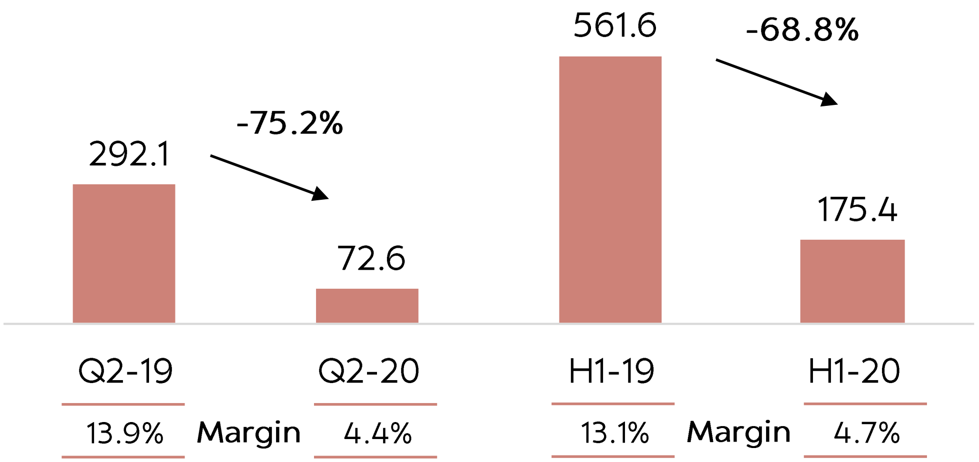
NET REVENUE

(R$ million)



ADJUSTED EBITDA[1]

(R$ million)



Q2-20 HIGHLIGHTS

- Cyber incident shifted ~R$ 60 million of sales to Q3
- Sales via representatives sharing e-brochures more than doubled at Avon globally in Q2 vs Q1
- Gross margin +60 bps, to 61.8% in Q2-20, helped by price and category mix
- Ebitda impacted by deleverage of fixed expenses

