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Half Year 2024 L'Oreal SA Earnings Call

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PRESENTATION

Eva Quiroga ***L'Oreal SA - Head of Investor Relations***
Good morning to all, and thank you for joining us for the presentation of our first-half 2024 results. I'm here with our CEO, Nicolas Hieronimus.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
Good morning.

Eva Quiroga ***L'Oreal SA - Head of Investor Relations***
Our CFO, Christophe Babule

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***
Hello, good morning.

Eva Quiroga ***L'Oreal SA - Head of Investor Relations***
And the Global Head of Corporate Finance and Financial Communications, Laurent Schmitt.

Laurent Schmitt ***L'Oreal SA - Global Head of Corporate Finance & Financial Communications***
Good morning.

Eva Quiroga ***L'Oreal SA - Head of Investor Relations***
As always, Christophe will comment the first-half results. Nicolas will then share his takeaways from the first six months and tell you why we remain confident in the outlook for the rest of this year and beyond.

After that, we will open up to Q&A. You can already find the slides of both presentations on our website. You will be able to access the replay of this call later today, and the half year report will be available at the beginning of next week. And with that, over to you Christophe.

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***
Thank you, Eva. So ladies and gentlemen, good morning. L'Oreal delivered another strong performance in the first half in the beauty market that remains dynamic. If I have to summarize the past first half in four key figures, I will highlight first the continued strong like-for-like growth of 7.3%. Remember that we were lapping pretty tough comps of 13.3%-plus.

The gross margin of 74.8%, up 50 basis points and the first half record; the operating margin of 20.8%, up 10 basis points and also first half best; and the net profit of EUR3.65 billion, an increase of 8.8% versus the first half of last year. So sales increased by 7.5%. Foreign exchange had a negative 2.3% impact as the euro appreciated against most of our key currencies, except the British pound and the Mexican pesos. You can find more detail on our invoicing currencies in the appendix of this presentation.

The change in scope of consolidation contributed a positive 2.5%. It reflects the acquisition of Aēsop last August and the impact of hyperinflation accounting in Argentina and Turkey. On a like-for-like basis, growth came to a strong 7.3%. Adjusted for the phasing related to the implementation of new IT systems in North America, like-for-like growth in the second quarter was above 6%.

On this chart, you can see the different components of growth. Units increased by 2.6%, contributing slightly more than one-third of growth. Value grew by 4.7%, of which 3.3% price and 1.4% mix. The increase in volume is all the more remarkable as it follows an increase of nearly 4.9% in the first half of last year, a pretty unique position amongst our peers.

Let's take a look at the divisions. They all grew on a like-for-like basis. Professional products advanced 5.7%, all three key regions contributed. At 8.9%, consumer products continued to grow at a high pace. Volume and value were well-balanced.

Luxe progressed 2.3%. Momentum accelerated in the second quarter, and Dermatological Beauty grew 16.4% with all regions contributing. Let me remind you that in the third quarter of last year, sales in our LDB division included EUR57 million insurance benefit related to the natural disaster that severely disrupted the Vichy plant back in 2022.

Momentum remained dynamic in our developed and emerging markets, more than offsetting the ongoing weakness in North Asia. Europe, our largest region, continued to deliver remarkable growth at 11.1%-plus. The group strengthened its position in the majority of markets, especially the DACH and Iberia clusters as well as in many of the midsized countries.

In North America momentum remained strong at 7.8%-plus. It was positive in all categories and divisions. In North Asia, sales declined by 1.7%. This was due to the renewed weakness in the mainland

Chinese market where we gained share in three of our four divisions.

Travel retail still weighed on growth in the first half, but momentum has been improving sequentially. In emerging markets, L'Oréal maintained a very dynamic pace at 14.7%-plus. SAPMENA—SSA and Latin America both contributed.

Let's now look at the categories. Skincare grew 5.4%-plus. All regions advanced with the exception of North Asia. Makeup continued to rebound at 8.8%-plus with Europe and emerging markets, particularly strong. Haircare was the most dynamic category at 14.9%-plus, driven by premiumization in both mass and Professionnel. Growth of perfumes remained remarkable at 14%-plus and hair coloring advanced by 4%.

Let's move to the profit and loss account. Gross profit increased by 8.3% to more than EUR16 billion and gross margin improved by 50 basis points to 74.8% of sales. The change in scope of consolidation had a negative 40-basis-points impact on gross margin.

Currency effect from transaction and translation were positive to the tune of 20 basis points. The underlying gross margin improvement, therefore, stood at 70 basis points-plus, reflecting a more favorable input cost environment and the continued valorization of our portfolio.

Research and innovation expenses increased 7.1% to EUR667 million. As a percentage of sales, that were stable at 3%. Advertising and promotional expenses increased 6.4%. That's an additional EUR427 million spent on our brand.

As a percentage of sales, A&P came in at 32.1%, 40 basis points below last year, half of which was due to the acquisition of Aēsop and the impact of hyperinflation. With the exception of North Asia, we increased our A&P in relative terms across all regions.

SG&A expenses increased 12.3% in absolute and 80% points in relative terms. About half of the increase was due to the consolidation of Aēsop and another 10 basis points due to the impact from conversions. Part of the remainder was related to the acceleration in our investment in tech and data, aimed at improving our long-term productivity and competitiveness.

Operating profit increased by 8% to more than EUR4.5 billion. The operating profit margin advanced by 10 basis points, reaching a new first half record of 20.8%. As you know, our margin improvement in 2024 will be slightly back-end weighted due to the consolidation of Aēsop and the phasing travel retail sales.

As I do in my first-half presentation every year, let me remind you that L'Oréal is managed on an annual basis. Therefore, the division's profitability in the first half cannot be extrapolated to that in the full year. Three of our divisions reported a record first-half margins, driven by strong gross margin expansion, which more than offset the increased investments behind our brands.

Consumer products improved profitability by 100 basis points to 22%. The profitability of Professionnel product came in at 22.1%, up 90 basis points. Dermatological beauty further increased its margin by another 50 basis points to 28.9%, and the margin of L'Oréal Luxe stood at 21.9%, 130 basis points below last year. Apart from the weakness in travel retail, you should be aware that the consolidation of Aēsop had a negative impact of 100 basis points at divisional and 35 basis points at group level.

Non-allocated expenses, consisting mainly of corporate and fundamental research costs were up by 10 basis points at 2.4% of sales. From operating profit to net profit, excluding nonrecurring items, the net financial result came in at a negative EUR131 million. The increase versus last year was related to two main factors. First, the acquisition of Aēsop, and second, the cost of servicing our foreign currency debt in Argentina.

