



ISSUER RATING
LongTerm

OUTLOOK
Stable



ISSUER RATING
ShortTerm

Initiation date 29/11/2022
Rating Date 04/03/2026

Contacts

Lead analyst

Anne Guy
anne.guy@ethifinance.com

Secondary analyst

Siraj Adila
siraj.adila@ethifinance.com

Committee chair

Thomas Dilasser
thomas.dilasser@ethifinance.com

Rating Action and Rationale

- EthiFinance Ratings downgrades L'Oréal SA's long-term rating from AA to AA-, maintaining a Stable outlook. EthiFinance Ratings affirms the short-term rating at EF1+.
- Headquartered in Paris (France), L'Oréal was created in 1909 and is currently considered the world's leading group within the beauty market.
- The rating downgrade is a consequence of the impact on the credit metrics of the significant acquisitions announced by the group in FY25 and expected to be closed in FY26. L'Oréal announced two significant transactions in FY25, the first being the acquisition of Kering Beauté, the luxury beauty and fragrance segment of Kering, for a total amount of c. €4.0bn. Kering Beauté held several brand licenses (o/w Bottega Venetta, Balenciaga), and the luxury brand Creed, and generated revenues of c. €335m, for EBITDA of c. €127m, representing a 40% EBITDA margin. In addition, the group strengthened its stake in Galderma to 20% (vs 10%), the Swiss group specialized in dermatology, for c. €4.0bn. The transactions will be paid through a mix of debt (€3.0bn bonds issued in November 2025 to finance Kering Beauté deal) and cash. It is expected to lead to a deterioration of credit metrics, with an adjusted net leverage of around 0.9x at year end-2026 (vs 0.3x at end-2025). Over the rest of our forecast period, we expect our net leverage ratio to improve but remain above 0.5x.
- However, despite impacting its credit profile, both acquisitions support the group's competitive position. The luxury segment of L'Oréal is expected to benefit from the acquisition of Kering Beauté. It would grow its portfolio of brands in beauty, and in the dynamic fragrance subsegment. Regarding Galderma, the acquisition of additional shares with seats on the board of directors, is expected to materialize with a strategic scientific partnership. The dermatology market is dynamic, growing faster than the beauty market overall (c. 5% growth in 2025 vs c. 3.5% for beauty), and notably offer opportunities in emerging markets.
- L'Oréal already benefits from a solid and robust competitive position in its sector, being the world's leading company in the cosmetics industry. The group has a portfolio of 40 brands with strong recognition (8 among the top 50 brands in the world, o/w #1 L'Oréal, #5 Lancôme, and #9 Garnier). L'Oréal also covers different segments of the beauty industry: consumer market, luxury, dermatological, and professional. In addition, its sales are geographically well spread: 34% of FY25 sales in Europe, 27% in North America, 23% in North Asia, for the main geographies. E-commerce also became a significant part of sales, representing c. 30%. Finally, the group makes significant investments in R&D and tech (IA), which supports its competitive positioning.
- Despite the expected deterioration of credit metrics in FY26, the group's credit profile remains excellent. In FY25, L'Oréal delivered revenue growth of +1.3% on a reported basis and +4.0% like-for-like, outperforming the beauty market (+3.5%) albeit slightly lower than our expectations (+4% on a reported basis). Except for the consumer beauty segment, all the three other segments of L'Oréal outperformed their markets in FY25. By geography, North Asia reported a decrease in sales linked to a poor market environment, and the difficulties of travel retail. Profitability, already at the upper range of our peer group, slightly improved in FY25, with an adjusted EBITDA margin of 23.7% (vs 23.4% in FY24). Over our forecast period, we expect a growth of c. 4% (excluding perimeter effects), and a slight improvement in profitability. At end-2025, the EthiFinance Ratings-adjusted net leverage ratio improved to 0.3x, thanks to strong operating cash-flow generation, and the disposal of 2.3% of Sanofi shares for €3bn. This was, despite new acquisitions (c. €2.4bn), and returns to shareholders. Over our forecast period (2026-28), we expect the adjusted net leverage to deteriorate, given the c. €8bn of acquisitions expected in FY26, while cash outflows from capex (c. 3.6% of net sales), dividend payments, and share buybacks (€500m/year) should remain significant.
- Finally, the ratings remain slightly constrained by our appreciation of the sector. Notably, the competitiveness among players is high, with pricing, brand image, innovation intensity and marketing budgets being significant factors. The industry continues to be shaped by fast-changing consumer trends and the acceleration of digital channels.
- Under our methodology, the consumer goods sector has medium ESG risks (sector heatmap score between 3 and 3.5) given its impact on the environment. This results in a sector assessment which is not impacted by industry-related ESG considerations. Regarding environmental factors, the sector presents 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 remains advanced (company ESG score of between 0 and 1), positively impacting our financial assessment. Regarding governance factors, L'Oréal stands out with the separation of the roles of chairman and CEO, with a significant proportion of independent board members, and the prioritization of ESG issues. Our assessment of social aspect is also very good with a high number of women in its workforce, many of whom hold managerial positions, as well as a robust purchasing policy that includes the importance of human rights at all levels. Environmental considerations are excellent, with slight improvements in water consumption (-8% YoY) and scopes 1 & 2 GHG emissions (-15% YoY). These show incremental progress in the company's own operations, while no improvement is noted at the Scope 3 level. The group is committed to reach carbon neutrality across the value chain by 2050, as aligned with the

1.5-degree trajectory, validated by the SBTi. In the short term, the group is committed to reduce greenhouse gas emissions on its Scopes 1 and 2 by 57% by 2030 (vs 2019) and Scope 3 emissions by 28%. At year-end 2024, L'Oréal had already achieved a 51% decrease (vs 2019) for Scopes 1 & 2. However, Scope 3 emissions had increased by 7% (vs 2019). It's worth mentioning that the scope 3 emissions represent around 99% of L'Oréal's total GHG emissions.

