L'Oréal

Key highlights from CFO conference Fireside Chat

Neutral

OREP.PA, OR FP
Price (07 Sep 26):€384.65
Price Target (Dec-27):€375.00

L'Oreal's CFO Christophe Babule and Chief Executive of Corporate Finance & Financial Communications Officer Laurent Schmitt hosted a conference presentation. Management struck a confident message, pointing to a still-supportive beauty backdrop and broad-based execution. The group reiterated that the global beauty market is accelerating (around +4% in Q1 and nearing +5% in Q2, with FY seen at +4.5-5%) and that demand has remained robust through the summer despite pockets of logistics and supply-chain disruption from the crisis in the Middle East. The strong performance ytd was described as broad-based across divisions and regions, led by strong momentum in Derma and Professional, continued acceleration in skincare, and clear traction in e-commerce (growing at 2x the market). Regionally, Emerging Markets grew at +10% with an outperformance in SAPMENA and slower growth in Latin America, while Developed Markets were +M-HSD%. Management also highlighted continued portfolio expansion ("only beauty, but all beauty"), the ramp of recent acquisitions, and ongoing investment behind innovation, AI, and brand support, while still delivering a "virtuous P&L" with margin expansion of +20-30bps pa.

- **Key highlights: 1) Beauty Market**: Management sees the category back on trend and expects a +5% exit-rate into H2, maintaining a FY market view of c.+4.5-5% post-summer, supported by beauty's historically resilient demand profile. **2) L'Oreal Outlook:** Despite a strong H1 with some concerns of deceleration and the prospect of tougher comps next year, confidence remains high, with a clear emphasis on stepping up innovation and launch cadence into H2 and beyond (including continued category "whitespace" expansion such as body care) alongside disciplined reinvestment. **3) China:** China remains a key profit pool (c.17% of sales) with a heavy Luxe skew (close to 60% of L'Oreal sales in the market) and a structurally e-commerce-led model (2/3 of sales online), where L'Oréal continues to gain share and is focused on mastering both growth and profitability on online platforms, namely Douyin (China's Tik Tok equivalent). After Luxury, Consumer is the second-largest business in the region, with Derma growing at a fast pace, while Professional remains small. **4) North America**: The US remains a strategic growth market (c.25% of sales) with robust underlying demand and nearly half of US sales from American brands. L'Oreal noted the market is heavily innovation driven, with heightened competition from indie brands pushing the boundaries of this dynamic. In the LT, management projects the mass market will increase by another 10-20m consumers, while Luxe remains a structural opportunity with over one-third of affluent consumers living in the US. **5) Europe**: Europe is described as outperforming via an "invest to win" approach (product, A&P), with e-commerce cited as a particular competitive advantage. **6) SAPMENA**: Despite some supply-chain constraints due to the conflict in the Middle East, the region remains very dynamic. SEA remains a priority, with notable growth in India and Vietnam. Overall, the region's outperformance can be attributed to trading-up, strong Derma and Professional momentum, and leadership in e-commerce and social commerce. **7) Galderma**: The incremental stake in Galderma (10% to 20%) is framed as a strategic learning lever into fast-growing aesthetics

European Food Producers, Household & Personal Care Products, Beverages & Tobacco

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Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	91	95	96	97	94
Growth	64	42	38	26	
Momentum	25	18	28	33	27
Quality	16	6	8	10	22
Low Vol	63	57	47	37	24
ESGQ	17	21	26	31	43

Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

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Price Performance



	YTD	1m	3m	12m
Abs	4.9%	-0.3%	2.4%	-4.5%
Rel	-5.0%	1.2%	-2.0%	-22.2%

Company Data

Shares O/S (mn)	564
52-week range (€)	405.80-338.85
Market cap ($ mn)	251,779.10
Exchange rate	0.86
Free float (%)	44.9%
3M ADV (mn)	0.35
3M ADV ($ mn)	156.8
Volatility (90 Day)	22
Index	MSCI Europe
BBG ANR (Buy | Hold | Sell)	17|8|2

Key Metrics (FYE Dec)

