

# Avon International



## *A message from* **CEO Kristof Neiryck**

In December 2023 it was announced that I would be taking on the role of CEO at Avon in 2024, continuing its evolution in becoming the leading omnichannel, relationship selling business, with Representatives at its core.

Having had the privilege of working as Chief Marketing Officer under Angela Cretu's leadership for over two years, I have had the opportunity to see this incredible business evolve and modernize, whilst remaining unequivocally connected to its purpose, empowering women to embrace their power and improve their lives with accessible world-class beauty and flexible earning and learning opportunities. I was thrilled to take on the role of CEO to continue Avon's journey.

Looking back to 2023, we see a year marked by successes and significant evolutions. We launched a global initiative to strengthen the brand, including a comprehensive visual identity overhaul, and introduced a modern voice tailored for the contemporary woman. The brand's new positioning, "Embrace Your Power," is a compelling reminder to women of their innate strength in overcoming obstacles to achieve their goals.

While Natura and Avon collaborate in Latin America, Avon International manages global operations in all other markets. The business has undergone a radical transformation plan aimed at resetting fundamentals. This strategic journey, to Open Up & Grow, involves improving the value proposition in the direct selling channel, expanding omnichannel capabilities, a comprehensive brand reappraisal and portfolio optimization, and a focus on streamlining the operational model. The results have been extremely promising, showing sequential improvements in revenue, gross margin and EBITDA growth.

Avon's unwavering commitment to women's causes has been the cornerstone of its business for 138 years. The business continues to be a leading advocate for initiatives combating breast cancer and addressing gender-based violence. Through the Avon Foundation, over US\$1 billion has been contributed to these causes since 2021, with US\$7.3 million donated in 2023 alone.

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In the fight against gender-based violence, Avon provided US\$6.1 million in grants to 30 NGOs worldwide, partnering with NO MORE to raise awareness and provide support services. They also championed the 16 Days of Activism against Gender Based Violence campaign, worldwide, partnering with NO MORE to raise awareness and provide support services. They also championed the 16 Days of Activism against Gender Based Violence campaign.

Since 1992, Avon has raised over US\$955 million for breast cancer charities, educating 180 million women. Our #FeelTheBoobLove campaign promotes monthly self-checks, offering resources and education globally, including partnerships with NGOs for school programs.

For Women's Day 2023, Avon launched a global report on female entrepreneurship and flexible working, advocating for equal opportunities and breaking barriers to economic participation for women worldwide.



In 2023, we also made substantial progress on our broader sustainability journey. We continued to manage our impact on the environment, reducing waste, water usage and carbon emissions across our operations. We also accelerated our use of recycled plastic and have engineered over 230 tonnes of PCR (post-consumer recycled) content into our packaging since 2020. This is also contributing to an overall reduction in Avon International's carbon footprint.

*Our business is developing innovative, world-class beauty accessible to all, and our purpose is helping women progress.*

We also built on our 30-year commitment to animal welfare achieving approval from Cruelty Free International's Leaping Bunny Programme for Fragrance, Avon Care and Anew, with all other Avon product ranges due to obtain approval in 2024.

As we look to the future, we are laser focused on delivering sequential growth in revenue and profits by leveraging the power of productivity, volume and access. We have aspirational plans that build on our Open Up & Grow strategy, which we have seen successfully step change the business thus far.

We will continue to enable our Representatives to grow with us using a rich and rewarding omnichannel experience, further accelerating our progress in this space, with an emphasis on modernization and digitization. And we will continue to put our customers at the center of our plans, meeting them wherever and whenever they want to shop with us, while using our brand as an amplifier to attract and engage new audiences.

Avon is not just a beauty brand. Our business is developing innovative, world-class beauty accessible to all, and our purpose is helping women progress. We create opportunities for women to earn and learn on their own terms and support causes that stop women from embracing their power and realizing their ambitions.

I am excited to collaborate with associates and Representatives as we continue to chart our course for the future.



Far Away Beyond the Moon

Dramatic Matte Lipstick

Renewal Power Eye Cream

Exxtravert Mascara

## Avon International *Innovation*



*Whilst navigating challenges head-on, the business remained strong and carried on pursuing its long-term Open Up & Grow strategy.*

## Our Business

### Performing while transforming

After a significant transformation, Avon International has returned to operational profitability and improving cash conversion. Furthermore, Avon International debunked a myth and broadened its legacy of high relationship selling by embracing omnichannel capabilities.

Avon has had a transformative year in 2023. Whilst navigating challenges head-on, the business remained strong and carried on pursuing its long-term Open Up & Grow strategy. This involved protecting margins, simplifying the business, empowering people, reigniting the brand and building on its core direct selling model with omnichannel expansion in e-commerce and retail. The business is also prioritizing its healthy and profitable markets.

In 2023, Avon International achieved total net revenue of BRL 6,286.7 million, primarily impacted by the Home & Style category. The adjusted EBITDA reached BRL 475.9 million, marked by a significant improvement in gross margin resulting from factors like pricing, product mix, innovation, and further cost reduction. While macroeconomic pressures are expected to persist, Avon has gained knowledge and agility, becoming more resilient with an optimized portfolio that enhances its ability to face challenges.

Technology remains a huge enabler to Avon's transformation, and it remains an ongoing focus into 2024, with updates to back-end systems and the introduction of a new CRM platform in partnership with Salesforce.

