THOMSON REUTERS STREETEVENTS

EDITED TRANSCRIPT

COTY - Coty Inc at Bank of America Merrill Lynch Consumer & Retail Conference

EVENT DATE/TIME: MARCH 11, 2014 / 12:50PM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Michele Scannavini *Coty Inc. - CEO*

Patrice de Talhouet *Coty Inc. - CFO*

CONFERENCE CALL PARTICIPANTS

Olivia Tong *BofA Merrill Lynch - Analyst*

PRESENTATION

Olivia Tong - *BofA Merrill Lynch - Analyst*

Good morning. Thank you for coming. I'm Olivia Tong, Bank of America Merrill Lynch's household products and cosmetics analyst. We are pleased to to have with us today Coty. Coty generates $4.6 billion in annual sales across it's three major businesses of Fragrances, Color Cosmetics including nail polish, and Skin Care. The company is diversified in both geography and channel with 23% of sales in emerging markets and roughly a 50-50 split between Mass and other channels.

With us from the Company are CEO, Michele Scannavini; CFO, Patrice de Talhouet; and Treasurer, Kevin Monoco. Thank you, gentlemen.

Michele Scannavini - *Coty Inc. - CEO*

Okay. So good morning, everybody. Thanks, Olivia, for the nice introduction, and welcome to Coty presentation. So it is a nice opportunity for us to be with you today to tell you Coty's story and to make a point of the situation nine months after we listed Coty at the New York Stock Exchange.

So I believe the best way to introduce Coty is through its brands, so let's have a look.

(plays video)

Okay. This is Coty. Coty is a company with -- cautionary statement with that -- is a company with a base on tradition in beauty. Actually, it was founded 110 years ago by Francois Coty, who was inventor of what is called today the modern fragrance industry.

Through the years, Coty Group today is a global company, covering more than 130 countries and territories, 10,000 people working in Coty are in the center, a manufacturing center all around the globe, and a total dollar of $4.6 billion in fiscal year 2013.

We grew faster over the last few years, both in terms of revenues and in terms of profit, and we are a pretty strong cash flow generator. The management team has -- and the organization has a stronger familiar approach, as well as the passion and is inspired by our motto: Faster, Further, and Freer.

We are a pure beauty company. So beauty is all we do, is our 100% focus. We compete in the three major segments of beauty. Our core business is Fragrance that account for 54% of our total business. 30% is Color Cosmetics. 15% is Skin & Body Care.

Now, our portfolio is in evolution. If you think that only 6-7 years ago, 70% of our total business was fragrances. So progressively we are getting more and more important the position also in the other segment of beauty.

We are a multichannel company, so we cover the most important channel of distribution. We have a very good balance of our business between Mass and Prestige, and we have a small part of our business that is growing in other channels such as direct to consumer and professional channel. We also have a very good presence in [travel e-tailer]. They represent today almost 15% of our total Prestige business.

We are a growing company. We have a very strong position in North America and in Europe. The two together represent close to 90% of our total business. If we split the world between consolidated and emerging market, as you can see, we have 26% of our business in emerging market. It's growing. We are putting a lot of focus there to increase our business. Our target in 3 to 5 years from now is to have around one-third of our total business coming from emerging markets.

Now let me take you through some of the key points that make us believing that Coty is a very impressive and compelling investment opportunity, and we will talk of the market. We report -- talk about our points of strength, the portfolio, our ability to build brand, our ability to innovate, our financial track record. And we will focus also on the opportunity that we have for future growth, both in terms of revenues and in terms of margin. And then we will end up with a couple of awards of (inaudible).

So let's start talking now the industry. I believe that most of you know the industry. Anyway, beauty is a very interesting industry. It's very attractive. It's one of the fastest industries in the consumer good with an average growth of 4% over the last 10 years, growth that is mostly due to demographic factor and to the growth of the middle class. The middle class are the consumer of beauty products, and you know the middle class is expanding very fast. In 15 years from now, there is a forecast of 3 billion more people belonging to the middle class, particularly in emerging markets and particularly in Asia.

