

COMMERCE

Este Lauder Cos. ended 2023 with net sales down 7pc

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Jo Malone London is among the company's brands that managed to weather the slowdown, seeing double-digit increases in certain regions. Image credit: Jo Malone London

By LUXURY DAILY NEWS SERVICE

Cash flow challenges at U.S. beauty group Este Lauder Companies continued through its most recent quarter.

In the three months ended Dec. 31, 2023, the conglomerate's net sales reached \$4.28 billion on a reported basis. With a 7 percent year-over-year (y-o-y) decrease, down from \$4.62 billion, leaders at Este Lauder Companies are naming slowed sales across Asia and disruptions in the Middle East among a list of challenges that persist.

"Many developed and emerging markets around the world continued to grow organically and at retail," said Fabrizio Freda, president and CEO of [Este Lauder Companies](#), in a statement.

"While mainland China and Asia travel retail declined, our retail sales trended ahead of organic sales, and these businesses are poised to return to organic sales growth in the second half," Mr. Freda said. "We made progress in the first half across several strategic priorities, including reducing inventory in the trade of Asia travel retail, improving working capital, realizing higher levels of net pricing, and managing expenses with discipline.

"We are, encouragingly, at an inflection point."

Falling figures

The company brought in \$313 million in net earnings during what according to the Este Lauder Companies calendar is its second quarter of 2024, compared to \$394 million the year before.

The Americas is the only region of those included in reporting to see a net sales boost last quarter, up 1 percent y-o-y. A double-digit lift in Latin America offset poor performances in the U.S. and Canada.

Net sales were down by 13 percent in Europe, the Middle East and Africa on the same basis. Asia Pacific continues to struggle as net sales slipped 8 percent as compared to 2022.

Executives share that here, efforts to reset retailer inventory levels, "including the response to changes in government and retailer policies in the second half of fiscal 2023 related to unstructured market activity" and less foot traffic from travelers are to blame. It notes that a softened prestige beauty market in mainland China led to lowered sales during the nation's Singles' Day event on Nov. 11.



Launched after the end of the company's second quarter, an exclusive collaboration between Este Lauder skincare and high jewelry maison Messika kicked off 2024. Image credit: Messika Paris

By category, skincare net sales went down by 10 percent y-o-y the group is still crediting the shift to the slowed performance of Asia's travel retail business ([see story](#)) though Este Lauder mentions that, powered by its hero product franchises, global commercial activations and holiday campaigns, net sales from ultraluxury skincare brand La Mer increased in every geographic region.

Makeup brands were, similarly, not as profitable as usual. The category's net sales dipped 8 percent versus the same period in 2022, while that of haircare sank 6 percent.

Meanwhile, the fragrance segment's performance remained flat. British luxury fragrance brand Jo Malone, however, is specifically applauded by Este Lauder Companies for its positive sales.



British luxury fragrance brand Jo Malone has been able to garner positive sales during what has otherwise been a rocky quarter. Image credit: Jo Malone

The label saw double-digit increases in the Americas and high-single-digits in APAC. This is attributed to holiday promotions, activations on social media and the popularity of the English Pear & Freesia product franchise.

In light of the financial figures and macroeconomic disturbances, the group is restricting its organic sales outlook for the full fiscal year. As part of this strategy, Este Lauder Companies has announced a workforce reduction plan, cutting 3 percent to 5 percent of its positions as of June 30, 2023.

"In the second half of fiscal 2024, we are positioned to return to strong organic sales growth and expand our profitability from the first half," said Mr. Freda, in a statement.

"Moreover, today we have announced that we are further expanding our Profit Recovery Plan, which benefits fiscal years 2025 and 2026, to include a restructuring program," he said. "We believe this now-larger plan will better position the company to restore stronger, and more sustainable, profitability while also supporting sales growth acceleration and increasing agility and speed-to-market."