

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 2023
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM _____ TO _____
COMMISSION FILE NUMBER 001-35964

COTY INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

350 Fifth Avenue,
New York, NY
(Address of principal executive offices)

13-3823358
(I.R.S. Employer Identification No.)

10118
(Zip Code)

(212) 389-7300

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class
Class A Common Stock, \$0.01 par value

Trading symbol(s)
COTY

Name of each exchange on which registered
New York Stock Exchange

At January 31, 2024, 895,168,882 shares of the registrant's Class A Common Stock, \$0.01 par value, were outstanding.

COTY INC.
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PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Net revenues	\$ 1,727.6	\$ 1,523.6	\$ 3,369.0	\$ 2,913.6
Cost of sales	603.5	525.3	1,203.0	1,026.6
Gross profit	1,124.1	998.3	2,166.0	1,887.0
Selling, general and administrative expenses	833.4	754.3	1,600.8	1,425.0
Amortization expense	48.3	47.6	96.9	94.9
Restructuring costs	5.7	(2.9)	34.1	(4.1)
Operating income	236.7	199.3	434.2	371.2
Interest expense, net	60.1	61.0	129.9	126.9
Other income, net	(80.8)	(141.9)	(4.2)	(240.1)
Income before income taxes	257.4	280.2	308.5	484.4
Provision for income taxes	71.4	38.8	112.3	108.5
Net income	186.0	241.4	196.2	375.9
Net income (loss) attributable to noncontrolling interests	0.5	(1.4)	1.6	(1.4)
Net income attributable to redeemable noncontrolling interests	4.6	4.5	12.1	10.4
Net income attributable to Coty Inc.	\$ 180.9	\$ 238.3	\$ 182.5	\$ 366.9
Amounts attributable to Coty Inc.				
Net income attributable to Coty Inc.	180.9	238.3	182.5	366.9
Convertible Series B Preferred Stock dividends	(3.3)	(3.3)	(6.6)	(6.6)
Net income attributable to common stockholders	\$ 177.6	\$ 235.0	\$ 175.9	\$ 360.3
Earnings per common share:				
Earnings per common share - basic	\$ 0.20	\$ 0.28	0.20	0.43
Earnings per common share - diluted	0.20	0.27	0.20	0.42
Weighted-average common shares outstanding:				
Basic	892.8	850.8	873.6	846.4
Diluted	922.8	886.8	883.3	884.5

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	(In millions)		(Unaudited)	
	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Net income	\$ 186.0	\$ 241.4	\$ 196.2	\$ 375.9
Other comprehensive income (loss):				
Foreign currency translation adjustment	171.5	219.0	57.0	(45.1)
Net unrealized derivative gain (loss) on cash flow hedges, net of taxes of \$0.3 and \$1.2, and \$(0.4) and \$0.7 during the three and six months ended, respectively	(1.1)	(3.9)	0.4	(3.0)
Pension and other post-employment benefits adjustment, net of tax of \$(0.4) and \$(0.8), and \$0.5 and \$0.0 during the three and six months ended, respectively	0.6	1.5	(1.5)	(1.7)
Total other comprehensive income (loss), net of tax	171.0	216.6	55.9	(49.8)
Comprehensive income	357.0	458.0	252.1	326.1
Comprehensive income attributable to noncontrolling interests:				
Net income (loss)	0.5	(1.4)	1.6	(1.4)
Foreign currency translation adjustment	—	0.3	—	0.3
Total comprehensive income (loss) attributable to noncontrolling interests	0.5	(1.1)	1.6	(1.1)
Comprehensive income attributable to redeemable noncontrolling interests:				
Net income	4.6	4.5	12.1	10.4
Foreign currency translation adjustment	0.2	0.3	0.1	0.1
Total comprehensive income attributable to noncontrolling interests	4.8	4.8	12.2	10.5
Comprehensive income attributable to Coty Inc.	\$ 351.7	\$ 454.3	\$ 238.3	\$ 316.7

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except per share data)
(Unaudited)

	December 31, 2023	June 30, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 450.0	\$ 246.9
Restricted cash	33.5	36.9
Trade receivables—less allowances of \$23.1 and \$23.2, respectively	500.2	360.9
Inventories	775.5	853.4
Prepaid expenses and other current assets	662.4	553.6
Total current assets	2,421.6	2,051.7
Property and equipment, net	705.9	712.9
Goodwill	4,021.9	3,987.9
Other intangible assets, net	3,739.5	3,798.0
Equity investments	1,084.2	1,068.9
Operating lease right-of-use assets	289.8	286.7
Deferred income taxes	597.5	589.9
Other noncurrent assets	155.3	165.6
TOTAL ASSETS	\$ 13,015.7	\$ 12,661.6
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,462.9	\$ 1,444.7
Accrued expenses and other current liabilities	1,194.6	1,042.0
Short-term debt and current portion of long-term debt	8.9	57.9
Current operating lease liabilities	61.5	65.6
Income and other taxes payable	123.1	126.6
Total current liabilities	2,851.0	2,736.8
Long-term debt, net	3,682.9	4,178.2
Long-term operating lease liabilities	251.6	247.5
Pension and other post-employment benefits	283.0	280.7
Deferred income taxes	746.8	659.7
Other noncurrent liabilities	343.1	325.4
Total liabilities	8,158.4	8,428.3
COMMITMENTS AND CONTINGENCIES (See Note 17)		
CONVERTIBLE SERIES B PREFERRED STOCK , \$0.01 par value; 1.0 shares authorized; 0.1 and 0.1 issued and outstanding at December 31, 2023 and June 30, 2023, respectively	142.4	142.4
REDEEMABLE NONCONTROLLING INTERESTS	102.2	93.5
EQUITY:		
Preferred Stock, \$0.01 par value; 20.0 shares authorized, 1.0 issued and outstanding at December 31, 2023 and June 30, 2023	—	—
Class A Common Stock, \$0.01 par value; 1,250.0 shares authorized, 961.7 and 919.3 issued and 895.1 and 852.8 outstanding at December 31, 2023 and June 30, 2023, respectively	9.6	9.1
Additional paid-in capital	11,273.5	10,898.6
Accumulated deficit	(4,805.4)	(4,987.9)
Accumulated other comprehensive loss	(606.6)	(662.4)
Treasury stock—at cost, shares: 66.6 and 66.5 at December 31, 2023 and June 30, 2023, respectively	(1,446.3)	(1,446.3)
Total Coty Inc. stockholders' equity	4,424.8	3,811.1
Noncontrolling interests	187.9	186.3
Total equity	4,612.7	3,997.4
TOTAL LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY	\$ 13,015.7	\$ 12,661.6

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Six Months Ended December 31, 2023
(In millions, except per share data)
(Unaudited)

	Preferred Stock		Class A Common Stock		Stock to be issued	Additional Paid-in Capital	Receivable from sale of stock	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests	Convertible Series B Preferred Stock
	Shares	Amount	Shares	Amount						Shares	Amount					
BALANCE—July 1, 2023	<u>1.0</u>	<u>\$ —</u>	<u>919.3</u>	<u>\$ 9.1</u>	<u>\$ —</u>	<u>\$ 10,898.6</u>	<u>\$ —</u>	<u>\$ (4,987.9)</u>	<u>\$ (662.4)</u>	<u>66.5</u>	<u>\$ (1,446.3)</u>	<u>\$ 3,811.1</u>	<u>\$ 186.3</u>	<u>\$ 3,997.4</u>	<u>\$ 93.5</u>	<u>\$ 142.4</u>
Issuance of Class A Common Stock in connection with global offering, net of offering costs			30.0	0.3	31.5	311.2	(348.5)					(5.5)		(5.5)		
Exercise of employee stock options and restricted stock units			5.2	0.1		(0.1)										
Shares withheld for employee taxes						(0.8)						(0.8)		(0.8)		
Share-based compensation expense						30.2						30.2		30.2		
Equity Investment contribution for share-based compensation						0.7						0.7		0.7		
Changes in dividends accrued						—						—		—		
Dividends Accrued - Convertible Series B Preferred Stock						(3.3)						(3.3)		(3.3)		3.3
Dividends Paid - Convertible Series B Preferred Stock																(3.3)
Net income								1.6				1.6	1.1	2.7	7.5	
Other comprehensive loss									(115.0)			(115.0)		(115.0)	(0.1)	
Adjustment of redeemable noncontrolling interests to redemption value						2.3						2.3		2.3	(2.3)	
BALANCE—September 30, 2023	<u>1.0</u>	<u>\$ —</u>	<u>954.5</u>	<u>\$ 9.5</u>	<u>\$ 31.5</u>	<u>\$ 11,238.8</u>	<u>\$ (348.5)</u>	<u>\$ (4,986.3)</u>	<u>\$ (777.4)</u>	<u>66.5</u>	<u>\$ (1,446.3)</u>	<u>\$ 3,721.3</u>	<u>\$ 187.4</u>	<u>\$ 3,908.7</u>	<u>\$ 98.6</u>	<u>\$ 142.4</u>
Issuance of Class A Common Stock in connection with global offering, net of offering costs			3.0		(31.5)	30.9	348.5					347.9		347.9		
Reacquired Class A Common Stock for employee taxes										0.1						
Exercise of employee stock options and restricted stock units			4.2	0.1		11.2						11.3		11.3		
Shares withheld for employee taxes						(17.3)						(17.3)		(17.3)		
Share-based compensation expense						19.9						19.9		19.9		
Equity Investment contribution for share-based compensation						0.6						0.6		0.6		
Changes in dividends accrued						—						—		—		
Dividends Accrued - Convertible Series B Preferred Stock						(3.3)						(3.3)		(3.3)		3.3
Dividends Paid - Convertible Series B Preferred Stock																(3.3)
Net income								180.9				180.9	0.5	181.4	4.6	
Other comprehensive income									170.8			170.8		170.8	0.2	
Distribution to noncontrolling interests, net															(8.5)	
Adjustment of redeemable noncontrolling interests to redemption value						(7.3)						(7.3)		(7.3)	7.3	
BALANCE—December 31, 2023	<u>1.0</u>	<u>\$ —</u>	<u>961.7</u>	<u>\$ 9.6</u>	<u>\$ —</u>	<u>\$ 11,273.5</u>	<u>\$ —</u>	<u>\$ (4,805.4)</u>	<u>\$ (606.6)</u>	<u>66.6</u>	<u>\$ (1,446.3)</u>	<u>\$ 4,424.8</u>	<u>\$ 187.9</u>	<u>\$ 4,612.7</u>	<u>\$ 102.2</u>	<u>\$ 142.4</u>

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
For the Three and Six Months Ended December 31, 2022
(In millions, except per share data)
(Unaudited)

	Preferred Stock		Class A Common Stock		Additional Paid-in Capital	(Accumulated Deficit)	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total Coty Inc. Stockholders' Equity	Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests	Convertible Series B Preferred Stock
	Shares	Amount	Shares	Amount				Shares	Amount					
BALANCE—July 1, 2022	<u>1.5</u>	<u>\$ —</u>	<u>905.5</u>	<u>\$ 9.0</u>	<u>\$ 10,805.8</u>	<u>\$ (5,496.1)</u>	<u>\$ (717.9)</u>	<u>66.3</u>	<u>\$ (1,446.3)</u>	<u>\$ 3,154.5</u>	<u>\$ 191.3</u>	<u>\$ 3,345.8</u>	<u>\$ 69.8</u>	<u>\$ 142.4</u>
Reacquired Class A Common Stock for employee taxes								0.1						
Exercise of employee stock options and restricted stock units			10.2	—										
Shares withheld for employee taxes					(1.1)				(1.1)			(1.1)		
Share-based compensation expense					31.4							31.4		
Dividends accrued- Convertible Series B Preferred Stock					(3.3)							(3.3)		3.3
Dividends paid - Convertible Series B Preferred Stock														(3.3)
Net (loss) income						128.6				128.6		128.6		5.9
Other comprehensive loss							(266.2)			(266.2)		(266.2)		(0.2)
Adjustment of redeemable noncontrolling interests to redemption value					6.2					6.2		6.2		(6.2)
Equity investment contribution for share-based compensation					1.7					1.7		1.7		
BALANCE—September 30, 2022	<u>1.5</u>	<u>\$ —</u>	<u>915.7</u>	<u>\$ 9.0</u>	<u>\$ 10,840.7</u>	<u>\$ (5,367.5)</u>	<u>\$ (984.1)</u>	<u>66.4</u>	<u>\$ (1,446.3)</u>	<u>\$ 3,051.8</u>	<u>\$ 191.3</u>	<u>\$ 3,243.1</u>	<u>\$ 69.3</u>	<u>\$ 142.4</u>
Reacquired Class A Common Stock for employee taxes														
Exercise of employee stock options and restricted stock units			3.2	0.1	(0.1)									
Shares withheld for employee taxes					(10.5)					(10.5)		(10.5)		
Share-based compensation expense					33.6					33.6		33.6		
Changes in dividends accrued					0.1					0.1		0.1		
Dividends accrued- Convertible Series B Preferred Stock					(3.3)					(3.3)		(3.3)		3.3
Dividends paid - Convertible Series B Preferred Stock														(3.3)
Net income (loss)						238.3				238.3	(1.4)	236.9		4.5
Other comprehensive loss							216.0			216.0	0.3	216.3		0.3
Distribution to noncontrolling interests, net														
Adjustment of redeemable noncontrolling interests to redemption value					4.4					4.4		4.4		(4.4)
Equity investment contribution for share-based compensation					1.0					1.0		1.0		
BALANCE—December 31, 2022	<u>1.5</u>	<u>\$ —</u>	<u>918.9</u>	<u>\$ 9.1</u>	<u>\$ 10,865.9</u>	<u>\$ (5,129.2)</u>	<u>\$ (768.1)</u>	<u>66.4</u>	<u>\$ (1,446.3)</u>	<u>\$ 3,531.4</u>	<u>\$ 190.2</u>	<u>\$ 3,721.6</u>	<u>\$ 69.7</u>	<u>\$ 142.4</u>

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 196.2	\$ 375.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	212.2	210.4
Non-cash lease expense	31.3	32.1
Deferred income taxes	78.4	84.6
Releases for bad debts, net	(0.2)	(15.8)
Provision for pension and other post-employment benefits	5.0	4.6
Share-based compensation	49.9	65.3
(Gains) losses on disposals of long-term assets, net	(0.1)	4.7
Realized and unrealized gains from equity investments, net	(15.3)	(208.0)
Foreign exchange effects	18.0	24.8
Unrealized gains on forward repurchase contracts, net	(18.8)	(19.4)
Other	23.5	13.6
Change in operating assets and liabilities		
Trade receivables	(139.6)	(45.7)
Inventories	81.9	(55.3)
Prepaid expenses and other current assets	(47.5)	(55.2)
Accounts payable	23.2	227.2
Accrued expenses and other current liabilities	138.7	75.1
Operating lease liabilities	(30.4)	(33.5)
Income and other taxes payable	(0.7)	12.2
Other noncurrent assets	(10.9)	(13.3)
Other noncurrent liabilities	13.3	(38.9)
Net cash provided by operating activities	608.1	645.4
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(121.1)	(102.1)
Proceeds from sale of long-term assets and license terminations	1.7	56.9
Net cash used in investing activities	(119.4)	(45.2)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving loan facilities	1,134.0	612.0
Repayments of revolving loan facilities	(1,347.0)	(806.1)
Proceeds from issuance of other long-term debt	1,284.3	—
Repayments of term loans and other long-term debt	(1,613.5)	(188.6)
Dividend payments on Class A Common Stock and Series B Preferred Stock	(6.8)	(7.1)
Proceeds from issuance of Class A Common Stock in connection with global offering, net of offering costs	343.9	—
Net proceeds from issuance of Class A Common Stock	11.0	—
Net proceeds from (payments of) foreign currency contracts	0.4	(133.5)
Payments related to forward repurchase contracts	(24.0)	—
Distributions to noncontrolling interests and redeemable noncontrolling interests	(8.5)	—
Payment of deferred financing fees	(39.5)	—
All other	(20.2)	(13.3)
Net cash used in financing activities	(285.9)	(536.6)

EFFECT OF EXCHANGE RATES ON CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(3.1)	(15.1)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	199.7	48.5
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	283.8	263.8
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	\$ 483.5	\$ 312.3
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS INFORMATION:		
Cash paid during the period for interest	\$ 96.2	\$ 121.7
Net cash paid for income taxes	37.8	27.3
SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditure additions	\$ 85.5	\$ 85.3

See notes to Condensed Consolidated Financial Statements.

COTY INC. & SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(\$ in millions, except per share data)
(Unaudited)

1. DESCRIPTION OF BUSINESS

Coty Inc. and its subsidiaries (collectively, the “Company” or “Coty”) manufacture, market, sell and distribute branded beauty products, including fragrances, color cosmetics and skin & body related products throughout the world. Coty is a global beauty company with a rich entrepreneurial history and an iconic portfolio of brands.

The Company operates on a fiscal year basis with a year-end of June 30. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year. For example, references to “fiscal 2024” refer to the fiscal year ending June 30, 2024. When used in this Quarterly Report on Form 10-Q, the term “includes” and “including” means, unless the context otherwise indicates, including without limitation.

The Company’s sales generally increase during the second fiscal quarter as a result of increased demand associated with the winter holiday season. Financial performance, working capital requirements, sales, cash flows and borrowings generally experience variability during the three to six months preceding the holiday season. Product innovations, new product launches and the size and timing of orders from the Company’s customers may also result in variability.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited interim Condensed Consolidated Financial Statements are presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and include the Company’s consolidated domestic and international subsidiaries. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these unaudited interim Condensed Consolidated Financial Statements and accompanying footnotes should be read in conjunction with the Company’s Consolidated Financial Statements as of and for the year ended June 30, 2023. In the opinion of management, all adjustments, of a normal recurring nature, considered necessary for a fair presentation have been included in the Condensed Consolidated Financial Statements. The results of operations for the three and six months ended December 31, 2023 are not necessarily indicative of the results of operations to be expected for the full fiscal year ending June 30, 2024. All dollar amounts (other than per share amounts) in the following discussion are in millions of United States (“U.S.”) dollars, unless otherwise indicated.

Restricted Cash

Restricted cash represents funds that are not readily available for general purpose cash needs due to contractual limitations. Restricted cash is classified as a current or long-term asset based on the timing and nature of when or how the cash is expected to be used or when the restrictions are expected to lapse. As of December 31, 2023 and June 30, 2023, the Company had restricted cash of \$33.5 and \$36.9, respectively, included in Restricted cash in the Condensed Consolidated Balance Sheets. The Restricted cash balance as of December 31, 2023 primarily provides collateral for certain bank guarantees on rent, customs and duty accounts and also consists of collections on factored receivables that remain unremitted to the factor as of December 31, 2023. Restricted cash is included as a component of Cash, cash equivalents and restricted cash in the Condensed Consolidated Statement of Cash Flows.

Equity Investments

The Company elected the fair value option to account for its investment in Rainbow JVCO LTD and subsidiaries (together, “Wella” or the “Wella Company”) to align with the Company’s strategy for this investment. The fair value is updated on a quarterly basis. The investment is classified within Level 3 in the fair value hierarchy because the Company estimates the fair value of the investment using a combination of the income approach, the market approach and private transactions, when applicable. Changes in the fair value of equity investment under the fair value option are recorded in Other income, net within the Condensed Consolidated Statements of Operations (see Note 6—Equity Investments).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Significant accounting policies that contain subjective management estimates and assumptions include those related to revenue recognition, the net realizable value of inventory, the fair value of equity investments, the assessment of goodwill, other intangible assets and long-lived assets for

impairment and income taxes. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates and assumptions. Significant changes, if any, in those estimates and assumptions will be reflected in the Condensed Consolidated Financial Statements in future periods.

Tax Information

The effective income tax rate for the three and six months ended December 31, 2023 and 2022 was 27.7% and 13.8%, respectively, and 36.4% and 22.4%, respectively. The change in the effective tax rate for the three months ended December 31, 2023, as compared with the three months ended December 31, 2022, is primarily due to the foreign exchange loss recognized on repatriation of funds in the prior year that were previously taxed. The change in the effective tax rate for the six months ended December 31, 2023, as compared with the six months ended December 31, 2022, is primarily due to an expense of \$24.3 in the current period recognized on the revaluation of the Company's deferred tax liabilities due to a tax rate increase enacted in Switzerland.

The effective income tax rates vary from the U.S. federal statutory rate of 21% due to the effect of (i) jurisdictions with different statutory rates, including impacts of rate changes, (ii) adjustments to the Company's unrealized tax benefits ("UTBs") and accrued interest, (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes.

As of December 31, 2023 and June 30, 2023, the gross amount of UTBs was \$229.7 and \$235.5, respectively. As of December 31, 2023, the total amount of UTBs that, if recognized, would impact the effective income tax rate is \$180.0. As of December 31, 2023 and June 30, 2023, the liability associated with UTBs, including accrued interest and penalties, was \$215.6 and \$218.6, respectively, which was recorded in Income and other taxes payable and Other noncurrent liabilities in the Condensed Consolidated Balance Sheets. The total interest and penalties recorded in the Condensed Consolidated Statements of Operations related to UTBs was \$0.7 and \$0.1 for the three months ended December 31, 2023 and 2022, respectively, and \$2.0 and \$1.4 for the six months ended December 31, 2023 and 2022, respectively. The total gross accrued interest and penalties recorded in the Condensed Consolidated Balance Sheets as of December 31, 2023 and June 30, 2023 was \$35.1 and \$33.1, respectively. On the basis of the information available as of December 31, 2023, it is reasonably possible that a decrease of up to \$26.5 in UTBs may occur within twelve months as a result of projected resolutions of global tax examinations and a potential lapse of the applicable statutes of limitations.

