

## Coty Inc.

# Mix ignition supporting growth and margins; reiterate Buy

Reiterate Rating: BUY | PO: 15.00 USD | Price: 11.88 USD

## Strong FQ2 even as prestige fragrance laps big comps

[FQ2 results](#) (see report) highlighted Coty's continued runway in prestige fragrance with +10% growth, albeit moderating from FQ1 growth north of +20%. Reiterated organic sales and adj. EBITDA guide for F24 reflect the tougher YoY comps ahead, particularly in F4Q against strong year-ago restocking. With double-digit growth persisting online, in China, and across Coty's prestige business, we see little risk to hitting targets on either top or bottom line considering the flow-through of F1Q24 mid-single digit pricing as input cost inflation moderates in the back half.

## Multiple mix drivers should ease transition from pricing

With the stock's reaction to moderating category trends and pricing showing signs of investor trepidation, we underline the following mix drivers that should help carry sales and margin: 1) prestige outgrowing Coty's consumer portfolio; 2) a skew towards more premium products even within prestige; and 3) growth ahead of total company in mix-accretive travel retail and China channels. Layering on SKU reductions and productivity programs and the eventual lap of the Lacoste exit dragging on FY24, we still see Coty as handily capable of delivering at or above its mid-term algorithm.

## Adjusting estimates; 2H normalizing despite tough comps

F2H organic sales guidance of +6-8% is consistent with the company's medium-term growth algorithm despite a -LSD to -MSD headwind in Prestige from inventory restocking y/y with the recovery of fragrance service levels. We adjust our FQ3 adj. EBITDA estimate to \$200m vs. \$196m prior and FQ4 decreases to \$168m vs. \$190m prior on the more difficult comps in FQ4, while our F24 estimate remains \$1095mm.

## Reiterate Buy rating and PO at \$15

We reiterate our Buy rating and our PO at \$15, reflecting an unchanged SOTP valuation. We value the Prestige segment at 15x our CY25e EBITDA and Consumer Beauty at 9x our CY25e EBITDA, given the superior growth profile and margins for Prestige, compared to more limited expansion for Consumer Beauty. Overall, this implies a blended 13x multiple on our CY25e EBITDA, a premium to its current forward multiple of 12x, given continued execution on strategic pillars in multiple growing categories.

Estimates (Jun) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	0.28	0.53	0.44	0.57	0.61
GAAP EPS	0.07	0.56	0.20	0.37	0.41
EPS Change (YoY)	460.0%	89.3%	-17.0%	29.5%	7.0%
Consensus EPS (Bloomberg)			0.41	0.55	0.66
DPS	0.07	0.01	0.01	0	0
Valuation (Jun)					
P/E	42.4x	22.4x	27.0x	20.8x	19.5x
GAAP P/E	169.7x	21.2x	59.4x	32.1x	29.0x
Dividend Yield	0.6%	0.1%	0.1%	0%	0%
EV / EBITDA*	17.5x	16.3x	14.5x	13.6x	12.9x
Free Cash Flow Yield*	5.2%	3.8%	6.2%	4.6%	5.3%

\* For full definitions of *IQmethod*<sup>SM</sup> measures, see page 5.

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### Equity

#### Key Changes

(US\$)	Previous	Current
2024E Rev (m)	6,093.6	6,186.0
2025E Rev (m)	6,414.1	6,511.7
2026E Rev (m)	6,770.4	6,873.5
2024E EPS	0.39	0.44
2025E EPS	0.58	0.57
2026E EPS	0.63	0.61
2024E DPS	0	0.01

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### Stock Data

Price	11.88 USD
Price Objective	15.00 USD
Date Established	15-Dec-2023
Investment Opinion	C-1-9
52-Week Range	9.02 USD - 13.46 USD
Mrkt Val (mn) / Shares Out (mn)	10,606 USD / 892.8
Free Float	43.8%
Average Daily Value (mn)	41.79 USD
BofA Ticker / Exchange	COTY / NYS
Bloomberg / Reuters	COTY US / COTY.N
ROE (2024E)	9.3%
Net Dbt to Eqty (Jun-2023A)	93.4%
ESGMeter <sup>TM</sup>	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

