

REFINITIV STREETEVENTS

# EDITED TRANSCRIPT

L'Oreal SA at Deutsche Bank dbAccess Global Consumer Conference

EVENT DATE/TIME: JUNE 04, 2024 / 12:00PM GMT

## CORPORATE PARTICIPANTS

**Nicolas Hieronimus** *L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director*

## CONFERENCE CALL PARTICIPANTS

**Tom Skyes** *Deutsche Bank - Analyst*

## PRESENTATION

**Tom Skyes** *Deutsche Bank - Analyst*

Morning, everybody. We'll start the session now. And it's my great pleasure to welcome and introduce into the conference, Nicolas Hieronimus, obviously Group CEO; Christophe Babule, Group CFO. We'll have the presentation and then some time for some Q&A at the end. Nicolas, over to you.

---

**Nicolas Hieronimus** *L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director*

Good morning, everyone. Seems that there's a lot of traffic in Paris or from the other room to here.

More than happy to be with you to tell you or to give you a few news about L'Oreal about the beauty market. And as always, we like to start with, and it's a reminder of who we are in a video. So that's I think the best way to start hearing about duty and about the L'Oreal Group. (music playing)

So that's a good introduction of L'Oreal and I'm going to begin with the first part (technical difficulty) I'm going to explain how we are reinforcing our leadership in beauty, some of the numbers in the video, we are a EUR41.2 billion company, EUR6.1 billion profit, over EUR7 billion units sold in the world across 37 brands as you will see in a minute.

We have presented over 150 countries, (technical difficulty) employees and a bit more since we acquired a ease at of the 4,000 employees and a market capitalization of around EUR240 billion. We are by far the worldwide number one in beauty, as you can see here, this is the [WWDI] ranking for 2023. So as you can see, we are bigger than the number two and three combined, and you could almost add number four.

So it's a strong leadership that has been increasing year-after-year. But as you will hear, we feel there's still a lot of potential for us to both increase our leadership and gain market share. Although more as we are number one, we have four divisions, as you know, our mass luxury, demo and professional, and we are worldwide number one in three out of four.

Actually, I had made that presentation last year, which I did. We were number one in only two divisions, Demo and Professional. Luxury was number two, and it has become after 30 years of consecutive overperformance, number one ahead of Estée Lauder, whereas in mass market, we are still number two after Unilever and ahead of PNG.

So it's not a grand slam yet. So you can imagine what I'm telling my math, mass leader. They want to be on the podium and the higher lots of the podium like the other guys. We've been outperforming the

beauty market very regularly over the last couple of years or I think for many, many years, and we've increased that over performance in the last during the crisis and right after the crisis and now we are worldwide leaders with a market share of approximately 15%.

And we continue with a strong momentum. As you know, our first quarter was at 9.4% growth. The real growth because, we had to forward some orders because of some IT changes in Canada and the US, which benefited our professional division mostly, but so I would say our real like-for-like growth is more in the 8.1% growth and 9%, but on still have above the market that is estimated at plus 6% after three months. So which remains pretty dynamic.

We continue to grow both in volume and value. So it's one-third units and two thirds value for the first quarter, which confirms that of course, we continue to premiumize to valorize and to create more to fuel our gross margin, but at the same time, we continue to recruit new consumers, which is, of course what we aim for, if we want to increase our market share.

Our sales per category is pre-direct all over. I mean, only skincare is not double digit, and it's mainly impacted by the lackluster Chinese market, where skin care is the most important category and we'll talk about regions in minutes. And all our divisions are growing. And again, here you have a stronger China and travel retail effect on luxury.

So double digit for three out of four categories, mass market plus 11 or plus 22, and the professional plus at 11 with a bit of help from there forwards invoices. So they're closer to about a bit above six for Lux, it's plus 1.8. But if you exclude travel retail Asia, where we are, as you know, getting a more healthy situation was the Daigo crackdown is around 6% growth.

