UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2024

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 1-14064

The Estée Lauder Companies Inc.

(Exact name of registrant as specified in its charter)

Delaware	**11-2408943**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
767 Fifth Avenue, New York, New York	**10153**
(Address of principal executive offices)	(Zip Code)

212-572-4200
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $.01 par value	EL	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At April 24, 2024, 233,021,911 shares of the registrant's Class A Common Stock, $.01 par value, and 125,542,029 shares of the registrant's Class B Common Stock, $.01 par value, were outstanding.

THE ESTÉE LAUDER COMPANIES INC.

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

(In millions, except per share data)	Three Months Ended March 31		Nine Months Ended March 31	
	2024	2023	2024	2023
Net sales	$ 3,940	$ 3,751	$ 11,737	$ 12,301
Cost of sales	1,107	1,159	3,331	3,401
Gross profit	2,833	2,592	8,406	8,900
Operating expenses				
Selling, general and administrative	2,284	2,281	7,177	7,155
Restructuring and other charges	18	14	26	24
Impairment of other intangible assets	—	—	—	207
Total operating expenses	2,302	2,295	7,203	7,386
Operating income	531	297	1,203	1,514
Interest expense	94	58	287	156
Interest income and investment income, net	45	37	126	78
Other components of net periodic benefit cost	(4)	(4)	(9)	(9)
Earnings before income taxes	486	280	1,051	1,445
Provision for income taxes	151	125	356	403
Net earnings	335	155	695	1,042
Net loss (earnings) attributable to redeemable noncontrolling interest	(5)	1	(21)	(3)
Net earnings attributable to The Estée Lauder Companies Inc.	$ 330	$ 156	$ 674	$ 1,039
Net earnings attributable to The Estée Lauder Companies Inc. per common share				
Basic	$ .92	$ .44	$ 1.88	$ 2.90
Diluted	$ .91	$ .43	$ 1.87	$ 2.88
Weighted average common shares outstanding				
Basic	359.1	357.9	358.8	357.8
Diluted	360.8	361.2	360.4	360.9

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
Net earnings	$ 335	$ 155	$ 695	$ 1,042
Other comprehensive income (loss):				
Net cash flow hedge gain (loss)	21	(43)	(7)	(50)
Cross-currency swap contract gain (loss)	(4)	(11)	10	(11)
Retirement plan and other retiree benefit adjustments	24	—	22	—
Translation adjustments	(185)	(7)	(89)	(101)
Benefit (provision) for income taxes on components of other comprehensive income	(29)	16	(29)	23
Total other comprehensive loss, net of tax	(173)	(45)	(93)	(139)
Comprehensive income	162	110	602	903
Comprehensive loss (income) attributable to redeemable noncontrolling interest:				
Net loss (earnings)	(5)	1	(21)	(3)
Translation adjustments	15	(1)	13	26
Total comprehensive loss (income) attributable to redeemable noncontrolling interest	10	—	(8)	23
Comprehensive income attributable to The Estée Lauder Companies Inc.	$ 172	$ 110	$ 594	$ 926

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED BALANCE SHEETS

(In millions, except share and per share data)	March 31 2024	June 30 2023
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 3,701	$ 4,029
Accounts receivable, net	1,854	1,452
Inventory and promotional merchandise	2,307	2,979
Prepaid expenses and other current assets	672	679
Total current assets	8,534	9,139
Property, plant and equipment, net	3,133	3,179
Other assets		
Operating lease right-of-use assets	1,836	1,797
Goodwill	2,453	2,486
Other intangible assets, net	5,438	5,602
Other assets	1,306	1,212
Total other assets	11,033	11,097
Total assets	$ 22,700	$ 23,415
LIABILITIES AND EQUITY		
Current liabilities		
Current debt	$ 505	$ 997
Accounts payable	1,197	1,670
Operating lease liabilities	363	357
Other accrued liabilities	3,351	3,216
Total current liabilities	5,416	6,240
Noncurrent liabilities		
Long-term debt	7,265	7,117
Long-term operating lease liabilities	1,707	1,698
Other noncurrent liabilities	1,728	1,943
Total noncurrent liabilities	10,700	10,758
Commitments and contingencies		
Redeemable noncontrolling interest	840	832
Equity		
Common stock, $.01 par value; Class A shares authorized: 1,300,000,000 at March 31, 2024 and June 30, 2023; shares issued: 470,884,456 at March 31, 2024 and 469,668,085 at June 30, 2023; Class B shares authorized: 304,000,000 at March 31, 2024 and June 30, 2023; shares issued and outstanding: 125,542,029 at March 31, 2024 and 125,542,029 at June 30, 2023	6	6
Paid-in capital	6,465	6,153
Retained earnings	13,950	13,991
Accumulated other comprehensive loss	(1,014)	(934)
	19,407	19,216
Less: Treasury stock, at cost; 237,870,661 Class A shares at March 31, 2024 and 237,590,199 Class A shares at June 30, 2023	(13,663)	(13,631)

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In millions)	Nine Months Ended March 31 2024	2023
Cash flows from operating activities		
Net earnings	$ 695	$ 1,042
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	614	548
Deferred income taxes	(165)	(70)
Non-cash stock-based compensation	276	234
Net loss on disposal of property, plant and equipment	7	8
Non-cash restructuring and other charges	6	20
Pension and post-retirement benefit expense	38	40
Pension and post-retirement benefit contributions	(75)	(20)
Impairment of other intangible assets	—	207
Other non-cash items	13	(9)
Changes in operating assets and liabilities:		
Increase in accounts receivable, net	(404)	(254)
Decrease (increase) in inventory and promotional merchandise	653	(154)
Decrease (increase) in other assets, net	19	(69)
Decrease in accounts payable	(289)	(313)
Increase (decrease) in other accrued and noncurrent liabilities	106	(151)
Decrease in operating lease assets and liabilities, net	(23)	(42)
Net cash flows provided by operating activities	1,471	1,017
Cash flows from investing activities		
Capital expenditures	(702)	(652)
Purchases of other intangible assets	—	(8)
Purchases of investments	(8)	(5)
Settlement of net investment hedges	(25)	138
Net cash flows used for investing activities	(735)	(527)
Cash flows from financing activities		
Proceeds (repayments) of current debt, net	(215)	2,228
Proceeds from issuance of long-term debt, net	649	—
Debt issuance costs	(4)	—
Repayments of commercial paper (maturities after three months)	(785)	—
Repayments and redemptions of long-term debt	(7)	(261)
Net proceeds from stock-based compensation transactions	29	68
Payments to acquire treasury stock	(34)	(258)
Settlement of cross-currency swap	18	—
Dividends paid to stockholders	(710)	(687)
Net cash flows provided by (used for) financing activities	(1,059)	1,090
Effect of exchange rate changes on Cash and cash equivalents	(5)	(6)
Net decrease in Cash and cash equivalents	(328)	1,574
Cash and cash equivalents at beginning of period	4,029	3,957

See notes to consolidated financial statements.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements include the accounts of The Estée Lauder Companies Inc. and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated.

The unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim consolidated financial statements furnished reflect all normal and recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. The results of operations of any interim period are not necessarily indicative of the results of operations to be expected for the full fiscal year. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and accompanying footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Certain prior year amounts in the notes to the consolidated financial statements have been reclassified to conform to current year presentation.

Management Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses reported in those financial statements. Descriptions of the Company's significant accounting policies are discussed in the notes to consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2023. Management evaluates the related estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, and makes adjustments when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from those estimates and assumptions. Significant changes, if any, in those estimates and assumptions resulting from continuing changes in the economic environment will be reflected in the consolidated financial statements in future periods.

Currency Translation and Transactions

All assets and liabilities of foreign subsidiaries and affiliates are translated at period-end rates of exchange, while revenue and expenses are translated at monthly average rates of exchange for the period. Unrealized translation losses, net of tax, reported as translation adjustments through other comprehensive income (loss) ("OCI") attributable to The Estée

Lauder Companies Inc. were $192 million and $5 million, net of tax, during the three months ended March 31, 2024 and 2023, respectively, and $103 million and $66 million, net of tax, during the nine months ended March 31, 2024 and 2023, respectively. For the Company’s subsidiaries operating in highly inflationary economies, the U.S. dollar is the functional currency. Remeasurement adjustments in financial statements in a highly inflationary economy and other transactional gains and losses are reflected in earnings. These subsidiaries are not material to the Company’s consolidated financial statements or liquidity.

The Company enters into foreign currency forward contracts and may enter into option contracts to hedge foreign currency transactions for periods consistent with its identified exposures. The Company also uses cross-currency swap contracts to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. Additionally, the Company enters into foreign currency forward contracts to hedge a portion of its net investment in certain foreign operations, which are designated as net investment hedges. See Note 5 – Derivative Financial Instruments for further discussion. The Company categorizes these instruments as entered into for purposes other than trading.

The accompanying consolidated statements of earnings include net exchange gains on foreign currency transactions of $23 million and $25 million during the three months ended March 31, 2024 and 2023, respectively, and $52 million and $59 million during the nine months ended March 31, 2024 and 2023, respectively.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Concentration of Credit Risk

The Company is a worldwide manufacturer, marketer and seller of skin care, makeup, fragrance and hair care products. The Company's sales subject to credit risk are made primarily to retailers in its travel retail business, department stores, specialty multi-brand retailers and perfumeries. The Company grants credit to qualified customers. While the Company does not believe it is exposed significantly to any undue concentration of credit risk at this time, it continues to monitor its customers' abilities, individually and collectively, to make timely payments.

The Company's largest customer during the three and nine months ended March 31, 2024 sells products primarily in China travel retail. This customer accounted for $395 million or 10%, and $165 million, or 4%, of the Company's consolidated net sales for the three months ended March 31, 2024 and 2023, respectively, and $750 million, or 6%, and $887 million, or 7%, for the nine months ended March 31, 2024 and 2023, respectively. This customer accounted for $189 million, or 10%, and $49 million, or 3%, of the Company's accounts receivable at March 31, 2024 and June 30, 2023, respectively.

Inventory and Promotional Merchandise

Inventory and promotional merchandise consists of the following:

(In millions)	March 31, 2024	June 30, 2023
Raw materials	$ 776	$ 876
Work in process	312	362
Finished goods	960	1,404
Promotional merchandise	259	337
	$ 2,307	$ 2,979

Property, Plant and Equipment

Property, plant and equipment consists of the following:

(In millions)	March 31, 2024	June 30, 2023
Assets (Useful Life)		
Land and improvements[1]	$ 70	$ 70
Buildings and improvements (10 to 40 years)	884	843
Machinery and equipment (3 to 10 years)	1,187	1,071
Computer hardware and software (4 to 10 years)	1,727	1,651
Furniture and fixtures (5 to 10 years)	136	136
Leasehold improvements	2,408	2,310
Construction in progress	677	827
	7,089	6,908
Less accumulated depreciation and amortization	(3,956)	(3,729)
	$ 3,133	$ 3,179

[1] Land improvements are depreciated over a 10 year useful life.

Depreciation and amortization of property, plant and equipment was $166 million and $147 million during the three months ended March 31, 2024 and 2023, respectively, and $491 million and $421 million during the nine months ended March 31, 2024 and 2023, respectively. Depreciation and amortization related to the Company’s manufacturing process is included in Cost of sales, and all other depreciation and amortization is included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings.

Income Taxes

The effective rate for income taxes for the three and nine months ended March 31, 2024 and 2023 are as follows:

	Three Months Ended March 31		Nine Months Ended March 31	
	2024	2023	2024	2023
Effective rate for income taxes	31.1 %	44.6 %	33.9 %	27.9 %
Basis-point change from the prior-year period	(1,350)		600	

For the three months ended March 31, 2024, the decrease in the effective tax rate was primarily attributable to a lower effective tax rate on the Company's foreign operations due to the timing of the estimated change in the Company's full year geographical mix of earnings in the current and prior-year periods, partially offset by the unfavorable impact associated with previously issued stock-based compensation.

For the nine months ended March 31, 2024, the increase in the effective tax rate was primarily attributable to a higher effective tax rate on the Company's foreign operations, due to the Company's geographical mix of earnings for fiscal 2024, and the unfavorable impact associated with previously issued stock-based compensation.

On August 16, 2022, the U.S. federal government enacted the Inflation Reduction Act, including a tax provision implementing a 15% corporate alternative minimum tax based on global adjusted financial statement income. The corporate alternative minimum tax became effective beginning with the Company's first quarter of fiscal 2024 and did not have an impact on the Company's consolidated financial statements for the three and nine months ended March 31, 2024.

As of March 31, 2024 and June 30, 2023, the gross amount of unrecognized tax benefits, exclusive of interest and penalties, totaled $64 million and $63 million, respectively. The total amount of unrecognized tax benefits at March 31, 2024 that, if recognized, would affect the effective tax rate was $54 million. The total gross interest and penalties accrued related to unrecognized tax benefits during the three and nine months ended March 31, 2024 in the accompanying consolidated statements of earnings was $1 million and $3 million, respectively. The total gross accrued interest and penalties in the accompanying consolidated balance sheets at each of March 31, 2024 and June 30, 2023, was $18 million and $15 million, respectively. On the basis of the information available as of March 31, 2024, the Company does not expect significant changes to the total amount of unrecognized tax benefits within the next twelve months.

During the fiscal 2024 second quarter, the Company formally concluded the compliance process with respect to its fiscal 2022 income tax return under the U.S. Internal Revenue Service (“IRS”) Compliance Assurance Program (“CAP”), which had no impact on the

Company’s consolidated financial statements for the three and nine months ended March 31, 2024.

Supplier Finance Programs

Under its supplier finance programs, the Company agrees to pay the banks the stated amount of confirmed invoices from its designated suppliers on the due dates of the invoices. The Company may terminate the agreements upon written notice (with notice periods ranging from 30 to 60 days) or immediately upon a breach. The supplier invoices that have been confirmed as valid under the programs require payment in full within 90 days of the invoice date.

Outstanding obligations confirmed as valid totaling $54 million and $52 million as of March 31, 2024 and June 30, 2023, respectively, are included in accounts payable in the accompanying consolidated balance sheets.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Other Accrued and Noncurrent Liabilities

Other accrued liabilities consist of the following:

(In millions)	March 31, 2024	June 30, 2023
Advertising, merchandising and sampling	$ 283	$ 235
Employee compensation	507	546
Accrued sales incentives	400	321
Deferred revenue	306	323
Payroll and other non-income taxes	307	297
Accrued income taxes	315	222
Sales return accrual	289	289
Other	944	983
	$ 3,351	$ 3,216

At March 31, 2024 and June 30, 2023, total Other noncurrent liabilities of $1,728 million and $1,943 million included $581 million and $620 million of deferred tax liabilities, respectively.

Recently Adopted Accounting Standards

FASB ASU No. 2022-04 – Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations

In September 2022, the FASB issued authoritative guidance which is intended to enhance the transparency surrounding the use of supplier finance programs. The guidance requires companies that use supplier finance programs to make annual disclosures about the program's key terms, the balance sheet presentation of related amounts, the confirmed amount outstanding at the end of the period and associated rollforward information. Only the amount outstanding at the end of the period must be disclosed in interim periods. The guidance does not affect the recognition, measurement or financial statement presentation of supplier finance program obligations.

Effective for the Company – The guidance became effective for the Company's first quarter fiscal 2024 and has been applied on a retrospective basis, except for the requirement to disclose rollforward information annually which is effective prospectively for the Company beginning in fiscal 2025.

Impact on consolidated financial statements – The Company has supplier financing arrangements and applied the disclosure requirements as required by the amendments. Such information is included in Supplier Finance Programs above within Note 1 – Summary of Significant Accounting Policies.

Reference Rate Reform (ASC Topic 848 "ASC 848")

In March 2020, the FASB issued authoritative guidance to provide optional relief for companies preparing for the discontinuation of interest rates such as the London Interbank

Offered Rate (“LIBOR”) and applies to lease and other contracts, hedging instruments, held-to-maturity debt securities and debt arrangements that reference LIBOR or another rate that is expected to be discontinued as a result of reference rate reform.

In January 2021, the FASB issued authoritative guidance that makes amendments to the new rules on accounting for reference rate reform. The amendments clarify that for all derivative instruments affected by the changes to interest rates used for discounting, margining or contract price alignment, regardless of whether they reference LIBOR or another rate expected to be discontinued as a result of reference rate reform, an entity may apply certain practical expedients in ASC 848.

In December 2022, the FASB issued authoritative guidance to defer the sunset date of ASC 848 from December 31, 2022 to December 31, 2024.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Effective for the Company – This guidance can only be applied for a limited time through December 31, 2024.

Impact on consolidated financial statements – The Company completed its comprehensive evaluation of applying this guidance and adopted certain practical expedients for its interest rate swap agreements in the fiscal 2024 first quarter which did not have a significant impact on its consolidated financial statements. The practical expedients that were adopted permit its hedging relationships to continue without de-designation upon changes due to reference rate reform. Foreign currency forward contracts do not reference LIBOR and no practical expedients were elected but are now discounted using the Secured Overnight Financing Rate ("SOFR"). For existing lease, debt arrangements and other contracts, the Company did not adopt any ASC 848 practical expedients as it relates to these arrangements.

Recently Issued Accounting Standards

FASB ASU No. 2023-07 – Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued authoritative guidance to improve reportable segment disclosure requirements. Companies are required to disclose significant segment expenses by reportable segment if they are regularly provided to the chief operating decision maker (CODM). Companies are also required to disclose other segment items by reportable segment. The guidance clarifies that companies may disclose more than one measure of segment profit or loss used by the CODM, provided that at least one of the reported measures includes the segment profit or loss measure that is most consistent with U.S. GAAP measurement principles. All existing annual disclosures about segment profit or loss, as well as the new requirements, must now be provided on an interim basis. Additionally, on an annual basis, the CODM’s title and position is required, as well as an explanation of how the CODM uses the reported measure(s) and other disclosures. The guidance does not change how companies identify their operating segments, aggregates those operating segments, or applies the quantitative thresholds to determine its reportable segments.

Effective for the Company – The guidance is effective for the Company’s fiscal year ending June 30, 2025 Form 10-K and then in interim periods beginning in the Company’s first quarter of fiscal 2026. Early adoption is permitted. The guidance should be applied retrospectively unless impracticable.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its financial statement disclosures.

FASB ASU No. 2023-09 – Income Taxes (Topic 740): Improvements to Income Tax Disclosures

In December 2023, the FASB issued authoritative guidance to amend and enhance existing annual income tax disclosures primarily focusing on two reporting areas: (1) greater disaggregation of information in the effective tax rate reconciliations and (2) disclosure of income taxes paid by the companies, disaggregated by applicable jurisdiction.

Companies are required to use specific categories to prepare and disclose a tabular rate reconciliation (using both percentages and reporting currency amounts) of:

- the reported income tax expense (or benefit) from continuing operations and the product of the income (or loss) from continuing operations before income taxes and the applicable statutory federal income tax rate of the jurisdiction of domicile.
- reconciling items within certain categories that are equal to or greater than a specified quantitative threshold, including the nature, effect, and underlying causes of the reconciling items and the judgment used in categorizing the reconciling items.

The guidance also requires companies to disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign jurisdictions including individual jurisdictions with amounts paid equal to or greater than a specified quantitative threshold. The guidance also requires companies to disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign as well as income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign jurisdictions.

Effective for the Company – The guidance is effective for the Company’s fiscal year ending June 30, 2026 Form 10-K. Early adoption is permitted. The guidance should be applied on a prospective basis with the option to apply the standard retrospectively.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its financial statement disclosures.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SEC Final Rule Release No. 33-11275 – The Enhancement and Standardization of Climate-Related Disclosures for Investors

In March 2024, the SEC adopted rules intended to enhance and standardize climate-related disclosures in registration statements and annual reports. The rules require significant effects of severe weather events and other natural conditions, amounts related to carbon offsets and renewable energy credits or certificates, as well as material impacts on financial estimates and assumptions that are due to severe weather events and other natural conditions or disclosed climate-related targets or transition plans to be disclosed in the annual financial statements in certain circumstances.

Effective for the Company – On April 4, 2024, the SEC issued an order staying the final rule on climate-related disclosures pending certain legal challenges. Under the rule as currently issued, the disclosure requirements related to the annual financial statements are expected to be effective for the Company's fiscal year ending June 30, 2026 Form 10-K. The Company is not required to provide comparative information in the year of adoption.