# iQprofile<sup>SM</sup> Coty Inc.

## iQmethod<sup>SM</sup> – Bus Performance\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Return on Capital Employed	3.6%	5.6%	5.5%	6.3%	6.4%
Return on Equity	7.7%	13.1%	9.3%	10.8%	11.2%
Operating Margin	11.6%	13.3%	13.9%	13.8%	13.7%
Free Cash Flow	553	403	658	489	558

## iQmethod<sup>SM</sup> – Quality of Earnings\*

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash Realization Ratio	3.1x	1.3x	2.2x	1.5x	1.5x
Asset Replacement Ratio	2.1x	5.3x	7.0x	6.3x	6.3x
Tax Rate	38.6%	25.8%	35.8%	28.0%	28.0%
Net Debt-to-Equity Ratio	117.2%	93.4%	63.0%	49.3%	35.7%
Interest Cover	2.7x	2.9x	3.4x	5.5x	8.2x

## Income Statement Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Sales	5,304	5,554	6,186	6,512	6,873
% Change	14.6%	4.7%	11.4%	5.3%	5.6%
Gross Profit	3,381	3,549	3,979	4,213	4,474
% Change	21.8%	5.0%	12.1%	5.9%	6.2%
EBITDA	905	973	1,095	1,166	1,223
% Change	18.8%	7.5%	12.6%	6.4%	4.9%
Net Interest & Other Income	(221)	(54)	(266)	(163)	(114)
<b>Net Income (Adjusted)</b>	<b>236</b>	<b>470</b>	<b>392</b>	<b>509</b>	<b>570</b>
<b>% Change</b>	<b>429.6%</b>	<b>99.1%</b>	<b>-16.5%</b>	<b>29.7%</b>	<b>12.1%</b>

## Free Cash Flow Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Income from Cont Operations (GAAP)	254	511	192	344	400
Depreciation & Amortization	290	234	235	269	284
Change in Working Capital	126	(86)	111	(112)	(112)
Deferred Taxation Charge	12	56	78	0	0
Other Adjustments, Net	45	(90)	259	248	261
Capital Expenditure	(174)	(223)	(217)	(260)	(275)
<b>Free Cash Flow</b>	<b>553</b>	<b>403</b>	<b>658</b>	<b>489</b>	<b>558</b>
<b>% Change</b>	<b>281.6%</b>	<b>-27.1%</b>	<b>63.4%</b>	<b>-25.8%</b>	<b>14.2%</b>
Share / Issue Repurchase	0	0	355	0	0
Cost of Dividends Paid	(57)	(13)	(7)	0	0
Change in Debt	(721)	(268)	(542)	(200)	(200)

## Balance Sheet Data (Jun)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Cash & Equivalents	264	284	686	975	1,333
Trade Receivables	365	361	536	564	596
Other Current Assets	1,054	1,407	1,913	1,965	2,022
Property, Plant & Equipment	716	713	620	483	339
Other Non-Current Assets	9,719	9,897	9,903	9,923	9,939
<b>Total Assets</b>	<b>12,116</b>	<b>12,662</b>	<b>13,658</b>	<b>13,911</b>	<b>14,228</b>
Short-Term Debt	23	58	70	70	70
Other Current Liabilities	2,543	2,679	3,411	3,500	3,596
Long-Term Debt	4,409	4,178	3,683	3,483	3,283
Other Non-Current Liabilities	1,583	1,513	1,625	1,625	1,625
<b>Total Liabilities</b>	<b>8,558</b>	<b>8,428</b>	<b>8,789</b>	<b>8,678</b>	<b>8,574</b>
<b>Total Equity</b>	<b>3,558</b>	<b>4,233</b>	<b>4,869</b>	<b>5,233</b>	<b>5,654</b>
<b>Total Equity &amp; Liabilities</b>	<b>12,116</b>	<b>12,662</b>	<b>13,658</b>	<b>13,911</b>	<b>14,228</b>

\* For full definitions of iQmethod<sup>SM</sup> measures, see page 5.

