



L'Oréal S.A. (LRLCF)

Updated February 8th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$348	5 Year CAGR Estimate:	12.2%	Market Cap:	\$188.0 B
Fair Value Price:	\$356	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	05/06/2025
% Fair Value:	98%	5 Year Valuation Multiple Estimate:	0.4%	Dividend Payment Date:	05/07/2025
Dividend Yield:	2.1%	5 Year Price Target	\$573	Years Of Dividend Growth:	25 ¹
Dividend Risk Score:	B	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

L'Oréal is one of the largest cosmetic conglomerates in the world with a portfolio of 36 household brands. The French company offers shampoos, hair and skincare products, shower gels, cleansers, styling and make-up products, perfumes, and other related goods, through some of the most recognized brands in the world. These include Garnier, Maybelline New York, Giorgio Armani Beauty, Kiehl's, Urban Decay, Biotherm, and Ralph Lauren. L'Oréal generates over \$45 billion in annual sales and is based in Paris, France. All figures in this report have been converted to USD unless otherwise noted.

On February 3rd, 2025, L'Oréal agreed to sell 29.6 million of its Sanofi shares to Sanofi for €101.5 each for €3 billion. After the transaction and share cancellation, L'Oréal will hold 7.2% of Sanofi's share capital and 13.1% of its voting rights.

On February 6th, 2025, L'Oréal increased its dividend by 6.1% (in constant currency) to €7.00, which currently equates to \$7.23. The final USD amount is subject to shift based on the EUR/USD rate until the payment date. Moreover, the loyalty bonus (see below) will increase the payout by 10%, bringing it to €7.70, with a correspondingly higher amount in USD.

On the same day, L'Oréal released its full-year results for the period ending December 31st, 2024. For the year, sales came in at \$45.1 billion, up 5.1% on a like-for-like basis (same product structure and constant currency) compared to the same period last year, powered by strong growth across all segments.

Division-wise, the Consumer division saw its sales grow by 5.4% year-over-year. Momentum was well balanced across volume, price, and mix, as the division pursued its strategy to democratize and "premiumize" the mass beauty market. Professional Products, L'Oréal Luxe, and Dermatological Beauty divisions increased their sales by 5.3%, 2.7%, and 9.8%, respectively, retaining a robust momentum.

EPS grew by 4.8% to €12.66, but it fell slightly in USD terms to \$12.38 due to the Euro's depreciation against the dollar.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$6.33	\$5.79	\$7.62	\$7.93	\$7.47	\$7.74	\$9.34	\$11.36	\$12.72	\$12.38	\$13.68	\$22.03
DPS	\$3.37	\$3.47	\$4.26	\$4.41	\$4.32	\$4.89	\$5.46	\$6.42	\$7.29	\$7.25	\$7.23	\$10.87
Shares²	565	565	564	563	563	562	560	538	537	536	536	500

L'Oréal's EPS and DPS, as shown in the table, have both been affected by FX over the past decade when expressed in U.S. dollars. The company's EPS and DPS have grown by around 12.1% and 8.1% over the last five years, respectively. Earnings should keep growing at a strong pace, powered by organic growth, price increases, and the gross profit margin expansion due to L'Oréal's economies of scale. The company is a consumer staples behemoth not only in Europe, but also globally, enjoying massive scale capabilities that can dominate global demand trends. We are forecasting a 10% intermediate growth rate, assuming no impacts from FX. Dividends are paid once annually. L'Oréal boasts one of the longest dividend growth records amongst European firms, with its latest dividend increase of 6.1% marking 25 years of

¹ In its original, Euro declaration

² Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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annual increases (in Euros). The company offers a unique perk to its long-term shareholders. Those holding shares for at least two calendar years receive a 10% “loyalty bonus” on the original dividend. We are forecasting DPS growth of around 8.5% through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	27.4	29.9	27.3	30.9	37.4	41.1	41.5	28.8	32.1	35.5	25.4	26.0
Avg. Yld.	1.9%	2.0%	2.0%	1.8%	1.5%	1.5%	1.3%	1.9%	1.7%	1.7%	2.1%	1.9%

L'Oréal has traded at elevated multiples over the past decade, reflecting investors' willingness to pay a premium for its qualities, market dominance, and growth. The company's "loyalty bonus" discourages share sales, further contributing to sustained valuation premiums. That said, the valuation has normalized recently. In fact, we believe the stock is slightly undervalued at its current levels. We are still utilizing a more reasonable P/E of 26 in our estimates, which we believe is a fair multiple for the French giant.