Impact on consolidated financial statements – The Company is currently evaluating the impact that this guidance will have on its annual financial statement disclosures.

NOTE 2 – GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents goodwill by product category and the related change in the carrying amount:

(In millions)	Skin Care	Makeup	Fragrance	Hair Care	Total
Balance as of June 30, 2023					
Goodwill	$ 1,664	$ 1,116	$ 254	$ 353	$ 3,387
Accumulated impairments	(139)	(732)	(30)	—	(901)
	1,525	384	224	353	2,486
Translation adjustments, goodwill	(32)	—	(1)	—	(33)
	(32)	—	(1)	—	(33)
Balance as of March 31, 2024					
Goodwill	1,632	1,116	253	353	3,354
Accumulated impairments	(139)	(732)	(30)	—	(901)
	$ 1,493	$ 384	$ 223	$ 353	$ 2,453

Other Intangible Assets

Other intangible assets consist of the following:

	March 31, 2024			June 30, 2023		
(In millions)	Gross Carrying Value	Accumulated Amortization	Total Net Book Value	Gross Carrying Value	Accumulated Amortization	Total Net Book Value
Amortizable intangible assets:						
Customer lists and other	$ 2,000	$ 868	$ 1,132	$ 2,030	$ 766	$ 1,264
Non-amortizable intangible assets:						
Trademarks			4,306			4,338
Total intangible assets			$ 5,438			$ 5,602

The aggregate amortization expense related to amortizable intangible assets was $36 million for the three months ended March 31, 2024 and 2023, and $109 million for the nine months ended March 31, 2024 and 2023.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The estimated aggregate amortization expense for the remainder of fiscal 2024 and for each of the next four fiscal years is as follows:

	Fiscal				
(In millions)	2024	2025	2026	2027	2028
Estimated aggregate amortization expense	$ 35	$ 143	$ 143	$ 126	$ 101

Impairment Analysis During the Nine Months Ended March 31, 2023

During the fiscal 2023 second quarter, given the lower-than-expected results in the overall business, the Company made revisions to the internal forecasts relating to its Smashbox reporting unit. The Company concluded that the changes in circumstances in the reporting unit triggered the need for an interim impairment review of its trademark intangible asset. The remaining carrying value of the trademark intangible asset was not recoverable and the Company recorded an impairment charge of $21 million reducing the carrying value to zero.

During the fiscal 2023 second quarter, the Dr.Jart+ reporting unit experienced lower-than-expected growth within key geographic regions and channels that continue to be impacted by the spread of COVID-19 variants, resurgence in cases, and the potential future impacts relating to the uncertainty of the duration and severity of COVID-19 impacting the financial performance of the reporting unit. In addition, due to macro-economic factors, Dr.Jart+ has experienced lower-than-expected growth within key geographic regions. The Too Faced reporting unit experienced lower-than-expected results in key geographic regions and channels coupled with delays in future international expansion to areas that continue to be impacted by COVID-19. As a result, the Company made revisions to the internal forecasts relating to its Dr.Jart+ and Too Faced reporting units. Additionally, there were increases in the weighted average cost of capital for both reporting units as compared to the prior year annual goodwill and other indefinite-lived intangible asset impairment testing as of April 1, 2022.

The Company concluded that the changes in circumstances in the reporting units, along with increases in the weighted average cost of capital, triggered the need for interim impairment reviews of their trademarks and goodwill. These changes in circumstances were also an indicator that the carrying amounts of Dr.Jart+'s and Too Faced's long-lived assets, including customer lists, may not be recoverable. Accordingly, the Company performed interim impairment tests for the trademarks and a recoverability test for the long-lived assets as of November 30, 2022. The Company concluded that the carrying value of the trademark intangible assets exceeded their estimated fair values, which were determined utilizing the relief-from-royalty method to determine discounted projected future cash flows and recorded an impairment charge of $100 million for Dr.Jart+ and $86 million for Too Faced. The Company concluded that the carrying amounts of the long-lived assets were recoverable. After adjusting the carrying values of the trademarks, the Company completed interim quantitative impairment tests for goodwill. As the estimated fair value of the Dr.Jart+ and Too Faced reporting units were in excess of their carrying values, the Company concluded that the carrying amounts of the goodwill were recoverable and did not record a goodwill impairment charge related to these reporting units. The fair values of these reporting units were based upon an equal weighting of the income and market approaches, utilizing estimated cash flows and a terminal value, discounted at a rate of return that reflects the relative risk of the cash flows, as well as valuation multiples derived from comparable publicly traded companies that are applied to operating performance of the reporting units. The significant assumptions used in these approaches include revenue growth rates and profit margins, terminal values, weighted average cost of capital used to discount future cash flows and royalty rates for trademarks. The most significant unobservable input used to estimate the fair values of the Dr.Jart+ and Too Faced trademark intangible assets was the weighted average cost of capital, which was 11% and 13%, respectively.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A summary of the impairment charges for the three and nine months ended March 31, 2023 and the remaining trademark and goodwill carrying values as of March 31, 2023, for each reporting unit, are as follows:

		Impairment Charges				Carrying Value	
(In millions)		Three Months Ended March 31, 2023		Nine Months Ended March 31, 2023		As of March 31, 2023	
Reporting Unit	**Geographic Region**	**Trademarks**	**Goodwill**	**Trademarks**	**Goodwill**	**Trademarks**	**Goodwill**
Smashbox	The Americas	$ —	$ —	$ 21	$ —	$ —	$ —
Dr.Jart+	Asia/Pacific	—	—	100	—	330	310
Too Faced	The Americas	—	—	86	—	186	13
Total		$ —	$ —	$ 207	$ —	$ 516	$ 323

The impairment charges for the nine months ended March 31, 2023 were reflected in the skin care product category for Dr.Jart+ and the makeup product category for Smashbox and Too Faced.

NOTE 3 – CHARGES ASSOCIATED WITH RESTRUCTURING AND OTHER ACTIVITIES

Restructuring Program Component of the Profit Recovery Plan ("Restructuring Program")

As previously communicated on November 1, 2023, the Company has launched a Profit Recovery Plan to help progressively rebuild its profit margins in fiscal years 2025 and 2026.

The Profit Recovery Plan is focused on rebuilding stronger, more sustainable profitability, supporting sales growth acceleration and increasing speed and agility. The plan is designed to improve gross margin, lower the cost base and reduce overhead expenses, while increasing investments in key consumer-facing activities. Upon completion of this plan, the Company expects to have improved its gross margin and expense base to drive greater operating leverage for the future.

As a component of the Profit Recovery Plan, on February 5, 2024, the Company announced a two-year restructuring program. The restructuring program’s main focus includes the reorganization and rightsizing of certain areas of the Company as well as simplification and acceleration of processes. The Company committed to this course of action on February 1, 2024.

In connection with the restructuring program, as of March 31, 2024, the Company estimates a net reduction in the range of approximately 1,800 to 3,000 positions globally, which is about 3-5% of its positions including temporary and part-time employees as of June 30,

2023. This reduction takes into account the elimination of some positions as well as retraining and redeployment of certain employees in select areas.

The Company plans to substantially complete specific initiatives under the restructuring program through fiscal 2026. The Company expects that the restructuring program will result in restructuring and other charges totaling between $500 million and $700 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives.

Restructuring Program Approvals

The Restructuring Program cumulative charges approved by the Company through March 31, 2024 were:

			Operating Expenses		
(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Restructuring Charges	Other Charges	Total
Total Charges Approved					
Cumulative charges through March 31, 2024	$ —	$ —	$ 13	$ 21	$ 34

Included in the above table, cumulative Restructuring Program restructuring initiatives approved by the Company through March 31, 2024 by major cost type were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges Approved					
Cumulative charges through March 31, 2024	$ 6	$ 4	$ —	$ 3	$ 13

Specific actions taken since the Restructuring Program inception include:

- Value Chain Optimization – To help rebuild gross margin profitability, as part of a broader initiative associated with reorganizing and redesigning the Company's supply chain to be completed in phases, the Company has approved an initiative to right-size a manufacturing location to improve efficiencies and optimize asset utilization. These actions will primarily result in a net reduction in workforce, which includes employee severance, asset write-offs, and costs to decommission and relocate activities.

Restructuring Program Restructuring and Other Charges

The Company classifies restructuring charges as follows:

Employee-Related Costs – Employee-related costs are primarily comprised of severance and other post-employment benefit costs, calculated based on salary levels, prior service and other statutory minimum benefits, if applicable.

Asset-Related Costs – Asset-related costs primarily consist of asset write-offs or accelerated depreciation related to long-lived assets (including rights associated with commercial operating leases and operating lease right-of-use assets) that will be taken out of service prior to their existing useful life as a direct result of a restructuring initiative.

Contract Terminations – Costs related to contract terminations include continuing payments to a third party after the Company has ceased benefiting from the rights conveyed in the contract, or a payment made to terminate a contract prior to its expiration.

Other Exit Costs – Other exit costs related to restructuring activities generally include costs to relocate facilities or employees, recruiting to fill positions as a result of relocation of operations, and employee outplacement for separated employees.

The Company classifies other charges associated with restructuring activities as follows:

Sales Returns and Cost of Sales – Product returns (offset by the related cost of sales) and inventory write-offs or write-downs as a direct result of an approved restructuring initiative to exit certain businesses or locations will be recorded as a component of Net sales and/or Cost of sales when estimable and reasonably assured.

Other Charges – Other charges related to the design and implementation of approved initiatives, which are charged to Operating expenses as incurred and primarily include the following:

- Consulting and other professional services for organizational design of the future structures and processes as well as the implementation thereof;
- Temporary labor backfill;
- Costs to establish and maintain a Project Management Office ("PMO") for the duration of the Restructuring Program, including internal costs for employees dedicated solely to project management activities, and consulting services to assist with business case development; and
- Recruitment and training costs for new and reskilled employees to acquire and apply the capabilities needed to perform responsibilities as a direct result of an approved restructuring initiative.

The Company records approved charges associated with restructuring and other activities once the relevant accounting criteria have been met. Total cumulative charges recorded associated with restructuring and other activities for the Restructuring Program were:

			Operating Expenses		
(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Restructuring Charges	Other Charges	Total
Total Charges					
Cumulative charges through March 31, 2024	$ —	$ —	$ 6	$ 11	$ 17

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges					
Cumulative charges through March 31, 2024	$ 6	$ —	$ —	$ —	$ 6

Accrued restructuring charges of $7 million at March 31, 2024 relating to the Restructuring Component of the Profit Recovery Plan are expected to result in cash expenditures funded from cash provided by operations of approximately $2 million, $2 million, $2 million and $1 million for the remainder of fiscal 2024 and for fiscal 2025, 2026, and 2027, respectively.

Charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

Restructuring Program April 2024 Approvals

Subsequent to March 31, 2024, between April 1, 2024 and April 24, 2024, the Company approved certain initiatives under the Restructuring Program within the areas of PMO, Enabling Function Re-Invention, which represents a broader initiative to reorganize and right-size the Company’s go-to-market structure, and Value Chain Optimization.

Once the relevant accounting criteria has been met, the Company expects to record restructuring and other charges of approximately $62 million.

The following presents the restructuring initiative charges approved from April 1, 2024 to April 24, 2024:

(In millions)	Sales Returns (included in Net Sales)	Cost of Sales	Operating Expenses Restructuring Charges	Operating Expenses Other Charges	Total
Approval Period					
April 1, 2024 - April 24, 2024	$ —	$ —	$ 11	$ 51	$ 62

Included in the above table, cumulative Restructuring Program restructuring initiative charges approved by the Company from April 1, 2024 to April 24, 2024 by major cost type were:

(In millions)	Employee-Related Costs	Asset-Related Costs	Contract Terminations	Other Exit Costs	Total
Restructuring Charges Approved					
April 1, 2024 - April 24, 2024	$ 9	$ 1	$ —	$ 1	$ 11

Post-COVID Business Acceleration Program

The Company approved specific initiatives under the Post-COVID Business Acceleration Program (the “PCBA Program”) through fiscal 2022 and has substantially completed those initiatives through fiscal 2023. Additional information about the PCBA Program is included in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

NOTE 4 – DEBT

In February 2024, the Company completed a public offering of $650 million aggregate principal amount of its 5.000% Senior Notes due February 14, 2034 (the "2034 Senior Notes"). The Company intends to use the proceeds from this offering for general corporate purposes, which may include funding a portion of the price to purchase the remaining interest in DECIEM, operating expenses, working capital, capital expenditures and redemptions and repayment of short-term or long-term borrowings, including outstanding commercial paper as it matures.

These recently issued notes are summarized as follows:

($ in millions)	Issue Date	Price	Yield	Unamortized Debt Discount	Debt Issuance Costs	Semi-annual interest payments
2034 Senior Notes [1]	February 2024	99.689 %	5.04 %	$ (2)	$ (5)	February 14/ August 14

[1] In March 2022, in anticipation of the issuance of the 2034 Senior Notes, the Company entered into a series of treasury lock agreements on a notional amount totaling $300 million at a weighted average all-in rate of 2.02%. The treasury lock agreements were terminated in September 2022, and the Company recognized a gain in OCI of $31 million that is being amortized to interest expense over the life of the 2034 Senior Notes. As a result of the treasury lock agreements, as well as the debt discount and debt issuance costs, the effective interest rate on the 2034 Senior Notes will be 4.53% over the life of the debt.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

The Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. The Company enters into foreign currency forward contracts, and may enter into option contracts, to reduce the effects of fluctuating foreign currency exchange rates. The Company also uses cross-currency swap contracts to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. In addition, the Company enters into interest rate derivatives to manage the effects of interest rate movements on the Company’s aggregate liability portfolio, including potential future debt issuances. The Company also enters into foreign currency forward contracts to hedge a portion of its net investment in certain foreign operations, which are designated as net investment hedges. The Company enters into the net investment hedges to offset the risk of changes in the U.S. dollar value of the Company’s investment in these foreign operations due to fluctuating foreign exchange rates. Time value is excluded from the effectiveness assessment and is recognized under a systematic and rational method over the life of the hedging instrument in Selling, general and administrative expenses. The net gain or loss on net investment hedges is recorded within translation adjustments, as a component of accumulated OCI (“AOCI”) on the Company’s consolidated balance sheets, until the sale or substantially complete liquidation of the underlying assets of the Company’s investment. The Company also enters into foreign currency forward contracts, and may use option contracts, not designated as hedging instruments, to mitigate the change in fair value of specific assets and liabilities on the consolidated balance sheets. At March 31, 2024, the notional amount of derivatives not designated as hedging instruments was $3,449 million. The Company does not utilize derivative financial instruments for trading or speculative purposes. Costs associated with entering into derivative financial instruments have not been material to the Company’s consolidated financial results.

For each derivative contract entered into, where the Company looks to obtain hedge accounting treatment, the Company formally and contemporaneously documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking the hedge transaction, the nature of the risk being hedged, and how the hedging instruments’ effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively. This process includes linking all derivatives to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. At inception, the Company evaluates the effectiveness of hedge relationships quantitatively, and has elected to perform, after initial evaluation, qualitative effectiveness assessments of certain hedge relationships to support an ongoing expectation of high effectiveness, if effectiveness testing is required. If based on the qualitative assessment, it is determined that a derivative has ceased to be a highly effective hedge, the Company will perform a quantitative assessment to determine whether to discontinue hedge accounting with respect to that derivative prospectively.

Table of Contents

The fair values of the Company's derivative financial instruments included in the consolidated balance sheets are presented as follows:

	Asset Derivatives			Liability Derivatives		
		Fair Value [1]			Fair Value [1]	
(In millions)	Balance Sheet Location	March 31, 2024	June 30, 2023	Balance Sheet Location	March 31, 2024	June 30, 2023
Derivatives Designated as Hedging Instruments:						
Foreign currency cash flow hedges	Prepaid expenses and other current assets	$ 36	$ 56	Other accrued liabilities	$ 8	$ 16
Cross-currency swap contracts	Prepaid expenses and other current assets	52	22	Other accrued liabilities	—	—
Net investment hedges	Prepaid expenses and other current assets	7	—	Other accrued liabilities	—	13
Interest rate-related derivatives	Prepaid expenses and other current assets	—	—	Other accrued liabilities	148	150
Total Derivatives Designated as Hedging Instruments		95	78		156	179
Derivatives Not Designated as Hedging Instruments:						
Foreign currency forward contracts	Prepaid expenses and other current assets	7	20	Other accrued liabilities	7	20
Total derivatives		$ 102	$ 98		$ 163	$ 199

[1] See Note 6 – Fair Value Measurements for further information about how the fair value of derivative assets and liabilities are determined.

Table of Contents

The amounts of the gains and losses related to the Company’s derivative financial instruments designated as hedging instruments that are included in the assessment of effectiveness are as follows:

	Amount of Gain (Loss) Recognized in OCI on Derivatives			Amount of Gain (Loss) Reclassified from AOCI into Earnings[1]	
	Three Months Ended March 31		Location of Gain (Loss) Reclassified from AOCI into Earnings	Three Months Ended March 31	
(In millions)	2024	2023		2024	2023
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	$ 36	$ (11)	Net sales	$ 15	$ 22
Interest rate-related derivatives	—	(11)	Interest expense	—	(1)
	36	(22)		15	21
Derivatives in Net Investment Hedging Relationships[2]:					
Foreign currency forward contracts[3]	11	(23)		—	—
Total derivatives	$ 47	$ (45)		$ 15	$ 21

(1) The amount reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that forecasted transactions will not occur by the end of the original time period was not material.

(2) During the three months ended March 31, 2024 and 2023, the gain recognized in earnings from net investment hedges related to the amount excluded from effectiveness testing was $3 million and $6 million, respectively.

(3) Included within translation adjustments as a component of AOCI on the Company’s consolidated balance sheets.

(In millions)	Amount of Gain (Loss) Recognized in OCI on Derivatives — Nine Months Ended March 31 2024	2023	Location of Gain (Loss) Reclassified from AOCI into Earnings	Amount of Gain (Loss) Reclassified from AOCI into Earnings[1] — Nine Months Ended March 31 2024	2023
Derivatives in Cash Flow Hedging Relationships:					
Foreign currency forward contracts	$ 28	$ 7	Net sales	$ 36	$ 59
Interest rate-related derivatives	—	1	Interest expense	(1)	(1)
	28	8		35	58
Derivatives in Net Investment Hedging Relationships[2]:					
Foreign currency forward contracts[3]	(6)	(38)		—	—
Total derivatives	$ 22	$ (30)		$ 35	$ 58

(1) The amount reclassified into earnings as a result of the discontinuance of cash flow hedges because it is probable that forecasted transactions will not occur by the end of the original time period was not material.

(2) During the nine months ended March 31, 2024 and 2023, the gain recognized in earnings from net investment hedges related to the amount excluded from effectiveness testing was $13 million and $19 million, respectively.

(3) Included within translation adjustments as a component of AOCI on the Company's consolidated balance sheets.

		Amount of Gain (Loss) Recognized in Earnings on Derivatives			
		Three Months Ended March 31		Nine Months Ended March 31	
(In millions)	Location of Gain (Loss) Recognized in Earnings on Derivatives	2024	2023	2024	2023
Derivatives in Fair Value Hedging Relationships:					
Cross-currency swap contracts [1]	Selling, general and administrative	$ 30	$ 1	$ 19	$ 1
Interest rate swap contracts [2]	Interest expense	$ (17)	$ 18	$ 3	$ (17)

[1] Changes in the fair value representing hedge components included in the assessment of effectiveness of the cross-currency swap contracts are exactly offset by the change in the fair value of the underlying intercompany foreign currency denominated debt. The gain recognized in earnings from cross-currency swap contracts related to the amount excluded from effectiveness testing during the three months ended March 31, 2024 and 2023 was $5 million and $4 million, respectively, and for the nine months ended March 31, 2024 and 2023 was $14 million and $4 million, respectively.

