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CORPORATE PARTICIPANTS

Alexis Perakis-Valat *L'Oréal S.A. - President of Consumer Products Division*
Christophe Babule *L'Oréal S.A. - Executive VP & CFO*
Cyril Chapuy *L'Oréal S.A. - President of L'Oréal Luxe*
Myriam Cohen-Welgryn *L'Oréal S.A. - President of L'Oréal Dermatological Beauty*
Nicolas Hieronimus *L'Oréal S.A. - CEO & Director*
Omar Hajeri *L'Oréal S.A. - President of the Professional Products Division*

CONFERENCE CALL PARTICIPANTS

Bruno Monteyne *Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst*
Celine A.H. Pannuti *JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst*
Emma Letheren *RBC Capital Markets, Research Division - Analyst*
Guillaume Gerard Vincent Delmas *UBS Investment Bank, Research Division - Analyst*
Iain Edward Simpson *Barclays Bank PLC, Research Division - Analyst*
Jean-Olivier Nicolai *Goldman Sachs Group, Inc., Research Division - Equity Analyst*
Jeremy David Fialko *HSBC, Research Division - Head of Consumer Staples Research of Europe*
Rogerio Fujimori *Stifel, Nicolaus & Company, Incorporated, Research Division - Director & Analyst*
Thomas Richard Sykes *Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research*
Julia Damian *Le Monde -*

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PRESENTATION

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Well, good morning, everyone, and welcome to this 2023 Annual Results presentation. Christophe Babule, our CFO, will kick off with the presentation of the financial statements, some highlights on our corporate responsibility program. Then each head of division will summarize the 2023 key points of his or her division as well as the prospects for 2024. So we'll start with Alexis Perakis-Valat, President of the Consumer Division; then Omar Hajeri, President of the Professional Division; Cyril Chapuy, President of L'Oréal Luxe; and Myriam Cohen-Welgryn, President of the Dermatological Beauty division. And I will conclude this first part of the conference and share with you, hopefully, my confidence for the future. We'll then move to the Q&A session, which we expect to last about 40 minutes. And finally, I draw your attention on the disclaimer that is now on the screen.

So let's start with the awaited Christophe Babule presentation. Christophe?

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
Ladies and gentlemen, good morning. 2023 was a record year for L'Oréal, a year that demonstrated the power of our multipolar model and the virtue of our P&L. My personal highlights were the double-digit

like-for-like growth of 11%; the gross margin of 73.9%, up 150 basis points; the operating profit margin at 19.8%, up 30 basis points; and a 24% increase in cash flow to EUR 6.1 billion.

Consolidated sales increased by 7.6%, crossing the EUR 40 billion mark. On a like-for-like basis, growth amounted to plus 11%, the best growth in over 20 years, excluding 2021. The change in scope of consolidation was a positive 1.6%. It was mainly due to the acquisitions of Skinbetter Science in October 2022 and Aesop in August 2023 as well as the impact of hyperinflation accounting in Argentina and Turkey. Foreign exchange had a negative impact of minus 5% as the euro strengthened throughout the year. You can find detail in our invoicing currencies in the appendix of the presentation.

Growth was driven by a healthy combination of volume, up plus 4.1%, and value up plus 6.9%, driven by both price, up 5.5%, and mix, up 1.4%. As you can see in the chart on the left, like-for-like growth came in at 6.9% in the fourth quarter, below the level of the first 9 months. I see 2 main reasons for this: first, Travel Retail in Asia continued to weigh, sell-out remained soft. That accounted for around 1/3 of the decline in our sales. The other 2/3 reflect our relentless effort to reduce our inventory in order to be able to start 2024 with normalized levels. With our Travel Retail Asia, Group like-for-like growth in Q4 was up double digits.

Second, Mainland China traditionally over-indexes in the last quarter, which includes 11.11. And we are, therefore, disproportionately impacted when the local market declined as consumer sentiment remained weak and shoppers showed signs of festival fatigue. Reassuringly, we continued to gain market share in this challenging context as our consistent investment in off-line channels paid off. And when we look outside North Asia, we see strong momentum across all regions. And what you can see in the chart on the right is that on a 4-year CAGR, we have maintained a pretty even pace throughout the year, including in the fourth quarter and concluded the year at plus 8.2%.

Each division grew on a like-for-like basis. The 2 standout performers were Consumer Products and L'Oréal Dermatological Beauty. Professional Products posted a 7.6% increase, supported by its omnichannel strategy. The standout performance came from Consumer Products. At plus 12.6%, it reported its best growth in over 30 years as each of the division's key brands pulled its weight.

L'Oréal Luxe grew plus 4.5%. Double-digit growth in developed and emerging markets was partly offset by the situation in Travel Retail Asia and the market softness in China. Meanwhile, L'Oréal Dermatological Beauty remained on its stellar trajectory. At plus 28.4%, the division delivered a sixth consecutive year of double-digit growth.

From a regional point of view, 2023 was a tale of 2 cities, and you can see that very clearly in the chart on the left. Three of our regions grew well into double digits, helping offset the temporary softness in North Asia, allowing us to deliver a third consecutive year of double-digit like-for-like growth. To me, the most remarkable performance was in Europe, which grew plus 16%, making it the single biggest contributor to our growth. Every country in the region advanced strongly, led by Germany, Spain and U.K., all of which were up in double digits, impressive, given their large size and our significant market share.

Emerging markets continued to go from strength to strength. With 24% growth, they punched well above their weight. They contributed 15% to group sales and twice that to group growth. SAPMENA-SSA grew plus 23.3%, driven by the Australian cluster, the Gulf countries and India. And Latin America was up 24.4%, led by Mexico.

In North America, momentum remained very strong at plus 11.8%, supported by a dynamic beauty market and several divisions' omnichannel focus. In North Asia, sales declined by minus 0.9% on a like-for-like basis. This was due to the reset in Travel Retail and to the lack of recovery in Mainland China, although we significantly outperformed the market there. Like-for-like growth stood at plus 5.4%.

Other countries in the region progressed well, notably Hong Kong, which benefited from a rebound in tourism, and Japan, which delivered its best growth on record. The chart on the right shows the growth by regions versus 2019. Over that period, growth was remarkably balanced across the developed markets and North Asia, all of which advanced in the mid- to high single digits.

And emerging markets clearly emerged as serious growth contributors to the group. As a result, our business is increasingly well distributed by region. Each of the 3 largest, Europe, North America and North Asia, had sales between EUR 11 billion and EUR 13 billion, led by Europe, our historic home. Emerging markets, which include SAPMENA-SSA and Latin America, now account for 15% of total sales and are becoming a true growth engine for the group.

Every one of our large categories advanced in double digits. In order of their growth, we have Fragrances. They were particularly dynamic growing plus 16.9%, supported by a number of highly successful new product launches. Haircare was our second fastest-growing category at plus 15.3%, driven by the continued premiumization in both mass and professional division.

Skincare, our largest category, advanced by 10.4%, with growth well in the double digits across all regions with the exception of North Asia. Makeup continued its rebound at 10%, primarily driven by outstanding growth in the Consumer Products division. And Hair Color advanced by 6.5%.

Let's now move to the P&L. Gross profit rose 10% to EUR 30.4 billion, and the gross margin returned to its pre-inflationary high of 73.9%, an increase of plus 150 basis points year-on-year. Let me give you some of the gross margin building blocks. Currencies and scope of consolidation had a positive impact to the tune of 30 basis points. On a comparable basis, the gross margin increased by 120 basis points, still very impressive. The value effect combining price increases and mix improvement offset over half of the continued input cost inflation in 2023.

Research and innovation expenses advanced 13% to almost EUR 1.3 billion. We continued to invest significantly behind our brands. Advertising and promotion expenses rose by 11% to EUR 13.3 billion. This is equivalent to 32.4% of sales. Selling and administrative expenses were up 10 basis points at 18.5%

of sales.

Had it not been for the first time, consolidation of Aesop, which had an adverse impact of 20 basis points, SG&A will have continued its downward trajectory, driven by disciplined cost management and the creation of regional hubs. Operating profit increased plus 9% to EUR 8.1 billion. The operating margin increased 30 basis points to a record 19.8%.

In 2023, every division had an operating margin in excess of 20%. That of the Professional Products division was up by 30 basis points to 21.6%. That of Consumer Products division increased by an impressive 70 basis points to a record 20.5%. In Luxe, the operating margin declined 60 basis points to 22.3%, impacted by the first time consolidation of Aesop, which had a negative 30 basis point effect and the adverse mix stemming from the slowdown in North Asia. In Dermatological Beauty, the operating margin rose by 60 basis points to a best-in-class 26%. Non-allocated expenses, consisting mainly of corporate and fundamental research costs, were stable, amounting to 2.4% of sales.

Since 2019, L'Oréal has gone from strength to strength. Let me just show a few key figures to illustrate this. Reported sales increased 38% to more than EUR 41 billion. On a like-for-like basis, the 4-year CAGR amounted to 8.2%. In spite of going through a period of severe cost inflation, our gross profit advanced at a slightly faster pace than sales, resulting in 90 basis points gross margin expansion. We substantially invested behind our brands to secure our growth and prepare for tomorrow. Relative to sales, our A&P spend was up 160 basis points, amounting to over EUR 13 billion. Last but not least, our operating profit increased at a 4-year CAGR of plus 10.1%, reaching EUR 8.1 billion in 2023. Our operating profit margin expanded by 120 basis points or 30 basis points on average per year.

Let's now move down the P&L. The net financial charge came at EUR 113 million. At this stage, we anticipate a net financial charge of around EUR 160 million for full year 2024, all else being equal. The dividend from Sanofi amounted to EUR 421 million. Please remember that the 2022 figures included a one-off dividend totaling EUR 75 million. Income tax was close to EUR 2 billion, representing a tax rate of 23.2%, slightly above that of 2022. And at this stage, we anticipate a tax rate slightly over 24% for full year 2024.

