ELEVATION CAPITAL MANAGEMENT LIMITED: COTY INC [COTY:US]

Research Presentation released in April 2017

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Mail: PO Box 911145, Victoria Street West, Auckland 1142, New Zealand;
Email: info@elevationcapital.co.nz
Phone: +64 9 379 6493

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INVESTMENT SUMMARY

COTY – A WORLD LEADER IN BEAUTY

Coty (COTY:US, Market Capitalisation US$ 13.3B) is a significant player in global beauty. The Company manufactures, markets and sells branded beauty products in the fragrance, colour cosmetics (including nail care) and skin & body care categories. Products are sold in more than 130 countries worldwide using a multichannel distribution strategy with products positioned across a variety of price points, including prestige and mass market channels.

GROWTH THROUGH M&A

Coty's strong market position is the result of its aggressive M&A strategy. In October 2016, Coty doubled in size through the merger (acquisition) with (of) P&G's beauty business. The merger (acquisition), initially valued at US$ 12.5B, was by way of a Reverse Morris Trust and saw Coty take control over some 41 brands previously owned by P&G. The transformational deal bolstered sales and expanded Coty's product suite to include the addition of 'salon professional' and hair colouring brands. Coty is now ranked as the third largest beauty manufacturer in the world, holding dominant positions across key beauty categories including #1 in fragrances, #2 in salon hair, and #3 in colour cosmetics. However, the deal has not been without its challenges.

STOCK PRICE WEAKNESS PRESENTS A LONG-TERM OPPORTUNITY

Coty has experienced negative investor sentiment following trading disruption around the close of the P&G beauty deal and concerns toward slowing revenue growth and capital expenditure. Coty has posted weak quarterly results while inventory levels (for acquired brands) have been significantly higher than anticipated. There appears an increased likelihood of integration complications with inherent uncertainty towards the timing of synergy extraction. As a result, Coty's stock has fallen 41% from its recent high of US$29.75 in August 2016 to US$17.60 in April 2017.

The Elevation Capital Value Fund began to establish a position in Coty in January 2017, at an average cost of US$18.72 per share (as at 12 April 2017).

M&A INTEGRATION

The most important value creation from the merger (acquisition) of P&G's beauty brands is Management's estimated improvement of Coty's operating profit margins from 14.3% *(Standalone Coty FY16 adj. operating profit margin)* to ~19.6% in FY2020 (Pro forma Coty adj. operating margin). This will make Coty an industry leader in profit margins. There exists scepticism toward whether this is achievable by 2020. However, it is our view that even if Management missed their target by say 1%. i.e., only achieved an 18.6% operating margin by 2020, the significant improvement would still require the market to rerate the stock. We also note that the margin improvement forecast does not include the anticipated portfolio rationalisation and any underlying growth in the newly combined business.

ECONOMIES OF SCALE

The completion of the P&G deal marked the largest beauty portfolio acquisition in history, significantly increasing Coty's scale. It saw the Company become the third largest beauty company globally, from seventh before the merger (acquisition). The move places Coty in an even stronger position when negotiating with suppliers, retailers, advertising agencies, and the likes. The Company has already established a name for itself as a tough negotiator including the insistence of 120-day payment terms for marketing contracts. *(Advertising agency Grey, recently resigned its Coty account citing financial differences – we hypothesise this represents a push by Coty to reduce its cost base).* We further assert that Coty's scale will enable the Company to accelerate revenue growth through the acquisition of smaller products/brands, utilising their distribution and sales networks to enhance their value.

DIVERSIFIED PORTFOLIO OF ICONIC BRANDS

Coty has a broad, well-diversified portfolio of more than 70 iconic brands including Calvin Klein, Chloé, Clairol, CoverGirl, Marc Jacobs, Max Factor and Wella to name a few. We see additional upside through further optimisation of Coty's brand portfolio. We suggest that the acquired P&G brands have not received the necessary attention required to run them optimally as they were being prepared for sale. We further highlight the 16-month window that the Coty/P&G deal took to close during which time P&G would have had little incentive to invest in the growth of these brands. We look to Coty to continue to strengthen its global brands by directing resources to higher growth potential brands while stabilising remaining brands. Coty has openly stated its intent to explore alternatives for non-core brands including the potential for divestment. We believe that this is one short-term catalyst that can improve margins, revenue/profit growth and at the same time deleverage the balance sheet.

CORNERSTONE SHAREHOLDER OF POSITIVE INFLUENCE

JAB Holding Company ("JAB") is Coty's largest shareholder, with a shareholding of 36.84% (~US$ 5B as February 2017). JAB is the investment arm and holding company of the billionaire Reimann

[1]*Source: Digitalsmiths Q4 2015 Video Trends Report*

INVESTMENT SUMMARY CONTINUED

family. JAB focuses on long-term investments in companies with premium brands, attractive growth and strong margin dynamics *(Assets as at 31 December 2016 totalled € 21.3B including a ~9% stake in Reckitt Benckiser).* JAB stands out, mainly due to the immense experience of the people who run it, particularly within the consumer products industry. Current management consists of Peter Harf (ex-Chairman of Anheuser-Busch InBev), Bart Becht (ex-CEO of Reckitt Benckiser) and Olivier Goudet (Chairman of Anheuser-Busch InBev). JAB has direct ties to renowned investment firm 3G Capital - Olivier Goudet currently serves as chairman of 3G-controlled Anheuser-Busch InBev. Both JAB and 3G have a history of investing in consumer brands with a focus toward cost reduction. We believe JAB's cornerstone shareholding is extremely positive for long-term minded minority shareholders.

THE COLLAPSE OF DUAL-CLASS SHARE STRUCTURE

Following Coty's merger (acquisition) with (of) P&G's beauty brands, JAB converted all its super-voting Class B shares to ordinary Class A shares for nil compensation. With this conversion, JAB's voting rights declined from 97.5% to 36.8%. While JAB continues to have considerable influence over the Company, the collapse of the dual-class share structure allows the Company to improve transparency and governance. It also opens the door for other shareholders to have an influence over the Company.

MANAGEMENT INCENTIVES

Management is incentivised to be shareholder-oriented toward long-term value creation. Current incentive plans are structured through Employee Bonuses and Long-Term Incentive Compensation. Bonuses are conditional on increased profitability and improvements in cash generation where key performance metrics include; revenue growth, profit growth and cash conversion. Coty also encourages Management to acquire & hold their personal wealth in shares - Executive Committee members are expected to hold US$1.8M-US$5M of Coty shares while the 'top-80' leaders are expected to hold up to US$1M of Coty shares.

INSIDER TRADES

'Insiders' (including Management, Directors and JAB) have been actively buying Coty shares since the completion of the merger (acquisition) with (of) P&G's beauty brands. This includes an additional ~€ 72M of Coty shares acquired by JAB in February 2017. Such acquisitions highlight JAB's confidence in Coty's to execute on its integration strategy. We view such stock purchases as affirmation of the apparent value gap between Coty's current share price and its intrinsic value.

RETURNING CAPITAL TO SHAREHOLDERS

Management continues to show confidence in Coty's cash flow generation capability – the Company recently transitioned to quarterly dividends and increased its dividend payment by 82% to $0.125 per quarter *(this amounted to US$93.4M, vs Coty's Free Cash Flow of US$567M in Q2/17)*. This implies a dividend yield of 2.8% *(based on Coty's share price of US$17.60 as at 12 April 2017)*, which is currently 87% higher than the industry peer group average of 1.5%. Furthermore, Coty bought back 1.4M shares for the six-month period ending 31 December 2016, with a price range of $25.35 - $27.40.

INVESTMENT THESIS - SUMMARY

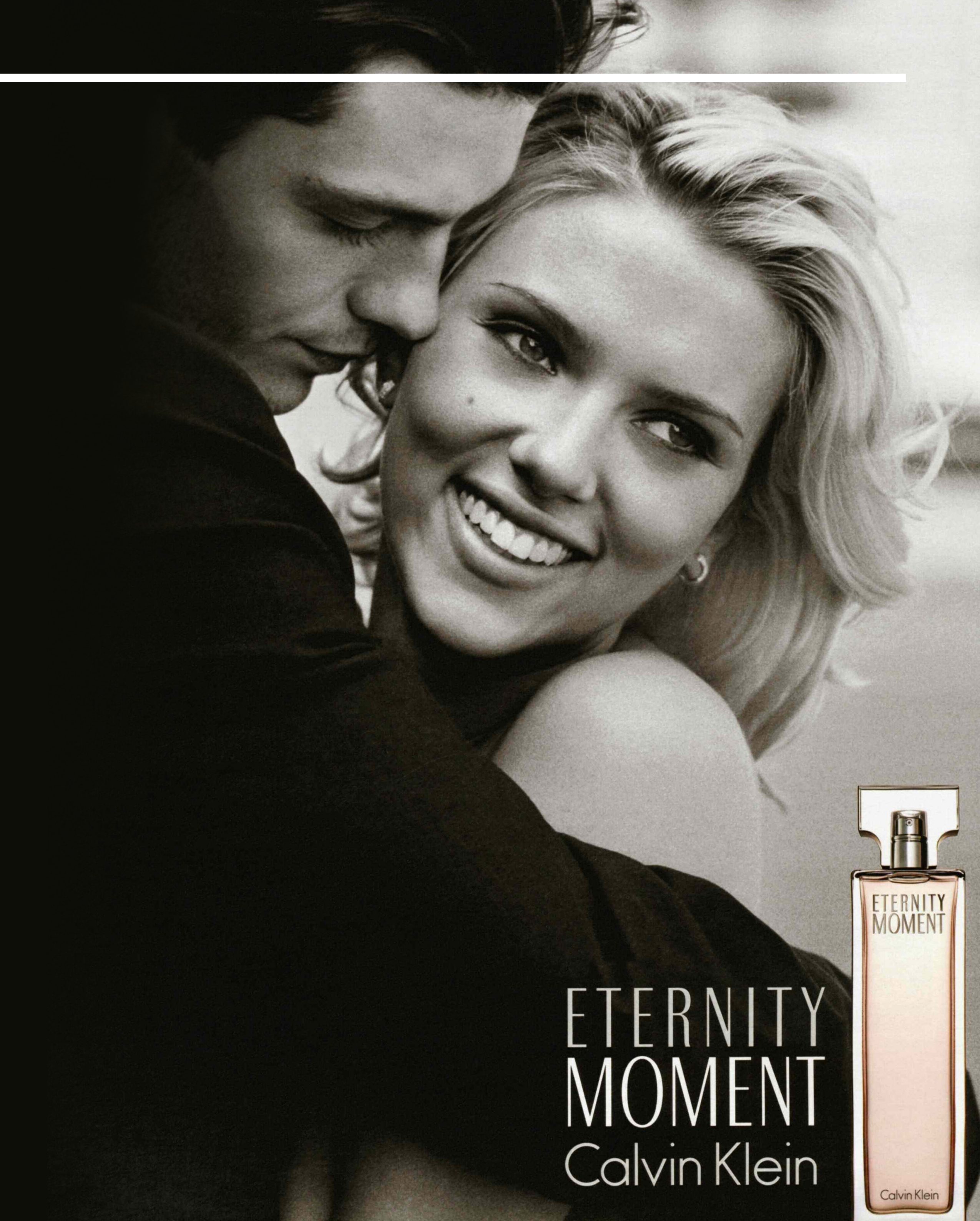
Following the completion of Coty's complicated multi-year integration process, we expect the Company to emerge as a formidable challenger to leading peers of L'Oréal and Estee Lauder. A focus on increased scale and business segment expansion are projected to deliver economies of scale and further diversify revenue streams. We see this as a catalyst for Coty to improve its margins and stabilise its earnings profile.

Due to the extent of integration and reorganisation required, we expect Coty to experience a period of short-term uncertainty and volatility. However, we continue to have confidence in both the Board and Management to execute on its plan. Furthermore, we believe the investments into P&G's orphaned beauty brands (e.g., the relaunch and repositioning of COVERGIRL and Max Factor) could yield surprising upside in the medium term that is not currently being considered by the market. In the meantime, we are paid to be patient, as Coty currently pays what we believe to be a sustainable dividend which yields above its peers at 2.8%. Assuming sustainable cash flow generation, the attractive yield should reduce downside risk in a market sell-off.

Coty currently trades at US$ 17.60 per share *(as at 12 April 2017)*, at an implied P/E multiple of 16.76x *(based on an adjusted FY16 EPS of US$ 1.05)*. We estimate Coty's Intrinsic Value to be between US$ 16.68 - US$ 42.02 assuming normalised trading conditions. Our valuation/s represent downside/upside potential of between -5.2% to +138.8%.

(Note: All data as at April 2017)

IN BRIEF


ETERNITY
MOMENT
Calvin Klein
ETERNITY
MOMENT
Calvin Klein

STRONG GLOBAL POSITIONS IN BEAUTY INDUSTRY

#1

In Fragrances

#2

In Professional Salon Hair Colour & Styling

#3

In Colour Cosmetics

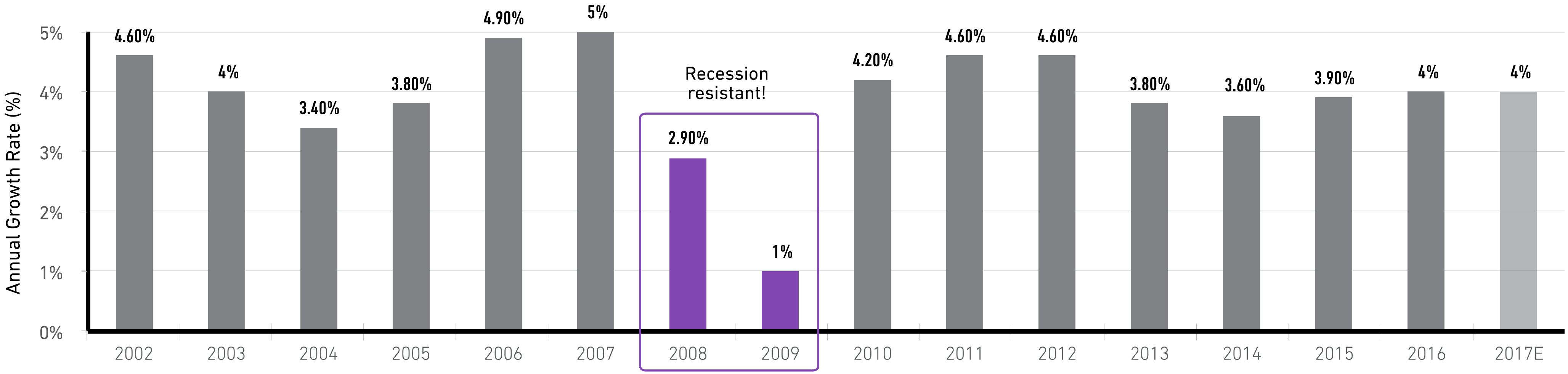
BEAUTY – A HIGHLY ATTRACTIVE INDUSTRY

The worldwide beauty/cosmetics market is estimated* to total €205B/USD216B, with a stable (and an impressive) average growth rate of +3.9% over the past 15 years. L'Oréal estimates that the market will grow +4% in 2017.

The beauty/cosmetics industry is historically recession resistant, as is evidenced from the continued growth during the most recent global recession. We note the following commentary from the L'Oréal 2011 Annual Report:

"The worldwide cosmetics market is a particularly solid market, which is steadily expanding, while proving very resilient when economic conditions are at their most difficult. The cosmetics consumer's behaviour has not changed since the beginning of the (global financial) crisis. There has been no devaluation, banalisation or massification of the market. On the contrary, consumers' aspirations for quality are higher than ever, with a special interest for technology and new ideas. The cosmetics market remains a supply-led market, driven by innovation, and consumers are always looking for quality, performance and perceived results."

GROWTH OF THE WORLDWIDE COSMETICS MARKET*



** Data Source: L'Oréal 2016 & 2011 Annual Reports*

A PORTFOLIO OF ICONIC BRANDS

Image Source: https://www.coty.com/brands

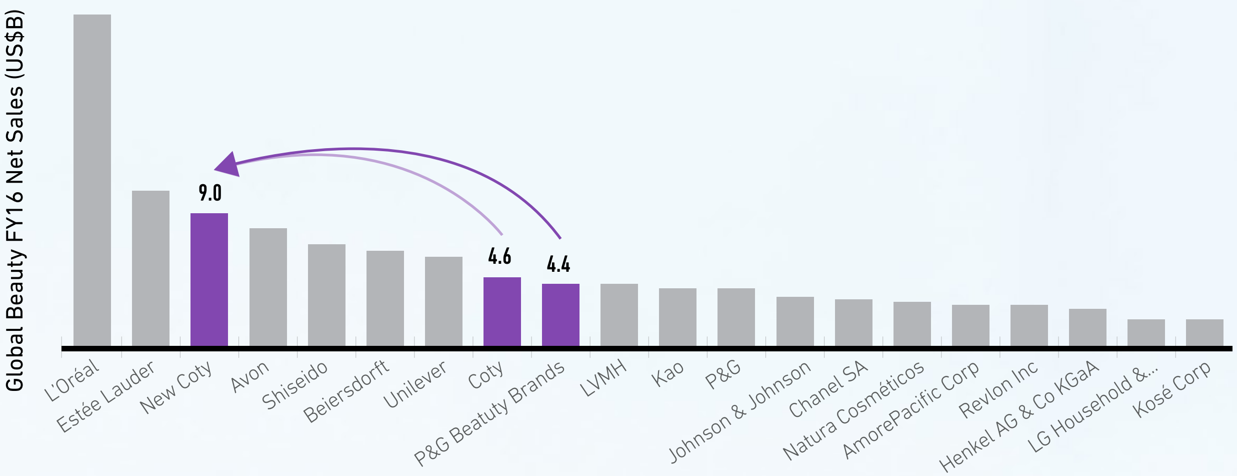
NEW COTY = OLD COTY + 41 P&G BEAUTY BRANDS

AUG 2014 P&G announces its intention to divest up to 100 brands to revive sales and cut costs.

JUN 2015 Coty wins three auctions to acquire a total of 43 P&G beauty brands for US$12.5B.

OCT 2016 Coty completes a Reverse Morris Trust* transaction to merge P&G's 41** beauty brands with Coty, becoming the third-largest beauty company in the world (#1 in fragrances, #2 in salon hair, #3 in colour cosmetics).