Russia Market Exit

In connection with the Company's Board of Director's decision to wind down operations in Russia, the Company recognized total pre-tax losses in the Condensed Consolidated Statements of Operations of \$0.0 and \$0.1, respectively, in the three and six months ended December 31, 2023. The Company recognized total pre-tax gains in the Condensed Consolidated Statements of Operations of \$16.8 and \$15.7, respectively, in the three and six months ended December 31, 2022.

The Company anticipates that it will incur an immaterial amount of additional costs through completion of the wind down. Additionally, management anticipates derecognizing the cumulative translation adjustment balance pertaining to the Russian subsidiary. The Company has substantially completed the exit of its commercial activities in Russia. However, the Company anticipates that the process related to the liquidation of the Russian legal entity will take an extended period of time.

Recent Accounting Pronouncements

In December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which expands income tax disclosure requirements to include additional information related to the rate reconciliation of our effective tax rates to statutory rates, as well as additional disaggregation of taxes paid. The amendments in the ASU also remove disclosures related to certain unrecognized tax benefits and deferred taxes. ASU 2023-09 is effective for the Company in fiscal 2026. The amendments may be applied prospectively or retrospectively, and early adoption is permitted. The Company is currently assessing the impact of the requirements on its disclosures.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in the ASU require that a public entity discloses, on an annual and interim basis, significant segment expenses that are regularly provided to an entity's chief operating decision maker ("CODM"), a description of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. Annual disclosures are required for the Company in fiscal 2025. Interim disclosures are required for periods within fiscal years beginning in the first quarter of fiscal 2026. Retrospective application is required for all prior periods presented, and early adoption is permitted. The Company is currently assessing the impact of the requirements on its consolidated financial statements and disclosures.

3. SEGMENT REPORTING

Operating and reportable segments (referred to as “segments”) reflect the way the Company is managed and for which separate financial information is available and evaluated regularly by the Company’s CODM in deciding how to allocate resources and assess performance. The Company has designated its Chief Executive Officer (“CEO”) as the CODM.

Certain income and shared costs and the results of corporate initiatives are managed by Corporate. Corporate primarily includes stock compensation expense, restructuring and realignment costs, costs related to acquisition, divestiture and early license termination activities, and impairments of long-lived assets, goodwill and intangibles that are not attributable to ongoing operating activities of the segments. Corporate costs are not used by the CODM to measure the underlying performance of the segments.

With the exception of goodwill, the Company does not identify or monitor assets by segment. The Company does not present assets by reportable segment since various assets are shared between reportable segments. The allocation of goodwill by segment is presented in Note 7—Goodwill and Other Intangible Assets, net.

SEGMENT DATA	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Net revenues:				
Prestige	\$ 1,122.6	\$ 957.7	\$ 2,187.3	\$ 1,821.2
Consumer Beauty	605.0	565.9	1,181.7	1,092.4
Total	<u>\$ 1,727.6</u>	<u>\$ 1,523.6</u>	<u>\$ 3,369.0</u>	<u>\$ 2,913.6</u>
Operating income (loss):				
Prestige	200.6	164.4	422.2	335.0
Consumer Beauty	60.4	49.4	92.4	81.1
Corporate	(24.3)	(14.5)	(80.4)	(44.9)
Total	<u>\$ 236.7</u>	<u>\$ 199.3</u>	<u>\$ 434.2</u>	<u>\$ 371.2</u>
Reconciliation:				
Operating income	236.7	199.3	434.2	371.2
Interest expense, net	60.1	61.0	129.9	126.9
Other income, net	(80.8)	(141.9)	(4.2)	(240.1)
Income before income taxes	<u>\$ 257.4</u>	<u>\$ 280.2</u>	<u>\$ 308.5</u>	<u>\$ 484.4</u>

Presented below are the percentage of revenues associated with the Company’s product categories:

PRODUCT CATEGORY	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Fragrance	64.3 %	62.2 %	63.8 %	60.8 %
Color Cosmetics	24.1	25.6	24.3	26.6
Body Care, Skin & Other	11.6	12.2	11.9	12.6
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

4. RESTRUCTURING COSTS

Restructuring costs for the three and six months ended December 31, 2023 and 2022 are presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Other Restructuring Actions	\$ 6.1	\$ —	\$ 34.7	\$ —
Transformation Plan	(0.4)	(2.9)	(0.6)	(4.1)
Total	<u>\$ 5.7</u>	<u>\$ (2.9)</u>	<u>\$ 34.1</u>	<u>\$ (4.1)</u>

Other Restructuring Actions

The Company continues to analyze our cost structure and evaluate opportunities to streamline operations through a range of smaller initiatives and other cost reduction activities to optimize operations in select businesses. The Company has incurred cumulative restructuring charges of \$36.0 related to approved initiatives through December 31, 2023, which have been recorded in Corporate. The liability balances were \$35.7 (including certain actions that were accrued during fiscal 2023) and \$0.0 at December 31, 2023 and June 30, 2023 respectively. The Company currently estimates that the total remaining accrual of \$35.7 will result in cash expenditures of approximately \$5.8, \$15.4 and \$14.5 in fiscal 2024, 2025 and thereafter, respectively.

Transformation Plan

The Company previously announced a four-year plan to drive substantial improvement and optimization in the Company's businesses, under which the Company expected to incur restructuring and related costs (the "Transformation Plan"), which is now substantially complete. Of the expected costs, the Company has incurred cumulative restructuring charges of \$214.9 related to approved initiatives through December 31, 2023, which have been recorded in Corporate. The related liability balances were \$6.5 and \$10.0 at December 31, 2023 and June 30, 2023, respectively. The Company currently estimates that the total remaining accrual of \$6.5 will result in cash expenditures of approximately \$3.8 and \$2.7 in fiscal 2024 and 2025, respectively.

5. INVENTORIES

Inventories as of December 31, 2023 and June 30, 2023 are presented below:

	December 31, 2023	June 30, 2023
Raw materials	\$ 212.1	\$ 224.1
Work-in-process	12.7	15.6
Finished goods	550.7	613.7
Total inventories	<u>\$ 775.5</u>	<u>\$ 853.4</u>

6. EQUITY INVESTMENTS

The Company's equity investments, classified as Equity investments in the Condensed Consolidated Balance Sheets are represented by the following:

	December 31, 2023	June 30, 2023
<i>Equity method investments:</i>		
KKW Holdings ^(a)	\$ 7.2	\$ 8.9
<i>Equity investments at fair value:</i>		
Wella ^(b)	1,077.0	1,060.0
Total equity investments	\$ 1,084.2	\$ 1,068.9

^(a) On January 4, 2021, the Company completed its purchase of 20% of the outstanding equity of KKW Holdings. The Company accounts for this minority investment under the equity method, given it has the ability to exercise significant influence over, but not control, the investee. The carrying value of the Company's investment includes basis differences allocated to amortizable intangible assets.

The Company recognized \$0.9 and \$1.1, respectively, during the three months ended December 31, 2023 and 2022 and \$1.7 and \$2.0, respectively, during the six months ended December 31, 2023 and 2022 representing its share of the investee's net loss in Other income, net within the Condensed Consolidated Statements of Operations.

^(b) As of December 31, 2023 and June 30, 2023, the Company's stake in Wella was 25.9%.

On July 18, 2023, the Company announced that it had entered into a binding letter of intent to sell a 3.6% stake in Wella to an investment firm for \$150.0. Subsequently, the Company and investment firm mutually agreed not to pursue the proposed transaction and entered into a termination letter in October 2023.

The following table presents summarized financial information of the Company's equity method investees for the period ending December 31, 2023. Amounts presented represent combined totals at the investee level and not the Company's proportionate share:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Summarized Statements of Operations information:				
Net revenues	\$ 703.9	\$ 660.6	\$ 1,341.2	\$ 1,257.2
Gross profit	472.1	420.3	898.9	814.9
Operating income	79.6	55.5	124.5	116.5
Income before income taxes	24.2	0.3	17.4	20.3
Net income (loss)	74.2	(1.5)	57.5	14.5

The following table summarizes movements in equity investments with fair value option that are classified within Level 3 for the period ended December 31, 2023. There were no internal movements to or from Level 3 and Level 1 or Level 2 for the period ended December 31, 2023.

Equity investments at fair value:	
Balance as of June 30, 2023	\$ 1,060.0
Total gains included in earnings	17.0
Balance as of December 31, 2023	<u>\$ 1,077.0</u>

Level 3 significant unobservable inputs sensitivity

The following table summarizes the significant unobservable inputs used in Level 3 valuation of the Company's investments carried at fair value as of December 31, 2023. Included in the table are the inputs or range of possible inputs that have an effect on the overall valuation of the financial instruments.

	Fair value	Valuation technique	Unobservable input	Range
Equity investments at fair value	\$ 1,077.0	Discounted cash flows	Discount rate	10.45% ^(a)
			Growth rate	1.8% - 9.2% ^(a)
		Market multiple	Revenue multiple	2.1x - 2.3x ^(b)
			EBITDA multiple	10.4x - 13.9x ^(b)

^(a) The primary unobservable inputs used in the fair value measurement of the Company's equity investments with fair value option, when using a discounted cash flow method, are the discount rate and revenue growth rate. Significant increases (decreases) in the discount rate in isolation would result in a significantly lower (higher) fair value measurement. The Company estimates the discount rate based on the investees' projected cost of equity and debt. The revenue growth rate is forecasted for future years by the investee based on their best estimates. Significant increases (decreases) in the revenue growth rate in isolation would result in a significantly higher (lower) fair value measurement.

^(b) The primary unobservable inputs used in the fair value measurement of the Company's equity investments with fair value option, when using a market multiple method, are the revenue multiple and EBITDA multiple. Significant increases (decreases) in the revenue multiple or EBITDA multiple in isolation would result in a significantly higher (lower) fair value measurement. The market multiples are derived from a group of guideline public companies.

7. GOODWILL AND OTHER INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of December 31, 2023 and June 30, 2023 is presented below:

	Prestige	Consumer Beauty	Total
Gross balance at June 30, 2023	\$ 6,279.2	\$ 1,748.8	\$ 8,028.0
Accumulated impairments	(3,110.3)	(929.8)	(4,040.1)
Net balance at June 30, 2023	<u>\$ 3,168.9</u>	<u>\$ 819.0</u>	<u>\$ 3,987.9</u>
Changes during the period ended December 31, 2023			
Foreign currency translation	27.1	6.9	34.0
Gross balance at December 31, 2023	\$ 6,306.3	\$ 1,755.7	\$ 8,062.0
Accumulated impairments	(3,110.3)	(929.8)	(4,040.1)
Net balance at December 31, 2023	<u>\$ 3,196.0</u>	<u>\$ 825.9</u>	<u>\$ 4,021.9</u>

Other Intangible Assets, net

Other intangible assets, net as of December 31, 2023 and June 30, 2023 are presented below:

	December 31, 2023	June 30, 2023
Indefinite-lived other intangible assets	\$ 957.4	\$ 950.8
Finite-lived other intangible assets, net	2,782.1	2,847.2
Total Other intangible assets, net	\$ 3,739.5	\$ 3,798.0

The changes in the carrying amount of indefinite-lived other intangible assets are presented below:

	Trademarks	Total
Gross balance at June 30, 2023	\$ 1,895.7	\$ 1,895.7
Accumulated impairments	(944.9)	(944.9)
Net balance at June 30, 2023	\$ 950.8	\$ 950.8

Changes during the period ended December 31, 2023

Foreign currency translation	6.6	6.6
Gross balance at December 31, 2023	\$ 1,902.3	\$ 1,902.3
Accumulated impairments	(944.9)	(944.9)
Net balance at December 31, 2023	\$ 957.4	\$ 957.4

Intangible assets subject to amortization are presented below:

	Cost	Accumulated Amortization	Accumulated Impairment	Net
June 30, 2023				
License agreements and collaboration agreements	\$ 3,756.2	\$ (1,282.6)	\$ (19.6)	\$ 2,454.0
Customer relationships	750.6	(505.9)	(5.5)	239.2
Trademarks	313.0	(180.6)	(0.5)	131.9
Product formulations and technology	85.6	(63.5)	—	22.1
Total	\$ 4,905.4	\$ (2,032.6)	\$ (25.6)	\$ 2,847.2
December 31, 2023				
License agreements and collaboration agreements	\$ 3,798.8	\$ (1,372.5)	\$ (19.6)	\$ 2,406.7
Customer relationships	755.3	(522.4)	(5.5)	227.4
Trademarks	314.1	(187.5)	(0.5)	126.1
Product formulations and technology	86.5	(64.6)	—	21.9
Total	\$ 4,954.7	\$ (2,147.0)	\$ (25.6)	\$ 2,782.1

Amortization expense was \$48.3 and \$47.6 for the three months ended December 31, 2023 and 2022, respectively and \$96.9 and \$94.9 for the six months ended December 31, 2023 and 2022, respectively.

8. LEASES

The Company leases office facilities under non-cancelable operating leases with terms generally ranging between 4 and 25 years. The Company utilizes these leased office facilities for use by its employees in countries in which the Company conducts its business. Leases are negotiated with third parties and, in some instances contain renewal, expansion and termination options. The Company also subleases certain office facilities to third parties when the Company no longer intends to utilize the space. None of the Company's leases restricts the payment of dividends or the incurrence of debt or additional lease obligations, or contain significant purchase options.

The following chart provides additional information about the Company's operating leases:

Lease Cost:	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Operating lease cost	\$ 18.7	\$ 19.3	\$ 37.8	\$ 38.5
Short-term lease cost	0.5	0.3	0.8	0.5
Variable lease cost	8.9	8.2	19.6	16.8
Sublease income	(4.5)	(3.9)	(8.4)	(7.7)
Net lease cost	\$ 23.6	\$ 23.9	\$ 49.8	\$ 48.1
Other information:				
Operating cash outflows from operating leases	\$ (18.0)	\$ (18.7)	\$ (37.2)	\$ (40.4)
Right-of-use assets obtained in exchange for lease obligations	\$ 17.7	\$ 6.2	\$ 32.7	\$ 13.8
Weighted-average remaining lease term - real estate			6.9 years	7.4 years
Weighted-average discount rate - real estate leases			4.42 %	4.07 %

Future minimum lease payments for the Company's operating leases are as follows:

Fiscal Year Ending June 30,	
2024, remaining	\$ 38.4
2025	69.3
2026	60.2
2027	51.4
2028	36.4
Thereafter	112.1
Total future lease payments	367.8
Less: imputed interest	(54.7)
Total present value of lease liabilities	313.1
Current operating lease liabilities	61.5
Long-term operating lease liabilities	251.6
Total operating lease liabilities	\$ 313.1

Table excludes obligations for leases with original terms of twelve months or less, which have not been recognized as right-of-use assets or liabilities in the Condensed Consolidated Balance Sheets.

9. DEBT

The Company's debt balances consisted of the following as of December 31, 2023 and June 30, 2023, respectively:

	December 31, 2023	June 30, 2023
Short-term debt	\$ 6.0	\$ —
Senior Secured Notes		
2026 Dollar Senior Secured Notes due April 2026	650.0	900.0
2026 Euro Senior Secured Notes due April 2026	774.4	761.0
2028 Euro Senior Secured Notes due September 2028	553.2	—
2029 Dollar Senior Secured Notes due January 2029	500.0	500.0
2030 Dollar Senior Secured Notes due July 2030	750.0	—
2018 Coty Credit Agreement		
2023 Coty Revolving Credit Facility due July 2028	—	—
2021 Coty Revolving Credit Facility due April 2025	—	228.9
2018 Coty Term B Facility due April 2025	—	1,183.7
Senior Unsecured Notes		
2026 Dollar Notes due April 2026	323.0	473.0
2026 Euro Notes due April 2026	199.5	196.0
Brazilian Credit Facilities	—	31.9
Other long-term debt and finance lease obligations	5.7	7.1
Total debt	3,761.8	4,281.6
Less: Short-term debt and current portion of long-term debt	(8.9)	(57.9)
Total Long-term debt	3,752.9	4,223.7
Less: Unamortized financing fees and discounts on long-term debt	(70.0)	(45.5)
Total Long-term debt, net	\$ 3,682.9	\$ 4,178.2

Short-Term Debt

The Company maintains short-term lines of credit and other short-term debt with financial institutions around the world. As of December 31, 2023, total short-term debt increased by \$6.0 from nil as of June 30, 2023. In addition, the Company had undrawn letters of credit of \$4.1 and \$7.2, and bank guarantees of \$20.7 and \$16.3 as of December 31, 2023 and June 30, 2023, respectively.

Long-Term Debt

Recent Developments

Cash Tender Offers

On December 7, 2023, the Company completed its previously announced cash tender offers and redeemed \$150.0 of the Company's 2026 Dollar Notes (as defined below) and \$250.0 of the Company's 2026 Dollar Senior Secured Notes (as defined below).

Refinancing Amendment

On July 11, 2023, the Company entered into an amendment to the 2018 Coty Credit Agreement that (i) refinanced all of the existing \$2,000.0 of revolving credit commitments and the outstanding loans made pursuant thereto (the "2021 Coty Revolving Credit Facility") with two new tranches of senior secured revolving credit commitments, one in an aggregate principal amount of \$1,670.0 available in U.S. dollars and certain other currencies and the other in an aggregate principal amount of €300.0 million available in euros, maturing in July 2028 (together, the "2023 Coty Revolving Credit Facility"), (ii) provided for a credit spread adjustment of 0.10% for all interest periods, with respect to Secured Overnight Financing Rate ("SOFR") loans,

(iii) added Fitch as a relevant rating agency for purposes of the collateral release provisions and determining applicable interest rates and fees and (iv) provided that certain covenants will cease to apply during a collateral release period.

Offering of Senior Secured Notes

On July 26, 2023, the Company issued an aggregate principal amount of \$750.0 of 6.625% senior secured notes due 2030 ("2030 Dollar Senior Secured Notes"). Coty received net proceeds of \$740.6 in connection with the offering of the 2030 Dollar Senior Secured Notes. In accordance with the 2018 Coty Credit Agreement (as defined below), as amended, the net proceeds received from this offering were utilized to pay down the outstanding balance of the U.S. dollar and euro portions of the 2018 Coty Term B Facility, as defined below, by \$715.5 and €22.6 million (approximately \$25.1), respectively, in addition to related fees and expenses thereto.

On September 19, 2023, the Company issued an aggregate principal amount of €500.0 million of 5.750% senior secured notes due 2028 ("2028 Euro Senior Secured Notes") in a private offering. Coty received net proceeds of €493.8 million in connection with the offering of the 2028 Euro Senior Secured Notes. In accordance with the 2018 Coty Credit Agreement (as defined below), as amended, the net proceeds received from this offering were utilized to pay down a portion of the borrowings outstanding under the 2023 Coty Revolving Credit Facility, without a reduction in commitment. Coty used cash on hand to pay the related fees and expenses to this offering.

2018 Term B Facility Repayment

On August 3, 2023, the Company repaid €408.0 million (approximately \$446.1) of the debt outstanding under the 2018 Term B Facility.

Paydown of Brazilian Credit Facility

On October 5, 2023, a wholly-owned subsidiary of the Company utilized cash on hand to fully paid down the U.S. Dollar-denominated credit facility in Brazil in the amount of \$31.9.

Senior Secured Notes

On April 21, 2021, the Company issued an aggregate principal amount of \$900.0 of 5.00% senior secured notes due 2026 (the "2026 Dollar Senior Secured Notes"). Coty received gross proceeds of \$900.0 in connection with the offering of the 2026 Dollar Senior Secured Notes.

On June 16, 2021, the Company issued an aggregate principal amount of €700.0 million of 3.875% senior secured notes due 2026 (the "2026 Euro Senior Secured Notes") in a private offering. Coty received gross proceeds of €700.0 million in connection with the offering of the 2026 Euro Senior Secured Notes.

On November 30, 2021, the Company issued an aggregate principal amount of \$500.0 of 4.75% senior secured notes due 2029 ("2029 Dollar Senior Secured Notes" and, together with the 2026 Euro Senior Secured Notes, 2028 Euro Senior Secured Notes, 2029 Dollar Senior Secured Notes and 2030 Dollar Senior Secured Notes, the "Senior Secured Notes"). Coty received gross proceeds of \$500.0 in connection with the offering of the 2029 Dollar Senior Secured Notes.

See the above *Recent Developments* section for the issuances of the 2028 Euro Senior Secured Notes and 2030 Dollar Senior Secured Notes.

Coty used the gross proceeds of the offerings of the Senior Secured Notes to repay a portion of the term loans outstanding under the existing credit facilities and to pay related fees and expenses thereto.

The Senior Secured Notes are senior secured obligations of Coty and are guaranteed on a senior secured basis by each of Coty's wholly-owned domestic subsidiaries that guarantees Coty's obligations under its existing senior secured credit facilities and are secured by first priority liens on the same collateral that secures Coty's obligations under its existing senior secured credit facilities, as described above. The Senior Secured Notes and the guarantees are equal in right of payment with all of Coty's and the guarantors' respective existing and future senior indebtedness and are *pari passu* with all of Coty's and the guarantors' respective existing and future indebtedness that is secured by a first priority lien on the collateral, including the existing senior secured credit facilities, to the extent of the value of such collateral. For the 2028 Euro Senior Secured Notes and the 2030 Dollar Senior Secured Notes, the collateral security and certain covenants will be released upon the respective Senior Secured Notes achieving investment grade ratings from two out of the three ratings agencies.

Optional Redemption

Applicable Premium

The indentures governing the Senior Secured Notes specify the Applicable Premium (as defined in the respective indentures) to be paid upon early redemption of some or all of the Senior Secured Notes prior to, and on or after, April 15, 2023 for the 2026 Euro Senior Secured Notes and 2026 Dollar Senior Secured Notes, September 15, 2025 for the 2028 Euro Senior

Secured Notes, January 15, 2025 for the 2029 Dollar Senior Secured Notes and July 15, 2026 for the 2030 Dollar Senior Secured Notes (the "Early Redemption Dates").

