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EDITED TRANSCRIPT

Q1 2024 L'Oreal SA Corporate Sales Call

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CORPORATE PARTICIPANTS

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

Eva Quiroga -

Laurent Schmitt *Business Opportunities for L'Oréal Development - President & CEO*

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

CONFERENCE CALL PARTICIPANTS

Ashley Wallace *BofA Securities, Research Division - MD & Equity Analyst*

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*

Charles-Louis Scotti *Kepler Cheuvreux, Research Division - Head of Luxury Goods*

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*

Jeffrey Patrick Stent *BNP Paribas Exane, Research Division - Research Analyst*

Jeremy David Fialko *HSBC, Research Division - Head of Consumer Staples Research of Europe*

Robert Edward Ottenstein *Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Global Beverages & Household Products Research*

Rogério 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*

PRESENTATION

Operator

Welcome to the conference call regarding L'Oreal sales at the 18th of April 2024. The conference is about to begin. I now hand over to Eva Quiroga, Ms. Quiroga. Please go ahead.

Eva Quiroga -

Thank you very much, and good evening, and welcome to this call for L'Oreal's First Quarter 2024 sales. With me today are our CEO, Nicolas Hieronimus.

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

Good afternoon.

Eva Quiroga -

Our CFO, Christophe Babule.

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

Hello, good afternoon.

Eva Quiroga -

And our Head of Corporate Finance and Financial Communications, Laurent Schmitt.

Laurent Schmitt *Business Opportunities for L'Oréal Development - President & CEO*

Good afternoon.

Eva Quiroga -

Since you've already seen our press release, I will hand the mic to Nicolas, who will briefly share his thoughts on this first quarter before we move on to the Q&A.

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

Thank you, Eva. And again, good evening or good afternoon to all. Commenting this first quarter, I'd like to say that I really believe it's -- this first quarter numbers perfectly illustrate the power of our unique model. As you know, we're a pure player in beauty, a category that has once again proven its relentless growth capacity. But we are everywhere in beauty, in luxury beauty, in mass beauty, in professional or dermatological beauty, in all channels, all price points and all geographies. This unique model that we call multipolar allows us to offset temporary points of softness with growth opportunities to keep our rhythm outperforming the market.

And this first quarter of 2024 was the perfect proof. North Asia, as expected, while progressively getting less bad, still had negative growth in the quarter. In Mainland China, market growth was subdued at less than plus 1%. We grew by more than 6% and continued to strongly outperform the market across all divisions. Travel Retail was impacted by tough year-on-year comparisons and sell-out trends in Hainan as we have yet to anniversary the Daigou clamp down there. But all other regions grew in double digits. Europe was once again unbelievably strong at plus 12.6%. The market continues to be dynamic, and we gained further share. Each of our emerging markets grew by more than plus 16%. The strong momentum in Mexico and Brazil, now number 10 and 11 markets was particularly impressive. Growth in North America remained strong at plus 12.3%, and that allowed us to deliver an excellent first quarter.

Like-for-like growth stood at plus 9.4% or adjusted for the EUR 130 million phasing impact in North America, plus 8.1. That is in line with our multiyear average run rate and well ahead of the market at plus 6%, implying further share gains. By division, my 2 personal highlights were Dermatological Beauty, which delivered its 15th consecutive quarter of double-digit growth; and Consumer Products, which grew plus 11% as each of the 4 core brands and each of the categories advanced in double digits.

I would also like to highlight the strong composition of our growth, 1/3 came from volume; 2/3 from value, price and mix both contributed to the value components. So as you can see, growth in the first quarter was not just strong but also high quality since broad-based across all metrics.

Before we start taking your questions, I would like to say a few words about the remainder of the year. We expect the global beauty market to remain dynamic and continue to forecast a plus 5% growth

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approximately for the full year with strong support from a dynamic first quarter.

And as you know, our ambition is to outperform our market and gain share again. You heard me say that price continued to play an important role in the first quarter. I would expect that to gradually diminish as inflation is easing. On the other hand, we expect a rebound in Travel Retail sales from the end of the first half when we will have lapped the clamp down of Daigou in Hainan. You know that our operating margin will be second-half weighted as Travel Retail Asia will bounce back after May and Aesop will be in the base from September.

And with that, we are ready to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

The first question is from Guillaume Delmas with UBS.

Guillaume Gerard Vincent Delmas *UBS Investment Bank, Research Division - Analyst*

First, a housekeeping. And then 2 questions for me, please. Housekeeping, just wondering if you could provide your like-for-like sales growth by product category for Q1. And then in terms of the 2 questions. So firstly, on North America, I mean some retailers, competitors, even the scanner data point towards a slowdown in market growth in the region. But even after adjusting for the phasing benefit you had in Q1, it's difficult to see in your numbers a significant slowdown. So my question here is, have you observed any changes in the beauty industry growth in the quarter or changes in consumer behavior?

