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# EDITED TRANSCRIPT

Q3 2024 L'Oreal SA Corporate Sales Call

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

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

**Laurent Schmitt** *L'Oreal SA - Global Head, Corporate Finance and Financial Communications*

## CONFERENCE CALL PARTICIPANTS

**Guillaume Delmas** *UBS - Analyst*

**Iain Simpson** *Barclays - Analyst*

**Olivier Nicolai** *Goldman Sachs - Analyst*

**Sarah Simon** *Morgan Stanley - Analyst*

**Jeff Stent** *BNP Paribas Exane - Analyst*

**Celine Pannuti** *JPMorgan - Analyst*

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**James Edward Jones** *RBC Capital Markets - Analyst*

**Tom Sykes** *Deutsche Bank - Analyst*

**Rob Ottenstein** *Evercore ISI - Analyst*

## PRESENTATION

**Eva Quiroga** *L'Oreal SA - Head of IR*

Thank you very much, Judith. And good evening to all, and thank you for joining us for the presentation of our nine-month 2024 sales. I'm here with our CEO, Nicolas Hieronimus.

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

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**Eva Quiroga** *L'Oreal SA - Head of IR*

Our CFO, Christophe Babule.

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

Hello. Good afternoon.

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**Eva Quiroga** *L'Oreal SA - Head of IR*

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

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**Laurent Schmitt** *L'Oreal SA - Global Head, Corporate Finance and Financial Communications*

Good afternoon.

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**Eva Quiroga** *L'Oreal SA - Head of IR*

Nicolas will make a few brief opening remarks before we will open up to Q&A. And with that, over to

you, Nicolas.

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

Okay. Let me grab the mic. So good evening, and thank you for joining us on this call regarding our nine-month sales. I'm pleased to report a solid like-for-like growth of plus 6% for L'Oréal, despite the multiple external turbulences that impacted the third quarter, some expected, some less. The expected headwinds were the continued normalization of the beauty market growth in Europe and North America, as inflation-related pricing continued to ease.

The less expected, or should I say worse-than-expected turbulences were in North Asia in the Chinese ecosystem, where markets turn even more negative, particularly in luxury, both in the domestic and in travel retail where traffic did not convert into purchases. We were encouraged recently by the government's stimulus measures and hope that they will result in a gradual pickup in consumer confidence. What was also unexpected was this summer turbulent weather, which led to little replenishment and, therefore, negative selling in suncare for LDB.

Despite all these external turbulences and a few others, we delivered a solid growth at plus 6% in the first nine months, once again outperforming the global beauty market and that after multiple years of strong and broad-based outperformance in share gains.

There are several highlights or bright spots that I would like to stress. First, underlying growth trends remain robust in Europe and North America, as well as in emerging markets. Globally, beauty units are growing, including in China, demonstrating the resilience and potential of the beauty category.

The contribution from value and volume for L'Oréal was well balanced, illustrating our capacity to both valorize and recruit. Our fragrance and hair care businesses continued to grow strongly, while makeup is pursuing its gradual recovery, fueled by new product launches that were unfortunately quite backloaded this year.

We are gaining share in three divisions out of four, mass market being around market level. Our business remains pretty good in Europe, North America, and emerging markets despite the summer slowdown. In Mainland China, three of our four divisions outperformed the market. In mass, L'Oréal Paris resisted well, confirming its position as the number one beauty brand.

Entering the fourth quarter, conflicting forces should make it quite consistent with Q3. On the one hand, we are entering the holiday season where our strength in fragrances will play in our favor. But on the other hand, we don't see any change in the macro landscape and Q4 is when China weighs the most in our turnover, notably with the big 11.11.

All in all, we remain confident to outperform the market this year again and deliver growth in sales and operating profits. Fast forwarding into 2025, we expect the global beauty market to continue to grow at pre-COVID levels. We are in the process of preparing our own beauty stimulus plan.

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Beauty is an offer-driven market, and innovation and creativity are crucial to stimulate demands. We have prepared a truly incredible roster of new launches across all categories and divisions for next year and will continue to roll out this year's blockbusters. Add to that the agility and passion of our teams and our unique ability to reallocate resources towards new growth engines, and you can see why we are convinced that we will deliver in 2025 another year of growth and outperformance.

With that, let us now open up for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Guillaume Delmas, UBS.

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### Guillaume Delmas UBS - Analyst

Thank you very much, and good evening, all. Two questions for me, please.

