



ISSUER RATING
LongTerm

OUTLOOK
Stable



INSTRUMENT RATING
NeuMTN



ISSUER RATING
ShortTerm



INSTRUMENT RATING
NeuCP

Initiation date 28/11/2022
Rating Date 26/09/2025

Contacts

Lead analyst

Anne Guy
anne.guy@ethifinance.com

Committee chair

Marc Pierron
marc.pierron@ethifinance.com

Rating action and rationale

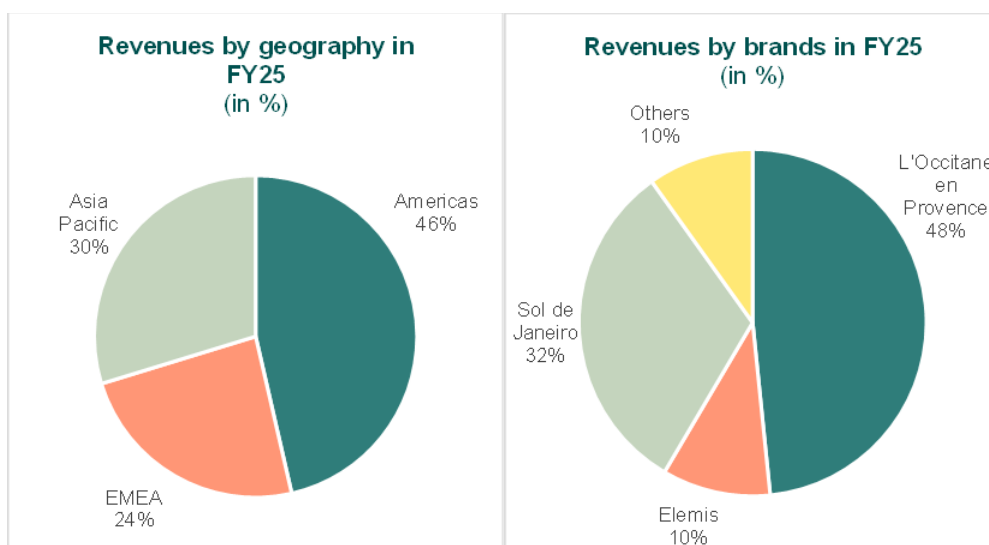
- EthiFinance Ratings affirms L'Occitane International SA's (the L'OCCITANE Group or the group) long-term rating at BBB+, maintaining a Stable outlook. The rating of the potential €300m NEU MTN programme is affirmed at BBB+. EthiFinance Ratings also affirms both L'Occitane International SA's short-term rating and the existing NEU CP programme of €500m, at EF1.
- The L'OCCITANE Group is an international manufacturer and retailer of body, face, fragrance, and home products using natural and organic ingredients. The company mainly sells skincare products through 8 different brands.
- Our ratings remain supported by the good financial profile of the group, despite a deterioration of the market environment, directly affecting the company's growth and profitability. The beauty market has recently faced some headwinds with economic uncertainties in China, tariffs in the US, and a muted economic situation in Europe, all affecting the near-term sales growth. In addition, the beauty market remains highly competitive, with a significant number of brands, requiring a high level of marketing expenses to maintain sales, with a direct negative effect on profitability. For FY25 (to end-March 2025), the L'OCCITANE Group revenues grew by 11.8% to €2.8bn whereas our adjusted EBITDA margin deteriorated to 17.7% (vs 20.1% in FY24). Over our forecast period (FY26-28), we expect sales to grow at a slower pace than previously (c. 5% / year), and margin to slightly improve.
- We also view positively the deleveraging trajectory of the group, although it might be slower than previously expected, as a consequence of lower cash generation while we expect important cash outflows in the next three years. The group is indeed expected to have significant capex (c. €75m / year), recurring dividend payment to finance the needs of its controlling holding, and the payment of the put options of the Sol de Janeiro's minority stakes (c. €600m over FY26-28). Thus, our adjusted net leverage ratio would improve but remain above 2.0x over our forecast period (FY26-28).
- Finally, our ratings are supported by our positive appreciation of the L'OCCITANE Group's governance with an experienced management team, and the improvement of its competitive positioning. The group has indeed developed a good portfolio of reputable brands with specific positioning, which address different customer needs.
- However, in addition to the current market environment, our ratings remain also constrained by the modest size of the group in the cosmetics sector, which is characterized by the presence of larger peers.
- The consumer goods sector has medium ESG risks under our methodology (sector heatmap score between 3 and 3.5). This results in a sector assessment which is not impacted by industry-related considerations. Regarding environmental factors, the sector has a low impact on climate issues (not heavy manufacturing industry, which limits GHG emissions) and resources (moderate use of resources). However, it has a high impact regarding pollution, due to the huge amount of waste generated, and a medium impact on biodiversity linked to goods production and transportation. It involves a medium impact over suppliers and consumers, and a low impact over communities.
- Our assessment of the company's ESG policy is advanced (company ESG score between 0 and 1), positively impacting our financial assessment. The L'OCCITANE Group stands out in terms of environmental factors with the decrease of GHG emissions (scope 1 and 2), waste and water consumption. Regarding social factors, our rating of the group has improved thanks to lower staff turnover, an increase of training hours, while the accident frequency rate remains excellent. However, our assessment of the group's governance has slightly deteriorated as Reinold Geiger is now both chairman and CEO.