## Company Sector

Household Products

## Company Description

Coty is a global manufacturer, marketer, and distributor of fragrances, color cosmetics (including nail), and skin care. Coty is the number-2 player in fragrances and is the number-4 color cosmetics maker globally. By division, sales are Prestige 62% and Consumer Beauty (mass cosmetics) 38%. By region, sales are the Americas 42%, EMEA 45%, and Asia Pacific 13%.

## Investment Rationale

We rate COTY shares Buy. The company has a leading market position as a maker of fragrances and beauty products globally, ranging from mass beauty to prestige. We believe Coty will benefit from several factors, including: 1) global momentum in Prestige, 2) stabilization/modest growth in Consumer Beauty, 3) continued cost savings effort despite headwinds, and 4) modest gross margin expansion. Further, Coty is committed to deleveraging, which should remove an overhang on the stock farther out.

## Stock Data

Average Daily Volume 3,517,802

## Quarterly Earnings Estimates

	2023	2024
Q1	0.11A	0.09A
Q2	0.22A	0.25A
Q3	0.19A	0.06E
Q4	0.01A	0.03E

**Exhibit 1: COTY Income Statement**

Fiscal year end June; \$ in millions, except per share data

	FY23E					FY24E					FY25E				
	Sep-22	Dec-22	Mar-23	Jun-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Jun-25
	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24	3Q24E	4Q24E	2024E	1Q25E	2Q25E	3Q25E	4Q25E	2025E
<b>Total Sales</b>	<b>\$1,390.0</b>	<b>\$1,523.6</b>	<b>\$1,288.9</b>	<b>\$1,351.6</b>	<b>\$5,554.1</b>	<b>\$1,641.4</b>	<b>\$1,727.6</b>	<b>\$1,388.9</b>	<b>\$1,428.1</b>	<b>\$6,186.0</b>	<b>\$1,728.4</b>	<b>\$1,819.2</b>	<b>\$1,462.0</b>	<b>\$1,502.2</b>	<b>\$6,511.7</b>
<b>Sales growth</b>	<b>1.3%</b>	<b>-3.5%</b>	<b>8.7%</b>	<b>15.7%</b>	<b>4.7%</b>	<b>18.1%</b>	<b>13.4%</b>	<b>7.8%</b>	<b>5.7%</b>	<b>11.4%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.3%</b>	<b>5.2%</b>	<b>5.3%</b>
Organic (ex-M&A and FX)	8.8%	4.1%	14.4%	16.0%	10.1%	17.5%	11.3%	7.5%	5.4%	10.7%	5.3%	5.3%	5.3%	5.2%	5.3%
Prestige	863.4	957.7	799.7	799.6	3,420.4	1,064.7	1,122.6	879.7	847.6	3,914.5	1,128.6	1,190.0	932.5	898.4	4,149.4
Consumer Beauty	526.6	565.9	489.2	552.0	2,133.7	576.7	605.0	509.2	580.5	2,271.4	599.8	629.2	529.6	603.7	2,362.3
COGS- reported	501.3	525.3	478.1	502.1	2,006.8	599.5	603.5	487.4	516.2	2,206.7	622.6	626.4	510.2	540.0	2,299.2