Next, profit excluding nonrecurring items amounted to EUR 6.5 billion. Diluted earnings per share came in at EUR 12.08, up by 7.3%. To help you estimate your EPS for 2024, I will recommend that you base your calculation on a diluted number of shares of 536 million. Non-recurring items amounted to EUR 303 million. They included other income and expenses of EUR 450 million, of which primarily EUR 270 million are for the impairment of IT Cosmetics and Decléor and EUR 89 million of restructuring charges, of which EUR 38 million related to reorganizations in Europe and EUR 17 million related to the reorganization of legal structure in France.

Cash flow increased nearly 10% to EUR 8 billion. In an operating environment marked by a gradual normalization of the supply chain, working capital improved significantly. Capital expenditure of EUR 1.5 billion came in at around 3.6% of sales. For 2024, we anticipate an investment in the order of 4% of sales.

Operating net cash flow amounted to EUR 6.1 billion, a sharp increase of 24% versus the prior year. After paying a dividend of EUR 3.4 billion, spending EUR 2.5 billion for acquisitions and EUR 500 million for share buybacks and redeeming the lease debt, the residual cash flow came to a negative EUR 897 million.

The balance sheet remained robust with shareholder's equity of EUR 29.1 billion or 56% of the total balance sheet. The financial situation remained healthy in 2023. At the end of December, net debt amounted to EUR 4.4 billion and to EUR 2.6 billion, excluding the financial lease debt. The gearing ratio stood at 15.1%, the financial leverage of net debt over EBITDA at 0.5x.

The strength of our performance in 2023, coupled with the quality of our balance sheet, led the Board of Directors to propose a further 10% increase of the dividend to EUR 6.60 per share at the AGM. This results in a payout ratio of 54.6% is yet another illustration of L'Oréal's consistent, dynamic and balanced dividend policy.

With regards to L'Oréal for the future, 2023 was another year of progress. On this slide, you can see some of our achievements in the effort to fight against climate change, to manage water scarcity, to respect biodiversity and to preserve our natural resources. Let's take climate, the group is committed to having all of its sites reach 100% renewable energies by 2025, and we reached 91% at the end of last year. Last but not least, in 2023, L'Oréal was once again rewarded for its social and environmental performance and recognized among the best companies in the world by nonprofit organizations, rating agencies and international bodies.

Thank you very much for your attention.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Thank you, Christophe. Thank you very much. And we are now going to move to the divisions presentation with Alexis Perakis-Valat.

Alexis Perakis-Valat ***L'Oréal S.A. - President of Consumer Products Division***
So hello, everyone. 2023 was a dynamic year for the Mass beauty market, which grew by 9%. The Consumer Products division outpaced this market at plus 12.6%, our highest result on record. This performance comes just after a 20-year high in 2022, reinforcing that our acceleration is not a one-off but the fruits of our successful transformation.

And what's striking about these results is how we continued to democratize beauty with volume growth at around 4%, while at the same time premiumizing with strong value growth at around 9%, including contributions from both price and mix. For the first time ever, each of our major brands grew by double digits. L'Oréal Paris at plus 11% extended its industry leadership, crossing the EUR 7 billion mark. Garnier at plus 17% was fueled by Green Beauty innovations.

But it was also an excellent year for our makeup champions, Maybelline New York at plus 17% and NYX

Professional Makeup at plus 21%. Let me also highlight 2 regional brands driving growth: Mixa, winning with mass medical expertise in Europe and 3CE by Stylenanda, spreading K-Beauty across Asia.

All categories grew and gained market share. Haircare and makeup led the way with growth in the high teens while skincare grew high single digits. Many regions around the world made decisive contributions from our historical foundations to our new frontiers. It was an exceptional year in Europe, especially in our Germany hub at plus 23%, the Nordics at plus 26% and France at plus 8%, where we increased what is already our highest market share worldwide.

At the same time, our emerging markets of Southeast Asia, Africa, the Middle East, Latin America, continued rapid growth at plus 24% compounded on the massive gains of 2022. We also had a strong performance in North America, driven by the U.S. at plus 8%. In China, the division outperformed a challenging mass beauty market and successfully expanded in social commerce. So thanks to this growth, coupled with a significant gross margin increase of 220 basis points, we were able to invest much more behind our brands while delivering 70 additional basis points of operating margin to reach 20.5%.

So as we turn towards the future, there is 1 major market insight to take into account, a tremendous wave of beauty knowledge and desire among mass beauty consumers all over the world. The boom of social media and beauty influencers is educating and inspiring consumers. For example, online beauty video views doubled in the last year to reach more than 442 billion. And this is particularly impacting mass consumers because with more expertise at their fingertips, they are seeking more efficient and desirable products as well as discovering new beauty habits.

So to capture this trend, our division laid out a winning strategy aimed at a clear consumer target. Our strategy is encapsulated in 2 words: democratize and premiumize. Our target is the upper half of the middle class. It represents more than 2 billion of the most demanding consumers who seek the elevated beauty that our brands deliver.

In 2024, we are focused on 4 strategic growth drivers. The first is an obsession with innovation. Our '24 launch plan is truly bringing premium to mass. We continue to premiumize haircare with L'Oréal Paris' Glycolic Gloss and Garnier's Hair Filler as well as skincare with Bright Reveal by L'Oréal Paris, our most advanced solution against all kinds of skin spots.

Our makeup brands are raising the bar again with Maybelline's Firework Mascara, L'Oréal Paris' Panorama and NYX' Duck Plump lip gloss, which will be featured in the brand's first-ever Super Bowl commercial this weekend. But innovation is also our instrument to democratize, democratize with accessible formats like Garnier's new hair color sachet, which will be the most affordable way to color your hair in Europe and the U.S. Democratize new beauty habits like adding haircare treatments on top of traditional shampoos or conditioners or introducing serums to skincare routines.

And we're also democratizing sustainable beauty, like with our upcoming haircare, eco-refill campaign. With 60% less plastic, these cost-efficient pouches are good for the planet and good for the wallet. The second strategic driver is beauty tech, which is premiumizing the beauty experience in 2 ways: first, through services. Our vision is to put a beauty adviser in the pocket of billions of consumers. That's why we unveiled Beauty Genius at CES in Las Vegas. It's a gen AI-powered beauty adviser to give personalized advice at scale. Another major beauty tech step is the launch of our Colorsonic device, a true revolution for at-home hair color coming to the U.S. in July.

Our third driver is our relentless focus on flawless execution. It starts with our operations teams, which have reinforced our supply chain and boosted our service levels by 420 basis points and counting. It's also about transforming our partnerships with retailers. In the Independent Advantage Survey, which asks retailers across the world to rate their FMCG suppliers, we went from bottom tier to top tier in just 3 years. And we're now leveraging these relationships to reimagine the mass shopping experience. Our joint efforts are making beauty aisles more informative and more desirable.

Finally, we're in the midst of a once-in-a-lifetime opportunity in emerging markets. After 2 years of booming growth, we're just scratching the surface in these regions that will be home to over 1 billion consumers within our target by 2030. But beyond that potential, what makes the opportunity so unique is the increasing sophistication of consumers in emerging markets as well as the distribution shift from door-to-door towards e-commerce and modern trade.

So powered by these 4 drivers, innovation, beauty tech, flawless execution and emerging markets, our division enters 2024 stronger than ever. And with a market share at 11% globally and just 8% in emerging markets, we have plenty of room to grow and unleash the unlimited potential of beauty democratization and premiumization.

Thank you very much.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Thank you, Alexis. And now to the Professional Products division with Omar.

Omar Hajeri ***L'Oréal S.A. - President of the Professional Products Division***
Good morning, everyone. 2023 was yet again a year of strong growth and solid outperformance for the division. We grew by 7.6%, almost twice as fast as the market, which we estimate to be around plus 4%. For the first time, the division achieved a record market share of 25%. This performance, balanced over each semester, was broad-based across our brands, our regions and our categories. We outperformed across all markets, thanks to our powerful brands with a spectacular growth of our 2 billionaire brands, L'Oréal Professionnel and Kérastase.

We outperformed across all regions. In our historical key regions, North America was up 6%, led by a strong acceleration in e-commerce and specialty retail. Redken has become in the U.S. the #1 professional haircare brand in retail and online. Europe was also up 6%, with steady acceleration in e-commerce and remarkable performances in the U.K. and Spain. We also outperformed in our key growth markets, with Latin America up at 10%, SAPMENA-SSA up at 16% and North Asia up at 14%. China was up

20%, further cementing its position as our #2 country worldwide. In China, Kérastase has become the leading haircare brand online. India, our fifth largest country, maintained its impressive momentum at plus 27%. We are leading the market through our unrivaled network of [A&B] Salons, and now, our growth is further boosted by e-commerce.

We also outperformed across all our key categories. In haircare, grew by plus 14%, is driven by strong blockbusters, Genesis by Kérastase, Metal Detox and Absolut Repair Molecular by L'Oréal Professionnel and acidic bonding concentrate by Redken. All are powered by cutting-edge scientific discoveries led by L'Oréal R&I. In hair color, we grew by plus 4%. Growth is mainly driven by our blockbusters, Shades EQ by Redken and a successful relaunch of iNOA by L'Oréal Professionnel.

Our 2023 performance is a result of our winning strategy based on 4 key growth drivers. First, our strong momentum on premium haircare. The haircare market is premiumizing. This is a global phenomenon which has accelerated since the COVID period. Consumers are sophisticating their haircare routines with treatments, serums and oils. They are seeking more and more for professional formula that delivers super performances. Thanks to our powerful brand portfolio and our blockbuster innovations, we are ideally positioned to cover all their needs at all price points.

Second, our winning omnichannel strategy. Of course, we continue to grow our strong salon footprint of more than 400,000 salons worldwide, leveraging the fantastic power of stylist advocacy. But in parallel, we seize other big opportunities. We are rapidly accelerating in e-commerce, and we are also progressively extending our distribution in specialty retail, recruiting younger audiences. Together, e-commerce and specialty retail represent 35% of our total turnover.

Our third key driver is our strong potential in growth markets. In China, we have a customer base of 3.5 million consumers and still massive recruitment opportunities. In India, with 50,000 salons, we are covering 400 cities out of 800. We still have a strong untapped potential across the country. We firmly believe that India will soon become our third country worldwide. And as we speak, we are capturing new growth markets such as Gulf countries and Mexico.

