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PRESENTATION

Bill Schmitz - *Deutsche Bank - Analyst*

I'm Bill Schmitz. I'm the beverage and household and personal care analyst, and the Associate Director of North American Research at Deutsche Bank. And it's great to have Coty here at the conference for the first time, and I think Bart's first time back at the conference in a number of years, following his stint at Reckitt Benckiser. And joining Bart, who is the Chairman and Interim CEO, is Patrice de Talhouet, who is the Executive Vice President and Chief Financial Officer.

Bart, I'll like you take it away. Thanks.

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

Thank you. Today, I would like discuss the future -- really the future of Coty. Clearly, as part of that, I'm going to cover the P&G transaction and the impact of the transaction on our business, but I'm also going to take a bit of time to talk about the future beyond the P&G transaction.

So first, let's take a look at what we are really trying to achieve as a company. So, our ambition at Coty is -- really is the creation of a new global leader and challenger in the beauty industry. And the P&G transaction is going to provide a massive step forward in that direction.

I'm going to take you through what the transaction actually does for our portfolio, our market positions, et cetera, but I think what is much more important is that we're really building here a new company from the ground up. And so, we are very much borrowing people from both P&G and Coty, but there is a very large contingent already coming from external. And you really have to kind of look at Coty as a company in construction at the moment.

And what we are building here is the foundation of something which will be a strong leader in the beauty industry. And we are, as you will see, very much progressing in terms of organizational structure and staffing, but also building in terms of our strategies and how we work, and how we'll go to market.

That has had a cost basically in the short-term of being a bit too internally-focused and not externally-focused enough. But that is going to change in the next 6 to 12 months, when we will be bringing back in the market from a performance point of view.

So you have to take a look at Coty Company and construction with very good progress, and ultimately will become a leader and challenger in the beauty industry, and will be a key force.

So, before I take you through what happened beyond P&G, let me take you through the P&G transaction. So, first, we are creating a $9 billion-plus company, both a leader and challenger in beauty. We'll become the number three after L'Oreal and Estee Lauder.

This is very much based on the categories which we're in, which is fragrances, skin, Color Cosmetics, and hair retail, as well as some bodycare categories. So you can see we make a massive step change from a critical mass point of view. That will have ramifications basically in the industry and will have ramifications for our strength with customers around the globe.

In terms of the key positions, we will become the number one in fragrance globally ahead of L'Oreal, with a very strong portfolio of brands, as you will see in a minute. We will also be the number three in Color Cosmetics and we will be the number two in mass Color Cosmetics -- and you can see here our position behind L'Oreal and Estee Lauder. And finally, we will be the number two in hair in this long business after L'Oreal and well ahead of other players in the industry.

Not only will the new company become a force in beauty with strong positions in its categories, it also will have a very nice, basically balanced split from a portfolio point of view. And you can see here the three businesses that we will be in.

So, we will -- the biggest business will be Coty Consumer Beauty. This is mostly the mass channel business, very much in three categories, which is Color Cosmetics, hair, colorings and styling, and body care. Our second biggest will be Coty Luxury, which is in the Luxury channel with fragrances and skincare. And finally, we will be in the Professionals channel with both hair as well as nails.

We will have a very strong portfolio, as you can see from this chart. In the Coty Luxury business, we have some very big brands like Calvin Klein, Gucci, and Hugo Boss -- all licensed fragrances. But then we have a number of up-and-coming brands, which are -- with good growth potential going forward, like Marc Jacobs, Chloe, as well as some smaller ones like Miu Miu, which we just launched this year.

In the Consumer Beauty Business, we will have some very large players with Cover Girl and Rimmel as well as Max factor. And clearly, we have a nail specialist with Sally Hansen. In the hair retailing business, we will have Koleston -- the Wella Koleston business, which will be our key entry there.

Finally, in Professional, there really are two main brands. The biggest one by far will be Wella. And the second one, OPI, which is the global leader in nails in salon, will be there as well. And then you have a number of niche, basically hair coverings and styling brands. So overall, a very strong portfolio of brands.

So I'm now going to hand over to Patrice. But before that, I think what I should emphasize is that when he takes you through the transaction update, this is the impact of the transaction on the business. There is clearly -- this is not a reflection of what can happen on the base business underneath. So there are -- this is purely -- pure and simple, is simply the matching of the two companies and the consequences of that.

