

# First-quarter 2018 results

May 11, 2018



Aēsop.

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**natura & co**

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# Q1-18 highlights: Another quarter of solid growth in sales and profitability across the group

Natura & co

Solid top and bottom line improvement across the group

Natura reported strong results on the back of regained leadership in CFT in Brazil and market share gains in Latam

The Body Shop transformation is underway, with very encouraging results in Q1-18

Aesop's growth accelerated, with strong

like-for-like sales and EBITDA margin improvement

Net-debt-to-EBITDA ratio of 3.3 times due to seasonal effects, ahead of our estimates

Successful US\$750 million bond issue, maturing in 2023

Further advances in sustainability

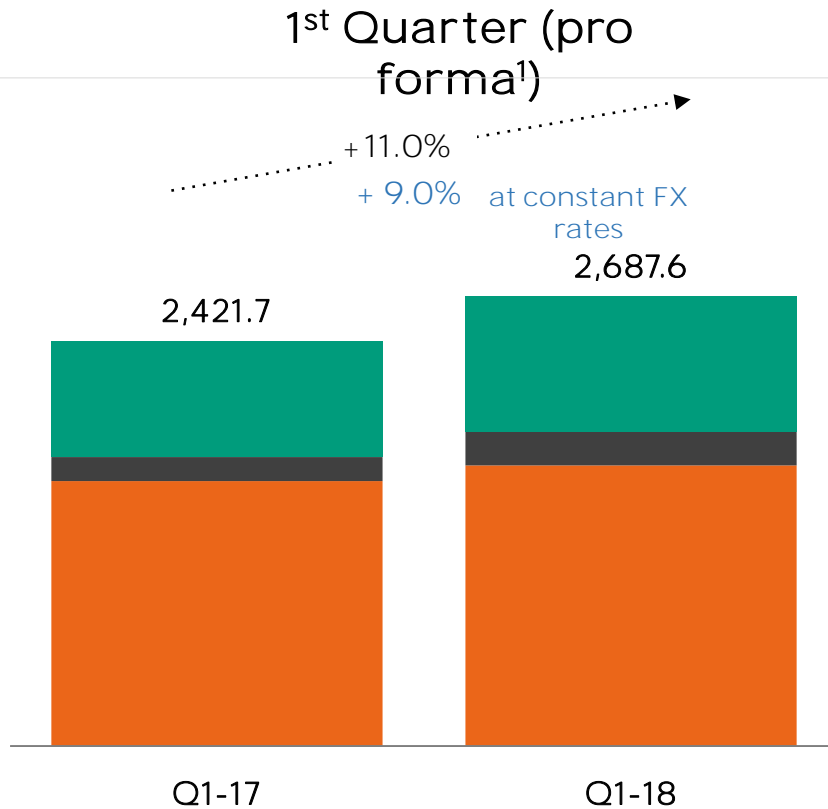
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# Consolidated Financial Performance

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# Double-digit growth in consolidated net revenue

(R\$ million)



On a reported basis, revenue grew by 55.5% in the quarter in BRL (3 months of TBS in 2018 only)