Issuer description

The L'OCCITANE Group is an international manufacturer and retailer of body, face, fragrance, and home products using natural and organic ingredients. The company mainly sells skincare products through 8 different brands, the main ones being L'Occitane en Provence (c. 48% of company revenues for FY25) and Sol de Janeiro (c. 32%). Sales are realized through 4,910 stores, including travel retail points of sale, of which 1,372 are operated by the group, in 90 countries.

The company has been listed on the Hong Kong Stock Exchange until October 2024. Following the take private in 2024, the group is now around 95% owned by chairman and CEO Reinold Geiger, and the concert shareholders, through different holdings, with some minority shareholders remaining.

For FY25, L'Occitane International SA reported consolidated revenues of €2.8bn for adjusted EBITDA of €504m. The EthiFinance Ratings-adjusted net leverage ratio was 2.7x at end-March 2025.



Source: L'OCCITANE Group

Fundamentals

Business risk profile

Industry risk assessment

- Satisfactory growth prospects for the cosmetics industry, with a good level of profitability

The beauty market, which includes skin care, hair care, make-up, perfumes and hygiene products, is growing globally. In 2024, however, it experienced a slowdown in growth, which stood at 4.5% globally (compared to an average of over 7.0% for the period 2021-2023) due to a difficult economic environment, particularly in Europe and China. The outlook remains good in the medium term, with solid fundamentals linked to increased focus on well-being and personal care, as well as the emergence of middle classes in developing countries (India, Latin America, etc.). However, growth is expected to slow again in 2025 given the uncertain global economic environment, marked by a decline in household consumption and moderate prospects in China, as well as tariffs that could impact sales in the United States, one of the largest markets.

Profitability levels (EBIT margin of around 17%) and volatility are rather good for the beauty industry as a whole. Beauty routines have become widespread and are an integral part of lifestyles, particularly in developed countries. On average, women use five skincare products per day.

Digital technology has become an important part of the sector, both in distribution, with e-commerce accounting for a significant share, and in communication and marketing (particularly social media). This trend is likely to continue with developments in AI aimed at improving and personalising the customer experience.

- A competitive market with rather limited barriers to entry

We consider the market to be competitive: price, image and marketing budget are key factors for success. Furthermore, we believe that barriers to entry are relatively low, with more than 50,000 brands worldwide, including many start-ups. Nevertheless, becoming a more global player involves greater barriers due to marketing budgets, the necessary R&D and industrial skills, and regulatory constraints in different countries, among other factors.

Company's competitive positioning

- The L'OCCITANE Group is a well-known player in the natural cosmetics segment, but remains a medium-size player in a market of larger peers

The cosmetics industry is relatively concentrated: the top fifteen players account for around two-thirds of the global market. In this market, the L'OCCITANE Group (€2.8bn revenues in FY25) remains a medium-size player, albeit one which has achieved global recognition. The group has a now a portfolio of 8 brands, with their own DNAs, but operating in the premium segment and focusing on natural ingredients-based concentration.