Issuer Description

L'Oréal is the world's leading beauty player, operating through four divisions (Consumer Products, Luxury, Dermatological Beauty and Professional Products) and has a portfolio of 40 international brands. The group has a global industrial footprint with 36 factories and an R&I ecosystem including 21 cosmetics research centres. L'Oréal is listed on the Euronext Paris stock exchange and is included in the CAC 40 and Euro Stoxx 50 indices. It's mainly owned by the Bettencourt Meyers family (34.8%), and had a free float of 43.1% (as of 31 December 2024). As of March 2, 2026, L'Oréal had a market capitalisation of around €203bn.

In FY25, sales increased to €44.0bn (+4.0% like-for-like; +1.3% reported) with three of its four segments outperforming their markets. Adjusted EBITDA slightly improved to €10.4bn (adjusted EBITDA margin of 23.7%) vs €10.2bn in FY24 (vs 23.4%). The adjusted net leverage ratio (NFD/EBITDA) improved to 0.3x at end-2025 (vs 0.5x at end-2024).

Liquidity

We assess the liquidity profile of L'Oréal as "Superior" reflecting its high liquidity availability and its strong refinancing profile.

Credit Metrics Evolution Expectation (CMEE)

Our CMEE is Stable, reflecting our view that credit metrics will remain strong and broadly unchanged over the next twelve months.

Main Financial Figures

Main financial figures. millions of EUR						
	FY24	FY25	FY26e	FY27e	FY28e	25vs24
Turnover	43 487	44 052	46 166	48 012	49 933	1,3%
Adj EBITDA (1)	10 157	10 426	10 987	11 523	11 984	2,7%
Adj EBITDA Margin	23,4%	23,7%	23,8%	24,0%	24,0%	0,3pp
EBIT	8 250	8 386	9 167	9 633	10 021	1,7%
EBIT Margin	19,0%	19,0%	19,9%	20,1%	20,1%	0,1pp
EBT	7 994	7 991	8 923	9 458	9 913	0,0%
Total Assets	56 353	56 354	58 297	59 533	62 069	0,0%
Equity	33 138	34 953	37 737	41 015	44 144	5,5%
Adj Total Financial Debt (2)	9 164	12 585	11 421	9 096	8 175	37,3%
Adj Net Financial Debt	5 112	2 720	9 384	7 935	6 647	-46,8%
Equity/TFD	361,6%	277,7%	330,4%	450,9%	540,0%	-83,9pp
Adj NFD/Adj EBITDA	0,5x	0,3x	0,9x	0,7x	0,6x	-0,2x
Adj Funds From Operations	8 513	8 330	8 381	9 233	9 638	-2,2%
Adj FFO/Adj NFD	166,5%	306,2%	89,3%	116,4%	145,0%	139,7pp
Adj EBITDA/Adj Interest	27,2x	28,5x	27,0x	33,5x	42,0x	1,3x

⁽¹⁾ Adjusted for restructuring costs (50%), capital gains and losses on disposals, and exceptional items including in other Opex.

⁽²⁾ Adjusted for employee benefits.

Adjusted net financial debt at end-2025 has been estimated by EthiFinance Ratings as some elements we include in our net financial debt were not yet disclosed.

Credit Rating

Credit Rating	
Business Risk Profile	A
<i>Industry risk assessment</i>	<i>BBB+</i>
<i>Industry's ESG</i>	<i>Neutral</i>
<i>Competitive Positioning</i>	<i>AA-</i>
<i>Governance</i>	<i>A</i>
Financial Risk Profile	AA+
<i>Cash flow and leverage</i>	<i>AA</i>
<i>Solvency</i>	<i>AAA</i>
<i>Company's ESG</i>	<i>Positive</i>
Anchor Rating	<u>AA-</u>
<i>Modifiers</i>	<i>n/a</i>
Rating	<u>AA-</u>

Rating Sensitivity

- **Rating positive factors (↑)**

L'Oréal's long-term rating could be upgraded if the group manage to improve its credit metrics. In particular, a quick deleveraging following both acquisitions, with the return to an EthiFinance Ratings-adjusted net leverage ratio below 0.5x for a sustained period would lead to a rating upgrade.

L'Oréal SA already has the highest short-term rating.

- **Rating negative factors (↓)**

A further downgrade of L'Oréal's long-term rating could be entailed by an additional deterioration of credit metrics. In particular, should margins fall or should the group adopt a more aggressive financial policy, leading to an EthiFinance Ratings-adjusted net leverage ratio above 1.5x for a sustained period would probably lead to a rating downgrade.

A downgrade of our short-term rating could derive from a downgrade of our long-term rating but to a greater extent (several notches), which is improbable at present.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

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.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

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 considered 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 bear 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