The Applicable Premium related to the respective Senior Secured Notes on any redemption date and as calculated by the Company is the greater of:

- (1) 1.0% of the then outstanding principal amount of the respective Senior Secured Notes; and
- (2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such respective Senior Secured Notes that would apply if such respective notes were redeemed on the respective Early Redemption Dates, (such redemption price is expressed as a percentage of the principal amount being set forth in the table appearing in the Redemption Pricing section below), plus (ii) all remaining scheduled payments of interest due on the respective Senior Secured Notes to and including the respective Early Redemption Dates, (excluding accrued but unpaid interest, if any, to, but excluding, the redemption date), with respect to each of subclause (i) and (ii), computed using a discount rate equal to the Treasury Rate in the case of the 2026 Dollar Senior Secured Notes, 2029 Dollar Senior Secured Notes and 2030 Dollar Senior Secured Notes, or Bund Rate in the case of the 2026 Euro Senior Secured Notes and the 2028 Euro Senior Secured Notes (both Treasury Rate and Bund Rate as defined in the respective indentures) as of such redemption date plus 50 basis points; over (b) the principal amount of the respective Senior Secured Notes.

Redemption Pricing

At any time and from time to time prior to the Early Redemption Dates, the Company may redeem some or all of the respective notes at redemption prices equal to 100% of the respective principal amounts being redeemed plus the Applicable Premium, plus accrued and unpaid interest, if any, to, but excluding, the redemption dates.

At any time on or after the Early Redemption Dates, the Company may redeem some or all of the respective notes at the redemption prices (expressed in percentage of principal amount) set forth below, plus accrued and unpaid interest, if any, to, but excluding, the redemption dates, if redeemed during the twelve-month period beginning on respective dates of each of the years indicated below:

For the period beginning Year	Price				
	2026 Dollar Senior Secured Notes	2026 Euro Senior Secured Notes	2028 Euro Senior Secured Notes	2029 Dollar Senior Secured Notes	2030 Dollar Senior Secured Notes
	April 15,	April 15,	September 15,	January 15,	July 15,
2024	101.250%	100.969%	N/A	N/A	N/A
2025	100.000%	100.000%	102.875%	102.375%	N/A
2026	N/A	N/A	101.438%	101.188%	103.313%
2027	N/A	N/A	100.000%	100.000%	101.656%
2028 and thereafter	N/A	N/A	100.000%	100.000%	100.000%

2018 Coty Credit Agreement

On April 5, 2018, the Company entered into an amended and restated credit agreement (the "2018 Coty Credit Agreement"), which, as previously disclosed, was amended most recently in July 2023.

As amended and restated through July 2023, the 2018 Coty Credit Agreement provides for (a) the incurrence by the Company of (1) a senior secured term A facility in an aggregate principal amount of (i) \$1,000.0 denominated in U.S. dollars and (ii) €2,035.0 million denominated in euros (the "2018 Coty Term A Facility") and (2) a senior secured term B facility in an aggregate principal amount of (i) \$1,400.0 denominated in U.S. dollars and (ii) €850.0 million denominated in euros (the "2018 Coty Term B Facility") and (b) the incurrence by the Company and Coty B.V., a Dutch subsidiary of the Company (the "Dutch Borrower" and, together with the Company, the "Borrowers"), of the 2023 Coty Revolving Credit Facility (together with the 2018 Coty Term A Facility and the 2018 Coty Term B Facility, the "Coty Credit Facilities"). See the above *Recent Developments* section for information on the revolver refinancing made in July 2023.

The 2018 Coty Credit Agreement, as amended, provides that with respect to the 2023 Coty Revolving Credit Facility, up to \$150.0 is available for letters of credit and up to \$150.0 is available for swing line loans. The 2018 Coty Credit Agreement, as amended, also permits, subject to certain terms and conditions, the incurrence of incremental facilities thereunder in an aggregate amount of (i) \$1,700.0 plus (ii) an unlimited amount if the First Lien Net Leverage Ratio (as defined in the 2018 Coty Credit Agreement, as amended), at the time of incurrence of such incremental facilities and after giving effect thereto on a pro forma basis, is less than or equal to 3.00 to 1.00.

The obligations of the Company under the 2018 Coty Credit Agreement, as amended, are guaranteed by the material wholly-owned subsidiaries of the Company organized in the U.S., subject to certain exceptions (the "Guarantors") and the

obligations of the Company and the Guarantors under the 2018 Coty Credit Agreement, as amended, are secured by a perfected first priority lien (subject to permitted liens) on substantially all of the assets of the Company and the Guarantors, subject to certain exceptions. The Dutch Borrower does not guarantee the obligations of the Company under the 2018 Coty Credit Agreement or grant any liens on its assets to secure any obligations under the 2018 Coty Credit Agreement.

As previously disclosed, the Company utilized proceeds from certain transactions to pay down portions of the outstanding balances of the 2018 Coty Term A Facility and 2018 Coty Term B Facility, in accordance to the 2018 Coty Credit Agreement, as amended. No balances remain outstanding under the 2018 Coty Term A Facility or 2018 Coty Term B Facility as of September 30, 2023. See the above *Recent Developments* section for information on the prepayments made on the 2018 Coty Term B Facility during the six months ended December 31, 2023.

Senior Unsecured Notes

On April 5, 2018 the Company issued, at par, \$550.0 of 6.50% senior unsecured notes due 2026 (the “2026 Dollar Notes”), €550.0 million of 4.00% senior unsecured notes due 2023 (the “2023 Euro Notes”) and €250.0 million of 4.75% senior unsecured notes due 2026 (the “2026 Euro Notes”) and, together with the 2023 Euro Notes, the “Euro Notes,” and the Euro Notes together with the 2026 Dollar Notes, the “Senior Unsecured Notes”) in a private offering.

The Senior Unsecured Notes are senior unsecured debt obligations of the Company and will be *pari passu* in right of payment with all of the Company’s existing and future senior indebtedness (including the Coty Credit Facilities). The Senior Unsecured Notes are guaranteed, jointly and severally, on a senior basis by the Guarantors. The Senior Unsecured Notes are senior unsecured obligations of the Company and are effectively junior to all existing and future secured indebtedness of the Company to the extent of the value of the collateral securing such secured indebtedness. The related guarantees are senior unsecured obligations of each Guarantor and are effectively junior to all existing and future secured indebtedness of such Guarantor to the extent of the value of the collateral securing such indebtedness.

The 2026 Dollar and Euro Notes will mature on April 15, 2026. The 2026 Dollar Notes will bear interest at a rate of 6.50% per annum. The 2026 Euro Notes will bear interest at a rate of 4.75% per annum. Interest on the 2026 Dollar and Euro Notes is payable semi-annually in arrears on April 15 and October 15 of each year.

The Company redeemed the 2023 Euro Notes on April 15, 2022. On December 7, 2022, the Company redeemed \$77.0 of the 2026 Dollar Notes and €69.7 million (approximately \$72.2) of the 2026 Euro Notes.

Upon the occurrence of certain change of control triggering events with respect to a series of Senior Unsecured Notes, the Company will be required to offer to repurchase all or part of the Senior Unsecured Notes of such series at 101% of their principal amount, plus accrued and unpaid interest, if any, to, but excluding, the purchase date applicable to such Senior Unsecured Notes.

The Senior Unsecured Notes contain customary covenants that place restrictions in certain circumstances on, among other things, incurrence of liens, entry into sale or leaseback transactions, sales of all or substantially all of the Company’s assets and certain merger or consolidation transactions. The Senior Unsecured Notes also provide for customary events of default.

Deferred Financing Costs

The Company wrote off unamortized deferred issuance fees and discounts of \$2.2 and \$0.8 during the three months ended December 31, 2023 and 2022, respectively, and \$7.4 and \$0.8 during the six months ended December 31, 2023 and 2022, respectively, which were recorded in Other income, net in the Condensed Consolidated Statement of Operations. Additionally, the Company capitalized deferred issuance fees of \$0.0 and \$0.0 during the three months ended December 31, 2023 and 2022, respectively and \$40.4 and \$0.0 during the six months ended December 31, 2023 and 2022.

Interest

The 2018 Coty Credit Agreement facilities will bear interest at rates equal to, at the Company’s option, either:

- (1) SOFR of the applicable qualified currency, of which the Company can elect the applicable one, two, three, six or twelve month rate, plus the applicable margin; or
- (2) Alternate base rate (“ABR”) plus the applicable margin.

In the case of the 2023 Coty Revolving Credit Facility, the applicable margin means the lesser of a percentage per annum to be determined in accordance with the leverage-based pricing grid and the debt rating-based grid below:

Pricing Tier	Total Net Leverage Ratio:	SOFR plus:	Alternative Base Rate Margin:
1.0	Greater than or equal to 4.75:1	2.000%	1.000%
2.0	Less than 4.75:1 but greater than or equal to 4.00:1	1.750%	0.750%
3.0	Less than 4.00:1 but greater than or equal to 2.75:1	1.500%	0.500%
4.0	Less than 2.75:1 but greater than or equal to 2.00:1	1.250%	0.250%
5.0	Less than 2.00:1 but greater than or equal to 1.50:1	1.125%	0.125%
6.0	Less than 1.50:1	1.000%	—%

Pricing Tier	Debt Ratings (S&P/Fitch/Moody's):	SOFR plus:	Alternative Base Rate Margin:
5.0	Less than BB+/Ba1	2.000%	1.000%
4.0	BB+/Ba1	1.750%	0.750%
3.0	BBB-/Baa3	1.500%	0.500%
2.0	BBB/Baa2	1.250%	0.250%
1.0	BBB+/Baa1 or higher	1.125%	0.125%

Fair Value of Debt

	December 31, 2023		June 30, 2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Senior Secured Notes	\$ 3,227.6	\$ 3,251.9	\$ 2,161.0	\$ 2,066.9
2018 Coty Credit Agreement	—	—	1,412.6	1,393.5
Senior Unsecured Notes	522.5	522.7	669.0	661.5
Brazilian Credit Facilities	—	—	31.9	32.2

The fair value of the 2023 Coty Revolving Credit Facility is equal to its carrying value, as the Company has the ability to repay the outstanding principal at par value at any time. The Company uses the market approach to value its other debt instruments. The Company obtains fair values from independent pricing services or utilizes the U.S. dollar SOFR curve to determine the fair value of these debt instruments. Based on the assumptions used to value these liabilities at fair value, these debt instruments are categorized as Level 2 in the fair value hierarchy.

Debt Maturities Schedule

Aggregate maturities of the Company's long-term debt, including the current portion of long-term debt and excluding short-term debt and finance lease obligations as of December 31, 2023, are presented below:

Fiscal Year Ending June 30,	
2024, remaining	\$ —
2025	—
2026	1,946.9
2027	—
2028	—
Thereafter	1,803.2
Total	\$ 3,750.1

Covenants

The 2018 Coty Credit Agreement contains affirmative and negative covenants. The negative covenants include, among other things, limitations on debt, liens, dispositions, investments, fundamental changes, restricted payments and affiliate

transactions. With certain exceptions as described below, the 2018 Coty Credit Agreement, as amended, includes a financial covenant that requires us to maintain a Total Net Leverage Ratio (as defined below), equal to or less than the ratios shown below for each respective test period.

Quarterly Test Period Ending	Total Net Leverage Ratio ^(a)
December 31, 2023 through July 11, 2028	4.00 to 1.00

^(a) Total Net Leverage Ratio means, as of any date of determination, the ratio of: (a) (i) Total Indebtedness minus (ii) unrestricted and Cash Equivalents of the Parent Borrower and its Restricted Subsidiaries as determined in accordance with GAAP to (b) Adjusted EBITDA for the most recently ended Test Period (each of the defined terms, including Adjusted EBITDA, used within the definition of Total Net Leverage Ratio have the meanings ascribed to them within the 2018 Coty Credit Agreement, as amended). Adjusted EBITDA, as defined in the 2018 Coty Credit Agreement, as amended, includes certain add backs related to cost savings, unusual events such as COVID-19, operating expense reductions and future unrealized synergies subject to certain limits and conditions as specified in the 2018 Coty Credit Agreement, as amended.

In the four fiscal quarters following the closing of any Material Acquisition (as defined in the 2018 Coty Credit Agreement, as amended), including the fiscal quarter in which such Material Acquisition occurs, the maximum Total Net Leverage Ratio shall be the lesser of (i) 5.95 to 1.00 and (ii) 1.00 higher than the otherwise applicable maximum Total Net Leverage Ratio for such quarter (as set forth in the table above). Immediately after any such four fiscal quarter period, there shall be at least two consecutive fiscal quarters during which the Company's Total Net Leverage Ratio is no greater than the maximum Total Net Leverage Ratio that would otherwise have been required in the absence of such Material Acquisition, regardless of whether any additional Material Acquisitions are consummated during such period.

As of December 31, 2023, the Company was in compliance with all covenants contained within the 2018 Coty Credit Agreement, as amended.

10. INTEREST EXPENSE, NET

Interest expense, net for the three and six months ended December 31, 2023 and 2022, respectively, is presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Interest expense	\$ 61.7	\$ 65.0	\$ 128.5	\$ 122.6
Foreign exchange losses, net of derivative contracts	2.3	2.1	10.5	14.0
Interest income	(3.9)	(6.1)	(9.1)	(9.7)
Total interest expense, net	\$ 60.1	\$ 61.0	\$ 129.9	\$ 126.9

11. EMPLOYEE BENEFIT PLANS

The components of net periodic benefit cost for pension plans and other post-employment benefit plans recognized in the Condensed Consolidated Statements of Operations are presented below:

	Three Months Ended December 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International		2023	2022	2023	2022
	2023	2022	2023	2022				
Service cost	—	—	1.3	1.2	0.1	0.2	1.4	1.4
Interest cost	0.2	0.2	3.2	2.7	0.4	0.4	3.8	3.3
Expected return on plan assets	—	—	(1.2)	(0.9)	—	—	(1.2)	(0.9)
Amortization of prior service credit	—	—	—	—	(0.1)	(0.1)	(0.1)	(0.1)
Amortization of net (gain) loss	(0.2)	(0.7)	(0.6)	(0.2)	(0.6)	(0.5)	(1.4)	(1.4)
Net periodic benefit cost (credit)	—	(0.5)	2.7	2.8	(0.2)	—	2.5	2.3

	Six Months Ended December 31,							
	Pension Plans				Other Post-Employment Benefits		Total	
	U.S.		International		2023	2022	2023	2022
	2023	2022	2023	2022				
Service cost	—	—	2.6	2.4	0.2	0.4	2.8	2.8
Interest cost	0.4	0.4	6.4	5.4	0.8	0.8	7.6	6.6
Expected return on plan assets	—	—	(2.4)	(1.8)	—	—	(2.4)	(1.8)
Amortization of prior service credit	—	—	—	—	(0.2)	(0.2)	(0.2)	(0.2)
Amortization of net (gain) loss	(0.4)	(1.4)	(1.2)	(0.4)	(1.2)	(1.0)	(2.8)	(2.8)
Net periodic benefit cost (credit)	—	(1.0)	5.4	5.6	(0.4)	—	5.0	4.6

12. DERIVATIVE INSTRUMENTS

Foreign Exchange Risk

The Company is exposed to foreign currency exchange fluctuations through its global operations. The Company may reduce its exposure to fluctuations in the cash flows associated with changes in foreign exchange rates by creating offsetting positions through the use of derivative instruments and also by designating foreign currency denominated borrowings and cross-currency swaps as hedges of net investments in foreign subsidiaries. The Company expects that through hedging, any gain or loss on the derivative instruments would generally offset the expected increase or decrease in the value of the underlying forecasted transactions.

As of December 31, 2023 and June 30, 2023, the notional amount of the outstanding forward foreign exchange contracts designated as cash flow hedges were \$26.6 and \$28.0, respectively.

The Company also uses certain derivatives not designated as hedging instruments consisting primarily of foreign currency forward contracts and cross-currency swaps to hedge intercompany transactions and foreign currency denominated external debt. Although these derivatives were not designated for hedge accounting, the overall objective of mitigating foreign currency exposure is the same for all derivative instruments. For derivatives not designated as hedging instruments, changes in fair value are recorded in the line item in the Condensed Consolidated Statements of Operations to which the derivative relates. As of December 31, 2023 and June 30, 2023, the notional amounts of these outstanding non-designated foreign currency forward and cross-currency swap contracts were \$1,828.4 and \$1,653.5, respectively.

Interest Rate Risk

The Company is exposed to interest rate fluctuations related to its variable rate debt instruments. The Company may reduce its exposure to fluctuations in the cash flows associated with changes in the variable interest rates by entering into offsetting positions through the use of derivative instruments, such as interest rate swap contracts. The interest rate swap contracts result in recognizing a fixed interest rate for the portion of the Company's variable rate debt that was hedged. This will reduce the negative and positive impact of increases in the variable rates over the term of the contracts. Hedge effectiveness of interest rate swap contracts is based on a long-haul hypothetical derivative methodology and includes all changes in value.

As of June 30, 2023, the Company had interest rate swap contracts in the notional amount of \$200.0, which were fully terminated in December 2023 for a cash receipt of \$2.1. As the forecasted interest expense under the original swap agreements is still probable, the related gain in accumulated other comprehensive income (loss) ("AOCI/L") will be amortized over the remaining life of the swaps. These interest rate swaps had been designated and qualified as cash flow hedges and were highly effective prior to termination.

Net Investment Hedge

Foreign currency gains and losses on borrowings designated as a net investment hedge, except ineffective portions, are reported in the cumulative translation adjustment ("CTA") component of AOCI(L), along with the foreign currency translation adjustments on those investments. As of December 31, 2023 and June 30, 2023, the nominal exposures of foreign currency denominated borrowings designated as net investment hedges were €907.8 million and €701.3 million, respectively. The designated hedge amounts were considered highly effective.

Forward Repurchase Contracts

In June 2022, December 2022, and November 2023, the Company entered into certain forward repurchase contracts to start hedging for potential \$200.0, \$196.0, and \$250.0 share buyback programs, in 2024, 2025, and 2026, respectively. These forward repurchase contracts are accounted for at fair value, with changes in the fair value recorded in Other income, net in the Condensed Consolidated Statements of Operations. Refer to Note 13—Equity and Convertible Preferred Stock.

Derivative and non-derivative financial instruments which are designated as hedging instruments:

The accumulated loss on foreign currency borrowings classified as net investment hedges in the foreign currency translation adjustment component of AOCI(L) was \$(22.1) and \$(12.2) as of December 31, 2023 and June 30, 2023, respectively.

In September 2020, the Company terminated its net investment cross-currency swap derivative with a notional amount of \$550.0 in exchange for a cash payment of \$37.6. The loss related to this termination of \$(37.6) is included in AOCI(L) as of December 31, 2023 and June 30, 2023, and will remain until the sale or substantial liquidation of the underlying net investments.

The amount of gains and losses recognized in Other comprehensive income (loss) ("OCI") in the Condensed Consolidated Balance Sheets related to the Company's derivative and non-derivative financial instruments which are designated as hedging instruments is presented below:

Gain (Loss) Recognized in OCI	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Foreign exchange forward contracts	\$ (1.1)	\$ (0.4)	\$ —	\$ 1.3
Interest rate swap contracts	(1.1)	0.1	(0.1)	1.8
Net investment hedges	(27.6)	(31.4)	(9.9)	(36.7)

The accumulated gain on derivative instruments classified as cash flow hedges in AOCI(L), net of tax, was \$1.1 and \$0.7 as of December 31, 2023 and June 30, 2023, respectively. The estimated net gain related to these effective hedges that is expected to be reclassified from AOCI(L) into earnings within the next twelve months is \$0.7. As of December 31, 2023, all of the Company's remaining foreign currency forward contracts designated as hedges were highly effective.

The amount of gains and losses reclassified from AOCI/(L) to the Condensed Consolidated Statements of Operations related to the Company's derivative financial instruments which are designated as hedging instruments is presented below:

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow Hedging Relationships	Three Months Ended December 31,			
	2023		2022	
	Cost of sales	Interest expense, net	Cost of sales	Interest expense, net
Foreign exchange forward contracts:				
Amount of gain (loss) reclassified from AOCI into income	\$ (1.4)	\$ —	\$ (0.1)	\$ —
Interest rate swap contracts:				
Amount of gain (loss) reclassified from AOCI into income	—	0.6	—	4.9

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow Hedging Relationships	Six Months Ended December 31,			
	2023		2022	
	Cost of sales	Interest expense, net	Cost of sales	Interest expense, net
Foreign exchange forward contracts:				
Amount of gain (loss) reclassified from AOCI into income	\$ (2.1)	\$ —	\$ (1.6)	\$ —
Interest rate swap contracts:				
Amount of gain (loss) reclassified from AOCI into income	—	1.2	—	6.7

Derivatives not designated as hedging:

The amount of gains and losses related to the Company's derivative financial instruments not designated as hedging instruments is presented below:

Condensed Consolidated Statements of Operations Classification of Gain (Loss) Recognized in Operations	Three Months Ended December 31,		Six Months Ended December 31,		
	2023	2022	2023	2022	
	Foreign exchange contracts	Selling, general and administrative expenses	\$ (0.2)	\$ (0.1)	\$ (0.1)
Foreign exchange contracts	Interest expense, net	32.1	(45.1)	2.7	(79.3)
Foreign exchange and forward repurchase contracts	Other income, net	72.1	57.7	(3.6)	5.7

13. EQUITY AND CONVERTIBLE PREFERRED STOCK

Common Stock

As of December 31, 2023, the Company's common stock consisted of Class A Common Stock with a par value of \$0.01 per share. The holders of Class A Common Stock are entitled to one vote per share. As of December 31, 2023, total authorized shares of Class A Common Stock was 1,250.0 million and total outstanding shares of Class A Common Stock was 895.1 million.

