International Conference Call
Natura
First Quarter Earnings Results
May 11th, 2018

Operator: Good morning ladies and gentlemen, thank you for waiting. At this time we would like to welcome everyone to Natura &Co conference call on the first quarter results.

Today with us we have:

Mr. Roberto Marques – Executive Chairman of the Board for Natura & Co;
Mr. João Paulo Ferreira – Natura’s CEO;
Mr. Marcel Goya – Director of Finance and Investor Relations;
Mr. Luiz Palhares, Investor Relations.

This event is being recorded and all participants will be in listen-only mode during the Company’s presentation. After Natura’s remarks are completed, there will be a question and answer session. At that time, further instructions will be given.

We have simultaneous translation into Portuguese and questions may be asked normally by participants connect from abroad, either in English or Portuguese

Should any participant need assistance during this call, please press *0 to reach the operator.

We have a simultaneous webcast that may be accessed through Natura’s IR website: www.natura.net/investor. The slide presentation may be downloaded from this website. There will be a replay facility for this call on the website after the end of the event.

Before proceeding, please be informed that forward-looking statements are being made under the safe harbor of the Securities litigation reform act of 1996. Forward-looking statements are based on the beliefs and assumptions of Natura management, and on information currently available to the Company. They involve risks, uncertainties and assumptions because they relate to future events and therefore, depend on circumstances that may or may not occur in the future. Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of Natura and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference over Mr. Roberto Marques, Natura & Co’s Executive Chairman of the Board. Mr. Marques, the floor is yours.

Mr. Roberto Marques: Thank you Nathalie, good morning to all of you and thanks again for joining us on this conference call to present Natura & Co first quarter results.

As this call comes short after our Natura & Co Day, during which the CEOs of the 3 brands made extensive presentation, we are in a slightly smaller configurations than our previous call. I'm jointed today by João Paulo, the CEO of Natura, who will present the company's Q1 performance, and Marcel Goya, Finance and Investor Relations Director, who will present the key consolidated figures for the quarter.

I will comment on the performance of The Body Shop and Aesop, and then we will be happy after our remarks to take your questions.

As usual, I will be recurring during this call to the presentation that you can also download on our website.

So let me start on slide 3, which is the key highlights of Q1. Overall, within the Natura & Co is up to a strong start of the year with solid topline and bottom-line growth in the quarter. *Pro forma* consolidated net revenue was up 11%, and comparable consolidated Ebitda rose by a very solid 58.4% on a *pro forma* basis.

I think we are firing in all cylinders with each of our 3 businesses contributing to this very satisfactory performance. Natura, we gained leadership position in the cosmetic toiletries and fragrance market in Brazil, confirming that the company's back on track on its home market, and it continues to post strong growth elsewhere in Latin America.

The Body Shop turnaround is already underway, and it posted its best first quarter in 8 years with very encouraging sales, Ebitda and Ebitda margin growth in the quarter. And Aesop continues to show rapid growth and improved profitability.

Our net debt to Ebitda ratio at 3.3 times is ahead of our estimates for the period. The group also made a successful debut on international capital markets through a 750 million bond issue which is fully hedged to protect us against any exchange rates fluctuation. This bond matures in 2023 with a coupon of 5.375%. In this quarter, also we saw further advances in sustainability.

With this, let me now hand over to Marcel Goya to provide greater detail on our consolidated financial performance.

Mr. Marcel Goya: Thank you Roberto. On slide 5 we begin with our consolidated net sales, which stood at almost R$2.69 billion in the quarter. On a reported basis, this represents record sales growth of 55.5%, while on a *pro forma* basis, including The Body Shop in both periods, it represents a healthy year-on-year increase of 11% in Brazilian reais.

All 3 brands posted growth in the quarter, with Natura up 6.7%, The Body Shop up 8.5% on a *pro forma* basis, and Aesop growing by a very strong 30.8% in a constant currency [0:06:13 to 0:06:22 inaudible – sound interference], we will go into this in greater detail shortly.

