Fourth-quarter and full year results, 2019

Natura &Co

March 6, 2020

AVON natura THE BODY SHOP Aēsop

Natura &Co

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.

The words "anticipates," "wishes," "expects," "estimates," "intends," "forecasts," "plans," "predicts," "projects," "targets" and similar words are intended to identify these statements, which necessarily involve known and unknown risks and uncertainties.

Known risks and uncertainties include, but are not limited to, the impact of competitive products and pricing, market acceptance of products, product transitions by the Company and its competitors, regulatory approval, currency fluctuations, production and supply difficulties, changes in product sales mix, and other risks.

This presentation also may include pro-forma and adjusted information prepared by the Company for information and reference purposes only, which has not been audited. 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.

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

Q4-19: Strong revenue growth across all businesses, double-digit growth in adjusted EBITDA[1] and solid cash generation, with further deleveraging

- **Strong growth of** +7.3% in consolidated net revenues, supported by all brands and businesses:
  - **Natura** posted significant growth in **Brazil** and **Latam**, both over high comparable bases, with growth acceleration in **Latam** of +28.9% at constant currency
  - **The Body Shop:** Net revenue up +6.7% in BRL and -1.2% at constant currency due to Hong Kong (+0.4% excluding Hong Kong)
  - **Aesop:** Acceleration in growth, at +13.4% at constant currency; 20 new stores
- **Double-digit growth in consolidated adjusted EBITDA (+12.2%)**, with margin of 17.6% (+80 bps)
- **Underlying operating income** grew 18.2%
- **Strong cash generation** of R$802.6 million, up +13.2% vs. Q4-18
- **Further deleveraging, from 2.71x to 2.41x**
- **Avon acquisition completed ahead of schedule – creating the world's fourth-largest pure-play beauty group**

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

Consolidated Financial Performance

Adjusted figures exclude the following non-operational effects

The Body Shop's transformation costs, which refer to the amounts allocated to the execution of its transformation plan, and non-recurring write-off of intangible assets, with impact on EBITDA

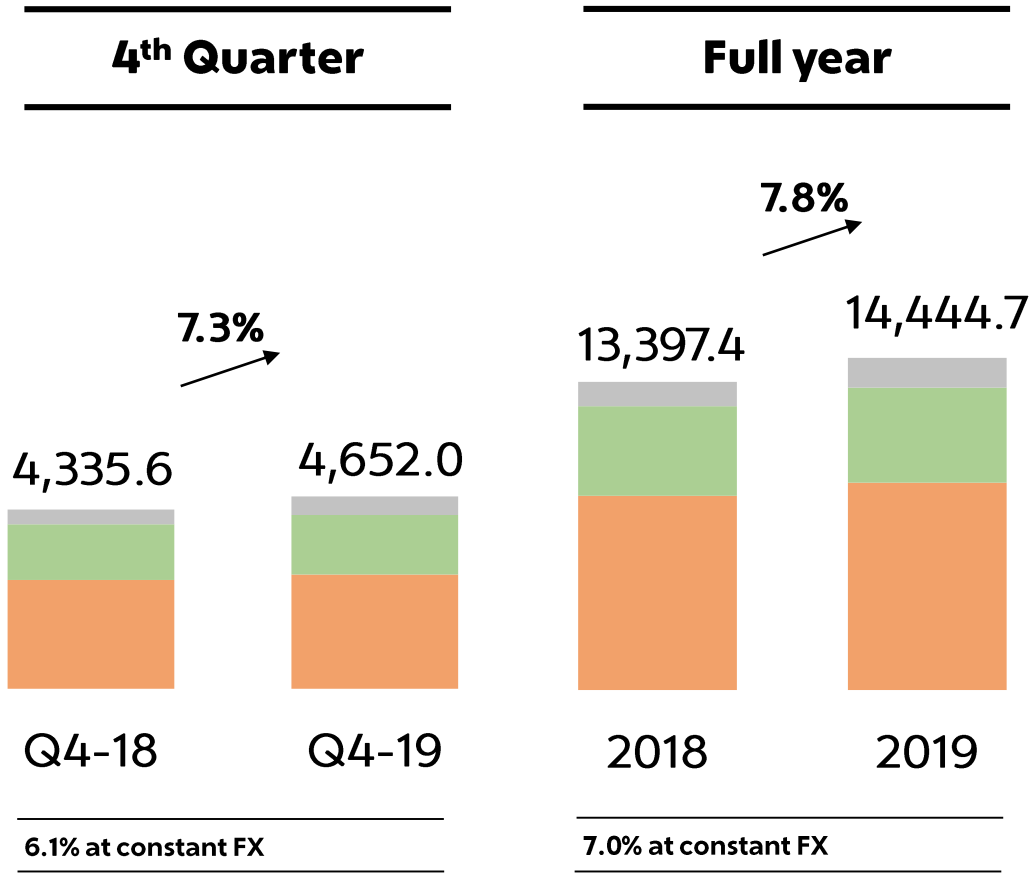
Avon acquisition costs: Non-recurring costs associated with Avon acquisition, mainly related to professional fees and planning costs

Tax credits, recoveries and provision reversal: Tax credits related to previous years, tax recoveries related to ICMS taxes applied to the base of PIS and COFINS, and ICMS provision reversal in previous quarters

IFRS 16: Its adoption resulted in the recognition of rights-of-use against lease liability, essentially related to leased stores of Natura, The Body Shop and Aesop

Strong net revenue growth across all businesses

(Net Revenue; R$ million)



Natura

Q4: **Brazil** +3.0% and **Latam** +10.6% (+28.9% at constant FX)
FY: **Brazil** +4.0% and **Latam** +13.5% (+23.9% at constant FX)

The Body Shop

Q4: +6.7% (-1.2% at constant FX; +0.4% ex-Hong Kong)
FY: +6.3% (+0.9 at constant FX; +2.4% ex-Hong Kong)

Aesop

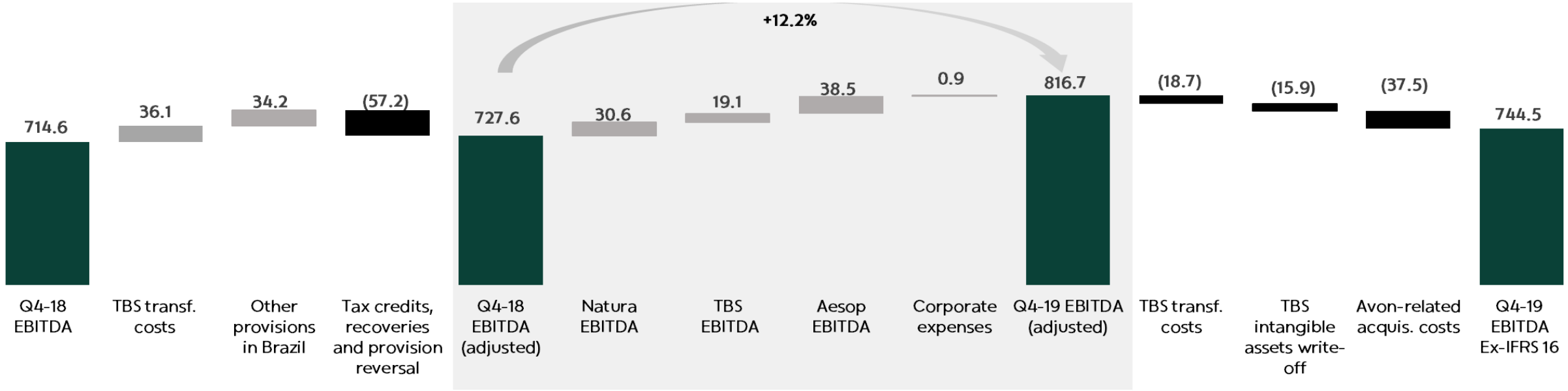
Q4: +25.7% (+13.4% at constant FX; +17.0% ex-Hong Kong)
FY: +22.5% (+12.3% at constant FX; +15.8% ex-Hong Kong)