Coty -- let's start talking first about our portfolio. We have a very strong brand portfolio. 70% of our business is made by 10 power brands. We define power brands, brands that are sizable, that are very strong with very strong position in several country of the world, and they are big enough to allow us to keep investing behind the growth of the brand and, at the same time, to develop a nice profitability.

We have the power brands in all the three segments. We have the five power brands in Fragrances that are Calvin Klein, Marc Jacobs, Chloe, Davidoff and Playboy. We have three power brands in Color, Rimmel, OPI and Sally Hansen; and two power brands in Skin & Body Care, Adidas and Philosophy.

As you can see, we can cover all the different price points from entry price master to top-price Prestige with our brand portfolio. The remaining 30% of the business is made by brands that either are very strong on a regional basis, so allow us to have a strong position in certain markets in the world, or new brand, which require rightly the license, recent liquidity we are building like Bottega Veneta or like Cavalli, and we have a tail of a few small brands that are not anymore in the strategy of the Company and eventually progressively we dispose.

We are proud to be the number-one global player in Fragrance. This is our core competence; it is our core business. Our biggest brand in Fragrance is the designer brand that makes around 70% of our total business in Fragrance. And we have designers that goes from the top exclusive and select designers such as Balenciaga, Bottega Veneta and Chloe to more mainstream designers like Calvin Klein.

Then 20% of our business is made by Lifestyle brand like the Chloe, and then slightly more than 10% of our business by celebrities that is very visible because of the personalities -- Italian Vogue (inaudible) more respond well to our portfolio.

I think it is an important unit for you to know is that most of these brands have license agreements. Licensing is the business model for the fragrance industry, given the connection to fashion or to celebrities. All our contracts have long-term contracts, and most of our contract has automatic renewal if we achieve a certain threshold of sales. In the vast majority of the case, we are far above this threshold and in case like Calvin Klein or like Chloe, the threshold for renewal is so low that we can say that we can operate a contract with them. In any case, the first expiring date for a contract with any of our brands comes in seven years from now. So until seven years from now, there are no expiring days for any of our contracts of important brands.

We are growing faster in progress. We are outpacing market growth. And the current thing is that naturally we are sizable but growing faster. But we are among the best in class, if not the best in class, in terms of profitability. Our operating margin in the Fragrance segment is close to 20%.

Then Color Cosmetics, here we are among the fastest growing player in the industry. We enjoy a very strong position in Europe, where we are the number two company, a strong position in US, where we are the number five, and we are number six globally because we have, still, greenfield opportunities in the emerging markets. We are also very strong in the nail category within color where we are number one in the world, and joint leadership both in the professional channel and in the retail channel.

Looking at our brands, we have three power brands, as we said. Rimmel is the biggest brand in our Core Cosmetics segment. It is a fantastic brand, growing very nicely both in Europe and in US. And just to give you an idea, in 2013 Rimmel has been the fastest-growing brand in the US as the (inaudible) among the top 10 brands. So Rimmel extremely successful. Then we have two leaders. As we said before in May, we are the leader in the professional channel and global OPI, and we are leader in the retail channel global with Sally Hansen.

As I said before, we grew very fast in Color. Actually we are one of the fastest-growing companies in the world. We grew 18% or 8% organic, so not considering the impact of composition. But these are twice fast, twice faster as the segment.

We were able to grow significantly, particularly thanks to our ability to build brand and to innovate. We got a pretty strong reputation in the industry for our ability to take brands with (inaudible) opportunity and to bring them to the next level. You see here a list of five brands that we acquired in the last 10 years. And you see what was the situation of the brand before the acquisition and then the situation up to today after the acquisition with a growth rate.

And we were able to successfully develop this brand using the same recipe in all the cases. There was, number one, a very strong accretive innovation plan; number two, leveraging for now our multichannel capabilities; and number three, investing in marketing behind our brands. And we were able to be successful both with brands that were already sizable, like Calvin Klein and Sally Hansen, but that lost some of their growth dynamic, or with brand awareness small and successful like Marc Jacobs, Chloe and Playboy, and we were able to bring a completely different dynamic in terms of growth, up to the point that the three of them are among the most successful fragrance brands in the industry over the last few years.