The main brands of the group enjoyed good positioning and strong brand recognition. L'Occitane en Provence, the

historical brand of the group, is well known for its natural-based products. Sol de Janeiro, acquired in 2021 and now the 2nd brand of the group, is focused on the body care and fragrance segment, addressing younger generations.

The group continues to enjoy good profitability levels despite some deterioration over the past year, due to marketing expenses as the competition required significant investment to increase sales.

- **Strong geographic diversification and improving brands diversification**

The group benefited from an excellent geographic diversification with Americas being the most important region since FY24, representing c. 46% of FY25 revenues thanks to the solid growth of Sol de Janeiro. The Asian market, which has always been important for the group and the brand L'Occitane en Provence particularly, remains significant (c. 30%). This market has deteriorated in FY25, impacted by the current setback for the Chinese economy, a shift in travel retail habits, and tough market conditions in Korea. Europe is still the third market of the group with c. 24% of FY25 revenues. Overall, the well-balanced geographic diversification has boosted growth for the group.

Regarding distribution channels, the L'OCCITANE Group's brands have their own strategy regarding distribution channels, with L'Occitane en Provence focused on owned stores while Sol de Janeiro is a wholesale player. Online sales represent also a significant part of the sales with c. 30% of FY25 sales. In addition, the L'OCCITANE Group has developed a good portfolio of brands, addressing different customers segment and different products category (skincare, body care, perfumes), thus improving our assessment of diversification.

Governance

- **Management has a sound track record for growth**

The L'OCCITANE Group has become a global group under the influence of Reinold Geiger, CEO, Chairman and main shareholder of the group, who took over the brand L'Occitane en Provence in 1997. Since 2008, the group has acquired several additional brands (Melvita, Erborian, ELEMIS, Sol de Janeiro...) while containing leverage. In that context, we assess the management's track record as sound.

- **Delisting of the group which remains owned by chairman and CEO**

In 2024, L'Occitane International SA was taken private and delisted from the Hong-Kong Stock Exchange, where the group had been listed since 2010, by L'Occitane Groupe SA, the controlling shareholder of the group indirectly owned by Reinold Geiger. Following the delisting, Geiger and other concert shareholders now own around 97% of L'Occitane International SA; some minority shareholders remain, equivalent to c. 3% of the equity.

The taking private of L'Occitane International SA was funded by senior debt at the L'Occitane Groupe SA level and PIK notes in the holding above. Consequently, dividends paid by L'Occitane International SA will increase to address the rising needs of the holding L'Occitane Groupe SA.

Governance has slightly changed since the delisting, with Geiger now acting as both the chairman and CEO, whereas the two positions were separated before.

- **ESG policy: ESG considerations factored in with first targets set for FY26 to be partially reached**

With respect to ESG considerations, the L'OCCITANE Group has incorporated environmental issues through the group's products (plants traceability, raw materials from regenerative or organic agriculture) and overall through responsible practices (water consumption intensity, packaging with recyclable or reusable plastic, or employee living wage certification). The first targets are set for FY26 and the group is well on track to reach them, except for recyclable or reusable plastic packaging target.

In addition, in 2023, the group became certified B Corp, a label that recognizes companies' positive social and environmental commitment while also being economically successful. This certification is valid for a period of three years, the recertification process being a work in progress and expected to be submitted for FY26.

The group is also committed to become carbon-neutral by FY50 with a first set of goals to be reached by FY31 as validated by SBTi. That will imply reducing scope 1 & 2 emissions by 90% and scope 3 emissions by 95% by FY50 (vs FY20). As of FY25, the group had already reduced scope 1 emissions by 30% (vs FY20), scope 2 emissions by 97% (vs FY20), and scope 3 emissions by 16% of economic intensity compared to FY20 in terms of revenue. Similar with many companies in the cosmetics sector, scope 3 emissions constitute the largest part of the group's carbon footprint, representing 99.2% of its GHG emissions in FY25. These emissions mainly come from packaging and consumer use of products.