The first one is on the dermatological beauty division. Because even after adjusting for the EUR57 million one-off, I still get to around 4% like-for-like sales growth in this third quarter, which is a marked slowdown compared to the first half and I think your weakest performance since Q2 2020. So maybe could you shed some light on this deceleration, I mean, particularly the main drivers behind it? Is it all about suncare or some regions or brands that are worth highlighting? And I guess, importantly, I mean, do you see this mid-single-digit like-for-like as just a one-off? Or could dermatological beauty be a bit slower for longer?

And then my second question is on the beauty stimulus plan you are preparing for 2025. I mean, anything we should read into this because, correct me if I'm wrong, but L'Oréal has always been trying to stimulate industry growth. So are you signaling something different for next year? I mean, maybe the magnitude of your investments or the number of new product launches that would be greater than usual. And if so, I mean any margin implications from this that we should expect? So any color on that would be helpful. Thank you very much.

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

Okay. Thank you. So I will start with, of course, the question on L'Oréal Dermatological Beauty. So I think there are several elements. First of all, your calculation on the reality of the growth, it's indeed without the Vichy insurance correction, it's a mid-single-digit growth. So it's lower than the previous quarters without the shadow of a doubt.

Few explanations on that. First of all, there was a realignment between sell-in and sell-out, which was augmented by the suncare effect, but not just by the suncare effect. We were ahead of our sell-out, and particularly, our sell-out slowed down over summer, notably in the US market. So the biggest culprit of

the slowdown of dermocosmetics is the US.

Everywhere you have a little bit of this value effect reduction that affects all markets in mass and in mass medical, but that affects all markets. But it's really the US market that has slowed down. We continue to gain share on that market, by the way. CeraVe has got a 19% share on that market, so there's a value-driven reduction.

There's a few consumers in the US that left the dermo sector to mostly young Gen Zs that went to try a few other brands, so it's up to us to recruit them. We have to say that we didn't have on serve in particular. We haven't had innovations for a while, which is changing now as we are launching a new intensive body care with urea and about to launch our anti-dandruff shampoo line. And then in the US, you also have the fact that the distribution channel of drugstores is more under pressure than other parts of the distribution.

So all in all, after years of extraordinary growth of the dermocosmetics market, particularly in the US and particularly driven by CeraVe, it has slowed down a bit. But what is true is that the appetite for dermatological beauty has not really changed. It's true that many brands have tried to tap into that trend, but we see -- I'm looking at -- within China, CeraVe is at plus 29%, CeraVe is at plus 25% in SAPMENA, is growing in the 20s% in Europe. So it's really, I think, in the US where we just need to bring new stuff to get consumers excited to get that brand to accelerate again. La Roche-Posay is doing fantastic. Mela B3 is doing great, too.

So all in all, a reduction in the US mainly, a little bit everywhere else with price, a lack of innovation on CeraVe in recent months, but no inflection on the trend on dermatological beauty, which we see both in pathologies and visit to the derms, as well as in appetite for everything related to aesthetics.

On the suncare in particular, just to give you a number, at the end of Q1, LDB was at plus 40% because last year was a slow start and we shipped a lot of products in Q1. And considering the weather, it was minus 6% in the month -- in the Q3. So we've unfortunately shipped a lot of suncare and had negative sell-in in Q3. But that's what suncare is all about, so you have years with and without.

So I'm not worried at all on dermatological beauty. I'm just encouraged to take more initiatives, as the success of Mela B3 shows. And that's a good segue to your second question on the beauty stimulus plan. You're right to say that every year, we try to stimulate the market and we prepare launch plans.

I think what's new, and that's why I put it in my quote, that for the last three years, the market has been boosted first by the revenge buying post COVID and everybody going back out, and for the last two years, boosted by inflation and everybody valorizing. So yes, we did have to innovate, but let's say, we had a tailwind that allowed us probably to be a bit less aggressive.

Now that we see that the market has slowed down, as predicted and as announced, I've asked all the teams of L'Oréal to increase both the quality and the quantity of their launches for next year, because

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we see that the brands that win and we have many brands that have spectacular results, including some very big ones, L'Oréal Paris being double digit or YSL, and every time it's driven by great innovation. So it's about now having all fires -- all cylinders on fire, and that's what I asked to the team. And as it relates to margin, no, we are not announcing a desire to reduce our trend of regular improvement of operating profits.