Patrice? Thank you.

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

Good afternoon to all of you. So a transaction update. So let me give you a quick snapshot on the transaction and then I go through the financials of the new Company.

So on the transaction update, as you know, it's been valued at $12.5 billion, which is a $9.6 billion of equity and $2.9 billion of debt with a current mechanism of plus or minus $1.1 billion.

Based on the latest share price and we've taken [$25.75] -- you can't see that; it's written very small at the bottom of the page -- you have 412 million shares that will be issued as well as [2.6] assumed debt. And with this you have a ratio between P&G and Coty of 54% to [46%] of the new entity.

In terms of the mechanics of the transaction, this is not a spin-off -- this is a split-off, which is the option -- the preferred option that P&G has chosen, which means that the P&G shareholders will have the choice to subscribe to the exchange offer. And roughly 5% of the P&G shareholders need to subscribe to the offering in order for it to be successful. In terms of timing of closing, we expect the transaction to close in the month of October.

So where are we on this -- well, the progress on these transactions? So the S-4 has been filed on April 22 and we had an update on June 1. In terms of clearance, we've got clearance from the EU and from the US regulatory bodies. And we are confirming the transfer of 10 out of 12 licenses.

In terms of the operational milestones that we have done through a thorough exercise to build an organization -- I remind you that this is actually a new company. So we are merging two companies but we will be building a new company in terms of organization design, in terms of processes, in terms of systems. So this is really the way you should look at it.

So, in terms of organizational structure, we've done a thorough analysis -- and I'll come back on that. In terms of appointment, we've appointed already the top three layers of the organization, including, of course, the Executive Committee -- you will see that in a moment.

All of the deal economics and the deal model has been updated and we've got a buttoned up approach on that, and I'll come back to the story in a couple of slides of this. In terms of portfolio, as I've indicated on May 3, we are planning to divest or discontinue 6% to 8% of the combined portfolio, and this is really in the spirit of focusing the organization on the program.

In terms of local go to markets, we have done -- we are currently still going through an exercise to see exactly what is the operating model that we are going to choose in each and every market. In terms of financing milestones -- so we have two facilities -- one on the P&G side of $4.5 billion and another one on the Coty side of $4.5 billion, and we have expanded that by another additional $0.5 billion recently. So we have $9.5 billion of facility on this new co.

In terms of management teams -- so we are the faces of the new Executive Committee. So what you can see that you have a good mixture of P&G people, Coty people, as well as external people, which is really the spirit in which you should see this transaction. Now we are building a new company and we are attracting the talent. So I won't go in detail to each and every one of them, but you can see the nice diversity that we have in terms of management team.

A quick update on Hypermarcas. So we have announced this transaction in the month of November 2015, and we have closed early February. It's a carveout transaction, so we start to get used to this type of transaction of 2,500 employees with a topline of roughly $250 million. We have gone through an organization update in Brazil, and the structure of the combined entity has been designed and the leadership team has been appointed June 1 actually -- so it's been done a couple of weeks ago.

All of the operation in terms of same order, same shipment and same invoice is expected to be done in September. And in August, we will be merging all the systems. So you can see with the aftermarket transaction that we are exiting very quickly. We are very happy with this transaction. And in terms of business trends in terms of sellout and offtake, we are happy to report a double-digit growth in that area, so we are outpacing the markets in Brazil.

So now let's go to the financial update of the merger with P&G. So I won't go through this but you have the usual forward-looking statements. So I'm not sure you want to spend a lot of time to go through each and every.

So slide 17. So on the synergies, an update on the synergies. So we -- on the P&G side, we are going to get the carveout P&L. So what is a carveout P&L? Actually we are not going to get the full organization, which means that, for instance, P&G is organized with a global shared service center that we are not going to get.

So in terms of back office function, we have to set it up ourselves because none of it is coming into the transaction. So you have a carveout P&L. And what we have a big May 3, everybody on the synergies that we -- the new synergies is amounting to $780 million. So this is 16% of the acquired revenues.

This is composed of two main blocks. The first one which is [$380 million] that will come with a carveout P&L, so it will materialize immediately at close; and then $400 million that we will realize over the coming three years.

So, how did we go after this $780 million in synergies? So once again you have to remember that we are creating a new organization. So -- and we have deliberately chosen to have an organization by division. In order to have a focused organization in each and every market.

