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EDITED TRANSCRIPT

Full Year 2024 L'Oreal SA Earnings Call

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PRESENTATION

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

So good morning again, and welcome to this 2024 annual results presentation. Christophe Babule, our CFO, will kick off with a presentation of the 2024 financial statements, then each head of division will summarize the 2024 key points for his or her division as well as the prospects for 2025.

So we'll start with Myriam Cohen-Welgryn, President of the Dermatological Beauty Division; then Omar Hajeri, President of the Professional Division; Cyril Chapuy, President of L'Oreal Luxe; and Alexis Perakis-Valat, President of the Consumer Products Division, and I will conclude this first part of the meeting, share with you my key takeaways for 2024, my thoughts on 2025, and how we'll continue to expand our beauty conquest. Then we will, of course, move to the Q&A session, which we expect to last around 40 minutes.

And finally, I draw your attention to the disclaimer that's now on that screen. So I give you a little bit of time to read it. And then we will start with Christophe's presentation. So Christophe, please you can go to the desk.

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

Okay. So ladies and gentlemen, good morning. A record year for L'Oreal. In 2024, L'Oreal set several new records. Let me share some of the highlights with you.

First, like-for-like growth came in at 5.1%, marking another year of market outperformance. At 74.2%, our gross margin reached a new all-time high, up 30 basis points from last year. Our operating profit margin increased 20 basis points, touching 20% for the first time, and our operating net cash flow at EUR6.6 billion, up close to 9% implied a cash conversion of over 100%.

Consolidated sales increased by 5.6%, reaching EUR43.5 billion. On a like-for-like basis, growth amounted to 5.1%. The change in scope of consolidation was a positive 1.7%. It was mainly due to the acquisition of Aesop in August '23 and the impact of hyperinflation accounting in Argentina and Turkey. Foreign exchange had a negative impact of minus 1.2%, as the euro strengthened throughout the year. You can find detail on our invoicing currencies in the appendix of the presentation.

Growth was driven by a combination of volume up 1.4% and value up 3.6%, well balanced between price at 2.1% and mix at 1.5%. Each division grew on a like-for-like basis. Professional Products grew 5.3%, supported by the ongoing boom in premium haircare and the division's successful omnichannel strategy. Consumer Products posted 5.4% growth with all four key brands contributing. Emerging markets and Europe were particularly dynamic.

L'Oreal Luxe grew 2.7% like-for-like and 4.5% reported, boosted by the consolidation of Aesop. Outside North Asia, sales grew slightly more than 10%, driven by continued strong momentum in Fragrances. And L'Oreal Dermatological Beauty reported a 9.8% increase in sales, allowing the division to hit the EUR7 billion mark for the first time.

From a regional point of view, '24 was a tale of two cities, as you can see very clearly on this chart. Momentum was strong in three of our regions, helping offset the softness in North Asia. Europe advanced by a remarkable 8.2%, making it the single biggest contributor to our growth. Every country in the region grew with Germany, Spain, and the UK, particularly dynamic.

In North America, growth was solid at 5.5%. Each of the division advanced with Luxe the most dynamic. With 11.7% growth, the Emerging Markets remain in the lead. They accounted for more than 16% of group sales and more than twice that of group growth. SAPMENA-SSA grew 12.3%, driven by Australia, Thailand, and Saudi Arabia.

Latin America was up 11%, led by Mexico and Brazil, which crossed the EUR1 billion mark. In North Asia, sales declined by 3.2% on a like-for-like basis. This was due to the continued weakness in both Mainland China and Travel Retail.

As a result of that, let's take a look at the distribution of our sales by region, which has changed quite dramatically in the last five years. Our exposure to North Asia declined from almost 27% to less than 24%

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of sales. Our developed regions remain stable with a stronger contribution from North America, but the real winners were our emerging markets; they now account for more than 16% of sales from just 14% five years ago.

Let's move on to our categories. Every one of them grew. In the order of their growth, Fragrances at 14.1% were the most dynamic category for a fourth consecutive year, boosted by our couture brands. At 12.7%, Haircare was our second fastest-growing category, driven by the continued premiumization in both mass and professional. Makeup increased by 5% with solid growth in both the Consumer Products and Luxe divisions. Skincare, our largest category, advanced by 2.8%. All regions were up with the exception of North Asia. And Hair Color advanced by 2.3%.

Like our regional footprint, our category footprint changed significantly over the last five years. Despite its significant exposure to North Asia, the contribution from Skincare increased by 4 points, illustrating its critical importance in an aging increasingly health and wellness conscious world.

Fragrances saw the biggest increase. Its contribution rose from 9% in 2019 to 14% today, and there is more to come as we are adding two new licenses this year. The contribution from these two categories increased by almost 10 points, which clearly had a favorable impact in our mix.

And now let me put some perspective around our top line performance in 2024. First, '24 was the tale of two cities, our like-for-like growth stood at 5.1%. But excluding North Asia, it amounted to a very strong 8%. As you saw earlier, all other regions contributed to that growth led by Europe and our emerging markets.

But '24 was also a tale of two halves as the strong first half was followed by a softer second. Let me take through the three main reasons. First, over the course of last year, growth in the global cosmetic market eased from a dynamic 5.5% in the first half to a more moderate 4.5% in the full year.

As you know, we had expected that slowdown as inflation-driven pricing started to unwind. But the shape of the slowdown was different from what we had predicted. On the one hand, developed markets, especially Europe held up better than anticipated.

On the other hand, the Chinese ecosystem, which we had hoped will at least stabilize, did not. Let's take a closer look at what happened in this Chinese ecosystem. In Mainland China, total beauty market growth deteriorated from minus 2% in the first half to minus 4% in the full year. In a selective market that continued to decelerate, the Luxe division continued to gain share and reach a new record high.

In mass we slightly underperformed a rapidly slowing market impacted by our online footprint. In Asia, travel retail and total beauty market growth went from minus 3% in the first half to minus 10% in the full year, driven by both Hainan and Korea. Together, they are down 35% from 2022 levels, and then we choose to accompany this decrease in consumption with a reduction in our stock in trade.

We believe that the resizing of the travel retail business in Asia is now largely behind us, and I'm happy to say that we are entering '25 with healthy inventory levels across the region.

My third comment is about dermatological beauty. The difference we had observed between sell-in and sell-out in the first half, mainly related to Suncare in Europe, reversed in the second half. Sellout is robust and ahead of sell-in.

CeraVe slowed in the US. This is partly due to the law of big numbers. In the last seven years, the brand has grown sevenfold and is now our second biggest brand in the US. In addition, our key launch, the brand's first entry into haircare, happened at the very end of the year, starting with walmart.com.

With that, let's move to the P&L. Gross profit rose 6% to EUR32.3 billion. The gross margin reached a record high of 74.2%, up 30 basis points year on year. While currencies and scope of consolidation had a negative 30 basis points impact, this was more than offset by a strong contribution from price and mix as well as cost efficiency.

Research and innovation expenses increased 5% to EUR1.4 billion. We continue to invest behind our brands. Advertising and promotion expenses rose 5% to EUR14 billion equivalent to 32.2% of sale. Selling and administrative expenses were up 40 basis points at 18.9% of sales, and operating profit amounted to EUR8.7 billion, up 7%. The operating margin increased 20 basis points to a record 20%.

On a comparable basis, consolidating is up. In both '23 and '24, our gross margin increased 50 basis points. On that same basis, advertising and promotion expenses rose 10 basis points. Selling and administrative expenses were flat, reflecting once again our disciplined approach to cost management, including several reorganization and restructuring measures in several regions. Last, the operating margin increased by a very strong 40 basis points.

In 2024, each division reported an operating margin in excess of 21% and with the exception of Luxe, reached a new record. That of Professional Product was up 60 basis points at 22.2%; that of Consumer Products increased by 60 basis points to 21.1%; that of Luxe was flat at 22.3%, but up 50 basis points on a comparable basis; and that of Dermatological Beauty rose by 10 basis points to a best-in-class 26.1%.

Non-allocated expenses, consisting mainly of corporate and fundamental research costs, rose slightly to 2.5% of sales. Before we look at the rest of the P&L, I would like to take a step back and remind you how much we have achieved in the last five years.

Reported sales increased 46% to over EUR43 billion. Like-for-like, our four-year CAGR was an impressive 7.6%, more than twice that of the market. Despite going through a period of severe cost inflation, gross profit advanced at a slightly faster pace than sales, resulting in 120 basis points gross margin expansion. We invested behind our brands to secure our future growth.

Relative to sales, A&P was up 140 basis points. In '24 alone, it amounted to over EUR14 billion. Last, but

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not least, our operating profit increased at a four-year CAGR of over 9%, and our operating profit margin expanded by 140 basis points or 30 basis points per year.

Let's return to the P&L. The net financial charge came in at EUR261 million. The dividend from Sanofi amounted to EUR445 million. Income tax was slightly over EUR2 billion representing a tax rate of 23.4%, very slightly above that of '23.

Net profit, excluding nonrecurring items, amounted to EUR6.8 billion. Diluted earnings per share came in at EUR12.66, up by 5%. Now to help you estimate your EPS for 2025, I will recommend that you base your calculation on a diluted number of shares of 535,000,009.

Nonrecurring items amounted to EUR378 million. They included other income and expenses of EUR438 million, of which primarily EUR237 million of restructuring charges related to various reorganization measures at group, divisional and regional level and EUR100 million related to product liability lawsuits.

Cash flow increased by 6.4% to EUR8.5 billion. Working capital continued to improve. Capital expenditure of EUR1.6 billion came in at 3.8% of sales. Operating net cash flow amounted to EUR6.6 billion, an increase of 8.6%, implying strong cash conversion.