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

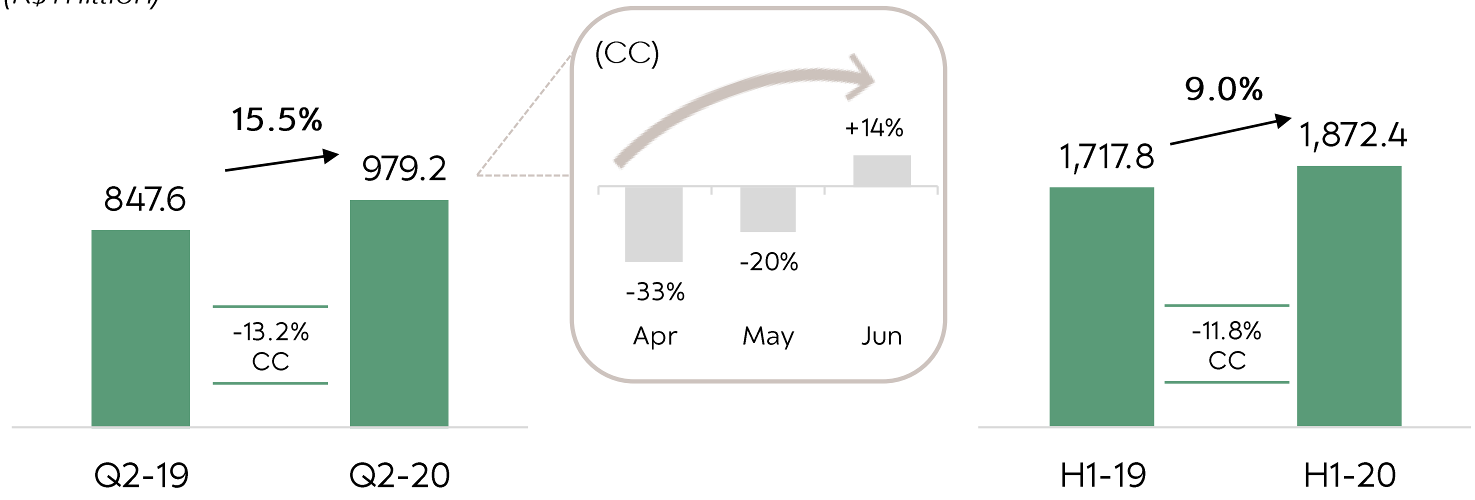
Gangnam-daero Store – South Korea

The Body Shop

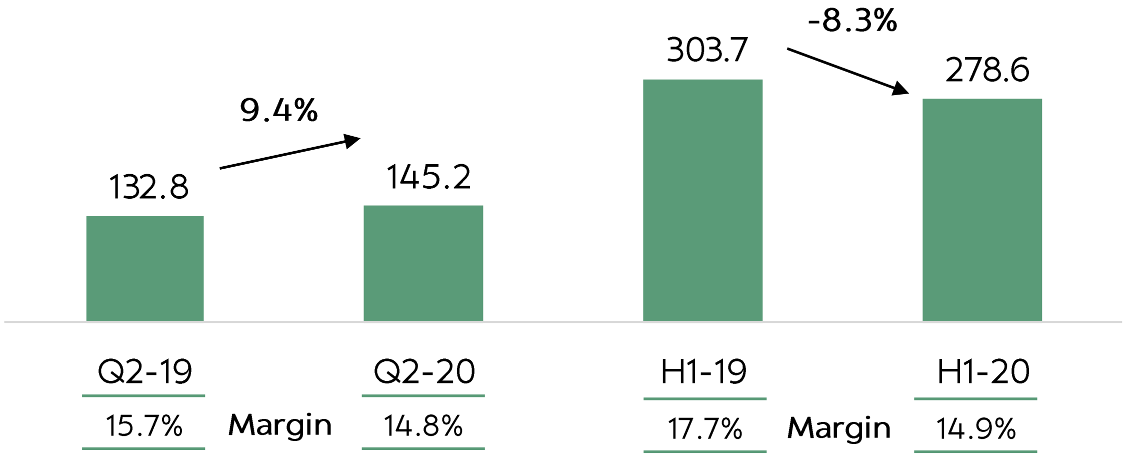
Financial Performance

Outstanding e-commerce and At-Home growth largely offsets store closures

NET REVENUE
(R$ million)



ADJUSTED EBITDA[1]
(R$ million)



Q2-20 HIGHLIGHTS

- Sales growth of + 230% in e-commerce and + 280% in At-Home (direct sales)
- 87% of retail stores were closed at the end of April, improving to 16% at the end of June
- Ebitda supported by lower discounts, expense reductions and government subsidies