And then we have applied a standard number of organization design principles in terms of number of layers in terms of standard controls. So once we had this design organization -- which was once again a bottom-up approach by function by country, we [costed] this organization. And then we have benchmarked that with targets of peers and of best-in-class FMCG players.

And that's where we came out with the $780 million. So it's really a bottom-up approach and we have these by function, by country. The advantage of this is that we are currently progressing of the staffing, and day one we will be able already to operate with a clear idea on what is the target by country that needs to be achieved over the next three years.

In order to realize these synergies, we are going to incur $1.2 billion of costs. So these costs are composed of three main elements. The first one, which is roughly 25% of it, is because of the specifics of this transaction, which is two-fold: one, guarantee; and second one, carveout. What does that mean?

That means that for between closing and the exit of the TSA, we will have to run the Corporation on two systems -- the P&G existing system and the Coty existing system, on two processes. And then at exit of TSA, will have to merge it into one. This has a cost; cost of TSA, IT costs, et cetera, et cetera. So this is the 25% of the $1.2 billion, which is $320 million, which is really related to the specifics of the transaction.

Of course too we have not included in the synergies but we have included in the cost -- which is kind of a conservative assumption -- the exit of all of the gallery of the art emerging market distributors into Coty [EBITDA] for $135 million, and that leaves you with $745 million -- $750 million of one-off related to the synergies of $780 million. So you have a ratio of 1 to 1 between costs and synergies that are going to be generated.

So you here so the phasing. So now if you come to the graph, you have the carveout [EBITDA] from P&G. You deduct then the [D&G] and the (inaudible) brand contribution, so brand contribution gross margin minus the brand investment. And then you add the synergies which [you created] that's materializing day one and then the [$400 million] to be materialized over the coming three years. So that's on the P&G pro forma EBITDA.

On the Coty side -- so we are adapting the metrics in which we measure the performance of Coty in order to take into account the fact that we are in acquisition mode. So we are excluding the amortization, which means that we have given you here the example of the fiscal 2015 operating income, will add $75 million, which is $0.14 of EPS, on the standard of Coty adjusted operating income, to go to $600 million, which is an equivalent of $1.13 EPS.

So what does that mean in terms of margin? So you currently have a player that is operating at 13.7% operating margin when you add up the amortization. You add 1.6 -- 160 basis points when you add the P&G business and you come to 15.3, then you deduct the Dolce Gabbana and the (inaudible) you add all the synergies and you come to 19.3% operating margin.

So this operating margin is just the add up -- it's not the guidance, okay -- it's just the add up of Coty minus D&G [and CRR] plus the synergies equal to the new Coty. It doesn't take into account any underlying improvement of business. It does not take into account aftermarket.

So we are in roughly 600 basis points which is massive in our operating margin, and if you think about our peers, you know our top peers are running with a 15% to 18% operating margin. So it's already, just with this transaction higher, than our peers.

Now what does that mean in terms of EPS? So we go through exactly the same methodology. So you start from [$1.13] where we -- that I've shared with you before, then you have the impact of the share issuance, then you add P&G, you deduct (spoken in French), you add the synergies, and you come with a 50% -- roughly a 50% accretion on EPS just mathematically to the current EPS of Coty.

So with this new player, you have a peer which is one of the leaders in the industry with a 50% accretion EPS. This once again -- I emphasize this -- it does not take into account any underlying improvement of the business. It does not take into account [aftermarket], and it does not take into account what I've quoted last time, which is the 6% to 8% of the combined portfolio investiture or discontinuation that we are currently working on.

Now in terms of cash, what does that mean? So you have $800 million to $900 million cash flow generation with the new Coty at close. And then we've given you here a graph on how does this evolve. So actually you have only 25% of this cash generation that will materialize year one. Why? Because you have some one-off costs and you have some CapEx, and you don't yet have the synergies and you don't yet have the working capital improvement.

So along the years, you are going to see the $500 million work capital improvement materializing one year after the other. So this has a double effect. You have first the one-time cash effect of $500 million over the next three years, plus you have a cash conversion ratio, which is optimal. So we are going to be very close to zero working capital, which means that any earnings that you generate is going directly to a bank account.

So we are really building a model which is extremely efficient from a cash profit standpoint. You see that in fiscal 2018, we are already roughly at $1 billion of cash generation because there is only 10% of the normal generation that will be eaten by CapEx and one-off costs. And then you will be above $1 billion in the years after. So you see that with this we can deleverage very quickly and we have a great financial flexibility.