On September 29, 2023 and October 2, 2023, the Company issued a total of 33.0 million shares of Class A common stock, par value \$0.01 per share, at a public offering price of \$10.80 (or €10.28) per share in a global offering (the "Offering"). The Company also announced the admission to listing and trading of its Common Stock on the professional segment of the Euronext Paris.

The Company received \$348.4 from the Offering, net of \$10.0 of underwriting fees. Additionally, the Company incurred \$6.0 in other professional fees. The underwriting fees and other professional fees incurred in connection with the Offering were incremental costs directly attributable to the issuance and thus were presented as a reduction of Equity in the Condensed Consolidated Balance Sheets.

The Company's Majority Stockholder

Immediately after the Offering and taking into account the proxy agreement entered into on September 29, 2023 by and among JAB Beauty B.V. ("JAB"), Mr. Peter Harf, the Company's Chairman, and HFS Holdings S.à r.l. ("HFS"), which is beneficially owned by Mr. Harf, JAB, the Company's largest stockholder, may be deemed to beneficially own approximately 53% of Coty's Class A Common Stock. This is inclusive of all voting interests of HFS, including its shares of Series B Preferred Stock on an if converted basis.

The Company's CEO, Sue Nabi, was granted a one-time sign-on award of restricted stock units on June 30, 2021. On October 29, 2021 and September 18, 2023, JAB completed the transfer of 10.0 million and 5.0 million shares of Common Stock, respectively, to Ms. Nabi pursuant to an equity transfer agreement. See Note 14—Share-Based Compensation Plans for additional information.

Series A and A-1 Preferred Stock

As of December 31, 2023, total authorized shares of preferred stock are 20.0 million. There are two classes of Preferred Stock, Series A Preferred Stock and Series A-1 Preferred Stock, both with a par value of \$0.01 per share.

As of December 31, 2023, there were 1.0 million shares of Series A and no shares of Series A-1 Preferred Stock authorized, issued and outstanding. Series A Preferred Stock and Series A-1 Preferred Stock are not entitled to receive any dividends and have no voting rights except as required by law.

As of December 31, 2023, the Company has \$0.1 Series A Preferred Stock classified as a liability recorded in Accrued expenses and other current liabilities in the Condensed Consolidated Balance Sheet.

Convertible Series B Preferred Stock

On May 11, 2020, the Company entered into an Investment Agreement with KKR Rainbow Aggregator L.P. ("KKR Aggregator"), relating to the issuance and sale by the Company to KKR Aggregator of up to 1,000,000 shares of the Company's new Convertible Series B Preferred Stock, par value \$0.01 per share (the "Series B Preferred Stock"), for an aggregate purchase price of up to \$1,000.0, or \$1,000 per share (the "Issuance"). The Company completed the issuances and sales of the Series B Preferred Stock on May 26, 2020 and July 31, 2020. On November 16, 2020, KKR Aggregator and affiliated investment funds agreed to sell 146,057 shares of Series B Preferred Stock, to HFS. The transaction closed on August 27, 2021.

As a result of various conversions and exchanges of KKR Aggregator's shares of the Series B Preferred Stock, as of December 31, 2021, Kohlberg Kravis Roberts & Co. L.P. and its affiliates ("KKR") has fully redeemed/exchanged all of their Series B Preferred Stock.

Cumulative preferred dividends accrue daily on the Series B Preferred Stock at a rate of 9.0% per year. During the three months ended December 31, 2023 and 2022, the Board of Directors declared dividends on the Series B Preferred Stock of \$3.3 and paid accrued dividends of \$3.3. During the six months ended December 31, 2023 and 2022, the Board of Directors declared dividends on the Series B Preferred Stock of \$6.6 and paid accrued dividends of \$6.6. As of December 31, 2023 and June 30, 2023, the Series B Preferred Stock had outstanding accrued dividends of \$3.3.

Treasury Stock

Share Repurchase Program

Since February 2014, the Board has authorized the Company to repurchase its Class A Common Stock under approved repurchase programs. On February 3, 2016, the Board authorized the Company to repurchase up to \$500.0 of its Class A Common Stock, and on November 13, 2023, the Board increased the Company's share repurchase authorization by an additional \$600.0 (the "Share Repurchase Program"). Repurchases may be made from time to time at the Company's discretion, based on ongoing assessments of the capital needs of the business, the market price of its Class A Common Stock, and general market conditions. For the three and six months ended December 31, 2023, the Company did not repurchase any shares of its Class A Common Stock under the Share Repurchase Program. As of December 31, 2023, the Company had authority for \$996.8 remaining under the Share Repurchase Program.

In June 2022, December 2022 and November 2023, the Company entered into forward repurchase contracts (the "Forward" and together the "Forwards") with three large financial institutions ("Counterparties") to start hedging for potential \$200.0, \$196.0 and \$250.0 share buyback programs in 2024, 2025 and 2026, respectively.

As part of the Forward agreements, the Company will pay interest on the outstanding underlying notional amount of the Forwards held by the Counterparties during the contract periods. The interest rates are variable, based on the United States secured overnight funding rate ("SOFR") plus a spread. The weighted average interest rate plus applicable spread for the June 2022, December 2022, and November 2023 Forward transactions were 9.7%, 9.8% and 8.2%, respectively, as of December 31, 2023.

Since the Forwards permit a net cash settlement alternative in addition to the physical settlement, the Company accounted for the Forwards initially and subsequently at their fair value, with changes in the fair value recorded in Other income, net in the Condensed Consolidated Statement of Operations. See Note 12—Derivative Instruments for additional information.

Dividends

On April 29, 2020, the Board of Directors suspended the payment of dividends on Common Stock. No dividends on Common Stock were declared for the period ended December 31, 2023.

The change in dividends accrued recorded to APIC in the Condensed Consolidated Balance Sheet as of December 31, 2023 and 2022 was nil and \$0.1, respectively, which represent dividends no longer expected to vest as a result of forfeitures of outstanding restricted stock units (“RSUs”). In addition, the Company made payments of \$0.3 and \$0.7, of which \$0.1 and \$0.2 related to employee taxes, for the previously accrued dividends on RSUs that vested during the six months ended December 31, 2023 and 2022, respectively.

Total accrued dividends on unvested RSUs and phantom units included in Accrued expenses and other current liabilities are \$0.8 and \$1.0 as of December 31, 2023 and June 30, 2023, respectively. In addition, accrued dividends of \$0.0 and \$0.1 are included in Other noncurrent liabilities as of December 31, 2023 and June 30, 2023, respectively.

Accumulated Other Comprehensive Income (Loss)

	Foreign Currency Translation Adjustments				Total
	Gain (loss) on Cash Flow Hedges	Loss on Net Investment Hedge	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans ^(a)	
Balance—July 1, 2023	\$ 0.7	\$ (49.8)	\$ (667.9)	\$ 54.6	\$ (662.4)
Other comprehensive (loss) income before reclassifications	(0.1)	(9.9)	66.8	1.0	57.8
Net amounts reclassified from AOCI(L)	0.5	—	—	(2.5)	(2.0)
Net current-period other comprehensive income (loss)	0.4	(9.9)	66.8	(1.5)	55.8
Balance—December 31, 2023	\$ 1.1	\$ (59.7)	\$ (601.1)	\$ 53.1	\$ (606.6)

^(a) For the six months ended December 31, 2023, other comprehensive income before reclassifications of \$1.0 and net amounts reclassified from AOCI(L) related to pensions and other post-employment benefit plans included amortization of prior service credits and actuarial losses of \$3.0, net of tax of \$0.5.

	Foreign Currency Translation Adjustments				Total
	Loss on Cash Flow Hedges	Gain (loss) on Net Investment Hedge	Other Foreign Currency Translation Adjustments	Pension and Other Post-Employment Benefit Plans	
Balance—July 1, 2022	\$ 4.3	\$ 4.1	\$ (770.8)	\$ 44.5	\$ (717.9)
Other comprehensive income (loss) before reclassifications	1.1	(36.7)	(8.8)	1.3	(43.1)
Net amounts reclassified from AOCI(L)	(4.1)	—	—	(3.0)	(7.1)
Net current-period other comprehensive loss	(3.0)	(36.7)	(8.8)	(1.7)	(50.2)
Balance—December 31, 2022	\$ 1.3	\$ (32.6)	\$ (779.6)	\$ 42.8	\$ (768.1)

14. SHARE-BASED COMPENSATION PLANS

Share-based compensation expense is recognized on a straight-line basis over the requisite service period. Total share-based compensation is shown in the table below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Equity plan expense ^(a)	\$ 19.9	\$ 33.6	\$ 50.1	\$ 65.0
Liability plan (income) expense	0.3	0.6	(0.2)	0.3
Fringe expense	3.1	1.5	3.1	1.5
Total share-based compensation expense	\$ 23.3	\$ 35.7	\$ 53.0	\$ 66.8

^(a) Equity plan share-based compensation expense was recorded to additional paid in capital and presented in the Condensed Consolidated Statements of Equity.

As of December 31, 2023, the total unrecognized share-based compensation expense related to stock options, restricted stock, restricted stock units and other share awards, and performance restricted stock units ("PRSUs") is \$0.2, \$4.9, \$164.3, and \$34.8, respectively. The unrecognized share-based compensation expense related to stock options, restricted stock, restricted stock units and other share awards, and PRSUs, is expected to be recognized over a weighted-average period of 0.57, 2.17, 3.60 and 2.62 years, respectively.

Restricted Stock Units and Other Share Awards

The Company granted 4.5 million shares of RSUs and other share awards during the three and six months ended December 31, 2023. The Company recognized share-based compensation expense of \$19.3 and \$34.1 for the three months ended December 31, 2023 and 2022, respectively, of which \$5.2 and \$23.6 related to Ms. Nabi's award, as described below. The Company recognized share-based compensation expense of \$48.7 and \$64.8 for the six months ended December 31, 2023 and 2022, respectively, of which \$26.2 and \$47.1 related to Ms. Nabi's award.

Performance Restricted Stock Units

The Company granted 1.6 and 3.7 million shares of PRSUs, during the three and six months ended December 31, 2023. The Company recognized share-based compensation expense of \$3.2 and \$0.4 for the three months ended December 31, 2023 and 2022, respectively, of which \$1.7 and \$0.0 related to Ms. Nabi's award, as described below. The Company recognized share-based compensation expense of \$3.8 and \$0.4 for the six months ended December 31, 2023 and 2022, respectively, of which \$1.8 and \$0.0 related to Ms. Nabi's award, as described below.

Long-term Equity Program for CEO

The Company's CEO, Sue Nabi, was granted a one-time sign-on award of restricted stock units (the "Award") on June 30, 2021. The Award vested and settled in 10.0 million shares of the Company's Class A Common Stock, par value \$0.01 per share, on each of August 31, 2021, August 31, 2022 and August 31, 2023. The Company recognized the share-based compensation expense, on a straight-line basis over the vesting period, based on the fair value on the grant date. The amount of compensation cost recognized at each vesting date must at least equal the portion of the award legally vested.

In connection with this Award, on October 29, 2021 and September 18, 2023, JAB, the Company's largest stockholder and a wholly-owned subsidiary of JAB Holding Company S.à r.l., completed the transfer of 10.0 million and 5.0 million shares of Class A Common Stock, respectively, to Ms. Nabi.

On August 31, 2023 and 2022, the Company issued 5.0 million and 10.0 million shares of Class A Common Stock, respectively, to Ms. Nabi in connection with the third and second vesting of the Award.

Pursuant to the term of the amended employment agreement on May 4, 2023, the Company granted Ms. Nabi a one-time award of 10,416,667 RSUs and will grant a total of 10,416,665 PRSUs in five equal tranches over the next five years. These two awards will vest periodically over the next seven years in accordance with the terms discussed below.

Ms. Nabi's 10,416,667 RSUs will vest and settle in shares of the Company's Class A Common Stock, par value \$0.01 per share over five years on the following vesting schedule: (i) 15% on September 1, 2024, (ii) 15% on September 1, 2025, (iii) 20% on September 1, 2026, (iv) 20% on September 1, 2027; and (v) 30% on September 1, 2028, in each case subject to Ms. Nabi's continued employment through the applicable vesting date. The Company will recognize approximately \$109.6 of share-based compensation expense, on a straight-line basis over the vesting period, based on the fair value on the grant date, net of forfeitures. The amount of compensation cost recognized at each vesting date must at least equal the portion of the award legally vested.

The first tranche of Ms. Nabi's PRSU award of 2,083,333 shares shall fully vest on September 1, 2026, subject to the achievement of three-year performance objectives determined by the Board on September 28, 2023 (the grant date) and subject to Ms. Nabi's continued employment. The next four tranches of 2,083,333 PRSUs will be granted on or around each September 1 of 2024 through 2027, which shall vest on the third-year anniversary of the respective grant date, subject in each case to the achievement of three-year performance objectives to be determined by the Board. The Company will recognize share-based compensation expense associated with these PRSUs, on a straight-line basis over the vesting period, based on the fair value on the grant date when it is probable that the performance condition will be achieved.

In the event that JAB and Ms. Nabi sell shares of Common Stock for cash in a privately negotiated transaction, subject to Board approval, the Company will grant Ms. Nabi new options to acquire shares of Common Stock (the "Reload Options") in an amount equal to the number of shares sold by Ms. Nabi in such transaction. The Reload Options will have a strike price equal to the greater of the volume weighted average price for shares at the time of the relevant transaction and the fair market value on the date of grant. The potential expense attributed to the reload options will be recognized when the reload options are granted.

Restricted Stock

The Company granted 0.3 million shares of restricted stock, during the three and six months ended December 31, 2023. The Company recognized share-based compensation expense of \$0.6 and \$0.7 for the three months ended December 31, 2023 and 2022, respectively, and \$1.1 and \$1.2 for the six months ended December 31, 2023 and 2022, respectively.

Series A Preferred Stock and Series A-1 Preferred Stock

The Company granted no shares of Series A Preferred Stock or Series A-1 Preferred Stock during the three and six months ended December 31, 2023. The Company recognized share-based compensation (income) expense of \$(0.1) and \$0.2 for the three months ended December 31, 2023 and 2022, respectively, and \$(0.7) and \$(0.2) for the six months ended December 31, 2023 and 2022, respectively.

Non-Qualified Stock Options

The Company granted no non-qualified stock options during the three and six months ended December 31, 2023. The Company recognized share-based compensation expense of \$0.3 and \$0.3 for the three months ended December 31, 2023 and 2022, respectively, and \$0.1 and \$0.6 for the six months ended December 31, 2023 and 2022, respectively.

15. NET INCOME ATTRIBUTABLE TO COTY INC. PER COMMON SHARE

Reconciliation between the numerators and denominators of the basic and diluted income per share ("EPS") computations is presented below:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
Amounts attributable to Coty Inc.:				
Net income attributable to Coty Inc.	\$ 180.9	\$ 238.3	\$ 182.5	\$ 366.9
Convertible Series B Preferred Stock dividends	(3.3)	(3.3)	(6.6)	(6.6)
Net income attributable to common stockholders	<u>\$ 177.6</u>	<u>\$ 235.0</u>	<u>\$ 175.9</u>	<u>\$ 360.3</u>
Weighted-average common shares outstanding:				
Weighted-average common shares outstanding—Basic	892.8	850.8	873.6	846.4
Effect of dilutive stock options and Series A Preferred Stock ^(a)	—	—	0.1	—
Effect of restricted stock and RSUs ^(b)	6.3	12.3	9.6	14.4
Effect of Convertible Series B Preferred Stock ^(c)	23.7	23.7	—	23.7
Effect of Forward Repurchase Contracts ^(d)	—	—	—	—
Weighted-average common shares outstanding—Diluted	<u>922.8</u>	<u>886.8</u>	<u>883.3</u>	<u>884.5</u>
Earnings per common share:				
Earnings per common share - basic	\$ 0.20	\$ 0.28	\$ 0.20	\$ 0.43
Earnings per common share - diluted ^(e)	0.20	0.27	0.20	0.42

^(a) For the three months ended December 31, 2023 and 2022, outstanding stock options and Series A Preferred Stock with purchase or conversion rights to purchase 3.9 million and 5.8 million shares of Common Stock, respectively, were anti-dilutive and excluded from the computation of diluted EPS. For the six months ended December 31, 2023 and 2022, outstanding stock options and Series A Preferred Stock with purchase or conversion rights to purchase 2.9 million and 6.0 million weighted average shares of Common Stock, respectively, were anti-dilutive and excluded from the computation of diluted EPS.

^(b) For the three months ended December 31, 2023 and 2022, there were 3.9 million and nil anti-dilutive RSUs, respectively, excluded from the computation of diluted EPS. For the six months ended December 31, 2023 and 2022, there were 2.0 million and nil weighted average anti-dilutive RSUs, respectively, excluded from the computation of diluted EPS.

^(c) For the six months ended December 31, 2023 there were 23.7 million dilutive shares of Convertible Series B Preferred Stock excluded from the computation of diluted EPS as their inclusion would be anti-dilutive.

^(d) For the three and six months ended December 31, 2023 and 2022, respectively, shares for the Forward Repurchase Contracts were excluded from the computation of diluted EPS as Coty is in the position to receive shares from the counterparties and as such their inclusion would be anti-dilutive.

^(e) Diluted EPS is adjusted by the effect of dilutive securities, including awards under the Company's equity compensation plans, the convertible Series B Preferred Stock, and the Forward Repurchase Contracts. When calculating any potential dilutive effect of stock options, Series A Preferred Stock, restricted stock, RSUs and PRSUs, the Company uses the treasury method and the if-converted method for the Convertible Series B Preferred Stock and the Forward Repurchase Contracts. The treasury method typically does not adjust the net income attributable to Coty Inc., while the if-converted method requires an adjustment to reverse the impact of the preferred stock dividends of \$3.3 and \$3.3, respectively, and to reverse the impact of fair market value gains for contracts with the option to settle in shares or cash of \$44.4 and \$44.3, respectively, if dilutive, for the three months ended December 31, 2023 and 2022 on net income applicable to common stockholders during the period. The if-converted method requires an adjustment to reverse the impact of the preferred stock dividends of \$6.6 and \$6.6, respectively, and to reverse the impact of fair market value gains for contracts with the option to settle in shares or cash of \$0.2 and \$6.8, respectively, if dilutive, for the six months ended December 31, 2023 and 2022 on net income applicable to common stockholders during the period.

16. REDEEMABLE NONCONTROLLING INTERESTS

Subsidiary in the Middle East

As of December 31, 2023, the noncontrolling interest holder in the Company's subsidiary in the Middle East had a 25% ownership share. The Company adjusts the redeemable noncontrolling interests ("RNCI") to redemption value at the end of each reporting period with changes recognized as adjustments to APIC. The Company recognized \$102.2 and \$93.5 as the RNCI balances as of December 31, 2023 and June 30, 2023, respectively.

17. COMMITMENTS AND CONTINGENCIES

Legal Matters

The Company is involved, from time to time, in various litigation, administrative and other legal proceedings, including regulatory actions, incidental or related to its business, including consumer class or collective actions, personal injury (mostly involving allegations related to alleged asbestos in the Company's talc-based cosmetic products), intellectual property, competition, compliance and advertising claims litigation and disputes, among others (collectively, "Legal Proceedings"). While the Company cannot predict any final outcomes relating thereto, management believes that the outcome of current Legal Proceedings will not have a material effect upon its business, prospects, financial condition, results of operations, cash flows or the trading price of the Company's securities. However, management's assessment of the Company's current Legal Proceedings is ongoing, and could change in light of the discovery of additional facts with respect to Legal Proceedings not presently known to the Company, further legal analysis, or determinations by judges, arbitrators, juries or other finders of fact or deciders of law which are not in accord with management's evaluation of the probable liability or outcome of such Legal Proceedings. From time to time, the Company is in discussions with regulators, including discussions initiated by the Company, about actual or potential violations of law in order to remediate or mitigate associated legal or compliance risks and liabilities or penalties. As the outcomes of such proceedings are unpredictable, the Company can give no assurance that the results of any such proceedings will not materially affect its reputation, business, prospects, financial condition, results of operations, cash flows or the trading price of its securities.

Brazilian Tax Assessments

The Company's Brazilian subsidiaries receive tax assessments from local, state and federal tax authorities in Brazil from time to time. Current open tax assessments as of December 31, 2023 are:

Assessment received	Type of assessment	Type of Tax	Tax period impacted	Estimated amount, including interest and penalties as of December 31, 2023
Mar-18	State sales tax credits, which the Treasury Office of the State of Goiás considers as improperly registered	ICMS	2016-2017	R\$0.0 million (approximately \$0.0) ^(a)
Aug-20		ICMS	2017-2019	R\$700.2 million (approximately \$144.3)
Oct-20	Federal excise taxes, which the Treasury Office of the Brazil's Internal Revenue Service considers as improperly calculated	IPI	2016-2017	R\$423.0 million (approximately \$87.2)
Nov-22		IPI	2018-2019	R\$569.2 million (approximately \$117.3)
Nov-20	State sales taxes, which the Treasury Office of the State of Minas Gerais considers as improperly calculated	ICMS	2016-2019	R\$220.3 million (approximately \$45.4)
Jun-21	State sales tax, which the Treasury Office of the State of Goiás considers as improperly calculated	ICMS	2016-2020	R\$65.9 million (approximately \$13.6)

^(a) During the fourth quarter of fiscal 2023, the ICMS assessment received in March 2018 had an unfavorable decision at administrative instance. The Company paid the R\$1.1 million (approximately \$0.2) penalty in August 2023 and the case closed. The Company does not believe the outcome of this decision will weigh on other pending cases as the case factors for other open ICMS assessments are different.