[1] Adjusted: Excludes non-recurring transformation costs

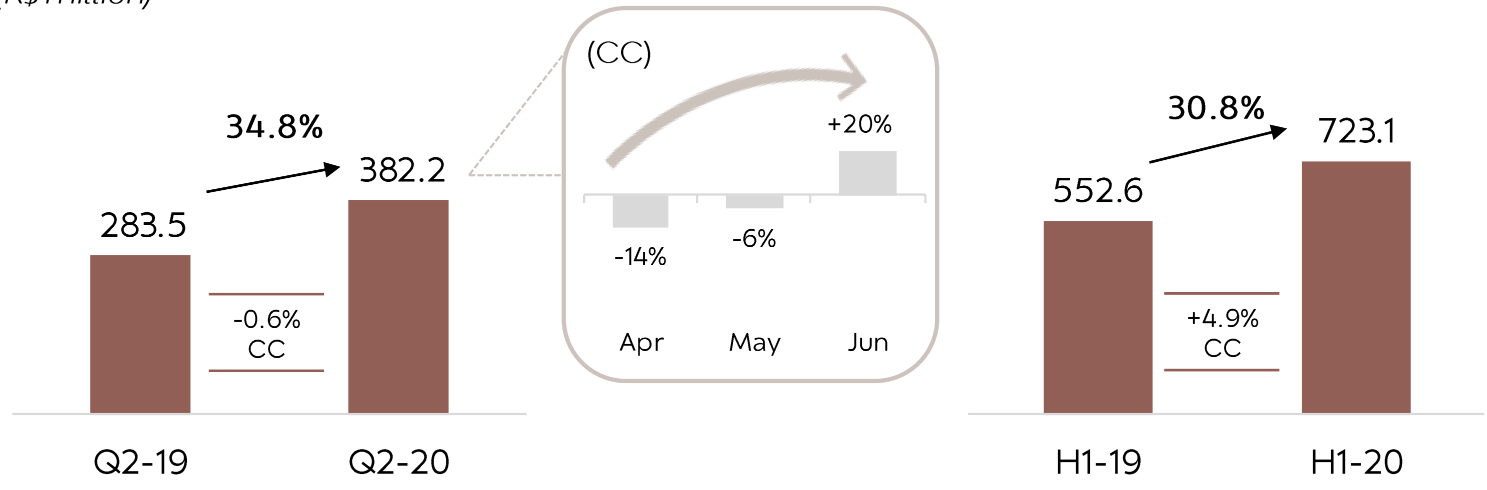
Aesop

Financial Performance

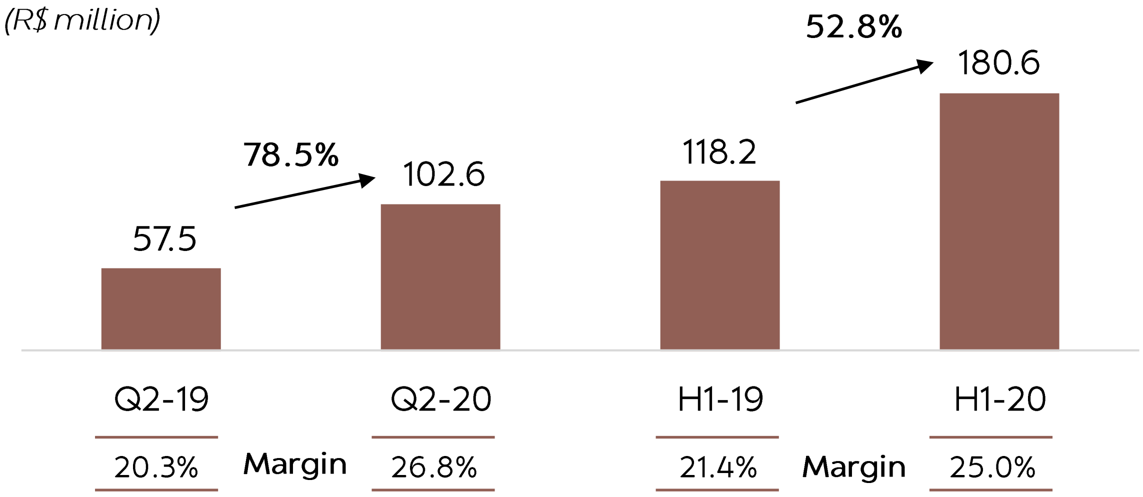
Aēsop.

Exceptional results driven by +430% increase in online sales

NET REVENUE
(R$ million)



EBITDA
(R$ million)



– Q2-20 HIGHLIGHTS

- Growth in online sales largely offset the closure of stores (~90% closed in Q2)
- As of mid July, 75% of the retail store network is open, most with restrictions in place
- Notable Ebitda growth supported by targeted cost reduction (-3% YoY CC), favorable channel mix and government subsidies, notably in Q2

Closing Remarks

Roberto Marques

Key Takeaways

Natura &co

Omnichannel Strength

Strong social selling model and acceleration of e-commerce across all brands

Geographic diversification: Growth at Natura, The Body Shop and Aesop

Revenue growth in recent weeks

Digital Transformation

Record increase in online sales (+225%)