So in terms of capital structure, at the end of the day, we will be left with a 3.5 times leverage with the current stock price and the current [call-out] mechanism, which is quite comfortable, and this of course is including the [aftermarket] transaction.

So we have a leverage which is moderate. You have north of $1 billion of cash flow generation. You have a player which is in the top three in the beauty industry with margins that are above the peers after three years. So you have very strong players with a lot of financial flexibility in order to make -- to further participate to the industry consolidation.

So with this being said, I will now leave the floor to Bart to come back on the Coty journey. Thank you.

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

Thanks, Patrice. So clearly, that's great, and our first step in the Coty journey is -- clearly is consolidation of the P&G transaction, and to make sure that we have a business which runs -- which delivers the benefits. But you probably would ask -- that's very nice, Bart, but so what's after that? Because if that's all you are going to do, just slap two businesses together, that's not very interesting.

And clearly, we totally agree. And we're not here just to slap two businesses together. We are here to build a business, which is going to flourish going forward and which will become a stronger player in the beauty industry.

So that's really what the Coty journey is about -- is what we want to do is not just to create a global leader and challenger, but we want to increasingly improve the revenue growth rate of the current existing businesses while delivering best-in-class margins as you've seen, and cash conversion.

So right now on Coty, you've seen very good profit growth. You've seen outstanding cash conversion but we still have to deliver better topline growth.

On the P&G business, you are seeing kind of like a similar topline performance and kind of an okay-ish profit and so-so cash performance. So clearly, I think what Patrice has shown you is that we can get, basically by doing the right thing, to the right margin performance. And we certainly can generate a substantial amount of cash.

What still needs to be proven, I'm sure in your mind, is if we can really deliver substantial topline growth. And that's what we are going to work on, and we have increasingly started to work on over the last couple of months. And the momentum now that we are largely prepared for merging the two companies where the momentum is going to shift more external and more in eMarket performance.

So -- and we are specifically going to have two basically phases in that. The first one is to step-change the revenue role of the new Coty. And that is very much, first and foremost, about rationalizing the portfolio; up to 8% of the business will get divested. Clearly, this is not the highest growth part of the portfolio, as you can imagine. This is the low growth part of the portfolio.

And we also need to divest these businesses for a very simple reason -- otherwise there are too many brands in the portfolio for the go-to-market organization to really be effective. In particular in the fragrance business, we would have way too many brands, so there will be a large rationalization happening on the fragrance side of the business and potentially in one or two other categories. But there it would be much more minimal.

The other key thing is that we are substantially upgrading the talent and our capabilities, and that's been a work in progress pretty much since the fall of last year, where we are bringing in very strong talent either from other beauty players or from other top class consumer goods companies. We are attracting people from [RS], from Reckitt Benckiser; clearly from L'Oreal, from Estee Lauder.

So we are attracting talent which fits very well with our culture. It's very much a multicultural company. It is a company which is going to be very entrepreneurial, very results-driven, very agile. And that's so we have created a very clear culture, and we are recruiting against that cultural fit and making sure that we get the right competence in-house.

So we keep upgrading the talent and the capabilities, and we will continue to do that for sure for the next 12 months. We will keep upgrading it to make sure that we are going to be able to compete with the best-in-class.

We are going to at the same time explore the more intensive focus of the new organization. Don't forget that the P&G businesses are all orphan assets in that organization. And so just to set them free should provide some opportunity for better business performance. Clearly, a salon business in a P&G portfolio probably is not priority number one, as you can imagine. Neither is a hair colorant business even in the hair portfolio; it cannot be.

So it's always been priority number 20 or lower. So just the more intense focus on the P&G business is going to deliver some benefits.

On the Coty side right now, we have one business we are going to split this in three divisions. We could have easily left it into all in one big pot. That probably would have generated another couple-of-hundred-million-dollars worth of synergy savings, which we have decided not to take. We specifically went for divisional focus.

Why did we do that? Very simply we believe the more intense focus on one channel of distribution or one-plus channel of distribution, and two or three categories, will create a more intense focus, a better capability, and therefore a more competitive company. So that was very purposefully done and we are going to exploit that.

Finally -- and this is clearly already a work in progress -- we are going to focus much harder going forward on some of the key drivers for growth.