For the full year, you should expect net financial expenses to the tune of around EUR230 million, all other things being equal. Sanofi's dividend amounted to EUR444 million, up 5.6% compared to last year. Income tax amounted to EUR1.2 billion, representing a tax rate of 23.7%, higher than first semester 2023, which stood at 21.9%.

For the full year, you should anticipate a tax rate slightly below 25%, all other things being equal. Net profit, excluding nonrecurring items amounted to EUR3.7 billion.

We now complete the review of the P&L account. Nonrecurring items net of tax amounted to a negative EUR89 million compared to a negative EUR257 million in the first half of last year. This year, the other income and expenses of EUR103 million mainly included the first restructuring costs of EUR41 million related to reorganization projects in Europe and North America and other nonrecurring cost of EUR40 million, comprising a number of different items.

After taking into account all non-recurring items, net profit after noncontrolling interest came out at EUR3.6 billion and an 8.8% increase. Gross cash flow increased by 3.1% to EUR4.5 billion. As every year during the first half, the working capital requirements increased this year due to the phasing of our net sales.

Capital expenditure of EUR781 million represented 3.5% of sales. And for the full year, it should reach around 3% -- 3.7% of sales. Net operating cash flow exceeded EUR1.9 billion compared to EUR2 billion in June 2023 after payment of dividends, acquisitions, and redemption of lease debt, residual cash flow was negative to the tune of EUR2 billion.

The balance sheet remained robust with shareholders' equity of EUR29.6 billion or more than half of the total balance sheet. Last at the end of June, net debt amounted to EUR6.4 billion and to EUR4.5 billion excluding financial lease debt. The gearing ratio stood at 21.8% and the financial leverage at 1.2 times. As you can see, the financial situation remains healthy. Thank you for your attention.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***

So, it's me now. Good morning, everyone. We delivered a strong first half, and I would like to thank first all our employees around the world for their dedication and hard work. In the next 15 minutes, I will show you my takeaways from these first six months and tell you why I'm confident in the outlook for the rest of this year and beyond.

Our sales increased by 7.3% on a like-for-like basis. We estimate that the global beauty market grew between 5% and 6% in the first half, which means that we outperformed once again. And that is after three consecutive years of exceptionally strong share gains.

One of the things that I'm very pleased with is that our growth is balanced between value and volume, not just in this first half but since the beginning of the inflationary crisis in 2021. When you look at the last 12 quarters, we see on average an almost perfect mix of volume at 3.4%-plus, price at 4.1%-plus, and mix at 3.3%.

In terms of channels, online at 7.8%-plus has grown a little faster than off-line at 7.2%-plus. One region that really stood out to me is the emerging markets where online has been a real game changer and is growing three times faster than offline.

When I look at our divisions, all of which have been growing, I'm really pleased about the ongoing dynamism of consumer products, the sequential acceleration in Luxe and the continued share gains in Dermatological Beauty and Professionnel products.

Consumer Products grew 9% and continued to slightly outperform the dynamic mass market. The strategy to democratize and premiumize mass beauty is clearly working. Growth was a healthy combination of volume at 2%-plus and value at 7%-plus with a strong dose of mix. And all of the major brands progressed strongly with a special shout out to L'Oréal Paris.

In spite of having been around for over 100 years and owing more than EUR7 billion, the brand grew 13%-plus in the first half. L'Oréal Luxe was up over 2% accelerating in the second quarter of the year, fragrances were once again the fastest growing category, and we gained share in what remains a very dynamic market.

Couture brands and men's fragrances were particularly strong. I'm also pleased that our work -- our luxury makeup brands has been paying off. The category is seeing a real rebound, driven in particular by Yves Saint Laurent, Armani, and Urban Decay.

Dermatological Beauty was once again the fastest-growing division, outperforming the global dermocosmetics market. We grew 16% despite the second quarter being impacted by a lower suncare season, I think you all saw the weather, and the slowdown in the US market. What most impressed me was how broad-based the growth was. Every region was up in double digits where the developed markets, emerging markets, or North Asia, including Mainland China, and every brand grew with the two billionaire brands being the most dynamic.

Professional products grew 6% cruising ahead of the market at 4%. Most remarkable to me was the strong performance of each of the top three brands, especially Kérastase as their innovations really resonated with consumers. The division grew in all regions. It continued to pursue its omnichannel strategy in developed markets and to expand its footprint in emerging markets and North Asia.

Our performance by region is a clear illustration that our multi-partner model is working, in spite of the continuous weakness in North Asia to which I will come back shortly. We delivered a strong first half as each and every one of the other regions advanced strongly. In fact, the top three contributors to group's growth, each represented a different region. Number one, the US, number two, our incredible Mexican business, and three, the DACH cluster, Germany, Austria, Switzerland.

So let's start our work through right here in Europe, which had another very strong performance with growth of 11%-plus, more than 2 points ahead of a market that has remained very dynamic. Momentum continued to be broad-based with the majority of countries up in double digits.

Our emerging markets grew in the mid-teens, well ahead of the market. SAPMENA was slightly ahead of Latin America, which was impacted by the situation in Argentina. In the first half, emerging markets accounted for 16% of our sales and 30% of our growth.

In North America, we grew 8% well ahead of the market. Thanks to the Dermatological Beauty, Luxe, and Professionnel businesses. Adjusted for the impact of phasing momentum was broadly the same in each of the two quarters.

Now let's go to North Asia, which declined minus 1.7%. So let me help you unpack that number. And let's start with Mainland China, which accounts for two-thirds of sales in the, region, after a very slight recovery at the start of the year, market growth turned negative in the second quarter as the comparison base was very high, and we are not seeing any pickup in consumer confidence, which is critical to growth in beauty.

Overall, we estimate that the market was down between 2% and 3% in the first half. Within that, there was a huge divergence in trends. Mass was up slightly, while luxury was down in high-single digits. In that context, we grew plus 0.8% and continued to outperform the market.

We gained share in three of our divisions, especially Luxe, where we outpaced the market by 6 points. I'm very impressed by the performance of Dermatological Beauty. Thanks to the triple engine of SkinCeuticals, La Roche Posay, and increasingly, CeraVe. The division has grown threefold in size and now accounts for 11% of sales. That's Mainland China.

Let's now move to Hainan. The market was down minus 30% in the first half. We are seeing a steady increase in arrival numbers, but the conversion rates remained soft. We slightly outperformed the market in sellout and continue to gain share.

I told you in April that our inventory levels were broadly at the right level, and as a result, our sell-in is progressively improving quarter after quarter. In the rest of North Asia, growth was up in the mid-teens, driven by the dynamic trends in travel retail and robust growth in markets like Japan, which saw a surge in tourism. That concludes our global tour.