On slide 6 we look at our Ebitda, which rose by a strong 58.4% on a comparable and *pro forma* basis in Brazilian reais. Just to remind you, in Q1 17 our reported Ebitda was R$365 million. However, excluding this PIS and COFINS tax reversal of R$155 million and including The Body Shop Ebitda, which was a negative R$8.5 million, our comparable and *pro forma* Ebitda stands at R$201 million.

On a comparable basis, Natura, The Body Shop and Aesop all contributed positively to the Ebitda in the quarter.

Before talking about net income, let me provide some details on slide 7 about our financial results. In Q1 17 we had a positive impact of R$106 million from the interest accrued PIS and COFINS reversal. In Q1 18 our cost related to financing the acquisition of The Body Shop was R$95 million, which is fully hedged. So in the comparable financial results, again, excluding The Body Shop related effects, we had a cost of R$60.7 million versus 118.6 million in 2017.

Let's turn on to slide 8, to our consolidated net income, which rose substantially to a net profit of R$88 million in Q1 18 from a loss of R$1.3 million in the same quarter of last year on a comparable *pro forma* basis. Again, we are looking at comparable Q1 17 figures, which excluded the benefit of the tax reversal and include a net loss at The Body Shop, as you can see in the graphic.

Similarly in Q1 2018, our net income of R$88.2 million excludes interests of 64 million on costs related to The Body Shop acquisition, reported net income was R$24.4 million.

Let me conclude on slide 9, with some balance sheet considerations. The 3 cash out flow in the period was R$351 million, in line with our expectations. This is due to the inclusion of The Body Shop’s number in a period of cash consumption, which accounts for R$124 million. In addition, we had R$64 million coming from financing costs related to the acquisition of The Body Shop.

Finally, Natura had a temporary increase of R$200 million in inventory to roll out its operation plan. As Roberto said in his introductory remarks, we are ahead of our estimates regarding our net debt to Ebitda ratio, which stood at 3.3 times at the end of Q1.

Let me reiterate our target to return to a pre-acquisition indebtedness ratio of 1.4 times Ebitda by 2021, one year ahead of our initial plan. At the end of 2018 we expect to improve our net debt to Ebitda ratio.

I will now hand over to JP, who will comment on Natura's performance in the quarter.

Mr. João Paulo Ferreira: Thank you Marcel. Hello everyone. We will begin on slide 11 with our net revenues, which grew by 6% in the quarter to nearly R$1.7 billion. This growth was driven both by Brazil and especially by our remaining operations across Latin America, building on the success of our new relationship selling model, which is driving continued productivity gains.

In Brazil, according to Euromonitor, we regained market leadership in the CFT market in 2017 and our key categories continue to perform well in Q1. Net sales in Brazil grew by 0.8% in the first quarter, or 3% adjusted for the commercial calendar effect, as this year our Mother's Day campaign shifted to Q2. Consultants productivity continued to show very strong growth of 21.8%, more than compensating the already expected 18.8% drop in the average number of consultants.

We continue to make furthering growth in our multichannel approach and our online business almost doubled, now accounting for almost 4% of sales in Brazil. As mentioned in previous occasions, our business is becoming increasingly digital and more than 550,000 consultants are now using our exclusive app that supports their beauty consulting activities.

Latin America continues to be a growth engine with sales up 20.2% on a reported basis and 23.1% at constant exchange rates. We saw very solid growth in Argentina, Mexico and in Chile. By the Way, Chile is the first country to introduce the new relationship selling model and is already seeing encouraging results.

The region is also posting significant consultant productivity gains with a 9.5% improvement in the quarter.

Let's now turn to slide 12 to Natura's Ebitda in the quarter. On a comparable basis, Ebitda grew by 30.3% in the quarter to R$250 million considering that our Ebitda in Q1 of last year benefited from a tax reversal of the PIS and COFINS taxes of R$155 million. So our Q1 18 margin rose 200 basis points, to 14.9.