Innovation -- I think we're not bad at innovation. P&G is not bad at it. Coty is not bad at it, but we could get better at it.

Communication -- and this is both about digital media and it's about quality of advertising. We need to make a step-change both in terms of digital. We have done that with the acquisition of Beemly. Beemly was a digital media agency which we bought earlier this year, which has allowed us to step-change the capability within the Company in terms of communication, in terms of actual delivery of our message through digital platforms -- be it video, social media, search -- you name it.

It's been a huge step-change for the Organization simply in training current organization in terms of what -- how digital needs to be exploited. Everybody knows what digital is; very few people know how to exploit it.

So the amount of spend which is going through digital is going now up by leaps and bounds. And I don't have to tell you that digital just overtook television in the United States as the number one medium.

eCommerce: eCommerce is another platform. We are not bad; we're probably more or less at the level where L'Oreal sits, but this is a fast-growing basically area which needs to be step-changed. eCommerce channels continue to grow well into the double digits; bricks and mortars do not. So it's very obvious that what we need to do is step harder on the eCommerce one.

In-store execution: in-store execution has not been the forte of either company. In P&G, it's mostly a focus issue. In Coty, it's been much more because we've been too much selling-focused and not enough on sell-out focus. That is now gradually changing and there will be much more focus on that.

All of this is much more possible with the new organization because we've changed the talent base inside. We've changed basically the culture and the talent base inside, and that allows us to make more of a step-change in these areas. Don't underestimate what Coty is going through; it is a massive transformation from a people point of view and from a mentality point of view.

So that's what is in stock basically. And this phase here is going to overlap with the period when we do the integration. So this is not coming two or three years down the road, just to be crystal clear. Some of this is already a work in progress right now.

Secondly, as Patrice already alluded to, we will be looking at further M&A. Why we will be looking at further M&A -- other than basically that this might be interesting for shareholders -- is, we do need to increase our exposure to higher growth pools as a company. So the market growth rate in the beauty industry is 3%-plus. The growth rate that Coty is exposed to right now from a market growth point of view is probably 1%-plus.

And the difference is that we have a different geographical exposure, a different market and segment exposure, a different channel exposure, and that needs to be changed over time. And we will use M&A in order to gradually change the profile of the Company to make sure that we are sitting in pockets where we can see higher growth with attractive economics.

So those are a couple of the key things that we are doing from a growth point of view. It is a journey. It is a company in construction. It is progressing very, very well, from my point of view. The patient is coming well out of recovery, I would say, but we are not there yet.

The transaction, as you know, is closing in October, and then we still will need to go through a transition period while we work on optimizing the growth rates. So there's a number of things which are happening at the same time, but we are well on track. And I would say now that we have a team in place several levels down in the Organization, I would say are much more comfortable that we are going to deliver where we want to be as a company with a bright future.

Thank you very much. I will now take some questions.

QUESTIONS AND ANSWERS

Bill Schmitz - *Deutsche Bank - Analyst*

I'm going to take the first one, if you don't mind.

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

Okay.

Bill Schmitz - *Deutsche Bank - Analyst*

And I know you said [1%-plus] on your weighted category growth; I'm closer to [2%-plus] in terms of -- do you know why you are losing market share? And who you are losing it to? Like could there be a fix if you weren't otherwise occupied with a lot of the internal stuff?

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

There is clearly a distraction from an internal point of view. I think we are gradually going to start coming out of that certainly for the commercial side of the business, which is good, so they can start focusing more externally, which definitely needs to happen.

From a growth point of view, if you look at the big pockets basically where we have been leaking growth, the number one is -- really is the bottom end of the fragrance portfolio, is by far the biggest leaky bucket. And this is also clearly an area where we are looking at potential divestitures simply because it doesn't get the focus within the Company.

There are some other pockets. We've had -- lost some share in bodycare. But I would say fragrance, with some bodycare items, are really -- are the two key items from a growth point of view.

Unidentified Audience Member

More on the growth, if you don't mind. When you are saying you are going to take it with the growth of the Company, I gather that the reverse Morris trust transactions doesn't let you do any M&A for two years, and you are shrinking to the extent of the portfolio. And I assume that actual closure of brand and channels you are getting out of. So are you talking about growth away from this 8%? If we look at growth from the 92%? Or is the growth actual topline growth from where we are today with the combined businesses?