Christophe already showed you that we had a strong financial performance, and I'd like to also highlight our extra financial achievements. Moody's recognized L'Oreal for its sustainability performance with an advance ESG assessment well above sector average. The new objectives for our 2030 and 2050 decarbonization trajectory were validated by the science-based target initiative in April. To me, both are a great reflection of our sustainability transformation.

Let us now turn to the future and why we are confident that we will continue to grow and outperform the global beauty market. As you know, we expect the global beauty market to remain dynamic and grow by about 4.5% this year, slightly above the 4% long-term average. In North Asia, we don't see much change in the second half. We expect growth in Mainland China to remain slightly negative and travel retail sell-in to gradually improve.

Outside North Asia, emerging markets should maintained the double-digit rhythm. Growth in Europe should continue to normalize with less value as it already has in the US. By the way and to put things in perspective, if the global beauty market grew 4.5% every year, that would add an extra EUR100 billion by 2030, which we would be more than happy to take an even more significant share of. As you know, we have a long history of outperforming the global beauty market.

At the heart of everything we do lies the consumer, and an important part of our growth story is the recruitment of new consumers to our roster, and there is still plenty to do. We estimate that our total addressable market currently consists of approximately 4 billion consumers or around half of the world's population. Of those, we currently touch only around 30%.

It will not surprise you that this number is a lot higher in developed markets, at close to 60%, and in emerging market at around 25%, and even more so North Asia at less than 15%, I believe we can reach 2 billion consumers in the next decade.

Key to recruiting new consumers are emerging markets where our share is below average and when we are only at the beginning of our conquest. One of our engines will be the introduction of new brands in new geographies.

Take the example of India. For years, we focused exclusively on Professionnel products and consumer products. It was not until last year that we launched CeraVe as our first LDB brand, and we are only just introducing some of our Luxe brands. I could make similar observations about many other countries in SAPMENA.

Our market share gains in China, which continues to be a penetration opportunity are driven by the introduction of new luxury brands such as Aēsop or Prada, but also the acceleration of CeraVe and the opening of new doors in lower-tier cities.

In North America, our market share of 14% is well below of Europe at 20%. In a market in which growth will be driven by a strong economy and by an increasingly multi ethnic population that is obsessed with beauty. And we are already seeing this with Gen Z and Gen alpha.

Take the example of Valentino. In only a few years, Born in Roma has moved into the top three in both the men's and women's fragrances driven by exactly that consumer. And even in Europe, our historical home, we see opportunities for expansion.

As consumers' purchasing power entity sophistication increases in Central and Eastern Europe, these countries are becoming an attractive growth engine. In Poland, where our market share is around half that of France, we expect our business to double in the next four to five years.

Another recruitment opportunity lies within different consumer clusters. By 2030, there will be additional 200 million boomers. Already today, they make up 21% of the population in North America and 18% in Europe, and they are great consumers for us. They use beauty products regularly. They tend to spend more on them as they grow older and they don't like indie brands.

There will be 100 million more Gen Z consumers by the end of the decade. They are notoriously keen to splurge on beauty products and will account for around 12% of global beauty spending by 2030. Interestingly, one-third of our global Gen-Z beauty spending will be in SAPMENA, once again highlighting the region's key roles.

Men are another interesting opportunity, especially in areas like dermocosmetics, the most unisex category of products. In the US, 50% of all surveyed consumers are men. In fragrances, they account for one-third of total sales, and we have a portfolio that is well positioned.

In mass, L'oreal Men Expert has been growing in double digits in Europe for the first half of this year. So how do we actually recruit and importantly, loyalize these consumers? First of all, thanks to our wide price piano. We offer superior products to all purchasing power levels around the world. And that is true even within our consumer products division.

In an offer-driven market, innovation allows us to bring consumer better products and continuously valorize our brands. Many of the products we launched in the last 18 months have been consolidating their position Elsève’s Bond Repair and Glycolic Gloss contribute to around 10% of the total brand sales. And we have more to come in the second half, especially in mass makeup.

The recently launched Sunkisser Blush and Firework Mascara from Maybelline are off to a great start. We also continue to strengthen our device lineup with the introduction of coloration to Colorsonic and the much anticipated AirLight Pro.

Our innovation is supported by best-in-class R&I, where we spend more than our next three competitors combined. This allows us to regularly disrupt the market with new molecules. And what makes this particularly powerful is our ability to cascade them across several of our 37 global brands.

Take Melasyl, the revolutionary anti-pigmentation molecule. We initially launched it under La Roche Posay, our most scientific brand at the beginning of this year. And we are progressively rolling it out to other brands such as L'Oreal Paris with Glycolic Bright Serum, and there will be more to come.

Our innovation is also underpinned by our continued brand support and unique creativity. Providing fuel to our brands is non-negotiable. That health is crucial to securing a long-term growth model.

Last year, we spent over EUR13 billion, almost a third of our sales on A&P. That said, BetIQ our AI-powered internal tool to measure and improve the return on our investments is yielding productivity increases to 10% to 15%. Over time, this will enable us to continue growing A&P at an absolute not related basis. We also use AI to boost our team's creativity with the launch of our CREAITECH Beauty Content Lab. Both are a clear illustration of our leadership in beautytech and digital, which I won't elaborate on today.

So to conclude, I have shared with you the reasons why I'm convinced that we will continue to thrive in the global beauty market this year and more importantly, beyond. The market will remain dynamic in the long-term, powered by demographics and beauty routine sophistication.

We are the global number one player in beauty. We are 1.6 times bigger than our nearest competitor, and size matters in beauty. Barriers to entry may be coming down, but barriers to scale are only going up. We are a truly multi-product company and once again, the robustness of our model has been proven.

Our 37 global brands cover all categories, channels, price points, and region. And our agility allows us to constantly assess any pockets of weakness with areas of strength, and we are becoming a more balanced company.

In the first half, the size of our business in emerging market equaled that of Mainland China, which means that they now have a real impact. Just think about Mexico being the second contributor to growth at group level. We will pursue a selective M&A strategy to cover our consumer targets and categories and see the spending trends. All these things make me confident that L'Oréal has what it takes to win in beauty for another 115 years and reach 2 billion consumers in the next decade. I thank you very much for your attention, and we will now open up for questions.

QUESTIONS AND ANSWERS

Operator
(Operator Instructions) Iain Simpson, Barclays.

Iain Simpson ***Barclays - Analyst***
Thank you very much. Good morning and two questions from me, please. Firstly, you're guiding for 4.5% market growth this year after 5% to 6% growth in H1, which I guess implies 3% to 4% market growth in H2. But I'm also conscious that you're lapping all the Asia travel destock in H2. So given that, would it be reasonable to assume that L'Oréal's growth will be fairly evenly balanced between H1 and H2 this year?