We paid a dividend of EUR3.6 billion and spent EUR160 million for acquisitions and EUR0.5 billion for share buybacks and redeem our lease debt. You will find the acquisition of our 10% stake in Galderma in the other line, given it was a minority investment.

The receivable cash flow came to EUR51 million. The balance sheet remained robust with shareholders' equity of EUR33.1 billion or 59% of the total balance sheet. As a result, the financial situation remained healthy in 2024. At the end of December, net debt amounted to EUR4.4 billion and EUR2.5 billion, excluding the financial lease debt.

The gearing ratio stood at 13.4%, the financial leverage at 0.4 times based on EBITDA that has surpassed the EUR10 billion for the first time. Earlier this week, as you have probably seen, we sold a 2.3% of our stake in Sanofi, benefiting from the recent share price movement. This allows us to diversify our sources of financing following the Aesop, Galderma, and Dr.G transactions, and give ourselves the means for other acquisitions, and there are plenty of opportunities.

The quality of our performance in 2024, coupled with the strength of our balance sheet led the Board of Directors to propose a 6.1% increase in the dividend to EUR7 per share at the AGM. This results in a payout ratio of 55.3% and illustrates L'Oreal's consistent and dynamic dividend policy.

Now with regards to our L'Oreal for the future ESG program, '24 was another year of progress. On this slide, you can see some of our achievements in the effort to fight against climate change, to manage water scarcity, to respect biodiversity, and to preserve our natural resources.

Let's take climate. Last April, the SBTi approved our short-term and long-term decarbonization targets as aligned with the 1.5 degrees trajectory. Additionally, in '24, L'Oreal already reached 97% renewable energies for its sites. In '24, L'Oreal once again, rewarded for its social and environmental performance and recognized among the best companies in the world by nonprofit organizations, rating agencies and international bodies.

Thank you very much for your attention.

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

Thank you, Christophe. Thank you for your presentation. And now on to Myriam Cohen-Welgryn for L'Oreal Dermatological Beauty.

Myriam Cohen-Welgryn L'Oreal SA - Member of the Executive Committee, President - Dermatological Beauty

Good morning, everyone. 2024 is another year of record for LDB, reaching EUR7 billion, almost double digit at plus 9.8%. The division reached its highest profit ever at 26.1%, up 10 basis points and well ahead of its main competitors.

Now, you know it was a year of two halves. The first half was boosted by sun pre-sale and a strong valorisation carryover. In contrast, the second half was impacted by sun stock adjustment and CeraVe deceleration in big mass medical markets, especially in the US.

Still, the dermocosmetic market remain very dynamic at plus 7.8%, and LDB overperformed, growing 1.3 times faster, hence reinforcing its leadership to reach a historic 25.5% market share.

Four key success factors explain our other performance. First, the strength of our brands. 2024 has seen a historical moment for the division as two of our brands have concurred the top five in total worldwide skincare market.

La Roche-Posay reached the top three position while CeraVe jumped to number five. All brands are growing fast. La Roche-Posay contributed to more than half of the division's growth, getting close to the EUR3 billion mark at plus 13.1%. The performance has been fueled by exceptional results in the US and by Mela B3, the biggest innovation La Roche-Posay has ever seen.

CeraVe crossed the EUR2 billion mark and is now 14 times bigger than net acquisition. The brand is the second biggest share winner in the dermocosmetic market after La Roche-Posay, despite a softer mass medical dynamic.

In the US, CeraVe consolidated its number one position in total skincare while also pursuing its successful international rollout. On the aesthetic front, SkinCeuticals recorded double-digit growth, driven by amazing performances in China and in the US. P-TIOX, the brand's best ever innovation is being launched in China right now.

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Our second success factor is that we reinforced our medical leadership. We are now directly reaching more than 310,000 doctors worldwide. Three of our brands are in the top four most prescribed brands by dermatologists. SkinCeuticals is number one in the professional market worldwide, while Skinbetter Science (inaudible), became number three.

The third reason for success is our digital leadership. E-commerce grew by 23%, and we also consolidated our number one position in medical advocacy. On beauty tech, innovation continues with Scalp Consult Pro, a revolutionary device for personalized scalp diagnosis. The fourth success factor is our international expansion. Emerging markets are performing at plus 12%, while mature markets remain dynamic with high single-digit growth.

There are many noteworthy performances. Mainland China grew at 14% in net sales in a flat dermo market. North America reported a plus 7% in net sales, outperforming the market with La Roche-Posay being the number one contributor to market growth. Europe recorded yet another great year at plus 10% growth.

And lastly, amazing performances in Sub-Saharan Africa and in India, with a successful launch of CeraVe in Mumbai and Delhi, and we are now ready for further expansion in India.

So what is the outlook for 2025? I'm confident that we will carry on growing strongly. We expect the market to remain dynamic, roughly 2 points above the beauty market. The underlying long-term growth trend of our market remain intact. It continues to be driven by the unfortunate rise of skin pathologies and the boom of aesthetics.

We will carry on winning as we pursue our internationalization and by seizing two major growth opportunities, new targets and new categories. Regarding new targets, males and boomers are under-potentialized consumers. Our gender-neutral products are ideally suited to attract male consumers.

Separately, our health brands perfectly address boomers who are twice more prone to skin issues than the total population. CeraVe intense moisturizer innovation is the perfect solution for them.

On the category front, haircare is a major growth reservoir. In the past five years, Dercos has become number one dermo haircare brand where it is present. In the US, we are now launching Dercos, and disrupting the category with our new CeraVe haircare. Both launches are off to a strong start. And there's more.

And our growth will also be driven by an unprecedented innovation stimulus resulting in a two-point gain in innovation weight of business. You will see groundbreaking innovations designed to match the efficacy of the dermatological standard, yet with high tolerance.

Just to name a few, on age management, Vichy Collagen 16 powered by co-bonding technology, the

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results of 15 years of research. And photo protection, Anthelios UVMune boosted by our successful Melasyl molecule to protect from UV damage while correcting hyperpigmentation.

And finally, to seize the boom of aesthetics and push the boundaries of skin health, we believe that the complementarity between topicals, procedures, and oral supplement is the future. You will see the launch of SkinCeuticals' Regen 6, a disruptive regenerative skincare proven to repair while reducing the side effect of procedures. It will set new standards in professional beauty performance. And in the US, a breakthrough biotech oral supplement on Skinbetter Science.

It is, together with leading dermatologists and our brands that we are shaping the future of beauty. Thank you.

Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director
Thank you, Myriam. And now up to Omar for Professional Products Division.

Omar Hajeri L'Oreal SA - President - Professional Products, Member of the Executive Committee

Good morning, everyone. 2024 was another year of outperformance for the division. We grew by 5.3% in a market, which we estimate to be around plus 3%. Our market share reached a new record high of 26%. This robust performance, consistent across both semesters is driven by a winning strategy based on three key growth drivers.

The first key growth driver is our strong momentum on premium haircare. In a dynamic premium haircare market growing at plus 5%, we continue to outperform. Our value growth reached plus 13%, fueled by strong performance across all our major brands and driven by blockbuster innovations such as Absolut Repair Molecular by L'Oreal Professional and Acidic Bonding Concentrate by Redken.

The second key growth driver is our omnichannel expansion. Our winning omnichannel strategy allows us to reach and engage consumers across all touch points. We've solidified our presence in more than 400,000 salons. We've achieved significant acceleration in e-commerce at plus 19%, expanding our reach across all regions. We've continued to accelerate in selective retail at plus 30%, notably by opening new doors and putting professional quality products in the hands of Gen Z. E-commerce and selective retail now represent 38% of our total turnover.

The third key growth driver is our broad-based expansion. In our top three regions, North America, Europe, and North Asia, despite a sluggish salon market and thanks to e-commerce and selective retail, we achieved growth of plus 5%, plus 6%, and plus 7%, respectively.

In the US, which accounts for 40% of our total turnover, our American brand, Redken, has continued to gain market share and strengthen its leadership as the number one premium haircare brand. In Europe, Kerastase's is now the second largest beauty brand online.

In China, we delivered solid growth at plus 9%. Kerastase is the undisputed leading haircare brand online.

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We also expanded our geographic presence across emerging markets with great successes in Mexico at plus 15%, in Brazil at plus 19%, and in the Gulf countries at plus 18%.

The strategic combination of channel and geographic expansion is yielding strong results and increasing our global market penetration. In the years to come, the division will maintain its growth momentum, fueled by strong potential of conquest.

First, we have still a strong potential of conquest of new consumers on premium haircare. The increasing demand for premium haircare is boosted by social media and propelled by strong underlying trends, long hairstyles, diverse hair types, and increasing scalp concerns.

Premium haircare is a powerful engine offering significant potential. A key example is the US. The US is our most developed premium haircare market, yet on the total haircare market, we hold the market share of 10% in value and less than 4% in volume.

This shows the tremendous opportunities of recruitment that lie in front of us everywhere, and we are uniquely positioned to capture these opportunities. Thanks to our powerful brand portfolio with our strong French and American brands, we cover all hair needs at different price points. All our blockbuster innovations are powered by cutting-edge scientific discoveries led by our global L'Oreal R&I. Première our latest Kerastase launch benefits from a unique technology that reverses 96% of damage in one use.

In parallel, we are continuously elevating our salon services through advanced diagnostics, deep haircare treatments, and luxury hair spa experiences. Lastly, our unrivaled salon footprint allows us to leverage stylist advocacy at scale, which amplifies the reach and legitimacy of our brands. As you can see, we are perfectly set to attract and engage new consumers on premium haircare.

Our second potential of conquest is the conquest of new stylist. Since 2019, in a declining salon market, we have been able to grow and gain market share in salons. Our acceleration in premium haircare in new channels has given us the means to invest in salons and build up a new and successful operating model.