In Brazil, on a comparable basis, Ebitda grew by 9.4% to R$147 million with margin growing by 120 basis points driven by improved SG&A costs. These figures also exclude last year's PIS and COFINS tax reversal. And in Latin America Ebitda grew by 83.3% and an even stronger 88.7% at constant exchange rate. Ebitda margin grew by 470 basis points to 13.6% from better operating leverage and strict costs control.

You know that Natura & Co pursuits triple bottom line results, so on slide 13 we highlight some advances in sustainability. In Q1 Natura's carbon emissions were ahead of target benefiting from more favorable category mix and a more efficient order cycle. Also worth mentioning that The Body Shop has already collected 5.8 million signatures for its campaign to end animal testing on a global scale, and it's well on its way to achieving our objective of gathering 8 million signatures. As of the end of Q1 Natura has added voice to that campaign.

I will now hand back to Roberto to comment on the key highlights of Aesop's and The Body Shops performance.

Mr. Marques: Thank you JP, and again, congratulations to you and to all of our Natura's associates to a great start of the year running our Natura business.

Let me now talk a little bit about Aesop. So on slide 15, Aesop continues its growth story in Q1, as shown on slide 15, which details its net sales. As you see on this graphic, sales rose by a very strong almost 31% at constant currency, and an even stronger 39.2% on a reported base in Q1 to over R$200 million.

Most interesting, on the like-for-like basis, sales were up 18%. Aesop continues its expansion, and at the end of Q1 we counted 305 own retail doors, of which 208 signature stores and 97 counters in Department stores, this represents a total of 40 additional points of sales over the past 12 months.

On slide 16 you see also similar strong growth in Aesop's Ebitda in margin. That R$27 million Ebitda in Q1 was up by 118.4% at constant exchange rates, while margins grew by 500 basis points to 13.4%. This is very exciting performance and Aesop is steadily contributing to the group growth.

Again, I wanted congratulate Michael O'Keefe, CEO of Aesop, and its entire associate group at Aesop for posting such a strong result to start the year in 2018.

Let's now turn to The Body Shop, on slide 18. In Q1 we already started seeing the initial positive effects of the 5 pillar turnaround plan that has been implemented at The Body Shop. On a *pro forma* basis, net sales were up 8.5% at constant exchange rates and 16.5% on a reported basis to over R$800 million.

Let me give you a heads up that half of this growth is coming from a favorable commercial calendar effect in Q1. This will have an impact in Q2. The remainder was driven by franchise, own stores and double-digit growth in online in terms of channels.

Now, in terms of geography, growth was driven by EMEA and Asia Pacific, as well as the retail channel in North America. The Body Shop ended the quarter with a total of 3006 stores with a net reduction of 43 stores, of which 31 own stores, as we continue to selectively adjust our network. Also on a positive note, our like-for-like of our own stores grew 5% and our e-commerce grew 20% in the period.

On slide 19 let's look at The Body Shop Ebitda. Body Shop Ebitda stood at R$57.1 million in Q1 with a margin of 7.1%. This compared with a negative margin in Q1 2017. This improvement is largely due to lower discounts in occupancy costs in owned stores and better franchise sales.

I also want to take this opportunity and congratulate David Boynton and all of our Body Shop associates throughout the globe for a very strong start of the year.

To conclude, on slide 20, what are the key takeaways for this quarter? First, Natura & Co is clearly making headway and solid top and bottom-line growth in this first quarter; second, all the 3 brands and businesses contributed to this solid performance, Natura, as JP talked about it, saw a confirmation of its recovery in Brazil as evidenced by its growing market share and regain market leadership in CFT, and it continues to expand in Latin America. The Body Shops turnaround is already underway, and the teams are fully mobilized around the company's 5 pillars transformational plan and Aesop continues its growth story; and third, with a solid first quarter performance, Natura & Co is on track to deliver the medium-term target represented we presented, namely high single-digit growth in net sales and low double-digit growth in Ebitda on a compound annual growth rate basis through 2022.

Thank you for your attention and now here happy to take your questions.

Question-and-Answer Session

Operator: Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press the star key followed by the one key on your touchtone phone now. If at any time you would like to remove yourself from the questioning queue, press star 2.

