

**We invest in winners.** That means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

#### L'Occitane International S.A.

We introduced the French natural cosmetics manufacturer L'Occitane in our investment report in March 2014. The share price has barely changed since then. Although it rose to a high of HKD 24 in May 2015, it has fluctuated around the HKD 15 mark ever since - the issue price on the Hong Kong stock exchange in 2010. Like all the established companies in the cosmetics and body care sectors, L'Occitane has had to adapt its business model, as digital technologies have revolutionised purchasing and consumer behaviour, making new marketing strategies necessary. Consumers are increasingly attached to social media, with influencers generating new trends with their looks and consumers watching cosmetics videos for product information and make-up tips. Many companies struggle to keep up with these changes. But L'Occitane understands how to use them. Even though earnings figures have been affected in recent years. The branch concept has been revised, the multi-channel strategy has been developed, new marketplaces have been opened up and investments have been made in various different technologies and POS, CRM and HR systems (such as SAP SuccessFactors, Salesforce). Alongside the core brand L'Occitane en Provence, emerging secondary brands have been successfully developed (L'Occitane au Brésil, Melvita, Erborian) and new brands with strong growth, great profitability and global potential have been ac-

quired (LimeLife, Elemis). The two acquisitions, completed in 2018 and 2019 after years of searching, are an excellent complement to the Group. L'Occitane is profiting from the knowledge of their dynamic founders and entrepreneurs, new product lines (skin care, make-up) and supplementary sales channels (direct sales, tele-shopping). In return, the new brands can make use of the global sales expertise, production and logistics capacity and R&D, IT and Treasury services of L'Occitane, in order to roll out the business model worldwide outside the core markets of the USA (LimeLife) and Great Britain (Elemis). Over the next few years, this will create a leading portfolio of natural cosmetics brands with a sales volume of EUR 3 to 4 billion. We believe this development to be a logical continuation of an amazing history of success that began in 1976 when the Provence-born Olivier Baussan made his first rosemary essential oil with second-hand distilling equipment. Reinold Geiger recognised the potential of L'Occitane in 1994. He acquired the majority of its shares in 1996, becoming the CEO of the company. Together, they have turned L'Occitane into a company that achieves sales of around EUR 1.4 billion a year these days, with a consistently high gross profit margin of over 80%. The EBIT margin is still far behind this, at 11%. According to Reinold Geiger and his team, this should increase tangibly over the next few years. We look forward to it.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

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