Investments in IT / Digital - R$400 million over next 6 months

Optimal Capital Structure

Successful R$2 bn capital raise

Strong cash position - over R$7 bn

Faster deleveraging

Sustainable Growth

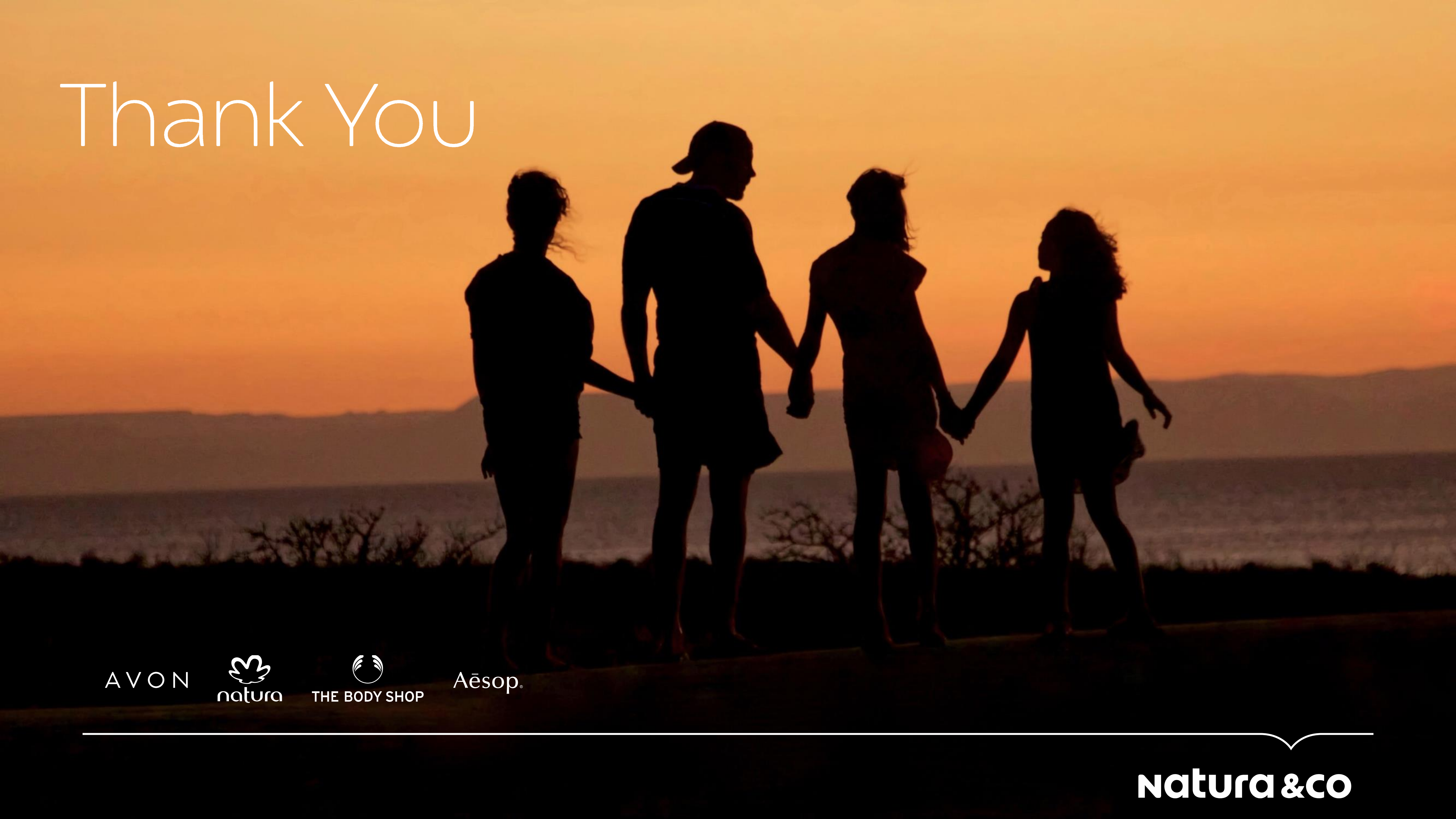
Launch of 2030 Vision, stepping up sustainability commitments