[2] Changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

Additional information regarding the cumulative amount of fair value hedging gain (loss) recognized in earnings for items designated and qualifying as hedged items in fair value hedges is as follows:

(In millions)		
Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	**Carrying Amount of the Hedged Liabilities**	**Cumulative Amount of Fair Value Hedging Gain (Loss) Included in the Carrying Amount of the Hedged Liability**
	March 31, 2024	**March 31, 2024**
Long-term debt	$ 845	$ (148)
Intercompany debt	$ —	$ 62

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Additional information regarding the effects of fair value and cash flow hedging relationships for derivatives designated and qualifying as hedging instruments is as follows:

(In millions)	2024 Net Sales	2024 Selling, General and Administrative	2024 Interest Expense	2023 Net Sales	2023 Selling, General and Administrative	2023 Interest Expense
	Three Months Ended March 31					
Total amounts of income and expense line items presented in the consolidated statements of earnings in which the effects of fair value and cash flow hedges are recorded	$ 3,940	$ 2,284	$ 94	$ 3,751	$ 2,281	$ 58
The effects of fair value and cash flow hedging relationships:						
Gain (loss) on fair value hedge relationships – interest rate contracts:						
Hedged item	N/A	N/A	17	N/A	N/A	(18)
Derivatives designated as hedging instruments	N/A	N/A	(17)	N/A	N/A	18
Gain (loss) on fair value hedge relationships – cross-currency swap contracts:						
Hedged item	N/A	(30)	N/A	N/A	(1)	N/A
Derivatives designated as hedging instruments	N/A	30	N/A	N/A	1	N/A
Loss on cash flow hedge relationships – interest rate contracts:						
Amount of loss reclassified from AOCI into earnings	N/A	N/A	—	N/A	N/A	(1)
Gain on cash						

N/A (Not applicable)

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

	Nine Months Ended March 31					
	2024			2023		
(In millions)	Net Sales	Selling, General and Administrative	Interest Expense	Net Sales	Selling, General and Administrative	Interest Expense
Total amounts of income and expense line items presented in the consolidated statements of earnings in which the effects of fair value and cash flow hedges are recorded	$11,737	$ 7,177	$ 287	$12,301	$ 7,155	$ 156
The effects of fair value and cash flow hedging relationships:						
Gain (loss) on fair value hedge relationships – interest rate contracts:						
Hedged item	N/A	N/A	(3)	N/A	N/A	17
Derivatives designated as hedging instruments	N/A	N/A	3	N/A	N/A	(17)
Gain (loss) on fair value hedge relationships – cross-currency swap contracts:						
Hedged item	N/A	(19)	N/A	N/A	(1)	N/A
Derivatives designated as hedging instruments	N/A	19	N/A	N/A	1	N/A
Loss on cash flow hedge relationships – interest rate contracts:						
Amount of						

N/A (Not applicable)

The amount of gains and losses related to the Company’s derivative financial instruments not designated as hedging instruments are presented as follows:

(In millions)	Location of Gain Recognized in Earnings on Derivatives	Amount of Gain Recognized in Earnings on Derivatives			
		Three Months Ended March 31		Nine Months Ended March 31	
		2024	2023	2024	2023
Derivatives Not Designated as Hedging Instruments:					
Foreign currency forward contracts	Selling, general and administrative	$ 18	$ 4	$ 31	$ 21

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Company's derivative instruments are subject to enforceable master netting agreements. These agreements permit the net settlement of these contracts on a per-institution basis; however, the Company records the fair value on a gross basis on its consolidated balance sheets based on maturity dates, including those subject to master netting arrangements. The following table provides information as if the Company had elected to offset the asset and liability balances of derivative instruments, netted in accordance with various criteria in the event of default or termination as stipulated by the terms of netting arrangements with each of the counterparties:

	As of March 31, 2024			As of June 30, 2023		
(In millions)	Gross Amounts of Assets / (Liabilities) Presented in Balance Sheet	Contracts Subject to Netting	Net Amounts of Assets / (Liabilities)	Gross Amounts of Assets / (Liabilities) Presented in Balance Sheet	Contracts Subject to Netting	Net Amounts of Assets / (Liabilities)
Derivative Financial Contracts						
Derivative assets	$ 102	$ (36)	$ 66	$ 98	$ (53)	$ 45
Derivative liabilities	(163)	36	(127)	(199)	53	(146)
Total	$ (61)	$ —	$ (61)	$ (101)	$ —	$ (101)

Cash Flow Hedges

The Company enters into foreign currency forward contracts, and may enter into foreign currency option contracts, to hedge anticipated transactions and receivables and payables denominated in foreign currencies, for periods consistent with the Company’s identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the cash flows that the Company receives from foreign subsidiaries. The foreign currency forward contracts entered into to hedge anticipated transactions have been designated as cash flow hedges and have varying maturities through the end of December 2025. Hedge effectiveness of the foreign currency forward contracts is based on the forward method, which includes time value in the effectiveness assessment. At March 31, 2024, the Company had cash flow hedges outstanding with a notional amount totaling $2,478 million.

The Company may enter into interest rate forward contracts to hedge anticipated issuance of debt for periods consistent with the Company’s identified exposures. The purpose of the hedging activities is to minimize the effect of interest rate movements on the cost of debt issuance.

For foreign currency hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses in AOCI are reclassified to Net sales when the underlying forecasted transaction occurs. If it is probable that the forecasted transaction will no longer occur, then any gains or losses in AOCI are reclassified to current-period Net sales. As of March 31, 2024, the Company’s foreign currency cash flow hedges were highly effective.

The estimated net gain on the Company’s derivative instruments designated as cash flow hedges as of March 31, 2024 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is $25 million. The accumulated net gain on derivative instruments designated as cash flow hedges in AOCI was $72 million and $79 million as of March 31, 2024 and June 30, 2023, respectively.

Fair Value Hedges

The Company enters into interest rate derivative contracts to manage the exposure to interest rate fluctuations on its funded indebtedness. At March 31, 2024, the Company has interest rate swap agreements, with notional amounts totaling $700 million and $300 million to effectively convert the fixed rate interest on its 2030 Senior Notes and 2031 Senior Notes, respectively, to variable interest rates based on the three-month fallback rate SOFR plus a margin. These interest rate swap agreements are designated as fair value hedges of the related long-term debt, and the changes in the fair value of the interest rate swap agreements are exactly offset by the change in the fair value of the underlying long-term debt.

The Company enters into cross-currency swap contracts to manage the exposure of foreign exchange rate fluctuations on it’s intercompany foreign currency denominated debt. At March 31, 2024, the Company has cross-currency swap contracts with notional amounts totaling $491 million, to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. The cross-currency swap contracts are designated as fair value hedges of the related intercompany debt, and the gains and losses representing hedge components included in the assessment of effectiveness are presented in the same income statement line item as the earnings effect of the hedged transaction. Gains and losses on the derivative representing hedge components excluded from the assessment of effectiveness are recognized over the life of the hedge on a systematic and rational basis. The earnings recognition of excluded components is presented in the same income statement line item as the earnings effect of the hedged transaction. Any difference between the changes in the fair value of the excluded components and amounts recognized in earnings will be recognized in AOCI.

The estimated net gain on the Company’s derivative instruments designated as fair value hedges as of March 31, 2024 that is expected to be reclassified from AOCI into earnings, net of tax, within the next twelve months is $14 million. The accumulated net loss on derivative instruments designated as fair value hedges in AOCI was $10 million and $20 million as of March 31, 2024 and June 30, 2023, respectively.

Net Investment Hedges

The Company enters into foreign currency forward contracts, designated as net investment hedges, to hedge a portion of its net investment in certain foreign operations. The net gain or loss on these contracts is recorded within translation adjustments, as a component of AOCI on the Company’s consolidated balance sheets. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the Company’s net investment in these foreign operations. The net investment hedge contracts have varying maturities through the end of March 2025. Hedge effectiveness of the net investment hedge contracts is based on the spot method. At March 31, 2024, the Company had net investment hedges outstanding with a notional amount totaling $1,011 million.

Credit Risk

As a matter of policy, the Company enters into derivative contracts only with counterparties that have a long-term credit rating of at least A- or higher by at least two nationally recognized rating agencies. The counterparties to these contracts are major financial institutions. Exposure to credit risk in the event of nonperformance by any of the counterparties is limited to the gross fair value of contracts in asset positions, which totaled $102 million at March 31, 2024. To manage this risk, the Company has strict counterparty credit guidelines that are continually monitored. Accordingly, management believes risk of loss under these hedging contracts is remote.

NOTE 6 – FAIR VALUE MEASUREMENTS

The Company records certain of its financial assets and liabilities at fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. The accounting for fair value measurements must be applied to nonfinancial assets and nonfinancial liabilities that require initial measurement or remeasurement at fair value, which principally consist of assets and liabilities acquired through business combinations and goodwill, indefinite-lived intangible assets and long-lived assets for the purposes of calculating potential impairment. The Company is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.

Level 2: Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Inputs reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. The inputs are unobservable in the market and significant to the instrument’s valuation.

The following table presents the Company’s hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2024:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 1,855	$ —	$ —	$ 1,855
Foreign currency forward contracts	—	50	—	50
Cross-currency swap contracts	—	52	—	52
Total	$ 1,855	$ 102	$ —	$ 1,957
Liabilities:				
Foreign currency forward contracts	$ —	$ 15	$ —	$ 15
Interest rate-related derivatives	—	148	—	148
DECIEM stock options	—	—	106	106
Total	$ —	$ 163	$ 106	$ 269

The following table presents the Company’s hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2023:

(In millions)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds	$ 3,241	$ —	$ —	$ 3,241
Foreign currency forward contracts	—	76	—	76
Cross-currency swap contracts	—	22	—	22
Total	$ 3,241	$ 98	$ —	$ 3,339
Liabilities:				
Foreign currency forward contracts	$ —	$ 49	$ —	$ 49
Interest rate-related derivatives	—	150	—	150
DECIEM stock options	—	—	99	99
Total	$ —	$ 199	$ 99	$ 298

The estimated fair values of the Company’s financial instruments are as follows:

(In millions)	March 31, 2024 Carrying Amount	March 31, 2024 Fair Value	June 30, 2023 Carrying Amount	June 30, 2023 Fair Value
Nonderivatives				
Cash and cash equivalents	$ 3,701	$ 3,701	$ 4,029	$ 4,029
Current and long-term debt	7,770	7,276	8,114	7,665
DECIEM stock options	106	106	99	99
Deferred consideration payable	341	340	341	338
Derivatives				
Cross-currency swap contracts - asset, net	52	52	22	22
Foreign currency forward contracts – asset, net	35	35	27	27
Interest rate-related derivatives – liability, net	(148)	(148)	(150)	(150)

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Company’s impairment charges for the nine months ended March 31, 2023 for certain of its nonfinancial assets measured at fair value on a nonrecurring basis, classified as Level 3, due to a change in circumstances that triggered an interim impairment test during the three months ended December 31, 2022:

(In millions)	Impairment charges	Date of Fair Value Measurement	Fair Value[1]
Other intangible assets, net (trademarks)			
Dr.Jart+	$ 100	November 30, 2022	$ 330
Too Faced	86	November 30, 2022	186
Smashbox	21	December 31, 2022	—
Total	$ 207		$ 516

(1) See Note 2 - Goodwill and Other Intangible Assets for discussion of the valuation techniques used to measure fair value, the description of the inputs and information used to develop those inputs.

The following methods and assumptions were used to estimate the fair value of the Company’s financial instruments for which it is practicable to estimate that value:

Cash and cash equivalents – Cash and all highly-liquid securities with original maturities of three months or less are classified as cash and cash equivalents, primarily consisting of cash deposits in interest bearing accounts, time deposits and money market funds (classified within Level 1 of the valuation hierarchy). Cash deposits in interest bearing accounts and time deposits are carried at cost, which approximates fair value, due to the short maturity of cash equivalent instruments.

Foreign currency forward contracts – The fair values of the Company’s foreign currency forward contracts were determined using an industry-standard valuation model, which is based on an income approach. The significant observable inputs to the model, such as swap yield curves and currency spot and forward rates, were obtained from an independent pricing service. To determine the fair value of contracts under the model, the difference between the contract price and the current forward rate was discounted using SOFR forward curves.

Cross-currency swap contracts – The fair values of the Company’s cross-currency swap contracts were determined using an industry-standard valuation model, which is based on the income approach. The significant observable inputs to the model, such as yield curves and currency spot and forward rates, were obtained from independent pricing services.

Interest rate-related derivatives – The fair values of the Company’s interest rate contracts were determined using an industry-standard valuation model, which is based on the income approach. The significant observable inputs to the model, such as treasury yield curves, swap yield curves and SOFR forward curves, were obtained from independent pricing services.

Current and long-term debt – The fair value of the Company’s debt was estimated based on the current rates offered to the Company for debt with the same remaining maturities. To a lesser extent, debt also includes finance lease obligations for which the carrying amount approximates the fair value. The Company’s debt is classified within Level 2 of the valuation hierarchy.

Deferred consideration payable – The deferred consideration payable consists primarily of deferred payments associated with the fiscal 2023 fourth quarter acquisition of TOM FORD. The fair value of the payments treated as deferred consideration payable are calculated based on the net present value of cash payments using an estimated borrowing rate based on quoted prices for a similar liability. The Company’s deferred consideration payable is classified within Level 2 of the valuation hierarchy.

DECIEM stock options – The stock option liability represents the employee stock options issued by DECIEM in replacement and exchange for certain vested and unvested DECIEM employee stock options previously issued by DECIEM, in connection with the Company's acquisition of DECIEM. The DECIEM stock options are subject to the terms and conditions of DECIEM's 2021 Stock Option Plan. The DECIEM stock option liability is measured using the Monte Carlo Method, which requires certain assumptions. Significant changes in the projected future operating results would result in a higher or lower fair value measurement. Changes to the discount rates or volatilities would have a lesser effect. These inputs are categorized as Level 3 of the valuation hierarchy. The DECIEM stock options are remeasured to fair value at each reporting date through the period when the options are exercised or repurchased (i.e., when they are settled), which is expected in the fiscal 2024 fourth quarter, with an offsetting entry to compensation expense. See Note 10 – Stock Programs for discussion.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Changes in the DECIEM stock option liability for the nine months ended March 31, 2024 are included in Selling, general and administrative expenses in the accompanying consolidated statements of earnings and were as follows:

(In millions)	Fair Value
DECIEM stock option liability as of June 30, 2023	$ 99
Changes in fair value, net of foreign currency remeasurements	8
Translation adjustments and other, net	(1)
DECIEM stock option liability as of March 31, 2024	$ 106

NOTE 7 – REVENUE RECOGNITION

The Company’s revenue recognition accounting policies are described in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Accounts Receivable

Accounts receivable, net is stated net of the allowance for doubtful accounts, including credit losses, and customer deductions totaling $27 million and $30 million as of March 31, 2024 and June 30, 2023, respectively. Payment terms are short-term in nature and are generally less than one year.

Changes in the allowance for credit losses are as follows:

(In millions)	March 31, 2024
Balance at June 30, 2023	$ 16
Provision for expected credit losses	(3)
Write-offs, net & other	2
Balance at March 31, 2024	$ 15

The remaining balance of the allowance for doubtful accounts and customer deductions of $12 million and $14 million as of March 31, 2024 and June 30, 2023, respectively, relates to non-credit losses, which are primarily due to customer deductions.

Deferred Revenue

Changes in deferred revenue during the period are as follows:

(In millions)	Three Months Ended March 31		Nine Months Ended March 31	
	2024	2023	2024	2023
Deferred revenue, beginning of period	$ 610	$ 353	$ 572	$ 362
Revenue recognized that was included in the deferred revenue balance at the beginning of the period	(26)	(50)	(275)	(330)
Revenue deferred (released) during the period	(38)	(15)	255	261
Other	(4)	26	(10)	21
Deferred revenue, end of period	$ 542	$ 314	$ 542	$ 314

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Transaction Price Allocated to the Remaining Performance Obligations

At March 31, 2024, the combined estimated revenue expected to be recognized in the next twelve months related to performance obligations for customer loyalty programs, gift with purchase promotions, purchase with purchase promotions, gift card liabilities and the Marcolin license arrangement related to TOM FORD that are unsatisfied (or partially unsatisfied) is $306 million. The remaining balance of deferred revenue at March 31, 2024 will be recognized beyond the next twelve months, of which $226 million relates to the non-refundable upfront payment received as part of the Marcolin licensing arrangement that is being recognized on a straight-line basis over the estimated economic life of the license, which is 20 years.

Royalty Revenue – License Arrangements

The Company’s contractually guaranteed minimum royalty amounts due during future periods under its existing license arrangements is disclosed in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

NOTE 8 – PENSION AND POST-RETIREMENT BENEFIT PLANS

The Company maintains pension plans covering substantially all of its full-time employees for its U.S. operations and a majority of its international operations. The Company also maintains post-retirement benefit plans that provide certain medical and dental benefits to eligible employees. Descriptions of these plans are included in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

The components of net periodic benefit cost for the three months ended March 31, 2024 and 2023 consisted of the following:

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2024	2023	2024	2023	2024	2023
Service cost	$ 9	$ 10	$ 7	$ 7	$ —	$ —
Interest cost	12	10	5	3	2	2
Expected return on plan assets	(14)	(14)	(7)	(5)	—	—
Amortization of:						
Actuarial loss (gain)	1	—	(2)	—	—	—
Prior service cost	—	—	(1)	—	(1)	—
Special termination benefits	—	—	—	1	—	—
Net periodic benefit cost	$ 8	$ 6	$ 2	$ 6	$ 1	$ 2

The components of net periodic benefit cost for the nine months ended March 31, 2024 and 2023 consisted of the following:

(In millions)	Pension Plans				Other than Pension Plans	
	U.S.		International		Post-retirement	
	2024	2023	2024	2023	2024	2023
Service cost	$ 27	$ 28	$ 20	$ 20	$ 1	$ —
Interest cost	35	30	14	10	6	6
Expected return on plan assets	(41)	(42)	(19)	(13)	—	—
Amortization of:						
Actuarial loss (gain)	3	2	(6)	(2)	—	—
Prior service cost	—	—	(1)	—	(1)	—
Special termination benefits	—	—	—	1	—	—
Net periodic benefit cost	$ 24	$ 18	$ 8	$ 16	$ 6	$ 6

The amounts recognized in the consolidated balance sheets related to the Company's pension and post-retirement benefit plans consist of the following:

(In millions)	March 31, 2024	June 30, 2023
Other assets	$ 113	$ 115
Other accrued liabilities	(35)	(34)
Other noncurrent liabilities	(334)	(395)
Funded status	(256)	(314)
Accumulated other comprehensive loss	212	235
Net amount recognized	$ (44)	$ (79)

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Commitment

In April 2024, the Company notified the minority interest holders that it was exercising its option to purchase the remaining interests in DECIEM, pursuant to the terms of the net Put (Call) Option for a purchase price based on the performance of DECIEM. This will result in the settlement of the DECIEM stock options and the redeemable noncontrolling interest balances during the fiscal 2024 fourth quarter.

Legal Proceedings

The Company is involved, from time to time, in litigation and other legal proceedings incidental to its business, including product liability matters (including asbestos-related claims), advertising, regulatory, employment, intellectual property, real estate, environmental, trade relations, securities, tax, and privacy. Management believes that the outcome of current litigation and legal proceedings will not have a material adverse effect upon the Company's business, results of operations, financial condition or cash flows. However, management's assessment of the Company's current litigation and other legal proceedings could change in light of the discovery of facts with respect to legal actions or other proceedings pending against the Company not presently known to the Company or determinations by judges, juries or other finders of fact which are not in accord with management's evaluation of the possible liability or outcome of such litigation or proceedings. Reasonably possible losses in addition to the amounts accrued for such litigation and legal proceedings, including the matters referred to below, are not material to the Company's consolidated financial statements.

On December 7, 2023 and January 22, 2024, the Company and its Chief Executive Officer and Chief Financial Officer were named as defendants in separate purported securities class action complaints filed in the United States District Court for the Southern District of New York. On February 20, 2024, those two purported securities class actions were consolidated into one action. On March 22, 2024, plaintiffs filed their consolidated amended class action complaint, which alleges that defendants made materially false and misleading statements during the period February 3, 2022 to October 31, 2023 in press releases, the Company’s public filings and during conference calls with analysts that artificially inflated the price of the Company’s stock in violation of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. Defendants intend to defend the action vigorously.