So it's pretty consistent with the market. Our sales by region, again shows the, I think, the power of our multiple model because, you still have an (inaudible) slightly negative with a flattish Chinese market, a very positive Korea and Japan and a very negative travel retail (technical difficulty), where everybody is destocking.

But on the other hand, you see that for the other four regions are growing double digits. You're up (inaudible) North America [12/3] and emerging market, both at [16] continuing to contribute in a very significant manner to L'Oreal's grocery, again, the power of this multi-partner model.

So if I talk about the L'Oreal model, I'm going to dive a little bit more into it, although many of you are long-time investors in L'Oreal's. So there might be lots of things, you know, but I think it's important to remind a few things.

First of all, we do only beauty and we found this chart interesting because, when you see both our size in beauty and you see us compared to other groups that are potentially bigger in size than we are, but for whom beauty is just one of their activities and sometimes a minor one. And I think beauty is really a domain in the markets, which is very unique, and you'll see that in second and for us, it's been a

REFINITIV STREETEVENTS | [www.refinitiv.com](http://www.refinitiv.com) | [Contact Us](#)

dedication for 115 years, it's a 115 anniversary this year.

The 115 years of research with accumulation of knowledge and data. As you can imagine, it's 115 years of consumer knowledge, I would say consumers knowledge because, consumers in beauty are very different from one part of the world to another from one area to another. And it's been 115 years of creativity because, as you often hear Beauty's and offer driven market. So it's about creating desires for consumers.

Beauty is a fantastic market to be in and many people want to join because, it's, if you except the the COVID the years, it's been a continuous growth over history and it's the markets more than doubled, as you can see on the screen and it's because, beauty is truly an essential human need. And it's something we reminds a lot.

You'll hear me lot saying this because for me, it's very important that everybody, of course, partners, retailers, investors, but also regulators understand the importance of beauty and that it's an industry that has to be protected. And you here have an example of a recent campaign which started with the New York Times, which is really about explaining the value of beauty, both for people's psyche, as well as for business.

And I think it's a very important part of the why this beauty market is consistently growing, it's because people need it and they currently, if there's no civilisation that have thrive without beauty. It's a growing market, but it's a changing market. And again, that's why being a specialist is very important. This chart shows over a few years what categories were driving the beauty market growth.

And it's interesting to see that in the (inaudible) 14, 15 period, there was a huge acceleration of makeup that was mainly driven by the explosion of selfies and social network. Then you have the skincare taking over and skincare remains always very dynamic and what we see, right (technical difficulty) after COVID, which was kind of an expected to some extent was a strong acceleration of hair.

And that was, of course, accelerated also by the fact that the world population is getting more racially mixed and so there are more curly, long hair that are more demanding in terms of products. But also you see the incredible acceleration of fragrance. So beauty is always growing, but within beauty, there are moving parts.

And even within beauty, if you take a category like makeup, you will see that makeup trends change. There was no makeup makeup or the nude makeup in '20 and they return to glamour in '21, right after COVID. Then again, new it was a euphoria played a role in influencing young teenagers on this nostalgia feel.

And now there's a lot of self expression where everybody's trying to express their individuality. So again, that's a sub category makeup. And then this makeup, you have trends that change over time. But beyond that, it's not just about trends in not years it's about places in the world.

REFINITIV STREETEVENTS | [www.refinitiv.com](http://www.refinitiv.com) | [Contact Us](#)

If I look at the world of lipstick today, and I'm not here to make a lecture on lipstick. What's interesting is that when in Asia, women want matte lipstick was moisturizing textures. In the Western world they want shine. And within shine in America, there's a crazy about lip oils, whereas in Europe, it's small in balms and shines

And this capacity to understand the various specificities of this market and this changes and the uniqueness, I wouldn't say it's an art, but it requires focus, experience, and that's why being somebody who does only beauty, but all our beauty is this very strong competitive advantage for L'Oreal in that market versus groups that might be more diverse and work in other categories.