GLOBAL BEAUTY FY16 NET SALES



** A Reverse Morris Trust transaction is a complex transaction to exit assets out of the parent company in a tax efficient manner. The shareholders receive all the benefits and potential upside of a pre-arranged M&A transaction.*

*** Dolce & Gabbana and Christina Aguilera were excluded as consents to transfer the licenses were not received.*

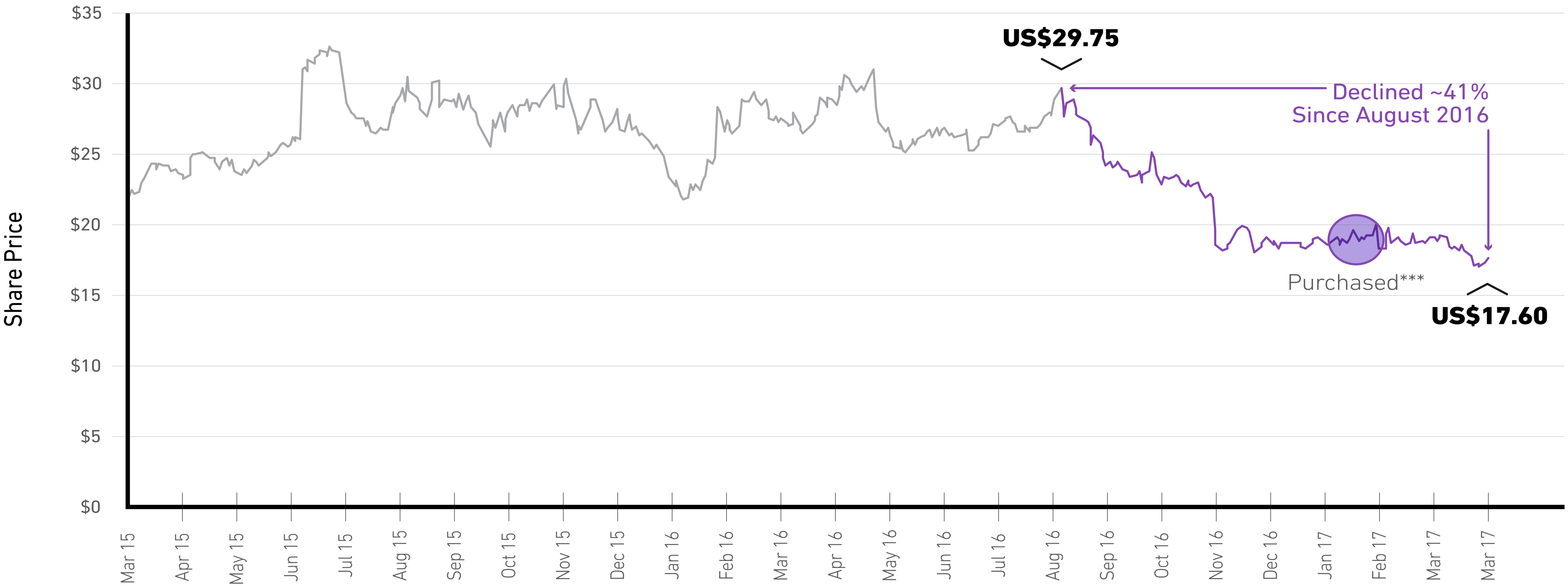
Chart Source: Coty Investor Factsheet – As at 28 February 2017

MERGER RISKS & ISSUES PROVIDED INVESTMENT OPPORTUNITY

Coty has experienced negative investor sentiment following weak quarterly results, significantly higher than anticipated inventory levels (for acquired brands), increased likelihood of multi-year integration complications, and uncertainty towards the timing of synergy extraction. The stock has fallen 41% from its recent high of US$29.75 in August 2016 to US$17.60 in April 2017*.

The Elevation Capital Value Fund began to establish a position in Coty in January 2017, at an average cost of US$18.72** to date.

Current share price* = US$17.60 (Market Capitalisation = US$13.3B)



** As at 12 April 2016*
*** Elevation Capital Value Fund historical trades as at 10 March 2017, including dividends received*
**** Between 18 January 2017 – 9 February 2017*

HISTORY & LARGEST SHAREHOLDER

A CENTURY-OLD PIONEER IN FRAGRANCE AND COSMETICS

1904	François Coty creates his first perfume - La Rose Jacqueminot.
1908	François Coty commissions French jeweller Lalique to design fragrance bottles, a move that changed the fragrance industry forever.
1934	François Coty dies - the family stays in control of the Company, remaining on the board of directors until the 1960's.
1963	Coty is acquired by Chas. Pfizer & Co. for ~US$26M, becoming part of Pfizer's consumer products group.
1992	Coty is sold to Joh. A. Benckiser GmbH (i.e., JAB Holding Company).
2005	Coty acquires Unilever's prestige fragrance division, including licenses for Calvin Klein & Chloe for US$800M.
2007	Coty acquires DLI Holding Corp., which owns cosmetics brands such as Sally Hansen and N.Y.C. for an estimated US$800M.
2009	Coty signs the license for Playboy.
2010	Coty acquires Manhattan, Calvin Klein's Colour Cosmetics, OPI (~US$1B), philosophy (~US$1B) and T Joy (~US$400M).
2013	13 June 2013, Coty lists on the NYSE via an IPO for $17.50 per share.
2015	Coty acquires Beamly, a digital marketing firm based in NY and London with core capability around social media.
2016	Coty completes acquisition of Hypermarcas' Beauty & Personal Care business for ~US$1B. It significantly strengthens Coty's presence in Brazil, the third largest beauty market in the world. Coty completes the merger with P&G's 41 beauty brands, making it the third largest beauty company in the world. Coty acquires ghd ("Good Hair Day"), the world's premium hair straighteners & appliances company for £420M.
2017	Coty acquires a 60% stake in Younique, a leading online peer-to-peer social selling platform in beauty for US$600M. Coty acquires exclusive long-term license rights for Burberry Beauty luxury fragrances, cosmetics and skincare for £130M, and £50M for Burberry's inventory.

Source: https://www.coty.com/about/heritage

LARGEST SHAREHOLDER – JAB HOLDING COMPANY

JAB Holding Company ("JAB" or Joh. A. Benckiser) is a private investment company headquartered in Luxembourg which focuses on long-term investments in companies with premium brands, attractive growth and strong margin dynamics. Total assets = €21.3B*.

JAB is 95% owned by four of Albert Reimann, Jr.'s** children, and is managed by three highly experienced senior partners: Peter Harf (ex-Chairman of AB InBev), Bart Becht (ex-CEO of Reckitt Benckiser) and Olivier Goudet (Chairman of AB InBev).

JAB has direct ties to renowned investment firm 3G Capital - Olivier Goudet currently serves as chairman of 3G-controlled Anheuser-Busch InBev. Both JAB and 3G have a history of investing in consumer brands with a focus toward cost reduction. We believe JAB's cornerstone shareholding is extremely positive for long-term minded minority shareholders.

JAB HOLDING

COTY

- Listed on the NYSE and now ranked as the #3 player in Beauty worldwide.

- 36.8% shareholding (79.6% before the merger (acquisition) with P&G's 41 beauty brands), valued at US$5.2B.

Acorn Holdings

- A holding company of JDE, a global leader in coffee, and Keurig Green Mountain Inc., a leader in speciality coffee and coffee brewers in the US and Canada.

- 58.0% shareholding, valued at €8,629M.

JAB Beech

- A holding company of leading premium retail coffee brands in the US – Peet's Coffee, Caribou Coffee and Einstein Noah, and a leading international premium retailer of sweet treats – Krispy Kreme.

- 58.0% shareholding, valued at €2,148M.

JAB Coffee Holding

- A holding company of leading premium retail coffee brands in the Nordics – Espresso House and Baresso.

- 51.9% shareholding, valued at €149M.

JAB LUXURY

- A holding company of luxury goods companies – Jimmy Choo (67.7% shareholding, listed on LSE), Bally and Belstaff.

- 100% shareholding, valued at €771M.

rb HEALTH • HYGIENE • HOME

- Reckitt Benckiser is listed on the LSE and is a global leader in household and healthcare products.

- 9.0% shareholding, valued at £4.6B.

In February 2017, JAB acquired an additional €72M of Coty shares. We believe this reinforces JAB's confidence in Coty's execution of its integration plan, and highlights the apparent value gap between the current share price and JAB's estimated intrinsic value of Coty.

** As at 31 December 2016*

*** Albert Reimann Jr. is the great-grandson of German chemist Ludwig Reimann, who married Johann Adam Benckiser's daughter, and later inherited the entire Benckiser business. Albert Reimann Jr. took the helm in 1952 and steered the company towards consumer goods. Benckiser went pubic in 1997, and merged with Reckitt & Colman in 1999 to form Reckitt Benckiser Group.*

MARKET POSITION & BUSINESS SEGMENTS

STRONG MARKET POSITION: #3 PLAYER IN BEAUTY WORLDWIDE

Coty is now very well positioned as the #3 player in "Beauty" worldwide.

The potential for further consolidation in the industry is likely, with small non-pure play beauty participants exiting the industry due to sub-optimal size versus large pure play participants that occupy the top five positions in the industry.

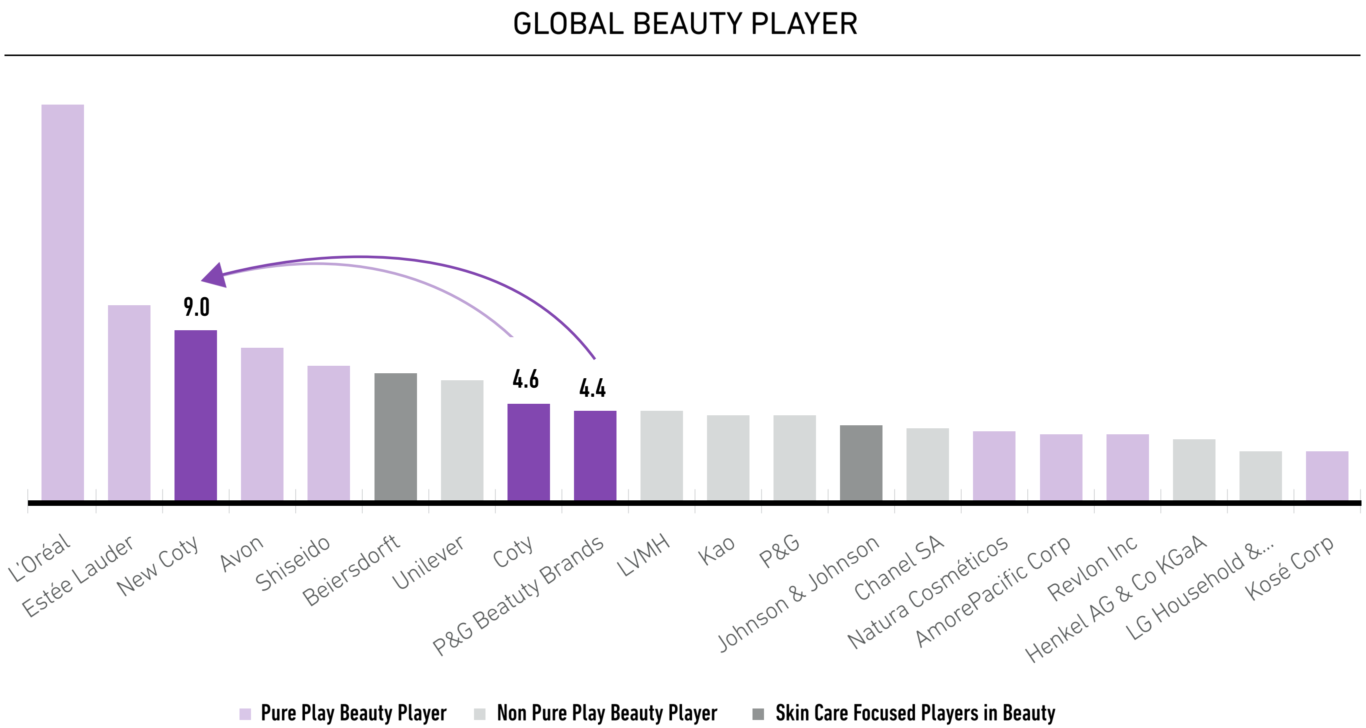


Chart Source: *Coty Investor Presentation September 2016*

THREE BUSINESS SEGMENTS & KEY BRANDS

LUXURY

36% NET REVENUE*

31% OPERATING INCOME*

KEY BRANDS:**

- Calvin Klein
- BOTTEGA VENETA
- JIL SANDER
- Chloé
- philosophy
- TIFFANY & CO.
- MARC JACOBS
- GUCCI
- MIU MIU
- JOOP!
- HUGO BOSS

CONSUMER BEAUTY

44% NET REVENUE*

30% OPERATING INCOME*

KEY BRANDS:**

- COVERGIRL
- RIMMEL LONDON
- MAX FACTOR X
- Sally Hansen
- BOURJOIS PARIS
- nice'n easy CLAIROL
- KOLESTON PERFECT
- adidas

PROFESSIONAL BEAUTY

20% NET REVENUE*

39% OPERATING INCOME*

KEY BRANDS:**

- WELLA PROFESSIONALS
- O·P·I
- PROFESSIONAL SEBASTIAN
- SYSTEM PROFESSIONAL
- CLAIROL PROFESSIONAL
- NIOXIN
- Londa PROFESSIONAL
- SASSOON PROFESSIONAL

** Q2 FY2017 – i.e., Three months ended 31 December 2016*

*** Coty Investor Factsheet – As at 28 February 2017*

BUSINESS SEGMENT #1: LUXURY

This division focuses on prestige fragrances and premium skin care. It generated 36% of Q2FY17 Net Revenue. The portfolio of brands in this division spans the prestige fragrance category from low-premium to ultra-premium.

It is important Coty continues to implement its 'brand premiumisation' strategy within its Luxury division. Management has indicated that the revenue trends in this division are expected to continue to improve in the near term.

KEY BRANDS:

Calvin Klein, GUCCI, HUGO BOSS, Chloé, philosophy, MARC JACOBS, JOOP!, BOTTEGA VENETA, JIL SANDER, TIFFANY & Co., miu miu, BURBERRY BEAUTY

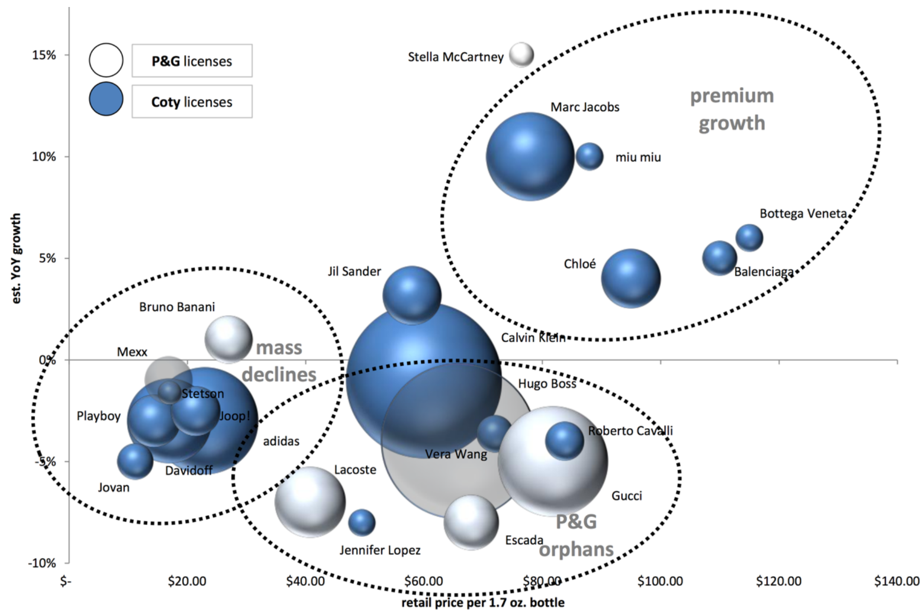


Chart Source: Deutsche Bank Markets Research – 31 May 2016

BUSINESS SEGMENT #2: CONSUMER BEAUTY

This division focuses on colour cosmetics, retail hair colouring and styling products, mass fragrance, mass skin care and body care. It generated 44% of Q2FY17 Net Revenue. Half of the sales comes from colour cosmetics, and the other half from retail hair, body care and mass fragrances combined.

The business has underperformed recently. Management has identified* the several challenges and attributed the problems to:

- Key brands from P&G being orphaned and neglected for years.
- Increased competition.
- A changing market environment.
- Highly elevated inventories (for acquired P&G brands) that were built before the close of the merger.

Management has proposed* to turn the division around by:

- Slashing the average time-to-market (currently 12-18 months).
- Shifting advertising spending from traditional media to digital media.
- Building better partnership relationships with retailers.
- Relaunching key brands (COVERGIRL, Max Factor, etc.) with new brand positioning, new creative, new packaging, and new in-store appearance.
- Identifying and exploring alternatives for a portfolio of non-core brands, representing 6%-8% of Coty's current net revenues.

KEY BRANDS:

COVERGIRL
Sally Hansen
KOLESTON PERFECT
RIMMEL LONDON
BOURJOIS PARIS
MAX FACTOR
nice'n easy CLAIROL
adidas

* *Coty Q2 2017 Earnings Call – 9 February 2017*

BUSINESS SEGMENT #3: PROFESSIONAL BEAUTY

This division focuses on hair and nail care products for professionals. It generated 20% of Q2FY17 Net Revenue.

By acquiring P&G's salon professional & hair colour brands, Coty suddenly becomes the #2 player worldwide in Hair Salon, behind L'Oréal.

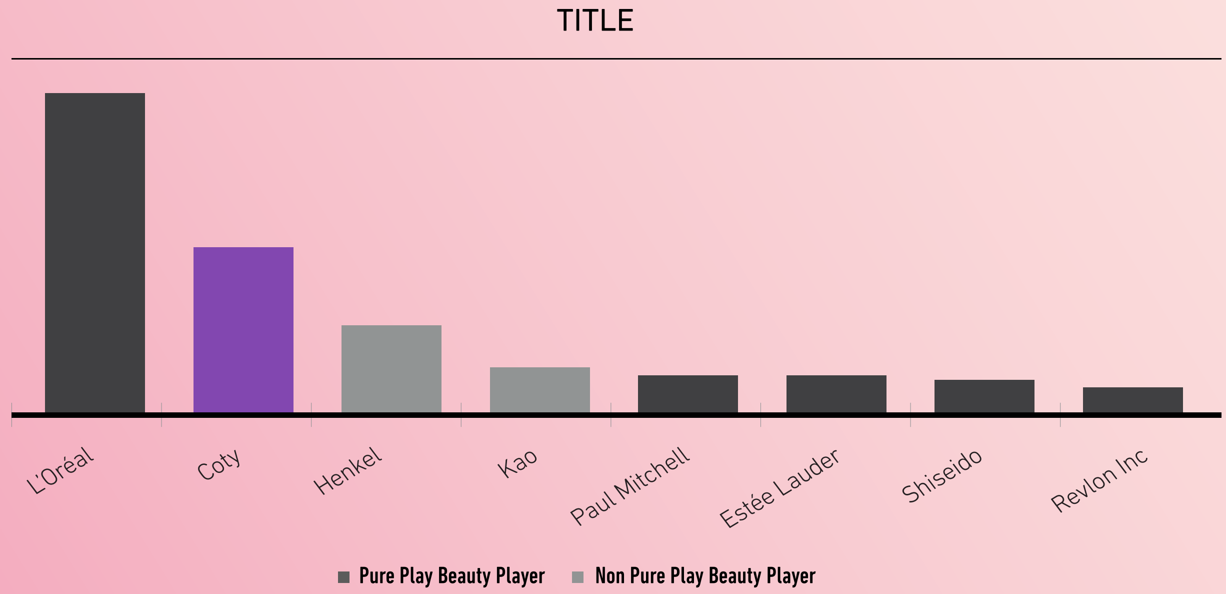
The state of P&G's hair salon business in recent years can be summarised by the comments made by the CEO of competitor L'Oréal in 2016 - *"to be honest, we didn't have any serious competition for many years… our number one competitor (P&G) was not really interested in this business"* *.

It is a pleasant surprise when Wella, which has been struggling for years is showing strong performance under Coty's short period of ownership.

We are optimistic that Coty can quickly integrate the acquired P&G hair salon business with Coty's own professional beauty brands (OPI, newly acquire ghd), and in the medium term start to challenge the #1 player – L'Oréal.

KEY BRANDS:

WELLA PROFESSIONALS
SYSTEM PROFESSIONAL
Londa PROFESSIONAL
O·P·I
CLAIROL PROFESSIONAL
SASSOON PROFESSIONAL
PROFESSIONAL SEBASTIAN
NIOXIN
ghd good hair day, every day



** Comments by L'Oreal's Chairman/CEO Jean-Paul Agon at CAGNY 2016 - 16 February 2016*
Chart Source: Coty's Deutsche Bank dbAccess Global Consumer Conference – 14 June 2016, Coty Investor Presentation – 9 July 2015

THE COTY / P&G BEAUTY BRANDS MERGER...

"The Reverse Morris Trust carve-out merger with the P&G Beauty Business was and still is an enormously complex and challenging transaction globally. It is the largest beauty deal in history..."

– Coty CFO Patrice de Talhouet
9 February 2017

NEW COTY = OLD COTY + 41 P&G BEAUTY BRANDS

AUG 2014 P&G announces its intention to divest up to 100 brands to revive sales and cut costs.

