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COTY - Coty Inc Conference Call to Discuss its Definitive Agreement to Merge P&G's Beauty Industry Business into Coty Inc

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PRESENTATION

Operator

Good morning ladies and gentlemen and welcome to -- my name is Nicole and I will be your conference operator today. At this time I would like to welcome everyone to the Coty investor conference call.

(Operator Instructions)

As a reminder this conference call is being recorded today Thursday, July 9. Thank you.

I will now turn the call over to Kevin Monaco, Coty's Senior Vice President, Treasurer, Investor Relations. Mr. Monaco, please go ahead.

Kevin Monaco - *Coty Inc. - SVP, Treasurer & IR*

Good morning. Thank you for joining us this morning. On today's call are Bart Becht, Chairman and Interim CEO, and Patrice de Talhouet, Executive Vice President and Chief Financial Officer.

Before we begin I would like to remind everyone that this conference call and presentation include forward-looking statements which are subject to various risks set forth in the press release that we issued this morning. The materials being discussed today may be accessed through Coty's investor relations website and a recording of today's call will be available for replay. I will now turn the call over to Bart.

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

Thank you, Kevin. Clearly today is an exciting day with the transaction which we will be discussing in a minute.

I want to take you through the ambition that Coty has in the beauty space. And then I will take you through the benefits of the transaction before I will hand over to Patrice who will take you through all the financial benefits of the merger and the transaction after which we will be back to answer Q&A.

So let me start with Coty's ambition in beauty. So Coty is really very much focused on transforming its business into a new global leader and challenger in the beauty industry clearly for the ultimate benefit of shareholders. And I think today marked a very significant step in that direction.

Let me take you through the benefit of the merger. In terms of the key benefits of the merger, first and foremost clearly what it creates is a pure play global leader and challenger in the beauty industry with $10 billion in revenues based on our fiscal performance or based on the fiscal performance in 2014. So this morning doubles basically Coty from a size point of view.

It also brings for Coty an attractive new category in the beauty industry through the addition of P&G's hair coloring and styling business mostly led by the brands of Wella and Clairol. As we will see it will create new growth opportunities organically and also provide a stronger platform to participate in further acquisition opportunities.

Financially there is substantial EPS accretion as well as very good incremental free cash flow providing ample flexibility for the future. And probably just as important as a sign of confidence in the combined entity we will be increasing the annual dividend per share to $0.50 post-closing. Ultimately we're looking forward to for this business to be managed by a strong, well aligned leadership team formed from the best talent of the two companies.

So let me just now take you through the transaction summary. So the original transaction proposal was valued at $12.5 billion and this was a combination of equity valued at $9.6 billion based on basic Coty shares and an average trading price when the proposal was submitted as well as assumed debt of $2.9 billion.

The assumed debt of $2.9 billion is subject to $1 billion adjustment within a collar based on the trading price of the Coty stock which ranges between $20.06 and $27.06. In terms of ownership we expect P&G shareholders to own 52% and Coty shareholders to own 48%. The number of shares to be distributed to P&G shareholders will ultimately be based on Coty's fully diluted share count at the commencement of the P&G exchange offer in order to effect the 52% ownership, so this means on and around basically the closing date.

In terms of governance and the expected date of the close, so first both myself and Patrice will stay on together with a broader leadership team which will come from both sides i.e. from Procter and from Coty. The Company will be governed by Coty's Board of Directors as is for the time being expected to close the transaction in the second half of calendar 2016 and clearly this is subject to customary closing conditions and regulatory authority approvals.

In terms of the financial impact which is on the next page Patrice is going to take you through the key financials. And then I will be coming back to give you an overview of the P&G beauty business.

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

Thank you Bart. So first thank you guys for making the time in such a short notice. And second I'm really excited to be here with you to share this important news and give you some details about the true merger to form a serious challenger in the beauty arena.

So in terms of financial impact three main points, the first on the income statement. So Coty and P&G beauty business will have more than $10 billion in combined pro forma fiscal 2014 revenues doubling the size of Coty. We expect to realize approximately $550 million in total cost savings including $400 million in non-transferred overhead and an incremental $150 million, and I will come back on that later on, equating to approximately 10% of the acquired revenues.

We will have a meaningful pro forma EPS accretion expected at close and I will come back on that later on. In terms of cash flow the ongoing adjusted free cash flow is expected to more than double versus our current performance. And this will be further boosted by anticipated working capital synergies in excess of $200 million over the coming three years after close.