Gross profit- reported	888.7	998.3	810.8	849.5	3,547.3	1,041.9	1,124.1	901.5	911.9	3,979.3	1,105.7	1,192.8	951.9	962.2	4,212.6
Gross margin %	63.9%	65.5%	62.9%	62.9%	63.9%	63.5%	65.1%	64.9%	63.9%	64.3%	64.0%	65.6%	65.1%	64.1%	64.7%
COGS	498.6	526.0	478.1	502.1	2,004.8	599.5	603.5	487.4	516.2	2,206.7	622.6	626.4	510.2	540.0	2,299.2
Gross profit	891.4	997.6	810.8	849.5	3,549.3	1,041.9	1,124.1	901.5	911.9	3,979.3	1,105.7	1,192.8	951.9	962.2	4,212.6
<b>Gross margin %</b>	<b>64.1%</b>	<b>65.5%</b>	<b>62.9%</b>	<b>62.9%</b>	<b>63.9%</b>	<b>63.5%</b>	<b>65.1%</b>	<b>64.9%</b>	<b>63.9%</b>	<b>64.3%</b>	<b>64.0%</b>	<b>65.6%</b>	<b>65.1%</b>	<b>64.1%</b>	<b>64.7%</b>
<b>y/y change</b>	<b>73</b>	<b>86</b>	<b>(169)</b>	<b>74</b>	<b>16</b>	<b>(65)</b>	<b>(41)</b>	<b>200</b>	<b>100</b>	<b>42</b>	<b>50</b>	<b>50</b>	<b>20</b>	<b>20</b>	<b>36</b>
<b>Operating expenses</b>															
SG&A- reported	670.7	754.3	720.4	672.9	2,818.3	767.4	833.4	756.8	808.0	3,165.5	787.5	867.1	803.9	857.4	3,315.9
SG&A- ex-charges	641.8	736.2	688.1	744.4	2,810.5	739.7	814.8	756.8	808.0	3,119.2	787.5	867.1	803.9	857.4	3,315.9
SG&A as % of sales	46.2%	48.3%	53.4%	55.1%	50.6%	45.1%	47.2%	54.5%	56.6%	50.4%	45.6%	47.7%	55.0%	57.1%	50.9%
y/y change	(261)	(132)	(163)	(147)	(154)	(111)	(116)	110	150	(18)	50	50	50	50	50
Amortization expense	47.3	47.6	48.2	48.7	191.8	48.6	48.3	52.8	54.3	203.9	60.5	63.7	51.2	52.6	227.9
Amortization as % of sales	3.4%	3.1%	3.7%	3.6%	3.5%	3.0%	2.8%	3.8%	3.8%	3.3%	3.5%	3.5%	3.5%	3.5%	3.5%
Restructuring & other	(1.2)	(2.9)	(1.3)	(1.1)	(6.5)	28.4	5.7	0.0	0.0	34.1	0.0	0.0	0.0	0.0	0.0
Operating income GAAP	171.9	199.3	43.5	129.0	543.7	197.5	236.7	91.9	49.6	575.8	257.7	262.0	96.8	52.2	668.7
<b>Operating income</b>	<b>249.6</b>	<b>261.4</b>	<b>122.7</b>	<b>105.1</b>	<b>738.8</b>	<b>302.2</b>	<b>309.3</b>	<b>144.7</b>	<b>103.9</b>	<b>860.1</b>	<b>318.2</b>	<b>325.7</b>	<b>148.0</b>	<b>104.8</b>	<b>896.6</b>
<b>Operating margin %</b>	<b>18.0%</b>	<b>17.2%</b>	<b>9.5%</b>	<b>7.8%</b>	<b>13.3%</b>	<b>18.4%</b>	<b>17.9%</b>	<b>10.4%</b>	<b>7.3%</b>	<b>13.9%</b>	<b>18.4%</b>	<b>17.9%</b>	<b>10.1%</b>	<b>7.0%</b>	<b>13.8%</b>
<b>y/y change</b>	<b>334</b>	<b>218</b>	<b>(6)</b>	<b>220</b>	<b>170</b>	<b>45</b>	<b>75</b>	<b>90</b>	<b>(50)</b>	<b>60</b>	<b>0</b>	<b>0</b>	<b>(30)</b>	<b>(30)</b>	<b>(13)</b>
D&A	58.3	56.2	59.2	60.3	234.0	58.1	57.1	55.6	64.3	235.0	77.8	72.8	58.5	60.1	269.1