So we do all categories. As you know, skincare is our biggest one. Fragrance has accelerated and hair and makeup are two and three. And we play these categories in four divisions that are very complementary. Of course, in terms of price points, because mass market, sales product at EUR3 when luxury and [sell cream] EUR400 that allows us to speak to about everyone on the planet of distribution channel, even though those are blurred or not.

But in terms of mission and typically, if I take consumer products their mission is really what we call to democratize and premiumize. So their mission within L'Oreal is to recruit as many consumers as they can. And of course, they can do it because, they have shampoos and categories that speak to everyone. But the premiumize at the same time because, they are here to fuel our gross margin model and that allows them to be the number one division in the group with a pretty decent operating margin.

And they are our number one asset too (technical difficulty) concurrent markets and emerging markets are, of course, probably the where the CPD, as we call it, is going to be our number one. Conquest Weapon and you can see here few examples of Garnier, which is the number one brand in Indonesia and CPD is really making very strong inroads in emerging markets.

And of course, they always try to that's why the premiumization plays a role. They are trying to take the categories up and they bring magic to retail. So that's typically the type of things we do. It looks almost like a 3D gen-AI created a fixture, but it's something we do. We've done with one of our partners in an emerging market.

Luxury, well as the number one luxury beauty player, almost the same size, bit more profitable. And again, you could see well, luxury is one thing. But here we make sure that's where acquisition policy plays a role that we play on all facets of luxury from (technical difficulty) brands like (inaudible) to Timeless Luxury like Lancome or (inaudible) a bit more trendier like Aesop.

And that, again allows us to speak to all the beauty lovers and luxury lovers around the world, both in stores and online, whether it's on our D2C or [in a] zone, where we've opened Lancome in the US last year and [Kiehl's] very recently, that's really a way for us to provide a luxury experience online and offline as all types of brand.

Our fastest-growing division, as you know, for years have been dermatological beauty. Answering consumers' quest for health, EUR6.4 billion then this division has more than doubled in a couple of years. You see the great success story here. It's really the sort of thing on the worldwide trend. Of course, we've got great brands for that we survey with LaRochePosay, Vichy and a few others adding 100 million consumers every year, adding EUR1 billion. (technical difficulty)

We are in the last three to four years. But more importantly, this division thrives on a very deep and strong and long build relationship with doctors and that's why our medical leadership, our ability to speak to almost 300,000 health care specialists on a daily basis, dermatologies, but also GPs, the pediatricians is the what makes this market's, not totally protected mode, but a very hard market to conquer because, you just can't declare yourself a dumb brand, you have to build this over the years.

And our fourth division, as you know, is this is where we were born. It's the Professional Products division. Starting with stylists, EUR4.6 billion, but continuing to serve stylists. So we have this brand and our brands and around 400,000 salons and but also work because, there are more and more independent stylists. So 3 million independent stylists in the world.

But for me, the secret recipe and the acceleration of this division's that next to our stylist space, which continue to educate and create products for. We have become omnichannel because, as I said, there is this incredible appetite for premium hair care products like hair styles, all around professional, and that's truly accelerated the growth of this division and has not alienated stylist around the world because, whilst going omni-channel, we have cleared most of the, I would say, the green market places that existed around the world.

So in reality for a stylist is less, I would say, dirty competition and more elevated one. So they're pretty happy with this. So as you can see, we play on many different fronts. That's why we have, I think, the best brand portfolio in the industry and we keep on building it year-after-year. As I said, we were created 115 years ago, and we created three brands within L'oreal, L'Oreal Paris and L'Oreal professional.

So L'Oreal Professional was 115 years ago. (inaudible) was in 1964, and that was created by the L'Oréal teams. And since then, I think it's been a proven model to acquire brands to bring scientific and our R&D's expertise to this brand, I mean globalize them, leveraging our global footprint and creating a roster of, where I think we have 12 billion of brands right now, billionaire in euros.

And these are brands that we've expanded globally as we've done with (inaudible), which leads me to the because, often get that question is how do you choose an acquisition well, because everybody comes to us to some extent, either to sell to us or to get the price up for other bidders. So it's always going to be there, and of course, we analyze the brands and I wouldn't say we are to the mistake proof.

