Goldman Sachs Research

Equity Research

22 June 2026 | 12:07AM EDT

Estee Lauder Co. (EL)

Reinstate at Buy as underlying improvements drive top- and bottom-line growth momentum ahead

EL	12m Price Target: **$100.00**	Price: **$84.81**	Upside: **17.9%**

Our View - We are reinstating a rating on EL at Buy with a 12-month price target of $100, as we believe the market is underestimating the sustainability of EL's growth momentum following several years of execution challenges and underperformance. We believe that EL has undergone several changes since CY25, including a new leadership team, a new strategic vision, and an updated 'One ELC' operating model. Overall, we believe EL is executing well towards its 'Beauty Reimagined' strategic vision, which has resulted in a return to top-line growth in FY26 (following three years of consecutive declines) and operating margin expansion (+300bps YoY) in FY26 so far (vs. FY19-25 contraction of -950bps). Having said that, some investors we speak with have expressed skepticism in EL's ability to sustain its growth momentum given mgmt's prior inclination to pursue transformational M&A, even though merger talks with Puig have terminated. However, we believe EL's top- and bottom-line growth momentum will prove durable given; **(1)** The attractiveness of the prestige beauty industry with +MSD long-term category growth potential; **(2)** Faster on-trend innovation that is gross margin accretive, wherein EL aims to triple the innovation it brings to the market in less than a year, reach consumers in channels (e.g., e-commerce) and at price points (via price pack architecture, e.g., mini sizes) where they are at to drive improved consumer recruitment and retention; **(3)** Improving business trends in its key China market as it benefits from a more balanced approach towards growth via multiple brands (vs. primarily via two brands previously), which is driving market share gains for the company—moreover, we believe that stabilizing property markets in Tier-1 cities in China and improving consumer confidence (albeit off a low base) could bode well for a return to +MSD market growth over time; **(4)** A right-sized travel retail business (15% of FY25 sales) which should limit volatility that has weighed on EL's performance in the past; encouragingly, Hainan conversion trends have improved, which drove +30% retail sales growth in FQ3; in addition, EL has increased its focus on

BUY

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Key Data

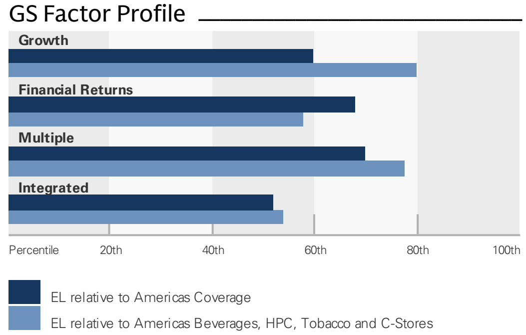
Market cap: $31.0bn
Enterprise value: $34.8bn
3m ADTV: $352.7mn
United States
Americas Beverages, HPC, Tobacco and C-Stores
M&A Rank: 3

GS Forecast

	6/25	6/26E	6/27E	6/28E
Revenue ($ mn) New	**14,323.0**	**14,967.2**	**15,642.1**	**16,447.5**
Revenue ($ mn) Old	14,323.0	14,962.4	15,637.1	16,442.3
EBITDA ($ mn)	1,975.0	2,471.1	2,869.0	3,248.7
EBIT ($ mn)	1,146.0	1,654.5	2,015.7	2,351.7
EPS ($) New	**1.51**	**2.44**	**3.40**	**4.18**
EPS ($) Old	1.51	2.42	3.33	4.09
P/E (X)	51.4	34.8	24.9	20.3
Dividend yield (%)	2.2	1.6	1.8	2.1
Net debt/EBITDA (X)	2.2	1.5	1.4	1.2

	3/26	6/26E	9/26E	12/26E
EPS ($)	0.91	0.32	0.53	1.26

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

BUY

Estee Lauder Co. (EL)

Rating since Jun 22, 2026

Ratios & Valuation

	6/25	6/26E	6/27E	6/28E
P/E (X)	51.4	34.8	24.9	20.3
EV/EBITDA (X)	16.4	14.0	11.9	10.3
EV/sales (X)	2.3	2.3	2.2	2.0
FCF yield (%)	2.4	4.3	4.0	4.7
EV/DACF (X)	32.0	21.6	14.8	12.9
CROCI (%)	7.0	11.3	15.6	16.4
ROE (%)	11.9	22.3	29.2	32.6
Net debt/EBITDA (X)	2.2	1.5	1.4	1.2
Net debt/equity (%)	113.7	92.5	92.0	85.4
Interest cover (X)	4.5	6.2	7.6	9.2
Inventory days	208.4	191.9	192.3	206.5
Receivable days	41.5	37.9	38.7	40.8
Days payable outstanding	144.0	141.9	146.3	151.8

Growth & Margins (%)

	6/25	6/26E	6/27E	6/28E
Total revenue growth	(8.2)	4.5	4.5	5.1
EBITDA growth	(18.2)	25.1	16.1	13.2
EPS growth	(41.7)	61.1	39.8	22.8
DPS growth	(34.6)	(18.8)	11.7	15.0
Gross margin	74.0	74.9	75.1	75.8
EBIT margin	8.0	11.1	12.9	14.3

Price Performance

	3m	6m	12m
Absolute	(1.4)%	(21.4)%	13.5%
Rel. to the S&P 500	(12.9)%	(29.0)%	(9.5)%

Source: FactSet. Price as of 18 Jun 2026 close.

Income Statement ($ mn)

	6/25	6/26E	6/27E	6/28E
Total revenue	14,323.0	14,967.2	15,642.1	16,447.5
Cost of goods sold	(3,721.0)	(3,760.1)	(3,900.0)	(3,978.7)
SG&A	(9,140.0)	(9,220.8)	(9,378.1)	(9,751.3)
R&D	(316.0)	(331.8)	(348.4)	(365.8)
Other operating inc./(exp.)	–	–	–	–
EBITDA	**1,975.0**	**2,471.1**	**2,869.0**	**3,248.7**
Depreciation & amortization	(829.0)	(816.5)	(853.3)	(897.0)
EBIT	**1,146.0**	**1,654.5**	**2,015.7**	**2,351.7**
Net interest inc./(exp.)	(255.0)	(267.2)	(264.6)	(257.0)
Income/(loss) from associates	–	–	–	–
Pre-tax profit	**891.0**	**1,387.3**	**1,751.2**	**2,094.7**
Provision for taxes	(346.4)	(498.6)	(525.3)	(628.4)
Minority interest	0.0	0.0	0.0	0.0
Preferred dividends	–	–	–	–
Net inc. (pre-exceptionals)	**544.6**	**888.7**	**1,225.8**	**1,466.3**
Net inc. (post-exceptionals)	**544.6**	**888.7**	**1,225.8**	**1,466.3**
EPS (basic, pre-except) ($)	**1.51**	**2.46**	**3.45**	**4.24**
EPS (diluted, pre-except) ($)	**1.51**	**2.44**	**3.40**	**4.18**
EPS (ex-ESO exp., dil.) ($)	**--**	**--**	**--**	**--**
DPS ($)	1.72	1.39	1.56	1.79
Div. payout ratio (%)	113.5	56.8	45.1	42.2
Wtd avg shares out. (basic) (mn)	360.1	361.9	355.0	345.7
Wtd avg shares out. (diluted) (mn)	360.1	364.8	360.1	350.8

Balance Sheet ($ mn)

	6/25	6/26E	6/27E	6/28E
Cash & cash equivalents	2,921.0	3,514.9	3,355.4	3,300.8
Accounts receivable	1,530.0	1,575.5	1,738.0	1,935.0
Inventory	2,074.0	1,880.0	2,228.6	2,273.5
Other current assets	544.0	707.0	707.0	707.0
Total current assets	**7,069.0**	**7,677.4**	**8,029.0**	**8,216.4**
Net PP&E	3,172.0	2,893.9	3,073.8	3,263.4
Net intangibles	5,894.0	5,735.7	5,676.0	5,613.2
Total investments	0.0	0.0	0.0	0.0
Other long-term assets	3,757.0	3,572.0	3,572.0	3,572.0
Total assets	**19,892.0**	**19,879.0**	**20,350.7**	**20,664.9**
Accounts payable	1,497.0	1,426.4	1,699.4	1,609.5
Short-term debt	3.0	502.0	502.0	502.0
Current lease liabilities	406.0	401.0	401.0	401.0
Other current liabilities	3,529.0	3,684.0	3,684.0	3,684.0
Total current liabilities	**5,435.0**	**6,013.4**	**6,286.4**	**6,196.5**
Long-term debt	7,314.0	6,810.0	6,810.0	6,810.0
Non-current lease liabilities	1,744.0	1,587.0	1,587.0	1,587.0
Other long-term liabilities	1,534.0	1,364.0	1,368.1	1,372.2
Total long-term liabilities	**10,592.0**	**9,761.0**	**9,765.1**	**9,769.2**
Total liabilities	**16,027.0**	**15,774.5**	**16,051.5**	**15,965.7**
Preferred shares	–	–	–	–
Total common equity	**3,865.0**	**4,104.5**	**4,299.2**	**4,699.2**
Minority interest	–	–	–	–
Total liabilities & equity	**19,892.0**	**19,879.0**	**20,350.7**	**20,664.9**
BVPS ($)	10.73	11.34	12.11	13.59