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

And Guillaume, coming back to the LDB, yes, you can consider Q3 as a one-off. As you know, we don't run the business on a quarterly basis. We look at the whole year growth so we can be confident, and we are on the capacity, of course, to keep delivering high growth on LDB.

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**Guillaume Delmas UBS - Analyst**

Thank you very much.

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**Operator**

Iain Simpson, Barclays.

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**Iain Simpson Barclays - Analyst**

Thank you very much. Just a couple of questions from me, if I could.

Firstly, I wondered if we could dig a little bit into what's happening in emerging markets ex-China. So when I look at SAPMENA-SSA and LATAM, there's a sequential slowdown there, which I'm guessing is also why your consumer business was a little bit weak, because I think those divisions are largely consumer-led. So it would be helpful if you could give us a little bit of a walk-through what happened there.

And then secondly, I just wanted to dig into one of your opening comments, where you talked about, if I heard you correctly, 2025 market growth returning to pre-COVID levels. And I think you've previously talked about cosmetics market globally growing 4% or so long run. So I wondered if we should interpret that as you thinking about 4% market growth for next year. Thank you very much.

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

Okay, Iain. So I'll start with the last question because the answer is with everything we -- that is uncertain about the future, our estimation based on what we see today is indeed a market that would go back to the growth rhythms of the pre-COVID growth rhythm, so somewhere 4% to 5%. Considering that, of course, the speed of recovery of the Chinese market has to be taken into account.

Today, what we see, for example, if we look at North America, it has slowed down to a level that's slightly above pre-COVID; same for Europe. And China is, by definition, very much lower than pre-COVID. So it might be a different mix, but that's what we plan year on. But again, it's our role as well as the one of other players to stimulate that demand with exciting innovations because we see that works pretty well.

As far as emerging markets, first of all, as Christophe said, again, we're trying not to comment a single quarter. Overall, the dynamic remains pretty good. We've had a few -- there are a few specifics in Latin America, where you have really Argentina taking the overall market down, Brazil remains very dynamic and we are winning share, and Mexico slowed down a little bit post-election. But again, there, we're winning share and we have a spectacular performance, by the way, from CPD.

In SAPMENA, well, SAPMENA is a zone that's a mixed bag of countries. Actually, you've got Australia in SAPMENA, which is a pretty big part of the country in that zone. And Australia and New Zealand behaved, in terms of market, the same way as Europe and North America, i.e., less value in the market, implying the slowdown. And then we have the growth and the market share gains in most markets remain in line with the beginning of the year, with one exception that we already mentioned, but had not -- haven't gotten better during the summer is the impact of boycotts on Western brands -- boycott calls in -- it's actually two countries, mainly Indonesia and Malaysia. So this has impacted our growth in that region.

The good news, if I may say, is that we'll be entering in the months to come the anniversary of when all this started, so we'll be resuming from a better base. But overall, the performance in that region is great in luxury, excellent in LDB, and CeraVe is really accelerating. It's good in PPD. And on CPD, we have pretty good performance in skincare, and we are struggling in makeup because of our backloaded launch plan.

So we are just launching, as we speak, a super gloss and blush on Maybelline that is called Teddy Tints, and we have a few other things. And it's true that, to be honest, I would have preferred to have these launches sooner in the year. And that's part of the things we are correcting to next year is that we can't afford, in makeup, to wait for a second half to have launches because it takes time for them to take off.

So that's two of the -- I don't know if I forgot anything, Christophe, but that's more or less the situation in emerging markets which remain, today, 30% of our growth and still a very big objective for CPD, but for all other divisions. Because I think in terms of penetration and share, we can still do much better in this part of the world, and we have been doing it this year.

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**Iain Simpson Barclays - Analyst**

Thank you.

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**Operator**

Olivier Nicolai, Goldman Sachs.

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**Olivier Nicolai Goldman Sachs - Analyst**

Good evening, Nicolas, Christophe, Eva. Just one question, first of all, on fragrances. Could you comment on the current growth rate that you see in fragrances in Q3 and how should we think about Q4, which is obviously the key selling period? Do you see any sign of slowdown there?

And just to follow up on the previous comment you made, I think you initially said that you were expecting Q4 trends to be similar to Q3. Was it for the group, or was it for China? I'm not sure I got that part. Thank you.