JUN 2015 Coty wins three auctions to acquire a total of 43 P&G beauty brands for US$12.5B.

OCT 2016 Coty completes a Reverse Morris Trust* transaction to merge P&G's 41** beauty brands with Coty, becoming the third-largest beauty company in the world (#1 in fragrances, #2 in salon hair, #3 in colour cosmetics).

The merger (acquisition) transaction doubles Coty's revenue to ~US$9.0B.

The total value of the transaction is US$11.57B (Equity consideration = US$9.63B, Assumed Debt = US$1.94B).

P&G shareholders hold 54% of the "New Coty", and pre-merger Coty shareholders hold 46% of the "New Coty".

The "Reverse Morris Trust"* transaction is a tax-efficient way for P&G to spin-off its 41 beauty brands to its shareholders and merge them with Coty. However, Coty is restricted in some activities so not to affect the tax-free treatment of the transactions.

Since the transaction required P&G shareholders to hold over 50% of new Coty in value or votes. JAB agreed to convert all of its super-voting Class B Coty shares into Class A Coty shares so JAB owns only 36.8% of new Coty after the merger.

MERGER ECONOMICS **SYNERGIES**

US$750M synergies: 20% in FY17, 30% in FY18, 30% in FY19, 20% in FY20

US$500M working capital benefit

MERGER ECONOMICS **COSTS**

US$1.2B one-time costs

US$500M one-time CapEx by FY2020

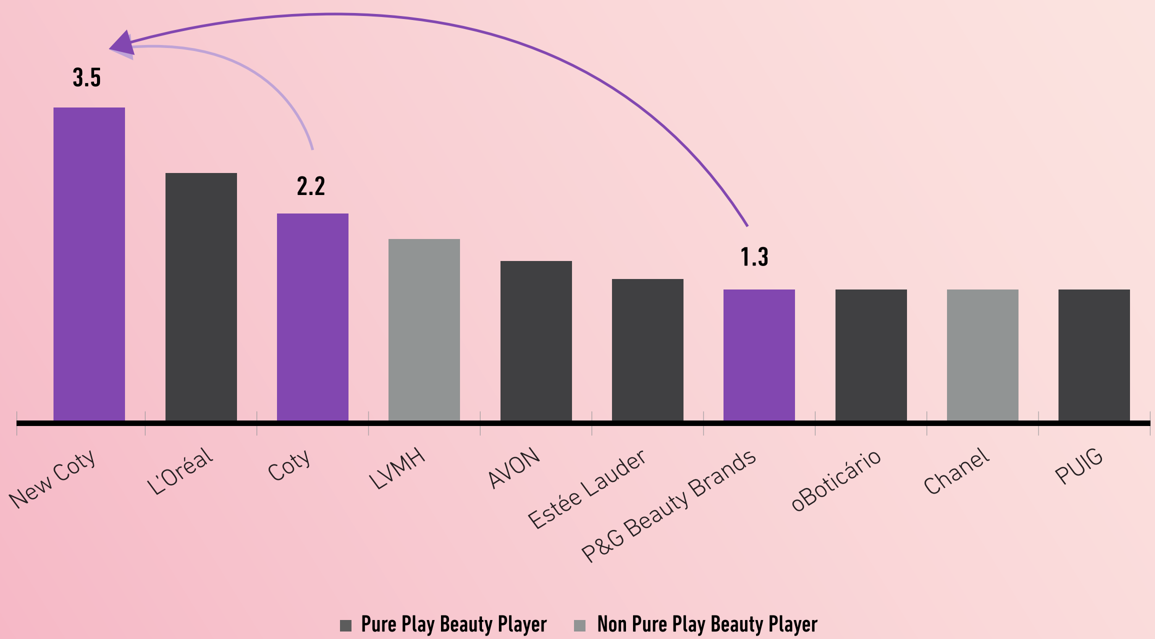
For a good explanation of Reverse Morris Trust transaction, see http://www.investopedia.com/terms/r/reverse-morris-trust.asp
*** Dolce & Gabbana and Christina Aguilera were excluded as consents to transfer the licenses were not received.*

A NEW #1 PLAYER WORLDWIDE IN FRAGRANCES

COTY BRANDS:

Calvin Klein
Vera Wang
Chloé
Chopard
roberto cavalli
NAUTICA
JIL SANDER
BALENCIAGA
MARC JACOBS
GUESS
miu miu
CERRUTI
JOOP!
KATY PERRY
DAVID BECKHAM
DAVIDOFF
BOTTEGA VENETA

GLOBAL FRAGRANCE FY15 NET SALES ($Bn)



P&G BRANDS:

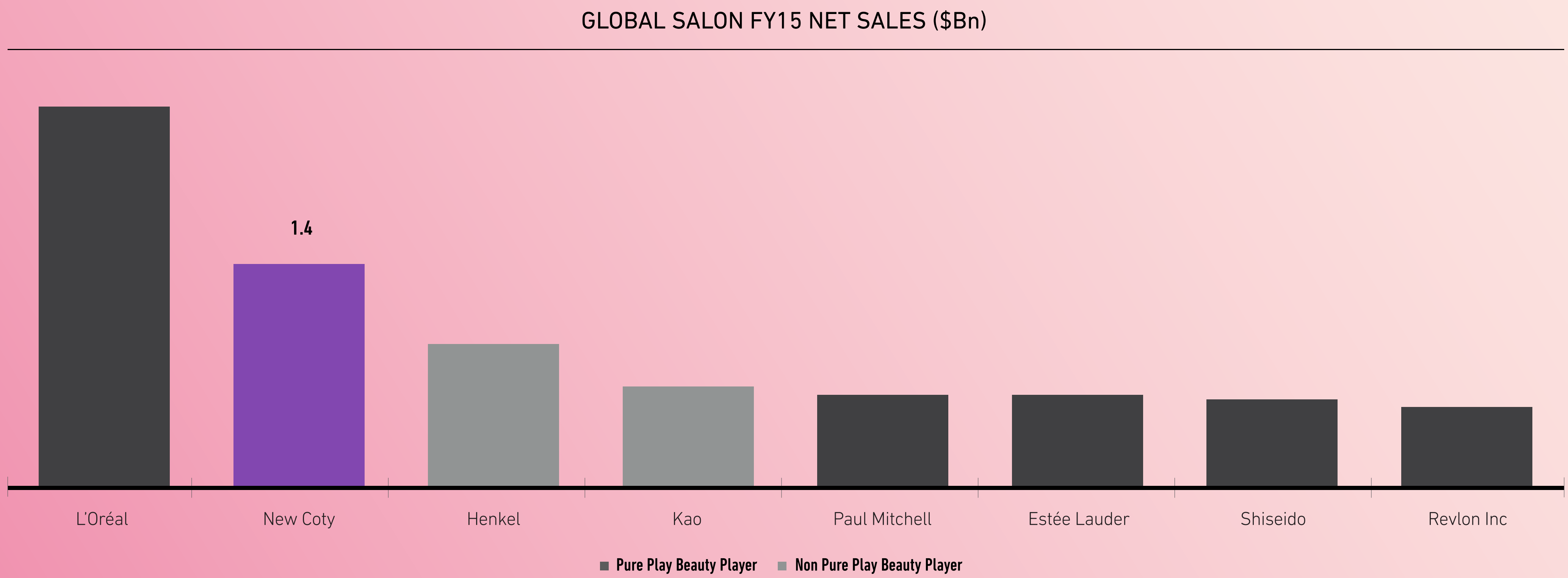
HUGO BOSS
007
ESCADA
GUCCI
GABRIELA SABATINI perfumes
STELLA McCARTNEY
bruno banani
LACOSTE
MEXX

NEW LICENSE:

BURBERRY BEAUTY

Chart Source: Coty's Deutsche Bank dbAccess Global Consumer Conference – 14 June 2016, Coty Investor Presentation – 9 July 2015

A STRONG #2 PLAYER WORLDWIDE IN SALON HAIR



COTY BRANDS:

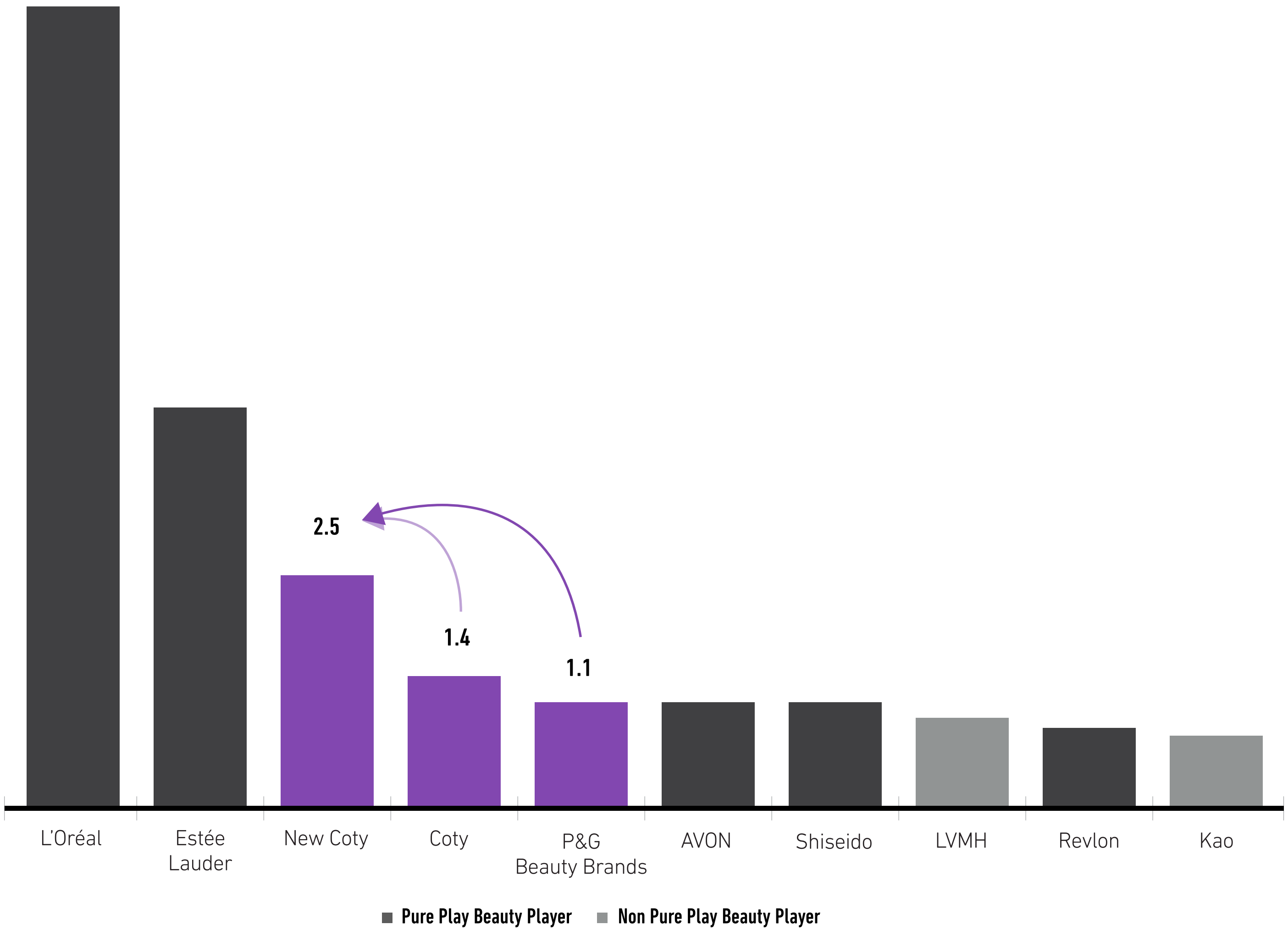
P&G BRANDS:

CLAIROL PROFESSIONAL, Londa PROFESSIONAL, nice'n easy, WELLA PROFESSIONALS, NIOXIN, PROFESSIONAL SEBASTIAN

Chart Source: Coty's Deutsche Bank dbAccess Global Consumer Conference – 14 June 2016, Coty Investor Presentation – 9 July 2015
Image Source: https://www.wella.com/professional/en-EN/trendvision/salon-collection-page/autum-winter-2016#/

#3 PLAYER WORLDWIDE IN COLOUR COSMETICS

GLOBAL COLOR FY15 NET SALES ($Bn)



COTY BRANDS:

BOURJOIS PARIS

MANHATTAN

RIMMEL LONDON

Sally Hansen

O·P·I

P&G BRANDS:

COVERGIRL

GUCCI

MAX FACTOR X

NEW LICENSE:

BURBERRY BEAUTY

Chart Source: Coty's Deutsche Bank dbAccess Global Consumer Conference – 14 June 2016, Coty Investor Presentation – 9 July 2015

GOOD NEWS FIRST... THE BENEFITS OF THIS MEGA MERGER...

ECONOMIES OF SCALE

As the #3 player in the industry [vs. #7 ranking before the merger (acquisition)], Coty is now in an even stronger position to negotiate with retailers, advertising agencies, suppliers, etc. The Company has already established a name for itself as a tough negotiator including the insistence of 120-day payment terms for marketing contracts.

We also believe that Coty's scale will enable the Company to accelerate revenue growth through the acquisition of smaller products/brands, utilising their distribution and sales networks to enhance their value, as evidenced by the recent acquisition (3 April 2017) of the Burberry licence rights.

MORE DIVERSIFIED PRESENCE

Following the merger (acquisition), Coty was propelled to the #2 player in hair salon worldwide. Coty had previously only had a minor presence in the professional beauty business. This further expands and diversifies Coty's revenue streams.

MARGIN ENHANCEMENT

The merger (acquisition) is expected to add ~500-600 basis points to Coty's operating profit margins over a 4-year period*.

MERGER TO CREATE A NEW GLOBAL LEADER AND CHALLENGER IN THE BEAUTY INDUSTRY

Coty Inc. to Merge P&G's Fragrance, Color Cosmetics and Hair Color Business into the Company Through a Reverse Morris Trust Structure

Post-Integration, Will Create Strong Platform for Future Growth, Organically or Through Acquisitions

Meaningful EPS Accretion and Unlocking of Synergies

Increase in Annual Dividend to $0.50 per share Post-Closing

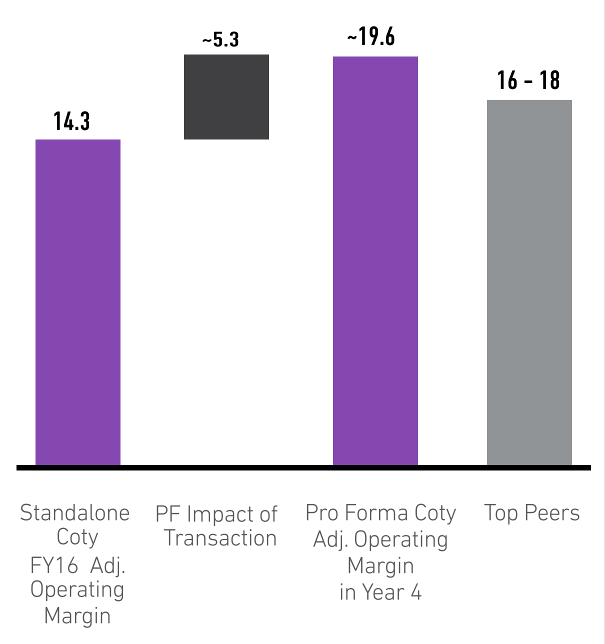
JULY 09, 2015 08:15 AM

NEW YORK--(BUSINESS WIRE)--Coty Inc. (NYSE:COTY) announced today the signing of a definitive agreement to merge The Procter & Gamble Company's (NYSE:PG) fine fragrance, color cosmetics, and hair color businesses ("P&G Beauty Business") into Coty through a tax-free Reverse Morris Trust transaction. The transaction is based on a proposal by Coty valuing the P&G Beauty Business at approximately $12.5 billion at the time the proposal was made. Following the transaction, P&G shareholders will own 52% of all outstanding shares on a fully diluted basis (inclusive of all outstanding equity grants), while Coty's existing shareholders would own 48% percent of the combined company.

The transaction will instantly create one of the world's largest beauty companies, with pro forma combined annual revenues of more than $10 billion based on fiscal year 2014 performance, strengthening its leadership position in the $300 billion global beauty industry.

Together with P&G's businesses, Coty is expected to become the global leader in fragrances and to significantly enhance its position in color cosmetics. P&G's businesses include leading fragrance brands such as Hugo Boss, Dolce & Gabbana and Gucci and the color cosmetics brands COVERGIRL and Max Factor. The transaction also gives Coty an attractive new category in the beauty industry through the addition of P&G's hair color business, led by Wella and Clairol.

The transaction will significantly expand Coty's geographical footprint, providing scale in large beauty markets like Brazil and Japan, while also increasing critical mass in important geographies in which Coty currently operates, such as in North America, Europe, the Middle East and Asia.



*Source: Coty Investor Presentation – September 2016

BAD NEWS + SHORT-TERM UNCERTAINTY = OPPORTUNITY

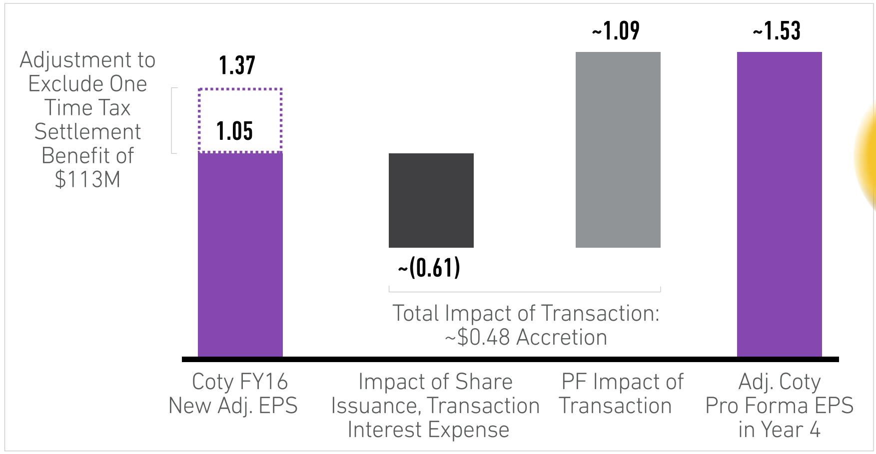
We have always found it fascinating to observe the actions of a new CEO following his/her appointment. This is particularly the case for Coty's appointment of Camillo Pane which coincided with the closing of the merger (acquisition) with (of) P&G's beauty brands (1 October 2016).

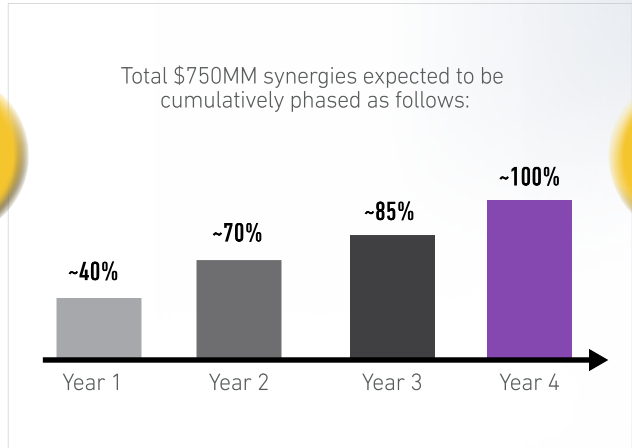
In the latest Q2 FY2017 Coty earnings call on 9 February 2017, Management stated the following:

> *"we remain committed to our previously committed adjusted EPS target of $1.53 for FY20. This being said,* ***there are many different ways to get there****, and it is fair to say we will also use our balance sheet to shift the growth profile part of the Company and hit the above target."*
>
> *"With regard to synergies, with the two businesses now running together, allowing leadership better insight into their individual cost structures,* ***we are refining the phasing of the $750 million synergies****..."*

We speculate that Management's cautious tone has been to temper investor expectation yet sell-side analysts (and investors) have fixated on the uncertainties Management introduced in this quarterly results. Coty's share price dropped 9% on the day.