€ in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Revenue	44,052	46,861	49,560	52,307
Adj. EBITDA	10,709	11,485	12,240	13,017
Adj. EBIT	8,892	9,552	10,196	10,859
Adj. net income	6,807	7,233	7,845	8,407
Adj. EPS	12.71	13.52	14.67	15.72
BBG EPS	12.86	13.66	14.92	16.24
Cashflow from operations	9,016	9,107	9,712	10,354
FCFF	7,433	7,553	8,054	8,569
Margins and Growth				
Revenue Growth Y/Y (%)	1.3%	6.4%	5.8%	5.5%
Same Store Sales Growth (%)	-	-	-	-
Gross margin	74.3%	74.4%	74.5%	74.6%
EBITDA margin	24.3%	24.5%	24.7%	24.9%
EBITDA Growth Y/Y (%)	1.6%	7.2%	6.6%	6.3%
EBIT margin	20.2%	20.4%	20.6%	20.8%
Net margin	15.5%	15.4%	15.8%	16.1%
Adj. EPS growth	0.4%	6.3%	8.5%	7.2%
Ratios				
Net debt/EBITDA	0.3	0.7	0.4	0.1
ROIC	-	-	-	-
ROE	20.0%	25.1%	31.9%	29.6%
Valuation				
FCFF yield	3.6%	3.7%	3.9%	4.2%
Dividend yield	1.9%	2.0%	2.2%	2.3%
EV/Revenue	4.8	4.6	4.3	4.0
EV/EBITDA	19.7	18.8	17.4	16.0
Adj. P/E	30.3	28.5	26.2	24.5

Summary Investment Thesis and Valuation

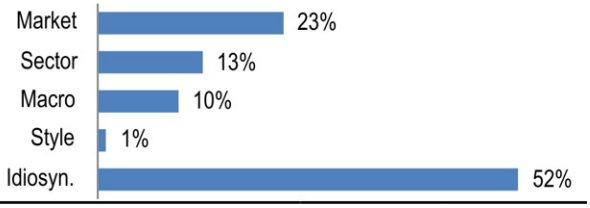
Investment Thesis

We rate L'Oréal Neutral as we view the company's mid-term growth of c5% at odds with a premium rating amid an uncertain global Beauty market. Near term, support from US market demand should address top-line weakness concerns, although we retain our mid-term top-line growth forecasts at c5%, modestly outperforming the global beauty market, which is facing normalisation in Europe and an uncertain N. Asia. As the top-line growth gap narrows vs. European staples peers, we believe L'Oréal's premium rating will remain at risk.

Valuation

We set a Dec-27 DCF-derived Target Price of €375 (WACC of 8.5%; LT growth rate of 3.5%).

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Europe ex UK	0.49	0.51
Sect: Cons Staples	0.38	0.46
Ind: H'hold, Personal Prod	0.94	0.95
Macro:		
Germany Govt 10Y Yield	-0.20	-0.25
Euro	0.28	0.16
Eurozone Exports	0.13	0.13
Quant Styles:		
LowVol	0.22	0.24
Momentum	0.04	-0.13
DivYld	0.17	0.12

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

adjacencies, with board representation supporting deeper category understanding. **8) Margins:** While SG&A has edged down to a little over 18% of sales, management sees multi-year further potential to close the gap to 15% vs the Staples average via IT-enabled process harmonisation and shared services, while continuing to recycle efficiency into innovation and brand investment.

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Investment Thesis, Valuation and Risks

L'Oréal *(Neutral; Price Target: €375.00)*

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L'Oréal: DCF Valuation

PV of Cash Flow (27-36e)	69,518
+Terminal Value	132,472
Firm Value	**201,990**
-Net Debt/(Cash)	-8,036
Minorities	-51
Sanofi	6,685
Equity Value	**200,588**
Equity Value per Share (€)	**375**
WACC	8.5%
LT Growth Rate	3.5%

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Upside risks to our rating and price target include: a stronger-than-expected China recovery leading to Luxe acceleration as well as in Travel Retail; a better-than-feared slowdown in W. Europe would also drive upside risks. Downside risks include: a deterioration in trading conditions in the company's key markets, e.g. Europe/ US/China, a material change in the value of its minority stake, and mergers and acquisitions. In addition, a retail slowdown or travel restrictions could weigh on the company negatively, as well as a strengthening of the euro, which could lead to earnings downgrades.

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L'Oréal: Summary of Financials

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L'Oréal (OREP.PA, OR FP) Price Chart



Date	Rating	Price (€)	Price Target (€)
29-Nov-23	N	430.70	420
12-Feb-24	N	418.80	410
15-Aug-24	N	380.55	390
16-Oct-24	UW	376.40	325
27-Nov-24	UW	332.45	290
31-Jul-25	N	388.55	360
09-Oct-25	N	383.10	350
26-Nov-25	N	367.20	365
11-Aug-26	N	388.50	375

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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