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Estee Lauder Cos., Inc. (EL)

Acquisition of Too Faced by The Estée Lauder Companies Inc Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Estée Lauder Companies Conference Call. Today's call is being recorded and webcast. For opening remarks and introductions, I would like to turn the call over to the Vice President of Investor Relations, Mr. Dennis D'Andrea. Please go ahead, sir.

Dennis D'Andrea

Vice President-Investor Relations, Estee Lauder Cos., Inc.

Good morning, everyone, and thank you for joining us. On the call today are: Fabrizio Freda, President and Chief Executive Officer; Tracey Travis, Chief Financial Officer; and John Demsey, Executive Group President. John will join us for the Q&A portion of the call.

Since many of our remarks contain forward-looking statements, let me refer you to our website, our press release related to the acquisition, and our reports filed with the SEC, where you'll find factors that could cause actual results to differ materially from these forward-looking statements.

The purpose of today's call is share our excitement about and discuss the strategic rationale behind the company's agreement to acquire Too Faced. As we just entered into the agreement yesterday, it's too early to provide further financial details other than what is in our prepared remarks.

Fabrizio and Tracey will now provide some brief prepared remarks on the announcement, after which we'll open the line for questions. Fabrizio?

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

Thank you. Thank you for joining us. We are very excited about our announcement to acquire Too Faced, which is expected to provide another meaningful engine of growth to the Estée Lauder Companies.

Too Faced is an amazing, authentic brand, and one of fastest-growing makeup brands with strong millennial and beauty enthusiast appeal in specialty-multi and online. The differentiated brand and highly productive business has successfully driven strong growth and margin, and its net sales in calendar 2016 are expected to reach more than \$270 million, representing growth of over 70% for the year, and it's highly profitable.

In the U.S., Too Faced is among the top eight prestige makeup brands in the specialty-multi channel. This is a great brand with a distinctive feminine position, designed for vibrant consumer segments and focused in fast-growth channels. It is a beautiful, strategic fit for us and leverages many of our strengths in several areas.

It strengthens our leadership in the fastest-growing product categories in the global prestige beauty makeup. It increases our penetration with millennial and Gen Z consumers, who are socially connected beauty enthusiasts, bringing in new consumers to our company. It further diversifies our distribution mix by increasing our penetration in the specialty-multi and online channels. And it has significantly – it adds significant opportunity for future growth both domestically and internationally, as well as in travel retail.

Too Faced founders, Jerrod Blandino and Jeremy Johnson, along with their CEO, Eric Hohl, and their amazing team, have built a powerful, emotionally-connected brand that is distinctly feminine and playful with outstanding

creativity and innovation, an incredibly strong social media fan base, impressive retail relationship and strength in the specialty-multi and online channels.

Too Faced has a differentiated positioning that complements our portfolio and help us reach new consumers. Approximately 85% of Too Faced consumers are under 40 year old, strengthening our position with millennial and Gen Z.

Each consumer have been driving the rapid growth of makeup. They have a multi-channel mindset and their purchasing decisions are increasingly influenced by recommendations from friends, beauty blogger, Instagram, and other online and social media content. Too Faced creates innovative, fun-to-use products while communicating the brand message in an engaging Too Faced way, has allowed the brand to nurture a passionate community of young, digitally-sawy consumers.

The brand creates a direct emotional connection with them wherever they are, in store, online, or on their phones. The brand ranks among industry leaders in engagement and interest including over 7 million Instagram followers and relationship with more than 900 influencers. This community of brand advocates in turn drives further organic growth and content.

From a geographic standpoint, Too Faced will contribute to our growth in the U.S. by continuing to leverage its differentiated brand positioning and distribution channels, and it will help us grow even faster internationally. The brand is currently expanding internationally and we'll leverage our global commercial capabilities to accelerate its growth. Our leadership in makeup in travel retail channel will also help introduce the brand to new consumers globally.

Today, prestige consumers are shopping across multiple channels. This acquisition will help to further diversify our channel mix. Too Faced was designed from the start as a brand focused on the specialty-multi and online consumers and has quickly developed its business through [ph] advanced (5:44) digital communications and compelling in-store presence. The brands will also tap into our expertise to develop an equally compelling presence globally and further strengthen its online platforms.

Now, I will turn the call over to Tracey.