But globally, we are looking for complementarity and that's where the site is understanding that beauty is cultural that there are differences from one country to another that you need different price points

and categories is very important. So when we see a gap, we try to fill it. And of course, we need to, we are buying growth. So we very rarely buy brands that are not on a very dynamic rhythm.

So last two examples. Survey that's really a brand that we grew tenfold in five years and it's probably one of our best records because, it's been and it continues to grow very fast, nice, getting closer and closer to EUR2 billion. So we are pushing for this brand to continue to strive, and it's really carried by a lot of strong consumer demand and great terms appreciation and we have ease up that we just acquired.

(technical difficulty) is a really a very different brand from a traditional luxury brands. It's probably the trendier and a bit more on this wellness trend that we see driving around the world, which we are going to be developing, particularly in Asia and in China, where we've already moved from a couple of stores when it was acquired to six now.

So we are beginning to roll it out. So multiple brands, which allows us to cover the whole market. And of course, a very wide multiple of footprint, which already discussed. But this, in this world that's getting, both crazier and more fragmented having this different market sizes, which, as you can see, are very balanced the small parts.

Smallest part is also the biggest potential, our emerging market at 15% of our business and already 25% of our growth. This allows us to adapt to the changing winds and conditions of the market. And to truly put (technical difficulty) what is I think one of the strengths of L'Oreal, it's our agility and I think the agility is really part of our success secrets.

If I may say, it's embedded in the L'Oreal culture from the very beginning. We push people to be entrepreneurs to take risks, sometimes to be a bit rogue. But we make sure that in the end, they fit within the strategy and its agility everywhere. It's not just marketers. It's in the R&I we have 4,000 scientists, but they are split on 20 research centers, which are scattered all around the world in Japan, America, South Africa, Brazil and so on and so forth.

So that allows us to have champion consumers in every part of the world and create products for them that are adapted to the local needs and specificities, and we've evolved this to R&D was obviously to be even more agile and to make sure we do not miss any innovation opportunity. We have multiplied external partnerships, either investing in this company through our corporate venture or just signing deals with standard that allows us to really, again, accelerate on innovation with a lot of agility.

This agility is also very important in operations and that sort of helped us during the crisis and will help us in the future. We have 37 production sites around the world which gives us the flexibility to basically produce survey wherever we need to serve consumers and of course, strong distribution centers.

And finally, agility. We used at our financial results and image Christophe Babule and myself in the cockpit of a plane. So we won't flip this to you again, but our ways of working. We have this cockpit where, three of us work on a monthly basis to make sure we constantly reallocate resources to where

REFINITIV STREETEVENTS | [www.refinitiv.com](http://www.refinitiv.com) | [Contact Us](#)

you get the better traction.

And as the world is changing very rapidly, I think that's very, very important and allows us always to pull back on our feet when there is a change effect. So if you talk a little bit about the future, we're very confidence because, the market will continue to grow. As we said, that this year would be around 5% was slightly above on Q1.

And I think, as you know, the effect of price increases will ease out. It will normalize a bit on the second part of the year. So five things, like, I would say, a good bet. So continued market growth. We have market share. We have market share opportunities all over the world, even in Europe, we have 20%, but it's with a France of 25% and a few other countries, slightly below.

So we know that beyond the emerging, beyond China, where we had 16%. We have market share opportunities everywhere, including in China, including in North America and even in France with (technical difficulty) to gain share. But clearly, the biggest opportunity, as it's obvious on this chart, are emerging markets growing it with classes with 250 million people that would reach the consumer base, just India and Indonesia alone by 2030.

And as I say, (technical difficulty) they're younger, they're very tech savvy to shop online they look at our brands online. So for us, it's much easier to reach them and sell to them that it was 10 years ago, 5 years ago. So it's really a major card in our game. And as I said, I was under stating the contribution to growth of emerging at 30% in Q1 for 15% of contribution to sales.