The Minas Gerais State tax ICMS assessment received in November 2020 is currently at the judicial process. For the Goiás State tax ICMS assessment received in August 2020, the Company has in parallel a judicial case about an additional claim for fees over the tax incentive, for which the Company received an unfavorable ruling and has filed an appeal. In the first quarter of fiscal 2024, the Company filed a motion for clarification as a step before potentially appealing to a Brazilian higher court, which was denied. In December 2023, the Company filed appeals to be remitted to the Special and Supreme Brazilian Courts and, in parallel, filed a motion to grant the suspension of the state's ability to collect the above tax incentives to the Goiás State

Court. These motions are under consideration at the state court level. All other cases are currently in the administrative process. The Company expects that cases may move from the administrative to the judicial process, although the exact timing is uncertain. For cases in the judicial process, the Company will be required to make a judicial deposit or enter into a surety bond for the disputed tax assessment, interest and penalties. The judicial process in Brazil is likely to take a number of years to conclude. The Company is seeking favorable judicial and administrative decisions on the tax enforcement actions filed by the tax authorities for these assessments. The Company believes it has meritorious defenses and it has not recognized a loss for these assessments as the Company does not believe a loss is probable.

Due to the fiscal environment in Brazil, the possibility of further tax assessments related to the same or similar matters cannot be ruled out.

18. RELATED PARTY TRANSACTIONS

Wella

On December 22, 2021, the Company entered into an agreement with Rainbow UK Bidco Limited (“KKR Bidco”) (an affiliate of funds and/or separately managed accounts advised and/or managed by KKR), related to post-closing adjustments to the purchase consideration for the Coty’s Professional and Retail Hair businesses, including the Wella, Clairol, OPI and ghd brands, (together, the “Wella Business”). In relation to this agreement, the Company recognized a gain of \$1.9 and \$8.5, in the three and six months ended December 31, 2023, and \$12.5 and \$26.4, in the three and six months ended December 31, 2022, respectively, which is reported in Other income, net in the Condensed Consolidated Statements of Operations.

As of December 31, 2023, Coty owned 25.9% of the Wella Company as an equity investment and performs certain services to Wella. Refer to Note 6— Equity Investments.

In connection with the sale of the Wella Business, the Company and Wella entered into a Transitional Services Agreement (“TSA”). Subject to the terms of this TSA, the Company will perform services for Wella in exchange for related service fees. Such services include billing and collecting from Wella customers, certain logistics and warehouse services, as well as other administrative and systems support. The Company and Wella have mutually agreed to end the contracted TSA services on January 31, 2022. The Company and Wella have also entered into other manufacturing arrangements to facilitate the Wella Business transition in the U.S. and Brazil. TSA fees and other fees earned were \$0.8 and \$2.7, respectively, for the three months ended December 31, 2023 and \$0.7 and \$2.0, respectively, for the three months ended December 31, 2022. TSA fees and other fees earned were \$1.8 and \$5.0, respectively, for the six months ended December 31, 2023 and \$1.5 and \$4.1, respectively, for the six months ended December 31, 2022. The TSA fees are principally invoiced on a cost plus basis. The TSA fees and other fees were included in Selling, general and administrative expenses and Cost of sales, respectively, in the Company’s Condensed Consolidated Statement of Operations.

The Company also entered into an agreement with Wella to provide management, consulting and financial services to Wella and its direct and indirect divisions, subsidiaries, parent entities and controlled affiliates (in assisting it in the management of its business). The Company earned \$0.3 and \$0.6 in the three and six months ended December 31, 2023, respectively, and \$0.3 and \$0.6 in the three and six months ended December 31, 2022, respectively, which are reflected in Other income, net in the Condensed Consolidated Statements of Operations.

As of December 31, 2023, accounts receivable from and accounts payable to Wella of \$102.7 and \$8.2, respectively, were included in Prepaid expenses and other current assets and Accrued expenses and other current liabilities, respectively, in the Company’s Condensed Consolidated Balance Sheets. Additionally, as of December 31, 2023, the Company has accrued \$34.0 related to long-term payables due to Wella included in Other noncurrent liabilities in the Company’s Condensed Consolidated Balance Sheet.

In accordance with the separation agreement with Wella, Coty shall retain and be solely responsible for any amounts payable to former Coty employees transferred to Wella (“Wella employees”), who participated in the Coty Long-Term Incentive Plan. The Wella employees will continue to participate and vest on the current terms for the remaining vesting period after the separation. As such, Coty will continue to recognize the share-based compensation expense for Wella employees until the existing equity awards reach their vesting date. For the three and six months ended December 31, 2023 and 2022, Coty recorded \$0.6 and \$1.0, respectively, and \$1.3 and \$2.7, respectively, of share-based compensation expense related to Wella employees, which was presented as part of Other income, net in the Condensed Consolidated Statements of Operations.

The Company has certain sublease arrangements with Wella after the sale. The Company reported sublease income from Wella of \$2.0 and \$2.3, respectively, and \$4.1 and \$4.7, respectively, for the three and six months ended December 31, 2023 and 2022.

19. SUBSEQUENT EVENTS

The Company evaluated the effect of events and transactions subsequent to the condensed consolidated balance sheet date of December 31, 2023 through the date of issuance of the Condensed Consolidated Financial Statements and determined that no subsequent events have occurred that require recognition in the Condensed Consolidated Financial Statements or disclosure in the notes to the Condensed Consolidated Financial Statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of the financial condition and results of operations of Coty Inc. and its consolidated subsidiaries, should be read in conjunction with the information contained in the Condensed Consolidated Financial Statements and related notes included elsewhere in this document, and in our other public filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 ("Fiscal 2023 Form 10-K"). When used in this discussion, the terms "Coty," the "Company," "we," "our," or "us" mean, unless the context otherwise indicates, Coty Inc. and its majority and wholly-owned subsidiaries. Also, when used in this Quarterly Report on Form 10-Q, the term "includes" and "including" means, unless the context otherwise indicates, including without limitation. The following report includes certain non-GAAP financial measures. See "Overview—Non-GAAP Financial Measures" for a discussion of non-GAAP financial measures and how they are calculated.

All dollar amounts in the following discussion are in millions of United States ("U.S.") dollars, unless otherwise indicated.

More information about potential risks and uncertainties that could affect our business and financial results is included under the heading "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Quarterly Report on Form 10-Q and other periodic reports we have filed and may file with the SEC from time to time.

Forward-looking Statements

Certain statements in this Form 10-Q are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect our current views with respect to, among other things, strategic planning, targets and outlook for future reporting periods (including the extent and timing of revenue, expense and profit trends and changes in operating cash flows and cash flows from operating activities and investing activities), the wind down of the Company's operations in Russia (including timing and expected impact), the Company's future operations and strategy (including the expected implementation and related impact of its strategic priorities), ongoing and future cost efficiency, optimization and restructuring initiatives and programs, expectations of the impact of inflationary pressures and the timing, magnitude and impact of pricing actions to offset inflationary costs, strategic transactions (including their expected timing and impact), expectations and/or plans with respect to joint ventures (including Wella and the timing and size of any related divestiture, distribution or return of capital), the Company's capital allocation strategy and payment of dividends (including suspension of dividend payments and the duration thereof and any plans to resume cash dividends on common stock or to continue to pay dividends in cash on preferred stock) and expectations for stock repurchases, investments, licenses and portfolio changes, product launches, relaunches or rebranding (including the expected timing or impact thereof), synergies, savings, performance, cost, timing and integration of acquisitions, future cash flows, liquidity and borrowing capacity (including any refinancing or deleveraging activities), timing and size of cash outflows and debt deleveraging, the timing and extent of any future impairments, and synergies, savings, impact, cost, timing and implementation of the Company's ongoing strategic transformation agenda (including operational and organizational structure changes, operational execution and simplification initiatives, fixed cost reductions, continued process improvements and supply chain changes), the impact, cost, timing and implementation of e-commerce and digital initiatives, the expected impact, cost, timing and implementation of sustainability initiatives (including progress, plans and goals), the impact of COVID-19 or similar public health events, the expected impact of geopolitical risks including the ongoing war in Ukraine and/or the armed conflict in the Middle East (including the Red Sea conflict) on our business operations, sales outlook and strategy, the expected impact of global supply chain challenges and/or inflationary pressures (including as a result of the war in Ukraine and/or armed conflict in the Middle East including the Red Sea conflict) and expectations regarding future service levels and inventory levels, the impact of the dual-listing of our Class A Common Stock on Euronext Paris, and the priorities of senior management. These forward-looking statements are generally identified by words or phrases, such as "anticipate", "are going to", "estimate", "plan", "project", "expect", "believe", "intend", "foresee", "forecast", "will", "may", "should", "outlook", "continue", "temporary", "target", "aim", "potential", "goal" and similar words or phrases. These statements are based on certain assumptions and estimates that we consider reasonable, but are subject to a number of risks and uncertainties, many of which are beyond our control, which could cause actual events or results (including our financial condition, results of operations, cash flows and prospects) to differ materially from such statements, including risks and uncertainties relating to:

- our ability to successfully implement our multi-year strategic transformation agenda and compete effectively in the beauty industry, achieve the benefits contemplated by our strategic initiatives (including revenue growth, cost control, gross margin growth and debt deleveraging) and successfully implement our strategic priorities (including stabilizing our consumer beauty brands through leading innovation and improved execution, accelerating our prestige fragrance brands and ongoing expansion into prestige cosmetics, building a comprehensive skincare portfolio, enhancing our e-commerce and direct-to-consumer ("DTC") capabilities, expanding our presence in China through prestige products and select consumer beauty brands, and establishing Coty as an industry leader in sustainability) in each case within the expected time frame or at all;

- our ability to anticipate, gauge and respond to market trends and consumer preferences, which may change rapidly, and the market acceptance of new products, including new products in our skincare and prestige cosmetics portfolios, any relaunched or rebranded products and the anticipated costs and discounting associated with such relaunched and rebrands, and consumer receptiveness to our current and future marketing philosophy and consumer engagement activities (including digital marketing and media), and our ability to effectively manage our production and inventory levels in response to demand;
- use of estimates and assumptions in preparing our financial statements, including with regard to revenue recognition, income taxes (including the expected timing and amount of the release of any tax valuation allowance), the assessment of goodwill, other intangible and long-lived assets for impairments, the market value of inventory, and the fair value of the equity investment;
- the impact of any future impairments;
- managerial, transformational, operational, regulatory, legal and financial risks, including diversion of management attention to and management of cash flows, expenses and costs associated with our transformation agenda, our global business strategies, the integration and management of the strategic partnerships with Kylie Jenner and Kim Kardashian, and future strategic initiatives, and, in particular, our ability to manage and execute many initiatives simultaneously including any resulting complexity, employee attrition or diversion of resources;
- the timing, costs and impacts of divestitures and the amount and use of proceeds from any such transactions;
- future divestitures and the impact thereof on, and future acquisitions, new licenses and joint ventures and the integration thereof with, our business, operations, systems, financial data and culture and the ability to realize synergies, manage supply chain challenges and other business disruptions, reduce costs (including through our cash efficiency initiatives), avoid liabilities and realize potential efficiencies and benefits (including through our restructuring initiatives) at the levels and at the costs and within the time frames contemplated or at all;
- increased competition, consolidation among retailers, shifts in consumers' preferred distribution and marketing channels (including to digital and prestige channels), distribution and shelf-space resets or reductions, compression of go-to-market cycles, changes in product and marketing requirements by retailers, reductions in retailer inventory levels and order lead-times or changes in purchasing patterns, impact from COVID-19 or similar public health events on retail revenues, and other changes in the retail, e-commerce and wholesale environment in which we do business and sell our products and our ability to respond to such changes (including our ability to expand our digital, direct-to-consumer and e-commerce capabilities within contemplated timeframes or at all);
- our and our joint ventures', business partners' and licensors' abilities to obtain, maintain and protect the intellectual property used in our and their respective businesses, protect our and their respective reputations (including those of our and their executives or influencers) and public goodwill, and defend claims by third parties for infringement of intellectual property rights;
- any change to our capital allocation and/or cash management priorities, including any change in our dividend policy and any change in our stock repurchase plans;
- any unanticipated problems, liabilities or integration or other challenges associated with a past or future acquired business, joint ventures or strategic partnerships, which could result in increased risk or new, unanticipated or unknown liabilities, including with respect to environmental, competition and other regulatory, compliance or legal matters, and specifically in connection with the strategic partnerships with Kylie Jenner and Kim Kardashian, risks related to the entry into a new distribution channel, the potential for channel conflict, risks of retaining customers and key employees, difficulties of integration (or the risks associated with limiting integration) and management of the partnerships, our relationships with Kylie Jenner and Kim Kardashian, our ability to protect trademarks and brand names, litigation, investigations by governmental authorities, and changes in law, regulations and policies that affect King Kylie LLC ("King Kylie") and/or KKW Holdings, LLC's ("KKW Holdings") business or products, including risk that direct selling laws and regulations may be modified, interpreted or enforced in a manner that results in a negative impact to King Kylie and/or KKW Holdings' business model, revenue, sales force or business;
- our international operations and joint ventures, including enforceability and effectiveness of our joint venture agreements and reputational, compliance, regulatory, economic and foreign political risks, including difficulties and costs associated with maintaining compliance with a broad variety of complex local and international regulations;
- our dependence on certain licenses (especially in the fragrance category) and our ability to renew expiring licenses on favorable terms or at all;

- our dependence on entities performing outsourced functions, including outsourcing of distribution functions, and third-party manufacturers, logistics and supply chain suppliers, and other suppliers, including third-party software providers, web-hosting and e-commerce providers;
- administrative, product development and other difficulties in meeting the expected timing of market expansions, product launches, re-launches and marketing efforts, including in connection with new products in our skincare and prestige cosmetics portfolios;
- changes in the demand for our products due to declining or depressed global or regional economic conditions, and declines in consumer confidence or spending, whether related to the economy (such as austerity measures, tax increases, high fuel costs, or higher unemployment), wars and other hostilities and armed conflicts, natural or other disasters, weather, pandemics, security concerns, terrorist attacks or other factors;
- global political and/or economic uncertainties, disruptions or major regulatory or policy changes, and/or the enforcement thereof that affect our business, financial performance, operations or products, including the impact of the war in Ukraine and any escalation or expansion thereof, armed conflict in the Middle East, the current U.S. administration and future elections, changes in the U.S. tax code and/or tax regulations in other jurisdictions where we operate, and recent changes and future changes in tariffs, retaliatory or trade protection measures, trade policies and other international trade regulations in the U.S., the European Union, and Asia and in other regions where we operate, potential regulatory limits on payment terms in the European Union, future changes in sanctions regulations, regulatory uncertainty impacting the wind-down of our business in Russia, and recent and future changes in regulations impacting the beauty industry, including regulatory measures addressing products, formulations, raw materials and packaging;
- currency exchange rate volatility and currency devaluation and/or inflation;
- our ability to implement and maintain pricing actions to effectively mitigate increased costs and inflationary pressures, and the reaction of customers or consumers to such pricing actions;
- the number, type, outcomes (by judgment, order or settlement) and costs of current or future legal, compliance, tax, regulatory or administrative proceedings, investigations and/or litigation, including product liability cases (including asbestos and talc-related litigation for which indemnities and/or insurance may not be available), distributor or licensor litigation, and compliance, litigation or investigations relating to our joint ventures or strategic partnerships;
- our ability to manage seasonal factors and other variability and to anticipate future business trends and needs;
- the impact of COVID-19 (or future similar events), including demand for the Company's products, illness, quarantines, government actions, facility closures, store closures or other restrictions in connection with the COVID-19 pandemic, and the extent and duration thereof, related impact on our ability to meet customer needs and on the ability of third parties on which we rely, including our suppliers, customers, contract manufacturers, distributors, contractors, commercial banks and joint-venture partners, to meet their obligations to us, in particular collections from customers, and the ability to successfully implement measures to respond to such impacts;
- disruptions in the availability and distribution of raw materials and components needed to manufacture our products, and our ability to effectively manage our production and inventory levels in response to supply challenges;
- disruptions in operations, sales and in other areas, including due to disruptions in our supply chain, restructurings and other business alignment activities, manufacturing or information technology systems, labor disputes, extreme weather and natural disasters, impact from COVID-19 or similar public health events, the outbreak of war or hostilities (including the war in Ukraine and armed conflict in the Middle East, including the Red Sea conflict, and any escalation or expansion thereof), the impact of global supply chain challenges or other disruptions in the international flow of goods, and the impact of such disruptions on our ability to generate profits, stabilize or grow revenues or cash flows, comply with our contractual obligations and accurately forecast demand and supply needs and/or future results;
- our ability to adapt our business to address climate change concerns, including through the implementation of new or unproven technologies or processes, and to respond to increasing governmental and regulatory measures relating to environmental, social and governance matters, including expanding mandatory and voluntary reporting, diligence and disclosure, as well as new taxes (including on energy and plastic), and the impact of such measures on our costs, business operations and strategy;
- restrictions imposed on us through our license agreements, credit facilities and senior unsecured bonds or other material contracts, our ability to generate cash flow to repay, refinance or recapitalize debt and otherwise comply with our debt instruments, and changes in the manner in which we finance our debt and future capital needs;
- increasing dependency on information technology, including as a result of remote working practices, and our ability or the ability of any of the third-party service providers we use to support our business, to protect against service interruptions, data corruption, cyber-based attacks or network security breaches, including ransomware attacks, costs

and timing of implementation and effectiveness of any upgrades or other changes to information technology systems, and the cost of compliance or our failure to comply with any privacy or data security laws (including the European Union General Data Protection Regulation (the “GDPR”), the California Consumer Privacy Act and similar state laws, the Brazil General Data Protection Law, and the China Data Security Law and Personal Information Protection Law) or to protect against theft of customer, employee and corporate sensitive information;

- our ability to attract and retain key personnel and the impact of senior management transitions;
- the distribution and sale by third parties of counterfeit and/or gray market versions of our products;
- the impact of our ongoing strategic transformation agenda and continued process improvements on our relationships with key customers and suppliers and certain material contracts;
- our relationship with JAB Beauty B.V., as our majority stockholder, and its affiliates, and any related conflicts of interest or litigation;
- our relationship with KKR, whose affiliate KKR Bidco, is an investor in the Wella Business, and any related conflicts of interest or litigation;
- future sales of a significant number of shares by our majority stockholder or the perception that such sales could occur; and
- other factors described elsewhere in this document and in documents that we file with the SEC from time to time.

More information about potential risks and uncertainties that could affect our business and financial results is included under the heading “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Quarterly Report on Form 10-Q and other periodic reports we have filed and may file with the SEC from time to time.

All forward-looking statements made in this document are qualified by these cautionary statements. These forward-looking statements are made only as of the date of this document, and we do not undertake any obligation, other than as may be required by applicable law, to update or revise any forward-looking or cautionary statements to reflect changes in assumptions, the occurrence of events, unanticipated or otherwise, or changes in future operating results over time or otherwise.

Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance unless expressed as such, and should only be viewed as historical data.

Industry, Ranking and Market Data

Unless otherwise indicated, information contained in this Quarterly Report on Form 10-Q concerning our industry and the markets in which we operate, including our general expectations about our industry, market position, market opportunity and market sizes, is based on data from various sources including internal data and estimates as well as third-party sources widely available to the public, such as independent industry publications, government publications, reports by market research firms or other published independent sources and on our assumptions based on that data and other similar sources. We did not fund and are not otherwise affiliated with the third-party sources that we cite. Industry publications and other published sources generally state that the information contained therein has been obtained from third-party sources believed to be reliable. Internal data and estimates are based upon information obtained from trade and business organizations and other contacts in the markets in which we operate and management’s understanding of industry conditions, and such information has not been verified by any independent sources. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we generally believe the market, industry and other information included in this Quarterly Report on Form 10-Q to be the most recently available and to be reliable, such information is inherently imprecise and we have not independently verified any third-party information or verified that more recent information is not available.

Our fiscal year ends on June 30. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year. For example, references to “fiscal 2024” refer to the fiscal year ending June 30, 2024. Any reference to a year not preceded by “fiscal” refers to a calendar year.

OVERVIEW

We are one of the world’s largest beauty companies, with an iconic portfolio of brands across fragrance, color cosmetics, and skin and body care. Our strategic priorities include stabilizing and growing our Consumer Beauty brands through leading innovation and improved execution, accelerating our Prestige fragrance business and ongoing expansion into Prestige cosmetics, building a comprehensive skincare portfolio leveraging existing brands, enhancing our e-commerce and Direct-to-Consumer (“DTC”) capabilities, expanding our presence in China and travel retail through Prestige products and select Consumer Beauty brands, and establishing Coty as an industry leader in sustainability. Our brands empower people to express themselves freely, creating their own visions of beauty; and we are committed to making a positive impact on the planet.

Our products are sold in over 120 countries and territories. As a geographically diverse company we are susceptible to global economic trends, geopolitical conflicts, domestic and foreign governmental policies, and changes in foreign exchange rates. In particular, economic conditions in China have had, and are expected to continue to have, an impact on our strategic initiatives, including our growth agenda in the region for Prestige products and our skincare business implementation. In addition, as the conflict in the Red Sea continues to develop, we have implemented alternate transport routes and have purchased safety stock to mitigate impacts on the flow of goods. We remain attentive to economic and geopolitical conditions that may materially impact our business. We continue to explore and implement risk mitigation strategies in the face of these unfolding conditions and remain agile in adapting to changing circumstances. Such conditions have or may have global implications which may impact the future performance of our business in unpredictable ways.