Safety, Quality, Competitive Advantage, & Recession Resiliency

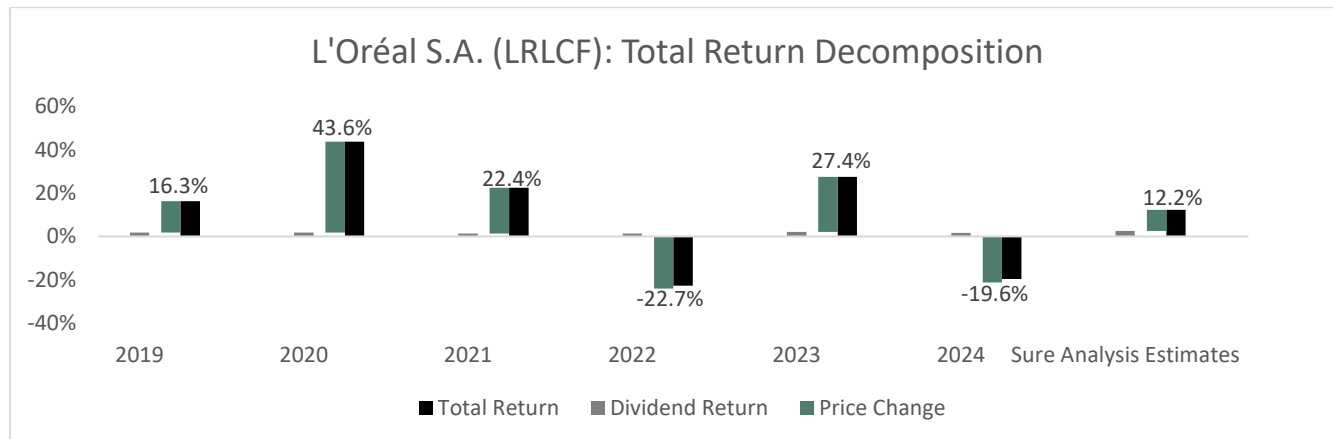
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	53%	60%	56%	56%	58%	63%	58%	57%	57%	59%	53%	49%

L'Oréal's dividend should be considered very safe. The company benefits from consistent profitability, which allowed it to keep raising its payout even during the Great Financial Crisis. The payout ratio currently stands at a healthy level of 53%. L'Oréal's competitive advantage lies in its sheer size, which has resulted in the company accumulating a significant market share. Its companies have massive brand values, generating consistent sales globally. Hence investors should expect a relatively stable performance even under a harsh recession, as was the case during 2007-2008. The company proved totally insulated during the COVID-19 pandemic as well. Finally, L'Oréal has a pristine balance sheet, with its long-term debt/equity ratio standing at 20.1%.

Final Thoughts & Recommendation

L'Oréal is one of the most respected European stocks, featuring an incredibly consistent record of shareholder returns. The company's capital returns have been growing for years without interruption, while its “loyalty bonus” program has been a phenomenal strategy to reduce share price fluctuations over time. Total return potential comes in at 12.2% per annum, driven by 10% growth in earnings the 2.1% dividend yield, and a potential 0.4% annual valuation tailwind. It's worth noting that France applies a considerable dividend withholding tax of 30% under typical circumstances, which could hamper our expected returns. Still, L'Oréal earns a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	29,964	26,955	27,576	29,472	31,808	33,443	31,968	38,208	40,350	44,580
Gross Profit	21,319	19,193	19,753	21,138	23,151	24,415	23,366	28,220	29,190	32,930
Gross Margin	71.1%	71.2%	71.6%	71.7%	72.8%	73.0%	73.1%	73.9%	72.3%	73.9%
SG&A Exp.	15,134	13,511	13,835	14,848	16,259	17,102	16,315	19,720	20,130	22,720
D&A Exp.	1,139	1,008	1,530	1,380	1,310	2,192	2,316	2,107	1,620	1,857
Operating Profit	5,174	4,808	4,987	5,296	5,812	6,210	5,949	7,289	7,864	8,816
Operating Margin	17.3%	17.8%	18.1%	18.0%	18.3%	18.6%	18.6%	19.1%	19.5%	19.8%
Net Profit	6,530	3,659	3,437	4,056	4,600	4,198	4,069	5,439	6,018	6,695
Net Margin	21.8%	13.6%	12.5%	13.8%	14.5%	12.6%	12.7%	14.2%	14.9%	15.0%
Free Cash Flow	3,798	3,408	3,730	4,454	4,577	5,633	6,259	6,689	5,205	6,621
Income Tax	1,477	1,364	1,343	1,021	1,517	1,855	1,382	1,710	2,003	1,960

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	42,634	38,984	36,857	37,667	42,396	43,992	49,074	48,700	50,240	57,320
Cash & Equivalents	3,672	2,331	1,530	1,846	3,655	4,566	5,921	3,073	2,807	4,740
Accounts Receivable	4,174	4,010	3,966	4,167	4,707	4,556	4,578	4,553	5,100	5,629
Inventories	2,879	2,752	2,668	2,853	2,993	3,228	3,272	3,586	4,375	4,955
Goodwill & Int. Ass.	11,477	12,452	12,130	12,656	13,738	14,510	14,281	16,460	16,470	19,220
Total Liabilities	11,356	14,424	11,036	11,762	12,622	13,182	16,112	21,990	21,080	25,170
Accounts Payable	4,487	4,199	4,296	4,372	4,968	5,205	5,218	6,870	6,805	7,016
Long-Term Debt	420	3,110	822	1,311	1,400	1,413	953	5,242	4,322	7,559
Shareholder's Equity	31,270	24,555	25,817	25,902	29,771	30,803	32,955	26,700	29,150	32,140
LTD/E Ratio	0.01	0.13	0.03	0.05	0.05	0.05	0.03	0.20	0.15	0.24

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	9.7%	16.0%	9.6%	9.2%	10.1%	10.6%	9.0%	10.6%	12.2%	12.5%
Return on Equity	13.3%	23.4%	14.5%	13.3%	14.6%	15.2%	13.2%	17.4%	21.6%	21.8%
ROIC	13.2%	22.0%	13.5%	12.8%	13.9%	14.5%	12.7%	15.8%	18.4%	18.3%
Shares Out.	608	585	565	565	564	563	563	560	538	537
Revenue/Share	48.33	51.20	47.72	48.85	52.30	56.49	59.42	68.24	75.05	83.02
FCF/Share	5.84	6.49	6.03	6.61	7.90	8.13	10.01	11.95	9.68	12.33

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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