Tracey Thomas Travis

Chief Financial Officer & Executive Vice President, Estee Lauder Cos., Inc.

Thank you, Fabrizio. As Fabrizio mentioned, Too Faced is profitable with an operating margin that is currently higher than our company's average. The combination of onetime acquisition and purchase accounting costs, as well as investments in the brand's expansion which are still being finalized, are expected to be moderately dilutive to EPS in fiscal 2017 and to improve thereafter. The \$1.45 billion purchase price reflects the brand's size, strong profitability, and record of outstanding growth, as well as our plans to continue supporting the brand's momentum. The acquisition will be funded primarily with short-term debt initially, which we intend to replace with longer-term debt in the near term.

In the past month, we have announced two acquisitions in the fast-growing makeup category. We closed on BECCA yesterday. For an indication of the size of the brands, they collectively represent more than \$340 million in net sales for calendar year 2016, and are currently growing at more than 70%, truly adding another growth engine to our diverse brand portfolio which is already delivering excellent growth. We will recognize a portion of their calendar year 2016 and expected calendar year 2017 results in our financial results this year. And we plan to

update our fiscal 2017 guidance to incorporate the impact of these new brands on our second quarter earnings call in February.

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

In closing, I would like to remind you that Too Faced is the latest step in our focus in clear acquisition strategy. In recent years, we built a portfolio of artisanal fragrances at the fastest growth profitable end of the fragrance category. We have deepened our skincare business with investment in Korea and in brands with instant-benefit skincare like GLAMGLOW. And now, we've enriched our portfolio in makeup with two brands focused on younger consumer in specialty-multi distribution.

With our proven track record of acquiring and building brands, we are confident this acquisition will add significant value to our stockholders. We are thrilled to welcome to our company the founders, CEO, and employees who have built Too Faced into such a fantastic business. All of us here at Estée Lauder Companies look forward to collaborating with the Too Faced team, and to Jerrod and Jeremy who began their careers with Estée Lauder, welcome back home.

Thank you. And now, we'll be happy to take your questions.

QUESTION AND ANSWER SECTION

Operator: The floor is now open for questions. [Operator Instructions] Our first question today comes from Lauren Lieberman from Barclays.

Lauren Rae Lieberman

Analyst, Barclays Capital, Inc.

Yes. Good morning.

Q

Tracey Thomas Travis

Chief Financial Officer & Executive Vice President, Estee Lauder Cos., Inc.

Good morning.

A

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

Good morning.

A

Lauren Rae Lieberman

Analyst, Barclays Capital, Inc.

Hi. I just had to ask, I mean, we know from Women's Wear Daily that this business was sold a little over a year to private equity. Estée Lauder was said to be part of that process. So, could you just give us a little bit of insight as to why you didn't take action a year ago on this business? I mean, you're buying it now for \$1 billion more than it's reported to have been sold for a year ago. I think that would be great to hear about. Thanks.

Q

Fabrizio Freda*President, CEO & Class III Director, EsteeLauder Cos., Inc.*

A

Yeah, no, simply it's not always what you want to buy you can buy the moment you want. And so, we did look in this business before and we were not successful at that moment in time and we have been successful now.

Operator: Your next question is from Jason English with Goldman Sachs.

Jason English*Analyst, Goldman Sachs & Co.*

Q

Hey. Good morning, folks. Thank you very much for the question. I was hoping you could give us a little more detail in terms of the channel penetration footprint for the businesses, so we can sort of contemplate the opportunity for expansion and revenue synergies down the road. And then, housekeeping question, it sounds like you've probably been working on this for a while. Is it fair to say that the contribution was at least partially considered in the guidance for the back-half sales acceleration? Thank you.

Tracey Thomas Travis*Chief Financial Officer & Executive Vice President, Estee Lauder Cos., Inc.*

A

So, I'll start with the last question. We contemplated BECCA in our call a couple of weeks ago because, obviously, we knew about that transaction, so I think we mentioned that. And we mentioned what we expected the impact of that to be, even though the transaction had not yet closed, and closed yesterday. We did not contemplate Too Faced. So, when we update our guidance in February, we'll give you the impact of Too Faced on the fiscal year.