With our B2B e-commerce platforms and our online academies, we have a strong digital and data-driven ecosystem. In an ever-evolving industry characterized by the rise of independent stylists, we reach stylists at scale. We are now interacting with more than 3 million stylists out of 7 million worldwide. We are also perfectly set to attract and engage new stylists.

Our third conquest lever is the conquest of adjacencies. Multi-awarded AirLight Pro is our revolutionary hairdryer powered by infrared light technology. It represents a significant step into the EUR3 billion premium hair device market.

Launched at the end of 2024 in France and in the US, AirLight Pro has received exceptional feedback from pros and consumers. We will roll out AirLight Pro in Europe and unlock a new growth engine for the division.

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Now starting 2025, we will fuel the market with an exciting beauty stimulus plan boosted by 20% versus last year. Innovation in haircare with Gloss Absolu by Kerastase, the cutting-edge solution for Gen Z's seeking glossy and bouncy hair. Vitamino Color Spectrum by L'Oreal Professional, the ultimate professional color care innovation.

The first night and day bonding serum by Redken for 24/7 repair. Glow Mania by Matrix, the first laminating haircare for all hair types. Innovation in hair color with the relaunch of our iconic color range, Majirel by L'Oréal Professionel. As you can see, we are ready for the future, ready to continue leading the professional beauty industry. Thank you.

Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director
Thank you, Omar. Thank you. And Cyril, let's talk about L'Oréal Luxe with very exciting news.

Cyril Chapuy L'Oreal SA - President - Luxe, Member of the Executive Committee

Good morning. In 2024, L'Oréal Luxe grew plus 2.7% like-for-like and plus 4.5% reported, achieving net sales of EUR15.6 billion. H1 was at plus 2.3% and H2 at plus 3.2%, confirming the division has accelerated its growth. You should not be worried about Q4 at plus one since we anticipated shipments on Q3 for the holiday season.

Sellout itself remained extremely robust at the end of the year, reaching plus 6 in December, for instance. In 2024, we reinforced our leadership worldwide significantly outperforming an otherwise softer market at plus 2%. It was the 14th consecutive year of market share gain for L'Oréal Luxe.

At the same time, our profit margin level remained very high at 22.3%, the same level as in 2023, and this despite the dilutive effect of Aesop and market turbulences in China. This level of profit is way higher than most competition.

Regarding our regional performances, L'Oreal Luxe grew at a remarkable double-digit pace outside of North Asia, rebalancing its footprint. 2024 marked a major milestone in the USA, where we become the number one luxury player for the first time.

L'Oréal Luxe is now the luxury leader in three of the four regions where we are present: North America, Europe, and Emerging Markets. In North Asia, L'Oréal Luxe is number two, but a very solid number one in China with a new record market share.

In North America, our tailored omnichannel strategy bore considerable fruits securing a year of strong growth at plus 11%, significantly above the Luxe market, which was at plus 7%. In Europe, we remained firmly dynamic, consolidating our leadership and growing at plus 9%, also above the market at plus 8%.

In North Asia, in a still challenging market context at minus 7%, we continued to gain market share evolving at minus 5.5%. In Emerging finally, we maintained strong momentum at plus 12% in a market at

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plus 10%.

In 2024, L'Oréal Luxe performed successfully in both brick and click channels. In offline, we elevated permanently the quality of experiences and services, both of which are essential to building strong luxury brands: from freestanding stores, to gondolas or corners.

In online, we expanded our footprint in e-com and in social com. Our strategic partnership with Amazon in the USA. and with TikTok Shop in SAPMENA, yielded both impressive results.

And Aesop inaugurated its worldwide online D2C with a state-of-the-art consumer e-experience. In 2024, L'Oréal Luxe continued to strengthen the balance between its three categories: fragrances and skincare, now each represent 40% and makeup 20%.

In Fragrances, we boasted exceptional results at plus 14%, outperforming in dynamic markets. Several of our recent launches earned top rankings: MYSLF and Libre by Yves Saint Laurent; Born in Roma, Donna, and Uomo by Valentino; Wanted by Azzaro; Paradoxe by Prada; and Stronger with You by Armani.

In Makeup, our strategy shakeup was successful. We grew at plus 5% and reconquer market shares. The endeavor was particularly impressive for Yves Saint Laurent, which continued to lead in China and obtain double-digit growth in the US and Europe.

YSL Loveshine was, for sure, the hottest makeup launch of the year. Valentino and Prada forged ahead also with ambitious expansion plans, doubling both of our makeup businesses. Skincare presented a contrasted picture. On the one hand, it faced a challenging market context deeply affected by the situation in North Asia. But on the other hand, 2024 brought several key moments, the worldwide launch of Lancôme Génifique Ultimate executed to perfection everywhere, reflecting the enduring power of its historical icon.

The launch of Kiehl's Amazon, allowing the brand to reach new consumers in the USA. And additionally, in skincare, our recent acquisition continue to demonstrate very promising growth potential. Youth to the People became the number one cleanser in North America, and Takami became the number one Luxe serum in North Asia.

And of course, Aesop Conquest accelerated with a growth rate at plus 9% and a very healthy like-for-like sales evolution. Now what's our outlook for 2025.

Well, the division is perfectly positioned to keep outperforming the luxury market significantly. In 2025, we will continue to leverage our powerful and deeply complementary portfolio of 25 brands, covering all price points from EUR20 to EUR500. This remains more than ever a key competitive advantage for L'Oréal Luxe.

It allows us to play on all luxury segments and increase market penetration by growing our customer

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base year after year in all our region. In 2025, we will roll out our recent licenses and acquisitions to maximize the potential.

Think of Prada or Valentino, which have gone from less than EUR100 million to more than EUR500 million, each of them in just four years. Think of Aesop which will open 20 new unique stores worldwide, more than ever in sync with luxury consumers evolving desires for experiential retail.

In 2025, we will also reveal what's destined to be the brand launch of the year, Miu Miu. And finally, I'm extremely honored and excited to announce that we just signed a long-term license deal with the fantastic Jacquemus brand.

In 2025, we will keep building upon our innovation power, bringing forth a true beauty stimulus plan. This beauty stimulus plan powerfully addresses the wants and needs of today's consumers across all three of our categories, spanning all generation from Gen Z to boomers. The plan also encompasses some key breakthrough in beauty tech, including the incredible Lancôme's Pro Radiance Booster.

Overall, our 2025 launches will represent four more points of weight of business. This is massive. In 2025, we'll double down on the USA market, which should see strong growth in premium. We will continue accelerating in emerging markets and we will work hard to reignite the China market with excitement.

At L'Oreal Luxe, our fantastic teams around the globe are motivated by building extraordinary luxury brands. 2025 is poised to be yet another incredibly ambitious year for them. As the world's number one luxury beauty player L'Oréal Luxe is determined to continue to deliver future fit, highly profitable growth. Thank you.

Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director
Thank you, Cyril. And now Alexis Perakis-Valat for L'Oreal Consumer Products Division.

Alexis Perakis-Valat L'Oreal SA - President - Consumer Products, Member of the Executive Committee

So good morning. The mass beauty market has normalized following a period of inflation, but it remained dynamic in 2024, growing at plus 6%. Our division delivered solid growth at plus 5.4%, slightly below the market, but building on a record-breaking comparative from 2023 and above our pre-COVID average.

All our global brands grew strongly. And what's exceptional was the performance of L'Oreal Paris, the world's largest beauty brand was also one of the fastest growing at plus 9.2%, thanks to innovation on all fronts from winning product launches to the introduction of Beauty Genius, the first ever virtual beauty assistant powered by GenAI.

Our other big legacy brands achieved key wins. Garnier extended its skincare success, championing natural ingredients, augmented by science. And Maybelline New York, consolidated its position as the

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world's number one makeup brand, including a very strong second half innovation plan that gives the brand momentum entering 2025.

We also had a great dynamic from our own global brand, NYX Professional Makeup, which grew twice as fast as the market in Europe and the US, thanks to its unique positioning, blending entertainment with makeup artistry. But beyond the brands, the strength of our model is its balance, enabling us to capture growth from wherever it comes.

By region, our strong progression in Europe and the emerging markets offset a slower market in China. Emerging markets accounted for 50% of our growth powered by Mexico, Brazil, Saudi Arabia, and Thailand, while Europe continued its strong dynamic, particularly in the UK and Ireland, Iberia, and the Nordics. Meanwhile, the US faced headwinds from a soft makeup market, but we have big opportunities to rebound in 2025.

By category, we have a very balanced footprint across makeup, hair and skincare. And in 2024, all three achieved mid- to high single-digit growth.

Within that, haircare led the way at plus 14%, driven by the outstanding success of Elvive by L'Oreal Paris. Finally, the growth was very healthy, combining unit, price, and mix. This balance is vital to our strategy to democratize and premiumize mass beauty. It also fueled a very significant increase of our gross margin enabling us to boost operating margin by 60 basis points to reach an all-time high, while increasing our investment behind our brands.

So looking forward to 2025, we expect the mass beauty market to remain dynamic and our division is embarking on a plan of conquest to both stimulate the market and outperform it. This plan is built around four chapters. Chapter one is to accelerate innovation with a special emphasis on high potential consumer groups.

For boomers, L'Oreal Paris Duo Serum is an anti-aging revolution. And our Cool Silver treatment will magnify their gray hair. For men, our men expert franchise is launching Derma Control to address acne and oil skin.

And Elvive has a major unisex innovation with Growth Gooster, a cutting-edge technology to anchor hair and stimulate growth. For Gen Z, we have an exciting makeup plan with Maybelline Teddy Tint, NYX Face Glue, and L'Oreal Big Deal mascara. This groundbreaking lineup will particularly help reinvigorate the US market.