In terms of capital structure Cody will assume $2.9 billion of P&G beauty business debt subject to the collar mechanism. As part of the transaction Coty will refinance its existing debt and on a combined basis the business at close is expected to have a very moderate pro forma leverage of 3 times net debt to adjusted EBITDA. There will be an increase as Bart said in dividend per share to $0.50 post-closing and the combined business will have ample strategic and financial flexibility given the 3 times leverage that I have described before.

So now back to Bart to describe the combined business. And then I will take it to further describe the transaction.

Bart Becht *- Coty Inc. - Chairman & Interim CEO*

So in terms of some key data on the Procter business as you can see on slide 10 in terms of sales this is a $5.9 billion business. Based on fiscal 2014 data hair color is the biggest business followed by fragrance and then color cosmetics.

In terms of EBITDA as you can see the split is different. The lowest profitable business is fragrance, the highest profitable business is color cosmetics and hair color is basically average. And the total EBITDA is about $1.1 billion split as you can see on the right hand side of the page.

On the next slide you can see what the key brands are which are transferring. So on fragrance the key brands, the biggest brands are Hugo Boss, Dolce & Gabbana and Gucci followed by Lacoste and Bruno Banani. And then we will have a set of smaller brands after that.

It is a strong fragrance portfolio. In color cosmetics there are two very well-known brands. Clearly we have CoverGirl which is probably roughly half the size of the business which is mostly in North America and Canada, I mean US and Canada, and Max Factor which is the brand pretty much everywhere outside all of North America.

Hair color, very strong salon business with Wella and Clairol but also a substantial retail leg associated with these brands. And beyond Wella and Clairol there are a number of smaller basically niche brands in this portfolio.

In terms of what are the benefits of the merger, and clearly this is where it becomes very interesting. So first and foremost we are creating a new leader and challenger in beauty. As you can see on this slide we are substantially jumping to immediately the number three slot on a global basis and becoming much more of a challenger to L'Oreal and Estee Lauder overnight.

In terms of the split of the business within the portfolio you can see that the combined entity of over $10 billion in size splits 44% from fragrance, 24% for color cosmetics, 24% for hair color and styling and 8% for the skin and body care business. Within that in the various categories we will become overnight the worldwide number one in fragrance with by far the bulk of the portfolio being focused on prestige brands.

In terms of the other categories, I'm sorry, in terms of the key brands which you can see next you can see that the big brands that we will have in this are Calvin Klein, Hugo Boss, Dolce & Gabbana and Gucci. And then there's a very strong up-and-coming tier with brands like Bottega Veneta, Chloe, Marc Jacobs, Joop!, Davidoff, Jil Sander, Bruno Banani, Lacoste, etc., and then after that there's a number of smaller brands, some of them which will be a focal area for the Company going forward. Overall a very strong portfolio of leading brands the bulk of which will be in the prestige segment.

In color you can see we become number three in the global color cosmetics market with an even stronger position in matte color cosmetics with the combination of the two businesses. In terms of the key brands that we will have going forward, clearly we will have two nail specialists in Sally Hansen and OPI and beyond that we will have the broader generalist color brands in Rimmel, Bourjois, CoverGirl and Max Factor. And then we will have two prestige color cosmetic businesses in Dolce & Gabbana and Gucci.

Finally, in salon you can see that in terms of hair salon the combined entity will be the number two in the hair salon. This is the pure professional side of the business which you will see on this page in terms of the key brands which you will see on the next page.

And this includes here in terms of the size both basically the professional business as well as the retail business. The two big brands by far are clearly Clairol and Wella and then you have a number of niche, basically hair colorings and styling businesses, beyond that.

So overall we are creating here a very strong player in the overall cosmetics market with a very nicely balanced portfolio over three categories with strong positions in each one of them and with an opportunity to accelerate growth. Clearly the timing for this will be post-close and post-integration and after rationalization of the brand portfolio and potentially some of the wholesale business.

The focus will be very much on becoming a global leader in the beauty arena overall. We will be very much emphasizing our understanding and our capabilities relative to consumers, distribution channels, customers and licensors. And in particular clearly the licensor part is very much focused on the fragrance part of the business.

We have a true ambition to ultimately to deliver best-in-class products, best-in-class innovation and best-in-class in-store execution to drive growth over time. We will strongly align management from an incentive point of view to create shareholder value behind revenue growth, margin expansion and cash flow generation and ultimately will complement the organic growth opportunity with efforts in the area of M&A to create a higher revenue base over time.