And would you expect any slowdown over the coming quarters for North America? And then my second question on Asia Travel Retail, going back to this. I think the channel was around a 300 basis point drag to your organic sales growth in the fourth quarter of last year. So wondering, if you could quantify that impact for Q1. And also, as you are annualizing the tough comparator towards the end of, I think, the month of May, would it be fair to assume that this channel should be almost neutral or very limitedly dilutive in your second quarter?

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

Okay. So, maybe you want to take the first one, the housekeeping question. I don't think we have the exact like-for-like growth per category, excluding the North America anticipation, but you can explain which divisions and therefore, which categories are most impacted.

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

I think the question was the growth by key categories. So I will start with skincare. The growth is at -- slightly over 8%. Makeup is still very dynamic at more than 11%. Hair is still extremely dynamic at more

than 13% and also fragrances at nearly 12%. Those are the growth by categories.

So now your question on North America, the North American market globally remains dynamic, even though it has slowed down over the previous quarters, but probably not to the extent that you may have feared hearing some of the publications because in reality, first of all, there are 2 readings to the U.S. market. If you look at the Circana and the Nielsen, the only covered part of the market. So you have a very strong dynamism of the e-commerce market. And for us, for example, being on Amazon is a great booster.

And also the other fact of the American market is that the one category that has really slowed down the most is makeup which, of course, is more important for certain retailers than others. On the other hand, you see that fragrance is doing great, that hair care continues to be strong on the premium part of the market. So yes, the North American market is slower than in 2023, but we continue to see lots of opportunities in this part of the world, where we have good performance, but we can do better on a certain number of lines or divisions.

So clearly, there is a difference between North America and Europe, where the market has absolutely not slowed down, which is, frankly, very positive news, and we are continuing to gain share. But overall, we remain ambitious for the U.S. As far as Travel Retail is concerned, you want to jump in, Christophe?

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

Yes, because you were mentioning the drag in Q4 at around 300 basis points. So Q1 is a bit less, but it's still, of course, quite impactful at roughly 230 basis points in Q1.

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

Does that answer your questions?

Guillaume Gerard Vincent Delmas UBS Investment Bank, Research Division - Analyst

Yes.

Operator

The next question is from Celine Pannuti with JPMorgan.

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

So first question is Europe, you said spectacular Consumer Products. In Europe it was 12.6%. I hear you the market hasn't weakened. But nevertheless, I'm just wondering whether -- I mean, how can you explain this spectacular growth? Is it pricing driven? And if there have been any phasing of orders because I think Q4, there was a bit of weakness in that market and now it seems like Q1 is super strong. So if you could explain a bit what's going on in Europe, and it seems that it's consumer product driven, but correct me if that's not the case.

And then maybe coming back into the U.S. So excluding this one-off impact from IT transition, I calculated that your growth rate in North America was 7.5%. And you said it was mainly driven by pricing. So I wonder what volume excluding this impact still positive in the U.S. And you say that the market is slowing. What's the market growth in the U.S.? And can you tell us by channel, so less professional and mass, what's the growth?

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

Okay. So first, on Europe, it's true that the market remains globally very dynamic. We estimate the market to be around plus 9% in Europe. So it's a very dynamic growth. And indeed, we've beaten the market. And there is no real either trade loading or anything with -- either in our performance or even in the market dynamism. The only country where -- which was a bit inflated in sellout in January was France because there was the famous Loi Descroizaille or a few retailers actually tried to make the most of the last couple of days or weeks, they had to use this to be able to promote.

But overall, this is a bit of an anecdotal, but there is strong consumer demand in Europe and it's not just a PPD play. We are growing double digit, of course, in LDB very strongly. Dermatological Beauty in Europe doing as good as it does in other markets. It's double digit in CPD. And it's almost double-digit on Luxe, mostly driven by fragrances, but PPD is in high single digits. So we are gaining share in Europe on the market that is dynamic. And I would say maybe something about Europe. As you know, beauty is an offer-driven market.

And Europe is the part of the world where we have the biggest share and I have to say that we are -- our teams are very determined to make the most of our innovation, and we have had at the end of last year and even at the beginning of this year, very strong innovations in Europe with -- whether it's on L'Oreal Paris, some Garnier, the new mascara from L'Oreal Paris Panorama, the glycolic gloss from L'Oreal Paris again, our fragrances are doing great. And as I said, LDB is doing good. So overall, good innovations and a very strong quality of the work of our teams in Europe. So, what is true, you mentioned is that there is a strong price effect also in Europe because we took some of our prices increase from Q2 last year.

So probably, the pricing effect in Europe will ease a little bit on the second half of this year. But overall, we have a very ambitious European teams that really want to outperform the market and to continue to do so. On the U.S. market -- the overall growth of the U.S. market, in the panels is mid-single digits, but we see -- if I take luxury, for example, our assessment is that the market is around plus 8%, if you take all the channels, which is more or less where we are in sell-out with our luxury brands, so more or less on par in the market.