Fabrizio Freda*President, CEO & Class III Director, EsteeLauder Cos., Inc.*

A

And on the profile of Too Faced, 83%, 85% of the business of Too Faced today is in the U.S. and is mainly in the specialty-multi channels in the U.S. They've started international expansion, but all the business to be built. Then, the second important is they have a very strong online business here in the U.S., but not internationally. So, the possible vector of growth are continued growth in the United States, continued expansion of the online platforms, expansion internationally including travel retail, the online international platforms, and many other supporting capabilities that we have.

Lastly, we obviously have a rich, powerful, also ability to develop new formulas, great products, and so Too Faced will have access of many of the company capabilities in this area for further accelerating their growth.

Operator: Your next question is from Ali Dibadj with Bernstein.

Ali Dibadj*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Hey, guys. Just want to follow up on that and another question. So, can you help us at least quantify the distribution potential you have just in the U.S. with Too Faced. So, think of it like an ACV metric or something like that. How much further just from a U.S. distribution perspective you guys have figured in the U.S. acquisition?

And then the second is a broader question. You made several acquisitions. The brand seemed compelling. But why is now the right time for all these acquisitions? We keep hearing from a lot of folks, they're trying to make acquisitions, that these things are expensive right now. Clearly, this is in that case as well. And so, why is now the

right time to make all these acquisitions back to back to back? Because some skeptics would say, well, it's because your core business is slowing, that's why you're doing it. So, I want to get that on the table. And in that context, how much more M&A should we expect going forward? Thank you.

Fabrizio Freda

President, CEO & Class III Director, EsteeLauder Cos., Inc.

A

I'll start from the second one. I mean, we closed fiscal year 2016 growing 7.2% with two quarters out of four growing 8%. I would now define this as slowing business. And obviously, all this acquisition has been doing with that kind of performance, not started during the last quarter discussion.

So, we are not doing this acquisition for any short-term reason. They are a part of a long-term M&A strategy, and I explain our three goals and we clearly stated was that we wanted to create a great portfolio of brands in the high-end fragrances that we believe will lead the future of the fragrance profitable market around the world. We wanted to have access to a strong growing Korean brands that we did with Dr. Jart+. We believe that in the new trends in instant skincare where we purchased GLAMGLOW.

And we have, obviously, evidence that the fastest-growing category is makeup, and the millennial consumer, Gen Z consumer, are the consumers around the world starting with the United States driving this beautiful trend, and we wanted to acquire brands that speak directly to these consumers. This consumer happen in this moment in the U.S. to have a strong preference for the specialty-multi channel. And so, these brands are well distributed and penetrated in the specialty-multi channel. So, those are the reasons why we've done this acquisition and the reason why we've done now because these brands were available now and because they are great brands that we wanted to add to our portfolio.

The first part of the question about distribution. So, first of all, the brands, Too Faced and also BECCA are growing very much same door. So, the majority of their growth is same door growth in the United States. So, these brands are on the roll. And the expansion plan is only partially built on international distribution, but in the U.S., it's a lot about same door.

Then obviously, the specialty-multi channel in which they are present is expanding several number of doors and these brands is expected to expand with them in these doors, plus there is a possibility of continually enforcing online platforms on this brand. Internationally, it's a big wide, wide space with a lot of opportunity for expansion.

Ali Dibadj

Analyst, Sanford C. Bernstein & Co. LLC

Q

Thanks for addressing that.

Operator: Your next question is from Olivia Tong from Bank of America.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

Great. Thank you. Can you talk about, with your prior acquisitions, how fast you expanded them internationally? I mean, going back a few of the ones more recently, and then also maybe as far back as M·A·C. Like, when you acquired it, it probably was sort of 85%-15% U.S. versus rest of world. How many years, in three years, in five years, et cetera, how long could it take to sort of get to sort of a steady-state international level that you wanted?

Fabrizio Freda

President, CEO & Class III Director, EsteeLauder Cos., Inc.

A

I think that to do a well organized, a well-thought-through international expansion, it takes three, five years. And so, that's obviously the plan. These brands have been designed really thinking about the millennial and Gen Z consumer and the specialty channel and the online platforms. So, these channels, these platforms will be overwhelming priority also in the international expansion.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

And then...

John D. Demsey

Executive Group President, Estee Lauder Cos., Inc.