Finally, and from a growth point of view, I think it is very noteworthy to emphasize that Coty also will have substantially more critical mass around the world and in particular will have access to a number of new and interesting cosmetics markets and you can see the top two are Brazil and Japan. Brazil is a very large basically cosmetics market, in particular in the fragrance area and clearly so is Japan. And I think you can see from the list that with the increase in critical mass and renewed access to some of these markets we also will be creating growth opportunities over time.

I'm now going to give word back to Patrice who is going to take you through the financial benefits. And I also will sum up the closing benefits of very merged entity and then we will be back for Q&A. Patrice?

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

Thank you, Bart. So a couple of words on the financial benefits. So slide 23 on the synergies.

So as we have said in the introduction so we'll generate synergies of approximately $550 million. So let me guide you through the slides.

So this is composed one of $400 million of P&G cost that will not be transferred. So as John said on the previous call this is a carve-out EBITDA that we will inherit. And as a result of that you know there are some costs that will not be transferred that are allocated costs that are not fully dedicated to the beauty business.

For instance IT support functions, legal HR finance. So plus in the US in order to serve the mass channel this is embedded into that corporate sales and so this will also not be transferred. So this is mainly the $400 million that will immediately materialize at close.

Second part you have $150 million of incremental net synergies. So these are composed of 80% of supply chain savings which is procurement first, manufacturing second and logistics third and then you have 20% of SG&A savings. These $150 million will be generated over a time horizon of three years and it is important to know that because we have to the capability to be able to serve the $10 billion business versus our current $4.6 billion business we'll have to build some capabilities year one.

So you can think about it but year one is really about building the capabilities and year two and year three is about generating dis-synergies, especially in the support function and in the supply chain area. So in order to be able to achieve that we will have $400 million of CapEx over the next three years after close. This $400 million CapEx you can estimate that roughly 50% of that is in order to be able to set up the business to be able to support the $10 billion top line.

And so if you think about it, if I just give you one example in terms of systems and infrastructure we have an ongoing strategy to significantly build out a state-of-the-art system since now two years. We will be in a position, this is a great opportunity to further enhance our strategy and to invest more in order to accelerate on that part. And on top of that you will have a $500 million one-time cost which is 15% of cost once again to build the capabilities in terms of recruitment cost, relocation cost, etc. and then 85% of one-off cost in order to be able to realize the synergies.

Slide 24 about the margin enhancement of this merger. So you start let me guide you through the slide. So you start with the first bar chart which is our current adjusted operating margin of 12%.

At announcement we will generate from a business which is accretive by 200 basis points to lead to 14% of operating margin on a pro forma basis at the end of fiscal 2015. If you add up to all the synergies over a time horizon of three years, this is another 100 basis points, actually slightly north of 100 basis points, which leads to a pro forma Coty adjusted operating margin of 15%-plus. It has to be noted that this is not included any margin expansion of the P&G beauty business and of the Coty business in the years to come.

So slide 25 you have the same parallel but on an EPS basis. So this is not a guidance on the EPS on a long-term basis. This is just there to give you a feel of what is immediate accretion that we will have.

So as you remember from our last earnings call our current guidance that we are now reiterating is $0.95 to $0.98 for the fiscal 2015 adjusted EPS. We will have because of the impact of the share issuance we will have a dilution on the EPS of $0.58 to $0.65.

The reason why we have a range is because we have assumed a debt range between $1.9 billion and $3.9 billion. This is because of the collar mechanism.

After that you will add the P&G beauty business which is giving an $0.83 additional EPS which means that we will have an immediate accretion of EPS at closing between $0.80 and $.25 to lead to $1.13 to $1.23 on a pro forma basis. It is important to note that these numbers do not reflect the impact of Coty's refinancing of any transaction amortization and especially it does not reflect the potential amortization of unidentified intangible assets which is currently not estimable.

After this over a time horizon of three years you have the run rate synergies of $150 million that gives you an EPS, a further EPS accretion of $0.15. So all in you know between the combination of adding the business of the P&G beauty at closing plus the run rate synergies you have an EPS accretion of $0.33 to $0.39 without taking into account any evolution in our in the P&G beauty business earnings and in the Coty business earnings.

So slide 26 a few words about the cash. Cash is king. So you see that the free cash flow is going to increase more than double actually to go from at close $400 million, roughly $400 million to $900 million on a pro forma basis.

