The Estée Lauder Companies (ELC) has reported increased GTR net sales in Europe, Middle East and Africa during the fiscal year ended 30 June 2020.

ELC said the GTR net sales growth was achieved due to the adverse impact of the coronavirus (Covid-19) being ‘more than offset’ by strong growth between July and February.

Net GTR sales growth reflected the strong performance of the Estée Lauder and La Mer brands. These brands were driven by the continued success of hero franchises, such as Estée Lauder’s Advanced Night Repair and La Mer’s The Treatment Lotion, Crème de la Mer and The Eye Concentrate.

Total ELC net sales amounted to $14.29 billion in the fiscal year ended June 2020, a -4% decrease from the $14.86bn in the prior-year period. Net sales actually dropped -3%, excluding the impact of currency translation.

The net sales decline was driven by retail store closures as a result of the global spread of Covid-19. This, however, was partially offset by the ‘tremendous acceleration’ of ELC’s online business.

**DR JART + ACQUISITION**

Net sales from the company’s acquisition of Have&Be Co. Ltd. (“Dr. Jart+”) contributed around 1 percentage point of growth to reported net sales.

Fabrizio Freda, President and Chief Executive Officer (pictured left) said: “Fiscal 2020 was a year without parallel, as we delivered record sales and exceptionally strong adjusted EPS growth in our first half and navigated with agility through an unprecedented pandemic in our second half.”
Increased net global travel retail sales for Estée Lauder in fiscal year 2020

“The second half also marked a period of profound pain as tragic events in the United States highlighted the systemic racial injustice that has plagued our society for far too long.

“In this challenging year, our multiple engines of growth strategy proved highly effective. The Estée Lauder brand grew double-digits for the third consecutive year. Asia/Pacific was strong with organic sales growth in mainland China and several other markets driving prestige beauty share gains. Our skincare category grew and was further boosted by the acquisition of Dr. Jart+, while our online channel surged. “

As retail stores globally temporarily closed, ELC pivoted to capture consumption online during the pandemic.

Looking ahead to the new fiscal year, the company remains focused on the safety and wellbeing of employees and consumers. Freda said: “Our sense of urgency to act on our recently announced racial equity commitments is strong. We enter fiscal 2021 with cautious optimism, given the vibrancy of our skincare portfolio, acceleration in Asia/Pacific, momentum online globally and robust innovation pipeline. This includes the exciting launch this month of Estée Lauder’s new Advanced Night Repair.

“We expect sales trends to improve sequentially each quarter. Our strategic priorities for fiscal 2021 rightly balance investment in these engines with cost discipline amid the ongoing pandemic.

“Through our post-Covid Business Acceleration Programme, we are better aligning our brick-and-mortar footprint to improve productivity and invest for growth. We are well-positioned to drive growth as the market dynamics support it yet remain equally mindful of the effects of Covid-19 on consumers, the retail sector and economics, in general and geopolitical uncertainty.”

On the travel retail front, changes started to be made in the first quarter of the fiscal year. These reflected ‘Leading Beauty Forward enhancements’ in capabilities and cost structure.

ELC said: “This resulted in a change to the royalty structure of the travel retail business to reflect the value created in the Americas region.”

Total ELC net sales amounted to $14.29 billion in the fiscal year ended June 2020.

The changes generated increased operating income of $866m in the Americas compared to fiscal 2019, with a corresponding decrease in Europe, the Middle East and Africa.

Offering a more general perspective of the pandemic’s impact on ELC’s GTR business, the company added: “Air travel has been largely curtailed globally due to government restrictions and the sentiment around health concerns.

“This adversely impacted, and continues to impact, consumer traffic in most travel retail locations.”

SKINCARE GROWS IN DF&TR

In the skincare sector, which increased +26% in the first half of the 2020 fiscal year, Estée Lauder delivered strong double-digit growth in travel retail and triple-digit online growth.

Travel retail and online growth was driven by consumer demand for high-loyalty hero franchises, including Advanced Night Repair, Perfectionist, Re-Nutriv, Micro Essence and Revitalizing Supreme+.
Increased net global travel retail sales for Estée Lauder in fiscal year 2020

Double-digit growth from La Mer was also driven by positive performance in Asia/Pacific, with significant strength in mainland China and travel retail.

Strong growth in hero products such as The Treatment Lotion and relaunches of The Regenerating Serum and The Eye Concentrate contributed, along with targeted expanded consumer reach.

In terms of fragrances, net sales from Le Labo rose mid-single digits, with strong double-digit growth in Asia Pacific and travel retail. DF&TR growth was generated despite the decline in net travel retail sales in the second half of the fiscal year.

Speaking of Asia Pacific, net sales growth in Korea primarily reflected incremental net sales from the company’s acquisition of Dr. Jart+ in December 2019. This also includes total net sales of Dr. Jart + in travel retail.

The skincare category grew in fiscal year 2020 and was driven by the acquisition of Dr. Jart +.

During the crisis, ELC has worked with the global community to limit the spread of the virus and ease economic hardships.

Guided by its family values, the company has supported the well-being of its communities with monetary and in-kind donations, hand sanitiser produced at the company’s facilities and the establishment of the ELC Cares Employee Relief Fund.

ELC concluded: “The outbreak and global spread of Covid-19 has caused a significant disruption in the company’s operating environment. Accordingly, the company modified a number of its business practices during the second half of fiscal 2020, in part due to legislation, executive orders and guidance from government entities and healthcare authorities.

“These include the temporary closing of businesses deemed ‘nonessential’, travel bans and restrictions, social distancing and quarantines.”