Cash Flow ($ mn)

	6/25	6/26E	6/27E	6/28E
Net income	(1,133.0)	413.7	1,225.8	1,466.3
D&A add-back	829.0	816.5	853.3	897.0
Minority interest add-back	0.0	1.0	4.1	4.1
Net (inc)/dec working capital	349.0	319.9	(238.1)	(331.9)
Others	1,227.0	285.2	165.8	190.3
Cash flow from operations	**1,272.0**	**1,836.3**	**2,010.9**	**2,225.8**
Capital expenditures	(602.0)	(518.8)	(819.8)	(862.4)
Acquisitions	–	–	–	–
Divestitures	–	–	–	–
Others	(21.0)	2.0	–	–
Cash flow from investing	**(623.0)**	**(516.8)**	**(819.8)**	**(862.4)**
Dividends paid	(618.0)	(508.7)	(560.6)	(628.0)
Share issuance/(repurchase)	(35.0)	(80.0)	(1,000.0)	(1,000.0)
Inc/(dec) in debt	(505.0)	(3.0)	–	–
Others	35.0	(134.0)	210.0	210.0
Cash flow from financing	**(1,123.0)**	**(725.7)**	**(1,350.6)**	**(1,418.0)**
Total cash flow	**(474.0)**	**593.9**	**(159.5)**	**(54.6)**
Free cash flow	670.0	1,317.6	1,191.1	1,363.4
Free cash flow per share (basic) ($)	1.86	3.64	3.36	3.94

Source: Company data, Goldman Sachs Research estimates.

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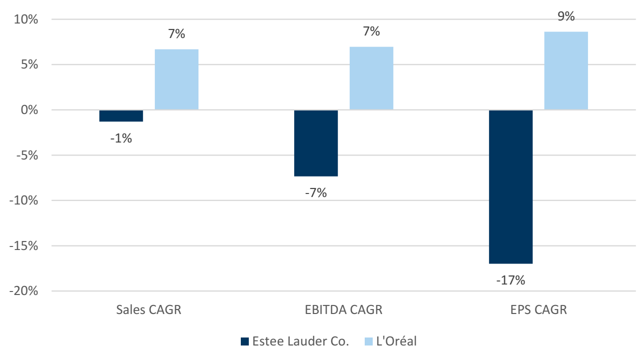
faster-growth travel retail in the West (e.g., European airports); **(5)** Improving market share trends in the US (with a return to volume share gains across all 4 categories following several years of declines). EL's US business is benefiting from efforts to rebalance its channel mix towards specialty-multi retailers and online, away from department stores—indeed, EL has scaled its online presence with 12 brands on Amazon, which it has since scaled internationally as well to 10 markets, and now also has 12 brands on TikTok Shop across 7 markets. Ultimately, mgmt aims to lower its department store exposure in the US to mid-20%s, down from mid-30%s currently; **(6)** Expanded PRGP/productivity savings, which should support ~450bps of EBIT margin expansion through FY26-29 (following a 300bps expansion in FY26E), while fueling continued reinvestments. Mgmt previously expanded the scope of its PRGP savings with a net reduction in workforce of 9,000-10,000 (vs. 5,800-7,000 previously) and expects annualized gross pre-tax savings of $1.0-1.2bn (vs. $0.8-1.0bn previously). While we see potential risk from disruption in the Middle East, mgmt has taken steps to improve its supply chain resiliency over the past year, and its expanded PRGP initiatives should aid EL's margin expansion ahead.

Moreover, despite broader macro concerns and disruptions in the Middle East, we are encouraged by mgmt's commentary at an investor conference in early June where they reiterated their expectations to deliver FY26 organic sales growth at the top-end of its 3% guidance range (based on prestige beauty market growth of +2-3%) and confirmed its preliminary FY27 expectations of organic sales growth to accelerate to +3-5%, with further market share gains to drive the middle to high end of this range, which we believe is achievable. Moreover, mgmt's prelim expectations also include FY27 EBIT margins in the range of 12.5% to 13.0%, and we believe mgmt's expanded PRGP, along with top-line growth momentum should support continued progress on profitability towards mid-teens range. As such, we believe EL's current valuation is attractive with the stock trading at a CY27 P/E of ~24x on consensus estimates, below its 5-year average multiple of ~29x. Similarly, on an EV/EBITDA basis, EL's valuation screens attractive at ~13x on consensus estimates, below its 5-year average of ~17x. Ultimately, we expect top-line recovery and operating margin expansion to drive a further re-rating from current levels over time.

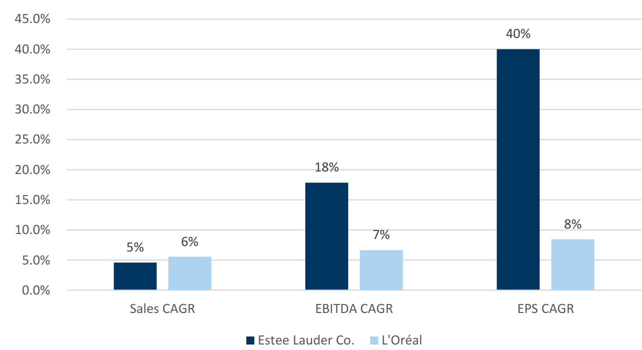
Investors we speak with often debate EL relative to L'Oreal (covered by Olivier Nicolai) owing to its superior execution over the past several years, while EL faced several execution issues which led to meaningful margin compression over the past few years. As such, EL's CY26E EBITDA margin of 17.5% meaningfully lags L'Oreal's 24.5% CY26E EBITDA margin. Furthermore, while L'Oreal has delivered consistent +MSD-HSD sales/EBITDA/EPS CAGR over CY19-25, EL saw sizable declines as a pressured top-line was exacerbated by significant margin compression to drive -7%/-17% EBITDA/EPS CAGR declines over CY19-25 (Exhibit 1). We believe L'Oreal's superior execution has driven its valuation premium to EL on CY27 P/E (a 9% premium) and to a greater extent on a CY27 EV/EBITDA basis (a 38% premium), both on consensus estimates. Notably, L'Oreal has delivered consistent top- and bottom-line growth and our European analyst expects that momentum to continue. That said, as we look forward, we believe EL offers superior earnings growth potential as it benefits from sustained +MSD top-line momentum and PRGP savings driven operating margin expansion over the coming years. While we recognize that EL's execution has had challenges in the past, we believe mgmt has taken steps in the right direction under the new leadership towards 'Beauty Reimagined' strategic vision via a more consumer-first approach and focus on delivering faster on-trend innovation to become a more agile beauty company. We expect this to drive 18% EBITDA and 40% EPS CAGR over CY25-27 for EL, well ahead of L'Oreal's modeled 7% EBITDA and 8% EPS CAGR over the same time period.