Financial risk profile

Results and profitability

- **Slowdown in revenues growth and deterioration of profitability**

In the 12 months to end-March 2025, the group generated revenues of €2.8bn, up 11.8% vs FY24. Growth was below the budget and below our forecasts, marking a slowdown in Sol de Janeiro's expansion while L'Occitane en Provence slightly decreased. By region, sales were strong in Americas (+20.7% vs FY24) and in EMEA (+19.9%) whereas they decreased in Asia Pacific (-4.4%) due to a deterioration of travel retail.

Adjusted EBITDA (adjusted for operating leases not treated under IFRS 16) slightly decreased to €504m (vs €511m in FY24), driving the adjusted EBITDA margin down to 17.8% (vs 20.1% in FY24). This decrease is mainly linked to higher marketing expenses.

For our forecast period (FY26-FY28), we still expect revenues growth, although at a slower pace given the current challenging environment with tariffs in the US, moderate consumption in Europe, and the normalisation of Sol de Janeiro's revenues. Regarding profitability, we forecast a progressive improvement in EBITDA margin compared to FY25, however far below the level before FY23, as wholesale will represent a significant part of the sales and marketing expenses will remain important in a competitive market.

Cashflow and leverage

- **FCF expected to remain strong, leverage to improve over our forecast period**

Regarding cash generation, cash generated internally (adjusted for dividends paid and lease payments) improved strongly in FY25 to €289.6m. This was the result of a strong improvement in working capital linked to the normalization of Sol de Janeiro's sales, as well as the absence of dividend payment and M&A in FY25. At end-March 2025, the EthiFinance Ratings-adjusted net leverage ratio had improved to 2.7x (vs 3.4x as of end-March 2024), due to a lower net adjusted debt.

Going forward, we expect FCF (before dividend payments) and cashflow generated internally (after dividend payments) to remain good (respectively over €190m and €100m in average) despite strong capex (c. €75m / year) and increasing dividend payments. From FY26-28, the group will purchase the minority stakes in Sol de Janeiro (c. €600m), which we adjust in our net debt calculations. Overall, we expect an improvement in credit metrics, with an adjusted net leverage ratio to be between 2.6x and 1.8x over our forecast period.

Capitalisation

- **Debt maturities extended and available liquidity**

As of end-March 2025, L'Occitane International SA had c. €784m of consolidated gross financial debt, including a €250m term loan maturing in December 2027, €295m of lease liabilities, and €212m of NEU CP. In FY25, L'Occitane International SA refinanced its €300m term loan signed in FY22 to finance the acquisition of Sol de Janeiro by a €250m term loan, maturing in December 2027. The company also had c. €438m of undrawn, committed credit lines (RCF maturing in March 2028 mainly), in addition to c. €340m of cash at end-March 2025. Our debt adjustments amounted to €943m as we added back items we consider debt like, such as employee benefits, variable lease on stores not under IFRS 16, and put options to non-controlling interests. Net adjusted debt was €1,368m at end-March 2025 (vs €1,760m at end-March 2024).

Most of L'Occitane International SA's debt is subject to a financial covenant (net leverage ratio < 2.5x) tested annually. This ratio was complied with at end-March 2025 and is expected to remain so over our forecast period.

We analyse the group's indebtedness at L'Occitane International SA (LOI)'s level and do not factor in the debt at L'Occitane Groupe SA (LOG)'s level. As mentioned before, LOG has acquisition-related debts. However, we consider LOG as an independent ownership holding structure, with the remaining of minority shareholders, following the delisting, preventing excessive dividend payments, and the holding being constrained by restrictive covenant ratios (net leverage tested quarterly). In addition, it is to be noted that LOI and LOG banking pools are quite similar which, from our point of view, contributes to an alignment of interests between the two entities.

Liquidity

- **Superior liquidity profile**

The group's refinancing profile is considered by us to be 'superior', driven by an investment grade rating and good cash-flow generation, even under a stressed scenario.

Modifiers

- **Controversies**

Over the course of our review, we found no significant controversies regarding the L'OCCITANE Group.

- **Country risk**

Based on the group's geographic diversification, no specific country risk has been identified.

Financial forecasts

Our main assumptions for our financial forecasts over FY26-28 are:

- Moderate growth in revenues.
- Slight improvement in profitability with an adjusted EBITDA margin of around 19%.
- Cash-out flows of c. €300m / year to fund dividend and acquisitions of minority stakes.
- Adjusted net leverage to improve year on year but to remain above 2.0x in average.

