

COMMERCE

Estee Lauder Cos. reports 51pc travel retail sales loss for last quarter

November 2, 2023



The group attributes declines to a slower-than-expected recovery in China. Image credit: Estee Lauder Cos.

By LUXURY DAILY NEWS SERVICE

U.S. beauty group Estee Lauder Companies is fighting continued financial challenges.

For the period ended Sept. 30, 2023, the start of FY24 at the conglomerate, net sales of \$3.52 billion were reached on a reported basis, representing a 10 percent year-over-year (y-o-y) drop, down from \$3.93 billion. Hits to the travel retail market, responsible for roughly a third of revenues at Estee Lauder Cos., have led to a “slower-than-expected recovery” and slashed forecasts.

“In the context of a quarter which we anticipated to be challenging, we delivered our organic sales outlook and exceeded expectations for profitability,” said Fabrizio Freda, president and CEO of [Estee Lauder Companies](#), in a statement.

“While we had a better-than-expected first quarter, we are lowering our fiscal 2024 outlook given incremental external headwinds, namely from the slower growth in overall prestige beauty in Asia travel retail and in mainland China, which is currently confirmed in the pre-sale phase of the 11.11 Shopping Festival, and the risks of business disruption in Israel and other parts of the Middle East,” Mr. Freda said. “We are accelerating and expanding our profit recovery plan, to benefit fiscal years 2025 and 2026, to realize our ambitions to rebuild profitability despite the external headwinds’ increased pressure on the business in fiscal 2024.”

Downturn in China

Estee Lauder Cos. shares that a decline in Asia’s travel retail business, as well as lower-than-usual prestige beauty interest in mainland China, are partially to blame for the troubling performance.

During the three months, the entity posted net earnings of \$31 million during the first quarter, down from \$489 million for the same period in 2023, further outlining the drastic shift.



Skincare's net sales decreased by 22 percent on a reported basis. Image credit: Este Lauder Cos.

Similar disparities have plagued the cosmetics corporation for a few quarters in a row. Last quarter, net sales decreased across most markets, except for the Americas, where the figure rose 8 percent on a reported basis.

Led by a fragrance, makeup and skincare-driven sales boost in the United States, North America fared well. Double-digit growth in Mexico and Brazil carried South America to success.

In Europe, the Middle East and Africa (EMEA), reported net sales declined by 26 percent, reflective of lowered global travel retail net sales, as well as strategic investments in advertising and promotional activities and higher in-store staffing expenses, per the company.

Asia-Pacific net sales dropped by 6 percent on the same basis. Este Lauder Cos. cites "incremental headwinds from a slower-than-expected recovery of overall prestige beauty in mainland China, partially offset by increases in many other markets in the region, led by Hong Kong SAR, Japan and Australia."

Across all global regions, net skincare sales decreased by 22 percent on a reported basis, with weak shows from Este Lauder Cos.'s flagship brand, as well as ___ La Mer. According to the group, this is in part due to challenges being faced in the company's Asia travel retail business.

Haircare's net sales fell 6 percent, while net sales rose 5 percent for fragrance, and 1 percent for makeup. Regarding the latter category, the newly-acquired Tom Ford showed promise, with growth in the strong double digits.

This summer, the company suffered a major cybersecurity breach ([see story](#)).