On February 1, 2024 and March 15, 2024, shareholder derivative action complaints were filed against certain of the Company’s officers, all the Company’s directors as of those dates and certain of the Company’s former directors as of those dates in the United States District Court for the Southern District of New York. In April 2024, both complaints were voluntarily dismissed without prejudice; and, subsequently, one of the former derivative plaintiffs made a litigation demand, requesting, among other things, that the Company's Board of Directors investigate potential claims on behalf of the Company based on the same alleged course of conduct identified in the securities case complaint (which were also reflected in the dismissed shareholder derivative actions complaints) described above.

NOTE 10 – STOCK PROGRAMS

Additional information relating to the Company's stock programs and the DECIEM stock options are included in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

The Company's Stock Programs

Total net stock-based compensation expense is attributable to the granting of, and the remaining requisite service periods of stock options, restricted stock units (“RSUs”), performance share units (“PSUs”), long-term PSUs, including long-term price-vested units and share units. Compensation expense attributable to net stock-based compensation was $87 million and $69 million for the three months ended March 31, 2024 and 2023, respectively, and was $276 million and $234 million for the nine months ended March 31, 2024 and 2023, respectively.

Stock Options

During the nine months ended March 31, 2024, the Company granted stock options in respect of approximately 1.8 million shares of Class A Common Stock with a weighted average exercise price per share of $155.92 and a weighted average grant date fair value per share of $52.83. The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model. The aggregate intrinsic value of stock options exercised during the nine months ended March 31, 2024 was $25 million.

Restricted Stock Units

During the nine months ended March 31, 2024, the Company granted RSUs in respect of approximately 1.6 million shares of Class A Common Stock with a weighted average grant date fair value per share of $155.84 that, at the time of grant, are scheduled to vest at 0.6 million, 0.6 million, and 0.4 million shares per year, in fiscal 2025, fiscal 2026 and fiscal 2027, respectively. Vesting of RSUs is generally subject to the continued employment or the retirement of the grantees. The RSUs are generally accompanied by dividend equivalent rights, payable upon settlement of the RSUs either in cash or shares (based on the terms of the particular award) and, as such, were generally valued at the closing market price of the Company’s Class A Common Stock on the date of grant.

Performance Share Units

During the nine months ended March 31, 2024, the Company granted PSUs with a target payout of approximately 0.2 million shares of Class A Common Stock with a grant date fair value per share of $156.39, which will be settled in stock subject to the achievement of the Company’s net sales, diluted net earnings per common share and return on invested capital goals for the three fiscal years ending June 30, 2026, all subject to continued employment or the retirement of the grantees. For PSUs granted, no settlement will occur for results below the applicable minimum threshold. PSUs are accompanied by dividend equivalent rights that will be payable in cash upon settlement of the PSUs and, as such, were valued at the closing market value of the Company’s Class A Common Stock on the date of grant.

In August 2023, less than 0.1 million shares of the Company’s Class A Common Stock were issued, and related accrued dividends were paid, relative to the target goals set at the time of the issuance, in settlement of 0.2 million PSUs with a performance period ended June 30, 2023.

DECIEM Stock Options

The DECIEM stock options are liability-classified awards as they are expected to be settled in cash and are remeasured to fair value at each reporting date through date of settlement. Total stock-based compensation expense is attributable to the exchange or replacement of and the remaining requisite service period of stock options. The total stock option expense (income), net of foreign currency remeasurements, for the three months ended March 31, 2024 and 2023 was $5 million and $1 million, respectively, and for the nine months ended March 31, 2024 and 2023 was $8 million and $(2) million, respectively. There is no related income tax benefit on the DECIEM stock-based compensation expense. There were no DECIEM stock options exercised during the nine months ended March 31, 2024.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The DECIEM stock options are reported as a stock option liability of $106 million and $99 million in Other accrued liabilities in the accompanying consolidated balance sheets at March 31, 2024 and June 30, 2023, respectively, as they are expected to be settled in the fiscal 2024 fourth quarter. The fair value of the stock options were calculated by incorporating significant assumptions including the starting equity value, actual and projected net sales and EBITDA and the following key assumptions into the Monte Carlo Method:

	March 31, 2024	**June 30, 2023**
Risk-free rate	5.00%	4.90%
Term to mid of last twelve-month period	0.08 years	0.46 years
Operating leverage adjustment	0.45	0.45
Net sales discount rate	7.90%	7.80%
EBITDA discount rate	11.40%	11.30%
EBITDA volatility	31.80%	32.00%
Net sales volatility	14.30%	14.40%

NOTE 11 – NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC. PER COMMON SHARE

Net earnings attributable to The Estée Lauder Companies Inc. per common share ("basic EPS") is computed by dividing net earnings attributable to The Estée Lauder Companies Inc. by the weighted average number of common shares outstanding and shares underlying PSUs and RSUs where the vesting conditions have been met. Net earnings attributable to The Estée Lauder Companies Inc. per common share assuming dilution ("diluted EPS") is computed by reflecting potential dilution from stock-based awards using the treasury stock method.

A reconciliation between the numerator and denominator of the basic and diluted EPS computations is as follows:

(In millions, except per share data)	Three Months Ended March 31		Nine Months Ended March 31	
	2024	**2023**	**2024**	**2023**
Numerator:				
Net earnings attributable to The Estée Lauder Companies Inc.	$ 330	$ 156	$ 674	$ 1,039
Denominator:				
Weighted average common shares outstanding – Basic	359.1	357.9	358.8	357.8
Effect of dilutive stock options	0.8	2.5	0.9	2.4
Effect of PSUs	0.2	0.1	0.1	0.1
Effect of RSUs	0.7	0.7	0.6	0.6
Weighted average common shares outstanding – Diluted	360.8	361.2	360.4	360.9
Net earnings attributable to The Estée Lauder Companies Inc. per common share:				
Basic	$ .92	$ .44	$ 1.88	$ 2.90
Diluted	$ .91	$ .43	$ 1.87	$ 2.88

The shares of Class A Common Stock underlying stock options, RSUs and PSUs that were excluded in the computation of diluted EPS because their inclusion would be anti-dilutive were as follows:

	Three Months Ended March 31		**Nine Months Ended March 31**	
(In millions)	**2024**	**2023**	**2024**	**2023**
Stock options	5.8	2.2	5.7	2.1
RSUs and PSUs	0.1	—	0.5	—

As of March 31, 2024 and 2023, 0.4 million and 0.4 million shares, respectively, of Class A Common Stock underlying PSUs have been excluded from the calculation of diluted EPS because the number of shares ultimately issued is contingent on the achievement of certain performance targets of the Company, as discussed in Note 10 – Stock Programs.

NOTE 12 – EQUITY AND REDEEMABLE NONCONTROLLING INTEREST

Total Stockholders' Equity – The Estée Lauder Companies Inc.

(In millions, except per share data)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
Common stock, beginning of the period	$ 6	$ 6	$ 6	$ 6
Stock-based compensation	—	—	—	—
Common stock, end of the period	6	6	6	6
Paid-in capital, beginning of the period	6,367	6,000	6,153	5,796
Common stock dividends	2	1	5	3
Stock-based compensation	96	102	307	304
Paid-in capital, end of the period	6,465	6,103	6,465	6,103
Retained earnings, beginning of the period	13,858	14,342	13,991	13,912
Common stock dividends	(238)	(237)	(715)	(690)
Net earnings attributable to The Estée Lauder Companies Inc.	330	156	674	1,039
Retained earnings, end of the period	13,950	14,261	13,950	14,261
Accumulated other comprehensive loss, beginning of the period	(856)	(829)	(934)	(762)
Other comprehensive loss attributable to The Estée Lauder Companies Inc.	(158)	(46)	(80)	(113)
Accumulated other comprehensive loss, end of the period	(1,014)	(875)	(1,014)	(875)
Treasury stock, beginning of the period	(13,663)	(13,617)	(13,631)	(13,362)
Acquisition of treasury stock	—	—	—	(184)
Stock-based compensation	—	(1)	(32)	(72)
Treasury stock, end of the period	(13,663)	(13,618)	(13,663)	(13,618)
Total equity	$ 5,744	$ 5,877	$ 5,744	$ 5,877
Redeemable noncontrolling interest, beginning of the period	$ 850	$ 819	$ 832	$ 842
Net earnings (loss) attributable to redeemable noncontrolling interest	5	(1)	21	3
Translation adjustments	(15)	1	(13)	(26)
Redeemable noncontrolling interest, end of the period	$ 840	$ 819	$ 840	$ 819
Cash dividends declared per common share	$ .66	$ .66	$ 1.98	$ 1.92

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following is a summary of quarterly cash dividends declared per share on the Company's Class A and Class B Common Stock during the nine months ended March 31, 2024:

Date Declared	Record Date	Payable Date	Amount per Share
August 17, 2023	August 31, 2023	September 15, 2023	$ .66
October 31, 2023	November 30, 2023	December 15, 2023	$ .66
February 2, 2024	February 29, 2024	March 15, 2024	$ .66

On April 30, 2024, a dividend was declared in the amount of $.66 per share on the Company's Class A and Class B Common Stock. The dividend is payable in cash on June 17, 2024 to stockholders of record at the close of business on May 31, 2024.

Common Stock

Beginning in December 2022, we temporarily suspended the repurchase of shares of our Class A Common Stock. We may resume repurchases in the future.

Accumulated Other Comprehensive Loss

The following table represents changes in accumulated other comprehensive loss, net of tax, by component for the nine months ended March 31, 2024:

(In millions)	Net Cash Flow Hedge Gain (Loss)	Cross-Currency Swap Contracts [2]	Amounts Included in Net Periodic Benefit Cost	Translation Adjustments	Total
Balance at June 30, 2023	$ 59	$ (15)	$ (177)	$ (801)	$ (934)
OCI before reclassifications [3]	21	19	23	(103) [1]	(40)
Amounts reclassified to Net earnings	(26)	(11)	(3)	—	(40)
Net current-period OCI	(5)	8	20	(103)	(80)
Balance at March 31, 2024	$ 54	$ (7)	$ (157)	$ (904)	$ (1,014)

(1) See Note 5 – Derivative Financial Instruments for gains (losses) relating to net investment hedges.

(2) The gain recognized in AOCI, net of tax from cross-currency swap contracts represents the amount excluded from effectiveness testing.

(3) The tax provision included in Net Cash Flow Hedge Gain (Loss), Cross-Currency Swap Contracts, Amounts Included in Net Periodic Benefit Cost and Translation Adjustments are $7 million, $5 million, $5 million, and $26 million, respectively.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table represents the effects of reclassification adjustments from AOCI into net earnings for the three and nine months ended March 31, 2024 and 2023:

	Amount Reclassified from AOCI				
	Three Months Ended March 31		Nine Months Ended March 31		
(In millions)	2024	2023	2024	2023	Affected Line Item in Consolidated Statements of Earnings
Gain (Loss) on Cash Flow Hedges					
Foreign currency forward contracts	$ 15	$ 22	$ 36	$ 59	Net sales
Interest rate-related derivatives	—	(1)	(1)	(1)	Interest expense
	15	21	35	58	
Provision for income taxes	(5)	(5)	(9)	(14)	Provision for income taxes
	10	16	26	44	Net earnings
Cross-Currency Swap Contracts					
Gain on cross-currency swap contracts	5	4	14	4	Selling, general and administrative
Provision for income taxes	(1)	(1)	(3)	(1)	Provision for income taxes
	4	3	11	3	Net earnings
Retirement Plan and Other Retiree Benefit Adjustments					
Amortization of prior service cost	2	—	2	—	Other components of net periodic benefit cost (1)
Amortization of actuarial gain	1	—	3	—	Other components of net periodic benefit cost (1)
	3	—	5	—	
Provision for income taxes	(1)	—	(2)	—	Provision for income taxes
	2	—	3	—	Net earnings
Total reclassification adjustments,	$ 16	$ 19	$ 40	$ 47	

(1) See Note 8 – Pension and Post-Retirement Benefit Plans for additional information.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 – STATEMENT OF CASH FLOWS

Supplemental cash flow information for the nine months ended March 31, 2024 and 2023 is as follows:

(In millions)	2024	2023
Cash:		
Cash paid during the period for interest	$ 244	$ 142
Cash paid during the period for income taxes	$ 441	$ 387
Non-cash investing and financing activities:		
Property, plant and equipment accrued but unpaid	$ 35	$ 239
Right-of-use assets obtained in exchange for new/modified operating lease liabilities	$ 351	$ 197

NOTE 14 – SEGMENT DATA AND RELATED INFORMATION

Reportable operating segments include components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the “Chief Executive”) in deciding how to allocate resources and in assessing performance. Although the Company operates in one business segment, beauty products, management also evaluates performance on a product category basis. Product category performance is measured based upon net sales before returns associated with restructuring and other activities, and operating income (loss) before charges associated with restructuring and other activities. Returns and charges associated with restructuring and other activities are not allocated to the Company's product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business.

The accounting policies for the Company’s reportable segments are substantially the same as those for the consolidated financial statements, as described in the notes to consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended June 30, 2023. The assets and liabilities of the Company are managed centrally and are reported internally in the same manner as the consolidated financial statements; thus, no additional information is produced for the Chief Executive or included herein. There has been no significant variance in the total or long-lived asset values associated with the Company’s segment data since June 30, 2023.

During the fiscal 2024 second quarter, the Company identified and corrected prior-period misclassifications of net sales and operating income between certain of the Company’s product categories in its segment footnote. As a result, product category net sales and operating income have been adjusted from the amounts previously reported for the three and nine months ended March 31, 2023, for comparability purposes. Also presented below, product category net sales and operating income for the fiscal years ended June 30, 2023 and 2022 are adjusted to reflect the misclassifications arising in those periods for comparability purposes and will be reflected within the prospective filing. The misclassifications had no impact on the current-period or prior-period consolidated statements of earnings, consolidated statements of comprehensive income, consolidated balance sheets, or the consolidated statements of cash flows, and the Company determined that the impact on the Company’s current-period and previously issued financial statements for the respective periods was not material.

(In millions)	Three Months Ended March 31		Nine Months Ended March 31	
	2024	2023	2024	2023
PRODUCT CATEGORY DATA				
Net sales:				
Skin Care	$ 2,060	$ 1,915	$ 5,873	$ 6,454
Makeup	1,136	1,104	3,365	3,424
Fragrance	575	577	1,948	1,907
Hair Care	143	148	464	488
Other	26	11	88	38
	3,940	3,755	11,738	12,311
Returns associated with restructuring and other activities	—	(4)	(1)	(10)
Net sales	$ 3,940	$ 3,751	$ 11,737	$ 12,301
Operating income (loss) before charges associated with restructuring and other activities:				
Skin Care	$ 468	$ 269	$ 920	$ 1,238
Makeup	66	(5)	56	(9)
Fragrance	29	66	267	343
Hair Care	(25)	(24)	(50)	(32)
Other	11	9	38	7
	549	315	1,231	1,547
Reconciliation:				
Charges associated with restructuring and other activities	(18)	(18)	(28)	(33)
Interest expense	(94)	(58)	(287)	(156)
Interest income and investment income, net	45	37	126	78
Other components of net periodic benefit cost	4	4	9	9
Earnings before income taxes	$ 486	$ 280	$ 1,051	$ 1,445
GEOGRAPHIC DATA[1]				
Net sales:				
The Americas	$ 1,117	$ 1,089	$ 3,567	$ 3,447
Europe, the Middle East & Africa	1,647	1,474	4,488	4,972
Asia/Pacific	1,176	1,192	3,683	3,892
	3,940	3,755	11,738	12,311
Returns associated with restructuring and other activities	—	(4)	(1)	(10)
Net sales	$ 3,940	$ 3,751	$ 11,737	$ 12,301
Operating income (loss):				
The Americas	$ (6)	$ (93)	$ (243)	$ (53)
Europe, the Middle East & Africa	302	176	825	919
Asia/Pacific	253	232	649	681
	549	315	1,231	1,547
Charges associated with restructuring and other activities	(18)	(18)	(28)	(33)
Operating income	$ 531	$ 297	$ 1,203	$ 1,514

[1] The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, and operating income attributable to these net sales are included in that region and in The Americas. The exception is for net sales and operating income of Dr.Jart+ in the travel retail channel in Korea that are reflected in Korea in the Asia/Pacific region.

THE ESTÉE LAUDER COMPANIES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The tables below present the effect of the corrections for the three and nine months ended March 31, 2023, and fiscal years ended June 30, 2023 and 2022.

	Three Months Ended March 31, 2023			Nine Months Ended March 31, 2023		
(In millions)	As Previously Reported	Adjustments	As Adjusted	As Previously Reported	Adjustments	As Adjusted
PRODUCT CATEGORY DATA						
Net sales:						
Skin Care	$ 1,922	$ (7)	$ 1,915	$ 6,408	$ 46	$ 6,454
Makeup	1,088	16	1,104	3,408	16	3,424
Fragrance	585	(8)	577	1,967	(60)	1,907
Hair Care	149	(1)	148	489	(1)	488
Other	11	—	11	39	(1)	38
	3,755	—	3,755	12,311	—	12,311
Returns associated with restructuring and other activities	(4)	—	(4)	(10)	—	(10)
Net sales	$ 3,751	$ —	$ 3,751	$ 12,301	$ —	$ 12,301
Operating income (loss):						
Skin Care	$ 256	$ 13	$ 269	$ 1,207	$ 31	$ 1,238
Makeup	(15)	10	(5)	(36)	27	(9)
Fragrance	89	(23)	66	399	(56)	343
Hair Care	(24)	—	(24)	(31)	(1)	(32)
Other	9	—	9	8	(1)	7
	315	—	315	1,547	—	1,547
Charges associated with restructuring and other activities	(18)	—	(18)	(33)	—	(33)
Operating income	$ 297	$ —	$ 297	$ 1,514	$ —	$ 1,514

Table of Contents

	Year Ended June 30, 2023			Year Ended June 30, 2022		
(In millions)	As Previously Reported	Adjustments	As Adjusted	As Previously Reported	Adjustments	As Adjusted
PRODUCT CATEGORY DATA						
Net sales:						
Skin Care	$ 8,202	$ 47	$ 8,249	$ 9,886	$ 16	$ 9,902
Makeup	4,516	16	4,532	4,667	3	4,670
Fragrance	2,512	(61)	2,451	2,508	(17)	2,491
Hair Care	653	(1)	652	631	—	631
Other	54	(1)	53	49	(2)	47
	15,937	—	15,937	17,741	—	17,741
Returns associated with restructuring and other activities	(27)	—	(27)	(4)	—	(4)
Net sales	$ 15,910	$ —	$ 15,910	$ 17,737	$ —	$ 17,737
Operating income (loss):						
Skin Care	$ 1,204	$ 73	$ 1,277	$ 2,753	$ 23	$ 2,776
Makeup	(22)	1	(21)	133	(7)	126
Fragrance	440	(70)	370	456	(15)	441
Hair Care	(34)	(2)	(36)	(28)	—	(28)
Other	6	(2)	4	0	(1)	(1)
	1,594	—	1,594	3,314	—	3,314
Charges associated with restructuring and other activities	(85)	—	(85)	(144)	—	(144)
Operating income	$ 1,509	$ —	$ 1,509	$ 3,170	$ —	$ 3,170

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

RESULTS OF OPERATIONS

We manufacture, market and sell beauty products including those in the skin care, makeup, fragrance and hair care categories, which are distributed in approximately 150 countries and territories. The following table is a comparative summary of operating results for the three and nine months ended March 31, 2024 and 2023, and reflects the basis of presentation described in Notes to Consolidated Financial Statements, Note 1 – Summary of Significant Accounting Policies for all periods presented. Products and services that do not meet our definition of skin care, makeup, fragrance and hair care have been included in the “other” category. During the fiscal 2024 second quarter, we identified and corrected misclassifications of net sales and operating income between certain of our product categories in our Management’s Discussion and Analysis of Financial Condition and Results of Operations for the three and nine months ended March 31, 2023. See Note 14 – Segment Data and Related Information for additional details.