And then secondly, I wondered if we could talk a little bit about the sustainability of haircare and fragrance premiumization. They've clearly been pretty big growth drivers during recent quarters. I'm just wondering how much runway we should expect with that and whether that's something that is showing any signs of slowing down. Thank you very much.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
Okay. So first of all on the yearly growth, we highlighted the fact that we thought that this year's would be around 4.5% which, again, as a reminder, is above the growth rate than we had pre-COVID. So I would call that, after the post-COVID euphoria and the inflation boom, a kind of normalization of the beauty market growth.

And as I said, it remains a pretty strong growth rhythm in a market that has gained size in the meantime. And from EUR280 billion in 2023, as I said, this growth rhythm will take us to EUR380 billion in 2030. So overall, it's a very nice growth rhythm.

As far as the second part of the year is concerned, you're right in your assumption. In our own calculation, we see around 4% growth with all the uncertainties on the second half. And for me, it's a minimum. And then, of course, we want to continue to beat that market. I will not give specific guidance on first and second half, but you have to assume that we will want to continue to have a decent multiplier on the market growth itself.

And as far as hair and fragrance growth, and I'm pretty confident and bullish about the development of these two categories because they are driven by very structural factors. Of course, is the fact that you have on the one hand, younger consumers plus new parts of the world are indulging in fragrances.

So young consumers use fragrances sooner. And more importantly, they use more fragrances than before than their parents, and they change fragrance from one occasion to another. We see China also growing, entering the fragrance market. And as you say, the premiumization, sophistication of this market is a natural phenomenon that we've observed in many luxury categories. That's when you have a larger number of people that are wearing a blockbuster fragrance.

The most sophisticated consumers want to smell different. So they are going for very unique collection, private and more expensive fragrances, which is why, by the way, in the second half of this year, we are launching or relaunching several of our brand's fragrance collections, Valentino, Lancôme, and a few others have not been presented yet.

Saint Laurent is also relaunching that part of their business. So I think it will continue to grow. And there's another factor that is also impacting hair care as well as fragrance is the increase in the population's diversity. We see that emerging market consumers, black consumers, Latino consumers are more fragrance lovers and users than the traditional European consumers. They were more of them more often. They also like different type of notes, which is why it's important to have several brands and to be able to satisfy them.

And that is -- as part of this population and the world's population and particularly in the US population is increasing, I think this is a strong driving force, both for fragrance but also for haircare because very clearly this population has longer and more demanding hair. And we see the rise and strength of all the modules that are addressed to curly hair that are nourishing black hair. They are very -- they have very strong dynamism.

So all in all, I think there are people that just wash their hair, but there are more and more people that need to care for their hair. And we see it in and the growth of Kérastase as well as the most expensive Elsève brands.

And just to finish because it's true everywhere, we're very proud that the Elvive or Elsève became, after many years of fight, the number one hair care brand in Brazil. And that's typically for me, Brazil, the most demanding haircare market in the world because this is where you have the most diverse hair. And so we see that they want greater quality, not just in that cleansers and leave their hair in bad state.

Iain Simpson *Barclays - Analyst*
Thank you very much.

Nicolas Hieronimus *L'Oreal SA - Chief Executive Officer, Director*
You are welcome, Iain

Celine Pannuti, JPMorgan.

Celine Pannuti *JPMorgan - Analyst*
Good morning Nicolas , Christophe and Eva . So my first question is on China. So if I understand correctly, do we expect Mainland China to be slightly up for the year or at least slightly up in the second half. Maybe that's what I understood.

Nicolas Hieronimus *L'Oreal SA - Chief Executive Officer, Director*
Yes, I'll let you -- you put your question, but I said that I think that the Chinese market, Mainland China would remain slightly negative in the second half. So then we'll have to perform it but --

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Celine Pannuti ***JPMorgan - Analyst***
So anyway, my question was more about maybe your -- first of all, your assessment of the -- what's going on in the Chinese market, obviously, but consumer confidence, but as well, the shift from maybe in price point, shift to maybe more mass price point than luxury price points. But more importantly, how you see the markets, whether you have changed your view on market opportunity for China as you're looking to more in the midterm.

I think other companies have been -- have taken a bit more of a bleak view on this market. So wanted to hear about your thoughts on this as we looking into '25 probably because I presume that will have an impact on the global market expectation.

And then my second question is on Derma. So I think you did say because of the lower big number, it's going to be harder to sustain the growth rates. And you mentioned EUR1 billion additional EUR per annum for that division if that's still the case. And can you flesh out what's going on in terms of the slowdown in the market, which I think you refer to be in the US? Thank you.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
Yes. So in China, I will take this several sub-questions of your question, Celine. First of all, do we see China as a -- still as a mid-term, mid to long-term opportunity? Yes, absolutely.

There's no other market that has the size of this population as the size of this middle class that is growing. With consumers that are aging, yes. But the consumers that are aging are consumers that started using our brands a few years -- 25 years ago. And we have new Gen Z, both men and women. We are very much into beauty.

So I think we have a market that is going to grow. We only touch 25% of our target in China, 100 million Chinese, over 400. So we believe in the future. We are investing. We just opened a new distribution center, and we are opening doors. We are opening product doors or Aēsop doors, but also, we are accelerating with CeraVe because there's a stronger health demand in China.

And the fact that CeraVe is both affordable and recommended by them as a strong asset. And we'll also open doors in Tier two, three and four cities on our brands, including L'Oreal Paris, which remains, by the way, by far the number one beauty brand in mass in China despite the success of some of the Chinese brands.

So all-in-all, midterm, I'm still very ambitious on China. Short term, the answer to your question is that I do not see much change, and that's why I said I think the market will remain slightly negative in the second half because everything is driven by the Chinese consumers confidence.

I have in front of my eyes the curves from OECD from June 24, which shows the confidence level of different parts of the world. And you see Europe going back up, you see emerging markets is very positive. And the only part of the world where consumer confidence remains very low is China because there are obvious reasons to that. A job market that is not healthy. And many of the Chinese have put their savings into real estate, which has lost a lot of its value.

So the pattern we see in in Chinese consumers right now is that they are indeed buying less and buying more -- looking more for value for money, which doesn't mean that we can sell luxury products. Saint Laurent is double digit in China. Why? Because we have great innovation and the brand is super aspirational. And so it Helena Rubinstein in terms of growth.

But overall, I would say, the average Chinese consumer today is more into value for money, which gives us, I think, a lot of opportunities to recruit new consumers with L'Oreal Paris. So that's why, short term, I am not betting for this year on China, but the good thing is that we've seen and the fact that emerging markets are not the same sounds as made in China tells me that we love to have a growing China, but we are not dependent upon a growing China.