Credit metrics expected evolution (CMEE)

- **Stable CMEE**

Our Stable CMEE reflects our view that credit metrics will remain broadly unchanged over the next twelve months. In absolute terms we expect credit metrics to be maintained roughly at FY25 levels.

Instrument rating

- **BBB+ rating assigned to the potential NEU MTN programme, and EF1 for the existing NEU CP programme**

In order to diversify funding sources, the company has implemented a €500m NEU CP programme and still considers implementing a NEU MTN programme for up to €300m. According to our recovery and instrument rating methodology, with the NEU MTN instrument being unsecured and unsubordinated, the rating is similar to the long-term corporate rating, which results in a BBB+ rating for the potential NEU MTN programme.

The NEU CP rating derives from our short-term methodology and is similar to the corporate short-term rating.

Main financial figures

Main financial figures. millions of EUR				
	FY23	FY24	FY25	25vs24
Turnover	2 135	2 542	2 841	11,8%
EBITDA (1)	557	511	504	-1,3%
EBITDA Margin	26,1%	20,1%	17,7%	-2,3pp
EBIT	239	233	262	12,5%
EBIT Margin	11,2%	9,2%	9,2%	0,1pp
EBT	180	189	224	18,3%
Total Assets	2 816	3 115	3 249	4,3%
Equity	1 187	912	1 163	27,6%
Total Financial Debt (2)	1 481	1 900	1 709	-10,1%
Net Financial Debt	1 334	1 760	1 368	-22,3%
Equity/TFD	80,1%	48,0%	68,1%	20,1pp
NFD/EBITDA	2,4x	3,4x	2,7x	-0,7x
Adj Funds From Operations	483	415	461	11,1%
Adj FFO/NFD	36,2%	23,6%	33,7%	10,1pp
EBITDA/Interest	22,2x	11,6x	11,2x	-0,5x

⁽¹⁾ Adjusted for variable lease expenses not covered by IFRS 16, which are capitalized, as well as non-recurring expenses and income.

⁽²⁾ Adjusted for employee benefits, variable lease expenses not covered by IFRS 16, and put options of non-controlling interests.

Credit rating

Credit Rating	
Business Risk Profile	BBB
Industry risk assessment	BBB+
Industry's ESG	Neutral
Competitive Positioning	BBB-
Governance	BBB+
Financial Risk Profile	BBB+
Cash flow and leverage	BBB
Solvency	BB+
Company's ESG	Positive
Anchor Rating	BBB+
Modifiers	-
Rating	BBB+

Rating sensitivity

- List of ratings:
 - LT corporate rating: BBB+
 - NEU MTN: BBB+
 - ST corporate rating: EF1

◦ NEU CP: EF1

- **Positive factors which could influence the ratings (↑)**

We may upgrade our long-term ratings should the group manage to control its marketing expenses and improve its profitability, leading to stronger cash generation and an EthiFinance Ratings-adjusted net leverage ratio below 2.0x on a sustained period of time.

An upgrade of our short-term ratings would result from a significant upgrade of our long-term rating used as a reference, and is therefore improbable at present.

- **Negative factors which could influence the ratings (↓)**

Conversely, poor profitability for a sustained period, combined with unexpected additional cash outflows could entail some deterioration in the credit metrics. For instance, an adjusted net leverage ratio close to 2.7x on a sustained basis could trigger a rating downgrade.

A downgrade of our short-term ratings would be contingent upon a downgrade of the long-term rating used as a reference.

Sources of information

The credit rating assigned in this report has been requested by the rated entity, which has also taken part in the process. It is based on private information as well as public information. The main sources of information are:

1. Annual Audit Reports.
2. Corporate Website.
3. Information published in the Official Bulletins.
4. Rating book provided by the Company.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
 - Corporate Rating Methodology - General : <https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203>
- The rating scale used in this report is available at <https://www.ethifinance.com/en/ratings/ratingScale>.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.