Note: For comparison purposes, Q4 and 2019 results and analysis exclude the effects of IFRS 16

Double-digit growth in Q4 adjusted EBITDA

(Adjusted[1]; R$ million)

EBITDA Q4-19



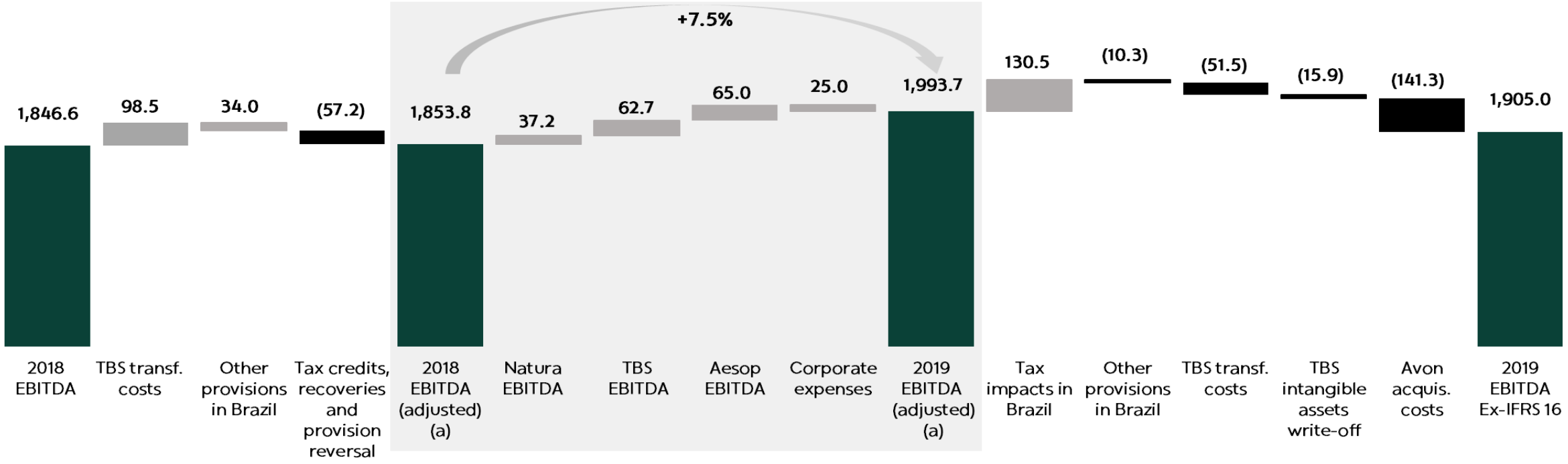
Q4-19 **Adjusted** EBITDA margin of 17.6% (+80 bps)

1 Adjusted: Excludes **IFRS 16, non-recurring effects at Natura Brazil,**The Body Shop's transformation costs and Avon-related acquisition expenses.

Solid adjusted EBITDA growth in FY19

(Adjusted[1]; R$ million)

EBITDA FY-19



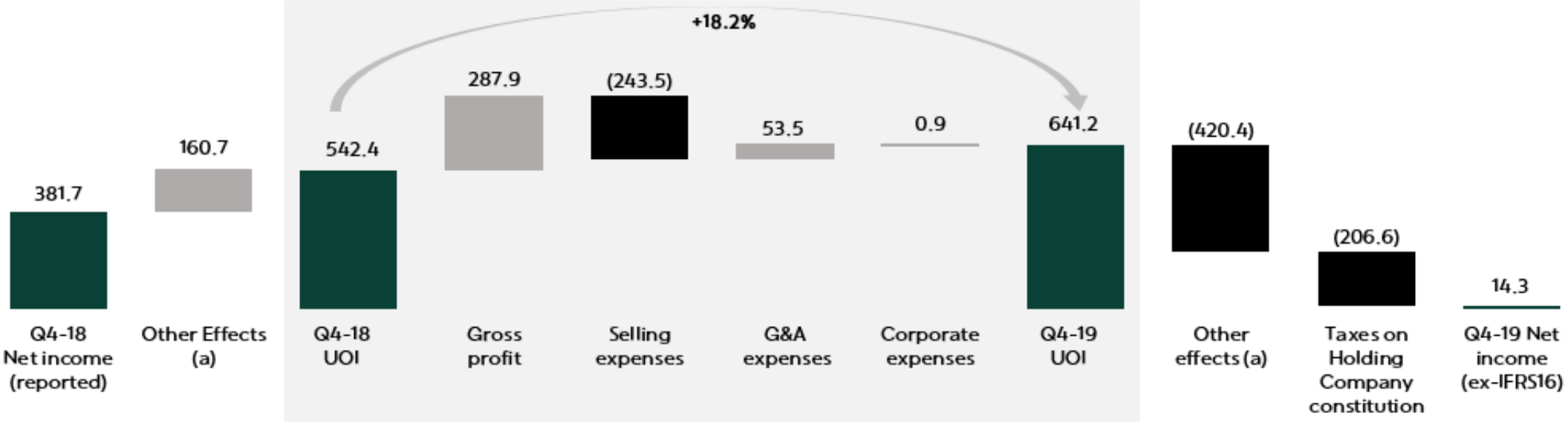
FY-19 **Adjusted** EBITDA margin of 13.8%, stable versus FY-18

1 Adjusted: Excludes **IFRS 16, non-recurring effects at Natura Brazil,**The Body Shop's transformation costs and Avon-related acquisition expenses.

Strong acceleration in Q4 Underlying Operating Income

(R$ million)

Q4 Underlying Operating Income - UOI[1]



Q4-19 **UOI** of R$641.2 million (+18.2%)

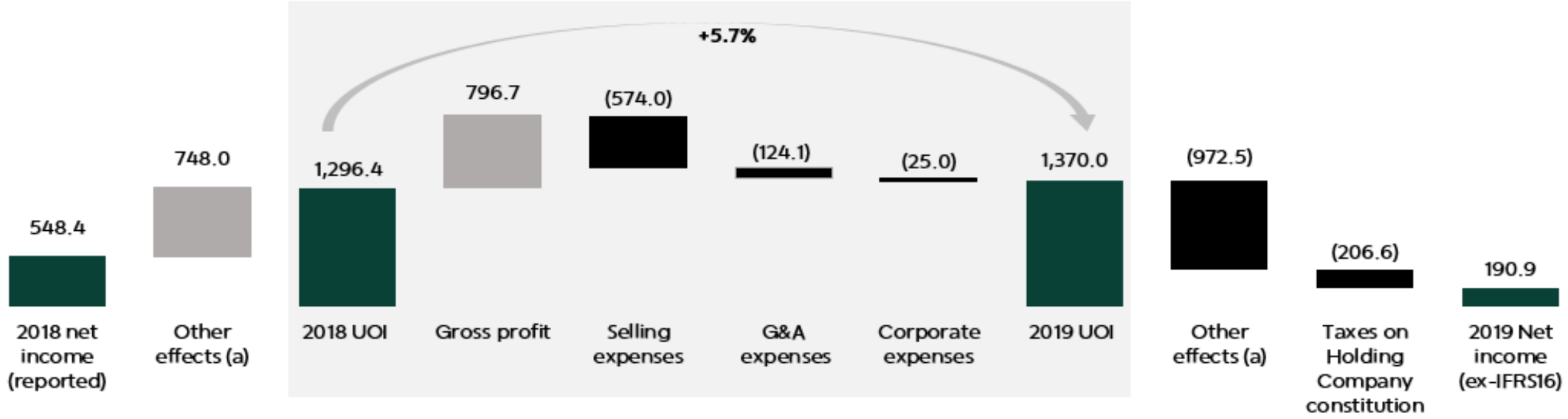
1 Excludes IFRS 16

(a) Other effects: acquisition-related expenses, transformation costs, financial expenses and income tax