Our fourth growth driver is our powerful B2B data-driven ecosystem. We have geared up for a profound change in the professional beauty industry, the rise of independent stylists. They now represent 60% of stylists in the U.S. and more than 50% in the U.K. and in Brazil. 3 years ago, we took the decision to digitalize our B2B ecosystem to serve all stylists at scale, independent or not.

Digital now drives our relationship with all stylists. Through commerce, thanks to our B2B e-commerce platforms, L'Oréal Partner Shop and saloncentric.com. Through education, thanks to our online academy, L'Oréal Access and through Services, thanks to our marketplace dedicated to beauty professionals available in the U.S. and in the U.K. Out of 7 million individual stylists in the world, we are now interacting with 3 million of them, and the number keeps growing.

As you can see, in this professional market, in profound transformation, the division is in continuous reinvention and ideally positioned to succeed. In 2024, I'm confident. I'm confident that we'll keep our growth momentum, thanks to our cutting-edge innovation agenda. Innovation in haircare with Première by Kérastase, our breakthrough innovation to decalcify and repair damaged hair. Innovation in hair color with the relaunch of L'Oréal Professionnel's iconic color range Dia color infused with green science. Innovation in beauty tech with K-SCAN, our latest device by Kérastase, powered by AI to scan and diagnose hair and scalp condition.

Our breakthrough innovation in beauty tech is Airlight Pro, a revolutionary hairdryer by L'Oréal Professionnel, recently unveiled at CES Las Vegas. It uses a patented infrared light technology that dries hair faster and save up to 31% energy. We have high ambitions for this disruptive device.

And last but not least, innovation and sustainability with the acquisition of Gjosa, the company pioneering water fractioning technology. This will enable us to accelerate the rollout of L'Oréal Professionnel Water Saver. In the next 3 years, 100,000 salons will be equipped. As you can see, we are ready to shape the future of professional beauty.

Thank you.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Thank you, Omar. And now to Cyril Chapuy for L'Oréal Luxe.

Cyril Chapuy ***L'Oréal S.A. - President of L'Oréal Luxe***
Good morning, everyone. For L'Oréal Luxe, 2023 was a tale of 2 cities. On one hand, at plus 4.5%, our sell-in was affected by 2 conjunctural factors, the reset of Travel Retail in Asia and the slow rebound of the Chinese markets. On the other hand, we grew double digits everywhere else, which allowed us to outperform the luxury beauty market for the 13th consecutive year.

2023 was, in fact, a historic year for L'Oréal Luxe, as we have become, for the very first time in our history, the #1 luxury beauty company worldwide. And this with a level of profit at 22.3%, way above all of the major players. We have many promising achievements in 2023. First, achievement in terms of rebalancing of our geographical footprint. Europe and North America accelerated both at plus 12%. In North Asia, we grew at plus 9% outside of Travel Retail, and it was another year of record market share in Mainland China at 31.8%. Finally, in the high potential emerging markets, the division is now #1 with an impressive growth of plus 17%.

Second achievement, the diversification of our distribution channels. Our brick business, driven by our retail elevation obsession, showcased impressive new vigor across all our different formats, be it boutiques, department stores or specialty stores. And our Click business was also very healthy with the successful opening of Amazon in the U.S.A. and doing social commerce in China.

Finally, achievement in terms of the dynamism of our categories and brands. In fragrance, L'Oréal Luxe's #1 position was significantly reinforced with a 17% growth. Yves Saint Laurent reached the top 3 worldwide position for the first time. Libre is now in the top 5 global feminine fragrances, and MYSLF was the most successful masculine launch of the last decade.

Our growth relays in fragrances have also been operating at full speed. Valentino, for instance, secured the top 4 in the U.S. feminine market. Azzaro reached the top 10 in the U.S. masculine market. And Paradoxe by Prada growing at plus 100% in its second year continues its triumphant run.

In skincare, L'Oréal Luxe also gained share and secured a solid #2 position. Helena Rubinstein pursued its success story, excelling in the super premium segment, achieving a global growth of 50% and joining our billionaire brand club. We also had great growth on our recent skincare acquisition. Takami almost doubled in size this year. Skinpeel, the star treatment of Takami, is now the #1 skincare product in Japan. Aesop, integrated since August 30, is off also to a very good start, growing double digits. In skincare, we expanded successfully into promising new segments like body care, acne and daily UV protection. And last but not least, Lancôme is more solid than ever, #1 in skincare in China.

In makeup, L'Oréal Luxe accelerated in the second half of the year. Yves Saint Laurent is growing massively in the U.S., above 50%, and is the #1 makeup brand in China across all channels, mass and prestige. Our other couture brands are making very promising starts in this makeup category, such as Prada Beauty launching in a spectacular way globally as we speak and Valentino Beauty, which continues its remarkable trajectory. With the addition of makeup, the brand's revenues have increased more than tenfold since the acquisition by L'Oréal in 2018.

Now looking ahead to 2024 and beyond. I'm ambitious for L'Oréal Luxe, and I'm also extremely confident in our capacity to reinforce our leadership even further and deliver a solid, consistent growth. First, as one of the major entry points of luxury, I'm very confident that the luxury beauty market will continue to be dynamic whilst the global upper middle class continues to grow. Our markets registered a 6% CAGR over the past decade and should maintain at least this pace in 2024. Please note there will probably be a progressive acceleration between the first and second half as the Travel Retail comparative fades.

Second, I'm extremely confident in our more and more desirable portfolio of 25 luxury brands. Spanning price points from EUR 30 to EUR 600, it covers all geographical zones and meets all luxury beauty aspiration. We still have a huge potential with the footprint expansion of our recent acquisitions and licenses such as Prada, Valentino, Mugler, Azzaro or Takami. And in 2024, L'Oréal Luxe will also fully exploit the potential of Aesop, which right now to give you just 1 example, has only 6 stores in China.

Looking ahead, we are so pleased to announce the new very exciting addition to our portfolio with the Miu Miu license.

Third, I'm confident in our very sharp 2024 grand cru of high-quality innovations across all our categories. Exquisite luxury design, exceptional luxury formulas, dopamine statements and very importantly, customer-centric beauty tech enhancements rooted in the group's advance in that area.

And last but not least, I'm very confident in the ability of my dear teams around the globe. Their ability to think ahead, to seize what's starting, to be always more agile, creative and passionate. L'Oréal Luxe enters 2024 with great confidence. We will continue to drive strong, highly profitable growth as we achieve another solid year as now the worldwide luxury beauty leader.

Thank you.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Thank you, Cyril. And now with our fastest-growing division, Dermatological Beauty, in Myriam Cohen-Welgryn.

Myriam Cohen-Welgryn ***L'Oréal S.A. - President of L'Oréal Dermatological Beauty***
Good morning. In 2023, our division pursued its outstanding momentum, growing twice as fast as the very dynamic dermocosmetic market. With a 28.4% growth, our turnover reached EUR 6.4 billion and is even more profitable at 26%. This means that in the past 3 years, we grew by 29% compounded annual growth. We doubled in size, adding 100 million more consumers. This is an amazing performance. So you may quite rightly have 2 big questions in mind. How did we achieve that? And above all, will the growth continue?

Let me start with the how. There are 4 success factors that make our medical model effective. First, our brands. Our portfolio of complementary brands perfectly meets the booming consumer quest for health, ranging from skin pathologies to aesthetic. La Roche-Posay grew by 37% and consolidated its #1 position in dermocosmetics, thanks to photo protection and the successful Cicaplast microbiome relaunch. The brand is now the #1 sun care dermocosmetic brand.

As for CeraVe, it recorded a 39% growth, becoming #1 in cleansing and body in the dermocosmetics market. Growth is everywhere at 25% in the U.S. and 61% internationally. Big news, in the U.S.A., CeraVe is the clear #1 skincare brand across all channels. And if you look at total skincare globally, La Roche-Posay reached the fourth position while CeraVe jumped to #7.

Now, let's take Vichy, it reported its best growth in 18 years at 14%, thanks to sun and haircare. On the aesthetic front, our reinforced professional portfolio grew double digit, and SkinBetter Science, our new acquisition, became the #3 medical aesthetic skincare brand in the U.S.A.

Our second success factor is that we reinforced our medical leadership. Today, we directly reach 290,000 doctors around the world. That's 13% more than last year. And now 3 of our brands are in the top 4 most prescribed brands by dermatologists. The new bit of news is that Dercos has become the #1 in antidandruff prescriptions.

Digital allow us to amplify our consumer reach. This is our third success factor. Doctors no longer just talk to patients in their practice. More and more, also they go online to educate consumers. They post a lot of branded videos. Well, our brands feature in 60% of these videos. E-commerce grew by 31%, and now, offers a cutting-edge medical experience.

And we offer tech services as well, like Spotscan by La Roche-Posay, which provides well-needed personalized advice for acne sufferers. Finally, the last success factor has to be our international growth. In 2023, LDB posted double-digit growth in all regions, well balanced between emerging and mature markets. Importantly, Mainland China grew by 21%. That's nearly 6x faster than the market. And we also entered India and Nigeria.

In conclusion, our strategy works and is driven by exceptional teams. I want to thank them. They are the ones behind our success. Now, why am I convinced that our growth will continue? For 2 reasons. Because dermocosmetics will keep growing year-on-year. They represent less than 9% of total beauty market. To put that into perspective, in the 8 most advanced countries, the dermo market share reaches more than 15% of total beauty. Why? Health is the future of beauty. The consumer quest for health and safety is here to stay, driven by structural trends, the unfortunate rise of skin pathologies affecting more than 1 out of 4 people in the world and the surge of aesthetic procedures appearing to 620 million people.

Secondly, several dermo categories still have massive growth potential such as sun care and hair. Only 25% of consumers have used sun protection in the past year, while skin cancer is a serious public health matter. Meanwhile, hair and scalp issues are the second biggest reasons for consulting a dermatologist, yet the hair category is 3x less developed in dermocosmetics than in beauty. So our market will carry on growing, and our division is uniquely positioned to carry on winning in that growing market. Indeed, LDB still has massive potential in emerging countries.