And this is based on -- sorry, so then you have the net debt which is going to go from $2.2 billion to $5.5 billion and this $5.5 billion at close pro forma basis is based on a $2.9 billion P&G beauty business debt. As a result of this the leverage ratio net debt to EBITDA is going to go from 2.7 to 3 times which is pretty moderate.

So this does not include on top of that all the working capital incentive that would further boost the cash flow generation by over $200 million over three years. And I'm happy to share that based on this we have a very solid balance sheet post-closing with this moderate leverage that will provide us the financial and strategic flexibility to first significantly increase the dividend to $.50 per share and second participate to further M&A opportunities.

So now the slide 27, five key messages to close about this true merger of equals. First, we create a pure player a new global leader and a serious challenger in the beauty industry with more than double the top line with $10 billion in net revenues based on fiscal 2014 performance.

Second, we bring to Coty an attractive new category in the beauty industry through the addition of the P&G hair color business led by two fantastic brands, Wella and Clairol. So we will have three strong pillars which means that our business will be much more resilient.

Three, we will create new growth opportunities organically. And this will provide a very strong platform to participate in other acquisition opportunities.

Four, there is immediate and material pro forma EPS accretion and substantial increment of cash flow generated to provide ample financial flexibility for the future. And as a result of this we are happy to share that there will be an immediate increase in the annual dividend per share to $0.50 expected post-closing.

This merger and combined entity will be managed by a very strong well aligned leadership team formed by the best talents of the two companies. This will lead to create value to our shareholders and this is a really fantastic milestone for the two combined entities.

So now with this being said I will turn the call to the operator for any questions that you might have. Thank you very much.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Bill Schmitz, Deutsche Bank.

Bill Schmitz - *Deutsche Bank - Analyst*

Hi guys, good morning. Congratulations. A couple of questions just on the portfolio.

The first is have you already had discussions with the licensees about transferring the fragrance brands? Because I know there's pretty onerous change of control provisions in a lot of these licenses. So maybe an update on that if you could.

Then on the hair coloring business that business has been like a thorn in P&G's side pretty much since they bought Wella and L'Oreal is so entrenched. So how do you guys feel about that business and what do you think just based on your early analysis it's going to take to get that business turned around?

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

So on the license business we have started and we are going to continue our discussions with the various licensors. With those people which we have had very recent discussions the reaction generally has been very favorable.

So clearly there still needs to be a formal agreement like you already alluded to in terms of the transfer of the licenses but I think we are well-positioned and we are well underway on that subject. So I'm rather positive about the development based on recent conversations that I've had personally as well as Jean Mortier who is basically dealing with all the licensors at the moment.

In terms of the hair coloring business you know I think we became more and more confident that this is a good business as we went through the due diligence process with the folks from Procter. And we genuinely believe that this business has basically growth potential and has margin potential going forward.

It has a lot of similarities to our OPI business which is also a salon business. And so I think we are somewhat familiar in terms of how this business should be run.

I think it is premature to come up with definitive conclusions because we need to have more discussions with the Procter people on the business. But I'm overall we're very positive about the business.

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

Yes, and let me at on that one that during due diligence we had some management presentations and we were quite impressed by the management team on their side. And this will be a fantastic add to our team.

Bill Schmitz - *Deutsche Bank - Analyst*

Okay great. I just have a quick follow-up. As the closing date seems so long is there a chance that it could close sooner?

It's almost a year away. And so I think P&G was asked the same question and they said it was obviously complicated because of the licenses and all the brands being transferred. But what is your take on why it's going to take so long to close?

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

So the closing process it will be subject to antitrust approval in the various jurisdictions. And I can tell you on the JV side we just went through on the Coty side we went through a process of closing a transaction in the EU which took 14 months to close. So I'm not saying it's going to take 14 months here but it is a great variability in there in the case of there's going to be a Phase 1 or a Phase 2 basically closure process.

It could be earlier but it also could be a year. So I think the timing of this will be anywhere from anywhere in Q2 to anywhere in Q3 of next year.

Bill Schmitz - *Deutsche Bank - Analyst*

Okay, thank you guys.

Operator

Chris Ferrara, Wells Fargo.

Chris Ferrara - *Wells Fargo Securities, LLC - Analyst*

Hey, thanks guys. So the $0.33 to $0.39 accretion assumption for I guess pro forma 2015, sorry if you talked about this already but how long does it take to fully realize that number?

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

This is mainly based on the run rate synergies that we'll realize at the end of year three post-closing.

