

COTY INC.  
Form 10-Q  
May 07, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Form 10-Q  
(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2015  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

FOR THE TRANSITION PERIOD FROM TO  
COMMISSION FILE NUMBER

COTY INC.  
(Exact name of registrant as specified in its charter)  
Delaware  
(State or other jurisdiction of incorporation or  
organization)

13-3823358  
(I.R.S. Employer Identification Number)

350 Fifth Avenue, New York, NY  
(Address of principal executive offices)  
(212) 389-7300

10118  
(Zip Code)

Registrant's telephone number, including area code

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer   
Non-accelerated filer   
(Do not check if a smaller reporting company)

Accelerated filer   
Smaller reporting company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

At May 5, 2015, 98,198,818 shares of the registrant's Class A Common Stock, \$0.01 par value, and 262,088,370 shares of the registrant's Class B Common Stock, \$0.01 par value, were outstanding.

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## PART I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

## COTY INC. &amp; SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In millions, except per share data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2015	2014	2015	2014
Net revenues	\$933.8	\$1,008.7	\$3,375.7	\$3,510.1
Cost of sales	351.8	395.6	1,342.9	1,416.9
Gross profit	582.0	613.1	2,032.8	2,093.2
Selling, general and administrative expenses	445.3	543.2	1,502.4	1,662.6
Amortization expense	18.1	21.1	55.5	66.4
Restructuring costs	3.9	3.9	56.4	10.2
Asset impairment charges	—	316.9	—	316.9
Operating income (loss)	114.7	(272.0)	) 418.5	37.1
Interest expense, net	17.6	17.3	56.3	51.4
Loss on early extinguishment of debt	—	—	88.8	—
Other income, net	(0.5)	) (2.1)	) (0.2)	) (2.3)
Income (loss) before income taxes	97.6	(287.2)	) 273.6	(12.0)
Provision (benefit) for income taxes	15.4	(40.5)	) 39.8	39.4
Net income (loss)	82.2	(246.7)	) 233.8	(51.4)
Net income attributable to noncontrolling interests	2.9	3.4	14.0	14.5
Net income attributable to redeemable noncontrolling interests	3.8	3.2	8.3	11.4
Net income (loss) attributable to Coty Inc.	\$75.5	\$(253.3)	) \$211.5	\$(77.3)
Net income (loss) attributable to Coty Inc. per common share:				
Basic	\$0.22	\$(0.66)	) \$0.60	\$(0.20)
Diluted	0.21	(0.66)	) 0.59	(0.20)
Weighted-average common shares outstanding:				
Basic	344.7	384.0	350.9	384.1
Diluted	354.8	384.0	360.7	384.1

See notes to Condensed Consolidated Financial Statements.

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## COTY INC. &amp; SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2015	2014	2015	2014
Net income (loss)	\$82.2	\$ (246.7	) \$233.8	\$ (51.4
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(126.8	) 0.8	(260.8	) 59.9
Net unrealized derivative gains (losses) on cash flow hedges, net of taxes of \$(0.9) and \$0.1, and \$(3.3) and \$ 0.3 during the three months and nine months ended, respectively	3.9	(0.5	) 18.5	(1.9
Pension and other post-employment benefits, net of tax of nil and \$(0.4), and \$0.1 and \$(0.2) during both the three and nine months ended, respectively	—	—	(0.2	) 0.4
Total other comprehensive (loss) income, net of tax	(122.9	) 0.3	(242.5	) 58.4
Comprehensive income (loss)	(40.7	) (246.4	) (8.7	) 7.0
Comprehensive income attributable to noncontrolling interests:				
Net income	2.9	3.4	14.0	14.5
Foreign currency translation adjustment	(0.4	) —	(1.0	) —
Total comprehensive income attributable to noncontrolling interests	2.5	3.4	13.0	14.5
Comprehensive income attributable to redeemable noncontrolling interests:				
Net income	3.8	3.2	8.3	11.4
Foreign currency translation adjustment	—	0.1	(0.3	) (0.2
Total comprehensive income attributable to redeemable noncontrolling interests	3.8	3.3	8.0	11.2
Comprehensive (loss) attributable to Coty Inc.	\$(47.0	) \$(253.1	) \$(29.7	) \$(18.7

See notes to Condensed Consolidated Financial Statements.

