The Estée Lauder Companies yesterday reported Q2 financial results to the end of December 31, 2010 reflecting net sales of $2.49bn, a 10% increase compared with $2.26bn reported in the prior year. Sales growth was led by the company’s international businesses, particularly travel retail and in emerging markets.

Fabrizio Freda, President and Ceo said: “Our outstanding performance this holiday season demonstrates that we have the right strategies, product innovation and high-touch services in place for continued profitable growth. Consumers’ appetite for our brands was fantastic and garnered strong sales and profit gains. We successfully leveraged our broad-based growth with meaningful improvements in operating margin over the prior-year quarter.

“As we continue our strategic journey, we are learning what has worked and what needs refinement. Throughout the year we will invest more resources in those areas that are winning and capable of generating sustainable, profitable growth.

“Our company’s second-quarter results cap a strong fiscal 2011 first half, and we believe we are well positioned to achieve another successful year. This gives us the confidence to raise our full-year diluted earnings per share estimate range to $3.40 to $3.60, as well as increase our fiscal 2013 operating margin target to between 13 and 14 per cent.”

**BETTER THAN ANTICIPATED RESULTS**
During the quarter, Lauder said its performance was better than anticipated, due to stronger overall holiday business, particularly from its largest brands, as well as from a weaker US dollar. The company posted sales gains in each of its geographic regions and product categories, sales growth led its international businesses – travel retail in particular and also in emerging markets.

The company added that these results reflect ‘solid increases from higher-margin product launches and the positive impact of more effective advertising spending’.

During the quarter, Lauder said that it also made ‘substantial progress’ on its previously stated strategic goals. with a solid improvement in cost of sales and operating expenses as a percentage of net sales. In connection with the long-term strategic plan, as well as certain ongoing initiatives, the company realized impressive savings of $57m during the quarter.

Meanwhile, as a percentage of net sales, advertising, merchandising and sampling expenses increased to support the Company’s biggest innovations, while certain other operating expenses were lower. Further, the Company continued to make progress refocusing and repositioning its turnaround brands, collectively generating sharply improved results, compared with the prior-year period.

**OUTLOOK FOR FISCAL 2011 Q3/FULL YEAR**
Lauder says it expects to increase it global advertising spending on new initiatives and impactful product launches, with a greater emphasis on digital media.

At the same time it points out that is obliged to continuously monitor and evaluate existing, as well as developing challenges and risks that may affect its businesses in either the near or long term. It lists those risks, in part, as volatile economic and political uncertainties, consumer confidence and spending, legal and regulatory issues and foreign currency fluctuations.

As a result, it says the company’s outlook in the Americas, as well as certain European countries, remains cautious, reflecting the uncertainty or softening of certain retail environments in these regions.
Este Lauder reports strong Q2 results

In the Asia/Pacific region, the company also believes that the negative market conditions in Japan will continue, although it adds that since it cannot predict with certainty the extent or duration of these conditions, this makes ‘definitive forecasting difficult’.

**Q3 NET SALES FORECAST OF +8.5% TO +10.5%**

Nevertheless, for the third quarter it expects net sales to increase by between 8.5% and 10.5% in constant currency. At the same time, foreign currency translation is expected to negatively impact sales by approximately 0.5% versus the prior-year period.

For the full year, Lauder is estimating that net sales will grow by between 8% and 10% in constant currency. Again, foreign currency translation is expected to negatively impact sales, but for this period by approximately 1% versus the prior-year period.

On a product-category basis, in constant currency, skin care and makeup are expected to be the leading sales growth categories, followed by fragrance and hair care. At the same time, geographic regional net sales growth in constant currency is expected to be led by Europe, the Middle East & Africa, followed by Asia/Pacific and the Americas.

In connection with its long-term strategic plan, as well as certain ongoing initiatives, the company adds impressively that it now expects to realize savings of between $180m and $190m during fiscal 2011.