(In millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
NET SALES				
By Product Category:				
Skin Care	$ 2,060	$ 1,915	$ 5,873	$ 6,454
Makeup	1,136	1,104	3,365	3,424
Fragrance	575	577	1,948	1,907
Hair Care	143	148	464	488
Other	26	11	88	38
	3,940	3,755	11,738	12,311
Returns associated with restructuring and other activities	—	(4)	(1)	(10)
Net sales	$ 3,940	$ 3,751	$ 11,737	$ 12,301
By Region[1]:				
The Americas	$ 1,117	$ 1,089	$ 3,567	$ 3,447
Europe, the Middle East & Africa	1,647	1,474	4,488	4,972
Asia/Pacific	1,176	1,192	3,683	3,892
	3,940	3,755	11,738	12,311
Returns associated with restructuring and other activities	—	(4)	(1)	(10)
Net sales	$ 3,940	$ 3,751	$ 11,737	$ 12,301
OPERATING INCOME (LOSS)				
By Product Category:				
Skin Care	$ 468	$ 269	$ 920	$ 1,238
Makeup	66	(5)	56	(9)
Fragrance	29	66	267	343
Hair Care	(25)	(24)	(50)	(32)
Other	11	9	38	7
	549	315	1,231	1,547
Charges associated with restructuring and other activities	(18)	(18)	(28)	(33)
Operating income	$ 531	$ 297	$ 1,203	$ 1,514
By Region[1]:				
The Americas	$ (6)	$ (93)	$ (243)	$ (53)
Europe, the Middle East & Africa	302	176	825	919
Asia/Pacific	253	232	649	681
	549	315	1,231	1,547
Charges associated with restructuring and other activities	(18)	(18)	(28)	(33)
Operating income	$ 531	$ 297	$ 1,203	$ 1,514

[1] The net sales from the Company's travel retail business are included in the Europe, the Middle East & Africa region, and operating income attributable to these net sales are included in that region and in The Americas. The exception is for net sales and operating income of Dr.Jart+ in the travel retail channel in Korea that are reflected in Korea in the Asia/Pacific region.

THE ESTÉE LAUDER COMPANIES INC.

The following table presents certain consolidated earnings data as a percentage of net sales:

	Three Months Ended March 31		Nine Months Ended March 31	
	2024	**2023**	**2024**	**2023**
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	28.1	30.9	28.4	27.6
Gross profit	71.9	69.1	71.6	72.4
Operating expenses:				
Selling, general and administrative	58.0	60.8	61.1	58.2
Restructuring and other charges	0.5	0.4	0.2	0.2
Impairment of other intangible assets	—	—	—	1.7
Total operating expenses	58.4	61.2	61.4	60.0
Operating income	13.5	7.9	10.2	12.3
Interest expense	2.4	1.5	2.4	1.3
Interest income and investment income, net	1.1	1.0	1.1	0.6
Other components of net periodic benefit cost	(0.1)	(0.1)	(0.1)	(0.1)
Earnings before income taxes	12.3	7.5	9.0	11.7
Provision for income taxes	3.8	3.3	3.0	3.3
Net earnings	8.5	4.1	5.9	8.5
Net loss (earnings) attributable to redeemable noncontrolling interest	(0.1)	—	(0.2)	—
Net earnings attributable to The Estée Lauder Companies Inc.	8.4 %	4.2 %	5.7 %	8.4 %

Not adjusted for differences caused by rounding

Period-over-period changes in our net sales are generally attributable to the impacts from (i) pricing on our base portfolio, including changes in mix and those due to strategic pricing actions, (ii) volume, including changes driven by the impact of new product innovation, (iii) acquisitions and/or divestitures, and/or (iv) foreign currency translation. The percentages disclosed for these impacts are calculated on an individual basis.

The net sales impact from pricing consists of changes in list prices, due to strategic pricing actions, and mix shifts within and among product categories, geographic regions, brands and distribution channels. The prices at which we sell our products vary by brand, distribution channel (e.g., wholesale or direct-to-consumer) and may also vary by country. Our brands and products cover a broad array of pricing tiers. Prices of skin care and fragrance products are typically higher than makeup and hair care products.

New product innovation includes the introduction of new products, as well as changes related to existing products or where they are sold, including reformulations, regional expansion, repackaging and sets. A product is considered "new innovation" for the twelve-month period following the initial shipment date. Our innovation is launched at different price points than existing products and value derived from innovation may vary from year to year. We continually introduce new products, support new and established products through advertising, merchandising and sampling and phase out existing products that no longer meet the needs of our consumers or our objectives. The economics of developing, producing, launching, supporting and discontinuing products impact our sales and operating performance each period. The introduction of new products often has some cannibalizing effect on sales of existing products, which we take into account in our business planning. The impact of new product introductions, including timing compared to introductions in prior periods, also affects our results.

Non-GAAP Financial Measures

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period to period helps investors and others compare operating performance between periods. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. See Reconciliations of Non-GAAP Financial Measures beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

We operate on a global basis, with the majority of our net sales generated outside the United States. Accordingly, fluctuations in foreign currency exchange rates affect our results of operations. Therefore, we present certain net sales, operating results and diluted net earnings per common share information excluding the effect of foreign currency rate fluctuations to provide a framework for assessing the performance of our underlying business outside the United States. Constant currency information compares results between periods as if exchange rates had remained constant period-over-period. We calculate constant currency information by translating current-period results using monthly average foreign currency exchange rates and adjusting for the period-over-period impact of foreign currency cash flow hedging activities.

Overview

We are a leader in prestige beauty, which combines the repeat purchase and relative affordability of consumer goods with high quality products and services. Within prestige beauty, we are diversified by product category, geography, brand, product sub-category, channel, consumer segment and price point. We also leverage consumer analytics and insights with agility by deploying our brands to fast growing and profitable opportunities. These analytics and insights, combined with our creativity, inform our innovation to provide a broad, locally-relevant and inclusive range of prestige products allowing us to compete effectively for a greater share of a consumer's beauty routine. Elements of our strategy are described in the Overview on pages 30-32 of our Annual Report on Form 10-K for the year ended June 30, 2023, as well as below.

- Our skin care net sales increased 8% for the three months ended March 31, 2024, primarily driven by higher net sales from La Mer and Estée Lauder, reflecting higher net sales from our Asia travel retail business. The growth in Asia travel retail was driven by higher shipments reflecting significant sequential improvement in retail sales trends and continued progress in achieving targeted retailer inventory levels as well as lower shipments in the prior-year period due, in part, to transitory headwinds.

- Our makeup net sales increased 3% for the three months ended March 31, 2024, primarily reflecting higher net sales from Estée Lauder, within our Asia travel retail business, driven by higher shipments reflecting significant sequential improvement in retail sales trends and continued progress in achieving targeted retailer inventory levels as well as lower shipments in the prior-year period due, in part, to transitory headwinds, and higher net sales from Clinique, partially offset by lower net sales from Bobbi Brown.

- Our fragrance net sales were virtually flat for the three months ended March 31, 2024, including the unfavorable impact of foreign currency translation of 1%. Reported fragrance net sales reflected lower net sales from Estée Lauder, the unfavorable year-over-year impact of residual net sales in fiscal 2023 related to the transition of licenses due to the license terminations related to certain of our designer fragrances effective June 30, 2022, and lower net sales from TOM FORD, partially offset by higher net sales from Jo Malone London and Le Labo.

- Our hair care net sales declined 3% for the three months ended March 31, 2024, primarily attributable to lower net sales from Aveda, driven by declines in North America, primarily reflecting softness in the salon and direct-to-consumer channels.

Our global distribution capability and operations allow us to focus on targeted expanded consumer reach wherever consumer demographics and trends are attractive. Our regional organizations, and the expertise of our people there, enable our brands to be more locally and culturally relevant in both product assortment and communications. We are evolving the way we connect with our consumers in stores, online and where they travel, including by expanding our digital and social media presence and the engagement of global and local influencers to amplify brand or product stories. We tailor implementation of our strategy by market to drive consumer engagement and embrace inclusion and cultural diversity. We continuously strengthen our presence in large, image-building core markets, while broadening our presence in emerging markets.

- Net sales in The Americas increased 3% for the three months ended March 31, 2024, primarily driven by an increase in net sales in Mexico, the United States, and Brazil. Net sales in Mexico and Brazil increased, primarily reflecting growth in makeup, led by M·A·C. The increase in net sales in the United States primarily reflected incremental royalty revenue associated with the fiscal 2023 fourth quarter acquisition of the TOM FORD brand and growth in fragrance, driven by our luxury fragrances, partially offset by a decline in makeup, driven by the unfavorable year-over-year impact resulting from the recognition of previously deferred revenue due to changes to the BACK 2 M·A·C take back program during the fiscal 2023 second quarter.

- Net sales in Europe, the Middle East & Africa increased 12% for the three months ended March 31, 2024, primarily driven by higher net sales from our Asia travel retail business. The growth in Asia travel retail was driven by higher shipments reflecting significant sequential improvement in retail sales trends and continued progress in achieving targeted retailer inventory levels as well as lower shipments in the prior-year period due, in part, to transitory headwinds.

- Net sales in Asia/Pacific decreased 1% for the three months ended March 31, 2024, primarily driven by the unfavorable impact of foreign currency translation of 5%, resulting in a decrease in net sales in mainland China, and lower net sales in Korea, attributable to the Dr.Jart+ travel retail business in Korea, and Australia, partially offsetting the net sales decrease in Asia/Pacific for the three months ended March 31, 2024 was an increase in net sales in Hong Kong SAR.

Outlook

We have experienced challenges within our business, including in our Asia travel retail business, and we expect volatility to continue. We have experienced, and are expecting to continue to experience, ongoing softness in overall prestige beauty in mainland China, as well as further business disruption in Israel and other parts of the Middle East. Net sales from Israel and the Middle East accounted for approximately 2% of consolidated net sales in each of fiscal 2023 and the first quarter of fiscal 2024. These challenges are collectively expected to impact net sales and profitability, including impacts to our effective tax rate from changes to our geographical mix of earnings. We have also experienced, and are expecting to continue to experience, under absorption of manufacturing variances due to lower production volumes, and will be recognizing the impact of reduced manufacturing volumes on our standard cost within cost of sales for the remainder of fiscal 2024. Additionally, we are continually evaluating our inventory position and actions we may take to reduce the balance, which could result in increased charges in future periods.

We believe that the best way to increase long-term stockholder value is to continue providing superior products and services in the most efficient and effective manner while recognizing shifts in consumers’ behaviors and shopping practices. Accordingly, our long-term strategy has numerous initiatives across geographic regions, product categories, brands, channels of distribution and functions designed to grow our sales, provide cost efficiencies, leverage our strengths and make us more productive and profitable. We plan to build upon and leverage our history of outstanding creativity and innovation, high quality products and services, and engaging communications while investing for long-term sustainable growth.

We continue to monitor the effects of the global macro environment, including the risk of recession; currency volatility; inflationary pressures; supply chain challenges; social and political issues; regulatory matters, including the imposition of tariffs and sanctions; geopolitical tensions; and global security issues. For example, the strengthening of the U.S. dollar could negatively impact results within Europe, the Middle East & Africa due to pricing pressures on our retail customers and consumers in key international travel retail locations. Additionally, we continue to monitor the geopolitical tensions between the United States and China, which could have a material adverse effect on our business. We are also mindful of inflationary pressures on our cost base and are monitoring the impact on consumer preferences. A decline in net sales and profitability may adversely impact the goodwill and other intangible assets associated with our brands, as well as long-lived assets, potentially resulting in impairments.

Cybersecurity Incident Disclosed in July 2023

As initially disclosed on July 18, 2023, we identified a cybersecurity incident in which an unauthorized third party gained access to some of our systems. Our investigation into the cybersecurity incident is complete. We determined that the unauthorized third party obtained some data from our systems, including consumer and employee data. We continue to take steps to enhance the security of our systems and coordinate with law enforcement authorities. We provided notification to governmental authorities in certain jurisdictions and also notified affected individuals where required by law.

The incident did not have a material impact on net sales and had less than a $0.01 dilutive impact to the three months ended March 31, 2024 and was $.08 dilutive to earnings per common share for the nine months ended March 31, 2024, and based on this information is not expected to have a material impact on net sales and is expected to be dilutive approximately $.07 to earnings per common share for the fiscal 2024 full year, after reflecting the benefit of insurance recoveries in April 2024.

Restructuring Program Component of the Profit Recovery Plan

As previously communicated on November 1, 2023, we launched a Profit Recovery Plan to help progressively rebuild our profit margins in fiscal years 2025 and 2026.

The Profit Recovery Plan is focused on rebuilding stronger, more sustainable profitability, supporting sales growth acceleration and increasing speed and agility. The plan is designed to improve gross margin, lower the cost base and reduce overhead expenses, while increasing investments in key consumer-facing activities. Upon completion of this plan, we expect to have improved our gross margin and expense base to drive greater operating leverage for the future.

As a component of the Profit Recovery Plan, on February 5, 2024, we announced a two-year restructuring program. The restructuring program’s main focus includes the reorganization and rightsizing of certain areas of our business as well as simplification and acceleration of processes. We committed to this course of action on February 1, 2024.

In connection with the restructuring program, as of March 31, 2024, we estimate a net reduction in the range of approximately 1,800 to 3,000 positions globally, which is about 3-5% of our positions including temporary and part-time employees as of June 30, 2023. This reduction takes into account the elimination of some positions as well as retraining and redeployment of certain employees in select areas.

We plan to substantially complete specific initiatives under the restructuring program through fiscal 2026. We expect that the restructuring program will result in restructuring and other charges totaling between $500 million and $700 million, before taxes, consisting of employee-related costs, contract terminations, asset write-offs and other costs associated with implementing these initiatives.

Once fully implemented, we expect the restructuring program to yield annual target gross benefits of between $350 million and $500 million, before taxes, a portion of which is expected to be reinvested in consumer-facing activities. The net benefits are in addition to the between $800 million and $1,000 million previously communicated as part of the Profit Recovery Plan.

Further information about the Restructuring Program Component of the Profit Recovery Plan, is described in Notes to Consolidated Financial Statements, Note 3 – Charges Associated with Restructuring and Other Activities herein.

NET SALES

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Net sales	$ 3,940	$ 3,751	$ 11,737	$ 12,301
$ Change from prior-year period	189		(564)	
% Change from prior-year period	5 %		(5)%	
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency adjusting for returns associated with restructuring and other activities	6 %		(4)%	

[1] See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales increased during the three months ended March 31, 2024, primarily driven by higher net sales in our Asia travel retail business. The growth in Asia travel retail was driven by higher shipments reflecting significant sequential improvement in retail sales trends and continued progress in achieving targeted retailer inventory levels as well as lower shipments in the prior-year period due, in part, to transitory headwinds.

Reported net sales decreased during the nine months ended March 31, 2024, primarily reflecting lower net sales from our Asia travel retail business and in mainland China. For the nine months ended March 31, 2024, Asia travel retail net sales declined, primarily driven by the actions that we and our retailers took to reset retailer inventory levels, including the response to changes in government regulatory and retailer policies in the second half of fiscal 2023 related to unstructured market activity, and lower conversion of travelers to consumers. In mainland China, net sales declined, primarily driven by the impacts from the ongoing softness in overall prestige beauty reflecting subdued consumer confidence.

Reported net sales was impacted by approximately $51 million and $54 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2024, respectively.

Returns associated with restructuring and other activities are not allocated to our product categories or geographic regions because they result from activities that are deemed a Company-wide initiative to redesign, resize and reorganize select corporate functions and go-to-market structures. Accordingly, the following discussions of Net sales by Product Categories and Geographic Regions exclude the impact of returns associated with restructuring and other activities for the nine months ended March 31, 2024 of $1 million, and for the three and nine months ended March 31, 2023 of $4 million and $10 million, respectively.

Reported net sales increased 5% for the three months ended March 31, 2024, driven by an increase from pricing of 10%, due to the favorable impact from strategic pricing actions and changes in mix, partially offset by the decrease from volume of 4% and the unfavorable impact from foreign currency translation of 1%.

Reported net sales decreased 5% for the nine months ended March 31, 2024, driven by the decrease from volume of 10%, partially offset by an increase from pricing of 5% due to the favorable impact from strategic pricing actions, partially offset by changes in mix.

Product Categories

Skin Care

	Three Months Ended March 31		Nine Months Ended March 31	
($ in millions)	2024	2023	2024	2023
As Reported:				
Net sales	$ 2,060	$ 1,915	$ 5,873	$ 6,454
$ Change from prior-year period	145		(581)	
% Change from prior-year period	8 %		(9)%	
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency	9 %		(8)%	

[1] See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care net sales increased for the three months ended March 31, 2024, primarily driven by higher net sales from La Mer and Estée Lauder, combined, of approximately $164 million, reflecting higher net sales in our Asia travel retail business. The growth in Asia travel retail was driven by higher shipments reflecting significant sequential improvement in retail sales trends and continued progress in achieving targeted retailer inventory levels as well as lower shipments in the prior-year period due, in part, to transitory headwinds. The increase in net sales from La Mer and Estée Lauder for the three months ended March 31, 2024 also reflected the success of hero products and new product launches. Partially offsetting the increase in net sales from Estée Lauder was a decrease in net sales in mainland China, primarily driven by the impacts from the ongoing softness in overall prestige beauty reflecting subdued consumer confidence.

Partially offsetting the increase in skin care net sales for the three months ended March 31, 2024 was lower net sales from Clinique, primarily driven by declines in serums and moisturizers.

Reported skin care net sales decreased for the nine months ended March 31, 2024, reflecting lower net sales from Estée Lauder and Clinique, combined, of approximately $572 million, primarily driven by declines in our Asia travel retail business and in mainland China. For the nine months ended March 31, 2024, Asia travel retail net sales declined, primarily driven by the actions that we and our retailers took to reset retailer inventory levels, including the response to changes in government regulatory and retailer policies in the second half of fiscal 2023 related to unstructured market activity, and lower conversion of travelers to consumers. In mainland China, net sales declined, primarily driven by the impacts from the ongoing softness in overall prestige beauty reflecting subdued consumer confidence.

Partially offsetting these decreases in skin care net sales for the nine months ended March 31, 2024 were higher net sales from The Ordinary, driven by growth in every geographic region, reflecting continued success of hero products, new product launches and targeted expanded consumer reach.

Skin care net sales were impacted by approximately $34 million and $52 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2024, respectively.

Reported skin care net sales increased 8% for the three months ended March 31, 2024, driven by an increase from pricing of 14%, due to the favorable impact from strategic pricing actions and changes in mix, partially offset by the decrease from volume of 4% and the unfavorable impact from foreign currency translation of 2%.

Reported skin care net sales decreased 9% for the nine months ended March 31, 2024, driven by the decrease from volume of 15% and the unfavorable impact of foreign currency translation of 1%. Partially offsetting these decreases was an increase from pricing of 6%, due to the favorable impact from strategic pricing actions and changes in mix.

Makeup

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Net sales	$ 1,136	$ 1,104	$ 3,365	$ 3,424
$ Change from prior-year period	32		(59)	
% Change from prior-year period	3 %		(2)%	
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency	4 %		(2)%	

[1] See "Reconciliations of Non-GAAP Financial Measures" beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported makeup net sales increased for the three months ended March 31, 2024, reflecting higher net sales from Estée Lauder and Clinique, combined, of approximately $55 million. The increase in net sales from Estée Lauder was primarily driven by our Asia travel retail business. The growth in Asia travel retail was driven by higher shipments reflecting significant sequential improvement in retail sales trends and continued progress in achieving targeted retailer inventory levels as well as lower shipments in the prior-year period due, in part, to transitory headwinds. Net sales from Clinique increased, primarily driven by the success of hero products.

Partially offsetting the increase in makeup net sales for the three months ended March 31, 2024 was lower net sales from Bobbi Brown, primarily driven by declines across the foundation, eye and lip subcategories.

Reported makeup net sales decreased for the nine months ended March 31, 2024, reflecting lower net sales from M·A·C and Estée Lauder, combined, of approximately $88 million. Net sales from M·A·C decreased, primarily due to the unfavorable year-over-year impact resulting from the recognition of previously deferred revenue due to changes to the BACK 2 M·A·C take-back program during the fiscal 2023 second quarter, the phasing out of select products in preparation for new product launches, partially offset by the success of new product launches. The decrease in net sales from Estée Lauder was primarily driven by a decline in our Asia travel retail business. For the nine months ended March 31, 2024, Asia travel retail net sales declined, primarily driven by the actions that we and our retailers took to reset retailer inventory levels, including the response to changes in government regulatory and retailer policies during the second half of fiscal 2023 related to unstructured market activity, and lower conversion of travelers to consumers. Also partially offsetting the decrease in net sales from Estée Lauder was the success of recent product launches.