Finally, because our research powerhouse allows us to generate life-changing innovations that make the difference. In 2024, La Roche-Posay's Mela B3 with its multi-patented Melasyl ingredient powered by 18 years of research will fight hyperpigmentation like never before. This innovation is another proof of our medical authority, which was further recognized at the 2023 World Congress of Dermatology where we presented not less than 117 scientific studies. Together with leading dermatologists, we pioneer sustainable and life-changing dermatological solutions for all, which is why if you recall last year, we became L'Oréal Dermatological Beauty, LDB. Let's dream big.

Thank you.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***

Thank you, Myriam. Let's dream big. Hello, again. 2023 was a truly great year for the group, and I really want to deeply thank all the L'Oréalians around the world for their creativity and their fighting spirit. If we exclude the post-COVID rebound in 2021, we delivered our best growth in more than 20 years, advancing plus 11% like-for-like.

The global beauty market was extremely dynamic and grew plus 8% despite the avalanche of gloomy economic and geopolitical headlines and despite the severe disruption in the Chinese ecosystem, a perfect demonstration of the resilience of the beauty category. And we grew 1.4x faster than the market. What made this outperformance so impressive is that it came after not 1 but 2 years of exceptionally strong share gains.

We continue to strengthen our global leadership position and widen our competitive moat. We delivered a record operating profit margin of 19.8%. Our virtuous circle was indeed very virtuous. Our gross margin increased by an impressive 150 basis points, and we continue to tightly control our SG&A expenses. This allowed us to deliver the 30 basis point improvement in operating profit margin while increasing our brand investments by 90 basis points.

At the same time, we continue to deliver on our extra financial performance and the main KPIs of our L'Oréal for the Future program. This is regularly being recognized by external rating agencies, and I'm happy to share with you, and you've read it hot from the press, that we are the only company in the world to have been awarded a AAA rating by CDP for 8 years in a row. These are the main headlines, but there are 12 milestones of this 2023 vintage year that I'd like to underline.

The first one is that our sales crossed the EUR 40 billion threshold fuelled by a third consecutive year of double-digit like-for-like growth. Second, despite the inflationary context and unlike many of our peers, L'Oréal grew in units. This means that more consumers were exposed to the L'Oréal quality. Third, Consumer Products delivered their best growth in over 30 years. Our unstoppable LDB, which you just heard, delivered the sixth consecutive year of double-digit growth whilst being our most profitable division.

L'Oréal Luxe became the global #1 of luxury beauty player having beaten the market for a 13th year in a row. We acquired Aesop, a truly one-of-a-kind luxury beauty brand. We added another billionaire brand as Helena Rubinstein crossed this important threshold. Professional Products reached 25% market share.

As promised, emerging markets are turning into a real growth engine for the group. They contributed to 30% of our growth this year compared to 15% of our sales. Europe achieved its first year of double-digit growth in more than 2 decades. In North America, growth accelerated and sales crossed the EUR 10 billion threshold. And finally, in North Asia, our market share in the Chinese ecosystem increased by a further 80 basis points.

Since we're on the subject of the Chinese ecosystem, let me address the elephant in the room and tell you about the latest development in the region. In Mainland China, the market was flat, having contracted slightly over the last quarter with a disappointing 11.11. The recovery we'd hoped for at the start of 2023 failed to happen as consumer confidence remains subdued. In this challenging context, we grew plus 5.4% in sell-in and 7.7% in sell-out, significantly outperforming the market and gaining share, placing up -- us in pole position for when the market starts to rebound.

The standout performers were Dermatological Beauty, which grew 6x faster than the market and L'Oréal Luxe, which outgrew the market threefold and reached a record 31.8-plus market share. In Hainan, the market was severely impacted by the policy change regarding daigou and fell more than 20%. We slightly outperformed the market in sell-out, but we're obviously not immune to the magnitude of the contraction, which affected the entire second half of the year. We consider today our inventory to be almost back to normal. As a result of the 2 pockets of weakness in Mainland China and Hainan, growth in North Asia was down minus 0.9%.

I'd like to point out that hidden in this overall figure lies a stellar performance in Japan where we achieved our best growth on record. While I'm obviously disappointed by our weakness in North Asia, it also highlights to me just how powerful and resilient our multipolar model is. At a time when 1/4 of our sales was under significant pressure, we delivered our best growth in over 2 decades. Our determined strategy to rebalance our regional footprint was one of the keys to our impressive 2023 performance.

When I look at our top 10 growth contributors by country in 2023, I'm pleased to see next to the U.S.A. and China 5 European countries and 2 emerging countries. And India is now in the top 15, so we clearly have multiple growth engines. Another explanation behind our 2023 outperformance is our portfolio strategy. We do only beauty, but all of beauty with 38 brands now at all price points from EUR 5 to EUR 600 and with an innovation capacity that allows us to create value. 2023 was a great vintage of groundbreaking and valorized innovation.

Finally, I'd like to highlight the power of our agility to reallocate resources in real-time from our cockpit based on market realities and opportunities. Let's be clear. In 2023, very little unfolded as planned, and yet, we're able to rapidly shift resources to where there was traction and to beat the market once again while delivering a further improvement in profitability and hopefully satisfy our shareholders with a nice 10% increase of our dividend. This agility is clearly one of our magic recipes.

Let me now turn to the future and outline the growth driver that make me confident in our ability to continue to outperform the global beauty market and develop our growth in sales and profits. I'm confident that the global beauty market will continue to grow. Consumers want to feel good about themselves, and beauty allows them to do that without breaking the bank. I call this the dopamine effect of beauty. It's based on the principle that using beauty products gives a feeling of pleasure and satisfaction. This is especially true at a time when the world is facing numerous economic and geopolitical challenges.

After a year of exceptionally strong growth, boosted by significant inflation-driven pricing, I expect the global beauty market to resume its historic growth rate of around 4% to 5% in '24 and beyond. Together with my teams, I have every intention to continue to outperform our markets, and I'm pleased to say that 2024 has been off to a promising start with a very good month of January.

So to me, there are 7 growth drivers for 2024 and beyond. The first one, emerging markets. They've truly become and will increasingly be strong growth contributors. In Latin America and SAPMENA, countries like Mexico, Brazil, our new Ceran hub, India, Indonesia or Saudi Arabia have very dynamic economies and see strong underlying beauty market growth. Populations are growing and becoming increasingly affluent.

India and Indonesia alone will see an incremental 250 million people join the global middle class by 2030. And they are very quickly becoming very beauty-savvy, looking for increasingly sophisticated beauty routines. And we have what it takes to continue to outperform, our well-established local footprint enables us to better understand and cater to consumers' needs.

E-commerce and social networks give us a direct access to this young and yearning crowd. Besides, our market share in emerging markets is below that in other parts of the world, offering lots of future growth opportunities. Many of our brands have yet to be launched or are just starting. And by the way, the promising launch of CeraVe in India, where we had only 2 divisions out of 4 until last year, is just one example of many.

Second, we are convinced that China is still the next China. Yes, the near term remains uncertain, but its sheer size alone make the Chinese beauty market highly attractive. Even if it grew only the mid-single digits, plus 6% to be precise, it would add half an Italy every year. We have lots of opportunities to recruit new consumers. Right now, we're only touching 1/4 of addressable consumer base of 400 million, and we see an uplift with every new brand in every new city.

Our choice to consistently favor Mainland China over Travel Retail has allowed us to conquer strong position, and more importantly, exceptional brand love from Chinese consumers. Our obsession with innovation and R&I means that we can offer consumers high-performing valorized products. And this is a crucial competitive advantage at a time when the Chinese consumer is becoming more sophisticated and more demanding. Even in the current context, our most expensive brands are the most dynamic, for example, Helena Rubinstein or YSL.

As consumers are increasingly looking for a true online plus off-line experience, our continued investment in our off-line presence is paying off alongside the fact that China is the market where we have our highest exposure to online at 62% of sales. And in a few months, we'll reinforce our logistic capabilities by inaugurating our first smart fulfillment center in Suzhou, which will allow us to deliver millions of parcels to consumers.

And finally, we use our corporate VC to take positions in rising beauty start-ups like Documents or To Summer. As for Travel Retail, we see it as an important opportunity to showcase our brand and build brand love to the growing number of travelers. While I'm on the subject of Travel Retail, let me remind you that the first half of the year will remain challenging, with the impact of the daigou policy comparative, whilst the second half will be very dynamic.

Third, we remain confident on the outlook for Europe and North America. You may be surprised to hear me talk about Europe and North America as growth drivers for the group given that they used to be below group average in the past, but that has already started to change in 2022 and 2023, and both regions still hold a lot of growth opportunities for us. Both regions are aging. Boomers account for 21%

of the population in North America and for 18% in Europe. And boomers are truly booming with the strongest beauty dynamics in generations. They buy more products and more expensive products.

They say that 60s are the new 40s. As I just turned 60, I would tend to agree with this. This is an incredibly good news for the beauty industry, and it plays to our strengths given our best-in-class access to data on aging, hair and skin, our unparalleled research-driven innovation pipeline and our increasing focus on better understanding the issues and opportunities around longevity.

North America has the highest percentage of affluent consumers in the world. This clearly supports the continued dynamism of the beauty category. And given our brand portfolio skewed towards middle and upper middle class consumers, we're particularly well placed to benefit from this trend.

In Europe, one of the key trends is the medicalization of beauty, which you've heard about. Over the last 10 years, there's been a dermatological boom, as a result of which 1/3 of the total skincare market is now through derma products. We're exceptionally well positioned for this trend now that 3 of the top 4 derma brands in Europe are ours.

Fourth, we'll continue to fuel our business with strong valorized innovation. R&I has been at the very heart of L'Oréal since its foundation. And true to our roots, we consistently invest behind it. Over the last 11 years, our R&I budget has doubled, and we now spend more than our #1, #2 and #3 competitors combined. This allows us to bring our consumers new value-added products each year. You've heard it all in the divisions presentation, 2023 was a grand cru of innovation, and I can tell you that 2024 is set to follow in the same footsteps.