Natura grew by a solid 6.7%<sup>2</sup> in the quarter

The Body Shop advanced 8.5%<sup>2</sup> in the period

Aesop reported 30.8%<sup>2</sup> growth

● Natura ● Aesop ● The Body Shop .....▶ Pro forma<sup>1</sup>

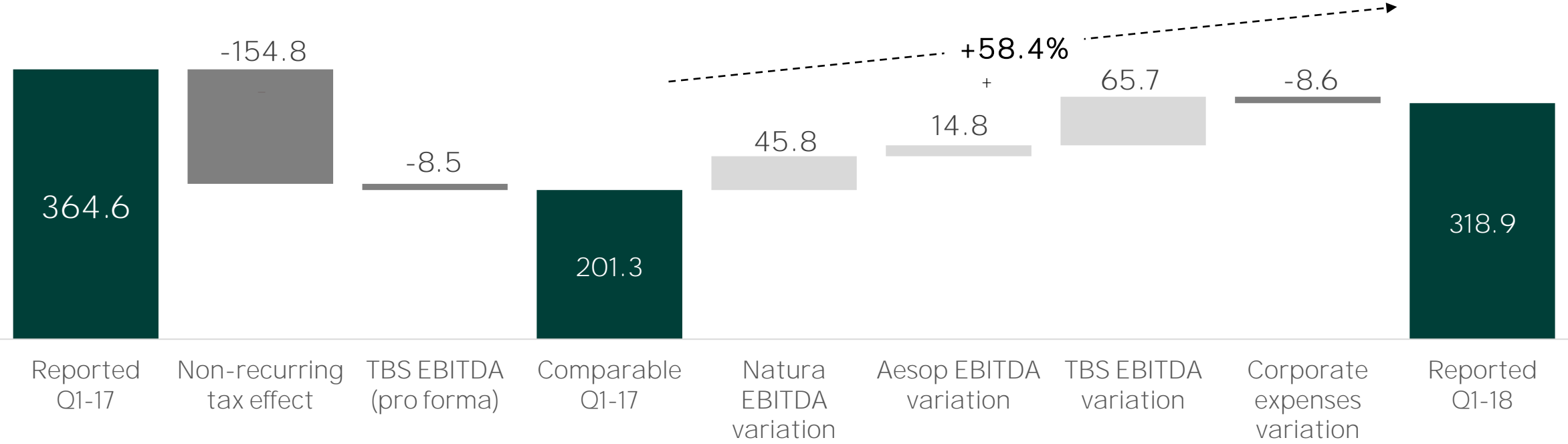
<sup>1</sup> Pro forma includes The Body Shop's figures, as if they were part of the consolidated accounts in the comparable period

<sup>2</sup> At constant exchange rates

# Strong double-digit rise in comparable pro forma EBITDA, supported by all businesses



## Consolidated EBITDA Q1-18 (R\$ million)



<sup>1</sup> Pro forma includes The Body Shop's figures, as if they were part of the consolidated accounts in the comparable period

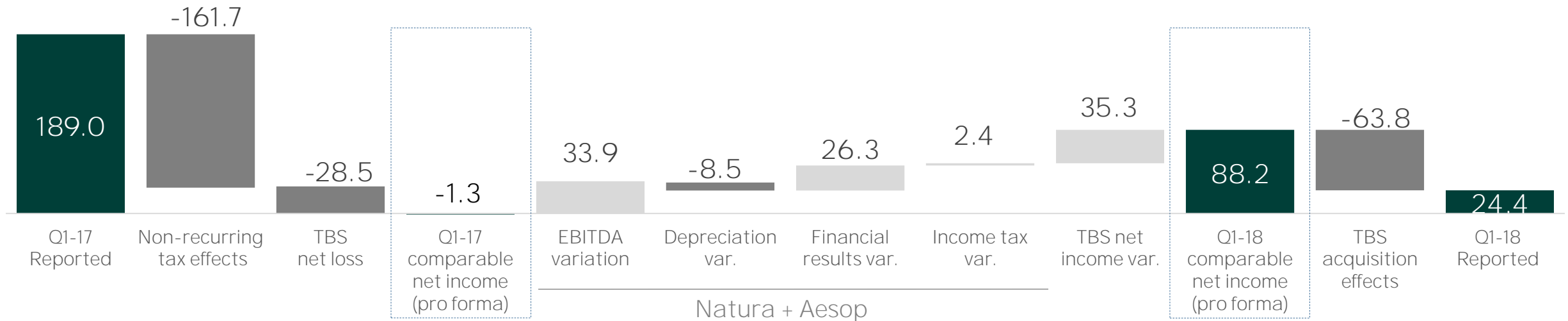
<sup>2</sup> Adjusted to exclude effects not considered usual or which are not comparable between the periods under analysis

# Acquisition financing costs of R\$ 95,5 million in Q1

	<b>Q1-17</b>	<b>Q1-18</b>	<b>Change</b>
<b><u>Financial results</u></b>	<b><u>-12.6</u></b>	<b><u>-156.2</u></b>	<b><u>-143.6</u></b>
Exceptional effects:			
PIS / COFINS reversal	106.0	0.0	-106.0
Aquisition financing costs	0.0	-95.5	-95.5
<b><u>Running financial results</u></b>	<b><u>-118.6</u></b>	<b><u>-60.7</u></b>	<b><u>57.9</u></b>