But beyond makeup, Gen Z will love the Garnier pimple patches, a powerful new solution for their acne emergencies. Finally, for emerging markets, Garnier has two new skincare winners while Elvive is building on its haircare leadership in Latin America with Dream Sleek. Together, this launch plan is not only powerful, it's actually tailored for incremental consumer recruitment of high potential targets.

Chapter two is to capture today's major beauty trends. And I'll mention two in particular. First is health and sensitive skin. And that's why we're scaling Mixa, our mass medical champion. It was our fastest-growing brand last year, and we will launch in three more countries in Europe in 2025.

The second trend is K-Beauty. Like Kpop and Kdrama, Korean beauty has global prestige and viral potential. Our division is poised to bring K-Beauty to the world with two powerful indie brands. 3CE, the number one K-makeup brand in the world that we are now deploying in Southeast Asia and soon, Dr.G, Korea's leading skincare brand with infinite global potential.

Chapter three is to democratize underpenetrated beauty segments. Today's beauty-savvy consumers are adding new steps to their beauty routines. They use UV protection every single day, hair treatments on top of shampoos and new brow makeups.

Our division is accelerating innovation in these segments to win new consumers and grow with those that already love our brands. We're also democratizing underpenetrated price tiers in multiple ways: first, with complementary innovation.

In hair color, for example, Garnier is conquering the premium segment with good and the accessible segment with Color Sensation. Second, through our format strategy as in India, where our multiple formats of Garnier vitamin C serums are recruiting at many levels.

The fourth and final chapter of our plan is to double down on emerging markets. This opportunity is bigger than ever, and it's not just the growing middle class, its key consumer shifts, young and digitally subpopulations, empowered women, elevated beauty desires, and the rise of modern trade and e-commerce.

All of these trends play to the strength of our brands and our vision, giving us the highest right to win where our market shares are the lowest. That's why we're doubling down our focus and investments in Latin America, Africa, the Middle East, India, and Southeast Asia to strike while the iron is hot.

Each of these four chapters represent an incremental growth opportunity, putting the recruitment of tens of millions of new consumers at the very heart of our plan. Because today, we touched just a little over EUR1 billion out of 4 billion potential consumers. This untapped opportunity is the fuel of our confidence today and of our determination to sequentially accelerate growth throughout the year and build a brilliant future for our division. Thank you.

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

Thank you, Alexis, for your confidence and determination. So good morning, everyone. It's an important day today because 2024 marks a turning point for the group as we've laid the foundation for what I call the next chapter of the L'Oreal Adventure. You've heard the word conquest mentioned a lot in the division's presentations.

Indeed, we have geared up for our own space conquests or more precisely the conquest of three new spaces. But before I take you on that exciting journey, allow me to stay grounded for a few minutes and share with you my thoughts on our performance in 2024 and our outlook for 2025.

Let's start with 2024. We delivered solid growth at plus 5.1%. In a year that yet again did not unfold as planned at all, L'Oreal once more outpaced the global beauty market, which we estimate grew by 4.5%. We outperformed the market in three out of four divisions -- three out of four regions, sorry. Our slight underperformance in North Asia was mainly due to our country mix with the impact of a negative Chinese market, where we remain a strong leader.

2024, as Christophe said, was a tale of two cities. Outside North Asia, which was impacted by the continued challenges in the Chinese ecosystem, our sales grew 8%. All of our regions contributed. And in the last two years, our exposure to the Chinese ecosystem has significantly diminished.

It now accounts for 17% of our sales, well below the level in 2022. We continue to believe in its future but are less dependent on it as our global footprint has become a lot more balanced. Let me share with you some personal highlights of last year.

First, the US accounted for one quarter of our total growth making it our number one growth contributor as a country. Europe advanced by 8% and was once again our single biggest region contributing to growth at group level.

Emerging markets contributed to 36% of growth. They accounted for over 16% of sales overtaking Mainland China for the first time. But the results I'm most proud of this year is our financial performance. Our capacity to keep our P&L virtuous and deliver steady improvement in operating profit despite the turbulences in China and travel retail.

Our gross and operating margins reached new record highs. At 20%, our operating margin was up 20 basis points or 40 basis points if we exclude the impact of Aesop. On a comparable basis, our brand fuel increased by 10 basis points. As a group, we have once again proven our ability and determination to consistently deliver on our promise to steadily improve our operating margins all the while providing the fuel for our long-term growth.

We are confident in the future, and we increased the dividend to our shareholders by 6%. Beyond our financial performance, we were awarded the EcoVadis platinum rating honoring the group's determination to stay at the forefront of extra financial performance. And I'm very proud of the three-year partnership we signed with Louvre entitled, Of all beauties, a guided journey of 108 selected works that perfectly illustrate the essentiality of beauty across the ages.

Now let's talk about 2025. We expect market growth of plus 4% to 4.5%, and we are determined to outperform this market again. We expect our growth to accelerate progressively as the first quarter will face particularly tough comparisons. This acceleration will be supported by our beauty stimulus plan.

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As you've seen in the division's presentation, our innovation pipeline is stronger than ever. And each buck that we will invest behind these innovations will deliver a bigger bang, thanks to the continued rollout of BETiq, which has clearly proven its efficacy this year.

Each of our divisions will have an important role to play. Consumer Products, as you heard, is our door-opener in emerging markets. It will be the trail-blazer of consumer recruitment.

Luxe will continue to champion the fragrance boom, which we are convinced will last, while bringing elevation and creativity across all categories. Aesop will play a key role in delivering experiential luxury and wellness to growing global trends.

And Professional Products will continue to spearhead the expansion of the premium professional haircare market and take a bigger piece of that growing pie. LDB will continue to expand its playground, expanding in emerging markets with CeraVe as a trailblazer, doubling down on haircare and ascertaining its position at the forefront of premium aesthetics.

Before we turn to the next decade, let me take a quick step back. 2024 was in many ways a defining year for the group as we lay the foundations for the next chapter. We strengthened our research capabilities. As always -- as we always do, we invested 3% of our sales in R&I, and that's more than EUR1.3 billion. But at the same time, we accelerated significantly the creation of partnerships with academic institutions and participations in biotech.

These forays into a broader innovation ecosystem are paving the way for the invention of the future of beauty along longevity and sustainability. We invested in further augmenting beauty with AI. In R&I, we leveraged AI and our 10,000 terabytes of data to accelerate and strengthen our innovation processes, partnering with AI champions like IBM.

Thanks to the gradual rollout of our AI-powered BETiq in more countries, we continue to improve the returns on our A&P. And the output of our creative teams is boosted by our internal beauty content lab. All of this ultimately serves the consumer, enhanced by augmented services like Beauty Genius which already boasts over 100,000 users in the US.

We have advanced the harmonization of our more than 20 IT systems on one SAP platform which will allow us to achieve significant efficiencies across the entire organization and help us to increase both our agility and our capacity to leverage economies of scale.

We finalized the simplification of our organizational structures. In Europe alone, we combined 25 countries into eight hubs, significantly reducing overheads. We created six shared services centers across Europe, the Americas and Asia, responsible for accounting, treasury and controlling.

We strengthened our operational resilience, including the inauguration of the state-of-the-art fulfillment

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center in Suzhou, reflecting our belief in the strong future of China. And at the same time, we continue to localize our productions for brands like CeraVe to future-proof our operations in an increasingly complex and unpredictable world.

Last, but not least, we continue to sharpen our portfolio. We acquired licenses for two prominent fashion houses, Miu Miu and as announced this morning, Jacquemus. We also acquired the Korean skincare brand, Dr.G, and we took minority stakes in a study powerhouse Galderma, and in Middle Eastern fragrance champion, Amourage. And of course, we sold a number of smaller brands as part of the pruning of our portfolio. I strongly believe that all these measures will allow us to go ever faster and further in our ambition to write the next chapter of the L'Oreal Adventure, which I call the conquest of new spaces in the Beauty Galaxy.

Always following our mantra of doing only beauty, but all of beauty, these new spaces are: the geographic space, powered by favorable demographics and economics, the new consumer space with superior growth and penetration opportunities; and third, but not the least, we will explore new technologies that will shape the beauty of tomorrow.

Let me start with our regional space opportunity. The first region where we see favorable demographic and economic dynamics is the USA. This might sound surprising since the US is already our largest market, accounting for one-quarter of group sales, but let me explain.

First. The US is one of the few developed markets with actual population growth. Over the next five years, the number of potential consumers is expected to increase by 12 million. This growth will be driven by the Latino population, which is younger and more focused on beauty, especially makeup and fragrances. With our leadership in both, we are well placed to recruit in this consumer cluster.

Second. The number of consumers that identify themselves as multiracial has, over the last decade, more than tripled to over 10% of the population and it will continue to rise. This will lead to a variety of new beauty needs and nobody is better positioned than us given the breadth and depth of our category and regional expertise.

Third. The US accounts for one-third of the global affluent population and 60% of their global spend. That current tailwind of consumer confidence and wealth will continue to drive the growth of our Luxury division. Last, we have a unique portfolio to conquer the US market. It combines our 18 American brands, three of them are part of our Billionaire Club.

Then of course, emerging markets. Two billion of our potential consumers live in emerging markets. Over the next five years, that number will increase by another 500 million, half of them in India alone.

These consumers are increasingly affluent. They are young, digitally connected and beauty savvy, all of which supports strong beauty market share growth for years to come. In the last four years, our sales in emerging markets doubled from EUR3.5 billion to EUR7 billion, and their contribution to group sales

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increased from less than 13% to over 16%.

That is only the beginning. And I truly believe that the time for us to win is now. And those of you who joined our CMD in Mumbai last year saw with their own eyes, emerging markets are ready for L'Oréal. Why? Well, because the rise of a sizable and affluent middle class plays to our strengths and because the emergence of e-commerce and modern trade has created a level playing field in which we can successfully compete.