Exhibit 1: L'Oreal has delivered robust +MSD-HSD top-line and bottom-line growth between CY19-25, while EL's top-line pressures were exacerbated by margin pressures to yield sizable EBITDA and EPS declines over CY19-25
CY19-25 CAGR (%)



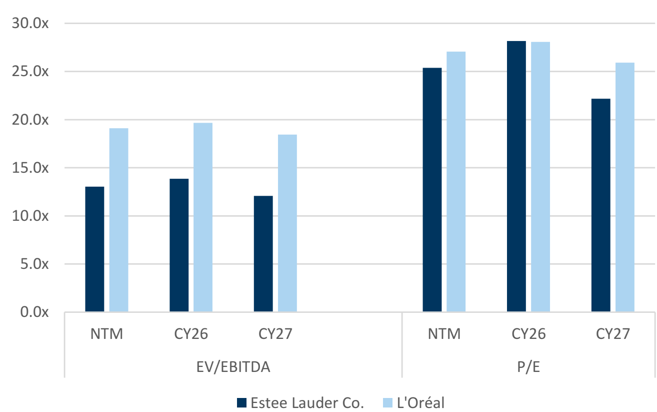
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: Going forward, we see significant EBITDA/EPS growth potential ahead within EL as it benefits from robust top-line momentum and margin improvement ahead
CY25-27 CAGR (%)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 3: EL has been trading at a discount to L'Oreal due to operational issues in the past, which may screen more attractive given EL's superior earnings growth potential ahead
EV/EBITDA and P/E multiples (on GS estimates)



Source: FactSet, Company data, Goldman Sachs Global Investment Research

Investor feedback from recently terminated EL/Puig merger discussion

On March 23, 2026, EL confirmed that it was in discussions with Puig regarding a potential merger. However, a few months later on May 21, 2026, EL announced that those discussions with Puig had ended and that EL remains focused on executing towards its 'Beauty Reimagined' vision. Investors we speak with were surprised with these discussions, with questions on whether any transaction could add complexity with respect to execution at a time when EL has been actively working on simplification of its business via its Beauty Reimagined vision. Another question was whether the discussions signaled a concern on EL's ability to sustain its growth momentum on a standalone basis. While the merger discussions have ended, we believe questions around EL's ability to deliver on its l.t. targets on a standalone basis will remain an overhang on the stock until investors get incremental proof points supporting sustained momentum ahead. As we highlight subsequently, we believe EL has made progress towards its recovery with a return to share gains, top-line growth, and operating margin improvement. Coupled with growth-advantaged prestige beauty exposure, we believe EL remains well positioned to progress towards sustainable top-line momentum and mid-teens operating margins ahead.

Separately, as the company returns to more normalized operations following its PRGP initiatives, mgmt remains open to more transformational M&A as long as the deal makes sense from a growth/profitability standpoint and can be executed at the right price. We believe EL has ample balance sheet flexibility to pursue such transactions. In addition, the company has also hired advisors to review its brand portfolio to understand if there are certain brands that no longer fit with consumer needs, which may lead to potential divestitures over time.

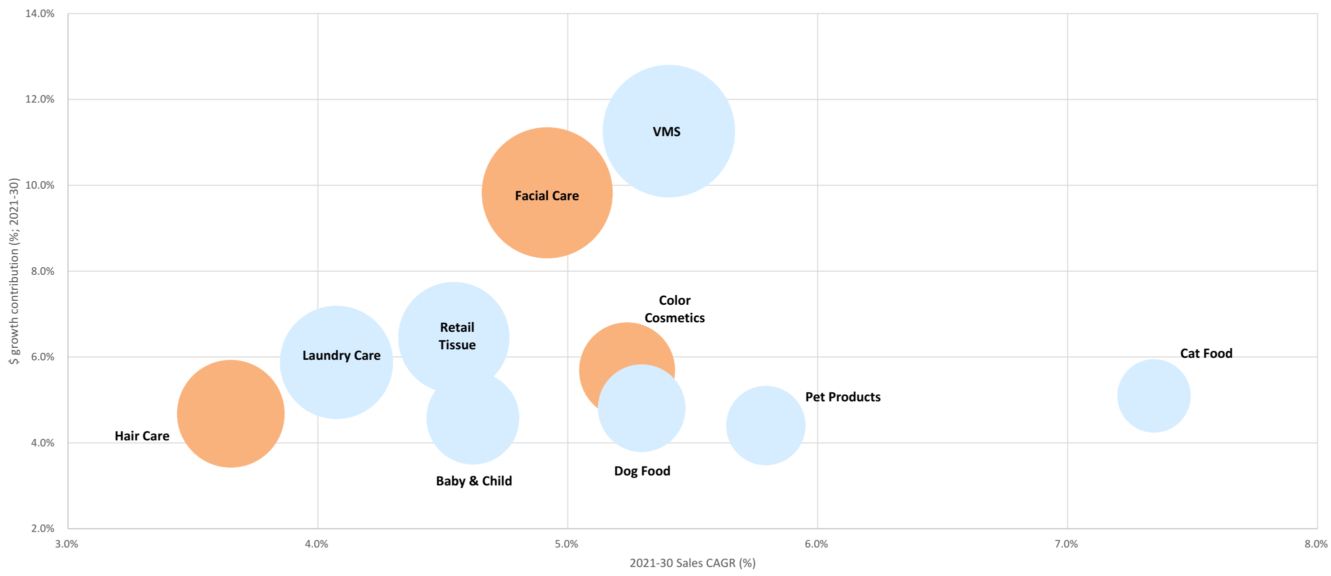
Growth-advantaged prestige beauty category exposure and faster on-trend innovation to support EL's sales growth acceleration ahead

We believe beauty remains one of few growth-advantaged categories within our broader HPC coverage universe. As we highlighted in our HPC Global Growth Guide, we expect beauty related categories such as facial care and color cosmetics to grow +MSD through 2030 (Exhibit 4). We believe EL should benefit from its exposure to prestige beauty with a long-term market share neutral growth potential of +MSD (Exhibit 5), well ahead of other large-cap HPC companies within our coverage.

Furthermore, as part of its 'Beauty Reimagined' strategic vision, mgmt is committed to driving faster on-trend innovation, i.e., tripling the innovation it brings to the market in less than a year. Notably, EL has so far doubled the innovations it brings to the market in less than a year to high-teens, and the number of innovations in less than 18 months is over 50%. In that vein, EL has worked towards reducing the time it takes to bring products to market, including bringing on-trend innovation within makeup in less than 6 months (e.g., lip gloss), bringing breakthrough innovation within skin care to market within 18 months (e.g., Estee Lauder oil serum), well ahead of its prior timeline of 2-3 years for development.

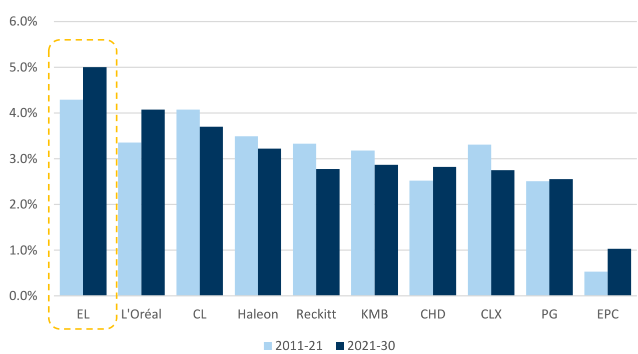
Overall, mgmt expects 24-25% of its FY26 sales to come from innovation. However, mgmt believes this requires different approaches across categories, including a greater number of innovation/launches within makeup and bigger/bolder innovation across skin care and fragrances. In addition, the company is adjusting its price pack architecture (e.g., introducing more affordable smaller pack offerings) such that its products are more accessible across different markets (e.g., emerging markets where per capita spend on beauty is low or in developed markets where broader macro concerns are weighing on consumption trends). Ultimately, we believe these factors have supported a return to organic sales growth in FY26 and should drive further improvement to +5% organic sales growth over FY27/FY28, up from our modeled +2.8% organic sales growth in FY26.

Exhibit 4: Our bottom-up build suggests that beauty related categories (esp. facial care and to some extent color cosmetics) are favorably positioned relative to other HPC categories to drive growth through 2030
Sales CAGR (%) and $ growth contribution for the top-10 categories by global $ contribution through 2030



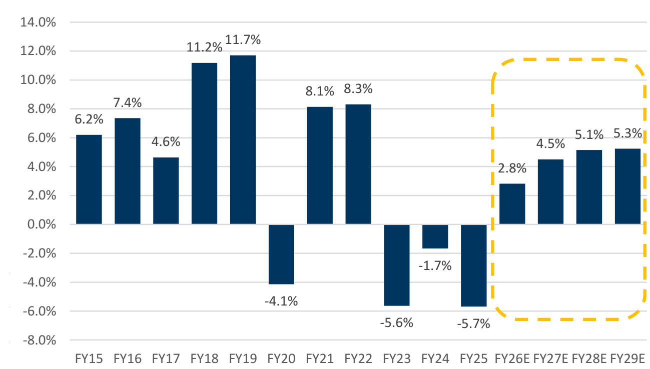
Source: Euromonitor, Goldman Sachs Global Investment Research

Exhibit 5: Our bottom-up build suggests a potential for +MSD market share neutral growth for EL, well ahead of other HPC companies owing to its favorable prestige beauty exposure
Summary metrics across HPC landscape



Source: Goldman Sachs Global Investment Research

Exhibit 6: EL's organic sales are on track to grow in FY26 following three years of consecutive declines and accelerate to +MSD levels over the next few years
Organic sales growth (%)