# Substantial increase in comparable, pro forma net income

## Consolidated net income Q1-18 (R\$ million)

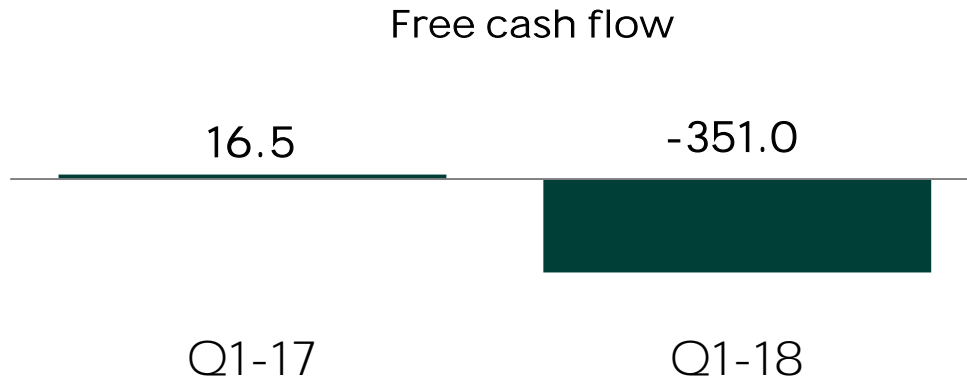


- Comparable net income pro forma of R\$88.2 million in Q1-18 vs. a loss of R\$1.3 million in Q1-17
- Q1-17 comparable net income excludes non-recurring tax effects (PIS/COFINS provision reversal)
- Q1-18 comparable net income excludes all TBS acquisition-related expenses (financing, PPA, etc.)



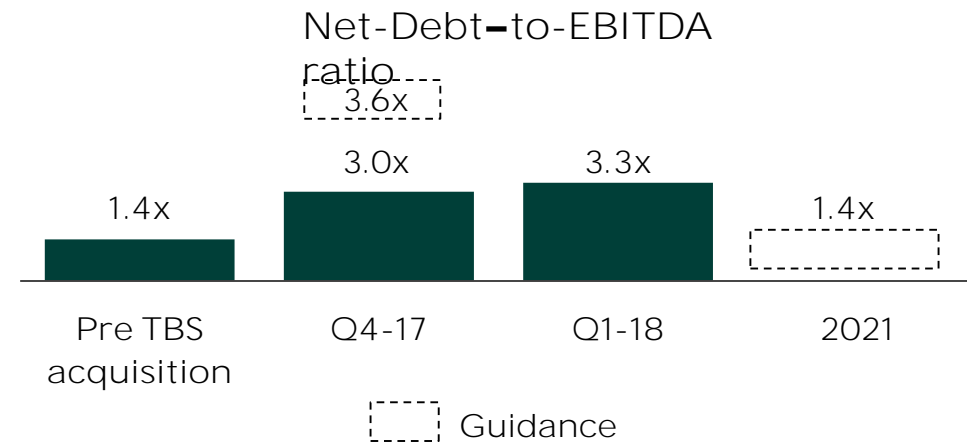
# Expected cash outflow from seasonal and The Body Shop-related effects in Q1; indebtedness ratio on track for the year **Natura & Co**

(R\$ million)



Free cash outflow of R\$351.0 in Q1-18, due to:

- Free cash outflow at The Body Shop, in line with its seasonality: R\$124.5 million
- Acquisition-related financing costs: R\$64.0 million
- Natura working capital: R\$175.0 million, mainly a temporary rise in inventory to support the **company's operational plan**