And because, as you can see, our 37 global brands still have a lot of white spaces to fill. We have the right footprint to drive this expansion. Our six regional R&I hubs enable us to bring the right products to the region, but also from the region to the world as we did with our Garnier Vitamin C serum.

Our 36 manufacturing plants ensure proximity to the local markets. The Middle East and in particular, Saudi Arabia, is also a major opportunity. That's why beyond the local appetite for Western brands, we have decided to invest in Amourage, the magnificent fast-growing prestige fragrance brand from Oman.

Let me now take you to the second space. Consumer clusters that offer superior growth and penetration opportunities. We estimate that there are 4.2 billion potential beauty consumers in the world and then we touch 1.3 billion of them today. Over the next decade, it is our ambition to reach 2 billion consumers.

Let's start with Gen Z. They already account for over 1/5 of our potential consumers, and it will increase by another 150 million in the next five years. What makes them attractive? Well, first, Gen Z are the biggest consumer clusters in emerging markets and their rapidly rising affluence, digital savviness, and beauty obsession make them a core target. Second, by 2030, 370 million Gen Z consumers will be over the age of 25 entering a new life stage with more disposable income and more sophisticated beauty routine.

Third, 200 million Gen Alpha consumers will be coming of age in 2030. This matters as this cluster are what I would call the beauty crazy generation, giving us the opportunity to nurture the consumer of tomorrow.

Across all our divisions, we have very strong plans to intensify the recruitment of Gen Z. Acne will be a key focus for a number of our derma, mass and luxury brands. And the Luxe division has several targeting makeup launches, including Lancôme with a new spokesperson, Olivia Rodrigo.

Let's move on to men. Male products contribute to less than 10% of the global beauty market, yet men account for one-quarter of global beauty usage and they constitute half of our potential consumer base. The opportunity is huge. On the one hand, the weight of men differs widely by category. We will double down in fragrances where men already account for one-third of our sales.

Recent launches like YSL Myself or Valentino Born in Roma are flying. We will offer more differentiated products in haircare, offering men more solution-driven products like Elvive Growth Booster. We will

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step up innovation in skincare to improve penetration rates and encourage more sophisticated plus one routines.

And we see penetration rates increasing everywhere. In China, we know that more than 50% of men regularly use facial skincare products. But now their European counterparts are catching up at 32%. The younger generations are adopting regular skincare routines, making them a highly attractive cluster. This is especially true in emerging markets. In India, for example, men account for 50% of the Garnier brand.

Last, but not least, the 60-plus cohort. By the end of the decade, it will comprise over 1 billion of our potential consumers, that's 200 million more than this year. 2/3 of the 60-plus years old will be the boomers, 1/3 Gen X. More than half of them will live in developed markets. This makes them a very attractive cluster, as consumers in developed markets spend more on beauty as they get older.

The average boomer spans over \$400 per year, almost twice as much as Gen Y and 2.5 times as much as a Gen Z. Today, over 60s account for 21% of the population, but 28% of the beauty demand.

And this brings me to the last of our three space beauties, the future and the future and new technologies. One of the biggest obsessions on the planet today is longevity. We all want to live better for longer and optimize our beauty capital.

And it goes without saying that longevity is as much an obsession for us as it is for our consumers. Last year, we took a stake in Swiss longevity biotech company, Timeline and we partner with a British biotech company, Senisca. But more importantly, we have dedicated a significant amount of our research to the topic over the years.

In fact, our approach to longevity builds on 15 years of advanced research, culminating in 38 scientific publication. We call it L'Oreal Longevity Integrative Science. And I'm very excited to introduce to you today the longevity wheel -- the L'Oreal wheel of skin longevity, powered by our proprietary AI Longevity Cloud.

(video playing)

So as you have just seen, we believe that L'Oreal R&I has cracked the code of lifelong skin health. And you can see first results in recent outputs like cell bioprint introduced this year at the CES in Las Vegas and Lancome Absolute Longevity, which has just been launched in Korea.

That said, I believe that to address consumers concerned about longevity and well aging will require beauty solutions that expand outside the traditional beauty market. One of them is supplements.

Cosmetic and beauty supplements are a EUR15 billion market that is growing 2 to 3 points faster than the beauty market, as penetration rates are rapidly rising across all regions. We are entering this attractive market with the launch of BioRewind from Skinbetter Science with more to come as a number

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of our brands are well equipped to win in this space.

Another opportunity are devices. Devices have, of course, been around for over hundreds of years. But for us, they are a new and exciting space, and we absolutely have a right to win in this space. Last year, the Consumer Product division launched L'Oreal Paris Color Sonic, the very first hair color device.

The L'Oreal Professional Products division introduced AirLight Pro, a revolutionary hair dryer that uses infrared light technology to dry faster and to leave hair smoother, more hydrated. If first consumer feedback is any indication, this is set to become a real blockbusters.

While we have entered these three territories, there's a fourth one that we continue to observe from the outside, and that's aesthetics. We need to understand whether we want to play and have a right to win inside these markets or whether we remain on the outskirts where our existing topical demo beauty brands SkinCeuticals and Skinbetter science. That's why we have taken participations in clinics in China and North America and taken a 10% stake in Galderma and signed with them a scientific partnership.

This gives us a privileged position to observe and understand this market, and we remain today in this position regardless of the Sanofi stock sale. So I have told you how we will conquer the three spaces at the heart of the next chapter of the L'Oreal adventure, an adventure that will see us strengthen our beauty leadership and continue to push the boundaries of beauty.

I believe that we are uniquely well placed to excel as this conquest as they will be fueled by science, our own science. Science has been at the heart of what we do from our first day 115 years ago, and we will leverage this competence for tomorrow's beauty solution, and they will be augmented by AI, which touches everything we do and where we continue to widen our competitive moat.

At L'Oreal, we've always been explorers and conquerors, and I would like to thank all L'Oréal teams for their passion and engagement. We see beauty as an ever-expanding universe and nothing excites us more than adding more planets to the beauty galaxy.

I thank you very much for your attention, and I think we'll now move to Q&A.

QUESTIONS AND ANSWERS

Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director
So we are ready to take questions. So who will want to ask the first question?

Olivier Nicolai Goldman Sachs - Analyst

Olivier Nicolai. First on fragrances and perhaps fragrances is not showing any sign of slowdown, plus 14% again this year. That's actually quite a big chunk of L'Oreal today now. What are the key drivers you're seeing in 2025 to maintain that kind of growth and L'Oreal outperformance in the category?

And then secondly, you mentioned BETiq. Could you give us a bit more detail on the progress you've seen coming from BETiq if it has reached its full potential yet? And if we should assume that the A&P ratio will progressively come down towards perhaps 31% or 30% over time? Thank you.

Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director
So we'll start with fragrance, Cyril.

Cyril Chapuy L'Oreal SA - President - Luxe, Member of the Executive Committee

Yes, you're right, fragrances have been very dynamic for us. There's been several years in a row and the market is very dynamic itself as this market has been growing double digit for the last three years. It's due to two factors: first, an increase of the penetration of fragrances. To give you numbers, the penetration for women on fragrances in Europe is 70% today.

In China, it's only 42%, in the US only 52%. So there has been an increase across region of the penetration. I think one day, the penetration across region will reach the level of Europe. For men, the penetration is 56% in Europe, only 32% in China, 38% in the US. So you see the potential by addition of consumer by increase of the penetration. That's the first factor of growth.

Second factor of growth is obviously the valorization which had happened both through price but also very importantly through mix. As consumers want to upgrade towards more selective unique fragrances, which is the fragrance collection phenomenon, which a brand like is playing very nicely with.

So overall, these two factors, penetration and valorization, I think, will continue for the years to come. So I'm very positive for the market evolution. And why are we going to keep winning? Well, I think because we have the best brand portfolio of the market.

We have brands which go from accessible fragrance to super premium fragrances. And I think between our couture brands and our couture licenses, including two that you seen today, Miu Miu and Jacquemus, who are going to be a big success in fragrances I think we are very well equipped. And also because we have a unique experience -- unique, sorry, expertise in fragrances we have a dedicated R&I in fragrances, which I think very few companies have. And this R&I in fragrances is very much behind the success of most of our juices working on their level of technicity, intensity, the quality selection of the ingredients with perfumers partners. And this is also very unique.

So best brands and a very strong fragrance science. As you know, we did a big exhibit at the beginning of this year, which was called the Art and Science of France. This is what we do at L'Oréal Luxe.

Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director
So Olivier another question on BETiq. So BETiq has -- we started in really in '23 with two countries. We rolled it out to six countries. Of course, we start with the biggest ones in 2024, covering around 45% of our consumer-facing A&P. So -- and there, every time we see a real productivity.

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And by the way, productivity in the efficacy of our A&P but also in the time of our own teams that spend planning for their campaigns.

And the plan is to continue to roll it out in the year 2025. So we aim to reach eight countries, so that's 60% of our consumer-facing A&P. We will not, by the way, because it's AI-powered system. So for the smallest countries, they will learn from the lessons from the bigger ones, but will be probably close to complete at the end of 2025. And as far as the efficacy or at least the weight of A&P on our P&L, I would say that I mean the trend is that potentially the weight would lower on an existing portfolio because it's true that we are getting more and more productive, and we see real differences that 10% to 15% gain in productivity.

But as you can see, we are adding new brands, new licenses, wanting to enter new territories. So this will take a bit more time to build. So we'll, of course, adapt our investment to these new conquests. In the end, the message is we are on the offense. We're here to conquer new consumers, new markets.

And of course, that will require investment on these new territories and new brands. Celine?

Celine Pannuti JPMorgan - Analyst

Celine Pannuti, JPMorgan. My first question is on the market growth. So you said 4% to 4.5% for '25. Second half was about 3.5%. How do you see -- I mean, what is driving the reacceleration? And if you could help us understand by regions, maybe especially China, which has been weak, what you've baked into that market growth?