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**Nicolas Hieronimus L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director**  
Frank -- to be honest, I wish I could give you again the very accurate vision of Q4. But my comment was more for the group because, I mean, of course, if all coins fall on the right side, it's going to be a great fragrance season. We have makeup kicking in. But it's also by a couple of hundred basis points a quarter, where China is overweighted in the business of the L'Oréal Group. So one thing could be balancing the other.

Well, the good -- at the end of this year, and that's, I think, part of the things that should make us ambitious for the future is that the weight of the Chinese ecosystem in our business will have dropped 200 basis points this year. So the more we move, the less we'll be dependent about the climate and the Chinese turbulences and have the possibility. If consumption there reaccelerates, we'll benefit from it. But we can plan even considering the current situation doesn't get better.

As far as fragrances are concerned, I have only good news. I don't see any slowing down. I was -- the numbers in -- it's just the market and our rankings. We have right now multiple products that are positioning themselves in the top five, even top three. At some point, we may have three feminine fragrances in the top three in Europe. We'll see how the year ends.

Our brands are doing great in America. It's not always the same, by the way. Valentino is doing fantastic in the US, whereas in Europe, it's Lancôme, Prada, and YSL. YSL Man is doing great in America, so really no worries and no slowdown. We see this market growing double digits. It's one of these things, again, people -- it's the affordable luxury, the access to couture. Even within our brands globally, the couture brands are doing great overall, even in makeup, so there is appetite for that.

And just to give you another insight, two weeks ago, I did a trip in China and Japan, two markets with, right now, different dynamics. But in both countries, I was struck to see lines of people queuing outside fragrance stores and counters, ours and some competitors of course. But it was quite spectacular, and I must say that had not seen that. And we, even in Japan, which was very quite remote from fragrance for years, see this trend really developing amongst young generation.

So I have to say, you can always be wrong, but I do not see any slowdown. On the contrary, I see great potential in countries where fragrances were underdeveloped. And that's also the -- our growth in our acceleration in emerging with L'Oréal Luxe is also coming from fragrances. So that's something I'm pretty excited about.

And by the way, we'll be starting with Miu Miu from January '25. So it's another addition to our roster that should -- considering how this brand is with young generations, I hope it can -- we can do the same -- have the same track record that we just did with Prada and Valentino.

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**Olivier Nicolai *Goldman Sachs - Analyst***

Thank you.

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**Operator**

Sarah Simon, Morgan Stanley.

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**Sarah Simon *Morgan Stanley - Analyst***

Yes. Afternoon. I've got two questions as well. I've got two questions as well. Sorry, Nicolas, can we just get back on the suncare within derma? Did you say that you had sell-in of 40% in Q2 for suncare?

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**Nicolas Hieronimus *L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director***  
In Q1.

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**Sarah Simon *Morgan Stanley - Analyst***

And what was it in Q2 then?

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**Nicolas Hieronimus *L'Oreal SA - Chief Executive Officer, Member of the Executive Committee, Director***  
It was flat, and then minus 6% in Q3.

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**Sarah Simon *Morgan Stanley - Analyst***

And do you think sort of suncare inventories are now normalized?

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

Well, I think we have a little bit of inventory, not much, on dermatological beauty. We don't have any mass because it's a different commercial practice where we take returns, but nothing material.

But it's true that we wished we had -- aside from business, I think we all wished we had better summer. I don't know where you were this summer, Sarah, but it was a bit of a nightmare. That's what I can tell you about the suncare.

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**Sarah Simon *Morgan Stanley - Analyst***

Okay, great. And then, sorry, the second question was, the market is obviously returning to a more normalized rate of growth. When you think about your marketing spending, that obviously rocketed when -- went up significantly faster as the market grew faster. So how do you feel about marketing as a percentage of revenue in the context of a kind of more normalized growth outlook?

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

Well, I think it's -- first of all, it's a good question. I think we would -- the straightforward answer is that we want to continue to increase our spending behind beauty with no doubt. And as we said, it may not be always the case in terms of percentage of net sales because we are seeing, with our BETiq system that we are rolling out progressively, it's a bit slower than I wanted, but still it's already covering around 40%

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of our A&P and we see every time real increase in ROI. So it means that we can get more efficacy for the same amount of money.

So overall, the vision is we want to stimulate the market and our growth needs more fuel, which is going to be shared differently probably between different media, social networks, advocacy, et cetera. But we are -- I think we reached very high percentages of our net sales last year in particular. So now, I think we can control that a bit more.

I don't know if you want to add something on that, Christophe.