As I said before, we are focusing on growth. Our business grew significantly over the last 10 years. We had a growth of 11% average, including acquisition of 7% like for like net of any currency and acquisition impact. As you have seen before, Beauty was growing at around 4%, so it's clearly outpacing the growth of Beauty. Not only we grew revenue faster but also our margin expanded in a pretty significant way. As you can see, in the last three years, we were able to expand by 410 basis points our operating margin, going from 8.2% to 12.3% on net revenues.

So growth is very important for us. We are totally focused on growth. In the last period, we had a slowdown in our growth, particularly in the last six months, and this is mostly due to two dynamic growth markets. The number one was a clear slowdown of the market dynamic in US and Europe. So, as we have seen before, still 75% of our business is concentrated in the US and Europe, and what we are seeing in 2013, as far as Europe is concerned, Europe had a very tough time. The market was slightly negative until the end of the year, where we have seen -- this is good news -- some pickup of the market, particularly in country like Germany and UK. But still, the overall situation in Europe is difficult.

And then we have US that had a pretty good first part of the year and then, particularly in the mass-market, in the second semester started to slow down significantly, traffic in the store consumption and segment trend. And this was particularly true for two segments where we have a very strong position at our Mass Fragrances and Nail, but we have seen a clear change of trend in the US.

Let's have a look into the Nail story because I believe it's pretty interesting. So Nail over the last three years has in the fastest-growing segment in the total beauty industry. As you can see, till the middle of this year, until June of this year, growth in double-digit month after month, quarter after quarter, even with period which (inaudible) was growing 20%, 30%, 40%.

And why this has happened -- this happened because we started to bring to the market a string of very surprising innovation, 3 or 4 years ago we started, particularly with Sally Hansen, in a field that is called a special effect. In other words, we were proposing the kinds -- for instance, the sticker that you put on the nail with different fashion designer pattern, surprising effect like sparkling, crackling or these kind of things. And in this way, we are able to shift the perception of nail from a commodity to one of the coolest fashion accessories. It has created literally the phone for the total category, increasing penetration, increasing the number of products the consumer was purchasing.

Now we see that this wow factor, as you tap into manufacturing effect, is fading progressively. The consumer today has anywhere between 9 to 18 product at home, so start with having maxed out a bit of their inventory at home. And this is reflected in the trend that we see of slowing down first of the growth and then a decline in the last month of the year.

This change of consumption has triggered a significant de-stocking activity from the trader. So what we have seen in the second semester was a trend of sales that was even worse than the decline of consumption because of the trade of stocking. Now, however, what we can see -- yes, the market was around 6%. But previous year [Saint Peter] was up 25% after three years of enormous growth. So it means that most of growth that has been accumulated stays there. And I believe once that we have rebalanced totally the trade inventory but also the consumer inventory at home, we will see Nail progressively get back to where (inaudible) growth will be at least in line with the Color Cosmetic trend.

We also had some good news in a very recent timing. First of all, seven out of 10 of our brand were in the right trajectory. Actually, if we exclude the two power brands related to Nail, seven out of eight of our brand were showing a solid result. So this shows that our portfolio is very competitive. We had a very good growth in emerging markets, 7%, and this is the result of strong investment activity that we are doing in the emerging market.

Philosophy, it is our biggest treatment brand that we acquired three years ago. After it started, it was lower than expected, now is in a turnaround situation. And we had the three consecutive quarters of good growth, both US and outside US. And we keep on having a pretty strong financial performance with strong cash generation, thanks particularly to our focus in getting efficiency in our working capital.