Fifth, another factor that truly differentiates us is a clear competitive edge in our digital leadership, a position that we continue to strengthen by continuously sizing what's starting. Early on, brands like Maybelline and Armani focused on gaming, a global community of 3.4 billion people. And we swiftly adopted emerging channels like Douyin, where brands like L'Oréal Paris and several of our Luxe brands have achieved spectacular growth or TikTok Shop, where NYX is off to a promising start. And we constantly evolve in e-commerce. As you know, we launched Lancôme and Kérastase on amazon.com last year with great results.

Sixth, we'll improve the efficacy of our A&P, thanks to AI. It goes without saying that AI now transcends many of the things we do. And let me give you 2 examples. BETiq, our exclusive L'Oréal tool to measure and improve the return on our A&P investment, is already generating spectacular productivity increases of up to 10% to 15% for some of our brands that have deployed it. This tool now is live in 4 of our critical markets, accelerating to more markets in 2024 and should cover around 60% of our A&P at the end of this year. Our AI lab in France is also helping us to push the boundaries in terms of creativity, as you can see with these beautiful images.

Seventh and last, we do only beauty, but all beauty. And each division, as you've heard, plays its very defined role. CPD's mission is to simultaneously democratize and premiumize. This will be key to not only accelerate in emerging markets but to do so profitably. In Luxe, no one size fits all, and the division's ambition is to steadily upgrade the consumer experience with its unique portfolio of desirable brands. It goes without saying that Aesop adds another jewel to the Luxe crown, and we're very happy to welcome the newcomer, Miu Miu, today.

PPD has made the winning bet to go omnichannel, offering consumers and stylists alike the best of professional beauty in the physical, digital and virtual world. And it is uniquely well positioned to succeed in an increasingly more fragmented world marked by the rise of independent stylists. LDB finally is leveraging the strength of an in-depth mastery of the medical prescription model at a time when consumers want serious, safe and high-quality skin and hair care.

But to stay ahead of the race, we need to do more. And I want to tell you how we are transforming L'Oréal, not just making it future-proof, but inventing the future of beauty, a future where beauty will be more personalized, more inclusive and more sustainable, thanks to technology, a beauty augmented by tech. Some of you may know that, together with Barbara Lavernos, I had the opportunity to give the keynote speech at this year's CES in Las Vegas. In case you haven't seen it, let me share with you some of the highlights in a very short video.

(presentation)

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***

So to L'Oréal being a leading beauty tech company will mean many things. It will mean leveraging AI in our 10,000 terabytes of beauty data to boost our researchers' capability to innovate and make our formulas green without losing any performance. Being able to go green will not just be a license to operate, but a true competitive advantage. And the combination of knowledge and technology marks a golden era for research, and we love it.

It will mean providing our consumer with the most accurate and personalized recommendation across all our brands, boosting their satisfaction and loyalty. Beauty Genius from L'Oréal Paris will be available from April this year, and this is not science fiction. Launching new beauty devices and tools that will, on the one hand, deliver better beauty performances, and on the other hand, continuously nourish our data.

Our revolutionary AirLight Pro hair dryer is a perfect example. This puts the spotlight on an aspect of the L'Oréal strategy that you may not be very aware of, our growing cooperation with external partners. We now have many partnerships with tech companies from startups to giants and the possibilities are truly exponential. That's one of the roles of BOLD, our corporate venture capital fund. Our antennas are constantly out as we scout, partner with, co-invest in and sometimes acquire tech companies. A perfect example is the Gjosa start-up, which will allow us to rapidly roll out the L'Oréal Water Saver, so essential to achieving our sustainability objective around water.

But our investments or partnerships aren't limited to tech. Our R&D teams also tap into a wide ecosystem to invent the future of beauty, around the microbiome, which defines the health and evolution of our skin and scalp with the acquisition of Lactobio, a Danish start-up that is leading in the field of microbiome and precision probiotics; around biotech ingredients with our cooperation with Abolis in bacteria and Microphyt on micro-algae; around longevity with our investment in Timeline, a Swiss biotech company that has developed a molecule that recycles and rejuvenates aging mitochondria, the powerhouse of cells.

As you can see, we'll be celebrating our 115th birthday in 2024, and we are preparing the next 115 years with great passion. 2024 is the year of the dragon, and dragons are not afraid of challenges and neither are we. Like our friend, the Unicornus Rex, we're a creature of many different worlds. We're a pure beauty company, of course. But at the same time, we're a luxury company, a medical company, an FMCG company, and now we have become a beauty tech company. This makes us truly unique, and I really believe truly invisible in the long run. Thank you.

So I'm back to open the Q&A session. So since the meeting is recorded, I kindly ask you to state your name and company as clearly as possible before raising your question in English. And I kindly ask our journalist friends and guests to raise their questions during the latter part of the Q&A. Thank you very much.

QUESTIONS AND ANSWERS

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
On va garder les bons usages. So let's start with Celine.

Celine A.H. Pannuti ***JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst***
Celine Pannuti, JPMorgan. Good morning. Two questions. So my first question would be on China, Mainland China. You said that the market is stagnating. Is that what you have put into your forecast when you think about the global market being at 4% to 5% this year? And can you talk about how Mainland China market is changing in terms of, I think, e-commerce from Tmall to Douyin, mass market accelerating and maybe as well some of the local brands doing very well? So how does that fit for L'Oréal, please?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
It's actually more than --- that's 4 questions in 1.

Celine A.H. Pannuti ***JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst***
No, no, no. Okay, I'll do the second question after then.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***

No. So the Chinese markets, it's true it's been disappointing in 2023, especially on the second half. 11.11 was not what we expected. But the good thing is that, first of all, we've been able to grow in this market. As you've heard, we've grown 5% in sell-in and even more so at plus 7.7% in sell-out. And by the way, the first numbers we get from January are pretty positive. So once again, it will be about tempting Chinese consumers who love beauty with innovative products.

And we see that when we have products that are truly better and different, they go for it, and the success, we have talked about the success of Helena Rubinstein, we could talk about Kérastase, YSL, that will drive growth. So when we do a plus 4% to 5% market growth, it's an estimate. So I did not compute it exactly by market, but we don't expect the Chinese market to be over-dynamic in the first half. We are more ambitious in the second half. But we intend to continue to grow in that market. And I think we've proven that we had probably the best team there and the best performance.

Regarding your question on the local brands versus Western brands, it was very interesting. I was looking at the numbers for '23. And you have more or less 2 blocks that are increasing their share and 1 block that is decreasing its share. The 2 blocks that are increasing their share on the Chinese market are Western brands and Chinese brands. One is around 44%, the other one around 47%, so Western 44% and Chinese 47%. And what's declining are the other Asian brands.

And as clearly I have been seeing from where I am, a transfer between Japanese and Korean brands to Chinese brands, which is not affecting our brands, which continue to gain share because all the divisions of L'Oréal have gained share on the Chinese market in 2023. So we remain very ambitious for China, and we have strong plans for 2024 and beyond.

Celine A.H. Pannuti ***JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst***

My second question is on Europe and the U.S., which you mentioned are growth engines. I think it was 16% in Western Europe, 12% North America in terms of growth. And I think we are used to maybe more of a low single-digit number. So what's the overall sustainable midterm growth? I presume there was as well some pricing that helped a bit in '23. When we look at a normalized level, what do you think these markets can grow at?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***

This is the usual exercise of guidance, non-guidance, so I will not give you my expectation of the European or American growth in numbers for 2024. What I can say are the following things. First of all, we're obviously very happy with the performance of the beauty market in these 2 regions and of our performance in these 2 markets. And if somebody ever needed a demonstration of the power of beauty, of its capacity to be a category where people want to spend money, to indulge themselves and to feel good in tough times, I mean, that was the perfect demonstration, and we did a fantastic year in Europe. The market was growing double digits. And so we gained market share.

But the strength of the beauty market has been confirmed. We haven't seen -- I mean, I'm looking at --

we have the Head of Europe here, but the month of January, the markets remained resilient. As always, there are categories that go up and others down. So we remain confident. And it's the same for the U.S., where the economy is very strong in the U.S. There were many predictions of recession. And today, we have to acknowledge that the dynamism of the U.S. market remains pretty strong. Actually, luxury is doing great. Makeup had slowed down a little bit in mass, but -- so there are fluctuations, but we count on these 2 zones to continue to drive our growth.

And we have still many opportunities, both in terms of consumer profiles as well as in terms of categories. So that's very encouraging. I'm going back to beauty because I was looking this morning at the Evolution, and Alexis mentioned it, of search on beauty, whether on Google and on TikTok, it's just -- frankly, it's amazing. If I take Google Search, the total number of search on Google have increased by 10%. For beauty, it's increased by 16%, and just in -- on the last quarter, it was 20%. So there's like an appetite for beauty, and on TikTok, it's by far the #1 category. And I think the number of video views have doubled in 2023.

So there is this appetite, so I'm confident about the dynamism of the beauty market. Obviously, why do I say 4% to 5% instead of 8%? Because of the pricing effect that boosted the growth this year, including for us. We also grow in volume. But I think it's going to be a good year for beauty once again, including in Europe and North America.

Bruno Monteyne ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***
Good morning. Bruno Monteyne from Bernstein. I'm still a little bit confused on the China data. I think Christophe said at the beginning of his presentation that in quarter 4, Travel Retail Asia group like-for-like was up double digits. Now I presume that's a sell-out number in there.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
No.

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
No. What I said is that taking out Travel Retail Asia, the sales -- the growth of the group will be double digit...

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
In Q4.

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
In Q4.

Bruno Monteyne ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***
But I'm just trying to quantify if you took the impact of the sell-in, sell-out, the destocking out of your North Asia group, are you effectively saying that instead of the minus 6%, you're low single digit or mid-single digit within quarter four?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
No, what we said is that in Q4, if you exclude just the destocking of Travel Retail, which we had announced and commented upon, the growth of the group would have been -- total group would have been double digit and also -- which is overall very positive. And I think what's important on Travel Retail is that -- I mean, there's been this change in the policy regarding daigous that was announced in May 2023.