Through 2023, Avon transitioned its Research & Development operations from Suffern (USA) to new centres in Brazil and Poland, two of the largest markets in its business. Locating R&D in key Avon markets will enable closer connections with Representatives and Consumers and build seamless communities with its supply chain operations, increasing local relevancy and speed to market. The Brazil lab opened in November and the pilot plant in Poland is due to open in the first half of 2024, following a significant knowledge transfer process and the hiring of new talent in both locations.



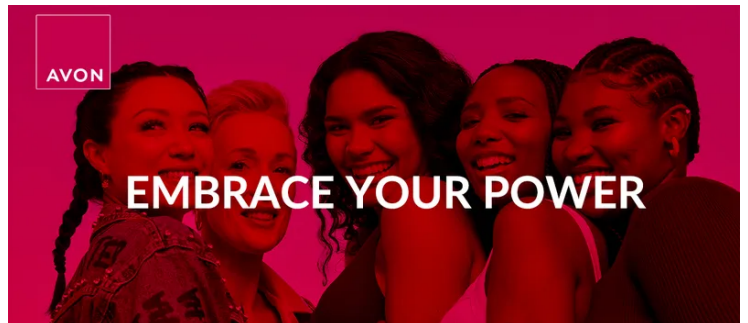
#### Efficiency in direct sales

A significant goal of the Open Up & Grow strategy was to redefine the commercial model to be more appealing and profitable for Avon Representatives. Once fully implemented in all markets, the focus in 2023 was to stabilize the most productive segments of Representatives with differentiated incentives and communications.

Further simplification was possible by reducing the number of brochures from 20 to only one across Europe, creating significant synergies and efficiencies. Representatives' productivity grew 12%. The total number of Representatives at the end of 2023 was 2.3 million.

Digitalization continued to increase, although the Avon ON app use was behind target, impacted by lower new Representative numbers and instability in some markets. Total digital sales increased by 1.5%, with a 6.9% contribution driven by online sales and marketplaces.

*In 2023, all fragrances, Avon Care, and Anew products received certification by the Cruelty-Free International Leaping Bunny program*



#### New visual identity

Avon implemented a full brand refresh in 2023 with its new brand positioning "Embrace Your Power", celebrating the belief that every woman possesses her own unique power. The rebranding extends across visual and verbal identity, encompassing a new logo, packaging design, website, and social media assets. Initial results indicate a positive return on investment, with Avon ranking among consumers' preferred ads in key markets, according to System 1.

Moreover, Avon has continued to streamline and harmonize its portfolio, with fewer, bigger and better innovations and a focus on its hero products and gifting to make these a sizeable part of the business. Initiatives including consolidating distribution and removing unproductive products have led to a 40% reduction in total size of line and 71% reduction in innovation since 2020 while growing average Representative spend, up over 20% since 2020. In 2023, all fragrances, Avon Care, and Anew products received certification by the Cruelty-Free International Leaping Bunny program, reinforcing Avon's longstanding commitment against animal testing.

#### From transformation to growth

The favorable outcomes stemming from the brand rejuvenation, streamlined portfolio, and updated commercial model have motivated Avon to take a proactive stance in maximizing value. This involves evolving operations to meet the needs of women in the modern world, wherever they are and however they prefer to shop. In a new chapter for Avon International, the business increased investments in e-commerce and, notably, ventured into new retail opportunities to enhance its reach through diversified and compelling consumer access points.

In Turkey, Avon has an established Representatives' retail business and is leading the way in omnichannel expansion, reaching 72 stores and kiosks in 2023. Buoyed by this success, the business is set to extend this strategic approach into other markets, equipping representatives with tools to optimize their retail ventures, be it through a shop-in-a-bag, community retail, or a franchise outlet. Additionally, in Turkey, Avon forged a partnership with the online retail marketplace Trendyol, contributing to the overall effectiveness of the omnichannel strategy.

Elsewhere, Avon is embarking on strategic partnerships with retailers. In the UK, Avon initiated product sales on Amazon, while also offering a curated range on the high-street at drug store Superdrug both online and across 100 physical stores. In Italy, Avon collaborated with Naima AllScent, featuring an exclusive selection of gifting and premium products in 25 beauty stores, with additional offerings on their online platform. These initiatives mark an exciting path for future growth and profitability for Avon.



#### Corporate Campaigning, Giving and Volunteering

Purpose has always been at the heart of Avon, with a dedication to empowering women around the world, educating and raising awareness of, breast cancer and working to end gender-based violence. Through the Avon Foundation, over US\$1.1 billion has been contributed to these causes to date, with US\$6.2 million donated in 2023 alone.

As part of its commitment to help end gender-based violence, Avon provided grants to more than 30 NGOs in 2023, also partnering with global charity NO MORE to raise awareness of the signs of abuse, and to signpost vital support services for those in need. They also championed 16 Days of Activism against Gender Based Violence with a compelling campaign highlighting how makeup can be used as a form of dominance and control with a Reverse Makeup Tutorial.

Since 1992, Avon has donated over US\$955 million to breast cancer charities, educating 180 million women and funding over 20 million mammograms. Their #FeelTheBoobLove campaign promotes monthly self-checks, offering resources and education globally, including partnerships with NGOs for school programs.

During 2023, Avon supported those affected by the Ukraine conflict, providing over 34 tonnes of hygiene products and clothing. They also aided earthquake victims in Turkey with a US\$100,000 donation and sales profits dedicated to psychological support.

For International Women's Day 2023, Avon launched a global report on female entrepreneurship and flexible working, advocating for equal opportunities and breaking barriers to economic participation for women worldwide.

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