Partially offsetting the makeup net sales decrease for the nine months ended March 31, 2024 were higher net sales from Clinique, primarily driven by the success of hero products.

Makeup net sales were impacted by approximately $10 million of unfavorable foreign currency translation for the three months ended March 31, 2024.

Reported makeup net sales increased 3% for the three months ended March 31, 2024, driven by an increase from pricing of 6%, due to the favorable impact from strategic pricing actions, partially offset by changes in mix. Partially offsetting this increase was the decrease from volume of 2% and the unfavorable impact of foreign currency translation of 1%.

Reported makeup net sales decreased 2% for the nine months ended March 31, 2024, driven by the decrease from volume of 5%, partially offset by an increase from pricing of 4%, due to the favorable impact from strategic pricing actions, partially offset by changes in mix.

Fragrance

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Net sales	$ 575	$ 577	$ 1,948	$ 1,907
$ Change from prior-year period	(2)		41	
% Change from prior-year period	— %		2 %	
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency	1 %		2 %	

[1] See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported fragrance net sales were virtually flat for the three months ended March 31, 2024, including the unfavorable impact of foreign currency translation of 1%. Reported fragrance net sales reflected lower net sales from Estée Lauder, the unfavorable year-over-year impact of residual net sales in fiscal 2023 related to the transition of licenses due to the license terminations related to certain of our designer fragrances effective June 30, 2022, and lower net sales from TOM FORD, combined, of approximately $33 million. Net sales from Estée Lauder decreased, primarily driven by lower net sales from the Beautiful, Estée Lauder Pleasures and Modern Muse product franchises. Net sales from TOM FORD decreased, primarily reflecting strong performance in the prior-year period within our Asia travel retail business. Partially offsetting these decreases were higher net sales from Jo Malone London and Le Labo, combined, of approximately $24 million. The increase in net sales from Jo Malone London for the three months ended March 31, 2024, was driven by the success of hero products and recent product launches. Net sales from Le Labo increased, primarily reflecting targeted expanded consumer reach, including the brand's launch in mainland China during the fiscal 2023 fourth quarter and success of hero products.

Reported fragrance net sales increased for the nine months ended March 31, 2024, primarily driven by higher net sales from Le Labo and Jo Malone London, combined, of approximately $82 million. Net sales from Le Labo increased, primarily reflecting growth of hero products, including the successful City Exclusive collection, targeted expanded consumer reach, including the brand's launch in mainland China during the fiscal 2023 fourth quarter, and new product launches. Net sales from Jo Malone London increased, primarily driven by the success of hero products.

Partially offsetting the increase in fragrance net sales for the nine months ended March 31, 2024, was the unfavorable year-over-year impact of residual net sales in fiscal 2023 related to the transition of licenses due to the license terminations related to certain of our designer fragrances effective June 30, 2022, and lower net sales from Estée Lauder, combined, of approximately $72 million. The decrease in net sales from Estée Lauder for the nine months ended March 31, 2024 was driven by lower net sales from the Beautiful product franchise.

Fragrance net sales were impacted by approximately $7 million and $4 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2024, respectively.

Reported fragrance net sales were virtually flat for the three months ended March 31, 2024, driven by the decrease from volume of 7% and the unfavorable impact from foreign currency translation of 1%. These decreases were partially offset by an increase from pricing of 7%, due to the favorable impact from strategic pricing actions and changes in mix.

Reported fragrance net sales increased 2% for the nine months ended March 31, 2024, driven by an increase from pricing of 5%, due to the favorable impact from strategic pricing actions, partially offset by changes in mix. This increase was partially offset by the decrease from volume of 3%.

Hair Care

($ in millions)	Three Months Ended March 31		Nine Months Ended March 31	
	2024	2023	2024	2023
As Reported:				
Net sales	$ 143	$ 148	$ 464	$ 488
$ Change from prior-year period	(5)		(24)	
% Change from prior-year period	(3)%		(5)%	
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency	(4)%		(6)%	

[1] See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported hair care net sales decreased for the three and nine months ended March 31, 2024, driven by lower net sales from Aveda, driven by declines in North America, primarily reflecting softness in the salon and direct-to-consumer channels.

Hair care net sales were impacted by approximately $1 million and $3 million of favorable foreign currency translation for the three and nine months ended March 31, 2024, respectively.

Reported hair care net sales decreased 3% for the three months ended March 31, 2024, driven by the decrease from volume of 18%. This decrease was partially offset by the increase from pricing of 14%, due to the favorable impact from strategic pricing actions and changes in mix, and the favorable impact from foreign currency translation of 1%.

Reported hair care net sales decreased 5% for the nine months ended March 31, 2024, driven by the decrease from volume of 13%. This decrease was partially offset by the increase from pricing of 8%, due to the favorable impact from strategic pricing actions and changes in mix, and the favorable impact of foreign currency translation of 1%.

Geographic Regions

We strategically time our new product launches by geographic market, which may account for differences in regional sales growth.

The Americas

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Net sales	$ 1,117	$ 1,089	$ 3,567	$ 3,447
$ Change from prior-year period	28		120	
% Change from prior-year period	3 %		3 %	
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency	2 %		3 %	

(1) See "Reconciliations of Non-GAAP Financial Measures" beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

The increase in reported net sales in The Americas for the three months ended March 31, 2024 was primarily driven by an increase in net sales in Mexico, the United States, and Brazil, combined, of approximately $28 million. Net sales in Mexico and Brazil increased, primarily reflecting growth in makeup, led by M·A·C. The increase in net sales in the United States primarily reflected incremental royalty revenue associated with the fiscal 2023 fourth quarter acquisition of the TOM FORD brand and growth in fragrance, driven by our luxury fragrances, partially offset by a decline in makeup, driven by the unfavorable year-over-year impact resulting from the recognition of previously deferred revenue due to changes to the BACK 2 M·A·C take back program during the fiscal 2023 second quarter.

The increase in reported net sales in The Americas for the nine months ended March 31, 2024 was primarily driven by an increase in the United States, Mexico, and Brazil, combined, of approximately $108 million. The increase in net sales in the United States primarily reflected growth in fragrance, driven by our luxury fragrances, incremental royalty revenue associated with the fiscal 2023 fourth quarter acquisition of the TOM FORD brand, and higher net sales in skin care, led by The Ordinary, partially offset by the unfavorable year-over-year impact resulting from the recognition of previously deferred revenue due to changes to the BACK 2 M·A·C take back program during the fiscal 2023 second quarter and lower net sales in hair care, led by Aveda. Net sales in Mexico and Brazil increased, driven by growth in makeup, led by M·A·C.

Net sales in The Americas were impacted by approximately $3 million and $1 million of favorable foreign currency translation for the three and nine months ended March 31, 2024, respectively.

Reported net sales in The Americas increased 3% for the three months ended March 31, 2024, driven by an increase from pricing of 7%, due to the favorable impact from strategic pricing actions and changes in mix, and the impact from the royalty revenue from the fiscal 2023 fourth quarter acquisition of the TOM FORD brand of 1%. These increases were partially offset by a decrease from volume of 6%.

Reported net sales in The Americas increased 3% for the nine months ended March 31, 2024, driven by an increase from pricing of 2%, due to the favorable impact of strategic pricing actions, partially offset by changes in mix, and the impact from the royalty revenue from the fiscal 2023 fourth quarter acquisition of the TOM FORD brand of 1%. The impact from volume was virtually flat.

Europe, the Middle East & Africa

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Net sales	$ 1,647	$ 1,474	$ 4,488	$ 4,972
$ Change from prior-year period	173		(484)	
% Change from prior-year period	12 %		(10)%	
Non-GAAP Financial Measure[1]:				
% Change from prior-year period in constant currency	12 %		(11)%	

(1) See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales increased in Europe, the Middle East & Africa for the three months ended March 31, 2024, primarily driven by higher net sales from our Asia travel retail business. The growth in Asia travel retail was driven by higher shipments reflecting significant sequential improvement in retail sales trends and continued progress in achieving targeted retailer inventory levels as well as lower shipments in the prior-year period due, in part, to transitory headwinds.

Reported net sales decreased in Europe, the Middle East & Africa for the nine months ended March 31, 2024, primarily driven by lower net sales from our Asia travel retail business. For the nine months ended March 31, 2024, Asia travel retail net sales declined, primarily driven by the actions that we and our retailers took to reset retailer inventory levels, including the response to changes in government regulatory and retailer policies during the second half of fiscal 2023 related to unstructured market activity, and lower conversion of travelers to consumers.

Partially offsetting the decrease in Europe, the Middle East & Africa for the nine months ended March 31, 2024 were higher net sales in the United Kingdom, primarily driven by strong performance by The Ordinary.

Net sales in Europe, the Middle East & Africa were impacted by approximately $1 million and $53 million of favorable foreign currency translation for the three and nine months ended March 31, 2024, respectively.

Reported net sales in Europe, the Middle East & Africa increased 12% for the three months ended March 31, 2024, driven by an increase from pricing of 13%, due to the favorable impact from strategic pricing actions and changes in mix, partially offset by the decrease from volume of 1%.

Reported net sales in Europe, the Middle East & Africa decreased 10% for the nine months ended March 31, 2024, driven by the decrease from volume of 17%. This decrease was partially offset by the increase from pricing of 6%, due to the favorable impact from strategic pricing actions, partially offset by changes in mix, and the favorable impact from foreign currency translation of 1%.

Asia/Pacific

	Three Months Ended March 31		Nine Months Ended March 31	
($ in millions)	2024	2023	2024	2023
As Reported:				
Net sales	$ 1,176	$ 1,192	$ 3,683	$ 3,892
$ Change from prior-year period	(16)		(209)	
% Change from prior-year period	(1)%		(5)%	
Non-GAAP Financial Measure[(1)]:				
% Change from prior-year period in constant currency	3 %		(3)%	

(1) See "Reconciliations of Non-GAAP Financial Measures" beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported net sales decreased in Asia/Pacific for the three months ended March 31, 2024, primarily driven by the unfavorable impact of foreign currency translation of 5%, resulting in a decrease in net sales in mainland China, and lower net sales in Korea, led by the Dr.Jart+ travel retail business in Korea, and Australia, combined, of approximately $41 million. Partially offsetting the unfavorable impact of foreign currency translation in mainland China was higher net sales as a result of lower retail traffic in the beginning of the prior-year period due to the rise in COVID-19 cases. Net sales in Korea, led by the Dr.Jart+ travel retail business in Korea, decreased, reflecting the timing impact on Dr.Jart+ from new government regulations during the fiscal 2024 third quarter to further control unstructured market activity, as well as lower conversion. The decrease in net sales in Australia was primarily driven by an unfavorable impact due to timing of shipments compared to the prior-year period.

Reported net sales decreased in Asia/Pacific for the nine months ended March 31, 2024, reflecting lower net sales from mainland China, primarily driven by the impacts from the ongoing softness in overall prestige beauty reflecting subdued consumer confidence.

Partially offsetting the net sales decrease in Asia/Pacific for the three and nine months ended March 31, 2024 was an increase in net sales in Hong Kong SAR, primarily driven by the resumption of travel from mainland China to Hong Kong SAR due to the lifting of travel restrictions which began during the fiscal 2023 third quarter.

Net sales in Asia/Pacific were impacted by approximately $55 million and $108 million of unfavorable foreign currency translation for the three and nine months ended March 31, 2024, respectively.

Reported net sales in Asia/Pacific decreased 1% for the three months ended March 31, 2024, driven by the decrease from volume of 7% and the unfavorable impact from foreign currency translation of 5%. Partially offsetting these decreases was an increase from pricing of 10%, due to the favorable impact from strategic pricing actions and changes in mix.

Reported net sales in Asia/Pacific decreased 5% for the nine months ended March 31, 2024, driven by the decrease from volume of 10% and the unfavorable impact from foreign currency translation of 3%. Partially offsetting these decreases was an increase from pricing of 8%, due to the favorable impact from strategic pricing actions and changes in mix.

GROSS MARGIN

Gross margin increased to 71.9% and decreased to 71.6% for the three and nine months ended March 31, 2024, respectively, as compared with 69.1% and 72.4% in the prior-year periods.

	Favorable (Unfavorable) Basis Points	
	March 31, 2024	
	Three Months Ended	Nine Months Ended
Mix of business	460	125
Obsolescence charges	125	—
Manufacturing costs and other	(230)	(120)
Foreign exchange transactions	(75)	(85)
Total	280	(80)

The increase in gross margin for the three months ended March 31, 2024 reflected the favorable impact from our mix of business, primarily driven by the increase in skin care net sales, strategic pricing actions, and the favorable impact from the shift of manufacturing production volume from third-party manufacturers to our own facilities and increased automation for The Ordinary. Obsolescence charges decreased for the three months ended March 31, 2024, primarily reflecting increased charges in the prior-year period due to lower demand, as well as our progress to reduce excess inventory. The unfavorable impacts from manufacturing costs and other was driven primarily by the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales, partially offset by favorability in freight and transportation costs.

The decrease in gross margin for the nine months ended March 31, 2024 reflected unfavorable impacts from higher manufacturing costs and other, driven primarily by the under absorption of manufacturing variances due to lower production volumes in the second half of fiscal 2023 as well as the impact from the recognition of reduced manufacturing volumes on our standard cost within cost of sales in the fiscal 2024 third quarter, partially offset by favorability in freight and transportation costs. The favorable impact from our mix of business was primarily driven by strategic pricing actions, and the favorable impact from the shift of manufacturing production volume from third-party manufacturers to our own facilities and increased automation for The Ordinary.

OPERATING EXPENSES

Operating expenses as a percentage of net sales was 58.4% and 61.4% for the three and nine months ended March 31, 2024, respectively, as compared with 61.2% and 60.0% in the prior-year periods.

	Favorable (Unfavorable) Basis Points	
	March 31, 2024	
	Three Months Ended	Nine Months Ended
General and administrative expenses	50	(30)
Advertising, merchandising, sampling and product development	240	(50)
Selling	40	(80)
Stock-based compensation	(30)	(60)
Store operating costs	(70)	(90)
Shipping	50	10
Foreign exchange transactions	20	10
Subtotal	300	(290)
Charges associated with restructuring and other activities	(10)	—
Other intangible asset impairments	—	170
Changes in fair value of acquisition-related stock options	(10)	(20)
Total	280	(140)

The favorable change in operating expense margin for the three months ended March 31, 2024 was primarily driven by lower overall advertising and promotional expenses, due to disciplined expense management, while we continued to strategically invest in higher growth opportunities. Partially offsetting the favorable operating expense margin were higher store operating costs, driven by targeted expanded consumer reach.

The unfavorable change in operating expense margin for the nine months ended March 31, 2024 was driven by higher store operating costs and selling expenses as we continue to invest in our business including through targeted expanded consumer reach and increased demonstration expenses, as well as an increase in stock-based compensation, primarily driven by the unfavorable year-over-year comparisons in the recognition of expenses, and adjustments related to our performance share units. The unfavorable impact of advertising, merchandising, sampling and product development expenses was driven by the decrease in net sales.

THE ESTÉE LAUDER COMPANIES INC.

OPERATING RESULTS

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Operating income	$ 531	$ 297	$ 1,203	$ 1,514
$ Change from prior-year period	234		(311)	
% Change from prior-year period	79 %		(21)%	
Operating margin	13.5 %	7.9 %	10.2 %	12.3 %
Non-GAAP Financial Measure[1]:				
% Change in operating income from the prior-year period adjusting for the impact of charges associated with restructuring and other activities, other intangible asset impairments and the change in fair value of acquisition-related stock options	75 %		(29)%	

[1] See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

The increase in reported operating margin for the three months ended March 31, 2024 was primarily driven by an increase in net sales, an increase in gross margin, and a decrease in operating expense margin, discussed above.

The decrease in reported operating margin for the nine months ended March 31, 2024 was primarily driven by a decrease in net sales, decrease in gross margin and the increase in operating expense margin, discussed above.

Charges associated with restructuring and other activities are not allocated to our product categories or geographic regions because they are centrally directed and controlled, are not included in internal measures of product category or geographic region performance and result from activities that are deemed Company-wide initiatives to redesign, resize and reorganize select areas of the business. Accordingly, the following discussions of Operating income by Product Categories and Geographic Regions exclude the impact of charges associated with restructuring and other activities for the three and nine months ended March 31, 2024 of $18 million and $28 million, and for the three and nine months ended March 31, 2023 of $18 million and $33 million, respectively.

Product Categories

Skin Care

($ in millions)	Three Months Ended March 31		Nine Months Ended March 31	
	2024	2023	2024	2023
As Reported:				
Operating income	$ 468	$ 269	$ 920	$ 1,238
$ Change from prior-year period	199		(318)	
% Change from prior-year period	74 %		(26)%	
Non-GAAP Financial Measure[1]:				
% Change in operating income from the prior-year period adjusting for the impact of other intangible asset impairments and the change in fair value of acquisition-related stock options	75 %		(31)%	

[1] See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported skin care operating income increased for the three months ended March 31, 2024, reflecting higher operating results from La Mer and Estée Lauder, combined, of approximately $222 million. The increase in operating income from La Mer was primarily driven by an increase in net sales. Operating income from Estée Lauder increased, primarily reflecting a decrease in cost of sales, due in part to lower freight and transportation costs and obsolescence charges as well as a decrease in promotional items, disciplined advertising and promotional expense management, and an increase in net sales. The increase in skin care operating income for the three months ended March 31, 2024 was partially offset by the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales.

Reported skin care operating income decreased for the nine months ended March 31, 2024, reflecting lower operating results from Estée Lauder and Clinique, combined, of approximately $322 million, primarily driven by a decrease in net sales, partially offset by disciplined advertising and promotional expense management. Also contributing to the decrease in operating results from Estée Lauder was lower shipping costs due to the decrease in net sales. Also contributing to the decrease in skin care operating income for the nine months ended March 31, 2024 was the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales.

Partially offsetting the decrease in skin care operating income for the nine months ended March 31, 2024 was the favorable year-over-year impact of the fiscal 2023 second quarter other intangible asset impairment related to Dr.Jart+ of $100 million, as well as higher operating results from The Ordinary, primarily driven by an increase in net sales and a decrease in cost of sales due in part to the favorable impact from the shift of manufacturing production volume from third-party manufacturers to our own facilities, increased automation within such facilities, and lower obsolescence charges. Partially offsetting the increase in operating income from The Ordinary was an increase in advertising and promotional activities as the brand continues to invest and support the growth of the business.

THE ESTÉE LAUDER COMPANIES INC.

Makeup

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Operating income (loss)	$ 66	$ (5)	$ 56	$ (9)
$ Change from prior-year period	71		65	
% Change from prior-year period	100+%		100+%	
Non-GAAP Financial Measure[(1)]:				
% Change in operating income from the prior-year period adjusting for the impact of other intangible asset impairments	100+%		(43)%	

(1) See "Reconciliations of Non-GAAP Financial Measures" beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported makeup operating income increased for the three months ended March 31, 2024, primarily reflecting higher operating results from Estée Lauder, Clinique, M·A·C, and TOM FORD, combined, of approximately $101 million. The increase in operating results from Estée Lauder was primarily driven by an increase in net sales and disciplined advertising and promotional expense management. Operating income from Clinique increased, primarily driven by an increase in net sales and a decrease in cost of sales, due in part to a decrease in promotional items. The increase in operating results from M·A·C was primarily driven by lower cost of sales reflecting lower freight and transportation costs compared to the prior-year period and disciplined advertising and promotional expense management. Operating results from TOM FORD increased, primarily driven by disciplined advertising and promotional expense management, lower cost of sales, due in part to lower obsolescence charges, and a decrease in royalty expense as a result of the fiscal 2023 fourth quarter acquisition of TOM FORD brand, partially offset by a decrease in net sales.

The increase in makeup operating income for the three months ended March 31, 2024 was partially offset by the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales.

