

The Estée Lauder Companies reports Fiscal 2023 Q1 results

ESTÉE LAUDER C O M P A N I E S

Today, The Estée Lauder Companies (ELC) reported its Fiscal 2023 first quarter results. According to the press release, net sales of US\$3.93 billion for its first quarter ended September 30, 2022, a decline of 11% from US\$4.39 billion in the prior-year period, including negative impacts from foreign currency. Organic net sales fell 5%, in line with the company's expectations, despite pressures which intensified as the quarter progressed.

ELC sites COVID-19 restrictions in China as "a greater challenge than expected." Tourism to Hainan was largely curtailed, which led to strict inventory management by certain retailers in travel retail, and traffic in brick-and-mortar in the rest of China was limited. These greater pressures were offset by several markets in Asia Pacific region, as well as many emerging and developed markets in the west, which delivered strong organic net sales growth. Organic net sales in both fragrance and hair care grew double digits.

The Company reported net earnings of US\$489 million, compared with net earnings of US\$692 million in the prior-year period. Diluted net earnings per common share was US\$1.35, compared with US\$1.88 reported in the prior-year period. Excluding restructuring and other charges, adjusted diluted net earnings per common share declined 28% to US\$1.37, decreasing 24% in constant currency, better than the Company's expectations. This decline includes a negative impact of 4% from certain foreign currency transactions in key international travel retail locations.

Fabrizio Freda, President and Chief Executive Officer said, "For the first quarter, we delivered organic sales in line with our outlook and adjusted EPS ahead of it even as the transitory external pressures of COVID-19 restrictions in China, high inflation globally, and a strong U.S. dollar intensified. Our multiple engines of growth strategy empowered us to seize prevailing growth opportunities amid the complexity.

"Fragrance and hair care each rose double digits organically, and makeup's renaissance continued to realize its promise in markets reopening. Skin care was the most challenged by COVID-19 restrictions in China, which significantly impacted the category in travel retail. All told, 13 brands grew organically, as MAC excelled in Makeup, La Mer in luxury Skin Care, Jo Malone London in Fragrance, and Aveda in Hair Care. Encouragingly, we realized strong double-digit gains in many large developed and emerging markets around the world."

The highlights include:

- net sales decreased 11% and diluted eps decreased 28% to \$1.35
- organic net sales¹ decreased 5% and adjusted diluted eps fell 24% in constant currency, as expected
- headwinds will continue to pressure second quarter; strong growth expected to gradually resume in the second half of fiscal 2023