Chris Ferrara - *Wells Fargo Securities, LLC - Analyst*

And I guess Bart for your plans going forward I guess obviously we had the CEO news a couple of weeks ago. How long will you oversee this business and when will you actively conduct the search for your replacement?

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

There are no definitive plans for this at this moment. So clearly the Board, the Coty Board decided and very much supported by the people on the Procter side to oversee this size of a transaction and to continue to execute the strategy for Coty properly that it was not advisable to have a change at the top at this stage. So for the foreseeable future I will be the CEO of the Company.

When we will start basically to search for an new CEO has not been determined. So when we will, at some point in time we'll provide the market an update. But there is nothing, nothing is happening on this front for the time being.

Chris Ferrara - *Wells Fargo Securities, LLC - Analyst*

Got it. And just from a talent retention standpoint, I guess what are you guys doing on that front? And I know obviously it's a long and complicated process to tease it out but I imagine in businesses like hair where you don't have a presence it's going to be more Procter heavy, but any detail on the ability to retain talent would be great.

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

So yes, this clearly has to be a merger and it is not an acquisition of one Company by the other. And it has to be a merger of the two business, it has to be a merger of the talent, where we are going to retain the best and the most basically of the two sides. And it will have to be a true merger also in terms of culture and ways of working in order to optimize our dream of becoming more and more of a beauty player in the industry.

We are going to have, we already did webcast this morning for all the Coty folks and the Procter folks. We are going to have a lot of interaction with the management teams on the Procter side as well as on the Coty side. We are going to do town hall meetings literally this week and next week, so there is a very extensive basically program in place from a communication point of view.

Clearly the next task as you can imagine from a post-merger integration point of view is to define the final shape of the organizational structure and then start cascading the staffing process through the two organizations. So I would say there's a program in place to make sure that we are communicating and retaining all the key talent which is necessary to run this Company successfully going forward. And this is very much with a lot of help from the Procter side, I would say it's a very collaborative and productive effort so far.

Chris Ferrara - *Wells Fargo Securities, LLC - Analyst*

Got it. Thanks a lot.

Operator

Olivia Tong, Bank of America.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Great, thanks, good morning. Just on growth rates clearly there is a compelling case around scale here but I want to get your thoughts on your long-term growth expectations for the combined entity? Because prior to this you have said that you expect to grow slightly better than your markets.

Now you have greater exposure to historically faster growth markets. Can you talk through how having the P&G businesses enhances your ability to grow?

And then just following on that any ideas in terms of the potential investment necessary into the P&G businesses, how you think about their level of marketing spend versus yours? Thanks a bunch.

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

Yes maybe we can start with the second one. I think the support levels in both sides are very appropriate for the business in order to create a good recovery over time from a growth point of view. Clearly in terms of the P&G business or the Coty business the first focus will be post-close is to integrate the two businesses and realizing the cost and cash synergies and gradually after that basically start to focus on the growth of the business.

So the immediate focus will be integration, proper integration of the two businesses which is very much about getting the right talent from both sides to make sure that the organization is functioning well, which also includes making sure it has the right culture, ways of working, etc. and with that realizes the financial synergies which Patrice just outlined and then gradually basically start to focus on the growth rates of the business.

So you should not anticipate that we are now going to have an immediate bump in growth literally the day after we close because it doesn't work like that.

So you're not going to see a gradual basically recovery from a growth point of view on the two businesses. And it just maybe one point to add, clearly this will be after any divestitures which might be necessary.

Olivia Tong - *BofA Merrill Lynch - Analyst*

That's a good segue into my next question. It's probably a little early on this question but just thoughts around the businesses you've acquired and whether there might be some smaller businesses that might benefit from ownership elsewhere rather than you guys?

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

Yes, I don't think that's really going to be the key question is smaller businesses which weren't going to have to be divested. Because on the fragrance side a lot of these smaller businesses are really license-type businesses.

So I think the bigger question is anything around the regulatory framework if there is any divestitures taking place, yes or no. So I think that is where the focal point will be from a divestiture point of view.

Olivia Tong - *BofA Merrill Lynch - Analyst*

Got it thank you.

Operator

Mark Astrachan, Stifel.

Mark Astrachan - *Stifel Nicolaus - Analyst*

Yes, thanks and good morning everybody. A couple of questions, just sort of housekeeping, so tax rate for Newco and where are you going to domicile the business? Sort of preliminary thoughts there would be helpful.

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

So on the slide that I've just described the tax rate that we have estimated is in line with our current guidance on tax rate which is 24% plus or minus.