So we are committed to come back to growth as fast as possible. Actually, we are targeting to come back to growth already in the second part of the year, despite the market is still difficult, despite the first two months of the year also impacted by the extreme weather condition has not been great, not much traffic in the stores. But we believe we can keep targeting growth for basic reason. We have a very competitive innovation plan in most of our power brand. We will see the result of all the investment that we did in the previous semester in building structure in the emerging market. And from January on, we are confident we are going to see clearly the result of it. We are expanding distribution in some of our key brands, particularly in color and particularly on OPI. And we are focusing for a fully launch of Sally Hansen that will culminate at the end of the fiscal with the launch of a blockbuster innovation, something completely new that we are going to bring to the market, more focused on performance than innovation and as such, we believe, sustainable on the long run.

This on the short run. On the longer-term, we are committed to growth, and we are committed to growth in line with our strategic objective that is to grow our business in line or better than the segment and the market where we compete. We have four key drivers for organic growth that are our power brands, that our growth in emerging market, that are the expansion in Skin & Body Care. We are building now the platform, and we are confident that progressively we are going to see growth also in this segment and leverage in a small way on our multichannel distribution capability.

Together with four drivers of organic growth, we will keep on having a look, a very serious look to external opportunity, and we will see something later on.

Now, talking of opportunity for growth in the future, starting with the power brand, I've taken an example of three brands, one for each category, to show you that we have a very specific roadmap for growth for each of our power brand. And we believe that we can grow in Fragrance, in Color and in Skin & Body Care.

We will start with Fragrance. I took Calvin Klein as an example because Calvin Klein, number one, is our biggest brand in Fragrance and overall in our total portfolio. And also because I received a few times the question, how it is possible to keep on growing on a brand that is so already established and so big. Now, clearly there are two direction to keep on stimulating growth. One is innovation. As an example, I put out took here as a short-term opportunities activity we are going to do in this semester. So we are going to have initiative on all our three major franchises of the brand, and we are pretty confident this is going to be an interesting push to the business, particularly in the US.

But on the longer term, we expect most of the growth coming from the emerging market. Now, not only from that emerging market where Fragrance is a dominant category, like the Middle East, Latin America, Russia, but even in countries like Asia where Fragrance today is a small part of the totality business, where we have a penetration that is in the 15% to 16% of usage of fragrance. But we see this penetration growing. Calvin Klein has a fantastic awareness, is extremely aspirational, particularly in China, and is already today the number three brands in China and growing very fast. And we have there sometimes opportunity, as you see in the picture on the right, to have the space to make a big theater and to grow the closeness of the Chinese consumer to Fragrance. So emerging market is going to be the driver for growth for Calvin Klein.

Color -- this is an example of how we can play our multichannel capabilities to grow in business. OPI today is strong leader in US and in the world in the professional channel. So for us, the roadmap for growth of OPI is to keep the leadership and expand the leadership in the professional channel worldwide, but also to start distributing OPI in some selected prestige retailer in the world.

We started executing this strategy 18 months ago. You will see, for instance, on the right a picture of an installation that we have in (inaudible) that is the biggest, the prestige player in Spain. After 18 months in Spain, OPI is already number one player in Nail and Prestige. And we did the same in travel e-tailer, and after 12 month, it is the number two prestige player in the world in e-tailer. So, clearly, OPI has the potential also outside the professional channel in the Prestige distribution.

At the same time, we will keep on focusing on the sparkling innovation of OPI that has a reputation to create collection in partnership with many well-known other personality and celebrities or brand. We are going to have in the next six months a lot of very interesting collection. And one example, in spring we are going to have a collection in partnership with Coca-Cola that is going to be very interesting, is going to give a lot of visibility into the brand.

Third example is in Skin & Body Care, and we talked about it just now. Adidas is the only brand that we have today in portfolio that has already the biggest part of the business in the emerging market than in the consolidated market. Adidas own the sport territory in the body care area, territory that is extremely interesting and attractive, I should say globally but particularly in emerging markets like Asia or Brazil.

So we think that Adidas is going to be our champion of growth in those emerging market in the future. And, also, we plan to leverage, as we did in the past, in the big sport event. For instance, we are selling as we speak a special product initiative inspired by the Football World Championship that is going to be in Brazil in June, and this is always a significant business opportunity for us with Adidas, but is also significant opportunity to expand our foot print in Brazil.

