

L'Oréal acquires Aesop as shoppers continue to spend big on beauty

Article

The news: L'Oréal will acquire luxury beauty brand **Aesop** for **\$2.53 billion**, the biggest acquisition in its history, in a bid to strengthen its positioning in the premium skincare and wellness space.

- The deal is expected to close in Q3 2023.

The synergies: The deal plays to the strengths of both companies. L'Oréal gets to add another rapidly growing brand to its portfolio, while Aesop gets the benefit of L'Oréal's resources and international reach.

- Under previous owner **Natura & Co.**, **Aesop's sales grew from \$28 million in 2012 to \$537 million in 2022**, and went from eight markets to 29. The company is also attempting to crack the Chinese market, opening its first store in mainland China last year.
- For L'Oréal, the acquisition deepens its presence in the luxury skincare and wellness space, putting it in a position to capture a greater share of spending as more consumers trade up to premium beauty brands.

A resilient category: The beauty industry has been mostly resistant to the pressures facing other forms of discretionary spending, thanks to the lipstick effect as well as the growing association of skincare with wellness and self-care.

- L'Oréal said the company “had the best growth in more than 20 years” in 2022 on a like-for-like basis, and surpassed the €10 billion quarterly sales mark for the first time in Q4 thanks to strong growth across all its divisions.
- Similarly, **Ulta Beauty** credited prestige beauty and skincare sales for its **record 2022 revenues**, and plans to expand its luxury beauty assortment in 2023 after seeing “strong engagement” with its current offerings.

Retailers see an opportunity: With beauty as one of the few seemingly recession-proof categories retailers can count on, it's no surprise that many are quickly retooling their shelf spaces and product assortments.

- **Dollar General** is refitting 300 stores to allocate more space to the beauty category and introducing over 1,000 new beauty, skincare, and haircare products to shelves, per a press release.
- Likewise, **Target** added thousands of items to its health and beauty assortment, most priced under \$10, to capitalize on demand for self-care and clean beauty.
- **H&M** is launching beauty flagships within existing stores that feature its own products as well as over 80 external brands, per a company press release.

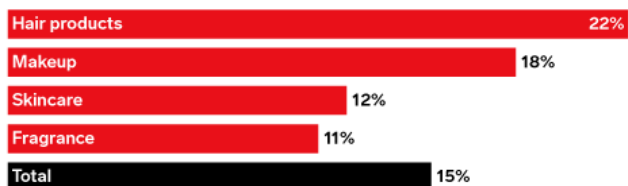
The big takeaway: We expect **US cosmetic and beauty sales** to grow 7.6% this year, faster than any other category.

- Sales of **luxury cosmetics and beauty products** will grow more slowly at 5.5%, but still outpace total retail sales growth.
- That could set the stage for a busy year of M&A as larger players look to enhance their appeal to free-spending affluent shoppers and expand into rapidly growing areas like haircare and fragrances.

Extra credit: Check out our **UK Beauty 2023** report to see how the lipstick effect is playing out in the UK market.

US Prestige Beauty Sales Growth, by Category, 2022

% change vs. prior year



Note: total prestige beauty sales in 2022=\$27.1 billion

Source: The NPD Group as cited in press release, Jan 30, 2023

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