So the part that has slowed down the most is the makeup in mass market where there has been a significant drop of the market. As I said, fragrance are doing good. Hair is growing in mid-single digits. And dermatology continues to grow. And then it's -- of course, it's about winning innovations, winning brands. And that's what we have in the U.S. market. And I have to say that, of course, we continue to have fantastic performance with LDB with both La Roche-Posay, CeraVe and also SkinBetter Science, which has great performance in North America. So we are -- again, we have -- it has slowed down a bit,

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we are confident that with our innovations we will continue to drive growth.

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

And if I may add also very important, we've been building this growth with 1/3 volume and 2/3 value...

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

And as well in the US?

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

In the US.

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

Okay. And can I just ask about the pricing? You mentioned that pricing was going to ease in Europe.

What's the pricing pattern for U.S.?

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

Well, we have still a nice valorization in the U.S. As you know, like in Europe, we see the inflation going down, actually faster in Europe than in the U.S. So we are still confident that with the innovation that we have in the pipe, we'll be able to keep a strong value in the coming quarters.

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

And just to finish on your assumption on the impact of our 130 million anticipation, it's mostly in Canada. But your global assumptions is quite right Céline.

Operator

The next question is from Iain Simpson with Barclays.

Iain Edward Simpson Barclays Bank PLC, Research Division - Analyst

A couple of questions from me, if I may. Firstly, are you still guiding for growth to be second half weighted this year? You reiterated the margin being second half weighted, but you didn't comment on growth being second half weighted and perhaps to help us understand that as well. That 130 million of benefit from sales largely in Canada on the IT issue. Does that reverse in the second quarter? And then on a different note, you talked about Aesop going into organic in September when you lapped its acquisition. Could you talk a little bit about what you've done with that brand post-acquisition? I know that you were very sort of upbeat about the opportunity to roll that out online and to put it into China bricks and mortar, perhaps an update as to where you've got to with that and where you hope Aesop can be in sort of 6 months' time or by year-end?

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

So on the first point, no, the growth is not going to be back-weighted. We try to be as regular as possible

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on our rhythm. And the margin is back weighted for the reasons I mentioned. And we are globally confident on the year. What is true is that on the second quarter, we expect the second quarter to be less dynamic than the first one. First of all, because as you said, the 130 million will revert in Q2. So it's really a transfer from one quarter to another. It's basically because we are changing the IT systems of some of our warehouses in Canada and North America. So we make sure that our customers have the inventory they need when we do this work.

So the second quarter will still be impacted by the comparatives of Travel Retail in Hainan, which would be disappearing from the 1st of June. Have a little bit less of price and have this 130 million transfer. But if you look at the overall year, as I said, we remain confident both on the market around plus 5% and in our capacity to regularly outpace it. So no back weighted, but regularity is what we intend to deliver. As far as Aesop is concerned, Aesop is one of our best growing brands in luxury, high single digit. And right now, frankly, we're still in the discovery part, if I may, we've integrated the teams.

We've onboarded everybody, and we begin to look at the plans of rollout. But we've made no major opening, whether online or in stores. the plans have been written by the existing team of Aesop. And of course, we are respecting this successfully. But as we move on and as we enter the year, we'll probably have more input and they will benefit from the local capacity of our teams, be it in North Asia, but also in North America. They are now part of our meetings of our country visits. So they are becoming benefit from the L'Oreal know-how. But at the same time, as I said, it's a very successful brand. So we don't want to fix what's not broken and we continue to accompany their existing strategy.

Operator

The next question is from Charles-Louis Scotti with Kepler.

Charles-Louis Scotti Kepler Cheuvreux, Research Division - Head of Luxury Goods

The first one on the luxe division, it seems that the growth is coming mostly from fragrances and makeup, while skincare seems to be under pressure. Are those headwinds on skin care only related to the North Asian market? And weakness in the Travel Retail. How is the skin care business performing in the rest of the world? And my second question on Dermatological Beauty. I'm again quite impressed by the performance in Q1. I know that the distribution channels and usages are a little bit different than luxe and consumer. But how do you make sure that there is absolutely no cannibalization between your derma brands and other skincare brands in your portfolio?

And my last question, if I may. There was press reports recently suggesting that you could be having a minority stake in Amouage. I won't ask you to comment on that, obviously. But is it fair to assume that ultra premium fragrance is top priority in terms of M&A for the group after your investment into Summer and Documents in China?

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

Okay. So a few questions. First of all, on categories. The first thing I'd like to say before answering your question on skincare, is the fact that I have -- first of all, I'm very happy to continue to be gaining share

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on what is the most dynamic beauty category right now fragrance, and we are once again beating that market with double-digit growth and that's a high satisfaction. And many of our recent launches are really doing great, whether it's born in Roma from Valentino, Prada Paradoxe, MYSFL from YSL. So there's a real strong momentum in fragrances. And I'll jump to the third question to include it in the fragrance comments.