Our first question comes from Guilherme Assis, with Brasil Plural.

Mr. Assis: Hi, good morning everyone, good afternoon for those in London. I just wanted to touch a few points here. And the first question actually goes to Roberto Marques. And Roberto, in your remarks you mentioned that The Body Shop results were benefited by like a positive calendar impact, if I'm not mistaken, right? Can you talk a little bit more about these impacts on the quarter? And what should be the impact on the second quarter, if we should expect a lower growth rate for The Body Shop because of that?

And also, I think one of the surprises of the quarter was the good margin for The Body Shop, I had the impression that actually, since it was a low seasonality quarter, you were going to deliver a lower Ebitda margin for The Body Shop. Can you talk about the impact of this potential calendar effect on The Body Shop as well? That's one question.

And also, can you also give us a breakdown of how much Argentina representatives of your LATAM operations? And if you see any risks with the current situation and the devaluation of the peso for your business? Those are my questions. Thank you.

Mr. Marques: Hi Guilherme, Roberto here. So, I will start with The Body Shop and then I'll ask JP to comment on Argentina specifically for Natura. But on The Body Shop, I mean, you saw the growth on Q1, which is roughly 8%. We believe half of that was benefit on this commercial calendar year.

So if you think about… we are still very confident for the remaining of the year in delivering our plan and some of our commitments that we already shared with all of you, but of course, the benefit of this commercial calendar were some of the changes in holidays that benefited The Body Shop globally, also some activities that will pool from end of the year to the beginning of this year that also had a positive impact, but again, over all, we feel very good about how the business is performing and very confident about this year in terms of the results for The Body Shop.

I'll turn to JP to comment specifically on Argentina. Thank you Guilherme.

Mr. Ferreira: Good morning Guilherme.

Mr. Assis: Morning JP, how are you?

Mr. Ferreira: We don't disclose the exact size of each operation in Latin America. However, as you know, Argentina is one of the largest CFT markets in the region and is one where we are very well-established for long. So Mexico is a larger market, but we have been there for few years. So from that you can roughly estimate.

Now, as it comes to the risks, first of all, let me highlight that not only we are very committed to, but more importantly grateful for the Argentinian consumers and consultants/ they have awarded us an outstanding business, outstanding business. We are now the third brand in the CFT market and we have been gaining market share consistently over the last few years, becoming the preferred CFT brand in the country. So just to highlight how important it is for our business and for our hearts.

Now having said that, the volatility that we are seeing in the economy does not worry us much because it's within the ranges that we had in our plants, and we are fully protected. We are fully protected for many reasons: One is that part of our manufacturing is local; second is that we also export products and services, not only importing some goods from Brazil, but also exporting from Argentina.

So with that said, we are very confident that the risks are fully manageable in the Argentinian business.

Mr. Assis: Okay. Thanks. I think that's clear. If I could just go back for Roberto for a follow-up. You mentioned that about half of the 8.5% growth was related to this calendar adjustments or change in commercial policies or practices within the calendar. Is it fair to expect then more flattish results for the second quarter since we should see a comeback of this calendar effect?

And also if you comment a little bit on the impact on the Ebitda margin of these changes as well, because my impression at least is that The Body Shop also not also had good growth, but also very positive margins. I just wanted to have a grasp of how much of this good margin is sustainable as well. That's my follow-up question.

Mr. Marques: Guilherme, thank you again for the follow-up. You know, we are not going to provide specific guidance for Q2 as you know. But again, what I can tell you is that this is a fact of many other factors on the performance of the sales, again fair to say that we shouldn't be expecting an 8% growth on The Body Shop since half of that was the commercial calendar, but I can't comment specifically what to expect on Q2 other than, again, as I indicated, we continue to be very confident in The Body Shop performance of this year and probably improving versus prior year, both on top line and bottom line.

From a margin perspective, as you know, we are putting a lot of effort on the turnaround plan in terms of really looking at stores that are not profitable, looking at our footprint over all, so I think it is expected that we are going to improved margin as we indicated in our guidance. For 2022 our goal is to double the Ebitda margin for The Body Shop and we are on track to deliver that.