The Elevation Capital Value Fund acquired additional Coty shares on the day, as we believe investors and sell-side analysts are missing the "bigger picture", by fixating on short-term uncertainties/issues.





FINANCIALS, FINANCIAL STRUCTURE & CAPITAL RETURN HISTORY

BUSINESS SEGMENT REVENUES, OPERATING PROFITS & MARGINS

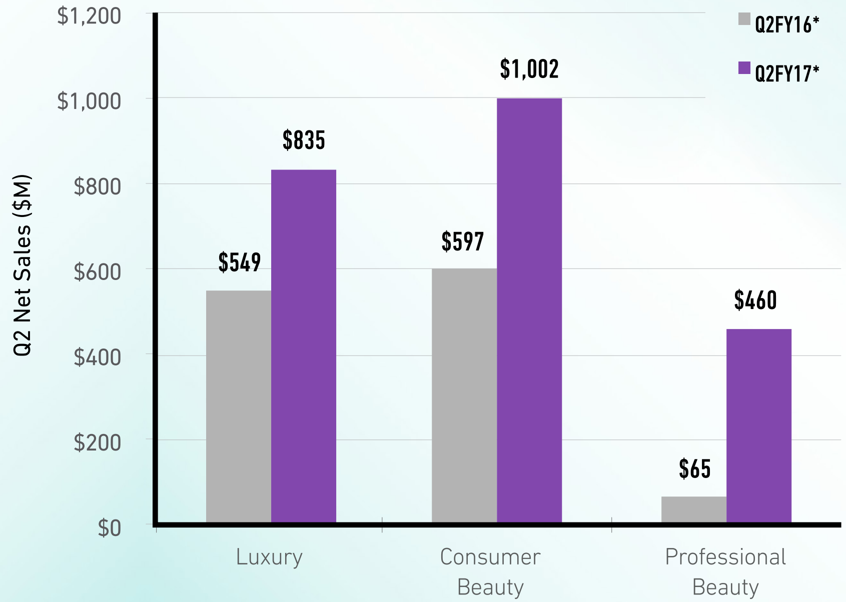
The changes in revenues, operating profits and margins based on the three new business segments presented below show the overall picture of the business after the merger (acquisition) of P&G's beauty brands completed on 1 October 2016.

Revenues, operating profits and margins for all divisions have been negatively affected in the short term (to varying degrees) by the integration process.

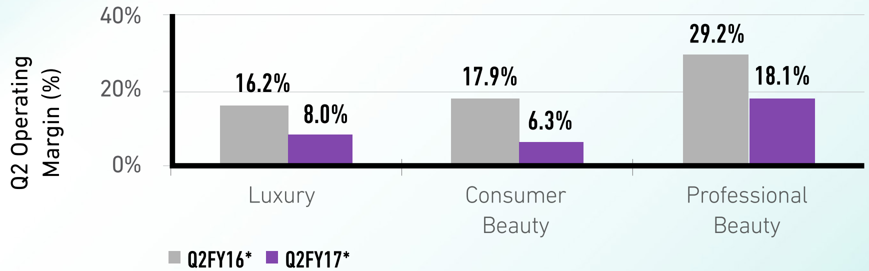
Early indication from Management is that post merger (acquisition), the Professional Beauty division has performed well, the Luxury division has been improving its revenue trends, and the Consumer Beauty division is struggling and requires much more effort to turnaround.

Investors must look beyond short-term margin compression, and focus on the potential margin-enhancement once the integration is completed.

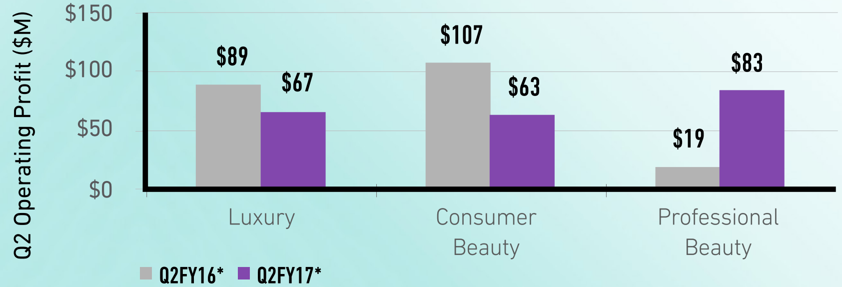
REVENUE BY BUSINESS SEGMENT



OPERATING MARGIN BY BUSINESS SEGMENT



OPERATING PROFIT BY BUSINESS SEGMENT



** Q2FY16 is for the quarter ending 31 December 2015, and Q2FY17 is for the quarter ending 31 December 2016.*

GEOGRAPHIC SEGMENT REVENUES & ASSETS

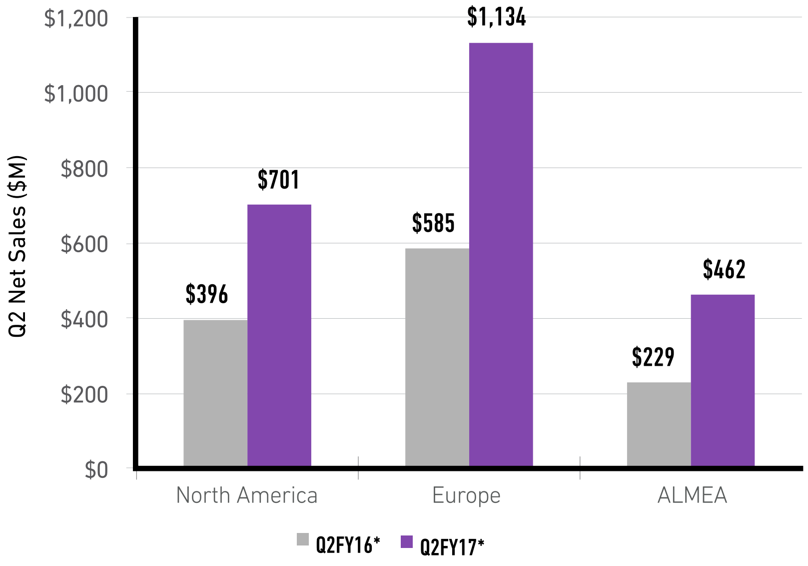
We see quantum changes in Coty's revenues by geographic segments since the P&G beauty brands merger (acquisition). However, as a percentage of sales, the three geographic segments remain stable: North America = 31% of revenue, Europe = 49% and Asia, Latin America, the Middle East, Africa and Australia (ALMEA) = 20%*.

As 69% of the revenue is generated outside North America, accordingly we see potential for revenue volatility due to possible currency fluctuations. However, the exposure outside North America (including Emerging Markets) is another attractive attribute to Coty for long-term minded investors.

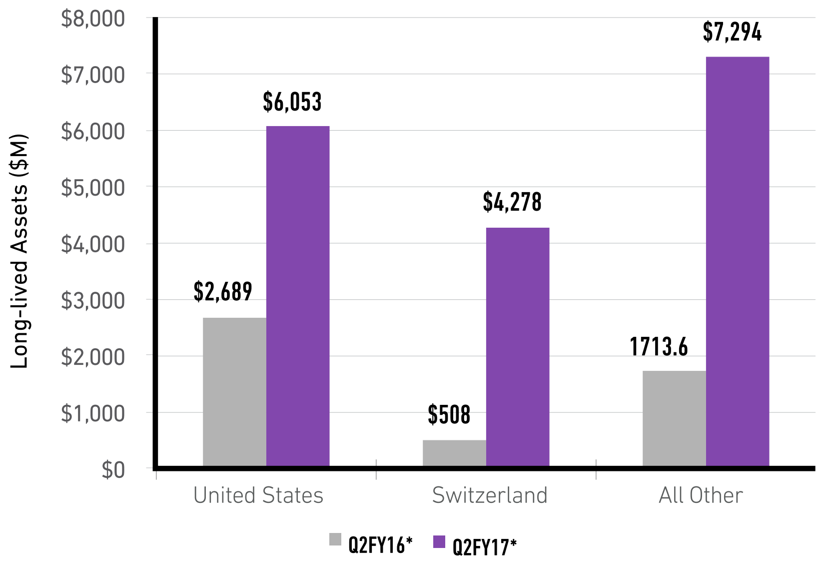
The significant increase in the value of the long-lived assets is due to the intangible assets acquired from P&G.

There remain some long-lived assets under Coty's "All Other" category. These are intangible assets acquired from P&G which have not been allocated geographically as yet.

REVENUE BY GEOGRAPHIC SEGMENT



LONG-LIVED ASSETS BY GEOGRAPHIC SEGMENT



** Source: Coty Q2 FY2017 10Q Report. ALMEA = Asia, Latin America, the Middle East, Africa and Australia*
*** Q2FY16 is for the quarter ending 31 December 2015, and Q2FY17 is for the quarter ending 31 December 2016.*

FREE CASH FLOW GENERATION

The Company has released its free cash flow model/profile for the multi-year integration period. i.e., from FY2017 to FY2020.

PRO FORMA FREE CASH FLOW, NET OF ONE-TIME ITEMS

Total pro forma free cash flow per annum; reflects tax-affected synergy benefits, but excludes any underlying growth in the business.

It is important to understand a company's ability to generate cash without external financings. We look at measures such as Free Cash Flow (FCF) Efficiency* to assess the robustness of a company's earnings performance and to gauge the resources available for strategic opportunities. This includes a company's ability to undertake acquisitions, reinvest in current business and reduce debt.

Based on Management's forecasts of FY2020 FCF of $1.1B-$1.2B* and EPS of $1.53*, we suggest it is targeting to achieve Free Cash Flow Efficiency** of ~100% in FY2020.

Management's bonus scheme is based on growth measured by cash conversion. This incentivises Management to focus on driving **only profitable & highly cash generative growth.**

** Chart Source: Coty Investor Presentation – September 2016*
*** Free Cash Flow Efficiency is defined as Free Cash Flow / Net Income and it illustrates how efficient the business is at generating free cash flow versus its reported/accounting net income*

FINANCIAL POSITION

BALANCE SHEET

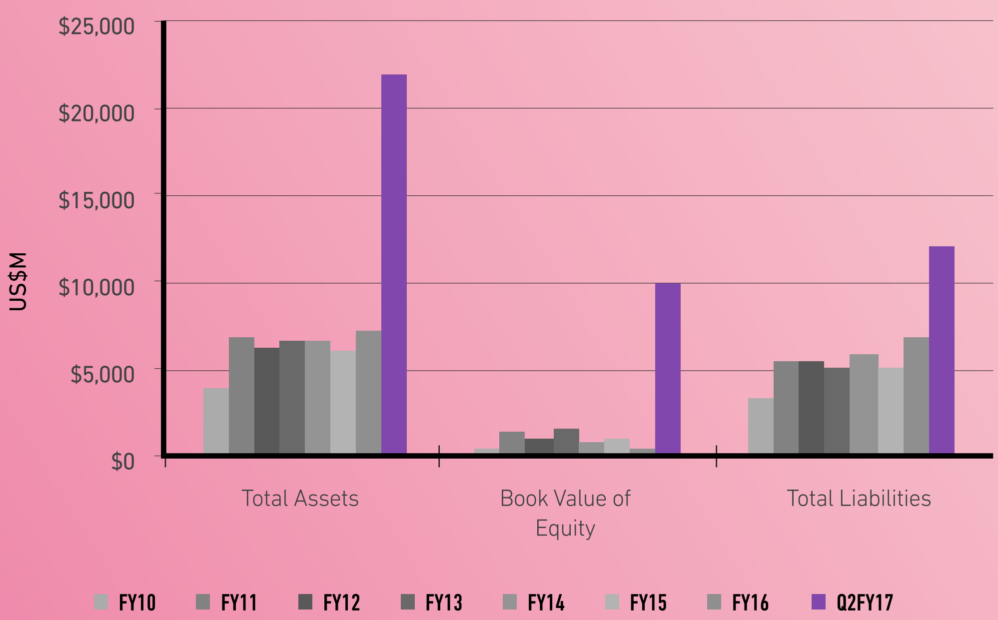
The Company has been acquiring assets to diversify its revenue, increase scale and improve margins. Note the substantial increase in asset value in Q2FY17 as Coty completed the merger (acquisition) of P&G's beauty brands.

The major percentage of assets acquired from P&G is goodwill and intangible assets. The total value of these intangible assets (including goodwill) increased from US$4.2B* in Q1FY17 to US$16.2B* in Q2FY17 after the completion of the merger (acquisition). These intangible assets (including goodwill) amount to 74% of Total Assets**.

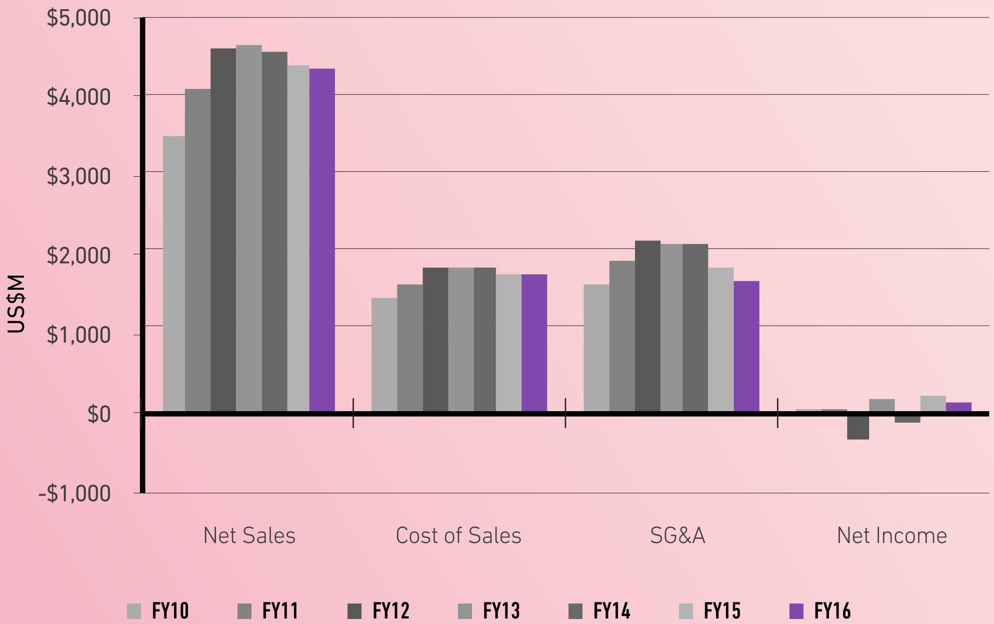
INCOME STATEMENT

There are two main reasons why revenues and profits have been in decline in recent years: the negative impact of the strengthening of US Dollar, and underperformance in some of Coty's consumer brands.

BOOK VALUE VS. TOTAL LIABILITIES



REVENUE, COSTS AND PROFITS



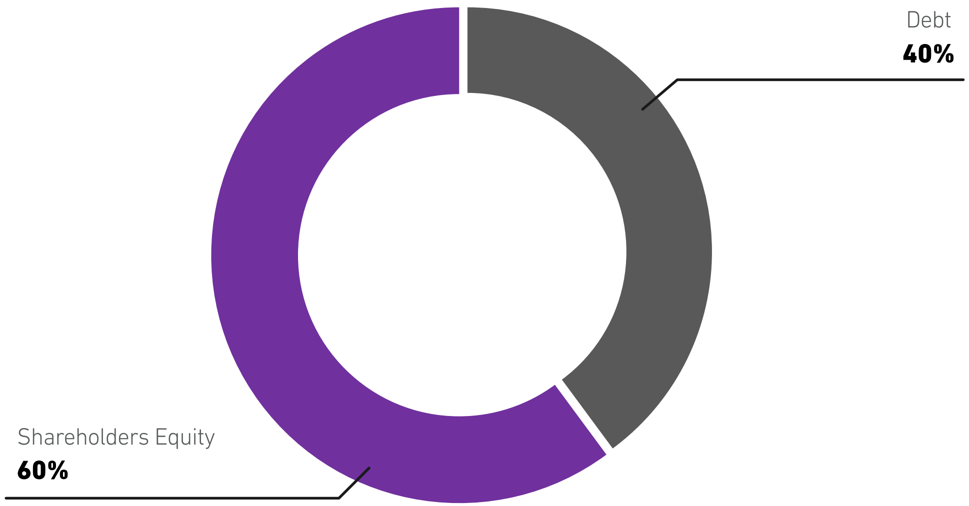
** Data Source: Thomson Reuters Eikon as at 15 March 2017*
*** As at 31 December 2016*

DEBT & TERM STRUCTURE

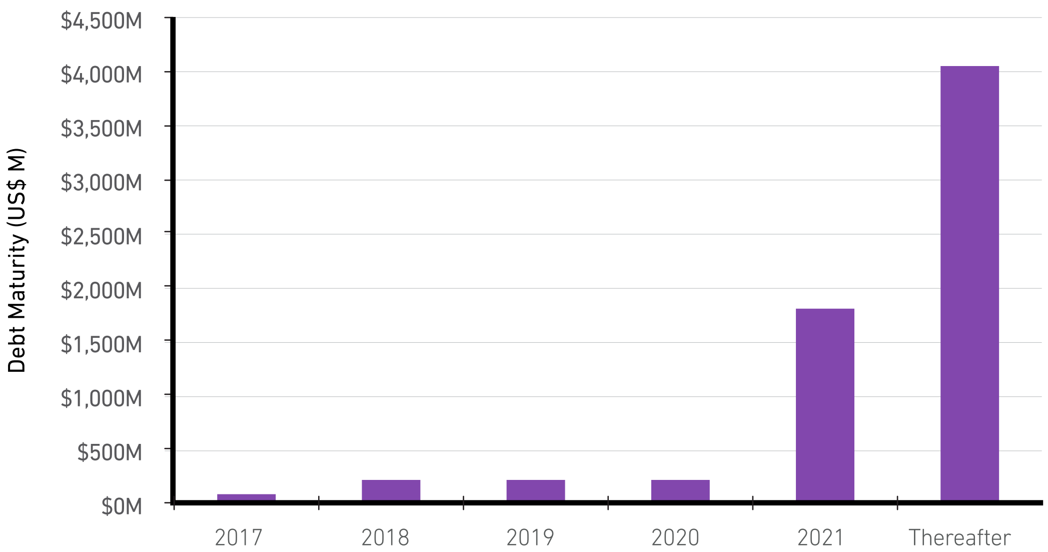
DEBT
Coty currently has one of the highest debt levels amongst its peers. However, its debt maturity profile suggests that the Company will have time to enhance its cash flow generation capability to deleverage its balance sheet.

As at 31 December 2016 the Company has debt totalling US$ 6.5B*, and it has an S&P Long-Term Issuer Rating of BB+ with a 'stable outlook' as at 6 October 2016.