Deleveraging ahead of plan: Net-debt-to-EBITDA ratio of 3.3x

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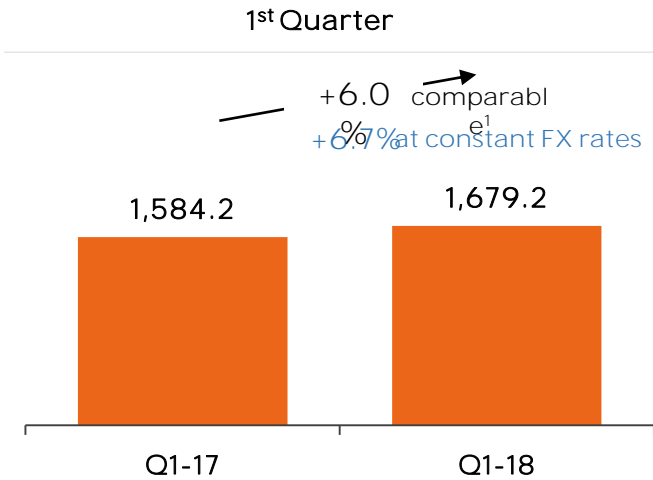
# **Natura's** Performance

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# Natura: Solid growth in the quarter; continued productivity gains

(R\$ million)

## Natura

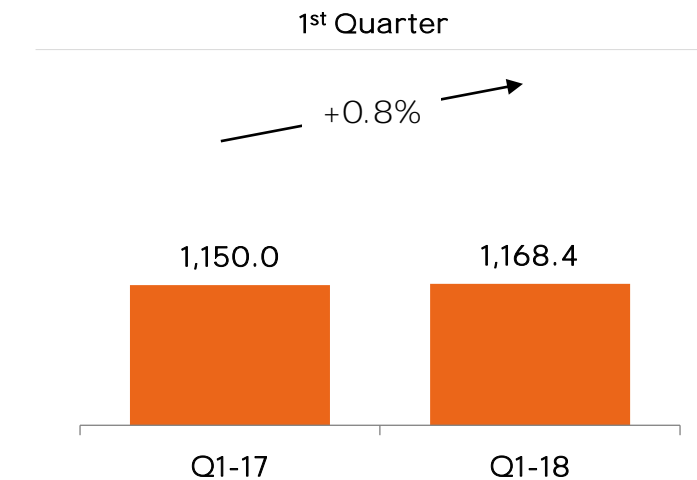


Brazil: Productivity gains +21.8% (Q1-17: +9.2%)

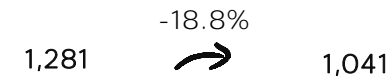
Sales growth of 3.0%, after commercial calendar adjustments (Mothers' Day)

Latam: Strong 23.1% growth (constant FX rates) in the quarter, on higher productivity and Direct Sales channel expansion. Highlights: Argentina, Mexico and Chile

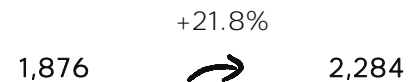
## Natura Brazil



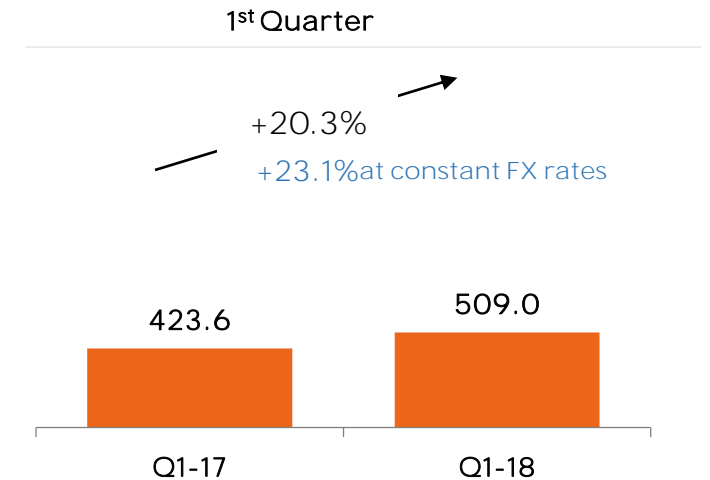
Average number of consultants (thousand)



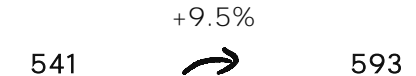
Productivity (R\$ by average available Consultant)



## Natura Latam



Average number of consultants (thousand)