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

Yes. We'll keep investing in our brands. And I think it's very important in the current context where we need to stimulate the market. So definitely, our model is growth, and we are still increasing the dollar amount of our investment and, of course, being extremely agile depending on the regions where we feel there is elasticity in terms of sales, or in the categories like Nicolas was mentioning, we are doing extremely well in fragrances. And so of course, we are preparing a very rich Christmas party when it comes to supporting our brands.

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**Sarah Simon Morgan Stanley - Analyst**

Okay. Thanks.

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**Operator**

Jeff Stent, BNP.

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**Jeff Stent BNP Paribas Exane - Analyst**

Hey. Good evening. Two questions, if I may. The first one, just a housekeeping question for Christophe, but if you could comment on the proposed changes into sort of the French tax regime and what that may imply for L'Oréal.

And the second question is, could you maybe just put a little bit more light on sort of market growth in Mainland China and also Hainan? So what you've been seeing in there and how your sell-out compares versus the market. Thank you.

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

Okay. So I'll let you talk about the French tax, Christophe.

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

Yes, French tax. So as you know, there are still discussions ongoing, so we don't have yet the final, final picture. But for the time being, based on the information that we have, there will be an exceptional tax that will come for 2024, and we estimate the amount to be in the range of EUR250 million on additional tax.

**Jeff Stent BNP Paribas Exane - Analyst**

Thank you.

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

Okay. So on China, I'll start with -- well, it's broadly consistent, whether it's in Hainan or China. But let's say that overall, the market -- our estimation of the market, which is quite robust, that the market was overall slightly positive in Q1 then moved to mid-single-digit negative in Q2 and a higher mid-single-digit drop in Q3. And within that, the part of the market that dropped the most in Q3 was the luxury part, which was negative mid-teens. So that's really the overall trend of the Chinese market.

The only sector that was slightly positive in Q3 was mass market, where there was a number of consumers probably shifting from luxury to some of these brands. Overall, the market was quite negative. So year to date, the market is cumulatively low single-digit negative.

And we are -- if you take division by division, we are gaining share in three divisions out of four, which is selective. So we are doing better than a very negative market, but it's not good enough to have positive growth, better in dermo and better in professional.

And we are below the market in mass, with our makeup brands struggling and with L'Oréal Paris, overall, doing pretty good. Actually, L'Oréal Paris gains market share in every single channel, but has a slightly unfavorable mix effect. So overall, L'Oréal Paris is resisting well and confirming, strengthening its number one position on the market.

And as far as Hainan is concerned, if I take Hainan Duty Free, we have the confirmation of what we announced and discussed during the half year call is the fact that the sell-out remained in the minus 30s in Hainan. So there's a lot of traffic, a lot of tourists. There were a lot of tourists during Golden Week, but they do not convert to our categories or any other, by the way.

So it remains very negative on a year that was negative again. So there is really this reset of the travel retail market in Asia is taking longer than we hoped. And that's why I was talking about unexpected turbulence because this is the one that I was hoping to improve over the summer.

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**Jeff Stent BNP Paribas Exane - Analyst**

That's great. Thank you very much.

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**Operator**

Celine Pannuti, JPMorgan.

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**Celine Pannuti JPMorgan - Analyst**

Yes. Good afternoon. So two questions for me and a follow-up.

So first, on China, can you try help me unpack a bit the point why, at the group level, was, I think, more

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than 5% reaccelerating, while it seems that China was probably down double digits. So if you could help me unpack where luxury being much better in the rest. And any comments that you may have on how the presale 11.11 has been in China?

My second question is on the US market. You said it has slowed. You mentioned derma. Can you talk about the overall market growth in the US where, I mean, some of your peers have been speaking about, as well, slowdown, especially in makeup. So if you could talk about that.

And just a follow-up on the tax points that you made. Is it as well for 2025 that we'll have that extra EUR250 million? Thank you.

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

So I'll start to answer to the last question, Celine. No, it's for 2024.

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**Celine Pannuti JPMorgan - Analyst**

Thank you.

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

And on -- I will start in the US, and then I will -- the communication was not really good on your first question, so I may ask you to repeat it. But I will answer to what I got.

The first thing, on the US market, we see indeed the market normalizing. It started sooner than Europe with the effect of price. And what we see today, it's normalizing around the 5%, so mid-single digit growth, which is slightly above pre-COVID.