This is a nice bridge to the emerging market. This for me is the most important opportunity that we have for growth in front of us for the next 3 to 5 years. We have significantly accelerated our focus of our investment in the last 12 months to create a platform to distribute and to sell our product in some specific emerging market where we put the priority.

Starting with Latin America, particularly Brazil, we have started a joint venture with an important Brazilian retailer, the most important Brazilian retailer, Boticario, to sell our mass brand into the retail channel in Brazil. And we have started to do also a commercial activity together with a door-to-door player, Jequiti, to sell our fragrancing door to door.

This was visible, and they solicited a lot of interest up to the point that now we are discussing with Avon to sell our fragrance with 1.5 million of brand representatives, and this is going to be a very significant opportunity for us to increase our business in Brazil.

Other activity -- we started a subsidiary in South Africa to call a South Africa, sub-Saharan area. We started a subsidiary in (inaudible), Middle East -- very important marketplace for fragrances -- and we bought a distribution company in Southeast Asia to distribute our Mass business in countries such as Indonesia, Taiwan, Philippines and so forth that have very interesting growth prospects for the future.

Now, one word on (inaudible) acquisitions. So what we have seen so far are drivers for organic growth. We have seen a significant part of our success in the past has been due to the good balance between organic growth and the contribution from external acquisition. As you can see here, we basically did seven major acquisitions over the last 10 years, and we were able through these acquisitions to strengthen our competitive position in the different segment, to build our position in segments like Color and to increase our scope and our profitability.

Looking forward, we will keep on having a very, very, very serious look at opportunity to expand our business through external acquisition, and we would look for acquisition that will keep on driving us to increase our competitive position in the segment where we compete and that make financial sense so that are financially accretive for the Company.

To us on the management team, so the management team of Coty is a strong team, very experienced in beauty, very passionate, very aligned with shareholder interest, very focused on results, and is a management team that is evolving. We announced recently two new entries in our management team. One is Patrice de Talhouet (inaudible) that is our new CFO, and the other is Catia Cesari, that is responsible for Business Development, Mergers & Acquisitions. And with her, we will put an even more equitable focus to try to drive our growth, starting with organic but also with external activities.

Now I'm going to hand over to Patrice to get more internal financials.

Patrice de Talhouet - *Coty Inc. - CFO*

Good morning to all of you. So let me share with you the key elements of the financials, so first the key elements of the P&L.

So on the gross margin, you will see that we have made some significant progress in the last few years, increasing the gross margin by [213] basis points. This is mainly due to significant cost initiatives. And let me share with you the productivity program that has been announced some time ago. So the initial savings target that we had in mind was $40 million to $45 million, and we are happy to share with you that we are increasing that now to $60 million and that by the end of this fiscal year we will have achieved half of this $60 million.

In terms of cost structure, our business model is to grow the cost structure at a slower pace than the topline via our strict cost control measures. So we have decreased the cost structure by 180 basis points in the last three years without compromising on our investment in the emerging markets. What I can share with you is that investment in emerging markets represent a 50 basis point increase in the last three years, which means that we have decreased in the emerging market by 230 basis points. So these, the combination of these two elements, has increased the adjusted operating income by 410 basis points to reach 12.3 points at the end of fiscal 2013.

Let's go to tax. You know that this is one of the key elements that we have outlined already. So our US GAAP taxes is at 28%, and we have two main elements that we are deducting from that to go to the cash tax, which is only at 20%. So you have an 800 basis point difference between the US GAAP and the cash tax. These two elements are, first, the goodwill amortization on the 2011 acquisition that we had, OPI and Philosophy, which represent 500 basis points of deduction, and this is a tax shield on the long-term. It will last up to 2022.

The second one is the net operating loss, mainly in the US and Germany, that allow us to deduct another 3 points. So in total, 800 basis points to deduct from 28% to 20%, to go to our cash tax rate.