TOTAL EQUITY VS DEBT**



DEBT MATURITY PROFILE



** As at 31 December 2016*
*** Data Source: Thomson Reuters Eikon as at 15 March 2017*

EQUITY OWNERSHIP

EQUITY

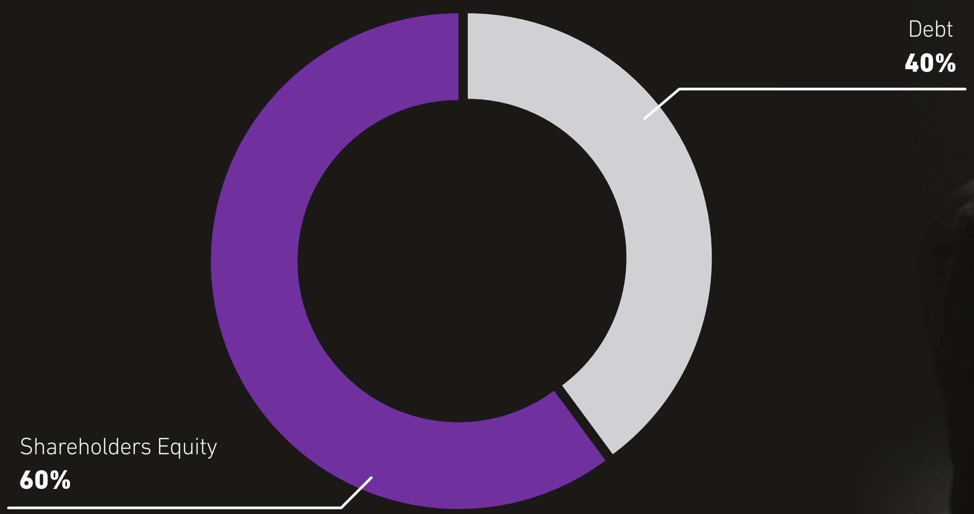
- # of Shares Outstanding = 747M*
- Total Equity (Book Value) = US$ 9.8B**
- Market Capitalisation = US$ 13.3B*

Even after the merger (acquisition) with (of) P&G's brands, JAB remains the largest shareholder, with a shareholding of 36.84%. We note that as part of the merger deal, JAB converted all of its super-voting Class B shares to Class A shares on 30 September 2016. As a result, Coty is no longer a majority-owned subsidiary of JAB.

We also note that CHANEL has a 1.95% stake in Coty. This came about when Coty purchased CHANEL's Bourjois cosmetics brand in 2014 with shares.

Top 10 Shareholders*	%*
JAB Cosmetics B.V.	36.84%
MFS Investment Management	10.92%
Fidelity Management & Research Company	7.95%
The Vanguard Group	5.74%
Wellington Management Company	4.67%
T. Rowe Price Associates	3.69%
BlackRock Institutional Trust Company	2.79%
State Street Global Advisors	2.58%
Capital World Investors	2.19%
Mousseluxe S.a.r.l. (a subsidiary of CHANEL)	1.95%
Top 10 Shareholders:	79.32%

TOTAL EQUITY VS DEBT**



** Data Source: Thomson Reuters Eikon as at 12 April 2017*
*** As at 31 December 2016*

CAPITAL RETURNS VIA DIVIDENDS & SHARE BUYBACKS

Management is showing great confidence in Coty's cash flow generation capability by transitioning to quarterly dividends, and at the same time increasing dividends by 82% to $0.125 per quarter. This implies a dividend yield of 2.8%*, which is 73% higher than peer group average of 1.5%.

The quarterly dividend amounted to $93.4M vs Coty's Free Cash Flow of $567M in the same quarter. Accordingly we believe the dividend is sustainable and there exists scope to grow the dividend over time as the integration program gathers momentum.

The Company also repurchased 1.4M shares for the six-month period ending 31 December 2016, in a price range of $25.35 - $27.40.

"We continue to drive shareholder value to an 82% increase in dividends and transition to a quarterly dividend payout. This policy is a good reflection of the strong balance sheet and cash flow generation, and will likely remain unchanged in the short term. We also retain our remaining $400 million share buyback authorization, and we will remain opportunistic, as we always have been, in the way we potentially use this. And we know we have the long-term support from our largest shareholder, JAB."

– Coty CFO Patrice de Talhouet
9 February 2017

** Based on Coty's share price of US$17.60 as at 12 April 2017*

MANAGEMENT, COMPANY CULTURE, & EMPLOYEE EFFICIENCY

HIGHLY EXPERIENCED LEADERSHIP

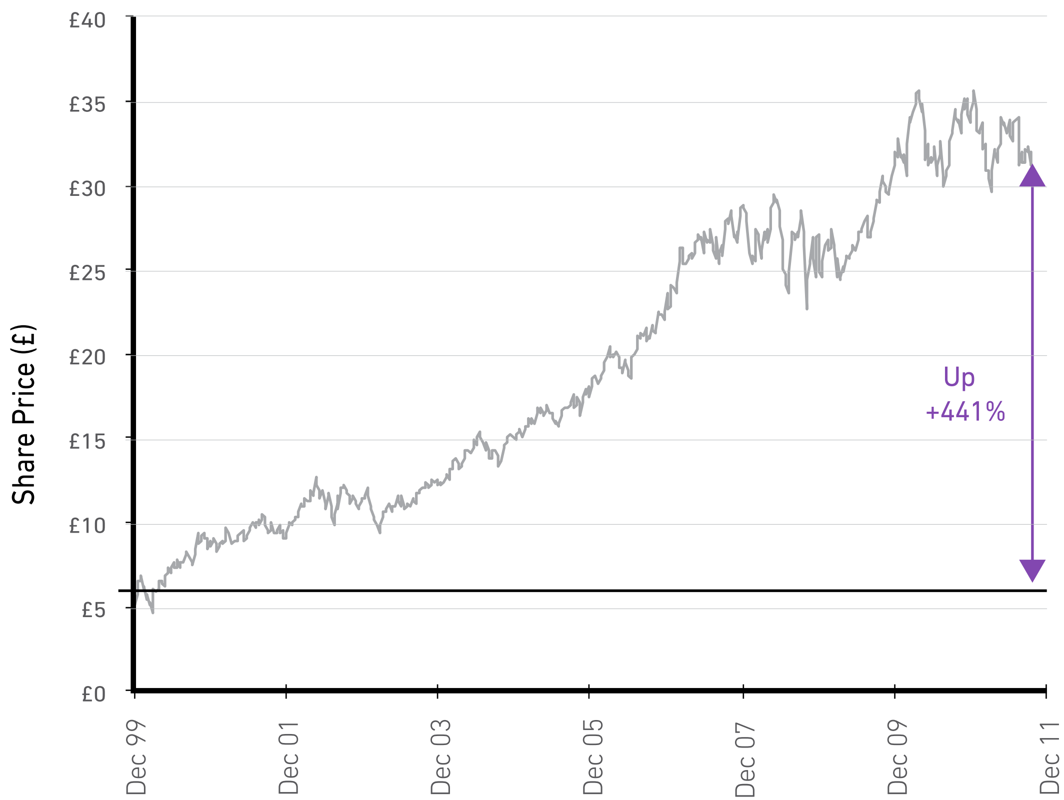
Chairman Bart Becht is one of the three senior partners at JAB. He is also the chairman of JDE, Keurig Green Mountain.

Mr. Becht was appointed the CEO of Benckiser NV in 1995, and then the CEO of Reckitt Benckiser (RB) when Benckiser NV merged with Reckitt & Colman PLC in 1999. Mr. Becht retired from the this role twelve years later in 2011.

CEO Camillo Pane also has a long history working at RB, dating back to 1996. He later held various senior positions in RB until he was hired by Coty in July 2015 as Executive Vice President, Category Development. He became the CEO of Coty on 1 October 2016 after Coty completed its merger (acquisition) with (of) P&G's beauty brands.

We note that under Bart Becht's leadership as the CEO of Reckitt Benckiser, significant value was created for long-term shareholders, as the RB stock price appreciated 441%, from £5.91 on 10 December 1999 to £31.99 on 30 September 2011, which resulted in an impressive annualised total return* of +18.6% for those twelve years.

RECKITT BENCKISER SHARE PRICE HISTORY 1999 TO 2011



* *Source: Thomson Reuters Eikon – Total Return (incl. dividends reinvested) of 650.42% between 10 December 1999 and 30 September 2011*

HIGHLY EXPERIENCED MANAGEMENT TEAM

The current management team is also highly experienced both operationally and via M&A in the global consumer product markets.

	Bart Becht (Chairman)	Camillo Pane (CEO)	Patrice de Talouët (CFO)	Edgar Huber (President, Coty Luxury)	Laurent Kleitman (President, Coty Consumer Beauty)	Sylvie Moreau (President, Coty Professional Beauty)	Ralph Macchio (Chief Scientific Officer)	Mario Reis (Chief Supply Officer)	Greerson McMullen (Chief Legal Officer, General Counsel & Secretary)	Sebastien Froidefond (Chief Human Resources Officer)
Operational Experience	COTY (2 years) rb (33 years)	COTY (1 year) rb (19 years)	COTY (3 years) MARS (7 years) Alcatel-Lucent (12 years)	COTY (1 year) LANDS' END (4 years) Juicy Couture (3 years) L'ORÉAL (16 years)	Starts in May 2017 Unilever (24 years) LVMH (3 years)	P&G (22 years)	COTY (24 years) REVLON (12 years)	COTY (2 years) DANONE (16 years) MARS (5 years)	COTY (1 year) SWM (3 years) ServiceMaster (6 years) GE (8 years)	COTY (1 year) SANOFI (13 years) BOUYGUES (7 years)
M&A Experience	Reckitt Benckiser Merger Boots Healthcare Adams Respiratory Therapeutics Mondelēz International DE Master Blenders 1753 Keurig Green Mountain hypermarcas	Boots Healthcare Adams Respiratory Therapeutics SSL International plc Schiff Nutrition International hypermarcas	Alcatel-Lucent Merger Bourjois Paris hypermarcas	Kiehl's Since 1851 Yves Saint Laurent Beauté Viktor&Rolf shu uemura hypermarcas		NIOXIN	Unilever Cosmetics philosophy O·P·I Sally Hansen Bourjois Paris hypermarcas	Numico UB United Biscuits Clover Way Better Carve-out hypermarcas		Bouygues sanofi aventis genzyme Merial Chattem hypermarcas

Source: Coty Investor Presentation – September 2016, updated by Elevation Capital in April 2017

MANAGEMENT INCENTIVE/S

Management is incentivised to be shareholder-oriented toward long-term value creation. Incentives are structured through Employee Bonuses and Long-Term Incentive Compensation.

Bonuses are conditional on increased profitability and improvements in cash generation. Key metrics include: revenue growth, profit growth and cash conversion.

Coty also encourages Management to acquire & hold their personal wealth in directly held shares. Executive Committee members are expected to hold US$1.8M-US$5M of Coty shares. Coty's top-80 leaders are individually expected to hold up to US$1M of Coty shares. The table below highlights insiders (Management, Directors and JAB) have been actively buying Coty shares since the merger (acquisition) with (of) P&G's beauty brands was completed on 1 October 2016.

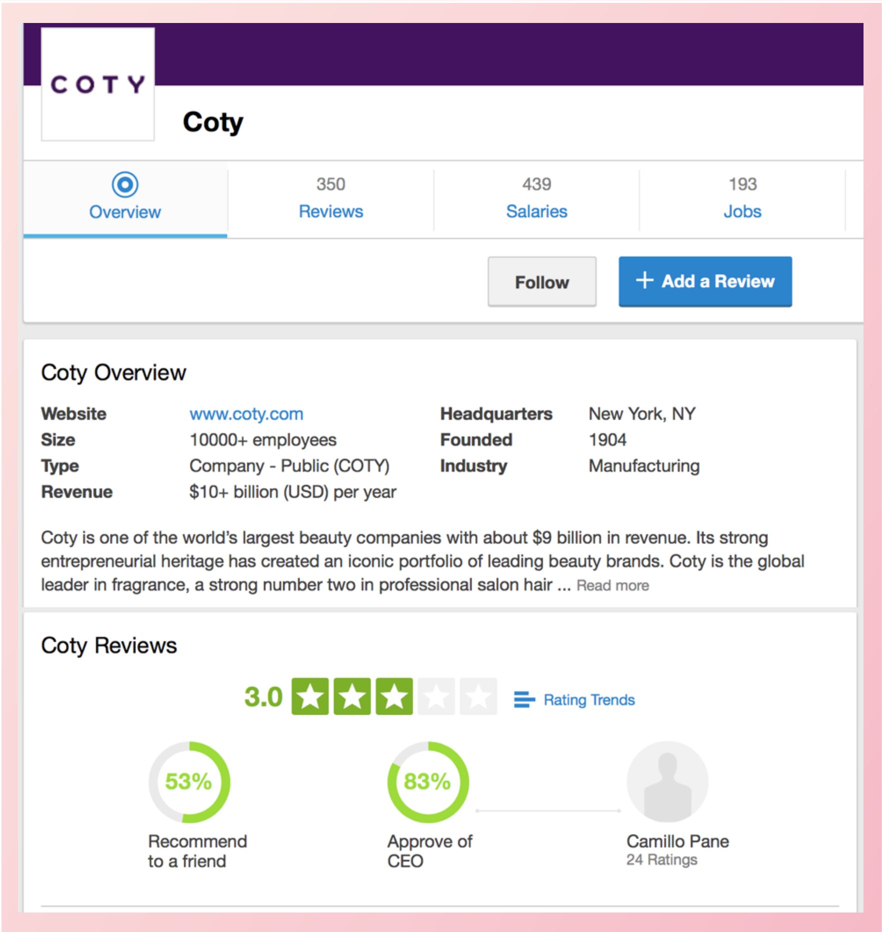
Name	Position	% Outstanding	Position (# of Shares)	Position Change	Value of Position*	Filing Date
Sylvie Moreau	President, Coty Professional Beauty	0.01%	47,718	+2,500	$840K	24/2/17
Camillo Pane	CEO	0.04%	287,657	+72,350	$5.1M	16/2/17
JAB	Largest shareholder	36.84%	275,208,041	+4,090,000	$4.84B	14/2/17
Greerson McMullen	Chief Legal Officer, General Counsel	0.01%	40,500	+40,500	$713K	10/2/17
Robert Singer	Director	0.01%	90,000	+30,000	$1.6M	5/12/16
Peter Harf	Director	0.61%	4,570,719	-	$80.4M	23/11/16
Bart Becht	Chairman	0.63%	4,687,996	+19,186	$82.5M	16/11/16
Erhard Schoewel	Director	0.05%	361,473	+9,021	$6.4M	15/11/16
Joachim Faber	Director	0.03%	203,068	+9,007	$3.6M	15/11/16

** Based on Coty's share price of US$17.60 as at 12 April 2017*

COMPANY CULTURE / WORKPLACE

We investigated Glassdoor (*www.glassdoor.com*) where employees and former employees anonymously review companies and their management.

Although the percentage of people who would recommend Coty to a friend is relatively low (53%), possibly due to the significant integration process. It is interesting to note that the new CEO Camillo Pane still has a high approval rating (83%) from Coty's employees and former employees.



https://www.glassdoor.com/Overview/Working-at-Coty-EI_IE7654.11,15.html

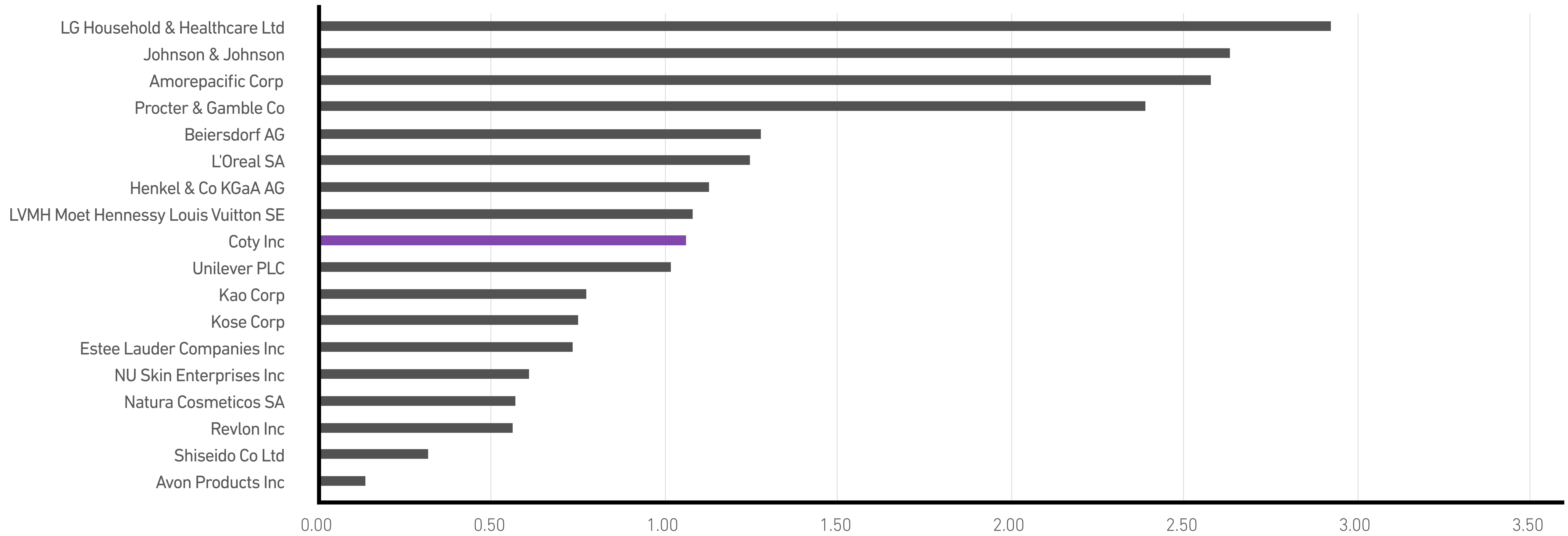
EMPLOYEE EFFICIENCY

We utilise the Enterprise Value to Employee Ratio to measure how worker-intensive a business or industry is. We also use this metric to compare businesses within the same industry to rank their relative efficiency.

We estimated the number of Coty employees after the P&G beauty brands merger (acquisition) to stand at ~19,000. This suggests Coty has an average employee efficiency versus its peers.

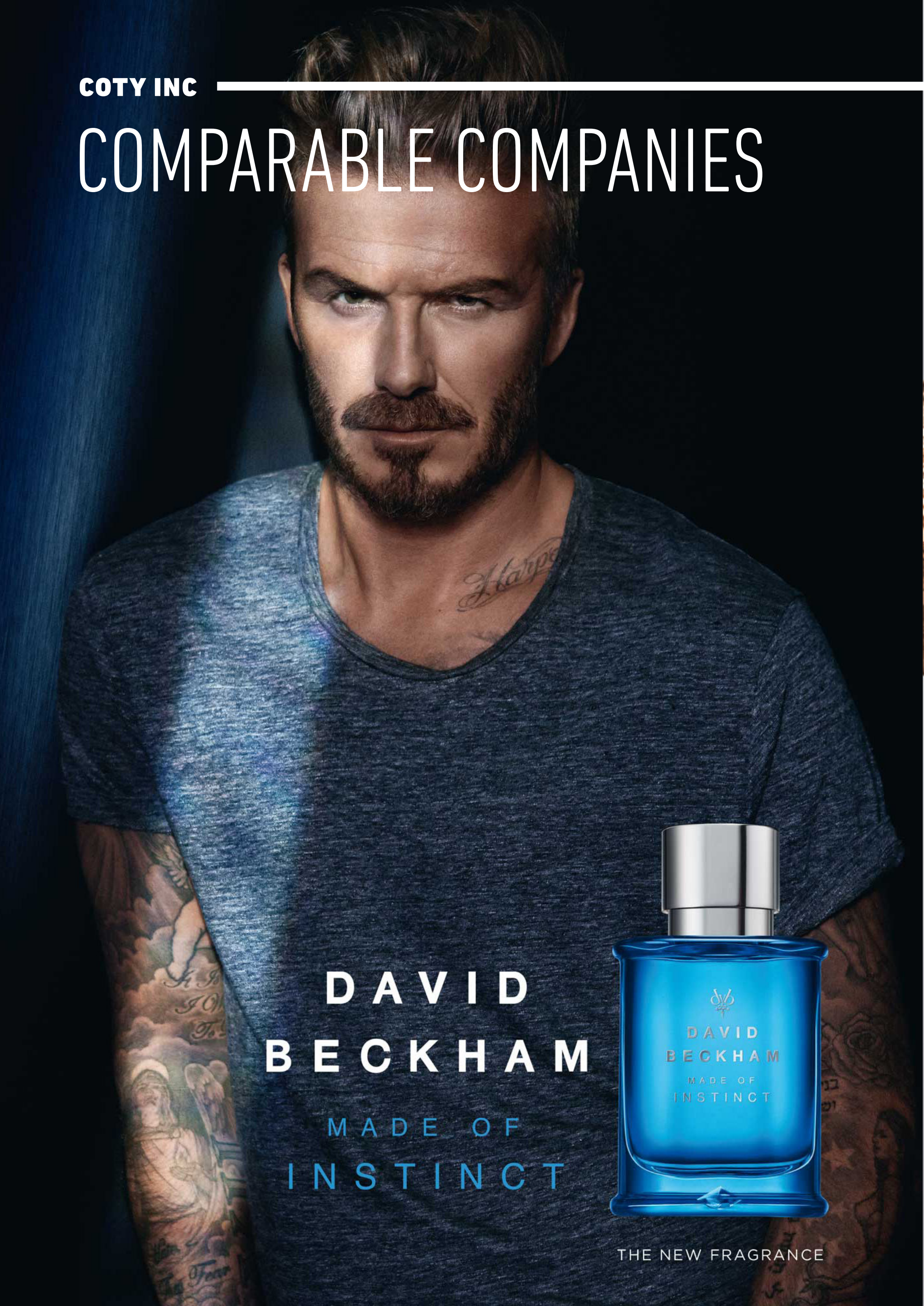
We acknowledge the limitation of this analysis (within the beauty industry), given some companies employ direct selling strategies that potentially distort the number of employees. This includes: Avon, Amorepacific, Natura, LG, NU Skin, and others.