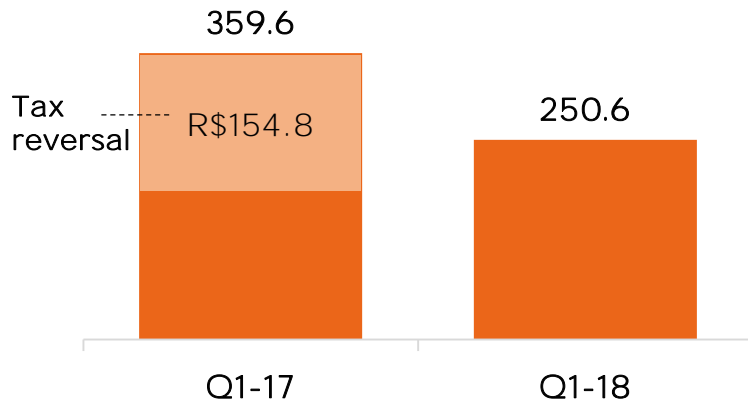
# Natura: Significant growth in comparable<sup>1</sup> EBITDA

(R\$ million)

## Natura

1st Quarter

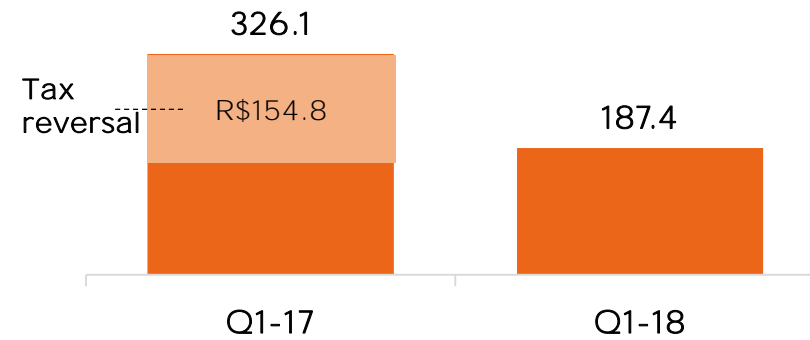
+30.3% comparable<sup>1</sup>



## Natura Brazil

1st Quarter

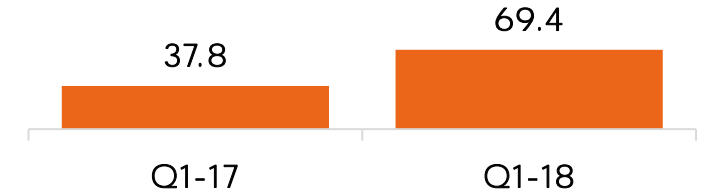
+9.4% comparable<sup>1</sup>



## Natura Latam

1st Quarter

+83.3%  
+88.7% at constant FX rates



Q1-18 margin of 14.9% vs. 12.9% (+200bps) comparable EBITDA margin in Q1-17.

<sup>1</sup> Comparable: ex-PIS/COFINS reversal in Q1-17

Q1-18 margin of 16.0% vs. 14.8% in Q1-17 (+120bps), on a comparable basis

Selling, Marketing and Logistics expenses down 5.2%

Administrative expenses up 1.8%, impacted mainly by depreciation and amortization

Excellent performance across all countries: 88.7% EBITDA growth at constant FX rates, and 470bps margin improvement from higher revenues and expenses management

# Significant advances in sustainability



## **Natura's carbon**

emissions ahead of target, helped by a more favorable category mix and a more efficient order cycle



The Body Shop has gathered 5.8 million signatures for its global campaign Forever Against Animal Testing, nearing its 8 million-signature target