Within that, there are indeed some categories that are struggling more, makeup. There are some categories that are booming like fragrances and haircare. I mean, haircare is doing phenomenal, both for L'Oréal, for Kérastase, Redken, and there's really a strong demand for haircare. And skincare is somewhere in the middle. So all in all, again, we see the American economy being quite strong. It's true that the mass market was more impacted by the slowdown than the selective probably because people with lower incomes had a harder capability to afford some of these products.

But overall, the market, as I see it, is around 5%. And the reason why maybe we do not have the same take on the US than some of our competitors is precisely because we have this wide portfolio of brands, wide price piano, and we see Amazon being very dynamic. The luxury brands we put on Amazon, be it Lancôme or Kiehl's, are doing good and actually reaccelerated Kiehl's, which was struggling a bit. In mass, we have -- NYX is doing fantastic. Maybelline has been struggling for lack of innovation. Haircare is good.

So we have different price points, different stories. Our fragrances -- YSL has become the number one masculine fragrance brands, so not SKU, but the brand overall has taken the leadership. We have Valentino doing great. So overall, I think we can navigate the moving equation of the US market yet.

And in the end, we are very confident in the economy. We do not think that the result of the elections will affect the American consumption one way or another, so we continue to be ambitious on this market.

So then your first question was --

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**Celine Pannuti JPMorgan - Analyst**

Let me repeat. The first question is on China, if you could help me understand. I believe that luxury was down double digit, and yet at the group level, luxury was up more than 5%. So could you explain where luxury was accelerating? And any comments that you have on 11.11 at this stage and profitability in China?

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

Okay. So on luxury, luxury is globally -- first of all, luxury is significantly beating the luxury market. The luxury market is around -- we estimate it to be around 3% globally. We are at mid-single digits with L'Oréal Luxe, and we've been penalized for L'Oréal Luxe with our destocking and overweight in China, but the division is accelerating.

So there is good performance in most, if not all, countries, to be honest. We're doing great in Europe. We're doing great in Latin America and emerging with double-digit growth. We're doing great in Japan, where L'Oréal Luxe has become, year to date, the number one foreign group in -- well, L'Oréal has become the number one foreign group in Japan. We have brands like Takami that are doing phenomenal. The new couture brands that we launched in China are doing good also, by the way. So it's really China and travel retail that are negative. And then we are doing good in the US.

So in the sell-in of the third quarter, there is -- part of it is a pipe of the holiday season for our fragrances. So I think we are probably there slightly ahead of our sell-out. But we have lots of new initiatives, new flankers on (inaudible) So it's mostly fragrance-driven and a good recuperation on makeup. We are not happy with our skincare performance, which, of course, is very impacted by the weight of China.

As far as 11.11 is concerned, it's very, very early. What you probably know is that the length -- the duration of 11.11 has been extended. It's going to be the longest 11.11 ever, has been increased by 10 days, and is just starting now so it's a bit too soon to say. What I can tell you is that we are broadly in line with our targets.

But we see how things unfold so it's really too soon. What is true is that we are determined to have our brands in the top rankings of this event. And if we take L'Oréal Luxe, just to give you our growth, excluding China and Travel Retail Asia, it's double digit. So it's really where (foreign language) as we say in French.

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**Operator**

Charles Scotti, Kepler Cheuvreux.

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**Charles Scotti Kepler Cheuvreux (France) - Analyst**

Hello. Good evening. Thank you for taking my questions. I have three. Just a quick follow-up on North Asia, is it possible for you to give us more precise numbers on your performance across all the divisions in Mainland China and the Asian travel retail channel, so that we can break down the 7% like-for-like sales drop in Q3?

Secondly, I suppose that a stronger innovation pipeline next year could potentially require higher A&P spending, especially considering that fragrance is quite A&P intensive. But in the meantime, you are still guiding for a steady margin improvement. I guess raw materials are easing, which will help on the gross margin. But are there some cost savings actions being implemented to defend the profitability in the second half?

And then the third question is again on taxes in France. I think that the bulk of the exceptional tax increase will take place in 2025, and then will extend to 2026. So should we expect an even stronger negative impact for 2025 and 2026? Thank you.

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

Okay. So I'm not going to give you more details on the performance per brand, per division, per country in North Asia. I think we have already given quite an extensive level of information. Overall, I mean, the main information is that we are gaining share in Luxe, LDB, which is really accelerating by the way, both in China and North Asia, and PPD. And that's -- we are below market in mass market, mainly because of China. The rest is -- we're gaining share in travel retail, but it doesn't mean anything because we're gaining share in a very negative market. So frankly, it's good but it's not helping you a lot. So that's the first part.

