

# Sephora and L'Oréal strong results suggest Ulta may have overstated beauty industry challenges

Article

**The trend:** The lipstick effect may be longer lasting than it seemed just a few weeks ago when Ulta CEO Dave Kimbell said the [beauty store chain has seen a pronounced slowdown in spending](#).

LVMH's and L'Oréal's earnings, along with strong beauty IPO debuts, suggest there's still a sizable share of consumers willing to indulge in small luxuries such as face lotion, makeup, and perfume.

**The evidence:** LVMH's beauty business has been “pretty strong,” CFO Jean-Jacques Guiony said during the company's earnings call, adding there were “no particular signs of slowing down.”

- Beauty was one of the bright spots in [LVMH's tepid Q1](#): Its selective retailing unit, which includes **Sephora**, rose 11% year over year (YoY) on an organic basis. Its perfumes and cosmetics division grew 7% YoY.
- L'Oréal's sales rose 9.4% on a like-for-like basis—with North American sales up 12.4%—thanks in part to its dermatological products division (which includes **La Roche-Posay** and **CeraVe**) growing 21.9%.

**Market enthusiasm:** While Kimbell's comments drove a near-instant reaction from the stock market, two new IPOs suggest there's still plenty of interest in beauty companies.

- Skincare company **Galderma Group**—which owns **Cetaphil**, **Restylane**, **Sculptra**, and other brands—had Switzerland's biggest IPO in two decades last month. Galderma expects sales will maintain a compound growth rate in the low- to mid-teens through 2027.
- **Puig**, the fashion and beauty company behind brands such as **Jean Paul Gaultier**, will make its stock market debut on May 3 at a valuation of EUR 13.9 billion (\$14.8 billion)—Spain's biggest IPO in almost a decade. Puig is entering the public markets after buying brands like **Charlotte Tilbury** to help it compete with rivals **L'Oreal** and **Estée Lauder**.

**Zooming out:** We expect the beauty industry will remain strong this year. Our forecast expects [US cosmetics and beauty sales](#) to grow 6.9% in 2024, which would significantly outpace the broader retail industry's 2.8% growth.

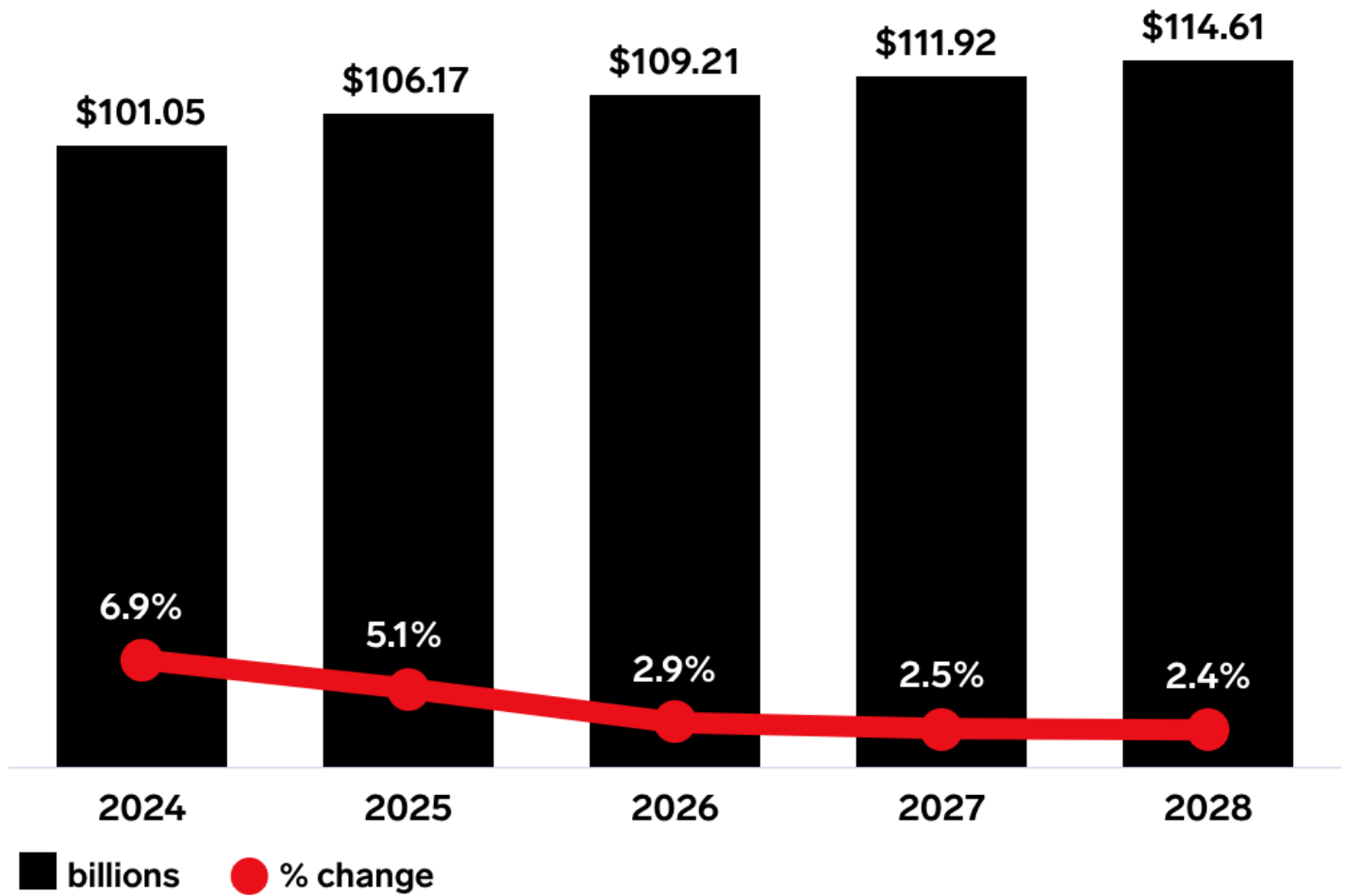
**The big takeaway:** Kimbell set off alarm bells when he spoke at a JPMorgan conference—not during the company's earnings call—and so he may have overstated the issue or simply highlighted a company-specific challenge.

- Ulta faces growing competition from **Sephora**, which is rapidly expanding its presence in department stores like **Kohl's**.
- There is also a growing share of consumers who have shifted their spending online. No retailer has benefited more from that change than **Amazon**, which **grew its health, beauty, and personal care sales 28.2% YoY** last year.

***Go further:** Read our [Beauty Path to Purchase](#) report.*

# Cosmetics & Beauty Retail Sales

US, 2024-2028



Note: excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: EMARKETER Forecast, February 2024