Conditions of Use for this document and its content:

For all types of Ratings that ETHIFINANCE RATINGS, S.L. (the "AGENCY") issues, the User may not, either by themselves or via third parties, transfer, sublease, sublicense, sell, extract, reuse, or dispose of in any other way the content of this Document to a third party, either for free or for consideration.

For the purpose of these Conditions of Use, any client who might have subscribed for a product and/or a service that allows him to be provided with the content of this Document as well as any privileged person who might access the content of this Document via www.ethifinance.com shall be considered as a User.

Nor may they alter, transform or distort the information provided in any way. In addition, the User will also not be permitted to copy and/or duplicate the information, nor create files which contain the information of the Document, either in its entirety or partially. The Document and its source code, regardless of the type, will be considered as the elaboration, creation, or work of the AGENCY and subject to the protection of intellectual property right regulation. For those uses of this Document which are permitted, the User is obliged to not allow the removal of the copyright of the AGENCY, the date of the Document's issuance, the business name as established by the AGENCY, as well as the logo, brands and any other distinctive symbol which is representative of the AGENCY and its rights over the Document. The User agrees to the conditions of Use of this Document and is subject to these provisions since the first time they are provided with this Document no matter how they are provided with the document. The Document and its content may not be used for any illicit purpose or any purpose other than those authorised by the AGENCY. The User will inform the AGENCY about any unauthorised use of the Document and/or its content that may become apparent. The User will be answerable to the AGENCY for itself and its employees and/or any other third party which has been given or has had access to the Document and/or its content in the case of damages which arise from the breach of obligations which the User declared to have read, accepted and understood upon receiving the Document, without prejudice to any other legal actions that the AGENCY may exercise in defence of its lawful rights and interests. The Document is provided on the acceptance that the AGENCY is not responsible for the interpretation that the User may make of the information contained. Credit analyses included in the Document, as well as the ratings and statements, are to be deemed as opinions valid on the date of issuance of the reports and not as statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The credit ratings and credit rating prospects issued by the AGENCY are consider to be its own opinion, so it is recommended that the User take it as a limited basis for any purpose that it intends to use the information for. The analyses do not address the suitability of any value. The AGENCY does not act as a fiduciary or an investment advisor, so the content of the Document should not be used as a substitute for knowledge, criteria, judgement or experience of the User, its Management, employees, advisors and/or clients in order to make investment decisions. The AGENCY will devote every effort to ensure that the information delivered is both accurate and reliable. Nonetheless, as the information is elaborated based on data supplied by sources which may be beyond the control of the AGENCY, and whose verification and comparison is not always possible, the AGENCY, its subsidiaries, and its directors, shareholders, employees, analysts and agents will not bare any responsibility whatsoever (including, without any limitations, loss of revenue or income and opportunity costs, loss of business or reputational damage or any other costs) for any inaccuracies, mistakes, noncorresponding information, incompleteness or omission of data and information used in the elaboration of the Document or in relation to any use of its content even should it have been warned of potential

damages. The AGENCY does not make audits nor assume the obligation of verifying independent sources of information upon which the ratings are elaborated. Information on natural persons that may appear in this document is solely and exclusively relevant to their business or business activities without reference to the sphere of their private life and should thus be considered. We would like to inform that the personal data that may appear in this document is treated in accordance with Regulation (EU) 679/2016, on the protection of natural persons with regard to the processing of personal data and the free movement of such data and other applicable legislation. Those interested parties who wish to exercise the rights that assist them can find more information in the link: <https://www.ethifinance.com/> in the Privacy Policy page or contact our Data Protection Officer in the mail dpo@ethifinance.com. Therefore the User agrees that information provided by the AGENCY may be another element to consider when making business decisions, but decisions will not be made based solely on it; that being the case the AGENCY will not be held responsible for the lack of suitability. In addition, the use of the information before courts and/or tribunals, public administrations, or any other public body or private third party for any reason shall be solely the User's responsibility and the AGENCY shall not be held responsible for any liabilities on the grounds of inappropriateness of the information's contents. Copyright © 2023 ETHIFINANCE RATINGS, S.L. All Rights Reserved. C/ Benjamín Franklin S/N, Edificio Camt, 1º Izquierda, 18100, Granada, España C/ Velázquez nº18, 3º derecha, 28001 - Madrid