Of course, I'm not going to comment on the rumors around Amouage. But what is true is that the premium part of the fragrance market is the most dynamic one. Right now, it's growing significantly faster than the average of the market. So it's clearly an area of focus, not just of M&A, but including in our own brands, we have a brand like Maison Margiela which is flying. We just repositioned Atelier Cologne for China, making it more premium. And within the Couture brands whether it's YSL, ARMANI PRIVE, we are really pushing these products, and we are launching recently a new premium collection on Valentino. So clearly, premium fragrance is not -- is a nice cherry on the cake of fragrance, which is already delivering great performance.

The other good news, even though I'm still not satisfied, but I guess it's going in the right direction is that makeup is accelerating in luxury, it's growing double digits. And we had a much better roster of innovation. And a brand like YSL with his new Loveshine lipstick achieving great results in Europe, in the U.S. and of course, in Asia, which was more -- actually, YSL has become the #1 makeup brand in China, all channels included. We're not there yet because we are still lagging the U.S. market in total makeup for L'Oreal Luxe, but we are getting closer and closer, and we see some real progress made by our brands.

And as far as skincare is concerned, we have very -- both on some parts, very good news, super premium skincare like Helena Rubinstein is overall doing good. But we are -- what impacts us most is the fact that skincare is the category that's most overweighted in China and in travel retail. So a big part of the impact we're having or the challenge we can face on skincare is related to both the destocking and the lack of rebound in China and in Travel Retail. So again, it's an innovation-driven market.

We have a few things in the pipes and some brands I didn't mention, Takami, which are doing good. And the couture brand, still small in skincare, but also having a good start. So that's -- that would be the answer on Luxury. And as far as LDB and cannibalization, we don't ensure that there is no cannibalization. What we do is to make sure that all the brands of the group learn from the successes of Dermatological Beauty and also from the formulas that are developed by Dermatological Beauty, as you know, the way we develop our business at L'Oreal is having the selective divisions, launched first, the major discoveries and breakthroughs of our labs often at a slightly higher price.

And progressively, over the months or years, we trickle them down to other divisions. So for example, LDB just launched La Roche-Posay, a very powerful molecule called Melasyl on a product called MelaB3, and it has got like 120 clinical test. It's probably the most efficient as far as I know, molecule to fight age spots. It's launched first in LDB. And I guess it will take some market share from everybody. But then after some time, you will find it in L'Oreal Paris or Garnier. And that's also how we bring this beauty for all, the best of beauty to all because we innovate, thanks to our selective brands and then give it to other

parts of the catalog.

So LDB is flying. It probably takes a few consumers from some of our mass brands or luxury brands, but it's a good challenge for them to up their game and to come up with interesting ideas, which is what they do. I mean, I see the launches of -- that are happening that are coming on Kiehl's, for example, in Q2 and Q3 and that's a good reaction to what's happening on the market.

Operator

The next question is from Olivier Nicolai with Goldman Sachs.

Jean-Olivier Nicolai *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

Just 2 questions on my side. You highlighted a very strong growth in Fragrances once again. And this category has been already on a very strong recovery in the last 3 years. Now what are the underlying drivers behind this ongoing strong demand aside from the premiumization aspect that you mentioned? And would you expect the category to go back to its pre-pandemic growth rate? Or win a new paradigm for fragrances? And then secondly, just going back to this new IT system that you mentioned, I think, mostly from the U.S., what does it bring? And could we expect kind of an improvement of working capital as a result of that?

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

Okay. So on the fragrance growth rate, it's a question I often get. And of course, it's very hard to answer in the long run, but yes, we've seen a real change of paradigm as it relates to fragrance after COVID. I don't know if it's because of COVID because one of the symptoms of COVID was that you couldn't smell anything. But people have rediscovered the pleasure and the importance of fragranting themselves. And by the way, also fragranting their homes, which is a category that is also growing.

So it's part of, of course, expressing your individuality, but it's also part of feeling good. And we see it all over the world. We see it with the increase of number of people using fragrance every day, which I think is a very strong element because I remember back in the days in the U.S.A., it was more kind of weekend stuff, and you wouldn't wear it in the office. But today, people wear fragrance every day. Younger generations not only wear fragrance every day, but also they wear different fragrances, not have just one. They change fragrance according to the occasion. So it multiplies the opportunities to buy.

And they also want to express that differences, which is why you see the rise of premium fragrances because this is a guarantee of a fragrance that is not worn by many. You have another factor, which is still in the U.S. around demographics. You see in America, North America, which is much more multi-racial. Actually, the majority of Gen-Zs in America today are nonwhite. And we know that Latino consumers, black consumers, Middle East consumers wear also more fragrance. So this is going in the right direction.