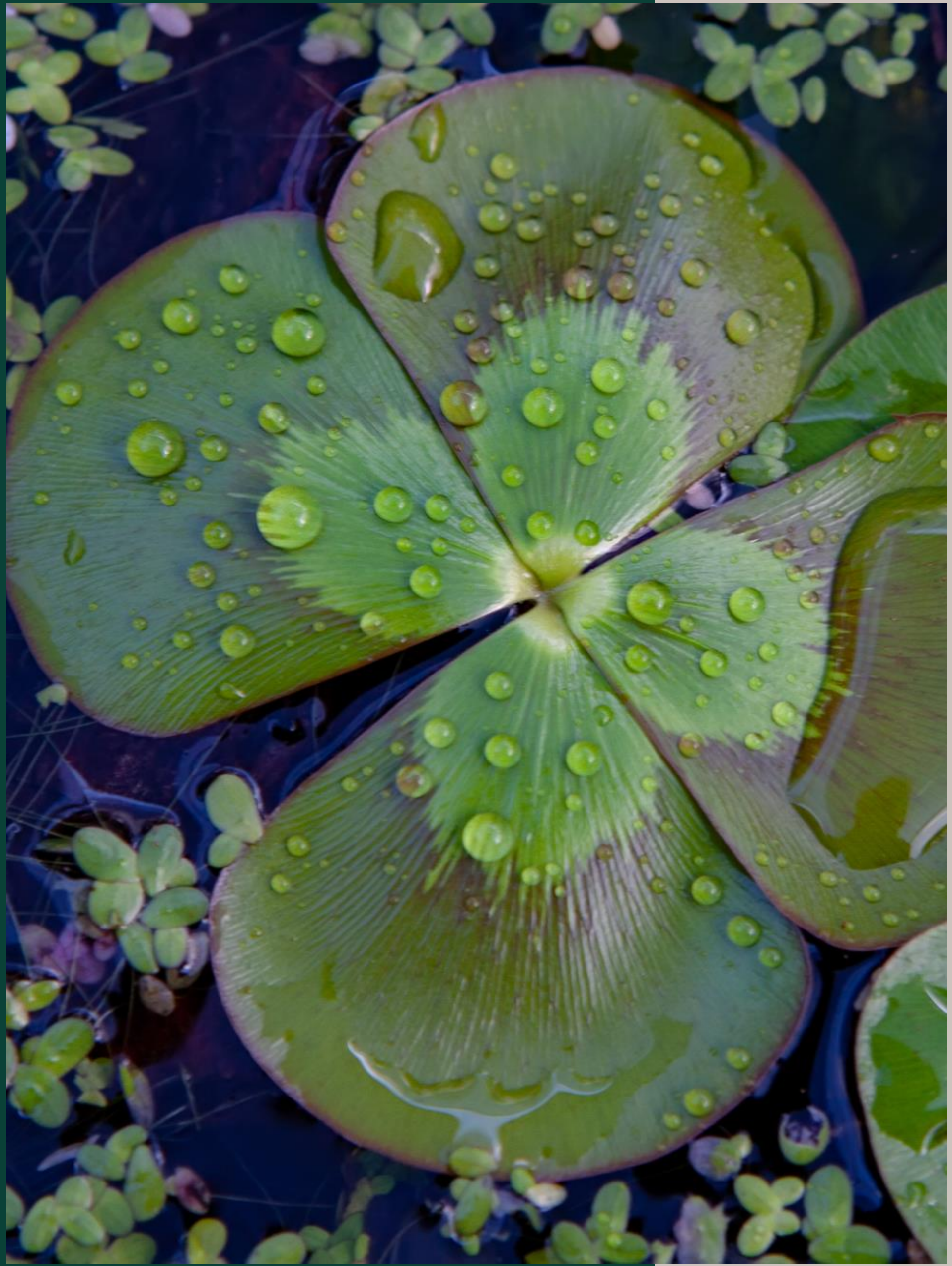
Advances in Avon integration and synergies on track

