

L'ORÉAL (ENXTPA: OR) 3Q17 Update: An In-Line Quarter with Solid Comp Growth

- L'Oréal reported comp growth of 5.1% in 3Q17.
- The company's 3Q17 revenues were down 0.9% as reported, but were in line with consensus expectations.
- North America and France proved to be difficult markets in the quarter.

3Q17 Update

On a comparable basis at constant exchange rates, L'Oréal reported that 3Q17 revenues climbed by a solid 5.1% year over year in 3Q17.

The company's 3Q17 revenues came in at €6,098 million, in line with the consensus estimate of €6,081 million. Revenues as reported were down 0.9% year over year, impacted by the disposal of The Body Shop. Continuing operations revenues were up 2.4% year over year.

Performance by Region

L'Oréal management noted that 3Q17 revenue growth was "extremely dynamic" in the UK, Spain, Germany, the Netherlands and Greece. France continued to be a challenging market.

In the North American market, which management described as "difficult," the company noted that its Consumer Products division expanded into new distribution channels and was boosted by successful L'Oréal Paris launches in the quarter. The company's Active Cosmetics division continued to grow at a double-digit rate in North America.

In Latin America, Brazil continued to be challenging for the company. L'Oréal has seen a gradual recovery in the Gulf States.

Figure 1. L'Oréal: 3Q17 Revenue Growth, by Region (YoY % Change)

	Comparable Growth	Reported Growth
Western Europe	2.6	1.5
North America	1.3	0.5
New Markets	10.2	4.6
Asia Pacific	14.7	7.3
Latin America	3.4	(0.4)
Eastern Europe	7.8	6.2
Africa and Middle East	(0.4)	(5.3)

Source: Company reports

Performance by Division

In Professional Products, Eastern Europe and Latin America drove an improvement in comparable sales growth in 3Q17.

In Consumer Products, makeup and facial skincare performed well, helping the division win market share in Europe and Latin America, according to the company. The division has seen tough trading in the US since the start of 2017.

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Figure 2. L'Oréal: 3Q17 Revenue Growth, by Division (YoY % Change)

	Comparable Growth	Reported Growth
Professional Products	0.5	(3.6)
Consumer Products	2.3	(1.4)
L'Oréal Luxe	11.2	8.9
Active Cosmetics	6.2	11.7
Total*	5.1	2.4

*Excluding the impact of The Body Shop disposal

Source: Company reports

Outlook

The company offered no guidance.

Analysts expect L'Oréal to report revenue growth of just 1.5% in FY17, and for the company to increase EBIT by 4.1%. Consensus calls for diluted EPS to increase to €6.74 in FY17 from €6.46 in the prior year.



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