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

In terms of domicile it doesn't really impact the tax question. So at this stage as you can imagine we're not in a situation where we are going to discuss anything from a location point of view.

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

I think it's too early to assess the long-term tax. For the time being we just have this guidance so far, but we need to spend more time to be able to have a definite answer on that.

Mark Astrachan - *Stifel Nicolaus - Analyst*

Got it. And in terms of some of the acquired fragrance licenses, is there an opportunity to also include within that selling those skincare or makeup assets, like Gucci or Dolce & Gabbana has those? Will that be something that Coty can continue to sell or will be selling going forward?

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

Yes, because it will go through the same prestige channels as our current fragrance business goes through. So we're my dealing very much with the same customers anywhere from a Macy's to travel retail to -- so the location where a Gucci or a Dolce & Gabbana prestige color business is sold is exactly the same location where our prestige fragrances are being sold.

There is no issue. And clearly we have a ton of color cosmetic experience in house both on the Coty side and on the Procter side. So there will be no problems to support it from a product launch point of view or go-to-market point of view.

Mark Astrachan - *Stifel Nicolaus - Analyst*

Great. And then just lastly assumed interest expense on the Procter debt?

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

What is your question exactly? Sorry.

Mark Astrachan - *Stifel Nicolaus - Analyst*

What's the assumed interest expense on the $2.9 billion or whatever the ultimate number is going to be of assumed debt?

Patrice de Talhouet - *Coty Inc. - EVP & CFO*

So in our current model the debt that we have assumed is 3%.

Mark Astrachan - *Stifel Nicolaus - Analyst*

Great. Thank you.

Operator

(Operator Instructions) Linda Bolton Weiser, B. Riley.

Linda Bolton Weiser - *B. Riley & Co. - Analyst*

Hi, just getting to the growth question again, you have had a difficult period in terms of organic growth for the core Coty business. And I'm just wondering with this deal and the integration associated with it, are you expecting to be able to improve the core business prior to close or are we going to have a core business that is not growing upon close? And also just in terms of the beauty industry in general you're doubling down in fragrance which is the piece of the beauty industry globally that doesn't grow as well.

So do you feel that you -- I mean it seems to me that skincare is going to be the place that you're going to embark upon acquisitions once you've established this platform. So is skincare something that you absolutely need to be bigger in to improve the growth of the Company or do you see some growth in fragrance that we're not really seeing in the marketplace that you think you can change the game there?

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

So clearly we're not going to speculate on any M&A type transactions. In terms of the growth rate we have a very clear strategy at Coty is to gradually recover from a growth point of view which we have outlined in the prior earnings call.

So we have as you know over the last six to nine months very much focused on cutting non-strategic expense in terms of boosting the profitability through that. Part of that came through the global efficiency program as you have seen. We've told you that we're going to give an update on the global efficiency program at the next earnings call which is exactly what we will do.

And clearly we're now looking to reinvest part of the savings which we've generated back into the business to gradually accelerate the top-line goal. And that is what we will be focused on prior to close and even after close we will continue to be focused on that.

Clearly any integration of two businesses is to some extent going to be done by the same people which work on that growth trajectory and will provide some distraction. So that is not the thing which is going to help the most.

Having said that coming back to your question are we going to focus on that prior to close? Absolutely. Are we going to focus on restating growth on the Coty business.

Operator

(Operator Instructions) Bill Schmitz, Deutsche Bank.

Bill Schmitz - *Deutsche Bank - Analyst*

Hey guys just a quick follow-up. How are you organizing the integration and deal teams?

Because it seems like there's a lot going on obviously because you're in the middle of a pretty substantial restructuring program, a lot of people have been let go over the last year or so. And so how do you make sure that people are still going to focus on the blocking and tackling in the base business while you bring this very substantial acquisition into the fold?

Bart Becht - *Coty Inc. - Chairman & Interim CEO*

Yes, so we are going to set up which we're in the process of doing is a rather extensive post-merger integration team which is going to be a team which is fully dedicated to the post-merger integration which are the people which we are taking out of the business on both sides and complemented with people from external so that the people on the base business can actually focus on the basic business. So it's a good question but it is well on the way. It's already extensively been discussed with our friends at Procter and so I think that there is a clear basically roadmap for that.

So if there are no further questions can I just thank everybody for their attendance to the call. We'll talk to you again at the next call which will be our earnings update. Thank you very much.

Operator

Ladies and gentlemen, thank you for participating in today's conference. That does conclude today's program.

You may all disconnect. Have a great day, everyone.