Solid growth in full year Underlying Operating Income

(R$ million)

FY Underlying Operating Income - UOI[1]



FY-19 **UOI** of R$1,370.0 million (+5.7%)

1 Excludes IFRS 16

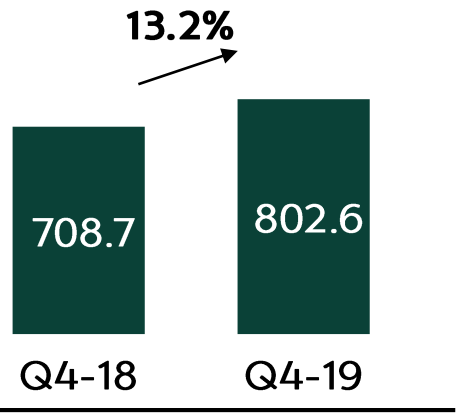
(a) Other effects: acquisition-related expenses, transformation costs, financial expenses and income tax

Strong cash generation and continued deleveraging

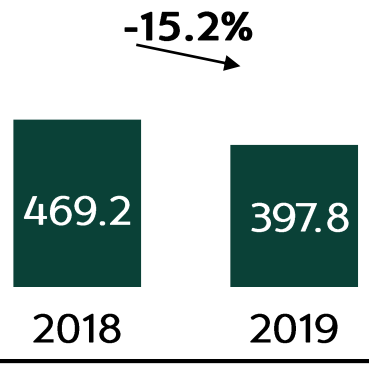
(R$ million)

Free cash flow

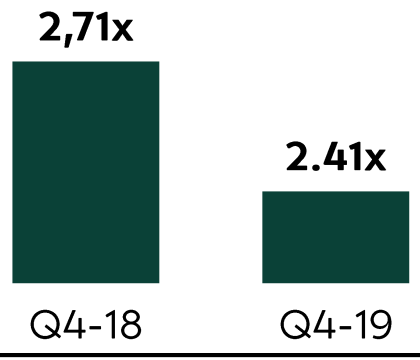
Q4-19



FY-19



Net debt-to-EBITDA[1] ratio

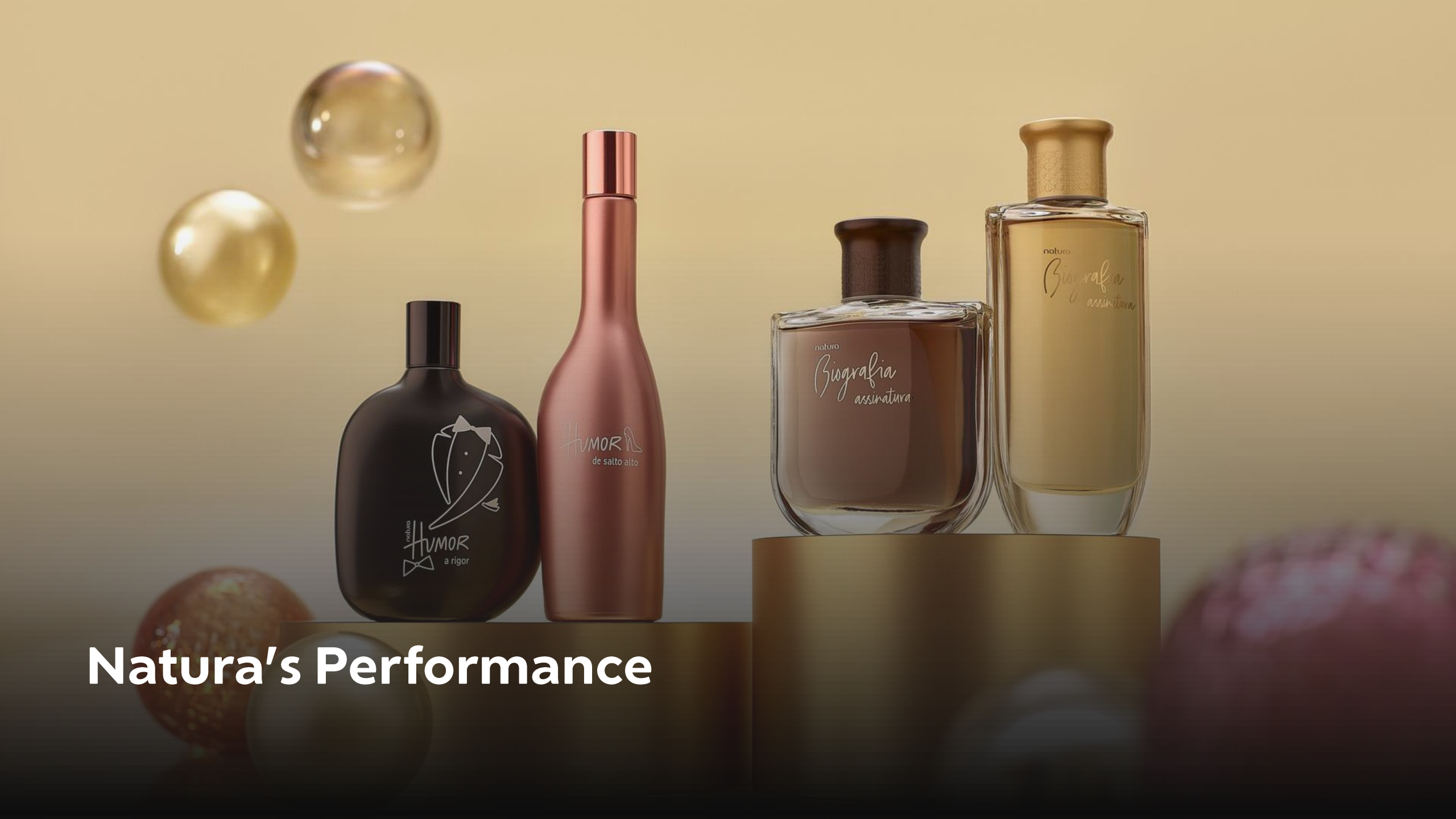


Q4: Strong cash flow generation, driven by improved working capital at Natura Brazil and Latam, from lower accounts receivable and inventory level