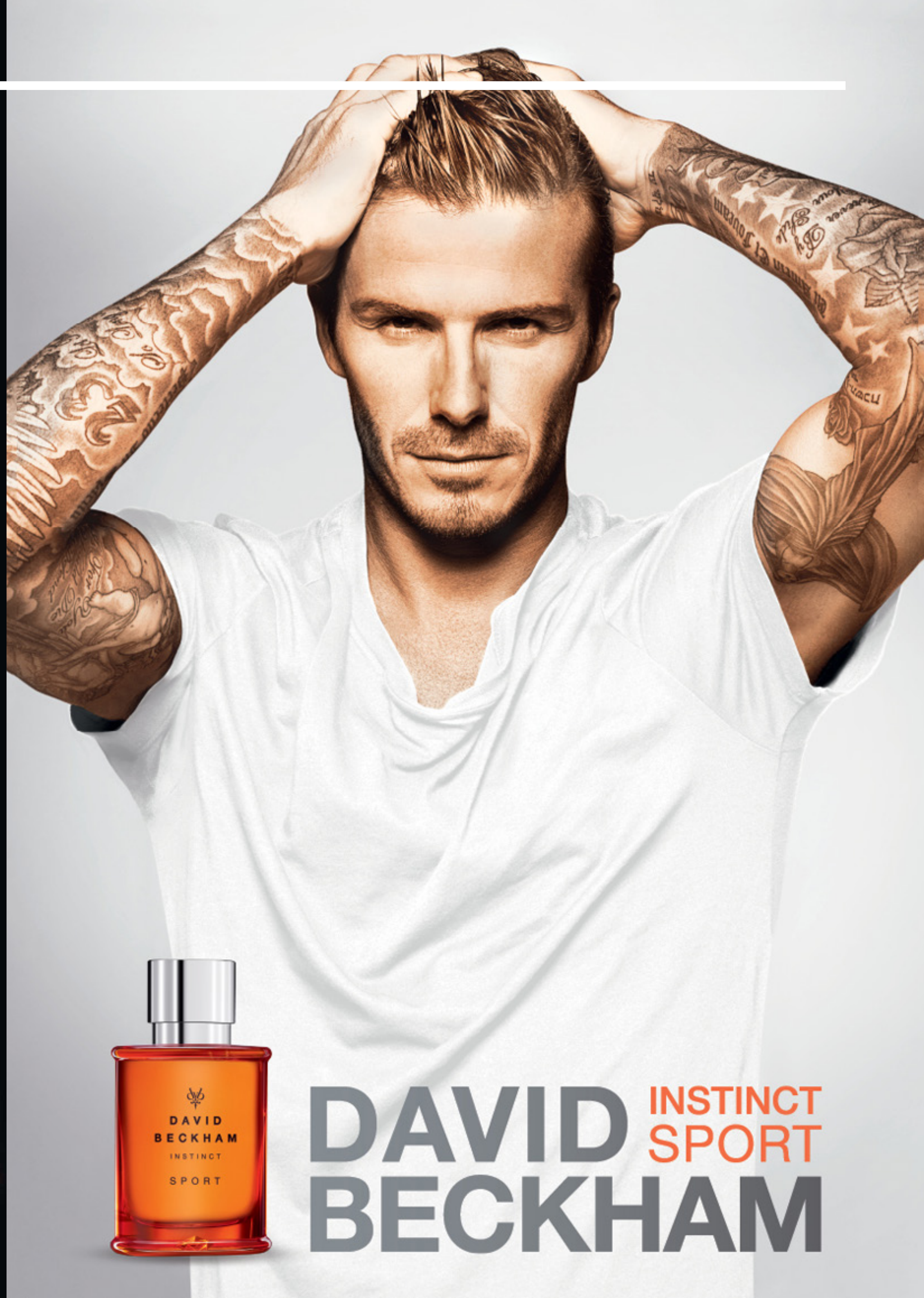
EV / NUMBER OF EMPLOYEES



Data Source: Thomson Reuters Eikon as at 12 April 2017

COMPARABLE COMPANIES

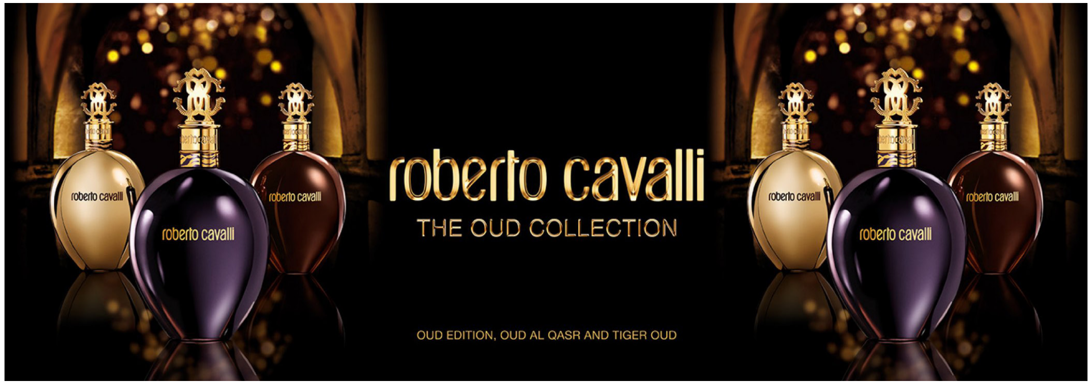




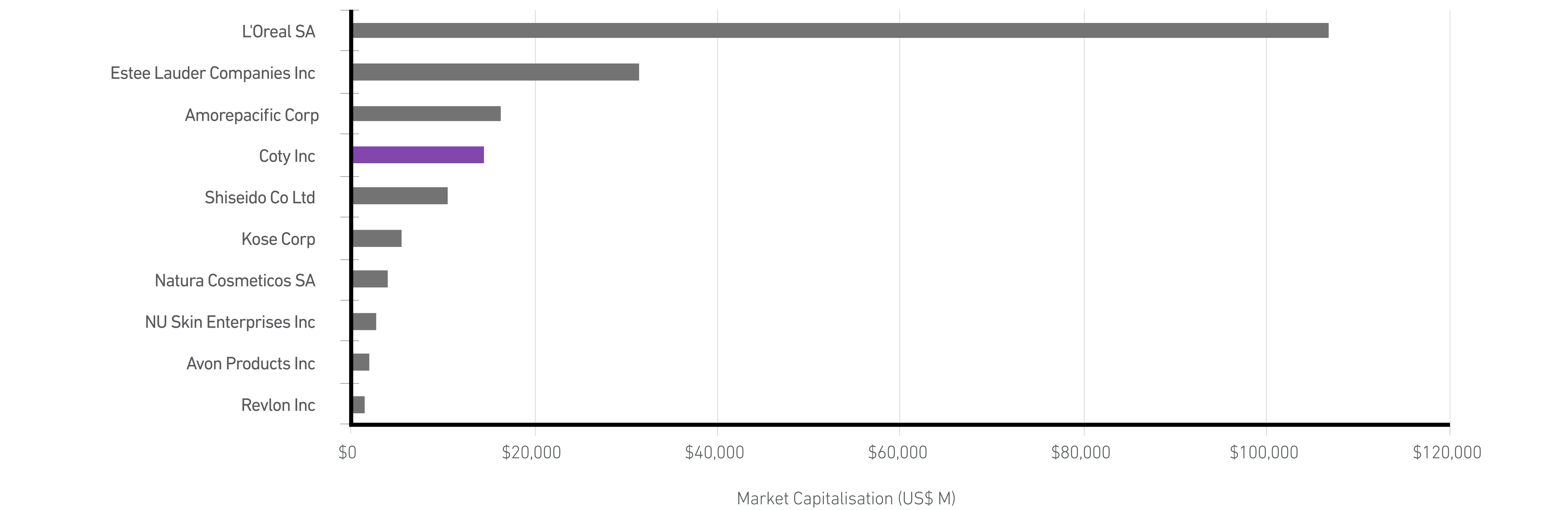
MARKET CAPITALISATION

Coty is the #3 player in beauty worldwide yet the Company's market capitalisation does not reflect this reality. Coty is only ranked #4 among the pure-play beauty companies, behind South Korea-based Amorepacific Corp.

We believe this disconnect will be rectified when progress on Coty's integration process appears within its financial reporting. The uncertainty of such timing has provided investors with an opportunity to acquire Coty shares at a discount to its intrinsic value (such as JAB's February 2017 purchase valued at €72M).



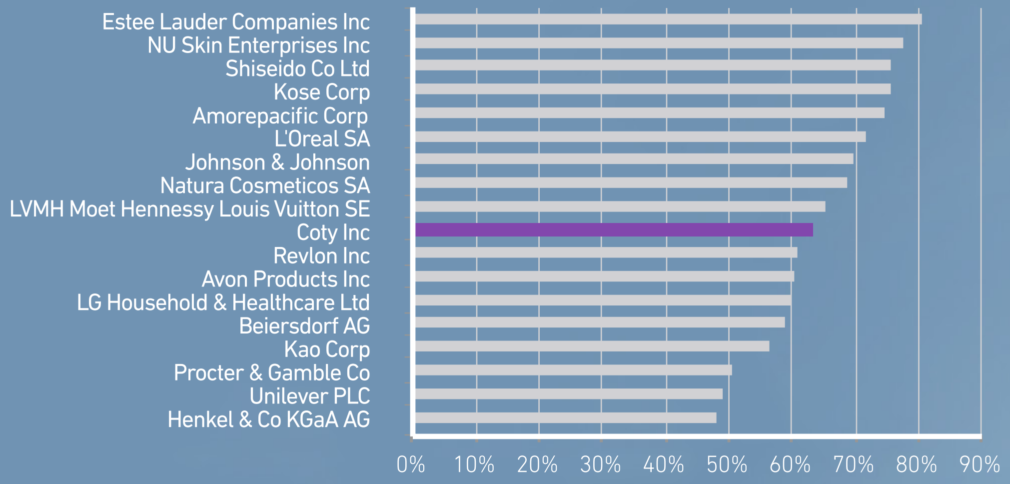
MARKET CAPITALISATION



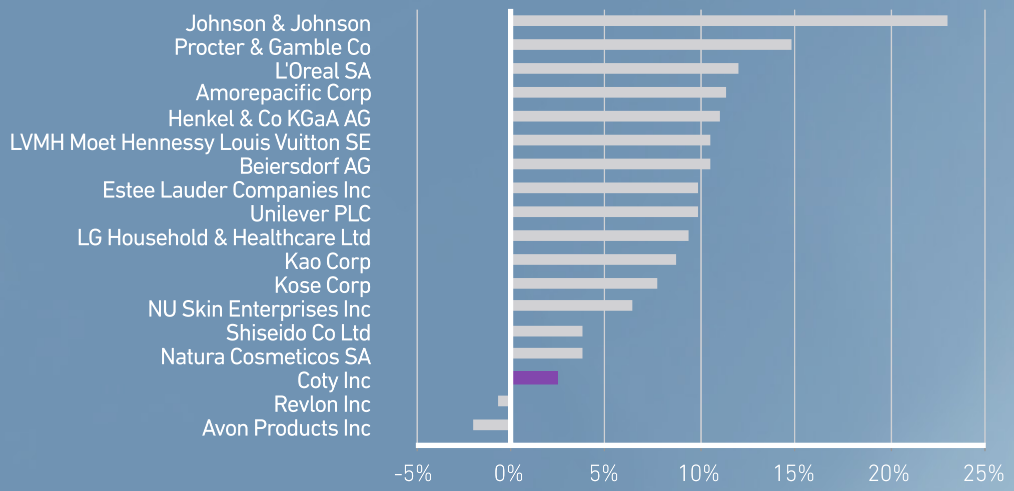
Data Source: Thomson Reuters Eikon as at 12 April 2017

MARGINS AND RETURNS

GROSS PROFIT MARGIN



NET PROFIT MARGIN



As expected, Coty's margins have been negatively affected by current integration efforts. As noted by Management, FY2017 is a transitional year for the Company with many moving parts and one-time items.

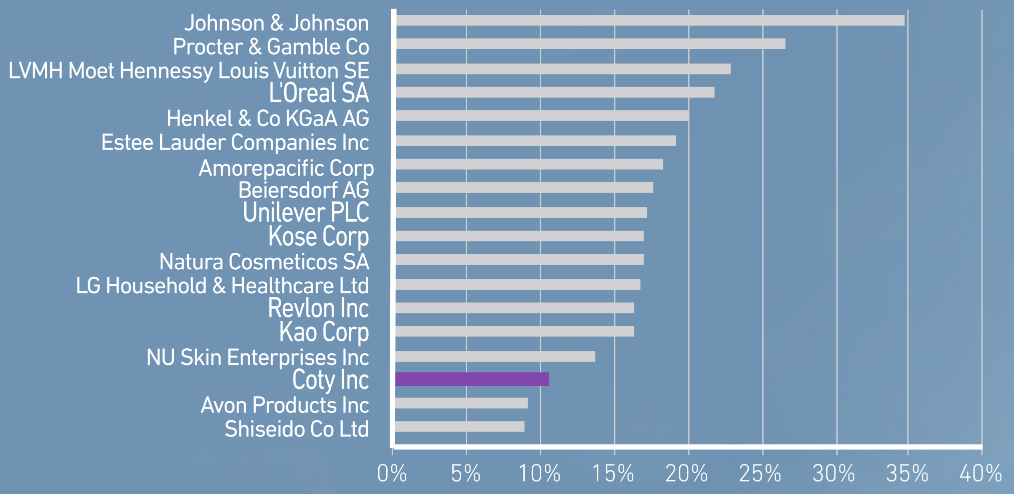
The key question is whether Management can revive those P&G orphaned beauty brands and achieve the margin enhancement target in 2020 that it has indicated to investors.

As illustrated below (and on the next pages) the potential margin enhancement story is compelling when Coty is compared to its wider peer group.

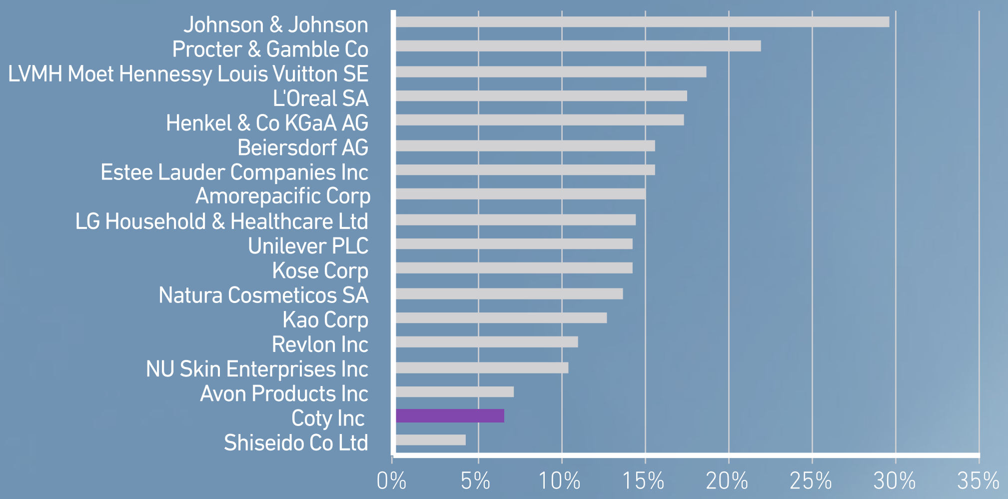
Data Source: Thomson Reuters Eikon as at 12 April 2017

MARGINS AND RETURNS CONTINUED

EBITDA MARGIN



EBIT MARGIN



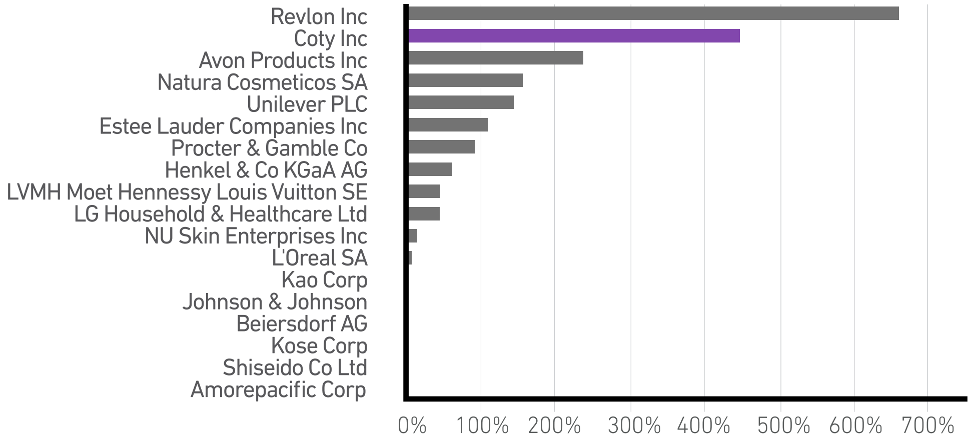
Data Source: Thomson Reuters Eikon as at 12 April 2017

FINANCIAL LEVERAGE

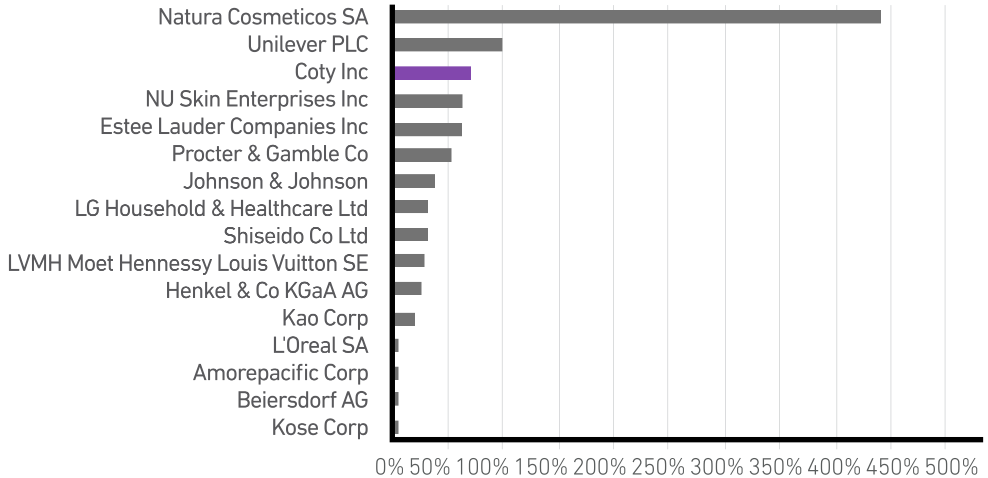
As a result of recent merger & acquisition activities, Coty has one of the highest levels of financial leverage amongst its peer group.