Mr. Assis: Okay, that's helpful, thank you Roberto.

Operator: Next question Robert Ford, Bank of America.

Mr. Ford: Hey, thank you for taking my questions and congratulations on international growth in either line improvements. JP, I was very impressed by the expense reductions in Brazil, the sales marketing and logistics were down 5.2% and I was curious: Is there a timing issue or is there something structural in the cost structure?

And then given the competitive dynamics, are you comfortable with your existing brand investments in Brazil, or do you see a need to take some of these savings and redirect them into the brand?

Mr. Ferreira: Hi Bob, thanks for the question. It's not a temporary effect at all, it already includes also some negative news in it, as mentioned before, I mean, amortization and depreciation costs of intangible assets which increased, it's already embedded in these numbers. So you see, a portion of that has to do with the higher productivity of the new direct selling model that we have introduced primarily to that plus some tight management of costs. So this is sort of a structural level we should be running at.

Now as it comes to reinvesting, we have already been investing significantly to grow our market position in recent years, the market started the year quite flattish so to say, and with increased competitive activity. Having said that, we do think that the current level of investments is enough for us to achieve our planned performance.

But we are, you know, looking back very closely because I haven't seen so much competitive activity in many years as we saw in Q1 of this year.

Mr. Ford: Yes, it seems intense, and I think that Avon was indicating that they were down kind of mid to high single-digits in Brazil across every CFT category, and I guess in that context I was anticipating that maybe you would have an opportunity to take a little bit of market share, a little bit more.

Mr. Ferreira: Sorry Bob, can you repeat the ending of the question, please

Mr. Ford: I guess from your perspective you've seen opportunity because of maybe a position of weakness with your biggest direct selling competitor.

Mr. Ferreira: Oh, right. Because of the relatively poor results. But everyone else's very active, so as I mentioned, I have not seen so much activity in many, many years.

Mr. Ford: That's helpful. Thank you very much and again congratulations.

Mr. Ferreira: Thanks.

Operator: Next question Marco Calvi, Itaú BBA.

Mr. Calvi: Hi, good morning everyone. A question regarding the market share in Brazil. You guys showed some figures during the Natura Day showing an increase in market share in Brazil for most of the important lines of products to Natura. My question is regarding what you guys have been seeing during 2018; is that is still happening, have you guys been seeing an increase in market share gains in the most important line of products? Thank you.

Mr. Ferreira: JP speaking. Thanks for the question, and unluckily I cannot disclose and open all the most recent market share numbers at this stage. Having said that, we are working to defend and continue gaining market share throughout this year, and so far, there's no reason for us not to believe that we are not going to achieve that.

Mr. Calvi: Okay, thank you.

Operator: Next question, Tobias Stingelin, Credit Suisse.

Mr. Stingelin: Yes, good morning to everyone. Just a question JP. Specifically in regards to the first quarter, there was still kind of a positive impact from the lower taxation on a year-over-year basis of about R$23 million, this was about 12% of Ebitda. This effect is kind of going to normalize in the second quarter of the year, right?

Mr. Ferreira: Which tax Tobias?

Mr. Stingelin: Taxes, sorry. If you look at your Ebitda breakdown, you basically mentioned that about R$23 million of the Ebitda growth is coming from lower taxes, from "*carga tributária*", and this was basically because of the change in the taxation that was implemented last year, right?

Mr. Ferreira: Yep, part of that, a significant portion, yes, and there are other taxes that we are pushing to optimize going forward. But there is an effect in Q1 on that.

Mr. Stingelin: I'm just looking to understand because, if not wrong, this effect will kind of normalize in the second quarter, right? My only concern still is that in the second quarter you have kind of comparables which already include also the lower tax benefit, so you will not see this effect. I'm just trying to see if I'm wrong or if I'm right.

Mr. Ferreira: Don't expect any significant change in gross margin for that purpose, because there are so many other activities going on. Don't expect any swing, any significant swing in gross margin for that.

Mr. Stingelin: So there should continue to be kind of a positive impact going forward?

