

BEAUTY

Este Lauder lowers outlook, citing global impact on travel retail due to coronavirus

February 7, 2020



Este Lauder Companies, which houses more than 25 premium beauty brands, warned investors on the global impact on travel retail due to the coronavirus. Image credit: Este Lauder

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Este Lauder Companies (ELC), the U.S. cosmetics conglomerate which houses more than 25 brands, including Este Lauder, **La Mer**, Clinique and Le Labo, reported double-digit growth for Q2 FY2020. But now is not the time to take a breather.

The company announced a 15 percent growth in net sales from \$4.62 billion to \$4.01 billion in the quarter ending Dec. 31, according to its earnings release.

Upon announcing "exceptional" results, company president/CEO Fabrizio Freda gave a cautious warning on the impact of travel retail for the full-year results, adding that more than 60 airlines have already stopped flying to China.

"There's lack of traffic not just in and out of China," Mr. Freda said on the earnings call. "The outbreak is a global concern, so many people who are traveling are restricted. Many companies have also banned business travel to infected countries."

Mr. Freda added that the company has already kick-started plans for the recovery.

"We're reworking our plans to recover when the time arrives," Mr. Freda said, adding that the company also aims to support China's economic recovery. "We will regain momentum not only for us, but for the entire industry."

"At this moment, stabilization is key," he said.

As a result of the ongoing uncertainty related to the coronavirus, the company's projected earnings per share for the second half of FY2020 came in between \$1.82 and \$1.90 compared with the current adjusted earnings per share of \$2.11.

As ELC's second-largest market, Asia Pacific has seen strong momentum last quarter, delivering a 29 percent increase from \$1.02 billion to \$1.32 billion.

Greater China also had an undisclosed double-digit net sales growth, with **Singles' Day** and other events to thank.

Across the company's five sectors makeup, fragrance, hair care and other skin care has outperformed the others, with growth led by flagship brands Esté Lauder and La Mer.

And, as one of the first to jump on **emerging technologies** such as augmented reality and virtual reality, Mr. Freda also said the company would continue its path toward further innovation.

The Jing take

When ELC looks around Greater China, it finds the market's growing importance to its major rival, **LVMH's** beauty division.

China became Guerlain's number one market in 2019. Rihanna's inclusive beauty brand Fenty has been winning praise and opening wallets. But it should know that it is ultimately competing with itself.

Despite the **cautious outlook** since the beginning of FY2020, when it cut its full-year profit forecast, expecting to take a hit from the **Hong Kong protests** and the slower growth in China, ELC's performance and efforts in the region have remained steady, though the full impact of the coronavirus has yet to be understood.



La Mer, Esté Lauder Companies' billion-dollar brand, named Justin Boxford to global brand president. Image credit: Esté Lauder

Just a week ago, ELC's billion-dollar brand, La Mer, announced an Asian market veteran as its global brand president.

While working for the likes of Esté Lauder and Tom Ford Beauty, Justin Boxford secured "local relevance with consumers in China and with traveling Chinese consumers," the company said in a news release.

ONCE THE coronavirus crisis subsides, both ELC and Mr. Boxford will have their hands full implementing their recovery plans for the Greater China region.

To date, all indications look toward ELC coming out stronger in the long term.

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