



APERTURE

INSIGHTFUL AND RELEVANT RESEARCH UPDATES

L'Oréal HY 2026 Results

Share Price	EUR392.10
Date	03 August 2026

RESULTS SUMMARY

L'Oréal continued to outperform the global beauty market (+4.5%) with like for like sales growth of 6.8%. Professional Products and Dermatological Beauty reported double-digit sales growth supported by the group's Beauty Stimulus Plan which accelerated product launches, rolled out more aggressive advertising campaigns and utilised AI to optimise product development, time to market and media engagement.

Regionally, SAPMENA-SSA remained the strongest performer with like for like sales growth of 13.9%. Management quipped that they finally understand the distribution model required across key Asian markets including Indonesia and Vietnam. The CEO noted that they finally understand TikTok shop and appear to be "getting that right". L'Oréal continued to outperform peers in what remains the group's largest regional exposure, Europe. Sales rose 5.7% on a like for like basis to €8.1bn. North America remained robust with growth of 8.6% to €6bn driven by successful product launches and strong relationships with key retailers. North Asia continued to recover and posted growth of 4.6% to €5.5bn. Management commented that the Chinese consumer is improving, though an acceleration in growth momentum is not expected at this stage. Latin America remained the laggard in the group with growth of 4.1% to €1.8bn.

Management remains enthusiastic about the Beauty market and has made multiple strategic acquisitions including an equity interest in Galderma ,Innovist in India and licenses for iconic luxury brands including Gucci Beauty in progress. While debt has increased, leverage is manageable and expected to reduce by year end. L'Oréal remains the superior Beauty operator evident in leading market positions and we expect the group to continue the successful execution of its Beauty Stimulus Plan for the remainder of FY 2026.

OUR LONG-TERM INVESTMENT VIEW

- Founded in 1909, L'Oréal has become the world's largest beauty company, housing 37 global brands and operating in over 150 countries. The global beauty market is forecast to continue growing at mid- to high-single digits over the medium term, supported by structural growth in luxury beauty, dermatological beauty and premiumisation
- Over the long-term L'Oréal has consistently outperformed the market in terms of sales, earnings, and volume growth, underpinned by its diversified exposure across all major beauty categories and price points.
- L'Oréal is riding a growth wave that is being supported by:
 - Demand for beauty products among younger consumers globally, an increased desire for premium products, with more consumers willing to trade up for superior quality
 - Continued digitalisation as social media and influencer ecosystems shape purchasing behaviour
 - Increased penetration of beauty via e-commerce and online marketplaces
- The company has strong quality of earnings, strong balance sheet, solid cash generation and consistent strategic execution.

UNPACKING THE HY 2026 RESULTS

High-level numbers

- **Revenue** rose 5.8% including the impact of currency fluctuations to €23.8bn. Growth was driven by Professional Products (+12.6%) and Dermatological Beauty (+113%) whilst Consumer Products (+4%) remained resilient and Luxe (+5.4%) continued its recovery.
- A 10bps expansion in **gross profit margin** supported a 6.8% increase in **operating profit**
- **Dermatological Beauty** (18% of sales) posted its third consecutive quarter of double-digit like for like sales growth (+11.3%) to €4.2bn. SAPMENA-SSA and North Asia reported double digit growth while Europe and North America reported high single digit growth. Performance was driven by hair care and skincare.
- **Operating profit** increased 10% and the **operating profit margin** rose 20bps to 28.4%.

to €5bn. The group's **operating margin** strengthened modestly by 20bps to 21.3%.

- **Earnings per share** (EPS) growth of 4.8% (to €7.40) was adversely impacted by increased finance costs pertaining to the group's acquisitions during the period.
- **Operating cash flow** rose 13.9% to €3.1bn.
- **Leverage** has increased significantly from 0.2x net debt to EBITDA to 1.2x net debt to EBITDA as the group completed several strategic acquisitions during the period. Management has committed to reducing leverage by the end of FY 2026. L'Oréal remains a very cash generative business making the current level of leverage very manageable.

Divisional Performance

- **Professional Products** (12% of sales) was the strongest performer in the group with like for like sales growth of 12.6% to €2.9bn supported by double-digit growth across most regions (barring North America where growth was high single digit).
- The performance was driven by premium hair care and new launches including Kérastase Gloss Absolu Crème, Redken Acidic Grow Full and L'Oréal Professionnel Keratin Alpha Sleek.
- **Operating profit** rose 19% to €680 million and **operating profit margin** strengthened 90bps to 23.3%.
- **Consumer Products** (36% of sales) reported a resilient performance in a challenging consumer environment with sales growth up 4.1% to €8.6bn lead by the group's flagship brand, L'Oréal Paris. Haircare remained the stand-out performer with sales up double-digits. In makeup, growth was driven by new launches including L'Oréal Paris Extensionist Mascara and Maybelline New York Serum Lipstick.
- **Operating profit** increased 3.8% to €1.9bn and **operating margin** expanded 20bps to 22.7%.

- **L'Oréal Luxe** (34% of sales) is recovering as sales rose 5.4% to €8bn supported by 10% growth in China. Fragrances continued its exceptional performance with double digit growth supported by a blockbuster launch Prada Paradigme and sustained growth momentum in core franchises including Yves Saint Laurent Libre (the world's leading female fragrance).
- The group entered into an exclusive fifty-year worldwide license for Gucci Beauty, subject to regulatory approvals, and effective 1 July 2027. The First product launch is expected as early as 2028.
- **Operating profit** rose 3.2% (to €1.7bn) while the **operating margin** declined by 20bps to 22.1%.

Looking ahead

Management expects the global beauty market to grow between 4.5% to 5% and the group expects sales growth to continue to outpace that of the market.

Bottom Line

L'Oréal's Beauty Stimulus Plan implemented in 2025 is reaping rewards indicative in the recovery in L'Oréal Luxe, re-acceleration in Dermatological Beauty and outperformance in China. Management's credibility has strengthened as a result and we remain confident in the group's ability to outperform the global beauty market while improving operational efficiencies to support earnings growth momentum.

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