On the margin protection, because you mentioned second half, so you are talking about this year, I guess. So overall, first of all, we continue to invest behind our brands and support our fragrances over the holiday season. Clearly, as we do all the time, and we had a meeting on that two days ago, we reallocate our fuel and our monies where growth is and where there is a strong potential. So that's clearly both regionally and category-wise. And we are managing our P&L, whether it's SG&A, headcount, always adapting to the reality of the market.

So we are not one of these companies that announces big revolutions, but we are in constant transformation, optimization of the organization. We have several projects that have unfolded or that are unfolding, whether it's clusters of countries, whether it's a reorganization of the sales force for CPD in North America, whether it is the organization of our luxury brands. So there's lots of constant reengineering of the organization to make sure that, indeed, we have free resources to fuel our brands, be in '24 or also in '25.

And I hand over to Christophe on the French tax.

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

Yes. On the French tax, there will be an impact accounting-wise in 2024 and 2025. And of course, on a cash flow point of view, it will be 2025 and 2026. And again, I'm still prudent because things have not yet been voted by the Parliament.

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

We are following what's happening in the Parliament on an hourly basis. And it's quite hard to really figure out what's going to happen, but we are planning for it anyway and are ready.

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**Charles Scotti Kepler Cheuvreux (France) - Analyst**

Thank you very much.

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**Operator**

James Edward Jones, RBC.

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**James Edward Jones RBC Capital Markets - Analyst**

Thank you. Good evening. You said you expect to outperform the market in 2025, but that's not included in your outlook statement for 2024. Should we read anything to that?

And second follow up, could you just give us a number for organic growth in haircare for Q3, if possible, please?

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

I will give you a growth number for haircare for the nine months because I don't have it, first of all, on fundamentals on for Q3. And it remains good, but we are double digit in haircare year to date. So I don't remember where it was at the end of the first half, so it's probably slowed down a bit in Q3 for the very same reasons that we discussed in terms of alignment of sell-in and sell-out in CPD. But it continues to be very, very dynamic in sell-out.

Again, in all countries I visit, we see haircare and, most importantly, premium haircare growing steadily. So that's one of the categories, like fragrance, where you have a strong underlying demand, which is both fueled by the growing length of hair and the growing mixity of hair types, ratio mixity which creates more demand and people are using more treatments, more serums, and of course, they keep on using a lot of shampoos. So that's -- the market remains positive in mid-single digits. That's including hair color, by the way, that's a bit higher in haircare. And we are doing good.

And I'm sorry, I did not get your first question.

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**James Edward Jones RBC Capital Markets - Analyst**

Just about -- your outlook statement didn't include the usual we'll outperform the market this year. You said you're going to outperform market in 2025. Oh you did do it, I misunderstood.

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

We did. We are outperforming the market year to date. And as we enter holiday season, we are confident that we're outperforming it again this year. And of course, we are aiming for it in 2025. But yes, it was in the statement. Maybe I said it too fast, but it's part of the motivation and it's part of the reality year to date.

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**James Edward Jones RBC Capital Markets - Analyst**

I apologize. Thank you.

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**Operator**

Tom Sykes, Deutsche Bank.

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**Tom Sykes Deutsche Bank - Analyst**

Yeah. Good afternoon and good evening, everybody. First of all, just on China, you have a very high level of non-permanent staff in China. So given what you were saying about the seasonality and the strength of Q4, are your hiring plans the same as they usually are coming into Q4? Or are you already starting to look at reduced headcount at all in China or indeed any other longer-term level changes at all or channel changes in China?

And then just referring to your comments before about the US and the sell-in, some of the shipping data would suggest that the peak shipping dates were a month or two earlier this year. I just wondered whether that sort of fear of Red Sea retailers wanting to make sure they had inventory, did that at all help Q3? And is there any seasonality difference with the growth of Amazon as well in the market?

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

Okay. So on both questions, on the US, as I said, there was anticipation in selling of our luxury division, which is a mix of our own organization and probably desire from trade to make sure they have inventory. There's no major impact, to my knowledge, of Amazon. So it's something that benefited Q3 for Luxe. But again, as the market is very hot on fragrance, I think it's good to have it in the trade and be ready to sell out.

