

We invest in winners. This 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 last featured the French natural cosmetics manufacturer L'Occitane in our investment report in August 2020. At the time we wrote that “the very high core profitability (gross profit margin: 80%) and the anticipated regional, product-related and multi-channel growth should ultimately result in a revaluation of the share after the end of the coronavirus crisis.” Now, nearly two years later, the pandemic is not yet behind us, especially in countries like China that are pursuing a zero-Covid strategy, but the share price has already doubled. The portfolio changes (multi-brand strategy) as well as the digitalisation-driven adaptation of the business model (multi-channel strategy) that we reported on in recent years have transformed L'Occitane into a more robust and profitable company (table).

	2022	2021	2020	2019	2018
Sales in billions of euro	1.8	1.5	1.6	1.4	1.3
EBIT in millions of euro	311	217	187	151	141
EBIT margin	17%	14%	11%	11%	11%

In the financial year ended March 2022, the operating result grew disproportionately by 43% to EUR 311 million. The EBIT margin has now reached 17%. The slump in floor-space sales caused by the coronavirus was largely offset by a higher-margin online business. Today, every third euro is transacted online - a threefold increase within a few years. At

the same time, new brands are gaining in importance. They now contribute 23% to sales, while the share of the core brand L'Occitane en Provence decreased to 77% (table).

	2022	2021	2020	2019	2018
Online sales	33%	37%	13%	11%	10%
Core brand sales	77%	78%	79%	87%	92%

This trend will continue. The acquisitions of LimeLife (2018), Elemis (2019) and Sol de Janeiro (2021) perfectly complement the brand portfolio. L'Occitane is profiting from the knowledge of their dynamic founders, new product lines and sales channels. In turn, L'Occitane offers entrepreneurs a high level of autonomy, distribution expertise, logistics capabilities, R&D, IT and treasury to roll out the brands' great potential globally. The return on equity (ROE), which increased to 19%, is a clear indication of the operational successes (table).


	2022	2021	2020	2019	2018
ROE	19%	13%	11%	12%	10%
ROCE	13%	10%	7%	12%	15%

At 13%, the return on capital employed (ROCE) still lags behind due to the EUR 1.3 billion acquisitions. With the growth of LimeLife, Elemis and Sol de Janeiro, the L'Occitane platform's operating leverage should steadily improve and profitability should further increase over the next few years.

Sincerely yours



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