As far as Derma is -- I hope that answers your question on China. And as far as Derma is concerned, first of all, I must say that I'm very happy to be growing at 16%-plus. La Roche Posay is -- both brands, by the way, CeraVea and La Roche Posay are growing in double digit, and La Roche Posay would probably be this year, the number three skincare brand globally, all channels included.

So this channel remains very dynamic and it's true. It's very strong for us. It's been double digit in every part of the world. So we continue to be extremely both confident and ambitious for this division. What is true is that our growth in the second quarter has been lower and it's been impacted by two different factors. One, which is not negligible, is really the suncare season, whether in North America or in Western Europe.

The sun season has been very bad. For those who, like me, have attended the opening ceremony of the Olympic game, we know what rain means in July. And it has had an impact on our quarter balance because last year we had a bigger part of our invoicing on the second quarter because we had availability issues. And this year, we had a big sell in Q1, which of course, made our Q1 bigger. And replenishment in Q2 was very significantly below expectations.

So that's part of the explanation, but that's not all. The other part is, as I think several people mentioned, is the slowdown of the US market, which is -- I think, can be first of all, has to be confirmed over several periods, but can be maybe linked to a couple of factors.

One is for sun too. Second, it's true that the drug channels and I'm not going to name retailers, but the drug retailers in America are suffering whether versus e-commerce or selective retailing. And that is clearly something that -- they are part of an important part of our -- of the dermatological beauty brands distribution. And probably a third phenomenon is that there is more competition outside the Derm Beauty.

Everybody is observed and learned from the Dermatological Beauty and started launching products that are inspired, and we've done it ourselves. I often mentioned that Kiehl’s was struggling for a while because of the rise of Derm Beauty brands and Kiehl’s, like a few other brands, has started launching a skin better -- a better sunscreen product, the auto tone, anti-pigmentation. And if I look at the numbers of Kiehl’s in July, they're up double digits.

So I guess there may be some transfers from and from the Derm market to other channels. And what's important for me is that my other brands get that part of the consumer transfer. All in all, first of all Dermatological Beauty in the US, even though we had this slowdown of the market, has very significantly increased this market share. And we also have a few initiatives that are coming.

Another part of the market that was slower was the prescribing doctors -- retailing doctors. We have SkinCeuticals and we have a big launch coming in and the second part of the years will be our biggest launch in the last two years.

So overall in Derm, we continue to see this as a fantastic opportunity in emerging. Emerging are the very slow part of service business. It's around 16%. North Asia is 6% of CeraVe. So all in all, we continue to be very ambitious about Dermatological Beauty. Regarding the EUR1 billion, I guess, it's been a bit less sunny than we wanted. So we might be below that this year.

But it continues to be, I think, a good growth resuming in the midterm. And we have a number of big initiatives, including by the way, big launch of anti-dandruff in CeraVe at the end of the year, which is a big foray into haircare. Once again, a dynamic channel. So yeah, it's been a bit lower than we wanted, but we are ready to continue fight and accelerate.

Operator
Bruno Monteyne, Bernstein.

Bruno Monteyne ***Bernstein - Analyst***
Hi, good morning. My question is on the emerging markets ex-China. A few quarters ago, you were growing at about 23% or 22%. Today, more around 13%,a sizable slowdown. Could you just maybe comment what's happening there and maybe highlight if there's any impact from some of the boycotts you might have seen in Indonesia and other places? How much of that is the effect in Argentina devaluation and any other kind of structural or short-term impact from that level of growth? Thank you.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
Okay. So on emerging markets, overall, there are clearly few external factors that are impacting our growth. You mentioned two. On Latin America, it's true that the Argentina has an impact. I will hand over to Christophe on that. But when we published a growth on Latin America of 14%, if you take out Argentina, it's 19%-plus. So as you can see, it has a significant impact, and we've been very cautious, Christophe, on the way we handle Argentina.

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***

Yeah, because the country is suffering from the issues of inflation, and therefore, we tried to keep our business healthy. And therefore, we've been delaying some invoicing. Difficult sometimes to import goods there. So that's why we have a country that's negative. And it's important for us is to get back the cash at home, and therefore, we are managing the country for them being more on the financial way than on the consumer way.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
And on SAPMENA , the market remains quite dynamic with fluctuations here and there. We continue to gain market share almost everywhere and most regions and divisions and categories, which remains a strong growth engine. The only specific elements that I can mention and which you mentioned are the impact of boycott scores, which are not huge, but they still have an impact. We estimate them on the first half. It has costed the regions around the two points of growth. So you see four points of growth on Argentina for LATAM and two points of growth on SAPMENA, which are more or less -- explains some of the differences you saw.

Overall, we continue to have a very strong progress, not only on our consumer products. What's interesting is that we see the rise of LDB and Luxe, which is beginning to to have significant shares. And we see the fragrance market again developing in this part of the world.

So yeah, a few geopolitical bumps, but an overall global trend of of recruitment. And as I said, first of all, units are growing in that region. And as I said, we have an e-commerce growth that is three times the growth of brick and mortar, which is for us a very strong sign of recruitment and of potential growth for the future.

Operator
Guillaume Delmas, UBS.

Guillaume Delmas ***UBS - Analyst***
Thank you very much and good morning all.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
Good morning.

Guillaume Delmas ***UBS - Analyst***
I have a couple of questions. The first one is on Europe because the region keeps on posting absolutely remarkable performances. Now, Nicolas, you mentioned, and this is not the first time, some price normalization happening going forward. So maybe to help us understand the magnitude of this potential deceleration in the coming quarters.

Could you set some light on how much pricing contributed in Europe in the first half? And also whether you took some incremental pricing actions at the start of the year? And still on Europe, bigger picture, what do you think is a sustainable run rate for Europe?

Because if I look at the past decade for L'Oréal, Europe was a 2% to 3% like-for-like sales growth region. It seems now that the market is more dynamic. Your level of outperformance has structurally increased. So what would be your expectations for the medium term for Europe?

And then the second question, much shorter, going back to Asia travel retail, what was the impact of that business on your Q2 like-for-like? Because I think in Q1 it was around 230 basis points. What was the impact on Q2? And what was the exit rate because am I right to assume that June you were going against a clean normalized based of comparison? So what you saw in June could be a good indication of what's to come over the coming quarters. Thank you very much.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
I'm looking to give you my June sales invoice on travel retail, but I see the overall meaning of the question. First on Europe, I think that, of course there is price and there has been price increases in Europe over the last year and the first part of this year. We've been in mid-teens for full price for value in a mid-single digit -- for the value in Europe for the first half of this year, and it's going to slow down progressively on the second half because last year, our -- most of our price increases were on the first part of this year and last part of last year. So we have little price increases coming in the second part of the year. So there will be less value. And I think to be the case for the whole market.