We expect that our net revenue for fiscal year 2024 will grow in the high single digits to low double digits versus the prior year, excluding the impact of foreign exchange, the Russia Market Exit and the early termination of the Lacoste fragrance license.

Order Fill Rates

Our ability to fulfill demand for our products is critical to our success. Through steps taken to improve order fill rates and mitigate the impact of supply chain constraints, we have seen sequential quarterly improvements in our order fill rates on a company-wide basis. As a result, we achieved close to pre-COVID-19 service levels across our divisions during the second quarter.

Inflation

Inflationary trends in certain markets and global supply chain challenges may negatively affect our sales and operating performance. The impact of inflation on material, logistical and other costs subsided during the six months ended December 31, 2023, which was primarily driven by a significant easing during the second quarter. Inflation may continue to impact certain costs, such as labor, however, we currently anticipate the overall impact of inflation to continue to ease in the upcoming quarters of fiscal 2024.

Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with GAAP, we use non-GAAP financial measures for continuing operations and Coty Inc. including Adjusted operating income (loss), Adjusted EBITDA, Adjusted net income (loss), and Adjusted net income (loss) attributable to Coty Inc. to common stockholders (collectively, the "Adjusted Performance Measures"). The reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are shown in tables below. These non-GAAP financial measures should not be considered in isolation from, or as a substitute for or superior to, financial measures reported in accordance with GAAP. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all the items associated with the operations of the business as determined in accordance with GAAP. Other companies, including companies in the beauty industry, may calculate similarly titled non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Despite the limitations of these non-GAAP financial measures, our management uses the Adjusted Performance Measures as key metrics in the evaluation of our performance and annual budgets and to benchmark performance of our business against our competitors. The following are examples of how these Adjusted Performance Measures are utilized by our management:

- strategic plans and annual budgets are prepared using the Adjusted Performance Measures;
- senior management receives a monthly analysis comparing budget to actual operating results that is prepared using the Adjusted Performance Measures; and
- senior management's annual compensation is calculated, in part, by using some of the Adjusted Performance Measures.

In addition, our financial covenant compliance calculations under our debt agreements are substantially derived from these Adjusted Performance Measures.

Our management believes that Adjusted Performance Measures are useful to investors in their assessment of our operating performance and the valuation of the Company. In addition, these non-GAAP financial measures address questions we routinely receive from analysts and investors and, in order to ensure that all investors have access to the same data, our management has determined that it is appropriate to make this data available to all investors. The Adjusted Performance Measures exclude the impact of certain items (as further described below) and provide supplemental information regarding our operating performance. By disclosing these non-GAAP financial measures, our management intends to provide investors with a supplemental comparison of our operating results and trends for the periods presented. Our management believes these

measures are also useful to investors as such measures allow investors to evaluate our performance using the same metrics that our management uses to evaluate past performance and prospects for future performance. We provide disclosure of the effects of these non-GAAP financial measures by presenting the corresponding measure prepared in conformity with GAAP in our financial statements, and by providing a reconciliation to the corresponding GAAP measure so that investors may understand the adjustments made in arriving at the non-GAAP financial measures and use the information to perform their own analyses.

Adjusted operating income/Adjusted EBITDA from continuing operations excludes restructuring costs and business structure realignment programs, amortization, acquisition- and divestiture-related costs and acquisition accounting impacts, stock-based compensation, and asset impairment charges and other adjustments as described below. For adjusted EBITDA, in addition to the preceding, we exclude adjusted depreciation as defined below. We do not consider these items to be reflective of our core operating performance due to the variability of such items from period-to-period in terms of size, nature and significance. They are primarily incurred to realign our operating structure and integrate new acquisitions, and implement divestitures of components of our business, and fluctuate based on specific facts and circumstances. Additionally, Adjusted net income attributable to Coty Inc. and Adjusted net income attributable to Coty Inc. per common share are adjusted for certain interest and other (income) expense items and preferred stock deemed dividends, as described below, and the related tax effects of each of the items used to derive Adjusted net income as such charges are not used by our management in assessing our operating performance period-to-period.

Adjusted Performance Measures reflect adjustments based on the following items:

- Costs related to acquisition and divestiture activities: We have excluded acquisition- and divestiture-related costs and the accounting impacts such as those related to transaction costs and costs associated with the revaluation of acquired inventory in connection with business combinations because these costs are unique to each transaction. Additionally, for divestitures, we exclude write-offs of assets that are no longer recoverable and contract related costs due to the divestiture. The nature and amount of such costs vary significantly based on the size and timing of the acquisitions and divestitures, and the maturities of the businesses being acquired or divested. Also, the size, complexity and/or volume of past transactions, which often drives the magnitude of such expenses, may not be indicative of the size, complexity and/or volume of any future acquisitions or divestitures.
- Restructuring and other business realignment costs: We have excluded costs associated with restructuring and business structure realignment programs to allow for comparable financial results to historical operations and forward-looking guidance. In addition, the nature and amount of such charges vary significantly based on the size and timing of the programs. By excluding the referenced expenses from our non-GAAP financial measures, our management is able to further evaluate our ability to utilize existing assets and estimate their long-term value. Furthermore, our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Asset impairment charges: We have excluded the impact of asset impairments as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Amortization expense: We have excluded the impact of amortization of finite-lived intangible assets, as such non-cash amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions. Our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance. Although we exclude amortization of intangible assets from our non-GAAP expenses, our management believes that it is important for investors to understand that such intangible assets contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.
- Gain on sale and early license termination: We have excluded the impact of gain on sale and early license termination as such amounts are inconsistent in amount and frequency and are significantly impacted by the size of the sale and early license termination.
- Costs related to market exit: We have excluded the impact of direct incremental costs related to our decision to wind down our business operations in Russia. We believe that these direct and incremental costs are inconsistent and infrequent in nature. Consequently, our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- Gains on sale of real estate: We have excluded the impact of gains on sale of real estate as such amounts are inconsistent in amount and frequency and are significantly impacted by the size of the sale. Our management believes

that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.

- **Stock-based compensation:** Although stock-based compensation is a key incentive offered to our employees, we have excluded the effect of these expenses from the calculation of adjusted operating income and adjusted EBITDA. This is due to their primarily non-cash nature; in addition, the amount and timing of these expenses may be highly variable and unpredictable, which may negatively affect comparability between periods.
- **Depreciation and Adjusted depreciation:** Our adjusted operating income excludes the impact of accelerated depreciation for certain restructuring projects that affect the expected useful lives of Property, Plant and Equipment, as such charges vary significantly based on the size and timing of the programs. Further, we have excluded adjusted depreciation, which represents depreciation expense net of accelerated depreciation charges, from our adjusted EBITDA. Our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- **Other (income) expense:** We have excluded the impact of pension curtailment (gains) and losses and pension settlements as such events are triggered by our restructuring and other business realignment activities and the amount of such charges vary significantly based on the size and timing of the programs. Further, we have excluded the change in fair value of the investment in Wella, as well as expenses related to potential or actual sales transactions reducing equity investments, as our management believes these unrealized (gains) and losses do not reflect our underlying ongoing business, and the adjustment of such impact helps investors and others compare and analyze performance from period to period. We have excluded the gain on the exchange of Series B Preferred Stock. Such transactions do not reflect our operating results and we have excluded the impact as our management believes that the adjustment of these items supplements the GAAP information with a measure that can be used to assess the sustainability of our operating performance.
- **Noncontrolling interest:** This adjustment represents the after-tax impact of the non-GAAP adjustments included in Net income attributable to noncontrolling interests based on the relevant noncontrolling interest percentage.
- **Tax:** This adjustment represents the impact of the tax effect of the pretax items excluded from Adjusted net income. The tax impact of the non-GAAP adjustments is based on the tax rates related to the jurisdiction in which the adjusted items are received or incurred. Additionally, adjustments are made for the tax impact of any intra-entity transfer of assets and liabilities.
- **Deemed Preferred Stock Dividends:** We have excluded preferred stock deemed dividends related to the First Exchange and the Second Exchange (as disclosed and defined in Note 27—Related Party Transactions in our Annual Report on Form 10-K for fiscal 2023) from our calculation of adjusted net income attributable to Coty Inc. These deemed dividends are nonmonetary in nature, the transactions were entered into to simplify our capital structure and do not reflect our underlying ongoing business. Management believes that this adjustment helps investors and others compare and analyze our performance from period to period.

Constant Currency

We operate on a global basis, with the majority of our net revenues generated outside of the U.S. Accordingly, fluctuations in foreign currency exchange rates can affect our results of operations. Therefore, to supplement financial results presented in accordance with GAAP, certain financial information is presented in “constant currency”, excluding the impact of foreign currency exchange translations to provide a framework for assessing how our underlying businesses performed excluding the impact of foreign currency exchange translations. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency information by translating current and prior-period results for entities reporting in currencies other than U.S. dollars into U.S. dollars using prior year foreign currency exchange rates. The constant currency calculations do not adjust for the impact of revaluing specific transactions denominated in a currency that is different to the functional currency of that entity when exchange rates fluctuate. The constant currency information we present may not be comparable to similarly titled measures reported by other companies.

Basis of Presentation of Acquisitions, Divestitures, Terminations and Market Exit from Russia

During the period when we complete an acquisition, divestiture, early license termination, or market exit, the financial results of the current year period are not comparable to the financial results presented in the prior year period. When explaining such changes from period to period and to maintain a consistent basis between periods, we exclude the financial contribution of: (i) the acquired brands or businesses in the current year period until we have twelve months of comparable financial results, and (ii) the divested brands or businesses or early terminated brands or markets exited in the prior year period, to maintain comparable financial results with the current fiscal year period. Acquisitions, divestitures, early license terminations, and market exits that would impact the comparability of financial results between periods presented in the Management’s Discussion and Analysis of Financial Condition and Results of Operations are shown in the table below.

THREE MONTHS ENDED DECEMBER 31, 2023 AS COMPARED TO THREE MONTHS ENDED DECEMBER 31, 2022

NET REVENUES

In the three months ended December 31, 2023, net revenues increased 13%, or \$204.0, to \$1,727.6 from \$1,523.6 in the three months ended December 31, 2022. Excluding net revenue from the second quarter of the prior period from Russia, net revenues increased 14% or \$209.7 to \$1,727.6 from \$1,517.9 in the three months ended December 31, 2022, reflecting a positive price and mix impact of 10% and a positive foreign currency exchange translation impact of 3%, and an increase in unit volume of 1%. The overall increase in net revenues reflects growth of prestige fragrances, specifically *Hugo Boss*, *Burberry*, *Calvin Klein*, *Chloe*, *Gucci* and *Davidoff*. Net revenues increased in our Consumer Beauty segment due to positive performance in the color cosmetics category, mass fragrance category, and the skin and body care category in Brazil.

The overall increase in net revenues reflects the continued success of our pricing and revenue management strategies, including the implementation of targeted price increases across our product portfolio. Volume growth across our fragrance portfolio, as well as in skin and body care products in Brazil, helped partially offset volume declines from certain brands in China due to macroeconomic conditions.

Geographically, except for China, net revenues in all major markets grew, led by the United States. Additionally, there was an increase in travel retail sales in all regions.

Digital and e-commerce sales growth also contributed to the increase in net revenues.

Net Revenues by Segment

(in millions)	Three Months Ended December 31,		Change %
	2023	2022	
NET REVENUES			
Prestige	\$ 1,122.6	\$ 957.7	17 %
Consumer Beauty	605.0	565.9	7 %
Total	\$ 1,727.6	\$ 1,523.6	13 %

Prestige

In the three months ended December 31, 2023, net revenues from the Prestige segment increased 17%, or \$164.9 to \$1,122.6 compared to \$957.7 in the three months ended December 31, 2022. Excluding net revenue from the second quarter of the prior period from Russia, net revenues from the Prestige segment increased 17% or \$166.9 to \$1,122.6 from \$955.7 in the three months ended December 31, 2022, reflecting a positive price and mix impact of 9%, an increase in unit volume of 6%, and a positive foreign currency exchange translation impact of 2%. The increase in net revenues primarily reflects:

- (i) the continued success and growth of prestige fragrances, specifically *Hugo Boss Boss Bottled* and *Boss the Scent*, *Burberry Goddess*, *Calvin Klein One* and *Euphoria*, *Chloe Signature*, *Gucci Guilty*, and *Davidoff Cool Water*;
- (ii) an increase in net revenues in key markets, primarily Travel Retail, Germany, the United States, and Australia, due to the significant improvement of fill rates from the prior period; and
- (iii) an increase in net revenues due to positive pricing and mix impact as a result of global price increases and in line with the overall premiumization strategy.

These increases in net revenue were partially offset by:

- (i) lower net revenues for the *Lacoste* brand in the current period, which was primarily due to the early license termination resulting in a wind down of sales through the end of the second quarter.

Consumer Beauty

In the three months ended December 31, 2023, net revenues from the Consumer Beauty segment increased 7%, or \$39.1, to \$605.0 from \$565.9 in the three months ended December 31, 2022. Excluding net revenue from the second quarter of the prior period from Russia, net revenues from the Consumer Beauty segment increased 8% or \$42.8 to \$605.0 from \$562.2 in the three months ended December 31, 2022, reflecting a positive price and mix impact of 5% and a positive foreign currency exchange translation impact of 3%. The increase in net revenues primarily reflects:

- (i) an increase in net revenues from color cosmetics brands, specifically *Rimmel Manhattan*, which was due to continued brand innovation, such as *Lasting Finish* foundation and *Thrill Seeker* mascara;
- (ii) an increase in net revenues from the mass fragrance category primarily due to the continued success from the re-launch of *David Beckham Instinct* in the current fiscal year;
- (iii) an increase in net revenues from the skin and body care brands in Brazil due to strong category momentum and positive impact of pricing; and
- (iv) an increase in net revenues due to price increases across the Consumer Beauty product portfolio.

COST OF SALES

In the three months ended December 31, 2023, cost of sales increased 15%, or \$78.2, to \$603.5 from \$525.3 in the three months ended December 31, 2022. Cost of sales as a percentage of net revenues increased to 34.9% in the three months ended December 31, 2023 from 34.5% in the three months ended December 31, 2022, resulting in a gross margin decrease of approximately 40 basis points, primarily reflecting:

- (i) approximately 80 basis points related to an increase in designer license fees primarily due to favorable royalty activity in the prior period, which did not reoccur in the current period; and
- (ii) approximately 80 basis points related to an increase in excess and obsolescence costs primarily associated with the Prestige product portfolio.

These decreases were partially offset by:

- (i) approximately 70 basis points related to a decrease in manufacturing and material costs as a percentage of net revenues; and
- (ii) approximately 40 basis points related to decreased freight costs.

The above reflects a moderate impact from inflation offset by a positive impact from pricing.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the three months ended December 31, 2023, selling, general and administrative expenses increased 10%, or \$79.1, to \$833.4 from \$754.3 in the three months ended December 31, 2022. Selling, general and administrative expenses as a percentage of net revenues decreased to 48.2% in the three months ended December 31, 2023 from 49.5% in the three months ended December 31, 2022, or approximately 130 basis points. This decrease primarily reflects:

- (i) 100 basis points due to a decrease in stock-based compensation cost primarily related to a reduction in expense recognized in connection with awards granted to the CEO;
- (ii) 100 basis points due to a decrease in advertising and consumer promotional costs primarily due to a decrease in working media investment as a percentage of net revenues;
- (iii) 40 basis points due to favorable transactional impact from our exposure to foreign currency as a percentage of net revenues; and
- (iv) 40 basis points due to a decrease in logistics costs as a percentage of net revenues.

These decreases were partially offset by the following increases:

- (i) 70 basis points due to an increase in bad debt expense primarily related to a favorable activity in the prior period that did not reoccur in the current period;
- (ii) 50 basis points due to an accrual reversal associated with the resolution of a contingency in the prior period that did not reoccur in the current period; and
- (iii) 30 basis points due to an increase in administrative costs as a percentage of net revenues due to higher compensation expense, partially offset by lower depreciation expense related to fully depreciated IT equipment.

OPERATING INCOME

In the three months ended December 31, 2023, operating income was \$236.7 compared to income of \$199.3 in the three months ended December 31, 2022. Operating income as a percentage of net revenues, increased to 13.7% in the three months ended December 31, 2023 as compared to 13.1% in the three months ended December 31, 2022. The increase in operating margin is primarily driven by a decrease in stock compensation expense and a decrease in advertising and consumer promotional costs as a percentage of revenues, partially offset by an increase in cost of goods sold as a percentage of net revenues and an increase in restructuring costs.

Operating Income (Loss) by Segment

(in millions)	Three Months Ended December 31,		Change %
	2023	2022	
Operating income (loss)			
Prestige	\$ 200.6	\$ 164.4	22 %
Consumer Beauty	60.4	49.4	22 %
Corporate	(24.3)	(14.5)	(68)%
Total	\$ 236.7	\$ 199.3	19 %

Prestige

In the three months ended December 31, 2023, operating income for Prestige was \$200.6 compared to income of \$164.4 in the three months ended December 31, 2022. Operating margin increased to 17.9% of net revenues in the three months ended December 31, 2023 as compared to 17.2% in the three months ended December 31, 2022, driven by a decrease in advertising and consumer promotional expense as a percentage of net revenues, a decrease in amortization expense as a percentage of net revenues, and a decrease in fixed costs as a percentage of net revenues, partially offset by an increase in cost of goods sold as a percentage of net revenues.

Consumer Beauty

In the three months ended December 31, 2023, operating income for Consumer Beauty was \$60.4 compared to income of \$49.4 in the three months ended December 31, 2022. Operating margin increased to 10.0% of net revenues in the three months ended December 31, 2023 as compared to 8.7% in the three months ended December 31, 2022, driven by a decrease in advertising and consumer promotional costs as a percentage of net revenues, partially offset by an increase in costs of goods sold as a percentage of net revenues and an increase in fixed costs as a percentage of net revenues.

Corporate

Corporate primarily includes income and expenses not directly relating to our operating activities. These items are included in Corporate since we consider them to be Corporate responsibilities, and these items are not used by our management to measure the underlying performance of the segments.

In the three months ended December 31, 2023, the operating loss for Corporate was \$24.3 compared to a loss of \$14.5 in the three months ended December 31, 2022, as described under "Adjusted Operating Income for Coty Inc." below. The increase in the operating loss for Corporate was primarily driven by a gain recognized related to our market exit from Russia in the comparative period and higher restructuring costs, partially offset by a decrease in stock compensation expense.

Adjusted Operating Income by Segment

We believe that adjusted operating income by segment further enhances an investor's understanding of our performance. See "Overview—Non-GAAP Financial Measures." A reconciliation of reported operating income to adjusted operating income is presented below, by segment:

(in millions)	Three Months Ended December 31, 2023		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income			
Prestige	\$ 200.6	\$ 38.4	\$ 239.0
Consumer Beauty	60.4	9.9	70.3
Corporate	(24.3)	24.3	—
Total	\$ 236.7	\$ 72.6	\$ 309.3

(in millions)	Three Months Ended December 31, 2022		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income			
Prestige	\$ 164.4	\$ 37.3	\$ 201.7
Consumer Beauty	49.4	10.3	59.7
Corporate	(14.5)	14.5	—
Total	\$ 199.3	\$ 62.1	\$ 261.4

^(a) See a reconciliation of reported operating income to adjusted operating income and a description of the adjustments under "Adjusted Operating Income for Coty Inc." below. All adjustments are reflected in Corporate, except for amortization and asset impairment charges on goodwill, indefinite-lived intangible assets, and finite-lived intangible assets, which are reflected in the Prestige and Consumer Beauty segments.

Adjusted Operating Income and Adjusted EBITDA for Coty Inc.

We believe that adjusted operating income further enhances an investor's understanding of our performance. See "Overview—Non-GAAP Financial Measures." Reconciliation of reported operating income to adjusted operating income is presented below:

(in millions)	Three Months Ended December 31,		Change %
	2023	2022	
Reported operating income	\$ 236.7	\$ 199.3	19 %
% of net revenues	13.7 %	13.1 %	
Amortization expense	48.3	47.6	1 %
Restructuring and other business realignment costs	4.0	(2.9)	>100%
Stock-based compensation	20.2	34.2	(41)%
Loss on sale of real estate	0.1	—	N/A
Early license termination and market exit costs	—	(16.8)	100 %
Total adjustments to reported operating income	\$ 72.6	\$ 62.1	17 %
Adjusted operating income	\$ 309.3	\$ 261.4	18 %
% of net revenues	17.9 %	17.2 %	
Adjusted depreciation	57.1	56.2	2 %
Adjusted EBITDA	\$ 366.4	\$ 317.6	15 %
% of net revenues	21.2 %	20.8 %	

In the three months ended December 31, 2023, adjusted operating income increased \$47.9 to \$309.3 from \$261.4 in the three months ended December 31, 2022. Adjusted operating margin increased to 17.9% of net revenues in the three months ended December 31, 2023 from 17.2% in the three months ended December 31, 2022, primarily driven by a decrease in

advertising and consumer promotional costs as a percentage of net revenues, partially offset by an increase in cost of goods sold as a percentage of net revenues. In the three months ended December 31, 2023, adjusted EBITDA increased \$48.8 to \$366.4 from \$317.6 in the three months ended December 31, 2022. Adjusted EBITDA margin increased to 21.2% of net revenues in the three months ended December 31, 2023 from 20.8% in the three months ended December 31, 2022.

Amortization Expense

In the three months ended December 31, 2023, amortization expense increased to \$48.3 from \$47.6 in the three months ended December 31, 2022. In the three months ended December 31, 2023, amortization expense of \$38.4 and \$9.9 was reported in the Prestige and Consumer Beauty segments, respectively. In the three months ended December 31, 2022, amortization expense of \$37.3 and \$10.3 was reported in the Prestige and Consumer Beauty segments, respectively.