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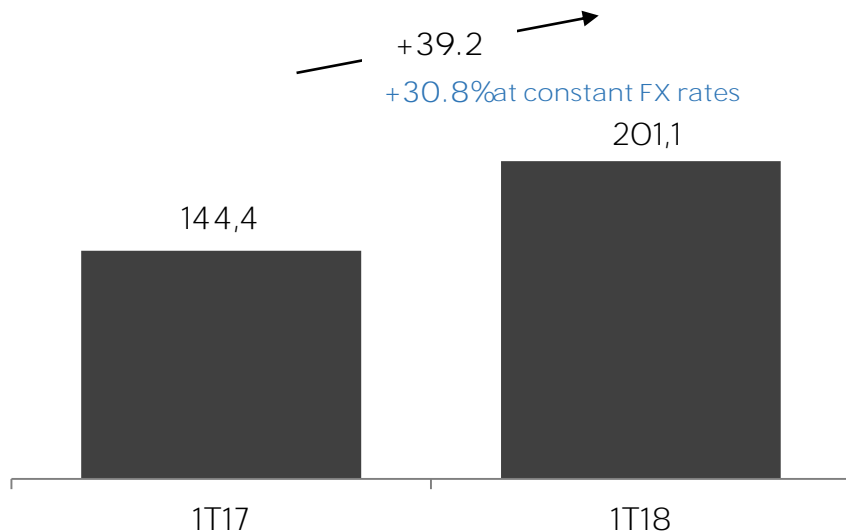
# **Aesop's** Performance

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# Aesop: Growth acceleration on strong LFL and store expansion

(R\$ million)

## 1<sup>st</sup> Quarter



Sales up by 30.8%<sup>1</sup> in the quarter

Outstanding like-for-like growth of 18.0%

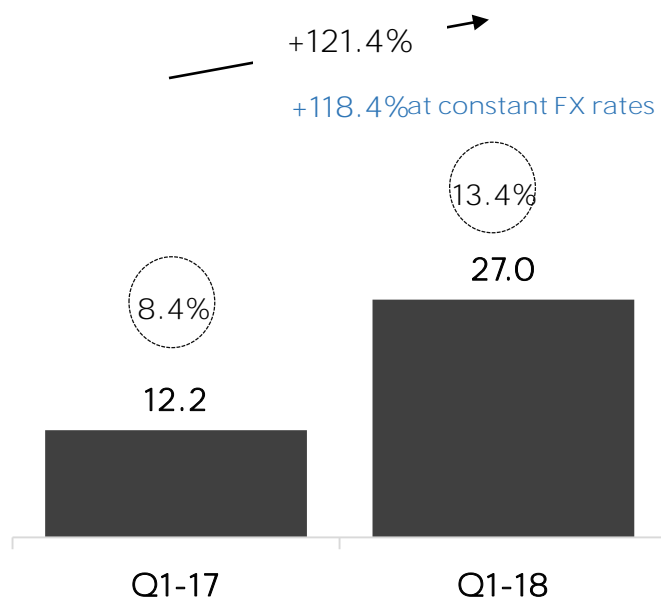
Total of 305 owned retail doors:

- 208 signature stores (+28 since March 17)
- 97 department stores counters (+12 since March 17)

# Aesop: Significantly higher EBITDA and EBITDA margin

(R\$ million)

## 1<sup>st</sup> Quarter



EBITDA is up by 118.4%<sup>1</sup>

EBITDA margin up 500bps, including the acquisition-related retention plan for key executives

○ EBITDA margin



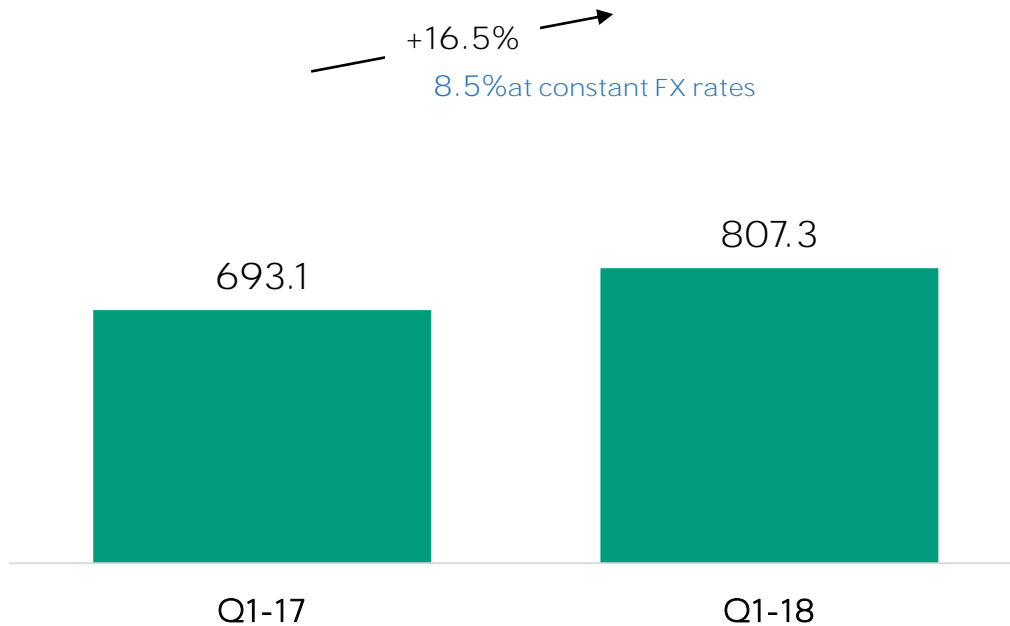
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# **The Body Shop's** Performance