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

No, no, you're going to have to -- well, you're going to -- first you have to strip out the let's say 6% to 8%, and then clearly you would grow on the remainder, and then you would have to add back [to keep the markets]. So you are going to have basically a number of balancing factors basically in the total.

You're right -- from an M&A point of view, there's limited things that we can do in the first couple of years. But maybe you want to --?

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

Actually from an M&A standpoint for the next two years, we cannot issue any shares, so we cannot do any transaction via equity but we still have the cash ammunition. And as you've seen, we are still generating quite a substantial amount of cash. So we don't -- we will remain opportunistic on whatever is ahead of us.

Unidentified Audience Member

The beauty industry kind of appears to be going through a period of fragmentation of brands, probably helped along by the distribution changes which are going on. One of your slides or comments was about we need to focus, and if we focus, we will succeed. So how did the kind of big brand, big ideas, narrow results for big success, married with an industry where consumers seems to be possibly walking in the other direction? It's not an easy one to answer that.

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

Yes, I think it's very different by category. So we are in -- because that comment largely comes from a focus on Color Cosmetics and not so much necessarily from the other categories. Because in fragrance, the strong brands continue to do very well from a growth point of view.

So if you are taking brands like a Gucci, which you could argue has with its restages, done very, very nicely; Hugo Boss is doing very well. So these are big brands. These are not basically small new players.

So clearly, we've done fantastic, for instance, with Miu Miu in year-one. That's great, but you know -- and so you could argue you are contributing to the fragmentation. Yes, we are in essence, but it is you capitalizing on an opportunity. But it has not come at the expense of let's say Hugo Boss or a Gucci. It hasn't.

And so I would say in fragrance, your comment there is a massive proliferation, but the key equities continue to do extremely well. And it's also true for the competition; it's not just true for the Coty brands.

If you look at the salon business, which is a very different business -- so there, there is really no fragmentation practically to speak of. So the comment for us again is relatively small. So the comment is really much more about the mass business in particular in Color Cosmetics. And in Color Cosmetics, there has been quite a bit of fragmentation over the last couple of years.

Having said that, I would say we've done a very good job on Color Cosmetics. And Rimmel globally is doing very nicely. I would say P&G has had some challenges on Cover Girl I think more recently, that's looking better from a market share point of view. Max Factor is doing fine. Sally Hansen remains by far the number one globally in the market.

And then where we have seen the same leakage is in all the smaller stuff, which sits in the portfolio, which is the New York Colors and the Asters, et cetera, of the world. So you do see that the fragmentation impact is very much at the bottom end of the portfolio, less so at the top end to equities.

That's not to say that I wouldn't like to see a higher growth rate on some of these brands, just to be crystal clear. And this is what we need to work on. And that's where it comes back to some of the key basic elements which are supposed to drive this, which is, at the end of the day, it's about level of innovation; quantity and quality of investment behind that both from communication and from an in-store point of view.

And that needs to be driven. And we need to do a better job on that. And that's what we're focusing on.

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

And the divisional organization would be an answer to that, because now you are going to have divisions dedicated to the segments that are able to capture these type of trends very early on. And when you have a big organization of $4 billion business, which is kind of a one Coty, you really do not capture these trends. So to execute focused divisional organization is the right answer to these type of trends.

Unidentified Audience Member

Your -- the company you're challenging really is L'Oreal, right, which always has 20-odd percent of its revenue in advertising. There is a lot of people who believe that you can -- coming from your background, you are going to dramatically slash this figure long-term, so that the 18.3% -- I can't remember what the figure is -- is actually lowballing it, and that you are really targeting a Reckitt Benckiser type margin of 25%, 26%, 27%. What do you say to that?

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

Now, first on investment level, the investment levels here are at our B levels or higher, let's -- just to be crystal-clear, if you look at Coty and P&G. And in our synergy assumptions, we do not make assumptions that we are going to cut the investment levels. So there is absolutely -- so from an ammunition point of view, we do not basically plan -- there's not a penny in this 16% which comes really from a cut in investment activity, just to be crystal clear.

And I also think that would be foolish to do so, because then you are cutting the fuel in order to drive basically better growth rate. So we are not planning to do that. That would be very easy to do. It is not very difficult, as you all know, in consumer goods, is to deliver a high margin by slashing the investment. But then that comes home to roost, and I plan to stick around here for a while. So that's not -- wouldn't be a very good plan. We're not going there.