And then one market that you flagged, and as well to come back to is the US. We've seen a weaker performance in the fourth quarter. Some of your peers are talking about a slowdown in the market. So can you share your perspective on the market growth, but as well how is the sell-in, sell-out dynamics because I think they are different for the different categories and your market share? Thank you.

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

So on the dynamics by category, I may hand over to some of the divisions, but I will give you a broad analysis. First of all, on the global perspective of the market, I would say, 4% to 4.5% because we believe that the emerging markets will remain dynamic. We see Europe relatively consistent. It will lower and it will be closer to the second part of the year because there's less inflation, but we see good consumption dynamics.

And we believe that based on the excitement that we see from the business people, which we meet around the US economy that the consumption of particularly premium goods in the US will be dynamic. Of course, there are many unknowns on the situation of the US markets, what the tariff strategies may evolve and then whether it will have an impact on local inflation, it's hard to predict.

But today, we see the US as a land of opportunity. And it's -- for us, it's both a market that is our biggest

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one, both where we have a share that's lower than our average share globally. We have a 15 share of the beauty market. We are at 13 in the US.

So we see potential. We have the brands. I think we've evolved very clearly on our channel strategy. Strangely in the US was one of the parts of the world where our share was the lowest in e-commerce.

And clearly, it took us a certain amount of time to agree on the way to develop our brands with Amazon, now that we have, we see trends acceleration potential in e-commerce, that's what that makes us pretty confident in our own performance in the US markets.

And then there is -- as you know, as you say, the big unknown is China. So we have accounted in our own calculation for a flattish market for China. We think that travel retail will remain difficult. And only good surprises can come from there. So that's where, hence, the bracket.

Now, it's very hard to predict. We had to -- last year, we had to correct our assessment of the market. But today, we are pretty bullish in the US, confident in emerging markets, steady on our stronghold in Europe and a big question mark in China.

As far as sell-in, sell-out, it's clear to say because, of course, I read some of the comments that I have publication that there was its appointment on North America. At the -- in Q3, as we said, we had anticipated a certain amount of invoicing, particularly in Luxe in fragrances because we've had, again, and I think we have to get used to that, we've had to anticipate a little bit of inventory building because of our IT transformation.

Again, we have a new system called ODES, which touched a few warehouses and we shifted a couple of points of growth from Q3 to Q4. And by the way, if I have a message I can use this room to convey is that as we are transforming this move from 20 SAP platforms to one, one country after another, there will be variations from one quarter to another. So analyzing quarters will make a bit less sense. We'll always be very transparent, but sometimes even ourselves, we cannot anticipate the magnitude of the inventory building.

So overall, the US for us kept on its trajectory, and I will hand over to the divisions in terms of their sell-out. But I think probably the two divisions, the two biggest ones are Luxe and mass. I will start with Luxe because I think the news start from becoming number 1, Cyril, you have good news from the sell-out November-December in the US market?

Cyril Chapuy L'Oreal SA - President - Luxe, Member of the Executive Committee

Absolutely, our sell-out, as I mentioned in my introduction, remained extremely dynamic in the holiday season and particularly in the US; We grew actually double digits in sell-out November, December. It remained very dynamic. It was through fragrances and also makeup. We had a very strong end of the year.

And indeed, for the Luxe Division, as Nicolas mentioned, the sell-in between Q3 and Q4 is not to be taken into account because we anticipated significant shipments in Q3 versus Q4. Outside of these shipments, we are progressing between Q3 and Q4.

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

Alexis Perakis-Valat L'Oreal SA - President - Consumer Products, Member of the Executive Committee

Yeah. So for the US, first, in 2024, the market remained robust on a very strong '23 comparative because the mass market in the US grew at about 4% last year on a comparative '23 of plus 12%. So it's a dynamic market. We've seen a bit of softness on the makeup market that was slightly negative.

But there again, against a very strong comparative and in a way, the softness of today are the opportunities of tomorrow. So we performed extremely well on the haircare market, where we grew 2 times better than the market on the biggest haircare market of the world, where we have a low market share, we have about 12% market share on the haircare market.

So a big opportunity for the future. And extremely also on the mixed professional makeup. We underperformed on our two other makeup brands and especially on Maybelline because our launch plan was back-weighted, but what we launched in the H2 started extremely well and of course, will give us a lot of momentum this year.

So we have three reasons to be very optimistic for the future and for the near future. First, we have a much stronger innovation plan, much stronger weight of innovation in makeup. Second, and I think it's important for you to know that also, is that we've aligned our US organization with what we do in the rest of the world and especially in Europe because some years ago in Europe and in many countries, we've created one CPD sales force.

In the US, we still had four different sales forces, and we've aligned it that will give us a lot of efficiency, and it's also great for the retailers because they have really one single point of contact, which is very, very significant.

And the third thing is talking about retailers. We're also having interesting ongoing projects with US retailers because I think one of our objectives in the US is to increase and to make the shopping beauty experience, the Mass Beauty shopping experience more exciting for the future.

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

Myriam Cohen-Welgryn L'Oreal SA - Member of the Executive Committee, President - Dermatological Beauty

So for the LDB division in the US, the market remained overall dynamic in the year at plus 6%, and we

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overperformed the market significantly in each period. What we can say on the market is that the growth is driven with slightly different dynamics versus the past. The reduction of the mass medical segment that is still growing but lower than in the past and the emergence of a new Dermo premium category that is flying mainly behind the exciting La Roche-Posay explosion, La Roche-Posay is the number one contribution to the market growth and has become the number three brand in the market.

Another element is the continued growth after aesthetic professional market at around 8%. And there again, we also had an outstanding performance of both SkinCeutical and Skinbetter Science with an acceleration that we see at the end. So double digit for the two brands and acceleration at the end of the year.

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

Omar Hajeri L'Oreal SA - President - Professional Products, Member of the Executive Committee

For the US, the premium haircare market is extremely dynamic, high single digits, and we are beating that market, I have to say, by far, with a strong acceleration of Redken and Kerastase which has boomed in the US during the last five years, we were most multiplied by five a turnover of Kerastase accelerating very fast on e-commerce and selective retail.

And we have, on the other hand, the professional salon market, which has stabilized, I have to say. But I can tell you on this market where we see a very strong explosion of independent stylist with salon-centric, our distributor model, we are extremely strong to capture this this market.

For you to have in mind, there is 1.4 million independent stylists in the US, and we serve with a 1 million of them. So we are in the best position, and salon-centric has become two years ago, the first distributor of professional beauty products in the US. So I can tell you that we are set to capture the growth wherever it's coming from.

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

Thank you, Omar. And just it's hard to comment on the beginning of the year because we're just one month in. But if we look at what we see today, there's no major change everywhere. January is a small month in most countries because it's just right after the early days. The only thing we can say about the start of the year in China is that we see it last -- second half of the year was negative, but we see a market that was over January-February, flattish.

So it's not like a huge rainbow, but it seems to have been stabilizing at least for the first couple of weeks of the year. So we'll be monitoring this progressively.

Jeremy?

Jeremy Fialko HSBC - Analyst

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Okay. Jeremy Fialko, HSBC. So a couple of questions from me. First one is on your innovation pipeline. So you've talked about all of the divisions is really quite meaningful kind of pickup in the innovation across, I think, all of your divisions.

Is this coming off a slightly lower base of innovation in 2024 that was sort of a quiet year or do you think this is just kind of the new pace of innovation in the group, the '25, then also likely to kind of '26 and '27 going forward? And what are the sort of organizational changes that you need to make sure that these all land well?

And then the second question is on China. So clearly, the market is tough, the consumer sentiment has not been great. When you look at the market on a medium term, what do you think are some of the more, let's say, longer-lasting changes in the Chinese consumer? And how do you think you might want to adapt to your portfolio or your business to make sure that you carry on taking market share?

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

Well, first of all, on innovation, Clearly, beauty is an offer market. And in the end, it's a market that always grows based on our capacity to seduce consumers, time consumers with new innovations that perform better, that are more beautiful, that are more exciting. And clearly, when we see market that slows down a bit, a market where also there is more competition from indie brands that puts us on the offense, and we decided to increase our innovation plan.

So it's not because last year was below par. It was a good year of innovations. As always, some worked very well, some worked a little bit under expectations. But from the very early days of 2024, we said, okay, we have to be even more creative, even more innovative. We asked our nice teams from R&I to give us a pipe of innovation of new textures and products and also our packaging teams that were richer, and the teams have developed great products.

So at the beginning of the year at company level, we have an estimated 200 basis points more of launches versus last year. But as always, we can't predict whether they're all going to be hits or home runs or what have you, but it's been a concerted effort.

Whether it's bound to last, it always depends because if an innovation is a success, we'll work on it for several years. And by the way, you just saw the renovation of Genifique which has been a long-haul success. So we always adapt and react. But here, as we are entering new spaces, we're also -- that also leads us to innovate more.

So that's the -- and in the end, it's a little bit the answer on China. Today, the Chinese markets, because of the economic situation and the lack of confidence of Chinese consumers, the market has been more focused on value for money. And that's why in the market, you see the performance of the luxury segment has been inferior to the one of the mass segment.

But within these segments, you see brands with fantastic performances. I take Yves Saint Laurent, I take

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Prada, even I take Aesop, they are expensive brands, and they are doing great. Why? Because they are providing products that justify their price that are truly innovative, that are truly exciting consumers. And so I think the the game in China is probably tougher than when all the consumers were just eager to discover great new products.

Now it's becoming as competitive as the US and our role is to face this competition. So it's probably one part of the world what I want to -- where I want to strengthen my innovation team and be even more -- rely even more on our R&I teams in Chengdu, it is China. It's a competitive game, and we like to compete, and we like to come up with better innovation.