Restructuring and Other Business Realignment Costs

We incurred \$520.0 of cash costs life-to-date related to our previously announced and substantially completed Transformation Plan as of December 31, 2023, which have been recorded in Corporate. In addition, we continue to analyze our cost structure and evaluate opportunities to streamline operations through a range of other cost reduction activities ("Other Restructuring Actions").

In the three months ended December 31, 2023, we incurred restructuring and other business structure realignment costs of \$4.0, as follows:

- We incurred restructuring costs of \$5.7 primarily related to the Other Restructuring Actions, included in the Condensed Consolidated Statements of Operations; and
- We incurred a credit in business structure realignment costs of \$(1.7), which is reported in selling, general and administrative expenses.

In the three months ended December 31, 2022, we incurred a credit in restructuring and other business structure realignment costs of \$(2.9) as follows:

- We incurred a credit in restructuring costs of \$(2.9) primarily related to the Transformation Plan due to the change in estimate, included in the Condensed Consolidated Statements of Operations; and
- We incurred no business structure realignment costs.

In all reported periods, all restructuring and other business realignment costs were reported in Corporate.

Stock-Based Compensation

In the three months ended December 31, 2023, stock-based compensation was \$20.2 as compared with \$34.2 in the three months ended December 31, 2022. The decrease in stock-based compensation is primarily related to a reduction in expense recognized in connection with awards granted to the CEO.

In the three months ended December 31, 2023 and 2022, all costs related to stock-based compensation were reported in Corporate.

Early License Termination and Market Exit Costs

In the three months ended December 31, 2023, we incurred no costs related to the early termination of a license and market exit activity.

In the three months ended December 31, 2022, we recognized a gain of \$(16.8) related to our decision to wind down our business in Russia.

Adjusted Depreciation Expense

In the three months ended December 31, 2023, adjusted depreciation expense of \$27.2 and \$29.9 was reported in the Prestige and Consumer Beauty segments, respectively. In the three months ended December 31, 2022, adjusted depreciation expense of \$26.8 and \$29.4 was reported in the Prestige and Consumer Beauty segments, respectively.

INTEREST EXPENSE, NET

In the three months ended December 31, 2023, net interest expense was \$60.1 as compared with \$61.0 in the three months ended December 31, 2022, remaining relatively flat compared to the prior period.

OTHER INCOME

In the three months ended December 31, 2023, other income was \$80.8 as compared with other income of \$141.9 in the three months ended December 31, 2022.

Other income of \$80.8 in the three months ended December 31, 2023 was comprised of net gains on forward repurchase contracts of \$72.1, equity investment related impacts of \$12.1, gains associated with earn-out provisions related to our sale of Wella of \$1.9, partially offset by miscellaneous operating expense of \$5.3.

Other income of \$141.9 in the three months ended December 31, 2022 was comprised of equity investment related impacts of \$73.9, net gains on forward repurchase contracts of \$59.7, gains associated with earn-out provisions related to our sale of Wella of \$12.5, partially offset by miscellaneous operating expense of \$4.2.

The decrease in Other income is primarily due to a less favorable fair value adjustment related to our equity investment in the Wella Company compared to the prior period.

INCOME TAXES

The effective income tax rate for the three months ended December 31, 2023 and 2022 was 27.7% and 13.8%, respectively. The change in the effective tax rate for the three months ended December 31, 2023, as compared with the three months ended December 31, 2022, is primarily due to the foreign exchange loss recognized on repatriation of funds in the prior year that were previously taxed.

The effective income tax rates vary from the U.S. federal statutory rate of 21% due to the effect of (i) jurisdictions with different statutory rates, including impacts of rate changes, (ii) adjustments to the Company's unrealized tax benefits ("UTBs") and accrued interest, (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes. Our effective tax rate could fluctuate significantly and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

Reconciliation of Reported Income Before Income Taxes to Adjusted Income Before Income Taxes and Effective Tax Rates:

(in millions)	Three Months Ended December 31, 2023			Three Months Ended December 31, 2022		
	Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate	Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate
Reported income before income taxes	\$ 257.4	\$ 71.4	27.7 %	\$ 280.2	\$ 38.8	13.8 %
Adjustments to reported operating income ^(a)	72.6			62.1		
Change in fair value of investment in Wella Business ^(c)	(13.0)			(75.0)		
Other adjustments ^(d)	0.2			0.2		
Total Adjustments ^(b)	59.8	6.6		(12.7)	28.7	
Adjusted income before income taxes	\$ 317.2	\$ 78.0	24.6 %	\$ 267.5	\$ 67.5	25.2 %

^(a) See a description of adjustments under "Adjusted Operating Income for Continuing Operations."

^(b) The tax effects of each of the items included in adjusted income are calculated in a manner that results in a corresponding income tax expense/provision for adjusted income. In preparing the calculation, each adjustment to reported income is first analyzed to determine if the adjustment has an income tax consequence. The provision for taxes is then calculated based on the jurisdiction in which the adjusted items are incurred, multiplied by the respective statutory rates and offset by the increase or reversal of any valuation allowances commensurate with the non-GAAP measure of profitability.

^(c) The amount represents the realized and unrealized (gain) loss recognized for the change in fair value of the investment in Wella.

^(d) For the three months ended December 31, 2023 and 2022, this primarily represents loss from our equity investment in KKW.

The adjusted effective tax rate was 24.6% for the three months ended December 31, 2023 compared to 25.2% for the three months ended December 31, 2022. The differences were primarily due to the jurisdictional mix of income.

NET INCOME (LOSS) ATTRIBUTABLE TO COTY INC.

Net income attributable to Coty Inc. was \$180.9 in the three months ended December 31, 2023 as compared to net income of \$238.3 in the three months ended December 31, 2022. The decrease in the income was primarily driven by a less favorable fair value adjustment for our investment in the Wella Company recorded in the current period.

We believe that adjusted net income attributable to Coty Inc. provides an enhanced understanding of our performance. See "Overview—Non-GAAP Financial Measures."

(in millions)	Three Months Ended December 31,		Change %
	2023	2022	
Net income from Coty Inc. net of noncontrolling interests	\$ 180.9	\$ 238.3	(24)%
Convertible Series B Preferred Stock dividends ^(a)	(3.3)	(3.3)	—%
Reported net (loss) income attributable to Coty Inc.	\$ 177.6	\$ 235.0	(24)%
<i>% of net revenues</i>	<i>10.3 %</i>	<i>15.4 %</i>	
Adjustments to reported operating income ^(b)	72.6	62.1	17%
Change in fair value of investment in Wella Company ^(c)	(13.0)	(75.0)	83%
Adjustment to other expense ^(d)	0.2	0.2	—%
Adjustments to noncontrolling interests ^(e)	(1.7)	(1.7)	—%
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(6.6)	(28.7)	77%
Adjusted net income attributable to Coty Inc.	\$ 229.1	\$ 191.9	19 %
<i>% of net revenues</i>	<i>13.3 %</i>	<i>12.6 %</i>	
Per Share Data			
Adjusted weighted-average common shares			
Basic	892.8	850.8	
Diluted ^(a)	922.8	886.8	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.26	\$ 0.23	
Diluted ^(a)	\$ 0.25	\$ 0.22	

^(a) Adjusted Diluted EPS is adjusted by the effect of dilutive securities. For the three months ended December 31, 2023 and 2022, shares for the Forward Repurchase Contracts were excluded from the computation of adjusted diluted EPS as Coty is in the position to receive shares from the counterparties and as such their inclusion would be anti-dilutive. Accordingly, we did not reverse the impact of the fair market value gains for contracts with the option to settle in shares or cash of \$44.4 and \$44.3, respectively. For the three months ended December 31, 2023, as the Convertible Series B Preferred Stock was dilutive, an adjustment to reverse the impact of the preferred stock dividends of \$3.3 was required. For the three months ended December 31, 2022, convertible Series B Preferred Stock (23.7 million weighted average dilutive shares) were anti-dilutive. Accordingly, we excluded these shares from the diluted shares and did not adjust the earnings for the related dividend of \$3.3.

^(b) See a description of adjustments under "Adjusted Operating Income for Continuing Operations."

^(c) For the three months ended December 31, 2023 and 2022, the amount represents the unrealized (gain) loss recognized for the change in fair value of the investment in Wella.

^(d) For the three months ended December 31, 2023 and 2022, this primarily represents adjustments for equity loss from KKW.

^(e) The amounts represent the after-tax impact of the non-GAAP adjustments included in net income attributable to noncontrolling interests based on the relevant noncontrolling interest percentage in the Condensed Consolidated Statements of Operations.

SIX MONTHS ENDED DECEMBER 31, 2023 AS COMPARED TO SIX MONTHS ENDED DECEMBER 31, 2022

NET REVENUES

In the six months ended December 31, 2023, net revenues increased 16%, or \$455.4, to \$3,369.0 from \$2,913.6 in the six months ended December 31, 2022. Excluding net revenue from the first and second quarters of the prior period from Russia, net revenues increased 17% or \$490.6 to \$3,369.0 from \$2,878.4 in the six months ended December 31, 2022, reflecting a positive price and mix impact of 13%, positive foreign currency exchange translation impact of 3%, and an increase in unit volume of 1%. The overall increase in net revenues reflects growth in our prestige fragrance category due to the continued success of fragrance brands, specifically *Burberry*, *Hugo Boss*, *Calvin Klein*, *Gucci*, *Chloe*, *Marc Jacobs* and *Davidoff*. The overall increase in net revenues for the Consumer Beauty segment was due to positive performance in the color cosmetics category, mass fragrance category, and the skin and body care category in Brazil.

The overall increase in net revenues reflects the continued success of our pricing and revenue management strategies, including the implementation of targeted price increases across our product portfolio. Volume growth across our fragrance portfolio, as well as in skin and body care products in Brazil, helped partially offset volume declines from certain color cosmetic and other body care brands in China due to macroeconomic conditions.

Geographically, except for China, net revenues in all major markets grew, led by the United States. Additionally, there was an increase in travel retail sales in the Europe, Americas and Asia Pacific regions.

Digital and e-commerce sales growth also contributed to the increase in net revenues.

Net Revenues by Segment

(in millions)	Six Months Ended December 31,		Change %
	2023	2022	
NET REVENUES			
Prestige	\$ 2,187.3	\$ 1,821.2	20 %
Consumer Beauty	1,181.7	1,092.4	8 %
Total	\$ 3,369.0	\$ 2,913.6	16 %

Prestige

In the six months ended December 31, 2023, net revenues from the Prestige segment increased 20%, or \$366.1, to \$2,187.3 from \$1,821.2 in the six months ended December 31, 2022. Excluding net revenue from the first and second quarters of the prior period from Russia, net revenues from the Prestige segment increased 21% or \$382.7 to \$2,187.3 from \$1,804.6 in the six months ended December 31, 2022, reflecting a positive price and mix impact of 10%, an increase in unit volume of 8%, and positive foreign currency exchange translation impact of 3%. The increase in net revenues primarily reflects:

- (i) higher net revenues due to the continued success of Prestige fragrances, such as *Burberry Goddess* and *Her*, *Hugo Boss Boss Bottled* and *Boss the Scent*, *Calvin Klein One*, *Eternity*, and *Euphoria*, *Gucci Guilty* and *Flora*, *Chloe Nomade* and *Signature*, *Marc Jacobs Daisy* and *Davidoff Cool Water*;
- (ii) an increase in net revenues in key markets, primarily the United States, Travel Retail, Germany, and Australia, due to the significant improvement of fill rates from the prior period; and
- (iii) an increase in net revenues due to positive pricing impact as a result of global price increases and in line with the overall premiumization strategy.

These increases in net revenue were partially offset by:

- (i) lower net revenues for the *Lacoste* brand in the current period, which was primarily due to the early license termination resulting in a wind down of sales through the end of the second quarter.

Consumer Beauty

In the six months ended December 31, 2023, net revenues from the Consumer Beauty segment increased 8%, or \$89.3, to \$1,181.7 from \$1,092.4 in the six months ended December 31, 2022. Excluding net revenue from the first and second quarters of the prior period from Russia, net revenues from the Consumer Beauty segment increased 10% or \$107.9 to \$1,181.7 from \$1,073.8 in the six months ended December 31, 2022, reflecting a positive price and mix impact of 7%, and a positive foreign currency exchange translation impact of 3%. The increase in net revenues primarily reflects:

- (i) an increase in net revenues from color cosmetics brands, specifically *Rimmel Manhattan*, which was due to continued brand innovation, such as *Lasting Finish* foundation and *Thrill Seeker* mascara;

- (ii) an increase in net revenues from the mass fragrance category primarily due to the continued success from the re-launch of *David Beckham Instinct* and innovation in *Bruno Banani* with the launch of *Magnetic Man* in the current fiscal year;
- (iii) an increase in net revenues from the skin and body care brands in Brazil due to strong category momentum and positive impact of pricing; and
- (iv) an increase in net revenues due to price increases across the Consumer Beauty product portfolio.

These increases in net revenue were partially offset by:

- (i) a decrease in net revenues due to lower sales volume for *Adidas* primarily as a result of category slowdown in China.

COST OF SALES

In the six months ended December 31, 2023, cost of sales increased 17%, or \$176.4, to \$1,203.0 from \$1,026.6 in the six months ended December 31, 2022. Cost of sales as a percentage of net revenues increased to 35.7% in the six months ended December 31, 2023 from 35.2% in the six months ended December 31, 2022 resulting in a gross margin decrease of approximately 50 basis points primarily reflecting:

- (i) approximately 70 basis points related to an increase in excess and obsolescence costs primarily associated with the Prestige product portfolio; and
- (ii) approximately 60 basis points related to an increase in designer license fees due to licensed Prestige brands comprising a larger portion of overall net revenues in the current period as well as favorable royalty activity in the prior period, which did not reoccur in the current period.

These increases were partially offset by:

- (i) approximately 50 basis points related to decreased freight costs; and
- (ii) approximately 30 basis points related to a decrease in manufacturing and material costs as a percentage of net revenues.

The above reflects the impact from inflation offset by a positive impact from pricing.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

In the six months ended December 31, 2023, selling, general and administrative expenses increased 12%, or \$175.8, to \$1,600.8 from \$1,425.0 in the six months ended December 31, 2022. Selling, general and administrative expenses as a percentage of net revenues decreased to 47.5% in the six months ended December 31, 2023 from 48.9% in the six months ended December 31, 2022, or approximately 140 basis points. This decrease was primarily due to:

- (i) 70 basis points due to a decrease in stock-based compensation cost primarily related to a reduction in expense recognized in connection with awards granted to the CEO;
- (ii) 60 basis points due to a decrease in administrative costs as a percentage of net revenues primarily due to lower depreciation expense related to fully depreciated IT equipment and lower costs associated with leased IT equipment;
- (iii) 40 basis points due to a decrease in advertising and consumer promotional costs due to a reduction in working media investment as a percentage of net revenues; and
- (iv) 40 basis points due to a decrease in logistics costs as a percentage of net revenues.

These decreases were partially offset by the following increases:

- (i) 50 basis points due to an increase in bad debt expense primarily related to a favorable activity in the prior period that did not reoccur in the current period; and
- (ii) 20 basis points due to an accrual reversal associated with the resolution of a contingency in the prior period that did not reoccur in the current period.

OPERATING INCOME

In the six months ended December 31, 2023, operating income was \$434.2 compared to income of \$371.2 in the six months ended December 31, 2022. Operating margin as a percentage of net revenues, increased to 12.9% in the six months ended December 31, 2023 as compared to an operating income as a percentage of net revenues of 12.7% in the six months ended December 31, 2022. The increase in operating margin is largely driven by lower fixed costs as a percentage of net revenues, a decrease in stock compensation expense as a percentage of net revenues, a decrease in advertising and consumer promotional expense as a percentage of net revenues, partially offset by higher restructuring costs in the current period and an increase in cost of goods sold as a percentage of net revenues.

Operating Income (Loss) by Segment

(in millions)	Six Months Ended December 31,		Change %
	2023	2022	
Operating income (loss)			
Prestige	\$ 422.2	\$ 335.0	26 %
Consumer Beauty	92.4	81.1	14 %
Corporate	(80.4)	(44.9)	(79)%
Total	\$ 434.2	\$ 371.2	17 %

Prestige

In the six months ended December 31, 2023, operating income for Prestige was \$422.2 compared to income of \$335.0 in the six months ended December 31, 2022. Operating margin increased to 19.3% of net revenues in the six months ended December 31, 2023 as compared to 18.4% in the six months ended December 31, 2022, driven primarily by a decrease in fixed costs as a percentage of net revenues and a decrease in advertising and consumer promotional expense as a percentage of net revenues, partially offset by an increase in cost of goods sold as a percentage of net revenues.

Consumer Beauty

In the six months ended December 31, 2023, operating income for Consumer Beauty was \$92.4 compared to income of \$81.1 in the six months ended December 31, 2022. Operating margin increased to 7.8% of net revenues in the six months ended December 31, 2023 as compared to 7.4% in the six months ended December 31, 2022, driven by a decrease in fixed costs as a percentage of net revenues and a decrease in advertising and consumer promotional expense as a percentage of net revenues, partially offset by an increase in cost of goods sold as a percentage of net revenues.

Corporate

Corporate primarily includes corporate expenses not directly related to our operating activities. These items are included in Corporate since we consider them to be Corporate responsibilities, and these items are not used by our management to measure the underlying performance of the segments.

In the six months ended December 31, 2023, the operating loss for Corporate was \$80.4 compared to a loss of \$44.9 in the six months ended December 31, 2022, as described under "Adjusted Operating Income for Coty Inc." below. The increase to the operating loss for Corporate was primarily driven by an increase in restructuring costs in the current period.

Adjusted Operating Income by Segment

We believe that Adjusted Operating income by segment further enhances an investor's understanding of our performance. See "Overview—Non-GAAP Financial Measures." A reconciliation of reported Operating income to Adjusted Operating income is presented below, by segment:

(in millions)	Six Months Ended December 31, 2023		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income			
Prestige	422.2	\$ 77.1	\$ 499.3
Consumer Beauty	92.4	19.8	112.2
Corporate	(80.4)	80.4	—
Total	\$ 434.2	\$ 177.3	\$ 611.5

(in millions)	Six Months Ended December 31, 2022		
	Reported (GAAP)	Adjustments ^(a)	Adjusted (Non-GAAP)
Operating income			
Prestige	335.0	\$ 74.3	\$ 409.3
Consumer Beauty	81.1	20.6	101.7
Corporate	(44.9)	44.9	—
Total	\$ 371.2	\$ 139.8	\$ 511.0

^(a) See a reconciliation of reported operating income to adjusted operating income and a description of the adjustments under "Adjusted Operating Income for Coty Inc." below. All adjustments are reflected in Corporate, except for amortization and asset impairment charges on goodwill, regional indefinite-lived intangible assets, and finite-lived intangible assets, which are reflected in the Prestige and Consumer Beauty segments.

Adjusted Operating Income and Adjusted EBITDA for Coty Inc.

We believe that adjusted operating income further enhances an investor's understanding of our performance. See "Overview—Non-GAAP Financial Measures." A reconciliation of reported operating income to adjusted operating income is presented below:

(in millions)	Six Months Ended December 31,		Change %
	2023	2022	
Reported operating income	434.2	371.2	17 %
<i>% of net revenues</i>	<i>12.9 %</i>	<i>12.7 %</i>	
Amortization expense	96.9	94.9	2 %
Restructuring and other business realignment costs	31.3	(3.7)	>100%
Stock-based compensation	49.9	65.3	(24)%
Gain on sale of real estate	(1.6)	(1.0)	(60)%
Early license termination and market exit costs	0.8	(15.7)	>100%
Total adjustments to reported operating income	\$ 177.3	\$ 139.8	27 %
Adjusted operating income	\$ 611.5	\$ 511.0	20 %
<i>% of net revenues</i>	<i>18.2 %</i>	<i>17.5 %</i>	
Adjusted depreciation	115.2	114.5	1 %
Adjusted EBITDA	\$ 726.7	\$ 625.5	16 %
<i>% of net revenues</i>	<i>21.6 %</i>	<i>21.5 %</i>	

In the six months ended December 31, 2023, adjusted operating income increased \$100.5, to \$611.5 from \$511.0 in the six months ended December 31, 2022. Adjusted operating margin increased to 18.2% of net revenues in the six months ended December 31, 2023 from 17.5% in the six months ended December 31, 2022. In the six months ended December 31, 2023,

adjusted EBITDA increased \$101.2 to \$726.7 from \$625.5 in the six months ended December 31, 2022. Adjusted EBITDA margin increased to 21.6% of net revenues in the six months ended December 31, 2023 from 21.5% in the six months ended December 31, 2022, primarily due to a decrease in fixed costs as a percentage of net revenues and decrease in advertising and consumer promotional as a percentage of net revenues, partially offset by an increase in cost of goods sold as a percentage of net revenues.

Amortization Expense

In the six months ended December 31, 2023, amortization expense increased to \$96.9 from \$94.9 in the six months ended December 31, 2022. In the six months ended December 31, 2023, amortization expense of \$77.1 and \$19.8 was reported in the Prestige and Consumer Beauty segments, respectively. In the six months ended December 31, 2022, amortization expense of \$74.3 and \$20.6 was reported in the Prestige and Consumer Beauty segments, respectively.

Restructuring and Other Business Realignment Costs

We incurred \$520.0 of cash costs life-to-date related to our previously announced and substantially completed Transformation Plan as of December 31, 2023, which have been recorded in Corporate. In addition, we continue to analyze our cost structure and evaluate opportunities to streamline operations through a range of other cost reduction activities ("Other Restructuring Actions").