2019: Free cash flow impacted by Avon acquisition-related expenses

Continued improvement in net debt-to-EBITDA ratio

1 Excludes IFRS 16

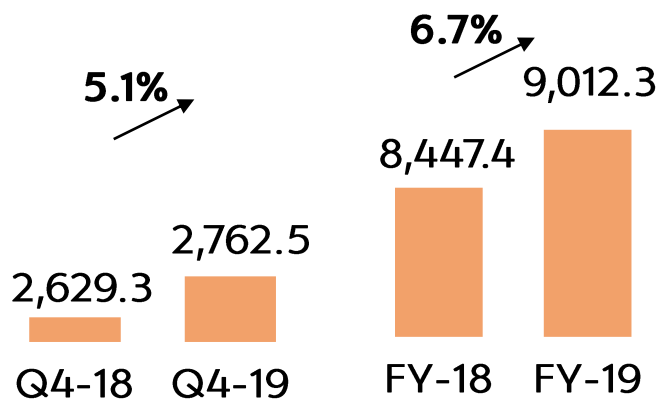


Natura's Performance

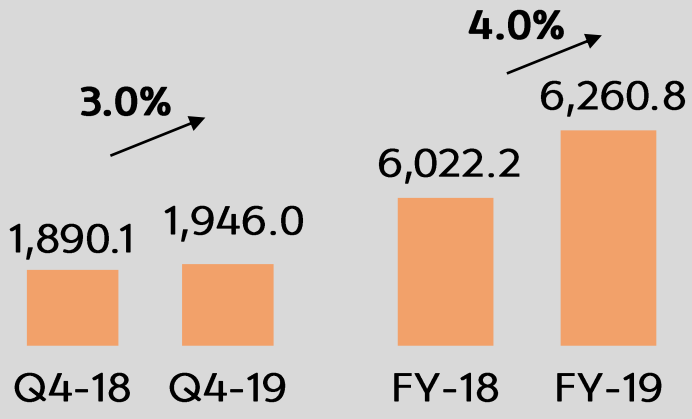
Revenue growth in Brazil despite a challenging comparable base; strong double-digit gowth in Latam

(R$ million)

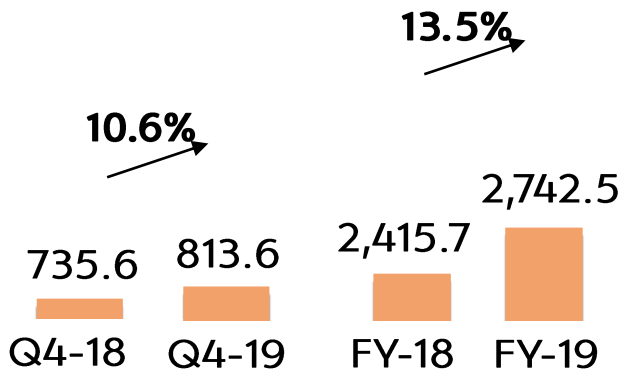
Natura[1]



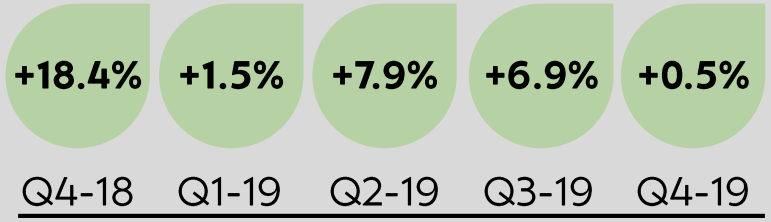
Natura Brazil



Natura Latam



Brazil



13th consecutive quarter of consultant productivity growth

+3% sales growth in Q4 over a very challenging comparable base (+11.2% in Q4-18); +4.0% in 2019

900,000 consultants using digital platforms; **700,000** virtual consultant stores **and double-digit growth in online sales**

Retail sales nearly doubled

Double-digit LFL growth in *Aqui tem Natura* franchised stores (+400 stores)

Successful relaunch of premium Una line

Latam

Strong +28.9% growth at constant currency in Q4 and **+23.9%** in FY19

+29.0% in units sold in Q4 and **+19.0%** in FY19

+9.2% in number of consultants in Q4 and **+6.9%** in FY19

Argentina grew above inflation, strong growth in Colombia and Mexico

Number 1 brand in 4 of 5 countries

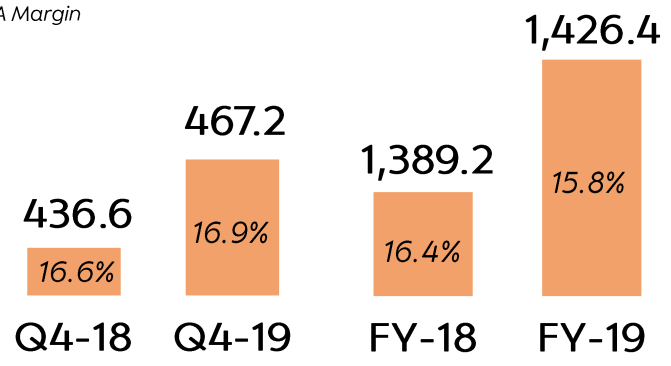
Nearly **100%** adoption of mobile platform

1 Includes the subsidiaries in the U.S. and France

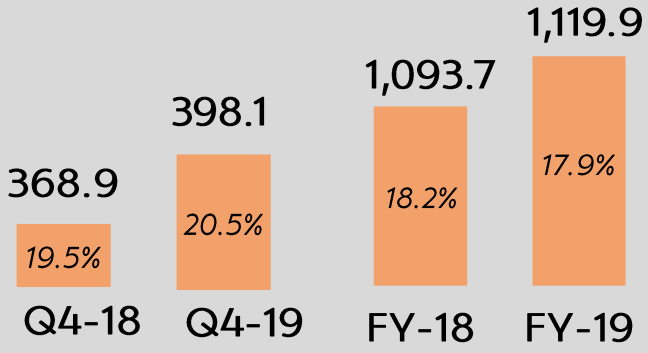
Q4 EBITDA growth and margin increase both at Natura Brazil and Latam

(Adjusted[1]; R$ million)

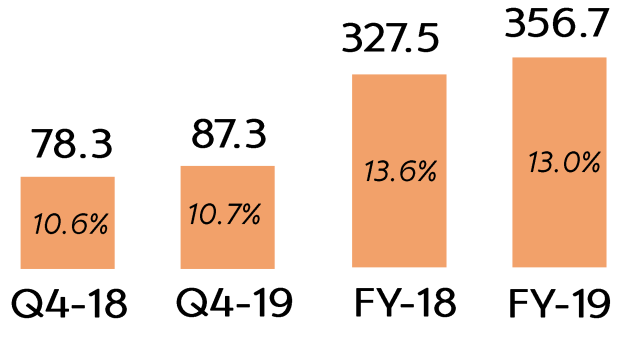
Natura[2]



Natura Brazil



Natura Latam



Brazil

Q4 **EBITDA margin** of 20.5% (+100 bps). In 2019, margin was 17.9% (-30 bps), due to planned increase in marketing investments in Q3-19

Q4 **Selling, marketing and logistics expenses** reached 39.2% of net revenue (+30 bps)

Q4 **G&A**[3] expenses stood at 14.2% of net revenue (+30 bps) and FY19 at 14.5% (+20 bps) to drive innovation, IT and projects investments, and higher expenses related to stock option plans

Improvement in Q4 **gross margin** at 68.9% (+130 bps) and FY19 at 68.8% (+30 bps), on favorable category mix

Latam

Q4 **EBITDA margin** of 10.7% (+10 bps), driven by:

- Strong top-line performance
- Continued efforts to improve operational efficiency, with SG&A[4] exp. of 52.8% of sales (-60 bps)

FY19 **EBITDA margin** of 13.0% (-60 bps) driven by gross margin pressure

Q4 **gross margin** of 62.0% (-100 bps) and FY19 at 64.2% (-170 bps), due to strong depreciation of the Argentine peso

1 Adjusted: Excludes tax credits, recoveries and provision reversal in Brazil and IFRS 16 in all businesses

2 Includes the subsidiaries in the U.S. and France; 3 G&A expenses refer to Administrative, R&D, IT and Project expenses; 4 SG&A expenses refer to selling, marketing and logistics expenses + G&A expenses

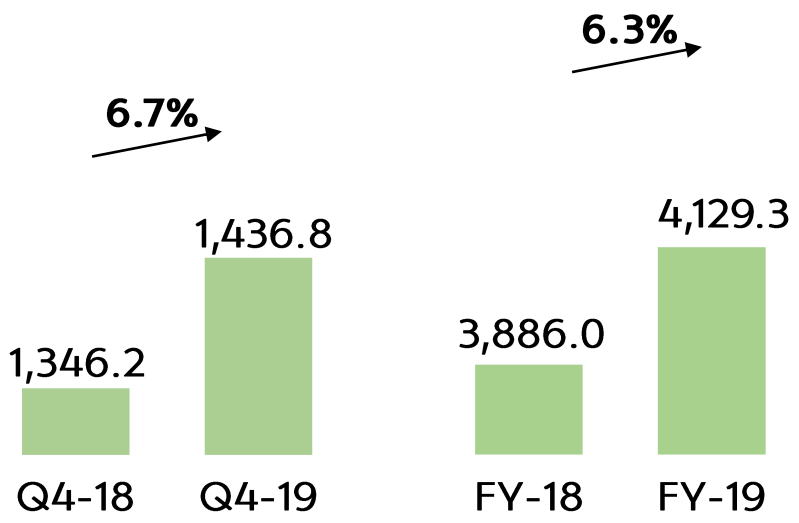
The Body Shop's Performance

Bond Street Store, London

Net revenue growth in BRL; constant currency sales reflect store footprint optimization and Hong Kong impact

(R$ million)

The Body Shop - net revenue



Q4 net revenue +6.7% in BRL and -1.2% **at constant FX,** due to:

- Net closing of 24 own stores in the year as part of footprint optimization
- Ongoing sales deceleration in Hong Kong

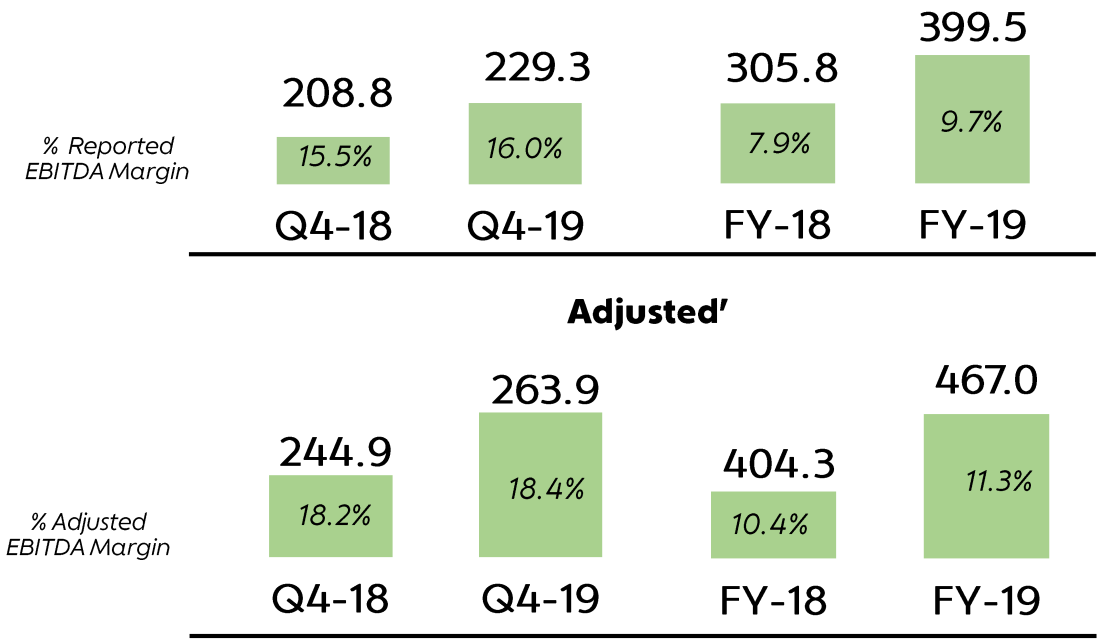
Ex-Hong Kong, Q4 constant FX net revenue up +0.4%, driven by Australia (+14.0%) and the UK (+5.4%), supported by retail growth and double-digit growth in At-Home sales.

FY19 net revenue +6.3% in BRL; +0.7% at constant FX. Ex-Hong Kong, constant FX net revenue +2.4%, with UK growth of 8.8%.

Strong EBITDA growth and EBITDA margin expansion

(Adjusted[1]; R$ million)

The Body Shop - EBITDA



Q4 reported EBITDA margin was 16.0% (+50 bps) and FY19 was 9.7% (+180 bps), achieving margin guidance for the year (10% - 11%)

Q4 adjusted EBITDA margin of 18.4% (+20 bps), mainly attributable to Hong Kong

FY19 adjusted EBITDA margin of 11.3% (+90 bps), despite Hong Kong, reflecting the advances of the Transformation Plan

Nominal EBITDA reached £77.3 million, 6.0% lower than nominal EBITDA guidance for the year (£82 - £86 million), partially due to Hong Kong effects

Transformation costs fully incurred, as planned:
Q4: R$18.7 million (£3.8 million)
FY19: R$51.5 million (£10.7million)
Total of £30.6 million in 2018-19, in line with estimate

1 Adjusted: Excludes transformation costs, write-off of intangible assets and IFRS 16 impacts

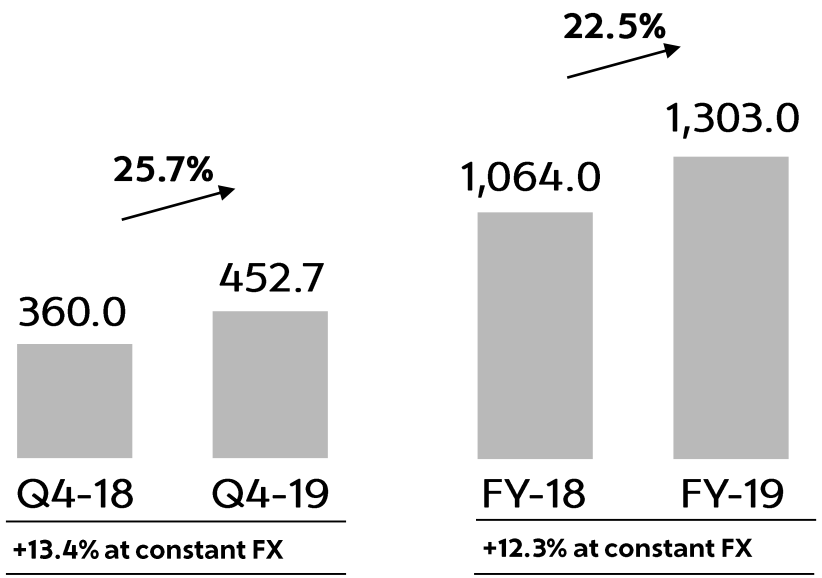
Aesop's Performance

World Mall, South Korea

High double-digit increase in revenue and EBITDA growth

(Adjusted[1] R$ million)