Strategic initiatives:

- partnerships with Singu and Vayner Media
- expansion of The Body Shop:
  - Japan franchise acquisition
  - At-Home in the US

Creating the best global beauty group ~~in~~ FOR the world


Thank You
AVON
natura
THE BODY SHOP
Aēsop
natura &co

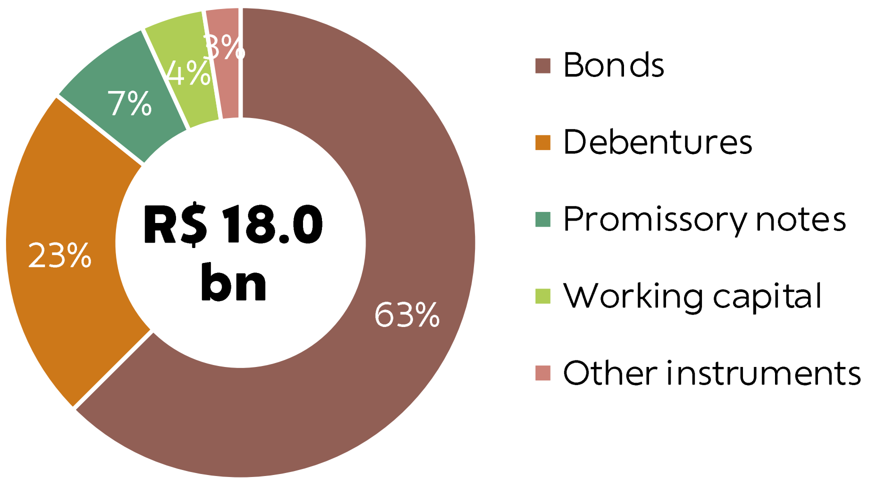


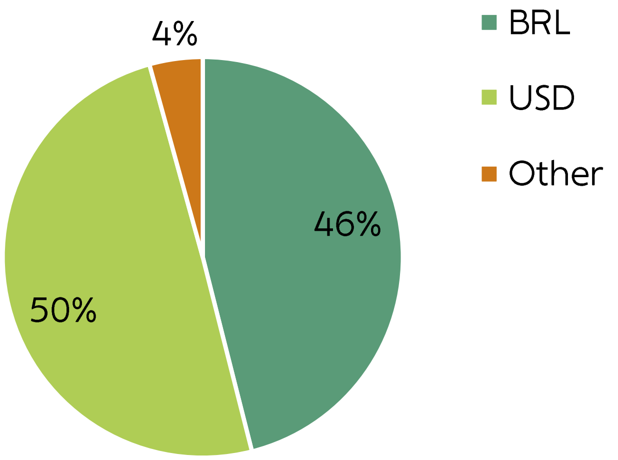
Appendix

Q2-20

Q2-20 Consolidated indebtedness: Well-diversified debt profile

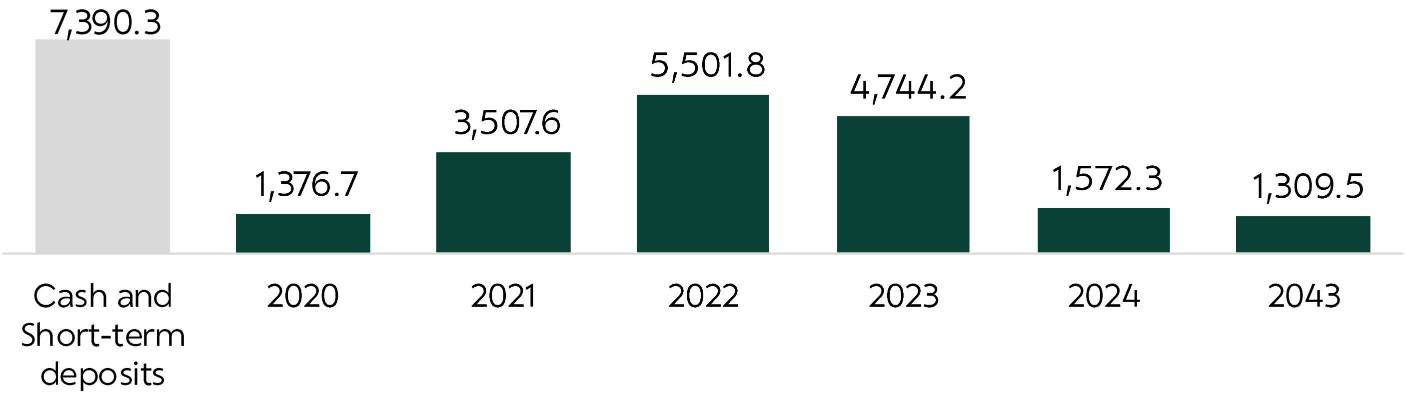
GROSS DEBT PROFILE[1,2]





AMORTIZATION SCHEDULE[2]

(R$ million)



HIGHLIGHTS

R$ 7.4 bn in cash

~R$ 1.4 bn in maturities this year