In the six months ended December 31, 2023, we incurred restructuring and other business structure realignment costs of \$31.3, as follows:

- We incurred restructuring costs of \$34.1 primarily related to the Other Restructuring Actions, included in the Condensed Consolidated Statements of Operations; and
- We incurred a credit in business structure realignment costs of \$(2.8) which is reported in selling, general and administrative expenses.

In the six months ended December 31, 2022, we incurred a credit in restructuring and other business structure realignment costs of \$(3.7) as follows:

- We incurred a credit in restructuring costs of \$(4.1) primarily related to the Transformation Plan, included in the Condensed Consolidated Statements of Operations.
- We incurred business structure realignment costs of \$0.4 primarily related to our Transformation Plan and certain other programs. This amount includes \$0.9 reported in Cost of sales in the Condensed Consolidated Statement of Operations and a credit of \$(0.5) reported in Selling, general and administrative expenses.

In all reported periods, all restructuring and other business realignment costs were reported in Corporate.

Stock-based compensation

In the six months ended December 31, 2023, stock-based compensation was \$49.9 as compared with \$65.3 in the six months ended December 31, 2022. The decrease in stock-based compensation is primarily related to a reduction in expense recognized in connection with awards granted to the CEO.

In all reported periods, all costs related to stock-based compensation were reported in Corporate.

Gain on Sale of Real Estate

In the six months ended December 31, 2023 and 2022 we recognized gain of \$(1.6) and \$(1.0), respectively, related to sale of real estate.

Early License Termination and Market Exit Costs

In the six months ended December 31, 2023, we incurred costs of \$0.8 related to the early termination of a license and market exit activity.

In the six months ended December 31, 2022, we recognized a gain of \$(15.7) related to our market exit from Russia.

Adjusted Depreciation Expense

In the six months ended December 31, 2023, adjusted depreciation expense of \$54.5 and \$60.7 was reported in the Prestige and Consumer Beauty segments, respectively. In the six months ended December 31, 2022, adjusted depreciation expense of \$54.3 and \$60.2 was reported in the Prestige and Consumer Beauty segments, respectively.

INTEREST EXPENSE, NET

In the six months ended December 31, 2023, net interest expense was \$129.9 as compared with \$126.9 in the six months ended December 31, 2022. This increase is primarily due to the impact of a higher average interest rate despite lower debt balances in the current period.

OTHER INCOME

In the six months ended December 31, 2023, other income was \$4.2 as compared to other income of \$240.1 in the six months ended December 31, 2022.

Other income of \$4.2 in the six months ended December 31, 2023 was comprised of equity investment related impacts of \$15.3, gains associated with earn-out provisions related to our sale of Wella of \$8.5, partially offset by miscellaneous operating expense of \$16.0 and loss on forward repurchase contracts of \$3.6.

Other income of \$240.1 in the six months ended December 31, 2022 was comprised of equity investment related impacts of \$208.0, gains associated with earn-out provisions related to our sale of Wella of \$26.4, net gains on forward repurchase contracts of \$10.6, partially offset by miscellaneous operating expense of \$4.9.

This decrease in Other income is primarily due to a less favorable fair value adjustment related to our equity investment in the Wella Company compared to the prior period and lower gains associated with earn-out provisions related to our sale of Wella as compared to the prior period.

INCOME TAXES

The effective income tax rate for the six months ended December 31, 2023 and 2022 was 36.4% and 22.4%, respectively. The change in the effective tax rate for the six months ended December 31, 2023, as compared to the prior period is primarily due to an expense of \$24.3 in the current period recognized on the revaluation of our deferred tax liabilities due to a tax rate increase enacted in Switzerland.

The effective income tax rates vary from the U.S. federal statutory rate of 21% due to the effect of: (i) jurisdictions with different statutory rates, including impacts of rate changes, (ii) adjustments to our unrecognized tax benefits and accrued interest; (iii) non-deductible expenses, (iv) audit settlements and (v) valuation allowance changes. Our effective tax rate could fluctuate significantly and could be adversely affected to the extent earnings are lower than anticipated in countries that have lower statutory rates and higher than anticipated in countries that have higher statutory rates.

Reconciliation of Reported Income Before Income Taxes to Adjusted Income Before Income Taxes and Effective Tax Rates:

(in millions)	Six Months Ended December 31, 2023			Six Months Ended December 31, 2022		
	Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate	Income Before Income Taxes	Provision for Income Taxes	Effective Tax Rate
Reported income before income taxes	\$ 308.5	\$ 112.3	36.4 %	\$ 484.4	\$ 108.5	22.4 %
Other adjustments to reported operating income ^(a)	177.3			139.8		
Change in fair value of investment in Wella Business ^(c)	(17.0)			(210.0)		
Other adjustments ^(d)	4.1			0.4		
Total Adjustments ^(b)	164.4	33.7		(69.8)	2.5	
Adjusted income before income taxes	\$ 472.9	\$ 146.0	30.9 %	\$ 414.6	\$ 111.0	26.8 %

^(a) See a description of adjustments under "Adjusted Operating Income for Continuing Operations."

^(b) The tax effects of each of the items included in adjusted income are calculated in a manner that results in a corresponding income tax expense/provision for adjusted income. In preparing the calculation, each adjustment to reported income is first analyzed to determine if the adjustment has an income tax consequence. The provision for taxes is then calculated based on the jurisdiction in which the adjusted items are incurred, multiplied by the respective statutory rates and offset by the increase or reversal of any valuation allowances commensurate with the non-GAAP measure of profitability.

^(c) The amount represents the realized and unrealized (gain) loss recognized for the change in fair value of the investment in Wella.

^(d) For the six months ended December 31, 2023, this primarily represents divestiture-related costs related to our equity investments and loss from our equity investment in KKW. For the six months ended December 31, 2022, this primarily represents adjustments for equity loss from KKW.

The adjusted effective tax rate was 30.9% for the six months ended December 31, 2023 compared to 26.8% for the six months ended December 31, 2022. The differences were primarily due to an expense of \$24.3 in the current period recognized on the revaluation of the Company's deferred tax liabilities due to a tax rate increase enacted in Switzerland.

NET INCOME ATTRIBUTABLE TO COTY INC.

Net income attributable to Coty Inc. was \$182.5 in the six months ended December 31, 2023, as compared to net income of \$366.9 in the six months ended December 31, 2022. This decrease in net income was primarily driven by a less favorable fair value adjustment related to our investment in the Wella Company.

We believe that adjusted net income attributable to Coty Inc. provides an enhanced understanding of our performance. See "Overview—Non-GAAP Financial Measures."

(in millions)	Six Months Ended December 31,		Change %
	2023	2022	
Net income from Coty Inc. net of noncontrolling interests	182.5	366.9	(50)%
Convertible Series B Preferred Stock dividends ^(a)	(6.6)	(6.6)	— %
Reported net income attributable to Coty Inc.	175.9	360.3	(51)%
% of net revenues	5.2 %	12.4 %	
Adjustments to reported operating income ^(b)	177.3	139.8	27 %
Change in fair value of investment in Wella Company ^(c)	(17.0)	(210.0)	92 %
Adjustment to other expense ^(d)	4.1	0.4	>100%
Adjustments to noncontrolling interests ^(e)	(3.4)	(3.4)	— %
Change in tax provision due to adjustments to reported net income attributable to Coty Inc.	(33.7)	(2.5)	<(100)%
Adjusted net income attributable to Coty Inc.	303.2	284.6	7 %
% of net revenues	9.0 %	9.8 %	
Per Share Data			
Adjusted weighted-average common shares			
Basic	873.6	846.4	
Diluted ^(a)	907.0	884.5	
Adjusted net income attributable to Coty Inc. per common share			
Basic	\$ 0.35	\$ 0.34	
Diluted ^(a)	\$ 0.34	\$ 0.33	

^(a) Adjusted Diluted EPS is adjusted by the effect of dilutive securities. For the six months ended December 31, 2023 and 2022, shares for the Forward Repurchase Contracts were excluded from the computation of adjusted diluted EPS as Coty is in the position to receive shares from the counterparties and as such their inclusion would be anti-dilutive. Accordingly, we did not reverse the impact of the fair market value gains for contracts with the option to settle in shares or cash of \$0.2 and \$6.8, respectively. For the six months ended December 31, 2023 and 2022, as the Convertible Series B Preferred Stock was dilutive, an adjustment to reverse the impact of the preferred stock dividends of \$6.6 and \$6.6, respectively was required.

^(b) See a description of adjustments under "Adjusted Operating Income for Continuing Operations"

^(c) The amount represents the realized and unrealized (gain) loss recognized for the change in fair value of the investment in Wella.

^(d) For the six months ended December 31, 2023, this primarily represents divestiture-related costs related to our equity investments and loss from our equity investment in KKW. For the six months ended December 31, 2022, this primarily represents loss from equity investment in KKW.

^(e) The amounts represent the after-tax impact of the non-GAAP adjustments included in Net income (loss) attributable to noncontrolling interests based on the relevant noncontrolling interest percentage in the Condensed Consolidated Statements of Operations.

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary sources of funds include cash expected to be generated from operations, borrowings from issuance of debt and lines of credit provided by banks and lenders in the U.S. and abroad.

Our cash flows are subject to seasonal variation throughout the year, including demands on cash made during our first fiscal quarter in anticipation of higher global sales during the second fiscal quarter and strong cash generation in the second fiscal quarter as a result of increased demand by retailers associated with the holiday season.

Our principal uses of cash are to fund planned operating expenditures, capital expenditures, interest payments, dividends, share repurchases, any principal payments on debt, and from time to time, acquisitions, and business structure realignment expenditures. Working capital movements are influenced by the sourcing of materials related to the production of products. Cash and working capital management initiatives, including the phasing of vendor payments and factoring of trade receivables from time-to-time, may also impact the timing and amount of our operating cash flows.

We remain focused on deleveraging our balance sheet using cash flows generated from our operations. We continue to take steps to permanently reduce our debt to reduce interest costs and improve our long-term profitability and cash flows. During the first quarter, we explored an opportunity to further deleverage by divesting a portion of our equity position in Wella to use the proceeds to repay our debt. On July 18, 2023, we announced that we had entered into a binding letter of intent to sell a 3.6% stake in Wella to an investment firm for \$150.0. Subsequently, we and the investment firm mutually agreed not to pursue the proposed transaction and entered into a termination letter in October 2023. Our remaining 25.9% investment in Wella continues to give us the opportunity for further permanent debt reductions when our equity position is divested.

We continue to wind down the operations of our Russian subsidiary. We anticipate that we will incur an immaterial amount of additional costs through completion of the wind down, and future net cash costs of \$10.0 to \$20.0, which will be funded by our Russian subsidiary. The amount of future costs, including cash costs, will be subject to various factors, such as additional government regulation and the resolution of legal contingencies. We have substantially completed the exit of our commercial activities in Russia. However, we anticipate that the process related to the liquidation of the Russian legal entity will take an extended period of time.

Inflationary trends eased in the second quarter of fiscal 2024 and are expected to continue to ease in the coming quarters. Additionally, we continued to see improved order fill rates and achieved near pre-COVID-19 service levels in the second quarter and anticipate being able to maintain this level of service into the foreseeable future.

Debt Financing

We are in the process of deleveraging our company and improving the maturity mix of our debt, including through refinancing or repayment of a portion of our debt.

We have taken action to reduce variability in our interest payments including paying down variable interest rate debt outstanding under our 2018 Coty Term B Facility and issuing fixed rate bonds. As a result, all of our long-term debt was fixed rate debt as of December 31, 2023 and our remaining floating-to-fixed interest rate swaps have been terminated.

In the first quarter of fiscal 2024, we amended the 2018 Coty Credit Agreement and replaced our existing revolving commitments with two tranches of revolving commitments, having an aggregate principal amount of \$1,670.0 available in U.S. dollars and certain other currencies and the other in an aggregate principal amount of €300.0 million available in euros, and issued \$750.0 and €500.0 million of senior secured notes due July 2030 and September 2028, respectively. The net proceeds received from the offerings were used to primarily pay down the outstanding balance of the U.S. dollar and euro portions of the 2018 Coty Term B Facility by \$715.5 and €22.6 million (approximately \$25.1), respectively and a portion of the borrowings outstanding under our revolving credit facility. In August 2023, we repaid the €408.0 million (approximately \$446.1) of the debt outstanding under the 2018 Term B Facility, thus repaying the facility in full.

In the second quarter of fiscal 2024, one of our wholly-owned subsidiaries utilized cash on hand to fully pay down the U.S. Dollar-denominated credit facility in Brazil in the amount of \$31.9. Additionally, we completed cash tender offers on December 7, 2023, and redeemed \$150.0 of the Company's 2026 Dollar Notes and \$250.0 of the Company's 2026 Dollar Senior Secured Notes. See Note 9—Debt in the notes to our Condensed Consolidated Financial Statements for additional information on our debt arrangements and prior period credit agreements, as well as definitions of capitalized terms.

We expect to continue to take actions to improve the maturity mix of our debt from time to time as market conditions permit.

Equity Offering

On September 28, 2023, we entered into an agreement with a group of underwriters to issue and sell 33.0 million shares of our Class A common stock, par value \$0.01 per share (see Note 13—Equity and Convertible Preferred Stock for additional information). We used proceeds of approximately \$348.4, net of underwriting fees, from this offering primarily to retire the principal amount of outstanding debt. Other uses included general corporate purposes, such as strategic investments in the business, working capital and capital expenditures. Settlement of the Offering occurred on October 2, 2023.

Share Repurchases

In connection with our Share Repurchase Program, we entered into forward repurchase contracts in June 2022, December 2022, and November 2023 with three large financial institutions to start hedging for potential \$200.0, \$196.0 and \$250.0 of share repurchases in 2024, 2025 and 2026, respectively.

We plan to physically settle the June 2022 forward repurchase contracts by delivering approximately \$200.0 cash in exchange for 27 million shares of our Class A Common Stock during the third quarter of fiscal 2024. We will continue to incur costs associated with these forward repurchase contracts before settlement. Such cash costs incurred in the current fiscal year to date for all forward repurchase contracts amounted to \$24.0.

Factoring of Receivables

From time to time, we supplement the timing of our cash flows through the factoring of trade receivables. In this regard, we have entered into factoring arrangements with financial institutions.

The net amount utilized under the factoring facilities was \$217.0 and \$202.9 as of December 31, 2023 and June 30, 2023, respectively. The aggregate amount of trade receivable invoices factored on a worldwide basis amounted to \$874.0 and \$795.8 during the six months ended December 31, 2023 and 2022, respectively.

Cash Flows

	Six Months Ended December 31,	
	2023	2022
Condensed Consolidated Statements of Cash Flows Data: (in millions)		
Net cash provided by operating activities	\$ 608.1	\$ 645.4
Net cash used in investing activities	(119.4)	(45.2)
Net cash used in financing activities	(285.9)	(536.6)

Net cash provided by operating activities

Net cash provided by operating activities was \$608.1 and \$645.4 for the six months ended December 31, 2023 and 2022, respectively. The decrease in cash provided by operating activities of \$37.3 was primarily driven by lower net inflows from changes in working capital, resulting from by changes in accounts payable due to timing of payments and vendor mix and changes in trade receivables primarily due to higher net revenue and lower factored receivables year over year. Changes in inventories partially offset these impacts due to the prior year increase in inventory as a result of strategic efforts to mitigate supply chain constraints combined with a current year decrease in inventory from higher net revenues. Changes in accrued expenses and other current and noncurrent liabilities also helped to offset the overall decrease in cash provided by operating activities primarily from the impact of lower payments for restructuring and interest related to timing of restructuring programs and changes to interest payment terms year over year.

Net cash used in investing activities

Net cash used in investing activities was \$119.4 and \$45.2 for the six months ended December 31, 2023 and 2022, respectively. The decrease in investing cash flows of \$74.2 was primarily due to lower current year proceeds from the sale of long-lived assets and higher levels of capital expenditures year over year. The lower proceeds from sale of long-lived assets was primarily driven by the impact of the prior year collection of license termination fees which did not reoccur in the current year.

Net cash used in financing activities

Net cash used in financing activities during the six months ended December 31, 2023 and 2022 was \$285.9 and \$536.6, respectively. The decrease in cash used in financing activities of \$250.7 was primarily driven by the net proceeds from the issuance of Class A Common Stock, mainly in connection with the global offering, and lower cash payments in the current year due to realized losses on the Company's financing related foreign currency contracts. Such lower cash outflows were partially

offset primarily by higher repayments in the current year associated with the Company's Credit Agreement, higher payments for deferred financing fees and for the forward repurchase contracts in the current year.

Dividends

On April 29, 2020, the Board of Directors suspended the payment of dividends on Common Stock. As we focus on preserving cash, we expect to suspend the payment of dividends until we reach a Net debt to Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") of 2x. Any determination to pay dividends in the future will be at the discretion of our Board of Directors.

Dividends on the Convertible Series B Preferred Stock are payable in cash, or by increasing the amount of accrued dividends on Convertible Series B Preferred Stock, or any combination thereof, at the sole discretion of the Company. We expect to pay such dividends in cash on a quarterly basis, subject to the declaration thereof by our Board of Directors. The terms of the Convertible Series B Preferred Stock restrict our ability to declare cash dividends on our common stock until all accrued dividends on the Convertible Series B Preferred Stock have been declared and paid in cash.

For additional information on our dividends, see Note 13—Equity and Convertible Preferred Stock in the notes to our Condensed Consolidated Financial Statements.

Treasury Stock - Share Repurchase Program

For information on our Share Repurchase Program, see Note 13—Equity and Convertible Preferred Stock in the notes to our Condensed Consolidated Financial Statements.

Commitments and Contingencies

See Note 16—Redeemable Noncontrolling Interests in the notes to our Condensed Consolidated Financial Statements for information on our subsidiary in the Middle East.

Legal Contingencies

For information on our litigation matters and Brazilian tax assessments, see Note 17—Commitments and Contingencies in the notes to our Condensed Consolidated Financial Statements. In relation to the appeal of our Brazilian tax assessments, we have entered into surety bonds of R\$423.8 million (approximately \$87.3) as of December 31, 2023.

Off-Balance Sheet Arrangements

We had undrawn letters of credit of \$4.1 and \$7.2 and bank guarantees of \$20.7 and \$16.3 as of December 31, 2023 and June 30, 2023, respectively.

Contractual Obligations

Our principal contractual obligations and commitments as of June 30, 2023 are summarized in Item 7 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Contractual Obligations and Commitments," of our Fiscal 2023 Form 10-K. Refer to Item 2 - "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Share Repurchases" above for discussion of the obligations related to our announced share repurchase during fiscal 2024. For the six months ended December 31, 2023, there have been no other material changes in our contractual obligations outside the ordinary course of business.

Critical Accounting Policies

We believe that the critical accounting policies listed below involve our more significant judgments, assumptions and estimates and, therefore, could have the greatest potential impact on our Condensed Consolidated Financial Statements:

- Revenue Recognition;
- Equity Investments;
- Goodwill, Other Intangible Assets and Long-Lived Assets;
- Inventory; and
- Income Taxes.

As of December 31, 2023, there have been no material changes to the items disclosed as critical accounting policies and estimates in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II—Item 7 of our Fiscal 2023 Form 10-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

See Note 12—Derivative Instruments for updates to our foreign currency risk management and interest rate risk management. There have been no material changes in market risk from the information provided in Item 7A. Quantitative and Qualitative Disclosures About Market Risk of our Fiscal 2023 Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer (the “CEO”) and our Chief Financial Officer (“CFO”), evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2023. Based on the evaluation of our disclosure controls and procedures as of December 31, 2023, our CEO and CFO concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management’s evaluation pursuant to Rules 13a-15(f) of the Exchange Act during the second fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our CEO and CFO, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving our objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings.

For information on our legal matters, see Note 17—Commitments and Contingencies in the notes to our Condensed Consolidated Financial Statements.

Item 1A. Risk Factors.

We have disclosed information about the risk factors that could adversely affect our business in Part I, Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for fiscal 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

No shares of our Class A Common Stock were repurchased during the fiscal quarter ended December 31, 2023.

Item 5. Other Information

During the three months ended December 31, 2023, none of the Company’s directors or Section 16 reporting officers adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of the SEC’s Regulation S-K).

Item 6. Exhibits, Financial Statement Schedules.

The exhibits listed below are filed as part of this Quarterly Report on Form 10-Q:

Exhibit Number	Description
31.1	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a).
31.2	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a).
32.1	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.
COTY INC.

Date: February 8, 2024

By: /s/Sue Nabi
Name: Sue Nabi
Title: Chief Executive Officer
(Principal Executive Officer)

/s/Laurent Mercier
Name: Laurent Mercier
Title: Chief Financial Officer
(Principal Financial Officer)

Certification

I, Sue Nabi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coty Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2024

/s/Sue Nabi

Sue Nabi
Chief Executive Officer

Certification

I, Laurent Mercier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Coty Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2024

/s/Laurent Mercier
Laurent Mercier
Chief Financial Officer

Certification
Pursuant to Rule 13a-14(b) or
Rule 15d-14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of Coty Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2024

/s/ Sue Nabi

Sue Nabi
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and for no other purpose.

Certification
Pursuant to Rule 13a-14(b) or
Rule 15d-14(b) and 18 U.S.C. Section 1350
(as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002)

Pursuant to 18 U.S.C. Section 1350 (as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002), the undersigned officer of Coty Inc., a Delaware corporation (the "Company"), does hereby certify, to such officer's knowledge, that:

The quarterly report on Form 10-Q for the quarter ended December 31, 2023 (the "Report") of the Company fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (15 U.S.C. 78m or 78o(d)), and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 8, 2024

/s/ Laurent Mercier
Laurent Mercier
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and for no other purpose.