So what would be the impact on the market growth? I don't know exactly because there's so much category mix effect. I don't know if somebody wants to help me on that around the table.

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***
What we can say that while we see in fact a slowdown in the fuel value driven by prices, at the same time, in Q2 we had volumes that were increasing because, of course, we are still supporting a lot with the investments. And therefore, that's why we keep a very healthy and strong growth in Europe. So we are compensating with our investment and higher volumes.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
That's an interesting element because even if we lose a couple of points in value, we've seen volumes decreasing in Europe for the second quarter. And I think what's striking is a few things that I want to highlight about the performance of Europe.

First of all, again, I was referring to consumer confidence. Consumer confidence in the big European country, as strange as it may seem, when you look at some of the political situation, consumer confidence is picking up because they have been really hit hard with both the impact of energy prices, the Ukraine war. And now as the situation is somehow normalizing, the consumer confidence is really picking up, and that's always good for consumption and for beauty consumption.

Second, Europe is where we are the strongest. We make the markets if I may say so. And we are strong in all categories. We have very strong launch plans. And by the way, all our divisions have been growing very strongly in the first half. So we believe we can continue to have growth levels in Europe, which will not be double digit, but which will be significantly above the historical numbers you are referring to.

All the more as I as I mentioned, we see a consumer sophistication. I was in Poland couple of weeks ago where we have -- it's one of our lowest market shares in Europe. And I hadn't gone to Poland, I must admit, for a half a decade and have seen incredible consumer sophistication, retail sophistication, the impact of social networks, which have educated consumers to all sorts of small segments of beauty such as primers and liners and the multiplication of beauty products. We see consumption increase. And so we think we can, in this type of countries, significantly accelerate.

And by the way, Poland is doing a great job this year. So yeah, I think that Europe will not remain at double digit for L'Oréal, but we don't want to go back to the two and three historical numbers. And we have, I think, both the means because we reorganized quite a bit in Europe with accretion of country clusters that limits our SG&A's and generates more fuel for our P&L. So we are -- yeah, we remain ambitious for Europe.

And as far as as the travel retail is concerned, you're right to say that the first quarter was very negative. The second quarter was just a bit negative. And we are going to enter into positive territories in sell-in from Q3 onwards.

And I don't have anyway the June number on top of my mind, but – so anyway, even if I had, I wouldn't tell you. But as we see the trend, there's no – the only point that I highlighted on travel retail is that right now, the sellout run rates in Hainan are lower than what everybody would like. So it's still very good for our sell-in because of comp bases. But today in sell-out, we see more traction in Japan or Korea and Japan, in particular with the yen price than in Hainan where consumers travel but shop less.

Guillaume Delmas *UBS - Analyst*
Thank you very much.

Operator
Charles Scotti, Kepler.

Charles Scotti *Kepler Cheuvreux SA - Analyst*
Good morning. Thank you for taking my questions. I have two. The first one is on your gross margin development, which was up 50 basis points in H1. Should we consider it as a good indication of your full year margin trajectory? Or are there some elements we should be aware of in H2 that could limit gross margin expansion? Also on the EBIT margin, which improved 10 basis points in H1, do you stick to your guidance for a more visible operating leverage in the second half of the year?

And my second question is on your A&P spendings that has been consistently rising as a percentage of sales in recent years but declined 40 basis points in H1. Do you see room to lower your A&P intensity going forward or have you simply lowered A&P spendings because I don't know maybe clients where a bit less responsive notably in China. And I guess also the consideration of Aēsop, which is the tissue oriented, is also impacting this ratio to a smaller extent as well. Thank you.

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***
Okay. So I will go one by one and start with the gross margin. As I said, the underlying gross margin was a was 70 basis points-plus. It's true that we have done with the input cost that has been decreasing and also with the strong valorization.

Now when I look at the second half, we saw already a decrease of input cost in the second half. So the favorable impact will be lesser. And also probably as Nicolas was saying, the valorization, little by little be decreasing and therefore, the impact also will be less strong in the second half. But overall in the year, we are very confident about the fact that the gross margin will still be increasing compared to last year.

And regarding the EBIT, yes, I confirm the second half will be improving. Main factor is, of course, because of travel retail. Definitely the comps will help a lot. And also, as you know, we consolidated Aesop last year in August and therefore, in published terms of the comps will be also in our favor maybe for A&P.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
But still Aēsop will have dilution effect of 26 basis points on a full year basis, which will have to take into account. On the A&P, I think the strategy is very clear is that we want to continuously increase our A&P spending, our advertising spend, our reach to consumers. I mean, I want to reach 2 billion consumers in the next decade. It means, promoting the quality of our products towards consumers.

So in absolute value the number is bound to continue to increase as it did here. And where you're right, it probably would have increased even more hadn't we taken I think the wise decision not to overinvest in China.

China is our -- was the country of the world where we had the highest proportion of A&P because of the purchases outside the market in travel retail. And considering the consumption mood in China, we've lowered our investment towards versus the initial plan. It has increased in percentage points everywhere else.

This being said, as I said numerous times, including in my opening speech, we believe that now we are the size and an amount of A&P where we can leverage our investment into AI-powered optimization tool, BetIQ, to gain productivity. And therefore, I am absolutely not stuck to the idea that A&P will increase in percentage points and stuck with the idea and the determination that A&P will increase in absolute value.

So you may see as stabilization in percentage, but an increase in absolute value. Anyway, you know, we always adapt. That's everything about the agility I was talking about. And when we see an area where we feel we had to or we need to add fuel to accelerate, we do it. And when we see an area like we did with

China just before summer where the market is not responding enough, we keep our ammunition for more productive areas.

So that's the spirit. In the end, it's a growth model, as you said, high gross margin. So it's all about growth and the A&P is one of the elements that fuels the growth. And to finish, you're right to say that Aēsop has an impact on the structure of our P&L. And it's a business model that is with little media and high SG&A because it store staff and over 400 stores around the world.

Operator
Olivier Nicolai, Goldman Sachs.

Olivier Nicolai ***Goldman Sachs - Analyst***
Hi, good morning, Nicolas, Christophe, Laurent and Eva. I've got two questions, please. First, it's been almost a year since you've bought Aēsop. What are the key changes you've made since the acquisition? And what is the current growth run rate for the brand?