As far as China is concerned, the P&L of China is super flexible because, indeed, you're right, we have lots of beauty advisers, but it's a highly flexible workforce. And I can tell you, and that's probably one of the questions of Celine that I did miss answering, the profitability of our Chinese subsidiary is very, very well managed by the teams at all levels, of course, in terms of adapting our level of A&P to the reality of the market, but also adapting the reality of our workforce to the growth of the market.

All the more as, right now, the best-performing channel in China is really online, whereas off-line is struggling more. So you have, of course, to adapt to that, considering on the other hand that we continue to open new Tier 3 and 4 cities, which is part of our China consumer conquest. So all in all, we have a strong financial control of the structure of our P&L in China, and there shouldn't be any worry about this slipping.

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

And we are reallocating also sometimes the resources. We have a very strong growth on many of our brands in luxury in China. I've counted seven of them with a growth of more than 30%. We are rolling out Valentino doing very well, Prada, opening boutiques for Aesop. So all in all, we have certainly no problem with our workforce in China.

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**Tom Sykes Deutsche Bank - Analyst**

Okay. Thank you.

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**Operator**

Rob Ottenstein, Evercore.

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**Rob Ottenstein Evercore ISI - Analyst**

Great. Thank you very much. Two follow-ups. First, can you give your assessment of roughly where retail inventories are in the US now and the mindset of retailers? We're hearing from a lot of companies that they're really continuing in other areas to take inventories down into the end of the year. So just your sense of what that dynamic is and how the retailers are looking at their inventories in beauty in the US.

And then second, kind of stepping back and looking at the emerging channel structure in the US, you've been at Amazon now, in Lancôme for a while. You've spread to other brands. Love to get your sense of the learnings of being in Amazon at this point. What being in Amazon has added to the Lancôme brand? Is it getting younger consumers, for instance, or different demographics? And then tied to all that, given your learnings in Amazon, how do you think about, more medium term, the mix of your route to market in the US? Thank you.

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

Okay. On inventory levels, we clearly have American retailers who have been more conscious about their inventory, particularly in mass, I must say, and the drugstores channels to the CVSs, Walgreens, and the likes. So that's part of the realignment between the CPD sell-in and sell-out is linked also to this.

But then again, it depends on the categories. Clearly, on fragrance, there's a FOMO sentiment, a fear of missing out, and I guess they are happy to have the best-selling fragrances. So it really differs on the channels. Same in the professional division; it's true that salons are more cautious, whereas as haircare is very dynamic in selective retail, we haven't felt specific pressure on this category.

So once again, it's a tale of several cities. But it's clearly -- in the mass environment, there has been more pressure on inventory. To my knowledge, we do not have excess inventory actually that we should be worried about in North America.

As far as Amazon for luxury is for the brands that have started in the US, we are very happy. First of all, we are very happy because it's really been a win-win partnership in terms of the quality of presentation

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of our brands, in terms of the way it's managed. It's a 3P model. So in terms of prices, it's much more control.

In terms of quality of exposure, it's much more control. And it has allowed us to indeed recruit new consumers, some that were new to Amazon and to the brand, some that were buying the brands on the, I would say, secondary market that was existing on Amazon and no longer exists. So it's a healthier business. And it allows us to push more some categories that were a bit underserved in some of our selective retail. I'm thinking about skincare for Kiehl's or even Lancôme, some of the makeup, best-selling items like mascaras.

So overall, it's very complementary. It hasn't been cannibalizing our long-term and good partners at Macy's or Ulta or Sephora, but it's positive for the brands. And overall, when I look at the performance of L'Oréal Luxe in North America, we are, after years where we were below market, the last couple of periods where we were above market growth, and thanks to the combination of our, I would say, a more complete distribution strategy without ever, of course, taking any risk on the brand equity.

So as far as the future is concerned, it's always a question of aligning on the way a brand can be expressed and whether there is an alignment between Amazon and ourselves. It's been the case recently with Kiehl's and it's possible that there would be other brands. But nothing is set in stone because, as everything with our retail partners, it's always a question of negotiation and alignment. But in the end, it's a very positive move. We took time before doing it because we wanted to make sure we have the right conditions. But now, we have them and it's working.

Okay. So I guess this puts an end to our call for the nine-month results of L'Oréal. I wish you all a good evening or afternoon, depending where you are. And I guess we'll see you in February for the annual results. Thank you.

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

Thank you very much.

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