3.8 years average maturity

[1] Natura &Co Holding Consolidated – excludes PPA impacts and lease agreements;

[2] Excludes foreign currency hedging

Breakdown of global net revenue by brand

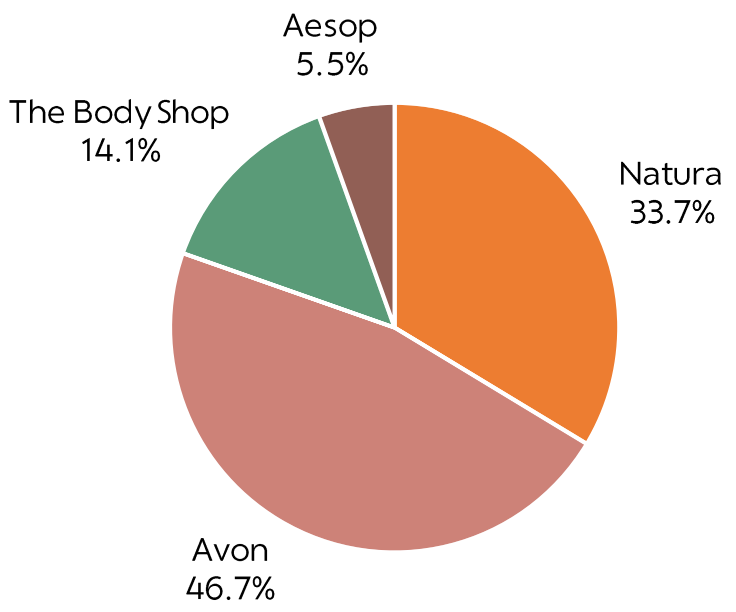
Q2 NET REVENUE PER BRAND[1]

(R$ million)

Brand	Q2-20	Q2-19	% (R$)	% (CC)
natura	2,351.7	2,252.0	*+4.4%*	*+2.6%*
AVON	3,264.4	4,597.2	*-29.0%*	*-39.9%*
THE BODY SHOP	988.5	868.0	*+13.9%*	*-13.2%*
Aēsop	382.5	284.3	*+34.6 %*	*-0.6%*
Total net revenue	6,987.2	8,000.9	*-12.7%*	*-23.5%*

Q2-20 NET REVENUE BREADKDOWN (BY BRAND)

(%)



[1] Pro-forma for 2019