A

It's John Demsey. I just wanted to add, if you look at Smashbox, which was a bit similar in terms of the distribution, the difference between Too Faced and Smashbox is that Too Faced has no distributors operating around the world. So basically, this was all handled directly by Too Faced. So, there's no disintermediation of distributors, so we actually have a much cleaner runway in terms of accelerating Too Faced within the multi-specialty network. Whereas in the other brands that we bought as of late, they've had distributors as part of the process. So, that's just something to keep in mind.

Olivia Tong

Analyst, Bank of America Merrill Lynch

Q

Great. Thank you. And then in terms of other M&A opportunities that you may or may not be looking at, are there other ones – how's the environment? Are there ones that are bigger, smaller? If you could just give us a little bit more color on other things in the market. Thanks.

Fabrizio Freda

President, CEO & Class III Director, EsteeLauder Cos., Inc.

A

As we said, our M&A strategy is not changing. So, we continuously look at opportunities around the market. And we only get interested when this opportunity fits specifically the strategic gaps that we have identified and agreed with our board of directors. So, our M&A strategy is very focused and very sharp, as I explained before, fitting specific strategic opportunities that we have identified.

Operator: Your next question is from Mark Astrachan with Stifel.

Mark Astrachan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Yeah. Thanks and good morning, everybody. I wanted to ask your response to some of what the likely pundits would say out there that Too Faced and, to a lesser extent, BECCA is a response to weakening makeup trends specifically, M·A·C. And then, related probably for John, just thoughts on how BECCA and Too Faced complement or potentially gain share away from M·A·C.

Fabrizio Freda

President, CEO & Class III Director, EsteeLauder Cos., Inc.

A

So first of all, let me clarify, M-A-C, as we explained, had a soft quarter in the U.S. U.S. is 33% of our business. M-A-C has been growing internationally. And we also said that our estimates for the year that M-A-C will continue to be a double-digit growth brand in our portfolio. So, the M-A-C softening in the U.S. in one quarter is not behind our acquisition strategy that has been deployed and worked on for years. And so, the two things are completely disconnected.

As far as M-A-C softening, [ph] so to say (19:48) M-A-C is still one of the biggest brands in makeup in the industry, and one of the growing one globally and is a very strong brand. And there is – the acquisition, actually, has been also chosen in a way that they are complementary to our M-A-C business and with most possible limited cannibalization. As I explained in the remarks, Too Faced is a feminine brand, very different or more profile than M-A-C makeup artists brands.

With this, I would like John Demsey to say a few words also to explain how those two brands are very complementary, and they add different consumers to our portfolio.

John D. Demsey

Executive Group President, Estee Lauder Cos., Inc.

A

If you look at our portfolio of makeup artistry brands, specifically Smashbox, Bobbi Brown, and M-A-C, all of them are studio makeup brands which are in masculine codes in terms of black packaging and a service proposition, to a lesser extent, on Smashbox, but the same.

If you look at Too Faced, Too Faced actually represents a territory of femininity and whimsy that, quite honestly, if you look at the portfolio of our makeup brands, is net extra to us. So, I guess, it's a very big segment in the world, not just in the United States but in Europe and in Asia as well. But if you look at something that's incremental in terms of our portfolio and less cannibalistic to the products that we have, we believe that the unique positioning of the brand is new territory for the Estée Lauder Companies. And with that in mind, we view it as a very big business opportunity that's net extra to us.

Relative to BECCA, BECCA is a leader in terms of complexion and category, which is powered by social media and new channels of multi-specialty retail. As Too Faced is also powered by channels of multi-specialty retail, we believe that long-term, there may be synergies and go-to market to really expand upon those opportunities.

Mark Astrachan

Analyst, Stifel, Nicolaus & Co., Inc.

Q

Thank you.

Operator: Your next question is from Kevin Grundy with Jefferies.

Kevin Grundy

Analyst, Jefferies LLC

Q

Hey. Good morning. Thanks for the question. So, my question is on the sustainability of the growth, and understanding the channel and geographic explanations that you provided qualitatively. So, the 60% to 70% growth is fantastic but clearly not sustainable. Can you help us with the phasing of that growth over the next three years to five years? And with that explanation, maybe you can touch on a bit, and you have commented briefly, but touch on what your consumer research suggest about brand loyalty and product differentiation that justifies those assumptions. Thank you.

Fabrizio Freda

President, CEO & Class III Director, EsteeLauder Cos., Inc.