So emerging markets, a big priority for us. It's a mass-market game, but it's also a dermatological beauty game because, also (inaudible), acne, a skin issues. So that's great for this division. There's always a question about China, and we're asked whether what's China is an (technical difficulty). The market remains very difficult right now.

When I say difficult, it's flat. So there are spikes of one week or one month to another, which and then it evens out. So no big news there. But we managed to continue to grow and to outperform, which is what we did in Q1 and I hope we will continue to do it in Q2. But midterm and long-term, we continue to bet a lot on China because, if you look at China as a lot of untapped potential are today are addressable targets.

So people who have enough money to buy our brands, our 400 million people. We know we only sell, I mean at least in a measured way to EUR100 million. And we, as you can see, our market shares in Tier two and three cities and four and five is very much lower than in Tier one. So the name of the game for us is mainly through digital, but also through brick and mortar to go and conquer shipment market share beyond Tier two (technical difficulty) Tier one cities.

Another growth opportunity for the group are boomers. We are lucky to be in a category that you continue to use and sometimes you need even more when you grow older. So you see the numbers on

REFINITIV STREETEVENTS | [www.refinitiv.com](http://www.refinitiv.com) | [Contact Us](#)



the chart, and we are clearly making sure that our brands that have been recruiting people from their very young age, continue to sell to them and to create specific products for boomers as we do for (inaudible) are 100 million people more by 2030.

And of course, they buy more categories than before. They're more involved in skin care than ever because, they see the impact of environment on their skin and the area represent 12% of beauty spending. So there, they are a great target for us because, then we can loyalize them. There's one caveat, though, maybe because, it's something that's been a topic of discussion for the last couple of weeks. Is (technical difficulty) this brands or retailers that target very, very young kids like 10 years old, 12 years old, twins and we've made it as part of our policy to not to go specifically after this group of consumers unless for products that are really necessary for their house like a sunscreen on the beach.

But we don't do that. By the way, our kids brand media campaign, which I love and I posted on it because, I think it's kind of cool and it's a nice way to, as you see a 12 years old wanted to buy anti-aging creams or wanted to go into surgery. We may campaign to say, guys, kids should be kids and ice cream is better than anti-aging cream, and it's something we implement beyond the campaigns in terms of our choice of influencers, the way we market our products.

They'll be a time whether they're old enough to buy our brands, which we're not making them as specific (technical difficulty) target. Men are a great growth opportunity, and that's one, by the way of the secrets behind the success of dermatological beauty because, this is the most unisex category of products. It's very gender neutral packaging formulas, no fragrance. So it's very different from buying a local cream and of course, we are growing in fragrance.

Finally, you have confidence in our financial strength, which is illustrated in our famous virtual circle. We have very high gross margin, which allows us every time to top line growth, which is our priority to invest both in INP and to deliver financial performance for our shareholders. We've been doing it, if you take the numbers between [29 and 23,] as you can see, a very strong growth, 38% growth on top line of four years, 90 basis points of gross profit expansion 160 basis points away (technical difficulty) and 120 basis points of profit.

So we continue to fuel the model to nurture the growth, whilst delivering profit with a very strong financial situation. Our leverage is at 0.5 times. So very, very, I would say, decent, if I may say, and to continue to support our our dividend policy with a 10% increase of dividend versus the previous year, plus a loyalty bonus of dividends.

So, if you can look at the comparative performance with versus the cache, L'Oreal has been has proven to be a good stock over the years. To conclude a little worried about the future. We continue to invest in RNI every year. It's, we make it 3% of our business, but as you can see, it has doubled on this chart and that fuels our capacity to offer innovative products for consumers as the chart, where I was talking about (technical difficulty) from EUR680 to EUR1.2 billion.

We constantly bring ground breaking innovations to the market. You know, this might look like a cream, a shampoo and a lipstick, but every single one of them is a truly innovative breakthrough product that makes a difference for consumers, and that's why they buy a premium for them. We have invested a lot in beauty tech versus a little image of our intervention with (inaudible) CS in Las Vegas, where we did present a number of tech innovations and showing our leadership in beauty tech.