Aesop – net revenue



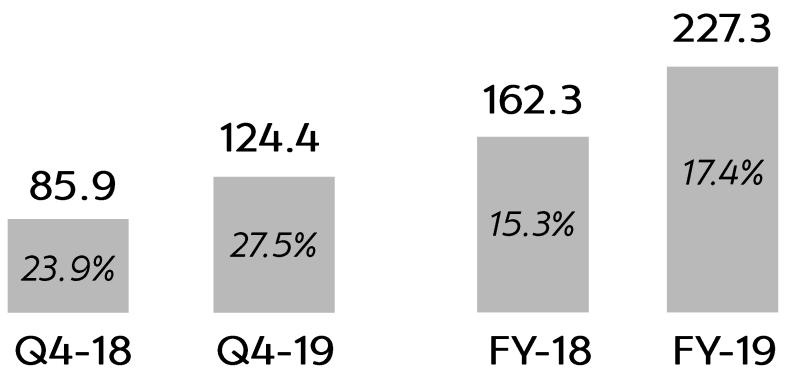
Q4 sales up 13.4% at constant FX, driven by the Americas and Asia; FY19 sales +12.3% at constant FX

Signature store LFL sales: +7.0% in Q4 and +8.0% in FY19

Strong growth in all channels in Q4, notably online

247 signature stores with 20 net openings in 2019

Aesop – EBITDA



Strong acceleration in EBITDA growth:

- Q4 EBITDA margin of **27.5%** (+360 bps)
- FY EBITDA margin of **17.4%** (+210 bps)

1 Adjusted: Excludes IFRS 16 impacts

AVON's Performance

FY 2019: A year of execution with deliberate actions and visible progress

CREATING VALUE	REBOOTING DIRECT SELLING	INCREASING ACCESS	SIMPLIFYING
Restoring Brand Relevance	**Improving Average Rep Sales and stabilizing Active Reps**	**Accelerating Digitalizing the business**	**Drive down cost and improve margin and Cash**
Price / Mix +8%	Average Rep Sales +4%	Digital tools acceleration	Free Cash Flow +$164mm vs -$1mm in PY
C$ Adj. Revenue[1] -6%, more productive Representatives and sharper portfolio choices improved the quality of sales, learnings about price elasticity will benefit future revenue generation	Stabilizing Active Reps	Kick-started Influencers, bloggers, social selling	Adj. Operating Margin +100bps vs PY
More Innovation at higher price	Restoring field fundamentals		Asset Monetization fully funded restructuring costs
	Lower bad debt		Savings program on track

[1]C$ Adj. Revenue from Reportable Segments

AVON

2019 Pro-forma

FY-19: Consolidated Pro-forma P&L of Natura &Co and Avon

- Consolidated Pro-forma P&L of Natura &Co and Avon for 2019, building the baseline to capture future value

- Aligning Avon's P&L in US GAAP with Natura &Co's P&L in IFRS to create a pro-forma P&L in IFRS:
  - Adjustments to reflect:
    - Differences between accounting practices (ex. Inventory and hyperinflation) and accounting standards (ex. IFRS16)
    - Reclassification within P&L lines (ex. reclassification of Avon's Unallocated global expenses to Corporate expenses and SG&A)

- 2019 numbers include IFRS 16

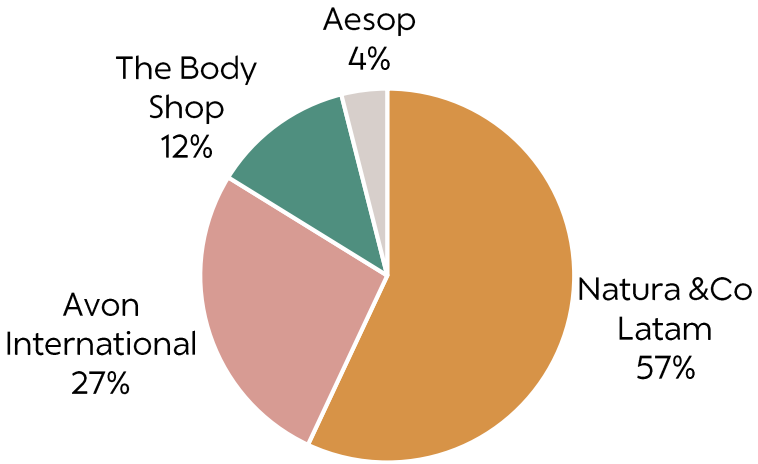
- Reporting segments:
  - Natura &Co Latam includes Natura, Avon, The Body Shop and Aesop for the region
  - Avon International (ex-Latam)
  - The Body Shop (ex-Latam)
  - Aesop (ex-Latam)

2019 Pro-forma Consolidated Natura &Co net revenue

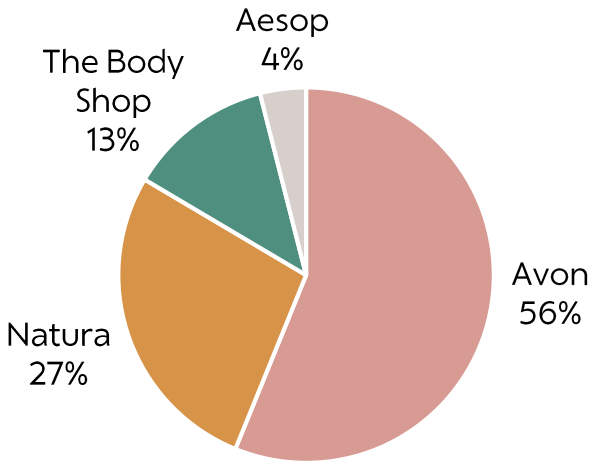
Consolidated pro-forma net revenue: R$ 32,942.2 million

(R$ million)

By new reporting segments - %



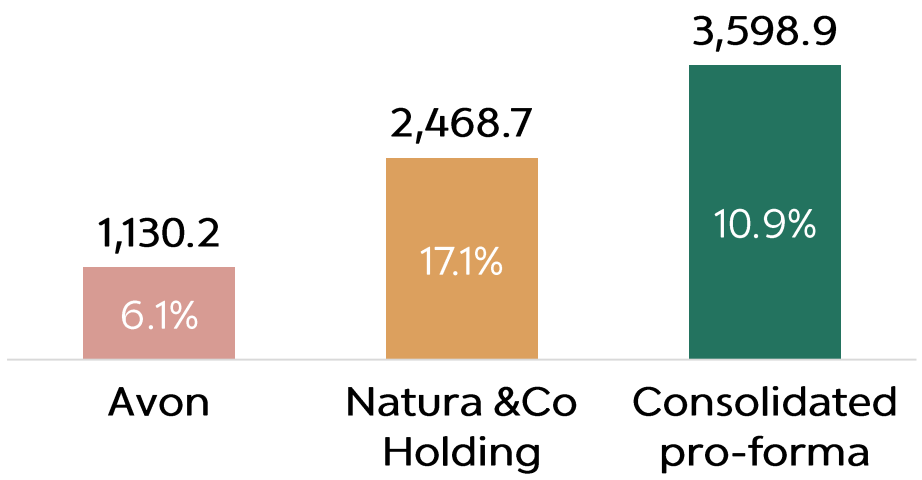
By brand - %



2019 Pro-forma Consolidated Natura &Co EBITDA

EBITDA[1]