As announced, we've had to reduce our level of inventories. We consider now that at the end of this year, our levels of inventory are almost back to normal. Why do I say almost? Because it always depends on the sell-out of the wings to come, so I'm being careful. But overall, we are very comfortable with our levels of inventory.

So now we enter a period where there will still be the comparative with invoicing last year of the pre-daigou change policy until May. So it will still remain a bit more challenging. And on the other hand, on the second half of the year, we'll have a very favorable and positive comparative because what we see is that the overall traffic of passengers is booming.

We expect 3.3 billion passengers next year in airports in general. And most of the growth will come from Asia, where we're still -- they're still below '19, and I think they will catch up with '19 this year. We see a lot of -- by the way, a lot of domestic travel around Chinese New Year. There's lots of movements. So it means that even though the consumer profile may have changed a little bit, a bit younger, a bit more Tier 3 and 4 cities, but think the second half of 2024 will be very positive on Travel Retail.

Bruno Monteyne ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***
And my second question is around your own growth expectations in the market. I think the last few results, you mentioned that you expected medium term the beauty market to be more than a 5.5% to 6% growth and you expected L'Oréal to be able to grow at 8%.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
I think I said 4% to 5%. I'm pretty consistent on 4% to 5%. I'm being careful. But I was wrong this year, by the way, because it was -- it ended up being 8%.

Bruno Monteyne ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***
So you don't see any material change in the long term from what we've seen?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
No, no, I don't think so. We see very positive growth everywhere. I have to say I was pleasantly surprised to -- with the numbers this year and the impact of value. We have debates on that but it's very difficult. I always treasure Mr. Galbraith's famous sentence, which is, "The only function of economic forecasting is to make astrology look respectable". So I'm careful on my predictions on the beauty market. But I know it will be positive. It will be mid-single digits. And I think and I hope if it's better, and it will be better for

us, because what's very important is that we intend, as we've done it for the -- all the years behind us, to continue to outperform the market, and therefore, to deliver good growth.

Bruno Monteyne ***Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst***
But I'm pretty sure I heard either Christophe or you mentioning the 8% growth for L'Oréal as a growth expectation at the last set of numbers. Any kind of change in that view?

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
Well, we have a good track record for last 4 years. And of course, we have ambition. So we keep this ambition, all of us. And of course, it will depend a lot on the market. For the time being, we expect the market to be, as Nicolas said, between 4% to 5%. And we'll try to face the best we can as we did in the past years, all the different strange situations, and I think we are well prepared for that.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Now if you want to know the truth, I'm more on the 5% side, he's more on the 4% side because he's the CFO.

Jean-Olivier Nicolai ***Goldman Sachs Group, Inc., Research Division - Equity Analyst***
Olivier Nicolai, Goldman Sachs. 2 questions, please. First of all, on fragrances growth, I mean, it was 17%, was pretty exceptional this year. And I guess it's been a case also last year, and many other players in the industry also flagged that fragrances were really strong. Do you expect this post-COVID growth to continue or actually to normalize a bit more? Or are the habits completely different now for the use of fragrances?

And then regarding Aesop, which I will try to pronounce properly this time, you have the brand for the last 6 months, I think. When do you expect this brand to become a billionaire brand? And when do you see the profitability reaching the rest of the group?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
So these are 2 questions for Cyril. So...

Cyril Chapuy ***L'Oréal S.A. - President of L'Oréal Luxe***
So regarding the fragrance market, it has been indeed very dynamic over the last 3 years, and I think it's for structural reasons. First, the evolution of the penetration of fragrance has boomed, has boomed regionally, country, like for instance a region like the North Asian region and especially China, as in its penetration of fragrance really exploded amongst the young generation, which was not the case 10 years ago. And the young generation was not using fragrance on a regular basis, now they do. So first, regional and in the emergenging [markets], you see the same phenomenon.

And two, in the U.S., you see an increase -- a very strong increase of the daily penetration on African American and Hispanic American population. And so first, penetration, which explains the structure. Second, this market is premiumizing. The young generation loves collection of fragrances, which we have at L'Oréal Luxe with brands like Armani Privé, Le Vestiaire des Parfums by YSL or Olfactories by Prada, which are fragrances which are priced above EUR 200. And this is the part of the market which is growing the fastest.

So structural increase of penetration and premiumization are expanding this fragrance health, and it will continue for the years to come. We still have a lot to do. The penetration in China is still half of the penetration in the West, so we still have a lot to -- of room ahead of us.

Then Aesop, so Aesop joined the division on August 30, so we have it 4 months in our figures this year. It grew double digits during these 4 months. So we obviously have a lot of ambition for this brand. As you probably remember from the press release, when we acquired it, I mentioned in my call that indeed the objective was to make it a billionaire brand. How long will it take? I don't know, a few years probably. But I'm very confident. Why? Because this brand at the end of the day is today just distributed in 400 retail stores worldwide and is not present in a big way in regions like the China ecosystem, for instance. So we have a lot of room to grow, to expand.

As I mentioned in my speech, we only have 6 stores of Aesop in China. All of them extremely successful with some multimillion doors with doors of Aesop in China, and there is a lot of room to expand. And beyond geography, the categories also. Aesop is a brand which is very, very strong in luxury body care and body wash, which is a brand which still has a lot of room to expand in skincare and fragrances, which are, as you know, categories we know pretty well at L'Oréal Luxe. So very confident.

Regarding your question on the profit, we are working on this aspect. It's a retail model today, so it's obviously a dilutive model versus the omnichannel model of L'Oréal Luxe, but we will be fixing this in the years to come.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
It's -- first of all, it's a good opportunity to remind that -- as we said, that Aesop has -- will have a 25 basis points dilutive effect on a full year basis for L'Oréal. And it's true that it's -- first of all, there's no hurry because it's a precious, beautiful luxury brand that we want to grow, and growth is the priority.

And second, indeed, it's a retail model. So the profit margin is calculated on consumer net price sales, retail price sales. So it's always higher in absolute value, but lower in percentage. So that has to -- that probably will remain different from a wholesale brand.

Jeremy David Fialko ***HSBC, Research Division - Head of Consumer Staples Research of Europe***
Morning. Jeremy Fialko, HSBC. So a couple of questions from me. First one is on beauty tech. So you've had, I guess, some experience now in terms of sort of virtual try-ons, hair analyzers, skin analyzers, all these sorts of things. So can you maybe talk about sort of your experience of those? Where you feel they are generating the best sort of uplift? How you can sort of tell the linkages between the use of these products and sort of brand preference and kind of increased sales or penetration? So that's the first question.

And then the second question is on the supply chain in Consumer. I think we were probably -- quite surprised to see that 4 years ago, L'Oréal was at the sort of lower part of the scale in terms of this survey of customers. So maybe you can talk about some of the things that you've done in order to move up the ranks into the upper part of the range and what you still think the opportunity is here to go forward.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***

Okay, so I'll take beauty tech. And I'll leave you, Alexis, with the answer on advantage scores. I think on beauty tech, which has been already like an almost 10-year adventure, it encompasses many things. As you've heard, it's both how we use data and technology to enhance our own research. And there, I will not give you numbers, but what I can tell you is that when you have to reformulate hair color, for example, where you have to eliminate a number of ingredients for -- because it has to be consistent with the green deal or with whatever regulation, the acceleration that it gives to our researchers, the augmentation is spectacular. Because the machine will improvise or invent new ways of formulating that probably will not have been in the mind of formulators that have been doing hair color the same way for decades. So that's been a major game changer. And of course, we've started with what is the most complicated category.

It also -- it's also a boost internally. I was talking about BETiq. I'm really impressed by the results that we see in our A&P optimization tool, which is just being rolled down on 1 category in a few countries today, but we really want to roll it out fast because it shows really very significant ROI improvements.

And then there's what's directed to the consumer. And towards the consumer, it's been a major game changer. I mean, today, there's been over -- if I just take the -- what I call the services, so like the virtual try-ons of our products, which we do through our ModiFace start-up in Canada, we've had over 100 million sessions of digital try-ons in 2023 versus 40 in '22. So it's augmenting, it's becoming part of consumers' habit. That's probably what helped us a lot, by the way, during the COVID, when people couldn't go to a store and try lipsticks. They could try it at home. But it's really increasing.

It was initially mainly makeup, and now, it's being used also for skincare. You will -- I hope you get a chance to experience Beauty Genius after April to be recommended the right routine, which leads me to a very important element in terms of business. If you're in a counter today, your BA, you advise -- you try to sell something to someone, the conversion rate will be around 10%. When you have this diagnosis machine, it goes up to 70%, 73% to be precise.

So it's a major augmentation of your capacity to convince someone to buy products, but more importantly, to be sure, even yourself, that what you are recommending is the right product and that this person will come back. So that is really an important part of the value creation.

And then there's obviously the ambitions that we start having with tools, and we are about to launch the new -- this new hairdryer, AirLight Pro, which is really in terms of technology, really incredible because it's better for the hair, better for the planet, and it dries very well. So I count a lot on my friend, Omar, to make it a big success. He has a little bit of pressure since we've launched it for him in the CES.

So there are many different aspects. But overall, it's really creating a lot of value, and all of it is bringing data in because to finish, this new world we're in is a world where we're going to be leveraging AI and we need data to fuel AI. And the data we're acquiring through all these diagnoses and tools is extremely precious. I hope that answers your question. And I'm handing over to Alexis.

Alexis Perakis-Valat ***L'Oréal S.A. - President of Consumer Products Division***
Yes. So regarding the improvement of our relationship with our retailers, I would say that the main ingredient of the recipe is determination. When I arrived at the helm of the division, we gathered with our management committee, with the division presidents, and we just declared that it was great to be innovative, to have amazing brands, but that it was not okay not to be seen by our retailers as their preferred partner across FMCG. So we decided that.

We put that as a KPI for all our managers. We trained our people. We recruited some people, and we went after it. And in 3 years in this ranking, which is the only independent ranking that spreads across all FMCG, so you've got Coca-Cola in there, you've got everybody, all the big FMCG suppliers, and all the retailers of the world are asked this question. We moved from bottom tier, and we really -- we were ashamed to be bottom tier, and we moved to the top tier.

