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The Future of Coty

Coty's future remains uncertain as the company explores potential sell-offs of its luxury and consumer divisions.

BY **KATHRYN HOPKINS** AND **JENNIFER WEIL**

The future of Coty is certainly one to watch for the remainder of the year.

As previously reported in June, a number of sources told WWD that Coty, jointly listed in New York and Paris, is exploring a potential sell-off in two parts. That would involve its Luxury division, counting brands such as Gucci, Burberry, Jil Sander and Hugo Boss, and its Consumer division, with mass brands including Covergirl, Max Factor and Rimmel London.

For Coty's luxury business, sources have said that the company is in talks with Interparfums, although they speculated that Interparfums would want only some of the fragrance brands – namely Burberry and Hugo Boss.

Burberry Goddess, released in 2023, remains Coty's biggest launch ever, while Hugo Boss became the number-two men's fragrance franchise in Europe in the second half of last year.

For this reason it's been speculated by a source that a potential deal for Coty's fragrance business could come in the form of a strategic partnership or merger, versus an outright acquisition.

Interparfums is said to have already made an offer to Coty for the Burberry license, which Interparfums previously held through end-2023.

It's understood that talks are still underway, but that the situation is in flux as the brands would need to agree to a deal, which might prove to be a sticking point.

Then there's the question of the blockbuster Gucci fragrance license, which was long assumed would go to Gucci's parent company Kering once the license expires.

That license was inked for 50 years, according to WWD archives, which would make the expiration year be 2028. Coty chief executive officer Sue Nabi also hinted at that date when she told journalists in July 2023 that there would be no discussion of the renewal of any of Coty's licenses for at least another five years.

More recently, however, multiple sources have speculated that Kering's current financial struggles, driven by the Gucci brand, could mean the French luxury group might not want to take back the license as originally planned – at least not right away – and that could also impact Coty's plans.

Kering is ramping up its cost-cutting efforts to curb debt as its prepares to welcome Luco de Meo, the group's new CEO, who has a "cost killer" reputation with a specialty in turning around ailing companies.

Sources have told WWD the cost to Kering to bring Gucci beauty in-house would run into the tens of millions of dollars.

"There are lots of balls in the air," said one source.

For the mass market, sources say Coty continues to search for a buyer for its Consumer division in Asia. That division has been facing challenges for numerous reasons. Mass market brands are increasingly up against competition from direct-to-consumer contenders, and investors often don't see mass brands as appealing as their luxury counterparts from a valuation standpoint, for instance.

Coty reported a net loss of $72.1 million in its fourth quarter. The adjusted EPS loss was 5 cents a share, below forecasts for a 1 cent profit.

Net revenue was $1.25 billion in the fourth quarter ended June 30, down 8 percent year-over-year, but above Wall Street forecasts.

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Emma Mackey in the campaign for Burberry's fragrance, Goddess.