So the market will probably remain a little bit like it is today until there is better consumer confidence because it's very related, and that will depend on the measures that are taken by the leaders of China. But within this context, I think we can do better. We've done -- we've maintained our share this year overall in China, but I want to win share, and I think we can do it with more innovation.

Iain Simpson Barclays - Analyst

It's Iain Simpson at Barclays. A couple of questions from me, if I can. So you talked about outperforming your expectation of 4% to 4.5% market growth this year, but you also flagged the very tough comparatives in Q1. So is that outperformance for the year as a whole or is that we should set Q1 to the side and you'll outperform through Qs two, three, four? That would be the first question.

And the second question, I wonder if you can give us a bit of a sense as to how pricing in Europe, which I think is normally done on a sort of annual basis, is shaping up in '25 versus '24? Because obviously, we're coming out of a period of quite high inflation in Europe and just trying to get sighted on the pace at which that moderates?

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

So I will hand over to you, Alexis, on the pricing in Europe, but it's mostly -- it's often a mass discussion. As far as the growth and the overperformance, in the end, we want to overperform the market on a full year basis. So we don't measure our overperformance by quarter because it depends on calendar launches, it will depend even more in this period, as I said, on some of the evolutions of our IT programs and the impact on inventory building.

So only thing I can say is that our plan is to have a progressive acceleration. So our weakest quarter should be the first one, and it will get better across the year. And in the end, on any game, whether it's football or rugby, we have a big game on Saturday. It's at the last minute. So it's -- we have to see at the end of the year whether we beat that market, and we are confident that we can achieve that.

And as far as prices, Alexis, do you want to say a word?

Alexis Perakis-Valat L'Oreal SA - President - Consumer Products, Member of the Executive Committee

Yeah. On pricing, as always, there are many components of pricing. Of course, straight pricing will come

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down and will be, I think, very minimal in Europe in the months to come. However, there are other ways to create value, and we're very engaged on what we call our revenue growth management programs. And there, I would say, two main other ways.

The first way is to price through innovation and renovation. So most of the innovations that you've seen are premium price versus our baseline. And even we also do renovations. For example, we're restaging our Elève brand, which is a very big business for us in Europe with a new packaging that, by the way, is 20% less plastic, but with also better formulas.

And when we do these kind of moves, of course, because we offer more to the consumers, we price. And of course, our retailers take their decisions on pricing, but there is a reason to price there.

And then the second way to do pricing is also through mix because I talked to you about this kind of underpenetrated beauty categories, the price of a serum by millilitres is higher than the price of a cream by millilitres. So we're activating all the levers of pricing, knowing that trade pricing obviously will come down.

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

Please, we said we would take the journalist questions at a later moment, so we'll go there on the right, and we'll try to move from there.

Tom Sykes Deutsche Bank - Analyst

Tom Sykes from Deutsche Bank. Just firstly, on derma, I appreciate that you budget on a full year basis, but I think your H1 profits were up 18% and then they were close to flat in the second half of the year. Given what you're saying about the tougher comp in particularly Q1, maybe H1, how do you feel about the sustainability of the 26% derma margin, if that is slightly slower growth, please? And particularly, I guess, if CeraVe is or isn't higher than that 26%. And then just you picked out a lot of inventory effects.

The SAP, there's fragrances, some sell-in tariff may be prebuying. Can you at least maybe ahead of time, say, at least H1 versus H2, do those kind of -- is that net negative H1 and positive H2 or how should we think about it because you've got more moving parts in that than maybe you normally do in terms of inventory effects?

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

That's a tricky one. I'm not sure I have the calculation on top of my mind. We will have some impact in H1, probably a bit less in H2. But it's -- frankly, I wouldn't want you to take that for certain because there's a lot of moving parts. Suffices that the go-live is pushed back by a month, and it shifts from one quarter from one half to another. So what I can commit to is to be always totally transparent when it happens, but it's very hard to give you an exact phasing of this.

And before I hand over to Myriam to hopefully reassure you on LDB's profitability, we manage our profitability at group level. So first and second half and, by the way, are always very representative

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because as you know, we invest a lot on fuel in the second half, particularly around the holiday season and the more we sell fragrance, the more invest fuel at the -- on the second part of the year. But we don't do a half by half by division and division objective.

Myriam has the objective to improve our profitability next year, and I'm not concerned that she will not achieve it. Are you?

Myriam Cohen-Welgryn L'Oreal SA - Member of the Executive Committee, President - Dermatological Beauty

Yeah. I feel confident we can carry on increasing our profitability, as my boss just said. And it's also managing, obviously, the activation and the fuel that we put on the brand, but also the mix of the brand. And so what you can see over the last semester is the acceleration of the aesthetic brands that are very profitable brands. And La Roche-Posay is also a very profitable brand. So what we do is we manage the mix of the brands to, in the end, drive the mix at sales level and the profit bottom level.

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

Okay. Thank you. I think we had -- Sarah, you had a question.

Sarah Simon Morgan Stanley - Analyst

It's Sarah Simon from Morgan Stanley. Sorry, I've got more than one question. I've got a couple. First one was the weakness in the pharmacy chain in the US has obviously been quite an issue. Can you give us an idea of how exposed you are to that and how far you think you are through that kind of normalization process?

Second was on supplements. Do you have the sort of in-house capability to roll that out to be bigger or is this something where we should expect potential M&A?

And then the third one was just on BETiq. When you've launched into a market, how long does it take for the system to really be at full kind of productivity potential? Because I assume it takes time for the system to learn from the data?

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

Okay. So first one is for you. the pharmacy on the drug in the US.

Myriam Cohen-Welgryn L'Oreal SA - Member of the Executive Committee, President - Dermatological Beauty

So yeah, on the pharmacy, the drug stores are going through a difficult moment as there is a reduction of the traffic. Our exposure is is not growing and managed through mix of channels, as we see a report of the traffic that -- of the sales that are not happening in pharmacies in the e-com where we are flying and overperforming in the market. So that's what I would say on that.

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

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Okay. So on supplements, it's a market where we feel we want to enter with a few specific brands. You've seen the potential. It's a growing trend and because it's -- people want to live longer, better. But I don't know if any of you has watched on Netflix the, Don't Die documentary on Brian Johnson, I think he takes 400 different supplements every day. So that's not my recommendation, but we'll have some of our brands, skinbetter science, maybe a few others in derm beauty, in hair.

There are now a clinical test that demonstrate the efficacy of these and the safety, of course, of these products. We are working with external specialist manufacturers who are the state of the art of these technologies and have no plan at least today, but we have no plan for M&A because it's an extremely fragmented market in terms of brands, and it's really more the ingredients and our capacity, and that's where our science helps us tremendously is the capacity to assess the proper efficacy of these different components. So it's more an external purchase of products, but with our own science to both validate them and to ensure the efficacy of the product.

And as far as BETiq is concerned, I think there are two questions in your questions, one, the time to set it up. It's about training the algorithm and there, it probably takes around a year to do it in a given country.

And then the adoption by teams, then it's about training, it's about change management and it can go pretty fast, but it keeps on improving, and even after we've started it, it takes probably another year to be at full speed. And we see today in the UK that is really delivering even better than it was in the beginning. So it's -- like it's a several year plan, but it's getting better every time. So we are very excited to be able to use this tool.

I'll go over there. And then one here.

Charles-Louis Scotti Kepler Cheuvreux - Analyst

Yes. Charles-Louis Scotti from Kepler Cheuvreux. The first question is on the travel retail channel. Could you please remind us your exposure to the channel? And if you can give us some granularity by regions? This would be helpful. And also, what support your cautiousness despite the expected realignment of sell-in and sell-out?

And the second question is on M&A. You have created a lot of value through external growth by acquiring small brands and scaling them up. What is the rationale behind taking only minority stakes in some of the brands and groups? I'm thinking about Amouage obviously, Galderma, Document, To Summer for example. And if you could also give us some details about the Amouage transaction, this would be very helpful?

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

So let's start with travel retail. Christophe, on the weight for us?

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

Yes, as I've been explaining before, you've seen that the consumption in travel retail has been decreasing

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now for more than two years in a row. And of course, the weight of travel retail now has decreased quite sharply. What I want to focus is that while on one side, we have -- on the Europe and North America, the business is still improving and increasing, the key point has been, of course, the travel retail Asia with Hainan and Korea.

I can tell you that those markets that have been increasing today, if I think about Hainan is less than 1% of the sales of the group. So the exposure to those difficult market has dramatically decreased. So that's why we are confident that in 2025, we should expect now we don't know when, but probably a progressive recovery in the coming semesters.

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

No. And why am I not super positive still for the travel retail is that what we've seen and we're particularly seeing Hainan not growing in terms of sellout. We see passengers increasing the trend of air traffic is very positive. It should grow by 9% again in 2025.

We think, by the way, that the market will be very dynamic in the West. In the East over the holidays, the Hainan sells for all categories, not just beauty, we're still negative.

Korea is managing their inventory. So we think that -- we're hoping for a stronger rebound. We think we can have positive sellout across the year. We have a healthy inventory, but we don't see travel retail being a growth -- a powerful growth engine, particularly at the beginning of the year. Though the more we move into favorable comparative day the better it may be.

But I would say that, that was one of the bad results of Q4 is that it went back into negative territory when we were hoping it wouldn't.

So what's important for us is that -- and that's very key is that we're paying a lot of attention to inventory management to make sure that we stay always on the healthy side, and that's where we are today.

I've been told that there is a question on the phone. So I'm asked to take a phone question, then we'll take one question from an analyst on this side and then journalists. So what -- what's the phone question?

Operator

Yes, we have Joffrey Bellicha for Bank of America.