Our view is that Management will focus its efforts on integration and deleveraging. This should cool the Company's appetite for further acquisitions in the short to medium term.

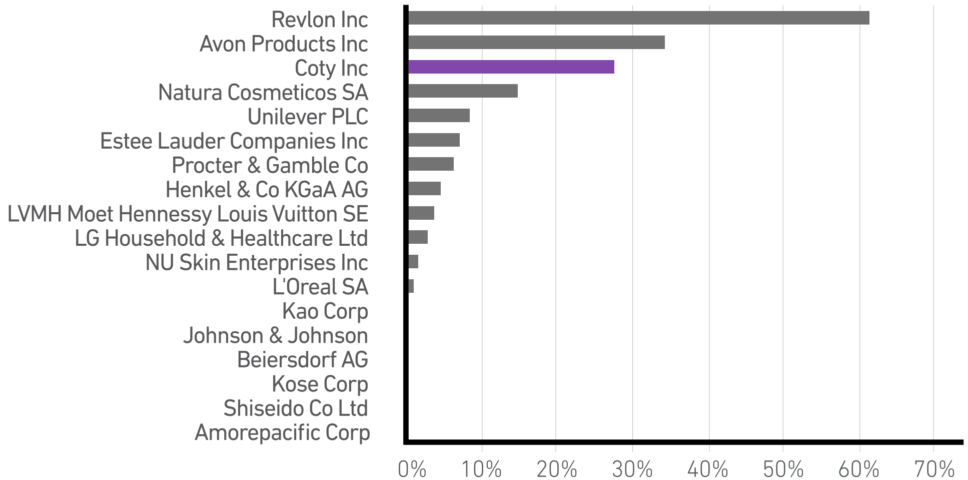
NET DEBT TO EBITDA



TOTAL DEBT TO TOTAL EQUITY



NET DEBT TO EV



Data Source: Thomson Reuters Eikon as at 12 April 2017

P/E VALUATION AND DIVIDEND YIELD

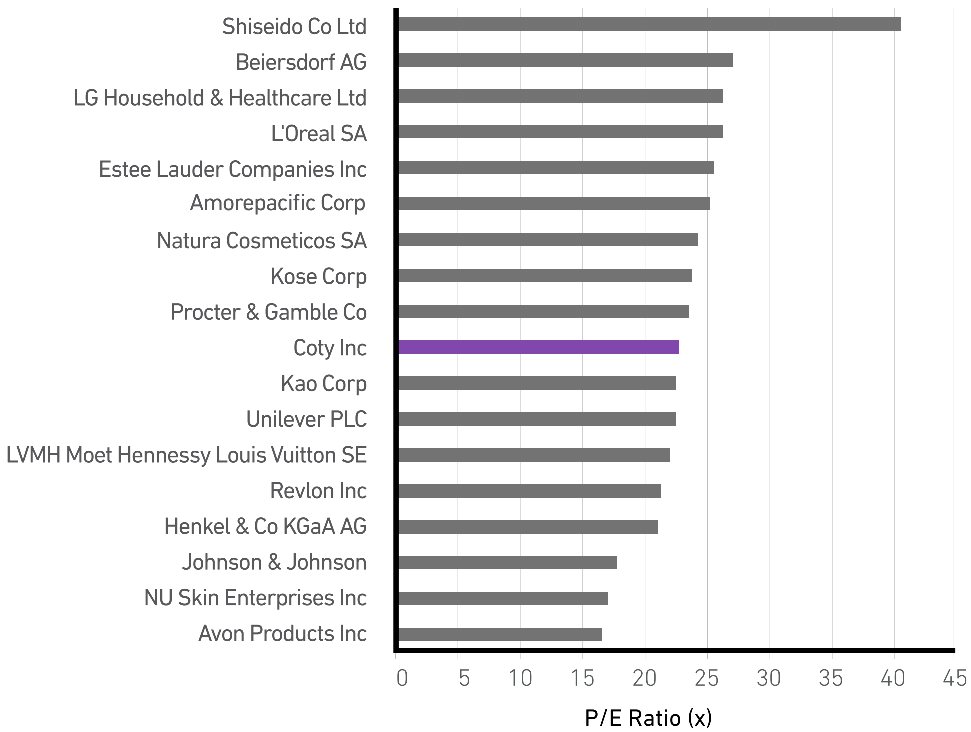
The integration process is creating a large amount of "noise" and interruptions in the current financial year.

We expect the stock to start trading above peer group average when the Company begins to demonstrate that it is making solid progress on its integration progress.

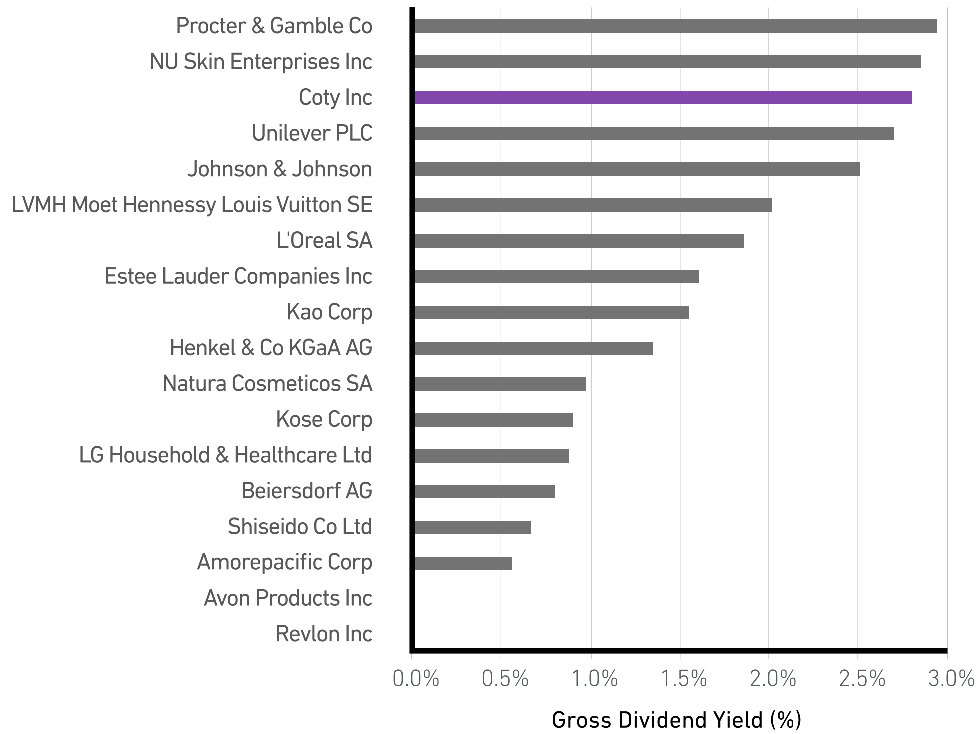
Coty currently has one of the highest dividend yields amongst its peers at 2.8%*. The Q2 FY2017 quarterly dividend amounted to $93.4M vs Coty's Free Cash Flow of $567M in the same quarter.

Accordingly we believe the dividend is sustainable and there exists scope to grow the dividend over time as the integration program gathers momentum. Also, assuming sustainable cash flow generation, the attractive yield should reduce downside risk in a market sell-off.

FORWARD P/E



GROSS DIVIDEND YIELD



Data Source: Thomson Reuters Eikon as at 12 April 2017
** As at 12 April 2017*

COTY VS L'OREAL VS ESTEE LAUDER

	COTY		L'ORÉAL	ESTĒE LAUDER
MARKET CAP*:	US$ 13.3B		€101.9B	US$ 31.1B
NET REVENUE*:	US$ 9B**		€25.8B	US$ 11.3B
KEY BRANDS:	adidas, BOTTEGA VENETA, Bourjois, Calvin Klein, chopard, Chloé, Clairol, COVERGIRL, Hugo Boss, ghd, Gucci, JIL SANDER, JOOP!, KOLESTON, Marc Jacobs, Max Factor, miu miu, Nioxin, OPI, philosophy, Rimmel, Sally Hansen, Sassoon Professional, Sebastian Professional, System Professional, Tiffany, Wella Professionals		L'Oréal Paris, Garnier, NYX, Dark and Lovely, Magic Mask, Kiehl's, Lancôme, Giorgio Armani Beauty, Yves Saint Laurent Beauté, Ralph Lauren, Clarisonic, Maybelline New York, Essie, Kérastase, Biotherm, Shu Uemura, Viktor&Rolf, Maison Martin Margiela, Urban Decay, Redken, Vichy, La Roche-Posay, Diesel, The Body Shop, DIESEL, Helena Rubinstein, cacharel, IT Cosmetics, Yue Sai, Matrix, Pureology, Decléor, Carita, SkinCeuticals, Roger & Gallet	AERIN Beauty, Aramis, Aveda, BECCA, Bobbi Brown, Bumble and bumble, Clinique, Darphin, DKNY, Donna Karan, Frédéric Malle, Ermenegildo Zegna , Estée Lauder, GLAMGLOW, Jo Malone London, KILIAN, Kiton, La Mer, Lab Series, Le Labo, M·A·C, Michael Kors, Origins, RODIN olio lusso, Smashbox, Tom Ford, Tommy Hilfiger, Too Faced, Tory Burch
FORWARD P/E*:	22.7x	← Cheaper	26.2x	25.5x
FORWARD ANALYST ESTIMATED EPS*:	US$ 0.78 (US$ 0.65-US$ 0.85)		€6.95 (€6.50-€7.15)	US$ 3.33 (US$ 3.26-US$ 3.39)
GROSS DIVIDEND YIELD*:	2.8%		1.9%	1.6%
NET PROFIT MARGINS*:	2.5%	← Potential margin improvement when integration completed	12.0%	9.9%
GROSS PROFIT MARGINS*:	63.3%		71.6%	80.6%
EBITDA MARGINS*:	10.5%		21.7%	19.2%
NET DEBT TO EV*:	27.6%	← Strong Free Cash Flow profile to deleverage balance sheet	0.3%	7.0%
NET DEBT TO EBITDA*:	446.6%		6.5%	108.6%
TOTAL DEBT TO EQUITY*:	70.8%		5.2%	62.8%

** Data Source: Thomson Reuters Eikon as at 12 April 2017*
*** Coty Investor Factsheet – As at 28 February 2017 (FY2016 Pro-forma Net Sales = US$ 4.6B from Coty + US$ 4.4B from P&G Beauty Brands = US$ 9.0B)*

KEY RISKS & OPPORTUNITIES

KEY RISKS

MACROECONOMIC SLOWDOWN

As a consumer products company, Coty's performance is highly influenced by global consumer confidence. A macroeconomic deterioration within one of Coty's key markets would reduce consumer spending (especially on discretionary items), and hence reduce demand for Coty's products, adversely affecting business performance. Albeit the beauty industry is less affected/susceptible than others (refer the chart on page 8).

FORMIDABLE COMPETITION

Even as Coty becomes the #3 global beauty player, it continues to face fierce competition from other large pure play beauty players such as L'Oréal, Estee Lauder, Avon, Shiseido, Natura, Amorepacific, Revlon and Kose. Also, some of the largest multinational consumer products companies such as Beiersdorf, Unilever, LVMH, kao, P&G, J&J and Henkel all have the financial capacity to expand their existing beauty businesses should they find the industry to be attractive.

FINANCIAL LEVERAGE

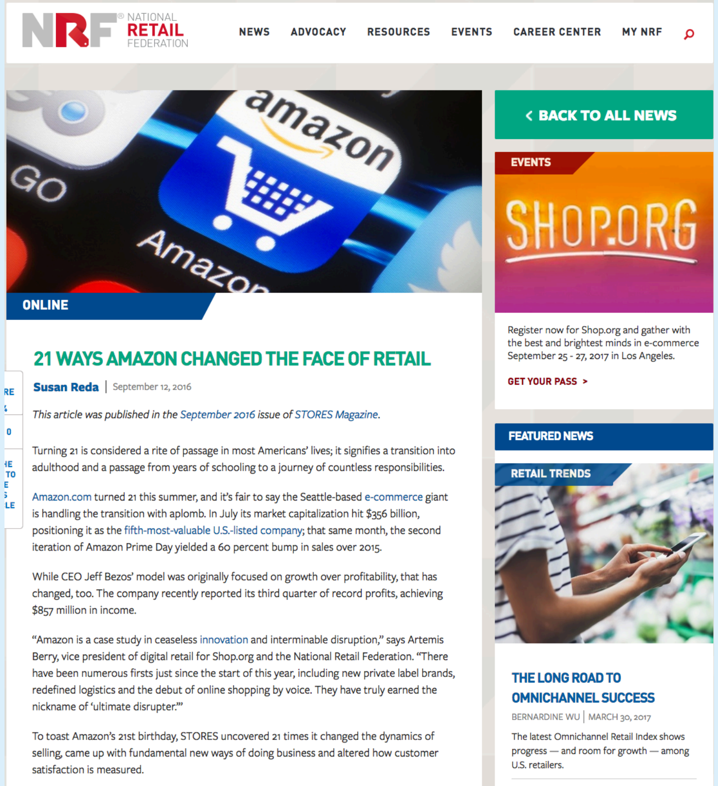
With debts totalling US$ 6.5B* (vs. current market capitalisation of US$13.3B**), Coty currently has one of the highest levels of financial leverage amongst its peers. However, the debt maturity profile suggests that the Company will have time to enhance its cash flow generation capability. Also, we believe in the short term Management will be focusing its efforts on integration and deleveraging slowing down acquisitions over the short to medium term.

DISRUPTOR TO THE TRADITIONAL RETAIL MODELS

Amazon continues to "disrupt" the retail environment and as Scott Galloway from NYU Stern School of Business and L2 Inc. suggests creates a "war on brands".

We believe cosmetics is one of the few categories where "private label" has not made significant inroads and that Amazon's ability to "disrupt" cosmetic brands is lower than other categories.

However, Amazon is clearly impacting the traditional distribution mechanism (e.g., department stores) for a large percentage of cosmetics companies, and this is why Coty must better develop online strategies and ensure it is in fast growing customer facing channels like Sephora (owned by LVMH).



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ONLINE

21 WAYS AMAZON CHANGED THE FACE OF RETAIL

Susan Reda | September 12, 2016

This article was published in the September 2016 issue of STORES Magazine.

Turning 21 is considered a rite of passage in most Americans' lives; it signifies a transition into adulthood and a passage from years of schooling to a journey of countless responsibilities.

Amazon.com turned 21 this summer, and it's fair to say the Seattle-based e-commerce giant is handling the transition with aplomb. In July its market capitalization hit $356 billion, positioning it as the fifth-most-valuable U.S.-listed company; that same month, the second iteration of Amazon Prime Day yielded a 60 percent bump in sales over 2015.

While CEO Jeff Bezos' model was originally focused on growth over profitability, that has changed, too. The company recently reported its third quarter of record profits, achieving $857 million in income.

"Amazon is a case study in ceaseless innovation and interminable disruption," says Artemis Berry, vice president of digital retail for Shop.org and the National Retail Federation. "There have been numerous firsts just since the start of this year, including new private label brands, redefined logistics and the debut of online shopping by voice. They have truly earned the nickname of 'ultimate disrupter.'"

To toast Amazon's 21st birthday, STORES uncovered 21 times it changed the dynamics of selling, came up with fundamental new ways of doing business and altered how customer satisfaction is measured.

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FEATURED NEWS

RETAIL TRENDS

THE LONG ROAD TO OMNICHANNEL SUCCESS

BERNARDINE WU | MARCH 30, 2017

The latest Omnichannel Retail Index shows progress — and room for growth — among U.S. retailers.

* As at 31 December 2016
** As at 12 April 2017
Image Source: http://www.cosmeticsandskin.com/companies/coty.php

KEY RISKS CONTINUED

M&A INTEGRATION

The extent to which an unsucessful acquisition can impact a company is demonstrated by Coty's 2010 acquisition of Tjoy in China for $352M. Management called the transaction "*a complete debacle*", as the Company had to write off $317M in FY2014 and sold the brand back to Tjoy's Chinese founder in 2015. If you focus solely on this historical transaction, it maybe somewhat understandable that investors are sceptical as to whether Management can achieve the promised synergies from the largest beauty deal in history. *(However, on the flipside, this ignores the relative success of other recent acquisitions such as Hypermarcas, Bourjois, OPI, Manhattan and philosophy.)*

Our analysis suggests that in the short to medium term, Coty is likely to experience a period of increased uncertainty and volatility. This is due to the Company's massive integration and reorganisation project. However, we continue to have confidence in both Management and the Board to execute on its transition plan. We do not see the specific/precise timings surrounding this process as a condition to our investment thesis. Furthermore, we believe the investments into P&G's orphaned brands (e.g. the relaunch and repositioning of COVERGIRL and Max Factor) could yield unexpected upside in the medium term and this is not currently being considered by the market.

BRAND RELATED RISK

One of Coty's competitive advantages is the strength of its brands. Thus, any deterioration in brand equity will cause harm to Coty's business (and its balance sheet). The depth of Coty's brand portfolio (i.e., diversification) and relative independence between brands minimises this risk. For example, a deterioration in COVERGIRL's brand image will not materially impact Wella's performance.

More specifically, in early 2017, Coty acquired 60% of Younique, a leading online beauty platform for US$600M. Younique has received some harsh criticism from its former distributors (i.e., presenters) and consumers for its poor product quality - some have gone so far as to suggest it is a scam. It is our view that access to Coty's production/R&D facilities will enable Younique to improve and expand their own product suite. This will aid in restoring Younique's brand image.

CURRENCY/FX

Currency movements could materially and adversely affect Coty's results as 69% of Coty's revenue is generated outside North America*. We clearly see potential headwinds for the Company should the US Dollar continue to appreciate against global currencies.

LICENSE RENEWALS

As at the end of FY2016, Coty maintained 29 brand license agreements that accounted for 53% of its FY2016 revenue. There are a further ten brand license agreements from the acquisition of P&G's beauty brands. The risk is that the Company might not be able to renew a brand license agreement, or renew on favourable economic terms.

The threat of a non-renewal of a license agreement is very real, as was demonstrated by Dolce & Gabbana's (D&G) refusal to grant consent to transfer fragrance license from P&G to Coty. However, the recent acquisition of the Burberry licence has offset the loss of D&G in our view.

JAB HOLDING COMPANY

JAB is no longer the controlling shareholder of Coty, but maintains a 36.8% stake. To this extent, JAB continues to have significant influence over the strategic direction of the Company thus JAB's decisions may adversely impact minority shareholders. *(Note that we continue to view JAB's shareholding as highly positive for other shareholders based on long-term track record.)*

** Source: Coty Q2 FY2017 10Q Report*

KEY OPPORTUNITIES

MARGIN ENHANCEMENT

The most important value creation from the acquisition of P&G's beauty brands is Management's estimated improvement of Coty's operating profit margins from 14.3%* (Standalone Coty FY16 adj. operating profit margin) to ~19.6% in FY2020* (Pro forma Coty adj. operating margin). If achieved, this will make Coty an industry leader in profit margin terms.

There exists scepticism toward whether this is achievable by 2020. However, it is our view that even if Management missed their target by 1%. i.e., only achieved an 18.6% operating margin by 2020, the significant improvement would see the market re-rate the stock. Lastly, we highlight that the margin improvement forecast does not include the anticipated portfolio rationalisation and any underlying growth in the newly combined business.