Mr. Goya: Yes, in the second quarter yes… Tobias, this is Marcel, sorry. If you are talking about the IPI, it started in the third quarter.

Mr. Stingelin: Okay, so you still have another quarter which is benefiting, and then in the second half of the year your top line will face tougher comps because of that?

Mr. Goya: That's it.

Mr. Stingelin: Okay, perfect. And just another question is that, during the Investor Day, you mentioned that (JP mentioned) that the number of consultants was expected to stabilize as of now more or less, and given the strong increase in productivity, so should we expect to see a major acceleration in top line and the second quarter?

Mr. Ferreira: What I can repeat is that we do expect the number of consultants to stabilize somewhere within Q2 towards the end of Q2. So if we manage to continue to deliver an increased productivity, that will reflect on top line. Let's see.

Mr. Stingelin: Okay, so at the end of the second quarter. Perfect. Thank you.

Operator: Next question Alex Robarts, Citibank.

Mr. Robarts: Yes, hi everybody, thanks for taking the questions. I wanted to start with, first of all, top line trend in Brazil, and then second on the negative free cash flow here. When you look at the top line, I guess is 1% sales growth just about, but then adjusting for the Mother's Day effect it was 3%.

Could you give us a sense of how the top line was among your 3 categories? I know we've… I guess at the end of the last year you were talking about indications as trading up in toiletries, and I was wondering if you had seen some trading up, or there were signs the trading up in the other 2 CFT categories, and if you could perhaps comment and share on your demanded environmental. Do you feel like a recovery is firming up? Do you feel like we are still in transition? So that's the first question, and then I'll come back onto free cash flow.

Mr. Ferreira: Hi Alex, it's JP speaking. Well, as it comes to the demand, I cannot open by category at this stage, but on an aggregate level, when it comes to the demand, what we saw in Q1 is that the market has slowed down quite a lot, there is an external figure, the market has slowed down quite a lot.

So, is that going to recover? Well, most likely in the second half. Our modeling of the market suggests that will recover a little bit towards the second half of the year, mainly driven by disposable income of families. So this is a veritable we have to watch, if that doesn't happen, you know, the market may remain a little bit flat, we will see, but it started very slow.

Mr. Robarts: Okay. Interesting. And a follow-up on this, I know you guys kind of relaunched the 19th cycle of the catalog. I understand was part of the motivation is to kind of have and setup sales for January, or at least stimulate some incremental sales in January. How did that 19th cycle work? Are you happy about the effects? Any impact? Did it have an influence on this first quarter sales?

Mr. Ferreira: No, we add cycles as we see higher activities in the channel, activity level in the channel. That's what drives us to increase the number of cycles. It helped in Q4, Q1 basically did some short cycles to adjust the calendar of our activities to sort of the Gregorian calendar, so no special reason for driving that additional sales there.

But I hope it helps. But you wanted to ask about the cash flow, isn't it?

Mr. Robarts: Yes, that's right, thanks. And so, we see this 351 million negative free cash flow (and thanks for breaking it out among the segments), I was just wondering if there was some color that you could give us around for The Body Shop with 125 million of cash burn and then the 165 in Natura. What do you think were the drivers behind this?

I guess I'm specifically interested in the TBS outflow. Are these movements with some of the accounts receivables, is it some other element around investments, and could this level of outflow that we are seeing here for TBS and Natura continue for a quarter or 2 or not? Thanks very much.

Mr. Goya: Hi Alex, this is Marcel, how are you? So, regarding TBS, it's very seasonal, indeed this cash out flow is better than the previous year, so I think they are in a good trend.

And regarding Natura, we have I think 3 main effects: One, as JP mentioned, that we have a phasing, a different phasing in the previous year when you compare with this year, so the second quarter last year was (how can I say) not so strong, and I think we have difference from, let’s say, of this year.

Besides that, we have the LATAM growth, I think part of this stock is to support the LATAM growth, and the last one is that internally we took some measures intentionally to increase our inventory level of some top-selling products in order to reduce the risk of stock out.