And then finally, we have the cherry on the cake is that the Chinese market, even though fragrance remains a small part of the beauty market. But the Chinese consumers, they like fragrance and they buy

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fragrance. And they buy actually premium fragrances. So I think it's going to continue to be a dynamic category. I will not commit on the growth rate, but it's category, we continue to invest in and to strengthen our leadership. And then the second question was on the IT systems and the impact on capital returns.

So Christophe?

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

We are upgrading our IT systems. Very concretely, we are moving into one SAP platform. We used to run more than 20 of them. So of course, through that, we are looking for better efficiencies in the future. It's a heavy project. We started like 4 years ago, our first country -- the pilot country was Spain. And this country is already running on the new system. And this year, we are moving into rollout with countries like Canada is coming in April, then Hong Kong, Taiwan, France, et cetera. So this will keep us busy for a few years. And yes, we are looking for further efficiencies in the future. So that's part of the continuous investment that we do, whether on organizations or on tools to keep our SG&A in the right direction.

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

I must say maybe on that, because I think it's important to mention the fact that L'Oreal, which was always played for being strategically centralized and operationally decentralized has had over the years in terms of systems, something that was very decentralized and very fragmented. And we are really transforming this, which at a time where data and the way you use data to improve your efficiency at all levels from HR recruitment, supply chain, of course, media, et cetera, to have one structure of data and, therefore, systems that are homogeneous around the world is, I think, a very important asset that we are building now. Some companies have done it sooner, but we are doing it now, and I think it's going to increase our -- both our agility and our capacity to leverage economies of scale.

Operator

Next question is from Bruno Monteyne with Bernstein.

Bruno Monteyne Sanford C. Bernstein & Co., LLC., Research Division - Senior Analyst

My first question is about the growth phasing. And I think, Nicolas, you said that growth is pretty equally phased through the year. I presume you're talking about sell out there because surely you had a 300 basis point drag of destocking in quarter 4, something similar in quarter 1. Surely, you would have the extra boost of the reversal of the destocking in the second half of the year on top of your normal sell-out. My second question is emerging market like China. It's globally still growing very well. But sequentially, there's quite a big slowdown of about 6% quarter-on-quarter, more than anything else. Is that pricing disappearing? Is that volume? What is the biggest shift quarter-on-quarter in those 2 regions there, please?

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

So again, on the invoicing, when I say we overall quite trying to be quite both predictable and regular. I'm not talking sell-out, I'm also talking selling because, yes, you have positive effects of the Travel retail

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in the second half. But on the other hand, as we said, we had most of our pricing valorization or extra value that was in the first half. We also have Aesop that's entering the comparables. So overall, it's -- with all the precautions because, frankly, there's so much uncertainty in this world and in this business.

And as you've seen, we always managed to adapt fall back on our feet and deliver on expectations. But I think it's going to be -- we've had a very good first quarter, which was a bit better than what we expected. Some of it will be offset in the second quarter, and we try to, after publication of the first half to guide you as much as we can on the remainder of the year. But overall, the underlying reason is what we focus on. And so on emerging markets, I think there are -- first of all, I'm very happy that 16% double-digit growth and 16% growth for both regions is very dynamic, very positive.

And in both cases, we are growing over 1.4x or 1.5x the market. Then it's a bit of a tale of 2 cities. If I take Latin America, in reality, if you exclude Argentina, we are still over 20% growth. So there is a very specific Argentinian case, which, of course, we manage in hyperinflation and everything. But aside from that, take Mexico, Brazil, CERAN, which is our Colombia Ecuador and Peru clusters. It's really maintaining its rhythm. So that's for Latin America. And as far as SAPMENA, Sub-Saharan Africa is concerned, there's a bit of a market slowdown. We have to acknowledge that this region has been a bit, I would say, challenged overall by the geopolitical situation.

So there's been months that have been a bit more -- at the global market level, that have been a bit more challenging. But overall, we remain -- we continue to gain share, and we continue to see this region and particularly countries like India, Indonesia and the Middle East as a strong growth contributors for the years and the months to come. But the market, indeed, in SAPMENA has slow down a little bit, and it's probably linked to the events in the region.

Operator

The next question is from Rogerio Fujimori with Stifel.

Rogerio Fujimori Stifel, Nicolaus & Company, Incorporated, Research Division - Director & Analyst

I have just a few follow-up questions on China. I think you flagged a 6% growth for L'Oreal versus less than 1% for the market. Could you talk a little bit about the dynamics for mass versus prestige dynamics between brick-and-mortar and online sell-in versus sell-out? And was there any change in dynamics for market share of Western brands versus local brands versus Japanese, Korean brands relative to what you flagged in our last meeting?

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

Well, first of all, just to take the last part of the question, it's very hard to make -- to renew the comments on the weight of different brands of Chinese, Korean, Japanese or Western brands from one quarter to another. But the big picture, as I said the last time we met is that really the 2 winning blocks, if I may use that term, were Chinese brands and Western brands that were around, if I remember well, 47 for Chinese and 44 for Western brands. Western brands being mainly luxury and Chinese brands being more on the mass side.