D&A margin %	4.2%	3.7%	4.6%	4.5%	4.2%	3.5%	3.3%	4.0%	4.5%	3.8%	4.5%	4.0%	4.0%	4.0%	4.1%
EBITDA reported	230.2	255.5	102.7	189.3	777.7	255.6	293.8	147.5	113.9	810.8	335.5	334.8	155.3	112.3	937.8
<b>EBITDA adjusted</b>	<b>307.9</b>	<b>317.6</b>	<b>181.9</b>	<b>165.4</b>	<b>972.8</b>	<b>360.3</b>	<b>366.4</b>	<b>200.3</b>	<b>168.2</b>	<b>1,095.1</b>	<b>396.0</b>	<b>398.5</b>	<b>206.4</b>	<b>164.9</b>	<b>1,165.8</b>
EBITDA margin %	22.2%	20.8%	14.1%	12.2%	17.5%	22.0%	21.2%	14.4%	11.8%	17.7%	22.9%	21.9%	14.1%	11.0%	17.9%
Interest Expense	65.9	61.0	58.8	72.2	257.9	69.8	60.1	62.9	62.9	255.6	42.2	41.1	40.0	40.0	163.3
Other expense (income) GAAP	(98.2)	(141.9)	(156.9)	(22.0)	(419.0)	76.6	(80.8)	0.0	0.0	(4.2)	0.0	0.0	0.0	0.0	0.0
Other exp (inc) ex-charges	36.6	(62.1)	(156.9)	(22.0)	(204.4)	78.4	(68.0)	0.0	0.0	10.4	0.0	0.0	0.0	0.0	0.0
Pretax income GAAP	204.2	280.2	141.6	78.8	704.8	51.1	257.4	29.1	(13.2)	324.3	215.5	220.9	56.8	12.2	505.5
Pretax income ex-charges	147.1	262.5	221.0	54.9	685.3	154.0	317.2	81.9	41.0	594.1	276.0	284.6	108.0	64.8	733.4
Pretax margin %	10.6%	17.2%	17.1%	4.1%	12.3%	9.4%	18.4%	5.9%	2.9%	9.6%	16.0%	15.6%	7.4%	4.3%	11.3%
Income taxes reported	69.7	38.8	29.8	43.3	181.6	40.9	71.4	7.0	(3.2)	116.1	60.3	61.9	15.9	3.4	141.5
Income taxes ex-charges	43.5	67.5	44.6	43.3	198.9	68.0	78.0	19.6	9.8	175.5	77.3	79.7	30.2	18.1	205.3
Tax rate ex-charges	29.6%	25.7%	20.2%	78.9%	29.0%	44.2%	24.6%	24.0%	24.0%	29.5%	28.0%	28.0%	28.0%	28.0%	28.0%
Minority interest	5.9	3.1	1.0	2.6	12.6	1.1	5.1	5.1	5.1	16.4	5.1	5.1	5.1	5.1	20.4
Adjusted minority interest	7.6	3.1	5.0	3.1	18.8	7.5	6.8	5.1	5.1	24.5	5.1	5.1	5.1	5.1	20.4
Preferred dividend	3.3	3.3	2.4	3.3	12.3	3.3	3.3	3.3	3.3	13.2	3.3	3.3	3.3	3.3	13.2
Adjusted Pref. Dividend	3.3	3.3	3.3	3.3		3.3	3.3								
Net income GAAP	125.3	235.0	108.4	29.6	498.3	1.6	177.6	13.7	(18.5)	178.6	146.8	150.7	32.5	0.4	330.3
Net income ex-charges	92.7	191.9	168.1	5.2	455.3	74.1	229.1	53.8	22.8	380.9	190.3	196.5	69.3	38.3	494.4
EPS - reported	\$0.14	\$0.26	\$0.12	\$0.03	\$0.56	\$0.00	\$0.19	\$0.02	(\$0.02)	\$0.20	\$0.17	\$0.17	\$0.04	\$0.00	\$0.37
<b>EPS - ex-charges</b>	<b>\$0.11</b>	<b>\$0.22</b>	<b>\$0.19</b>	<b>\$0.01</b>	<b>\$0.53</b>	<b>\$0.09</b>	<b>\$0.25</b>	<b>\$0.06</b>	<b>\$0.03</b>	<b>\$0.44</b>	<b>\$0.22</b>	<b>\$0.23</b>	<b>\$0.08</b>	<b>\$0.05</b>	<b>\$0.57</b>
Diluted shares	882.2	886.8	888.9	852.0	886.5	854.3	922.8	890.2	900.2	891.9	877.2	887.6	898.1	908.6	892.9