Unidentified Audience Member

(inaudible - microphone inaccessible)

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

No. I would say -- so first it is an important question, which is CEO and Chairman. So I plan to continue as Chairman of the Company. When we appoint a new CEO -- which will happen at some point in time -- first, we are going to have a CEO where we are going to have evolution, which is going to build on top of the foundation which we just laid. So we're going to have evolution, not revolution.

And that is not just because this is a personal ego. This is really a team thing. It is because the whole team has been involved in building the foundation of this Company, and I would say it would be very difficult to start over. So we are going to have an evolution.

What is much more important is we are going to have also a transition. So I will be very much involved to make sure that the success of this Company is guaranteed. And you will not see me basically set off going into the sunset. I'm also a material shareholder, as you know, so I'm not planning to do that. So you can rest assured that that's not happening.

Unidentified Audience Member

Patrice, if I just ask one final one. So if I look at The Street estimates, so your pro forma -- the pro forma number for 2015 is $1.60, and if I look at the consensus estimates for 2019, it's $1.38. So I don't want you to give me guidance, but don't you think that the number will probably be higher in 2019 than it is in 2015?

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

So actually I'm not going to give you any guidance (laughter) -- I already answered on that so I'll stick to that answer. No, I think here what you can see is that you have a mathematical exercise that gives you a 50% EPS accretion. And already this is building a new Coty, which is the third biggest player in the world. We have a divisional organization which is extremely competitive with the right remuneration system and the right culture or the right values, being in the top three in each and every segment we are playing. And with a 50% accretion, that gives you the financial flexibility to further participate into the M&A -- into the cost generation of this industry, is giving you a kind of an answer to that question.

Unidentified Audience Member

If I could just go back to the E&P point. I mean, you said you were going to spend more than you were doing, albeit just as well because your peers are spending probably double -- it's an industry characterized by heavy advertising spend. Do you think above average margins and above average growth is a realistic combination in this industry?

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

I would say what we can do is we will not be able to change the growth rate clearly overnight. We will gradually change -- this is going to be a journey. We eventually can get to a much higher growth rate? Yes. Because we need to be exposed to the right pockets in the market.

This is one of the key things where we need to step-change, and M&A will have to play a role in that. I give you a very simple example -- you talk about fragmentation of the industry in Color Cosmetics. Clearly we have a phenomenon like KIKO -- that's a retail business. That's a very different business than where we are in today.

I'm not suggesting we are doing retail acquisitions tomorrow, but it does suggest that -- those are some of the highest growth pockets basically that you have there. You have eCommerce. You have high-end fragrances. You have different pockets in the industry which we need to participate in and which we will participate in.

Coming back to your question, first of all, when I was the CEO of Reckitt Benckiser, I never disclosed the advertising spending to you so you don't know what the number is. So let's start with that for a second.

So but what is more important is I can guarantee you that L'Oreal does not spend more on advertising than Reckitt Benckiser does. Because their investment levels basically -- and the investment levels in total in the industry are higher, but it is not necessarily in advertising. There are many other pockets basically the beauty industry spends money in, which is a very simple example is, like when you go in Color Cosmetics and look at the furniture in the store, clearly this is not free. That furniture costs money which needs to be invested in.

So there are other pockets. Having said that, at the same time, the higher gross margins in this business overall. And if you were to do a correlation -- which I'm sure you've all done, since you are all basically in the analytical business -- between gross margin and operating margin, that tends to be a reasonable correlation between the two.

That seems to be true for every industry and every category except for the beauty industry. And I really don't think that that is necessarily has to be the case. I believe -- so we are not targeting for an RB margin in the 25% to 30% range. We are targeting here for a margin which is 19% at the moment, and gradually recovering the growth rate over time to really make it a very successful company with a good industry growth rate.

So I don't think we are going out of whack here. We are really not basically stretching for the moon. What we are stretching for is to get industry-leading margin growth rate with industry-leading cash conversion, and gradually to get more closer and closer to the global growth rate and hopefully outpace it at some point in time. And for that, we need to do the next -- the two steps which I've outlined here before. So I think it is a very realistic scenario to get there.

Bill Schmitz - *Deutsche Bank - Analyst*

Right. So we're going to have to leave it there. Thank you, Bart.

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

Thank you.

Bill Schmitz - *Deutsche Bank - Analyst*

And Patrice -- sorry.