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And it's true that Japanese brands and Korean brands have been struggling in China and haven't seen anything changing that paradigm over the last couple of months. What has changed in China, in the beginning of the year, which is a bit, by the way, the opposite of the U.S. market is that we've seen more of an acceleration of mass market and a slowdown of luxury in the first quarter in China at the global market level. So if the market is flattish plus 1, we said the luxury market is negative, in mid-single digits whilst the -- and I'm talking Mainland China, whilst the mass is positive in mid-single digits too.

And that's linked a lot to the fact that a lot of the growth right now of the Chinese market is driven by e-commerce and by Douyin in particular. So Douyin, the Chinese company that owns TikTok has started with mass market. So it's more a mass play. It has started as a mass play, but now most, if not all the luxury brands have joined it, And so we are luxury catching up. So we are -- as far as we are concerned, we are, of course, with most of our brands on Douyin, and we've been doubling our business in Douyin in the first quarter. So it's promising for the future. But it's a new channel, which grows at, to some extent, at the expense of Tmall which is -- right now, first quarter, Douyin, in total sales was bigger than Tmall. So it's really a big shift on Chinese market, which is, as always, we seize what is starting, we've put for our mass brands.

And by the way, that's what allows L'Oréal Paris to have been gaining share in the first quarter of this year on the Chinese market. And progressively, we've expanded to our luxury brand. So overall, it's the off-line -- the online is more dynamic than offline that has been negative. At the market level, mass has been more dynamic than luxury. I highlight also the fact that Dermatological Beauty as a market, but more importantly, our brand is also growing double digit. And I see in China -- I was at the China Development Forum 2 weeks ago, meeting the officials and hearing the Prime Minister's speech and there's a lot of talks about health and safety.

And I think that's good for our Dermatological Beauty brands because that's typically what the Chinese authorities and consumers are concerned about. And we've been gaining share in all categories. But on Luxe, typically, with L'Oreal Luxe has reached -- once again broken its record share reaching 34% of the luxury market in China. So we have -- to be clear, we are -- I'm happy about the fact that this market is not rebounding the way we expected it to rebound. So we'll still have to wait, I guess, for some time. But we continue to outperform and bringing new brands to Chinese consumers and adapting to the new landscape in terms of channels.

Operator

The next question is from Ashley Wallace with Bank of America.

Ashley Wallace BofA Securities, Research Division - MD & Equity Analyst

Actually most of my questions have been answered. So I have 3 relatively simple ones. The first question is just on the clarification of the phasing of 130 million for the North America and pull forward of revenue. Is this impacting the Professional division? Or is it also in other divisions? Then my second question is just on Derma. I was wondering if you're able to share the volume versus value drivers within

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the division. I suspect it's different to the group average that you called out and probably much more volume-driven. So connecting to that, are you able to help us understand how much of the volume growth is being supported by expanded or new distribution points, so essentially shelf space that will continue for the remainder of the year?

Just to give us a sense of what this year could ultimately look like? And then lastly, on the Luxe division, I was wondering, if it's possible to give us the organic revenue growth ex Travel Retail to help us understand the underlying performance of that business.

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

Yes. Okay. So phasing division, it's mostly PPD. I don't know if, Christophe, if you want to give more details, but it's not only PPD, but it's mostly PPD. So it's really -- if you look at the growth of PPD and they published a growth of plus 10.7%, and the actual growth is...

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

So adjusted will be a bit over 5%. So mainly, PPD division. For other division, it is really marginal.

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

Okay. The other point is on volume and volume and value. All the divisions are growing in volume. First of all, that's important. Some more than others. And it's true that the division that has the biggest growth in volume is LDB significantly. And it's not distribution-driven. It's demand driven. It's really -- again, we say that. I was saying even in China, where it was all about premium brands, we see like a brand like CeraVe is now getting a lot of traction in China. We've seen Europe strong growth from the Derma brands. We sit in North America, La Roche-Posay, I mean both brands at global level are growing very, very fast amongst our biggest growth contributors to the total group. But it's true that La Roche-Posay, which we speak a bit less about than about CeraVe is doing a fantastic performance.

So there's really a global demand for safe, efficacious products prescribed by doctors. And it's also, as we discuss every now and then, it's one of the categories that is the hardest to penetrate for new brands or new contenders because it's about credibility. It's about clinical studies. It's about getting the trust of doctors. And therefore, just can't show up and say, cool, I'm now a derm brand. You have to prove your case. So I think it's a serious moat for us, and that's why we continue to outperform the market, which itself is very dynamic.

So still very ambitious for that division, which is already very sizable. It surpassed the EUR 6 billion, and it's our most profitable division. So we like LDB to continue to grow. And to finish on your question on Luxury. The growth of L'Oreal Luxe, excluding Travel Retail, is between 6% and 7% growth. which is, I would say, more or less in line with our assessment of the sell-out of the market because it's true that this market, not just for us, is very biased now in terms of selling results by all the destocking effect of TRAVEL Retail. So L'Oreal luxe, excluding Travel Retail between 6 and 7.