Reported makeup operating income increased for the nine months ended March 31, 2024, primarily reflecting the favorable year-over-year impact of other intangible asset impairments related to Too Faced and Smashbox of $107 million, and higher results from Clinique and TOM FORD, combined, of approximately $70 million. The increase in operating income from Clinique was primarily driven by an increase in net sales. Operating income from TOM FORD increased, primarily driven by lower cost of sales due in part to lower freight and transportation costs compared to the prior-year period and a decrease in royalty expense as a result of the fiscal 2023 fourth quarter acquisition of TOM FORD brand.

Partially offsetting the increase in makeup operating income for the nine months ended March 31, 2024, was lower operating results from M·A·C, primarily driven by a decrease in net sales, partially offset by disciplined advertising and promotional expense management. Also partially offsetting the increase in makeup operating income for the nine months ended March 31, 2024 was the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales, and an increase in general and administrative expenses, reflecting higher employee-related costs, primarily driven by the increase to stock-based compensation related to the unfavorable year-over-year comparisons in the recognition of expenses, as well as adjustments related to our performance share units, and annual increases to salaries and wages, partially offset by lower incentive compensation.

Fragrance

($ in millions)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
As Reported:				
Operating income	$ 29	$ 66	$ 267	$ 343
$ Change from prior-year period	(37)		(76)	
% Change from prior-year period	(56)%		(22)%	

Reported fragrance operating income decreased for the three months ended March 31, 2024, reflecting lower operating results from TOM FORD and Le Labo, combined, of approximately $12 million. The decrease in operating income from TOM FORD was primarily driven by a decrease in net sales, higher cost of sales, due in part to an increase in promotional items, higher advertising and promotional expenses and an increase in general and administrative expenses, as the brand continues to invest in and support the growth of the business, partially offset by a decrease in royalty expense as a result of the fiscal 2023 fourth quarter acquisition of TOM FORD brand. Operating income from Le Labo decreased, primarily driven by higher advertising and promotional activities to support the growth of the business, higher store operating costs and higher selling expenses, due to targeted expanded consumer reach, partially offset by an increase in net sales. Also contributing to the decrease in fragrance operating income for the three months ended March 31, 2024 was the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales.

Partially offsetting the fragrance operating income decrease for the three months ended March 31, 2024, was higher operating results from Jo Malone London, primarily driven by an increase in net sales and lower cost of sales due to a shift in product mix to colognes, which typically have higher margins, partially offset by an increase in selling expenses due to an increase in demonstration expenses compared to the prior-year period and higher store operating costs due to targeted expanded consumer reach.

Reported fragrance operating income decreased for the nine months ended March 31, 2024, primarily driven by lower operating results from TOM FORD and Clinique, combined, of approximately $31 million. The decrease in operating income from TOM FORD was primarily driven by higher cost of sales, due in part to an increase in promotional items, higher advertising and promotional expenses to support new product launches, higher selling expenses due to an increase in demonstration expenses compared to the prior-year period, and an increase in general and administrative expenses as the brand continues to invest and support the growth of the business, partially offset by a decrease in royalty expense as a result of the fiscal 2023 fourth quarter acquisition of TOM FORD brand and an increase in net sales. Operating income from Clinique decreased, primarily driven by a decrease in net sales. Also contributing to the decrease in fragrance operating income for the nine months ended March 31, 2024 was an increase in general and administrative expenses, reflecting higher employee-related costs, primarily driven by the increase in stock-based compensation related to the unfavorable year-over-year comparisons in the recognition of expenses, as well as adjustments related to our performance share units, and annual increases to salaries and wages, partially offset by lower incentive compensation, and the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales.

Hair Care

	Three Months Ended March 31		Nine Months Ended March 31	
($ in millions)	2024	2023	2024	2023
As Reported:				
Operating loss	$ (25)	$ (24)	$ (50)	$ (32)
$ Change from prior-year period	(1)		(18)	
% Change from prior-year period	(4)%		(56)%	

Reported hair care operating loss remained virtually flat for the three months ended March 31, 2024. reflecting the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales, offset by an increase in the operating results from Aveda and Bumble and bumble, combined, of approximately $11 million. Operating results from Aveda increased, primarily driven by disciplined advertising and promotional expense management, lower general and administrative expenses, partially offset by a decrease in net sales. The increase in operating results from Bumble and bumble was driven by a decrease in cost of sales, primarily reflecting the favorable impact of product mix and a decrease in promotional activities due to disciplined expense management, and an increase in net sales.

Reported hair care operating results decreased for the nine months ended March 31, 2024, primarily reflecting the decrease in net sales and the recognition of the impact of reduced manufacturing volumes on our standard cost within cost of sales, partially offset by the benefit from disciplined advertising and promotional expense management.

Geographic Regions

The Americas

	Three Months Ended March 31		Nine Months Ended March 31	
($ in millions)	**2024**	**2023**	**2024**	**2023**
As Reported:				
Operating loss	$ (6)	$ (93)	$ (243)	$ (53)
$ Change from prior-year period	87		(190)	
% Change from prior-year period	94 %		(100+)%	
Non-GAAP Financial Measure[(1)]:				
% Change in operating income from the prior-year period adjusting for the impact of other intangible asset impairments and change in fair value of acquisition-related stock options	99 %		(100+)%	

(1) See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

The reported operating loss decreased in The Americas for the three months ended March 31, 2024, primarily reflecting higher intercompany royalty income of $86 million compared to the prior-year period, driven by an increase in net sales in our travel retail business, and an increase in net sales, partially offset by an increase in stock-based compensation, due to the unfavorable year-over-year comparisons as a result of adjustments related to our performance share units.

Reported operating results decreased in The Americas for the nine months ended March 31, 2024, primarily reflecting lower operating results from the United States, primarily driven by lower intercompany royalty income of $184 million compared to the prior-year period, driven by a decrease in net sales in our travel retail business, and an increase in stock-based compensation, due to the unfavorable year-over-year comparisons in the recognition of expenses, as well as adjustments related to our performance share units. Partially offsetting the lower operating results in the United States was the favorable year-over-year impact of other intangible asset impairments relating to Too Faced and Smashbox of $107 million during the fiscal 2023 second quarter, and an increase in net sales.

Europe, the Middle East & Africa

	Three Months Ended March 31		Nine Months Ended March 31	
($ in millions)	**2024**	**2023**	**2024**	**2023**
As Reported:				
Operating income	$ 302	$ 176	$ 825	$ 919
$ Change from prior-year period	126		(94)	
% Change from prior-year period	72 %		(10)%	

Reported operating income increased in Europe, the Middle East & Africa for the three months ended March 31, 2024, primarily driven by higher operating results from our travel retail business and the United Kingdom, combined, of approximately $117 million. The higher operating results from our travel retail business were primarily due to an increase in net sales, partially offset by the associated increase in intercompany royalty expense to The Americas of $86 million. Operating income in the United Kingdom increased, led by The Ordinary, primarily reflecting lower cost of sales due to a favorable impact from the shift of manufacturing production volume from third-party manufacturers to our own facilities, increased automation within such facilities, and lower obsolescence charges.

Reported operating income decreased in Europe, the Middle East & Africa for the nine months ended March 31, 2024, primarily driven by lower results from our travel retail business, primarily due to a decrease in net sales, partially offset by the associated decrease in intercompany royalty expense to The Americas of $184 million.

Partially offsetting the decrease in operating income in Europe, the Middle East & Africa for the nine months ended March 31, 2024, were higher results from the United Kingdom, primarily led by The Ordinary, reflecting an increase in net sales and a decrease in cost of sales, due to a favorable impact from the shift of manufacturing production volume from third-party manufacturers to our own facilities, increased automation within such facilities, and lower obsolescence charges, partially offset by an increase in selling expenses and advertising and promotional expenses to support the growth of the business.

Asia/Pacific

	Three Months Ended March 31		**Nine Months Ended March 31**	
($ in millions)	**2024**	**2023**	**2024**	**2023**
As Reported:				
Operating income	$ 253	$ 232	$ 649	$ 681
$ Change from prior-year period	21		(32)	
% Change from prior-year period	9 %		(5)%	
Non-GAAP Financial Measure[1]:				
% Change in operating income from the prior-year period adjusting for the impact of other intangible asset impairments	9 %		(17)%	

[1] See “Reconciliations of Non-GAAP Financial Measures” beginning on page 61 for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

Reported operating income increased in Asia/Pacific for the three months ended March 31, 2024, primarily driven by higher results in mainland China and Hong Kong SAR, combined, of approximately $37 million. The increase in operating results from mainland China was primarily driven by disciplined advertising and promotional expense management, partially offset by higher store operating costs, driven by an unfavorable comparison from a commission rebate benefit received in the prior-year period. Operating results in Hong Kong SAR increased, primarily driven by an increase in net sales.

Partially offsetting the increase in operating income in Asia/Pacific for the three months ended March 31, 2024, was lower results from Japan, primarily reflecting higher cost of sales, driven by our new manufacturing facility near Tokyo which began limited production in fiscal 2023.

Reported operating income decreased in Asia/Pacific for the nine months ended March 31, 2024, primarily driven by lower results in mainland China, Japan, Taiwan and Thailand, combined, of approximately $145 million. The decrease in operating income in mainland China was primarily driven by a decrease in net sales, partially offset by disciplined advertising and promotional expense management. Operating income in Japan decreased, primarily reflecting higher cost of sales driven by our new manufacturing facility near Tokyo which began limited production in fiscal 2023. The decrease in operating results in Taiwan and Thailand were primarily driven by decreases in net sales.

Partially offsetting the decrease in operating income in Asia/Pacific for the nine months ended March 31, 2024 was higher operating results from Korea, led by the Dr.Jart+ travel retail business in Korea, and Hong Kong SAR, combined, of approximately $121 million. The increase in operating income from Korea, led by the Dr.Jart+ travel retail business in Korea, was primarily driven by the favorable year-over-year impact of the fiscal 2023 second quarter other intangible asset impairment relating to Dr. Jart+ of $100 million, partially offset by a decrease in net sales. Operating results from Hong Kong SAR increased, primarily driven by an increase in net sales, partially offset by an increase in advertising and promotional expenses to support the resumption of travel from mainland China to Hong Kong SAR due to the lifting of travel restrictions which began during the fiscal 2023 third quarter, as well as an increase in store operating costs driven by increased sales.

INTEREST AND INVESTMENT INCOME

	Three Months Ended March 31		Nine Months Ended March 31	
(In millions)	2024	2023	2024	2023
Interest expense	$ 94	$ 58	$ 287	$ 156
Interest income and investment income, net	$ 45	$ 37	$ 126	$ 78

Interest expense increased for the three and nine months ended March 31, 2024, primarily reflecting a higher debt balance, due in part to the financing of our acquisition of the TOM FORD brand and the issuance of Senior Notes in May 2023. Also contributing to the increase in interest expense was higher interest rates compared to the prior-year period. Interest income and investment income, net increased in both periods, primarily reflecting higher interest rates compared to the prior-year period.

PROVISION FOR INCOME TAXES

The provision for income taxes represents U.S. federal, foreign, state and local income taxes. The effective rate differs from the federal statutory rate primarily due to the effect of state and local income taxes, the tax impact of share-based compensation, the taxation of foreign income and income tax reserve adjustments, which represent changes in our net liability for unrecognized tax benefits including tax settlements and lapses of the applicable statutes of limitations. Our effective tax rate will change from quarter-to-quarter based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes, tax reserve adjustments, the tax impact of share-based compensation, the interaction of various global tax strategies and the impact from certain acquisitions. In addition, changes in judgment from the evaluation of new information resulting in the recognition, derecognition or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of change.

	Three Months Ended March 31		Nine Months Ended March 31	
	2024	2023	2024	2023
Effective rate for income taxes	31.1 %	44.6 %	33.9 %	27.9 %
Basis-point change from the prior-year period	(1,350)		600	

For the three months ended March 31, 2024, the decrease in the effective tax rate was primarily attributable to a lower effective tax rate on our foreign operations due to the timing of the estimated change in our full year geographical mix of earnings in the current and prior-year periods, partially offset by the unfavorable impact associated with previously issued stock-based compensation.

For the nine months ended March 31, 2024, the increase in the effective tax rate was primarily attributable to a higher effective tax rate on our foreign operations due to our geographical mix of earnings for fiscal 2024, and the unfavorable impact associated with previously issued stock-based compensation.

NET EARNINGS ATTRIBUTABLE TO THE ESTÉE LAUDER COMPANIES INC.

	Three Months Ended March 31		Nine Months Ended March 31	
($ in millions, except per share data)	2024	2023	2024	2023
As Reported:				
Net earnings attributable to The Estée Lauder Companies Inc.	$ 330	$ 156	$ 674	$ 1,039
$ Change from prior-year period	174		(365)	
% Change from prior-year period	100+%		(35)%	
Diluted net earnings per common share	$ .91	$ .43	$ 1.87	$ 2.88
% Change from prior-year period	100+%		(35)%	
Non-GAAP Financial Measure[(1)]:				
% Change in diluted net earnings per common share from the prior-year period adjusting for the impact of charges associated with restructuring and other activities, other intangible asset impairments and the change in fair value of acquisition-related stock options	100+%		(42)%	

(1) See “Reconciliations of Non-GAAP Financial Measures” below for reconciliations between non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

RECONCILIATIONS OF NON-GAAP FINANCIAL MEASURES

We use certain non-GAAP financial measures, among other financial measures, to evaluate our operating performance, which represent the manner in which we conduct and view our business. Management believes that excluding certain items that are not comparable from period to period, or do not reflect the Company’s underlying ongoing business, provides transparency for such items and helps investors and others compare and analyze our operating performance from period to period. In the future, we expect to incur charges or adjustments similar in nature to those presented below; however, the impact to the Company’s results in a given period may be highly variable and difficult to predict. Our non-GAAP financial measures may not be comparable to similarly titled measures used by, or determined in a manner consistent with, other companies. While we consider the non-GAAP measures useful in analyzing our results, they are not intended to replace, or act as a substitute for, any presentation included in the consolidated financial statements prepared in conformity with U.S. GAAP. The following tables present Net sales, Operating income and Diluted net earnings per common share adjusted to exclude the impact of charges associated with restructuring and other activities; the change in fair value of acquisition-related stock options; other intangible asset impairments; and the effects of foreign currency translation.

The following tables provide reconciliations between these non-GAAP financial measures and the most directly comparable U.S. GAAP measures.

THE ESTÉE LAUDER COMPANIES INC.

($ in millions, except per share data)	Three Months Ended March 31 2024	Three Months Ended March 31 2023	Variance	% Change	% Change in constant currency
Net sales, as reported	$ 3,940	$ 3,751	$ 189	5 %	6 %
Returns associated with restructuring and other activities	—	4	(4)		
Net sales, as adjusted	$ 3,940	$ 3,755	$ 185	5 %	6 %
Operating income, as reported	$ 531	$ 297	$ 234	79 %	87 %
Charges associated with restructuring and other activities	18	18	—		
Change in fair value of acquisition-related stock options	5	1	4		
Operating income, as adjusted	$ 554	$ 316	$ 238	75 %	83 %
Diluted net earnings per common share, as reported	$ .91	$ .43	$ .48	100+%	100+%
Charges associated with restructuring and other activities	.04	.04	—		
Change in fair value of acquisition-related stock options (less portion attributable to redeemable noncontrolling interest)	.02	—	.02		
Diluted net earnings per common share, as adjusted	$ .97	$ .47	$ .50	100+%	100+%

THE ESTÉE LAUDER COMPANIES INC.

($ in millions, except per share data)	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023	Variance	% Change	% Change in constant currency
Net sales, as reported	$ 11,737	$ 12,301	$ (564)	(5)%	(4)%
Returns associated with restructuring and other activities	1	10	(9)		
Net sales, as adjusted	$ 11,738	$ 12,311	$ (573)	(5)%	(4)%
Operating income, as reported	$ 1,203	$ 1,514	$ (311)	(21)%	(18)%
Charges associated with restructuring and other activities	28	33	(5)		
Other intangible asset impairments	—	207	(207)		
Change in fair value of acquisition-related stock options	8	(2)	10		
Operating income, as adjusted	$ 1,239	$ 1,752	$ (513)	(29)%	(27)%
Diluted net earnings per common share, as reported	$ 1.87	$ 2.88	$ (1.01)	(35)%	(32)%
Charges associated with restructuring and other activities	.06	.07	(.01)		
Other intangible asset impairments	—	.44	(.44)		
Change in fair value of acquisition-related stock options (less portion attributable to redeemable noncontrolling interest)	.02	(.01)	.03		
Diluted net earnings per common share, as adjusted	$ 1.95	$ 3.38	$ (1.43)	(42)%	(40)%

As diluted net earnings per common share, as adjusted, is used as a measure of the Company’s performance, we consider the impact of current and deferred income taxes when calculating the per-share impact of each of the reconciling items.

THE ESTÉE LAUDER COMPANIES INC.

The following tables reconcile the change in net sales by product category and geographic region, as reported, to the change in net sales excluding the effects of foreign currency translation:

($ in millions)	As Reported Three Months Ended March 31 2024	2023	Variance	Impact of foreign currency translation	Variance, in constant currency	% Change, as reported	% Change, in constant currency
By Product Category:							
Skin Care	$2,060	$1,915	$ 145	$ 34	$ 179	8 %	9 %
Makeup	1,136	1,104	32	10	42	3	4
Fragrance	575	577	(2)	7	5	—	1
Hair Care	143	148	(5)	(1)	(6)	(3)	(4)
Other	26	11	15	1	16	100+	100+
	3,940	3,755	185	51	236	5	6
Returns associated with restructuring and other activities	—	(4)	4	—	4		
Total	$3,940	$3,751	$ 189	$ 51	$ 240	5 %	6 %
By Region:							
The Americas	$1,117	$1,089	$ 28	$ (3)	$ 25	3 %	2 %
Europe, the Middle East & Africa	1,647	1,474	173	(1)	172	12	12
Asia/Pacific	1,176	1,192	(16)	55	39	(1)	3
	3,940	3,755	185	51	236	5	6
Returns associated with restructuring and other activities	—	(4)	4	—	4		
Total	$3,940	$3,751	$ 189	$ 51	$ 240	5 %	6 %

THE ESTÉE LAUDER COMPANIES INC.

($ in millions)	As Reported Nine Months Ended March 31 2024	As Reported Nine Months Ended March 31 2023	Variance	Impact of foreign currency translation	Variance, in constant currency	% Change, as reported	% Change, in constant currency
By Product Category:							
Skin Care	$ 5,873	$ 6,454	$ (581)	$ 52	$ (529)	(9)%	(8)%
Makeup	3,365	3,424	(59)	—	(59)	(2)	(2)
Fragrance	1,948	1,907	41	4	45	2	2
Hair Care	464	488	(24)	(3)	(27)	(5)	(6)
Other	88	38	50	1	51	100+	100+
	11,738	12,311	(573)	54	(519)	(5)	(4)
Returns associated with restructuring and other activities	(1)	(10)	9	—	9		
Total	$11,737	$12,301	$ (564)	$ 54	$ (510)	(5)%	(4)%
By Region:							
The Americas	$ 3,567	$ 3,447	$ 120	$ (1)	$ 119	3 %	3 %
Europe, the Middle East & Africa	4,488	4,972	(484)	(53)	(537)	(10)	(11)
Asia/Pacific	3,683	3,892	(209)	108	(101)	(5)	(3)
	11,738	12,311	(573)	54	(519)	(5)	(4)
Returns associated with restructuring and other activities	(1)	(10)	9	—	9		
Total	$11,737	$12,301	$ (564)	$ 54	$ (510)	(5)%	(4)%

THE ESTÉE LAUDER COMPANIES INC.

The following tables reconcile the change in operating results by product category and geographic region, as reported, to the change in operating income excluding the impact of other intangible asset impairments and the change in fair value of acquisition-related stock options:

	As Reported						
	Three Months Ended March 31						
($ in millions)	2024	2023	Variance	Add: Change in fair value of acquisition-related stock options	Variance, as adjusted	% Change, as reported	% Change, as adjusted
By Product Category:							
Skin Care	$ 468	$ 269	$ 199	$ 4	$ 203	74 %	75 %
Makeup	66	(5)	71	—	71	100+	100+
Fragrance	29	66	(37)	—	(37)	(56)	(56)
Hair Care	(25)	(24)	(1)	—	(1)	(4)	(4)
Other	11	9	2	—	2	22	22
	549	315	234	$ 4	$ 238	74 %	75 %
Charges associated with restructuring and other activities	(18)	(18)	0				
Total	$ 531	$ 297	$ 234				
By Region:							
The Americas	$ (6)	$ (93)	$ 87	$ 4	$ 91	94 %	99 %
Europe, the Middle East & Africa	302	176	126	—	126	72	72
Asia/Pacific	253	232	21	—	21	9	9
	549	315	234	$ 4	$ 238	74 %	75 %
Charges associated with restructuring and other activities	(18)	(18)	0				
Total	$ 531	$ 297	$ 234				

THE ESTÉE LAUDER COMPANIES INC.