Source: Company data, Goldman Sachs Global Investment Research

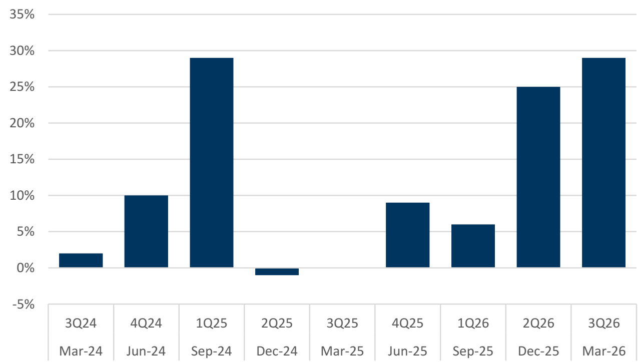
Mainland China: Expect sustained +MSD growth on end-market stabilization and market share gains

Historically, Mainland China has been a key growth driver for the company. However, trends in the region have been under pressure post Covid. We expect EL to further diversify to other regions over time (e.g., other emerging markets such as India/LatAm as well as via improved performance across developed markets such as the US and Western Europe). Nonetheless, Mainland China still constituted 19% of EL's FY25 sales and therefore still an important part of EL's growth story going forward. Our Asia Consumer Research analyst (Michelle Cheng) highlighted that signs of stabilization in the China property market in Tier-1 cities, wealth effect, and improving consumer confidence (albeit off of a low base) could benefit select categories, including premium brands. We view this as a positive for EL's trends in the region. Indeed, EL has seen strong growth in the region YTD in FY26, and has gained market share in 7 out of the past 8 quarters. Our China Consumer analyst's (Valerie Zhou) latest online brand performance tracker suggests that EL's performance in mainland China has been robust over the past couple of quarters. Moreover, our China Consumer analyst's 618 pulse check through May 29 suggests strong performance across several EL brands including MAC, Bobbi Brown, Estee Lauder, and La Mer which is encouraging.

While there has been some debate around elevated competition from local brands, we believe rising urban consumption should support EL's growth and the steps it is taking as part of its strategic vision should support further market share gains ahead. Mgmt remains focused on innovation in the region and expects 30% of its global innovation to come from its R&D center in Shanghai, with a large majority of innovation focused towards the Chinese consumer. As such, EL is focused on driving more balanced growth in the region whereas in the past, growth was primarily led by two brands, including Estee Lauder and La Mer brands. Indeed, EL is seeing strong trends with Tom Ford (growing double digits), Jo Malone (+21% in FQ3), and Le Labo (+70% in FQ3, with the highest per-door productivity in China). While fragrances are only 5-7% of the market, EL has a strong presence with robust growth in the region. Moreover, EL has increased its freestanding store presence in the region to enhance its brand equity and consumer experience.

Exhibit 7: Data from our China Consumer Analyst suggests that EL's online sales in mainland China has returned to robust growth

China Cosmetics performance (Online brand tracker) YoY growth (%)

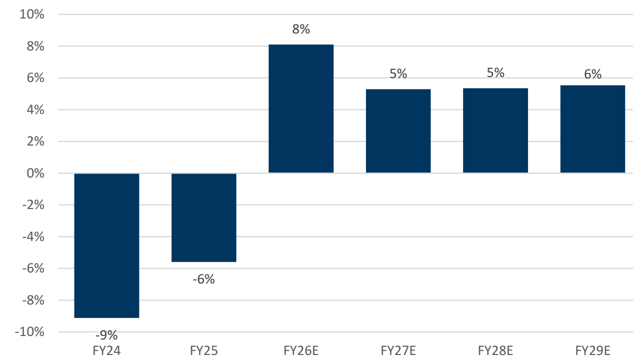


Note quarters aligned according to EL's fiscals, i.e., 3Q26 corresponds to Mar-2026.

Source: Moojing, Chanmama

Exhibit 8: We expect Mainland China to return to +MSD growth on a more normlalized basis following declines over the past few years

Mainland China organic sales growth (%)



Note: FY24 represents our estimate of organic sales decline.

Source: Company data, Goldman Sachs Global Investment Research

Travel retail: Expect lower volatility on reduced exposure as EL diversifies toward other high-growth channels

Travel retail has been a key channelor the company, accountingor 29% of EL's sales at its peak in FY21. Indeed, this channel has been a key source of volatilityor the company, which is why ELaced significantly higher pressure (relative to other beauty peers such as L'Oreal) post Covid as consumers did not travel as much. However, owing to the weakness over the past several years (esp. within Asia travel retail), EL's exposure to this channel has come down significantly. For context, global travel retail now accountsor just 15% of EL's FY25 sales (Exhibit 9). As such, mgmt believes EL's travel retail exposure is now more in-line with industry averages and it intends to maintain these levels. Overall, we believe this should help reduce EL's volatility linked to travel retail given its outsized exposure previously.

Encouragingly, during its FQ3 (Mar) earnings call, mgmt highlighted that its travel retail business sequentially improved to +LSD growth in the quarter. Specifically within Hainan, EL outperormed the prestige beauty market on strong Chinese New Year perormance. Notably, retail sales grew over 30%, up from +HSD in FQ2. Importantly, mgmt highlighted that conversion trends have also improved in Hainan. Separately, as part of its Beauty Reimagined strategic vision, mgmt is committed towards reducing its concentration risk by diversifying its exposure away from travel retail in the East toward travel retail in the West. In that vein, EL has enhanced its presence within European airports, with its portfolio targeted more towards travelers from the Middle East, India, and the UK. We expect this along with growth within the rest of the Asia Pacific to aid Asia Pacific segment organic sales growth of +MSD-HSD over the nextew years (Exhibit 10).

Exhibit 9: EL's travel retail exposure has come down significantly over the pastew years, and therefore presents a lower drag and volatility on the business going orward

EL's travel retail sales as % of total company sales

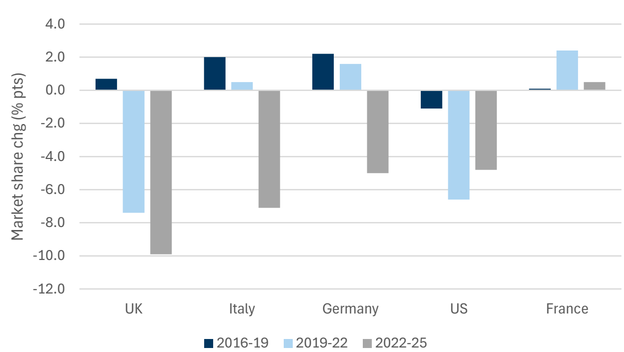
Exhibit 10: We expect Asia Pacific organic sales growth to return to +MSD-HSD growth over time, aided by modest growth within travel retail

Asia Pacific organic sales growth (%)

Developed markets: Expect market share improvement as EL scales its presence on faster-growth channels

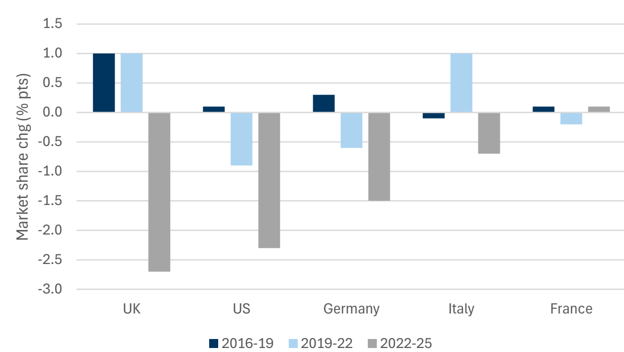
Developed markets have been under pressure with accelerated market share losses post Covid as consumers moved away from EL's channel of strength. EL's developed market business saw accelerated market share losses post Covid as consumers migrated away from EL's channels of strength (e.g., department stores) toward channels where its share was relatively lower (e.g., specialty beauty retailers and e-commerce). Indeed, EL lost significant market share across the US and in the UK across prestige color cosmetics, with its US and UK share down nearly 11pts and 17pts respectively over 2019-25. Similarly, within prestige fragrances, EL lost -320bps of share in the US and -170bps of share in the UK over the same time period. However, within prestige facial care, while EL lost share in the UK, EL gained modest share in the US (+200bps) over the 2019-25 time period, after having lost over 2pts of share over 2016-19. That said, as we discuss subsequently, EL has made progress toward these faster growth channels (e.g., e-commerce) to reach consumers in a more effective manner and is seeing success with its brand launches on Amazon/TikTok Shop among others.