A

So, first of all, 70% is the current growth of these brands, and depending on the pace of international expansion and different things, these numbers will vary over the years. So, it's difficult to make prediction for each specific brand, but will be high growth.

What I can tell you that our historical acquired brands like M-A-C and Bobbi Brown have been growing for years, an average growth of 20%, 25%, also in the past when the market of makeup was lower in growth and the ability to international business was lower in terms of distribution with that. So, these brands can have very sustained double-digit growth for several years to come.

John D. Demsey

Executive Group President, Estee Lauder Cos., Inc.

A

Also, I just might add that if you look specifically at Too Faced, the earned media value of the brand given the size of its business from a retail and net perspective is outsized. And there shows a lot of brand love. And when you look at the market research and what people are telling us, this is not just great products, this is a great brand. And the Estée Lauder Companies has always been about building great brands.

Kevin Grundy

Analyst, Jefferies LLC

Q

Thank you.

Tracey Thomas Travis

Chief Financial Officer & Executive Vice President, Estee Lauder Cos., Inc.

A

And lastly, I would just add that while we certainly believe that Too Faced and BECCA have the opportunity to continue to grow with 60% to 70%, that is not what our acquisition case was based on.

Operator: Your next question is from Linda Bolton Weiser with B. Riley.

Linda B. Weiser

Analyst, B. Riley & Co. LLC

Q

Hi. So, your discussion of the positioning of the brand of Too Faced is interesting. Can you maybe talk about also the competitive landscape in that space? I know that L'Oréal acquired Urban Decay a while back and I don't know if that's positioned similarly or differently, but maybe you could comment on other competitive brands that are trying to capture that younger millennial color-oriented consumer.

Fabrizio Freda

President, CEO & Class III Director, EsteeLauder Cos., Inc.

A

No. We would like not to talk about other competitive brands, but we can talk about our portfolio. We have built an amazing portfolio on the consumer, Smashbox, obviously now BECCA and Too Faced, M-A-C, are all brands which are directly go into this consumer in a very new, innovative way. And then in our historical [ph] hairs (24:59) portfolio, Clinique speaks also very well to this consumer from a different angle. So, we believe we have built really a power portfolio and we believe this is the best portfolio, again, in the entire industry in the ability to talk to these brands. John, do you want to add something?

John D. Demsey

Executive Group President, Estee Lauder Cos., Inc.

A

No. I don't like to comment on our competition. Go into Sephora and ULTA, you tell me based on what you see. I mean, there is space out there. There are brands that are doing competitively very well around the world. This brand happens to be the lead, growing brand in the space.

Operator: Your next question is from Steve Powers with UBS.

Stephen R. Powers

Analyst, UBS Securities LLC

Q

Great. Thanks. Just two quick clarifications for me. The first one is, I just want to confirm that there are no limits to your desire to take this brand internationally. One of the founders has quoted to Women's Wear Daily, for example, as desiring not to enter China. I just want to validate if that comment is referring to production and not actual retail sales for some reason.

And then secondly, Tracey, understanding that you'll update guidance in the coming months, the dilutive impacts that you mentioned for fiscal 2017, is there any way you can help parse at this point how much of that is the purchase accounting and financing versus actual investments in the brand expansion? And lastly, is it fair to assume that some of that carries forward until at least the first half of fiscal 2018? Thank you.

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

A

So, let me start with the first question. No, actually, you are correct. In our plan of international expansion, there is no China in what we have based our acquisition on and on our plan. So, for the time being, we do not plan to go into China in the current situation. Tracey?

Tracey Thomas Travis

Chief Financial Officer & Executive Vice President, Estee Lauder Cos., Inc.

A

And as that relates to the purchase accounting, much of the impact this year, I said it was moderate. It's related to onetime acquisition costs which will not carry forward. The purchase accounting impact that will carry forward we expect in fiscal 2018 to be neutral to – starting to be accretive and accretive there forward – or forward on. So, that would be the impact. But again, we are finalizing all of the closing and we'll have final numbers certainly ready for you in February.

Stephen R. Powers

Analyst, UBS Securities LLC

Q

Okay. Thanks. And, Fabrizio, just back on China. It sounds like then, in order to enter China, you would have to potentially reach in a revised agreement, at least understanding with the founders, is that fair?