Operator

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The next question is from Jeremy Fialko with HSBC.

Jeremy David Fialko HSBC, Research Division - Head of Consumer Staples Research of Europe

So just a couple from me. First one is just a bit more detail on the Chinese consumer. And I guess, what your sort of prognosis is for the rest of the year. Do you expect some sort of a margin improvement in this sort of underlying condition? Or is it one of these things where you're assuming that things will stay pretty much as they are for the rest of the year?

And then linked to that, do you think you would expect to see North Asia go back into growth from the second quarter? And then just one final clarification, just globally, the global beauty market, anything you've given a number for that. I'm guessing around 6% in the quarter, but your perspective, as usual, very welcome.

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

Yes. Well, on Chinese consumers, it's we see -- I was there and I was listening to the Chinese officials, their #1 focus and preoccupation from the Prime Minister to all the minister, the trade ministers is to stimulate consumption as a booster to the economy. So there is this desire from the authorities, yet we have yet to see measures that truly boost both the Chinese consumers' confidence and therefore, they are spending. Right now, the consumption is more driven by services than by hard goods.

So it's hard to -- frankly, it's hard to predict whether we'll see an acceleration over the year. What we feel is that if we remember that last year, we have -- the second quarter was a strong quarter of rebound in China, but then the subsequent quarters at market level, we are negative. That's why we expect to have in terms of overall market performance an acceleration on the second part of the year. Second quarter would be more challenging. But the magnitude is hard to assess because today, the consumer confidence is not there yet.

In the end, that's why we -- the way we plan our business with Christophe is to go back to what makes our model unique is that we plan with, I would say, a China that is not doing fantastic, and we make the most of the opportunities in Europe, in emerging and gaining share in North America. And if China accelerate, it will be a positive news on our own expectations. And as far as consumers' behaviors, as I said, the Chinese consumers are sophisticating more and more. They are very demanding on the product quality. So once again, it's a game of innovation, a game of bringing them the best products. And when I look at my brand portfolio and which brands are doing great, it's not based on price, it's based on innovation. So when I have great launches on L'Oreal Paris or on YSL, I'm going through the roof.

And if I don't bring, the things that are exciting enough it's harder to tempt the Chinese, and that's why we are focusing on increasing even more the quality of our innovations for the Chinese market. And what was your second question, sorry?

Jeremy David Fialko HSBC, Research Division - Head of Consumer Staples Research of Europe

Just in the overall, the global market growth number -- we've had various bits of it but just the overall

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number.

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

Yes. I think as always, I don't have a crystal ball, but we said that I was expecting to see a market that's around plus 5% this year. First quarter was a tough 6%, so a bit better. On the second part of the year, there will be less value. So that's why we expect a slightly slower market. But again, going back to your previous point, if China accelerates, it may change the overall pace. So today, we work on the 5% hypothesis.

Operator

The next question is from Jeff Stent with BNP Paribas.

Jeffrey Patrick Stent BNP Paribas Exane, Research Division - Research Analyst

It's not a product, I personally have a great deal of need for, but the AirLight Pro hairdryer, what sort of response have you been seeing from the trade? And is this something that could be material in a group context? I appreciate it's still very early days, but any comments you could give on that would be most appreciated.

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

Well, thank you for asking about this AirLight Pro. So first of all, I'm truly excited about this product, which, as you know, we presented at the CES, we got tremendous response from, of course, the media, some reaction from competition and lots of calls of either retailers or even influencers that are very interested. But it was a bit of a teaser because the reality is that we'll be starting to sell this product on the back half of this year. We are in the beginning of the manufacturing process. So it will not be material for this year's business. But I can tell you that, I'm telling very regularly to the PPD President that I expect this to become material in the years to come because it's not just something that dries hair. It's something that improves the hair quality and also reduces the environmental footprint.

So for me, it's the ideal combination of performance, sustainability and technology, which is an important part of our future growth. So don't expect much this year. But hopefully, it will grow, and we will continue to -- we'll see what the consumer response is.

So we'll take maybe a last question, and then I guess if there is one, by the way.

Operator

The next question is from Robert Ottenstein with Evercore.

Robert Edward Ottenstein Evercore ISI Institutional Equities, Research Division - Senior MD and Head of Global Beverages & Household Products Research

Great. I want to swing back again to China. Three questions related to China. One, and maybe excuse me, if you went through this at all, but can you just compare the sell-in and sellout both in the mainland and Travel Retail related to the China ecosystem? And are we -- can you confirm that you are kind of at

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equilibrium now in China retail? So that's number one.