And we use tech at all levels of the company. Gen-AI has become an incredible way to boost the creativity of our market shares, even though we don't use Gen-AI's to create advertising images to sell beauty. (inaudible) sell think beauty was real product, but we use it to for back shots.

For example, for inspiration, we use AI and tech (technical difficulty)boost our GT and ANP. You are familiar with this better IQ program that we have started to help us allocate with the best ROI all INP, which gives a good improvement of 10% to 15% to the productivity or INP. And we're just beginning to roll it out, should reach around 60% of our ANP at the end of this year.

We use beauty tech to give personalized recommendations to consumers. We are introducing this spring gen-AI powered, Chatbud, but smaller than Chatbud. So real conversation with consumers to help them make their choice in the jungle of products, and that's extremely helpful.

We presented again at Viva Tech. We are venturing into a tools with this Allied Pro, which is a new head dryer that is both more saves energy, protects the hair and saves time to dry. So I think it should be a good (technical difficulty) success and tech allows us also to transform ourself into our sustainability route. We have very strong commitments as it relates to CO2 emissions and we stick to it.

We measure every year, some are harder to achieve than others. But we got the Triple (inaudible) CDP, for the eighth year in a row this year, only company in the world. And we've submitted, unlike some of our competitors, a new trajectory to science, bet to SVTI that was validated to reach net zero, probably not a walk in the park, but the whole company is determined to make the transformations that are necessary to achieve that goal.

So to finish and to conclude, and I'm sorry about the timing for questions, but I'll extend a bit if necessary. In summary, I would like to say about L'Oreal is that we have. There's no other company like that because, yes, we are a pure player in beauty, that's true. There are at least one or two others. We're also a luxury company with (technical difficulty) division dedicated to luxury.

We have become a more and more medical company, where the importance of science and research is playing all its role. We are, of course, an FMCG company that allows us to speak to everyone and especially in times of inflation. And we are becoming a beauty tech company. So that allows us, I think, to play on many front and hopefully to continue to create value for our investors and to create this beauty that moves the world. Thank you.

## QUESTIONS AND ANSWERS

**Tom Skyes Deutsche Bank - Analyst**

Thank you very much, Nicola, and we will open up to questions. But maybe, if I could just start with one. You mentioned the overall beauty market growth is the growth of the beauty market matching your expectations that you had at the beginning of the year?

---

**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**  
Yes.

---

**Tom Skyes Deutsche Bank - Analyst**

And maybe could you make some comments about China and how quickly you think that may recover?

---

**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**  
Well, first of all, (technical difficulty) overall, the beauty market is indeed hitting the growth rhythm that we're expecting. We said four or five. And right now we're at six. I think five remains a good bet as I said. Clearly, it's not as always unfolding exactly how we expected.

China remains very, very stable. So there right now in the middle of [518], but it's very hard to compare because, before it was very concentrated on a couple of days. Now it's extended on over a month. So I don't know, I'm not, it's growing, but so online is growing right now. Offline is negative.

The overall picture of the Chinese market is right now it's stable. The US market has slowed down a little bit, particularly in makeup. Europe remains extremely dynamic. Emerging market where we have a low share remains a very dynamic. So overall EBIT, as (technical difficulty) explain, it doesn't really happen as exactly as we planned it at the beginning of the year. But it happens and our footprint allows us to seize all the growth opportunities.

---

**Tom Skyes Deutsche Bank - Analyst**

And when you look at the footprint in China and how you capture the spend aggregate spend between the entire ecosystem of Mainland, Hainan and other travel retail offshore, et cetera? And how do you see that evolve in terms of the channels?

---

**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**  
Well, right now, if we take things in order. So what's flattish right now with a few spikes is the Chinese market. And I believe it's going to continue to grow because, as to change consumer gained more confidence in their future. We know they love beauty and we see it every festival there is appetite for beauty.