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COTY INC. & SUBSIDIARIES  
 CONDENSED CONSOLIDATED BALANCE SHEETS  
 (In millions, except per share data)  
 (Unaudited)

	March 31, 2015	June 30, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$1,144.1	\$1,238.0
Trade receivables—less allowances of \$16.4 and \$16.7, respectively	610.5	664.8
Inventories	513.4	617.4
Prepaid expenses and other current assets	171.5	201.2
Deferred income taxes	57.5	63.4
Total current assets	2,497.0	2,784.8
Property and equipment, net	473.6	540.3
Goodwill	1,319.5	1,342.8
Other intangible assets, net	1,740.4	1,837.1
Deferred income taxes	7.6	11.4
Other noncurrent assets	70.0	76.1
<b>TOTAL ASSETS</b>	<b>\$6,108.1</b>	<b>\$6,592.5</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$607.9	\$810.2
Accrued expenses and other current liabilities	610.8	723.6
Short-term debt and current portion of long-term debt	35.5	33.4
Income and other taxes payable	30.6	29.4
Deferred income taxes	0.4	0.7
Total current liabilities	1,285.2	1,597.3
Long-term debt	3,550.9	3,260.1
Pension and other post-employment benefits	235.1	272.5
Deferred income taxes	261.2	273.3
Other noncurrent liabilities	161.6	228.7
Total liabilities	5,494.0	5,631.9
<b>COMMITMENTS AND CONTINGENCIES (Note 16)</b>		
<b>REDEEMABLE NONCONTROLLING INTERESTS</b>	<b>85.7</b>	<b>106.2</b>
<b>EQUITY:</b>		
Preferred stock, \$0.01 par value; 20.0 shares authorized; none issued and outstanding at March 31, 2015 and June 30, 2014	—	—
Class A Common Stock, \$0.01 par value; 800.0 shares authorized, 133.1 and 125.1 issued, respectively and 82.4 and 90.2 outstanding, respectively at March 31, 2015 and June 30, 2014	1.3	1.2
Class B Common Stock, \$0.01 par value; 262.3 and 263.7 shares authorized, issued and outstanding respectively, at March 31, 2015 and June 30, 2014	2.6	2.6
Additional paid-in capital	1,921.1	1,926.9
Accumulated deficit	(214.9)	) (426.4 )
Accumulated other comprehensive loss	(326.6)	) (85.1 )
Treasury stock—at cost, shares: 50.7 at March 31, 2015 and 34.9 at June 30, 2014	(880.5)	) (575.4 )
Total Coty Inc. stockholders' equity	503.0	843.8
Noncontrolling interests	25.4	10.6

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Total equity	528.4	854.4
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	\$6,108.1	\$6,592.5

See notes to Condensed Consolidated Financial Statements.

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COTY INC. & SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF EQUITY AND  
 REDEEMABLE NONCONTROLLING INTERESTS

For the Nine Months Ended March 31, 2015

(In millions, except per share data)

(Unaudited)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Accumulated (Deficit)	Accumulated Other Comprehensive (Loss)	Treasury Stock	Total Coty Inc. Stockholders' Equity	Noncontrolling Interest	Controlling Interest	Redeemable Noncontrolling Interests			
	Shares	Amount	Shares	Amount	Capital	Deficit	(Loss)	Shares	Amount	Equity	Interest	Equity	Interests
BALANCE—July 1, 2014	125.1	\$1.2	263.7	\$2.6	\$1,926.9	\$(426.4)	\$(85.1)	34.9	\$(575.4)	\$843.8	\$10.6	\$854.4	\$106.2
Conversion of Class B to Class A Common Stock	1.4	—	(1.4)	—	—	—	—	—	—	—	—	—	—
Purchase of Class A Common Stock	—	—	—	—	—	—	—	—	—	—	—	—	—