And one of the main things of the conversation with retailers is what I explained is the fact that we can help them grow beauty and grow their category because it's less about our market share growth, but about their growth because beauty is an offer-driven category. And the way you display serums in your store, the way you educate people about wearing a UV cream every day, that's very powerful. And that's incremental growth for them and for us. And there -- and we're seeing that more and more in the conversation, it's really shifting towards growth for the future for them and for us.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
We're going to take 1 or 2 questions in the room and then there are phone questions that are going to pop in.

Thomas Richard Sykes ***Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research***
Yes. Tom Sykes from Deutsche Bank. I think your reported growth rate was 2.8% in Q4. And obviously, you have a high euro cost base and perhaps some unwinding of some FX hedges, so when you're talking about perhaps the market being a bit more dynamic in China in H2 and whether that means a weighting of the growth rate in H1, H2 or not, is there any headwind to margin in the first half of the year if China, in particular, is a little weak because of that?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
No, it's a good question. And indeed, the balance between first and second half this year will be different from the usual. Well, it's been evolving across the years. But this year, the first half will be marked by 2

major elements. First, we'll still -- as I said, we'll still have the comparative of the Travel Retail sell-ins of last year. And we'll also have the inventory step-up of Aesop that is impacting the first part of the year, so the very beginning of the year. So this year, we'll probably have a profit phasing that will be stronger on the second half than on the first half.

Christophe, I don't know if you want to elaborate on this.

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
Totally correct. So it will be usually -- you know that already the profits usually on the H2 is higher. I think it will be -- this gap will be even higher this year in 2024 because of the reasons that Nicolas was mentioning.

Thomas Richard Sykes ***Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research***
Okay. And then just looking at China on a longer-term basis and the cost to serve of selling by Douyin or selling through counters in Tier 3, 4 cities compared to the cost to serve with daigou and selling to daigou through Travel Retail. Is there an ongoing higher cost to serve to grow customers in China with that?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Well, first of all, as I said, I think it's a very important part of our performance in China, and I would say exceptional market shares, particularly in luxury that we've always favored domestic markets over Travel Retail and daigou. And we've organized very well to make sure that we are not destroying any value through sales that were happening in the Travel Retail. So the new paradigm that's been set up by the authorities is actually something we cherish and treasure because we'll be selling products at the highest gross margin at the right consumers on the legitimate market in an even higher proportion. So that's a very positive news.

And as it relates to the cost of doing business, we are very cautious about the way we spend our money, whether it's on promotions. We cap our promotions on the big events. And as it relates to the different social networks, we've embarked on doing recently, and as always, we learned to master the system and to understand what are the recipes for success. We've had phenomenal acceleration in Douyin in 11.11, and we do it extremely cost consciously. So the destiny of our business in China will be to continue to improve its profitability, not the opposite.

Iain Edward Simpson ***Barclays Bank PLC, Research Division - Analyst***
Thanks. It's Iain Simpson of Barclays. Just a question on derma. So you talked about how the sort of derma value share versus global market and how that compares in the categories where it's most advanced. Could you give us some stats around sort of household penetration or number of customers who've switched from using a more mainstream face cream to using kind of dermocosmetics and how that looks in the most advanced countries versus global? I'm just trying to get a sense of the runway there.

And also you flagged dermocosmetics in hair. I mean, any kind of extra color on how that works? Are dermatologists also covering hair? Or what's the kind of route where you get that advisory-driven purchase into the consumer to introduce them to the brand?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Myriam?

Myriam Cohen-Welgryn ***L'Oréal S.A. - President of L'Oréal Dermatological Beauty***
So on the penetration, as I mentioned, we have seen an increase of the penetration, roughly estimated at 100 million more consumers over the past 3 years. And we see that in all kinds of regions driven by 2 kinds of phenomena. On the countries where dermo was built on high premium brands recommended by dermatologists, roughly Europe, we see an explosion of the penetration driven by the new and more affordable offer like CeraVe and the explosion of the mass medical category.

And yes, it's also true in the countries that were more mass medical countries that were driven or built through drugs to use under GPs, general practitioners, where we are managing the acceleration of the more premiumized brands. Just an element, La Roche-Posay, a very premium brand, is the fastest-growing brand in the U.S. And we are gaining new consumers in the high end of the market.

Now, on your second question on hair, it's a very interesting thing that is happening in hair. Dermatologists have always dealt with hair, but that was not that known. And there is actually the emergence of a new specialty in dermatology, which is called trichology. And as I mentioned in my speech, it's the second reason for consulting a derm, and more and more prescription is to be expected in that market.

How does it work? Well, we are starting to seize that opportunity with the Dercos brand under Vichy, which is flying at plus 25% through the typical medical model that is you develop the science, you prove the performance with clinical tests, you explain that to doctors through medical visit and then you get the prescription. This is why the brand is now the most prescribed brand on antidandruff. I have great hope that we will catch up on the performance of the dermocosmetic market in that category.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
If you allow me to add something on the topic of recruitment and penetration on dermocosmetics brands or Dermatological Beauty Brands, I think one of the -- for me, one of the most striking phenomenons I'd like to add is the fact that it's bought by everybody, including men. And for me, that's a huge difference. Selling Lancôme cream to a guy is not the most easy thing to do.

When I look at the profile of consumers of CeraVe in the U.S., it's young, it's old, it's men and it's women. That's by the way why you're going to be on the Super Bowl also with CeraVe. But more importantly, it's a very -- it's a family use. It's not gendered, and as it addresses problems that are not -- it's not just about anti-wrinkles, about acne, it's about moisture. So it's got an incredibly broad target. And that gives me a lot of ambition in terms of how big these brands can be because they're basically talking to twice the number of people as a basic, I would say, very feminine beauty brand.

Iain Edward Simpson ***Barclays Bank PLC, Research Division - Analyst***
That's really interesting. If I can -- I'm really sorry to do it, if I could just go back to the elephant in the room, so just thinking about the mechanics of Hainan, Travel Retail. So we've got a little bit more destock to come in first half '24. Will that be finished in Q1? Is that your expectation and just to also carry on with that?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
My perspective is that we don't have destocking to do anymore, more or less. What we have is that last year, when we were in January, February, March, we were still invoicing products to a market size that was bigger. So it's more the comparative of what we invoiced last year than stocks that we have to remove. Our stock levels are healthy now. So it's just a comparative number. And when the -- we will have passed that little hill, we'll be back to a normal growing market, boosted by regulatories that flood Hainan, as it's developing a lot. There are lots of real estate projects there. So it's not -- for me, destocking is done, kind off, and it's more comparative numbers in terms of selling.

Iain Edward Simpson ***Barclays Bank PLC, Research Division - Analyst***
So it's far more that you're lapping the stock build that took place in early '23 then?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
I'm not sure what that means.

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
Yes, and also the fact that the market is negative. So when you compare the situation of the market, I mean, in terms of sell-out in Hainan in the second half, it was quite pretty negative overall as a market. And of course, we were a little bit better in terms of market share. And we expect this to continue in the first month of 2024. But the problem of inventories is fixed. So of course, if the market is still lower at the beginning of this year, we will be suffering a bit, but this will last just 5 months.

Iain Edward Simpson ***Barclays Bank PLC, Research Division - Analyst***
That's very clear. And you said January was good. Does that include Chinese New Year?

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
Of course...

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
We don't -- we have frankly -- believe me, I've tried to have data on the Chinese New Year. It's actually, I think, today or tomorrow.

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
Tomorrow.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Tomorrow. So what we know is that there's lots of traffic, a lot of people both in Hainan and in tourist destination. There's lots of movements in China. It's too early to tell in terms of sell-out. What I can say is that our January sell-out in China, in Mainland China, was a number we're happy with. Best shot. Should we take a phone question?

Operator
(Operator Instructions) The first question is from Guillaume Delmas of UBS.

Guillaume Gerard Vincent Delmas ***UBS Investment Bank, Research Division - Analyst***
The first one is a follow-up on pricing because 2023 was a bit of an unusual year for the beauty industry. It seems particularly in Europe and North America given the price increases were significant, and I would assume well ahead of historical average. So my question is, how should we think about price contribution for 2024, particularly in the developed world? I mean, will it be back to a very small tailwind? Or do you think there is more room to increase prices because either you haven't fully offset cost inflation or simply because you've seen no price elasticity whatsoever? So it may be changing your thinking about the pricing lever.

And then my second question would be more for Cyril. It's on the Luxe division and the omnichannel strategy. I mean, last year, the division expanded its distribution to Amazon. So wondering here, what are the first key learnings from these initiatives? Particularly interested in whether the division has been recruiting new consumers as a result or if it's mostly a substitution effect with brick-and-mortar. And also, if I remember in the past, you were a bit reluctant in having some of your Luxe brands on Amazon. So what changed your mind? What has made this possible and whether you're thinking about then running out these initiatives through additional markets?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
So I'll take the one, and if you -- maybe I'll call also Alexis for a complementary answer on pricing. But I think that -- what I'd like to highlight is you're right to say that there was valorization in the market growth this year. But if I look at L'Oréal performance, as you saw, we grew 4% in volume, and therefore, close to 7% in value. So more than 1/3 of our growth came from volume, which I think speaks to the strategy we chose.

And within, by the way, this growth in value, there was also a product mix that was almost 3%. And our strategy, which -- and I'll hand over to Alexis because I think it's the best example of the strategy we've chosen. It was to put, I would say, relatively moderate pricing on existing lines and to innovate with truly valorized products with a clear quality gap. And that's something we can repeat, and we will repeat, in 2024. Alexis, maybe?

Alexis Perakis-Valat ***L'Oréal S.A. - President of Consumer Products Division***
Yes, no, exactly. I think within pricing, you've got 2 components. You've got pure price and you've got

mix, and exactly to what Nicolas said, there you can still generate value by mix, and especially one of the key components of the mix is new products. On average, last year, the pricing, and I'm talking about our pricing to the retailers because consumer pricing is the sole responsibility of retailers, but our pricing to retailers on new products was indexed 140 versus our baseline.