Source: Company reports and BofA Global Research estimates.

BofA GLOBAL RESEARCH



## Price objective basis & risk

### Coty Inc. (COTY)

Our PO of \$15 is based on a SOTP valuation for the Prestige and Consumer Beauty segments. We value the Prestige segment at 15x our CY25e EBITDA and Consumer Beauty at 9x our CY25e EBITDA, given the superior growth profile and margins for Prestige, compared to more limited expansion for Consumer Beauty. Overall, this implies a blended 13x multiple on our CY25e EBITDA, given expected outperformance in multiple growing categories.

Downside risks to our price objective are: 1) Coty relies on exclusive license agreements to provide the majority of revenues, 2) the beauty industry is highly competitive, with significant brand and reputational risk, 3) leverage remains high and limits strategic M&A, 4) COTY is a "controlled" company, with JAB Cosmetics owning more than 50% of total voting power.

## Analyst Certification

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### US - Consumables Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>BUY</b>				
	BellRing Brands Inc	BRBR	BRBR US	Bryan D. Spillane
	Coca-Cola Europacific Partners plc	CCEP	CCEP US	Bryan D. Spillane
	Colgate-Palmolive Company	CL	CL US	Bryan D. Spillane
	Constellation Brands	STZ	STZ US	Bryan D. Spillane
	Coty Inc.	COTY	COTY US	Anna Lizzul
	e.l.f. Beauty	ELF	ELF US	Anna Lizzul
	Freshpet, Inc.	FRPT	FRPT US	Bryan D. Spillane
	Kenvue Inc.	KVUE	KVUE US	Anna Lizzul
	Keurig Dr Pepper	KDP	KDP US	Bryan D. Spillane
	Kraft Heinz Company	KHC	KHC US	Bryan D. Spillane
	Lamb Weston Holdings Inc	LW	LW US	Peter T. Galbo, CFA
	McCormick & Co.	MKC	MKC US	Peter T. Galbo, CFA
	Mondelez International	MDLZ	MDLZ US	Bryan D. Spillane
	Monster Beverage Corporation	MNST	MNST US	Peter T. Galbo, CFA
	PepsiCo	PEP	PEP US	Bryan D. Spillane
	Philip Morris International	PM	PM US	Lisa K. Lewandowski
	Pilgrim's Pride Corp.	PPC	PPC US	Peter T. Galbo, CFA
	The Coca Cola Company	KO	KO US	Bryan D. Spillane
	The Procter & Gamble Company	PG	PG US	Bryan D. Spillane
<b>NEUTRAL</b>				
	Altria Group	MO	MO US	Lisa K. Lewandowski
	Celsius Holdings Inc	CELH	CELH US	Jonathan Keypour
	Church & Dwight	CHD	CHD US	Anna Lizzul
	Clorox	CLX	CLX US	Anna Lizzul
	Conagra Brands, Inc.	CAG	CAG US	Peter T. Galbo, CFA
	Estee Lauder Companies Inc.	EL	EL US	Bryan D. Spillane
	General Mills	GIS	GIS US	Bryan D. Spillane
	JM Smucker Company	SJM	SJM US	Peter T. Galbo, CFA
	Kellanova	K	K US	Peter T. Galbo, CFA
	Molson Coors Beverage Company	TAP	TAP US	Bryan D. Spillane
	The Duckhorn Portfolio, Inc.	NAPA	NAPA US	Peter T. Galbo, CFA
	The Hershey Company	HSY	HSY US	Bryan D. Spillane
	Tyson Foods, Inc.	TSN	TSN US	Peter T. Galbo, CFA
	Utz Brands	UTZ	UTZ US	Peter T. Galbo, CFA
	WK Kellogg Co	KLG	KLG US	Peter T. Galbo, CFA

**US - Consumables Coverage Cluster**

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
<b>UNDERPERFORM</b>	Brown-Forman Corporation	BFB	BF/B US	Bryan D. Spillane
	Campbell Soup Company	CPB	CPB US	Peter T. Galbo, CFA
	Canopy Growth	YWEED	WEED CN	Lisa K. Lewandowski
	Canopy Growth	CGC	CGC US	Lisa K. Lewandowski
	Cronos Group	YCRON	CRON CN	Lisa K. Lewandowski
	Cronos Group	CRON	CRON US	Lisa K. Lewandowski
	Dole plc	DOLE	DOLE US	Bryan D. Spillane
	Herbalife Nutrition Ltd	HLF	HLF US	Anna Lizzul
	Hormel Foods Corp.	HRL	HRL US	Peter T. Galbo, CFA
<b>RSTR</b>	Kimberly-Clark	KMB	KMB US	Anna Lizzul
	The Vita Coco Company, Inc.	COCO	COCO US	Bryan D. Spillane