Now, in terms of cash flow, this is a strong culture in Coty, a cash flow culture. We have generated in 2013 close to $400 million of free cash flow, which is an increase of roughly $80 million in the last three years. What I can also share with you is that in the first half of the year we have generated $331 million, which is $100 million more than what we have done in the first half of the year last year, which means that you have an acceleration of working capital improvement and cash flow generation.

So in terms of working capital, which is the main element, we are roughly at 10 days, and I would like to report now the number of days in terms of working capital. So 11% of net revenue, which is roughly 10 days, and there is no reason why we could not further increase that in the years to come.

So the way we use the cash is, of course, to fuel our growth, to invest in emerging markets, to make some strategic acquisition where that fits and also to return this cash back to the shareholders. So in two ways -- first by dividends, so $0.20 already now, and also a share buyback program that has been approved by the board, as you know, in the last vote of $200 million.

Now the guidance, so our long-term guidance. In terms of net revenue, as Michele outlined previously, our aim is to grow net revenues at pace or faster than the segments in which we are operating. In terms of adjusted operating, the Company is to grow faster than net revenues, which is middle single digit to high single digit growth. And in terms of net income, it is to grow higher than the adjusted operating income, which is high single digits to low double digit.

In terms of cash flow, as I said before, strong cash flow culture. So clearly we have seen some opportunities to grow, and we will be focusing big time on the cash fortification via working capital initiative.

Back to you, Michele.

Michele Scannavini - *Coty Inc. - CEO*

Yes. Just to conclude the summary, we were talking of an industry that is very attractive, and Coty is a company with a very strong trend portfolio with very strong position in Fragrance, where we are a leader in the world; in Color, where we are one of the fastest-growing company; and in Skin Care, where we start putting our act together to deliver growth. We have a strong reputation to be brand leader and innovator. We have a very solid financial track record, and we have a very clear idea, a very strong plan to keep on growing in the future, both in terms of revenues and in terms of profit. All of this will be thought execute by a management team that has experience of the industry, has a lot of commitment, passion and is very, very result oriented.

So thank you very much for your attention. Olivia, I believe we have space for a couple of questions. Right?

QUESTIONS AND ANSWERS

Olivia Tong - *BofA Merrill Lynch - Analyst*

First, thank you again for joining us for what I believe is your first investor conference presentation, so appreciate that. Two questions. First, on North America, obviously been pretty difficult recently. So can you talk about some of the actions you are taking to mitigate the pressure and the potential for inventories de-stocking to continue?

And then obviously, more short-term, we've heard a lot about -- a lot of retailers and manufacturers talk about the weather. So can you give us a flavor for the anomalies that you are seeing?

And then second, on M&A, historically you have obviously seen a pretty meaningful contribution through M&A. So how focused are you on deals now? Have you been looking at deals, and you just haven't found one that's suitable yet? And what should we think about in terms of how you think about deals? Will we focus on certain categories, certain geographies, channels, etc., and are there major M&A opportunities, or are these primarily going to be tacked-ons, and would you take on leverage in order to do that? Thanks a bunch.

Michele Scannavini - *Coty Inc. - CEO*

So let's start with the first one, on the situation in North America and the traders volumes and so forth.

So, as I was saying before, we have seen a pretty sudden slowdown of a concession in traffic over the last few months of the calendar year. And this has triggered, particularly in certain segments and particularly in the Mass channel, a significant stock activity from the Mass retailer.

Now, January was not good. It mostly was due to the extreme weather condition that basically prevented people to get out and to get in the stores. We don't have yet official that in February, but it looks like February also is not being, particularly in the first part, greater. And it looks like there is some pickup in the second part of February, after Valentine Day.

So difficult, very difficult to predict if the de-stocking is going on. The traders are adjusting the inventory based on consumption. So obviously, until the trend of consumptions are going to stabilize, there's going to be progressive readjustment of inventory. I believe that the big part of the readjustment is over, so happened between September or August-September and November-December. But still there is the need, I believe, from simple adjustment, given the results were not great in the beginning of the year.

