

FRAGRANCE AND PERSONAL CARE

Coty becomes number one fragrance group with P&G merger

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Stella McCartney's Pop campaign

By STAFF REPORTS

Procter & Gamble has completed the transfer of its specialty beauty business, including 10 of its fragrance licenses, to beauty group Coty.

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The \$12.5 billion deal brokered last July has made Coty the number three beauty company, with \$9 billion in annual revenue. The group expects the addition of P&G's fragrance, color cosmetics, hair care and styling businesses to further boost its margins.

Under new ownership

The 10 fragrance licenses that are relocating to Coty include Hugo Boss, Gucci, Lacoste, Bruno Banani, Escada, Mexx, James Bond, Gabriela Sabatini, Stella McCartney and Alexander McQueen. P&G's Dolce & Gabbana did not approve the merger before the deadline, and will not be moving with the others ([see story](#)).

With the close of this transaction, these join Coty's existing licenses for Marc Jacobs, Calvin Klein and Bottega Veneta, among others.



Alexander McQueen fragrance campaign

Coty Luxury is looking to expand its presence in the fine fragrance and skincare categories, selling across channels globally, including in travel retail.

In addition to the added luxury labels, Coty Consumer Beauty and Coty Professional Beauty are also gaining brands from P&G. With this merger, Coty takes the top spot in fragrance, and number two position in professional hair care and third in color cosmetics.

Coty anticipates that its stand-alone adjusted operating profit margins will see an additional 500 to 600 points over the next four years. This would give it margins of 19.6 percent.

By the second year following the merger, the group also projects \$1 billion in free cash flow.

"Coty is now better positioned as we aim to become, over time, a global industry leader by being a clear challenger in beauty, delighting our consumers and creating long term shareholder value," said Bart Becht, chairman of Coty's board of directors, in a brand statement. "I am confident that we now have a much improved team, structure and culture to make the vision of this merger a reality.

"I look forward to continuing to work with the new leadership team in my role as chairman to drive Coty to in-market success and profitable growth."



Gucci's Bamboo scent

As part of the merger, Camillo Pane is taking on his new role of CEO. The executive has been at Coty since 2015,

leading the group's portfolio development and innovation.

"It is my great privilege to take over the reins of leadership at such a transformational moment," Mr. Pane said.

"Today marks a new chapter in Coty's rich heritage.

"With this merger, we have brought together a powerful portfolio of much loved beauty brands and some of the world's most talented people in beauty and consumer goods," he said. "I believe this combination, together with our distinctive entrepreneurial culture, focused and lean operating structure and efficient earnings model, will enable Coty to be a challenger in the beauty industry.

"We aim to relentlessly pursue superior products and solutions, build brands that inspire and enable consumers to celebrate and liberate their own individual beauty."

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