

L'Oreal Rises in Paris as New Markets Help Sales Beat Estimates  
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By Andrew Roberts and Julie Cruz

April 19 (Bloomberg) -- L'Oreal SA, the world's largest cosmetics maker, rose in Paris trading as stronger first-quarter revenue in Asia eased concern over emerging-market demand. The shares gained as much as 3 percent and were up 2.6 percent at 124.35 euros as of 9:03 a.m., the steepest advance in France's benchmark CAC 40 Index.

Like-for-like sales in so-called new markets surged 9.4 percent, Paris-based L'Oreal said yesterday after markets closed, the fastest rate since the first three months of 2012. Earlier in the day, Swiss foodmaker Nestle SA and U.K. distiller Diageo Plc reported slowing growth in emerging markets. L'Oreal defines new markets as the Asia-Pacific region, Latin America, eastern Europe, Africa and the Middle East.

The quarterly performance, "bodes well for full-year growth," Andrew Wood, an analyst at Sanford C. Bernstein, wrote in a report. The analyst, who has an underperform rating on the shares, expects comparable sales to expand 5.5 percent in 2013.

Total first-quarter revenue climbed 5.1 percent to 5.93 billion euros (\$7.8 billion), the maker of Maybelline mascara said. Analysts projected 5.85 billion euros, the average of six estimates compiled by Bloomberg. Sales rose 5.5 percent, excluding acquisitions, disposals and currency shifts.

L'Oreal reiterated its guidance of outperforming the wider beauty market, which it sees expanding "nearer 4 percent than 4.5 percent" this year, Chief Executive Officer Jean-Paul Agon said yesterday on a conference call. The market's growth is "a bit lower" than last year's average level, though that "doesn't mean a slowdown for us," the CEO said.

#### L'Oreal Luxe

Sales growth was boosted by an 8.1 percent increase at the L'Oreal Luxe division as the unit revamped products such as Eau pour Homme and shoppers bought more Rouge Pur Couture lipstick and Maestro foundation.

The luxury business in China "is doing really well," Agon said. The unit's growth in the country was more than 20 percent in the first quarter, he said. In the U.S., the luxury market is still "quite positive" and the only "big problem" for the division worldwide is South Korea, the executive said.

Revenue at the professional-products division fell 0.4 percent because of a "difficult situation" in southern Europe, L'Oreal said. The quarter was "tougher than expected,"

especially in the second half, Agon said. Sales in Asia-Pacific gained 5.7 percent in the first quarter. Revenue gained 8.2 percent in eastern Europe and rose 1.9 percent in western Europe amid “good growth” in Germany and France. The company is gaining market share in western Europe, the CEO said. Sales in Latin America gained 5.8 percent as L’Oreal added market share in hair care in Brazil.

#### Active Cosmetics

“We’re pretty happy with the growth acceleration in Brazil,” Agon told analysts. “We are back to growth that’s probably a little bit over the market.”

L’Oreal’s active cosmetics unit, which sells the Vichy and La Roche-Posay brands, posted revenue growth of 6.2 percent, while sales at the consumer-products unit gained 5.5 percent. Revenue at Body Shop rose 0.8 percent.

“The key question is: With the most difficult comparative of the year out of the way, particularly in Asia, can growth accelerate in the rest of the year?” Eamonn Ferry, an analyst at Exane BNP Paribas in London, said by e-mail.

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