

L'Oreal's Asian Sales Just Overtook Europe for the First Time
2019-04-16 17:38:44.496 GMT

By Robert Williams

(Bloomberg) -- L'Oreal SA's sales in Asia overtook Western Europe for the first time last quarter as the region's surging demand for luxury products continued to resist the drag of a slowing Chinese economy.

The shift for the maker of products like Maybelline mascara and Acqua di Gio Armani cologne is the latest example of how French companies have become increasingly dependent on Asia -- and particularly China -- to maintain growth. Ten years ago, Asia made up less than one-third of L'Oreal's sales.

Asia's importance to L'Oreal is almost certain to keep growing as many European economies stagnate or even shrink, and as China implements policies to encourage its citizens to shop on the mainland rather than during foreign vacations or through black-market resellers.

"It's true that the growth is not broad-based," RBC analyst James Edwardes Jones said in a note to clients, "but given L'Oreal's proven ability to identify, stimulate and capitalize on those parts of the business where the most attractive growth is to be had, we struggle to find fault with this."

The results show luxury's resilience, as surging demand from Chinese shoppers fueled 14 percent quarterly growth for the division selling brands like Armani, Kiehl's, and YSL.

Meanwhile, some other manufacturers of products such as automobiles and electronics were hurt by a slowing Chinese economy.

"It's a real appetite of the young generation in China to go directly to these luxury brands. It's really positive for us," Chief Executive Officer Jean-Paul Agon said on a call with analysts. Western Europe showed some signs of improvement and could post a solid year, Agon said, "but nothing that would compete with what we see in Asia."

Sales in the company's biggest division, which markets names like Garnier shampoo and Maybelline mascara, continued to lag behind. Garnier tried to spark growth among shoppers concerned about chemicals in beauty products with a line of organics like lavender-infused moisturizer.

Active cosmetics, L'Oreal's premium skin-care division with brands like Laroche Posay, was another bright spot for the group. L'Oreal said sales of the American brand CeraVe -- which

they acquired in 2017 -- rose more than 40 percent during the quarter after they rolled out the dermatology-inspired label worldwide.

First-quarter revenue rose 7.7 percent excluding currency shifts to 7.55 billion euros (\$8.53 billion), the world's biggest cosmetics maker said in a statement after Paris markets closed. Analysts had predicted 7.4 billion euros.

L'Oreal reported sales after markets closed. Shares in the Paris-based company have gained 19 percent this year. Last week, the company surpassed gas-and-oil giant to become France's second-largest company by market value.

To contact the reporter on this story:

Robert Williams in Paris at rwilliams323@bloomberg.net

To contact the editors responsible for this story:

Eric Pfanner at epfanner1@bloomberg.net

John Lauerman, Cecile Daurat