Exhibit 11: Within developed markets, EL has seen accelerated market share losses within prestige color cosmetics...
EL prestige color cosmetics market share change (% pts)



Source: Euromonitor

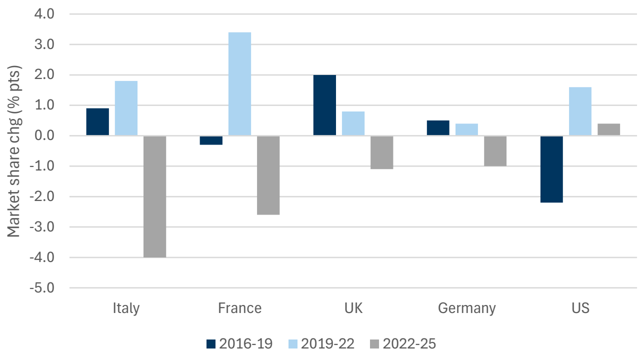
Exhibit 12: ...as has the case been within prestige fragrances as well, where EL has seen accelerating market share losses over the past several years
EL prestige fragrances market share change (% pts)



Source: Euromonitor

Exhibit 13: However, EL's market share trends have been more mixed within prestige facial care, where it has gained modest share in the US

EL prestige facial care market share change (% pts)



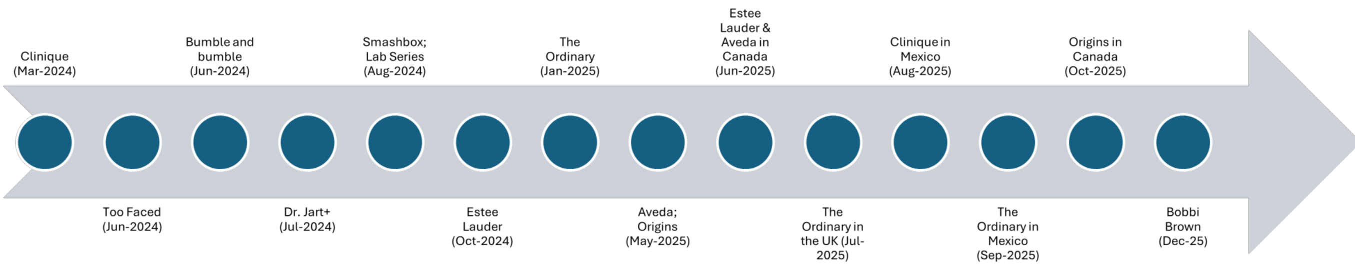
Source: Euromonitor

EL's North America performance is benefiting from brand launches on e-commerce (esp. Amazon and TikTok Shop) and a shift towards specialty-multi retailers. While EL has lost significant market share over the past several years, its North America channel mix is now much more diversified with roughly mid-30s percentage exposure to department stores, with the remaining split across Amazon, EL's DTC business (i.e., brand.com), and freestanding stores, which should allow the company to reach its consumers in a more effective manner. EL first launched Clinique on Amazon US in March 2024, which has resulted in market share gains for the brand since then. Notably, EL then launched several other brands on the platform and currently has 12 brands on Amazon US. Importantly, EL is benefiting from scaling its Amazon business as mgmt highlighted a return to market share gains in 2H25 following several years of declines. More recently, EL delivered volume share gains in the US in 3QFY26, and we expect continued market share improvement as EL's Amazon business scales further. Outside of Amazon, EL also launched multiple brands on TikTok Shop, including MAC and Clinique. Globally, EL has leveraged its US playbook and now has 12 brands on Amazon across 10 markets and 12 brands on TikTok Shop across 7 markets. Notably, mgmt views these platforms as an important part of its new media model wherein these platforms serve the purpose of amplifying demand for its brands as consumers predominantly search for beauty products across these platforms. Furthermore, EL has partnered with Shopify to enhance its DTC experience as part of One ELC operating model, wherein EL is seeing improved KPIs (i.e., satisfaction and retention) for Tom Ford at brand.com.

Overall, EL aims to lower its department store exposure further towards mid-20s range, and has taken certain actions including the decision to exit Bobbi Brown from the channel to focus more towards specialty-multi retailers and online. Moreover, EL's PRGP initiatives are also focused on reducing the tail of its department stores and freestanding stores in the region where there is low traffic to the stores. While department stores will likely get even smaller over time as other growth channels pick-up in the mix, we believe department stores remain an important channel to drive trial and certain categories will likely thrive in brick-and-mortar, such as fragrances and luxury skincare. In that vein, in March 2026, EL also launched MAC across select Sephora and Sephora at Kohl's in the US, with MAC gaining 250bps market share within lip gloss in FQ3.

Exhibit 14: EL has been expanding its presence in Amazon, both in the US and internationally over the past couple of years

Timeline for EL's brand launches on Amazon



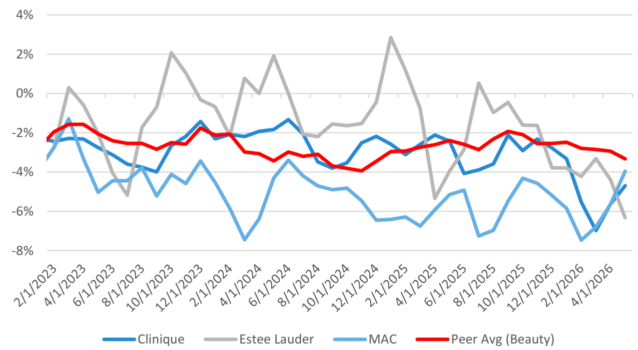
Source: Company data

Insights from HundredX. We supplement our analysis with data from HundredX, a mission-based data and insights company that takes an innovative approach to monitoring consumer perceptions and gathering consumer feedback to understand trends across 80+ industries and 3,000+ brands. HundredX analyzes collective opinions of everyday customers and evaluates how their priorities influence purchasing decisions and attitudes toward businesses and brands. HundredX's data mix covers 13.6mn pieces of feedback collected from 444K people since August 2021.

The following charts and tables analyze net promoter scores (NPS) & net purchase intent (NPI) for the makeup and skincare categories. Our proprietary access to HundredX data allows us to share a summary of insights below:

- **Net purchase intent (NPI)** – The Estee Lauder brand scores have come down relative to peers on NPI, though trends for MAC and Clinique have picked up over the past few months.
- **Net promoter score (NPS)** – Here, the Estee Lauder brand as well as Clinique rank above peers on NPS, suggesting users have a higher propensity to recommend the brand over others. However, MAC ranks below peers.
- **Drivers** – As outlined below, EL's premium offering unsurprisingly results in a lower score on price, though its brands score better on other key metrics, such as quality and availability of its products.

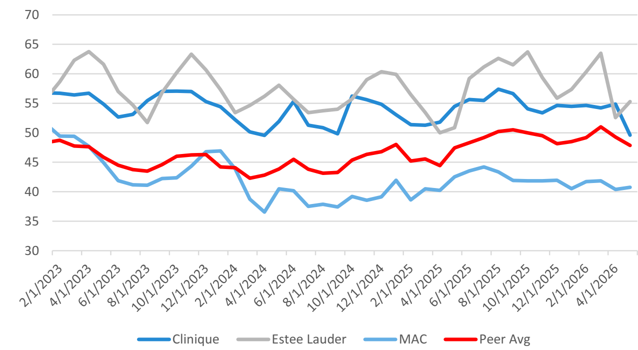
Exhibit 15: Estee Lauder brands' net purchase intent trends are mixed relative to other brands in the category
Trailing 3M NPI



NPI is % of customers who intend to consume more in the next 12M. Peer Avg includes over 50 brands in the makeup and skincare category

Source: HundredX, Goldman Sachs Global Investment Research

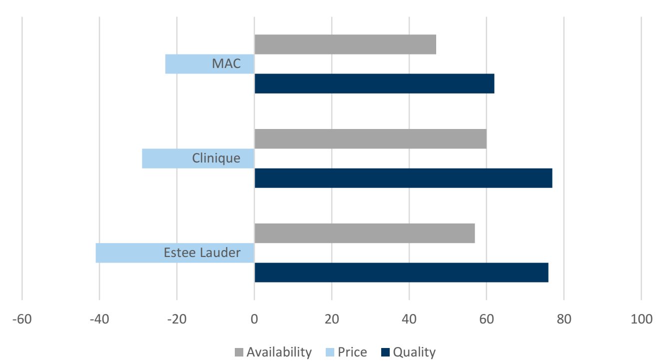
Exhibit 16: Estee Lauder brands' net promoter scores have been mixed over the past several months
Trailing 3M NPS



Net Promoter Scores (NPS) indicate likelihood consumers will recommend a brand. Peer Avg includes over 50 brands in the makeup and skincare category

