Estée Lauder Companies (EL)

Updated May 4th, 2025, by Ian Bezek

Key Metrics

Current Price:	$59	**5 Year CAGR Estimate:**	17.4%	**Market Cap:**	$21.4 B
Fair Value Price:	$96	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	05/30/25
% Fair Value:	61%	**5 Year Valuation Multiple Estimate:**	10.2%	**Dividend Payment Date:**	06/16/25
Dividend Yield:	2.4%	**5 Year Price Target**	$122	**Years Of Dividend Growth:**	0
Dividend Risk Score:	C	**Sector:**	Consumer Discretionary	**Rating:**	Sell

Overview & Current Events

Estee Lauder is one of the world's largest cosmetics and beauty care companies. It competes primarily in the upscale and prestige portion of the market. Sales break down as follows: Skin care makes up 52% of sales, makeup constitutes 28%, fragrance is another 16%, and hair care is the other 4%. The firm's leading brands include the namesake Estee Lauder along with Clinique, Aveda, M.A.C., and Origins among others. Estee Lauder is a truly international firm, operating in more than 150 countries. Generally, revenues are split almost equally in thirds between the Asia-Pacific, Europe Middle East & Africa, and the Americas segments though Asia-Pacific is underperforming at the moment.

Estee Lauder has historically shown strong and consistent growth, with top-line revenues growing from $11.0 billion in 2014 to $17.7 billion in 2022. The firm's strong branding and distribution network makes Estee Lauder a dominant competitor in most markets.

Estee Lauder enjoyed a tremendous growth surge as the economy reopened from the pandemic. The company relies on travel retail and gifting as significant sources of demand, so the reopening of airports, malls, and other such commercial centers greatly boosted the company's results. However, retailers bought too much cosmetics inventory and certain markets – particularly Asia – greatly decelerated over the past two years. Estee Lauder's earnings-per-share plunged from $6.55 in 2022 to $2.79 in 2023 and then $1.08 in its fiscal year 2024.

The company reported its Q3 2025 results on May 1st, 2025. Adjusted earnings-per-share of 65 cents fell from the $0.97 earned during the same period of last year, but greatly exceeded expectations, which were for 31 cents. Revenues of $3.55 billion decreased 9.9% year-over-year but topped expectations. Estee Lauder has a significant business presence in China and the current tariff standoff could impact results in that market in coming quarters.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.82	$2.96	$3.35	$2.95	$4.82	$1.86	$7.79	$6.55	$2.79	$1.08	***$1.75***	***$6.80***
DPS	$0.92	$1.14	$1.32	$1.48	$1.67	$1.39	$2.07	$2.33	$2.58	$2.64	***$1.40***	***$2.06***
Shares[1]	386	377	373	376	370	367	368	365	361	361	***361***	***355***

Estee Lauder's earnings plunged during the pandemic and it briefly paused its dividend. Estee Lauder enjoyed record earnings in 2021 as people shopped at a fast pace with the economy reopening. But momentum has gone entirely into reverse since 2022 and product inventories have piled up leading to margin pressure. In October 2024, Estee Lauder cut its dividend to 35 cents per quarter to reflect the current sharp decline in its earnings.

While earnings are temporarily depressed, there is little reason to believe that the business' economics are permanently impaired. As such, we are modeling Estee Lauder using its 10-year average return on assets (ROA) of 11% and believe the company would earn $5.33 per share in a normal mid-cycle year. From there, we believe the company will grow earnings at a 5% annualized pace.

[1] In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	29.8	30.0	28.3	47.3	37.0	99.4	40.1	38.0	69.8	97.8	***11.1***	***18.0***
Avg. Yld.	1.0%	1.1%	1.2%	1.0%	0.9%	0.9%	0.6%	0.7%	1.4%	2.3%	***2.4%***	***1.7%***

Estee Lauder has averaged a P/E ratio of above 50 over the past five and ten years. We believe that is unsustainably high. The company hadn't traded below a 28x P/E multiple since 2014. However, we are modeling a far more conservative 18x normalized P/E ratio given the uncertainty around the firm's sales outlook and outsized exposure to emerging markets.

Estee Lauder has averaged a 1.1% dividend yield historically; the current 2.4% yield is well above that historical average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	33%	39%	39%	50%	35%	75%	27%	36%	92%	244%	***26%***	***30%***

