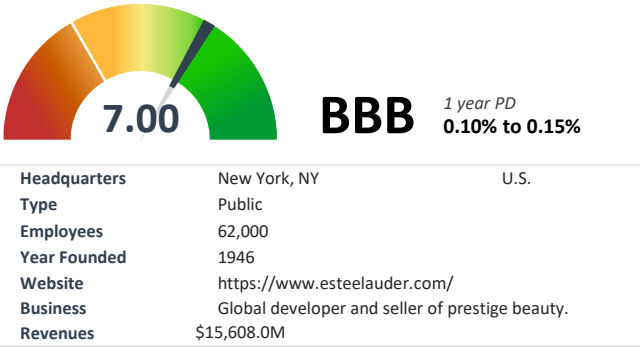


# The Estée Lauder Companies Inc.



## Company Overview

- Company Overview:** The entity is a global leader in prestige beauty, focused on the development, manufacturing, marketing, and sale of skincare, makeup, fragrance, and hair care products.
- Product:** Their portfolio includes >20 brands such as Estée Lauder, Clinique, MAC, etc. Skincare (~59% of FY-24 revenue) remains the dominant category, followed by makeup (~22%), fragrance (~14%), and hair care (~4%).
- Customers:** Core customer base includes women aged 18–54, with rising exposure to Millennials and Gen Z. Distribution spans department stores, specialty retailers, DTC platforms, and travel retail hubs.
- Ownership:** Traded under NYSE:EL, the Lauder family retains ~84% of voting power through Class B shares, retaining control of corporate governance.
- Debt Structure:** As of Q2 FY-25, they held ~\$11bn in mostly LT-debt, with minimal near-term maturities but rising credit risk due to negative EBITDA and weakened coverage (e.g. FCCR 1.05x)
- Basis for Assessment:** Mainly leaning on FY-24 financials, which ended 12/24. The annualized T6 financials through 6/24 are considered an indication/trend. S&P downgraded the entity to 'A-' by end of March, taking into account the slow start into 2025.
- Other (pros/cons):** Strong brand portfolio and global reach support liquidity and recovery potential amid ongoing restructuring. Leverage and execution risks (e.g material management changes) from margin pressure, negative trend, and strategic shifts weigh on near-term credit profile. Key single event risks include a covenant breach or failed refi due to a sustained decline in EBITDA, and/or erosion of equity (e.g. intangible impairment). Litigation or regulatory loss may trigger cross-default or restrict market access (e.g China).

## Financial Snapshot

	Jun-23	Jun-24	Jun-25(A)	Chg
\$ '000s	T12	T12	T12	%
Total Revenue	15,910,000	15,608,000	14,730,000	-5.6%
Gross Profit	11,346,000	11,184,000	10,960,000	-2.0%
Adjusted EBITDA	2,253,000	1,795,000	(572,000)	-131.9%
Gross Profit Margin	71.3%	71.7%	74.4%	2.8 ppt
EBITDA Margin	14.2%	11.5%	-3.9%	-15.4 ppt
Net Income	1,010,000	409,000	(1,492,000)	-464.8%

## Financial Ratio Benchmarking

# of Benchmarks:	19	Industry Median	Company Metric	Percentile Rank	# of Industry Benchmarks	19	Company Financials Date	Jun-24
	Revenue	\$2,069M	\$15,608M		Industry Benchmarks - Primary: Electronic Manufacturing Services			
Liquidity	Current Ratio	1.58	1.39	<div><div></div></div>	40%			
	Quick Ratio	0.88	1.01	<div><div></div></div>	62%			
Leverage	Net Debt / EBITDA	2.74	4.53	<div><div></div></div>	24%			
	Debt to Assets	37.1%	53.1%	<div><div></div></div>	25%			
Profitability	EBITDA Margin	13.7%	11.5%	<div><div></div></div>	28%			
	ROCE %	12.8%	6.1%	<div><div></div></div>	16%			

## Business Risk

Industry Group Risk Profile			Technology Hardware And Semiconductors	20%	4.0	to	5.5	
Industry Risk Assessment		KPI Rating	Contribution	Industry Group Description				
Cyclicality		Moderately high risk	<div></div>	Entities that derive a majority of their revenue from the sale of technology hardware and semiconductors. This includes manufacturers of semiconductors and semiconductor equipment, computer hardware, storage, and peripherals, electronic components and equipment, office electronics, consumer electronics, communications equipment, technology distributors, and electronic manufacturing services, which currently consists of mostly outsourced manufacturing providers.				
Competitive Risk		Moderately high risk	<div></div>					
Global Industry		Moderately high risk	<div></div>					
Market Segment Outlook		Stable	<div></div>					
Competitive Position Profile			Cpg	50%	6.5	to	8.0	
Competitive Position KPIs		KPI Rating	Contribution	Rating Guideline				
Cycle-Tested		< 2000	<div></div>	Navigated multiple economic down-cycles.				
Product Diversity		Strong	<div></div>	Multiple product categories				
Market Share		Satisfactory	<div></div>	Average market share (5-15%), comparable to industry peers.				
Category Demand		Weak	<div></div>	Operates in flat or declining growth categories.				
Supplier Diversity		Strong	<div></div>	Diverse supplier base from multiple regions, mitigating supply risk.				
Geographic Coverage		Strong	<div></div>	Global brand				
Innovation		Above Average	<div></div>	Regular product innovations maintaining brand relevance.				
Digital Transformation		Above Average	<div></div>					
Sustainability Initiatives		Above Average	<div></div>					
Management, Governance, Sponsorship					30%	4.5	to	5.5

## Anchor Modifiers

Modifiers			
Revenue Segment	Normalization	<div></div>	>\$10B
Fixed Cost Coverage Risk	Risk Flag	<div></div>	FCCR of 1.05x
Other Modifier	Risk Flag	<div></div>	A-' from S&P - downgraded 3/25, Moody's 'A2' per 9/24 - downgrade from 'A1'.

## Rating Range (Rounded)

6.5 to 7.5