And secondly, I know you're going to give us a bit more details about India at the end of the year, but I cannot resist asking since you launched CeraVe last year in India. Can you give us a bit more details on the progress you've made and how do you manage to compete against a much more established competitor, which has bigger scale and a better route to market in India? Thank you.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
So Aēsop, everything is going well according to plan. I must say that the first -- as Christophe reminded there, we've onboarded them from September last year. So the first part is to integrate everybody to know the teams, to see who is great and also great. And so it's about knowing and protecting model that we acquired because it was and still is working very well.

Nevertheless, we have started working on a few things. First of all, we've continued -- they have continued to open doors. And since the acquisition, 38 doors have been opened for Aēsop, some of them in China. When we made the acquisition, there were four or five stores -- four stores, and now, we are at 10. So we continue to increase and plan to go to 15.

We've good response by the way from the Chinese consumers, which shows that when you have a differentiated offer, you are very attractive even in the context of the environment. And as far as the what we've changed and what we will be changing for the brand, the first product that will be developed by L'Oréal or with L'Oréal will be launched on the market by summer '25.

And we have a number of initiatives of in facecare because as you know, Aēsop is very strong in body, in washes, but they're skincare or face skincare offer. It's not as competitive as what the market requires and that's clearly an area where we can bring some technology. But I remember I visited the regional manager in Canada a couple of weeks ago and asked her what she expected from L'Oreal. It's actually like exactly what your answered is that we want more competitive ingredient power and more efficacious skincare for our Aēsop consumers. So that's what you're going to see coming on the market next summer.

On CeraVe in India, I would say it's both very exciting and frankly, too soon to have an impact because as you know, our model on dermatological beauty, and that's the winning model. That's what allows us, whatever the copycat that appear here and there to continue to significantly outperform the market, including in North America, is that we have to build the routes with the medical community before anything else.

So right now, we have a strategy that's focused on a couple of cities where our teams are visiting derms, presenting the test results and the clinical test of CeraVe leading samples. So we're building the credibility of CeraVe. So it's working well. The first results of sellout in the city is very positive, of course. So right now, the plan is to continue to do that job to expand to a few other big cities that there are many in India. And the true impact in terms of actual sales number will be probably materializing at the back end of '25 and '26.

But for us, the importance is not to hurry. It's to do the things well that we establish a brand that precisely, to your question about how do you work facing other competitors, the endorsement of the Indian medical community is very important. And the fact that, for example, we test our products on Indian skin and have localized test result is a very powerful engine, but not immediate short term. We will not go on TV for CeraVe immediately in India. Christophe, you wanted to add something apparently.

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***
No, in fact, it's pretty linked to the model of the division. So it will take some time. It's a work with dermatologists for attending in offline. We are just in Mumbai, Delhi, the two cities, but the first result seems to be pretty good.

Olivier Nicolai ***Goldman Sachs - Analyst***
Perfect. Thank you very much.

Operator
Rogerio Fujimori, Stifel.

Rogerio Fujimori ***Stifel - Analyst***
Hi, good morning, everyone. I have two questions. One is a follow-up on the Luxe division in China. I was hoping if you could elaborate on how you're thinking about the balance between growing share and stimulating the market as the market leader in Luxe needs to defend your profitability.

Do you have enough P&L flexibility to keep growing share and protect your best-in-class margins? Put differently, should we see better margin momentum in H2 for Luxe?

And the second question is about, Nicolas, about your confidence level on the group's ability to drive the same pace of premiumization given the environment where perhaps the upper-middle class is feeling the impact from inflation and perhaps not in the motor spend as they were in '21, '23 in key markets like the US? Thank you.

Nicolas Hieronimus *L'Oreal SA - Chief Executive Officer, Director*

Okay. So as far as shares in China, first of all, it's true that one of the highlights of our first half in China despite the Luxe cluster market is the capacity of our teams to continue to gain share. We again increased our share in Luxe in China, which has reached a 34% market share, which is huge despite some brands are struggling more than others.

So in the end, stimulating the market is about -- is really about innovation. And it's about justifying why consumers would pay that price. And it's not -- by magic, when I look at the brands and the products that do overperformed and increase -- including having very strong growth in China, there are brands that have products that are truly unique and different.

When I look at Yves Saint Laurent, there is, of course, the aspiration of the Couture brand like we have in Prada and Valentino. But there are products that are very unique in makeup. YSL Loveshine is a fantastic success, and we have the same type of things in Prada makeup. Fragrances are beginning to grow. So -- and the fact that if I take Helena Rubinstein, which is impacted in sell-in by the travel retail destocking, but in sellout in China, it continues to perform very well.

And again, for those amongst you who -- if you ever want to try a very unique night cream with a re-plasty night, these are incredible texture. So what this tells us is that the we need to come into the Chinese market with ever more innovative product, that is what will stimulate consumption. Typically on Lancôme, we are launching now for the second part of the year, the renovation and extension of what has been our most successful franchise in China, which is Génifique, which hadn't had real big innovation for years.

So we have to come up with innovations, and to do it at every price point, which will be a link to the second part of your of your question, which is not just a -- it's a global phenomenon is that you have in times of uncertainty a certain part of the consumer roster who is paying more attention to price. It has happened many times over history. And right now what we are protected somehow by the fact that the L'Oréal consumer in general is more on the higher end of the spectrum than the lower end of the spectrum.

But those were shifting to -- what is shifting sometimes to private labels. And also most of the L'Oréal consumers, but where you're right is right now, probably more than in the last two years where inflation was for everybody. We have to put every product at the right price, and use our price piano even more than we've been doing in the last couple of years.

And that's what we are doing. We are -- we have invested in revenue growth management tools, which help us position our products at the best price. We are in some instances when some products have a high price while investing in a smaller format or recharges, which are both good for the planet and good for the wallets. In fragrance or in skin care, we see that -- we see, for example, in China that recharges -- refills of skin care are successful because they're the great product, people know, but they are -- they can make a saving on it. So we have to be astute there.

And as I said, use the price piano. And I think the examples I showed in my presentation, the fact that even at CPD, which is our mass market, were able to launch at the same time a hair color device at around $125, plus a few cartridges, which is the high-tech version and the upper-end version of hair color and at the same time, hair color sachet at EUR3 on Garnier, which doesn't deliver the same -- exact same performance and quality. But we'll speak to the people who want to spend $3 or EUR3 in hair color.

So we have to be -- we'll continue to valorize through innovation whilst making sure we protect, we keep entry prices in all our ranges, including in makeup, where we see that some young consumers want entry products. So we have our own innovations and protected catalog in terms of price.

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***
And just to complement, I wanted to reassure that we have all what it takes in terms of -- means we know to support our shares in China. And when I look at the profit at the end of June, we have a very healthy situation there. And as you know, this is a market where we can react immediately. So we don't want to go into a battle of pricing or over-investing just because of one promotion. This is a long-term management, and we -- and the teams have been very good at protecting the shares. And (technical difficulty) shares, and not at the expense of the P&L.