So those effects are temporary, and I think during the remaining of the year we are going to reduce this level of capital in the 2 companies, TBS and Natura.

Mr. Robarts: Okay, thank you.

Operator: Our last question comes from Franco Abelardo, Morgan Stanley.

Mr. Abelardo: Hi, good morning everybody, thanks for taking my question and congrats on the strong results. My question is for JP, related to the calendar impact in Brazil related to the change in the Mother's Day campaign that you mentioned in the press release.

Could you try to quantify the impact that you had in first quarter related to that, or maybe now that we are close to the Mother's Day, how much has been the growth, the normalized growth including the comparable calendar for the Mother's Day? Of course, not in terms of numbers, but at least direction.

Are the trends much better or worse, or similar than the growth we saw in the second half last year in Brazil? That's my question. Thank you.

Mr. Ferreira: Hi Franco, well, I think that one of the questions you asked, we have already provided some sort of answer, we said that nominally the Brazilian operation grew 0.8%, but adjusted for the calendar effect it would have grown 3%, so that you can quantify out of that how much actually shifted to Q2, right? Just to take into account the calendar effect.

As it comes to the underlying business, this year we are in a much better shape than we were early next year, you followed up with us how the business has improved its health throughout last year, and then we started to gain share and recover our consultants productivity, you may recall that Q2 last year was… the moment was actually just before the moment we introduced new relationship sales model, so we were leaving the preparation phase for that and that we have to hold back a little bit because of that reason, so we are this year in a healthy position.

Mr. Abelardo: Perfect. And then the second question is related to the stores channel. You mentioned that you are preparing expansion to new states, new locations in Brazil. Do you have any guidance in terms of how many stores and in which regions you can open those stores of this year? Thank you.

Mr. Ferreira: Well, I cannot give you the exact number, but if you have friends walking around shopping malls you are going to see already, in some of them, Natura's signs as we are refurbishing those stores, and not only in São Paulo and Rio, but also in Curitiba, and going to central west part of the country as well. So you will see a much higher activity from now till the middle of the year.

Mr. Abelardo: Perfect, thank you.

Operator: Excuse me, as please still have some minutes, our next question comes from Olivia Petronilho, JP Morgan.

Ms. Petronilho: Hi guys, thanks for taking my question. I have 2 questions actually, the first one is on the new channels. If you can talk a little bit about the development of the stores and on the Omni channel, more specifically what you saw in this quarter and what to expect for the year.

And the second question is a little bit on Brazil top line. Going back to the subject, we continue to see the productivity of the sales representatives going up, but still top line is flattish. So I just wanted to understand if, from here onwards, you wish to see top line growing coming from further productivity or if these sales representatives are still taking share of those that are leaving the basis? Thank you.

Mr. Ferreira: Hi Olivia, João Paulo speaking. So, as mentioned before, it is our intention to recover… to continue to gain market share in Brazil, so we should grow above market, certainly it's not the nominal 0.8% of Q1, but we'll deliver that, but we are on track to gain market share once again.

Productivity of consultants help and of course, as mentioned before, we do see a stabilization and modest growth of the channel going forward, which will help. And on top of that, the new channel (new for us at least) plays an important role, especially the online channel, which is almost doubling year on year and already represents almost 4% of sales in our Brazilian operation. So that will play an important role. And added to that, the stores at some smaller base although much higher growth rate, but on a very small base.

Ms. Petronilho: Perfect, thanks.

Operator: Excuse me, this concludes today's question-and-answer session. I'd like to invite Mr. Roberto Marques to proceed with his closing statements. Please, go ahead Sir.

Mr. Marques: Thank you Nathalie, and again, I'd like to thank you all for participating in this call and I look forward to our future exchanges. Let me also remind you that we recently announced that José Felipo will be joining us later this month as the group and Natura's CFO and will be with us on the next call, on August 10. I also want to take this opportunity and thank Marcel Goya for helping us throughout this transition.

So thank you everybody and have a great weekend. Thank you.

Operator: That concludes Natura's audio conference for today. Thank you very much for your participation, have a good day.