Source: HundredX, Goldman Sachs Global Investment Research

Exhibit 17: EL's premium offering unsurprisingly results in a lower score on price, though scores better on other key metrics
Trailing 3M Net Positive Percent



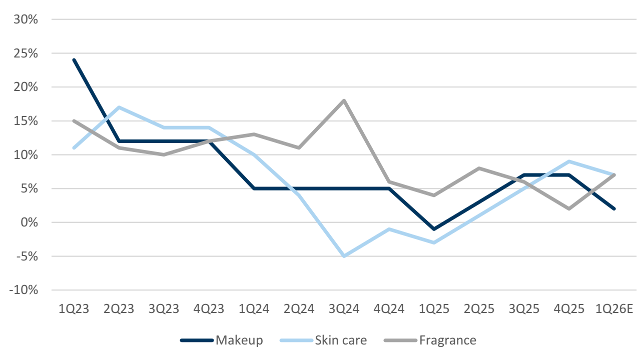
Net positive percent is an indication of how positively or negatively a brand addresses a consumer expectation on a specific driver

Source: HundredX, Goldman Sachs Global Investment Research

Expect improving category trends and EL's better channel mix and execution to support a return to modest growth across Americas and EUKEM. Outside of e-commerce, while US prestige beauty category growth has come down relative to a couple of years ago, our US Retail Analyst's (Kate McShane) 1QCY26 beauty tracker suggests stabilizing trends in the US (Exhibit 18). In addition, our US Retail Analyst expects ULTA's same-store-sales (SSS) growth of +3% over CY26/CY27, indicating expectations for a modest demand backdrop going forward. While we remain cautious near-term owing to subdued consumer spending behavior (esp. in the US) on macro concerns and mgmt's expectations for flattish organic sales in Americas for FY26, modest category growth coupled with EL's better channel mix and execution should support a return to modest +LSD growth over the coming years. Separately, within EL's EUKEM segment, even though weaker consumption trends across certain European markets (e.g., France, Germany etc.) have pressured near-term trends, EL has made progress in these markets with a return to market share gains across several of these markets, including Germany, France, and Italy and a return to retail sales growth in the UK.

Emerging markets present a key growth opportunity ahead. Indeed, EL is currently seeing emerging markets growth of 2-3x the global average and aims to grow its exposure from 10% of EL's sales mix to over 15% in the long run on sustained double-digit growth momentum. With respect to its emerging market exposure, EL remains focused on capitalizing on local relevancy across its markets, especially across fragrances (where EL has high traction) and on-trend makeup (esp. in the Middle East and India). In addition, online presents an important opportunity to engage with the younger consumers. In that vein, EL aims to benefit from its entry into Amazon in Brazil, Shopee/TikTok Shop within Southeast Asia, etc. Furthermore, EL is focused on offering products at more accessible price points (e.g., mini sizes) to drive trials. While there are some concerns around the disruption in the Middle East due to Iran war, Middle East is roughly 2% of EL's sales (including travel retail sales in the region).

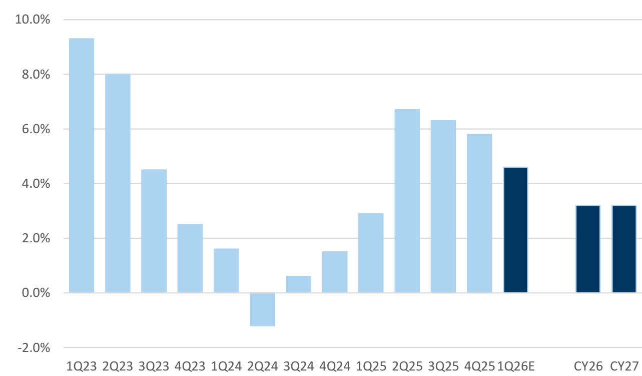
Exhibit 18: Recent data suggests that prestige beauty sub-categories have returned to post modest growth
YoY growth in prestige beauty categories in the US (%)



Note: quarters represent calendar quarters, i.e., 2Q25 implies quarter ending Jun-2025

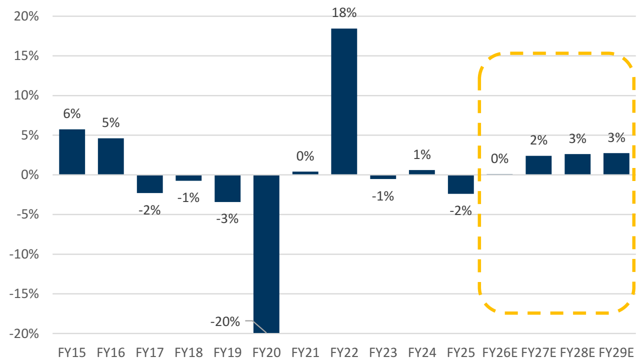
Source: Circana, The NPD Group, Goldman Sachs Global Investment Research

Exhibit 19: Our retail analyst expects ULTA's SSS growth of +3% over CY26/CY27
ULTA same store sales (SSS) growth (%)



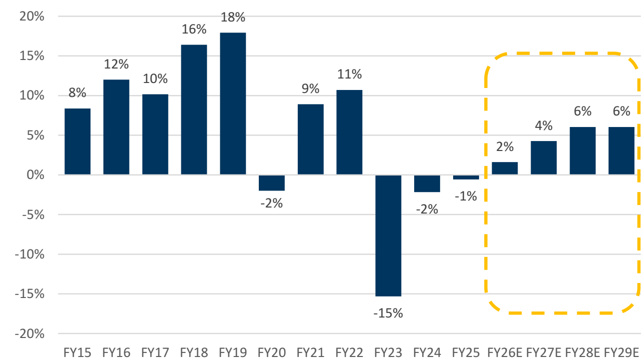
Source: Company data, Goldman Sachs Global Investment Research

Exhibit 20: We expect Americas' organic sales declines to abate in FY26, followed by a return to modest +LSD growth over the next few years
Americas Organic sales growth (%)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 21: We expect EUKEM organic sales to return to growth as travel retail weakness subsides
EUKEM organic sales growth (%)



Note: this shows previously disclosed EMEA organic sales growth for FY24 and prior.

Source: Company data, Goldman Sachs Global Investment Research

Top-line recovery and PRGP savings should support a pathway to mid-teens operating margins over time

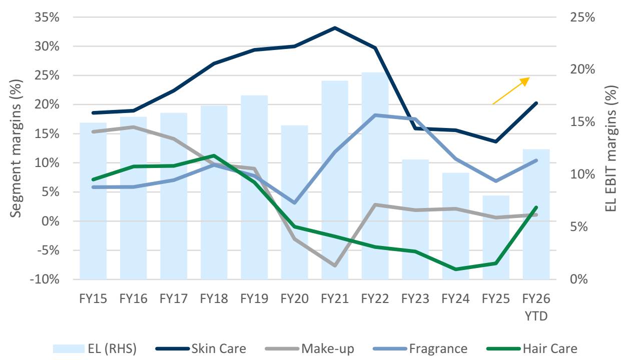
Since FY19, EL's operating margins compressed 740bps to 10.2% in FY24, down from 17.5% in FY19, which was driven by 570bps of gross margin compression over the same period. As a result, EL laid out a Profit Recovery and Growth Plan (PRGP) in Nov 2023 and later expanded it in June 2024, targeting $1.1-1.4bn in net savings over FY25-26 time frame, with over half of the savings in FY25. As such, during its 4QFY25 earnings call, mgmt noted that it had significantly exceeded the 50% of savings target in FY25. And while FY25 gross margins expanded +236bps on lower obsolescence costs, these benefits did not flow through to FY25 EBIT margins (-220bps) as a result of volume deleverage. As illustrated in Exhibit 22, operating margins compressed across all sub-categories, though the most significant impact appears to be within skin care and fragrances, EL's highest margin categories owing to their greater exposure to travel retail. That said, mgmt has made progress towards margin recovery as a combination of return to top-line growth and PRGP savings has yielded robust EBIT margin expansion in FY26 YTD (over +300bps YoY). Moreover, mgmt's prelim FY27 expectations for adj. EBIT margins in the range of 12.5% to 13.0% suggests pathway for continued improvement. In that vein, mgmt also previously raised its expectations for annual gross pre-tax savings to $1.0-1.2bn (up from $0.8-1.0bn prior), which now contemplates a net reduction in workforce of 9,000-10,000 (vs. 5,800-7,000 previously). Mgmt attributed 70% of the increase to POS demonstration roles at certain unproductive department stores and freestanding stores and expects all business cases to be approved by the end of FY26 (June). Indeed, over the past several years, EL's SG&A ratio has stepped up meaningfully owing to its operational issues, while SG&A ratio for its key peer L'Oreal has been relatively stable (and slightly declining) at under 55% of sales (Exhibit 23). As a result, we believe there are significant opportunities for operational improvement to close this gap over the coming years. We believe these initiatives will allow the company to reinvest behind consumer-facing activities (+5% ex-FX in FQ3). Moreover, EL has refined its innovation strategy to focus on retention along with recruitment, such that its new launches are accretive to gross margins, which should support further margin expansion going forward.