What we are doing on our side, we are not changing at all our approach to the market and particularly to innovation in a situation which there is uncertainty and a situation in which the consumer is a bit reluctant to get even in the store, innovation is something that can create excitement, that can create novelty, that can create interest.

As far as the M&A discussion, so we are looking for deals that could increase our competitive position with priority in the segment where we are already competing. And I can tell you, yes, Skin & Body Care, we are in a stage of less development than the other two. So it's interesting for us to increase our critical mass there. But we are also looking to opportunity in Color and Fragrance if these can strengthen our leadership there. We are looking for a deal that can be a significant impact to our business. Significant means that it can bring something material to our business.

The situation is there is not a lot of interesting stuff around, let's say. There are a few deals possible in the emerging market, but with multiple end prices that are crazy. So we need also to look to something that is wise from a financial standpoint. But we are clearly putting a lot of focus. Again, we are absolutely conscious that one side has been the recipe for our success in the past. We, in most of the cases being very successful in integrating the company that we acquired and to make that grow. So we are looking, clearly, to the future to duplicate this successful business model.

Unidentified Audience Member

Just along those lines, I wonder if you could talk about what your interest in Avon was in the past, what you thought that might bring to Coty?

Michele Scannavini - *Coty Inc. - CEO*

The reason was very simple. It was the possibility to expand our business in emerging market. As you know very well, the business model of Avon is particularly successful in emerging market, where the, let me say, modern distribution has not been established yet and particularly in Latin America. So our interest was (inaudible) for the opportunity to increase our business there.

Now, what we are discussing with Avon is a commercial agreement to distribute our products there. Obviously, it is clearly targeting the same objective and now, particularly in Brazil, to increase penetration and sales of our product in a market that is the number one fragrance market in the world and where door to door still represent the vast majority of the business.

Unidentified Audience Member

I wanted to ask you about ULTA. Obviously, that has been a really fantastic relationship for you but also for them. So I was wondering how ULTA's growth factors into your long-term growth plan in the US. And I was also wondering, in some of the more mass brands that you have, what you see as the risk of their private-label brands longer-term becoming a big presence in the market.

Michele Scannavini - *Coty Inc. - CEO*

So, first of all, you are totally right. It is a fantastic ride with ULTA. And I think that ULTA is a retailer that has a business model that is perfect for us because they have the ability to sell brands that go from top of the stage to Mass. They have been fantastic, for instance, in growing our Philosophy business. That is a huge business for them, but also our Fragrance business is growing big time.

Clearly, it is one of the key retailers for us for the future. And we see that any -- in the situation in which the, let me say, barrier between the Prestige and the Mass is progressively blurring, I think that this business model for a retailer is very likely to be a winning business model in the future.

As far as our Mass business, actually let me say private label is more a threat in Other category than Beauty. Beauty brand still counts a lot. Most of the beauty products are extremely emotional. The more emotion that you can put on a brand, the better it is.

Now, clearly we see that around particularly in the low-priced segment a few private labels. We have also some brands like, as an example, New York Color and Color Cosmetic or some of our fragrance brands that are very competitive on the entry price point. We are monitoring it. It is clearly a threat, but at this stage, we don't believe there is a major threat.

Unidentified Audience Member

Just on the share repurchase program that you guys announced last quarter, how aggressive do you expect that program to be? And if you don't find suitable deals, do you think that that's going to be the primary method of returning cash to shareholders?

Michele Scannavini - *Coty Inc. - CEO*

So the program is ramping quite nicely. As you know, we have been in the market since the beginning. We were very happy with the way it is progressing, ad we will reevaluate the opportunity on a regular basis whether we want to pursue that program or not. For the time being, we have said we wanted to do a $200 million share repurchase program, but we already did that on a regular basis.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Great. I think we are out of time. So thank you, Coty. Appreciate it.

Michele Scannavini - *Coty Inc. - CEO*

Thank you very much. Thanks, everybody, for your attention.