Number two, can you maybe just give us some reasons or thinking about our thoughts behind your confidence that Luxe and Prestige products can work well on TikTok on that platform? That it can give a consumer a luxury experience on TikTok if that's possible or whether that could potentially shift the dynamics between mass and luxury. And then finally, and related to that, how are you thinking about 618. Are we going to see a really strong kind of a shopping holiday in the past? Or do you continue to believe now perhaps that sales are going to smooth out more along the year driven by TikTok? And so there may be kind of a different, more kind of cadence to sales more smoother than balance year as in the past?

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

So if we go to -- on sell-in and sell out. So in China, we are right now in the first quarter, we have a stronger sell-in and sell-out, not in a major way and with no inventory issues, but the selling is slightly ahead of sellout a couple of points, which is due to launches of new products and so on. So it's -- of course, then everything will depend on the consumption that we will see on the second quarter, third and fourth quarter. As I said, I think we had easier comps in the second half in China than in the second quarter, where we had indeed -- I mean, 618 last year was the festival that came after COVID and before the disappointment of Double 11 where numbers were really high.

So of course, our teams are very, very focused and very determined to deliver a great performance on 618. So we'll see where it is. It was a high number last year. So we'll try to match it. But we have, as I said, we are really adapting to the new landscape in terms of Douyin. It's -- as always, it's a new playground and every time we adapt our techniques to the new program, the same way we've learned to master Tmall and JD, the same way we've learned by the way, now to be very strong on Amazon in the U.S.A. with luxury brands, Derma brands, and professional brands whilst at the same time, truly protecting their brand equity.

We are seeing that Douyin is a good place to sell luxury as long as, again, you've got strong brands and strong products, which means that we are not betting all on Douyin. We continue to invest in Tmall. And we continue to invest, in particular, also in brick and mortar. I visited stores in Beijing 2 weeks ago, where I saw new counters of Lancôme, the launch of Prada Beauty, the YSL new counters, we're investing to continue to boost the image and the quality perception of our brands. And this is always this combination of what we call O+O, online plus offline, which allows us to win share in China as we've done it again in the first quarter. And Christophe wants to add something.

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

Maybe to bring a bit of color on that. I mean our luxury brands have been doing extremely well in Douyin. I can tell you that first quarter, we're growing even faster than the 100% that we had overall on Douyin. They have already their fair market share in this channel. So it's doing extremely well, actually. And gaining market shares also at the end of March. So for the time being, it's a channel that is a lift for our Luxury division.

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

And what's interesting to add to this is that it's also Douyin is a good tool to penetrate Tier 3 and 4 cities, which is, as you know, part of China, where we are -- we do not have the same share. We have about half the share we have in Tier 1 and 2 and the consumers of Tier 3 and 4 cities are even more prominent on Douyin. So if we do the right thing, we, I think, will also expand the penetration of our brands in Tier 3 and 4 cities.

All right. So I've been told by Eva that we have one last question from Tom Sykes, which I'm more than happy to take before we call it a day.

Operator

Question is from Tom Sykes with Deutsche Bank.

Thomas Richard Sykes Deutsche Bank AG, Research Division - Head of Business Svcs Co. Research & Industry & Leisure & Transport Research

Just 2 quick ones really. I mean, one, could you just say there's 0 restocking effect on fragrances, particularly in Europe, some of the supply chains may not 100% normalized by the end of last year. Is that the case?

And then just on your margin comment, you've grown ex the phasing at 8%. That's your CAGR over the last 4 years. Your reported growth is 400 basis points better in Q1 than it was in H2 last year, and yet you're talking about the phasing in margin. So can you just help us with that a bit? And can you say that the growth in margin, I mean maybe it will be good in the first half and very, very good in the second half in terms of the phasing.

But like maybe the margin might be closer to flat than H1. If that's the case, when you get growth in H2. Is that margin growth related rather than taking out costs your retaining costs in China, presumably?

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

I will let Christophe answer that one.

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

I would just make it very simple. As we said already in the past, because of the Travel Retail, we will have a better margin in the second half compared to the first half. So then we see if there is any other external effects that could impact. But for the time being, you can expect really a year in 2 halves. First is we keep the margin, second half will be higher.

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

And as far as the question on Europe and fragrance, I'm not aware, frankly, I haven't heard anything about restocking of fragrances in Europe. We have strong consumption. So it's -- there's no -- there's nothing around that. It's really consumer demand. And again, the success of the initiatives we put on the

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market, which are great. We are -- and as far as -- I'm sorry, there was a previous question, we did not totally answer on the sell-in, sell-out in Travel Retail that in Hainan. As we said, at the end of the year, we were back to normal inventory levels. We are now facing the comparatives of the pipe of the market, pre-Daigou clamp down. So we continue to progressively destock and it should get progressively better in selling as the year goes by, which was part of the previous question, I did not answer.

This being said, ladies and gentlemen, thank you for your questions and looking forward to our next meeting for roadshows.

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

Thank you. Good evening.

Operator

Ladies and gentlemen, this concludes the conference call. Thank you for your participation. You may now disconnect.

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