**iQmethod<sup>SM</sup> Measures Definitions****Business Performance**

Return On Capital Employed

Return On Equity  
Operating Margin  
Earnings Growth  
Free Cash Flow

**Quality of Earnings**

Cash Realization Ratio  
Asset Replacement Ratio  
Tax Rate  
Net Debt-To-Equity Ratio  
Interest Cover

**Valuation Toolkit**

Price / Earnings Ratio  
Price / Book Value  
Dividend Yield  
Free Cash Flow Yield  
Enterprise Value / Sales

EV / EBITDA

**Numerator**

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income  
Operating Profit  
Expected 5 Year CAGR From Latest Actual  
Cash Flow From Operations – Total Capex

**Numerator**

Cash Flow From Operations  
Capex  
Tax Charge  
Net Debt = Total Debt – Cash & Equivalents  
EBIT

**Numerator**

Current Share Price  
Current Share Price  
Annualised Declared Cash Dividend  
Cash Flow From Operations – Total Capex  
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities  
Enterprise Value

**Denominator**

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill  
Amortization  
Shareholders' Equity  
Sales  
N/A  
N/A

**Denominator**

Net Income  
Depreciation  
Pre-Tax Income  
Total Equity  
Interest Expense

**Denominator**

Diluted Earnings Per Share (Basis As Specified)  
Shareholders' Equity / Current Basic Shares  
Current Share Price  
Market Cap = Current Share Price × Current Basic Shares  
Sales  
  
Basic EBIT + Depreciation + Amortization

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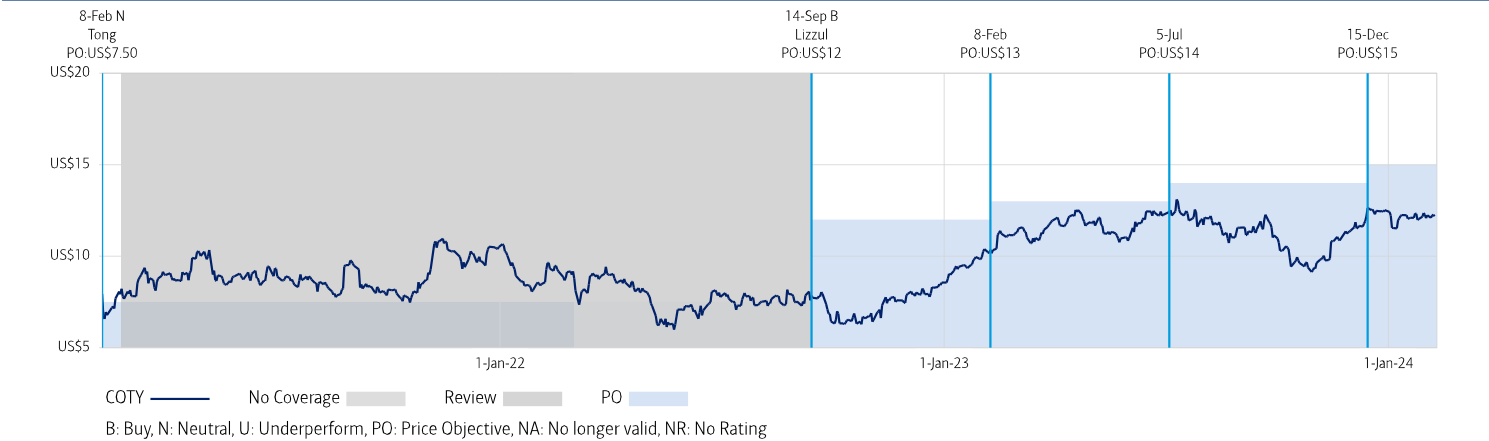
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Coty Inc. (COTY) Price Chart



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Equity Investment Rating Distribution: Consumer Products Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	32	50.00%	Buy	16	50.00%
Hold	19	29.69%	Hold	8	42.11%
Sell	13	20.31%	Sell	7	53.85%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

<sup>R1</sup> Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster <sup>R2</sup>
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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