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# Further signs of recovery

(R\$ million)



Pro forma net sales up 8.5% at constant exchange rates

Growth driven by franchise, owned stores and online

Good performance in EMEA, APAC and retail in North America

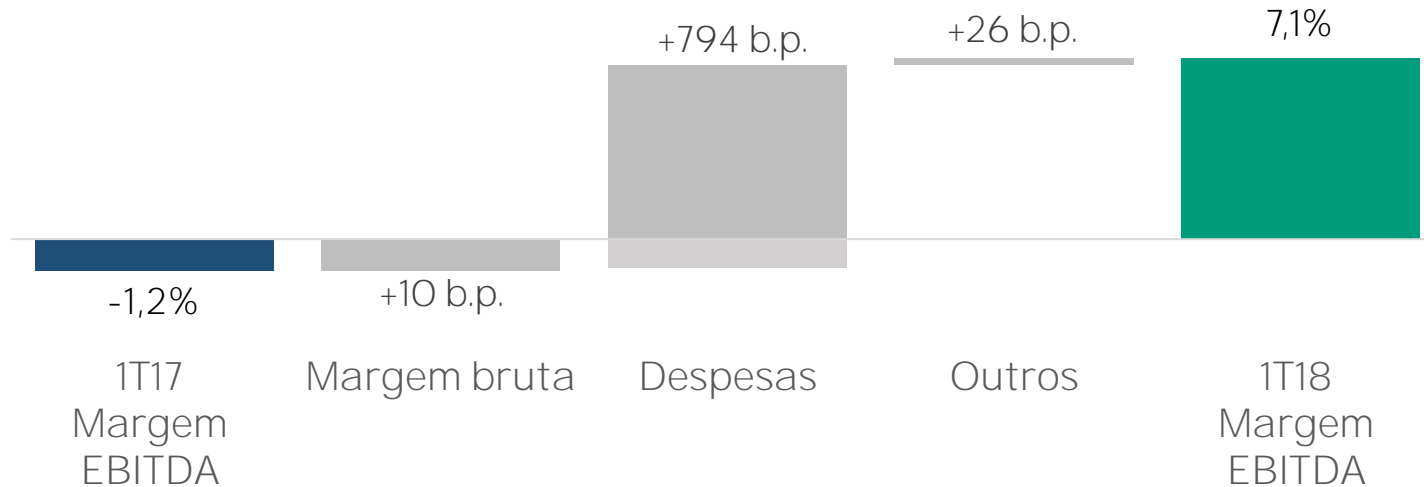
Total of 3,006 stores (down 43)

- 1,068 owned stores; net reduction of 31 locations (34 closures)
- 1,938 franchised stores; net reduction of 12 locations

# EBITDA rise in the year and margin uplift

(R\$ million)

## 1T18 Margem EBITDA TBS



EBITDA of R\$57.1 million, with margin of 7.1%, versus a negative margin in Q1-17 (pro forma), due to:

- Lower discounts
- Lower occupancy costs in owned stores
- Higher franchisee sales

# Natura &Co

## Key takeaways

Solid top and bottom line growth in the first quarter

Strong contribution from all three brands and businesses

- Confirmation of Natura's recovery in Brazil and continued expansion in Latin America; strong profitability growth
- Turnaround underway at The Body Shop
- Continued growth at Aesop

Natura &Co on track to deliver its medium-term targets

Thank you



Aēsop

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