In April 2026, EL launched its One ELC operating model, focused on 3 key elements, including, One Team, One Culture, and One Operating Ecosystem. This is aimed at simplifying EL's organizational structure for greater collaboration, ownership & accountability, faster decision-making, and improved agility. In order to achieve this, EL appointed WPP as its global media partner for a unified, scalable approach towards media buying through its shared data/platforms, away from its decentralized regional approach to media previously, wherein it was partnering with over 30 media companies. In addition, EL also partnered with Accenture to transform its shares services (targeted to complete by CY26) and Shopify to enhance its DTC experience (with 50% of EL's DTC operations transitioned to Shopify by the end of CY26).

Overall, we believe EL has made progress in terms of margin recovery and mgmt's prelim expectations for FY27 towards its target of solid double-digit operating margins over time is encouraging. Indeed, we believe mgmt's expanded PRGP initiatives should support increased reinvestments into consumer-facing activities (while driving a better ROI) to support long-term sustainable top-line growth, which remains key for durable earnings momentum going forward.

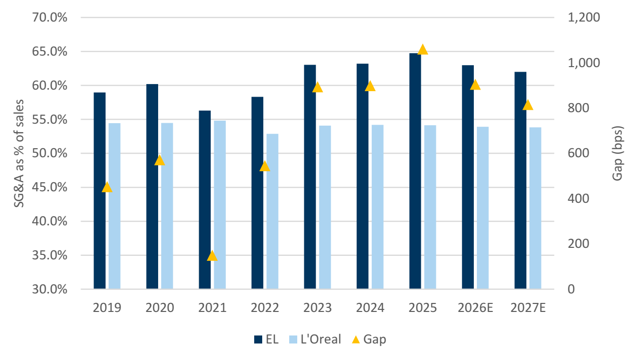
Middle East disruption remains a key factor to watch out for, though EL's steps towards supply chain resiliency should limit the impact. Near term, mgmt expects the disruptions in the Middle East (incl. domestic consumption and travel retail) to weigh on FQ4 trends, including a -200bps headwind to sales growth and $0.06 EPS dilution in the quarter (up from $0.02 adj. EPS dilution in FQ3). That said, EL has taken several steps over the past year to make its supply chains more resilient and improve its agility to address the disruption in the Middle East. In that vein, EL has worked towards simplification of its supply chain by regionalizing its network. Notably, over 60% of EL's finished goods are produced in the region it is sold and 70% of EL's raw materials (incl. packaging) are sourced in the same region as where it is used for EL's production. Notably, EL ramped up production in its Japan factory from 10mn units to 80mn units in less than a year in an effort to mitigate its tariff costs. In terms of fulfillment, EL has also implemented alternatives towards freight (e.g., use of rail for connecting Asia to Europe). As an example, EL previously highlighted that its Double Wear relaunch (which has 900SKUs, 70 shares, 45mn units) is 98% regionalized from manufacturing to finished goods, 100% regionalized from a packaging standpoint, and has a 20% faster lead time.

Exhibit 22: EL's operating margins have already returned to expansion following multiple years of contraction
Segment operating margins (LHS; %) and EL operating margins (RHS; %)



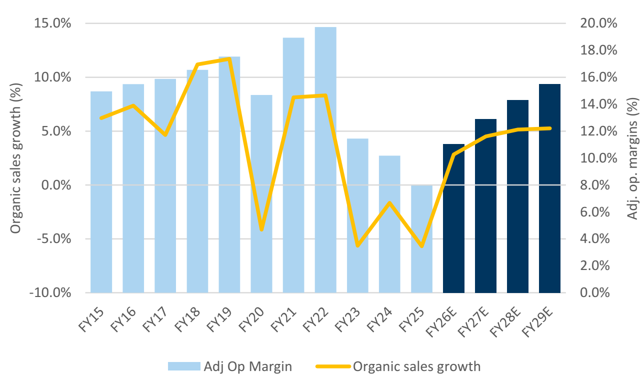
Source: Company data

Exhibit 23: EL's SG&A ratio has stepped up significantly over the past few years, and its gap relative to key per L'Oreal suggests meaningful opportunity for improving efficiencies ahead
SG&A as % of sales (in Calendar years)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 24: Volume de-leverage has driven EL's operating margin weakness but we expect improving organic sales trends and PRGP savings to support op. margin expansion going forward
EL's organic sales growth (%) and adj. op. margins (%)



Source: Company data, Goldman Sachs Global Investment Research

Where we could be wrong?

EL has gone through a change in leadership (along with other organizational changes) as well as introducing its 'Beauty Reimagined' strategic vision. While we are encouraged by the sense of urgency exhibited by EL's mgmt team and results from its execution, we believe mgmt's ability to successfully execute towards sustained top-line growth and operating margin improvement remains paramount for the stock to re-rate higher, esp. as the company has struggled with execution over the past few years. We believe this is even more critical given investors' questions around the sustainability of EL's growth momentum in light of its previously disclosed (albeit now terminated) talks with Puig regarding a potential merger. Moreover, we see potential risk from lack of visibility into end-market recovery along with concerns around EL's aging brands which may not be as competitive relative to new-age brands and therefore may require a significant portfolio overhaul and/or sizable reinvestments to drive EL's turnaround. In addition, near-term uncertainty related to elevated oil prices and disruption in the Middle East remains a key factor to watch out for. As a result, solid double-digit operating margins may prove elusive unless top-line picks up.

Valuation & Risks

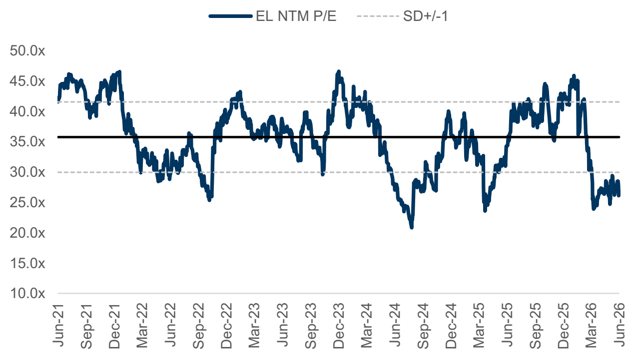
EL is currently trading at an NTM P/E of ~27x, below its 5-year average multiple of ~36x (Exhibit 25). Similarly, on an EV/EBITDA basis, EL's valuation screens attractive at ~15x, below its 5-year average of ~23x. As such, we expect top-line recovery and operating margin expansion to drive further re-rating from current levels over time. As such, we reinstate a rating on EL at Buy with a $100 price target, which is based on equal-weighted EV/EBITDA multiple of 12.5x and P/E multiple of 25.0x, both on our revised Q5-Q8 estimates. We slightly raise our estimates to reflect a faster EBIT margin recovery as EL benefits from expanded PRGP savings. Our FY27-28 EPS estimates sit 7-9% above consensus estimates. We also introduce our FY29 EPS estimate of $4.95.

Key downside risks to our thesis include the following.