R$ million; % EBITDA margin



Gross margin reached 64.1%

G&A expenses stood at 13.9% of net revenue

Corporate expenses ~1% of net revenue

Acquisition costs totaled R$316.1 million

EBITDA margin of 10.9%

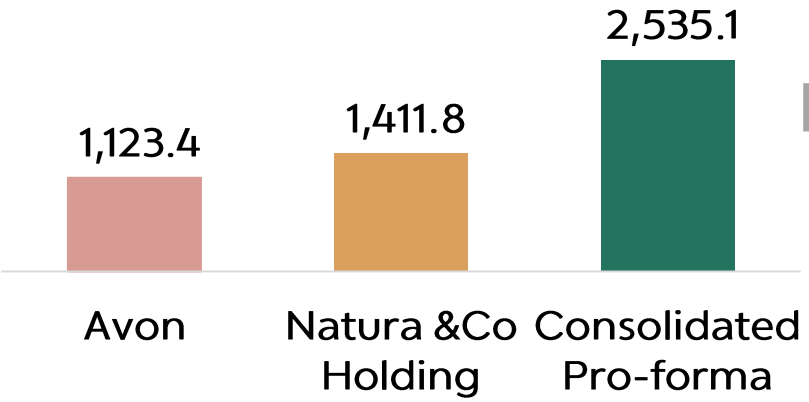
Excluding acquisition costs, EBITDA margin would have reached 11.9%

1 Includes IFRS 16 impacts

2019 Pro-forma Consolidated Natura &Co Net income

R$ million

Underlying operating income[1]



Non-recurring impacts on consolidated net income

Acquisition-related expenses

316.1

Transformation costs[2]

601.2

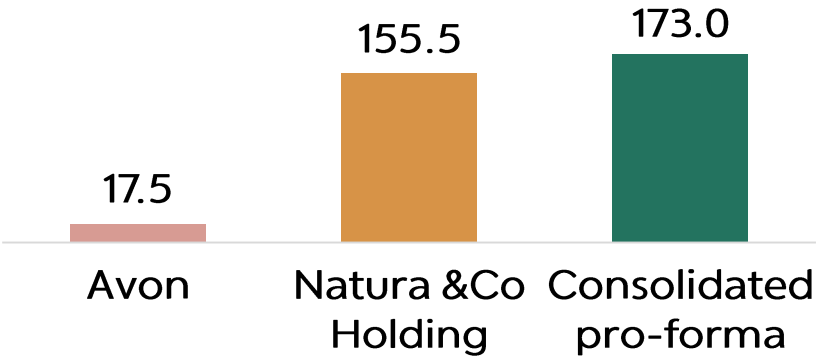
Taxes on Holding Co. constitution

206.6

Other recurring, non-operating effects[3]

1,444.9

Net income[1]



[1]Includes IFRS 16 impacts

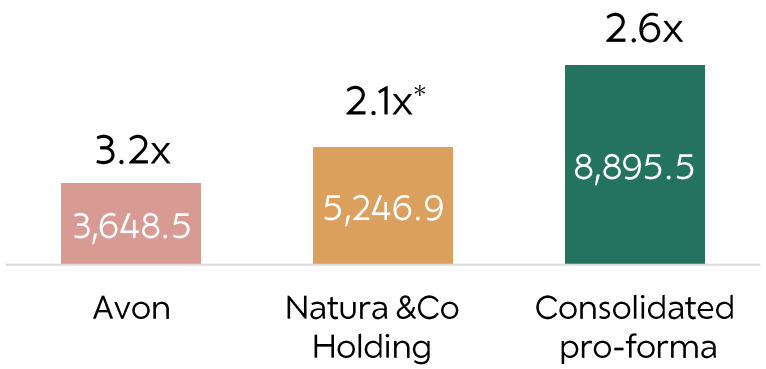
[2]Includes R$549.7 million of restructuring costs related to Open Up Avon and R$ 51.5 million of TBS transformation costs

[3]Includes other operating income/expenses, financial income/expenses and income tax expenses and social contribution