So and looking ahead in terms of (technical difficulty) middle classes, I think China will accelerate. I don't see a major acceleration this year. Hainan is a bit disappointing. So we've, as you know, we have many

brands have cleared their inventory, but Hainan is a bit disappointing because, there's a lot of tourists. But the conversion into sales is a bit lower than what we expected, at least in beauty, maybe by other categories.

But on the other hand, we see Japan, Hong Kong are way more dynamic than we expected, probably because, some of the [Digos] has moved around. But so overall, the Chinese ecosystem is in line, I would say with this careful scenarios that we had, we had [puds]. But looking ahead, I think that's as the market normalizes, we will have, we'll see growth in the market.

And what's most important is that we continue to grow. We continue to gain share, whether on luxury or demo is right (technical difficulty). I was dermatological beauty was a bit behind China, the channels and the I would say that consumer's appetite was a bit less into this type of products, more into more glamorous things.

And now probably after COVID, again, the quest for health is more important. So we see these brands are getting traction. So overall, I'm confident with the overall Chinese ecosystem. But it will be, we're hoping for a big rebound after COVID, it's going to be more a slow burn.

---

**Tom Skyes Deutsche Bank - Analyst**

(technical difficulty) of emerging markets is obviously being very strong. Do you get the same operating leverage? Is it the same sort of profitable growth that you see elsewhere?

---

**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**

Yes. Well, we, I think one of the, what's Magic with the emerging market is that this growth is coming at a time, where you have this young generations that has entered the middle classes, that has money to work. There's more and more women that work, which is for us a criteria we look at the percentage of women at work.

And there is money, it's middle classes and now they have access to our brands through digital. And that's, that allows us because, overall e-commerce is a bit accretive versus brick and mortar. So the fact that our growth is overweighted in, on digital in these parts of the world can balances out the fact that we start from a lower base.

So I think in terms of, we managed to have truly profitable growth in these regions, still overall a bit dilutive, but very close to two countries like China and others. So it's very promising.

---

**Tom Skyes Deutsche Bank - Analyst**

Thank you. And we've had some comments on different growth rates between higher-income consumers, (inaudible). Having consumers and lower-income and (technical difficulty). Is that something that you've seen an increasing disparity or not?

---

**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**

REFINITIV STREETEVENTS | [www.refinitiv.com](http://www.refinitiv.com) | [Contact Us](#)

Not really, frankly, because, we see both, if I take our region (inaudible) region. So it's South Asia, Pacific, Middle East, North Africa. We see both a very strong growth of CPV, and we see that for CPD we have increased new smaller format, so that the out of pocket remains affordable, even from the beginning of the middle classes.

But we see that on the other side, we see that our luxury brands are exploding, that fragrance consumption is also growing very fast there on a much lower base, proportionally, it's more of a mass market. But it's a market that premiumize at every level. (inaudible) is doing fantastic in South Asia. So I think overall, we managed to create this profitable growth.

---

**Tom Skyes Deutsche Bank - Analyst**

And I think you're probably one of the companies people expect to see the earliest gains from AI in some of our coverage and is that something that we'll be able to see tangible gains this year and next year?

---

**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**

Well, first of all, you're not seeing it, but there is, there are already many tangible gains from AI would have been using now for many years. I think about research, for example, operations is not Gen-AI, but today our researchers are powered by AI in order to formulate faster and particularly when you take when once about reformulation because, of course, we have to create new products.

But in a changing environment and regulation well, where you have to create green formulas and replacing regions that are bit less good for the environment. It's hard to just to do it manually, if I may say. When (technical difficulty) your health by AI go much faster. So we have a, for example, tool that's called Fast Color that allows to reformulate hair color, which is the most complicated of all categories.

Supply chain benefits from it. But it's true that moving ahead, we will see even more benefits. I mentioned two examples in my presentation. One is content creation and the other one is A&P allocation, which both are very linked. Content creation, when in a world where consumers discover our products on a multiplication of social networks from TikTok to a Snapchat, Instagram, et cetera, which are local sometimes and where consumers are relevant and always different content.