Joffrey Bellicha -

Good morning everyone. Thank you very much for taking my question on behalf of Ashley Wallace. Our question is on Mainland China. The market has obviously been very tough through 2024. Can you talk about the drivers of volume versus value in the country. Our understanding is that the volumes are still up in China and all the weaknesses in value due to higher promotions in the grey market.

Is this correct? And if so, when you start lapping a comparison base where the average selling prices will have stepped down, is this in the second quarter of this year?

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

Okay. So on the volume of the Chinese market, they were still slightly positive after Q3 I don't have the final numbers of Q4, but based on the fact that 11/11, which is the major promotional events, was slightly negative with high numbers of returns. We -- by the way, we beat the market.

And once again, we had two brands in the top three with L'Oreal Paris and Lancome. I'm not sure that the Chinese market has remained positive, but probably flattish with a shift to more mass market. So again, I think on China, I don't see an acceleration of the market, but we need to have an acceleration of our own capacity to innovate and seduce the consumer, and that's what we are working on.

We have plans. We saw, for example, if I take Luxe, it was not a great year for Lancome. But since we've relaunched Genifique with a new formula with new claims, the brand is faring better. So it's all about innovation, and that's how we'll try to animate this market.

So I must apologize to Charles-Louis because I did not answer the later part of this -- the latter part of this question is not -- I was not trying to dodge it, I just forgot it. It's on M&A. So clearly, our philosophy is always to try to acquire brands and to roll them out. And we try to acquire brands with when they reach a certain size, they've proven they have passed the test of time and then we try to acquire them and roll them out.

And of course, that's what we did with CeraVe, and that's what we hope to do with Dr. G. Sometimes, and I would put Galderma aside because I will make again a comment on that one. But if I take Amouage or a few others, sometimes, you see a brand that you love, that you're an area of the world that you're very excited about.

And so you meet founders of a brand, and there are many moments where founders are eager to continue to run their business and to have the -- to be part of the adventure. And at the same time, we're excited to benefit from L'Oreal support. And Amouage is exactly that. It's a fantastic brand. It's one of the most sophisticated fragrance houses in the Middle East, which we've been observing for years.

We've met the founders. The founders were indeed, eager to benefit from the support of L'Oreal and to welcome us in their shareholding structure. And then we'll see what the future holds. In all these moments where you take a minority share in a company, you also learn to discover the management, they get to know us. And it also is a way to spread our risks in many brands.

Many, many mean small brands. You mentioned Documents. We took two small shares in two small start-ups in fragrance in China, Documents and To Summer. We don't know which one of this brand is going to be passing the test of time and having a couple of fingers in different parts of jam allows us to make sure we'll have probably, at some point, one that is -- that becomes a star.

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So that's part of this market. The beauty market has become extremely creative in a number of brands. We can't buy them all. We can buy some of them, but we can also learn and discover and probably seduce a certain number in a later stage. So that's where this strategy lies.

And again, I would put aside a Galderma stake, as we said, and I just want to reiterate that, we are already playing around aesthetics with the brands like Skinbetter Science, SkinCeuticals, which are sold in dermatology practices, which are sold in -- as a complement to treatments, injections, lasers that are performed in these clinics.

It's a growing market. We say we do all of beauty, so we just want to understand this market. And the best way to understand it is to have this privilege observations situation, and that's why we took a share in Galderma. We've just laid the foundation of our scientific partnership. There is a very strong mutual interest and obvious complementarity. So there will be a science output of this share.

And as far as the rest is concerned, it's a couple of months ago. We're still looking, learning, and we'll see what the future holds. So now please, on my right, and then we'll take a question from journalists to finish.

Rogerio Fujimori *Stifel Nicolaus and Company, Incorporated - Analyst*

This is Rogerio Fujimori from Stifel. I have a follow-up question on China and another one on the outlook. So could you talk a little bit perhaps for Alexis the market share trends in China, H1, H2, the dynamics versus the local brands, how you're adapting, of course, to the shift to the wind, the latest thoughts there? And how are you balancing -- defending your market share and versus profitability?

And then on the outlook more broadly with your beauty and stimulus plan. Are you still just to believe you can deliver modest margin expansion in the full year?

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

I'll start with the end, yes, we are committed. And I think we've proven this year and again, sometimes things look like they are obvious. But if I look at the world around me, been able to deliver 20% profit, 6% increase of the dividend in a world that is so challenging with so many changes is really a performance that I want to pay tribute to the finance with the operational teams of L'Oreal, and we are planning our year 2025 in exactly the same way.

We want to compete. We want to win share. We're going to invest behind our brands, but there are many areas of opportunities in our P&L. As you saw, we reorganized our regions. We're developing shared service centers. Our IT transformation has some like roller coaster effect on quarters, but in the end, it will deliver value.

So our direction remains the same: deliver increase in sales, of course, and profit plus as in percentage points. So that's the -- that's clearly what we want to do.

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As far as the market in China is concerned. We've gained share, very significant share in professional and dermatology because the divisions were smaller, but brands like Kérastase, CeraVe and SkinCeuticals are doing great in China. We've slightly gained share in L'Oreal Luxe.

And I think we've reached another record share. So we recalculate every year because we had new brands with -- we've gained share again in China.

Cyril Chapuis -

Yeah. We gained share this year. We passed the bar of the 28% market share. So it's a massive share in China.

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

And the only division where we have lost share in China is our Consumer Products division because this is the area where all the Chinese brands are playing. And L'Oreal Paris did great, frankly, very good performance, but our two makeup brands, Maybelline and Stylenanda struggled in the year 2024. So they've had a couple of product successes.

But we have a strong L'Oreal Paris, and we have to work harder, particularly on makeup. And I think we have a good opportunity with Stylenanda because Korean beauty is hot again, and this brand is very, very in sync with the expectation of the Chinese consumers.

I don't know if you want to add something --?

Alexis Perakis-Valat L'Oreal SA - President - Consumer Products, Member of the Executive Committee

No, you were right, and I think the positioning of L'Oreal Paris, there is the performance, the size but also the positioning of L'Oreal Paris, which is very unique, which is totally above the crowd of the mass brands because L'Oreal Paris in China is really luxury brand that happens to be accessible to many people. So that's a very strong positioning. And even on L'Oreal Paris, we have white spaces because we're very strong on skincare, but we're still very small on haircare and on makeup on L'Oreal Paris. So even L'Oreal Paris, which is already the number one beauty brand, mass beauty brand in China has a lot of potential there.

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

Okay. So we have question from a journalist.

Virginie Jacobberger -

Virginie Jacobberger, Les Echos. Give us more details in your stake in the fashion company, Jacquemus. And apparently, it's a minority stake, but would it be extended? And my last question is about the portfolio of fashion brand. Could you tell us a little bit more because now it's a very large portfolio, your strategy and also the potential of this part of -- and also the weight in the Luxury division?

Cyril Chapuy L'Oreal SA - President - Luxe, Member of the Executive Committee

So on the portfolio strategy, as I mentioned in my introduction, we became the number one luxury beauty company worldwide because of the quality of the brands we have in the portfolio. So obviously, we are permanently obsessed by improving this portfolio.

And if we see beautiful brands out there on market, whether they are through licenses or through acquisitions, we always take a close look at them. So I'm extremely excited by the two last licenses we added to the portfolio, Miu Miu which is, the number one -- you may know the number one fashion brand on the list index today. It means the hottest fashion brand in social.

Its turnover has exploded in recent years. And so you will see the first Miu Miu product coming on market in the next month. And then I'm extremely excited also to have convinced, Simon Porte Jacquemus, who's an incredible creative, incredible genius to have -- to work with us for his beauty development.

I think these two brands, for sure, have great potential, all couture brands are all extremely dynamic, Saint Laurent, Prada, Valentino, Margiela, Armani, Mugler that we acquired a few years ago, all of them are contribute strongly to our leadership position worldwide.

In fragrance, obviously, but also in makeup because couture makeup is on trend right now, couture makeup is growing in most regions and not only in China. It's growing a lot in the US, for instance, couture makeup.

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

And to answer the end of the -- the part of the question, we do not intend to go higher in the capital of Jacquemus. We do not intend to own fashion brands. We happen to have one, which is Mugler, but it was part of the acquisition from Clarins. But overall, we I think we are very good at doing beauty, and I'm not sure who would be as good as doing fashion. So we let the experts play with their own brands and lead their own brands, but it's a good way to show Simon that we are supportive and believe in this brand and it helps him develop his retail project. So I'm fine with that. And this is equivalent of an upfront for a license.

So our last question will be for you. And for those who stay, as you know, there is a cocktail where we will all be with you to answer the unanswered questions.

Claire Bouleau -

(interpreted) Good morning, Claire Bouleau from the Challenges magazine. I have two questions. How you plan to spend the EUR3 billion you get from Sanofi? And what could be the criteria for next acquisitions, please?

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

So as you know, (spoken in French). So we took the right momentum to sell a small part of the shares

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that we have in Sanofi, so that makes EUR3 billion cash coming in the company. On one side, what we want is to make some breadth in our balance sheet, and of course, to diversify our sources of financing.

And as Nicolas has explained to you before, I mean we are in a conquest mode in offensive. And therefore, there are plenty of acquisitions that are today being worked and looked at. And of course, we have plenty of white spaces that could be taken. So that's -- we don't intend to do something else than go ahead with acquisitions and reinforcing L'Oreal with new brands in the portfolio.

Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director
And we are paying a nice dividend, so also another way to spend the money.

Okay, so I guess it's now time. Thank you for having stayed with us so long. It's now time to close this meeting. It's been a pleasure to see you all. Thank you for your attention, your questions.

And as you -- as is customary, there's a cocktail being served on the first floor, and we would be more than happy to have a drink with you. Thank you so much.

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