2019 Consolidated Pro-forma indebtedness

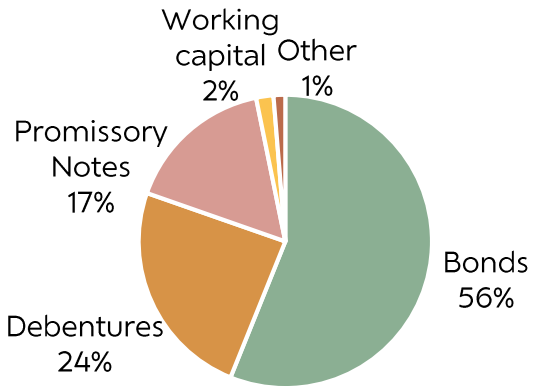
Net debt and leverage ratio

R$ mlillion, net debt/EBITDA[1] ratio

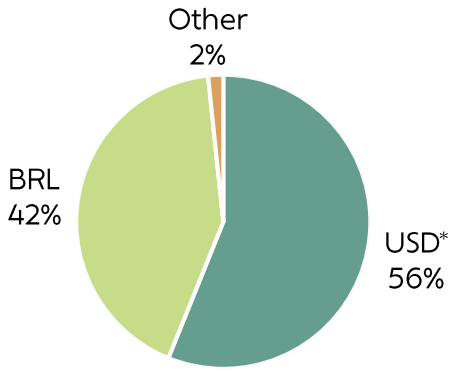


Debt profile

By type - %



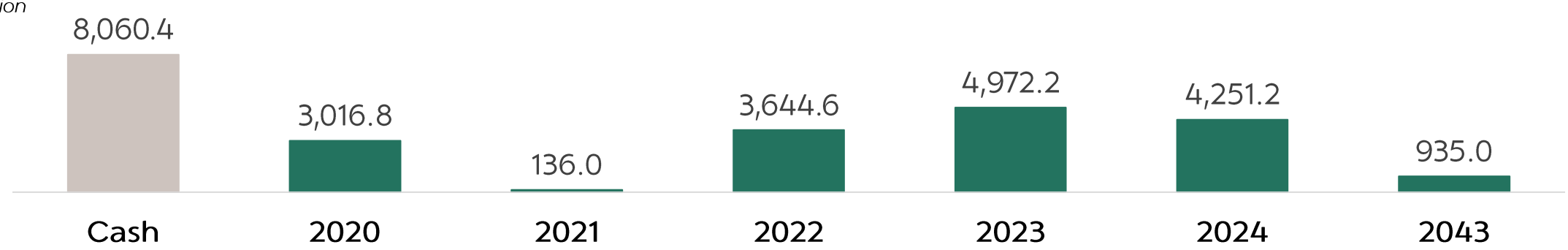
By currency - %



*31.4% refer to Natura bonds which are hedged to BRL

Debt amortization schedule

R$ million



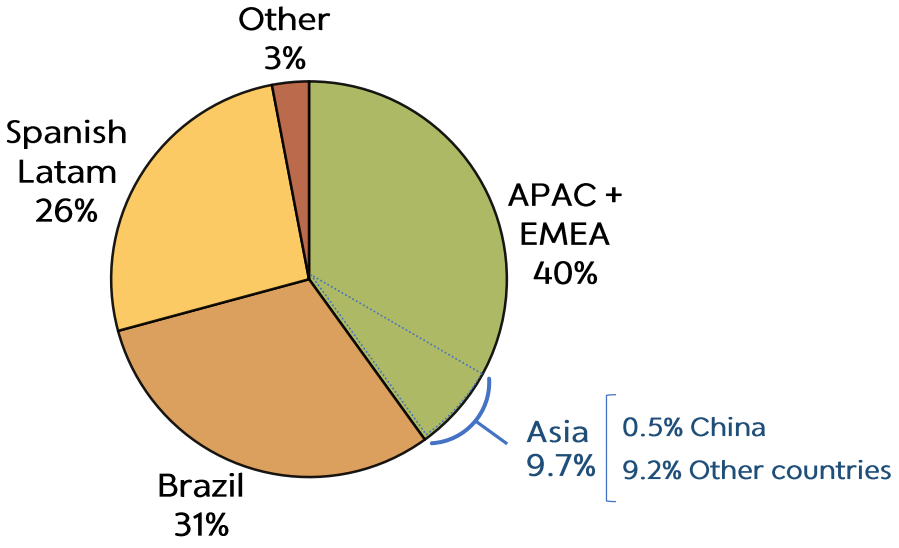
Average maturity: 4 years

1 Includes IFRS 16 impacts

Closing remarks

COVID-19 – Effects mitigated by the group's geographical footprint

Pro-forma net revenue by geography - %



- Asia is an important market for Natura &Co, and despite the current economic headwinds posed by COVID-19, the region will continue to present strategic opportunities for the Group
- Current exposure to Asia stands at under 10% of consolidated net revenue, distributed across 23 countries, led by the Philippines with under 4% of group sales, while China accounts for 0.5%

	Potential impact	Commercial exposure to Asia
The Body Shop	Potentially material	Under 20% of net revenue
Aesop	Significant	The largest exposure, at 40% of its net revenue
Avon	Limited	Under 10% of net revenue
Natura	Not material	N/A

	Potential impact	Supply Chain impacts
The Body Shop	Potentially material	Certain Xmas packaging gift sets and materials sourcing from China
Aesop	Not material	Suppliers and manufactures based in Australia
Avon	Potentially material	Home & Fashion products sourced from China
Natura	Not material	N/A

Key takeaways

Solid revenue growth across all our brands demonstrates momentum driving our **global, multi-brand, multi-channel, purpose-driven group**

Adjusted EBITDA growth with margin expansion

Strong growth in underlying operating income

Solid cash generation and continued deleveraging

Successful completion of Avon acquisition ahead of schedule to create a leading direct-to-consumer group and the 4th largest global pure-play beauty company

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

Appendices

Upcoming events

AGM & Investor Day	Q1-20 Earnings	Investor Day II
APRIL 24	**MAY 7**	**OCTOBER/NOVEMBER**
• Investor Day in **Brazil** Update on: – Synergies – Integration – Guidance • Group + 4 Business CEOs and CTO[1]	• Q1 combined results	• Investor Day in **NY** • Group Strategic Plan • Group + 4 Business CEOs and SGO[2]

Notes: (1) Chief Transformation Officer; (2) Sustainable Growth Officer

2019 Consolidated Pro-forma Natura &Co P&L

R$ million[1]	Consolidated Pro-forma[2]	Avon[2]	Natura &Co Holding[2]
Gross Revenue	*43,452.5*	*23,744.4*	*19,708.1*
Net Revenue	32,942.2	*18,497.5*	14,444.7
COGS	(11,841.3)	*(7,807.9)*	(4,033.5)
Gross Profit	*21,100.9*	*10,689.7*	*10,411.2*
Selling, Marketing and Logistics Expenses	(13,704.6)	*(7,099.5)*	(6,605.1)
Administrative, R&D, IT and Projects Expenses	(4,592.5)	*(2,325.2)*	(2,267.3)
Corporate Expenses	(268.7)	*(141.6)*	(127.1)
Other Operating Income/ (Expenses), Net	458.7	*326.3*	132.4
Acquisition Related Expenses	(316.1)	*(174.7)*	(141.3)
Transformation Costs	(601.2)	*(549.7)*	(51.5)
Depreciation[1]	1,522.3	*404.9*	1,117.4
EBITDA	*3,598.9*	*1,130.2*	*2,468.7*
Depreciation	(1,522.3)	(404.9)	(1,117.4)
Financial Income/(Expenses), Net	(1,097.3)	(257.2)	(840.1)
Earnings Before Taxes	979.2	468.0	511.2
Taxes on Holding Company constitution	(206.6)	0.0	(206.6)
Income Tax and Social Contribution	(599.6)	(450.5)	(149.1)
Consolidated Net Income	173.0	17.5	155.5
Gross Margin	*64.1%*	*57.8%*	*72.1%*
Selling, Marketing and Logistics Exp./ Net Revenue	*41.6%*	*38.4%*	*45.7%*
Admin., R&D, IT, and Projects Exp./ Net Revenue	*13.9%*	*12.6%*	*15.7%*
Corporate Expenses	*0.8%*	*0.8%*	*0.9%*
EBITDA Margin	*10.9%*	*6.1%*	*17.1%*
Net Margin	*0.5%*	*0.1%*	*1.1%*

[1]*Excludes the Purchase Price Allocation impacts*

[2]*Includes IFRS 16 effects*

- To align reporting standards between Avon and Natura &Co, certain expenses were reclassified between line items in the P&L, and all items that had previously been categorized as non-GAAP, non-recurring adjustments to revenue and profit are consolidated into Other Operating Income (expense) within SG&A;
- Adjustments were made to reflect differences between IFRS and US GAAP accounting standards application, including in areas such as leases, hyperinflation, pensions and income tax. These adjustments have no net impact on operating profit in 2019.

Appendix to slide 21: Avon performance in 2019

Reconciliation of Non-GAAP Financial Measures

	Years ended December 31		Basis Point Change
	2019	2018	2019 vs. 2018
Total revenue from Reportable Segments	$4,745.0	$5,520.8	(14)%
Certain Brazil indirect taxes	(67.7)	(168.4)	
Adjusted revenue from Reportable Segments	4,677.3	5,352.4	(13)%
Operating margin	2.6 %	4.2 %	(1.6)
Certain Brazil indirect taxes	(1.2)	(2.8)	1.6
CTI restructuring	2.9	3.2	(.3)
Other expenses [1]	1.3	—	1.3
Loss contingency	—	—	—
Adjusted operating margin	5.6 %	4.6 %	1.0
Net cash provided (used) by operating activities of continuing operations	94.3	92.7	2 %
Net cash provided (used) by investing activities of continuing operations	50.2	(93.4)	
Proceeds from monetization of COFINS tax credits	19.4	—	
Free cash flow provided (used) by continuing operations	163.9	(0.7)	*

F$ (Reported Currency) Adjusted Revenue from Reportable Segments is (13)%, Constant Dollar (C$) Adjusted Revenue from Reportable Segments s (6)%, difference due to FX

Amounts in the table above may not necessarily sum due to rounding.

* Calculation not meaningful

(1) Primarily professional fees incurred in relation to the Natura transaction, the loss on extinguishment of debt and credit facilities, and other impairment losses on assets.

Thank you!

AVON natura THE BODY SHOP Aēsop

natura &co