It goes so much faster. I showed an example. You put a bundle of care size. You put it on the Eiffel Tower, on the Taj Mahal house, next to Piccadilly Circus, et cetera. This is done in a snap and suddenly you've got (technical difficulty) content for each country that is relevant, that is on brand codes and that's done at a very limited cost.

So you gain speed and costs. So we are beginning with this technology and I think it will show a great at both again agility, speed and savings. And on A&P allocation, as I mentioned, we've been working for a few years now on training that algorithm that helps us allocate our A&P's, and we've tested in pylosing in a few countries.

And now we're beginning the rollout because, the results are really great. As I said, it's 10% to 15%

REFINITIV STREETEVENTS | [www.refinitiv.com](http://www.refinitiv.com) | [Contact Us](#)

improvement on productivity of INP, it can go higher, but then doesn't happen every time because, after a while, where you should be in terms of efficacy. So it delivers and more importantly, the teams use it because, one of the fears I (technical difficulty) that given market share has thrived during his career on being the experts on how to engage consumers and create the best campaigns.

We could have been afraid that they see the machine as a competitor and something that diminishes their importance. And I mean, it's become so complex that when I started that they're very happy to use it and actually they're requesting the rollouts to accelerate. So we'll do what we can as I said, probably 60% of our A&P will be covered by the end of the year.

So it's more two, three years progress. I think by the end of 2025 will cover 100%, either directly or by we're producing what the countries are showing and that's going to be delivering value. So that's for me a way because, as you could see, we've increased a lots RNPs over the years that has fueled our growth models, have absolutely no regrets on the contrary for the strategy.

But we think we can continue to increase the absolute value of A&P. And either stabilize or even lower the percentage points in the P&L, which in the end is potentially good for profits of fueling new brands, but as always, we'll do the best of both.

---

**Tom Skyes Deutsche Bank - Analyst**

And then we're very tight on time. But if I can ask one more question, the importance of Amazon beauty going forward (inaudible) staged long, come on the premium beauty section, you're putting scales on how important do you see Amazon beauty going forward?

---

**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**

While, I think it's very, very important because, it's a way to reach consumers that are premium consumers. I think everybody here in the room uses Amazon. Have no doubt that there's, even I use a bit from (technical difficulty) would be resistant because, I was also resistant for my brands because, I really wanted to make sure that the way the brands we're exposed was really up to what we expect, particularly for luxury brands.

And they've really worked hard at convincing us and we've really worked together as a very strong partnership and now frankly, the way Lancome is expressed in on Amazon is as good as on our own D2C, and we constantly work on improving it. And we know it reaches consumers that were either not buying the brand or that we're buying the brands on what I would call an unofficial channels, including on Amazon because, in the end, we all knew that most of the brands we didn't want to give to Amazon were on Amazon's resold by other vendors.

So now in this partnership, we managed to clean this and we clean the marketplace. We improve the brand image. And overall, (technical difficulty) it makes both of us very happy because, I think they make more margin with us than we're delighted with this directive center. The guarantee quality and authenticity to their consumers and we can reach people that love our brands.

REFINITIV STREETEVENTS | [www.refinitiv.com](http://www.refinitiv.com) | [Contact Us](#)

And typically on a brand like Lancome, who has always been struggling a little bit in the SFR,(inaudible) brand for teenagers. Non-core makeup has really is having a new use, if I may say so by being present Amazon, because, then its power and cloud expresses itself. So it will be an important player, as long as, as always, the way the brand is treated is respectful of its strategy and of its equity.

---

**Tom Skyes *Deutsche Bank - Analyst***

Okay. Well, we've run over time. Thank you very much indeed for allocating a bit more of your time today. And thank you very much, everybody, for joining the session as well.

---

**Nicolas Hieronimus *L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director***

Thank you very much.

---

**DISCLAIMER**

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes

In the conference calls upon which Event Briefs are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT BRIEFS REFLECTS REFINITIV'S SUBJECTIVE CONDENSED PARAPHRASE OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT BRIEF. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024 Refinitiv. All Rights Reserved.