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

A

No. No. That's not fair. The brand has a clear position of cruelty free. And in order to sustain this position, we cannot enter China and we will not. And the founders are absolutely right that the image of the brand that they've created, we intend to sustain.

Stephen R. Powers

Analyst, UBS Securities LLC

Q

Understood.

Tracey Thomas Travis

Chief Financial Officer & Executive Vice President, Estee Lauder Cos., Inc.

A

There are many other markets, as John and Fabrizio mentioned internationally where this brand has the opportunity to grow and become quite sizable. And that includes other Asian markets as well.

Stephen R. Powers

Analyst, UBS Securities LLC

Q

Okay. Thank you.

Operator: We have time for one more question from Wendy Nicholson with Citi.

Wendy C. Nicholson

Analyst, Citigroup Global Markets, Inc. (Broker)

Q

First of all, just to clarify, specifically what age is Too Faced targeted at? Is it pretty much exclusively millennials? And then secondly, just because, John, we have you on the phone, which is awesome, can you give us your perspective on M·A·C? And I guess the couple things that I'm worried about, just over the last kind of six, nine months, we have seen some things that are different in M·A·C than before. We've seen more traditional advertising not just with Ariana Grande but specific real advertising for lipstick, for example.

We've also gotten emails about sales taking place at M·A·C, product on discount. Can you give us your take on that and whether you think something has just fundamentally changed for the brand in North America or whether all of that is just sort of unusual timing and whatnot? And my specific question is, if you're going to start promoting discounting, putting the product on sale, if you're going to start advertising traditionally, what does that mean for the margins of M·A·C going forward? Thanks.

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

A

So, let me start with Too Faced. Too Faced is millennials and Gen Z, as I said in my prepared remark. So, it's very – a brand that targets the young generation today driving an enormous percent of the makeup growth in the U.S. and internationally.

John D. Demsey

Executive Group President, Estee Lauder Cos., Inc.

A

I also just want to add, though the target for Too Faced is millennial and Generation Z, there are many women who love being forever young and being forever feminine. Think of all the women that you know who collect dolls on their dresser regardless what their age is, but we've been very surprised to see how many people actually love this brand and love the story of Too Faced.

Relative to the M·A·C business, it's been a more challenging time for the brand specifically in North America, not the situation globally. M·A·C has advertised product launches for the last 10 years. So, that is not new activity for the brand. We always try new ways to engage with the consumer. The real activity for M·A·C is on social media, and M·A·C has the largest social media platform of any brand in the prestige space. So, that's something we're

very proud of. So, I feel very comfortable that the M-A-C business model will be moving forward strongly, is sustainable, and its equity is in check.

Wendy C. Nicholson

Analyst, Citigroup Global Markets, Inc. (Broker)

Q

And the margin profile on Too Faced, I assume it's higher margin because it doesn't do much in the way of traditional advertising? What do you expect going forward? Is that going to be the same, just more digital, or do you expect to be doing print ads as well?

John D. Demsey

Executive Group President, Estee Lauder Cos., Inc.

A

The business model of multi-specialty and the business model of freestanding stores demonstrated deal with different dynamics in terms of cost of goods and selling cost. So, the margin of Too Faced and the margin of M-A-C are not that dissimilar from each other. They're both highly profitable brands with different ways of driving their business.

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

So, in conclusion, we are a strong, high-growth company, and we intend to remain such. M-A-C will continue to be a growth engine in our company and definitely a very profitable growth engine. And Too Faced is adding a very strong growth engine to our company to continue be where we want to be. Tracey?

Tracey Thomas Travis

Chief Financial Officer & Executive Vice President, Estee Lauder Cos., Inc.

As is BECCA.

Fabrizio Freda

President, CEO & Class III Director, Estee Lauder Cos., Inc.

Yeah. And BECCA. Too Faced and BECCA. So, the key message today is that we are really focused to combine the strength of our base business and our acquisition strategy to continue to grow strongly in this very high-growth makeup category around the world and in the total beauty market to continue to grow globally 4% to 5%, and is one of the fastest-growing industry which we are part of.

Operator: That concludes today's question-and-answer session. If you were unable to join the entire call, a playback will be available at 1 PM Eastern Time through November 29. To hear a recording of the call, please dial 855-859-2056, passcode 206506069. That concludes today's Estée Lauder Conference Call. I would like to thank you all for participating and wish you all a good day. You may now disconnect.

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