



2023 Financial Performance

In 2023, Natura &Co achieved significant milestones, marking a transformative year driven by strategic initiatives. Key highlights include the successful execution of our simplification strategy, demonstrated by the divestment of Aesop and The Body Shop, resulting in a further streamlined Holding structure and enhanced autonomy within Business Units.

As we embark on 2024, our commitment to delivering sustainable growth and value creation remains steadfast...

Focusing on profitability and cash conversion, as announced early in the year, yielded tangible results: gross margin netted out at 63.8% up +410 basis points (bps), whilst adjusted EBITDA¹ was up 31.7%. This strengthened our balance sheet, and we are now positioned in a net cash position, which marks a shift towards positive cash flow for the 2023 fiscal year (FY23). Consolidated net revenue was BRL 26.737 billion, achieved thanks to a solid performance at the Natura brand, and partially offset by the expected reduction at Avon Latin America and mid-single digit decline at Avon International.

Looking to Natura &Co Latin America, net revenue was up 6.4% in constant currency (CC), (down 7.2% in BRL), driven by healthy growth at the Natura brand in Brazil, and partially offset by the Home & Style category and by Avon decline across the region. Gross margin was 63.8%, up +410 bps year-over-year (YoY), continuing to benefit from price increases, a richer product mix and marketing efforts. Adjusted EBITDA margin was 12.5% (up +250 bps YoY), benefiting from strong gross margin improvement and meaningful YoY general and administrative expenses reduction, but partially offset by a YoY increase in selling expenses.

Wave 2 of Natura and Avon business combination process in Latin America initiatives progressed, with resilient performance from the Natura brand in Brazil and a rebounding trend from Avon amid ongoing operational enhancements. Improvements in service levels in Peru and Colombia facilitated a smoother integration of Natura and Avon in Chile, completed early in 2024.

At Avon International, revenue was down 4.4% YoY in CC, primarily impacted by the Home & Style category, while Beauty showed a stable performance. Despite the decline, profitability exhibited an important evolution with adjusted EBITDA margin reaching 7.6%, up +330 bps YoY. Gross margin was 63.6%, up +380 bps YoY, its evolution being driven by price increases and favorable product mix.

Avon International continues to make good progress with its digital strategy as the use of digital tools reached 34.3% of total reps. Digital sales penetration increased by 2.2 percentage points YoY to 8.3% of total revenue.



Looking ahead, Natura &Co remains focused on further simplification, as evidenced by the delisting of its ADR from the New York Stock Exchange - NYSE and the evaluation of the potential separation of Natura &Co Latin America and Avon International. While challenges persist, particularly the volatility in Avon's revenue performance in Latin America, we are poised to continue driving profitability and cash conversion enhancements, building upon the momentum of 2023.

As we embark on 2024, our commitment to delivering sustainable growth and value creation remains steadfast, guided by our dedication to operational excellence and strategic foresight.

Footnotes

¹ The financial and operational information listed in this report can be found in the Company's Earnings Release and, unless indicated otherwise, is presented in nominal Brazilian reais, following the criteria of the International Financial Reporting Standards (IFRS). This information should be read in conjunction with the Company's financial reports for the year ending on December 31, 2023, filed with the Brazilian Securities and Exchange Commission (CVM).