- **Weaker-than-expected market share trajectory.** Mgmt had previously acknowledged that it has not been agile in the past as a company, which drove its underperformance over the past few years. In order to rectify this, EL has embarked upon 'Beauty Reimagined' strategic vision to drive a turn-around in its business by targeting faster innovation, being present in channels where consumers are (e.g., e-commerce) among others. While mgmt has seen early success with its brand launches on Amazon/DTC, the company may still continue to lose market share to new-age brands owing to its legacy brand portfolio. As such, the market share recovery may take longer to realize, which would present downside risks to our top-line estimates.
- **Slower-than-expected top-line recovery.** EL has made progress towards recovering its top-line and has returned to growth in FY26 following 3 years of sales declines. In addition, mgmt's prelim expectations for FY27 indicate an acceleration to +3-5% sales growth. However, EL's pace of sales growth acceleration may be lower than expected if end-market demand remains pressured, which could present downside risks to our sales estimates. Furthermore, while travel retail is now a meaningfully lower part of the business, further contraction in that channel could still drive sales weakness for the company's end-market.
- **Slower-than-expected operating margin expansion.** EL has made progress toward expanding EBIT margins in FY26 YTD and mgmt's prelim expectations for FY27 suggest continued improvement towards mgmt's target of solid double-digit operating margins over time. We expect an improving top-line along with PRGP savings to support operating margin expansion in FY26 and beyond, though the pace of operating margin expansion may be weaker if top-line recovery ends up being weaker than our expectations and/or PRGP savings take longer to realize. This, in turn would present downside risks to our operating margin estimates. In addition, there is an increased uncertainty due to elevated oil costs and disruptions in the

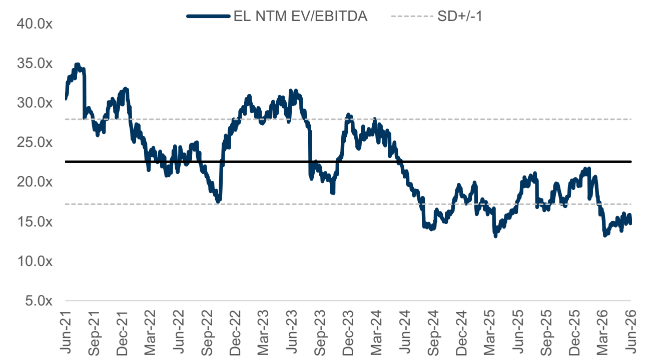
Middle East.

Exhibit 25: EL's NTM P/E currently trades below its 5-yr average
EL NTM P/E (on consensus estimates)



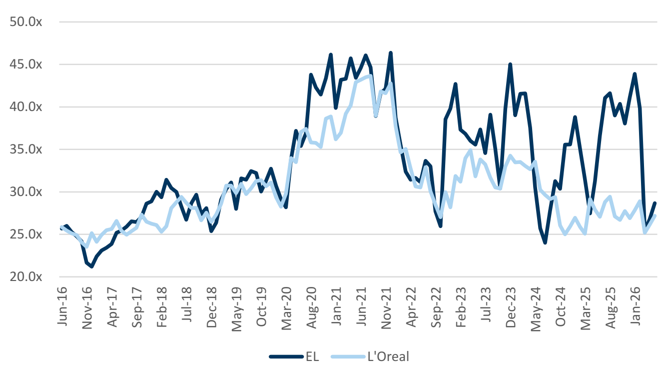
Source: FactSet

Exhibit 26: On an EV/EBITDA basis, EL's NTM trading multiple screens attractive as well, trading well below its 5-yr average
EL NTM EV/EBITDA (on consensus estimates)



Source: FactSet

Exhibit 27: Historically, EL and L'Oreal have traded more in sync, though the relationship broke in late 2022 on EL's operational issues
NTM P/E (on consensus estimates)



Source: FactSet

Exhibit 28: Summary of our estimate changes
$ in millions, except per share data

P&L Analysis	4Q26 New	4Q26 Old	2026E New	2026E Old	2027E New	2027E Old	2028E New	2028E Old	2029E New
Total Revenue	3,546	3,541	14,967	14,962	15,642	15,637	16,447	16,442	17,311
Americas	976	972	4,444	4,440	4,552	4,547	4,671	4,665	4,799
YoY % Change	3.8%	3.3%	0.8%	0.7%	2.4%	2.4%	2.6%	2.6%	2.7%
LC Sales % change	3.0%	3.0%	0.1%	0.1%	2.4%	2.4%	2.6%	2.6%	2.7%
Fx	0.8%	0.3%	0.7%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%
EUKEM	853	853	3,796	3,796	3,958	3,958	4,197	4,197	4,451
YoY % Change	3.0%	3.0%	6.5%	6.5%	4.3%	4.3%	6.0%	6.0%	6.0%
LC Sales % change	1.5%	1.5%	1.6%	1.6%	4.3%	4.3%	6.0%	6.0%	6.0%
Fx	1.5%	1.5%	4.8%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia/Pacific	951	951	3,727	3,727	3,974	3,974	4,252	4,252	4,549
YoY % Change	4.9%	4.9%	3.3%	3.3%	6.6%	6.6%	7.0%	7.0%	7.0%
LC Sales % change	4.5%	4.5%	3.4%	3.4%	6.6%	6.6%	7.0%	7.0%	7.0%
Fx	0.4%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Mainland China	766	766	3,000	3,000	3,159	3,159	3,328	3,328	3,513
YoY % Change	4.5%	4.5%	9.5%	9.5%	5.3%	5.3%	5.4%	5.4%	5.5%
LC Sales % change	4.0%	4.0%	8.1%	8.1%	5.3%	5.3%	5.4%	5.4%	5.5%
Fx	0.5%	0.5%	1.3%	1.3%	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of Goods Sold	-961	-960	-3,760	-3,759	-3,900	-3,899	-3,979	-3,977	-4,120
Gross Profit	2,585	2,582	11,207	11,204	11,742	11,739	12,469	12,465	13,191
SG&A	-2,351	-2,353	-9,553	-9,555	-9,726	-9,753	-10,117	-10,152	-10,509
EBIT	235	229	1,655	1,649	2,016	1,986	2,352	2,313	2,682
Net Interest/Other	-69	-69	-267	-267	-265	-271	-257	-265	-256
Income Before Tax	165	159	1,387	1,381	1,751	1,714	2,095	2,047	2,426
Provision for Tax	-50	-48	-499	-497	-525	-514	-628	-614	-728
Minority Interest	0	0	0	0	0	0	0	0	0
Net Income from Continuing Operations	116	112	889	885	1,226	1,200	1,466	1,433	1,698
Diluted Shares Outstanding	365	365	365	365	360	360	351	351	343
Operating EPS	**$0.32**	**$0.31**	**$2.44**	**$2.42**	**$3.40**	**$3.33**	**$4.18**	**$4.09**	**$4.95**
Tax Rate	30.0%	30.0%	35.9%	36.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Margin Analysis									
Gross Margin	72.9%	72.9%	74.9%	74.9%	75.1%	75.1%	75.8%	75.8%	76.2%
Operating Margin	6.6%	6.5%	11.1%	11.0%	12.9%	12.7%	14.3%	14.1%	15.5%

Source: Goldman Sachs Global Investment Research

Disclosure Appendix

Reg AC

We, Bonnie Herzog, Ankit Prasad, Ethan Huntley, Shanika Paul and Nicholas Vidger, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Unless otherwise stated, the individuals listed on the cover page of this report are analysts in Goldman Sachs' Global Investment Research division.

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GS Factor Profile

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Financial Returns and Multiple use the Goldman Sachs analyst forecasts at the fiscal year-end at least three quarters in the future. Growth uses inputs for the fiscal year at least seven quarters in the future compared with the year at least three quarters in the future (on a per-share basis for all metrics).

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	Rating Distribution			Investment Banking Relationships		
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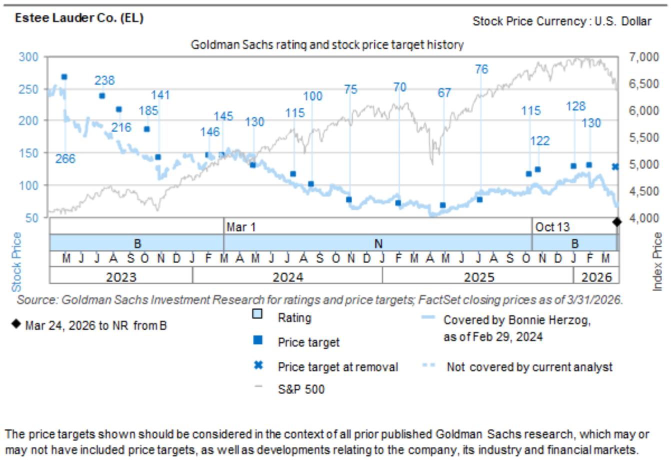
Price target and rating history chart(s)



Target price history table(s)
Estee Lauder Co. (EL)

Date of report	Target price ($)	Closing price ($)
22-Jun-26	100.00	84.81
05-Feb-26	130.00	96.66
07-Jan-26	128.00	105.27
30-Oct-25	122.00	97.61
13-Oct-25	115.00	92.74
10-Jul-25	76.00	92.10
01-May-25	67.00	58.89
04-Feb-25	70.00	69.47
31-Oct-24	75.00	68.94
19-Aug-24	100.00	92.85
16-Jul-24	115.00	100.99
01-May-24	130.00	127.37
01-Mar-24	145.00	148.83
05-Feb-24	146.00	150.28
01-Nov-23	141.00	104.51
09-Oct-23	185.00	141.91
18-Aug-23	216.00	156.69
17-Jul-23	238.00	192.65

Price targets shown in table(s) are unadjusted for corporate actions.

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