PORTFOLIO RATIONALISATION – ALTERNATIVE PLAN FOR NON-CORE BRANDS (~6%-8% OF NET REVENUE)

Management has identified the non-core brands (but has not disclosed them), and are exploring potential alternatives (e.g., divestment) for these brands. We believe that this is one short-term catalyst that can improve margins, revenue/profit growth and at the same time deleverage the balance sheet.

THE COLLAPSE OF DUAL-CLASS SHARE STRUCTURE

When Coty merged with P&G's beauty brands on 30 September 2016, JAB converted all of its supervoting Class B shares to ~262M Class A shares. JAB currently owns ~36.84%** of shares outstanding.

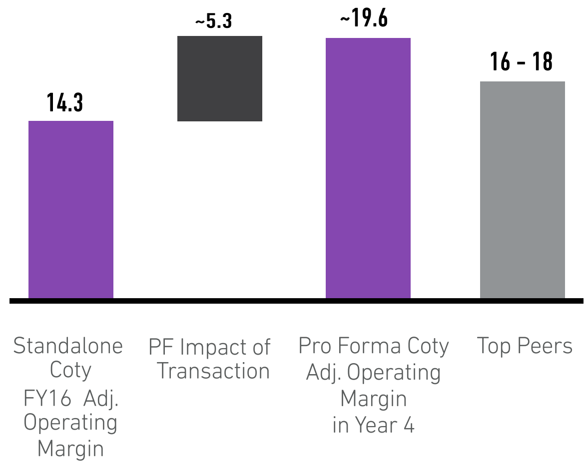
With the conversion, JAB's voting rights declined from 97.5% to 36.8%. While JAB still has considerable influence over the Company, the collapse of the dual-class share structure allows the Company to improve transparency and governance. More importantly, it introduced the possibility for other shareholders to have influence over the Company.

CONTINUED AND STABLE GROWTH IN BEAUTY

The beauty market has an impressive and stable average growth rate of +3.9% for the past 15 years. Coty anticipates the market to continue to grow in the range of +3%-+4% annually. Market leader L'Oréal estimates that the market will grow +4% in 2017. This industry tailwind is beneficial to a company like Coty which is undergoing a massive multi-year integration and reorganisation project.

OPPORTUNISTIC M&A

Over the past two years, Coty has acquired Bourjois (from CHANEL), Hypermarcas, 41 P&G beauty brands, ghd, Beamly, in addition to investing in Younique. Management stated that Coty is now in a "stabilisation mode" with focus being placed on returning the business to organic growth while completing the multi-year integration process*. However, Management has not ruled out opportunistic M&A should it provide growth opportunities and not significantly disrupt current integration efforts. This is demonstrated by the recent announced acquisition of the long-term license rights for – Burberry Beauty – which included: luxury fragrances, cosmetics and skincare – on 3 April 2017.



** Source: Coty Investor Presentation – September 2016 - Management expects ~500-600 basis points improvement to Coty's FY16 operating profit margin of 14.3% in four years time.*
*** Coty Q2 2017 Earnings Call – 9 February 2017*

KEY OPPORTUNITIES CONTINUED

SOCIAL PHOTO SHARING

With the advance in internet connectivity and digital camera capability on smartphones, we see a huge growth in photo sharing. Makeup and skin care have become part of the selfie uniform for teens and young adults across the world. Deloitte Global predicted that 2.5 trillion photos would be shared or stored online in 2016. Google reported that 24 billion of selfies were uploaded to its Google Photos application in 2015.

#1 Beauty player L'Oréal suggests that this new era of social beauty, which emphasises appearance, self-expression, social sharing and self-esteem provide the growth engine for the beauty industry.

E-COMMERCE & LOYALTY PROGRAMMES

Deutsche Bank estimated* that "*global eCommerce share of skin care has doubled over the last five years to 10%...while fragrance eCommerce market share is up almost 50% to 6.6%*". Coty has so far failed to capitalise on this substantial growth opportunity. As at 30 June 2016**, Coty had only two brands which exhibited e-commerce capabilities, while only 12 were sold on branded e-commerce sites. Transitioning Coty brands online and expanding digital capabilities will be an important part of Coty's growth profile going forward.

In 2015, the Company acquired Beamly, a leading global digital marketing agency with the aim of driving audience growth and engagement for Coty's brands online.

In early 2017, Coty acquired 60% of Younique, a leading online peer-to-peer social selling platform in beauty for US$600M. This allows Coty to access a direct distribution channel, a peer-to-peer mobile-first e-commerce platform that has ~200,000 active presenters and over 4.1M consumers in 10 countries, and to improve and strengthen Coty's eCommerce capability. This deal has a number of similarities to Unilever's 2016 estimated ~US$1Bln acquisition of Dollar Shave Club (DSC) to access and expand DSC's subscription model.

Loyalty programmes will also be an increasing focus for companies in the beauty sector. They have proven lucrative for many prestige brands, which is why mass brands are catching on. According to L2 Inc. (Homa Zaryouni), L'Oréal-owned Lancôme, for example has achieved a 60% action rate, just a month after launching its loyalty programme.

Top Image Source: http://abcnews.go.com/blogs/entertainment/2014/03/ellens-oscar-selfie-most-retweeted-tweet-ever/, Bottom Image Source: https://www.oscars.org/sites/oscars/files/highlights21.jpg
**Deutsche Bank Coty research report – 31 May 2016*
*** Coty FY2016 Annual Report*

CONCLUSION, ESTIMATED INTRINSIC VALUE RANGE & LIQUIDITY

ELEVATION CAPITAL CONCLUSION

Coty is the #3 player in an industry that has extremely attractive characteristics: growth, high margins and strong cash flow generation.

Following the completion of Coty's complex multi-year integration process, we expect the Company to emerge as a formidable challenger to leading peers of L'Oréal and Estee Lauder. A focus on increased scale and business segment expansion are expected to deliver economies of scale and diversification, allowing Coty to significantly improve its margins and stabilise its earnings profile.

The largest shareholder – JAB (36.8% of shareholding) has significant influence/control over the Company. We view JAB's shareholding as completely aligned with other shareholders given their positive track record of value creation. Coty's senior management are also aligned with shareholders via direct equity interests in the Company.

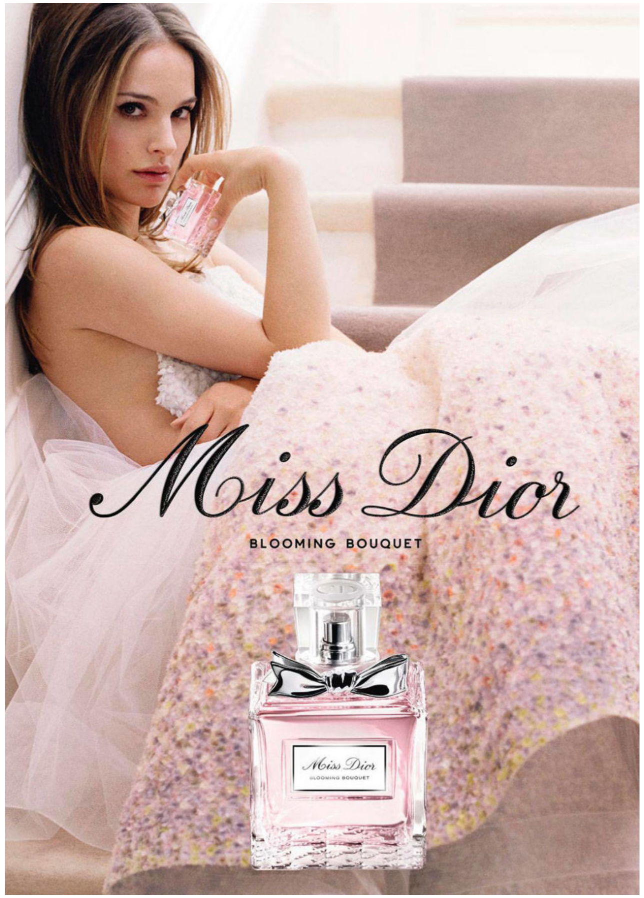
Coty has experienced negative investor sentiment following weak quarterly results, significantly higher than anticipated inventory levels (for the acquired P&G Beauty business), a likelihood of integration complications, and uncertainty towards the timing of synergy extraction. The stock has declined by over 40% from its recent high of US$29.75 in August 2016 to prices ranged-bound between US$17 and US$20 in 2017.

In January 2017, the Elevation Capital Value Fund began to initiate a position at an average cost of US$18.72* to date.

Due to the massive integration and reorganisation project, Coty can be expected to experience a period of short-term uncertainty and volatility. However, we have confidence in both the Board and Management to execute on its plan, based on their historical track record/s. Furthermore, we believe the investments into P&G's orphaned beauty brands (e.g., the relaunch and repositioning of COVERGIRL and Max Factor) could yield surprising upside in the medium term that is not currently being considered by the market.

In the meantime, we are paid to be patient, as Coty pays what we believe to be a sustainable dividend which currently yields above its peers at 2.8%* per annum. Assuming sustainable cash flow generation, the attractive yield should reduce downside risk in a market sell-off.

If we assume the Company is able to achieve its target FY2020 EPS of $1.53, and applying the current peer group average P/E of 22.7x, we arrive at a valuation of US$34.73. This suggests an upside potential of +97% in approximately four years, or a potential IRR of +23% per annum based on the current stock price of US$17.60*.

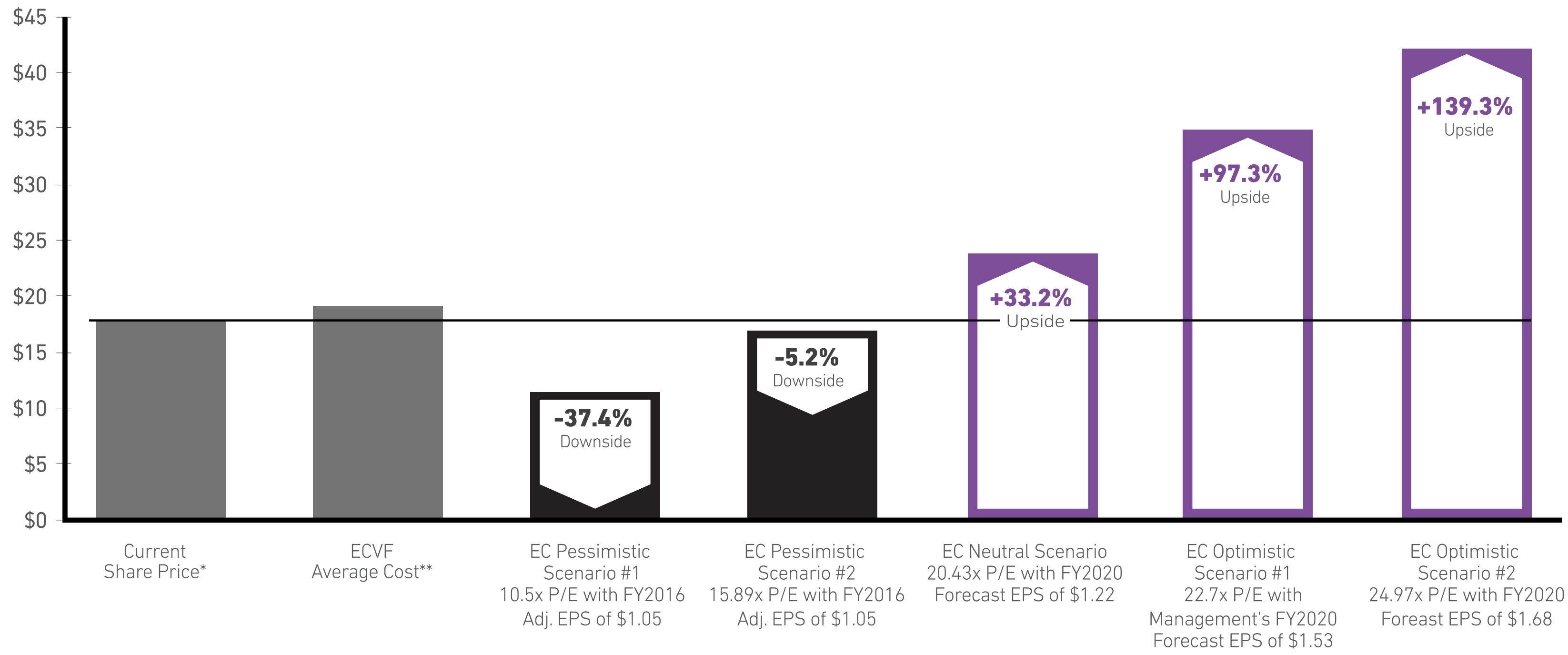


* As at 12 April 2017

ELEVATION CAPITAL ESTIMATED INTRINSIC VALUE RANGE

ELEVATION CAPITAL ESTIMATED INTRINSIC VALUE RANGE:
US$ 11.02 – US$ 42.02 PER SHARE

ESTIMATED INTRINSIC VALUE SUMMARY



DOWNSIDE / UPSIDE POTENTIAL RANGE:

-37.4% – +139%

** Current Share Price = US$ 17.60 (as at 12 April 2017)*
*** Elevation Capital Value Fund ("ECVF") Average Cost = US$ 18.72 as at 12 April 2017*
EC = Elevation Capital, ECVF = Elevation Capital Value Fund

ASSUMPTIONS FOR OUR ESTIMATED INTRINSIC VALUES

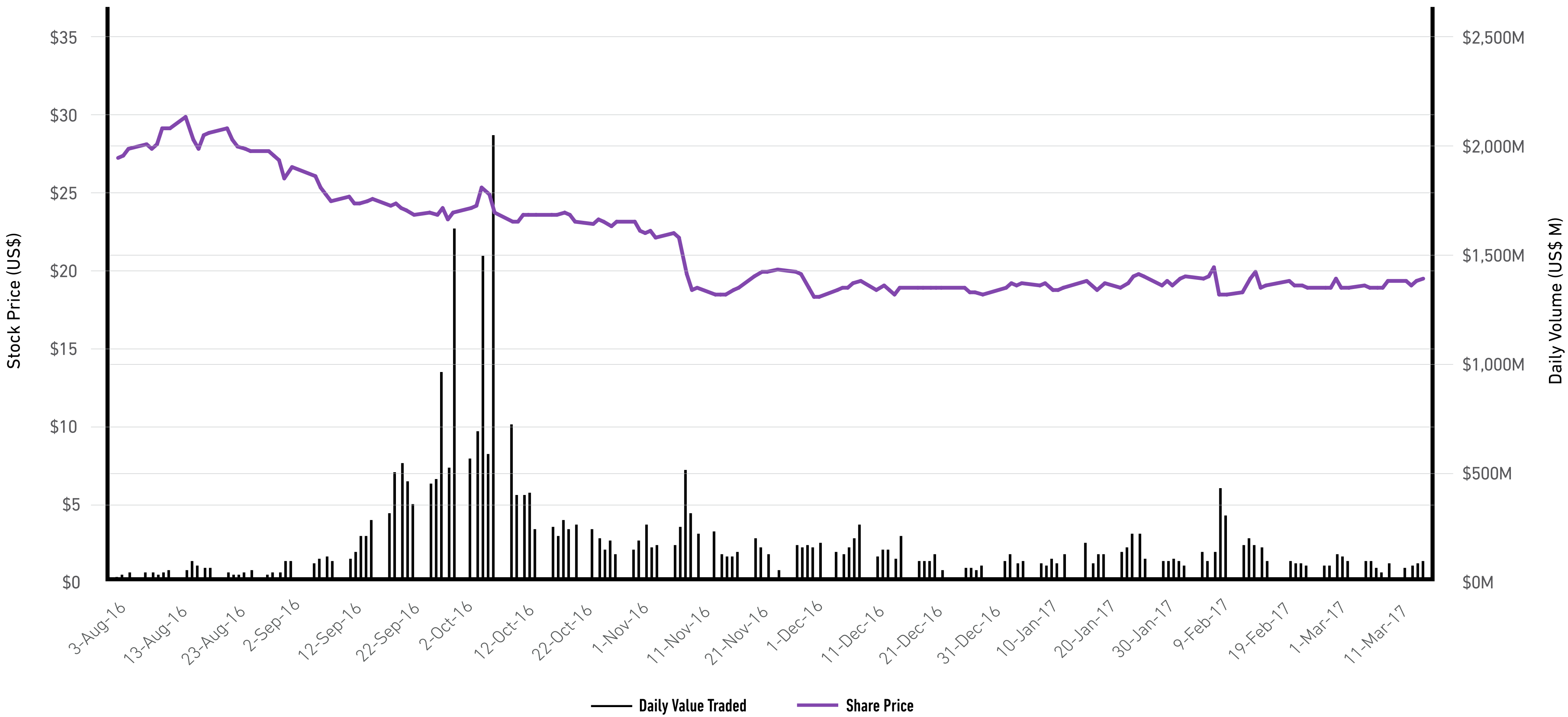
SCENARIO	ASSUMPTIONS
EC Pessimistic Scenario #1	We assume the Company's earnings stagnate at FY2016 Adjusted EPS of $1.05. We also assume GFC low P/E ratio of 10.49x, which is the average of the lowest P/E ratio of L'Oréal (11.32x*) and Estee Lauder (9.66x*) during this time period.
EC Pessimistic Scenario #2	We assume the Company's earnings stagnate at FY2016 Adjusted EPS of $1.05. To simulate the market pessimism/disappointment, we apply a 30% discount to the current peer group average Forward P/E multiple of 22.7x that provides us with a 15.89x P/E ratio.
EC Neutral Scenario	We assume Management is only able to achieve some of the forecast margin/profitability improvement. We apply a 25% discount to Management's FY2020 Forecast EPS of $1.53 and arrive at our estimated FY2020 EPS of $1.22. We think it is appropriate to discount the current peer group average Forward P/E multiple of 22.7x by 10% in this neutral scenario that provides us with a 20.43x P/E ratio.
EC Optimistic Scenario #1	We assume Management is able to achieve its forecast margin/profitability improvement, and achieve its FY2020 Forecast EPS of $1.53. We utilise the current peer group average Forward P/E multiple of 22.7x in this scenario.
EC Optimistic Scenario #2	We assume Management is able to achieve its forecast margin/profitability improvement, but is also able to grow the business organically and achieve further margin improvement from planned divestments. We apply a 10% premium to Management's FY2020 Forecast EPS of $1.53. In this Optimistic Scenario, we suggest the market is willing to pay a 10% premium to the current peer group average Forward P/E multiple of 22.7x, this implies a Forward P/E multiple of 24.97x.

** Data Source: Thomson Reuters Eikon*
EC = Elevation Capital

LIQUIDITY ANALYSIS

The one-year average daily trading volume in Coty totals US$146M (~1.1% of the current market cap of $13.3B*).

COTY STOCK PRICE VS. DAILY VALUE TRADED



** As at 12 April 2017*
Data Source: Thomson Reuters Eikon

‘INDEPENDENT THINKING – DISCIPLINED INVESTING’

INDEPENDENT THINKING

[In-de-pend-ent Think-ing] **indəˈpendənt THiNkiNG** *verb*

Is essential to long-term investment success. We are often contrarian and do not pay attention to index compositions when making investment decisions. We believe that when you’re several thousand miles away from Wall Street in a different nation, it’s easier to be independent and buy the things that other people are selling, and sell the things that other people are buying. We also believe that cash is sometimes the most attractive investment.

DISCIPLINED INVESTING

[Dis-ci-plined In-vest-ing] **disciplinəd invesˈting** *verb*

The market presents opportunities every day, but disciplined investing is as much about the opportunities you do not take. Our investments are premised on the concept of “Margin of Safety” which we believe reduces risk.

37B George Street, Newmarket
Auckland 1023, New Zealand

Phone: + 64 9 379 6493

Website: www.elevationcapital.co.nz
Email: info@elevationcapital.co.nz
Twitter: ElevationNZ

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