($ in millions)	As Reported Nine Months Ended March 31 2024	2023	Variance	Add: Changes in Other intangible asset impairments	Add: Change in fair value of acquisition-related stock options	Variance, as adjusted	% Change, as reported	% Change, as adjusted
By Product Category:								
Skin Care	$ 920	$ 1,238	$ (318)	$ (100)	$ 10	$ (408)	(26)%	(31)%
Makeup	56	(9)	65	(107)	—	(42)	100+	(43)
Fragrance	267	343	(76)	—	—	(76)	(22)	(22)
Hair Care	(50)	(32)	(18)	—	—	(18)	(56)	(56)
Other	38	7	31	—	—	31	100+	100+
	1,231	1,547	(316)	$ (207)	$ 10	$ (513)	(20)%	(29)%
Charges associated with restructuring and other activities	(28)	(33)	5					
Total	$ 1,203	$ 1,514	$ (311)					
By Region:								
The Americas	$ (243)	$ (53)	$ (190)	$ (107)	$ 10	$ (287)	(100+)%	(100+)%
Europe, the Middle East & Africa	825	919	(94)	—	—	(94)	(10)	(10)
Asia/Pacific	649	681	(32)	(100)	—	(132)	(5)	(17)
	1,231	1,547	(316)	$ (207)	$ 10	$ (513)	(20)%	(29)%
Charges associated with restructuring and other activities	(28)	(33)	5					
Total	$ 1,203	$ 1,514	$ (311)					

FINANCIAL CONDITION

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our principal sources of funds historically have been cash flows from operations, borrowings pursuant to our commercial paper program, borrowings from the issuance of long-term debt and committed and uncommitted credit lines provided by banks and other lenders in the United States and abroad. At March 31, 2024, we had cash and cash equivalents of $3,701 million compared with $4,029 million at June 30, 2023. Our cash and cash equivalents are maintained at a number of financial institutions. To mitigate the risk of uninsured balances, we select financial institutions based on their credit ratings and financial strength, and we perform ongoing evaluations of these institutions to limit our concentration risk exposure.

Based on past performance and current expectations, we believe that cash on hand, cash generated from operations, available credit lines and access to credit markets will be adequate to support seasonal working capital needs, currently planned business operations, information technology enhancements, capital expenditures, acquisitions, dividends, stock repurchases, restructuring initiatives, commitments and other contractual obligations on both a near-term and long-term basis. In April 2024, we notified the minority interest holders that we are exercising our option to purchase the remaining interests in DECIEM, pursuant to the terms of the net Put (Call) Option for a purchase price based on the performance of DECIEM. This will result in the settlement of the DECIEM stock options and the redeemable noncontrolling interest balances during the fiscal 2024 fourth quarter.

The Tax Cuts and Jobs Act (“TCJA”) resulted in the Transition Tax on unrepatriated earnings of our foreign subsidiaries and changed the tax law in ways that present opportunities to repatriate cash without additional U.S. federal income tax. During the fiscal 2023 fourth quarter, we changed our assertion regarding our ability and intent to indefinitely reinvest undistributed earnings from certain foreign subsidiaries. We continue to analyze the indefinite reinvestment assertion on our remaining applicable foreign earnings. We do not believe that continuing to reinvest these remaining applicable foreign earnings impairs our ability to meet our domestic debt or working capital obligations. If these reinvested earnings were repatriated into the United States as dividends, we would be subject to state income taxes and applicable foreign taxes in certain jurisdictions.

Inflation impacted our overall operating results in the fiscal 2024 third quarter and we expect it to continue. Generally, we have plans to introduce new products at higher prices, increase prices and implement other operating efficiencies which we expect to offset some of these cost increases.

Credit Ratings

Changes in our credit ratings will likely result in changes in our borrowing costs. Our credit ratings also impact the cost of our revolving credit facility. Downgrades in our credit ratings may reduce our ability to issue commercial paper and/or long-term debt and would likely increase the relative costs of borrowing. A credit rating is not a recommendation to buy, sell, or hold securities, is subject to revision or withdrawal at any time by the assigning rating organization, and should be evaluated independently of any other rating. As of April 24, 2024, our long-term debt is rated A with a negative outlook by Standard & Poor’s and A1 with a negative outlook by Moody’s.

Debt

At March 31, 2024, our outstanding borrowings were as follows:

($ in millions)	Long-term Debt	Current Debt	Total Debt
5.150% Senior Notes, due May 15, 2053 ("2053 Senior Notes") (1), (16)	$ 591	$ —	$ 591
3.125% Senior Notes, due December 1, 2049 (“2049 Senior Notes”) (2), (16)	637	—	637
4.150% Senior Notes, due March 15, 2047 (“2047 Senior Notes”) (3), (16)	494	—	494
4.375% Senior Notes, due June 15, 2045 (“2045 Senior Notes”) (4), (16)	455	—	455
3.700% Senior Notes, due August 15, 2042 (“2042 Senior Notes”) (5), (16)	247	—	247
6.000% Senior Notes, due May 15, 2037 (“2037 Senior Notes”) (6), (16)	295	—	295
5.000% Senior Notes, due February 14, 2034 ("2034 Senior Notes) (7), (16)	643	—	643
5.75% Senior Notes, due October 15, 2033 (“October 2033 Senior Notes”) (8), (16)	198	—	198
4.650% Senior Notes, due May 15, 2033 ("May 2033 Senior Notes") (9), (16)	695	—	695
1.950% Senior Notes, due March 15, 2031 ("2031 Senior Notes") (10), (16)	550	—	550
2.600% Senior Notes, due April 15, 2030 ("2030 Senior Notes") (11), (16)	592	—	592
2.375% Senior Notes, due December 1, 2029 (“2029 Senior Notes”) (12), (16)	644	—	644
4.375% Senior Notes, due May 15, 2028 ("2028 Senior Notes") (13), (16)	696	—	696
3.150% Senior Notes, due March 15, 2027 (“2027 Senior Notes”) (14), (16)	499	—	499
2.000% Senior Notes, due December 1, 2024 (“2024 Senior Notes”) (15), (16)	—	499	499
Other long-term borrowings	29	—	29
Other current borrowings	—	6	6
	$ 7,265	$ 505	$ 7,770

(1) Consists of $600 million principal, unamortized debt discount of $3 million and debt issuance costs of $6 million.

(2) Consists of $650 million principal, unamortized debt discount of $7 million and debt issuance costs of $6 million.

(3) Consists of $500 million principal, unamortized debt discount of $1 million and debt issuance costs of $5 million.

(4) Consists of $450 million principal, net unamortized debt premium of $9 million and debt issuance costs of $4 million.

(5) Consists of $250 million principal, unamortized debt discount of $1 million and debt issuance costs of $2 million.

(6) Consists of $300 million principal, unamortized debt discount of $2 million and debt issuance costs of $3 million.

(7) Consists of $650 million principal, unamortized debt discount of $2 million and debt issuance costs of $5 million.

(8) Consists of $200 million principal, unamortized debt discount of $1 million and debt issuance costs of $1 million.

(9) Consists of $700 million principal, unamortized debt discount of $1 million and debt issuance costs of $4 million.

(10) Consists of $600 million principal, unamortized debt discount of $3 million, debt issuance costs of $3 million and a $44 million loss to reflect the fair value of interest rate swaps.

(11) Consists of $700 million principal, unamortized debt discount of $1 million, debt issuance costs of $3 million and a $104 million loss to reflect the fair value of interest rate swaps.

(12) Consists of $650 million principal, unamortized debt discount of $4 million and debt issuance costs of $2 million.

(13) Consists of $700 million principal, unamortized debt discount of $1 million and debt issuance costs of $3 million.

(14) Consists of $500 million principal and debt issuance costs of $1 million.

(15) Consists of $500 million principal and unamortized debt discount of $1 million.

(16) The Senior Notes contain certain customary covenants, including limitations on indebtedness secured by liens.

Total debt as a percent of total capitalization was 57% and 59% at March 31, 2024 and June 30, 2023, respectively.

Cash Flows

(In millions)	Nine Months Ended March 31 2024	Nine Months Ended March 31 2023
Net cash flows provided by operating activities	$ 1,471	$ 1,017
Net cash flows used for investing activities	$ (735)	$ (527)
Net cash flows provided by (used for) financing activities	$ (1,059)	$ 1,090

The change in net cash flows provided by operating activities was primarily driven by a favorable change in working capital, reflecting a favorable change in inventory and promotional merchandise and other accrued and noncurrent liabilities which includes the favorable impact from the settlement of foreign currency forward contracts not designated as hedging instruments compared to the prior-year period, partially offset by lower earnings before tax, excluding non-cash items.

The change in net cash flows used for investing activities was primarily driven by an unfavorable impact from the settlement of net investment hedges compared to the prior-year period, for which there is a partially offsetting favorable impact related to foreign currency forward contracts not designated as hedging instruments that is reflected in working capital noted above, and an increase in capital expenditures, primarily driven by the timing of payments relating to the manufacturing facility near Tokyo as it nears completion.

The change in net cash flows provided by (used for) financing activities primarily reflected an unfavorable impact in repayments of commercial paper during fiscal 2024 as compared to an increase in proceeds from the issuance of short-term commercial paper in the prior-year period, partially offset by an increase in debt due to the issuance of our $650 million, 5.000% Senior Notes in February 2024, a favorable impact in repayments of debt due to the repayment of the outstanding principal balance of our $250 million, 2.35% Senior Notes that matured during the fiscal 2023 first quarter and lower treasury stock repurchases compared to the prior-year period.

Dividends

For a summary of quarterly cash dividends declared per share on our Class A and Class B Common Stock during the nine months ended March 31, 2024, see Notes to Consolidated Financial Statements, Note 12 – Equity and Redeemable Noncontrolling Interest.

Pension and Post-retirement Plan Funding

There have been no significant changes to our pension and post-retirement funding as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

Commitments, Contractual Obligations and Contingencies

There have been no other significant changes to our commitments and contractual obligations as discussed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. For a discussion of contingencies, see Notes to Consolidated Financial Statements, Note 9 – Commitments and Contingencies.

Derivative Financial Instruments and Hedging Activities
For a discussion of our derivative financial instruments and hedging activities, see Notes to Consolidated Financial Statements, Note 5 – Derivative Financial Instruments.

Foreign Exchange Risk Management
For a discussion of foreign exchange risk management, see Notes to Consolidated Financial Statements, Note 5 – Derivative Financial Instruments (Cash Flow Hedges, Net Investment Hedges).

Credit Risk
For a discussion of credit risk, see Notes to Consolidated Financial Statements, Note 5 – Derivative Financial Instruments (Credit Risk).

Market Risk

We address certain financial exposures through a controlled program of market risk management that includes the use of foreign currency forward contracts to reduce the effects of fluctuating foreign currency exchange rates and to mitigate the change in fair value of specific assets and liabilities on the balance sheet. To perform a sensitivity analysis of our foreign currency forward contracts, we assess the change in fair values from the impact of hypothetical changes in foreign currency exchange rates. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our portfolio would have resulted in a net decrease in the fair value of our portfolio of approximately $356 million and $265 million as of March 31, 2024 and June 30, 2023, respectively. The increase from June 30, 2023 to March 31, 2024 was driven by an increase in the net short foreign currency position of the portfolio. This potential change does not consider our underlying foreign currency exposures.

We also enter into cross-currency swap contracts to hedge the impact of foreign currency changes on certain intercompany foreign currency denominated debt. A hypothetical 10% weakening of the U.S. dollar against the foreign exchange rates for the currencies in our cross-currency swap contracts would have resulted in a net decrease in the fair value of our cross-currency swap contracts of approximately $49 million as of March 31, 2024 and June 30, 2023.

In addition, we enter into interest rate derivatives to manage the effects of interest rate movements on our aggregate liability portfolio, including future debt issuances. Based on a hypothetical 100 basis point increase in interest rates, the estimated fair value of our interest rate derivatives would decrease by approximately $50 million and $55 million as of March 31, 2024 and June 30, 2023, respectively.

Our sensitivity analysis represents an estimate of reasonably possible net losses that would be recognized on our portfolio of derivative financial instruments assuming hypothetical movements in future market rates and is not necessarily indicative of actual results, which may or may not occur. It does not represent the maximum possible loss or any expected loss that may occur, since actual future gains and losses will differ from those estimated, based upon actual fluctuations in market rates, operating exposures, and the timing thereof, and changes in our portfolio of derivative financial instruments during the year. We believe, however, that any such loss incurred would be offset by the effects of market rate movements on the respective underlying transactions for which the derivative financial instrument was intended.

OFF-BALANCE SHEET ARRANGEMENTS

We do not maintain any off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon our financial condition or results of operations.

CRITICAL ACCOUNTING POLICIES

As disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, the discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in conformity with U.S. generally accepted accounting principles. The preparation of these financial statements requires us to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses reported in those financial statements. These estimates and assumptions can be subjective and complex, and consequently, actual results could differ from those estimates. Our most critical accounting policies relate to goodwill and other indefinite-lived intangible assets - impairment assessment, income taxes and asset acquisition. Since June 30, 2023, there have been no significant changes to the assumptions and estimates related to our critical accounting policies.

RECENTLY ISSUED ACCOUNTING STANDARDS

For a discussion regarding the impact of accounting standards that were recently issued but not yet effective, on the Company’s consolidated financial statements, see Notes to Consolidated Financial Statements, Note 1 – Summary of Significant Accounting Policies.

THE ESTÉE LAUDER COMPANIES INC.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

We and our representatives from time to time make written or oral forward-looking statements, including in this and other filings with the Securities and Exchange Commission, in our press releases and in our reports to stockholders, which may constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements may address our expectations regarding sales, earnings or other future financial performance and liquidity, other performance measures, product introductions, entry into new geographic regions, information technology initiatives, new methods of sale, our long-term strategy, restructuring and other charges and resulting cost savings, and future operations or operating results. These statements may contain words like “expect,” “will,” “will likely result,” “would,” “believe,” “estimate,” “planned,” “plans,” “intends,” “may,” “should,” “could,” “anticipate,” “estimate,” “project,” “projected,” “forecast,” and “forecasted” or similar expressions. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our business and operations, actual results may differ materially from our expectations. Factors that could cause actual results to differ from expectations include, without limitation:

(1) increased competitive activity from companies in the skin care, makeup, fragrance and hair care businesses;

(2) our ability to develop, produce and market new products on which future operating results may depend and to successfully address challenges in our business;

(3) consolidations, restructurings, bankruptcies and reorganizations in the retail industry causing a decrease in the number of stores that sell our products, an increase in the ownership concentration within the retail industry, ownership of retailers by our competitors or ownership of competitors by our customers that are retailers and our inability to collect receivables;

(4) destocking and tighter working capital management by retailers;

(5) the success, or changes in timing or scope, of new product launches and the success, or changes in timing or scope, of advertising, sampling and merchandising programs;

(6) shifts in the preferences of consumers as to where and how they shop;

(7) social, political and economic risks to our foreign or domestic manufacturing, distribution and retail operations, including changes in foreign investment and trade policies and regulations of the host countries and of the United States;

(8) changes in the laws, regulations and policies (including the interpretations and enforcement thereof) that affect, or will affect, our business, including those relating to our products or distribution networks, changes in accounting standards, tax laws and regulations, environmental or climate change laws, regulations or accords, trade

rules and customs regulations, and the outcome and expense of legal or regulatory proceedings, and any action we may take as a result;

(9) foreign currency fluctuations affecting our results of operations and the value of our foreign assets, the relative prices at which we and our foreign competitors sell products in the same markets and our operating and manufacturing costs outside of the United States;

(10) changes in global or local conditions, including those due to volatility in the global credit and equity markets, natural or man-made disasters, real or perceived epidemics, supply chain challenges, inflation, or increased energy costs, that could affect consumer purchasing, the willingness or ability of consumers to travel and/or purchase our products while traveling, the financial strength of our customers, suppliers or other contract counterparties, our operations, the cost and availability of capital which we may need for new equipment, facilities or acquisitions, the returns that we are able to generate on our pension assets and the resulting impact on funding obligations, the cost and availability of raw materials and the assumptions underlying our critical accounting estimates;

(11) impacts attributable to the COVID-19 pandemic, including disruptions to our global business;

(12) shipment delays, commodity pricing, depletion of inventory and increased production costs resulting from disruptions of operations at any of the facilities that manufacture our products or at our distribution or inventory centers, including disruptions that may be caused by the implementation of information technology initiatives, or by restructurings;

(13) real estate rates and availability, which may affect our ability to increase or maintain the number of retail locations at which we sell our products and the costs associated with our other facilities;

(14) changes in product mix to products which are less profitable;

(15) our ability to acquire, develop or implement new information technology, including operational technology and websites, on a timely basis and within our cost estimates; to maintain continuous operations of our new and existing information technology; and to secure the data and other information that may be stored in such technologies or other systems or media;

(16) our ability to capitalize on opportunities for improved efficiency, such as publicly-announced strategies and restructuring and cost-savings initiatives, and to integrate acquired businesses and realize value therefrom;

(17) consequences attributable to local or international conflicts around the world, as well as from any terrorist action, retaliation and the threat of further action or retaliation;

(18) the timing and impact of acquisitions, investments and divestitures; and

(19) additional factors as described in our filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

We assume no responsibility to update forward-looking statements made herein or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The information required by this item is set forth in Item 2 of this Quarterly Report on Form 10-Q under the caption Liquidity and Capital Resources - Market Risk and is incorporated herein by reference.

Item 4. Controls and Procedures.

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of March 31, 2024 and, based on their evaluation, have concluded that the disclosure controls and procedures were effective as of such date.

As part of our review of internal control over financial reporting, we make changes to systems and processes to improve such controls and increase efficiencies, while ensuring that we maintain an effective internal control environment. There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act) that occurred during the third quarter of fiscal 2024 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

For a discussion of legal proceedings, see Notes to Consolidated Financial Statements, Note 9 – Commitments and Contingencies.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Share Repurchase Program

We are authorized by the Board of Directors to repurchase shares of our Class A Common Stock in the open market or in privately negotiated transactions, depending on market conditions and other factors. The following table provides information relating to our repurchase of Class A Common Stock during the referenced periods:

Period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that May Yet Be Purchased Under the Program[2]
January 2024	7,055	$ 133.32	—	25,073,242
February 2024	769	147.16	—	25,073,242
March 2024	253	147.30	—	25,073,242
	8,077	135.08	—	

(1) Reflects shares that were repurchased by the Company to satisfy tax withholding obligations upon the payout of certain stock-based compensation arrangements.

(2) The Board of Directors has authorized the current repurchase program for up to 256.0 million shares. The total amount was last increased by the Board on October 31, 2018. Our repurchase program does not have an expiration date.

Beginning in December 2022, we temporarily suspended the repurchase of shares of our Class A Common Stock. We may resume repurchases in the future.

Item 5. Other Information.

Trading Arrangements

During the fiscal 2024 third quarter, none of the Company’s directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement,” each as defined in Item 408(a) of Regulation S-K under the Exchange Act.

Item 6. Exhibits.

Exhibit Number	Description
31.1	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CEO).
31.2	Certification pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (CFO).
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CEO). (furnished)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (CFO). (furnished)
101.1	The following materials from The Estée Lauder Companies Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 are formatted in iXBRL (Inline eXtensible Business Reporting Language): (i) the Consolidated Statements of Earnings, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows and (v) Notes to Consolidated Financial Statements
104	The cover page from The Estée Lauder Companies Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 is formatted in iXBRL

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE ESTÉE LAUDER COMPANIES INC.

By: /s/ TRACEY T. TRAVIS

Date: May 1, 2024

Tracey T. Travis

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)