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
But it's a very important point because everybody is looking at the events or the promotional events of 618 or the double 11 and ranking and everything. And our policy is that we are happy to gain share, but we don't want to gain share at any cost.

So when the conditions of the market or platform or some of the competitors are overkeeping, we make the decisions. We have limitation, threshold feelings, and with our team again, we don't play that game. So we -- it's a market share, but not market share -- market share through superior product quality, not through crazy discount. Profitable growth.

Operator
Tom Sykes, Deutsche Bank.

Tom Sykes ***Deutsche Bank - Analyst***
Thank you. Good morning. Just a few smaller ones to tidy things up, please. I wondered if you could give or maybe some round up just the underlying depreciation or D&A to sales because it's not clear from the note in the cash flow, please. Then just on the interest charge, could you just repeat what you said there and is H2 the correct run rates -- the implied change -- for the interest charge. I just want the breakup of

that, please.

And just finally, on Mexico and perhaps other EMs, when -- you obviously hedge forward quite a lot, your fuel, your exposures. When do you get the changes in FX like you've had in Mexico? Do you get some things in the market when that happens? And is that something in the EM businesses ex China has been factoring Q2 at all, please?

Christophe Babule ***L'Oreal SA - Chief Financial Officer, Member of the Executive Committee***
So one by one. I'll comment first on the financial charge. So what I said before is that we expect everything being equal on an amount of EUR230 million for the full year. That's one thing. And regarding the H1, it was linked to the situation of Argentina. So the local entity had to borrow money, not to bring back the cash here at home. And that's what is impacting the financial charges.

Regarding Mexico, and it's true for all the emerging markets, we hedge on the transactions for the full year. So at the end of last year, we had a full year at least 80% of the transaction for each of our countries. And this is to give a security for the local management. They are not impacted by the ups and downs in each of those are sometimes the very volatile countries. So there is no impact on the P&L, at least, for the current year, neither for those countries where the currency is appreciating or depreciating.

And the first question was more into the cash flow. As I said before, cash situation at the end of first semester is quite volatile because it depends on some situation, meaning the phasing of our net sales and also, I have to say the level of inventory. So we are still confident for our target for the full year.

And what I said in my speech before is that the main impact on the working capital was mainly due to the phasing of the net sale this year.

Operator
Ashley Wallace, Bank of America.

Ashley Wallace ***Bank of America Merrill Lynch - Analyst***
Good morning and thanks for taking my questions. I have two and then one just clarification follow-up. And the first one is on Amazon in the US environment. Initially, there was a view that working directly with Amazon was a little bit of a growth accelerator in helping you to recruit new customers and take a little bit of share. I was wondering if a few quarters on, that's still the case or do you see it more as a channel shift? And if you could remind us if there are any other brands to join the platform soon.

And my second question is on Asia travel retail. As we all know, last year, both Korea and China, had put more restrictive measures in place to restrict Daigou activity. I was wondering if you think that product availability through Daigou in China has actually shrunk or do you think that perhaps now, they're sourcing product from other markets, like Japan for example, where the currency situation is very attractive.

And then my follow-up was just on the sun business, which you've mentioned quite a few times impacted Derma revenues in Q2. I was wondering if maybe you could help us understand the impact of that. What is the Derma growth ex sun in Q2?

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***

I don't have the number on the last question. As I said, you know, sun hasn't had an impact, but it's not the sole explanation. It has an impact of phasing. It had an impact of phasing, it had an impact of little drop in sales. But overall, it's a phasing because last year was much more Q2 based and this year, it was more Q1 based. The rest of the slowdown in Q2 on Derma was, as we said, the slowdown in the US market, which again, we overperformed very strongly. And by the way, La Roche Posay was 20-plus something in Q2.

On Amazon -- to go to go back to your first question on Amazon, it is clearly a share gain. And it also -- it's both a share gain and a healthier market because many of the brands that we do list on Amazon, I would say, now excellent relationship and really great work on the expression of our brand. But most of these brands were already sold on Amazon on grey market at price cuts and everything.

So it's not only creating a good business, recruiting new consumers, and brand like Lancôme has really benefited from it with the opening of Amazon. But it's also, I mean, I would say, cleaning the market from things that can undermine the long-term value of brands. And it's also, I would say, an environment where big brands like Lancôme can express themselves, probably better than in very cluttered Sephora environment, for example, which is -- will be the home of indie brands.

So we are still very happy with the performance. The growth is there. It's a model where we do really control the image and we manage our own sites. And as far as new brand, we've just opened Kiehl's in North America, and it's off to a great start. So we are moving progressively, and I every time making sure that the KPI's we set and the objectives we've set ourselves are met before going to the next one. So the new kid on the Amazon block is Kiehl's. And so far, so good.

As far as the Asia travel retail and its impact on the Chinese domestic markets, I think the best guesstimates we can say is that the quantities of products available on the local market coming from daigou may have shrunk a little bit, but I don't think it has had yet a major impact. First of all, because as you said, daigou haven't disappeared. That moved Hong Kong, Japan, Korea, and we are monitoring this very closely.

So in the end, it's the same story. It's about -- it will be different by brand and by group. It's all about controlling the pricing activity and discounts between the two territories to avoid to create unnecessary opportunities that can undermine the equity of our brands in the local market.

And I am tempted to say that part of the reasons why we are constantly gaining share in the Chinese market is that we've done, I would say, decent job. It's never perfect, but a decent job at protecting the local market versus the impact of travel retail daigou. At least that's what our retail partners in China tell me, and I'm happy to hear it.

Ashley Wallace ***Bank of America Merrill Lynch - Analyst***
Can I actually just ask a very small (technical difficulty), I guess like Japan, because this is a market where currency has meant that the price gap has become quite big. Is this now a market that you have spent progressively, taking repricing to make sure that that incentive for Daigou (technical difficulty) anymore or maybe the pricing situation still something to come?

Nicolas Hieronimus ***L'Oreal SA - Chief Executive Officer, Director***
Well, there's no -- it's true that the yen is lower. But we don't have any specific measures to take because there are no big discounts played in Japan. So it's not a huge travel retail operator. So there might be individual daigous and consumers that reuse the opportunity. But I don't see this as a huge pocket of, I would say, grey market (technical difficulty)

And as everything, we are controlling it. And it's easier to control in Japan.

Ashley Wallace ***Bank of America Merrill Lynch - Analyst***
Okay. Perfect. Thank you so much.

Eva Quiroga ***L'Oreal SA - Head of Investor Relations***
Great. That was our last question. Thank you very much for all your questions. And we all wish you a happy summer and speak to you in October.