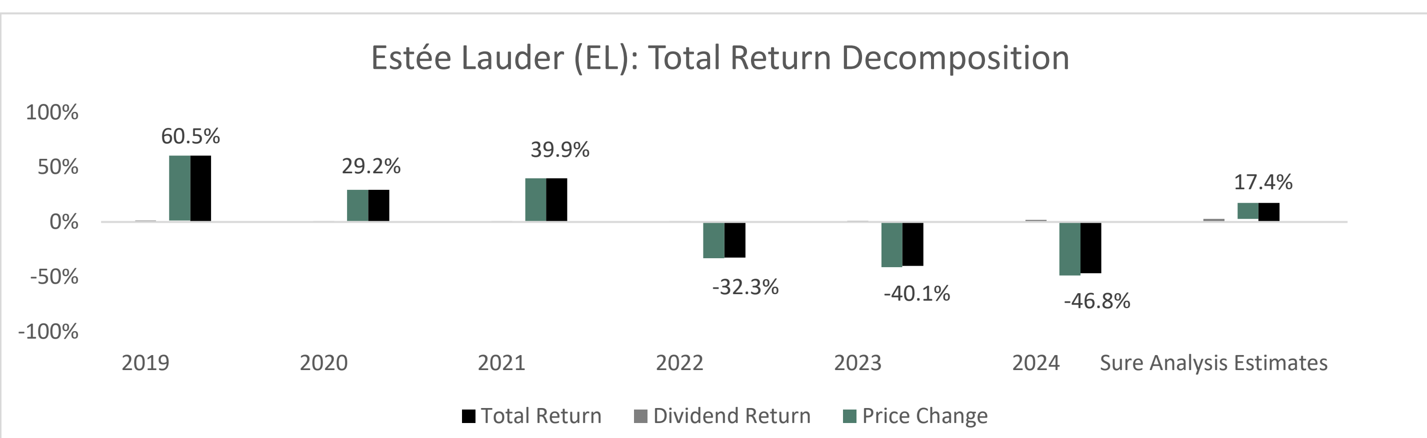
Estee Lauder has averaged a roughly 50% payout ratio over the past decade (excluding 2024). Based on the revised dividend payout, the firm's payout ratio will be closer to 25% to 30% going forward. The company has a strong balance sheet, earning an "A-" credit rating from S&P Global and it holds $2.6 billion in cash as of March 2025. Estee Lauder could have continued paying its dividend even during this downturn but elected to take the more conservative approach and cut its payout until its earnings per share recover.

Historically, cosmetics has been thought to be a stable industry that can handle economic volatility. However, the pandemic greatly disrupted business and has unleashed substantial near-term uncertainty in the cosmetics industry. We believe the firm retains substantial scale, branding, and operational advantages that will shine in the long run.

Final Thoughts & Recommendation

Estee Lauder is currently in a steep operational downturn. However, we believe the firm will return to normal levels of profitability over the next 12 to 24 months. Based on its historical ROA, Estee Lauder shares are considerably below fair value today. Shares can be expected to generate 17.4% annualized returns over the next five years, driven primarily by the 5% earnings growth rate plus multiple expansion. Notably, Estee Lauder director Paul Fribourg has purchased more than $30 million of EL stock since November 2024. While the stock may have considerable upside, it earns a sell rating for income investors due to last year's dividend reduction.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	10,780	11,262	11,824	13,683	14,863	14,294	16,215	17,737	15,910	15,610
Gross Profit	8,680	9,081	9,390	10,839	11,476	10,742	12,381	13,432	11,346	11,180
Gross Margin	80.5%	80.6%	79.4%	79.2%	77.2%	75.2%	76.4%	75.7%	71.3%	71.6%
SG&A Exp.	7,074	7,338	7,460	8,553	8,857	8,637	9,371	9,888	9,575	9,621
D&A Exp.	409	415	464	531	557	611	651	727	744	825
Operating Profit	1,606	1,743	1,930	2,286	2,619	2,105	3,010	3,544	1,771	1,563
Op. Margin	14.9%	15.5%	16.3%	16.7%	17.6%	14.7%	18.6%	20.0%	11.1%	10.0%
Net Profit	1,089	1,115	1,249	1,108	1,785	684	2,870	2,390	1,006	390
Net Margin	10.1%	9.9%	10.6%	8.1%	12.0%	4.8%	17.7%	13.5%	6.3%	1.9%
Free Cash Flow	1,470	1,264	1,286	1,933	1,773	1,657	2,994	2,000	(1,558)	1,441
Income Tax	467	434	361	863	513	350	456	628	387	363

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,227	9,223	11,568	12,567	13,156	17,781	21,971	20,910	23,415	21,680
Cash & Equivalents	1,021	914	1,136	2,181	2,987	5,022	4,958	3,957	4,029	3,395
Acc. Receivable	1,175	1,258	1,395	1,487	1,831	1,194	1,702	1,629	1,452	1,727
Inventories	1,216	1,264	1,479	1,618	2,006	2,062	2,505	2,920	2,979	2,175
Goodwill & Int.	1,471	1,572	3,243	3,202	3,071	3,739	6,711	5,949	8,088	7.326
Total Liabilities	4,573	5,636	7,166	7,857	8,745	13,819	15,023	14,478	16,998	16,360
Accounts Payable	635	717	835	1,182	1,490	1,177	1,692	1,822	1,670	1,440
Long-Term Debt	1,625	2,242	3,572	3,544	3,412	6,136	5,569	5,412	8,114	7,771
Total Equity	3,643	3,572	4,384	4,688	4,386	3,935	6,057	5,590	5,585	5,341
LTD/E Ratio	0.45	0.63	0.81	0.76	0.78	1.56	0.92	0.97	1.45	1.46

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	13.5%	12.8%	12.0%	9.2%	13.9%	4.4%	14.4%	11.1%	4.5%	1.7%
Return on Equity	28.9%	30.8%	31.3%	24.3%	39.1%	16.3%	52.6%	35.7%	15.7%	6.7%
ROIC	20.8%	20.1%	18.1%	13.7%	22.2%	7.6%	25.4%	19.6%	7.6%	2.8%
Shares Out.	386	377	373	376	370	367	368	365	361	361
Revenue/Share	27.95	29.90	31.70	36.42	40.13	38.96	44.04	48.61	44.08	43.26
FCF/Share	3.81	3.36	3.45	5.15	4.79	4.52	8.13	5.48	(4.32)	3.99

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