So bringing very strong innovation like GOOD from Garnier, which is 2x the price of a traditional Garnier hair color or Bond Repair from L'Oréal Paris, which by ml is significantly higher than the haircare market, is also contributing to bring value growth. And there's another thing also in this mix is what you saw about the increase of new beauty gestures, let's talk about serums or about broad products. This is also contributing to a favorable mix because the price of a serum is significantly higher than the price of a cream. So there is also a natural valorization of the market through mix, thanks to social media.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
So clearly, we continue to intend valorizing in 2024 and do it in a way that's a responsible way both for consumers and for the P&L, and that's what we've done this year. So Cyril?

Cyril Chapuy ***L'Oréal S.A. - President of L'Oréal Luxe***
So regarding your question on Amazon. So first, recruitment is indeed one of the major strategic edge of Amazon. I looked at my U.S. number actually on Lancôme, 73% of the consumers who bought on Amazon were new to the Lancôme brand. I think it's very much due to the capacity of Amazon to go deep in the U.S. territory. It's a very convenient kind of purchase, and Lancôme is not distributed in all cities in the U.S.A., far from that. We even reduced the physical distribution to concentrate on the most prestigious doors. So I think it -- Amazon helped a lot in Lancôme increasing its penetration across the U.S. territory, first. And also, I have to say that this -- we decided to go on Amazon because the quality of the dialogue we had with them has evolved drastically. You know it took us almost 3 years of discussion to go on Amazon.

And they understood progressively what luxury experience has to be. And if you go on the Amazon site in the U.S. on the Lancôme pages, you'll see that it's a very, very high-quality luxury experience, and this makes a big difference. And they partnered with us very strongly on this to develop what would be a luxury experience online with Amazon.

I would add 2 things. I would add that the D2C of Lancôme, the direct site, has kept growing at the same time as we moved on Amazon. And this is due to our capacity to differentiate the offers between our different channels. We do this in brick. Our offers are differentiated between a prestige department store and a specialty store like Sephora, but we do this in Click also. And what you do on Amazon and what you do on your D2C has to be very differentiated, very strategized so that the 2 channels don't overlap or cannibalize each other.

So overall, a very encouraging first 8 months. The brand is the #6 luxury beauty brand on Amazon in just 8 months. It's #2 in total luxury market in the U.S., so we have still a lot of room to grow. And obviously, if we keep being satisfied with this partnership, we'll probably expand the distribution on Amazon on a few other brands of L'Oréal Luxe.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Thank you. So we'll take a second question on the phone, and then, we'll go -- we go back to the room where I think we'll take a couple more questions before we call it off.

Operator
The next question is from Emma Letheren of RBC.

Emma Letheren ***RBC Capital Markets, Research Division - Analyst***
Hi, good morning everyone. Two questions. Firstly, on Europe, there was quite a slowdown in Q4. Is this normalizing pricing? Or are there some other dynamics there?

And secondly, on cash distribution, what are you feeling on the potential for share buybacks in 2024 as you deleverage back towards a net cash position?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Okay, thank you. So I'll answer in Europe. It's true that there was a slowdown in Europe in Q4, but it was a double-digit slowdown. So I get -- we're getting used to very high numbers. And certainly, I'm happy with the plus 11%, I think was our European number for Q4. And you're right to say it was mostly price-driven. So it was the -- I mean, the wearing off of the impact of price increases that we've taken actually at the half or third quarter of 2022.

But what we see today on the markets, I mean, the sales in the holiday seasons were good in fragrance, and the beginning of the year is also good in Europe. So we continue to see happily a dynamic European market, which we have to stimulate with new products because, as we said, it's an offer market. So the dynamism of the market will also depend on our capacity to stimulate it. And as far as share buybacks?

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
Yes, so you've seen this year, we did a EUR 500 million share buyback, which is the same value as last year. The policy of the company's is still the same is avoid any dilution, so we'll be doing the same in 2024. So depending on the share value, the program will be in between EUR 500 million and EUR 750 million for 2024.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
All right. So we had a question from Rogerio. I don't see him. Here, here.

Rogerio Fujimori ***Stifel, Nicolaus & Company, Incorporated, Research Division - Director & Analyst***
This is Rogerio Fujimori from Stifel. I was just wondering if you could comment on volume trends in North America and Europe. Just how to think about how things are evolving more recently as pricing gradually moderates.

And then my second question is that with the gross margin gains accelerating for you but also for the other HPC players, have you seen any change in terms of promotional intensity and step-up of reinvestment of gross margin gains into A&P?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
So in terms of volume value, what we can say is if I look at 2023, as I said, Europe was very balanced between volume and value. The U.S., where inflation is probably a bit more resistant, was a bit more -- was more value-driven. So whether it's going to continue in 2024 is hard to know, but we see a very strong resilience of the American consumer. And as I said, in the U.S., the luxury part of the market is resisting particularly well, so I would take that as an indication.

And as far as the promotional activity is concerned, I mean, when Alexis explains that there are several ways to valorize, it's also through the better management of our promotion strategies. So we have invested a lot in RGM tools. And one of the ways for us to improve the gross margin is to better manage promotions.

And typically, it can be -- it can mean more frequent promotions, but less deep promotions. And that's what's happened in some countries and probably what will happen in Europe for example. So I think we can -- we do not expect any way to see promotions eating up our gross margin if that's the question behind the question.

Christophe Babule ***L'Oréal S.A. - Executive VP & CFO***
And if I may add on that, I can tell you that both in North America and in Europe, the growth in volume in Q4, I mean, last quarter was the same as the third quarter. So what is very encouraging is that we see -- we still see the same dynamics in those 2 very important markets.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
So we -- I think it's a good moment for if there are any journalists' questions because we ask journalists to refrain from asking questions before the end, so I'll be more than happy to take a couple and then go have a drink.

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Daniela Morosini, Business of Fashion. A question about the Dermatological Beauty Unit, which has been performing really, really well. It's obviously still quite new as a division. It was previously Active Cosmetics, slightly different mix of brands. And then last year, you shed Decléor and Sanoflore, which was presumably to specialize more around dermalogical beauty. But I would love to just know a little bit more about that and if we might see any more specializations or refinements in the divisions.

Myriam Cohen-Welgryn ***L'Oréal S.A. - President of L'Oréal Dermatological Beauty***
I'm not sure I understood the question, I'm sorry.

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Because -- the just sort of the decision-making around getting rid of Sanoflore and Decléor and if there's more specialization to come.

Myriam Cohen-Welgryn ***L'Oréal S.A. - President of L'Oréal Dermatological Beauty***
So the success of our division and the acceleration of the division has been really driven by a refocus on our medical business model that is based on science, breakthrough innovation to deliver on skin pathologies and high-demand aesthetic needs through prescription.

And given the tremendous opportunities that we have in that market on all categories, we thought that we would refocus on the brands that are the heart of our business model, which is why we decided to disinvest from Sanoflore and to close Decléor, which Sanoflore being a local French brand that we thought would have much higher potential with partners that are focused on natural beauty.

And on Decléor, we tried to drive pharmacy kind of business model, but we realized that essential oils are not very compatible to sensitive skin and skins with pathologies, so we decided to refocus on what made our success, the medical prescription.

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
Okay. So I think...

Julia Damian ***Le Monde -***
Thank you to have selected my question. My name is [Julia Damian], a reporter for Le Monde. I would like to go back on e-commerce. Would you give us the percentage of online sales for L'Oréal last year and what you expect in the coming years?

And I would like also to go back on Amazon. Is it a worldwide partnership you have signed? Or is it only for the U.S. and only, if I understand, for Lancôme and Kérastase? And which other brands could be on Amazon in the next year? And what did you negotiate to -- yes, negotiate to be sure that the pricing policy of these brands is respected on Amazon?

Nicolas Hieronimus ***L'Oréal S.A. - CEO & Director***
So I'll try to wrap this up together. First of all, on e-commerce, e-commerce this year has been growing by 9.5%, so slightly lower than the total of the group to 27% of sales. And the main explanation of that is that e-commerce, Travel Retail Asia was strong in e-commerce. And also as we know, in China, Tmall had a year that was, to say the least, a bit less dynamic than usual, but still, we managed to grow at plus 9.5%.

And the 2 biggest growth drivers for us of our e-commerce performance, where we've had significant inroads, where on the one hand Amazon and on the other hand Douyin and TikTok Shop, which has really developed a lot, both in China, of course, but also in Southeast Asia and is beginning in the U.S.A. So these were the growth drivers of e-commerce.

As far as Amazon is concerned, it's been -- the discussions as for all our business operations are regional or local. Of course, we have top-to-top negotiations with our big international clients, but the realities and even the legal realities of regions are different between Europe, where you have selective distribution agreements, and the U.S.A.

Nevertheless, if I look at the U.S., we have not just Lancôme and Kérastase, we have all of our professional brands. We have our dermatological beauty brands with the exception of SkinCeuticals and SkinBetter Science that are exclusively sold by derms. And we have a few fragrance brands on top of Lancôme. And of course, we have all CPD. So it's -- there are a few brands that we don't have. We don't have the Couture brands at this time.

As far as negotiations are concerned, it was -- it's always been about the quality of expression of the brand, the respect of the territories of the brand. So typically, the first division that made inroads in Amazon was -- in America was Dermatological Beauty. And it was really the decision to create a derm section within Amazon. And that was also allowing to eliminate some of the gray market products.

So it's elevating actually the perception of the brand and the satisfaction of the -- I would say, the most traditional retailers of the brand. Even hairdressers are very happy that it's officially on Amazon rather than in a gray market version.

And as far as price, when Amazon is in 1P, they do their pricing as all retailers. But if I take the case of Lancôme in the U.S., it's a model that -- it's a 3P model fulfilled by Amazon in terms of logistics, which means that we are in charge of our brand site the same way we are in charge of our brand site on Tmall.

Voilà for this question on Amazon.

I thank you very much for staying this long, for this -- your attention, and there is a cocktail to be served, I think, on the first floor. So thank you very much, and thanks to all the ones who prepared this meeting. Thank you.